

**SALES OF APPAREL ARE RISING IN POLAND - DESPITE PRICE PRESSURE
IMPORT FROM GERMANY GROWING / DOMESTIC CHAINS EXPANDING**



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Warsaw (GTAI) - The outlook for sales of clothing and footwear in Poland is favorable. Domestic chains such as LPP, Bytom, Vistula and Monnari are opening additional stores. In 2016 the shoe chain CCC is investing around EUR 33 mio in new sales areas, including in Germany. The western neighboring country is by far the biggest buyer of clothing from Poland. Increasingly popular too is fashion from Germany, which occupies the third place among supplying countries.

In Poland the demand for clothing and footwear is steadily growing. The market research firm PMR (<http://www.pmrpublications.com>) expects in 2016 sales worth of Zloty 35.3 billion (approximately EUR 8.2 billion, 1 Euro = 4.3283 Zl, as of April 22nd 2016). The price war however is very tough due to the higher US dollar exchange rate, the dealers can hardly pass their higher costs on to the customers. This concerns mainly imported commodity goods from the Far East, while the outlook for the upscale segment outfitters is better.



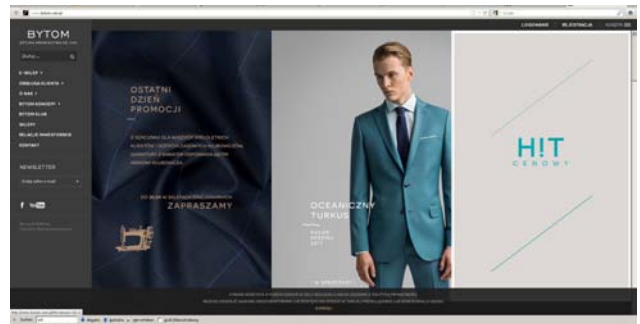
**Value of sales of clothing and footwear
(in PLN billion)**

2012	2013	2014	2015 1)	2016 2)	2017 2)
28.7	28.9	31.8	33.4	35.3	37.1

1) Estimation, 2) Forecast
Source: market research company PMR

The company for classic clothing Bytom (<http://www.bytom.com.pl>, from the same city (Bytom – Beuthen)) that serves the upper segment, wants to create an offer for the masses. It lowered its prices in March 2016. In order to reach more customers, it plans to increase its sales area of from 10,300 square meters in spring 2016 to 15,000 square meters by the end of 2018. The number of its stores should simultaneously rise from 97 to 120.

Bythom will avoid quality losses through savings in the purchasing of clothing. According to Michal Wojcik, chairman of the company, negotiations with representatives of procurement markets are on the way. In 2019 the retail sales of Bytom should reach around 250 million PLN, double as much as in 2015 (123 million PLN). The company will serve the middle segment between large markets with



mass-production goods and expensive boutiques with domestic and foreign luxury brands.

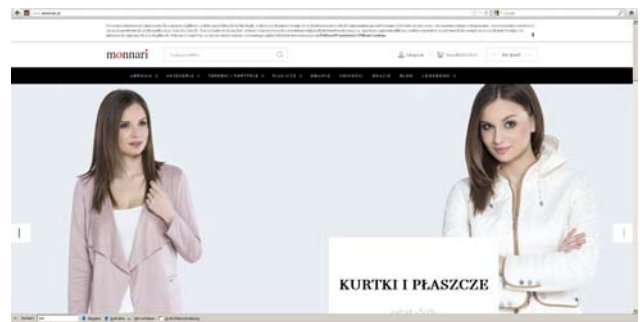
The two great rivals Bytom and Vistula (<http://vistula.pl>) from Krakow (Krakau) are receiving increasing competition by smaller companies. Vistula was able to win in 2016 the soccer star

Robert Lewandowski for promotional activities, he will appear in suits of the company.



The stockbroker office of the Bank BZ WBK believes in good opportunities of the smaller chain Monnari (<http://www.emonnari.pl>), which could double its sales area until 2019. With the proliferation of the growing clothing and footwear chains a consolidation of the retail structure goes along, and the total numbers of stores will overall decrease.

The chains Vistula, Bytom and Monnari are expanding domestically only, where they expand their retail spaces annually by 10 to 25%. Since only one third of the by Vistula and Bytom sold collections are being settled on a USD basis, they are not hurt as much by the strong upvaluation of the US currency as LPP, the manufacturer of mass-products. This company buys almost its entire collection in the Far East in US currency. In the case of the footwear chain CCC, the proportion is 40 to 50%.



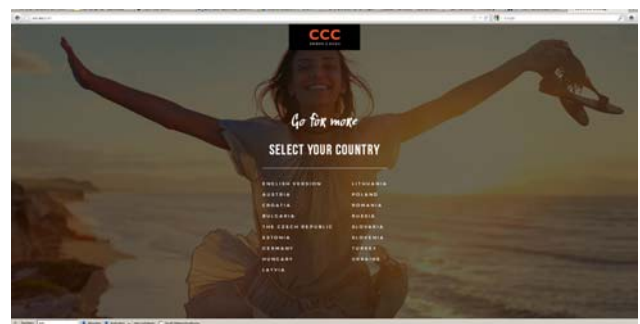
Number of shops for clothing and footwear

	2010	2011	2012	2013	2014
Clothing	32,100	30,700	29,400	28,00	28,400
Shoes	7,610	7,464	7,215	7,029	6,860

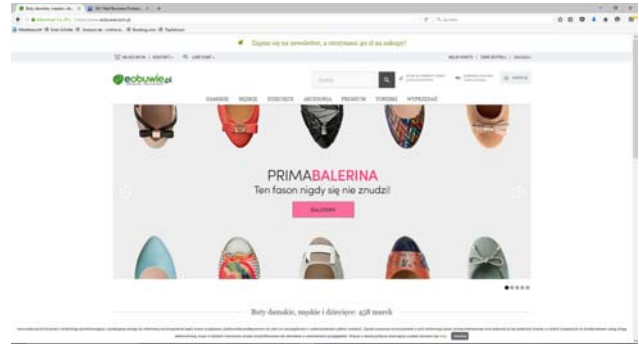
Source: Bisnode

CCC strives towards west

The retail chain CCC (<http://ccc.eu>), which is also represented abroad including in Germany and Austria, has acquired for more than ZL 200 million the online shop for shoes eobuwie.pl (<http://www.eobuwie.pl>). By 2016 a further strong expansion is planned, for which it wants to raise about PLN 140 million. The sales area should become 27% net bigger with at least 100,000 square meters. This was announced by the deputy chairman of CCC, Mr. Piotr Nowjalis.



The majority of the new area (77,000 square meters) is planned abroad, where 110 stores should be opened. In the focus here are Germany, Austria and Romania. Domestically CCC is planning a new sales area of 23000 square meters for 40 stores. These plans represent an acceleration compared to 2015, when the total sales area had increased by 66,000 square meters net (+ 22%). At the end of 2015 there were at home and abroad 773 CCC stores with a total of 372,000 square meters.



Forecasts for and results of apparel and footwear chains (in PLN million)

Company	Revenues 2015	Revenues 2016 *)	Net income 2015	Net income 2016 *)
LPP	5,130	6,062	352	510
CCC	2,407	3,043	237	271
Vistula	517	565	31.5	38,5
Monnari	214	258	35.5	34,5
Bytom	131	160	13.3	16,1
CDRL	183	201	14.2	14,9
Gino Rossi	278	301	6.7	10,0
Wojas	220	240	6.3	8,4

*) Forecast of the press agency Bloomberg, February 2016

Source: Newspaper Rzeczpospolita

According to a forecast of Bloomberg, the most important apparel and footwear companies will improve their results in 2016. Leader LPP supplies with its brands Reserved, Mohito, Cropp, House and Sinsay a wide audience. To the upscale segment belongs the new brand Tallinder, which is being offered since February 2016 in a first store in Gdansk (Danzig). Beginning in 2019 there should be 30 sales stores for the brand Tallinder, which then will compete with Vistula, Bytom and Prochnik.



Market shares of classic m.n's wear 2014 (in %)

Vistula und Wolczanka	Bytom	Prochnik	Übrige
30	14	6	50

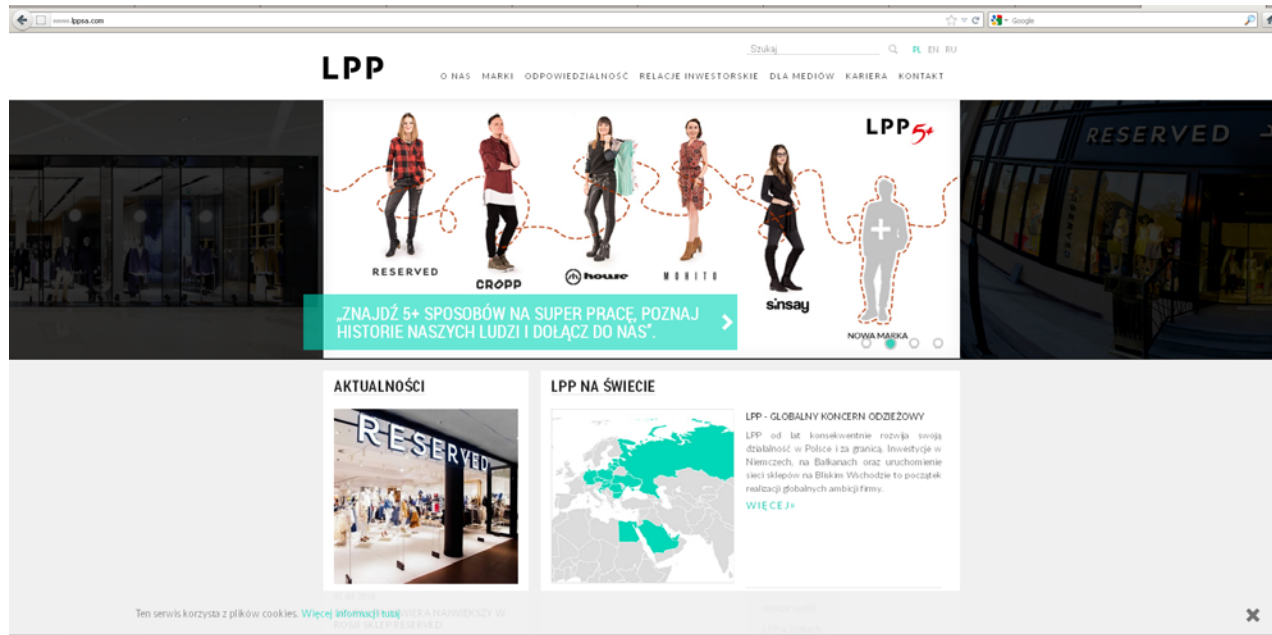
Source: Newspaper Rzeczpospolita

In 2016 LPP wants to increase its retail space at home and abroad by 11 to 13%, that is about 90,000 square meters. End of the year thus 1,716 shops could belong to the company. To date, 23% of the sales area of LPP is in the Russian Federation and Ukraine. The profits there were again impacted by the devaluation of the local currencies against the Zloty.

Foreign trade increases

The Polish imports of clothing exceed the exports. Especially Asian countries could increase their deliveries in 2014, but also Germany belongs to the leading suppliers and attained growth. Among

the importing countries Germany plays by far the most important role. The followers are the Netherlands, Czech Republic, Austria, Sweden and other, mostly European countries.



The screenshot shows the LPP website interface. At the top, there is a navigation menu with links: O NAS, MARKI, ODPOWIEDZIALNOŚĆ, RELACJE INWESTORSKIE, DLA MEDIÓW, KARIERA, KONTAKT. The main banner features five models in various outfits, connected by a red dotted line, with the text "ZNAJDŹ 5+ SPOSOBÓW NA SUPER PRACĘ, POZNAJ HISTORIĘ NASZYCH LUDZI I DOŁĄCZ DO NAS." Below the banner, there are two sections: "AKTUALNOŚCI" with a photo of a store interior and "LPP NA ŚWIECIE" with a world map highlighting several countries. A text box next to the map states: "LPP - GLOBALNY KONCERN ODDZIEŻOWY. LPP od lat konsekwentnie rozszerza swoją działalność w Polsce i za granicą. Inwestycje w Niemczech, na Bałkanach oraz uruchomienie sieci sklepów na Bliskim Wschodzie to początek realizacji globalnych ambicji firmy. WIĘCE »".

Foreign trade with clothing from woven fabrics (in PLN mio)

Custom tariff 6201 - 6209	2012	2013	2014
Import, including	5,251.0	5,392.4	6,910.0
.PR China	2,319.4	2,115.3	2,532.3
.Bangladesh	666.6	758.4	1,019.2
.Germany	278.8	522.1	607.7
.Turkey	333.0	290.6	404.3
.India	264.5	258.8	329.9
Export, thereof	5,416.9	5,895.4	6,830.1
.Germany	2,628.9	2,997.3	3,677.7

Source: Central Statistical Office GUS

Although Poland supplies clothing to Germany at a large extent, it is not easy for the companies to settle in the western neighboring country with own shops and their own brands. LPP opened its first store in Germany in September 2014, in spring of 2016 there were already twelve. In three years there should be 30 stores. In 2015 the German LPP stores generated approximately 94 million PLN, but probably without profit because of investment costs and advertising.

Foreign trade of knitted and crocheted clothing (in PLN mio)

Custom tariff 6101 - 6114	2012	2013	2014
Import, including	4,990.3	5,191.6	6,748.2
.PR China	1,575.2	1,574.1	1,970.7
.Bangladesh	963.9	903.2	1,258.8
.Germany	349.2	538.1	723.8
.Turkey	479.3	512.9	628.7
.Cambodia	278.4	235.4	464.3
Export, thereof	4,150.1	4,521.4	5,108.9
.Germany	1,794.8	1,888.0	2,343.8

Source: Central Statistical Office GUS

In 2015 Polish exports of apparel, accessories and other textile products and footwear continued

to rise.

Export of garments, accessories, textiles and footwear (in PLN billion)

	2010	2011	2012	2013	2014	2015
Apparel, Accessoires, Textiles	12.0	13.5	13.9	15.1	17.3	21.4
Shoes	1.6	1.9	2.4	3.0	3.3	4.0

Source: Central Statistical Office GUS

*Source: Beatrice Repetzki, Germany Trade & Invest www.gtai.de
Translation: Textination-Team*