

LPP

LPP SA Capital Group

Condensed interim financial statements for 1H15

Including:

1. Statement of the Management Board in accordance with the provisions of the Regulation of the Council of Ministers of 19 February 2009 on current and interim information provided by issuers of securities and on conditions under which information required by regulations adopted by countries other than Member States is considered equivalent.
2. The Interim Abridged Consolidated Financial Statements for the period from 01.01.2015 to 30.06.2015
3. Additional Notes and explanations to the Interim Abridged Consolidated Financial Statements for the first half of 2015
4. The Interim Abridged Separate Financial Statements for the period from 01.01.2015 to 30.06.2015
5. Interim Report on the Activities of LPP SA Capital Group for the first half of 2015

Gdańsk
August 2015

STATEMENT OF THE MANAGEMENT BOARD

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

- to the best of the Management Board's knowledge, the interim consolidated financial statements and comparative data have been prepared in line with accounting principles currently in effect and present the true and fair view of assets, financial standing, and financial result of LPP SA Capital Group,
- to the best of the Management Board's knowledge, the interim abridged separate financial statements and comparative data have been prepared in line with accounting principles currently in effect and present the true and fair view of assets, financial standing, and financial result of LPP SA Capital Group,
- the interim consolidated report on the Management Board's operations presents the true and fair view of the development and achievements of LPP SA Capital Group, including the accurate description of risks and threats,
- the entity authorised to audit financial statements that conducted an audit of the interim consolidated financial statements was appointed in line with applicable legal provisions currently in effect. This entity and statutory auditors who performed audits satisfied all requirements to prepare an impartial and independent audit report, pursuant to the applicable provisions of the Polish law

LPP SA Management Board:

Marek Piechocki – President of the Management Board

Przemysław Lutkiewicz - Vice President of the Management Board

Jacek Kujawa – Vice President of the Management Board

Piotr Dyka – Vice President of the Management Board

Hubert Komorowski – Vice President of the Management Board

The Interim Abridged Consolidated Financial Statements for the period from 01.01.2015 to 30.06.2015

1. Selected consolidated financial data of LPP SA Capital Group

in thousand PLN

| Selected consolidated financial data | 1H 2015 | 1H 2014 | 1H 2015 | 1H 2014 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 |
| | in thousand PLN | | in thousand EUR | |
| Net revenues from sales of products, goods and materials | 2 293 827 | 2 130 108 | 554 855 | 509 790 |
| Profit (loss) on operating activities | 160 519 | 226 479 | 38 828 | 54 202 |
| Pre-tax profit (loss) | 128 560 | 191 119 | 31 097 | 45 740 |
| Net profit (loss) | 99 293 | 154 192 | 24 018 | 36 902 |
| Net cash flows from operating activities | 28 170 | 150 205 | 6 814 | 35 948 |
| Net cash flows from investing activities | -190 590 | -264 104 | -46 102 | -63 207 |
| Net cash flows from financing activities | 134 600 | 108 229 | 32 558 | 25 902 |
| Net cash flows, total | -27 820 | -5 670 | -6 729 | -1 357 |

in thousand PLN

| Selected consolidated financial data | 1H 2015 | 1H 2014 | 1H 2015 | 1H 2014 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 |
| | in thousand PLN | | in thousand EUR | |
| Total assets | 3 240 225 | 2 790 716 | 772 512 | 670 700 |
| Long-term liabilities | 217 881 | 210 074 | 51 946 | 50 488 |
| Short-term liabilities | 1 296 979 | 1 100 695 | 309 217 | 264 533 |
| Equity | 1 725 365 | 1 479 947 | 411 350 | 355 680 |
| Share capital | 3 662 | 3 662 | 873 | 880 |
| 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) | 54.79 | 84.40 | 13.25 | 20.20 |
| Book value per ordinary share (in PLN / EUR) | 952.11 | 817.77 | 227.00 | 196.54 |
| Declared or paid dividends per ordinary share (in PLN / EUR) | 32.00 | 93.73 | 7.63 | 22.53 |

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: | | |
|--|---------------------|------------------|------------------|
| | 1H 2015 | 1H 2014 | |
| | 30.06.2015 | 30.06.2014 | 31.12.2014 |
| ASSETS | | | |
| Non-current assets | 1 638 381 | 1 394 987 | 1 516 416 |
| 1. Tangible fixed assets | 1 129 201 | 1 015 388 | 1 038 837 |
| 2. Intangible assets | 33 891 | 24 268 | 28 751 |
| 3. Goodwill | 209 598 | 209 598 | 209 598 |
| 4. Trade mark | 77 508 | 77 508 | 77 508 |
| 5. Investments in subsidiaries | 136 | 136 | 136 |
| 6. Investments in other entities | 2 117 | 10 366 | 2 405 |
| 7. Receivables and loans | 7 317 | 13 685 | 6 300 |
| 8. Deferred tax assets | 130 043 | 43 495 | 143 531 |
| 9. Pre-payments | 48 570 | 543 | 9 350 |
| Current assets (short-term) | 1 601 844 | 1 395 729 | 1 417 310 |
| 1. Inventory | 1 167 144 | 963 099 | 979 345 |
| 2. Trade receivables | 192 008 | 157 931 | 176 947 |
| 3. Receivables from income tax | 36 002 | 23 458 | 11 194 |
| 4. Other receivables | 28 347 | 77 929 | 46 281 |
| 5. Loans | 264 | 12 260 | 167 |
| 6. Other financial assets | 0 | 1 | 0 |
| 7. Pre payments | 22 370 | 17 366 | 19 847 |
| 8. Cash and cash equivalents | 155 709 | 143 685 | 183 529 |
| TOTAL assets | 3 240 225 | 2 790 716 | 2 933 726 |

in thousand PLN

| Consolidated statement of the financial position | Balance at the end: | | |
|--|---------------------|------------------|------------------|
| | 1H 2015 | 1H 2014 | |
| | 30.06.2015 | 30.06.2014 | 31.12.2014 |
| LIABILITIES | | | |
| Equity | 1 725 365 | 1 479 947 | 1 638 414 |
| 1. Share capital | 3 662 | 3 662 | 3 662 |
| 2. Own shares | -43 296 | -48 795 | -43 288 |
| 3. Capital from the sale of shares above their nominal value | 235 074 | 235 069 | 235 074 |
| 4. Other capital | 1 322 530 | 1 090 283 | 1 092 205 |
| 5. Foreign exchange differences from the conversion of units | -139 908 | -8 526 | -184 376 |
| 6. Retained earnings | 347 303 | 205 103 | 531 906 |
| - profit (loss) from previous years | 248 010 | 52 360 | 52 360 |
| - net profit (loss) for the current period | 99 293 | 152 743 | 479 546 |
| 7. Minority interest | | 3 151 | 3 231 |
| Long-term liabilities | | | |
| 1. Bank credits and loans | 182 842 | 202 492 | 204 461 |
| 2. Other financial liabilities | 18 | 0 | 0 |
| 3. Provisions for employee benefits | 2 256 | 1 701 | 1 596 |
| 4. Provision for deferred income tax | 4 691 | 5 878 | 4 657 |
| 5. Other long-term liabilities | 0 | 3 | 0 |
| 6. Accruals | 28 074 | | |
| Short-term liabilities | | | |
| 1. Trade and other liabilities | 703 071 | 758 548 | 618 578 |
| 2. Income tax liabilities | 0 | 24 188 | 37 972 |
| 3. Bank credits and loans | 556 137 | 279 969 | 378 346 |
| 4. Other financial liabilities | 20 | 15 | 7 |
| 5. Provisions | 16 121 | 19 165 | 20 201 |
| 6. Special funds | 643 | 393 | 157 |
| 7. Pre-payments | 20 987 | 18 417 | 29 337 |
| TOTAL liabilities | 3 240 225 | 2 790 716 | 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 | 1H 2015 | 1H 2014 |
|---|-----------------------|-----------------------|
| | 01.01.2015-30.06.2015 | 01.01.2014-30.06.2014 |
| Continuing operations | | |
| Sales revenue | 2 293 827 | 2 130 108 |
| Cost of goods sold | 1 076 999 | 866 324 |
| Gross Profit/(loss) on sales | 1 216 828 | 1 263 784 |
| Other operating income | 10 461 | 19 547 |
| Selling costs | 950 199 | 921 847 |
| General costs | 85 768 | 91 964 |
| Other operating expenses | 30 803 | 43 041 |
| Profit (Loss) on operating activities | 160 519 | 226 479 |
| Financial income | 1 271 | 1 578 |
| Financial cost | 33 230 | 36 938 |
| Pre-tax profit (loss) | 128 560 | 191 119 |
| Taxes | 29 267 | 36 927 |
| Net profit (loss) | 99 293 | 154 192 |
| Net profit attributable to: | | |
| Shareholders of the parent company | 99 293 | 152 743 |
| Non - controlling entities | 0 | 1 449 |
| Other comprehensive income | | |
| Items carried as financial profit or loss | | |
| Exchange differences from the conversion of units | 44 468 | -4 464 |
| Total comprehensive income | 143 761 | 149 728 |
| Share of: | | |
| Shareholders of the parent company | 143 761 | 146 839 |
| Non - controlling entities | 0 | 2 889 |
| Amount of shares | 1 812 145 | 1 809 725 |
| Profit (loss) per ordinary share | 54.79 | 84.40 |
| Diluted earnings per share | 54.31 | 83.86 |

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 | 447 070 | 0 | -4 062 | 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 | 447 070 | 0 | -4 062 | 3 178 | 1 496 490 |
| Costs of acquiring own shares | | -11 | | | | | | | -11 |
| Distribution of profit for 2013 | | | | 225 093 | -394 710 | | | | -169 617 |
| Net profit of minority shareholders for 2 014 | | | | | | | | 1 449 | |
| Payment of dividends to minority shareholders | | | | | | | | -1 476 | |
| Remuneration paid in shares | | | | 4 833 | | | | | 4 833 |
| Transactions with shareholders | 0 | -11 | 0 | 229 926 | -394 710 | 0 | 0 | -27 | -164 822 |
| Net profit (loss) for the first half 2015 | | | | | | 152 743 | | | 152 743 |
| Exchange differences after the conversion of units | | | | | | | -4 464 | | -4 464 |
| Balance as at 30 June 2014 | 3 662 | -48 795 | 235 069 | 1 090 283 | 52 360 | 152 743 | -8 526 | 3 151 | 1 479 947 |

LPP SA Capital Group
Condensed interim financial statements for the first half of 2015
Statements prepared in thousand PLN

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 | 531 906 | 0 | -184 376 | 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 | 531 906 | 0 | -184 376 | 3 231 | 1 638 414 |
| Costs of acquiring own shares | | -8 | | | | | | | -8 |
| Distribution of profit for 2014 | | | | 225 908 | -283 896 | | | | -57 988 |
| Contribution by minority shareholders | | | | 3 231 | | | | -3 231 | 0 |
| Remuneration paid in shares | | | | 1 186 | | | | | 1 186 |
| Transactions with shareholders | 0 | -8 | 0 | 230 325 | -283 896 | 0 | 0 | -3 231 | -56 810 |
| Net profit (loss) for the first half 2015 | | | | | | 99 293 | | | 99 293 |
| Exchange differences after the conversion of units | | | | | | | 44 468 | | 44 468 |
| Balance as at 30 June 2015 | 3 662 | -43 296 | 235 074 | 1 322 530 | 248 010 | 99 293 | -139 908 | 0 | 1 725 365 |

5. Consolidated cash flow statement of LPP SA Capital Group

in thousand PLN

| Consolidated cash flow statement | 1H 2015 | 1H 2014 |
|---|---------------------------|---------------------------|
| | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 |
| A Cash flows from operating activities - indirect method | | |
| I. Pre-tax profit (loss) | 128 560 | 191 119 |
| II. Total adjustments | -100 390 | -40 914 |
| 1. Amortisation and depreciation | 106 057 | 91 450 |
| 2. Foreign exchange gains (losses) | 11 228 | 5 169 |
| 3. Interest and profit sharing (dividends) | 9 260 | 3 137 |
| 4. Profit (loss) on investing activities | 7 025 | -5 990 |
| 5. Income tax paid | -72 894 | -68 003 |
| 6. Change in provisions | -3 755 | 784 |
| 7. Change in inventories | -176 025 | -160 301 |
| 8. Change in receivables | 16 394 | 32 086 |
| 9. Change in short-term liabilities excluding credits and loans | 40 689 | 37 158 |
| 10. Change in prepayments and accruals | -35 019 | -864 |
| 11. Other adjustments | -3 350 | 24 460 |
| III. Net cash flows from operating activities | 28 170 | 150 205 |
| B Cash flows from investing activities | | |
| I. Inflows | 38 797 | 38 344 |
| 1. Disposal of intangible and tangible fixed assets | 38 687 | 29 788 |
| 2. From financial assets, including: | 110 | 3 520 |
| a) in related parties | 0 | 0 |
| -dividend | | |
| - liquidation of companies | | |
| b) in other entities | 110 | 3 520 |
| - sales of financial assets - foreign bonds | | |
| - repayment of loans | 95 | 547 |
| - interest | 15 | 973 |
| -other financial assets inflows | 0 | 2 000 |
| 3. Other investment inflows | 0 | 5 036 |

| | | |
|--|----------------|----------------|
| II. Outflows | 229 387 | 302 448 |
| 1. Purchase of intangible assets and tangible fixed assets | 229 221 | 289 499 |
| 2. For financial assets, including: | 166 | 12 949 |
| a) in related parties | 0 | 10 827 |
| - purchase of shares | | 10 827 |
| - loans granted | | |
| b) in other entities | 166 | 2 122 |
| - purchase of financial assets | | 2 000 |
| - purchase of foreign bonds | | |
| - loans granted | 166 | 122 |
| 3. Other capital expenses | | |
| III. Net cash flows from investing activities | -190 590 | -264 104 |
| C. Inflows from the financing activities | | |
| I. Inflows | 188 015 | 159 337 |
| 1. Inflows from issuance of shares | | |
| 2. Credits and loans | 188 015 | 159 337 |
| 3. Other inflows from financial activities | | |
| II. Outflows | 53 415 | 51 108 |
| 1. Cost of maintaining own shares | 8 | 11 |
| 2. Dividends to shareholders | | 1 476 |
| 3. Repayment of credits and loans | 44 505 | 42 763 |
| 4. Payment of liabilities arising from financial leases | 0 | 168 |
| 5. Interest | 8 902 | 6 690 |
| 6. Other outflows from financial activities | | |
| III. Net cash flows from financing activities | 134 600 | 108 229 |
| D. Total net cash flows | -27 820 | -5 670 |
| E. Balance sheet change in cash, including: | -27 820 | -5 670 |
| - change in cash due to exchange differences | -1 954 | 660 |
| F. Cash opening balance | 183 529 | 149 355 |
| G. Closing balance of cash, including: | 155 709 | 143 685 |
| - of limited disposability | 345 | 4 811 |

Additional notes and explanations to the Interim Abridged Consolidated Financial Statements for the first half of 2015

1. General information

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

The Parent Company was entered into the Register of Entrepreneurs of the National Court Register kept by the District Court Gdańsk Północ for the City of Gdańsk - 7th Commercial Division, KRS No. 0000000778. The Parent Company was given the statistical REGON number 190852164.

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

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

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

Clothing designs are prepared in the design office located in the registered office of LPP SA in Gdańsk and for the brands of House and Mohito in the design office in Cracow, where they are then transferred to the purchasing department that orders the production of certain models, cooperating in this respect with companies in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai.

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

Another object of the Capital Group is to manage the rights to RESERVED, Cropp, House, MOHITO and SiNSAY marks, including their protection, make attempts to increase their value, grant the license for their use, etc. Such companies as Gothals Limited in Cyprus and Jaradi Limited and IP Service FZE in the United Arab Emirates have been set up for that purpose. Currently, Jaradi LTD and IP Service FZE are in liquidation. Four domestic subsidiaries are engaged in the rental of real properties where the shops of RESERVED, Cropp, House and MOHITO are run.

As at 30.06.2015, LPP SA Capital Group includes:

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

There is no parent entity in relation to LPP SA.

The Group companies are listed 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 SRO | 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 SRO | Banska Bystrica, Slovakia | 30.10.2008 |
| 15. | LPP Fashion Bulgaria LTD | Sofia, Bulgaria | 26.08.2011 |
| 16. | Gothals LTD | Nicosia, Cyprus | 22.07.2011 |
| 17. | Jaradi LTD | Al Tatar, UAE | 22.07.2011 |
| 18. | IP Service FZE | Ras Al Khaimah, UAE | 23.12.2012 |
| 19. | LPP Croatia DOO | Zagreb, Croatia | 22.01.2014 |
| 20. | Reserved GmbH | Hamburg, Germany | 03.03.2014 |

LPP SA holds a direct control interest in its subsidiaries, i.e. it has 100% share in their capital and 100% of the total number of votes.

The consolidated financial statements of the Capital Group for the period from 1 January to 30 June 2015 include the individual results of LPP SA and the results of the following foreign 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 EOOD
- LPP Slovakia SRO
- LPP Fashion Bulgaria LTD
- Gothals LTD
- Jaradi LTD
- IP Service FZE
- LPP Croatia DOO
- Reserved GmbH

Polish subsidiaries of LPP SA were not consolidated as their financial data is immaterial. 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 and net revenues from sales of goods and services and financial operations of the entity which for the financial period are less than 10% of total assets and liabilities and the income of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of the entities not included in the consolidation may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements established on the assumption that their scope includes all subsidiaries and affiliates without making any exclusions.

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

- in the total assets of the Group - 0.01%
- in sales revenues and financial revenues of the Group - 0.24%.

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

2. Basis for preparation and accounting policy

2.1. Basis for preparation

The interim condensed consolidated financial statements of the LPP SA Capital Group cover a period of six months ended on 30.06.2015 and they were prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all the information that is disclosed in the annual consolidated financial statement prepared in accordance with IFRS. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Capital Group for 2014.

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

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

- exchange rate prevailing on the last day of the reporting period: 30.06.2015 4.1944 PLN/EUR, 30.06.2014 4.1609 PLN/EUR
- average rate for the period, calculated as the average of the rates prevailing on the last day of each month during the period: 01.01-30.06.2015 4.1341 PLN/EUR, 01.01-30.06.2014 4.1784 PLN/EUR

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

2.2. Accounting policy

These interim condensed consolidated financial statements have been prepared in accordance with accounting principles that have been presented in the last consolidated financial statements of the Capital Group for the year ended 31 December 2014.

2.3. Corrections of errors and changes in the accounting policy

In the condensed consolidated financial statements there was no error correction for previous years, but there was a change in the presentation of the profit earned on the sale of investment in third-party facilities. This change was due to the increasingly important values resulting from the Group's expansion.

Until the end of 2014, the profit was presented 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 "Accrued expenses", 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 the first half of 2014 amounted to PLN 9 517 thousand. This amount is the difference between the value of the sale of investment (the amount of PLN 35 074 thousand) and the cost incurred to build the stores (the amount of PLN 25 557 thousand).

Using the new rules, the result, as costs adjustment, would have been recognized in the amount of PLN 419 thousand. During the current value is PLN 663 thousand.

In the consolidated statement of financial position of LPP Capital Group for the first half of 2014 the remaining value of profit on sales of PLN 9 098 thousand would be moved from position "Net income" to position "Prepayments" and settled in subsequent periods.

3. Seasonality of operations

Seasonality in sales is the characteristic feature of the clothing market both in Poland and abroad. Typically, the gross margin achieved in the second and the fourth quarter is higher than the margin recorded in the first and third quarter. This is due to the sale of new collections at regular rates, i.e. without price reductions (in the second quarter of spring-summer collection, in the fourth quarter of autumn-winter collection).

The first half of 2015 was a unique situation because gross margin in the first quarter was higher than the second quarter due to lower than planned sales in comparable stores, resulting in the need for larger year-to-year sales and markdowns between seasons.

4. Operating 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.

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

LPP SA Capital Group
Condensed interim financial statements for the first half of 2015
Statements prepared in thousand PLN

First half of 2015

in PLN '000

| | EU Member States | Other countries | Consolidation adjustments | Values not attributed to the segments | Total |
|--|------------------|-----------------|---------------------------|---------------------------------------|------------------|
| External sales | 1 806 059 | 487 768 | | | 2 293 827 |
| Intersegment sales | 463 550 | | -463 550 | | - |
| Other operating income | 7 464 | 2 448 | | 549 | 10 461 |
| Total revenue | 2 277 073 | 490 216 | -463 550 | 549 | 2 304 288 |
| Total operating expenses, including | 1 869 833 | 428 756 | -271 391 | 85 768 | 2 112 966 |
| Costs of intersegment sales | 234 927 | | -234 927 | | - |
| Other operating expenses | 20 295 | 10 508 | | | 30 803 |
| Segment results | 386 945 | 50 952 | -192 159 | -85 219 | 160 519 |
| Financial revenue | | | | | 1 271 |
| Financial expenses | | | | | 33 230 |
| Profit before tax | | | | | 128 560 |
| Income tax | | | | | 29 267 |
| Net profit from continuing operations | | | | | 99 293 |

First half of 2014

in PLN '000

| | EU Member States | Other countries | Consolidation adjustments | Values not attributed to the segments | Total |
|--|------------------|-----------------|---------------------------|---------------------------------------|------------------|
| External sales | 1 629 800 | 500 308 | | | 2 130 108 |
| Intersegment sales | 296 440 | | -296 440 | | - |
| Other operating income | 6 917 | 3 057 | | 9 573 | 19 547 |
| Total revenue | 1 933 157 | 503 365 | -296 440 | 9 573 | 2 149 655 |
| Total operating expenses, including | 1 584 776 | 502 534 | -299 139 | 91 964 | 1 880 135 |
| Costs of intersegment sales | 229 159 | | -229 159 | | - |
| Other operating expenses | 26 489 | 16 552 | | | 43 041 |
| Segment results | 321 892 | -15 721 | 2 699 | -82 391 | 226 479 |
| Finance income | | | | | 1 578 |
| Finance costs | | | | | 36 938 |
| Profit before tax | | | | | 191 119 |
| Income tax | | | | | 36 927 |
| Net profit from continuing operations | | | | | 154 192 |

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2015 to 30.06.2015

in PLN '000

| | Land | Buildings, facilities, civil- and hydro- engineering structures | Plant and machinery | Means of transport | Other fixed assets | Fixed assets in progress | Fixed assets, total |
|--|--------|---|------------------------|-----------------------|-----------------------|-----------------------------|------------------------|
| 1) Opening balance gross value of fixed assets | 31 163 | 1 030 941 | 215 613 | 10 294 | 353 109 | 90 151 | 1 731 271 |
| - foreign exchange differences | 0 | 8,601 | 1 545 | 52 | 6 306 | 407 | 16 911 |
| - increase | 11 651 | 84 649 | 16,323 | 394 | 56 554 | 189 508 | 359 079 |
| - decrease | 0 | 32 098 | 5 121 | 902 | 7 916 | 167 947 | 213 984 |
| 2) Closing balance gross value of fixed assets | 42 814 | 1 092 093 | 228 360 | 9 838 | 408 053 | 112 119 | 1 893 277 |
| 3) Opening balance accumulated depreciation (amortization) | 0 | 412 391 | 120 673 | 5 882 | 148 913 | 0 | 687 859 |
| - depreciation | 0 | 52 884 | 16 894 | 838 | 32 250 | 0 | 102 866 |
| - foreign exchange differences | | 2 783 | 622 | 107 | 3 334 | 0 | 6 846 |
| - decrease | 0 | 24 488 | 4 880 | 697 | 7 255 | 0 | 37 320 |
| 4) Closing balance accumulated depreciation (amortisation) | 0 | 443 570 | 133 309 | 6 130 | 177 242 | 0 | 760 251 |
| 5) Opening balance impairment write-offs | 0 | 4 385 | 21 | 0 | 169 | 0 | 4 575 |
| - increase | 0 | 144 | 1 | 0 | 21 | 0 | 166 |
| - decrease | 0 | 911 | 5 | 0 | 0 | 0 | 916 |
| 6) Closing balance impairment write-offs | 0 | 3 618 | 17 | 0 | 190 | 0 | 3 825 |
| Total closing balance net value of fixed assets | 42 814 | 644 905 | 95 034 | 3 708 | 230 621 | 112 119 | 1 129 201 |

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2015 to 30.06.2015

in PLN '000

| | Land | Buildings, facilities, civil- and hydro- engineering structures | Plant and machinery | Means of transport | Other fixed assets | Fixed assets in progress | Fixed assets, total |
|--|--------|---|------------------------|-----------------------|-----------------------|-----------------------------|------------------------|
| 1) Opening balance gross value of fixed assets | 19 174 | 904 002 | 194 315 | 11 744 | 303 869 | 70 479 | 1 503 583 |
| - foreign exchange differences | | -74 107 | -8 926 | -783 | -38 866 | -4 105 | -126 787 |
| - increase | 11 989 | 236 385 | 47 328 | 2 017 | 99 305 | 394 240 | 791 264 |
| - decrease | | 35 339 | 17 104 | 2 684 | 11 199 | 370 463 | 436 789 |
| 2) Closing balance gross value of fixed assets | 31 163 | 1 030 941 | 215 613 | 10 294 | 353 109 | 90 151 | 1 731 271 |
| 3) Accumulated depreciation at the beginning of the period | 0 | 360 802 | 111 013 | 6 732 | 123 270 | 0 | 601 817 |
| - depreciation | 0 | 100 998 | 29 755 | 1 837 | 55 200 | 0 | 187 790 |
| - foreign exchange differences | | -25 382 | -4 326 | -413 | -9 233 | 0 | -39 354 |
| - decrease | 0 | 24 027 | 15 769 | 2 274 | 20 324 | 0 | 62 394 |
| 4) Accumulated depreciation at the end of the period | 0 | 412 391 | 120 673 | 5 882 | 148 913 | 0 | 687 859 |
| 5) Opening balance impairment write-offs | 0 | 4 576 | 127 | 0 | 257 | 0 | 4 960 |
| - increase | 0 | 2 155 | 0 | 0 | 0 | 0 | 2 155 |
| - decrease | 0 | 2 346 | 106 | 0 | 88 | 0 | 2 540 |
| 6) Closing balance impairment write-offs | 0 | 4 385 | 21 | 0 | 169 | 0 | 4 575 |
| Total closing balance net value of fixed assets | 31 163 | 614 165 | 94 919 | 4 412 | 204 027 | 90 151 | 1 038 837 |

6. Intangible assets

Changes in intangible assets in the period from 01.01.2015 to 30.06.2015

in PLN '000

| | Costs of completed development works | Acquired concessions, patents, licenses and similar assets, including: | | Intangible assets in progress | Total |
|--|--------------------------------------|--|-------------------|-------------------------------|--------|
| | | Total | Computer software | | |
| a) Gross value of intangible assets at the beginning of the period | 4 755 | 60 621 | 57 579 | 6 463 | 71 839 |
| - foreign exchange differences | 0 | 81 | 81 | 0 | 81 |
| - increase | 1 769 | 3 046 | 2 699 | 8 208 | 13 023 |
| - decrease | 0 | 0 | 0 | 4 714 | 4 714 |
| b) Gross value of intangible assets at the end of the period | 6 524 | 63 748 | 60 359 | 9 957 | 80 229 |
| c) Opening balance accumulated depreciation (amortisation) | 1 902 | 41 186 | 39 222 | 0 | 43 088 |
| - planned amortisation write-offs | 505 | 2 687 | 2 589 | 0 | 3 192 |
| - foreign exchange differences | 0 | 58 | 58 | 0 | 58 |
| - decrease | 0 | 0 | 0 | 0 | 0 |
| d) Closing balance accumulated depreciation (amortisation) | 2 407 | 43 931 | 41 869 | 0 | 46 338 |
| Total net value of intangible assets at the end of the period | 4 117 | 19 817 | 18 490 | 9 957 | 33 891 |

Changes in intangible assets in the period from 01.01.2014 to 30.12.2014

in PLN '000

| | Costs of completed development works | Acquired concessions, patents, licenses and similar assets, including: | | Intangible assets in progress | Total |
|--|--------------------------------------|--|-------------------|-------------------------------|--------|
| | | Total | Computer software | | |
| a) Gross value of intangible assets at the beginning of the period | 4 755 | 50 368 | 48 032 | 3 063 | 58 186 |
| - foreign exchange differences | 0 | -1 023 | -1 023 | 0 | -1 023 |
| - increase | 0 | 11 573 | 10 840 | 14 788 | 26 361 |
| - decrease | 0 | 297 | 270 | 11 388 | 11 685 |
| b) Gross value of intangible assets at the end of the period | 4 755 | 60 621 | 57 579 | 6 463 | 71 839 |
| c) Opening balance accumulated depreciation (amortisation) | 951 | 37 103 | 34 965 | | 38 054 |
| - foreign exchange differences | | -596 | -596 | | -596 |
| - planned amortisation write-offs | 951 | 4 929 | 4 876 | | 5 880 |
| - decrease | | 250 | 23 | | 250 |
| d) Closing balance accumulated depreciation (amortisation) | 1 902 | 41 186 | 39 222 | | 43 088 |
| Total net value of intangible assets at the end of the period | 2 853 | 19 435 | 18 357 | 6 463 | 28 751 |

7. Revaluation write-offs of assets

Inventory revaluation write-offs

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|---|-------------------------------|-------------------------------|-------------------------------|
| Opening balance | 18 420 | 10 885 | 10 885 |
| Inventory write-offs not included as cost in the period | 0 | 0 | 3 147* |
| Inventory write-offs included as cost in the period | 2 643 | 6 551 | 6 413 |
| Reversed revaluation write-offs in the period | 368 | 630 | 1 195 |
| Exchange rate differences | -1 795 | -241 | -830 |
| Closing balance | 18 900 | 16 565 | 18 420 |

* relates to write-offs in the company Koba prior to its acquisition by the parent company

Receivables and loans revaluation write-offs

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|--|----------------------------------|----------------------------------|----------------------------------|
| Opening balance | 25 337 | 6 037 | 6 037 |
| Increases recognised in the reporting period | 264 | 4 420 | 24 024 |
| Decreases recognised in the reporting period | 12 809 | 332 | 4 499 |
| Exchange rate differences | -124 | -243 | -225 |
| Closing balance | 12 668 | 9 882 | 25 337 |

Shares revaluation write-offs

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|--|----------------------------------|----------------------------------|----------------------------------|
| Opening balance | 8 383 | 0 | 0 |
| Increases recognised in the reporting period | 239 | 0 | 8 383 |
| Decreases recognised in the reporting period | 0 | 0 | 0 |
| Exchange rate differences | 0 | 0 | 0 |
| Closing balance | 8 622 | 0 | 8 383 |

8. Fair value of financial instruments

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

30.06.2015

in PLN '000

| Assets* | Fair value | Carrying amount |
|-----------------------------|----------------|-----------------|
| Trade and other receivables | 263 536 | 263 536 |
| Cash and cash equivalents | 155 709 | 155 709 |
| Total | 419 245 | 419 245 |

| Liabilities | Fair value | Carrying amount |
|-----------------------------|------------------|------------------|
| Bank loans and borrowings | 738 979 | 738 979 |
| Trade and other liabilities | 703 071 | 703 071 |
| Other financial liabilities | 38 | 38 |
| Total | 1 442 088 | 1 442 088 |

31.12.2014

in PLN '000

| Assets* | Fair value | Carrying amount |
|-----------------------------|----------------|-----------------|
| Trade and other receivables | 240 552 | 240 552 |
| Cash and cash equivalents | 183 529 | 183 529 |
| Total | 424 081 | 424 081 |

| Liabilities | Fair value | Carrying amount |
|-----------------------------|------------------|------------------|
| Bank loans and borrowings | 582 807 | 582 807 |
| Trade and other liabilities | 656 550 | 656 550 |
| Other financial liabilities | 7 | 7 |
| Total | 1 239 364 | 1 239 364 |

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

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

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

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

In the Group's opinion, the carrying value of financial assets and financial liabilities is close to the fair value.

9. Share capital

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

As at 30 June 2015, the share capital was PLN 3 662 thousand. This capital was divided into 1 831 123 shares with a nominal value of PLN 2 each.

As at 30 June 2015, the structure of share capital of LPP SA was as follows:

| Shareholder | Number of shares held | Number of votes at the AGM | Share in the total number of votes at the AGM | Participation in share capital | Nominal value of shares |
|---------------------------|-----------------------|----------------------------|---|--------------------------------|-------------------------|
| Marek Piechocki | 175 498 | 875 498 | 27.1% | 9.6% | 350 996 |
| Jerzy Lubianiec | 175 000 | 875 000 | 27.1% | 9.6% | 350 000 |
| Monistor Limited (Cyprus) | 200 728 | 200 728 | 6.2% | 11.0% | 401 456 |
| Other shareholders | 1 279 897 | 1 279 897 | 39.6% | 69.8% | 2 559 794 |
| Total | 1 831 123 | 3 231 123 | 100.0% | 100.0% | 3 662 246 |

10. Dividends

In the first half of 2015, the parent company LPP SA did not pay dividends to the shareholders. At the same time, during the reporting period, i.e. on 26 June 2015, LPP SA decided by the Resolution No. 19 of AGM to allocate part of the profit generated in the year 2014 in the amount of PLN 57 988 640 for dividend payment. Dividend payout was set for 24 September 2015. On the date of the resolution, the dividend amount per share of LPP SA is PLN 32 (RB 28/2015).

11. Earnings per share

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

Calculation of EPS is presented below:

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Profit (loss) for the current period attributable to equity holders of the parent | 99 293 | 152 743 | 479 546 |
| Weighted average number of ordinary shares | 1 812 145 | 1 809 725 | 1 809 725 |
| Profit (loss) per share | 54.79 | 84.40 | 264.98 |
| Diluted profit (loss) per share | 54.31 | 83.86 | 262.51 |

12. Provisions

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

| | Provision for pensions and similar benefits | Provision for unpaid remuneration | Provision for liabilities | Provision for holiday leaves not taken |
|---|---|-----------------------------------|---------------------------|--|
| For the period from 01.01.2015 to 30.06.2015 | | | | |
| Opening balance | 1 596 | 7 683 | 176 | 12 342 |
| - provisions established | 2 256 | 411 | 0 | 12 204 |
| - provisions reversed | 1 596 | 4 177 | 176 | 12 342 |
| Closing balance | 2 256 | 3 917 | 0 | 12 204 |
| For the period from 01.01.2014 to 30.06.2014 | | | | |
| Opening balance | 1 298 | 18 258 | 0 | 8 003 |
| - provisions established | 1 701 | 2 140 | 0 | 11 007 |
| - provisions reversed | 1 298 | 12 240 | 0 | 8 003 |
| Closing balance | 1 701 | 8 158 | 0 | 11 007 |
| For the period from 01.01.2014 to 30.12.2014 | | | | |
| Opening balance | 1 298 | 18 258 | 0 | 8 003 |
| - provisions established | 1 596 | 3 340 | 176 | 12 342 |
| - provisions reversed | 1 298 | 13 915 | 0 | 8 003 |
| Closing balance | 1 596 | 7 683 | 176 | 12 342 |

13. Contingent liabilities and assets

In the first half of 2015, companies of LPP SA Capital Group used bank guarantees to secure the payment of rent for the space occupied by retail stores.

As of 30 June 2015, the total value of bank guarantees issued on behalf of and responsibility of LPP SA amounted to about PLN 227 736 thousand, including:

- a) the value of guarantees issued to secure the agreements concluded by LPP SA amounted to PLN 89 856 thousand,
- b) value of guarantees issued for contracts concluded by the non-consolidated related parties amounted to PLN 135 683 thousand,
- c) guarantees granted to secure agreements executed by non-consolidated related parties amounted to PLN 1 607 thousand,
- d) guarantees granted to secure office space lease agreements concluded by LPP SA - PLN 589 thousand.

In the first half of 2015, the Company also received guarantees. These guarantees were collateral from the counterparty payments, their value as at 30 June 2015 amounted to PLN 8 500 thousand.

On 30 June 2015, the value of sureties granted by the parent company amounted to PLN 94 641 thousand and increased in comparison to 31 December 2014 by PLN 9 939 thousand.

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

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

14. Income tax

Major components of income tax of the Group for the period from 01.01.2015 to 30.06.2015 and comparative period are presented in the table below.

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 |
|---------------------|----------------------------------|----------------------------------|
| Current income tax | 15 191 | 48 970 |
| Deferred income tax | 14 076 | -12 043 |
| Total | 29 267 | 36 927 |

15. Transactions with affiliated entities

The Group's affiliates include:

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

15.1. Key personnel

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

The value of short-term employee benefits of the key management personnel for the period from 1 January to 30 June 2015 amounted to PLN 411 thousand.

The reporting period includes costs corresponding to the incentive programme for the year 2013 in the amount of PLN 1 186 thousand. This programme, together with the valuation methodology, was described in detail in the report for the year 2013.

15.2. Transactions with affiliated entities

in PLN '000

| Affiliated entities | Liabilities as at 30.06.2015 | Receivables as at 30.06.2015 | Revenues from sale in the first half of 2015 | Own cost of sale in the first half of 2015 |
|-----------------------------|---------------------------------|---------------------------------|--|--|
| Polish subsidiaries – total | 133 | 12 | 7 | 5 472 |

in PLN '000

| Affiliated entities | Liabilities as at 30.06.2014 | Receivables as at 30.06.2014 | Revenues from sale in the first half of 2014 | Own cost of sale in the first half of 2014 |
|-----------------------------|---------------------------------|---------------------------------|--|--|
| Polish subsidiaries – total | 0 | 5 | 7 | 5 775 |

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

Data presented as payables of LPP SA are receivables in related entities, and expenses are equivalent to revenues of given entities.

All related party transactions were concluded on an arm's length basis.

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

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

16. Events after the balance sheet date

On 26.06.2015 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. Details of the merger were published on the website of the parent company (RB 19/2015, RB 24/2015).

Work is currently underway related to the merger of both companies. It is planned that the merger will take place in the fourth quarter of 2015.

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

Important disclosures, which are not included in the notes to the consolidated statements of LPP SA Capital Group for the first half of 2015 are presented below.

17.1 Property, plant and equipment

At the balance sheet date, LPP SA has contractual obligations to acquire tangible fixed assets in the amount of PLN 22 387 thousand. In comparable periods, the figures were as follows:

- as at 30.06.2014 - PLN 53 158 thousand,
- as at 31.12.2014 - PLN 45 549 thousand.

Increasing land values resulted from the purchase of land in Gdańsk to expand the headquarters of LPP SA. The value of buildings increased as a result of the development of stores in Poland and the development of Logistics Centre in Pruszcz Gdański.

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2015 to 30.06.2015

in PLN '000

| | Land | Buildings, facilities, civil- and hydro- engineering structures | Plant and machinery | Means of transport | Other fixed assets | Fixed assets in progress | Fixed assets, total |
|--|--------|---|------------------------|-----------------------|-----------------------|-----------------------------|------------------------|
| 1) Opening balance gross value of fixed assets | 31 163 | 673 503 | 134 886 | 8 531 | 224 511 | 77 559 | 1 150 153 |
| - increase | 11 650 | 37 855 | 11 688 | 79 | 32 823 | 138 203 | 232 299 |
| - decrease | 0 | 24 164 | 3 423 | 459 | 5 496 | 114 086 | 147 628 |
| 2) Closing balance gross value of fixed assets | 42 814 | 687 194 | 143 151 | 8 151 | 251 838 | 101 676 | 1 234 823 |
| 3) Opening balance accumulated depreciation (amortization) | 0 | 281 253 | 81 091 | 6088 | 99 655 | 0 | 468 087 |
| - depreciation | 0 | 28 672 | 10 249 | 499 | 19 667 | 0 | 59087 |
| - increase | 0 | 0 | 0 | 0 | 0 | | 0 |
| - decrease | 0 | 21 606 | 3 315 | 395 | 5 149 | 0 | 30 464 |
| 4) Closing balance accumulated depreciation (amortisation) | 0 | 288 320 | 88 025 | 6 192 | 114 172 | 0 | 496 710 |
| 5) Opening balance impairment write-offs | 0 | 1 435 | 0 | 0 | 0 | 0 | 1 435 |
| - increase | 0 | 136 | 0 | 0 | 0 | 0 | 136 |
| - decrease | 0 | 638 | 0 | 0 | 0 | 0 | 638 |
| 6) Closing balance impairment write-offs | 0 | 932 | 0 | 0 | 0 | 0 | 932 |
| Total closing balance net value of fixed assets | 42 814 | 397 942 | 55 126 | 1 958 | 137 665 | 101 676 | 737 181 |

Changes in fixed assets (by type) in the period from 01.01.2014 to 31.12.2014

in PLN '000

| | Land | Buildings, facilities, civil- and hydro- engineering structures | Plant and machinery | Means of transport | Other fixed assets | Fixed assets in progress | Fixed assets, total |
|--|--------|---|------------------------|-----------------------|-----------------------|-----------------------------|------------------------|
| 1) Opening balance gross value of fixed assets | 19 175 | 573 308 | 122 296 | 8 373 | 179 292 | 58 458 | 960 902 |
| - increase | 11 988 | 117 686 | 22 610 | 899 | 52 254 | 270 000 | 475 437 |
| - decrease | 0 | 17 491 | 10 020 | 741 | 7 035 | 250 899 | 286 186 |
| 2) Closing balance gross value of fixed assets | 31 163 | 673 503 | 134 886 | 8 531 | 224 511 | 77 559 | 1 150 153 |
| 3) Opening balance accumulated depreciation (amortization) | 0 | 241 116 | 72 448 | 5 586 | 73 867 | 0 | 393 017 |
| - depreciation | 0 | 54 714 | 17 661 | 1 042 | 32 368 | 0 | 105 785 |
| - increase | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - decrease | 0 | 14 577 | 9 018 | 540 | 6 580 | 0 | 30 715 |
| 4) Closing balance accumulated depreciation (amortisation) | 0 | 281 253 | 81 091 | 6 088 | 99 655 | 0 | 468 087 |
| 5) Opening balance impairment write-offs | 0 | 1 424 | 0 | 0 | 0 | 0 | 1 424 |
| - increase | 0 | 408 | 0 | 0 | 0 | 0 | 408 |
| - decrease | 0 | 397 | 0 | 0 | 0 | 0 | 397 |
| 6) Closing balance impairment write-offs | 0 | 1 435 | 0 | 0 | 0 | 0 | 1 435 |
| Total closing balance net value of fixed assets | 31 163 | 390 815 | 53 795 | 2 443 | 124 856 | 77 559 | 680 631 |

17.2. Intangible assets

Changes in intangible assets in the period from 01.01.2015 to 30.06.2015

in PLN '000

| | Costs of completed development works | Acquired concessions, patents, licenses and similar assets, including: | | Intangible assets in progress | Total |
|--|--------------------------------------|--|-------------------|-------------------------------|---------|
| | | Total | Computer software | | |
| a) Gross value of intangible assets at the beginning of the period | 4 755 | 57 536 | 56 822 | 6 463 | 248 372 |
| - increase | 1 769 | 2 931 | 2 584 | 8 208 | 12 908 |
| - decrease | 0 | 0 | 0 | 4 714 | 4 714 |
| b) Gross value of intangible assets at the end of the period | 6 525 | 60 467 | 59 406 | 9 957 | 256 566 |
| c) Opening balance accumulated depreciation (amortisation) | 1 902 | 41 484 | 41 240 | 0 | 43 387 |
| - planned amortisation write-offs | 505 | 2 380 | 2 282 | 0 | 2 885 |
| - decrease | 0 | 0 | 0 | 0 | 0 |
| d) Closing balance accumulated depreciation (amortisation) | 2,407 | 43 865 | 43 522 | 0 | 46 272 |
| Total net value of intangible assets at the end of the period | 4 118 | 16 602 | 15 884 | 9 957 | 210 294 |

Changes in intangible assets in the period from 01.01.2014 to 30.12.2014 in PLN '000

| | Costs of completed development works | Acquired concessions, patents, licenses and similar assets, including: | | Intangible assets in progress | Total |
|--|--------------------------------------|--|-------------------|-------------------------------|--------|
| | | Total | Computer software | | |
| a) Gross value of intangible assets at the beginning of the period | 4 755 | 46 940 | 46 172 | 3 057 | 54 752 |
| - increase | 0 | 10 823 | 10 650 | 14 738 | 25 561 |
| - decrease | 0 | 227 | 0 | 11 331 | 11 558 |
| b) Gross value of intangible assets at the end of the period | 4 755 | 57 536 | 56 822 | 6 464 | 68 755 |
| c) Opening balance accumulated depreciation (amortisation) | 951 | 37 577 | 37 221 | 0 | 38 528 |
| - planned amortisation write-offs | 951 | 4 135 | 4 020 | 0 | 5 086 |
| - decrease | 0 | 227 | 0 | 0 | 227 |
| d) Closing balance accumulated depreciation (amortisation) | 1 902 | 41 485 | 41 241 | 0 | 43 387 |
| Total net value of intangible assets at the end of the period | 2 853 | 16 051 | 15 581 | 6 464 | 25 368 |

17.3. Investments in subsidiaries

The value of shares in subsidiaries, additional equity contributions for subsidiaries at their purchase price and valuation write-offs as at 30.06.2015 as well as comparative data are presented in the following tables.

in PLN '000

| Description of the subsidiary as at 30.06.2015 | Value of shares held | | Amount of impairment loss | Carrying value of shares as at 30.06.2015 |
|--|----------------------|---------------------------------|---------------------------|---|
| | Shares | Additional equity contributions | | |
| Foreign companies | 306 055 | 757 734 | 373 607 | 690 182 |
| Domestic companies | 148 | | 12 | 136 |
| Total | 306 203 | 757 734 | 373 619 | 690 318 |

in PLN '000

| Description of the subsidiary as at 31.12.2014 | Value of shares held | | Amount of impairment loss | Carrying value of shares as at 31.12.2014 |
|--|----------------------|---------------------------------|---------------------------|---|
| | Shares | Additional equity contributions | | |
| Foreign companies | 222 848 | 747 566 | 432 486 | 537 928 |
| Domestic companies | 149 | | 12 | 137 |
| Total | 222 997 | 747 566 | 432 498 | 538 065 |

In the first half of 2015, the increase in the value of investments in subsidiaries was affected by contributions to the core capital of companies in Germany, Croatia and Romania.

17.4. Revaluation write-offs of assets

Shares revaluation write-offs

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Opening balance | 432 498 | 108 508 | 108 508 |
| Inventory write-offs included as cost in the period | 19 687 | 134 533 | 341 770 |
| Reversed revaluation write-offs in the period | 78 566 | 0 | 17 780 |
| Closing balance | 373 619 | 243 041 | 432 498 |

Loans revaluation write-offs

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Opening balance | 4 791 | 28 158 | 28 158 |
| Inventory write-offs included as cost in the period | 0 | 24 797 | 24 883 |
| Reversed revaluation write-offs in the period | 4 752 | 47 130 | 48 250 |
| Closing balance | 39 | 5 825 | 4 791 |

Inventory revaluation write-offs

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Opening balance | 2 924 | 2 159 | 2 159 |
| Inventory write-offs included as cost in the period | 804 | 518 | 1 370 |
| Reversed revaluation write-offs in the period | 62 | 606 | 605 |
| Closing balance | 3 666 | 2 071 | 2 924 |

Receivables revaluation write-offs

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 30.12.2014 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Opening balance | 24 711 | 29 637 | 29 637 |
| Inventory write-offs included as cost in the period | 39 239 | 64 020 | 79 263 |
| Reversed revaluation write-offs in the period | 16 125 | 76 488 | 84 189 |
| Closing balance | 47 825 | 17 169 | 24 711 |

17.5 Earnings per share

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

Calculation of EPS is presented below:

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 | from 01.01.2014 to 31.12.2014 |
|--|----------------------------------|----------------------------------|-------------------------------------|
| Net profit (loss) for the current period | 135 618 | 193 959 | 283 896 |
| Weighted average number of ordinary shares | 1 812 145 | 1 809 725 | 1 809 725 |
| Profit (loss) per share | 74.84 | 107.18 | 156.87 |
| Diluted profit (loss) per share | 74.14 | 106.49 | 155.41 |

17.6. Provisions

The value of provisions included in the condensed separate financial statements of LPP S.A. and their changes in different periods were as follows:

| | Provision for pensions and similar benefits | Provision for unpaid remuneration | Provision for liabilities | Provision for holiday leaves not taken |
|---|---|---|------------------------------|--|
| For the period from 01.01.2015 to 30.06.2015 | | | | |
| Opening balance | 1 504 | 7 683 | | 3 513 |
| - provisions established | 1 622 | 411 | | 4 501 |
| - provisions reversed | 1 504 | 4 177 | | 3 513 |
| Closing balance | 1 622 | 3 917 | | 4 501 |
| For the period from 01.01.2014 to 30.06.2014 | | | | |
| Opening balance | 1 236 | 15 560 | | 2 127 |
| - provisions established | 1 387 | 1 785 | | 3 648 |
| - provisions reversed | 1 236 | 11 218 | | 2 127 |
| Closing balance | 1 387 | 6 127 | | 3 648 |
| For the period from 01.01.2014 to 30.12.2014 | | | | |
| Opening balance | 1 236 | 15 560 | | 2 127 |
| - provisions established | 1 504 | 3 340 | | 3 513 |
| - provisions reversed | 1 236 | 11 217 | | 2 127 |
| Closing balance | 1 504 | 7 683 | | 3 513 |

17.7. Income tax

Major components of income tax of LPP SA for the period from 01.01.2015 to 30.06.2015 and comparative period are presented in the table below.

| | from 01.01.2015 to 30.06.2015 | from 01.01.2014 to 30.06.2014 |
|---------------------|----------------------------------|----------------------------------|
| Current income tax | 13 802 | 45 842 |
| Deferred income tax | 4 192 | -22 184 |
| Total | 17 994 | 23 658 |

17.8. Transactions with affiliated entities

The affiliates of LPP SA include:

- domestic and foreign companies in which LPP SA has control through direct ownership of their shares,
- persons included in the key management personnel of LPP SA and close members of their families,

- entities controlled or significantly influenced by members of the key personnel or their close family members, within the meaning pursuant to IAS 24.

17.8.1. Key personnel

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

The value of employee benefits of the key management personnel for the period from 1 January to 30 June 2015 amounted to PLN 411 thousand.

The reporting period includes costs corresponding to the said incentive programme for the year 2013 in the amount of PLN 1 186 thousand. This programme of the valuation methodology was described in detail in the report for the year 2013.

17.8.2. Transactions with affiliated entities

PLN '000

| Affiliated entities | Liabilities as at 30.06.2015 | Gross receivables as at 30.06.2015 | Revenues from sale in the first half of 2015 | Own cost of sale in the first half of 2015 |
|-----------------------------|------------------------------|------------------------------------|--|--|
| Polish subsidiaries – total | 133 | 12 | 7 | 5 472 |
| Foreign subsidiaries | 56 520 | 351 490 | 449 425 | 396 295 |
| Total | 56 653 | 351 502 | 449 432 | 86 224 |

PLN '000

| Affiliated entities | Liabilities as at 30.06.2014 | Gross receivables as at 30.06.2014 | Revenues from sale in the first half of 2014 | Own cost of sale in the first half of 2014 |
|-----------------------------|------------------------------|------------------------------------|--|--|
| Polish subsidiaries – total | 0 | 5 | 7 | 5 775 |
| Foreign subsidiaries | 28 975 | 330 332 | 410 420 | 332 934 |
| Total | 28 975 | 330 337 | 410 427 | 338 709 |

18. Approval for publication

The interim condensed financial statements for the 6 months ended 30.06.2015 (along with comparable data) were authorized for publication by the Management Board of LPP SA on 17 August 2015.

Management Board of LPP SA:

Marek Piechocki – President of the Management Board

Przemysław Lutkiewicz– Vice President of the Management Board

Jacek Kujawa – Vice President of the Management Board

Piotr Dyka – Vice President of the Management Board

Hubert Komorowski – Vice President of the Management Board

Gdańsk, 17 August 2015

The Interim Abridged Separate Financial Statements for the period from 01.01.2015 to 30.06.2015

1. Selected individual financial data of LPP SA

in thousand PLN

| Selected financial data | 1H 2015 | 1H 2014 | 1H 2015 | 1H 2014 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 |
| | in thousand PLN | | in thousand EUR | |
| Net revenues from sales of products, goods and materials | 1 918 709 | 1 810 763 | 464 118 | 433 363 |
| Profit (loss) on operating activities | 35 257 | 214 403 | 8 528 | 51 312 |
| Pre-tax profit (loss) | 153 612 | 217 617 | 37 157 | 52 081 |
| Net profit (loss) | 135 618 | 193 959 | 32 805 | 46 419 |
| Net cash flows from operating activities | 18 979 | -25 610 | 4 591 | -6 129 |
| Net cash flows from investing activities | -150 999 | -97 085 | -36 525 | -23 235 |
| Net cash flows from financing activities | 134 567 | 109 873 | 32 550 | 26 295 |
| Net cash flows, total | 2 547 | -12 822 | 616 | -3 069 |

in thousand PLN

| Selected financial data | 1H 2015 | 1H 2014 | 1H 2015 | 1H 2014 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 |
| | in thousand PLN | | in thousand EUR | |
| Total assets | 3 115 672 | 2 729 549 | 742 817 | 656 000 |
| Long-term liabilities | 198 499 | 206 413 | 47 325 | 49 608 |
| Short-term liabilities | 1 270 712 | 1 049 917 | 302 954 | 252 329 |
| Equity | 1 646 461 | 1 473 219 | 392 538 | 354 063 |
| Share capital | 3 662 | 3 662 | 873 | 880 |
| 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) | 74.84 | 107.18 | 18.10 | 25.65 |
| Book value per ordinary share (in PLN / EUR) | 908.57 | 814.06 | 216.62 | 195.64 |
| Declared or paid dividends per ordinary share (in PLN / EUR) | 32.00 | 93.73 | 7.63 | 22.53 |

2. Statement of the financial position of LPP SA

in thousand PLN

| Statement of the financial position | Balance at the end: | | |
|-------------------------------------|---------------------|------------------|------------------|
| | 1H 2015 | 1H 2014 | |
| | 30.06.2015 | 30.06.2014 | 31.12.2014 |
| ASSETS | | | |
| Non-current assets | 1 733 136 | 1 540 104 | 1 522 777 |
| 1. Tangible fixed assets | 737 181 | 627 680 | 680 631 |
| 2. Intangible assets | 30 676 | 20 012 | 25 368 |
| 3. Goodwill | 179 618 | 179 618 | 179 618 |
| 4. Trade mark | 0 | 0 | 0 |
| 5. Investments in subsidiaries | 690 318 | 606 014 | 538 065 |
| 6. Investments in real estate | 0 | 0 | 0 |
| 7. Receivables and loans | 1 564 | 46 957 | 1 579 |
| 8. Deferred tax assets | 93 047 | 59 288 | 96 895 |
| 9. Pre-payments | 732 | 535 | 621 |
| Current assets (short-term) | 1 382 536 | 1 189 445 | 1 265 419 |
| 1. Inventory | 829 763 | 668 283 | 712 315 |
| 2. Trade receivables | 444 336 | 431 230 | 466 834 |
| 3. Receivables from income tax | 22 756 | | |
| 4. Other receivables | 15 644 | 17 636 | 18 052 |
| 5. Loans | 249 | 1 888 | 151 |
| 6. Other financial assets | 0 | 1 | 0 |
| 7. Pre-payments | 13 059 | 12 238 | 13 886 |
| 8. Cash and cash equivalents | 56 729 | 58 169 | 54 181 |
| TOTAL assets | 3 115 672 | 2 729 549 | 2 788 196 |

in thousand PLN

| Statement of the financial position | Balance at the end: | | |
|--|---------------------|------------------|------------------|
| | 1H 2015 | 1H 2014 | |
| | 30.06.2015 | 30.06.2014 | 31.12.2014 |
| LIABILITIES | | | |
| Equity | 1 646 461 | 1 473 219 | 1 567 653 |
| 1. Share capital | 3 662 | 3 662 | 3 662 |
| 2. Own shares | -43 296 | -48 795 | -43 288 |
| 3. Capital from the sale of shares above their nominal value | 235 074 | 235 069 | 235 074 |
| 4. Other capital | 1 315 403 | 1 089 324 | 1 088 309 |
| 5. Retained earnings | 135 618 | 193 959 | 283 896 |
| - profit (loss) from previous years | 0 | 0 | 0 |
| - net profit (loss) from the current period | 135 618 | 193 959 | 283 896 |
| Long-term liabilities | 198 499 | 206 413 | 208 054 |
| 1. Bank credits and loans | 182 842 | 202 489 | 204 461 |
| 2. Pre-payments | 11 602 | 0 | 0 |
| 3. Provisions for employee benefits | 1 622 | 1 387 | 1 504 |
| 4. Provision for deferred income tax | 2 433 | 2 537 | 2 089 |
| Short-term liabilities | 1 270 712 | 1 049 917 | 1 012 489 |
| 1. Trade and other liabilities | 691 775 | 727 726 | 572 153 |
| 2. Income tax liabilities | | 21 818 | 35 072 |
| 3. Bank credits and loans | 555 731 | 279 620 | 377 988 |
| 4. Provisions | 8 418 | 9 775 | 11 196 |
| 5. Special funds | 455 | 278 | 34 |
| 6. Pre-payments | 14 333 | 10 700 | 16 046 |
| TOTAL liabilities | 3 115 672 | 2 729 549 | 2 788 196 |

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

in thousand PLN

| Condensed statement of the results and other total revenue | 1H 2015 | 1H 2014 |
|--|---------------------------|---------------------------|
| | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 |
| Sales revenue | 1 918 709 | 1 810 763 |
| Cost of goods sold | 1 126 066 | 922 082 |
| Gross profit/(loss) on sales | 792 643 | 888 681 |
| Other operating revenues | 21 527 | 89 423 |
| Selling costs | 590 404 | 561 290 |
| General costs | 133 833 | 123 899 |
| Other operating expenses | 54 676 | 78 512 |
| Profit (Loss) on operating activities | 35 257 | 214 403 |
| Financial revenues | 148 288 | 171 183 |
| Financial expenses | 29 933 | 167 969 |
| Pre-tax profit (loss) | 153 612 | 217 617 |
| Taxes | 17 994 | 23 658 |
| Net Profit (loss) | 135 618 | 193 959 |
| Total comprehensive income | 135 618 | 193 959 |
| Amount of shares | 1 812 145 | 1 809 725 |
| Profit (loss) per ordinary share | 74.84 | 107.18 |
| Diluted earnings per share | 74.18 | 106.49 |

4. 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 | 0 | 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 | | -12 | | | | | -12 |
| Distribution of profit for 2013 | | | | 224 959 | -394 575 | | -169 616 |
| Remuneration paid in shares | | | | 4 833 | | | 4 833 |
| Transactions with shareholders | 0 | -12 | 0 | 229 792 | -394 575 | 0 | -164 795 |
| Net profit for the first half 2014 | | | | | | 193 959 | 193 959 |
| Balance as at 30 June 2014 | 3 662 | -48 795 | 235 069 | 1 089 324 | 0 | 193 959 | 1 473 219 |

LPP SA Capital Group
Condensed interim financial statements for the first half of 2015
Statements prepared in thousand PLN

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 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 | | -8 | | | | | -8 |
| Distribution of profit for 2013 | | | | 225 908 | -283 896 | | -57 988 |
| Remuneration paid in shares | | | | 1 186 | | | 1 186 |
| Transactions with shareholders | 0 | -8 | 0 | 227 094 | -283 896 | 0 | -56 810 |
| Net profit for the first half 2015 | | | | | | 135 618 | 135 618 |
| Balance as at 30 June 2015 | 3 662 | -43 296 | 235 074 | 1 315 403 | 0 | 135 618 | 1 646 461 |

5. Cash flow statement of LPP SA

in thousand PLN

| Cash flow statement | 1H 2015 | 1H 2014 |
|---|---------------------------|---------------------------|
| | 01.01.2015- 30.06.2015 | 01.01.2014- 30.06.2014 |
| A Cash flows from operating activities - indirect method | | |
| I. Pre-tax profit (loss) | 153 612 | 217 617 |
| II. Total adjustments | -134 633 | -243 227 |
| 1. Amortisation and depreciation | 61 972 | 53 095 |
| 2. Foreign exchange gains (losses) | 11 221 | 4 436 |
| 3. Interest and profit sharing (dividends) | -51 077 | -72 127 |
| 4. Profit (loss) on investing activities | -61 135 | 106 637 |
| 5. Income tax paid | -71 391 | -57 918 |
| 6. Change in provisions | -2 660 | -7 761 |
| 7. Change in inventories | -117 595 | -97 271 |
| 8. Change in receivables | 36 574 | -216 540 |
| 9. Change in short-term liabilities excluding credits and loans | 61 450 | 42 336 |
| 10. Change in prepayments and accruals | -3 178 | -2 946 |
| 11. Other adjustments | 1 186 | 4 832 |
| III. Net cash flows from operating activities | 18 979 | -25 610 |
| B Cash flows from investing activities | | |
| I. Inflows | 96 456 | 105 282 |
| 1. Disposal of intangible and tangible fixed assets | 36 196 | 26 960 |
| 2. From financial assets, including: | 60 260 | 78 322 |
| a) in related parties | 60 150 | 76 236 |
| - interest and dividend | 60 150 | 76 236 |
| - liquidation of companies | 0 | 0 |
| - repayment of loans | 0 | 0 |
| - other | 0 | 0 |
| b) in other entities | 110 | 2 086 |
| - interest | 15 | 17 |
| - sales of financial assets - foreign bonds | 0 | 2 000 |
| - repayment of loans | 95 | 69 |
| 3. Other inflows from investment activities | 0 | 0 |

| | | |
|--|---------------|----------------|
| II. Outflows | 247 455 | 202 367 |
| 1. Purchase of intangible assets and tangible fixed assets | 158 586 | 176 417 |
| 2. For financial assets, including: | 88 869 | 25 950 |
| a) in related parties | 88 703 | 23 828 |
| - purchase of shares | 88 703 | 23 828 |
| - loans granted | 0 | 0 |
| b) in other entities | 166 | 2 122 |
| - loans granted | 166 | 122 |
| - purchase of foreign bonds | 0 | 2 000 |
| 3. Other outflows from investment activities | 0 | 0 |
| III. Net cash flows from investing activities | -150 999 | -97 085 |
| C. Inflows from financial activities | | |
| I. Inflows | 187 961 | 159 337 |
| 1. Credits and loans | 187 961 | 159 337 |
| 2. Inflows from issuance of shares | 0 | 0 |
| 3. Other inflows from financial activities | 0 | 0 |
| II. Outflows | 53 394 | 49 464 |
| 1. Cost of maintaining own shares | 8 | 11 |
| 2. Repayment of credits and loans | 44 513 | 42 763 |
| 3. Interest | 8 873 | 6 690 |
| 4. Other outflows - financial leases | 0 | 0 |
| III. Net cash flows from financing activities | 134 567 | 109 873 |
| D. Total net cash flows | 2 547 | -12 822 |
| E. Balance sheet change in cash, including: | 2 547 | -12 822 |
| - change in cash due to exchange differences | 661 | 717 |
| F. Cash opening balance | 54 181 | 70 991 |
| G. Closing balance of cash, including: | 56 728 | 58 169 |
| - of limited disposability | 345 | 247 |

Interim Report on the Activities of LPP SA Capital Group for the first half of 2015

1. Activities of LPP SA Capital Group in 01.01.2015 – 30.06.2015

Main activities carried out in the first half of 2015:

1. There were established 78 stores with a total area of 56 thousand square meters, thereby increasing the total area of stores to around 778 thousand square meters (1 594 stores), of which 335 thousand square meters (598 stores) were outside Polish borders.
2. In the first half of 2015, the sales in the RESERVED stores amounted to PLN 1 119 664 thousand, in the Cropp stores - to PLN 338 174 thousand, in the House stores - to PLN 286 584 thousand, in the MOHITO stores - to PLN 260 311 thousand, and in the SiNSAY stores - to PLN 141 266 thousand.
Revenues from sales in comparable outlets increased in the first half of 2015 by 0.5%, and in Q2 increased by 1.5% (excluding changes in local currency exchange rates in the countries where the companies of LPP SA Capital Group operate).

The basic figures showing the results of the Group in the first half of 2015 are presented in the table below.
in PLN '000

| Volume | I H 2015 | I H 2014 | Change (%) |
|---|-----------|-----------|------------|
| Sales revenue | 2 293 827 | 2 130 108 | 7.7% |
| Profit from sales before tax | 1 216 828 | 1 263 784 | -3.7% |
| Selling costs and general administrative expenses | 1 035 967 | 1 013 811 | 2.2% |
| Operating profit + depreciation EBITDA | 266 576 | 317 929 | -16.2% |
| Operating profit EBIT | 160 519 | 226 479 | -29.1% |
| Net profit | 99 293 | 154 192 | -35.6% |

Sales revenues in the first half of 2015 increased by 7.7% compared to the same period of the previous year, while gross profit on sales increased by 3.7%.

Selling costs and general administrative expenses increased by 2.2% and the significant share of these costs are expenses for the functioning of retail outlets. The total retail space, which determines the level of these costs, increased compared to June of 2014 by about 15%.

As a result, LPP Capital Group closed the first half of 2015 with a net profit of PLN 99 293 thousand, i.e. 35.6% less than the profit earned in the same period last year.

The achieved margins are shown in the table below.

| Margin (%) | I H 2015 | I H 2014 |
|----------------|----------|----------|
| Gross on sales | 53.0% | 59.3% |
| EBITDA | 11.6% | 14.9% |
| Operating | 7.0% | 10.6% |
| Net | 4.3% | 7.2% |

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

in PLN '000

| Country | I H 2015 | I H 2014 | Change (%) |
|----------------|------------------|------------------|-------------|
| Poland | 1 468 446 | 1 392 239 | 5.5% |
| Estonia | 34 130 | 28 667 | 19.1% |
| Latvia | 28 977 | 25 343 | 14.3% |
| Czech Republic | 90 673 | 80 249 | 13.0% |
| Hungary | 19 787 | 18 505 | 6.9% |
| Lithuania | 34 151 | 32 268 | 5.8% |
| Ukraine | 81 348 | 84 411 | -3.6% |
| Russia | 406 420 | 415 896 | -2.3% |
| Romania | 17 467 | 11 079 | 57.7% |
| Germany | 29 045 | - | - |
| Croatia | 13 114 | - | - |
| Bulgaria | 18 511 | 13 072 | 41.6% |
| Slovakia | 51 757 | 28 379 | 82.4% |
| Total | 2 293 827 | 2 130 108 | 7.7% |

The best sales growth was achieved in the first half of 2015 within the European Union.

in PLN '000

| | I H 2015 | I H 2014 | Change (%) |
|--------------------|------------------|------------------|-------------|
| Poland | 1 468 446 | 1 392 239 | 5.5% |
| Other EU countries | 337 613 | 237 562 | 42.1% |
| Russia and Ukraine | 487 768 | 500 308 | -2.5% |
| Total | 2 293 827 | 2 130 108 | 7.7% |

2. Basic factors influencing growth opportunities; risks and threats

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

- a) developing and expanding the competitive network of brand stores in Poland, Central and Eastern Europe, Western Europe and the Middle East,
- b) building strong clothing brands,
- c) developing Internet sale,
- c) increasing the business profitability and effectiveness.

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

Internal factors

a) Market strategy of LPP SA Capital Group

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

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

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

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

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

The volume of sales revenues allow to consider LPP SA Capital Group one of the key players in the market. Since the market is very fragmented (in Poland LPP's market share is approx. 13% and in the other countries no more than 3%), it still gives chance to increase sales.

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

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

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

d) Risks associated with weather conditions

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

e) Risk of unsuccessful location of a store

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

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

f) Logistics

The parent company has a modern logistics centre in Pruszcz Gdański (expanded in 2014 and 2015), which allows for completion of an appropriate amount of packages of clothing for stores in such a way that on one

hand they can always offer a wide range of products for customers and on the other hand Organizational solutions used in this facility allow to quickly increase productivity through the use of an additional production line in case of a substantial increase in demand caused by the development of the sales network. In addition, Russian LPP company uses an external logistics operator, which has its logistics centre in the vicinity of Moscow.

g) On-line sales

Adapting to the prevailing trend related to the increasing popularity of on-line shopping, the parent company has launched on-line stores of all of its brands. In the reporting period, online sales were made both in Poland and abroad. Sales revenues from on-line stores accounted for approximately 1.4% of the revenue obtained by LPP SA Capital Group.

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

To ensure the high level of LPP SA Capital Group's performance and productivity, there are taken actions aimed at reducing and adjusting costs to the changing market situation. These activities have been conducted since mid-2008 and will continue in every area of operation of the Capital Group companies. In the reporting period particularly devoted attention was paid to actions optimizing the cost of rental stores in Russia and Ukraine. It allowed, to a large extent, to reduce the costs of operating stores in these countries.

External factors

a) Risks associated with economic situation in Poland and countries where the Capital Group's stores operate

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

b) Foreign exchange rates - currency risk

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

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

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

Large fluctuations of the Russian rouble and the Ukrainian hryvnia also have Significant impact on the financial results. Changes in the exchange rate RUB and UAH to USD expose the company to significant foreign exchange risk and negatively affect the level of trade margin in Russia and Ukraine.

c) Interest rate risk

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

d) Risk of changes in customs and tax regulations

Customs and tax regulations have a significant impact on the functioning of the Group. Changes in this area can affect significantly the operations of the issuer's Group.

LPP SA purchases clothing and currently most of the imports comes from Asia. The introduction of import quotas and prohibitive customs duties could affect the Issuer's revenues by reducing the margins. Changes in economic conditions in this regard will affect all businesses operating in this industry and the very probability of this risk is low due to the stable customs policy of the European Union.

At the same time announced acquisition sales tax hypermarkets in Poland may affect the functioning of the issuer and a potential risk.

e) Risk of shortening the time for trade

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

This limitation could result in the reduction in sales revenues and financial results of the Issuer's Group.

This factor may also have an impact on other businesses in this market.

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

In the reporting period two companies were merged: Koba AS and Slovakia SRO LPP, with the current name of companies is LPP Slovakia SRO, whereas IP service based in the United Arab Emirates was liquidated.

In the reporting period 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).

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

Forecasts for 2015 were not published.

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

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

| Shareholder | Number of shares held | Number of votes at the AGM | Share in the total number of votes at the AGM | Participation in share capital | Nominal value of shares |
|---------------------------|-----------------------|----------------------------|---|--------------------------------|-------------------------|
| Marek Piechocki | 175 498 | 875 498 | 27.1% | 9.6% | 350 996 |
| Jerzy Lubianiec | 175 000 | 875 000 | 27.1% | 9.6% | 350 000 |
| Monistor Limited (Cyprus) | 200 728 | 200 728 | 6.2% | 11.0% | 401 456 |
| Treasury shares | 18 978 | 18 978 | 0.6% | 1.0% | 37 956 |
| Other shareholders | 1 260 919 | 1 260 919 | 39.0% | 68.9% | 2 521 838 |
| Total | 1 831 123 | 3 231 123 | 100.0% | 100.0% | 3 662 246 |

There were no changes in the ownership of shares in the period since the previous report (report for the first quarter of 2014).

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

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

Following the submission of the last report (report for Q1 2014), no changes in the ownership structure of LPP S.A. shares held by members of the Issuer's Management Board and the Supervisory Board occurred.

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

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

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

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

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

In the reporting period there were no such events.

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

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

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

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

- a) economic situation in Poland and in countries where the stores of LPP SA Capital Group operate, especially in Russia and Ukraine,
- b) USD/EUR exchange rate, and the Russian rouble to Ukrainian hryvnia exchange rate,
- c) assessment of the autumn-winter collection by customers,
- d) development of the sales network of RESERVED, Cropp, House, MOHITO and SiNSAY brands, including the expansion into new markets, such as Germany, Croatia and the Middle East,
- e) actions aimed at increasing profitability and efficiency.

Management Board of LPP SA:

Marek Piechocki – President of the Management Board

Przemysław Lutkiewicz– Vice President of the Management Board

Jacek Kujawa – Vice President of the Management Board

Piotr Dyka – Vice President of the Management Board

Hubert Komorowski – Vice President of the Management Board

Gdańsk, 17 August 2015