

LPP

INTERIM FINANCIAL STATEMENT FOR Q1 2017 of LPP SA GROUP

GDAŃSK, 17th MAY 2017

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1. Selected consolidated financial data of LPP SA Group

Selected consolidated financial data	1Q 2016	1Q 2017	1Q 2016	1Q 2017
	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017
	in thousand PLN		in thousand EUR	
Revenues	1 174 831	1 362 315	269 710	317 623
Operating profit (loss)	-63 909	-108 965	-14 672	-25 405
Pre-tax profit (loss)	-68 944	-111 497	-15 828	-25 995
Net profit (loss)	-65 580	-117 028	-15 055	-27 285
Profit (Loss) per ordinary share (in PLN / EUR)	-36.11	-64.29	-8.29	-14.99
Net cash flows from operating activities	-202 244	-93 439	-46 430	-21 785
Net cash flows from investing activities	-17 498	-106 291	-4 017	-24 782
Net cash flows from financing activities	141 934	114 609	32 584	26 721
Total net cash flows	-77 808	-85 121	-17 863	-19 846

Selected consolidated financial data	2016	2017	2016	2017
	31.12.2016	31.03.2015	31.12.2016	31.03.2017
	in thousand PLN		in thousand EUR	
Total assets	3 677 932	3 669 940	831 359	869 695
Long-term liabilities	267 254	258 326	60 410	61 218
Short-term liabilities	1 275 947	1 395 175	288 415	330 626
Equity	2 134 731	2 016 439	482 534	477 852
Share capital	3 679	3 679	832	872
Weighted average number of ordinary shares	1 815 870	1 820 313	1 815 870	1 820 313
Book value per ordinary share (in PLN / EUR)	1 175.60	1 107.74	265.73	262.51
Declared or paid dividend per share (in PLN / EUR)	33.00	-	7.46	-

2. Consolidated statement of financial position of LPP SA Group

Statement of financial position	As at the end of:		
	31.03.2016	31.12.2016	31.03.2017
ASSETS			
Non-current assets	1 782 694	1 838 664	1 813 842
1. Fixed assets	1 241 312	1 291 338	1 272 047
2. Intangible assets	38 092	43 511	47 046
3. Goodwill	209 598	209 598	209 598
4. Trademark	77 508	77 508	77 508
5. Investments in subsidiaries	136	136	86
6. Investments in other entities	1 653	0	0
7. Receivables and loans	5 817	6 180	5 412
8. Deferred tax assets	141 346	143 657	140 143
9. Pre-payments	67 232	66 736	62 002
Current assets	1 761 569	1 839 268	1 856 098
1. Inventory	1 373 628	1 164 135	1 251 438
2. Trade receivables	109 648	165 389	154 781
3. Income tax receivables	69 270	75 274	60 757
4. Other receivables	36 387	31 034	73 161
5. Loans	96	91	77
6. Pre-payments	27 195	37 592	35 504
7. Cash and cash equivalents	145 345	365 753	280 380
TOTAL assets	3 544 263	3 677 932	3 669 940

Statement of financial position	As at the end of:		
	31.03.2016	31.12.2016	31.03.2017
EQUITY AND LIABILITIES			
Equity	1 851 095	2 134 731	2 016 439
1. Share capital	3 670	3 679	3 679
2. Treasury shares	-43 310	-43 318	-43 321
3. Share premium	243 234	251 393	251 393
4. Other reserves	1 323 736	1 608 298	1 608 500
5. Foreign currency translation reserve	-209 985	-114 928	-116 162
6. Retained earnings	533 750	429 607	312 350
- profit (loss) from previous years	599 330	254 832	429 378
- net profit (loss) for the current period	-65 580	174 775	-117 028
7. Minority capital	0	0	0
Long-term liabilities	326 770	267 254	258 326
1. Bank loans and borrowing	268 158	195 033	181 768
2. Provisions for employee benefits	2 854	2 711	2 574
3. Deferred tax liabilities	5 506	3 890	4 033
4. Accruals	50 252	65 575	69 906
5. Other financial liabilities	0	45	45
Short-term liabilities	1 366 398	1 275 947	1 395 175
1. Trade and other liabilities	603 993	881 064	881 919
2. Income tax liabilities	3 023	7 449	4 728
3. Bank loans and borrowing	711 816	315 111	446 207
4. Provisions	22 086	33 607	24 887
5. Accruals	25 480	38 716	37 434
TOTAL equity and liabilities	3 544 263	3 677 932	3 669 940

3. Consolidated income statement of LPP SA Group

	1Q 2016	1Q 2017
Consolidated income statement	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017
Continuing operations		
Revenues	1 174 831	1 362 315
Cost of goods sold	633 060	741 705
Gross Profit (loss) on sales	541 771	620 610
Other operating income	6 449	7 859
Selling costs	547 057	660 125
General and administrative costs	48 232	59 095
Other operating costs	16 840	18 214
Operating profit (loss)	-63 909	-108 965
Financial income	2 206	1 668
Financial costs	7 241	4 200
Pre-tax profit (loss)	-68 944	-111 497
Income tax	-3 364	5 531
Net profit (loss)	-65 580	-117 028
Net profit (loss) attributable to:		
Shareholders of parent company	-65 580	-117 028
Minority interest	0	0
Other comprehensive income		
Currency translation on foreign operations	18 772	-1 234
Total comprehensive income	-46 808	-118 262

4. Consolidated statement of changes in the equity of LPP SA Group

Statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Foreign currency translation reserve	Minority capital	Equity TOTAL
As at 1 January 2016	3 662	-43 306	235 074	1 323 736	599 330	0	-228 757	0	1 889 739
- adjustments due to errors from previous years									0
As at 1 January 2016 after adjustments	3 662	-43 306	235 074	1 323 736	599 330	0	-228 757	0	1 889 739
Treasury shares purchases		-4							-4
Purchase of shares	8		8 160						8 168
Transactions with owners	8	-4	8 160	0	0	0	0	0	8 164
Net profit (loss) for 1Q 2016						-65 580			-65 580
Currency translation on foreign operations							18 772		18 772
As at 31 March 2016	3 670	-43 310	243 234	1 323 736	599 330	-65 580	-209 985	0	1 851 095
As at 1 January 2017	3 679	-43 318	251 393	1 608 298	429 607	0	-114 928	0	2 134 731
- adjustments due to errors from previous years									0
As at 1 January 2017 after adjustments	3 679	-43 318	251 393	1 608 298	429 607	0	-114 928	0	2 134 731
Treasury shares purchases		-3							-3
Distribution of profit for 2016				202	-202				0
Subsidiary consolidation					-27				-27
Transactions with owners	0	-3	0	202	-229	0	0	0	-30
Net profit (loss) for 1Q 2017						-117 028			-117 028
Currency translation on foreign operations							-1 234		-1 234
As at 31 March 2017	3 679	-43 321	251 393	1 608 500	429 378	-117 028	-116 162	0	2 016 439

5. Consolidated cash flow statement of LPP SA Group

Cash flow statement	1Q 2016	1Q 2017
	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017
A. Cash flows from operating activities - indirect method		
I. Pre-tax profit (loss)	-68 944	-111 497
II. Total adjustments	-133 300	18 058
1. Amortisation	62 943	73 785
2. Foreign exchange gains (losses)	-3 505	83
3. Interest and dividends	5 680	3 407
4. Profit (loss) on investing activities	594	-3 378
5. Income tax paid	-22 431	-20 502
6. Change in provisions	4 920	-8 571
7. Change in inventories	-46 094	-89 927
8. Change in receivables	-1 489	9 335
9. Change in short-term liabilities, excluding loans and borrowing	-126 564	54 389
10. Change in prepayments and accruals	-3 761	5 598
11. Other adjustments	-3 593	-6 161
III. Net cash flows from operating activities	-202 244	-93 439
B. Cash flows from investing activities		
I. Inflows	18 483	5 867
1. Disposal of intangible and fixed assets	18 438	5 817
2. From financial assets, including:	45	26
a) in related parties	0	0
- dividends	0	0
b) in other entities	45	26
- repayment of loans	44	26
- interest	1	0
3. Other investing inflows	0	24
II. Outflows	35 981	112 158
1. Purchase of intangible and fixed assets	35 966	112 158
2. For financial assets, including:	15	0
a) in related parties	0	0
- loans granted	0	0
b) in other entities	15	0
- loans granted	15	0
3. Other investing outflows	0	0
III. Net cash flows from investing activities	-17 498	-106 291

C. Cash flows from financing activities		
I. Inflows	163 611	138 958
1. Proceeds from issuance of shares	8 168	0
2. Loans and borrowing	155 443	138 958
3. Other inflows from financial activities	0	0
II. Outflows	21 677	24 349
1. Cost of maintaining of treasury shares	4	3
2. Dividends and other payments to owners	0	0
3. Repayment of loans and borrowing	16 270	20 693
4. Payment of liabilities arising from financial leases	0	0
5. Interest	5 403	3 653
6. Other outflows from financing activities	0	0
III. Net cash flows from financing activities	141 934	114 609
D. Total net cash flows	-77 808	-85 121
E. Balance sheet change in cash, including:	-79 103	-85 373
- change in cash due to foreign exchange differences	-1 295	-250
F. Opening balance of cash	223 053	366 026
G. Closing balance of cash, including:	145 245	280 905
- restricted cash	0	0

5. Selected financial data of LPP SA

Selected consolidated financial data	1Q 2016	1Q 2017	1Q 2016	1Q 2017
	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017
	in thousand PLN		in thousand EUR	
Revenues	1 044 631	1 113 719	239 820	259 663
Operating profit (loss)	-39 768	-84 880	-9 130	-19 790
Pre-tax profit (loss)	-24 445	-67 469	-5 612	-15 730
Net profit (loss)	-17 340	-68 325	-3 981	-15 930
Profit (Loss) per ordinary share (in PLN / EUR)	-9.55	-37.53	-2.19	-8.75
Net cash flows from operating activities	-225 753	-140 504	-51 827	-32 758
Net cash flows from investing activities	4 726	-28 817	1 085	-6 719
Net cash flows from financing activities	141 924	114 601	32 582	26 719
Total net cash flows	-79 103	-54 720	-18 160	-12 758

Selected consolidated financial data	2016	2017	2016	2017
	31.12.2016	31.03.2015	31.12.2016	31.03.2017
	in thousand PLN		in thousand EUR	
Total assets	3 493 969	3 535 005	789 776	837 719
Long-term liabilities	244 476	230 677	55 261	54 665
Short-term liabilities	1 156 647	1 279 811	261 448	303 287
Equity	2 092 846	2 024 517	473 066	479 766
Share capital	3 678	3 678	831	872
Weighted average number of ordinary shares	1 815 870	1 820 313	1 815 870	1 820 313
Book value per ordinary share (in PLN / EUR)	1 152.53	1 112.18	260.52	263.56
Declared or paid dividend per share (in PLN / EUR)	33.00	-	7.46	-

7. Statement of financial position of LPP SA

Statement of financial position	As at the end of:		
	31.03.2016	31.12.2016	31.03.2017
ASSETS			
Non-current assets	1 864 020	2 095 664	2 081 345
1. Fixed assets	823 967	800 010	782 893
2. Intangible assets	35 177	40 541	44 128
3. Goodwill	179 618	179 618	179 618
4. Investments in subsidiaries	710 293	979 950	979 991
5. Receivables and loans	1 615	1 666	1 645
6. Deferred tax assets	112 696	91 890	91 121
7. Pre-payments	654	1 989	1 949
Current assets	1 586 718	1 398 305	1 453 660
1. Inventory	954 623	832 586	915 597
2. Trade receivables	512 775	294 500	313 147
3. Income tax receivables	57 424	73 579	80 785
4. Other receivables	17 880	19 677	23 230
5. Loans	90	82	77
6. Pre-payments	10 812	20 439	19 024
7. Cash and cash equivalents	33 114	157 442	101 800
TOTAL assets	3 450 738	3 493 969	3 535 005

Statement of financial position	As at the end of:		
	31.03.2016	31.12.2016	31.03.2017
EQUITY AND LIABILITIES			
Equity	1 847 210	2 092 846	2 024 517
1. Share capital	3 670	3 678	3 678
2. Treasury shares	-43 309	-43 317	-43 321
3. Share premium	243 233	251 393	251 393
4. Other reserves	1 316 609	1 601 021	1 601 021
5. Retained earnings	327 007	280 071	211 746
- profit (loss) from previous years	344 347	0	280 071
- net profit (loss) for the current period	-17 340	280 071	-68 325
Long-term liabilities	301 206	244 476	230 677
1. Bank loans and borrowing	268 158	195 033	181 768
2. Provisions for employee benefits	1 940	2 222	2 481
3. Deferred tax liabilities	3 946	2 005	2 092
4. Accruals	27 162	45 171	44 291
5. Other financial liabilities		45	45
Short-term liabilities	1 302 322	1 156 647	1 279 811
1. Trade and other liabilities	559 465	792 684	793 392
2. Bank loans and borrowing	711 402	315 111	446 207
3. Provisions	12 273	17 911	11 362
4. Special funds	0	0	
5. Accruals	19 182	30 941	28 850
TOTAL equity and liabilities	3 450 738	3 493 969	3 535 005

8. Income statement of LPP SA

	1Q 2016	1Q 2017
Income statement	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017
Revenues	1 044 631	1 113 719
Cost of goods sold	664 473	735 639
Gross Profit (loss) on sales	380 158	378 080
Other operating income	5 414	5 123
Selling costs	334 089	369 396
General and administrative costs	76 684	86 846
Other operating costs	14 567	11 841
Operating profit (loss)	-39 768	-84 880
Financial income	47 303	55 031
Financial costs	31 980	37 620
Pre-tax profit (loss)	-24 445	-67 469
Income tax	-7 105	856
Net profit (loss)	-17 340	-68 325
Other comprehensive income	-17 340	-68 325
Total comprehensive income	-17 340	-68 325

9. Statement of changes in the equity of LPP SA

Statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
As at 1 January 2016	3 662	-43 306	235 074	1 316 609	344 347	0	1 856 386
- adjustments due to errors from previous years							0
As at 1 January 2016 after adjustments	3 662	-43 306	235 074	1 316 609	344 347	0	1 856 386
Treasury shares purchases		-3					-3
Purchase of shares	8		8 159				8 167
Transactions with owners	8	-3	8 159	0	0	0	8 164
Net profit (loss) for 1Q 2016						-17 340	-17 340
As at 31 March 2016	3 670	-43 309	243 233	1 316 609	344 347	-17 340	1 847 210
As at 1 January 2017	3 678	-43 317	251 393	1 601 021	280 071	0	2 092 846
- adjustments due to errors from previous years							0
As at 1 January 2017 after adjustments	3 678	-43 317	251 393	1 601 021	280 071	0	2 092 846
Treasury shares purchases		-4					-4
Transactions with owners	0	-4	0	0	0	0	-4
Net profit (loss) for 1Q 2017						-68 325	-68 325
As at 31 March 2017	3 678	-43 321	251 393	1 601 021	280 071	-68 325	2 024 517

10. Cash flow statement of LPP SA

Cash flow statement	1Q 2016	1Q 2017
	01.01.2016- 31.03.2016	01.01.2017- 31.03.2017
A. Cash flows from operating activities - indirect method		
I. Pre-tax profit (loss)	-24 445	-67 469
II. Total adjustments	-201 308	-73 035
1. Amortisation	36 579	39 293
2. Foreign exchange(gains) losses	-3 505	71
3. Interest and dividends	-33 293	-43 091
4. (Profit) loss on investing activities	22 655	14 805
5. Income tax paid	-21 677	-14 584
6. Change in provisions	3 781	-6 289
7. Change in inventories	-400	-83 011
8. Change in receivables	-105 106	-15 415
9. Change in short-term liabilities, excluding loans and borrowing	-102 793	37 232
10. Change in prepayments and accruals	2 451	-2 046
11. Other adjustments	0	0
III. Net cash flows from operating activities	-225 753	-140 504
B. Cash flows from investing activities		
I. Inflows	54 391	52 124
1. Disposal of intangible and fixed assets	18 396	5 600
2. From financial assets, including:	35 995	46 524
a) in related parties	35 950	46 498
- interest and dividends	35 950	46 498
b) in other entities	45	26
- interest	1	0
- repayment of loans	44	26
3. Other investing inflows	0	0
II. Outflows	49 665	80 941
1. Purchase of intangible and fixed assets	23 629	62 446
2. For financial assets, including:	26 036	18 495
a) in related parties	26 021	18 495
- purchase of shares	26 021	18 495
b) in other entities	15	0
- loans granted	15	0
3. Other investing outflows	0	0
III. Net cash flows from investing activities	4 726	-28 817

C. Cash flows from financing activities		
I. Inflows	163 601	138 950
1. Loans and borrowing	155 433	138 950
2. Proceeds from issuance of shares	8 168	0
3. Other inflows from financial activities	0	0
II. Outflows	21 677	24 349
1. Cost of maintaining of treasury shares	4	3
2. Repayment of loans and borrowing	16 270	20 693
3. Interest	5 403	3 653
4. Other outflows from financing activities - dividends	0	0
III. Net cash flows from financing activities	141 924	114 601
D. Total net cash flows	-79 103	-54 720
E. Balance sheet change in cash, including:	-80 398	-54 971
- change in cash due to foreign exchange differences	-1 295	-251
F. Opening balance of cash	112 117	157 716
G. Closing balance of cash, including:	33 014	102 996
- restricted cash	0	0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2017

1. About LPP SA Capital Group

LPP SA Capital Group (Capital Group, Group) consists of:

- LPP SA as the parent company,
- 4 domestic subsidiaries,
- 20 foreign subsidiaries.

There is no parent company in relation to LPP SA.

The list of companies forming the Capital Group is presented below.

No.	Company name	Registered office	Control acquisition date
1.	LPP Retail Sp. z o.o.	Gdansk, Poland	26.09.2001
2.	DP&SL Sp. z o.o.	Gdansk, Poland	26.09.2001
3.	IL&DL Sp. z o.o.	Gdansk, Poland	26.09.2001
4.	AMUR Sp. z o.o.	Gdansk, Poland	09.05.2003
5.	LPP Estonia OU	Tallinn, Estonia	29.04.2002
6.	LPP Czech Republic SRO	Prague, Czech Republic	16.09.2002
7.	LPP Hungary KFT	Budapest, Hungary	18.10.2002
8.	LPP Latvia LTD	Riga, Latvia	30.09.2002
9.	LPP Lithuania UAB	Vilnius, Lithuania	27.01.2003
10.	LPP Ukraine AT	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 SRO	Banska Bystrica, Slovakia	30.10.2008
15.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	26.08.2011
16.	Gothals LTD	Nicosia, Cyprus	22.07.2011
17.	LPP Croatia DOO	Zagreb, Croatia	22.01.2014
18.	LPP Deutschland GmbH	Hamburg, Germany	03.03.2014
19.	IPMS Management Services FZE	Ras Al Khaimah, UAE	15.07.2015
20.	LPP Reserved UK LTD	Altrincham, UK	15.10.2015
21.	LLC Re Development	Moscow, Russia	22.04.2016
22.	LLC Re Street	Moscow, Russia	02.09.2016
23.	LPP Reserved DOO Beograd	Belgrade, Serbia	26.12.2016
24.	P&L Marketing & Advertising Agency SAL	Bejrut, Liban	15.02.2017

LPP SA exercises direct control over its subsidiaries by holding mostly 100% of shares in their share capital and 100% of the total number of votes.

The consolidated financial statement of the Capital Group for the period from 1 January to 31 March 2017 includes individual results of LPP SA and the results of the foreign subsidiaries mentioned above excluding the following national subsidiaries due to their irrelevance:

- DP&SL Sp. z o.o.
- IL&DL Sp. z o.o.
- AMUR Sp. z o.o.

Polish subsidiaries of LPP SA were not consolidated as their financial data is immaterial. This is consistent with the Accounting Policy adopted by the Group.

Under the Policy, a subsidiary or associate is not consolidated if the amounts reported in the financial statements of that entity are insignificant compared to the financial statements of the parent company. In particular, the balance sheet total, net revenues from sales of goods and services, and financial operations of the entity which, for the financial period, are lower than 10% of balance sheet total and revenues of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of non-consolidated entities may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements determined on the assumption that their scope includes all subsidiaries, without any exclusions.

The share in the consolidated results of all non-consolidated Polish subsidiaries is as follows:

- in the Capital Group's balance sheet total – 0.02%
- in the Group's sales revenue and finance revenue – 0.16%

The fact that the financial statements of these companies are not consolidated has no negative impact on the true and fair view of the Capital Group's property, financial standing and financial result.

LPP SA is a company involved in the design and distribution of clothing in Poland and the countries of Central, Eastern and Western Europe as well as of the Middle East. The Group companies are involved in the distribution of goods under the Reserved, Cropp, House, Mohito and Sinsay brands outside Poland. Clothing is basically the only product sold by the Group companies. Footwear, bags and clothing accessories are sold as products supplementing the basic offer of the Capital Group companies.

Clothing designs are prepared in the design office located in the registered office of LPP SA in Gdańsk, in the design office in Kraków and Warsaw, and then transferred to the purchasing department which orders the production of certain models, cooperating in this respect with companies in Poland and abroad, including in China and Bangladesh. Production in China is managed by the Company's trading office in Shanghai, while the Company's trading office in Dhaka is responsible for coordinating and supervising production in Bangladesh. A major task of the office in Bangladesh is the regular auditing of production plants in terms of adequate working conditions and respect for human rights.

The Capital Group also generates insignificant revenues from sale of services (these include only the revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish contractors and the lease of transport vehicles).

The additional business activity of the Capital Group involves the management of the rights to Reserved, Cropp, House, Mohito and Sinsay trademarks, including their protection, activities aimed at increasing their value, granting licenses to use, etc. Gothals Limited in Cyprus and IPMS in UAE was established to that effect.

P&L Marketing & Advertising Agency S.A.L. in Lebanon was established to supervise franchise stores in the Middle East and conduct marketing activities in the region.

Three domestic subsidiaries are engaged in the rental of real properties where the stores of Reserved, Cropp, House and Mohito are run.

2. The basis for the preparation of these condensed consolidated financial statements and information on the changes in the applied accounting policies

The Group's report for Q1 2017 comprises the condensed consolidated financial statements and selected explanatory data included in these Notes as well as condensed financial statements of the parent company, in accordance with IAS 34 "Interim Financial Reporting".

The accounting policy applied to prepare these statements is in all material respects compliant with the policy adopted for the preparation of the consolidated annual financial statements of the LPP SA Capital Group for the financial year 2016, in accordance with International Financial Reporting Standards.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

3. Achievements of LPP SA Capital Group in the reporting period

Key achievements of the Group in Q1 2017:

1. The number of stores and commercial space

In Q1 2017, LPP Capital Group optimized the sales network of the stores of all its brands.

The dynamic increase in the surface space in Germany and in Russia. In Poland, on the other hand, the reason for the lower number of stores was the closure of Tallinder shops and small-area stores whose lease contracts expired in Q1 2017.

As compared to Q1 2016, the largest nominal increase in space was recorded by the Reserved brand, while the growth dynamics was the largest in the Sinsay brand – approx. 15% y/y.

At the end of Q1 2017, the LPP SA Capital Group had 1 671 stores in 18 countries, of a total area of 913.9 thousand sq. m.

As at 31.03.2017	Number of stores	Change y/y	Q1 2016 Area in '000 m2	Q1 2017 Area in '000 m2	Change y/y
Reserved	455	+7	467.1	510.7	9.3%
Cropp	376	+1	115.4	120.1	4.1%
House	321	-1	100.5	102.9	2.4%
Mohito	285	+4	94.9	97.8	3.1%
Sinsay	198	+26	60.5	69.8	15.4%
Tallinder	0	-6	2.9	0.0	-100.0%
Outlets	36	-1	13.8	12.6	-8.6%
Total LPP Group	1 671	30	855.0	913.9	6.9%

2. Sales broken down by brand

In Q1 2017, Reserved stores generated sales of PLN 614 million, while Cropp stores - PLN 189 million. Sales generated in Q1 totalled PLN 184 million in Mohito stores, PLN 159 million in House stores and PLN 112 million in SiNSAY stores.

The highest nominal sales growth in Q1 2016 was generated by the Reserved and Mohito brands while the fastest growing brand in the portfolio was Sinsay.

	Sales 1Q 2016 in mln PLN	Sales 1Q 2017 in mln PLN	Change y/y
Reserved	538	614	14.3%
Cropp	167	189	12.6%
Mohito	150	184	22.8%
House	144	159	10.0%
Sinsay	88	112	27.2%
E-commerce	27	55	100.1%

3. Sales in comparable stores

Sales revenues in LFL stores (in local currency) in every month of Q1 were positive, in Q1 2017 increased by 4.6%.

In Q1 2017, the highest two-digit positive LFL sales growth took place in Bulgaria, Hungary, Ukraine, Czech.

4. Online sales

In Q1 2017, the Company gained revenues of PLN 55.0 million from the online sales, which constituted 4.0% of the Capital Group's sales. Approx. 82% of the online sales were generated domestically.

Online sale in mln PLN				
Q1 2013	Q1 2014	Q1 2015	Q1 2016	Q1 2017
1.7	12.4	18.0	27.4	54.9

5. Revenues from sales in the Group companies

Revenues from sales generated by the Group companies operating in individual countries (in PLN '000) are presented in the table below

Name	Country	Revenues in period from 01.01.2017 till 31.03.2017	% share in period from 01.01.2017 till 31.03.2017
LPP SA	Poland	757 072	55.6%
- including revenues from the Middle East		7 700	-
LPP Estonia OU	Estonia	19 261	1.4%
LPP Latvia LTD	Latvia	16 003	1.2%
LPP Czech Republic SRO	Czech Republic	60 124	4.4%
LPP Hungary KFT	Hungary	19 289	1.4%
LPP Lithuania UAB	Lithuania	21 117	1.6%
LPP Ukraina AT	Ukraine	53 061	3.9%
Re Trading OOO	Russia	270 515	19.9%
LPP Romania Fashion SRL	Romania	32 524	2.4%
LPP Deutschland GmbH	Germany	49 439	3.6%
LPP Croatia DOO	Croatia	13 392	1.0%
LPP Bulgaria EOOD	Bulgaria	11 801	0.9%
LPP Slovakia SRO	Slovakia	38 718	2.8%
Total		1 362 315	100.0%

6. Retail sales per m2

LPP's retail sales per m2 in Q1 of 2017 increased by 9.5% compared to the previous year.

Retail sales / m2 / month in PLN	Q1 2016	Q1 2017	Change (%)
Sales/m2	449	492	9.5%

7. Capital expenditures

Capital expenditure (CAPEX) in Q1 2017 amounted to PLN 112 million, 212% more than in the first quarter of last year, due to the transfer of a part of payments for the stores opened in Q4 2016 to Q1 2017, together with extending the payment deadlines for construction sector suppliers.

8. Inventory level per m2

The inventory level and its optimisation is an essential element of working capital management - important is the observation of inventory per m2 over time. Inventory consists of the goods in the stores, the goods in the warehouse and merchandise in transit - from the manufacturer to the logistics centre. The Company strives to minimise inventory and at the same time to maintain sufficient product to maximise sales.

In Q1 2017, the inventory level per m2 was lower compared to Q1 2016, with the decrease resulting from a new inventory management policy and good reception of LPP brands' collection.

Inventory per m2	Q1	Q2	Q3	Q4
2014	1 383	1 443	1 527	1 355
2015	1 516	1 507	1 684	1 575
2016	1 621	1 669	1 634	1 275
2017	1 381			

Other significant events in Q1 2017:

1. On 20 January 2017, the Company received a Report prepared by the Treasury Control Office (Urząd Kontroli Skarbowej - UKS) in Gdańsk. In the Report, UKS pointed out that in their opinion the Issuer improperly established the tax deductible expenses for 2012, especially as regards the expenditure on sub-licenses for the use of trademarks contributed to the Cypriot company (Gothals Ltd). If the tax inspection authority accepts the evidence provided in the Report as the basis for the decision, the Issuer estimated that the amount of additional tax liability (including interest) that could be imposed on the Issuer would amount to approximately PLN 22 million.
2. On 31 January and 27 February 2017, the Company and BGŻ BNP Paribas SA signed an annex to the debt limit agreement dated 14 April 2004. Under the annex dated on 27 February 2017, the current availability period was extended for next year (CR 06/2017, CR 07/2017).

4. Factors and events, especially of extraordinary nature, with significant impact on the consolidated financial results

The increase of the surface space, positive result of LFL sales, and a dynamic increase in online sales led to a 16% increase in sales revenue in the first quarter of 2017 as compared to the previous year.

The gross margin in Q1 2017 amounted to 45.6% while in the first quarter of the previous year it was 46.1%. The stability of gross margin year to year was achieved through the introduction of a new commodity management policy and collection improvement.

The increase in sales and general administrative expense (SG&A) was driven by higher store and headquarters expenses, as well as low Q1 2016 basis. The higher growth in operating expenses from the increase in gross profit on sales resulted in an operating loss of PLN 109.0 million as compared to a loss of PLN 63.9 million a year ago.

The balance of income and financial expense in the first quarter was negative, but lower year to year due to lower interest expense and lower debt. As a result, in Q1 2017 GK generated a net loss of PLN 117.0 million (as compared to a net loss of PLN 65.6 million in Q1 2016).

5. Explanations of the seasonal or cyclical nature of the LPP SA Capital Group's operations in the reporting period

The seasonal nature of sales is a feature of the entire clothing market both in Poland and abroad. The first quarter of a calendar year covers two months (January and February) when the clearance sale of autumn-winter collection is traditionally conducted. As a result, profit margin before tax is lower than the average annual margin in the entire quarter.

6. Information on revaluation write-downs of inventories to net realisable value and reversal of write-downs

Detailed information is included in Note 35.1.

7. Information on impairment losses of financial assets, property, plant and equipment, intangible assets, or other assets, and reversal thereof

Detailed information is included in Note 35.1.

8. Information on the establishment, increase, use and reversal of provisions

Detailed information is included in Note 35.4.

9. Information on deferred tax liabilities and assets

Detailed information is contained in Note 35.6.

10. Information on material purchase and sale transactions related to property, plant and equipment

No such transactions were effected in the reporting period.

11. Information on material obligations related to the purchase of property, plant and equipment

No such obligations were incurred in the reporting period.

12. Information on material litigation issues

No such transactions were effected in the reporting period.

13. Indication of adjustments for prior period errors

No such adjustments were made in the reporting period.

14. Information on changes in economic and business conditions, which have a significant impact on the fair value of the company's financial assets and financial liabilities

No such changes occurred in the reporting period.

15. Information on non-repayment of loans or borrowings or breach of any material provisions of facility or loan agreements

There were no such events in the reporting period.

16. Information on one or more transactions effected by the issuer or its subsidiary with related parties if considered material and effected on terms other than at arm's length basis

No such transactions were effected in the reporting period.

17. For financial instruments measured at fair value - information on the change of the method of determination

Not applicable.

18. Information on changes in the classification of financial assets as a result of changes of these assets or their use

Not applicable.

19. Division into operating segments - revenues and results of individual segments

The LPP SA Capital Group is involved in one type of business activity (one trade segment regarded as the core one). A division into two geographical segments was applied: activity within and outside the European Union. The division into geographical segments was based on the criterion of location of the Group's assets. Revenue and results attributable to particular segments in Q1 2017 and the comparable period are presented in Note 35.8.

20. Information on the issue, redemption and repayment of debt and equity securities

There were no such events in the reporting period.

21. Information on the dividend paid (or declared), in total and per share, broken down into ordinary and preference shares

There were no such events in the reporting period.

22. Date of approval of the financial statements for issue

These financial statements were approved for publication by the Management Board of the Parent Company on 16th May 2017.

23. Events which occurred after the balance sheet date, not included in the financial statements, and which may significantly affect future financial results of LPP SA Capital Group

On May 15, 2017, the Supervisory Board issued a positive opinion on the request of the Management Board regarding the distribution of the net profit achieved in the financial year ended on December 31, 2016, in which the Management Board has recommended payment of a dividend of PLN 65 631 268.00, i.e. PLN 36.00 per share.

24. Effects of changes in the LPP SA Capital Group's structure, including as a result of mergers, acquisition or sale of the Capital Group companies, long-term investments, as well as division, restructuring and discontinuation of operations

In the reporting period, a subsidiary was established: P&L Marketing & Advertising Agency S.A.L. in Lebanon, the objective of which is to supervise franchise stores in the Middle East and conduct marketing activities in the region.

25. Changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year

In Q1 2017, LPP SA and its subsidiaries benefited from bank guarantees to secure the payment of rent for the leased space for retail purposes and office space.

As at 31 March 2017, the total value of bank guarantees granted at the request and on the responsibility of LPP SA amounted to PLN 281 191 thousand, of which:

- a) guarantees granted to secure agreements concluded by LPP SA - PLN 79 214 thousand,
- b) guarantees granted to secure agreements executed by consolidated related parties amounted to PLN 200 035 thousand,
- c) guarantees granted to secure agreements executed by non-consolidated related parties amounted to PLN 1 640 thousand,
- d) guarantees granted to secure storage space lease agreements concluded by LPP SA - PLN 302 thousand.

In Q1 2017, the Company also received guarantees. These guarantees were collateral from the counterparty payments, their value as at 31 March 2017 amounted to PLN 29 932 thousand.

In the reporting period the Parent Company provided guarantees; their value as at 31 March 2017 amounted to PLN 106 831 thousand and decreased compared to 31 December 2016 by PLN 3 117 thousand.

26. Estimates concerning future liabilities under lease agreements

The Group companies are parties to lease agreements under which they use retail premises where Reserved, Cropp, House, Mohito and Sinsay brand stores are located.

Total future payments (minimum and conditional) under lease agreements, estimated as at 31 March 2017, are as follows:

- payables maturing within 12 months after the balance sheet date PLN 857 561 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 2 487 293 thousand
- payables maturing within more than 5 years from the balance sheet date PLN 1 236 455 thousand

27. Position of the Management Board on the feasibility of the annual consolidated results forecasts

The Company did not publish any forecasts of annual results.

28. Shareholders directly or indirectly holding, through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of LPP SA as at the date of submission of the quarterly report, and changes in the structure of ownership of major shareholdings of LPP SA after the date of submission of the previous quarterly report

Shareholding structure of the parent company as at the date of submission of the report for Q1 2017:

Shareholder	Number of shares held	Share in the share capital	Number of votes at the AGM	Share in the total number of votes at the AGM
Marek Piechocki	175 497	9.5%	875 493	27.2%
Jerzy Lubianiec	174 999	9.5%	874 995	27.2%
Forum TFI SA*	200 730	10.9%	200 738	6.2%
Treasury shares	18 978	1.0%	0**	0.0%
Other shareholders	1 269 087	69.0%	1 269 087	39.4%
Total	1 839 291	100.0%	3 220 313	100.0%

*Forum TFI SA manages Forum 64 Closed-End Investment Fund (an entity affiliated with Mr Jerzy Lubianiec, a shareholder of LPP SA) and Forum 65 Closed-End Investment Fund (an entity affiliated with Mr Marek Piechocki, a shareholder of LPP SA).

The funds managed by Forum TFI SA hold directly 195 050 shares in LPP SA and indirectly 5 680 shares in LPP SA.

** 18 978 shares in LPP SA give no right to vote at the General Meeting of Shareholders as these are equity shares of LPP SA

After the submission of the last quarterly report (report for Q4 2016), there were no changes in the ownership structure of major blocks of shares.

29. Structure of ownership of LPP SA shares or rights attached to shares held by members of the Issuer's Management Board and the Supervisory Board as at the date of submission of the quarterly report, including changes in the shareholding structure subsequent to the date of submission of the previous quarterly report, separately for each member of the Management Board and the Supervisory Board

The structure of the holding of shares of LPP SA for managers and supervisors, as at the date of the report for Q1 2017.

Shareholder	Number of shares held	Number of votes at the AGM
Marek Piechocki - President of the Management Board	175 497	875 493
Jacek Kujawa - Vice President of the Management Board	153	153
Przemysław Lutkiewicz - Vice President of the Management Board	10	10
Sławomir Łoboda - Vice President of the Management Board	102	102
Jerzy Lubianiec - Chairman of the Supervisory Board	174 999	874 995
Dariusz Pachla - Member of the Supervisory Board	500	500

Additionally, the Issuer's managing officers hold rights to subscribe to 13,132 shares of the L series, arising from the possibility of converting subscription warrants of the A series into shares in LPP SA.

In the period following the submission of the previous quarterly report (the one for Q4 2016), there were no changes in the structure of the holding of LPP SA shares by the Issuer's managing or supervising officers.

30. Information on legal proceedings

Neither LPP SA or its subsidiaries are a party to the proceedings before the court, competent authority for arbitration or public administration body concerning liabilities or debts, the value of which individually or jointly exceed 10% of the equity of LPP SA.

Neither LPP SA or its subsidiaries are a party to any proceedings before a court, competent arbitration authority or public administration body concerning liabilities or debts, the value of which individually or jointly exceeds 10% of the equity of LPP SA.

At the same time, the Company informs that, due to a tax audit procedure carried out since 2015 by the Tax Audit Office (*Urząd Kontroli Skarbowej*) in Gdańsk (further referred to as "TAO"), of which the Issuer informed in preceding quarterly reports, on 20 January 2017, the Company received the analysis of evidence material collected during the audit procedure covering the reliability of declared tax bases and correctness of calculation and payment of CIT for 2012.

In the current report dated 20 January 2017 (CR 04/2017), the Company informed of the maximum amount of tax with interest with which it could potentially be charged in case of issuance by the TAO of a decision based on the findings adopted by the TAO in the said analysis.

On 6 February 2017, the Issuer filed a letter with the TAO, in which the Issuer presented its standpoint on the analysis of evidence material, made by the TAO.

The Company's Management Board holds the view that LPP SA has correctly settled income tax and that there are no prerequisites for the TAO to issue a decision charging the Company with an additional tax liability for 2012.

As at the date of submission of the quarterly report the audit procedure has not been completed yet due to the works carried out by the TAO in order to determine the facts of the case.

31. Transactions with related entities

31.1. Key management personnel

The Group's key management personnel includes members of the Parent Company's Management Board and Supervisory Board.

Short-term employee benefits received by members of the Management Board in the period from 1 January to 31 March 2017 amounted to PLN 2 767 thousand.

The salaries, presented separately for each of the key personnel representatives, were as follows:

Name and surname	Function	Remuneration received in IQ 2017
Marek Piechocki	President of the Board	PLN 922,000
Przemysław Lutkiewicz	Vice President of the Board	PLN 615,000
Jacek Kujawa	Vice President of the Board	PLN 615,000
Sławomir Łoboda	Vice President of the Board	PLN 615,000

The value of short-term benefits of the members of the parent company Supervisory Board received in the period from 1 January to 31 March 2017 amounted to PLN 46,000.

The salaries, presented separately for each of the Supervisory Board representatives, were as follows:

Name and surname	Function	Remuneration received in IQ 2017
Jerzy Lubianiec	Chairman of the Supervisory Board	PLN 20,000
Maciej Matusiak	Member of the Supervisory Board	PLN 5,000
Wojciech Olejniczak	Member of the Supervisory Board	PLN 5,000
Krzysztof Olszewski	Member of the Supervisory Board	PLN 5,000
Dariusz Pachla	Member of the Supervisory Board	PLN 11,000

31.2. Transactions with affiliated entities

In the reporting period, the issuer did not enter into any transactions with the related parties for the transfer of rights and obligations.

Transactions between the parent company and its foreign subsidiaries are excluded from the consolidated financial statements and are not presented in the table.

Amounts presented in the table below show only intercompany transactions between LPP SA and Polish non-consolidated subsidiaries, and are presented from the parent company's perspective.

Related entities	Receivables as at 31.03.2017	Liabilities as at 31.03.2017	Revenue for the period I-III 2017	Expenses for the period I-III 2017
Domestic companies	186	93	3	2 196

Data presented as liabilities of LPP SA are receivables of related parties, and expenses correspond to revenue of related parties.

All related party transactions were concluded on an arm's length basis. Revenue from domestic companies is generated on the lease of office space for the purposes of operation of these companies.

Expenses related to the domestic subsidiaries concern the rental of property where Cropp, Reserved, Mohito and House are run.

32. Information on guarantees and sureties

In the reporting period, companies from the issuer's Capital Group did not grant any credit or loan sureties or guarantees to its entity or subsidiary, whose total value would be the equivalent of at least 10% of the issuer's equity.

Detailed information on contingent liabilities are presented in Note 25 hereto.

33. Additional information relevant for the evaluation of staff, property and financial situation, financial result of the LPP SA Capital Group and information relevant for the evaluation of the ability of the issuer's Capital Group to perform its obligations

The report contains basic information relevant for the evaluation of the situation of the issuer's Capital Group. In the opinion of the Management Board, there are no threats to the ability of the Capital Group to perform its obligations.

34. Factors that are likely to affect the results generated by LPP SA Capital Group in the next quarter or thereafter (according to LPP SA)

The basic factors which will affect the results achieved in the nearest future include:

- a) Economic situation in Poland and in countries where the stores of LPP SA Capital Group operate, especially in Russia and Ukraine.
- b) USD/EUR exchange rate, and RUB/UAH exchange rate.
- c) Possible ban on Sunday trading.
- d) Pressure on SG&A expenses per sq.m., in particular on staff expenses.
- e) Development of the sales network of Reserved, Cropp, House, Mohito and Sinsay brands. Further expansion on the German, Russian and Ukrainian markets, and also in Belarus, Kazakhstan, Serbia and Great Britain. In 2017, there are plans to increase the area of the store chain by 11.0% i.e. by approx. 102.2 thousand sq.m. The CAPEX planned in 2017 amounts to approx. PLN 430 million, which is approx. 60% y/y more due to the quicker increase in retail space (planned expenditures of PLN 370 million for stores and PLN 60 million for the headquarters). The Group's gross margin in 2017 is planned at 52-53%.
- f) Development of e-commerce: Development of e-commerce – In Q1 2017, the Issuer plans to launch online stores of five brands in Lithuania, Latvia and Estonia, and in Q2 2017 in Russia and Ukraine. Prior to opening its flagship store in London, the Company will launch an online Reserved brand store in the UK. The Company aims at reaching by 2020 online sales constituting 7-8% of the Group's sales.
- g) Maintaining net debt at a low level, e.g. by further improvement of working capital. The objective is to equate the level of liabilities with the level of stocks.

35. Notes to the condensed consolidated financial statements

35.1. Revaluation write-downs of assets

The values of some assets presented in the consolidated financial statements prepared as at 31 March 2017 are adjusted by revaluation write-downs. Detailed information on the amounts of the write-downs reported as at the last day of the reporting period and changes in the period are presented in the table below.

	Tangible fixed assets	Inventories	Receivables, loans and shares
As at 01.01.2017	19 697	57 865	15 912
increase	0	0	22
decrease	2 437	157	728
As at 31.03.2017	17 260	57 708	15 206

35.2. Receivables

The value of the write-down comprises:

revaluation write-down of receivables and claimed receivables from customers: PLN 14 202 thousand

revaluation write-down of doubtful receivables: PLN 423 thousand

revaluation write-down of receivables from employees and other: PLN 581 thousand

35.3. Cash

For the purpose of drawing up a cash flow statement, the Capital Group classifies cash in the manner adopted for presenting its financial standing. The following items affect the difference in the value of cash shown in the financial statement and the cash flow statement:

	31.03.2017
Cash and its equivalents shown in the financial statement	280 380
<i>Adjustments:</i>	
Exchange rate differences from the balance sheet valuation of cash denominated in foreign currencies	525
Cash and its equivalents shown in the CFS	280 905

35.4 Provisions

The value of provisions recognised in the consolidated financial statements and their changes in the reporting period are as follows:

	Provision for pensions and similar benefits	Provision for unpaid remuneration	Provision for liabilities	Provision for unused annual leaves
As at 01.01.2017	2 711	10 531	17 955	5 121
provisions established	2 574	3 905	18 117	0
provisions reversed	2 711	10 531	17 955	2 256
As at 31.03.2017	2 574	3 905	18 117	2 865

35.5. Income tax

Major components of income tax of LPP SA Capital Group for the period from 01.01.2017 to 31.03.2017 and comparative period are presented in the table below.

	from 01.01.2016 until 31.03.2016	from 01.01.2017 until 31.03.2017
Current income tax	349	2 301
Deferred income tax	- 3 713	3 230
Total	- 3 364	5 531

35.6. Deferred tax assets and liabilities

At the end of the reporting period, the deferred tax assets and liabilities were presented in the consolidated financial statements.

The components thereof are presented in the tables below.

Deferred income tax assets	31.03.2017
Depreciation of fixed assets and trademarks	115 608
Trade receivables update	273
Stock value update	1 060
Margin from goods unsold outside the Group	7 653
Margin from outlays sold	10 449
Estimated returns of goods	982
Salaries, mark-up and staff costs	2 268
Estimated costs	1 811
Other	39
Total	140 143

Deferred tax liabilities	31.03.2017
Amortisation of intangible assets	3 758
Outstanding damages	151
Other	124
Total	4 033

35.7 Exchange rate differences

The consolidated profit and loss account drawn up as at 31 March 2017 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 370 thousand.

35.8. Operating segments

Revenues and financial results concerning geographical segments for the period between 1 January 2017 and 31 March 2017 and for the comparable period are presented in the tables below.

2017

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	1 038 975	323 340	0	0	1 362 315
Intersegmental sales	173 737	0	-173 737	0	-
Other operating income	5 794	2 065	0	0	7 859
Total revenues	1 218 506	325 405	-173 737	0	1 370 174
Total operating costs, including	1 261 245	311 491	-170 906	59 095	1 460 925
Costs of intersegmental sales	151 089	0	-151 089	0	-
Other operating costs	12 971	5 194	0	49	18 214
Segment results	-55 710	8 720	-2 831	-59 144	-108 965
Financial income				1 668	1 668
Financial costs				4 200	4 200
Profit/loss before tax					-111 497
Income tax					5 531
Net profit/loss					-117 028

2016

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	942 266	232 565			1 174 831
Intersegmental sales	190 830		-190 830		-
Other operating income	5 103	1 346			6 449
Total revenues	1 138 199	233 911	-190 830	0	1 181 280
Total operating costs, including	1 115 183	251 700	-186 766	46 846	1 226 963
Costs of intersegmental sales	143 875		-143 875		-
Other operating costs	12 213	6 013			18 226
Segment results	10 803	-23 802	-4 064	-46 846	-63 909
Financial income				2 206	2 206
Financial costs				7 241	7 241
Profit/loss before tax					-68 944
Income tax					-3 364
Net profit/loss					- 65 580

36. Notes to the separate financial statements of LPP SA

As a result of estimation of the balance sheet value of assets invested in foreign subsidiaries (shares, additional contributions, loans and receivables) in the period from January to March 2017, relevant changes and asset revaluation were recognised in the separate balance sheet. These changes were included both in finance revenue and costs and in operating revenue and costs.

In the reporting period, assets increased by PLN 15 373 thousand.

This change reported in the respective items of the separate financial statements of LPP SA has no impact on the amounts presented in the consolidated financial statements.

The Management Board of LPP SA:

Marek Piechocki President of the Management Board

Przemysław Lutkiewicz Vice-President of the Management Board

Jacek Kujawa Vice-President of the Management Board

Sławomir Łoboda Vice-President of the Management Board

Gdansk, 16th May 2017