

# L P P

## FINANCIAL RESULTS FOR 2Q16

GLOBAL ASPIRATIONS

WARSAW, 30th AUGUST 2016

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RESERVED

 TALLINDER

M O H I T O

 **house**

CROPP

**sinsay**

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# AGENDA

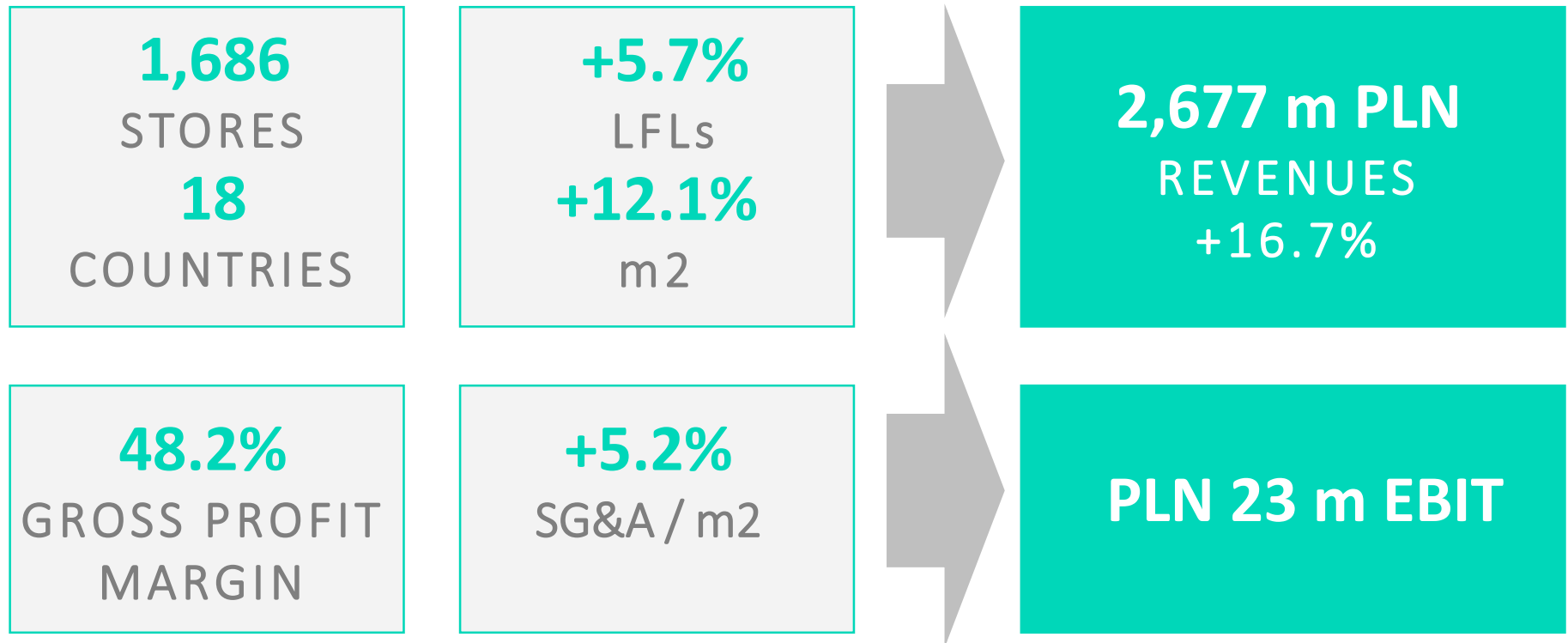
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- Executive summary
- 2Q16 financial results
- Key corporate events
- 2016 outlook
- Q&A



# Almost PLN 2.7bn revenues in 1H16

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# Key 2Q16 achievements

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**Prestigious RESERVED store in St. Petersburg**

The largest RESERVED store in Russia.  
2,434 m<sup>2</sup>  
April 2016



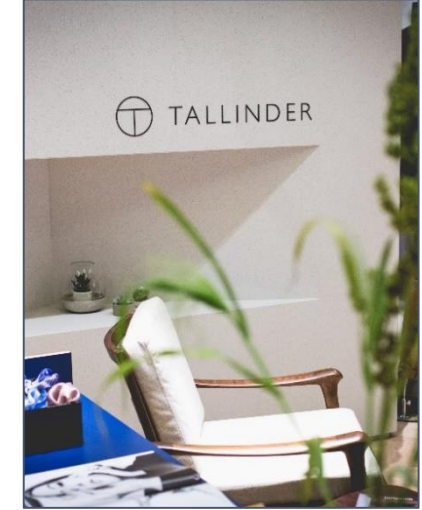
**Two new stores in Germany**

RESERVED own stores in Essen and Ludwigsburg.  
4,440 m<sup>2</sup>  
April and June 2016



**Acceleration of openings in Romania**

Five new stores in the two shopping malls.  
June 2016



**Tallinder store in Warsaw**

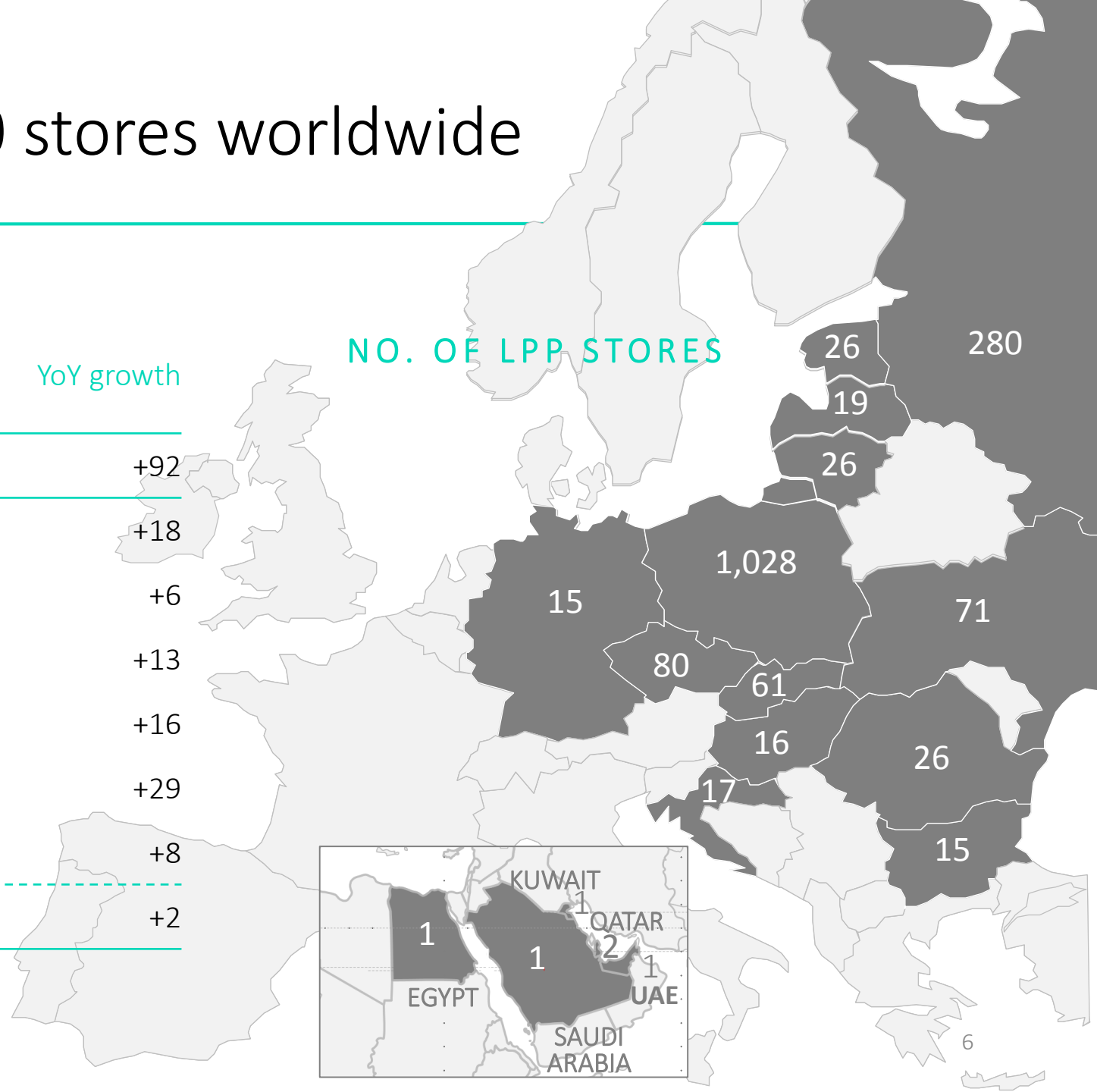
The first store in the capital city at Arkadia shopping mall.  
1,000th store in Poland.  
June 2016

# Almost 1,700 stores worldwide

## NO. OF LPP STORES

31.03.2016    No. of stores    YoY growth

	No. of stores	YoY growth
LPP GROUP	1,686	+92
RESERVED	447	+18
Cropp	388	+6
House	343	+13
MOHITO	284	+16
SiNSAY	179	+29
Tallinder	8	+8
Outlets	37	+2



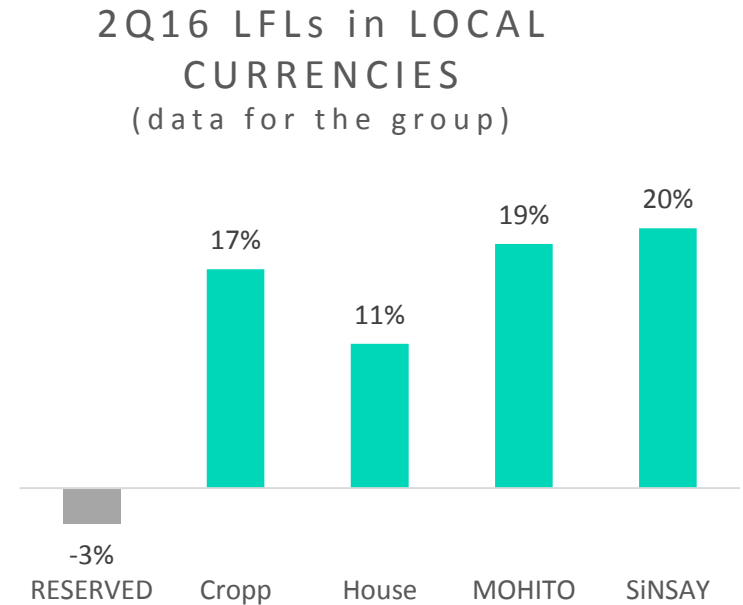
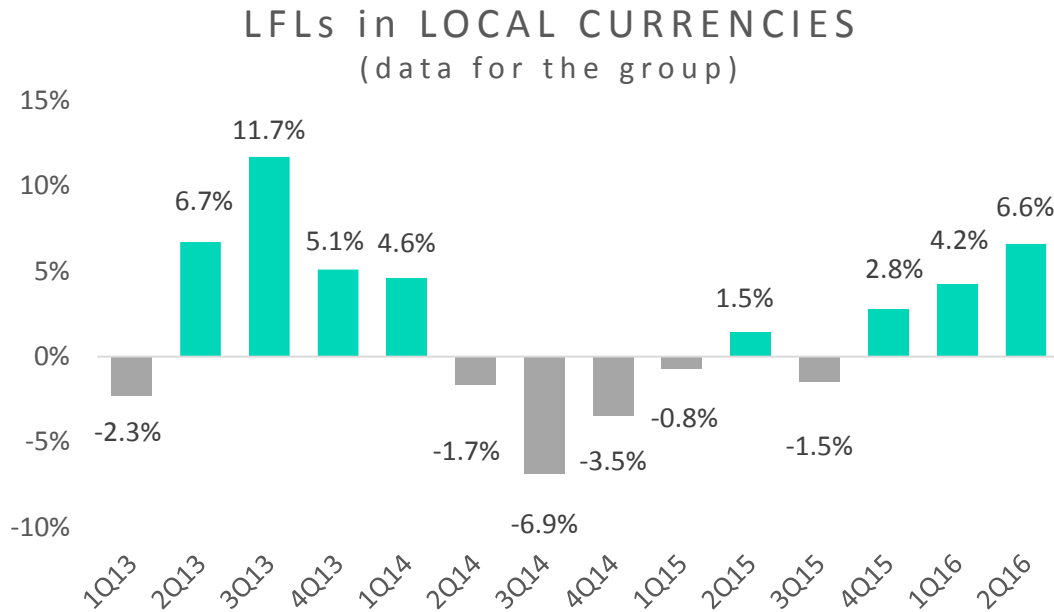
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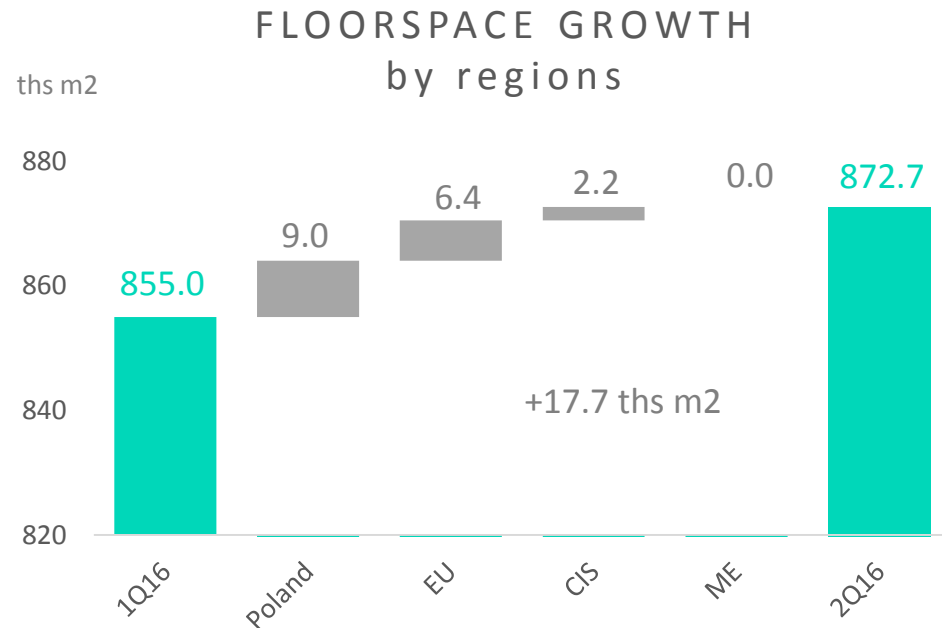


# Continuation of positive LFLs



- LFLs were positive in April and June 2016. All brands showed positive LFLs in 2Q16 except for RESERVED. RESERVED LFLs in Poland stood at -8% in 2Q16.
- 2Q16 LFLs were in the black in all countries except for Germany, Hungary and Lithuania.
- LFLs in Poland were positive in 2Q16. The highest double-digit positive LFLs in 2Q16 were in Romania, Ukraine, Russia and Bulgaria.

# Growth in all markets

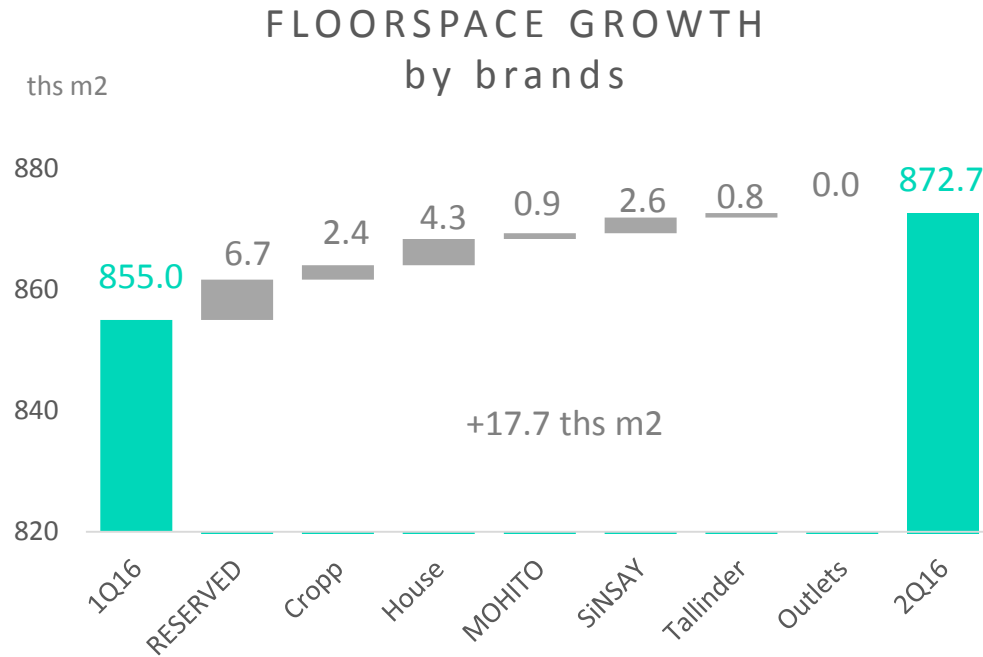


2Q16 FLOORSPACE by regions

ths m2	2Q15	2Q16	YoY
LPP GROUP	778.4	872.7	12.1%
Poland	443.5	477.4	7.6%
EU	147.7	190.8	29.2%
CIS	183.2	196.9	7.4%
ME	3.9	7.6	94.9%

- Most of the openings in Poland came from seasonal stores of Cropp and House (c. 5 ths m2) and enlargements of RESERVED stores.
- Dynamic growth in the EU region in 2Q16 due to: (1) development in Germany (two stores, 4.4 ths m2) and (2) new openings in the Balkans (five stores in Romania and two stores in Croatia, total of 3 ths m2).
- There were two new openings in Russia in 2Q16 and two in Ukraine.
- In 2Q16 there were no openings in the Middle East.

# Growth in all brands

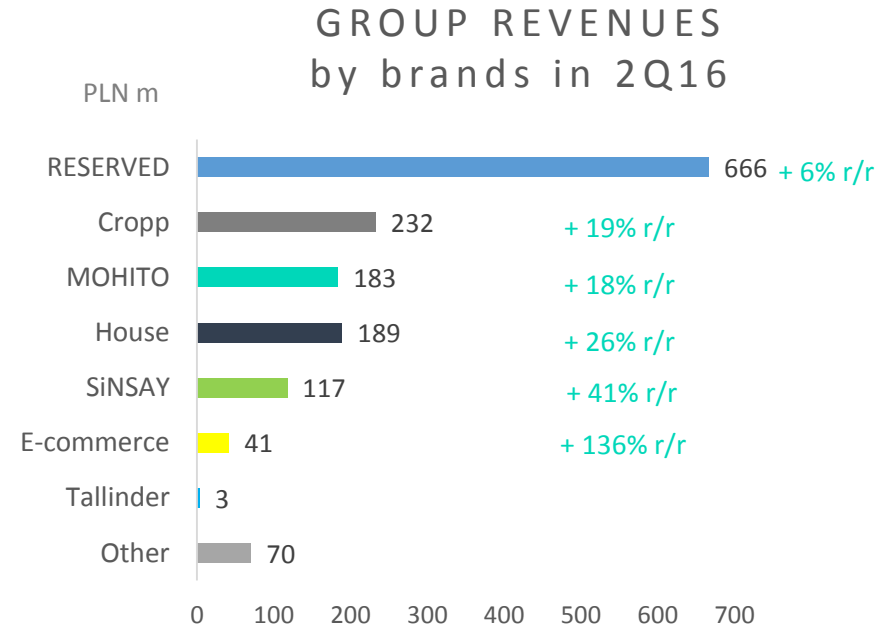
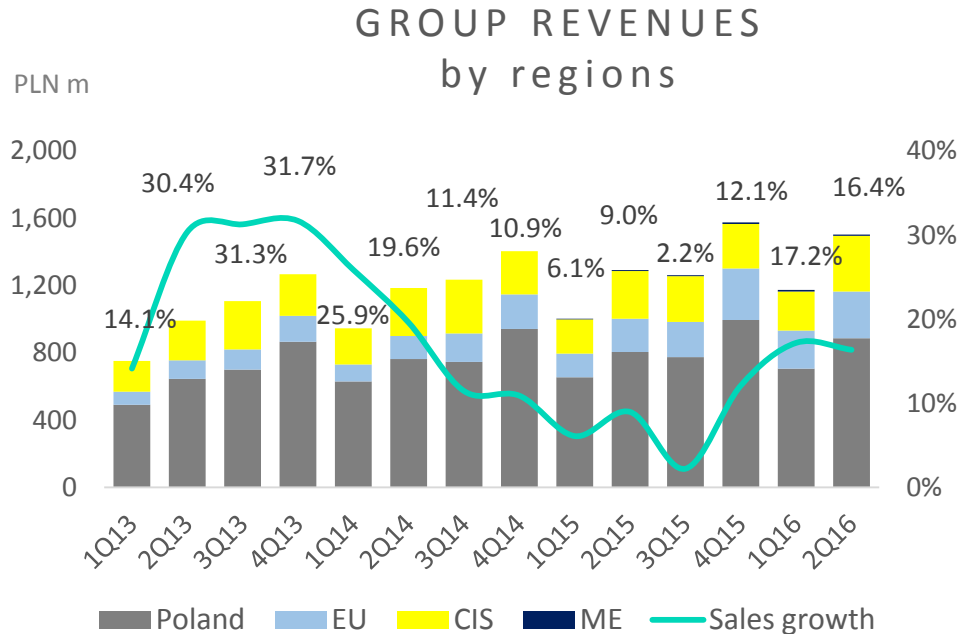


**2Q16 FLOORSPACE by brands**

ths m2	2Q15	2Q16	YoY
LPP GROUP	778.4	872.7	12.1%
RESERVED	416.3	473.8	13.8%
Cropp	111.5	117.8	5.6%
House	96.7	104.8	8.4%
MOHITO	89.1	95.9	7.6%
SiNSAY	52.4	63.1	20.4%
Tallinder	0.0	3.7	n/m
Outlets	12.4	13.8	10.8%

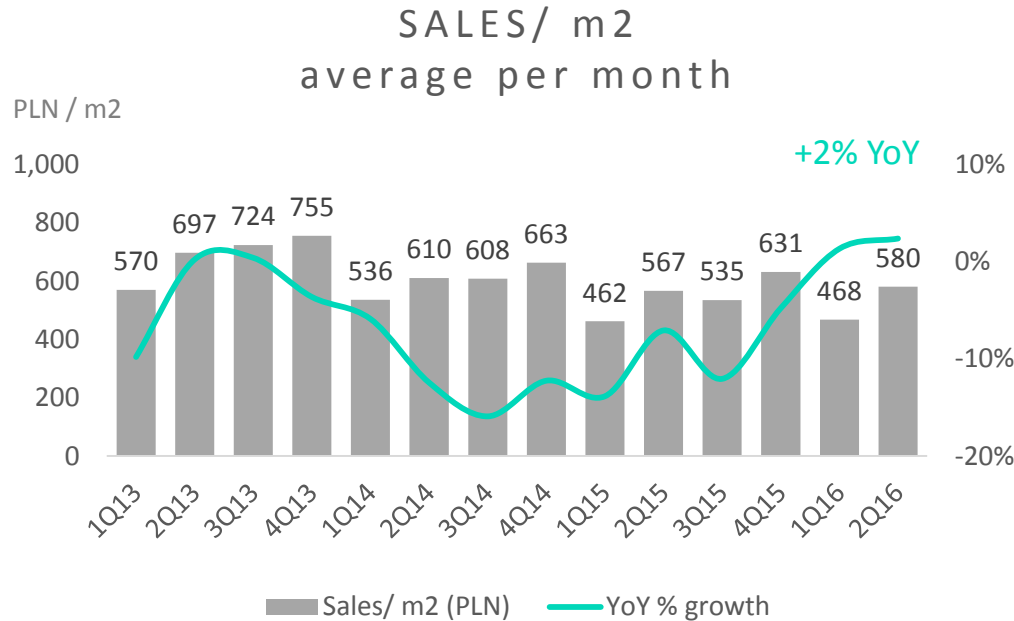
- Dynamic RESERVED development in 2Q16 due to: (1) openings in Germany (two stores, 4.4 ths m2) and (2) modernization of stores in Poland.
- Seasonal Cropp and House stores added c. 5 ths m2.
- Dynamic SiNSAY development in Poland and abroad in 2Q16.

# Acceleration of revenue growth



- Group revenues up 16.4% YoY in 2Q16 due to higher floorspace and positive LFLs.
- The largest nominal revenue growth in 2Q16 took place in Poland, Russia and Germany.
- The largest nominal growth in 2Q16 was generated by RESERVED and MOHITO brands.
- SiNSAY and MOHITO brands showed the highest dynamics in 2Q16.

# Continuation of sales/ m2 growth

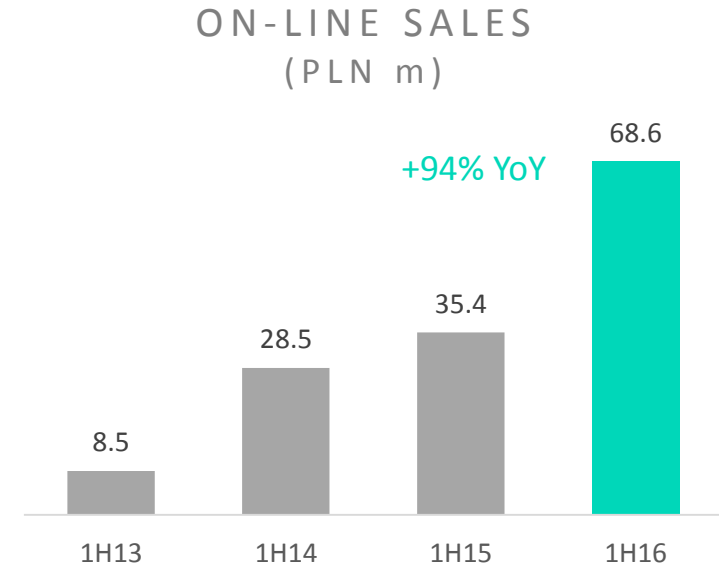
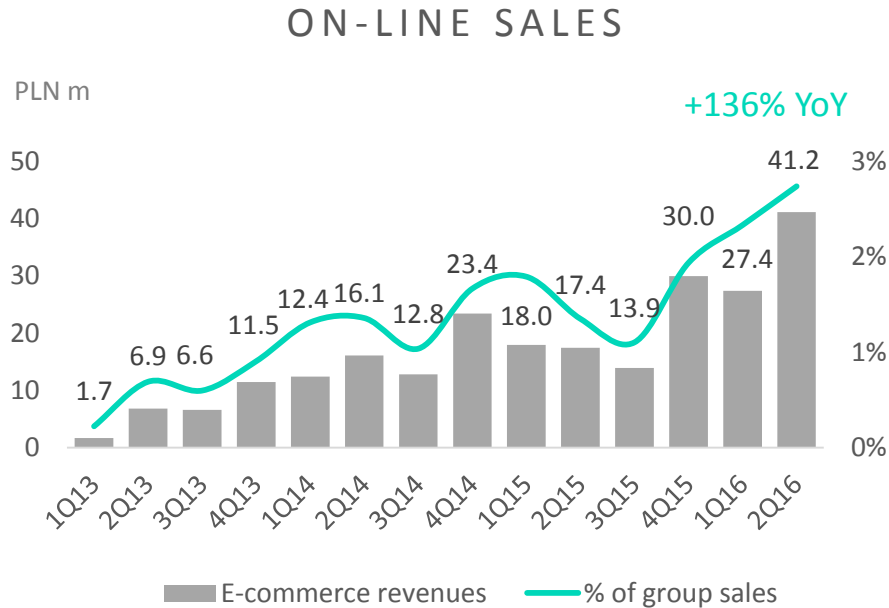


## RETAIL SALES/ m2

PLN (monthly)	2Q15	2Q16	YoY
LPP GROUP	542	565	4.4%
Poland	596	605	1.6%
EU	460	494	7.6%
CIS	494	547	10.8%

- In 2Q16 both sales/ m2 and retail sales/ m2 showed positive YoY dynamics.
- Double-digit YoY sales/ m2 growth was recorded in Bulgaria, Czech Republic, Estonia, Latvia, Romania, Ukraine and Russia. YoY falls were visible only in Germany and Hungary.
- In local currencies sales/ m2 grew 27% YoY in Russia and 26% YoY in Ukraine in 2Q16.

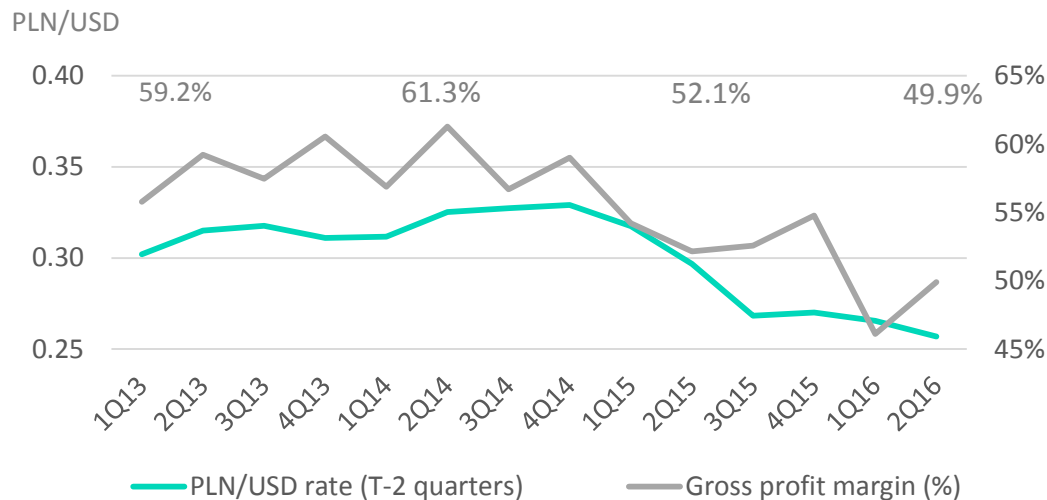
# E-commerce continues to grow



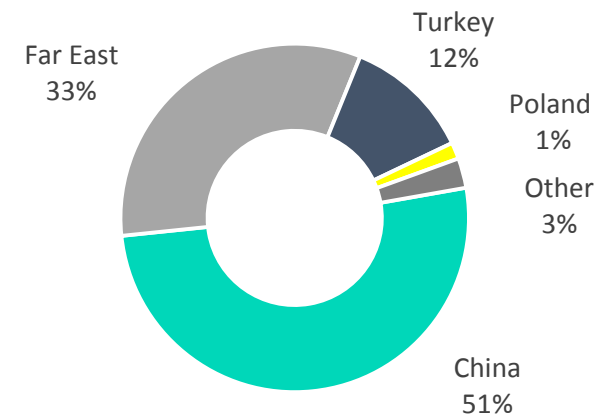
- On-line sales constituted 4.3% of revenues from Poland and 2.7% of group revenues in 2Q16.
- Around 90% of on-line sales was generated in Poland.
- Each of our six brands has its own internet store in Poland.
- RESERVED on-line stores are present in six countries.

# Stronger US\$ increases COGS

GROSS PROFIT MARGIN vs PLN/US\$

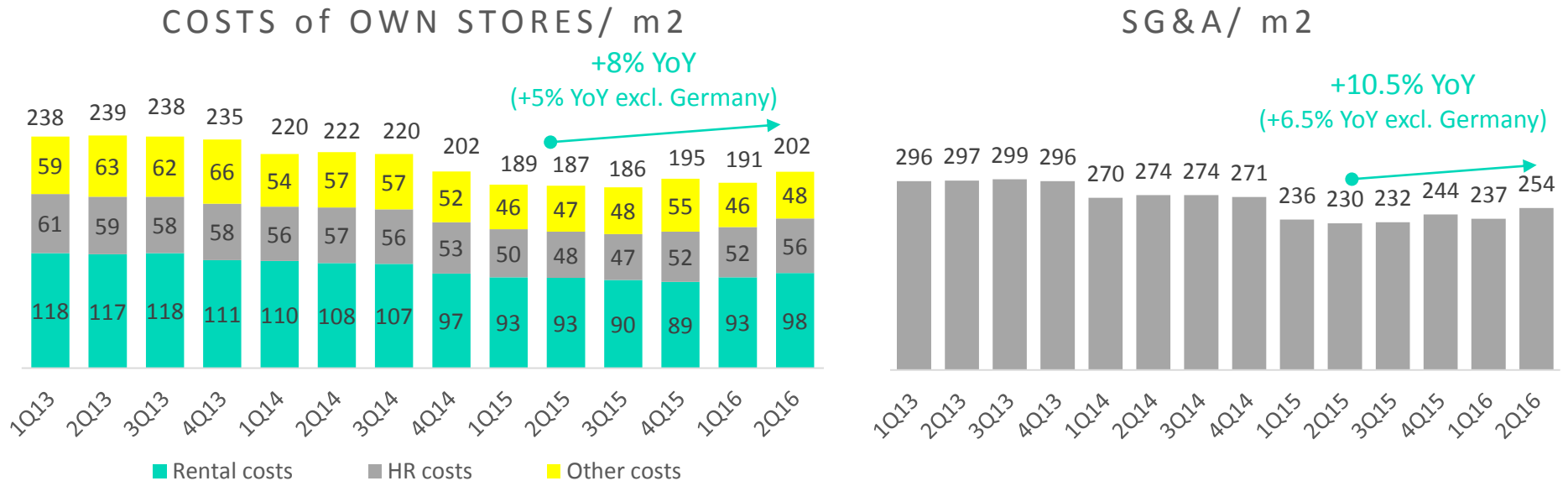


1H16 PURCHASES by regions



- Fall in 2Q16 gross profit margin resulted from appreciation of US\$ to PLN and sell-offs at RESERVED.
- A new sell-out policy introduced from 2Q16 – goods are sold off to the maximum extent in stores, to avoid the costs of removal and transportation to the post-season warehouse.
- Further US\$ appreciation to PLN is a risk factor to gross profit margin levels in upcoming quarters.

# Higher costs per m2



- Growing rental charges → depreciation of PLN vs. euro had a stronger impact than rental renegotiations.
- Growth in personnel costs → growth in salaries, especially in Poland, the Baltic countries and Germany.
- Higher SG&A/m2 → higher costs of headquarters (e-commerce development, increase in D&A due to new logistic centre and new headquarters, investments in product improvements) and higher store costs.
- Share of German costs of stores in total costs of stores increased from c. 4% in 2Q15 up to c. 9% in 2Q16.

# PLN 90m of net profit in 2Q16

PLN m	2Q15	2Q16	YoY
<b>Revenues</b>	<b>1,291.3</b>	<b>1,502.4</b>	<b>16.4%</b>
Gross profit on sales	673.4	749.7	11.3%
<i>Gross profit margin</i>	<i>52.1%</i>	<i>49.9%</i>	<i>-2.2 p.p.</i>
SG&A costs	523.5	651.7	24.5%
Other operating activity	-13.1	-11.6	
<b>EBIT</b>	<b>136.8</b>	<b>86.5</b>	<b>-36.8%</b>
<i>EBIT margin</i>	<i>10.6%</i>	<i>5.8%</i>	<i>-4.8 p.p.</i>
Net financials	21.5	2.4	
Pre-tax profit	158.3	88.9	-43.8%
Tax	21.6	-0.9	
<i>Effective tax rate</i>	<i>13.7%</i>	<i>-1.0%</i>	
<b>Net income</b>	<b>136.6</b>	<b>89.8</b>	<b>-34.3%</b>
<i>Net margin</i>	<i>10.6%</i>	<i>6.0%</i>	<i>-4.6 p.p.</i>

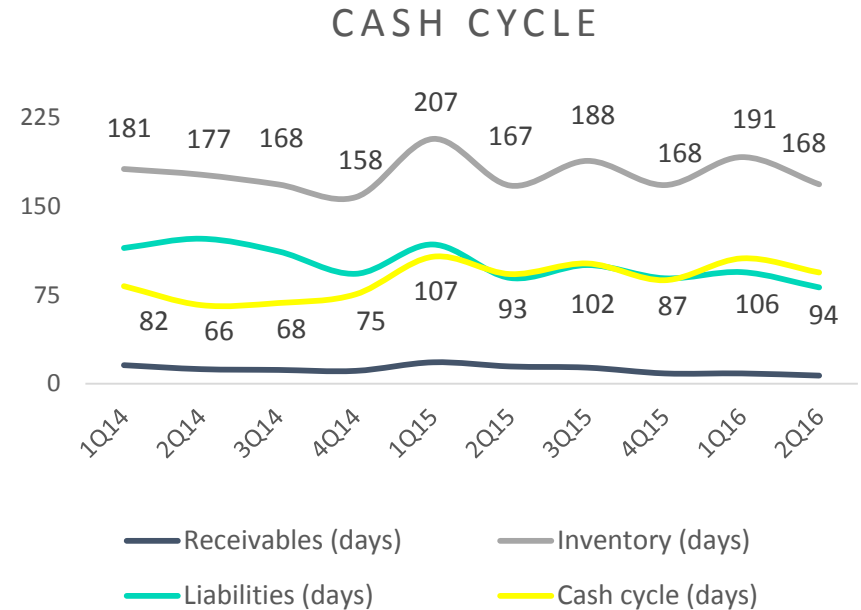
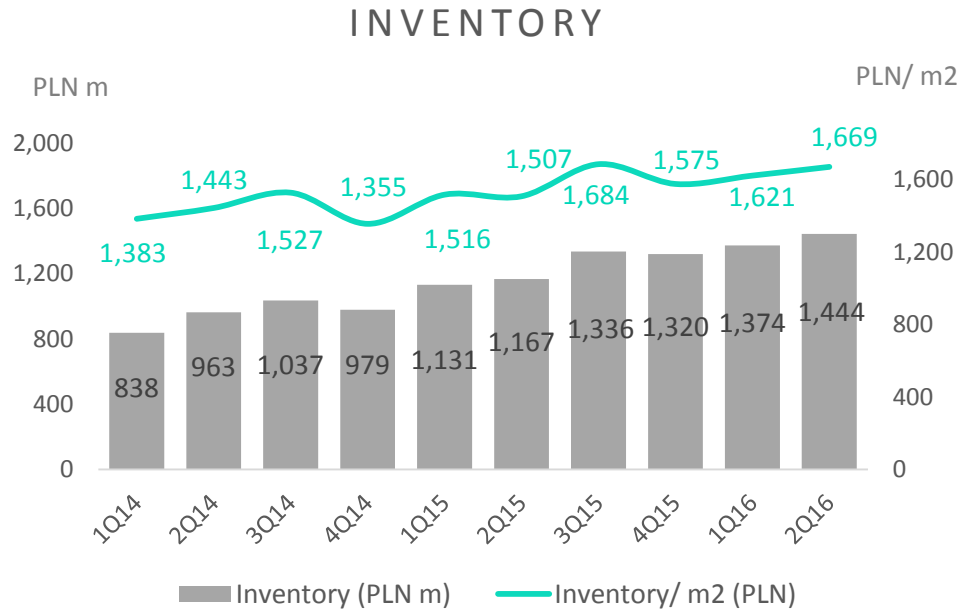
- Dynamic revenue growth (positive LFLs and floorspace increase).
- QoQ slowdown in the pace of gross margin decline, yet continuation of trends:
  - higher COGS in PLN,
  - competitive pressure in Poland.
- YoY growth in SG&A costs due to higher costs of stores and headquarters.
- Lower YoY net other operating costs due to higher write-ups.
- Positive net financials:
  - PLN 8.7m of FX gains (2Q15: PLN 27m gains), out of which PLN 13.1m gain on ruble and hryvna (2Q15: PLN 6m gain) and PLN 9.4m loss on US\$ (PLN 13m of gains in 2Q15).
- Negative tax in 2Q16 due to usage of tax losses available.

# First half results in line with estimates

PLN m	1H15	1H16	YoY
<b>Revenues</b>	<b>2,293.8</b>	<b>2,677.2</b>	<b>16.7%</b>
Gross profit on sales	1,216.8	1,291.5	6.1%
<i>Gross profit margin</i>	<i>53.0%</i>	<i>48.2%</i>	<i>-4.8 p.p.</i>
SG&A costs	1,036.0	1,247.0	20.4%
Other operating activity	-20.3	-21.9	
<b>EBIT</b>	<b>160.5</b>	<b>22.6</b>	<b>-85.9%</b>
<i>EBIT margin</i>	<i>7.0%</i>	<i>0.8%</i>	<i>-6.2 p.p.</i>
Net financials	-32.0	-2.6	
Pre-tax profit	128.6	19.9	-84.5%
Tax	29.3	-4.3	
<i>Effective tax rate</i>	<i>22.8%</i>	<i>-21.5%</i>	
<b>Net income</b>	<b>99.3</b>	<b>24.2</b>	<b>-75.6%</b>
<i>Net margin</i>	<i>4.3%</i>	<i>0.9%</i>	<i>-3.4 p.p.</i>

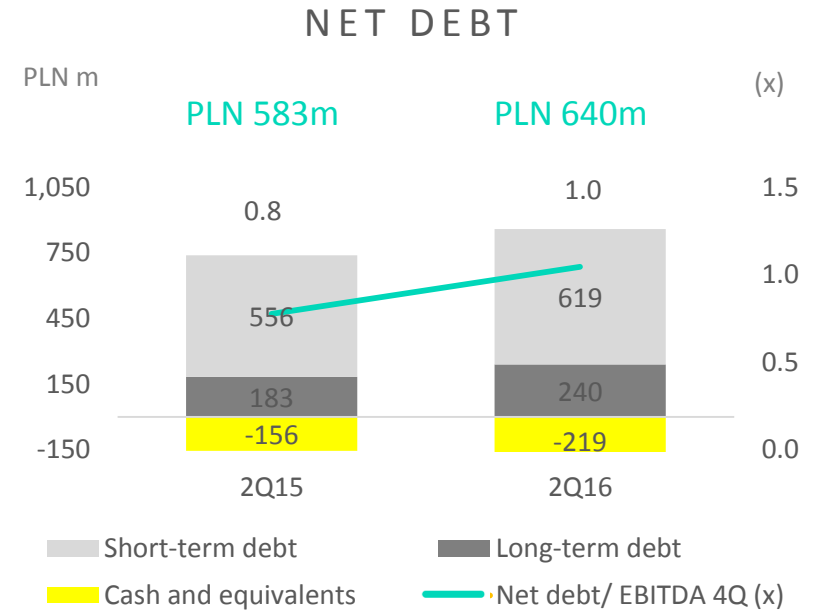
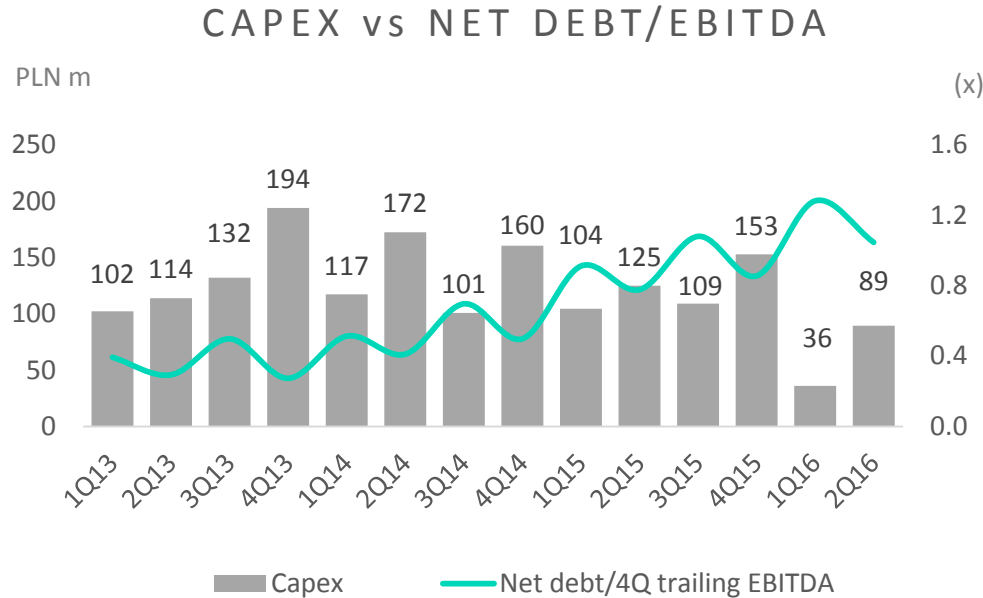
- Dynamic revenue growth (positive LFLs and higher floorspace).
- Continuation of trends in gross profit margin:
  - higher COGS in PLN,
  - competitive pressure in Poland.
- YoY growth in SG&A costs due to higher cost of stores and headquarters from 2Q16.
- Stable net other operating costs.
- Negative net financials:
  - PLN 10.6m of FX gains (1H15: PLN 23m losses), out of which PLN 14.5m gain on ruble and hryvna (1H15: PLN 23m losses) and PLN 8.3m losses on US\$ (1H15: PLN 10m of losses vs PLN 10m gains on EUR).
- Low tax in 1H16 results from usage of tax asset.

# A stable cash cycle



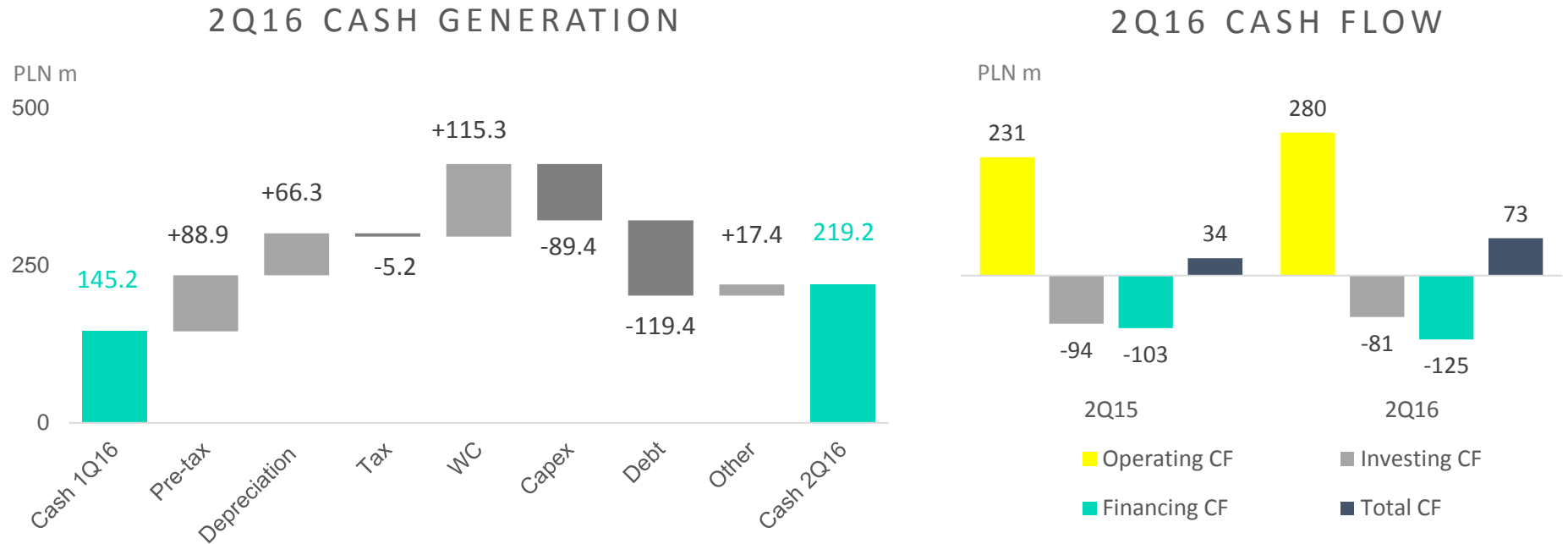
- Nominal YoY growth in inventory results from higher floorspace and appreciation of US\$ to PLN.
- Cash cycle at 94 days in 2Q16, flat YoY. Shorter receivables cycle (no advances for the logistics centre construction) and shorter YoY liabilities cycle.
- The mode of settlements with suppliers has remained unchanged.

# Indebtedness at a safe level



- 2Q16 capex down 28% YoY thanks to higher usage of fit-outs and due to completion of investments in logistics center and HQs.
- Higher capex QoQ results from openings in Germany and enlargements of RESERVED stores.
- Net debt / EBITDA remains at a safe level, despite YoY pick-up. Our aim is to reduce net debt / EBITDA ratio.

# Strong operating cash flow



- Operating cash flow → YoY increase despite higher inventory thanks to better control of liabilities.
- Investing cash flow → lower YoY capex results from the completion of investment in the logistics centre.
- Financing cash flow → lower usage of debt for inventory and openings financing.
- PLN 1.6bn in open credit lines used for letters of credits, guarantees and overdrafts.

# 1H16 executive summary

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## ACHIEVEMENTS AND CHALLENGES

- Strong results of MOHITO, SiNSAY, Cropp and House brands.
- Intense efforts aimed at improving product, logistics and management at the RESERVED brand.
- Pick-up in foreign sales.
- Focus on achieving profitability in Germany (mainly on sales/ m2).
- Acceleration of e-commerce dynamics.

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# Tallinder – new stores of the premium brand

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Tallinder in Riviera mall  
in Gdynia



The first store in Warsaw



SS16 collection advertised  
by Jaroslaw Bieniuk

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Seventh store in Poland and second  
in the Tri-City area (the first one is  
in Galeria Bałtycka in Gdansk).

392 m2

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Opening of the first store  
in Warsaw's prestigious Arkadia  
shopping mall in June 2016.

317 m2

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Investment in marketing – a well-  
known football player advertised  
spring / summer 2016 collection.

# Continuation of openings in Germany

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Essen

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A high-street store.  
1,879 m2  
Opening: April 2016



Ludwigsburg

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Store located in a shopping mall.  
2,450 m2  
Opening: June 2016



Munich

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A high-street store.  
3,456 m2  
Opening: September 2016

# The new concept of RESERVED stores

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- Wide, open and transparent storefront allows for a deep view into the store.
- Modern LED lamps and LED screens illuminate the collections in a better way and create a warm ambience.
- Comfortable, large and spacious fitting rooms.
- Lack of dedicated zones allows for a smooth transition between women, men and children zones.
- Furniture made of straight profiles, flexible and more mobile.

# Our trends for autumn / winter 2016/17

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**Street Fashion**  
Everyday life in style

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Everything that is simple, impressive and exposes the body shape is fashionable. Classics: white and black stripes, black leather are mixed with elements of grunge, hippie, urban folk and sport style.



**Modern Line**  
Sophisticated minimalism

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Moderation and elegance. Breaking the classics and introduction of sophisticated office outfits. A chic office fashion.



**Young Fashion Lab**  
A big city girl

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Grunge returns to RESERVED. Individual style and high-street relaxed style. Emphasis on the practical side of the clothes.

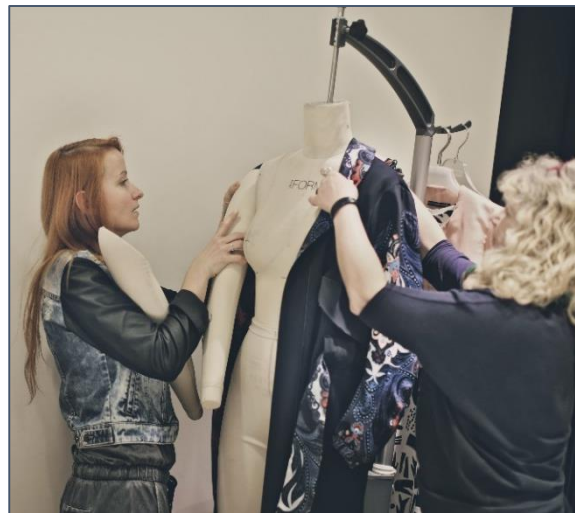
# We support young designers

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**FASHION STARTER – project supporting designers**

LPP's designers and graphics together with academic personnel from Gdansk Academy of Fine Arts exchanged experiences on commercial clothing design with students.



**Professional trimming of the winning projects**

Finalists created their utility models and abstract collections under the supervision of technologists and tailors from the RESERVED brand.



**RESERVED storefronts with the best collections**

Designs of the finalists are exhibited in selected LPP's stores. We plan the next workshops in Cracow and further editions of the project.

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# Slower floorspace growth in 2016

Floorspace (ths m2)	31.12.2015	2016 previous target	2016 new target	YoY growth
<b>BY BRANDS</b>				
RESERVED	461.3	516.5	508.0	10%
Cropp	114.5	120.4	120.2	5%
House	99.7	106.3	105.2	5%
MOHITO	94.5	100.4	98.7	5%
SiNSAY	59.7	69.6	69.4	16%
Tallinder	0.0	4.3	4.4	-
Outlets	13.8	13.8	13.8	0%
<b>BY REGIONS</b>				
Poland	465.0	496.6	495.6	7%
EU	179.0	212.7	209.3	17%
CIS	193.9	213.1	207.2	7%
ME	5.5	9.0	7.6	38%
<b>TOTAL</b>	<b>843.5</b>	<b>931.3</b>	<b>919.7</b>	<b>9%</b>

- 9% YoY floorspace growth targeted for 2016 together with 1,700 stores in 18 countries.
- 2016 targets: (1) further development in Germany, (2) further floorspace growth in Russia, (3) acceleration in the SEE region.
- Planned 2016 capex at c. PLN 370m, down 24% YoY due to slower floorspace growth.
- 2016 capex split: (1) PLN 270m for new stores and (2) PLN 40m for store upgrades. The remaining amount consists mainly of headquarters expansion.
- We plan to enter 4 new countries in 2017: Belarus and Kazakhstan (franchise) and Serbia and the UK (flagship in London).

# Expectations for 2016

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## 2016 TARGETS

- Revenue growth should exceed floorspace growth.
- Fall in gross profit margin by c.3-4% p.p. versus 2015 level.

## 2016 OPPORTUNITIES

- LFLs improvement.
- Dynamic e-commerce development (four new brands on-line in five new countries in 4Q16).

## 2016 RISKS

- New turnover tax for retailers (estimated cost of c. PLN 13-15m in 2016, c. PLN 40m in 2017) and/or ban for trade on Sundays.
- Continuation of FX trends on PLN/US\$ and PLN/EUR.

# Global aspirations require changes

2016 and 2017: time for internal changes, mainly in the RESERVED brand

## IMPROVED PRODUCT

- Product improvement (sizes, designs, finishing).
- New creative director with international experience.
- Opening of a new design department in Warsaw.

## LOGISTICS' CHANGES

- New collection delivered straight to stores (bypassing back-office).
- Lower returns to logistics centre (emphasis on sell-offs in stores).
- Offer tailored to the specific store.

## EFFECTIVE MANAGEMENT

- Small product teams, rewarded separately from one another.
- Merging of domestic and foreign trade departments.
- Close cooperation with manufacturers and flexible procurement policy.



Acceleration of network development after the period of changes

# Acceleration of e-commerce development

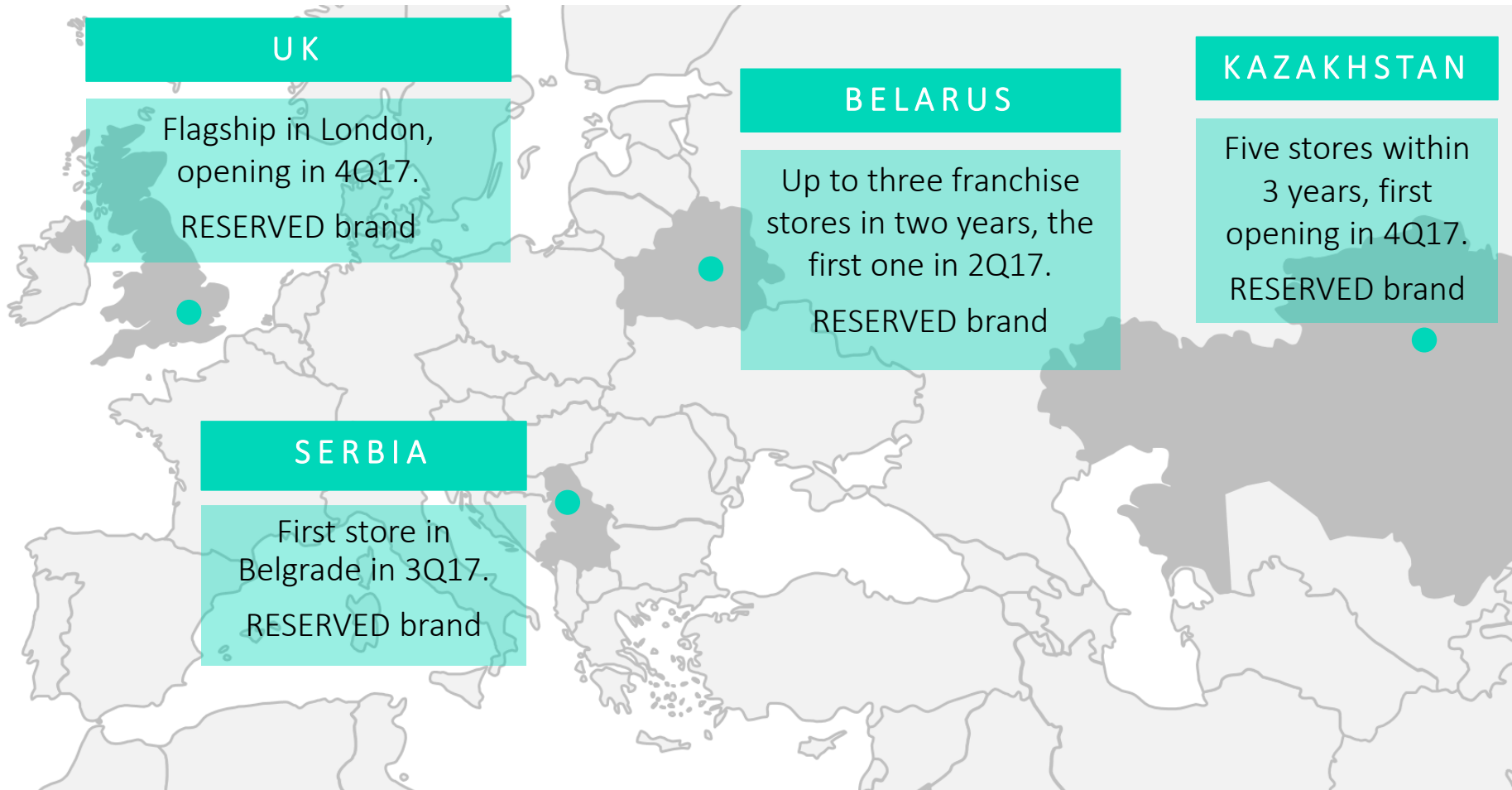
- We accelerate the openings of on-line stores: on-line stores of four (not two) brands in 4Q16 .
- Brands: House, MOHITO, Cropp and SiNSAY will have their on-line stores in five new countries: the Czech Republic, Slovakia, Hungary, Romania and Germany.
- We constantly improve our mobile sales platform (more intuitive navigation, improved product presentation) and logistics (faster delivery, favourable return conditions).
- We aim to have 7-8% of group sales generated from e-commerce by 2020.

## PLANNED ON-LINE STORES AT THE END OF 2016



	Poland	Czech Rep.	Slovakia	Hungary	Romania	Germany
RESERVED	✓	✓	✓	✓	✓	✓
Cropp	✓	✓	✓	✓	✓	✓
House	✓	✓	✓	✓	✓	✓
MOHITO	✓	✓	✓	✓	✓	✓
SiNSAY	✓	✓	✓	✓	✓	✓
Tallinder	✓					

# Four new markets in 2017



# Changes in LPP's reporting policy

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## PREVIOUSLY

## CURRENTLY

### Current reports catalogues

- A rules-based catalogue as a basis for current reports publication.

- Price sensitive information reported based on management 's best judgement, analysis of the past and surveys among investors and analysts.

### Reporting thresholds

- Events exceeding 10% of equity.

- Verification of importance of contracts and transactions for a rational investor on a case-by-case basis.

### Publication of financial results

- Publication of annual, semi-annual and quarterly results.

- Additional publication of quarterly results estimates.

### Price sensitive information

- A precise definition of price sensitive information which requires disclosure.

- A more general definition requiring a case-by-case verification of reported information.

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- Back-up



# Network development

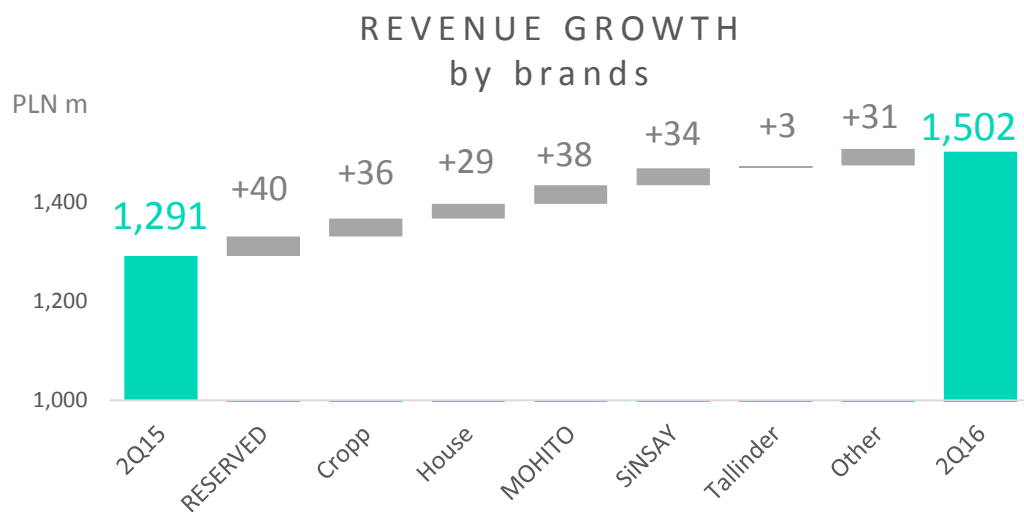
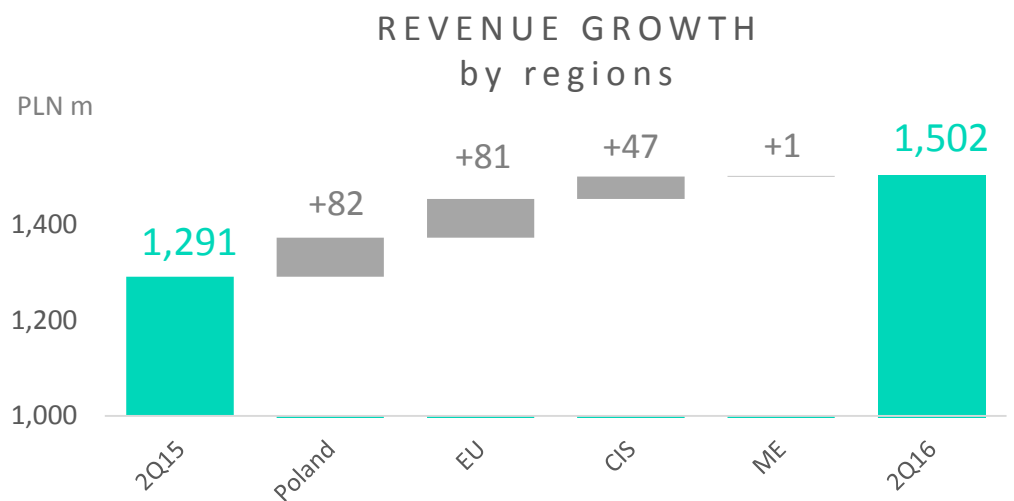
Floorspace (ths m2)	30.06.2014	30.09.2014	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015	31.03.2016	30.06.2016
<b>RESERVED</b>	<b>358.9</b>	<b>367.4</b>	<b>389.7</b>	<b>402.7</b>	<b>416.3</b>	<b>435.7</b>	<b>461.3</b>	<b>467.1</b>	<b>473.8</b>
Poland	202.8	204.7	209.2	215.2	219.0	223.4	232.5	230.9	235.1
EU	64.6	69.6	83.9	90.1	95.1	106.5	120.2	124.0	127.2
CIS	91.5	93.2	96.6	95.8	98.3	100.4	103.1	104.6	103.9
ME	0.0	0.0	0.0	1.5	3.9	5.5	5.5	7.6	7.6
<b>Cropp</b>	<b>102.2</b>	<b>101.2</b>	<b>105.4</b>	<b>106.6</b>	<b>111.5</b>	<b>109.1</b>	<b>114.5</b>	<b>115.4</b>	<b>117.8</b>
Poland	59.1	57.0	58.3	58.5	62.8	59.6	63.0	63.6	65.2
EU	14.5	15.6	17.1	17.8	18.7	19.1	19.8	20.2	20.6
CIS	28.6	28.6	30.0	30.2	30.0	30.4	31.7	31.6	31.9
<b>House</b>	<b>89.9</b>	<b>87.3</b>	<b>89.6</b>	<b>89.9</b>	<b>96.7</b>	<b>95.2</b>	<b>99.7</b>	<b>100.5</b>	<b>104.8</b>
Poland	59.3	56.9	57.3	56.2	62.4	59.3	62.2	62.9	65.4
EU	10.5	10.3	11.4	12.7	13.2	14.4	15.1	15.5	16.4
CIS	20.1	20.1	20.9	21.0	21.1	21.6	22.4	22.0	23.1
<b>MOHITO</b>	<b>76.7</b>	<b>78.4</b>	<b>82.8</b>	<b>86.4</b>	<b>89.1</b>	<b>90.3</b>	<b>94.5</b>	<b>94.9</b>	<b>95.9</b>
Poland	44.7	45.1	46.2	47.8	49.2	49.7	52.1	52.5	51.8
EU	8.6	9.4	11.8	13.6	14.5	15.2	16.1	16.5	17.7
CIS	23.4	24.0	24.8	25.0	25.4	25.4	26.2	25.9	26.3
<b>SINSAY</b>	<b>35.1</b>	<b>38.0</b>	<b>43.7</b>	<b>48.4</b>	<b>52.4</b>	<b>54.8</b>	<b>59.7</b>	<b>60.5</b>	<b>63.1</b>
Poland	27.2	29.1	32.7	35.5	38.6	40.3	43.5	43.9	44.5
EU	2.7	3.1	4.4	5.4	6.3	6.6	7.6	8.0	8.8
CIS	5.2	5.8	6.6	7.6	7.6	7.9	8.6	8.6	9.8
<b>Tallinder (Poland only)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.9</b>	<b>3.7</b>
<b>Outlets</b>	<b>9.3</b>	<b>8.8</b>	<b>11.3</b>	<b>11.8</b>	<b>12.4</b>	<b>13.6</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>
<b>Total by regions</b>									
Poland	401.1	400.0	413.6	423.5	443.5	443.9	465.0	468.3	477.4
EU	100.9	107.9	128.6	139.6	147.7	161.7	179.0	184.4	190.8
CIS	170.2	173.2	180.3	181.2	183.2	187.7	193.9	194.7	196.9
ME	0.0	0.0	0.0	1.5	3.9	5.5	5.5	7.6	7.6
<b>TOTAL</b>	<b>672.2</b>	<b>681.1</b>	<b>722.5</b>	<b>745.8</b>	<b>778.4</b>	<b>798.8</b>	<b>843.5</b>	<b>855.0</b>	<b>872.7</b>

# 2016 network development details

Floorspace (ths m2)	31.12.2015	2016 TARGET	Nominal growth	YoY growth
<b>RESERVED</b>	<b>461.3</b>	<b>508.0</b>	<b>46.6</b>	<b>10%</b>
Poland	232.5	248.2	15.6	7%
EU	120.2	144.1	23.9	20%
CIS	103.1	108.1	5.0	5%
ME	5.5	7.6	2.1	38%
<b>Cropp</b>	<b>114.5</b>	<b>120.2</b>	<b>5.7</b>	<b>5%</b>
Poland	63.0	65.4	2.4	4%
EU	19.8	20.8	1.1	5%
CIS	31.7	34.0	2.3	7%
<b>House</b>	<b>99.7</b>	<b>105.2</b>	<b>5.5</b>	<b>5%</b>
Poland	62.2	64.5	2.2	4%
EU	15.1	16.4	1.2	8%
CIS	22.4	24.3	2.0	9%
<b>MOHITO</b>	<b>94.5</b>	<b>98.7</b>	<b>4.3</b>	<b>5%</b>
Poland	52.1	53.0	0.9	2%
EU	16.1	18.1	1.9	12%
CIS	26.2	27.7	1.5	6%
ME	0.0	0.0	0.0	-
<b>SINSAY</b>	<b>59.7</b>	<b>69.4</b>	<b>9.7</b>	<b>16%</b>
Poland	43.5	48.5	5.0	12%
EU	7.6	9.7	2.1	28%
CIS	8.6	11.2	2.6	30%
ME	0.0	0.0	0.0	-
<b>Tallinder</b>	<b>0.0</b>	<b>4.4</b>	<b>4.4</b>	<b>-</b>
Poland	0.0	4.4	4.4	-
EU	0.0	0.0	0.0	-
CIS	0.0	0.0	0.0	-
<b>Outlets</b>	<b>13.8</b>	<b>13.8</b>	<b>0.0</b>	<b>0%</b>
Poland	11.6	11.6	0.0	0%
EU	0.2	0.2	0.0	0%
CIS	2.0	2.0	0.0	0%
<b>TOTAL</b>	<b>843.5</b>	<b>919.7</b>	<b>76.2</b>	<b>9%</b>

No. of stores	31.12.2015	2016 TARGET	Nominal growth	YoY growth
<b>RESERVED</b>	<b>449</b>	<b>460</b>	<b>11</b>	<b>2%</b>
Polaska	237	235	-2	-1%
EU	107	117	10	9%
CIS	101	102	1	1%
ME	4	6	2	50%
<b>Cropp</b>	<b>372</b>	<b>380</b>	<b>8</b>	<b>2%</b>
Polaska	217	220	3	1%
EU	66	68	2	3%
CIS	89	92	3	3%
<b>House</b>	<b>319</b>	<b>328</b>	<b>9</b>	<b>3%</b>
Polaska	208	210	2	1%
EU	48	51	3	6%
CIS	63	67	4	6%
<b>MOHITO</b>	<b>280</b>	<b>288</b>	<b>8</b>	<b>3%</b>
Polaska	164	164	0	0%
EU	52	57	5	10%
CIS	64	67	3	5%
ME	0	0	0	-
<b>SINSAY</b>	<b>170</b>	<b>197</b>	<b>27</b>	<b>16%</b>
Polaska	127	142	15	12%
EU	21	26	5	24%
CIS	22	29	7	32%
ME	0	0	0	-
<b>Tallinder</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>-</b>
Polaska	0	10	10	-
EU	0	0	0	-
CIS	0	0	0	-
<b>Outlety</b>	<b>37</b>	<b>37</b>	<b>0</b>	<b>0%</b>
Polaska	33	33	0	0%
EU	1	1	0	0%
CIS	3	3	0	0%
<b>RAZEM</b>	<b>1,627</b>	<b>1,700</b>	<b>73</b>	<b>4%</b>

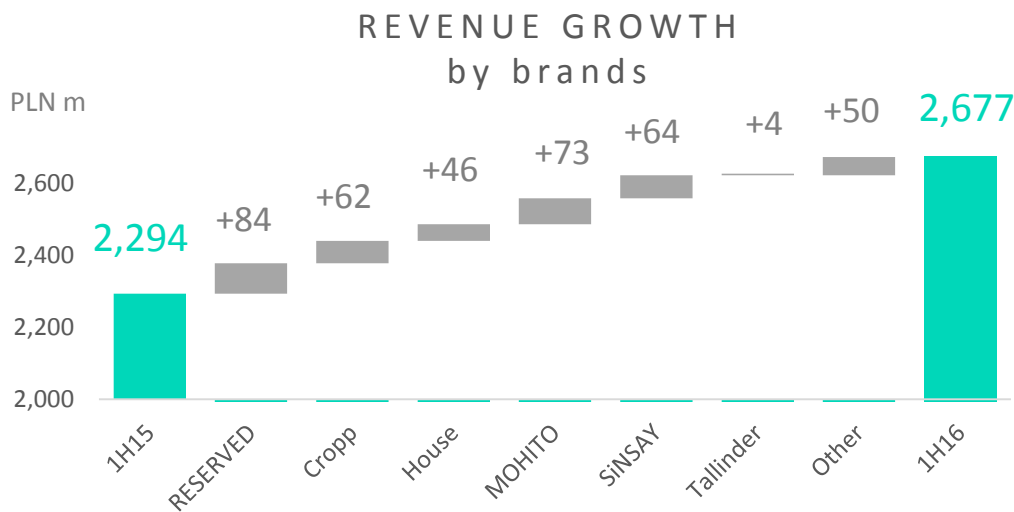
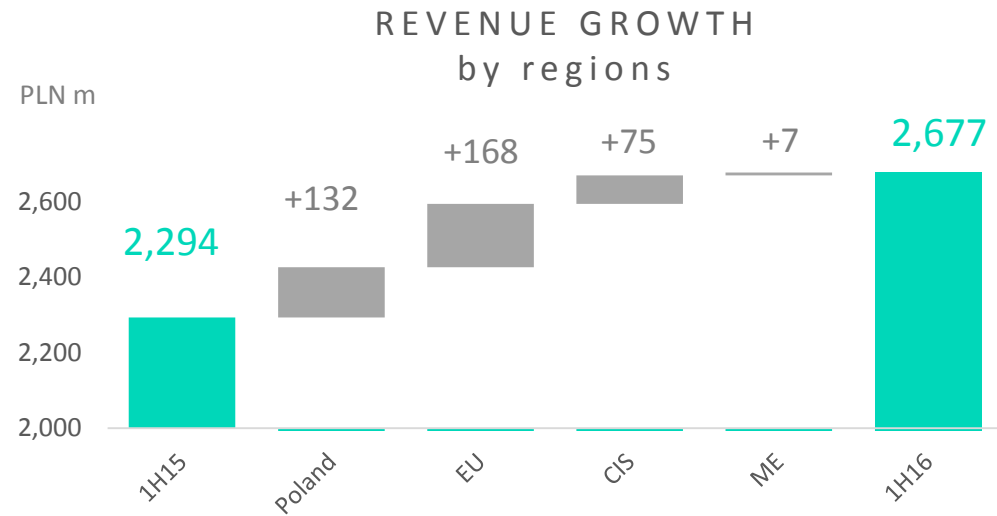
# Group 2Q16 revenue growth contributors



REVENUES by brands

PLN m	2Q15	2Q16	YoY
LPP GROUP	1,291.3	1,502.4	16.4%
RESERVED PL	369.7	353.6	-4.4%
RESERVED EX	257.2	312.8	21.6%
Cropp PL	111.4	126.1	13.2%
Cropp EX	84.3	106.2	25.9%
House PL	107.4	126.5	17.9%
House EX	52.2	62.3	19.5%
MOHITO PL	88.3	101.1	14.6%
MOHITO EX	57.5	82.2	43.2%
SINSAY PL	65.5	87.7	33.9%
SINSAY EX	17.8	29.6	66.7%
Tallinder	0.0	3.1	n/m
Other	80.1	111.1	38.7%

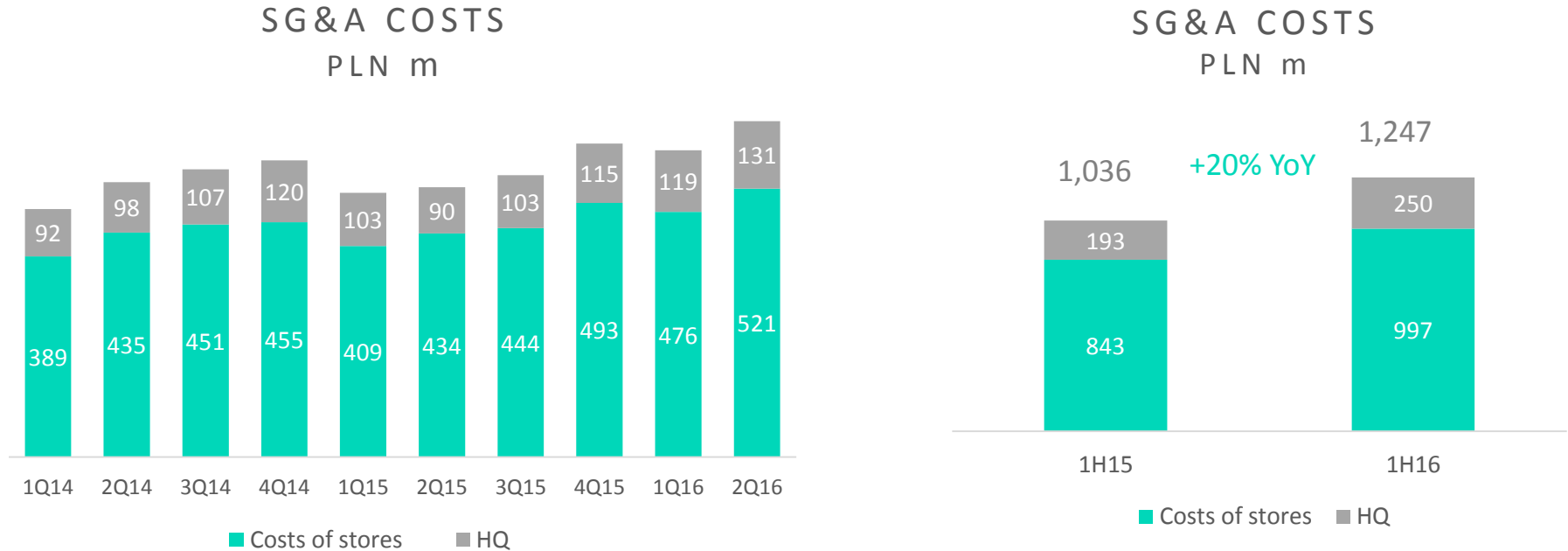
# Group 1H16 revenue growth contributors



REVENUES by brands

PLN m	1H15	1H16	YoY
LPP GROUP	2,293.8	2,677.2	16.7%
RESERVED PL	670.5	641.7	-4.3%
RESERVED EX	449.1	562.4	25.2%
Cropp PL	199.4	222.4	11.5%
Cropp EX	138.7	177.4	27.9%
House PL	198.7	227.5	14.5%
House EX	87.8	105.5	20.1%
MOHITO PL	162.1	187.2	15.5%
MOHITO EX	98.2	145.7	48.4%
SiNSAY PL	112.6	155.9	38.4%
SiNSAY EX	28.6	49.6	73.3%
Tallinder	0.0	3.8	n/m
Other	147.8	198.3	34.2%

# Costs of stores and HQs



- Costs of stores encompass costs of own stores (rentals, personnel and other) as well as costs of franchise stores in Poland. Stores in the Middle East do not affect SG&A costs.
- Costs of stores → YoY growth in 2Q16 due to higher YoY floorspace, depreciation of zloty versus euro and HR costs. Fall in costs of franchise stores in Poland, due to switch to company owned stores.
- HQ costs → YoY growth in 2Q16 due to additional depreciation (logistic center and the new HQs) and higher personnel costs (investments in product and e-commerce).

# Other operating activity and net financials in 2Q16

## OTHER OPERATING REVENUES

PLN m	2Q15	2Q16
Inventory excess (write-ups)	2.4	3.6
Gain on sale of assets	1.2	2.9
<b>Other operating revenues</b>	<b>4.4</b>	<b>7.2</b>

## OTHER OPERATING COSTS

PLN m	2Q15	2Q16
Write-offs	1.3	3.6
Inventory losses	9.5	12.0
Donations and others	3.9	1.8
<b>Other operating costs</b>	<b>17.4</b>	<b>18.8</b>

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<b>OTHER OPERATING ACTIVITY</b>	<b>-13.1</b>	<b>-11.6</b>
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## FINANCIAL REVENUES

PLN m	2Q15	2Q16
FX gains	0.0	8.7
Interest	0.4	0.2
<b>Financial revenues</b>	<b>0.4</b>	<b>9.1</b>

## FINANCIAL COSTS

PLN m	2Q15	2Q16
FX losses	-27.0	0.0
Interest	4.9	6.1
Provisions	0.5	0.6
<b>Financial costs</b>	<b>-20.9</b>	<b>6.7</b>

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<b>NET FINANCIALS</b>	<b>21.5</b>	<b>2.4</b>
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# Other operating activity and net financials in 1H16

## OTHER OPERATING REVENUES

PLN m	1H15	1H16
Inventory excess (write-ups)	6.7	8.1
Gain on sale of assets	2.2	3.7
<b>Other operating revenues</b>	<b>10.5</b>	<b>13.7</b>

## OTHER OPERATING COSTS

PLN m	1H15	1H16
Write-offs	3.0	7.7
Inventory losses	16.8	21.4
Donations and others	7.9	4.1
<b>Other operating costs</b>	<b>30.8</b>	<b>35.6</b>

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<b>OTHER OPERATING ACTIVITY</b>	<b>-20.3</b>	<b>-21.9</b>
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## FINANCIAL REVENUES

PLN m	1H15	1H16
FX gains	0.0	10.6
Interest	1.1	0.4
<b>Financial revenues</b>	<b>1.3</b>	<b>11.3</b>

## FINANCIAL COSTS

PLN m	1H15	1H16
FX losses	22.7	0.0
Interest	9.1	11.9
Provisions	0.7	2.0
<b>Financial costs</b>	<b>33.2</b>	<b>13.9</b>

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<b>NET FINANCIALS</b>	<b>-32.0</b>	<b>-2.6</b>
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# Historical quarterly numbers

PLN m	3Q14	3Q15	4Q14	4Q15	1Q15	1Q16	2Q15	2Q16	YoY
<b>Revenues</b>	<b>1,234.2</b>	<b>1,261.5</b>	<b>1,404.9</b>	<b>1,575.0</b>	<b>1,002.6</b>	<b>1,174.8</b>	<b>1,291.3</b>	<b>1,502.4</b>	<b>16.4%</b>
Gross profit on sales	699.6	663.2	829.1	862.8	543.6	541.8	673.4	749.7	11.3%
<i>Gross profit margin</i>	<i>56.7%</i>	<i>52.6%</i>	<i>59.0%</i>	<i>54.8%</i>	<i>54.2%</i>	<i>46.1%</i>	<i>52.1%</i>	<i>49.9%</i>	<i>-2.2 p.p.</i>
SG&A costs	558.4	546.8	576.2	608.9	512.5	595.3	523.5	651.7	24.5%
Other operating activity net	-6.9	-9.6	-4.7	-18.5	-7.3	-10.4	-13.1	-11.6	
<b>EBIT</b>	<b>134.4</b>	<b>106.8</b>	<b>248.3</b>	<b>235.4</b>	<b>23.7</b>	<b>-63.9</b>	<b>136.8</b>	<b>86.5</b>	<b>-36.8%</b>
<i>EBIT margin</i>	<i>10.9%</i>	<i>8.5%</i>	<i>17.7%</i>	<i>14.9%</i>	<i>2.4%</i>	<i>-5.4%</i>	<i>10.6%</i>	<i>5.8%</i>	<i>-4.8 p.p.</i>
Net financial activity	-39.3	-14.4	-74.6	-42.0	-53.4	-5.0	21.5	2.4	
<b>Pre-tax profit</b>	<b>95.1</b>	<b>92.5</b>	<b>173.7</b>	<b>193.4</b>	<b>-29.7</b>	<b>-68.9</b>	<b>158.3</b>	<b>88.9</b>	<b>-43.8%</b>
Tax	13.1	12.7	-72.0	21.0	7.6	-3.4	21.6	-0.9	
<i>Effective tax rate</i>	<i>13.8%</i>	<i>13.8%</i>	<i>-41.4%</i>	<i>10.9%</i>	<i>-25.6%</i>	<i>4.9%</i>	<i>13.7%</i>	<i>-1.0%</i>	
Minorities	0.3	0.0	0.6	0.0	0.0	0.0	0.0	0.0	
<b>Net income</b>	<b>81.7</b>	<b>79.7</b>	<b>245.1</b>	<b>172.3</b>	<b>-37.3</b>	<b>-65.6</b>	<b>136.6</b>	<b>89.8</b>	<b>-34.3%</b>
<i>Net income margin</i>	<i>6.6%</i>	<i>6.3%</i>	<i>17.4%</i>	<i>10.9%</i>	<i>-3.7%</i>	<i>-5.6%</i>	<i>10.6%</i>	<i>6.0%</i>	<i>-4.6 p.p.</i>

# Balance sheet remains stable

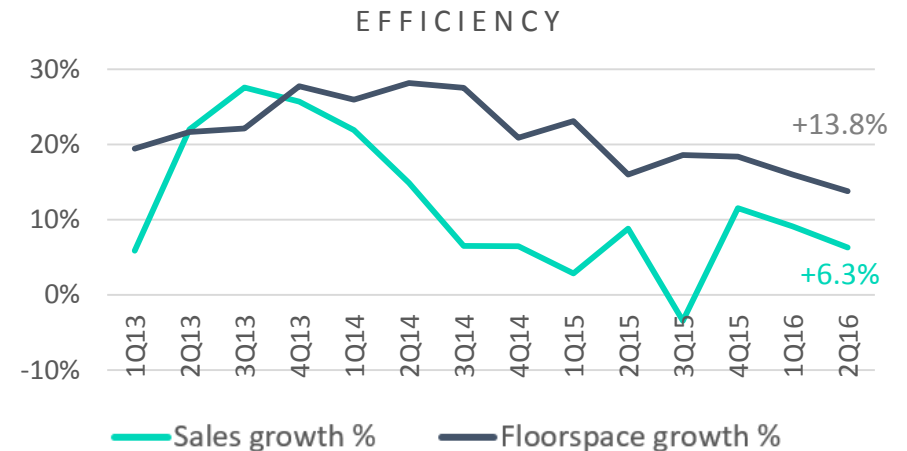
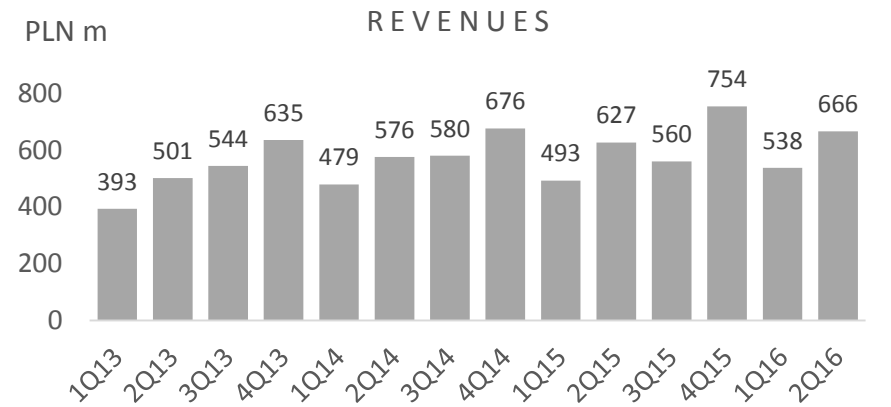
PLN m	30.06.2015	31.12.2015	30.06.2016
<b>Non-current assets</b>	<b>1,638.4</b>	<b>1,797.0</b>	<b>1,811.7</b>
intangibles (including goodwill)	321.0	324.4	326.5
fixed assets	1,080.1	1,258.8	1,266.0
<b>Current assets</b>	<b>1,601.8</b>	<b>1,768.2</b>	<b>1,913.3</b>
inventory	1,167.1	1,319.7	1,444.0
trade receivables	192.0	115.1	116.5
cash and equivalents	155.7	224.4	219.2
<b>Total assets</b>	<b>3,240.2</b>	<b>3,565.2</b>	<b>3,724.9</b>
<b>Equity</b>	<b>1,725.4</b>	<b>1,889.7</b>	<b>1,933.9</b>
<b>Long-term liabilities</b>	<b>217.9</b>	<b>344.1</b>	<b>303.3</b>
interest bearing debt	182.8	284.3	239.6
<b>Short-term liabilities</b>	<b>1,297.0</b>	<b>1,331.3</b>	<b>1,487.8</b>
trade liabilities	645.1	721.4	755.9
interest bearing debt	556.1	561.1	619.2
<b>Total liabilities</b>	<b>3,240.2</b>	<b>3,565.2</b>	<b>3,724.9</b>

- Higher YoY fixed assets due to investments in stores.
- Growth in intangibles due to investments in concept stores of all brands.
- Higher YoY inventory due to growth in floorspace and zloty depreciation vs US\$.
- YoY fall in receivables results from lack of down payments for the logistics centre.
- Pick-up in trade liabilities due to higher floorspace.
- Short-term debt picked-up YoY due to the need to finance inventory and new openings.
- YoY increase in long-term debt – the aim is to stabilize the financing structure.

# RESERVED

- A fast fashion brand with a broad customer base; wide range of collections.
- Target customers: women, men and children.
- Established in 1998.
- First brand in Germany and the Middle East.
- Advertised by international stars (Georgia May Jagger, Brooklyn Beckham).
- Store concept: each store has three sections - women, men and children, differentiated by colours and fixtures and fittings. Men and women zones are sub-divided to display lines.

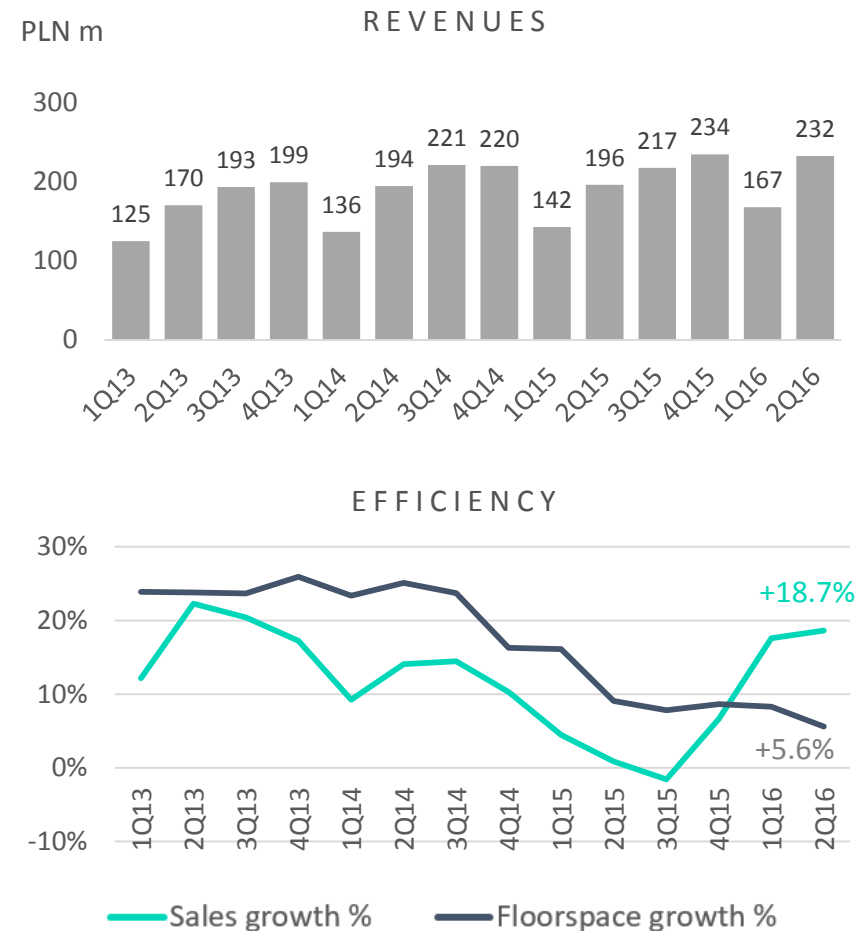
	2Q15	2Q16	YoY
Average store space (m2)	970	1,060	9%
Average monthly sales (PLN/m2)	511	479	-6%



# CROPP

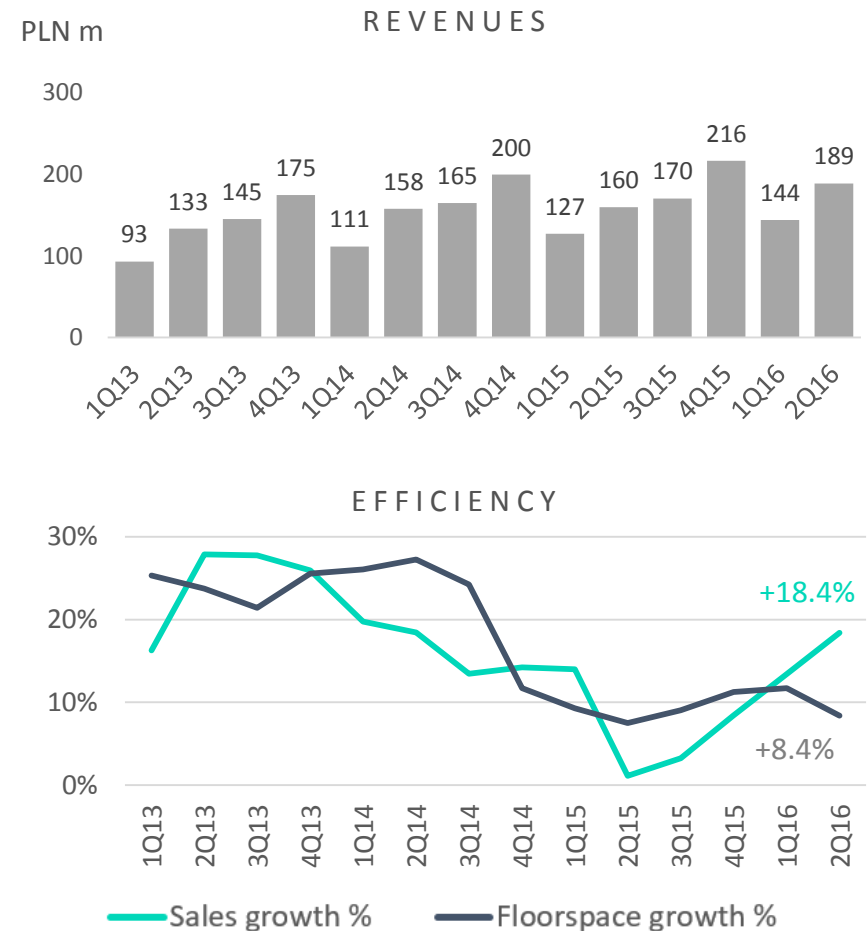
- A casual streetwear brand.
- Target customers: teenagers (boys and girls).
- Established in 2004.
- Partner of events for artists and street art.
- Offers also international labels (eg. New Balance, Converse).
- Store concept: the shopping space is designed in the form of squat, garage and industrial halls. Stores encompass special relax zones with PlayStation and tablets with WiFi. Shop window displays are equipped with modern multimedia.

	2Q15	2Q16	YoY
Average store space (m2)	292	304	4%
Average monthly sales (PLN/m2)	606	669	10%



- Urban fashion brand with folk and vintage elements.
- Target customers: teenagers (boys and girls) who like brave fashion choices.
- Established in 2001 (in LPP Group since 4Q08).
- Participates in multiple artistic events and sponsors alternative music, eg. iFestival.
- Store concept: the interior of the store is inspired by music instruments and possesses many music and art related details. A fresh look is obtained by usage of wooden elements and glass & metal lamps.

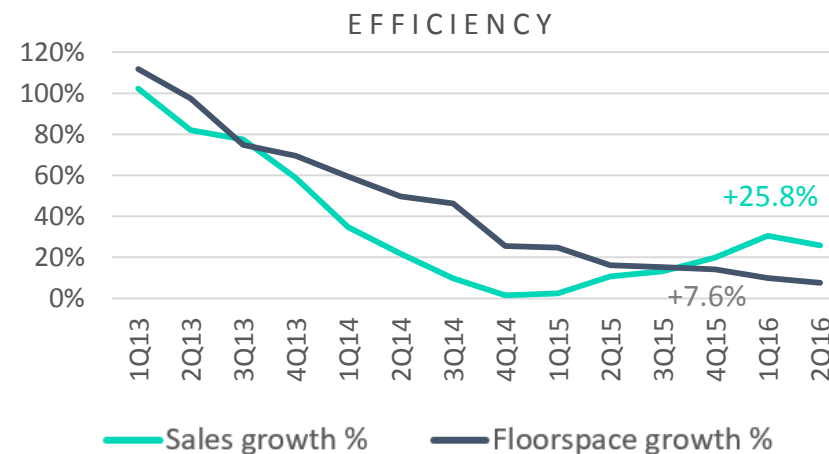
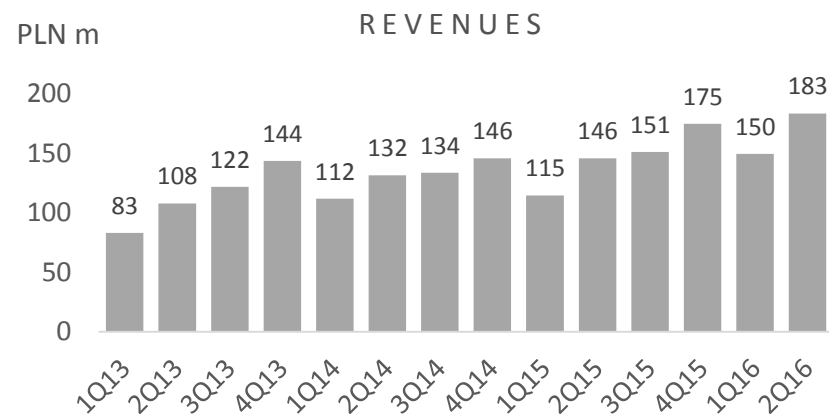
	2Q15	2Q16	YoY
Average store space (m2)	293	306	4%
Average monthly sales (PLN/m2)	577	618	7%



# M O H I T O

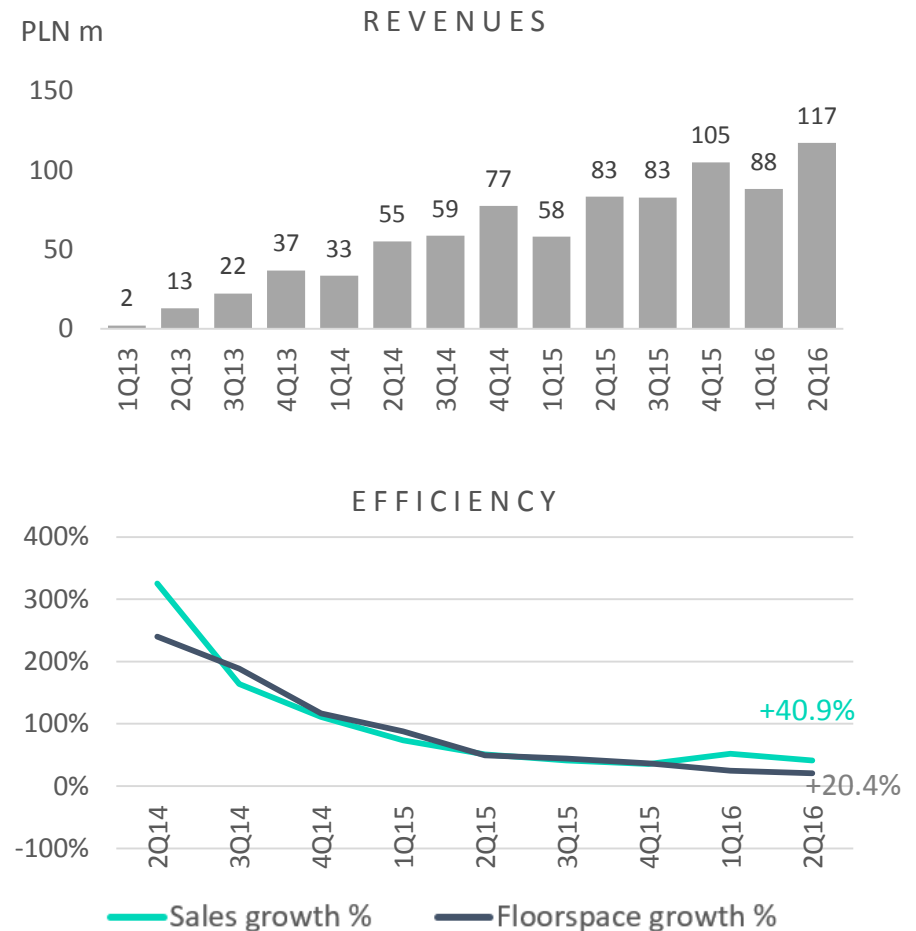
- A brand that combines comfort and elegance for business and informal meetings.
- Target customer: young women.
- Established in 2008 (in LPP's Group since 4Q08).
- Anja Rubik created a limited collection for AW2014/15. Zuzanna Bijoch is the face of AW2015/16 collection. Top-model Anna Jagodzińska advertised SS16 collection.
- Store concept: relates to elegance and beauty. The centre of the store is bright and is surrounded by a darker environment.

	2Q15	2Q16	YoY
Average store space (m2)	332	338	2%
Average monthly sales (PLN/m2)	552	640	16%

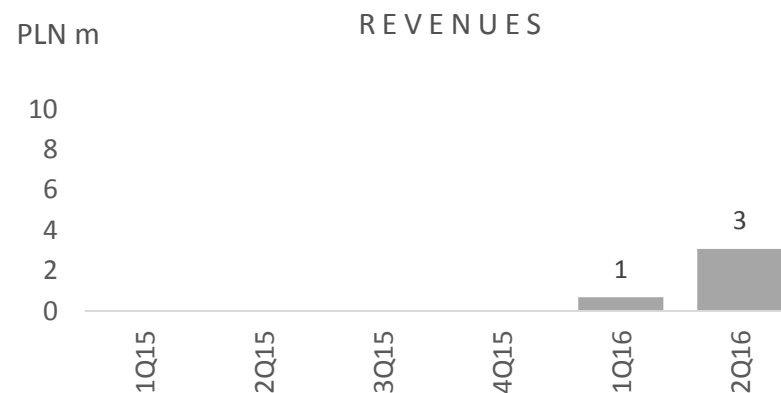


- Clothes for every day inspirations and original party outfits.
- Target customers: teenagers – girls only.
- Established in 2013.
- The brand stands out for original T-shirts with extraordinary prints.
- In AW15/16 singer Margaret designed her star collection.
- Store concept: fresh and edgy interiors yet monochromatic to differentiate from colourful clothes sold. Selling area divided into black and white parts.

	2Q15	2Q16	YoY
Average store space (m2)	349	352	1%
Average monthly sales (PLN/m2)	556	633	14%



- Fashion brand for customers who appreciate timeless elegance, minimalism and high quality.
- Target customer: Men and women over the age of 30 years.
- Established in 2016 years.
- SS16 collection advertised by a well-known football player Jarosław Bieniuk.
- Elegant store interiors decorated in natural materials like stone, leather and wood stained in ink.



	2Q15	2Q16	YoY
Average store space (m2)	-	458	n/m
Average monthly sales (PLN/m2)	-	310	n/m

# Glossary

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Poland	Retail sales in Poland and other sales of LPP SA.
CEE	Region including: Czech Republic, Slovakia, Hungary.
Baltic	Region including: Lithuania, Latvia, Estonia.
CIS	Region including: Russia, Ukraine.
SEE	Region including: Bulgaria, Romania, Croatia.
WE	Region including Germany.
ME	Region including: Egypt, Qatar, Kuwait, Saudi Arabia, UAE.
EU	Region including: CEE, Baltic, SEE and WE.
EBITDA	EBIT + depreciation from cash flow statement.
Average monthly revenues/m2	Revenues of segment or brand / average working total floorspace / 3.
Average monthly costs of own stores/m2	Quarterly costs of own stores / average working floorspace of own stores (ie. excluding all franchise stores which represent c. 8% of the working floorspace) / 3.
Average monthly SG&A PLN/m2	Quarterly SG&A costs/ average working total floorspace excluding stores located in ME / 3.
Inventory/ m2	End of period group inventory/ total floorspace without franchise stores in ME.
Inventory days	Average quarterly inventory/ group COGS * 90 days.
Receivables days	Average quarterly receivables/ group revenues * 90 days.
Liabilities days	Average short-term liabilities/ group COGS * 90 days.
Cash conversion cycle	Inventory days + receivables days – liabilities days.

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