



RESOLUTION
of the Supervisory Board of LPP SA
of 10 May 2016

on the comprehensive evaluation of the Company's situation in 2015, including in particular: (i) evaluation of the financial reporting process, (ii) evaluation of the internal control system, internal audit and risk management system, (iii) evaluation of the audit activities, (iv) evaluation of the impartiality of the auditor reviewing financial statements of the Company and LPP SA Capital Group, and (v) self-evaluation of the operations of the Supervisory Board

In 2015, the Company continued its development strategy on new markets, with the objective of reducing exposure to the risk of turbulence on the existing flagship markets, while maintaining and possibly strengthening position on the markets where operations have been carried out.

In the said period, the Company generated satisfactory financial results, although below the expectations of the financial market. Net income of LPP Capital Group for the sales of products, goods and materials amounted to PLN 5 130 348 thousand, while operating profit amounted to PLN 503 223 thousand. Net profit of the total operations amounted to PLN 352 042 thousand. On the liabilities side, as compared to the financial year 2014, both short-term liabilities (from PLN 1 084 598 thousand to PLN 1 329 096 thousand) and long term (from PLN 210 714 thousand to PLN 342 263 thousand) saw an increase. At the same time the assets increased from the amount of PLN 2 933 726 thousand to PLN 3 561 822 thousand. Moreover, LPP SA generated profit from operating activities in the amount of PLN 248 025 thousand and the total net profit amounted to PLN 344 072 thousand. Net revenue on sales of merchandise and raw materials amounted to PLN 4 335 747 thousand. On the liabilities side, as compared to the period prior commitments, short-term liabilities increased from PLN 1 012 489 thousand to PLN 1 244 656 thousand, and long-term liabilities from PLN 208 054 thousand to PLN 315 900 thousand.

The Company's net profit was lower than in 2014. The principal causes were the lower profit margins. A decline to 53.5% was the result of growth of the US dollar against PLN by about 20%, and this, in turn, caused a reduction in operating costs to a level lower than during the crisis of 2009-2010. LPP SA is still the undisputed leader on the Polish clothing market.

In 2015, the Company opened 111 stores (total of 1 627 operating showrooms) with a total area of approx. 121 thousand m² (total commercial area is approx. 844 thousand m²), which gives an increase in retail space by 17%. In the said period, LPP Capital Group continued its expansion of the sales network for stores of all brands. Particularly dynamic growth took place in the territories of EU Member States. Another 8 new stores were opened - including the flagship RESERVED Stuttgart store with an

area of 4 thousand m² located near the main shopping street. At the end of 2015 years, the Company had 12 stores in Germany. New showrooms were also launched in Hungary, the Czech Republic, Slovakia and Russia. In cooperation with a franchisee, another RESERVED store was opened in the Middle East - in Saudi Arabia. The Company widened its territorial base of e-commerce by opening on-line RESERVED stores in countries such as the Czech Republic, Slovakia and Romania.

At the same time, it was decided to resume growth in Russia, the expansion of which had been suspended, because of the Ukrainian-Russian conflict and the growing risks of investing in this country. An important event was the conclusion of a conditional lease agreement intended to open the first store at London's flagship Oxford Street.

In 2015, the Company conducted extensive work on the construction of a new *premium* clothing brand intended for customer with above average income. The brand is characterized by a higher standard of performance than the products currently sold through the Company brands. It required the expansion of suppliers' network as most Tallinder clothing will be manufactured in Europe, including Italy, Portugal and Poland. The first Tallinder branded shops were opened in the first quarter of 2016.

In 2015, the Company intensified its efforts in corporate social responsibility (CSR). In April 2015, a new *Code of Conduct* for suppliers was introduced to ensure the safety of workers in the garment factories, the prohibition of the work of children under 15 and a decent wage. This is one of the reasons for which our office in Dhaka, the capital of Bangladesh, has been established. One of its main tasks is to audit factories in cooperation with the ACCORD (*The Accord on Fire and Building Safety in Bangladesh*) organisation, of which we are a member.

In 2015, another section of the logistics centre in Pruszcz Gdański was opened, which is currently one of the most modern facilities of this type in Poland. The newly launched section, with an area of 35 000 m², enabled the Company to double the logistics resources and provide warehouse facilities to support its growth for the next 5 years.

In 2015, we completed a comprehensive reconstruction of the Company's registered office at ul. Łąkowa 39-44. The facility was successfully commissioned and obtained the certificate of occupancy. It is undoubtedly one of the most interesting implementation of office buildings in Pomerania. At the same time preparatory work was launched before further expansion of facilities of the Company. The purpose is to consolidate office space in the current location and the adjacent property. For this purpose, the Company acquired the right of perpetual usufruct for the real property located at ul. Łąkowa 35/38 of approx. 6 760 m² together with the ownership of the buildings.

The Supervisory Board finds that the overall position of the Company in the year 2015 was good.

The Supervisory Board believes that there are no conditions that may pose a real threat to the Company's going concern.

The Supervisory Board examined the financial reporting process of LPP SA. In the opinion of the Supervisory Board, the financial reporting process of LPP SA complies with the legal requirements and meets the relevant functional needs.

The Supervisory Board examined the internal control, internal audit and risk management systems at LPP SA. According to the assessment of the Supervisory Board, the internal control and risk management systems operating at LPP SA meet the relevant functional needs. The Supervisory

Board read the results of checks carried out by the Company's internal auditor. The reports did not show any significant threats to the Company's operations.

The Supervisory Board examined the performance of the financial audit at LPP SA. According to the assessment of the Supervisory Board, the financial audit carried out at LPP SA complied with the legal requirements and the relevant functional needs.

The Supervisory Board assessed the independence of the auditor performing the audit of the financial statements of the Company and LPP SA Capital Group. According to the opinion of the Supervisory Board, the auditor examining the financial statement of the Company and LPP SA Capital Group meets the independence criteria described in the applicable provisions including in particular Article 56 of the Act of 7 May 2009 on certified auditors and their self-government, entities entitled to audit the financial reports and public supervision.

The Supervisory Board evaluated its own operations. On the basis of this assessment, the Supervisory Board states that the Supervisory Board performed all the duties provided for in the laws and internal regulations of the Company. In addition, the Supervisory Board analysed the Company's standing during its meetings and supported the Management Board's operations on an ongoing basis. Consequently, the Supervisory Board assessed positively its operations in 2015.

Jerzy Lubianiec Chairman of the Supervisory Board	_____ Jerzy Lubianiec
Maciej Matusiak Member of the Supervisory Board	_____ Maciej Matusiak

<p>Wojciech Olejniczak Member of the Supervisory Board</p>	<p>_____</p> <p>Wojciech Olejniczak</p>
<p>Krzysztof Olszewski Member of the Supervisory Board</p>	<p>_____</p> <p>Krzysztof Olszewski</p>
<p>Dariusz Pachla Member of the Supervisory Board</p>	<p>_____</p> <p>Dariusz Pachla</p>