

LPP

Updated information on an audit procedure carried out by the Tax Audit Office

Current report no: 04/2017

Date: 20 January 2017

The Management Board of LPP SA ("Issuer") informs that, on 20 January 2017, they received a protocol drawn up as part of an audit procedure carried out against the Issuer by the Tax Audit Office (*Urząd Kontroli Skarbowej*) in Gdańsk ("TAO") in respect of reliability of declared tax bases and correctness of calculation and payment by the Issuer of corporate income tax for the year 2012 ("Protocol"), including a notification setting a date for taking a standpoint on the material collected. The Issuer informed of the pending audit procedure in periodical reports, including, among others, an extended consolidated report of LPP SA for the third quarter of 2016, in an item concerning procedures pending before a court, authority competent to pursue arbitration proceedings or a public administration authority (pages 25-26).

Considering the fact that the Protocol is a subsequent important stage of the audit procedure and in view of its wording giving knowledge on the findings of the tax audit authority, the Issuer provides below information in that respect.

In the Protocol, the TAO stated that, in its opinion, the Issuer incorrectly determined revenue earning costs for the year 2012, in particular in respect of expenses for sub-licences for the use of trademarks contributed in kind to a Cypriot company (Gothals Ltd). In the event where the tax audit authority takes the evidence material specified in the Protocol as the basis for its decision, the Issuer estimates that the value of an additional tax liability (with interest) which could be imposed on the Issuer will amount in total to approx. PLN 24 mln.

The Issuer informs that, in its opinion, licence fees paid to Gothals Ltd have been, and are, economically justified and it will uphold such standpoint at further stages of the procedure.

The Issuer will inform of any further important stages of the audit procedure by way of relevant reports to be published.

At the same time, the Issuer informs that it has no knowledge of any tax or audit procedures carried out against the Issuer as at the date of drawing up this current report in respect of settlement periods other than the one referred to above.

Article 17 paragraph 1 MAR – confidential information

Signatures: Przemysław Lutkiewicz – Vice-President of the Management Board
Jacek Kujawa - Vice-President of the Management Board