

LPP

Interim condensed financial statement for Q4 2015 of LPP
SA Capital Group

GDAŃSK, FEBRUARY 2016

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1. Selected consolidated financial data of LPP SA Capital Group

Selected consolidated financial data	4Q 2015	4Q 2014	4Q 2015	4Q 2014
	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014
	in thousand PLN		in thousand EUR	
Net revenues from sales of products, goods and materials	5 130 348	4 769 288	1 225 948	1 138 445
Profit (Loss) on operating activities	503 223	609 103	120 250	145 395
Pre-tax profit (loss)	414 901	459 895	99 145	109 778
Net profit (loss)	352 042	481 860	84 124	115 022
Net cash flows from operating activities	284 842	492 896	68 066	117 656
Net cash flows from investing activities	-413 862	-475 959	-98 896	-113 613
Net cash flows from financing activities	169 938	17 237	40 608	4 115
Total net cash flows	40 918	34 174	9 778	8 157

Selected consolidated financial data	4Q 2015	4Q 2014	4Q 2015	4Q 2014
	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014
	in thousand PLN		in thousand EUR	
Total assets	3 561 822	2 933 726	835 814	688 296
Long-term liabilities	342 263	210 714	80 315	49 437
Short-term liabilities	1 329 096	1 084 598	311 885	254 463
Equity	1 890 463	1 638 414	443 614	384 397
Share capital	3 662	3 662	859	859
Weighted average number of ordinary shares	1 812 145	1 809 725	1 812 145	1 809 725
Profit (Loss) per ordinary share (in PLN / EUR)	194,3	266,3	46,4	63,6
Book value per ordinary share (in PLN / EUR)	1 043,2	905,3	244,8	212,4
Declared or paid dividends per ordinary share (in PLN / EUR)	32,00	93,60	7,5	22,3

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

Statement of the financial position	Balance at the end:	
	4Q15 31.12.2015	31.12.2014
ASSETS		
Non-current assets	1 795 796	1 516 416
1. Tangible fixed assets	1 258 722	1 038 837
2. Intangible assets	37 342	28 751
3. Goodwill	209 598	209 598
4. Trademark	77 508	77 508
5. Investments in subsidiaries	136	136
6. Investments in other entities	1 625	2 405
7. Receivables and loans	5 946	6 300
8. Deferred tax assets	137 992	143 531
9. Pre-payments	66 927	9 350
Current assets	1 766 026	1 417 310
1. Inventory	1 317 648	979 345
2. Trade receivables	116 371	176 947
3. Receivables from income tax	46 589	11 194
4. Other receivables	34 994	46 281
5. Loans	128	167
6. Other financial assets	0	0
7. Pre-payments	25 849	19 847
8. Cash and cash equivalents	224 447	183 529
TOTAL assets	3 561 822	2 933 726

Statement of the financial position	Balance at the end:	
	4Q15 31.12.2015	31.12.2014
LIABILITIES		
Equity	1 890 463	1 638 414
1. Share capital	3 662	3 662
2. Own shares	-43 306	-43 288
3. Share premium	235 074	235 074
4. Other capital	1 323 736	1 092 205
5. Foreign exchange differences from the conversion of units	-228 755	-184 376
6. Retained earnings	600 052	531 906
- profit (loss) from previous years	248 010	52 360
- net profit (loss) for the current period	352 042	479 546
7. Minority interest	0	3 231
Long-term liabilities	342 263	210 714
1. Bank credits and loans	284 253	204 461
2. Provisions for employee benefits	2 212	1 596
3. Provision for deferred income tax	5 322	4 657
4. Accruals	50 476	
Short-term liabilities	1 329 096	1 084 598
1. Trade and other liabilities	719 238	618 578
2. Income tax liabilities	2 791	37 972
3. Bank credits and loans	561 074	378 346
4. Other financial liabilities	0	7
5. Provisions	17 741	20 201
6. Special funds	427	157
7. Accruals	27 825	29 337
TOTAL liabilities	3 561 822	2 933 726

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

Statement of the results and other total revenue	YTD	4Q15	YTD	4Q14
	01.01.2015-31.12.2015	01.10.2015-31.12.2015	01.01.2014-31.12.2014	01.10.2014-31.12.2014
Continuing operations				
Sales revenue	5 130 348	1 575 022	4 769 288	1 404 938
Cost of goods sold	2 387 538	712 264	1 976 788	575 837
Gross Profit (Loss) on sales	2 742 810	862 758	2 792 500	829 101
Other operating income	24 177	7 694	45 889	18 880
Selling costs	2 012 206	557 118	1 942 937	502 871
General costs	178 929	51 269	205 411	73 310
Other operating expenses	72 629	26 171	80 938	23 550
Profit (Loss) on operating activities	503 223	235 894	609 103	248 250
Financial income	1 981	47	3 002	1 030
Financial cost	90 303	42 056	152 210	75 627
Pre-tax Profit (Loss)	414 901	193 885	459 895	173 653
Taxes	62 859	20 856	-21 965	-71 974
Net Profit (Loss)	352 042	173 029	481 860	245 627
Net Profit (Loss) attributable to:				
Shareholders of parent company	352 042	173 029	479 546	245 074
Non- controlling entities	0	0	2 314	553
Other comprehensive income				
Exchange differences from the conversion of units	-44 379	-22 831	-180 314	-144 938
Total comprehensive income	307 663	150 198	301 546	100 689

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		-22							-22
Minority shareholders' net profit								2 314	2 314
Payment of dividends to minority shareholders								-2 261	-2 261
Distribution of profit for 2013				225 093		-394 710			-169 617
Acquisition of shares			5						5
Remuneration paid in shares		5 518		3 818					9 336
Contribution by minority shareholders				2 937					2 937
Transactions with shareholders	0	5 496	5	231 848	0	-394 710	0	53	-157 308
Net profit (loss) for 2014							479 546		479 546
Exchange differences after the conversion of units					-180 314				-180 314
Balance as at 31 December 2014	3 662	-43 288	235 074	1 092 205	-184 376	52 360	479 546	3 231	1 638 414

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 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		-18							-18
Distribution of profit for 2014				225 908		-283 896			-57 988
Remuneration paid in shares				2 392					2 392
Contribution by minority shareholders				3 231				-3 231	0
Transactions with shareholders	0	-18	0	231 531	0	-283 896	0	-3 231	-55 614
Net profit (loss) for 2015							352 042		352 042
Exchange differences after the conversion of units					-44 379				-44 379
Balance as at 31 December 2015	3 662	-43 306	235 074	1 323 736	-228 755	248 010	352 042	0	1 890 463

5. Consolidated cash flow statement of LPP SA Capital Group

Cash flow statement	YTD	4Q15	YTD	4Q14
	01.01.2015- 31.12.2015	01.10.2015- 31.12.2015	01.01.2014- 31.12.2014	01.10.2014- 31.12.2014
A. Cash flows from operating activities - indirect method				
I. Pre-tax profit (loss)	414 901	193 885	459 895	173 653
II. Total adjustments	-130 059	102 198	33 001	117 215
1. Amortisation and depreciation	223 555	61 691	193 670	51 640
2. Foreign exchange gains (losses)	14 059	1 116	22 840	5 680
3. Interest and profit sharing (dividends)	18 338	5 234	13 670	4 549
4. Profit (loss) on investing activities	18 179	9 707	8 951	16 175
5. Income tax paid	-127 987	-28 983	-91 091	-13 782
6. Change in provisions	-1 331	3 859	-432	-1 138
7. Change in inventories	-379 605	-1 505	-259 076	7 573
8. Change in receivables	5 443	-9 689	51 670	-7 684
9. Change in short-term liabilities excluding credits and loans	151 361	66 600	80 078	50 635
10. Change in prepayments and accruals	-44 670	-6 292	-1 137	10 391
11. Other adjustments	-7 401	460	13 858	-6 824
III. Net cash flows from operating activities	284 842	296 083	492 896	290 868
B. Cash flows from investing activities				
I. Inflows	75 353	27 704	87 758	36 823
1. Disposal of intangible and tangible fixed assets	74 357	27 654	75 884	35 350
2. From financial assets, including:	996	50	6 838	1 473
a) in related parties	182	0	214	10
- liquidation of companies			0	0
- interest and dividend	182	0	214	10
b) in other entities	814	50	6 624	1 463
- sales of financial assets - foreign bonds			4 003	2 003
- repayment of loans	303	42	1 501	-516
- interest	511	8	1 120	-24
3. Other investment inflows			5 036	
II. Outflows	489 215	151 017	563 717	156 434
1. Purchase of intangible assets and tangible fixed assets	488 963	150 931	550 522	160 364
2. For financial assets, including:	252	86	13 195	-3 930
a) in related parties	0	0	8 861	-4 051
- purchase of shares			8 861	-4 051
- loans granted				0
- long-term loans granted				0
b) in other entities	252	86	4 334	121
- purchase of financial assets			4 003	0
- loans granted	252	86	331	121
3. Other capital expenses				
III. Net cash flows from investing activities	-413 862	-123 313	-475 959	-119 611
C. Inflows from the financing activities				
I. Inflows	333 594	59	282 535	36 185
1. Inflows from issuance of shares			5	0
2. Credits and loans	333 594	59	282 530	36 185
3. Other inflows from financial activities				0
II. Outflows	163 656	68 259	265 298	141 061
1. Cost of maintaining own shares	18	4	22	6
2. Dividends to shareholders	57 988	0	171 878	452

3. Repayment of credits and loans	87 111	62 848	78 510	136 117
4. Payment of liabilities arising from financial leases			77	-121
5. Interest	18 539	5 407	14 811	4 607
6. Other outflows from financial activities				
III. Net cash flows from financing activities	169 938	-68 200	17 237	-104 876
D. Total net cash flows	40 918	104 570	34 174	66 381
E. Balance sheet change in cash, including:	40 918	104 570	34 174	66 381
- change in cash due to foreign exchange differences	-6 188	-1 402	-13 037	-9 297
F. Cash opening balance	183 529	119 877	149 355	117 148
G. Closing balance of cash, including:	224 447	224 447	183 529	183 529
- of limited disposability	228	228	1 016	1 016

6. Selected financial data of LPP SA

Selected financial data	4Q 2015	4Q 2014	4Q 2015	4Q 2014
	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014	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	4 335 747	4 000 397	1 036 070	954 908
Profit (loss) on operating activities	248 025	477 389	59 268	113 954
Pre-tax profit (loss)	381 477	311 724	91 158	74 410
Net profit (loss)	344 072	283 896	82 219	67 767
Net cash flows from operating activities	93 545	159 284	22 354	38 022
Net cash flows from investing activities	-204 080	-195 556	-48 767	-46 680
Net cash flows from financing activities	169 865	19 462	40 591	4 646
Net cash flows, total	59 330	-16 810	14 177	-4 013

Selected financial data	4Q 2015	4Q 2014	4Q 2015	4Q 2014
	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
	in thousand PLN		in thousand EUR	
Total assets	3 416 667	2 788 196	801 752	654 153
Long-term liabilities	315 900	208 054	74 129	48 813
Short-term liabilities	1 244 656	1 012 489	292 070	237 545
Equity	1 856 111	1 567 653	435 553	367 795
Share capital	3 662	3 662	859	859
Weighted average number of ordinary shares	1 812 145	1 809 725	1 812 145	1 809 725
Profit (loss) per ordinary share (in PLN / EUR)	189,9	156,9	45,4	37,4
Book value per ordinary share (in PLN / EUR)	1 024,3	866,2	240,4	203,2
Declared or paid dividends per ordinary share (in PLN / EUR)	32,00	93,60	7,5	22,0

7. Statement of the financial position of LPP SA

Statement of the financial position	Balance at the end:	
	4Q15 31.12.2015	31.12.2014
ASSETS		
Non-current assets	1 864 297	1 522 777
1. Tangible fixed assets	834 864	680 631
2. Intangible assets	34 274	25 368
3. Goodwill	179 618	179 618
4. Investments in subsidiaries	707 547	538 065
5. Receivables and loans	1 683	1 579
6. Deferred tax assets	105 793	96 895
7. Pre-payments	518	621
Current assets	1 552 370	1 265 419
1. Inventory	952 124	712 315
2. Trade receivables	417 940	466 834
3. Receivables from income tax	35 322	0
4. Other receivables	17 072	18 052
5. Loans	112	151
6. Other financial assets	0	0
7. Pre-payments	16 289	13 886
8. Cash and cash equivalents	113 511	54 181
TOTAL assets	3 416 667	2 788 196

Statement of the financial position	Balance at the end:	
	4Q15 31.12.2015	31.12.2014
LIABILITIES		
Equity	1 856 111	1 567 653
1. Share capital	3 662	3 662
2. Own shares	-43 306	-43 288
3. Share premium	235 074	235 074
4. Other capital	1 316 609	1 088 309
5. Retained earnings	344 072	283 896
- profit (loss) from previous years	0	0
- net profit (loss) for the current period	344 072	283 896
Long-term liabilities	315 900	208 054
1. Bank credits and loans	284 253	204 461
2. Other liabilities	0	0
3. Provisions for employee benefits	1 790	1 504
4. Provision for deferred income tax	3 567	2 089
5. Accruals	26 290	0
Short-term liabilities	1 244 656	1 012 489
1. Trade and other liabilities	652 795	572 153
2. Income tax liabilities	0	35 072
3. Bank credits and loans	560 661	377 988
4. Provisions	8 642	11 196
5. Special funds	227	34
6. Accruals	22 331	16 046
TOTAL liabilities	3 416 667	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	4Q15	YTD	4Q14
	01.01.2015-31.12.2015	01.10.2015-31.12.2015	01.01.2014-31.12.2014	01.10.2014-31.12.2014
Sales revenue	4 335 747	1 303 983	4 000 397	1 152 456
Cost of goods sold	2 522 729	743 857	2 073 351	581 028
Gross Profit (Loss) on sales	1 813 018	560 126	1 927 046	571 428
Other operating income	50 879	19 513	111 812	15 306
Selling costs	1 246 219	342 754	1 181 702	314 976
General costs	294 249	87 374	272 478	78 610
Other operating expenses	75 404	10 893	107 289	18 415
Profit (Loss) on operating activities	248 025	138 618	477 389	174 733
Financial income	296 415	89 234	225 771	35 257
Financial cost	162 963	61 379	391 436	173 815
Pre-tax Profit (Loss)	381 477	166 473	311 724	36 175
Taxes	37 405	18 503	27 828	-267
Net Profit (Loss)	344 072	147 970	283 896	36 442
Other total comprehensive income	0	0	0	0
Total comprehensive income	344 072	147 970	283 896	36 442

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		-22					-22
Distribution of profit for 2013				224 959	-394 575		-169 616
Acquisition of shares			5				5
Remuneration paid in shares		5 517		3 818			9 335
Transactions with shareholders	0	5 495	5	228 777	-394 575	0	-160 298
Net profit (loss) for 2014						283 896	283 896
Balance as at 31 December 2014	3 662	-43 288	235 074	1 088 309	0	283 896	1 567 653
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		-18					-18
Distribution of profit for 2014				225 908	-283 896		-57 988
Remuneration paid in shares				2 392			2 392
Transactions with shareholders	0	-18	0	228 300	-283 896	0	-55 614
Net profit (loss) for 2015						344 072	344 072
Balance as at 31 December 2015	3 662	-43 306	235 074	1 316 609	0	344 072	1 856 111

10. Cash flow statement of LPP SA

Cash flow statement	YTD	4Q15	YTD	4Q14
	01.01.2015- 31.12.2015	01.10.2015- 31.12.2015	01.01.2014- 31.12.2014	01.10.2014- 31.12.2014
A. Cash flows from operating activities - indirect method				
I. Pre-tax profit (loss)	381 477	166 473	311 724	36 175
II. Total adjustments	-287 932	20 990	-152 440	163 167
1. Amortisation and depreciation	128 476	34 494	110 871	29 474
2. Foreign exchange gains (losses)	14 059	1 116	14 865	5 937
3. Interest and profit sharing (dividends)	-164 364	-55 357	-143 576	-35 057
4. Profit (loss) on investing activities	4 921	5 225	285 716	135 531
5. Income tax paid	-114 974	-21 791	-86 105	-14 222
6. Change in provisions	-2 267	573	-6 224	1 221
7. Change in inventories	-239 838	22 987	-141 284	-12 106
8. Change in receivables	-5 388	10 199	-243 603	11 750
9. Change in short-term liabilities excluding credits and loans	89 764	18 058	46 899	32 396
10. Change in prepayments and accruals	-713	4 883	665	6 196
11. Other adjustments	2 392	603	9 336	2 047
III. Net cash flows from operating activities	93 545	187 463	159 284	199 342
B. Cash flows from investing activities				
I. Inflows	254 585	86 791	232 709	75 953
1. Disposal of intangible and tangible fixed assets	70 920	25 749	66 771	31 228
2. From financial assets, including:	183 665	61 042	165 938	44 725
a) in related parties	183 335	61 000	161 758	42 665
- interest and dividend	183 335	61 000	160 541	41 448
- liquidation of companies	0		0	0
- repayment of granted loans	0		1 217	1 217
b) in other entities	330	42	4 180	2 060
- interest	27	0	30	8
- sales of financial assets - foreign bonds	0		4 003	2 003
- repayment of loans granted	303	42	147	49
3. Other investment inflows				
II. Outflows	458 665	116 904	428 265	143 007
1. Purchase of intangible assets and tangible fixed assets	288 624	82 691	328 711	100 476
2. For financial assets, including:	170 041	34 213	99 554	42 531
a) in related parties	169 789	34 127	95 220	42 410
- purchase of shares	169 789	34 127	95 220	42 410
- loans granted	0	0	0	0
- long term loans granted	0	0	0	0
b) in other entities	252	86	4 334	121
- loans granted	252	86	104	104
- long term loans granted			227	17
- purchase of financial assets	0		4 003	0
3. Other capital expenses				
III. Net cash flows from investing activities	-204 080	-30 113	-195 556	-67 054

C. Inflows from the financing activities				
I. Inflows	333 522	0	282 438	36 186
1. Credits and loans	333 522	0	282 433	36 186
2. Inflows from issuance of shares	0		5	
3. Other inflows from financial activities	0		0	0
II. Outflows	163 657	68 259	262 976	140 845
1. Cost of maintaining own shares	18	4	22	6
2. Dividends to shareholders	57 989	0	169 617	0
3. Repayment of credits and loans	87 111	62 848	78 526	136 231
4. Interest	18 539	5 407	14 811	4 608
5. Other outflows from financial activities	0		0	0
III. Net cash flows from financing activities	169 865	-68 259	19 462	-104 659
D. Total net cash flows	59 330	89 091	-16 810	27 629
E. Balance sheet change in cash, including:	59 330	89 091	-16 810	27 629
- change in cash due to foreign exchange differences	1 440	1 300	123	-379
F. Cash opening balance	54 181	24 420	70 991	26 552
G. Closing balance of cash, including:	113 511	113 511	54 181	54 181
- of limited disposability	431	431	34	34

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR Q4 2015

1. About LPP SA Capital Group

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

- LPP SA as the parent,
- 4 domestic subsidiaries,
- 16 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
20.	LPP Reserved UK LTD	Altrincham, UK	15.10.2015

The dominance of LPP SA in the subsidiaries, due to its almost 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 31 December 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 – 0.02%
- in the Group's sales revenue and finance revenue – 0.19%

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, Eastern, Western Europe and the Middle East. 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 Q4 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 four quarters of 2014 amounted to PLN 22 705 thousand. This amount is the difference between the value of the sale of investment (the amount of PLN 61 672 thousand) and the cost incurred to build the stores (the amount of PLN 38 967 thousand).

Using the new rules, the result, as costs adjustment, would have been recognized in the amount of PLN 1 714 thousand. During the current value is PLN 2 277 thousand.

In the consolidated statement of financial position of LPP Capital Group for the period until 31 December 2014 the remaining value of profit on sales of PLN 20 991 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 Q4 2015:

1. In Q4 2015, LPP Capital Group continued its expansion of the sales network for stores of all brands (approximately 45 thousand square meters of the new store area). Particularly dynamic growth was observed in the EU. Two new stores of RESERVED were opened in Germany as well as stores in Hungary and Russia.
In November, e-shop was launched in Romania.
A conditional agreement for the opening of the first store in London was signed.
2. In Q4 2015, sales revenue amounted to PLN 1 575 million. They increased by approximately 12% compared to Q4 2014 (PLN 1 405 million).
3. In Q4 2015, LPP SA Capital Group generated operating profit of PLN 236 million. Last year in this period, LPP SA Capital Group generated operating profit of PLN 248 million. In Q4 2015, LPP SA Capital Group generated net profit of about PLN 173 million (compared with net profit of PLN 246 million in Q4 2014).
4. In Q4 2015, RESERVED stores generated sales revenue of PLN 754.2 million, while Cropp stores - PLN 234.3 million. Sales in Q4 generated by House stores amounted to PLN 216.4 million, in MOHITO stores they amounted to PLN 174.9 million and in stores of SINSAY, they amounted to PLN 104.9 million.
5. In Q4 2015, the area of the chain of outlets increased by 44.7 thousand sq. m. At the end of Q4 2015, LPP SA Capital Group had 1 627 stores of a total area of 843.5 thousand sq. m.
6. Revenue from sales in comparable outlets increased in Q4 2015 by 2.8% (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

Sales revenues in Q4 2015 were higher by 12 % than last year. Gross margin fell from 59,0 % last year to 54.8% during the period. The reason for this was the increase in the USD/PLN exchange rate by approximately 20 % y/y, which caused an increase in the cost of goods purchased, mainly in Asia, in USD currency. To work out a satisfactory profit in Q4 2015, the company tightly controlled operating expenses resulting in operating profit of PLN 236 million (lower by 5 % than a year before). Due to fluctuations in exchange rates in Q4 2015, the company incurred costs of foreign exchange losses, which resulted in a decrease in net profit to a level of PLN 173 million in Q4 as compared to PLN 246 million last year.

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 Q4 2015	% share in Q4 2015	Revenues from 01.01.2015 to 31.12.2015	% share in the period from 01.01.2015 to 31.12.2015
LPP SA	Poland	1 003 069	63.7%	3 250 263	63.4%
- including revenues from the Middle East		8 055		22 579	
LPP Estonia OU	Estonia	22 168	1.4%	78 036	1.5%
LPP Latvia Ltd	Latvia	19 129	1.2%	66 158	1.3%
LPP Czech Republic SRO.	Czech Republic	80 661	5.1%	224 117	4.4%
LPP Hungary Kft.	Hungary	19 414	1.2%	48 110	0.9%
LPP Lithuania UAB	Lithuania	23 990	1.5%	77 451	1.5%
LPP Ukraina	Ukraine	57 723	3.7%	188 363	3.7%
Re Trading OOO	Russia	206 961	13.1%	836 242	16.3%
LPP Romania Fashion SRL	Romania	22 889	1.5%	56 410	1.1%
Reserved GmbH	Germany	42 600	2.7%	93 933	1.8%
LPP Croatia	Croatia	10 996	0.7%	32 515	0.6%
LPP Bulgaria EOOD	Bulgaria	14 949	0.9%	44 905	0.9%
LPP Slovakia SRO	Slovakia	50 473	3.2%	133 846	2.6%
Total		1 575 022	100.0%	5 130 348	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 fourth quarter of a calendar year is regarded as the best for companies in the industry. Therefore, in this year as in previous years the LPP SA Capital Group obtained the most profit during 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 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 fourth 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

No such transactions were effected in the reporting period.

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 18 February 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). As at the day of the report for Q4 2015 cross-border merger did not yet occurred.

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

In Q4 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 31 December 2015, the total value of bank guarantees issued at the request and on behalf of LPP SA amounted to PLN 205 794 thousand, including:

- a) guarantees granted to secure agreements executed by LPP SA amounted to PLN 70 430 thousand,
- b) guarantees granted to secure agreements executed by consolidated related parties amounted to PLN 133 415 thousand,
- c) guarantees granted to secure agreements executed by non-consolidated related parties amounted to PLN 1 645 thousand,
- d) guarantees granted to secure office space lease agreements concluded by LPP SA amounted to PLN 305 thousand.

In Q4 2015, the Company also received guarantees. These guarantees were collateral from the counterparty payments; their value as at 31 December 2015 amounted to PLN 17 360 thousand.

In the reporting period the Parent Company provided guarantees; their value as at 31 December 2015 amounted to PLN 105 573 thousand and increased compared to 31 December 2014 by PLN 20 871 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 31 December 2015, are as follows:

- payables maturing within 12 months after the balance sheet date PLN 848 371 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 2 503 002 thousand
- payables maturing within more than 5 years from the balance sheet date PLN 1 063 048 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 Q4 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	175 497	875 493	27.2%	9.6%
Jerzy Lubianiec	174 999	874 995	27.2%	9.5%
Forum TFI SA	200 730	200 738	6.2%	10.9%
Treasury shares	18 978	0	0.0%	1.0%
Other shareholders	1 265 003	1 265 003	39.3%	68.9%
Total	1 835 207	3 216 229	100.0%	100.0%

There were changes in the ownership of shares in the period since the previous report (report for Q3 2015). As a result of exercising the rights to convert 4 084 series A subscription warrants into series L ordinary bearer shares, there was a change in the Issuer's share capital. This change resulted in a decrease of the votes of the shareholder Mr. Marek Piechocki by 0.1% and a decrease in the share capital of the shareholders Mr. Jerzy Lubianiec and Forum TFI by 0.1%, respectively, and the simultaneous increase in the share capital of 0.07% of other shareholders. The new shares represent 0.2% of the share capital and 0.1% of the total number of votes at the General Meeting of Shareholders (RB 02/2016).

Agreements by two major shareholders to donate one registered share each resulted in the change of the number of shares and votes held by those shareholders and the shareholder Forum TFI. These changes did not lead to percentage changes in interest rates in the capital and votes (RB 06/2016, RB 07/2016).

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 Q4 2015.

Shareholder	Number of shares held	Number of votes at the AGM
President of the Management Board	175 497	875 493
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	174 999	874 995
Member of the Supervisory Board	500	500

After the submission of the last quarterly report (report for Q3 2015), there occurred changes in the ownership structure of LPP S.A. shares held by a member of the Issuer's Management Board and the Supervisory Board. These changes result from the donation agreements made by the President of the Management Board and the Chairman of the Supervisory Board.

As a result of these changes, the President of the Management Board currently holds 175 497 shares granting him 875 493 votes against 175 478 shares and 875 498 votes held before the donation agreement. The Chairman of the Supervisory Board currently holds 174 999 shares granting him 874 995 votes at the General Meeting of Shareholders against 175 000 shares and 875 000 votes before the donation agreement (RB 06/2016, RB 07/2016).

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 31 December 2015 totalled PLN 5 269 thousand, of which PLN 5 097 thousand was received by members of the Management Board and PLN 172 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 31.12.2015	Liabilities as at 31.12.2015	Revenues for the period I-XII 2015	Expenses for the period I-XII 2015
Domestic companies	8	0	14	9 885

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.
- Higher taxation of retail companies in Poland.
- Development of the sales network of RESERVED, Cropp, House, MOHITO, SiNSAY brands, and the latest premium bran – Tallinder. The Further 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 11%-13%, i.e. over 90 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 31 December 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	9 863	1 493
decrease	1 300	5 594	1 108
As at 31.12.2015	3 422	22 689	13 172

35.2. Receivables

The value of the write-down comprises:

revaluation write-down of receivables and claimed receivables from customers	PLN 11 744 thousand
revaluation write-down of doubtful receivables:	PLN 996 thousand
revaluation write-down of receivables from employees and other	PLN 432 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	2 212	830	0	13 405
provisions reversed	1 596	4 177	176	12 342
As at 31.12.2015	2 212	4 336	0	13 405

35.4. Income tax

Major components of income tax of LPP SA Capital Group for the period from 01.01.2015 to 31.12.2015 and comparative period are presented in the table below.

	from 01.01.2015 to 31.12.2015	from 01.01.2014 to 31.12.2014
Current income tax	56 424	94 805
Deferred income tax	6 435	-116 770
Total	62 859	-21 965

The value of the individual components of the tax in Q4 2015 and in the comparative period presented in the table.

	from 01.10.2015 to 31.12.2015	from 01.10.2014 to 31.12.2014
Current income tax	25 544	32 060
Deferred income tax	-4 688	- 104 034
Total	20 856	-71 974

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	31.12.2015
Revaluation of fixed assets	12 843
Revaluation of trademarks	101 569
Tax loss	431
Margin on goods unsold outside the Group	12 039
Margin from sales effort	5 888
Revaluation of inventories	2 450
Revaluation of receivables	372
Commodity returns	728
Employee leave	818
Remuneration and overheads	829
Other	25
Total	137 992

Deferred tax liability	31.12.2015
Revaluation of fixed assets	5 176
Outstanding damages	115
Other	31
Total	5 322

35.6 Exchange rate differences

The consolidated profit and loss account drawn up as at 31 December 2015 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 68 598 thousand.

35.7. Operating segments

Revenues and financial results for geographical segments for the period from 1 January 2015 to 31 December 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	4 105 744	1 024 604			5 130 348
Intersegment sales	655 459		-655 459		-
Other operating income	17 630	5 742		805	24 177
Total revenue	4 778 833	1 030 346	-655 459	805	5 154 525
Total operating expenses, including	4 105 838	891 743	-597 837	178 929	4 578 673
Costs of intersegment sales	480 055		-480 055		-
Other operating expenses	49 593	23 036			72 629
Segment results	623 402	115 567	-57 622	-178 929	503 223
Financial revenue				1 981	1 981
Financial expenses				90 303	90 303
Profit/loss before tax					414 901
Income tax					62 859
Net profit					352 042

2014

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	3 688 778	1 080 510			4 769 288
Intersegment sales	582 046	4 274	-586 320		-
Other operating income	15 893	7 291		22 705	45 889
Total revenue	4 286 717	1 092 075	-586 320	22 705	4 815 177
Total operating expenses, including	3 484 174	1 025 949	-590 398	205 411	4 125 136
Costs of intersegment sales of goods	482 813		-482 813		
Other operating expenses	53 528	27 410			80 938
Segment results	749 015	38 716	4 078	-182 706	609 103
Financial revenue				3 002	3 002
Financial expenses				152 210	152 210
Profit/loss before tax					459 895
Income tax					-21 965
Net profit					481 860

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 December 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 499 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.