

LPP

LPP SA Capital Group

Condensed interim financial statements for 1Q15

Gdańsk
May 2015

1. Selected consolidated financial data of LPP SA Capital Group

in thousand PLN

Selected consolidated financial data	1Q 2015	1Q 2014	1Q 2015	1Q 2014
	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
	in thousand PLN		in thousand EUR	
Net revenues from sales of products, goods and materials	1 002 577	945 033	241 649	225 577
Profit (loss) on operating activities	23 703	48 420	5 713	11 558
Pre-tax profit (loss)	-29 714	-12 423	-7 162	-2 965
Net profit (loss)	-37 335	-14 264	-8 999	-3 405
Net cash flows from operating activities	-203 034	-86 804	-48 937	-20 720
Net cash flows from investing activities	-96 194	-104 719	-23 185	-24 996
Net cash flows from financing activities	237 581	147 600	57 264	35 232
Net cash flows, total	-61 647	-43 923	-14 859	-10 484

in thousand PLN

Selected consolidated financial data	1Q 2015	1Q 2014	1Q 2015	1Q 2014
	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
	in thousand PLN		in thousand EUR	
Total assets	3 122 456	2 542 723	763 623	609 576
Long-term liabilities	207 313	210 174	50 700	50 386
Short-term liabilities	1 277 796	848 130	312 496	203 325
Equity	1 637 347	1 484 419	400 427	355 865
Share capital	3 662	3 662	896	878
Weighted average number of ordinary shares	1 809 725	1 809 725	1 809 725	1 809 725
Profit (loss) per ordinary share (in PLN / EUR)	-20.6	-7.9	-5.0	-1.9
Book value per ordinary share (in PLN / EUR)	904.7	820.2	221.3	196.6
Declared or paid dividends per ordinary share (in PLN / EUR)	-	-	-	-

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

in thousand PLN

Consolidated statement of the financial position	Balance at the end:		
	1Q 2015	1Q 2014	
	31.03.2015	31.03.2014	31.12.2014
ASSETS			
Non-current assets	1 557 473	1 296 159	1 516 416
1. Tangible fixed assets	1 080 117	945 338	1 038 837
2. Intangible assets	31 105	21 350	28 751
3. Goodwill	209 598	183 609	209 598
4. Trade mark	77 508	77 508	77 508
5. Investments in subsidiaries	136	159	136
6. Investments in other entities	2 164	10 366	2 405
7. Receivables and loans	6 734	11 723	6 300
8. Deferred tax assets	136 096	45 683	143 531
9. Pre-payments	14 015	423	9 350
Current assets (short-term)	1 564 983	1 246 564	1 417 310
1. Inventory	1 131 080	837 576	979 345
2. Trade receivables	224 125	163 803	176 947
3. Receivables from income tax	25 490	21 129	11 194
4. Other receivables	44 235	90 199	46 281
5. Loans	184	11 624	167
6. Other financial assets		2 013	0
7. Pre payments	17 987	14 790	19 847
8. Cash and cash equivalents	121 882	105 430	183 529
TOTAL assets	3 122 456	2 542 723	2 933 726

in thousand PLN

Consolidated statement of the financial position	Balance at the end:		
	1Q 2015	1Q 2014	
	31.03.2015	31.03.2014	31.12.2014
LIABILITIES			
Equity	1 637 347	1 484 419	1 638 414
1. Share capital	3 662	3 662	3 662
2. Own shares	-43 292	-48 790	-43 288
3. Capital from the sale of shares above their nominal value	235 074	235 069	235 074
4. Other capital	1 096 028	862 761	1 092 205
5. Foreign exchange differences from the conversion of units	-148 696	-4 116	-184 376
6. Retained earnings	494 571	432 155	531 906
- profit (loss) from previous years	531 906	447 070	52 360
- net profit (loss) for the current period	-37 335	-14 915	479 546
7. Minority interest		3 678	3 231
Long-term liabilities			
1. Bank credits and loans	201 004	202 032	204 461
2. Provisions for employee benefits	1 880	2 984	1 596
3. Provision for deferred income tax	4 406	5 116	4 657
4. Other long-term liabilities	23	42	
Short-term liabilities			
1. Trade and other liabilities	581 150	490 214	618 578
2. Income tax liabilities	525	10 211	37 972
3. Bank credits and loans	635 961	311 802	378 346
4. Other financial liabilities	0	87	7
5. Provisions	19 404	19 389	20 201
6. Special funds	646	271	157
7. Pre-payments	40 110	16 156	29 337
TOTAL liabilities	3 122 456	2 542 723	2 933 726

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

in thousand PLN

Condensed consolidated statement of the results and other total revenue	1Q 2015	1Q 2014
	01.01.2015-31.03.2015	01.10.2014-31.03.2014
Continuing operations		
Sales revenue	1 002 577	945 033
Cost of goods sold	459 135	407 460
Gross Profit/(loss) on sales	543 442	537 573
Other operating income	6 102	9 843
Selling costs	458 130	438 193
General costs	54 336	42 461
Other operating expenses	13 375	18 342
Profit (Loss) on operating activities	23 703	48 420
Financial income	696	611
Financial cost	54 113	61 454
Pre-tax profit (loss)	-29 714	-12 423
Taxes	7 621	1 841
Net profit (loss)	-37 335	-14 264
Net profit attributable to:		
shareholders of the parent company	-37 335	-14 915
non-controlling entities	0	651
Other comprehensive income		
Exchange differences from the conversion of units	35 680	-54
Total comprehensive income	-1 655	-14 318

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

in thousand PLN

Consolidated 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		-6							-6
								500	500
Minority interest on the balance sheet date				2 404					2 404
Payment of dividends to minority shareholders	0	-6	0	2 404	0	0	0	500	2 898
Transactions with shareholders							-14 915		-14 915
Net profit (loss) for the first quarter 2014					-54				-54
Exchange differences after the conversion of units	3 662	-48 790	235 069	862 761	-4 116	447 070	-14 915	3 678	1 484 419
Balance as at 31 March 2014	3 662	-48 784	235 069	860 357	-4 062	447 070	0	3 178	1 496 490

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in thousand PLN

Consolidated 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		-4							-4
Share-based payment				590					590
Contribution by minority shareholders				3 233				-3 231	2
Payment of dividends to minority shareholders	0	-4	0	3 823	0	0	0	-3 231	588
Transactions with shareholders							-37 335		-37 335
Net profit (loss) for the first quarter 2015					35 680				35 680
Exchange differences after the conversion of units	3 662	-43 292	235 074	1 096 028	-148 696	531 906	-37 335	0	1 637 347
Balance as at 31 March 2015	3 662	-43 288	235 074	1 092 205	-184 376	531 906	0	3 231	1 638 414

5. Consolidated cash flow statement of LPP SA Capital Group

in thousand PLN

Consolidated cash flow statement	1Q 2015	1Q 2014
	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
A Cash flows from operating activities - indirect method		
I. Pre-tax profit (loss)	-29 714	-12 423
II. Total adjustments	-173 320	-74 381
1. Amortisation and depreciation	50 379	43 029
2. Foreign exchange gains (losses)	11 984	6 747
3. Interest and profit sharing (dividends)	4 179	2 910
4. Profit (loss) on investing activities	4 696	208
5. Income tax paid	-50 454	-48 458
6. Change in provisions	-412	-4 374
7. Change in inventories	-140 633	-51 634
8. Change in receivables	-35 180	-20 164
9. Change in short-term liabilities excluding credits and loans	-11 351	-18 102
10. Change in prepayments and accruals	4 066	-2 340
11. Other adjustments	-10 594	17 797
III. Net cash flows from operating activities	-203 034	-86 804
B Cash flows from investing activities		
I. Inflows	8 221	14 532
1. Disposal of intangible and tangible fixed assets	8 181	14 474
2. From financial assets, including:	40	58
a) in related parties	0	0
- liquidation of companies		
b) in other entities	40	58
- sales of financial assets - foreign bonds		
- repayment of loans	32	18
- interest	8	40
3. Other investment inflows		

II. Outflows	104 415	119 251
1. Purchase of intangible assets and tangible fixed assets	104 359	117 137
2. For financial assets, including:	56	2 114
a) in related parties	0	22
- purchase of shares		22
- loans granted short-term		
- loans granted long-term		
b) in other entities	56	2 092
- purchase of foreign bonds		2 000
- loans granted	56	92
3. Other capital expenses		
III. Net cash flows from investing activities	-96 194	-104 719
C. Inflows from the financing activities		
I. Inflows	248 949	153 551
1. Inflows from issuance of shares		2
2. Credits and loans	248 949	153 549
3. Other inflows from financial activities		
II. Outflows	11 368	5 951
1. Cost of maintaining own shares	4	6
2. Dividends to shareholders		152
3. Repayment of credits and loans	7 252	2 877
4. Payment of liabilities arising from financial leases	20	33
5. Interest	4 092	2 883
6. Other outflows from financial activities		
III. Net cash flows from financing activities	237 581	147 600
D. Total net cash flows	-61 647	-43 923
E. Balance sheet change in cash, including:	-61 647	-43 925
- change in cash due to exchange differences	-6 935	-3 592
F. Cash opening balance	183 529	149 355
G. Closing balance of cash, including:	121 882	105 430
- of limited disposability	34	5 629

6. Selected individual financial data of LPP SA

in thousand PLN

Selected financial data	1Q 2015	1Q 2014	1Q 2015	1Q 2014
	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
	in thousand PLN		in thousand EUR	
Net revenues from sales of products, goods and materials	899 474	846 822	216 798	202 134
Profit (loss) on operating activities	-40 284	10 368	-9 710	2 475
Pre-tax profit (loss)	-28 539	35 259	-6 879	8 416
Net profit (loss)	-24 552	27 727	-5 918	6 618
Net cash flows from operating activities	-177 204	-146 322	-42 711	-34 927
Net cash flows from investing activities	-100 388	-31 411	-24 196	-7 498
Net cash flows from financing activities	237 597	147 778	57 267	35 274
Net cash flows, total	-39 995	-29 955	-9 640	-7 150

in thousand PLN

Selected financial data	1Q 2015	1Q 2014	1Q 2015	1Q 2014
	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
	in thousand PLN		in thousand EUR	
Total assets	2 997 772	2 493 505	733 131	597 776
Long-term liabilities	204 651	205 837	50 049	49 346
Short-term liabilities	1 249 434	813 488	305 560	195 020
Equity	1 543 687	1 474 180	377 522	353 410
Share capital	3 662	3 662	896	878
Weighted average number of ordinary shares	1 809 725	1 809 725	1 809 725	1 809 725
Profit (loss) per ordinary share (in PLN / EUR)	-13.6	15.3	-3.3	3.7
Book value per ordinary share (in PLN / EUR)	853.0	814.6	208.6	195.3
Declared or paid dividends per ordinary share (in PLN / EUR)	-	-	-	-

7. Statement of the financial position of LPP SA

in thousand PLN

Statement of the financial position	Balance at the end:		
	1Q 2015	1Q 2014	
	31.03.2015	31.03.2014	31.12.2014
ASSETS			
Non-current assets	1 630 341	953 583	1 522 777
1. Tangible fixed assets	715 677	614 925	680 631
2. Intangible assets	27 796	17 469	25 368
3. Goodwill	179 618	179 618	179 618
4. Investments in subsidiaries	604 113	92 330	538 065
5. Receivables and loans	1 613	1 391	1 579
6. Deferred tax assets	100 843	47 427	96 895
7. Pre-payments	681	423	621
Current assets (short-term)			
1. Inventory	780 363	578 810	712 315
2. Trade receivables	527 131	890 505	466 834
3. Receivables from income tax	0	0	0
4. Other receivables	33 074	16 814	18 052
5. Loans	215	59	151
6. Other financial assets	0	2 013	0
7. Pre-payments	12 462	10 685	13 886
8. Cash and cash equivalents	14 186	41 036	54 181
TOTAL assets	2 997 772	2 493 505	2 788 196

in thousand PLN

Statement of the financial position	Balance at the end:		
	1Q 2015	1Q 2014	
	31.03.2015	31.03.2014	31.12.2014
LIABILITIES			
Equity	1 543 687	1 474 180	1 567 653
1. Share capital	3 662	3 662	3 662
2. Own shares	-43 292	-48 789	-43 288
3. Capital from the sale of shares above their nominal value	235 074	235 069	235 074
4. Other capital	1 088 899	861 936	1 088 309
5. Retained earnings	259 344	422 302	283 896
- profit (loss) from previous years	283 896	394 575	0
- net profit (loss) from the current period	-24 552	27 727	283 896
Long-term liabilities	204 651	205 837	208 054
1. Bank credits and loans	201 004	202 032	204 461
2. Other long-term liabilities	0	39	0
3. Provisions for employee benefits	1 596	1 321	1 504
4. Provision for deferred income tax	2 051	2 445	2 089
Short-term liabilities	1 249 434	813 488	1 012 489
1. Trade and other liabilities	579 584	470 557	572 153
2. Income tax liabilities		8 480	35 072
3. Bank credits and loans	635 618	311 454	377 988
4. Provisions	11 947	12 344	11 196
5. Special funds	466	271	34
7. Pre-payments	21 819	10 382	16 046
TOTAL liabilities	2 997 772	2 493 505	2 788 196

8. Condensed statement of the results and other total revenue of LPP SA

in thousand PLN

Condensed statement of the results and other total revenue	1Q 2015	1Q 2014
	01.01.2015- 31.03.2015	01.10.2014- 31.03.2014
Sales revenue	899 474	846 822
Cost of goods sold	540 447	451 681
Gross profit/(loss) on sales	359 027	395 141
Other operating revenues	4 021	6 339
Selling costs	293 456	271 276
General costs	64 669	58 550
Other operating expenses	45 207	61 286
Profit (Loss) on operating activities	-40 284	10 368
Financial revenues	48 105	58 323
Financial expenses	36 360	33 432
Pre-tax profit (loss)	-28 539	35 259
Taxes	-3 987	7 532
Net Profit (loss)	-24 552	27 727
Other comprehensive income	0	0
Total comprehensive income	-24 552	27 727

9. Statement of changes in equity of LPP SA

in thousand PLN

Statement of changes in equity	Share capital	Own shares	Capital from the sale of shares above their value	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
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		-6					-6
Share-based payment				2 404			2 404
Transactions with shareholders	0	-6	0	2 404	0	0	2 398
Net profit for the first quarter 2014						27 727	27 727
Balance as at 31 March 2014	3 662	-48 789	235 069	861 936	394 575	27 727	1 474 180

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Statement of changes in equity	Share capital	Own shares	Capital from the sale of shares above their value	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
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		-4					-4
Share-based payment				590			590
Transactions with shareholders	0	-4	0	590	0	0	586
Net profit for the first quarter 2015						-24 552	-24 552
Balance as at 31 March 2015	3 662	-43 292	235 074	1 088 899	283 896	-24 552	1 543 687

10. Cash flow statement of LPP SA

in thousand PLN

Cash flow statement	1Q 2015	1Q 2014
	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
A Cash flows from operating activities - indirect method		
I. Pre-tax profit (loss)	-28 539	35 260
II. Total adjustments	-148 665	-181 582
1. Amortisation and depreciation	29 833	25 343
2. Foreign exchange gains (Losses)	11 993	3 209
3. Interest and profit sharing (dividends)	4 179	-20 154
4. Profit (loss) on investing activities	-30 498	27 365
5. Income tax paid	-49 600	-43 952
6. Change in provisions	843	-5 259
7. Change in inventories	-68 049	-7 814
8. Change in receivables	-52 205	-94 007
9. Change in short-term liabilities excluding credits and loans	6 381	-67 117
10. Change in prepayments and accruals	-2 132	-1 599
11. Other adjustments	590	2 403
III. Net cash flows from operating activities	-177 204	-146 322
B Cash flows from investing activities		
I. Inflows	7 680	38 192
1. Disposal of intangible and tangible fixed assets	7 637	14 405
2. From financial assets, including:	43	23 787
a) in related parties	2	23 764
- interests and dividends	2	23 764
- liquidation of companies	0	0
- repayment of loans	0	0
b) in other entities	41	23
- interest	9	4
- sales of financial assets - foreign bonds	0	0
- repayment of loans	32	19
3. Other inflows from investment activities		

II. Outflows	108 068	69 603
1. Purchase of intangible assets and tangible fixed assets	73 324	67 354
2. For financial assets, including:	34 744	2 249
a) in related parties	34 688	157
- purchase of shares	34 688	157
- loans granted	0	0
b) in other entities	56	2 092
- loans granted	56	92
- purchase of foreign bonds	0	2 000
3. Other outflows from investment activities		
III. Net cash flows from investing activities	-100 388	-31 411
C. Inflows from financial activities		
I. Inflows	248 949	153 549
1. Credits and loans	248 949	153 549
2. Inflows from issuance of shares	0	0
3. Other inflows from financial activities	0	0
II. Outflows	11 352	5 771
1. Cost of maintaining own shares	4	6
2. Repayment of credits and loans	7 256	2 882
3. Interests	4 092	2 883
4. Other outflows - financial leases	0	0
III. Net cash flows from financing activities	237 597	147 778
D. Total net cash flows	-39 995	-29 955
E. Balance sheet change in cash, including:	-39 995	-29 955
- change in cash due to exchange differences	37	808
F. Cash opening balance	54 181	70 991
G. Closing balance of cash, including:	14 186	41 036
- of limited disposability	34	153

Additional information to the condensed consolidated financial statements for the first quarter of the year 2015

1. Characteristics of LPP SA Capital Group

The LPP SA Capital Group (Group) includes:

- LPP SA as the parent company,
- 4 national subsidiaries,
- 16 foreign subsidiaries.

There is no parent company of LPP SA

The list of the companies included in the Group are presented below.

No.	Name of the company	Registered office	Date of obtaining control
1.	G&M Sp. z o.o.	Gdansk, Poland	26.09.2001
2.	DP&SL Sp. z o.o.	Gdansk, Poland	26.09.2001
3.	IL&DL Sp. z o.o.	Gdansk, Poland	26.09.2001
4.	AMUR Sp. z o.o.	Gdansk, Poland	09.05.2003
5.	LPP Estonia OU	Tallin, Estonia	29.04.2002
6.	LPP Czech Republic S.R.O.	Prague, Czech Republic	16.09.2002
7.	LPP Hungary KFT	Budapest, Hungry	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.	Banská Bystrica, Slovakia	30.10.2008
15.	LPP Fashion Bulgaria LTD.	Sofia, Bulgaria	26.08.2011
16.	Gothals Limited	Nicosia, Cyprus	22.07.2011
17.	Jaradi Limited	Al Tatar, United Arab Emirates	22.07.2011
18.	IP Services FZE	Ras al-Khaimah, United Arab Emirates	23.12.2012
19.	LPP Croatia D.O.O.	Zagreb, Croatia	22.01.2014
20.	Reserved GMBH	Hamburg, Germany	03.03.2014

The domination of LPP SA in subsidiaries, in view of its at 100% share in the capital of the subsidiary companies and the total number of votes, is immediate.

Consolidated financial statements of the Capital Group, for the period from 01 January to 31 March 2015, includes individual results of LPP SA and the results of the subsidiaries listed below:

- 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
- Jaradi LTD
- IP Services FZE
- LPP Croatia DOO
- Reserved GMBH

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

A subsidiary or associate entity is not included in the consolidation accordingly if the volumes recorded in its financial statements are negligible in relation to the data of the financial statements of the parent company. In particular, its balance sheet total and net revenue from the sales of goods and services as well as financial operations of the entity which are less than 10% of the balance sheet total and income of the parent company for the financial period are considered to be negligible. The aggregated balance sheet totals and revenue of entities not included in the consolidation also may not exceed this level, but in relation to the relevant volumes of the consolidated financial statements set out on the assumption that all subsidiaries are included in its scope without any exemptions.

Participation in the consolidated volumes of all national subsidiaries which are not included in the consolidation is as follows:

- in the total balance sheet of the Capital Group –0.03%
- in the revenue from the sale and financial income of the Capital Group –0.18%

Not including these companies in consolidated financial statements did not negatively affect the fair presentation of the asset and financial situation as well as the financial result of the Capital Group.

LPP SA is involved in designing and distribution of clothing in Poland and in countries of Central and Eastern Europe. Companies included in Capital Group and subject to consolidation are entities that distribute goods outside of Poland under the brand names of RESERVED, Cropp, House, MOHITO and SiNSAY. Clothing is essentially the only commodity which is sold by Capital Group companies. Shoes, bags and clothing accessories are sold as commodities complementing the basic offer of Capital Group companies.

The clothing projects are prepared in a design office located at the LPP SA registered office in Gdańsk and in a design office in Kraków. Designs are then forwarded to the purchasing department which orders the production of specific models and starts cooperation with companies in Poland and abroad including China. The placement of production in China is done through the commercial office located in Shanghai.

The Capital Group generates a small revenue from the sale of services as well (the entire revenue is from the parent company - it is primarily service related to "know-how" in respect to the operation of the branch shops by Polish contractors and the lease of transport vehicles).

An additional trading activity of the Capital Group is the managing the rights to trademarks of RESERVED, Cropp, House, MOHITO and SiNSAY including their protection, activities to increase their value, granting of licenses for their use, etc. There are companies delegated for this purpose such as Gothals Limited Company from Cyprus, Jaradi Limited and IP Services from the United Arab Emirates.

Four domestic subsidiaries conduct property leasing activities, in which Cropp and RESERVED shops operate.

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

The Group's report for the 1st quarter of 2015 includes condensed consolidated financial statements and selected explanatory data enclosed in this Additional Information as well as condensed financial statements of the parent company in accordance with MSR 34 "Interim Financial Reporting".

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

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

In 2015 Group has change accounting policy in the area of presenting the profit received from the sale of leasehold improvements. Due to Group expansion the profit amount has become more and more significant and the change necessary. In 2014 and before, the profit, in the total net amount, was included in the P&L line Other Operating Revenue.

Starting from January 2015 any received amounts are recognized as deferred income and settled against the rent by the duration of the leasehold contract.

Comparative data from 2014, due to low materiality level and no direct impact on consolidated financial statements, has not been change.

Profit, in the first quarter 2014, was 5 216 thousand PLN and it is the difference between earned amount of 13 904 thousand PLN and the cost incurred 8 688 thousand PLN.

Using new accounting policy the correction to the rent cost is 104 thousand PLN and in the given period 123 thousand PLN.

In the consolidated financial statement for the first quarter 2014, remaining profit 5 216 thousand PLN could be moved out from the Net Profit line and deferred to subsequent periods.

3. The achievements of the LPP SA Capital Group for the period covered in this report

The most important achievements of the Capital Group in the 1st quarter of 2015:

1. In the 1st quarter of 2015 the generated revenues from the sale were PLN 1 003m. They were higher by about 6% compared to the revenues earned in the 1st quarter 2014 (PLN 945m).
2. In the 1st quarter the LPP SA Capital Group achieved an operating profit of PLN 23.7m. In the same period of the previous year the LPP SA Capital Group achieved an operating profit of PLN 48.4m. In the 1st quarter of 2015 the LPP SA Capital Group has made a net loss of PLN 37.3m (as compared with the net loss of PLN 14.3m in the 1st quarter of 2014).
3. In the 1st quarter of 2015 the sales achievement by RESERVED shops was PLN 492.8m and by Cropp shops was PLN 142.4m. In the 1st quarter of 2015 the sales achievement by House shops was PLN 127.1m, by MOHITO shops was PLN 114.6m and by SiNSAY shops was PLN 58m.
4. In the 1st quarter of 2015 the surface of shops was increased by 25k sq. m. At the end of the 1st quarter of 2015 the LPP SA Capital Group had 1 528 shops with a total area of 747.7k sq m.
5. The revenue from sales in comparable (called LFL) shops decreased in the 1st quarter 2015 by 0.7%, (excluding changes in exchange rates of local currencies in countries where LPP SA Capital Group companies operate).

4. Factors and events, in particular of unusual nature, which have a significant impact on achieving consolidated financial results

In the 1st quarter the LPP SA Capital Group continued to expand the network retail shops of all brands. The new shops of all brands were opened in Croatia and additional RESERVED shops have been established in Germany. First RESERVED shop was opened in the Middle East - in Egypt (Cairo) - in cooperation with the franchisee.

The retail space has been increased by 25 thousand sq. m which is 3.5% of total retail space. At the same time it was decided to slow down the growth rate in Russia and Ukraine, mainly because of the Ukrainian-Russian conflict and the growing risk of investing in this part of Europe.

The financial results achieved at the operational level in the 1st quarter 2015 were lower than the results achieved in the previous year.

The primary reason for that was the decrease in sales in comparable stores (LFL) in Poland and other European Union countries, as well as the depreciation of the currency (as compared to PLN) in Russia and

Ukraine. At the same time appreciating USD exchange rates contributed to the decline in trade margins.

To maintain profitability, the company is trying to reduce operating costs - renegotiating terms of rents for the lease of retail space and adjusting the employment structure to the current level of sales. Saving measures that have been taken already produced a positive resulting the first quarter of 2015 and will be continued in the following months of this year.

The revenue from the sales of products, commodities and materials presented in consolidated financial statements were achieved by individual Capital Group companies in the following volumes (after exemption of sales within the group):

in thousand PLN			
Name of the company	Country	Revenues in Q1 2015	Share % in Q1 2015
LPP SA	Poland	658 345	65.7%
LPP Estonia OU	Estonia	14 364	1.4%
LPP Latvia Ltd	Latvia	12 151	1.2%
LPP Czech Republic SRO.	Czech Republic	37 684	3.8%
LPP Hungary Kft.	Hungary	8 607	0.9%
LPP Lithuania UAB	Lithuania	14 260	1.4%
LPP Ukraina	Ukraine	36 695	3.7%
Re Trading OOO	Russia	167 587	16.7%
LPP Romania Fashion SRL	Romania	6 432	0.6%
GMBH Reserved	Germany	10 917	1.1%
LPP Croatia	Croatia	4 598	0.5%
LPP Bulgaria EOOD	Bulgaria	8 295	0.8%
LPP Slovakia SRO	Slovakia	22 641	2.3%
Total		1 002 577	100.0%

5. Explanation concerning seasonal or cyclical activities of the LPP SA Capital Group for the period covered in the report

Seasonality in sales is the characteristic feature of the clothing market both in Poland and abroad. The first quarter of a calendar year includes two months (January and February) when the clearance sale of autumn-winter collection is traditionally conducted. As a result, profit margin before tax is lower than the average annual margin in the entire quarter.

6. Information on write-downs revaluing supplies to the net value obtainable after the reversal of such write-downs

Detailed information is included in section 36.1

7. Information on impairment write-downs of financial assets, property, plant and equipment, intangible assets or other assets and their reversal

Detailed information is included in section 36.1

8. Information on creation, increasing, use and release of provisions

Detailed information is included in section 36.3

9. Information on deferred income tax provisions and assets

Detailed information is included in section 36.5

10. Information on significant transactions of purchase and sales of fixed assets

In the reporting period there were no such events.

11. Information on significant liabilities due for purchase of tangible fixed assets

In the reporting period there were no such events.

12. Information on significant settlements due to court cases

In the reporting period there were no such events.

13. Corrections of errors from past periods

In the reporting period there were no such events.

14. Information on changes in the economic situation and conditions of conducting business activity, significantly influencing the fair market value of financial assets and financial liabilities of the entity

In the reporting period there were no such events.

15. Information on failure to pay off a credit or loan or a breach of significant provisions of a loan or credit agreement

In the reporting period there were no such events.

16. Concluding by the issuer or their subsidiary one or more transactions with affiliated entities, if individually or jointly they are significant and were concluded on terms and conditions other than market conditions

In the reporting period there were no such events.

17. In the case of financial instruments that are measured at fair value - information on change of methods of its establishment

Not applicable.

18. Information on change of classification of financial assets as a result of changing the purpose or use of those assets

Not applicable.

19. Division into segments of activity - revenue and results for individual segments

The LPP SA Capital Group conducts one type of activity (one business segment, which was considered the primary). A division into two geographical segments was applied: activity within the European Union and outside it. The division into geographical segments are based on location of the Group's assets.

Revenue and result for individual segments for the 1st quarter of 2015 and the comparable period were set out in section 36.7.

20. Information on issuance, redemption and paying off of non-equity and capital securities

During the first quarter the Issuer did not issue, redeem and repay debt and equity securities.

21. Information on paid-off (or declared) dividends, jointly and per share, divided into ordinary and other shares

In the reporting period there were no such events.

23. Date when the financial statements were authorised for issue

These financial statements have been approved for publication by the Management Board of the parent company on 11 May 2015.

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

Such events did not occur.

25. The consequences of changes in LPP SA Capital Group structure, including the results of mergers of economic entities, takeovers or sale of Group entities, long-term investments, division, restructuring or abandonment of activities

In the reporting period there was the merge of two Slovakian companies: Koba AS and LPP Slovakia SRO. The actual name of the new company is LPP Slovakia SRO.
In the reporting period the liquidation of IP Service based in The United Arab Emirates took place.

26. Changes in contingent liabilities or contingent assets, which occurred after the last financial year

In the first quarter of 2015 LPP SA and its subsidiaries have benefited from bank guarantees to secure the payment of rent for leased shops and office space.
On 31 March 2015 the total value of bank guarantees issued on request and responsibility of LPP SA amounted to: PLN 211 808 thousand, of which:

- a) the value of guarantees issued for securing agreements concluded by LPP SA amounted to PLN 67 268 thousand,
- b) the value of guarantees issued for securing agreements concluded by affiliated entities included in the consolidation amounted to PLN 142 391 thousand,
- c) the value of guarantees issued for securing agreements concluded by affiliated entities not included in the consolidation amounted to PLN 1 567 thousand,
- d) the value of guarantees issued for securing office space and warehouse lease agreements concluded by LPP SA amounted to PLN 582 thousand,

In the first quarter of 2015 LPP SA received guarantees. These guarantees constituted the security for contractor payments. On 31 March 2015 the value of these guarantees amounted PLN 7 674 thousand.

On 31 March 2015 the amount of guarantees issued by the parent company amounted to PLN 90 040 thousand and increased in relation to the state on 31 December 2014 to PLN 5 338 thousand.

27. Estimates of future liabilities arising from concluding lease agreements

Companies included in the Capital Group are parties to the lease contracts, under which they use space to operate corporate network salons of RESERVED, Cropp, House, MOHITO and SiNSAY.

The total future payments (minimum and conditional) resulting from lease contracts, estimated as of 31 March 2015 are as follows:

- amounts due within a period of 12 months from the balance sheet date	PLN 239 256k
- amounts due within a period from 12 months to 5 years from the balance sheet date	PLN 1 848 422k
- amounts due within a period exceeding 5 years from the balance sheet date	PLN 741 991k

28. The position of the Board of Directors on the implementation of the annual consolidated result forecast

The Company did not publish an annual result forecast.

29. Shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the Annual General Meeting of LPP SA as at the date of submitting the quarterly report as well as changes to the structure of ownership of substantial share packages in the shares of LPP SA in the period from the submission of the previous quarterly report.

The ownership structure of the share capital of the parent company, as at the date of submitting the report for the first quarter of 2015.

Shareholder	Number of shares (in pcs.)	Number of votes at the AGM	Share of total votes at the AGM	Percentage of share capital
Marek Piechocki	175 498	875 498	27.1%	9.6%
Jerzy Lubianiec	175 000	875 000	27.1%	9.6%
Monistor Limited (Cyprus)	200 728	200 728	6.2%	11.0%

In the period from the submission of the previous report (report for the fourth quarter of 2014) there were no changes in the ownership structure major holdings.

30. Summary of LPP SA shares held or the right to the shares by individuals managing and supervising the issuer as of the day of issuing the quarterly report, as well as indication of changes in the ownership, within the period from issuing the previous periodical report, for each person individually.

The structure of LPP SA shares held by individuals managing and supervising, as at the date of submitting the report for the first quarter of 2015.

Shareholder	Number of shares (in pcs.)	Number of votes at the AGM
President of the Board	175 498	875 498
Vice-President of the Board	153	153
Vice-President of the Board	172	172
Vice-President of the Board	172	172
Chairman of the Supervisory Board	175 000	875 000

In the period from the submission of the previous report (report for the fourth quarter of 2014) there were changes in the LPP SA shares held by individuals managing and supervising the issuer.

Three Members of the Management Board sold issuer's shares as follows:

- first Member 200 shares (current report 05/2015)
- second Member 285 shares (current report 12/2015)
- third Member 285 shares (current report 13/2015)

31. Information about court proceedings

Within the Capital Group, a plaintiff in cases of payment of amounts due from counterparties is LPP SA. The total amount in dispute does not exceed 10% of the equity.

32. Transactions with related parties

32.1. Key personnel

Key management personnel in the Group includes members of the management board and the supervisory board of the parent company.

Short-term employee benefits of key management personnel, received during the period from 1 January to 31 March 2015 amounted to PLN 206 thousand, of which PLN 166 thousand was in relation to the Management Board and PLN 40 thousand the remuneration of Supervisory Board members.

32.2. Transactions with related parties

During the reporting period the issuer did not conclude any transactions with related parties concerning the transfer of rights and obligations.

Transactions between the parent company and its foreign subsidiaries were subject to elimination in the consolidated financial statements and were not disclosed in the table.

The figures given below illustrate only mutual transactions between LPP SA and Polish subsidiaries not consolidated, and are presented from the point of view of the parent company.

in thousand PLN

Affiliated entities	Receivables on 31.03.2015	Liabilities on 31.03.2015	Revenue for the period I-III 2015	Costs for the period I-III 2015
National companies	134	0	4	2 870

The data presented as LPP SA liabilities are receivables from associated companies, and the costs are revenue in these companies.

All transactions with related parties were concluded on market terms. Revenues from domestic company come from renting office space for the needs of these firms.

The costs associated with national subsidiaries concern the leasing of property, in which Cropp, RESERVED, MOHITO and House shops operate.

Payment terms determined for subsidiaries are in the range from 45 to 120 days.

33. Information on sureties and guarantees granted

During the period covered by the report, the Capital Group issuer did not grant any sureties of loans or credits as well as did not grant guarantees to a single entity or subsidiary, which total value would be the equivalent of at least 10% of the entity, the total value of which would be equivalent to at least 10% of the issuer's equity.

34. Other information which may significantly affect the assessment of human resources, assets and financial position of the LPP SA Capital Group as well as relevant information to assess the feasibility of obligations of the issuer of the Capital Group

The report contains basic information, which are relevant for the assessment of the situation of the Capital Group issuer. The opinion of the management board there are currently no risks in the realisation of commitments of the Capital Group.

35. Factors which in the assessment of LPP SA will affect the results achieved by the Capital Group in at least the next quarter

Basic factors that will have an impact on the results achieved in the near future, include:

- a) The economic situation in Poland and in the countries in which shops of the LPP SA Capital Group operate, particularly in Russia and Ukraine.
- b) The exchange rate of PLN in relation to the USD and EUR, as well as the Russian rouble and the Ukrainian hryvnia.
- c) Development of the sales networks of the brands RESERVED, Cropp, House, MOHITO and SiNSAY, including expansion into new markets. Germany, Croatia and Middle East countries. In 2015 it is planned to increase the size of retail network shops by about 18% which is almost 127 thousand m².
- d) Maintain operating costs at a low level.

36. Explanatory notes to the condensed consolidated financial statements

36.1. Write-downs on the value of assets

The values of certain assets presented in the consolidated financial statements prepared on 31 March 2015, include an adjustment for write-downs. Detailed information on the amounts of write-downs shown on the last day of the period of the reporting period and changes in the period are shown in the following table.

	in thousand PLN		
	Tangible fixed assets	Inventory	Receivables, loans and shares
State as at 01.01.2015	4 575	18 420	12 787
increase	0	1 687	2
reduction	590	214	0
State as at 31.03.2015	3 985	19 893	12 789

36.2. Receivables

The value of write-downs are composed of:

write-downs of disputed claims and receivables from customers	PLN 11 003 thousand
write-downs of so-called questionable receivables	PLN 1 355 thousand
write-downs of receivables of employees and others	PLN 431 thousand

36.3. Provisions

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

in thousand PLN

	Provision for pensions and similar benefits	Provisions for wages	Provision for unused vacation
State as at 01.01.2015	1 596	7 683	176
Creation of provisions	1 880	0	8
Release of provisions	1 596	0	0
State as at 31.03.2015	1 880	7 683	184

36.4. Income tax

The amount of income taxes, as shown in the consolidated profit and loss account for the period from 01.01.2015 to 31.03.2015 amounts to 7,621 PLN thousand and includes:

- current part PLN 0 thousand
- deferred part PLN 7 621 thousand

36.5. Deferred income tax assets and provisions

At the end of the reporting period in the consolidated financial statements is shown both on deferred tax assets and provisions for deferred tax liabilities.

Detailed information on what components constitute these amounts are included in the following tables.

in thousand PLN

Deferred income tax assets	31.03.2015
Depreciation of fixed assets	9 338
Depreciation of trademarks	105 133
Tax loss	7 281
Margin on goods not sold outside the Group	7 931
Margin on sold expenditures	1 761
Revaluation of inventories	864
Revaluation of receivables	740
Returned goods	596
Employee leave	920
Salaries and surcharges	1 481
Other	51
Total	136 096

Provision for deferred income tax	31.03.2015
Depreciation of fixed assets	4 219
Compensation not received	152
Other	35
Total	4 406

36.6. Exchange differences

In the consolidated profit and loss account drawn up on 31.03.2015 a dominance of exchange rate losses over gains was revealed for the amount of amount PLN 49 648 thousand which affected the first quarter results.

36.7. Operating segments

Revenue and financial results for geographical segments for the period from 01 January 2015 to 31 March 2015 and the comparable period are given in the following tables.

Year 2015

in thousand PLN

	European Union countries	Other countries	Consolidation adjustments	Values not assigned to segments	Sum
External sales	798 305	204 272			1 002 577
Sales between segments	121 629	11 340	-132 969		-
Other operating revenues	4 464	1 328		310	6 102
Total revenues	924 398	216 940	-132 969	310	1 008 679
Total operating costs, including	877 366	196 342	-156 443	54 336	971 601
Cost of sales between segments	117 219	11 381	-128 600		-
Other operating expenses	10 478	2 897			13 375
Segment result	36 554	17 701	23 474	-54 026	23 703
Financial revenues				696	696
Financial expenses				54 113	54 113
Profit (loss) before tax					-29 714
Income tax					7 621
Net profit					-37 335

Year 2014

in thousand PLN

	European Union countries	Other countries	Consolidation adjustments	Values not assigned to segments	Sum
External sales	730 575	214 458			945 033
Sales between segments	153 425		-153 425		-
Other operating revenues	2 656	1 971		5 216	9 843
Total revenues	886 656	216 429	-153 425	5 216	954 876
Total operating costs, including	727 461	238 839	-120 647	42 461	888 114
Cost of sales between segments	117 827		-117 827		-
Other operating expenses	8 417	9 925			18 342
Segment result	150 778	-32 335	-32 778	-37 245	48 420
Financial revenues				611	611
Financial expenses				61 454	61 454
Profit/loss before tax					-12 423
Income tax					1 841
Net profit					-14 264

37. Information to the separated statement of LPP SA

The estimated value of assets involved in foreign subsidiaries, in the period from January to March 2015 were made in a separate balance sheet: shares, additional equity contributions, loans and accounts receivable, change in write-downs offs included in the financial and operational costs of the separate income statement for the total, reducing assets including deferred tax, in the amount of PLN 3 443 thousand.

This change reflected in the respective positions of the separated statement of LPP SA has no effect on the amounts presented in the consolidated statements.