LPP SA

Separate annual report of 2014

Containing:

1. Letter from the President of the Board to the shareholders
2. Selected financial data from years 2014-2013
3. Unconsolidated financial report of LPP SA for the trading year ending on 31 December 2014
4. Report of the Board on the activity of the LPP SA Company (along with a statement of use of corporate governance) for year 2014
5. Statement of the Board of LPP SA

Gdańsk
April 2015

Letter of the President of the Management Board to Shareholders

Dear Shareholders,

Behind us is a very interesting year, on the one hand rich in many new and important for the company's future projects, on the other hand, the developed financial results left us with a feeling of being unsatisfied because they are below our expectations. The most important projects I want to mention are the opening of the first stores of the Reserved brand in Germany – Europe's biggest clothing market, as well as the entrance of LPP to Croatia - with all brands simultaneously. Another important event was also the crossing of the border of Poland with our online store - from the middle of last year we opened the opportunity to purchase our products online for German customers.

Together with our franchise partner - the Azadea company – we conducted intensive works on opening the stores of our brands in the Middle East. The first Reserved stores will be opened in the Persian Gulf countries in the first quarter of 2015. Under the executed agreement, we plan to open at least 30 stores in 6 years there, whereas the selected business model – namely the franchise - is widely used in that part of the world.

An equally important project is our effort to establish our new, already sixth clothing brand – we set up special design, product and marketing teams that have been working intensively on the concept of salons and collection of clothes for the upper segment of the market. The first new brand showrooms will be opened in Poland in the first quarter of 2016.

The construction of a new logistics center in Pruszcz Gdański, which had been launched in 2013, was completed in the past year, along with the installation of the latest logistics solutions in the field of maintenance-free storage and automation of the transmission and feeding rollers. Tests of new equipment should be completed in the first months of 2015, and upon putting into service, the new logistics center will allow us to double the efficiency of packaging and shipping of goods, while reducing the workload by more than a half.

Coming back to the results of our activities in 2014 - we have increased the number of stores by 196 units up to 1,516 units, while the retail space has been increased by 134 thousand sq.m. up to 723 thousand sq.m, ie. by 23%. Throughout the whole of 2014 we sold goods for more than 4.7 billion PLN and developed 482 million PLN in net profit - by 11% more than in the previous year. However, our net result was influenced by the one-off operation related to the creation of assets for income tax, arising from the transfer of trademarks to the Cypriot company, which raised our profit by 107 million PLN. If we had not have taken into account that operation, the net profit would have amounted to 375 million PLN, which represents a decrease of 13% in comparison to the profit generated in the previous year. Unfortunately, the conflict in Ukraine, that commenced in February 2014, and a large depreciation of the ruble and hryvnia, resulted in a decline in sales calculated in zloty on Russian and Ukrainian markets and in generating significant foreign exchange losses.

Despite the difficult macroeconomic environment, we continue to believe in the validity of our long-term development path. We strive to consistently pursue our strategy of growth in new markets with strict cost control and with a view to increase efficiency. We are confident that our consistent efforts will translate into the increase in profits in subsequent years.

Marek Piechocki

Selected financial data for the years 2014 - 2013

1. Selected financial data of the LPP SA

in thousand PLN

Selected units of financial data	2014 01.01.2014-31.12.2014	2013 01.01.2013-31.12.2013	2014 01.01.2014-31.12.2014	2013 01.01.2013-31.12.2013
	in thousand PLN		in thousand EUR	
Net revenues from sales of products, goods and materials	4,000,397	3,493,356	954,908	829,579
Profit (loss) on operating activities	477,389	514,507	113,954	122,182
Gross profit (loss)	311,724	476,410	74,410	113,135
Net profit (loss)	283,896	394,575	67,767	93,701
Net cash flows from operating activities	159,284	180,840	38,022	42,945
Net cash flows from investing activities	-195,556	-210,806	-46,680	-50,061
Net cash flows from financing activities	19,462	1,469	4,646	349
Net cash flows, total	-16,810	-28,497	-4,013	-6,767

in thousand PLN

Selected units of financial data	2014 01.01.2014-31.12.2014	2013 01.01.2013-31.12.2013	2014 01.01.2014-31.12.2014	2013 01.01.2013-31.12.2013
	in thousand PLN		in thousand EUR	
Total assets	2,788,196	2,391,972	654,153	576,768
Long-term liabilities	208,054	188,124	48,813	45,362
Short-term liabilities	1,012,489	759,793	237,545	183,206
Equity	1,567,653	1,444,055	367,795	348,200
Share capital	3,662	3,662	859	883
Weighted average number of ordinary shares	1,809,725	1,809,725	1,809,725	1,809,725
Profit (loss) per ordinary share (in PLN / EUR)	156.87	218.03	37.45	51.78
Book value per ordinary share (in PLN / EUR)	866.24	797.94	203.23	192.40
Declared or paid dividends per ordinary share (in PLN / EUR)	93.60	85.10	21.96	20.52

Profit per one share is calculated as a quotient of net profit and weighted average of the number of shares. The net book value per one share was calculated as a quotient of equity and weighted average of the number of shares.

Separate financial statement of LPP SA
for the trading year ending 31 December 2014

1. Statement of the financial position of the LPP SA

in thousand PLN

Statement of the financial position	Notes	Balance at the end:	
		31.12.2014	31.12.2013
ASSETS			
Fixed assets (long-term)		1,522,777	920,435
1. Tangible fixed assets	13.1	680,631	566,461
2. Intangible assets	13.3	25,368	16,224
3. Goodwill	13.4	179,618	179,618
4. Investments in subsidiaries	13.5	538,065	96,524
5. Receivables and loans	13.6	1,579	23,984
6. Deferred tax assets	13.18	96,895	37,130
7. Accruals	13.15	621	494
Current assets (short-term)		1,265,419	1,471,537
1. Inventory	13.7	712,315	570,997
2. Trade receivables	13.8	466,834	800,158
3. Other receivables	13.8	18,052	17,255
4. Loans	13.6	151	432
5. Other financial assets		0	2
6. Accruals	13.15	13,886	11,702
7. Cash and cash equivalents	13.9	54,181	70,991
TOTAL assets		**2,788,196**	**2,391,972**

in thousand PLN

Statement of the financial position	Notes	Balance at the end:	
		31.12.2014	31.12.2013
LIABILITIES			
Equity		1,567,653	1,444,055
1. Share capital	13.10	3,662	3,662
2. Own shares		-43,288	-48,783
3. Capital from the sale of shares above their nominal value	13.10	235,074	235,069
4. Other capital	13.10	1,088,309	859,532
5. Retained earnings		283,896	394,575
- profit (loss) from previous years		0	0
- net profit (loss) for the current period		283,896	394,575
Long-term liabilities		208,054	188,124
1. Bank credits and loans	13.6	204,461	184,285
2. Other financial liabilities		0	39
3. Provisions for employee benefits	13.11	1,504	1,236
4. Provision for deferred income tax	13.18	2,089	2,564
Short-term liabilities		1,012,489	759,793
1. Trade receivables and other liabilities	13.14	572,153	520,992
2. Income tax liabilities	13.14	35,072	34,641
3. Bank credits and loans	13.6	377,988	173,245
4. Reserves	13.11	11,196	17,687
5. Special funds		34	159
6. Accruals	13.15	16,046	13,069
TOTAL liabilities		**2,788,196**	**2,391,972**

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

in thousand PLN

Statement of the results and other total revenues	Notes	01.01.2014-31.12.2014	01.01.2013-31.12.2013
Sales revenue	13.16	4,000,397	3,493,356
Cost of goods sold		2,073,351	1,783,954
Gross Profit/(Loss) on sales		1,927,046	1,709,402
Other operating revenues	13.16	111,812	46,962
Selling costs	13.17	1,181,702	996,690
General costs	13.17	272,478	201,086
Other operating expenses	13.17	107,289	44,081
Profit (Loss) on operating activities		477,389	514,507
Financial revenues	13.16	225,771	88,662
Financial expenses	13.17	391,436	126,759
Gross Profit (Loss)		311,724	476,410
Tax burden	13.18	27,828	81,835
Net Profit (Loss)		**283,896**	**394,575**
Other comprehensive income		0	**0**
Total comprehensive income		**283,896**	**394,575**

3. Statement of changes in the equity of the LPP SA

in thousand PLN

Statement of changes in the 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 2013	**3,662**	**-48,767**	**235,069**	**656,174**	**348,833**	**0**	**1,194,971**
- correction of errors from previous years							0
Balance as at 1 January 2013 after adjustments	**3,662**	**-48,767**	**235,069**	**656,174**	**348,833**	**0**	**1,194,971**
Costs of acquiring own shares		-16					-16
Distribution of profit for the year 2012				194,825	-348,833		-154,008
Share-based payment				8,533			8,533
Transactions with shareholders	0	-16	0	203,358	-348,833	0	-145,491
Net profit for the year 2013						394,575	394,575
Balance as at 31 December 2013	**3,662**	**-48,783**	**235,069**	**859,832**	**0**	**394,575**	**1,444,055**

in thousand PLN

Statement of changes in the 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		-22					-22
Distribution of net profit for the year 2013				224,959	-394,575		-169,616
Acquisition of shares			5				5
Share-based payment		5,517		3,818			9,335
Contribution by minority shareholders	0	5,495	5	228,777	-394,575	0	-160,298
Net profit for the year 2014						283,896	283,896
Balance as at 31 December 2014	**3,662**	**-48,783**	**235,069**	**1,088,309**	**0**	**283,896**	**1,567,653**

4. Cash flow statement of the LPP SA

in thousand PLN

Cash flow statement	01.01.2014-31.12.2014	01.01.2013-31.12.2013
A. Cash flows from operating activities - indirect method		
I. Gross profit (loss)	311,724	476,410
II. Total adjustments	-152,440	-295,570
1. Amortisation and depreciation	110,871	86,759
2. Exchange gains (losses)	14,865	4,632
3. Interest and profit sharing (dividends)	-143,576	-62,882
4. Profit (loss) on investment activities	285,716	47,867
5. Paid income tax	-86,105	-73,898
6. Change in provisions	-6,224	4,563
7. Change in inventory	-141,284	-79,480
8. Change in receivables	-243,603	-317,502
9. Change in short-term liabilities excluding credits and loans	46,899	85,572
10. Change in prepayments and accruals	665	265
11. Other adjustments	9,336	8,534
III. Net cash flows from operating activities	159,284	180,840
I. Inflows	232,709	128,308
1. Disposal of intangible and tangible fixed assets	66,771	42,127
2. From financial assets, including:	165,938	86,181
a) in related parties	161,758	82,213
- interest and dividends	160,541	74,625
- sale of shares/ proceeds from company liquidation	0	88
- repayment of loans	1,217	7,500
b) in other entities	4,180	3,968
- interest	30	43
- sales of financial assets - foreign bonds	4,003	3,796
- repayment of loans	147	129
3. Other inflows from investment activities	0	0

Statements prepared in thousand PLN.

II. Outflows	428,265	339,114
1. Purchase of intangible assets and tangible fixed assets	328,711	335,265
2. For financial assets, including:	99,554	3,849
a) in related parties	95,220	0
- purchase of shares	95,220	0
- granting of short-term loans	0	0
- granting of long-term loans	0	0
b) in other entities	4,334	3,849
- granting of short-term loans	104	3
- granting of long-term loans	227	50
- purchase of foreign bonds	4,003	3,796
3. Other outflows from investment activities	0	0
III. Net cash flows from investing activities	-195,556	-210,806
C. Cash flows from financing activities		
I. Inflows	282,438	219,547
1. Credits and loans	282,433	219,547
2. Net revenue from share issue	5	
3. Other inflows from financial activities		
II. Outflows	262,976	218,078
1. Cost of maintaining own shares	22	16
2. Payment of dividends	169,617	154,008
3. Repayment of credits and loans	78,526	51,526
4. Interest	14,811	12,528
5. Other financial expenses – financial leasing	0	0
III. Net cash flows from financing activities	19,462	1,469
D. Total net cash flows	**-16,810**	**-28,497**
E. Balance sheet change in cash, including:	**-16,810**	**-28,497**
- change in cash due to exchange differences	123	-262
F. Cash opening balance	**70,991**	**99,488**
G. Closing balance of cash, including:	**54,181**	**70,991**
- of limited disposability	34	224

Additional Information to the separate financial statement of LPP SA for 2014

INTRODUCTION

1. Basic information

<u>The name and the registered offices</u> LPP SPÓŁKA AKCYJNA
with the registered seat in Poland in Gdańsk
ul. Łąkowa 39/44
post code: 80-769

<u>Primary business profile:</u>

- wholesale trade in the scope of clothing, as listed in the item 51.42 Z PKD as „wholesale trade in the scope of clothing and footwear",
- retail trade in the scope of clothing, as listed in the item 52.42 Z PKD as „retail trade in the scope of clothing"

<u>The area of pursuing economic activity</u>
The company operates within the territory of the Republic of Poland.

<u>Court having jurisdiction over a company's seat</u>
The Company is registered at the Sąd Rejonowy [the District Court] Gdańsk-Północ in Gdańsk, VII Division of the National Court Register [of companies], under the registration number KRS 0000000778.

<u>Sector according to classification of the Warsaw Stock Exchange</u>

Shares of the parent company – the LPP SA company are traded on primary exchange market of the Warsaw Stock Exchange, classified into the sector: trade

2. The personal composition of the Executive Board and the Board of Directors of the Issuer

The personal composition of the Executive Board:

- Marek Piechocki - President of the Board
- Przemysław Lutkiewicz - Vice-President of the Board
- Hubert Komorowski - Vice-President of the Board
- Piotr Dyka - Vice-President of the Board
- Jacek Kujawa - Vice-President of the Board

Until 31 December 2014 the seat of the Vice-President of the Board of the LPP SA was held by Mr. Dariusz Pachla. Due to his resignation Mr. Przemysław Lutkiewicz was appointed to that post, who is currently a member of the Board of the company.

The personal composition of the Board of Directors:

- Jerzy Lubianiec - President of the Board of Directors
- Krzysztof Olszewski - Member of the Board of Directors
- Wojciech Olejniczak - Member of the Board of Directors
- Maciej Matusiak - Member of the Board of Directors
- Krzysztof Fąferek - Member of the Board of Directors

Statements prepared in thousand PLN.

3. Related parties of LPP SA

The list of companies related to LPP SA is presented in the table below.

No.	Name of the company	Registered office	Date of obtaining control
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	Tallin, Estonia	29.04.2002
6.	LPP Czech Republic s.r.o.	Prague, Czech Republic	16.09.2002
7.	LPP Hungary Kft	Budapest, Hungry	18.10.2002
8.	LPP Latvia Ltd.	Riga, Latvia	30.09.2002
9.	LPP Lithuania UAB	Vilnius, Lithuania	27.01.2003
10.	LPP Ukraine	Peremyshliany, Ukraine	23.07.2003
11.	RE Trading OOO	Moscow, Russia	12.02.2004
12.	LPP Romania Fashion SRL	Bucharest, Romania	12.08.2007
13.	LPP Bulgaria EOOD	Sofia, Bulgaria	14.08.2008
14.	LPP Slovakia s.r.o.	Banská Bystrica, Slovakia	30.10.2008
15.	LPP Fashion Bulgaria Ltd.	Sofia, Bulgaria	26.08.2011
16.	Gothals Ltd.	Nicosia, Cyprus	22.07.2011
17.	Jaradi Ltd.	Al Tatar, United Arab Emirates	22.07.2011
18.	IP Services FZE	Ras al-Khaimah, United Arab Emirates	23.12.2012
19.	LPP Croatia D.O.O.	Zagreb, Croatia	22.01.2014
20.	Reserved GMBH	Hamburg, Germany	03.03.2014
21.	KOBA AS	Banská Bystrica, Slovakia	01.04.2014

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

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

According to the requirements of the Accounting Act of 29 September 1994 (consolidated text J. of L. of 2013, item 330) as per 1 January 2005 the LPP SA is presenting consolidated statement of financial position prepared on the basis of International Financial Reporting Standards (IFRS) and related interpretations, as published in a form of European Communities regulations.

Following the provisions of the Accounting Act, as of 28 June 2005 the General Meeting of Shareholders of LPP SA adopted a Resolution No 19/2005 deciding that the separate financial statements of the Company shall also be prepared in accordance with IFRS and related interpretations.
Two departments are responsible for preparing financial statements: the bookkeeping department and the financial department, headed by the Chief Accountant and the Financial Manager. Prior to handing over the statements to an independent auditor, their completeness and accuracy of economic events is checked by the Financial Director, who in the name of the Board is responsible the process of financial accounting.

5. Statement of conformity with IFRS

The presented financial statement was prepared for the period from 01 January 2014 to 31 December 2014. The data to compare is presented for the period from 01 January 2013 to 31 December 2013.

This financial statement was prepared in accord with in accord with the International Financial Reporting Standards as accepted by the European Union, which comprise standards and interpretations accepted by the International Accounting Standards Committee and the Commission for Interpretation of International Financial Reporting.

Amendments to standards or interpretations being in force and applied by the Company from 2014

New or amended standards or interpretations being in force from 1 January 2014:

- New IFRS 10 „Consolidated Financial Statements" is replacing a larger part of IAS 27 "Consolidated and Separate Financial Statements". IFRS 10 is introducing a new definition of control, however rules and procedures of consolidation remain unchanged.
  The Company assessed the influence of new standards on its financial statement. Implementation of the new definition of control does not change the scope of consolidated entities and does not affect separate financial statement.
- New IFRS 11 "Joint Arrangements" is replacing IAS 31 "Interests In Joint Ventures". In the new standard the accounting attitude to joint arrangement ensues from its economic contents, i.e. rights and obligations of parties. Moreover IFRS 11 is removing a possibility of settlement of investment in joint ventures by means of proportional consolidation. Such investments are settled by the method of ownership rights.
  The Company assessed the influence of new standards on its financial statement. Due to the fact that the Company has not had and does not have joint arrangements, implementation of new standard did not affect its financial statement.
- The new IFRS 12 „Disclosure of Interests in Other Entities"
  The IFRS is stating the requirements relating to disclosing information on consolidated and unconsolidated entities, in which the entity preparing the statement has substantive interest. It allows investors to assess risks that the Group is exposed to.
- The amendment to IAS 27 „Separate Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures".
  The amendments to IAS 27 and 28 are a consequence of implementation of IFRS 10, IFRS 11 and IFRS 12. IAS 27 refers solely to separate financial statements, whereas IAS 28 covers also investments in joint ventures, however the methodology of ownership rights is not changed.
- The amendment to IAS 32 „Financial instruments: presentation"
  The amendment is introducing detailed explanation as how to apply conditions of presenting of assets and financial liabilities in terms of net amounts. As the Company does not present positions of assets and liabilities in net amounts, its introduction did not affect the financial statement.
- The amendment to IFRS 10 „Consolidated financial statements", to IFRS 11 Joint Arrangements and to IFRS 12 „ Disclosure of Interests in Other Entities".
  The amendments to newly issued standards pertaining to consolidation introduce more clear transition rules and some exemptions in the scope of comparative data.
- The amendment to IFRS 10 „Consolidated financial statement", to IFRS 12 „Disclosure of Interests in other Entities" and to IAS 27 „Consolidated and Separate Financial Statements"
  The amendment consists in exemption of the obligation of consolidation by investment entities. The investment entity is a unit fulfilling the following definition:
  - is gaining funds from one or several investors with the purpose of rendering to such investors services of managing the investments,
  - makes the commitment to the investors that its business goal is investing assets solely with the purpose of achieving return on growth in the value of investments, and/or from dividends.
  - assesses effectiveness of investment pursuant to its fair value.

  The standard does not affect the consolidated statement of the Company.

- The amendment to IAS 36 „Impairment of Assets"
  Introducing new IFRS 13 „Fair value management" the International Accounting Standards Board set up additional reveal of information regarding loss in value. The scope wad defined too broadly

however, and that is why a subsequent amendment was introduced, the one which narrows the obligation of revealing the value of assets which deteriorated and that are possible to regain. The amendment to the standard does not affect the statement of the Company.

- The amendment to IAS 39 „Financial Instruments: Recognition and management". So far the regulations of IAS 39 resulted in such an effect that in the case the company was establishing a derivative instrument as a collateral, and as a change of rules the other party of the derivative contract was replaced with a so-called central entity (for example a clearing agency), then the collateral relation had to be broken. Thanks to introducing the amendment to the standard, such situation will not result in breaking the collateral. The amendment to the standard does not affect the statement of the Company.

The list of standards and interpretations being in force in the version as published by the International Accounting Standards Board, but not confirmed by the European Union, is presented below in the item referring to standards and interpretations which have not come into force.

Implementation of a standard or interpretation prior to the date it comes into force

In this financial statement the voluntary earlier implementation of a standard or interpretation was not used.

The published standards and interpretations which did not come into force on 1 January 2014 and their impact on the statement of the Company.

Until the date of making this statement, the following new or amended standards and interpretations have been published, referring to annual periods after 2014:

- The new IFRS 9 „Financial instruments: classification and evaluation"
  The new standard will replace the present IAS 39. The amendments as introduced by the standard into the accountancy of financial instruments comprise firs of all:
  - other categories of financial assets which determine the manner of evaluation of assets; the classification of assets into categories is made depending on the business model relating to a given element of assets,
  - new procedures of accounting of collaterals reflecting risk management to a larger extent,
  - new model of deterioration of the value of financial assets basing on forecast loss and making it more urgent to include costs in financial result.

The standard pertains to annual periods starting on 1 January 2018 or later.
The Company is in the course of assessment of the impact of the standard on consolidated financial statement.

- IFRS Interpretations Committee 21 „Public fees"
  The new interpretation introduces rules stating the moment of including of obligations as fees and taxes imposed by state organs, the liabilities other than income tax, as regulated in the IAS 12. The interpretation is a set of detailed rules as in IAS 37 „Provisions, Contingent Liabilities and Contingent Assets". In the Company's opinion the interpretation will not affect the separate financial statement. According to the decision of the IASB the interpretation is valid for annual periods starting from 1 January 2014 or later, however its coming into force in the European Union is obligatory for annual periods starting on 17 June 2014 or later, that is why the Company will start its implementation from 2015.

- The amendment IAS 19 „Employee benefits"
  The amendments consist in precise rules of proceeding in case the employees make contributions towards costs of certain benefit programmes. The Company recognized that the amendment will not affect its report. The amendments pertain to annual periods starting from 1 July 2014 or later.

- Amendments IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24, IAS 38 resulting from the schedule of annual amendments: the cycle 2010-2012", which come into force for annual periods starting on 1 July 2014 or later. The amendments to the standards comprise:

- IFRS 2: The council detailed the standard, changing or introducing definitions of the following terms: market condition, condition of rendering assets, condition of gaining rights, condition connected with achievements. In the group's assessment the amendment will not affect its financial statement.
- IFRS 3: The council specified the rules of evaluation of conditional payment after the date of acquisition more precisely, so that it is in line with other standards (especially with IFRS 9 / IAS 39 and IAS 37). In the Company's assessment the amendment will not affect its financial statement.
- IFRS 8: The council imposed on the entities pursuing the mergers of operational segments the requirement of additional disclosures regarding such merged entities and economic features, for the sake of which such merger was effected. In the Company's assessment the amendment will not affect its financial statement.
- IFRS 8: the standard after the amendment provides that the requirement of disclosing the arranged sum of assets of the segments with the assets presented in the balance sheet is obligatory only in case the values of assets are disclosed as divided into segments. In the Company's assessment the amendment will not affect its financial statement.
- IAS 16 and IAS 38: The council introduced the correction of calculating the gross amount and cumulated depreciation of a fixed asset (intangible asset) in case the model of post-revaluation amount is applied.
- IAS 24: The definition of the entity's related party is expanded with parties rendering services of key managerial personnel and relevant disclosures. In the Company's assessment the amendment will not affect its financial statement.

- The amendments IFRS 3, IFRS 13, IFRS 40 as resulting from the schedule of annual amendments: the cycle 2011-2013, which come into force for the annual periods starting on 1 July 2014 or later. The amendments to the standards comprise:
  - IFRS 3: it was detailed that such transactions are excluded from the standard's range, which are transactions of making joint arrangements in the statements of such joint arrangements. In the Company's assessment the amendment will not affect its financial statement.
  - IFRS 13: The council detailed the range of exclusion relating to assessment of the portfolio of assets and liabilities in net amount. In the Company's assessment the amendment will not affect its financial statement.
  - IAS 40: The council made it precise that in case of acquisition of investment real asset it also has to be assessed whether such acquisition is an acquisition of a Company of assets, or joint ventures as per rules stated in IFRS 3.

- The new IFRS 14 „Regulatory Deferral Accounts”
  The new standard refers to entities which transfer to IFRS and pursue activity in sectors in which the State is applying regulated prices, such as supply of gas, electricity or water. The standard allows for continuing the accounting principles regarding to presenting income from such activity applied prior to transfer to IFRS both in the first statement made according to IFRS, and thereafter. The new regulations do not pertain to the Company. The Standards is obligatory for annual periods starting on 1 January 2016 or later.

- The new IFRS 15 „ Revenue from Contracts with Customers”
  The new standard will replace the present standards IAS 11 and IAS 18 providing a new uniform model of assessing income. The new 5-grade model will condition the assessment of income upon gaining the control by the customer over goods or services. Moreover the standard introduces new standards of disclosing information and guidelines on some detailed issues. The new standard may change the moment and amounts of income as presented by the Company, yet the Company has not completed the process of analyzing the impact of the Standard on financial statement. The standard applies to annual periods starting on 1 January 2017 or later.

- The amendment to IFRS 11 „Joint arrangements”
  According to the amendment the entity acquiring interest in joint venture constituting an undertaking, in order to present assets and liabilities of the joint venture, will have to apply rules as set forth in IFRS 3, which means to valuate assets and liabilities in fair value and fix the value of the company.

The amendment will not affect the financial statement of the Company. The amendment pertains to annual periods starting on 1 January 2016 or later.

- The amendment to IAS 16 „Property, Plant and Equipment" and to IAS 38 „Intangible assets"
  According to the amendment the method of depreciation of fixed assets, based upon income from use of a fixed asset is excluded. In case of intangible fixed assets the use of such a method has been limited. In the Company's assessment the amendment will not affect its financial statement. The amendment pertains to annual periods starting from 1 January 2016 or later.

- The amendment to IAS 16 „Property, Plant and Equipment" and to IAS 41 „Agriculture"
  The amendment provides for the bearer plants (such as, for example, grapevine or fruit trees) to be excluded from the range of IAS 41 and included in the range of MSR 16 as Company self-developed fixed assets. Thanks to that amendment it will not be necessary to perform fair evaluation of the plants on every balance sheet day, as it was required in IAS 41. The amendment does not pertain to the business line of the Company. The amendment pertains to annual periods starting on 1 January 2016 or later.

- The amendment to IAS 27 „Separate financial statements"
  According to the adopted amendment, in a separate financial statement the interest in the daughter entity, joint venture or affiliate company can be evaluated also according to the method of ownership rights. Until now the IAS 27 provided for the evaluation exclusively according to the price of purchase or according to IFRS 9 / IAS 39. The Company have not taken the decision yet whether to apply the permitted option of evaluation according to property rights. The amendment pertains to annual periods starting on 1 January 2016 or later.

The Company intends to implement the above regulations in terms provided for implementation into standards or interpretations.

6. Continuation of activities

The financial statement of LPP SA for 2014 was prepared under the assumption that the Company continues as a going concern in the foreseeable future without any significant decrease in its business activity.
According to all information available at the date of drawing the report it is fully justified to apply the principle of going-concern in the preparation of this report.

7. Date of approval of the financial report for publication

This financial statement was approved for publication by the Management Board of LPP SA on 10 April 2015.

8. Events after the balance sheet day

In accordance with IAS (MSR) 10, events after the balance sheet date include all events that occurred between the balance sheet date to the date of approval of the financial statement for publication. The Board has the right to amend the financial statement after its publication.
No events requiring disclosure in the separate financial statement for 2014 occurred after the balance sheet date.

9. Rules for the valuation of assets and liabilities as well as financial result measurement adopted in the preparation of the financial statement

Tangible fixed assets
The initial value of tangible fixed assets is set at a purchase cost plus all costs directly related to the purchase and adaptation of an asset to a usable condition. Costs incurred after the date of putting a fixed asset into use, including maintenance and repair costs, are charged into the financial result as they are incurred.

At the balance sheet date, tangible fixed assets are measured at a purchase cost less accumulated depreciation write-offs and impairment allowances.
The Company makes depreciation write-offs with an application of a straight-line method. Fixed assets are depreciated over their, estimated in advance, expected period of use. This period is reviewed annually.
The value of fixed assets is also the subject to periodic verification in terms of their possible reduction as a result of events or changes in the environment or within the same Company that may cause a decrease in the value of these assets below their current book value.
When determining depreciation rates for individual tangible fixed assets the Company assesses whether there are any components of this asset the price of which is significant compared to the purchase price of the whole fixed asset, and whether the useful life of these components differs from the useful life of a remaining part of the fixed asset.

For accounting purposes, based on the materiality principle, they accepted limit amounts analogous to tax limit amounts allowing for one-off depreciation of a fixed asset or non-asset reckoning for fixed assets. Accordingly, the Company adopted the principle that in every case where the initial value of a fixed asset or property right exceeds 3,500 PLN, there are made monthly depreciation write-offs, starting from the month following the month of acceptance for use.

In the case where the initial value of a fixed asset does not exceed 3,500 PLN, they adopted two accounting possibilities, guided by the principle of materiality:

- an entry in fixed assets or intangible assets register being a one-off redemption in the month of acceptance for use;

or

- a one-off entry in the cost of consumption of materials recorded in the month of purchase.

The accounting policy adopted by the Company permits in justified cases the possibility for the Management Board to decide about making the straight-line depreciation of fixed assets of low value, when the following circumstances occur simultaneously:

- once there are purchased significant amounts of fixed assets which unit price does not exceed the set limit, but their total value is substantial;
- they are a set of uniform or (and) mutually cooperating fixed assets, and their purchase is related to the implementation of a large investment project that is to function at least for a period of normative depreciation specified in tax regulations for this particular group of fixed assets;
- they are fixed assets of high quality and reliability.

Fixed assets under construction - at the balance sheet date they are valued at the amount of total costs directly attributable to their acquisition or construction, less accumulated impairment losses.

A tangible fixed asset may be removed from the Statement of financial position after its disposal or when no economic benefits of continued use of the asset are expected. Profit or loss arising from the sale, liquidation or discontinued use of fixed assets is defined as the difference between the revenue from the sale and the net value of the fixed assets and is recognized in the financial result in ‘Other operating income’ or in ‘Operating costs’.

Intangible assets
Intangible assets include patents and licenses, computer software, development costs and other intangible assets that meet the recognition criteria specified in IAS 38

Intangible assets on the balance sheet date are stated at the purchase cost or construction cost less accumulated depreciation and write-downs for impairment. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives at the rates of 14-50%. Useful lives of individual intangible assets are subject to annual verification.

Intangible assets with indefinite useful lives are not amortized but are tested annually for impairment.

In 2014 the Company did not own any such intangible assets.
The Company carry out development projects related to the design and construction of a model clothing showroom.
Expenditures directly related to the development works are recognized as intangible assets only when the following criteria are met:

- completing the intangible asset is feasible from a technical point of view, so that it is fit for use or sale;
- the Company intends to complete the component and has the intention to use or sell it;
- the Company is able to use or sell the intangible asset;
- the intangible asset will bring economic benefits and the Company can demonstrate that advantage, among others, by the existence of a market or usefulness of this component for the needs of the Company;
- the Company has available technical, financial and other necessary means to complete the development works in order to sell or use the asset in question;
- expenses incurred in the course of development works can be reliably measured and attributed to the said intangible asset.

Expenditures incurred on development works performed within a given project are transferred to the next period if it can be concluded that they will be recovered in the future. Assessment of future benefits is based on the principles set out in IAS 36.

After initial recognition of the development expenditure, there applies the historical cost model, under which individual assets are recorded at purchase price or production cost less accumulated amortization and accumulated impairment losses. Completed development works are depreciated with an application of a straight-line principle over the expected period of obtaining the benefits, namely 5 years.

Costs associated with maintaining software, incurred in subsequent periods, are recognized as expenses in the period when they were incurred.

External financial (Borrowing) costs
In accordance with IAS 23 the "Borrowing Costs" all costs that are attributable to qualifying assets are capitalized.
Qualifying assets are those that require a substantial period of time to get ready for their intended use. The Company assumed that a substantial period of time is a period of 1 year. And so all external financial costs are capitalized provided that the adaptation (qualifying) of a given asset would take one year or longer. All other irrelevant costs related to assets that are customized for less than one year are recognized directly in a financial result.
Borrowing costs may consist primarily of:

- interests on a bank credit in a current account and interests on short-term and long-term loans and credits;
- foreign exchange gains and losses arising from loans and credits provided in foreign currencies.

Capitalization of external financing (borrowing) costs commences on the day of incurring expenditures on the qualifying asset, incurring the borrowing costs and undertaking actions necessary to prepare the asset for its intended use. The Company ceases to activate (capitalize) the external financing costs upon the transfer of a qualifying asset for use.

Assets in leasing
The contracts of financial lease on the basis of which the transfer of all risks and benefits resulting from the ownership of the subject of lease upon the Company takes place are recognized in the assets and liabilities valid as of the day the leasing commences. The value of assets and liabilities is determined as of the day of the lease commencement according to the lower of the following values: fair value of the fixed asset which is subject to lease or current value of minimum lease payments.
Minimum lease payments are divided into financial costs and reduction in the balance of unpaid liability due to the leasing in a way facilitating reception of fixed rate interest in relation to the unpaid liability balance. Conditional lease payments are recognized in the costs of the period in which they were incurred.

Fixed assets used on the basis of financial lease contracts are depreciated according to the same rules as those used to own assets of Company. In the situation where there is no sufficient certainty that the leaseholder will obtain the ownership title before the lease term termination, the given element of assets is amortized for a longer of two periods, i.e. the lease term or usage period.

In case the lease contract with regard to accounting, pursuant to regulations of MSR 17 was qualified as a financial lease contract, but with regard to taxation according to regulations in the corporate income tax regulation it was qualified as operational lease contract, the following rules are applicable in order to determine the appropriate amount of tax deductible revenue. Depreciation write-offs made by the user do not constitute the tax deductible revenue for tax purposes. The tax deductible revenues are only lease payments determined in the contract, recognized as the cost of the period they refer to.

Lease contracts according to which the lessor basically retains all risks and benefits resulting from the ownership of the subject of lease are qualified to the operational lease contracts.
Lease fees resulting from operational lease are recognized as costs by means of the straight-line method for the lease term unless another systematic method reflects the way the benefits of Company over time more appropriately.

Company Value
The value of the company is recognized first in accordance with MSSF 3.

The value is calculated as a difference between two values:

- the sum of payment provided for control, shares not providing control and fair value of blocks of shares (stocks) owned by the unit taken over before the takeover date and
- fair value of net assets of the unit taken over which are possible to identify.

Excess of the sum calculated in a way indicated above exceeding the fair value of net assets of the transferred unit which are possible to identify is recognized in assets of separate financial situation report as the company value. The company value corresponds to the payment made by the transferee expecting future economic benefits due to the assets which cannot be individually identified or recognized separately.

As for the reporting day the company value is assessed according to the purchase prices reduced by joint write-offs made so far due to the value depreciation or decrease due to the sale of part of the shares which it was previously assigned to. Write-offs to the value assigned to a given centre (group of centers) gaining the financial means of the company value are not reversible.

The company value is tested on the value loss before the end of the reporting period in which the merger took place and subsequently in every following annual reporting period. In case there are prerequisites indicating the value loss, the test for the value loss is performed before the end of each reporting period in which such prerequisites occurred.

Until 1 January 2010 Company applied the purchase method to account for mergers, in way defined in the previous version of MSSF3.

Investments in subsidiaries
LPP SA's investments in subsidiaries includes shares in Polish subsidiaries, shares in foreign subsidiaries and capital contributions.

The shares in controlled units are assessed according to the purchase prices reduced by write-offs due to the value loss.

The purchase price includes the sum due to the seller without deductible VAT as well as costs indirectly related to the purchase and customization of the assets element to the usable or marketable condition.
In case of the loss value, the write-off burdens the financial operation costs. In case the reason for the write-off is no longer valid, the primary investment value is restored by means of reference of returned amount into the financial operation income account. The value restoration may be full or partial.

Real estate investments
Investment real estate is maintained in ownership due to rent income as well as/or its value increase and it is assessed on the basis of the purchase price model.
Primary recognition of the investment real estate takes place according to the purchase price or the costs of its manufacture taking into account the transaction costs. For subsequent balance days the investment real estate is valuated for the price of its purchase or the cost of its manufacture.

The investment real estate is removed from the financial situation report at the moment it is sold or no longer used, if no future economic benefits are expected.
For the balance day the Company does not possess real estate investments.

Financial instruments
The financial instrument is every contract which results in the creation of the financial assets constituent of one of the parties and simultaneously a financial commitment or capital instrument of the other party.

The financial assets constituent or financial liability is indicated in the financial situation report when the Group becomes one party of this instrument. Standardized transaction of purchase and sale of financial assets and liabilities are recognized as of the day of the transaction.

A financial asset is derecognised from the Statement of financial position when contractual rights to economic benefits and risks arising therefrom have been exercised, have expired or have been waived by the Company.
A financial liability is derecognised from the Statement of financial position when the liability has expired, i.e., when the contractual obligations have been fulfilled, cancelled or have expired.

For the day of the purchase the financial assets and liabilities Company assesses in a fair value, which in most cases means according to the fair value of payment made in case of the assets constituent or received amount in case of liability.

For the balance day the financial assets and liabilities are assessed according to the rules presented below.

Financial assets
For the purpose of assessment after primary recognition, financial assets other than securing derivatives, Company qualifies with the division into:

- loans and liabilities,
- financial assets assessed according to fair value by financial result,
- investments maintained until the maturity date and
- financial assets available for sale.

These categories define the rules of assessment for the balance day and recognition of profit and loss from the assessment in the financial result or in other total revenues. Profits or losses recognized in financial result are presented as financial income or costs, apart from write-off of current liabilities due to deliveries or services which are presented as remaining operational costs.

All financial assets, except for those valued at fair value through profit and loss account, are subject to valuation on every balance sheet date due to indications suggesting the impairment of their value. The prerequisites of the value loss are analyzed for every category of financial assets separately, which was presented below.

The loans and liabilities are financial assets which not derivatives, with payments fixed or possible to be fixed, not quoted in an active market. The loans and liabilities are assessed according to depreciated costs with the use of effective annual rate method. The assessment of short-time receivables takes place in the value requiring payment due to insignificant discount effects.

Financial assets qualified to the loans category and liabilities are recognized in the financial situation report as:

- long-term assets in the item “Receivables and loans” as well as
- short-term assets in items “Loans,” “Receivables due to deliveries and services,” “Remaining receivables” as well as “Cash and pecuniary equivalents.”

Write-offs updating the value of receivables are performed taking into account the kind of receivables:

- disputed (which are subject to court proceedings and receivables from debtors put into liquidation) - the write-offs are performed in the full amount of the liability,
- remaining - the write-offs are made on the basis of individual analysis and assessment of the situation and the risk of loss.

Financial assets assessed according to the financial assets assessed according to fair value by financial result contain assets classified as marketable or indicated at the primary recognition to the assessment in the fair value by financial result due to fulfillment of criteria defined in MSR 39.
This category includes all derivatives which are indicated in the financial situation result in a separate item as well as investment fund share units.
Fund share units are indicated in the item “Other financial assets.”
Instruments in this category are assessed in the fair value and the results of the assessment are recognized in the financial result.

The investments maintained until the maturity date are financial assets which are not derivatives, with payments which are fixed or possible to be fixed and with fixed maturity date, with reference to which the Group intends and is able to maintain in ownership until the maturity date, with the exception of assets classified to loans and receivables.
In this category Capital Group recognizes bonds and other debt securities maintained until the maturity date indicated in the financial situation report in the item “Other securities.”
Investments maintained until the maturity date are assessed according to depreciated costs with the use of effective annual rate method. If there is evidence indicating the possibility of the loss of value of investments maintained until the maturity date, the assets are assessed in the current value of estimated future cash flow.
The changes of balance value, with write-offs due to the value loss, are recognized in the financial result.
Assets available for sale are financial assets, which are not derivatives, which were indicated as available for sale or are not qualified to any of the categories of financial assets above.
Under this category the Company recognizes shares held in companies other than subsidiaries or affiliates.
These assets are indicated in items “Other securities,” in the financial situation report.
All other financial assets available for sale are assessed in their fair value.
Profits and losses of assessment are recognized as other total revenues and they accumulated in the capital from revaluation of financial assets available for sale, with the exception of write-offs due to the value loss which are recognized the financial result. The financial result recognizes also interest which would be recognized while assessment of these financial assets according to depreciated costs with the use of effective annual rate method.

Financial liabilities
Financial liabilities other than derivative hedging instruments are presented in the following entries of the financial report:

- bank credits and loans,
- other financial liabilities,
- liabilities on account of deliveries and services and all other liabilities

After initial presentation, financial liabilities are prices according to amortized cost with application of effective interest rate, except for financial liabilities allotted to turnover or allotted as priced at a fair value by the financial result (derivatives other than hedging instruments). Short-term liabilities on account of deliveries and services are priced at a value requiring payment due to insignificant discount effect.

Accrued expenses
The Capital Group indicates in the assets of the report of financial situation entry: "Accrued expenses" the costs paid in advance related to future reporting periods, most importantly including the rental fees.
In the "Accrued expenses" entry, included in the liabilities of the report, revenues from future periods are presented.

Inventory
Priced as of balance sheet date, according to the purchase price, not higher than their net selling price.
Inventory includes the following:

- commercial goods,
- raw materials (fabrics and sewing accessories) bought and made available to external contractors for processing of raw materials,
- IT materials associated with use, maintenance and development of computer net,
- advertising materials.

Commercial goods in the in-country warehouses are recorded in terms of volume and value and priced:

- in the case of imported goods – in prices of purchase, including the price of purchase, cost of transport (abroad and in the country, to the first place of unloading in the country) for calculations of value in foreign currency exchange rate is used that is stated in the customs document,
- the day preceding the day of issuing the purchase invoice for supplies directly to Russia,
- in the case of goods purchased in the country – at the prices of purchase; costs associated with purchase of goods, due to their insignificant value directly charge the costs of activity at the moment of cost incurring.

Evaluation of commercial goods consumption belonging to the collections by RESERVED, Cropp, House, MOHITO and SiNSAY is carried out based on average weighted prices.
Commercial goods consumption of other collections is counted based on the FIFO method.

Commercial goods in customs bonded warehouses are priced at prices of purchase including the price of purchase and transportation costs (transport abroad and in the country to the first place of unloading in Poland).
Consumption of goods from the customs bonded warehouses (transfer to the in-country warehouses or selling directly to abroad) is priced based on detailed identification of goods in relation to particular goods in the customs bonded warehouses.

Commercial goods on their way are evaluated at the level of purchase prices, increased by costs of transport (known at the moment of financial report making) abroad and in the country. As regards the imported goods on their way, the currency rate that is applied is valid for the balance day in the Raiffeisen Bank Polska SA.

Inventory which lost its commercial or functional value go under a write-down, related to the load of other operational costs.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and on bank accounts, deposits paid on demand and short-term investments of high liquidity (up to 3 months).

Shareholder's equity
Share capital is presented in the nominal value of the issued shares, in accordance with the Articles of Association of the holding company and the entry to the National Court Registry.

The shares of the holding company purchased and held by the holding company decrease the equity. Own shares are evaluated at the price of purchase.

Capital from the sales of shares above their nominal value results from the surplus of emission price over the nominal value of the shares, decreased by emission costs.

Other capitals include:

- supplementary capital,
- reserve capital,
- capital on account of settlement of connection transaction and
- capital part of bonds convertible to shares.

Supplementary capital consist of:

- amount of profit from previous years, qualified based on a decision of the General Meeting of Shareholders,
- amount of remunerations paid in shares awarded to particular persons, in accordance with motivational programme.

Capital from transactions of connection resulted from updating of evaluation of the company's value after taking over the Artman SA company.

Within retained earnings results from previous years are presented, as well as the financial result of the current year.

Payments in shares
The Company runs motivational programmes, within which key members of the management staff are granted options that can be exchanged for shares of the holding company.

The value of work remuneration for the managing staff is counted indirectly, by reference to the fair value of the granted capital instruments. The fair value of the options is counted for the day of granting. However, non-marketable circumstances of purchasing the entitlement (achieving the presupposed level of financial result) are not taken into account in the estimation of the fair value of options that can be exchanged with shares.
The cost of remunerations and increase of the own capital is included based on the best available estimations of the number of potions, which can be bought in a given period. When establishing the number of options, that can be bought, non-marketable conditions of entitlement purchase are set.
The Company corrects the estimations if later information indicates that the number of granted options is different from earlier estimations. Corrections of estimations, pertaining to the number of granted options are included in the financial report of the current period – corrections of previous periods are not done.

After exchanging options for shares, the amount of capital from the evaluation of the granted options is transferred to the capital from sales of shares above their nominal value, after being decreased by the costs of emission of these shares.

Reserves
The reserved pertains to deferred income tax, employee benefits and other services.
Reserves for employee benefits include:

- reserve for unused holiday leaves,
- reserve for future retirement benefits,
- reserve for unpaid remunerations.

Reserve for future retirement benefits is estimated by the Company on its own, with use of a method taking into account the worked period, sex and current remuneration. It was assumed that discounting related to the reserve for retirement benefits corresponds to the expected growth rate of remunerations.
There were no actuarial losses or profits within the reporting period.

Revenues from sales
Revenues from sales are presented in the value of fair payment received or paid, and represent dues for the products, goods and services provided within normal business activity, after being decreased by discounts and value added tax. Revenues are presented at such value, at which it is probable that the Company will achieve economic benefit associated with a given transaction and when the amount of revenues can be evaluated in a reliable way.
Income from sales of good is included if the significant risk and benefits resulting from the property right for the good were passed on the Buyer.
Due to customer's complaints and returns, income from sales of goods are made actual by consideration of the estimated cost of these returns. Based on historical data, percentage rate is estimated, showing the proportion between the returns of good in relation to the overall sales. For the purpose of calculations, it was assumed that returns of good purchased in a given quarter of year occur in the following quarter. The value of the rate, both in relation to the own cost and the income, is calculated once in three months.
State subsidies are included in the books in such a way, so that the income resulting from subsidies was presented proportionally to the costs associated with these subsidies.

The Company has adopted the following methods of presentation of subsidies in financial reporting:

- subsidies related to assets – initially presented in a separate entry called: "Revenues of future periods" and then systematically presented as revenues of the period of use of the element of assets;
- subsidies related to revenues – as "Other operational/financial revenues" entry

Revenues from interest are included successively as they increase to the net balance value of a given element of financial assets.

Income tax(including deferred tax)

Obligatory burden of the financial result consists of the current and deferred income tax, which was not included in other total income or directly in the capital.
Current tax burden is calculated based on tax result of a given trading year. Tax profit / loss differs from the gross accounting profit/loss due to timely delay of revenues subject to taxation and costs being the costs of earning income for other periods and exclusion of entries of costs and income, which will never be subject to taxation. Tax burden is calculated based on tax rates binding in a given trading year.

The deferred tax is counted based on the balance method, as a tax subject to payment or return in the future, based on differences between balance values of assets and liabilities and the relevant tax values which are used to calculate the tax base.
The reserve for the deferred tax is made of all positive transition differences subject to taxation, while the deferred tax assets are identified up to the heights at which it is probable that future tax profits can be decreased by the negative transition differences.

Transactions expressed in foreign currencies

The Polish zloty (PLN) is the functional currency and the currency used for the presentations of the LPP SA.

As of the day of economic transaction, the assets and liabilities expressed in a foreign currency are included in the accounting books in the functional currency, respectively, taking in the rate of:

- Purchase or selling of the currency applied by the bank used by the company – in the case of sales or purchases of currencies and payment of payments due or liabilities (pertains to operations carried out with use of PLN accounts)
- Purchase of currency applied by the bank used by the company – in the case of foreign currency accepted to a foreign currency bank account,
- Rate established based on the FIFO method – in the case of disbursement of foreign currency from the foreign currency bank account,
- Mean rate (established for a given currency by the National Bank of Poland), from the last working day preceding the day of foreign or own invoice issue – in cases other than import or export (transit) of goods
- Rate resulting from customs document, made out in relation to handing in goods in a customs bonded warehouse – in the case of accounting record of the good and commitment (made at the moment of handing in the goods) for handing in goods in a customs bonded warehouse
- Rate of sales, applied as to the balance day, by the bank which is used by the holding company – in the case of evaluation of goods on their way and liabilities related to import of goods, if on the balance day the goods have still not yet been left in the customs bonded warehouse.

At the balance sheet date are valued in foreign currencies:
- monetary items:

- components of assets - buying currency at the exchange rate applicable on that date by the bank whose services are used by the company (USD – 3.5185, EUR – 4.2720, RON - 0.9501, RUB - 0.0600, CZK - 0.1524 , 100HUF - 1.3510, LTL - 1.2335, BGN - 2.1760, HRK – 0.5550),
- liability components - at the selling rate applicable on that date by the bank whose services are used by the company (USD - 3.5260, EUR - 4.2780, RON - 0.9536, RUB - 0.0620, CZK - 0.1549. 100HUF - 1.3570, LTL - 1.2355, BGN - 2.1820, HRK - 0.5585).

- non-monetary items - at the historical rate of currency of the transaction.

Unconsolidated net profit per share
Net profit per share for each period is calculated by dividing net profit for the period by the weighted average number of shares of LPP S.A. in the period. The Capital Group at the balance sheet analyzes if in a given period there were factors resulting in dilution of the profit / loss per share. Information on earnings per share and diluted earnings per share are presented in Note 13.19.

Hyperinflation
IAS 29 Financial Reporting in Hyperinflationary Economies requires that entities which conduct business activity in a hyperinflationary period, should restate (recalculate) the components of equity by applying a general inflation index (general price index). The calculation results should be presented with a minus sign at the item of retained earnings in the financial situation statement. This adjustment is intended to reflect the impact of hyperinflation on the financial results for the reporting period. It is assumed that in Poland there was hyperinflation in the years 1989 - 1996. According to the Board, doubts may raise to recognize in the statement of financial position of this hyperinflationary restatement as a retained loss carried forward from previous years, considering that it relates to events prior to 1996, and the corresponding earnings had been distributed before this financial statement was prepared. In addition, it is not clear whether any hyperinflation adjustment (restatement) produces effects under provisions of the Commercial Companies Code, regarding e.g. the amount of dividends possible to be paid, the amount of advance payments to dividends or conditions which require adoption of a resolution on further existence of the entity. In this situation, according to the Board the disclosure of this hyperinflation adjustment directly in the statement of financial position on 31 December 2014 could be confusing to users of the financial statement and, therefore, appropriate amounts, ratios, and conversion methods concerning the hyperinflation adjustment are shown in Note 13.10. to the financial statement for 2014.
The financial statements of LPP SA are based on a historical cost approach.

10. Financial risk management

The Company is exposed to many risks associated with financial instruments. Financial assets and liabilities of the Company broken down into categories are presented in Note 13.6. Risks faced by the Company are:

- credit risk;
- liquidity risk; and
- market risk including currency risk and interest rate risk.

The main financial instruments of LPP SA are primarily bank loans (Note 13.6). Their main purpose is to raise funds for the Company business activities. The LPP SA also has other financial instruments that arise in the course of delivering business activities. Above all, these include cash and deposits (Note 13.9), accounts receivable, other financial assets and liabilities under deliveries and services (Note 13.6, 13.8 and 13.14).
In accordance with IFRS 7 there was performed the analysis of the scope of risks arising from financial instruments to which the Company is exposed.

a) credit risk
The maximum credit risk is represented by the carrying amount of trade receivables, loans and guarantees and sureties.

The carrying values of financial assets mentioned above are presented in the table below.

in thousand PLN

Items	2014	2013
Loans	277	23,242
Trade receivables	466,834	800,158
Cash and cash equivalents	54,181	70,991
Contingent liabilities arising from granted guarantees and sureties	279,324	168,553
Total	**800,616**	**1,062,944**

The Company continuously monitors the overdues of customers and creditors, analyzing the credit risk individually or within each asset class. Moreover, as part of credit risk management LPP SA enters into transactions with customers whose creditworthiness is confirmed.
The most significant item are receivables and its analysis is presented in the following tables.

Concentration of credit risk related to accounts receivable from the deliveries and services is presented in the table below.

Recipient	Share of receivables % in total value of receivables
LPP Ukraine	21.55%
OOO Re Trading	11.58%
Czech Republic SRO	10.64%
LPP Retail Bulgaria	6.49%
Koba	6.35%
Recipients whose receivables do not exceed 5% of total receivables	43.40%
Total gross receivables due to deliveries and services	**100.0%**

Classification of gross trade receivables according to the length of the overdue on 31.12.2014 and 31.12.2013 is presented in the table below.

In thousand PLN	2014	2013
Without overdue	236,939	171,111
Overdue to one year	239,878	538,841
Overdue more than one year	14,302	119,589
Total	**491,119**	**829,541**

The value of receivables from goods and services overdue in the current reporting period in ca. 75% results from unpaid invoices from subsidiaries. This amount results from financing development of the network of stores run by foreign companies from the funds obtained from selling by them goods offered in the existing stores and it is consistent with the assumptions of LPP SA.

The LPP SA has no hedging instruments used for aforementioned financial risks and does not apply hedge accounting.

b) liquidity risk
The Company's objective is to maintain a balance between continuity and flexibility of funding through the use of funding sources such as bank loan overdrafts or investment bank loans.
In comparison with the previous year, the LPP SA credit exposure has been significantly increased. The main reason for this situation is the construction of a new storage hall at the Distribution Center in Pruszcz Gdański equipped with the most modern logistics solutions, which are required due to the dynamic growth of the Company and its current development, including the purchase of real estate. The exact description of the financial position of the Company in terms of contracted loans is presented in Note 13.6.

On the balance sheet date, the Company's financial liabilities were within the following ranges of maturity.

Balance as at 31.12.2014	Short-term	Long-term
Credit accounts	78,110	204,461
Overdraft credits	299,878	
Total	**377,988**	**204,461**

Balance as at 31.12.2013	Short-term	Long-term
Credit accounts	77,610	184,285
Overdraft credits	95,635	
Total	**173,245**	**184,285**

As a part of the liquidity risk there should also be pointed out liabilities on goods and services.

Classification of gross trade payables according to the length of overdue on 31.12.2014 and 31.12.2013 is shown in the table below.

In thousand PLN	2014	2013
Without overdue	486,863	428,099
Overdue to one year	8,090	23,325
Overdue more than one year		33
Total	**494,953**	**451,457**

The increase of the value of liabilities results from the fact of the increase of the Company's scale of activity.

c) currency risk
The base currency of settlements for the majority of goods purchase transactions is USD. A small part of the settlements in this respect is conducted in EUR.
Most of the proceeds from the sale is achieved in PLN. The specificity of the Company's activities allows for partial transfer of the increase in USD exchange rate to end customers, in connection with the calculation of the sales price of the product concerned for a while before introducing it on the market.
In addition to currency risk related to the settlement currency used for the purchase of commercial goods, there is also risk due to the fact of settlement of rental rates for retail space in EUR.

The Company's assets and financial liabilities expressed in foreign currencies translated into PLN according to the closing rate as of a balance sheet date, which are important for the financial statement, are as follows:

In thousand PLN

Balance as at 31.12.2014	Values expressed in a currency							Converted value
	USD	EUR	RUB	CZK	BGN	LTL	inne	
Funds	3,855	1,497			1,020		515 RMB	22,470
Trade receivables	36,384	21,228	948,529	343,601	9,270	10,626	11,002RON, 639,369HUF 3,830 HRK	382,477
Loans granted		700						2,990
Trade liabilities	100,614	4,802					54GBP	375,620
Bank loans	205							723

Foreign currency risk

in thousand PLN

+/- 5%			
Balance items	Value	Impact on result	Impact on result
Financial assets			
Cash	22,470	- 1,124	1,124
Trade receivables	382,477	-19,124	19,124
Loans granted	2,990	-149	149
Impact on financial assets before tax		*-20,397*	*20,397*
Tax (19%)		3,875	-3,875
Impact on financial assets after tax		*-16,522*	*16,522*
Financial liabilities			
Trade liabilities	375,620	18,781	-18,781
Bank loans	723	36	-36
Impact on financial liabilities before tax		*18,817*	*-18,817*
Tax (19%)		-3,575	3,575
Impact on financial liabilities after tax		*15,242*	*-15,242*
Total		***-1,280***	***1,280***

* stated balance sheet values do not include the write downs for granted loans and trade receivables.

As at 31 December 2014, company's net profit would have been by 1,280 thousand PLN lower if Polish Zloty had strengthened by 5% against foreign currencies (mainly USD), and the other factors had not changed. It is the result of increasing the share of export sales in the entire sales revenues and what follows, the increase of receivables expressed in foreign currencies. Weakening of Polish Zloty by 5% against foreign currencies as at 31 December 2014 would have had the same quantitatively, but opposite as per a sign, impact on the currencies appearing in the Company.

d) Interest rate risk

Interest rate risk is associated with the continued use by LPP SA of the financing with the interests debt based on a variable level of Wibor, Libor and Euribor indexes. Bank loans with variable interest rates are burdened with cash flow risk. The Management believes that interest rate changes will not have a significant effect on the results achieved by the LPP SA.

In the tables below presented is the analysis of impact of the change of interest rates and foreign currencies exchange rates on profit and loss account and equity capital. This analysis concerns financial components of the report from company's financial situation as at a balance sheet date.

Interest rate risk

in thousand PLN

+/- 75 pb SP			
Balance items	Value	Impact on result	Impact on result
Financial assets			
Loans	277	2	-2
Cash	51,309	385	-385
Deposits	2,872	22	-22
Impact on financial assets before tax		*409*	-409
Tax (19%)		-78	78
Impact on financial assets after tax		*331*	*-331*
Financial liabilities			
Bank loans	582,449	-4,368	4,368
Impact on financial liabilities before tax		*-4,368*	*4,368*
Tax (19%)		830	-830
Impact on financial liabilities after tax		-3,538	*3,538*
Total		***-3,207***	***3,207***

On 31 December 2014 the Company's net profit would have been about 3,207 thousand PLN lower if the interest rates in PLN, EUR and USD were higher by 75 basis points, assuming all other parameters were unchanged. This result stems from the higher state of credits as compared with cash and provided loans.

11. Capital management

The Group manages its capital to ensure the ability to continue the business of the LPP SA and to ensure the expected rate of return for shareholders and other stakeholders interested in the Company financial condition. The Company analyzes factors assessing the Company condition, that are shown and described in detail in the Management Report of the Company activities.

12. Major assessments and evaluations

Assessments the board of LPP SA, that influence values indicated in a financial report concern:

- expected time of economic useful life of fixed assets;
- residual value of fixed assets and intangible values;
- percentage of return of goods sold in the reporting period made in the consecutive reporting period;
- impairment losses on assets;
- discount, estimated increase in salaries and actuarial assumptions used in calculating the reserve for retirement benefits;
- future financial results considered while defining assets for deferred income tax;
- assumptions accepted to deliver testing for impairment of trademark and goodwill ;
- assumptions accepted to evaluate options related with incentive programs.

The methodology to determine estimates is applied consistently in relation to the last reporting period.

No changes were made to the following estimated amounts in relation to the previous period:

- discount, estimated increase in salaries and actuarial assumptions used in calculating the reserve for retirement benefits;
- future tax results taken into account when calculating assets for the deferred income tax.

The estimates changed (in accordance with the adopted methodology) in the scope of:

- the expected economic life of fixed assets - this applies to expenditure on foreign premises (setting a new depreciation period applies after the upgrade);
- sales adjustment ratio related to returns of goods made in the next reporting period;
- assumptions made in testing for impairment of trademark and goodwill;
- assumptions used in the valuation of options related to incentive programs.

Changes in impairment losses are presented in the following pieces of information in the notes to individual items of assets.

The Management Board of LPP SA:

Marek Piechocki – President of the Board ....

Przemysław Lutkiewicz – Vice-President of the Board ….…………………………………………..

Jacek Kujawa – Vice-President of the Board ………………………………………………

Piotr Dyka – Vice-President of the Board ………………………………………………

Hubert Komorowski – Vice-President of the Board ………………………………………………

Gdańsk, 10 April 2015

ADDITIONAL INFORMATION

13. *Additional information*

13.1. Tangible fixed assets

Tangible fixed assets are depreciated on a straight-line basis using the following rates:

- buildings, premises, civil and water engineering structures 2.5 –90%,
- technical equipment and machines 2.5 – 50%,
- vehicles 10 – 25%,
- other tangible fixed assets 10 – 50%.

The adopted useful lives of using tangible assets are reviewed annually.

In 2014, the Company performed impairment write-offs in relation to tangible fixed assets for the amount of 408 thousand PLN. Also, in the current year, the write-off for the amount of 397 thousand PLN was reversed.

Indemnity concerning tangible fixed assets received by LPP SA in 2014 amounted to 113 thousand PLN (in 2013: 154 thousand PLN) and it concerned mainly damages to the means of transport owned by the company.

As at the end of 2014, the Company had contractual liabilities in relation to the purchase of tangible fixed assets in the amount of 45,549 thousand PLN. In 2013, this amount was equal to 115,594 thousand PLN.

As at a balance sheet date, limitation in disposal of real properties owned by the company in Pruszcz Gdański occurs in connection with the investment credit. A detailed description can be found in the note 13.6.3.

Depreciation of tangible fixed assets is presented in the multiple-step variant of the report on the result together with other types of costs, in the following positions:

- sales costs - year 2014: 91,931 thousand PLN (year 2013: 69,221 thousand PLN)
- general costs - year 2014: 13,854 thousand PLN (year 2013: 13,325 thousand PLN)

Changes in tangible fixed assets (by type groups) for the period from 01.01.2014 to 31.12.2014 in thousand PLN

	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets	Fixed assets in progress	Fixed assets, total
1) Gross value of tangible fixed assets at the beginning of the period	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) Gross value of tangible fixed assets at the beginning of the period	31,163	673,503	134,886	8,531	224,511	77,559	1,150,153
3) Accumulated depreciation at the beginning of the period	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
- decrease	0	14,577	9,018	540	6,580	0	30,715
4) Accumulated depreciation at the end of the period	0	281,253	81,091	6,088	99,655	0	468,087
5) Impairment losses at the beginning of the period	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) Accumulated impairment losses at the end of the period	0	1,435	0	0	0	0	1,435
Total net value of tangible fixed assets at the end of the period	31,163	390,815	53,795	2,443	124,856	77,559	680,631

Impairment loss of value - items in the statement of result	Amount
- increase – other operating costs revaluation of non-financial assets	408

Changes in tangible fixed assets (by type groups) for the period from 01.01.2013 to 31.12.2013 in thousand PLN

	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets	Fixed assets in progress	Fixed assets, total
1) Gross value of tangible fixed assets at the beginning of the period	19,175	473,718	105,496	9,246	114,336	9,362	731,333
- increase	0	121,297	23,586	129	70,455	293,037	508,504
- decrease	0	21,707	6,786	1,002	5,499	243,941	278,935
2) Gross value of tangible fixed assets at the beginning of the period	19,175	573,308	122,296	8,373	179,292	58,458	960,902
3) Accumulated depreciation at the beginning of the period	0	213,247	62,920	5,170	58,465	0	339,802
- depreciation	0	45,213	16,008	1,120	20,205	0	82,546
- increase	0	27	3	0	0	0	30
- decrease	0	17,371	6,483	704	4,803	0	29,361
4) Accumulated depreciation at the end of the period	0	241,116	72,448	5,586	73,867	0	393,017
5) Impairment losses at the beginning of the period	0	1,424	0	0	0	0	1,424
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
6) Accumulated impairment losses at the end of the period	0	1,424	0	0	0	0	1,424
Total net value of tangible fixed assets at the end of the period	19,175	330,768	49,848	2,787	105,425	58,458	566,461

Statements prepared in thousand PLN.

13.2. Assets on lease

The LPP SA uses tangible fixed assets based on long-term leases agreements which, in accordance with IAS 17, are treated as operating leases. These agreements only concern means of transport.

Outstanding future minimum lease payments as of 12.31.2014 are:

Specification	Minimum fees
In the period of 1 year	1,539
In the period from 1 to 5 years	1,841
Over 5 years	0
Minimum lease payments total	3,380

In 2014 the LPP SA Group recognized in the separate financial statement the total income and other costs from operating leases in the amount of PLN 1,369 thousand PLN.
This amount includes only minimum lease payments.
There were no contingent fee and sublease payments in the Group as on 31 December 2014.
The monthly lease payment is the basis for determining minimum lease payments.
Tenants have the right to terminate the lease with a 30-day notice period. Contracts do not contain restrictions such as, e.g. dividends, additional debt and further leasing.

13.3. Intangible assets

Intangible assets used by the LPP SA Company include patents and licenses, computer software, development expenditures and other intangible assets.

The most important component of intangible assets in 2014 is software for the e-stores RESERVED, Cropp, MOHITO, House and SiNSAY. A balance sheet value of this component as at 31.12.2014 amounted to 6,268 thousand PLN. The remaining amortization period of this component amounts to 4 years.

Intangible assets are presented with the usage of the rates ranging from 16% to 50%.

Amortization of intangible assets is presented in the calculative version of profit and loss account along with other types of costs in the following items:

- Sales costs – year 2014: 1,233 thousand PLN (year 2013: 1,191 thousand PLN),
- General costs – year 2014: 3,853 thousand PLN (year 2013: 3,022 thousand PLN).

Changes in intangible assets in 2014 as well as those for the comparable period are presented in the tables below.

Changes in carrying amounts of intangible assets for the period from 01.01.2014 to 31.12.2014

in thousand PLN

	Development costs	Obtained 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 beginning of the period	4,755	57,536	56,822	6,464	68,755
c) Accumulated depreciation (amortisation) at the beginning of the period	951	37,577	37,221	0	38,528
- scheduled depreciation	951	4,135	4,020	0	5,086
- decrease		227	0	0	227
d) Accumulated depreciation (amortisation) at the end of the period	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

Changes in carrying amounts of intangible assets for the period from 01.01.2013 to 31.12.2013

in thousand PLN

	Development costs	Obtained 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	5,198	41,992	40,499	2,859	50,049
- increase	0	5,762	5,706	5,868	11,630
- decrease	443	814	33	5,670	6,927
b) Gross value of intangible assets at the end beginning of the period	4,755	46,940	46,172	3,057	54,752
c) Accumulated depreciation (amortisation) at the beginning of the period	443	35,128	34,099	0	35,571
- scheduled depreciation	951	3,262	3,155	0	4,213
- decrease	443	813	33	0	1,256
d) Accumulated depreciation (amortisation) at the end of the period	951	37,577	37,221	0	38,528
Total net value of intangible assets at the end of the period	3,804	9,363	8,951	3,057	16,224

13.4. Goodwill

In 2014, goodwill presented in the report from company's financial situation did not change in relation to the previous year. It came into being as a result of merger of LPP SA with the company Artman in July 2009.
The merger was performed by the transfer of all acquire's assets, i.e. Artman SA to the acquirer, i.e. LPP SA.
LPP SA was a 100% shareholder of Artman SA on the merger date of both companies.
The merger was carried out under common control.
The provisions of the amended IFRS 3 were not applied for the merger transaction.
LPP SA in accordance with IAS 38 identified an intangible asset in the form of the trademark and recorded it as a separate item in the statement of financial position at the valuing of all existing assets as at the date of acquisition of control over Artman SA.

The goodwill determined as at the merger date and arising from the acquisition of Artman SA amounted to 179,618 thousand PLN. Goodwill established as at the day of taking control for the purpose of consolidated financial statement amounting to 183,203 thousand PLN is different from goodwill presented in this financial statement. Such a difference results from the sum of losses of subsidiaries subordinated to the company Artman SA shown as at the day of taking control by LPP SA.

Pursuant to the provisions of IAS 36, goodwill per each balance sheet date is subject to the impairment test. As at 31.12.2014 no such impairment was ascertained. Detailed disclosures according to IAS 36 are presented in additional information to the consolidated financial statement of LPP SA Capital Group.

The table below shows changes in goodwill.

in thousand PLN

Gross value	31.12.2014	31.12.2013
Balance at the beginning of the period	179,618	179,618
Increase	0	0
Decrease	0	0
Balance at the end of the period	179,618	179,618
Write-downs	**31.12.2014**	**31.12.2013**
Balance at the beginning of the period	0	0
Balance at the end of the period	0	0
Net value	**31.12.2014**	**31.12.2013**
Balance at the beginning of the period	179,618	179,618
Balance at the end of the period	179,618	179,618

13.5. Investments in subsidiaries

LPP S.A. is almost in 100% a direct owner of 17 foreign companies and 4 local companies. Foreign companies are building the network of retail sales outside Poland and they manage the rights to RESERVED, Cropp, House, MOHITO and SiNSAY trademarks. The list of subsidiaries of LPP SA is presented in point 3 in the introduction to this additional information.

According to the applied accounting policy, based on point 37 of IAS 27, LPP SA appraises in the individual financial statement the investments in subsidiaries at the purchasing price. As at each balance sheet date, LPP SA examines whether any premises occurred to ascertain asset impairment, including financial assets which are not appraised according to IAS 39 (i.e. investments appraised according to the purchasing price).

Write-offs performed in the separate financial statement on account of impairment of investments in foreign subsidiaries and reversal thereof do not have impact on the consolidated financial statement, including the consolidated financial result.

The value of shares in subsidiaries and surcharges to the capital of subsidiaries according to the purchasing price and performed write downs as at 31.12.2014 as well as comparative data are presented in the tables below.

in thousand PLN

Description of subsidiaries as of 31.12.2014	Value of held shares		Amount of revaluation write-down	Carrying value of shares as of 31.12.2014
	Shares	Capital contribution		
Foreign companies	222,848	747,566	432,486	537,928
National companies	149		12	137
Total	222,997	747,566	432,498	538,065

in thousand PLN

Description of subsidiaries as of 31.12.2013	Value of held shares		Amount of revaluation write-down	Carrying value of shares as of 31.12.2013
	Shares	Capital contribution		
Foreign companies	127,627	77,256	108,496	96,387
National companies	149		12	137
Total	127,776	77,256	108,496	96,524

in thousand PLN

Revaluation write-down of shares and additional capital contributions	31.12.2014	31.12.2013
State at beginning of reporting period	108,508	71,027
Impairment loss recognized as expense during the period	341,770	46,176
Reversed write-down in the period	17,780	8,695
State at the end of reporting period	432,498	108,508

In 2014 the increase the value of shares held in subsidiaries resulted from the creation of new companies in Germany and Croatia, and the purchase of the company in Slovakia. In this period there also took place a significant increase in additional capital. Subsidies were granted to Russian and Romanian companies.

13.6. Financial assets and liabilities

13.6.1. Categories of financial assets and liabilities

The value of financial assets presented in the consolidated statement of financial position refers to the following categories of financial instruments specified in IAS 39:
1. loans and receivables (P&N)
2. financial assets at fair value through profit or loss (AWG-W)
3. financial assets available for sale (ADS)

Balance as at 31.12.2014

in thousand PLN

Fixed assets	(L&R)	Not included in IAS 39
Receivables and loans	1,579	
Current assets	(L&R)	Not included in IAS 39
Trade receivables	466,834	
Other receivables		18,052
Loans	151	
Cash and cash equivalents	54,181	

Balance as at 31.12.2013

in thousand PLN

Fixed assets	(L&R)	Not included in IAS 39
Receivables and loans	23,984	
Current assets	(L&R)	Not included in IAS 39
Trade receivables	800,158	
Other receivables		17,255
Loans	432	
Cash and cash equivalents	70,991	

The value of financial liabilities presented in the separate statement of financial position relates only to one of the categories of financial instruments specified in IAS 39 as financial liabilities measured at amortized cost (ZZK).

Balance as at 31.12.2014

in thousand PLN

Long-term liabilities	ZZK	Not included in IAS 39
Bank credits and loans	204,461	
Short-term liabilities	ZZK	Not included in IAS 39
Trade receivables	494,953	
Other liabilities		112,270
Bank credits and loans	377,988	

Balance as at 31.12.2013

in thousand PLN

Long-term liabilities	ZZK	Not included in IAS 39
Bank credits and loans	184,285	
Short-term liabilities	ZZK	Not included in IAS 39
Trade receivables	451,457	
Other liabilities		104,176
Bank credits and loans	173,245	

13.6.2. Receivables and loans

The Company distinguishes the category of receivables and loans (IFRS 7.6) for the purposes of presentation in the consolidated statement of financial position. In the long-term portion the receivables and loans are presented in the statement of financial position in one item. In the short-term portion the Company, in accordance with the requirements of IAS 1, separates trade and other receivables.

Items of the statement of financial position of the Company related to receivables and loans are presented in the table below.

in thousand PLN

	31.12.2014	31.12.2013
Fixed assets:		
Receivables	1,453	1,174
Loans	126	22,810
Long-term receivables and loans	**1,579**	**23,984**
Current assets		
Trade receivables and other receivables	484,886	817,413
Loans	151	432
Short-term receivables and loans	**485,037**	**817,845**
Receivables and loans, including:	**486,616**	**841,829**
Receivables (note 13.8)	486,339	818,587
Loans (note 13.6.2)	277	23,242

Loans granted are measured at amortized cost using the effective interest rate method. Due to the lack of an active market, it is assumed that the carrying value of the loans is the same as their fair value.

The company grants loans both in PLN and in foreign currencies.

The structure of granted loans as at 31.12.2014 is presented in the table below.

in thousand PLN

Loans	31.12.2014	31.12.2013
Foreign currency	0	23,146
PLN	277	96
Total	277	23,242

Currency loans are granted solely to related parties for the purpose of development of conducted by them economic activity.
Such loans are appraised according to the adjusted purchasing price using the effective interest rate.

Name of the company	Date of loan	Effective interest rate
LPP Retail Bulgaria	31.12.2014 (EUR)	4.6182%

The repayment of the Bulgarian loan will take place in January 2015 through the conversion of the capital and interests to the equity capital of the company. The deadline and the effective interest rate for the reported loan are presented in the table above.

Solely employee loans were granted in local currency. Their balance sheet value as at 31.12.2014 amounts to 277 thousand PLN (in 2013: 96 thousand PLN). These agreements are concluded maximum for 3 years. Principals are repaid in monthly instalments whereas repayment of interest, set forth at the level of 6% annually, falls at the moment of repayment of the last instalment of principal.

Change of the gross balance sheet value of the loans and write downs on account of their value, is as follows:

in thousand PLN

Gross value	31.12.2014	31.12.2013
Balance at the beginning of the reporting period	51,400	59,806
Amount of loans granted in the period	330	53
Charging of interest	1,551	1,969
Repayment of loans together with interest	4,692	9,212
Loan conversion to capital contribution	49,460	
Other changes (exchange rate differences)	5,939	-1,216
Balance at the end of the reporting period	5,068	51,400

in thousand PLN

Revaluation write-down of loan	31.12.2014	31.12.2013
State at beginning of reporting period	28,158	9,945
Impairment loss recognized as expense during the period	24,883	21,122
Reversed write-down in the period	48,250	2,909
State at the end of reporting period	4,791	28,158

Write downs on account of the value of the loans were recorded in the “Financial costs” of the individual financial result (note 13.17).
Disclosures on cash and cash equivalents are presented in note no. 13.9.

13.6.3. Bank credits and loans and other debt instruments

The Company does not classify any credits or debt instruments as financial liabilities designated to be measured at fair value though profit or loss. All credits and other debt instruments are measured at amortised cost, using the effective interest rate method.

As at 31 December 2014 the debt arising from bank loans was as follows:

Bank	Use of credits on 31 December 2014		Cost of credit	Repayment date
	in thousand PLN	currency in thousands		
PKO BP SA	168,049		wibor 1 m + bank margin	31.12.2022
PKO BP SA	114,522		wibor 1 m + bank margin	31.12.2017
PKO BP SA	151,621		wibor 1 m + bank margin	23.06.2017
Citibank Bank Handlowy	123,142		wibor 1 m + bank margin	12.01.2016
Raiffeisen Bank Polska SA	24,755	205 USD	libor 1 m + bank margin	01.10.2015
BNP Paribas Bank Polska SA	360		wibor 1 m + bank margin	16.12.2015
Total	582,449			

The bank loans in the amount of 582,807 thousand PLN include the following:
- long-term loans in the amount of 204,461 thousand PLN,
  - short-term loans in the amount of 377,988 thousand PLN (including 78,110 thousand PLN as a part of long-term investment loans matured in the period of 12 months after the balance sheet date).

The remaining to be repaid, as at 31.12.2014, values of long-term credits in the amounts of 139,939 thousand PLN and 64,522 thousand PLN relate to credits contracted in PKO BP SA. These are the investment credits with designation for the construction of the logistic centre in Pruszcz Gdański and for the purchase of stocks of taken over company Artman SA as well as for financing the capex.

As at 31 December 2014 the debt arising from bank loans was as follows:

Bank	Use of credits on 31 December 2013		Cost of credit	Repayment date
	in thousand PLN	currency in thousands		
PKO BP SA	80,830		wibor 1 m + bank margin	31.12.2022
PKO BP SA	181,065		wibor 1 m + bank margin	31.12.2017
PKO BP SA	35,842		wibor 1 m + bank margin	23.06.2014
Citibank Bank Handlowy	58,712		wibor 1 m + bank margin	12.01.2016
Pekao SA	741	239 USD	libor 1m+ bank margin	12.01.2015
BNP Paribas Bank Polska SA	333		wibor 1 m + bank margin	16.12.2014
Raiffeisen Bank Polska SA	7		wibor 1 m + bank margin	01.10.2014
Total	357,530			

The bank loans in the amount of 357,876 thousand PLN include the following:
- long-term loans in the amount of 184,285 thousand PLN,
- short-term loans in the amount of 173,245 thousand PLN (including 77,610 thousand PLN as a part of long-term investment loans matured in the period of 12 months after the balance sheet date).

The remaining to be repaid, as at 31.12.2013, values of long-term credits in the amounts of 70,220 thousand PLN and 114,065 thousand PLN relate to credits contracted in PKO BP SA. These are the investment credits with designation for the construction of the logistic centre in Pruszcz Gdański and for the purchase of stocks of taken over company Artman S.A. as well as for financing the capex.

Detailed data on bank loan agreements are as follows:

Bank	Type of credit /line	Amount and currency of credits granted:		Security
		Amount in thousand	Currency	
PKO BP SA	Multi-purpose credit line - multi-currency	230,000	PLN	2 blank promissory notes
PKO BP SA	Investment credit	200,578	PLN	ordinary and capped mortgage, transfer of trade receivables insurance policy, blank promissory note
PKO BP SA	Investment credit	227,000	PLN	ordinary and capped mortgage, transfer of trade receivables insurance policy, blank promissory note, registered pledge on the trademarks RESERVED, Cropp, House
Pekao SA	Multi-purpose credit line - multi-currency	280,000	PLN	blank promissory note power of attorney to accounts
BNP Paribas Bank Polska SA	Multi-purpose credit line - multi-currency	280,000	PLN	blank promissory note
Raiffeisen Bank Polska SA	Multi-purpose credit line - multi-currency	230,000	PLN	blank promissory note, power of attorney to accounts
Citibank Bank Handlowy	Multi-purpose credit line - multi-currency	170,000	PLN	blank promissory note
Citibank Bank Handlowy	Revolving credit line for letters of credit	25,500	USD	blank promissory note

There was no failure to comply with the payment of the Companies or breach of the terms of agreements in the case of credits during the reporting period.

13.6.4. Other information concerning financial instruments

The fair values and carrying amounts on the balance sheet date and comparable data of individual financial instruments are shown in the table below.

Year 2014

in thousand PLN

Assets*	Fair value	Balance-sheet value
Trade receivables and other receivables	486,339	486,339
Cash and cash equivalents	54,181	54,181
Total	**540,520**	**540,520**
Liabilities	Wartość godziwa	Wartość bilansowa
Bank credits and loans	582,449	582,449
Trade receivables and other liabilities	607,223	607,223
Total	**1,189,672**	**1,189,672**

Year 2013

in thousand PLN

Assets *	Fair value	Balance-sheet value
Trade receivables and other	818,587	818,587
Cash and cash equivalents	70,991	70,991
Total	**889,578**	**889,578**
Liabilities	Wartość godziwa	Wartość bilansowa
Bank credits and loans	357,530	357,530
Trade receivables and other	555,633	555,633
Total	**913,163**	**913,163**

***** because reliable fair value valuation cannot be obtained, the table does not include unquoted equity instruments measured at the purchase price and the value of loans valued by the method of amortized cost for which there is no active market.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments
for which there is an active market is determined on the basis of quoted market prices (bid price and asking price). If the market for a financial instrument is not active,
an entity establishes fair value by using a valuation technique. Inputs to the valuation technique make maximum use of active market variables (foreign exchange rates, interest rates).

According to the Company the carrying amounts of financial assets and financial liabilities are estimated to approximate the fair value.

13.7. Inventory

The most important item in the inventory of the Company is constituted by trading goods. The structure of inventory for the balance day was presented in the table below.

in thousand PLN

Inventory	31.12.2014	31.12.2013
- materials	5,478	5,100
- goods	706,837	565,897
Total	**712,315**	**570,997**

The value of inventory in the financial situation report takes into account the adjustment by the amount of the write-off. The changes in the value of the write-off in the report period and the comparative period are presented in the table below.

For the day of 31 December 2014, the value of inventory recognized as cost in the report period amounted to 2,094,809 thousand PLN.

in thousand PLN

Impairment losses on inventories	31.12.2014	31.12.2013
The situation at the beginning of the period	2,159	2,636
Write-offs recognized as a cost in the period	1,370	570
Reversed write-offs in the period	605	1,047
The situation at the end of the period	2,924	2,159

13.8. Receivables

Receivables due to deliveries and services and remaining receivables, recognized by Company within the category of receivables and loans (note 13.6) are as follows:

Long-term receivables in the balance value of 1,453 thousand PLN are solely security deposits paid for various reasons.
Detailed information concerning the structure of short-term receivables of Company was presented in the table below.

in thousand PLN

Short-term receivables	31.12.2014	31.12.2013
Trade receivables	491,119	829,541
Revaluation write-offs of receivables due to deliveries and services	24,285	29,383
Write-offs due to deliveries and services net	**466,834**	**800,158**
Other receivables	18,478	17,509
Revaluation write-offs of other receivables	426	254
Other receivables net	**18,052**	**17,255**
Short-term receivables total	**484,886**	**817,413**

A balance sheet value of receivables on account of deliveries and services is deemed by the Company as a reasonable approximation of their fair value.
Within the amount of other short-term receivables included is the value of assets not subject to IAS 39 on account of taxes and other performances in the amount of 18,052 thousand PLN in 2014 (in 2013: 17,255 thousand PLN).

As at 31.12.2014, the value of short-term receivables was adjusted by the write down in the amount of 24,711 thousand PLN.

The changes in the value of the write-offs in the report period and the comparative period are presented in the table below.

in thousand PLN

Revaluation write-off of the receivables	31.12.2014	31.12.2013
The situation at the beginning of the report period	29,637	40,722
Write-offs created in the period	79,263	15,646
Reversed write-offs in the period	84,189	26,731
The situation at the end of the report period	24,711	29,637

13.9. Cash and cash equivalents

in thousand PLN

Cash	31.12.2014	31.12.2013
Cash in hand and at bank	51,309	38,762
Other cash	2,872	32,229
Total	**54,181**	**70,991**

Other cash includes short-term deposits. They are established for various periods of time ranging from one day to one month, depending on the current requirement and as at a balance sheet date they were appraised taking into account the interest rates set forth for these deposits.

The unused facility fund remaining at LPP SA's disposal as at 31 December 2014 amounted to 344,795 thousand PLN.

In the period from 01.01.2014 to 31.12.2014, the company performed the non-cash settlement of mutual transactions with contracting parties (in the form of the setoff of mutual receivables and liabilities) for the total amount of 56,653 thousand PLN.

On 31.12.2014, the cash on the balance sheet value 34 thousand PLN (in 2013 224 thousand PLN) were subject to restrictions on disposal, as the funds to be transferred to the account of the workplace Social Allowances Fund. The payment of these funds from the account can only take place as payment for a specific type of expenses related to the employment of workers.

13.10. Equity

Share capital
The LPP SA company's basic capital as at 31 December 2014 amounted to 3,662,246 PLN. It is divided into 1,831,123 shares of the nominal value of 2 PLN each.

The total number of shares divided into particular issues is presented by the table below.

Statements prepared in thousand PLN.

Series/ issue	Share type	Preference type	Right to subscribe limitation type	Amount of shares	Series value
A	ordinary bearer shares	regular	n/a	100	200
B	inscribed	preferential	n/a	350,000	700,000
C	ordinary bearer shares	regular	n/a	400,000	800,000
D	ordinary bearer shares	regular	n/a	350,000	700,000
E	ordinary bearer shares	regular	n/a	56,700	113,400
F	ordinary bearer shares	regular	n/a	56,700	113,400
G	ordinary bearer shares	regular	n/a	300,000	600,000
H	ordinary bearer shares	regular	n/a	190,000	380,000
I	ordinary bearer shares	regular	n/a	6,777	13,554
J	ordinary bearer shares	regular	n/a	40,000	80,000
K	ordinary bearer shares	regular	n/a	80,846	161,692
Amount of shares, total				1,831,123	

All issued shares are fully paid.
In the report period the company LPP SA paid dividends to the shareholders. For the dividends, part of the profit worked out in 2013 in the amount of 169,616,772 PLN was used, which corresponded to the amount of 93,60 PLN per one entitled share.
For regular shares, the amount of 136,856,772 PLN was used, while for the preferential shares the amount of 32,760,000 PLN was used respectively.
Inscribed shares belonging to Marek Piechocki and Jerzy Lubianiec in the amount of 350,000 items are preferential shares with a right to vote on the Annual General Meeting of shareholders. Each inscribed share entitles to 5 votes.

The structure of share capital ownership of LPP SA as of 31 December 2014.

Shareholder	Number of shares (in pcs.)	Number of votes at the AGM	Share of total votes a the AGM	Percentage of 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

The structure of share capital ownership of LPP SA underwent a major change in the report period.
As of 31 December 2014, the company Grangeford Limited is no longer a shareholder of the company LPP SA due to the entity liquidation. All shares of LPP SA owner so far by Grangeford Limited were transferred upon shareholders of Grangeford Limited in a proportion adequate to the number of owned shares. As a result of this operation every transferee owns the amount of shares LPP SA which gives them not more than 5% votes in the total amount of votes on AGM of LPP SA.

The capital from sale of shares above their nominal value
Separated value of the share capital resulting from excess achieved during the sale of shares above their nominal value in the balance value of 235,074 thousand PLN.

Other capital
The value of other capital results from the sum of supplementary capital, capital from merger transaction settlement and the capital element of bonds interchangeable with the shares.
The value of particular capital is presented in the table below.

in thousand PLN

Capital type	31 December 2014	31 December 2013
Supplementary capital	1,074,549	841,504
Capital from merger transaction settlement	-1,762	-1,762
Capital element of bonds interchangeable with the shares	12,290	12,290
Reserve capital	3,232	7,500
Total	**1,088,309**	**859,532**

Supplementary capital, presented in this part of equity for the day of 31 December 2014 was created to a large degree from the net profit of past years and as an effect of assessment of remuneration paid by shares. Part of supplementary capital, created under the provisions of art. 396 of Commercial Companies Code can be used in the future only to cover possible loss.

The structure of supplementary capital is as follows:

in thousand PLN

Supplementary capital type	31 December 2014	31 December 2013
Created under the law from write-off of financial result	1,221	1,209
Created pursuant to the statute from write-off of financial result	1,041,999	818,303
Created from the amount of remuneration paid by shares	31,329	21,992
Total	**1,074,549**	**841,504**

Reserve capital was created from the net profit sharing for 2012 according to the resolution of the General Meeting of Shareholders of the Company and it was appropriated for the payout of the funds pursuant to art. 362 § 2 point 3 of the Commercial Companies Code. In 2014, it was increased from the profit sharing from 2013 by 1,250 thousand PLN and decreased as a result of issued stocks by 5,518 thousand PLN.

Company's equity during hyperinflation

Recalculation of the equity in the period of hyperinflation was made taking into account the following data:
1. 18 December 1989 - company established and injection of the capital (after denomination) 200 PLN
2. 04 May 1995 - company purchased by Marek Piechocki and Jerzy Lubianiec
3. 12 April 1995 - registration of equity increase to the amount of 700 thousand PLN
4. 24 October 1995 - resolution passed to increase equity to the amount of 1,500 thousand PLN
5. 04 January 1996 - resolution passed to increase equity to the amount of 2,200 thousand PLN

in thousand PLN

Years	Capital OB	Increases	Inflation	Days	Inflation ratio	Capital after recalculation
1990	0.2		585.8%	365	6.858	1.4
1991	1.4		70.3%	365	1.703	2.3
1992	2.3		43.0%	365	1.430	3.3
1993	3.3		35.3%	365	1.353	4.5
1994	4.5		32.2%	365	1.322	5.9
1995-01-01	5.9		27.8%	365	1.278	7.6
1995-04-12		700	27.8%	263	1.200	840
1995-10-24		800	27.8%	68	1.052	841
TOTAL 1995						1,689
1996-01-01	1,916[1)]		19.9%	365	1.199	2,298
1996-01-04		1,400[2)]	19.9%	362	1.197	1,676
Total 1996						3,974

[1)] capital at the end of 1995 + retained financial result for the year 1995
[2)] capital increase + aggio

Capital for 31 December 1996 (without profit for the financial year) amount to 3,127 thousand PLN. The difference from reassessment of capital amounts to 847 thousand PLN.

13.11. Provisions

For the balance day, the LPP SA reports from financial situation of provisions for the joint value of 12,700 thousand PLN.

Provisions for retirement benefits
The LPP S.A. assess the provisions independently, applying the actuarial method.
Provision for unused due holiday leaves
The LPP creates also provision for unused due holiday leaves, i.e. for the future payment of liabilities due to employees resulting from their current employment.

in thousand PLN

	Provision for pensions and similar benefits	Provisions for wages	Provision for unused holiday leaves
Balance as at 1 January 2014	1,236	15,560	2,127
- creation of provisions	1,504	3,340	3,513
- release of provisions	1,236	11,217	2,127
Balance as at 31 December 2014	1,504	7,683	3,513

13.12. Assets and conditional liabilities

In 2014 the companies in Capital Group LPP SA used bank guarantees to secure rent payments due to the lease of area for company brand stores.
As of 31 December 2014 the joint value of bank guarantees issued upon the order and under responsibility of LPP SA amounted to 194,622 thousand PLN, including:

a) the value of guarantees issued to secure contracts concluded by LPP SA amounted to 68,844 thousand PLN,

b) the value of guarantees issued to secure contracts concluded by related parties subject to consolidation amounted to 122,867 thousand PLN,
c) the value of guarantees issued to secure contracts concluded by related parties not subject to consolidation amounted to 1,633 thousand PLN,
d) the value of guarantees issued to secure contracts of office space lease concluded by LPP SA amounted to 1,237 thousand PLN,

In 2014 the Company also received guarantees which secure contractor's payment. The value of received guarantees amounts to 3,998 thousand PLN.

On 31 December 2014 the value of securities granted by the parent company amounted to 84,702 thousand PLN and increased in relation to the situation on 31 December 2013 by 45,523 thousand PLN.

According to the Board, there is a slight probability of cash outflow indicated in off-balance / conditional liabilities. The subject matter of these liabilities is in most cases to guarantee the payment of lease rents of entities from Capital Group LPP SA.

13.13. Future liabilities resulting from concluded lease agreements.

LPP SA is a party of lease agreements, pursuant to which it uses the areas functioning to run the network of company brand stores RESERVED, Cropp, House, MOHITO and SiNSAY.
The value of rent fees burdening the costs of the period amounts to 385,268 thousand PLN**.** This sum includes both minimum rents and conditional, which are subject to the value of turnover. The amount of conditional rents has not been separated due to their insignificant value.

Joint future minimum payments resulting from the lease agreements, assessed according to the situation as of 31 December 2014 are as follows:
- due amounts in the period of 12 months starting on the balance day 366,650 thousand PLN
- due amounts in the period from 12 months to 5 years from the balance day 1,069,833 thousand PLN
- due amounts in the period above 5 years from the balance day 582,342 thousand PLN

The provisions of term lease agreement incurring abovementioned fees are typical of this kind of agreements. Apart from minimum amount of rent they usually provide conditional rents related to exceeding a certain level of income in a given location, expressed by means of a defined per cent from the value of this income. In the report period their value was negligibly small, as it constituted only 2.00 % of the total value of all lease rents. These agreements contain also indexation clauses which link the rent value with the statistical price increase index. Some of them include the option of prolonging the lease agreement for another period, subject to the decision of the tenant.
Since the agreements refer to premises located mainly in large-area stores, it is impossible to purchase the subject of the lease.

13.14. Liabilities due to deliveries and services and other

in thousand PLN

Short-term liabilities	31.12.2014	31.12.2013
Trade receivables	494,953	451,457
Other financial liabilities	0	0
Financial liabilities according to MSR 39	**494,953**	**451,457**
Liabilities due to taxes and other provisions	111,832	103,887
Other non-pecuniary liabilities	440	289
Non-pecuniary liabilities	**112,270**	**104,176**
Short-term liabilities total	**607,225**	**555,633**

Trade liabilities are settled within a deadline of three months.

13.15. Accruals

in thousand PLN

Accruals – assets	31.12.2014	31.12.2013
Long-term		
Software supervision	584	448
Other long-term settlements	37	46
Long-term accrual total	**621**	**494**
Short-term		
Rents	10,325	7,963
Insurances	1,281	1,083
Software supervision	613	844
License fees, subscriptions, internet domains	630	1,001
Electricity expenses	333	292
Future business trip expenses	176	97
Other	528	422
Short-term accrual total	**13,886**	**11,702**

in thousand PLN

Accruals – liabilities	31.12.2014	31.12.2013
Return of goods from domestic sales	4,145	4,248
Sales for gift cards and coupons	11,901	8,821
Accrued liabilities total	**16,046**	**13,069**

13.16. Revenues

in thousand PLN

Revenues	01.01.2014-31.12.2014	01.01.2013-31.12.2013
1) Net revenues from sales of services	43,563	42,890
2) Net revenues from sales of goods and materials	3,956,834	3,450,466
Total revenues	**4,000,397**	**3,493,356**

Revenues from sales of services concern:
- sales of know-how in the scope of running firm’s parlors by domestic and foreign contracting parties
- rental by the company's own means of transport and sublease of real estate.

in thousand PLN

Other operating revenues	01.01.2014-31.12.2014	01.01.2013-31.12.2013
1. Profit from non-financial fixed assets disposal	20,091	13,631
2. Subsidies	0	0
3. Other operating income, including:	91,721	33,331
- reversal of write-offs revaluating receivables	83,629	26,068
- reversal of write-offs revaluating inventory	606	1,047
Total operating revenues	**111,812**	**46,962**

in thousand PLN

Financial revenues	01.01.2014-31.12.2014	01.01.2013-31.12.2013
1. Interest, including	2,095	2,262
- from deposits	53	92
- from loans and receivables	2,027	2,145
- from bonds	15	25
2. Dividends	157,646	74,758
3. Profit from investment disposal	0	38
4. Revaluation of investment	66,030	11,604
- shares	17,781	8,695
- loans	48,249	2,909
Total financial revenues	**225,771**	**88,662**

13.17. Costs

in thousand PLN

Costs according to their type	01.01.2014-31.12.2014	01.01.2013-31.12.2013
1. Depreciation	110,871	86,759
2. Consumption of materials and energy	76,935	67,094
3. External services	920,346	781,117
4. Taxes and payments	172,199	110,373
5. Remuneration	86,881	88,561
6. Social insurance and other benefits, including	18,701	16,308
- retirement premium	6,665	6,176
7. Other costs by type	66,861	46,955
Costs by type total	**1,452,794**	**1,197,167**

Change of product status	1,386	609
The value of sales costs and general management presented in the financial result	1,454,180	1,197,776

in thousand PLN

Other operating revenues	01.01.2014-31.12.2014	01.01.2013-31.12.2013
1. Non-financial assets revaluation	80,807	16,031
- of fixed assets	407	
- inventories	1,371	570
- receivables	79,029	15,461
2. Other, including	26,482	28,050
- donations	1,758	1,341
- losses in current assets	17,770	19,568
- costs of renovation, repairs and losses in fixed assets	4,077	6,334
Total operating expenses	**107,289**	**44,081**

in thousand PLN

Financial expenses	01.01.2013-31.12.2013	01.01.2013-31.12.2013
1. Interest, including:	15,896	12,344
- regarding bank loans	15,615	12,170
- concerning securities	0	0
2. Investment revaluation	366,653	67,297
- shares	341,770	46,175
- loans	24,883	21,122
3. Other, including:	8,887	47,118
- balance of exchange rates difference	6,489	45,436
- commissions from bank loans and guarantees	2,398	1,682
Total financial expenses	**391,436**	**126,759**

13.18. Income tax

Main components of tax burden for 2014 and for the comparative period were presented in the table below.

in thousand PLN

Profit and loss account	year 2014	year 2013
Current income tax	88,067	88,349
Deferred income tax	-60,239	-6,514
Total Income tax	**27,828**	**81,835**

Reconciliation of income tax from gross financial result before taxation according to the applicable tax rate, with income tax shown in the financial result for the periods ranging from January to December 2014 and in 2013, is presented in the table below.

in thousand PLN

Income tax	year 2014	year 2013
Gross profit/loss	311,724	476,410
Permanent non-tax differences	-158,866	-30,826
Gross profit/loss before tax	152,858	445,584
Income tax according to official rate 19%	29,043	84,661
Tax concessions	-1,223	-2,826
Income tax indicated in the profit and loss account	**27,828**	**81,835**

The value of assets and reserves for deferred tax recognized in financial situation report results from the titles and values presented in the table below.

in thousand PLN

Deferred tax assets:	31.12.2014	31.12.2013
Excess tax depreciation of fixed assets	7,211	6,084
Revaluation of trade receivables	4,444	452
Retirement gratuities	286	235
Revaluation of investment	82,174	25,536
Revaluation of inventories	556	410
Remuneration and premiums	2,132	3,361
Estimated returns of goods	787	807
Estimate of rent expenses	-748	127
Other temporary differences	53	118
Total	**96,895**	**37,130**

in thousand PLN

Reserve due to deferred tax:	31.12.2014	31.12.2013
Accelerated tax depreciation	1,543	1,521
Interest not received on loan granted	362	686
Compensation not received	133	152
Accrued interest from bank loans	51	204
Other temporary differences	0	0
Total	**2,089**	**2,564**

Deferred income tax indicated in the in the financial result for the period from January to December 2014 and the year 2013 results from the following items:

in thousand PLN

Deferred tax assets	31.12.2014	31.12.2013
Excess tax depreciation of fixed assets	1,126	229
Revaluation of trade receivables	-928	31
Revaluation of investment	61,558	5,000
Revaluation of inventories	145	-91
Remuneration and premiums	-1,228	867
Estimated returns of goods	-19	283
Estimate of rent expenses	-874	99
Other temporary differences	-15	64
Total	**59,765**	**6,482**

in thousand PLN

Reserve due to deferred tax:	31.12.2014	31.12.2013
Accelerated tax depreciation	22	-168
Interest not received on loan granted	-324	73
Compensation not received	-19	-3
Accrued interest from bank loans	-154	67
Other temporary differences		-1
Total	**-475**	**-32**

13.19. Earnings per share and diluted earnings per share

Earnings per share are calculated according to the formula net profit due to shareholders of the parent company divided by weighted average number of ordinary shares present at the given period.
While calculation of both primary and diluted earnings (loss) per share LPP SA applies in the numerator the amount of profit (loss) net due to shareholders of the parent company, i.e. the diluting effect affecting the amount of profit (loss) does not exist.
In calculation of diluted earnings per share in the denominator of the formula the diluting impact of convertible bonds is taken into consideration (see note 13.20.1 referring to transactions with key management).

The calculation of earnings and diluted earnings per share was presented below.

	01.01.2014-31.12.2014	01.01.2013-31.12.2013
Number of shares used as the formula denominator		
Weighted average number of ordinary shares	1,809,725	1,809,725
Diluting impact of convertible bonds	17,054	15,604
Weighted average diluted number of ordinary shares	1,826,778	1,825,329
Earnings per share		
Net profit (loss) for the current period	283,896	394,575
Profit (loss) per share	156,87	218,03
Diluted profit (loss) per share	155,41	216,17

13.20. Transaction with related entities

The following have been recognized as entities related with the Group:

- domestic and foreign companies controlled by companies of the LPP by means of direct share ownership,
- key management of LPP and their close relatives,
- entities which people classified to key management or their close relatives control or have a significant impact upon.

13.20.1. Transactions with key management

The key management personnel of LPP SA is composed of the members of the management board and the supervisory board.

Board members received benefits due to functions held both in LPP SA and in a subsidiary IP Service.

The value of short-term benefits of key management received for the period from 1 January to 31 December 2014 amounted to 5,100 thousand PLN. Remuneration presented separately for each person classified to key management looks as follows:

Marek Piechocki	President of the Board	1,350 thousand PLN
Dariusz Pachla	Vice-President of the Board	900 thousand PLN
Piotr Dyka	Vice-President of the Board	900 thousand PLN
Huber Komorowski	Vice-President of the Board	900 thousand PLN
Jacek Kujawa	Vice-President of the Board	900 thousand PLN
Jerzy Lubianiec	Chairman of the Supervisory Board	60 thousand PLN

Other members of the Supervisory Board received jointly 90 thousand PLN
For persons in the managements of LPP SA for the day of 31 December 2014 reserves for retirement allowances were calculated in the amount of 21 thousand PLN (in 2013: 21 thousand PLN) and for unused holiday leaves in the amount of 74 thousand PLN (year 2013: 43 thousand PLN).

On 32 June 2014 General Meeting of Shareholders passed a resolution implementing a motivational scheme directed at six key persons managing LPP SA. The details of the scheme were published on the website of the company. Due to unsatisfactory results achieved in 2014, the scheme will not be implemented and entitled persons will not gain right to purchase shares offered in the scheme.

In the report period the costs of motivational schemes for the years 2011-2013 in the amount of 9,335 thousand PLN were recognized. These schemes with their assessment methodologies were described in detail in reports for years 2011, 2012 and 2013.

13.20.2. Transactions with related entities

in thousand PLN

Item	Related entities	Liabilities on 31 December 2014	Receivables on 31 December 2014	Revenue for the period 2014	Costs for the period 2014
1.	Domestic subsidiaries	98	2	14	10,650
2.	Dependent on foreign companies	19,531	361,055	903,860	165,727
Total		19,629	361,057	903,874	176,377

in thousand PLN

Item	Related entities	Liabilities on 31 December 2013	Receivables on 31 December 2013	Revenue for the period 2013	Costs for the period 2013
1.	Domestic subsidiaries	114	1	14	11,720
2.	Dependent on foreign companies	22,702	721,776	792,688	104,229
Total		22,816	721,777	792,702	115,949

The amounts stated in the table reflect only mutual transaction between LPP SA and related parties and they are presented from the point of view of the parent company.
The data which is indicated as liabilities of LPP SA are receivables in related entities and the costs are income in given companies.
Transactions with related entities were concluded in accordance with market conditions.

Revenue from domestic companies comes from office space lease for the needs of operations of these companies, while revenues from foreign companies come from sales of goods and services.
The costs related to domestic subsidiaries refer the lease of real estate in which the shops Cropp and RESERVED, MOHITO and House operate.

Payment dates established for subsidiaries are within 45 and 120 days.

Moreover, LPP SA granted only few loans to foreign subsidiaries, designated for financing of their development, including development of the network of stores. Numerical data concerning the level of receivables on this account is presented in point 13.6.2.

13.21. Segments

The nature of Company's activity does not create a need to present it in a breakdown for segments.
LPP SA conducts one type of activity – hence, only one industry segment appears.
Geographic criterion – concerning localization of assets in the countries of the European Union and outside it, which is the basis for separation of segments in the financial statement of the LPP SA Capital Group, does not occur in the case of the Company – all assets are localized in Poland.

The Management Board of LPP SA:

Marek Piechocki – President of the Board ....

Przemysław Lutkiewicz – Vice-President of the Board ……………………………………………..

Jacek Kujawa – Vice-President of the Board ………………………………………………

Piotr Dyka – Vice-President of the Board ………………………………………………

Hubert Komorowski – Vice-President of the Board ………………………………………………

Gdańsk, 10 April 2015

Management Board Report on the operations of LPP SA Company (including declaration on Corporate Governance) for 2014

Statements prepared in thousand PLN

1. Information on basic products, goods or services with qualitative and quantitative description and share of individual products, goods or services (if material) or their groups against the Issuer's total sales volumes, and information on changes in products, goods or services during the trading year

LPP SA is a company involved in the design and distribution of clothing in Poland and in Central and Eastern Europe, in Balkan countries and in the Middle East. Clothes are the basic merchandise sold by the Company. Each product is placed on the market under one of the trademarks, of which the most important are RESERVED, Cropp, House, MOHITO and SiNSAY.
All trademarks are registered, and the Company, on the basis of concluded agreement, exercises the right to RESERVED, Cropp, House, MOHITO and SiNSAY trademarks which were brought in the subsidiary.
Designs of clothing are prepared in the design offices located in the registered office of the Company in Gdańsk and Kraków, and the manufacture of individual products is outsourced to factories in Poland and abroad.
Production in China is managed by the parent company's trading office in Shanghai. The Company offer is extensive. It covers, among others, coats (jackets, overcoats), jumpers, sweatshirts, trousers, dresses, blouses and shirts as well as underwear and other accessories – caps, scarves, gloves, shoes etc. Small amounts of clothes and footwear of other brands offered in the Cropp chain of shops are purchased in Poland from their distributors.

The Company also achieves revenues from sales of services. These are mainly revenues on account of the franchising fees which LPP SA collects in Poland and abroad.

Source of revenues	2014		2013		Change
	thousand PLN	Share in sales %	thousand PLN	Share in sales %	%
Sales of commercial goods	3,956,834	98.9%	3,450,466	98.8%	14.7%
Sales of services	43,563	1.1%	42,890	1.2%	1.6%
Total	**4,000,397**	**100.0%**	**3,493,356**	**100.0%**	**14.5%**

The value of sales revenues achieved in particular distribution channels and their share in the total sales are presented in the table below.

Distribution channel	2014		2013		Change
	thousand PLN	Share in sales %	thousand PLN	Share in sales %	%
RESERVED showrooms	1,425,704	35.6%	1,298,011	37.2%	9.8%
Export*	921,006	23.0%	833,905	23.9%	10.4%
Cropp showrooms	469,753	11.7%	419,330	12.0%	12.0%
House showrooms	454,940	11.4%	408,981	11.7%	11.2%
MOHITO showrooms	340,504	8.5%	307,594	8.8%	10.7%
SiNSAY showrooms	186,016	4.6%	70,679	2.0%	163.2%
Other	202,474	5.1%	154,856	4.4%	30.7%
Total	**4,000,397**	**100.0%**	**3,493,356**	**100.0%**	**14.5%**

* including sales to foreign subsidiaries - 886,855 thousand PLN

The basic distribution channels which enable the Company the possibility of development are the networks of retailed stores RESERVED, Cropp, House, MOHITO and SiNSAY currently under construction.

Statements prepared in thousand PLN

2. Information on outlets, divided into domestic and foreign markets and sources of supply of production materials, goods and services, indicating dependence on one or several customers and suppliers; in case of customers or suppliers with at least 10% share in total revenues from sales – their name, share in sales or supply volumes, and formal relations with the issuer

Recipients of LPP SA are located in Poland and abroad.
23% of Company's sales were directed to the foreign markets, of which almost 96% went to the subsidiaries of DSK SA, located in Russia, Ukraine, the Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Bulgaria, Romania, Germany and Croatia. These companies are building the networks of RESERVED, Cropp, House, MOHITO and SiNSAY parlors on their territories.

The major, not related to the Company export recipients, export recipients are the firms from Russia, Slovakia, Egypt, Belarus, Ukraine and Qatar.

Due to the fact that the Company uses various distribution channels, recording of sales revenues from sales according to geographic structure at home, is not performed. In the internal recording, the Company keeps a breakdown into domestic and export sales as well as with regard to distribution channels.

Issuer's dependence on recipients
Share of one Issuer's recipients exceeded 10% of company's sales value. This recipient is Russian subsidiary Re Trading. LPP SA's sales to this company in the reporting period amounted to 454 million PLN which accounted for 11.3% of total revenues.

The Company is not dependent on the other recipients.

Sales in 2014 divided into domestic and foreign markets compared to the previous year presented in the following table.

Direction of sales	2014		2013		Change
	thousand PLN	Share in sales %	thousand PLN	Share in sales %	%
Domestic sales	3,079,391	77.0%	2,659,451	76.1%	15.8%
Export sales	921,006	23.0%	833,905	23.9%	10.4%
Total	4,000,397	100.0%	3,493,356	100.0%	14.5%

Issuer's dependence on suppliers

The Company is not dependent on any supplier.
Companies manufacturing goods for LPP SA are mainly based in China. Purchases made in China represented about 59% of the total purchase volume. Additionally, Company purchased goods from Polish (about 3%) and other European (about 6%) and Asian (almost 31%) producers.
The purchase volume did not exceed 10% for any of the suppliers.

Company concluded framework agreements, determining general terms and conditions of cooperation. Specific products are manufactured for Company on the basis of specific agreements concluded for the implementation of individual deliveries.

3. Basic economic and financial figures disclosed in the annual financial statement, including in particular description of factors and events, including extraordinary events, influencing the business activities of the issuer and its gains or losses during the trading year

The basic tasks carried out by the Company in 2014:

1) Achieving sales revenues at the level of 4,000 million PLN (higher by ca. 14.5 % than those achieved in 2013).
2) Achieving net profit at the level of 284 million PLN (by ca. 28.1 % lower than in 2013).
3) Starting new stores which provided for the increase of the total area of commercial networks by 47 thousand sq. m. (+13 %) in relation to the level as at the end of 2013).
4) Starting Internet sales of the RESERVED brand in Germany.
5) Expansion on German and Croatian markets.

Chain of stores	2014		2013		Surface change
	Surface (thousand of sq. m)	Amount (pieces)	Surface (thousand of sq. m)	Amount (pieces)	%
Reserved	209	235	189	233	10.6%
Cropp	58	219	55	222	5.5%
House	57	209	55	211	3.6%
Mohito	46	153	41	144	12.2%
Sinsay	33	99	18	56	83.3%
Outlet	10	28	8	20	25.0%
Total	**413**	**943**	**366**	**886**	**12.8%**

Detailed discussion of external and internal factors can be found in point 15.

Basic economic and financial figures and their changes in comparison with the previous year are presented below.

Specification	2014 rok	2013 rok	Change
	(thousand PLN)	(thousand PLN)	%
Net income from sales	4,000,397	3,493,356	14.5%
Gross Profit on sales	1,927,046	1,709,402	12.7%
Profit from sales	472,866	511,626	-7.6%
Operating profit	477,389	514,507	-7.2%
Profit on ordinary activities	311,724	476,410	-34.6%
Net Profit	283,896	394,575	-28.1%
Equity	1,567,653	1,444,055	8.6%
Liabilities and provisions for liabilities:	1,220,543	947,917	28.8%
Long-term liabilities	208,054	188,124	10.6%
Short-term liabilities:	1,012,489	759,793	33.3%
- bank credits	377,988	173,245	118.2%
- due to suppliers	494,953	451,457	9.6%
Fixed assets	1,522,777	920,435	65.4%
Current assets	1,265,419	1,471,537	-14.0%
Inventory	712,315	570,997	24.7%
Short-term receivables	484,886	817,413	-40.7%
Trade receivables	466,834	800,158	-41.7%

Statements prepared in thousand PLN

The increase of sales revenues by 14.5% was achieved mainly through increasing sales in the RESERVED, House, MOHITO and SiNSAY networks. Gross margin on sales amounted to 48.2 % and it was lower by somewhat less than 1 percentage point than that achieved in 2013.

Profit from sales fell by 7.6%.
Operating profit amounted to 477,389 thousand PLN (decrease by 7.2%) and the operating profit margin amounted to 11.9% (previous year: 514,507 thousand PLN and 14.7%, respectively).

Profit from economic activity amounted to 311,724 thousand PLN and it was lower than that achieved in the previous year by 34.6%.

Net profit hammered out in 2014 amounted to 283,896 thousand PLN and was lower than that achieved in the previous year by 28.1%. This profit provided for achieving net margin at the level of 7.1% (in 2013 the profitability amounted to 11.3%) which means that in 2014 every Zloty from sales revenues gave more than 7 grosz of profit after taxation; analogically, more than 11 grosz in 2013.

LPP SA's equity capital in 2014 increased by 8.6%. It was caused mainly by the transfer of part of worked out profit to the capital.
The level of long-term liabilities increased by 10.6%.
The level of short-term liabilities increased by 33.3 %. As at the end of 2014, short-term debts on account of the bank credits was higher by 118.2% in relation to the end of 2013, which is the result of releasing the investment credits.
Simultaneously, short-term liabilities towards suppliers increased by 9.8%; the level of this change results from the increase of demand for goods (development of the networks).
In the analysed period, fixed assets increased by 65.4%.
Current assets decreased by 14.0% compared to the end of 2013.

Values of profitability ratios, presented in the table below, result directly from factors described above, determining the value of each category of profit.

1. Profitability ratios

Profitability ratios presented in the table have been calculated as follows:
a) gross profit margin – gross profit on sales divided by revenues from sales of goods and services;
b) operating profit margin – operating profit divided by revenues from sales of goods and services;
c) return on sales – net profit divided by revenues from sales of goods and services,
d) return on assets – net profit divided by average assets during the fiscal year;
e) return on equity – net profit divided by average equity during the fiscal year.

Volume	2014	2013	Change
	%	%	p.p.
Gross profit margin on sales	48.2%	48.9%	-0.8%
Operating profit margin	11.9%	14.7%	-2.8%
Return on sales (ROS)	7.1%	11.3%	-4.2%
Return on assets (ROA)	11.0%	18.5%	-7.6%
Return on equity (ROE)	18.9%	29.9%	-11.1%

2. Liquidity ratios

Liquidity ratios were calculated as follows:
a) current liquidity ratio – current assets divided by the carrying amount of short-term liabilities;
b) quick liquidity ratio – current assets less inventory divided by the carrying amount of short-term liabilities;

Statements prepared in thousand PLN

c) inventory turnover ratio (days in inventory) – average inventory divided by costs of goods and products sold and multiplied by the number of days in a given period;
d) receivables turnover ratio (days in receivables) – average trade receivables divided by revenues from sales and multiplied by the number of days in a given period;
e) trade liabilities turnover ratio (days) – average trade liabilities divided by costs of goods and products sold and multiplied by the number of days in a given period.

Volume	2014	2013	Change
			%
Current liquidity ratio	1.2	1.9	-36.8%
Quick liquidity ratio	0.5	1.2	-58.3%
Inventory turnover ratio (days)	113	109	3.7%
Receivables turnover ratio (days)	58	67	-13.4%
Trade payables turnover ratio (days)	83	86	-3.5%

3. Asset Management Ratios

The ratios were calculated as follows:
a) fixed assets to equity ratio – shareholders' equity divided by fixed assets;
b) total debt ratio – long – and short-term payables divided by the balance sheet total (including provisions for liabilities);
c) short-term debt ratio – short-term debt divided by the balance sheet total;
d) long-term debt ratio – long-term debt divided by the balance sheet total.

Volume	2014	2013	Change
	%	%	p.p
Fixed assets to equity ratio	102.9%	156.9%	-53.9%
Total debt ratio	43.8%	39.6%	4.1%
Short-term debt ratio	36.3%	31.8%	4.5%
Long-term debt ratio	7.5%	7.9%	-0.4%

4. Information on agreements crucial for the issuer's business, including agreements made between shareholders (partners) as well as insurance or co-operation contracts

In 2014, the Company concluded the following important agreements:

- 138 lease agreements (including annexes extending the agreements) with distributors of the surface area in commercial facilities. These agreements concern the premises designated for conducting sales of the RESERVED, Cropp, House, MOHITO and SiNSAY clothes.
- Annexes to existing loan agreements. Detailed information on these agreements has been published in current reports (RB 2/2014, RB 14/2014, RB 19/2014, RB 21/2014, RB26/2014, RB30/2014, RB 31/2014, RB 34/2014, RB 37/2014, RB 38/2014). A list of loan agreements is presented in Notes to the financial statement (section 13.6.3).
- Agreements on guarantees of payment of customs obligations.
- Insurance contracts:
  - Property insurance policy
  - Civil liability insurance policy
  - Electronic Equipment Insurance (EEI)
  - Construction All Risk Insurance (CAR)
  - Machinery Insurance Policy
  - Motor vehicle insurance policy

- Agreement for the expansion of the Distribution Centre

The Company has no knowledge of any agreement concluded by and between its Shareholders that would influence its operations.

5. Information on changes in the issuer's organisational or capital relations with other parties and description of its major local and foreign investments (securities, financial instruments, intangible assets and real property), including capital expenditure outside the group of affiliated entities and methods of their financing

In the reporting period, there were created two new companies in Germany and Croatia. The establishment of these companies has been associated with the commencement of expansion in these countries.
Investment focused on the development of chains of stores made by the Issuer in the reporting period was the acquisition of the Koba company from Slovakia.

6. Description of significant transactions concluded by the issuer or its subsidiary with affiliated entities on other than market terms, together with amounts and information specifying the nature of these transactions

All transactions in the reporting period concluded by the Issuer with affiliated entities were concluded on the market terms.

7. Information on credits and loans incurred, specifying their maturity date as well as guarantees and sureties granted to the Issuer

Information on credits taken as of 31 December 2014 and their maturity dates is presented in the Notes to the financial statement in section 13.6.3.

In 2014, Company used bank guarantees to secure the payment of rent for leased retail premises where brand stores are located. Company requested bank guarantees to secure retail lease agreements where Company or its affiliated entities are lessees.
As of 31 December 2014, the total value of bank guarantees granted at the request and on the responsibility of LPP SA amounted to: 194,622 thousand PLN, including:

a) guarantees granted to secure agreements executed by LPP SA - 68,844 thousand PLN,
b) guarantees granted to secure agreements concluded related parties - 122,867 thousand PLN,
c) guarantees granted to secure agreements concluded by related parties not subject to consolidation - 1,633 thousand PLN
d) guarantees granted to secure lease agreements concluded by LPP SA - PLN 1,237 thousand PLN.

In 2014, the Company also received payment guarantees as collateral from the contractor. The value of guarantees granted is 3,998 thousand PLN.

In the past year Company did not take out any loans.

8. Information on loans granted, in particular to the Issuer's affiliated entities, specifying at least their amount, type, interest rate, currency and maturity date

Information on granted loans by LPP SA Capital Group are in notes to the financial statement (section 13.6.2).

9. Information on guaranties granted (by the issuer), including guarantees granted to the issuer's affiliated entities

In the reporting period, Company granted the following guarantees:

Description:	Amount (thousand PLN)
Promissory note guarantee issued to Orlen for a single business entity	22
Guarantee for company Amur Sp. z o.o.	7,678
Guarantee for company LPP TEX SA	1,104
Guarantee for company DP and SL Sp. z o.o.	1,359
Guarantee for company Re Trading OOO	15,513
Guarantee for company LPP Estonia OU	761
Guarantee for company LPP Romania Fashion SRL	413
Guarantee for company LPP Ukraine	3,731
Guarantee for company LPP Czech Republic s.r.o.	22,027
Guarantee for company Reserved GMBH	13,843
Guarantee for company LPP Latvia Ltd.	364
Guarantee for company LPP Bulgaria EOOD	2,235
Guarantee for company LPP Slovakia S.R.O.	982
Guarantee for company KOBA AS	1,177
Guarantee for company LPP Hungary Kft	2,984
Guarantee for company LPP Croatia D.O.O.	10,510

In the previous year, Company was not granted any guarantees.

No guarantees were granted by subsidiaries. Subsidiaries received described guarantees from parent company only.

10. Using receipts from the issue of securities (until the moment of preparation of the report from company's activity)

In 2014, the Company did not issue any securities.

11. Explanation of discrepancies between financial results presented in the annual financial report and forecast results for a given fiscal year published earlier

The forecast of financial results was not published

12. The assessment (and its justification) of financial assets management with particular focus on the ability to meet the obligations, as well as identification of potential hazards and actions the Issuer has taken or is going to take in order to prevent these hazards

LPP SA fulfils all the relevant obligations to the State and contractors on an on-going basis. The basic business model consisting in retail sales allows to receive immediate payments for sold goods. Generated receipts and concluded credit agreements provide full security of incurred liabilities.

13. Assessment of the feasibility of planned investments, including capital expenditure, against owned assets, including any possible changes in the structure of investment financing of this activity.

Investment plans will be implemented using the Group's own funds or loans taken.

14. Assessment of factors and extraordinary events influencing the financial result in the fiscal year and the identification of their impact on the financial result

An unusual event in 2014 affecting the outcome of the activity of Issuer was an unfavourable political situation linked to the conflict in Russia and Ukraine, which resulted in a significant weakening of local currencies resulting in a reduction of revenues realized in the region in terms of PLN. In addition to negative exchange differences arising from the depreciation of the Russian ruble and the Ukrainian hryvnia there were also those that resulted from the weakening of the Polish zloty against the US dollar, especially in the second half of the year.

15. External and internal key factors influencing the issuer's development and description of the issuer's development perspectives at least until the end of the current trading year, including the elements of the issuer's adopted market strategy. Description of key risks and threats and their probability.

Company's basic tasks, implementation of which will determine its position in the future are:
a) expansion into new markets in Western Europe, the Balkans and the Middle East,
b) building strong clothing brands of RESERVED, Cropp, House, MOHITO and SiNSAY,
c) increasing the profitability and efficiency of operations.

Development of the Issuer's strategic tasks and goals will depend on the internal and external factors (representing both opportunities and threats).

Internal factors

a) Market strategy of Company

LPP SA focuses its activity on designing and distribution of clothing and brand creation ordering execution of many tasks to external companies. Company does not possess its own production capacity, which allows to limit fixed costs significantly. The production of all clothing is commissioned to contractors, primarily from Far East. In view of the above, all investments of Company are directed to increase the commercial potential, to maintain competitive edge on the market, to create own distribution network, to build a positive image of LPP SA on the clothing market, and to acquire consumers loyal to Company and its products.
The development strategy of the leading brand - RESERVED, provides performing actions aiming to increase the image of uniqueness and prestige of this brand in the eyes of clients, leaving it, however, in the mass clothing segment.

b) Market position of LPP SA

The amount of sales profits achieved by LPP SA indicates a high position on domestic market. Despite relatively insignificant share in particular markets (not more than several per cent in the Polish market), Company is at the same time one of the most important entities operating there.

c) Extending and refreshing the offer for Company clients

Goods placed on the market by LPP SA satisfy the expectations of target client groups related to particular distribution channels. Since the clothes industry is strongly correlated with fashion trend changes, LPP SA keeps an eye on changing preferences of clients and as a result introduces annually new groups of products in attempts to anticipate the needs of the market. To some degree, especially in case of RESERVED and MOHITO shops LPP SA tries to create its own style, obviously making use of world trends in this respect.

In order to enrich its offer for clients, Company launched a new brand SiNSAY, addressed to young customer - a female teenager attending junior high and high school. Capital Group has also begun working upon creation and launching another one, sixth brand. New shops are planned to be opened in Spring 2016.

d) Logistics

The applied logistics model based on the use of specialist technologies in own logistic centre while commissioning the transport of goods from suppliers to the logistic centre and from the logistic centre to shop to specialized transport companies allows to perform processes in this field most efficiently.
Ambitious plans of development of LPP SA's sales networks and subsidiaries for the forthcoming years (20% increase of commercial space annually is assumed) extorted the necessity of increasing the capacity of the logistic centre. In 2013, construction of subsequent facilities in the existing logistic centres was started Implemented state-of-the-art technological solutions will provide for the possibility of handling the needs of LPP SA and its subsidiaries by ca. 2020.

e) Online sales

In order to adjust to the tendency related to the increase of popularity of online shopping, the Company opened web stores of all its brands. In the report period, the online sales was offered also abroad - starting with mid-2014 German clients have been able to purchase Reserved products.

f) Activities aiming to maintain a low level of incurred costs, increase of profitability and increase market share by means of global sales value increase

In order to ensure the efficiency and productivity of Company on a high level, actions have been taken aiming at minimisation of incurred costs as maintaining them on a low level is one the main goals of the Company.
Company implements the strategy of increasing the profitability while simultaneous increase of retail space, which will be achieved due to erecting new shops, and where forecasts are very satisfactory, erecting more spacious shops.

External factors

a) The pace of economic development in Poland and countries where LPP SA Capital Group shops operate

The sales income and profits made by the Issuer depend both on the attractiveness of the offer, organisation efficiency of the entire Company as well as external factors. The current conflict between Russia and Ukraine will probably prevent the extension of sales network of Capital Group in these countries in the upcoming quarters. Therefore, the Issuer is seeking development opportunities in Western Europe countries.

b) Currency exchange rates level

The basic settlement currency for the majority of transactions of commercial goods purchase is USD. Insignificant amount of settlements of this kind is done in Euro.
Majority of sales income is achieved in Polish zloty. The lack of stability of Polish currency in relation to USD and Euro is a risk, which increases with the greater pace of PLN/USD relation change.

Characteristic activity of the company allows to partial transfer of the USD exchange rate increase upon final buyers due to the calculation of price of the given product just before it is placed on the market.
Apart from the currency risk related to the settlement currency used in case of commercial goods purchase, there is also a risk related to settlement of lease rents of retail space in Euro. Major fluctuations of Russian rouble and Ukrainian hryvnia have also a major impact upon financial results. Depreciation of these currencies in relation to Polish zloty in 2014 was reflected in financial costs and unstable economic situation in these countries in subsequent periods can also influence the results.

Information concerning currency risk was presented in p. 10 of Additional information.

c) Changes in fashion, which impacts attractiveness of offered products.

The key factor of the clothing company success is the sense of fashion trends change and adjustment of assortment to current preferences of buyers.

Therefore, LPP SA Company pays great attention to fashion. The design department analyses constantly changing trends and adjusts them to clients' needs in order to continue to offer desired goods in a very good price / quality relation. In order to fulfil their duties the designers participate in fairs and exhibitions all over the world, use professional literature and fashion-related news available online. Company pays particular attention to this issue being conscious of its enormous impact upon the results of its functioning.

Perspectives of commercial activity development of the Issuer

Long-term development strategy of LPP SA assumes strengthening of its current positions on markets where Capital Group companies already function as well as expansion to new geographic areas such as: Western Europe, Balkans or Middle East. The increase of sales network is supposed to be performed simultaneously with activities focused on the increase of efficiency of functioning in every area.
At the end of 2014, in Poland, Company had at its disposal the network of 915 shops (RESERVED, Cropp, House, MOHITO, SiNSAY) and 28 outlets, with the retail space total of approx. 413,000 sq. m. Plans for 2015 assume existence of new facilities, which in consequence will lead to the increase of total retail network space in Poland by approx. 13%.

16. Information concerning the purchase of own shares (stocks) and in particular the purpose of their purchase, the number and nominal value, with indication which part of the share capital they represent, the price of purchase and the price of sales of these shares (stocks) in case they are sold

In 2014 Company did not purchase their own shares.

17. Information concerning achievements with regard to research and development

In the report period Company performed developmental works related to designing and construction of exemplary showrooms of RESERVED, House and SiNSAY brands.

18. Information about financial instruments regarding:

a) risk: change price, credit, major disturbances of cash flow and loss of financial liquidity which the entity is exposed to

Pursuant to regulations in IAS with regard to the rules of recognition, method of assessment, the range of disclosure and method of financial instrument presentation, it was found that in LPP SA with regard to financial instruments the following took place:

- loans granted,
- taken bank loans,
- bank deposits.

In the Company there are also embedded currency derivatives related to:

- contracts of retail area lease for brand showrooms in which the rent payments are based on foreign exchange rate
- liabilities in foreign currency regarding purchase of commercial goods abroad
- receivables in foreign currency regarding sales of commercial goods to foreign contractors.

Embedded instruments are not assessed and presented in the balance, which is pursuant to regulations in IAS with regard to the rules of recognition, method of assessment, the range of disclosure and method of financial instrument presentation.

b) financial risk management goals and methods accepted by the entity, including methods of securing valid kinds of planned transactions for which hedge accounting is applied

1) Currency risk - was discussed in p. 15 as an external risk factor

Statements prepared in thousand PLN

2) Interest rate risk - the opinion of the Board based on the analysis of interest rate changes in recent periods is that possible increase of this parameter constituting the value of costs of taken loans cannot impact significantly achieved financial results.
3) Credit risk – subject to this risk are mainly loans granted to foreign subsidiaries. These loans were granted and used for development of the sales networks outside Poland. These processes are proceeding in such a way that, in the opinion of the Management Board, no danger exists of the loss of lent amounts, even though in some cases prolongations of a payment deadline may occur.

The issuer does not apply instruments hedging the above-mentioned risks.

19. Changes in basic rules of LPP SA and its capital group management

In 2014, no changes occurred in the principles of the issuer's enterprise management or its capital group.

20. Determination of the total amount and nominal value of all shares (stocks) of LPP SA as well as stocks and shares in related entities of LPP SA which are owned by managing and supervising persons

As of the day of 31 December 2014 persons managing and supervising own the following amount of the Company shares:

Shareholder	Number of shares (in pcs.)	The number of votes on General Shareholders Meeting	Nominal value of shares
President of the Board	175,498	875,498	350,996
Vice-President of the Board	500	500	1,000
Vice-President of the Board	353	353	706
Vice-President of the Board	457	457	914
Vice-President of the Board	457	457	914
Chairman of the Supervisory Board	175,000	875,000	350,000

Managing and supervising persons do not own shares and stocks in related entities.

21. Information concerning contracts the Issuer is aware of (including those concluded after the balance day) which may result in future changes in proportions of owned shares by current shareholders

In the report period there was a motivational scheme for key persons managing the Company for the years 2011-2014 which was commenced in 2011.
This motivational scheme included issuance of 21,300 items of subscription warrants which were taken by entitled persons.
In case the exchange of all taken warrants into shares, the total number of shares would amount to 1,852,423 and the number of votes on AGM of LPP SA would be 3,252,423.

22. Information concerning the system of employee schemes control

Not applicable

23. All contracts concluded between the Company and managing persons providing compensation in case of their resignation or dismissal from occupied position without a major reason or if their dismissal or release occurs due to the merger of Issuer by means of takeover

There are no such contractual agreements.

24. The value of remuneration, awards or benefits, including those resulting from motivational or bonus schemes based on the issuer's capital, including schemes based on bonds with priority right, convertible, subscription warrants (in cash, nature or any other form), paid, due, or potentially due, separately for each of the persons managing or supervising the issuer in the issuer's enterprise

The value of all remuneration of persons managing and supervising was presented in section 13.20.1 of Tax information.

25. Proceedings in court, the body competent for arbitrary proceedings taking into account information with regard to:

a) **proceedings regarding liabilities or receivables of the issuer or subsidiary of the issuer, the value of which represents at least 10% of issuer's equity,**
b) **two or more proceedings regarding liabilities and receivables the joint value of which represents at least 10% of equity respectively**

There are no such proceedings.

26. Information concerning the entity entitled to review financial statements

On 30 June 2014 LPP SA concluded with Grant Thornton Frąckowiak Sp. z o.o. Sp. K. an agreement to perform annual reviews of financial statements of the Company and LPP SA Capital Group for the years of 2014, 2015, and 2016 and the semi-annual financial statements of the Company and LPP SA Capital Group for the years above.
The remuneration of entity entitled to survey and review of financial statements for the trading year and the previous year amounted to, respectively:

1) Review of financial statement drawn for the period between 1 January 2014 and 31 December 2014, expressing opinion about it and drawing up a report - the remuneration 60 thousand PLN excluding VAT.
2) Review of consolidated financial statement of Capital Group drawn up for the period of 1 January 2014 and 31 December 2014, expressing opinion about it and drawing up a report - the remuneration of 30 thousand PLN excluding VAT.
3) Review of mid-year financial statement drawn for the period between 1 January 2014 and 30 June 2014 and drawing up a report - the remuneration of 30 thousand PLN excluding VAT.
4) Review of consolidated mid-year financial statement drawn for the period between 1 January 2014 and 30 June 2014 and drawing up a report - the remuneration of 20 thousand PLN excluding VAT.
5) Review of financial statement drawn for the period between 1 January 2013 and 31 December 2013, expressing opinion about it and drawing up a report - the remuneration 55 thousand PLN excluding VAT.
6) Review of consolidated financial statement of Capital Group drawn up for the period of 1 January 2013 and 31 December 2013, expressing opinion about it and drawing up a report - the remuneration of 27 thousand PLN excluding VAT.
7) Review of mid-year financial statement drawn for the period between 1 January 2013 and 30 June 2013 and drawing up a report - the remuneration of 27 thousand PLN excluding VAT.
8) Review of consolidated mid-year financial statement drawn for the period between 1 January 2013 and 30 June 2013 and drawing up a report - the remuneration of 16 thousand PLN excluding VAT.

Additionally, the company Grant Thornton Frąckowiak Sp. z o.o Sp. K. granted some other services in the years 2014 and 2013 for which it received remuneration of 239 thousand PLN and 23,25 thousand PLN excluding VAT, respectively.

27. Declaration concerning observation of Corporate Governance principles

The Management of LPP SA declares that the Company and its bodies in 2014 observed the rules of Good Practice of companies listed on the WSE referred to in parts II, III and IV, whereas:
- the requirement of p. 9a Section II concerning the necessity to publish the minutes of the shareholders meeting of the Company, in audio or video form was not adhered to,
- the requirement of p. 10 Section IV concerning the necessity to provide the shareholders the right to participate in the shareholders meeting with the use of electronic communication means was not adhered to.

The information concerning the Corporate Governance are available on the corporate website of the Company www.lppsa.com/relacje-inwestorskie/lad-korporacyjny.

The company does not apply practices regarding Corporate Governance not covered by the requirements provided by domestic law.
The Company and its bodies also observed the rules of Good Practice of companies listed on the WSE referred to in parts I with the exception of:
- p. 5 - applied rules of remuneration do not satisfy all requirements described in recommendation of European Council from 14 December 2004 and Recommendations from 30 April 2009.
- p. 9 - there are no formal rules of membership in the company bodies with regard to gender or any schemes of support of balanced participation of men and women in performing managing and supervising functions in LPP SA. Currently all members of company bodies are men.
- p. 12 - the Company did not facilitate shareholder to use their right of vote personally or by means of a proxy during the shareholders meeting, away from the place where the shareholders meeting takes place, by means of electronic communication means.

a) Description of major features of internal control and risk management systems applied in the Company with reference to the process of drawing up the financial statements and consolidated financial statements

LPP SA has efficiently functioning system of internal control adjusted to their needs and characteristic features, which ensures:

- completeness of income invoicing,
- proper cost control,
- efficient use of resources and assets,
- correctness and credibility of financial information included in financial reports and periodic reports,
- proper protection of sensitive information and preventing uncontrolled flow of information from the company,
- efficient and quick identification of irregularities which occurred,
- identification of major risks and reacting as appropriate.

Elements of internal control system in the Company LPP SA are:

- control activities undertaken on all levels and in all cells of the Company based on procedures (permits, authorizations, verifications, concertations, reviews of operational activities, share of duties) which allow to ensure compliance with guidelines of the Company Board and simultaneously allow to undertake necessary identification activities and minimising faults and hazards for the Company,
- instruction of documentation circulation - proper system of documentation evidence circulation and control (to ensure compatibility in accounting books with accounting evidence),
- properly qualified employees performing control,
- share of duties excluding the possibility of one employee to perform activities related to realisation and documentation of economic operations from the onset to the end,
- Inventorisation instructions describing the rules of application, storage and inventorying of assets,
- rules of balance depreciation of PPE and non-material or legal values,
- IT system - accounting books of the Company are run with the use of computer system Zintegrowany System Zarządzania Przedsiębiorstwem (Integrated Enterprise Management System) AWEK in the premises of the Company, which ensures reliable, credible and fault-free information processing, the access to information resources of AWEK system is limited by permissions granted to authorised employees solely within the range of duties they perform,

Statements prepared in thousand PLN

▪ bookkeeping policy taking into account the rules included in International Accounting Standards and International Financial Reporting Standards (in Polish -MSR/MSSF - IAS/IFRS) and interpretations published as executive regulations by the European Committee,
▪ electronic system of document processing (invoices, employee documentation elements, orders to purchase equipment, payment orders etc.)

In the process of preparation of financial statements of the Company, both stand-alone and consolidated, the basic element of internal control is the financial statement audit performed by an independent certified editor.

The choice of certified auditor is made by the Supervision Board of LPP. The duties of independent auditor include the review of semi-annual statements and review of annual statements, control of its proper preparation and adherence to the rules of accounting.

Two departments are responsible for proper preparation of financial statements: accounting and financial, managed by the Chief Accountant and Financial Director (CFO). Before financial statements are provided to the independent certified editor, they must be verified with regard to completeness and correctness of recognition of all economic events by the Financial Director, who on behalf of the Management is responsible for the process of financial reporting.

LPP SA performs semi-annual reviews of strategy and implementation of business plans. It is related to the cycles occurring in the clothing trade. After closing the six-month period, the high- and middle-level management with the participation of the financial department performs the analysis of the financial results of the Company. Operational results of the Company, particular commercial departments and even particular shops are analysed every month.
Internal control and closely related risk management with reference to the process of drawing up the financial statements are subject to the current interest of Company management bodies. LPP SA performs analysis of risk areas related to the company activity. The crucial role here is also played by the managerial personnel responsible for the control of activity of their departments, including identification and risk assessment related to the process of preparation of credible and reliable financial statements according to applicable provisions of the law.

b) Information about Company shareholders who own directly or indirectly major blocks of shares with the indication of the number of shares owned by these entities, their percentage share in the share capital, the number of votes resulting from them and their percentage share in the total number of votes on General Shareholders Meeting

Shareholder	Number of shares (in pcs.)	The number of votes on General Shareholders Meeting	Share in the total number of votes on General Shareholders Meeting	Share in the share capital
Marek Piechocki	175,498	875,498	27.1%	9.6%
Jerzy Lubianiec	175,000	875,000	27.1%	9.6%
Monistor Limited (Cyprus)	200,728	200,728	6.2%	11.0%
Other Shareholders	1,279,897	1,279,897	39.6%	69.8%
Total	1,831,123	3,231,123	100.0%	100.0%

c) Information about owners of securities granting special control entitlements and information concerning any limitations concerning exercising the right of vote by owners of specified share or number of votes and limitations of ownership rights transfer

Shareholders owning shares entitling to more than 15% on General Shareholders Meeting exercises the right to vote in the amount of 15% of votes regardless the number of votes resulting from the number of owned shares. Two shareholders, managing the company for many years, Mr Jerzy Lubianiec and Mr Marek Piechocki own 175,000 series B shares each, preferential with regard to vote in a way that one share entitles to 5 votes on AGM. Additionally, the shares of shareholders above are not covered by statutory limitation

described above, with regard to only 15% of votes on AGM regardless the amount of owned shares. The statutory clauses referred to above provide dominating position of the two abovementioned shareholders.
Limitations with regard to transfer of ownership rights of securities concern inscribed shares.
Disposal or mortgage of inscribed shares is subject to the agreement of the Company. Permission to dispose of or mortgage shares is granted by the Supervisory Board in a written form, under the pain of invalidity, in the term of 14 days from the application is submitted in this matter. If the Company fails to grant permission, it should indicate another buyer and determine the term and place of payment within the term of 30 days. If the Company fails to indicate another buyer within this deadlines, the shares may be disposed of without any limitations.

d) The description of rules regarding appointment and dismissal of managing persons and their entitlements, especially the right to make a decision regarding the issuance or purchase of shares

The management board consists of two to five members, including the President of the Board and from one to four Vice-Presidents of the Board. The number of members is determined by the Supervisory Board.
The Members of the Board are appointed and dismissed by the Supervisory Board for the period of five years.
Competences and rules of work of the Management Board of LPP SA are defined in the following documentation:

- Statute of LPP SA (available on the website of the Company)
- Rules and Regulations of the Management Board (available on the website of the Company)
- Commercial Companies Code

The Management Board is responsible for all cases not reserved for the competences of other bodies of LPP SA.
The Management Board is entitled to make a decision concerning the issuance or purchase of shares.

e) Description of rules of issuer statute change

The change of statute of the Company is subject to the resolution of the General Shareholders Meeting.

f) The method of functioning of General Shareholders Meeting, its entitlements, description of shareholders' rights and method of their exercising

Convening the General Shareholders Meeting

1) General Shareholders Meeting may be convened in ordinary or extraordinary mode.
2) General Shareholders Meeting takes place in Gdańsk, Warszawa or Sopot, in a place indicated by the Management Board.
3) Ordinary General Shareholders Meeting takes place annually within 6 months after the trading year.
4) Extraordinary General Shareholders Meeting is convened by the Board on their own initiative, upon request of the Supervisory Board and on application of shareholders representing 1/20 share of share capital, made in writing.
5) The fact of convening the General Shareholders Meeting with its date (day, hour) and place is announced by the Board on the website of the Company and in a way defined for the transfer of current information in accordance with the rules concerning public offering and conditions governing the introduction of financial instruments to organised trading and public companies.

General Shareholders Meeting Entitlements

1) Examination and approval of financial statements and Board's reports from LPP SA activities for the previous year.
2) Taking any decisions regarding claims for redressing damage inflicted upon formation of LPP SA or exercising management or supervision.
3) Adopting a resolution concerning the share of profits or covering losses.
4) Acknowledgement of the fulfilment of duties by members of the management board of LPP SA.
5) Adopting a resolution concerning issuance of bonds, including convertible bonds.
6) Change of Statute.
7) Adopting resolutions concerning joint ventures of companies, transformation of LPP SA, its dissolution or liquidation.

8) Adopting resolutions concerning disposal of or mortgaging the enterprise and establishing an usufruct right with respect to it.
9) Examination and resolution of claims presented by the Supervisory Board.
10) Decisions concerning other cases restricted to competences of General Shareholders Meeting in Commercial Companies Code and provisions of Company Statute.

Sessions of the General Shareholders Meeting

1) Sessions of the General Shareholders Meeting are opened by the President of the Supervisory Board or a person authorised thereby, who also orders holding election of the General Shareholders Meeting Chairman.
2) The person opening the General Shareholders Meeting leads to immediate choice of the Chairman of the General Shareholders Meeting, who manages the General Shareholders Meeting and ensures efficient and proper proceedings of the session.
3) General Shareholders Meeting adopts resolutions which are only covered by the agenda of the session.
4) Draft resolutions are proposed for acceptance by the General Shareholders Meeting and other significant materials are presented to shareholders with the justification and opinion of the General Shareholders Meeting.
5) The minutes of proceedings of the General Shareholders Meeting are taken by a notary.

Voting

1) Voting on General Shareholders Meeting is transparent. Secret voting is administered while choosing the authorities and deciding over applications concerning dismissal of bodies of authorities of liquidators of the Company, or concerning rendering them liable to prosecution, as well as in personal matters. Additionally, secret voting is administered upon request on at least one shareholder or their representative.
2) General Shareholders Meeting may choose a three-member Returning Committee, which is responsible for supervising proper proceedings of each voting, supervision of computer service (in case of voting with the use of electronic media) as well as checking and announcing the results.
3) One share gives the right to one vote on the General Shareholders Meeting. In case of preference shares series B one share gives the right to five votes on the General Shareholders Meeting.
4) The Chairman announces the results of voting, which are subsequently provided to the minutes of the proceedings.

g) The composition and changes in it during the trading year as well as description of activities of managing, supervising or administering bodies and their committees.

The Management Board of LPP SA

Composition of the Board as of 31 December 2014:

- Marek Piechocki – President of the Board
- Dariusz Pachla – Vice-President of the Board
- Piotr Dyka - Vice-President of the Board
- Hubert Komorowski - Vice-President of the Board
- Jacek Kujawa - Vice-President of the Board

In the course of the last trading year there were changes in the composition of the Board based on resignation of one member of the Board - Mr Dariusz Pachla (RB 35/2014) and appointment of a new member of the Board - Mr Przemysław Lutkiewicz (RB 36/2014).

Competences and rules of work of the Board of LPP SA are defined in the following documentation:

- Statute of LPP SA (available on the website of the Company)
- Rules and Regulations of the Management Board (available on the website of the Company)
- Commercial Companies Code

Supervisory Board

As of 31 December 2014 the composition of the Supervisory Board was as follows:

- Jerzy Lubianiec - the Chairman of the Supervisory Board
- Krzysztof Olszewski - a member of the Supervisory Board
- Wojciech Olejniczak - a member of the Supervisory Board
- Maciej Matusiak - a member of the Supervisory Board
- Krzysztof Fąferek - a member of the Supervisory Board

In the course of the trading year there were no changes in the composition of the Supervisory Board.

Competences and rules of work of the Supervisory Board of LPP SA are defined in the following documentation:

- Statute of LPP SA (available on the website of the Company)
- Rules and Regulations of the Supervisory Board (available on the website of the Company)
- Commercial Companies Code

The Management Board of LPP SA:

Marek Piechocki – President of the Board ....

Przemysław Lutkiewicz – Vice-president of the Board ….……………………………………………..

Jacek Kujawa – Vice-President of the Board ………………………………………………

Piotr Dyka – Vice-President of the Board ………………………………………………

Hubert Komorowski – Vice-President of the Board ………………………………………………

Gdańsk, 10 April 2015

Declaration of the Board of LPP SA

Declaration of the Board of LPP SA

DECLARATION OF THE BOARD

In accordance with the Resolution of the Minister of Finance from 19 February 2009 regarding current and periodic information provided by issuers of securities , the Board of LPP SA declares that:

- according to the best of their knowledge, annual consolidated financial statement and comparative data were prepared in accordance with binding accounting rules in force and reflect in a true, reliable and clear way the property and financial condition of LPP SA Capital Group and its financial result,
- annual report from the activity of LPP SA Capital Group contains a real view of development and achievements and situation of LPP SA Capital Group, including the description of risks and hazards,
- the entity entitled to review financial statements performing the survey of annual consolidated financial statement was selected in accordance with the legal regulation in force. This entity and certified auditors performing the survey satisfied conditions to issue an objective and independent report from the review, in accordance with the applicable regulations of domestic law.

The Management Board of LPP SA:

Marek Piechocki – President of the Board ....

Przemysław Lutkiewicz – Vice-President of the Board ……………………………………………..

Jacek Kujawa – Vice-President of the Board ………………………………………………

Piotr Dyka – Vice-President of the Board ………………………………………………

Hubert Komorowski – Vice-President of the Board ………………………………………………

Gdańsk, 10 April 2015