

# 1Q17 FINANCIAL RESULTS PRESENTATION

WARSAW, 17<sup>TH</sup> MAY 2017

**LPP**

RESERVED

**CROPP**

 **house**

M O H I T O

**sinsay**

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1 1Q17 financial results

2 Key corporate events

3 2017 outlook

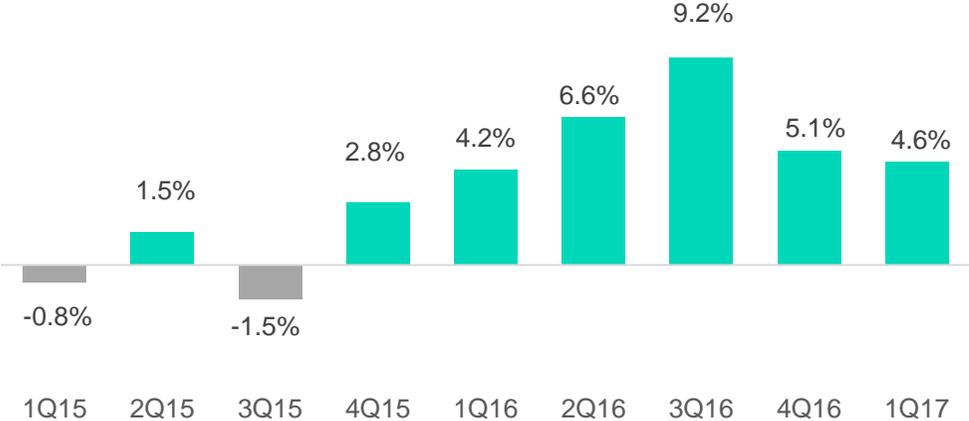
# Almost PLN 1.4bn revenues in 1Q17



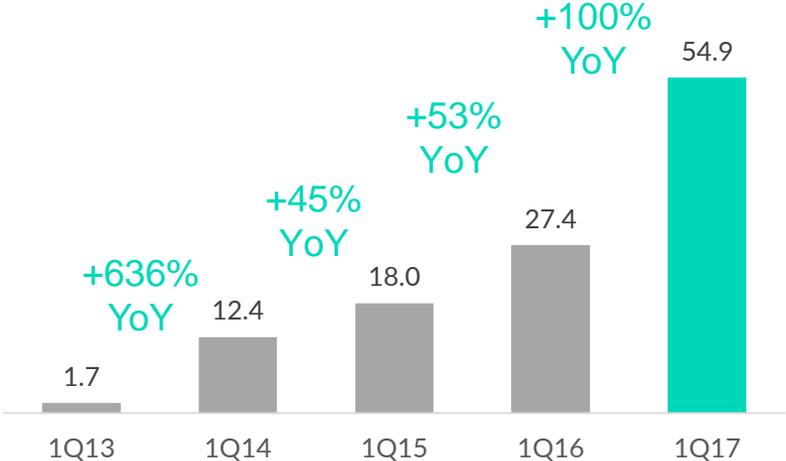


# LFL and e-commerce growth

LFL DYNAMICS  
(local currencies)



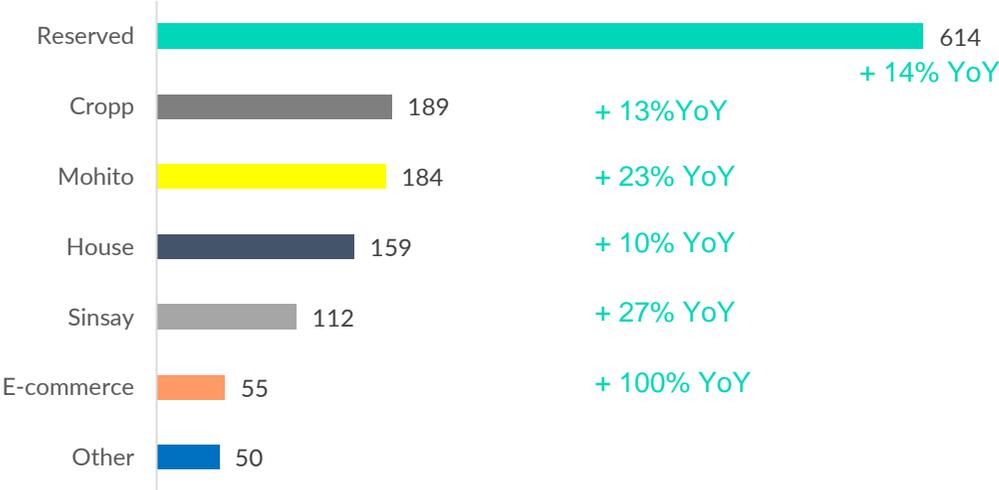
ON-LINE SALES  
(PLN m)



- LFLs were positive in each month in 1Q17. All brands showed positive LFLs in 1Q17.
- 1Q17 LFLs were in the black in all countries (the highest growth rates were recorded in Bulgaria, Hungary, Ukraine and Czech Republic).
- On-line sales amounted to c.6% revenues in Poland and 4% of group revenues in 1Q17.
- Pick-up in e-commerce dynamics due to investments in internet and mobile stores of all brands and development of stores outside Poland.

# Growths in all brands

REVENUES BY BRANDS  
(PLN m)



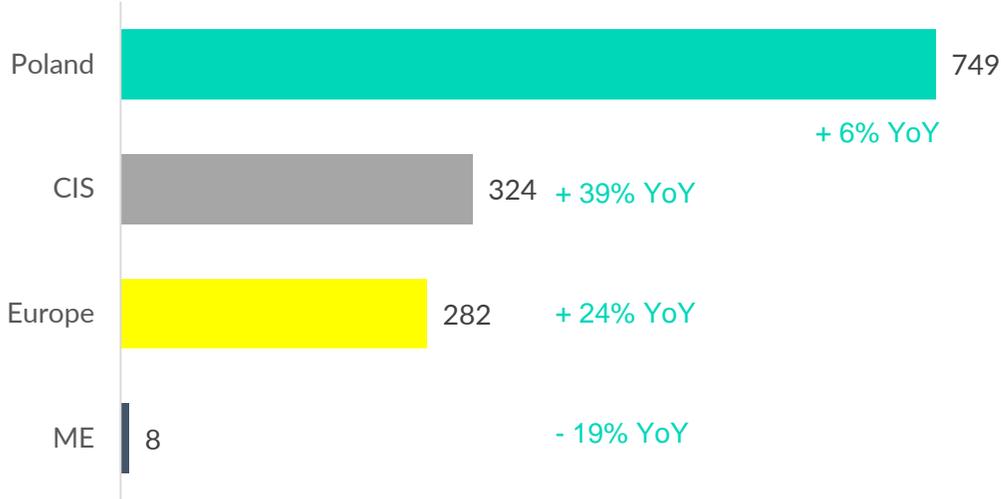
1Q17 FLOORSPACE  
(by brands)

| ths m2    | 1Q16  | 1Q17  | YoY     |
|-----------|-------|-------|---------|
| LPP GROUP | 855.0 | 913.9 | 6.9%    |
| Reserved  | 467.1 | 510.7 | 9.3%    |
| Cropp     | 115.4 | 120.1 | 4.1%    |
| House     | 100.5 | 102.9 | 2.4%    |
| Mohito    | 94.9  | 97.8  | 3.1%    |
| Sinsay    | 60.5  | 69.8  | 15.4%   |
| Tallinder | 2.9   | 0.0   | -100.0% |
| Outlets   | 13.8  | 12.6  | -8.6%   |

- Dynamic Reserved 1Q17 revenue growth resulted from: floorspace development (Germany and Russia) as well as more favourable reception of LPP brands' collections by customers.
- Double-digit LFLs in Mohito in 1Q17 – the brand's revenues were similar to those of Cropp brand.
- Sinsay's floorspace and revenues grew at a higher pace than those of other LPP's brands, due to development in Poland and abroad.

# Growths in key regions

REVENUES BY REGIONS  
(PLN m)



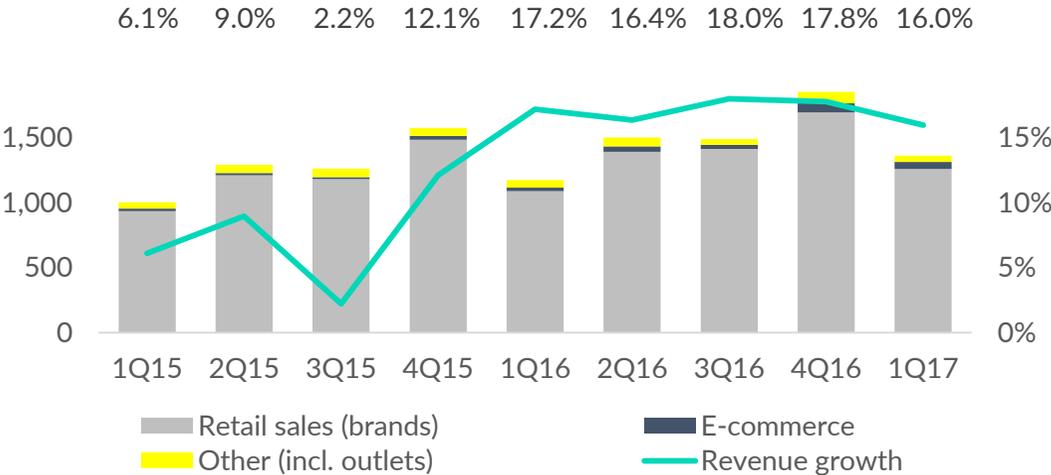
1Q17 FLOORSPACE  
(by regions)

| ths m2    | 1Q16  | 1Q17  | YoY   |
|-----------|-------|-------|-------|
| LPP GROUP | 855.0 | 913.9 | 6.9%  |
| Poland    | 468.3 | 485.3 | 3.6%  |
| Europe    | 184.4 | 212.8 | 15.4% |
| CIS       | 194.7 | 208.2 | 6.9%  |
| ME        | 7.6   | 7.6   | 0.0%  |

- Dynamic floorspace growth in Europe in 1Q17 due to development in Germany.
- CIS floorspace acceleration continued, yet there were no new openings in the ME in 1Q17.
- The highest revenue growth rates among regions were recorded by the CIS countries, due to ruble appreciation against PLN.
- Among countries, the highest nominal revenue growth was recorded in Russia and Poland.

# Acceleration of sales/ m2 growth

GROUP REVENUES  
(PLN m)



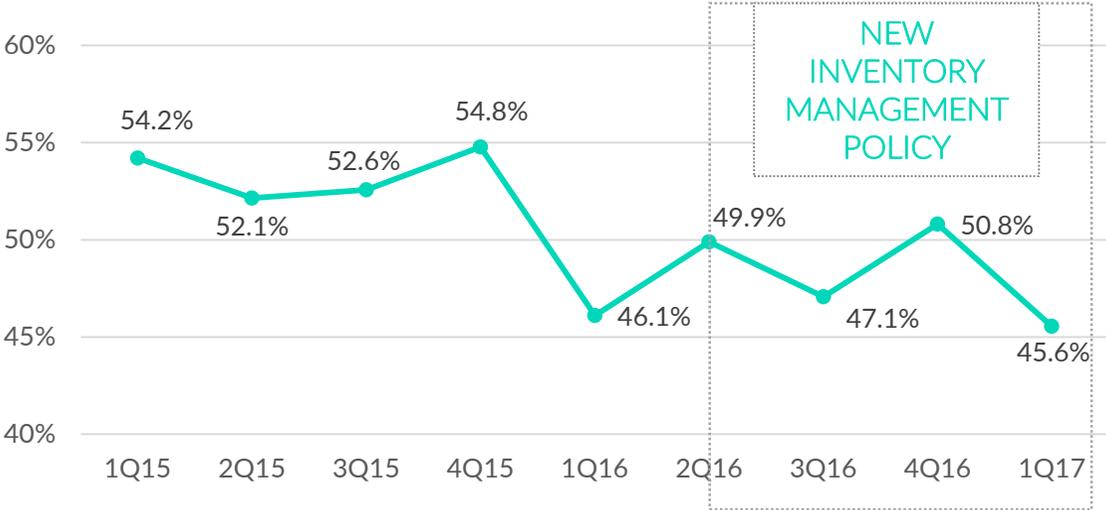
REVENUES/ M2

| PLN (monthly)      | 1Q16 | 1Q17 | YoY   |
|--------------------|------|------|-------|
| LPP GROUP (retail) | 449  | 492  | 9.5%  |
| Poland             | 491  | 500  | 2.0%  |
| Europe             | 418  | 451  | 8.0%  |
| CIS                | 390  | 514  | 31.8% |
| LPP GROUP          | 468  | 499  | 6.7%  |

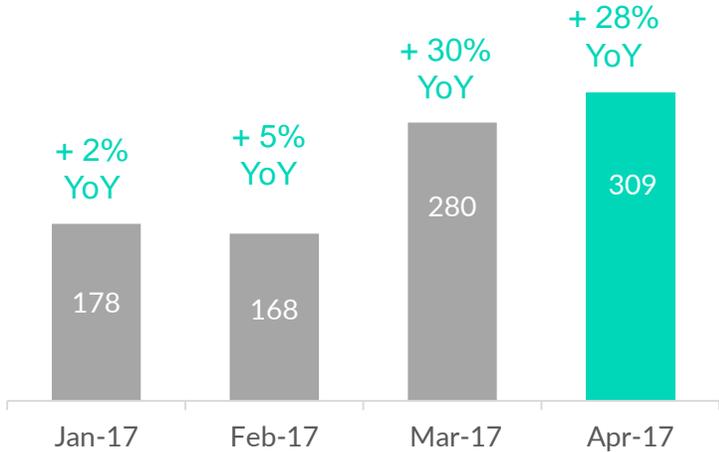
- Group revenues grew 16% YoY in 1Q17 due to higher floorspace, positive LFLs and high e-commerce growth.
- In 1Q17 both group revenues/ m2 and retail sales/ m2 were higher YoY.
- Double-digit retail sales/ m2 were recorded in 1Q17 in Czech Republic, Hungary, Romania and Russia.

# Gross profit margin stabilisation

QUARTERLY GROSS PROFIT MARGIN



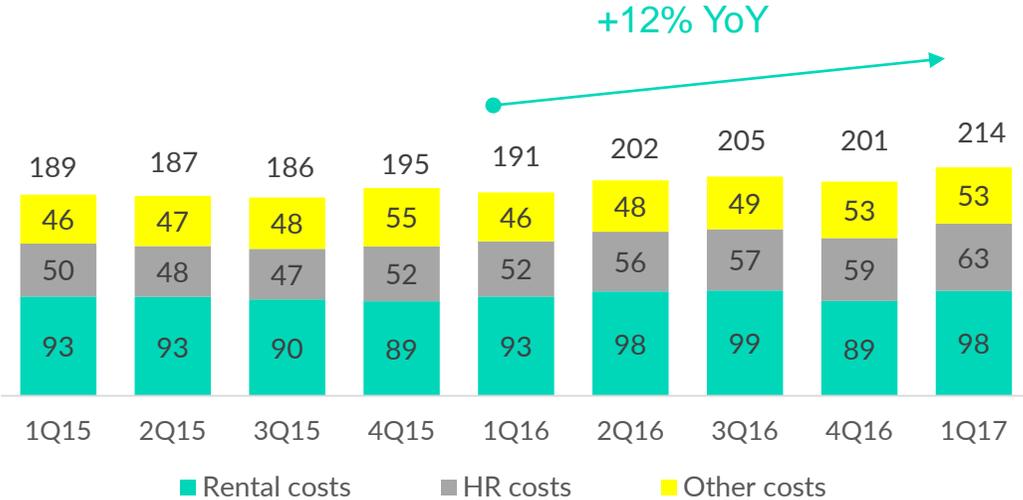
MONTHLY GROSS PROFIT ON SALES (PLN m)



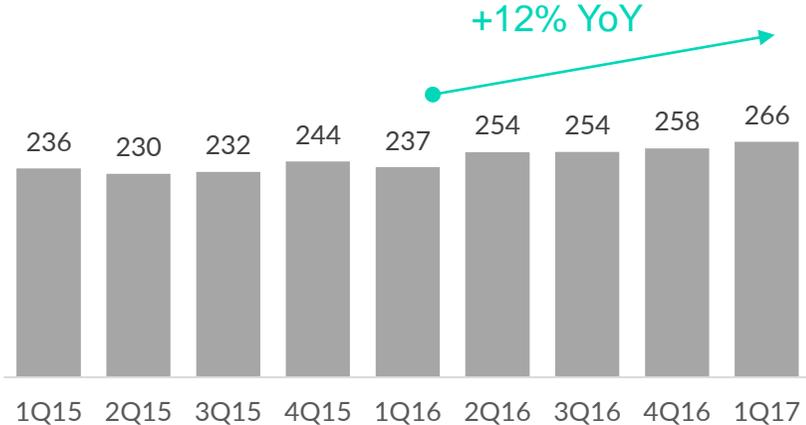
- 1Q17 YoY gross profit margin stabilisation, due to introduction of new inventory management policy and improved collections.
- The aim of the current inventory management policy is to sell goods to a maximum extent in stores to avoid the costs of their return and transport to post-season warehouse.
- The new policy results in sizeable gross profit margin difference between months: 37% (-7 p.p.) in January 2017, 44% (-3 p.p. YoY) in February, but 60% (+8 p.p. YoY) in March and 59% (+8 p.p. YoY) in April 2017.

# Higher costs/ m2

COSTS OF OWN STORES/ M2



SG&A COSTS/ M2



- Growth in rental charges → sizeable openings in Germany, depreciation of zloty versus euro and rubble.
- Pick-up in personnel costs → growth in salaries across all countries.
- Higher YoY other costs of stores → higher usage of materials due to sizeable openings in Germany.
- Growth in SG&A/ m2 → higher costs of headquarters (development of product divisions, further e-commerce development) and higher costs of stores.

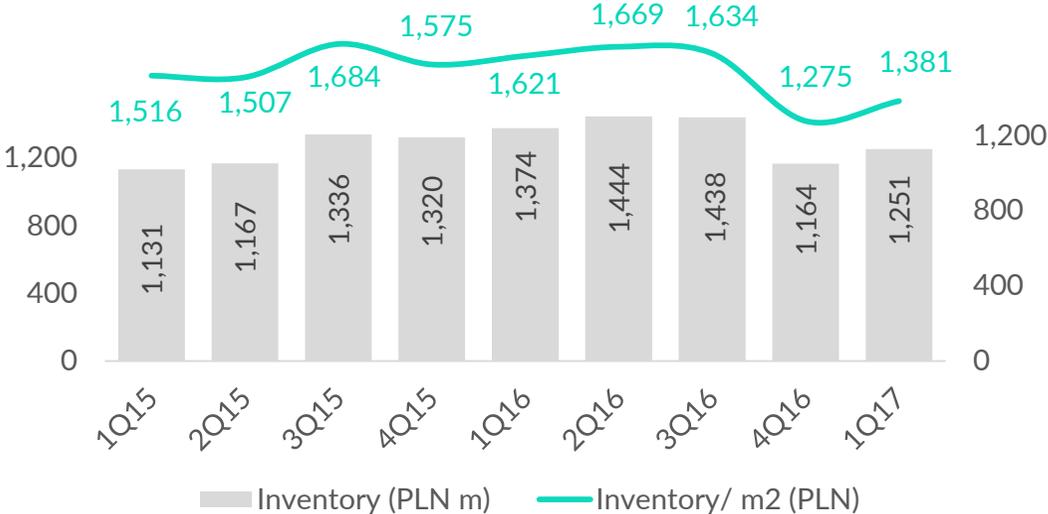
# Seasonally weaker 1Q17

| PLN m               | 1Q16           | 1Q17           | YoY          |
|---------------------|----------------|----------------|--------------|
| <b>Revenues</b>     | <b>1,174.8</b> | <b>1,362.3</b> | <b>16.0%</b> |
| Gross profit margin | 46.1%          | 45.6%          | -0.5 p.p.    |
| SG&A costs          | 595.3          | 719.2          | 20.8%        |
| <b>EBIT</b>         | <b>-63.9</b>   | <b>-109.0</b>  | <b>n/m</b>   |
| EBIT margin         | -5.4%          | -8.0%          | -2.6 p.p.    |
| <b>Net profit</b>   | <b>-65.6</b>   | <b>-117.0</b>  | <b>n/m</b>   |

- Dynamic group revenue growth:
  - positive LFLs and floorspace growth,
  - on-line sales increase.
- Gross profit margin stabilisation, due to introduction of new inventory management policy and improved collections.
- SG&A growth higher than top-line growth – low cost base of 1Q16.
- Lower net financing costs:
  - lower interest and fees (lower indebtedness),
  - despite lower FX gains.
- EBIT and bottom-line below zero due to SG&A costs rising faster than gross profit on sales.

# Freeing up working capital

INVENTORY



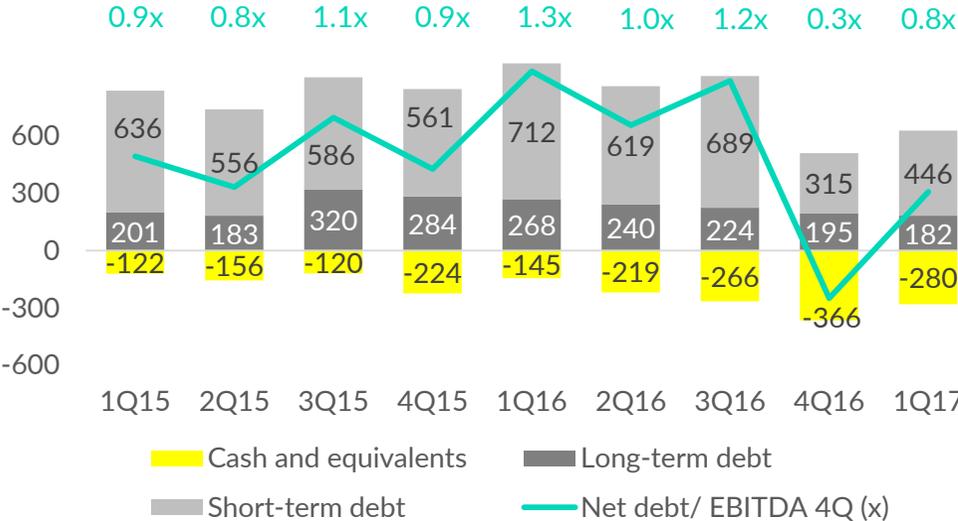
WORKING CAPITAL (PLN m)



- YoY fall in inventory and inventory/ m2 due to new inventory management policy and improved reception of collections by customers.
- Higher YoY receivables due to sale of obsolete inventory at the end of 2016.
- PLN 80m additional liabilities due to extension of payment terms for suppliers.
- Our aim is to match liabilities to the inventory level.

# Lower indebtedness

NET DEBT VS NET DEBT/EBITDA  
(PLN m)



CAPEX  
(PLN m)



- 1Q17 capex grew 212% YoY due to shift in payments for stores opened in 4Q16 to 1Q17, along with extending terms of payments by construction companies.
- YoY fall in short-term debt due to more favourable operating cash flows in 4Q16 and 1Q17.
- Net debt/ EBITDA ratio fell from 1.3x in 1Q16 to 0.8x in 1Q17. Our aim is to keep the ratio on a safe level.

# 1Q17 executive summary

- 1 On-line sales acceleration.
- 2 Sales network optimisation.
- 3 Gross profit margin stable YoY.
- 4 Net working capital improvement.
- 5 Fall in net debt.



- 1 1Q17 financial results
- 2 Key corporate events
- 3 2017 outlook

# Key corporate events



## REFRESHED SHOWROOM

Upgraded Showroom in Warsaw for all LPP's brands.

January/ Feb. 2017



## RESERVED IN HAMBURG AND COLOGNE

17th and 18th store in Germany, high-street flagships.

5,700 m2

February 2017



## FIRST STORES IN BELARUS

Reserved, Cropp and House franchise stores in Minsk shopping mall.

2,700 m2

April 2017



## ANOTHER CSR STEP

Co-operation with SGS, an international auditor, in frames of working conditions.

April 2017

# Strengthening the designing teams

## DESIGN CENTRES IN TOP3 CITIES IN POLAND.



WARSAW

- A new design centre responsible for Reserved.
- Upgraded Showroom of all brands.



GDANSK

- LPP's largest design centre.
- The centre is responsible for Reserved, Cropp and Sinsay brands.



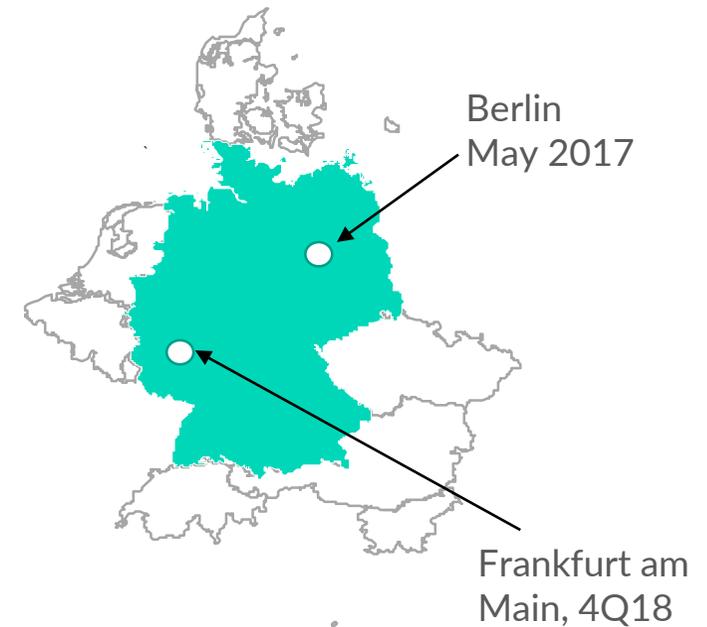
CRACOW

- Design centre for House and Mohito brands.
- Co-operation with designing schools.

# New Reserved German openings



- In 1Q17 2 Reserved stores were opened at high-streets of 2 German cities: Hamburg and Cologne.
- Floorspace: 5,700 m<sup>2</sup>.
- Berlin city-centre flagship to be opened in May 2017.
- 20th Reserved store in Germany to be opened in Frankfurt am Main in 4Q18.



Germany was LPP's fifth largest market in 2016.

# First franchise stores in Belarus



- April 2017: Belarus becomes LPP's 19<sup>th</sup> market.
- Belarus development conducted via franchise stores:
  - lack of operating costs,
  - no capex on LPP's side.
- First stores of Reserved, Cropp and House in Minsk shopping mall.
- Combined floorspace of those 3 stores reaches 2,700 m<sup>2</sup>.
- Local franchisees' diversification:
  - Reserved is developed via Rapa Group,
  - Cropp and House are developed by TDM Import.
- Target: 3 stores of Reserved, Cropp and House in Belarus in two years.

# Improved safety conditions in Asia



PLN 16m



80 factories



21 people



**PLN 16m** outlays for audits of working conditions in Bangladesh factories:

- 2/3 of the amount for working conditions audit was spent for on-site inspections and audits of working conditions in factories,
- the remaining amount comprises of membership fees for ACCORD and Rana Plaza Trust Fund.

**80 factories** under ACCORD control:

- 90% of factories had their electrical installations modernised or changed,
- 75% of factories ended up with additional anti-fire alarms and installations,
- 60% of factories had their constructions strengthened. In many cases the production was transferred to other venues.

**21 people** full-time employed in Bangladesh offices and Audit Department in HQs.

In 2017 apart from audits of LPP's own inspectors, LPP will co-operate with **SGS**, an international auditor, to additionally verify whether LPP's suppliers follow its Code of Conduct.



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# Double-digit 2017 floorspace growth

| Floorspace (ths m2) | 2016         | 2017 former target | 2017 target    | YoY        |
|---------------------|--------------|--------------------|----------------|------------|
| <b>BY BRANDS</b>    |              |                    |                |            |
| Reserved            | 509.1        | 578.1              | 578.4          | 14%        |
| Cropp               | 120.4        | 131.5              | 129.0          | 7%         |
| House               | 105.7        | 114.3              | 112.2          | 6%         |
| Mohito              | 99.1         | 105.2              | 102.1          | 3%         |
| Sinsay              | 69.8         | 87.8               | 89.5           | 28%        |
| Tallinder           | 4.1          | 0.0                | 0.0            | -100%      |
| Outlets             | 12.6         | 11.8               | 11.6           | -7%        |
| <b>BY REGIONS</b>   |              |                    |                |            |
| Poland              | 496.6        | 517.5              | 513.2          | 3%         |
| Europe              | 209.5        | 250.9              | 251.0          | 20%        |
| CIS                 | 207.0        | 249.3              | 250.5          | 21%        |
| ME                  | 7.6          | 10.9               | 8.2            | 8%         |
| <b>TOTAL</b>        | <b>920.7</b> | <b>1,028.6</b>     | <b>1,022.9</b> | <b>11%</b> |

- 11% YoY floorspace growth in 2017.
- Reserved stores should be in 22 countries at the end of 2017. 4 new countries in 2017 encompass:
  - Serbia and the UK (own stores),
  - Belarus and Kazakhstan (franchise stores).
- 2017 targets:
  - CEE development,
  - CIS acceleration,
  - SEE acceleration (especially in Romania, entry to Serbia),
  - new stores in WE (Germany and the UK).
- Planned 2017 capex at c. PLN 430m, up c. 60% YoY due to faster floorspace growth (planned store capex at PLN 370m) and HQs outlays (PLN 60m).

# Triple-digit e-commerce revenue growth in 2017

2020 TARGET- INTERNET SHOULD CONSTITUTE 7-8% OF GROUP SALES

On-line stores of 5 brands in Poland, Czech Rep., Slovakia, Hungary, Romania and Germany.

4Q16 STATUS

On-line stores of 5 brands in Lithuania, Latvia and Estonia.

1H17 PLANS

On-line stores of 5 brands in Russia and Ukraine.  
Reserved on-line in the UK (before London flagship launch)

2H17 PLANS

# 2017 outlook

## 2017 TARGETS

- Revenue growth should exceed floorspace growth (positive LFLs at all brands).
- Pick-up in gross profit margin versus 2016 level. Estimated 2017 group gross profit margin at 52-53%.
- Indebtedness at a low level, among others due to further net working capital improvements.

## OPPORTUNITIES

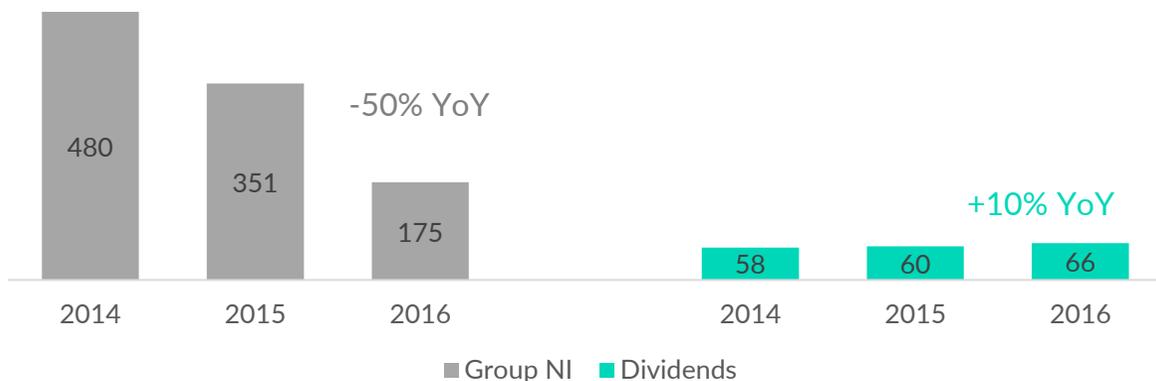
- Dynamic e-commerce development (6 new markets on-line).
- LFLs improvement.

## RISKS

- Ban on trade on Sundays (19% of Polish turnover).
- Unfavourable FX trends on US\$, EUR and RUB against PLN.

# Growing dividend payments

DIVIDENDS VS NET EARNINGS  
(PLN m)

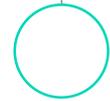


*Dividend shown under the year from which it is paid, not under the year, in which it is paid out.*

- The Supervisory Board approved the Management Board recommendation to pay out PLN 65.6m in dividend from 2016 earnings.
- The proposed dividend is 10% higher YoY and constitutes 38% of group 2016 net income.
- The proposal translates into DPS of PLN 36. If 13,132 warrants are converted into shares before dividend day, DPS will fall to PLN 35.74.

Dividend day:  
**4 September 2017**

Payment day:  
**20 September 2017**



## Q&A



Back-up

# Network development

| Floorspace (ths m2)            | 31.03.2015   | 30.06.2015   | 30.09.2015   | 31.12.2015   | 31.03.2016   | 30.06.2016   | 30.09.2016   | 31.12.2016   | 31.03.2017   |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Reserved</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> | <b>487.2</b> | <b>509.1</b> | <b>510.7</b> |
| Poland                         | 215.2        | 219.0        | 223.4        | 232.5        | 230.9        | 235.1        | 232.0        | 248.7        | 245.9        |
| Europe                         | 90.1         | 95.1         | 106.5        | 120.2        | 124.0        | 127.2        | 140.0        | 144.1        | 147.7        |
| CIS                            | 95.8         | 98.3         | 100.4        | 103.1        | 104.6        | 103.9        | 107.7        | 108.7        | 109.5        |
| ME                             | 1.5          | 3.9          | 5.5          | 5.5          | 7.6          | 7.6          | 7.6          | 7.6          | 7.6          |
| <b>Cropp</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> | <b>116.7</b> | <b>120.4</b> | <b>120.1</b> |
| Poland                         | 58.5         | 62.8         | 59.6         | 63.0         | 63.6         | 65.2         | 63.0         | 65.3         | 65.1         |
| Europe                         | 17.8         | 18.7         | 19.1         | 19.8         | 20.2         | 20.6         | 21.0         | 21.2         | 21.0         |
| CIS                            | 30.2         | 30.0         | 30.4         | 31.7         | 31.6         | 31.9         | 32.8         | 34.0         | 34.0         |
| <b>House</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> | <b>103.8</b> | <b>105.7</b> | <b>102.9</b> |
| Poland                         | 56.2         | 62.4         | 59.3         | 62.2         | 62.9         | 65.4         | 63.1         | 64.9         | 62.4         |
| Europe                         | 12.7         | 13.2         | 14.4         | 15.1         | 15.5         | 16.4         | 16.8         | 16.4         | 16.2         |
| CIS                            | 21.0         | 21.1         | 21.6         | 22.4         | 22.0         | 23.1         | 23.9         | 24.3         | 24.3         |
| <b>Mohito</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>  | <b>97.6</b>  | <b>99.1</b>  | <b>97.8</b>  |
| Poland                         | 47.8         | 49.2         | 49.7         | 52.1         | 52.5         | 51.8         | 52.4         | 53.4         | 51.7         |
| Europe                         | 13.6         | 14.5         | 15.2         | 16.1         | 16.5         | 17.7         | 18.1         | 18.1         | 18.1         |
| CIS                            | 25.0         | 25.4         | 25.4         | 26.2         | 25.9         | 26.3         | 27.1         | 27.7         | 28.0         |
| <b>Sinsay</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>  | <b>65.2</b>  | <b>69.8</b>  | <b>69.8</b>  |
| Poland                         | 35.5         | 38.6         | 40.3         | 43.5         | 43.9         | 44.5         | 45.5         | 48.6         | 48.6         |
| Europe                         | 5.4          | 6.3          | 6.6          | 7.6          | 8.0          | 8.8          | 9.2          | 9.7          | 9.7          |
| CIS                            | 7.6          | 7.6          | 7.9          | 8.6          | 8.6          | 9.8          | 10.5         | 11.5         | 11.5         |
| <b>Tallinder (Poland only)</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>3.7</b>   | <b>4.1</b>   | <b>0.0</b>   |
| Outlets                        | 11.8         | 12.4         | 13.6         | 13.8         | 13.8         | 13.8         | 13.8         | 12.6         | 12.6         |
| <b>Total by regions</b>        |              |              |              |              |              |              |              |              |              |
| Poland                         | 423.5        | 443.5        | 443.9        | 465.0        | 468.3        | 477.4        | 471.2        | 496.6        | 485.3        |
| Europe                         | 139.6        | 147.7        | 161.7        | 179.0        | 184.4        | 190.8        | 205.2        | 209.5        | 212.8        |
| CIS                            | 181.2        | 183.2        | 187.7        | 193.9        | 194.7        | 196.9        | 204.0        | 207.0        | 208.2        |
| ME                             | 1.5          | 3.9          | 5.5          | 5.5          | 7.6          | 7.6          | 7.6          | 7.6          | 7.6          |
| <b>TOTAL</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> | <b>888.0</b> | <b>920.7</b> | <b>913.9</b> |

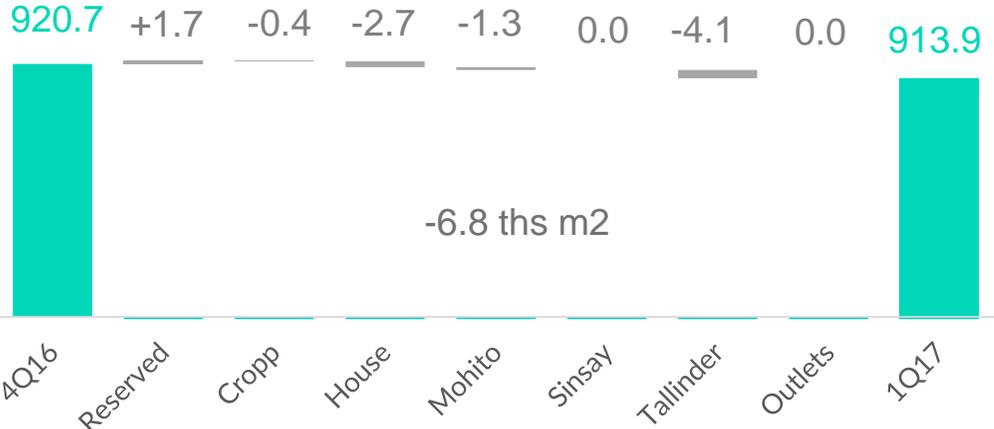
# 2017 network development details

| FLOORSPACE<br>(ths m2) | 31.12.2016   | 2017 TARGET    | Nom. growth  | YoY          |
|------------------------|--------------|----------------|--------------|--------------|
| <b>Reserved</b>        | <b>509.1</b> | <b>578.4</b>   | <b>69.3</b>  | <b>14%</b>   |
| Poland                 | 248.7        | 265.5          | 16.8         | 7%           |
| Europe                 | 144.1        | 173.5          | 29.4         | 20%          |
| CIS                    | 108.7        | 131.3          | 22.6         | 21%          |
| ME                     | 7.6          | 8.2            | 0.6          | 8%           |
| <b>Cropp</b>           | <b>120.4</b> | <b>129.0</b>   | <b>8.6</b>   | <b>7%</b>    |
| Poland                 | 65.3         | 66.2           | 0.9          | 1%           |
| Europe                 | 21.2         | 23.6           | 2.4          | 11%          |
| CIS                    | 34.0         | 39.3           | 5.3          | 16%          |
| <b>House</b>           | <b>105.7</b> | <b>112.2</b>   | <b>6.5</b>   | <b>6%</b>    |
| Poland                 | 64.9         | 64.7           | -0.3         | 0%           |
| Europe                 | 16.4         | 17.5           | 1.1          | 7%           |
| CIS                    | 24.3         | 30.0           | 5.7          | 23%          |
| <b>Mohito</b>          | <b>99.1</b>  | <b>102.1</b>   | <b>3.0</b>   | <b>3%</b>    |
| Poland                 | 53.4         | 51.9           | -1.5         | -3%          |
| Europe                 | 18.1         | 20.4           | 2.4          | 13%          |
| CIS                    | 27.7         | 29.8           | 2.1          | 8%           |
| <b>Sinsay</b>          | <b>69.8</b>  | <b>89.5</b>    | <b>19.7</b>  | <b>28%</b>   |
| Poland                 | 48.6         | 54.6           | 6.1          | 12%          |
| Europe                 | 9.7          | 15.8           | 6.1          | 63%          |
| CIS                    | 11.5         | 19.1           | 7.5          | 65%          |
| <b>Tallinder</b>       | <b>4.1</b>   | <b>0.0</b>     | <b>-4.1</b>  | <b>-100%</b> |
| Poland                 | 4.1          | 0.0            | -4.1         | -100%        |
| Europe                 | 0.0          | 0.0            | 0.0          | 0%           |
| CIS                    | 0.0          | 0.0            | 0.0          | 0%           |
| <b>Outlets</b>         | <b>12.6</b>  | <b>11.6</b>    | <b>-1.0</b>  | <b>-7%</b>   |
| Poland                 | 11.6         | 10.3           | -1.3         | -11%         |
| Europe                 | 0.2          | 0.2            | 0.0          | 0%           |
| CIS                    | 0.8          | 1.1            | 0.3          | 45%          |
| <b>TOTAL</b>           | <b>920.7</b> | <b>1,022.9</b> | <b>102.2</b> | <b>11%</b>   |

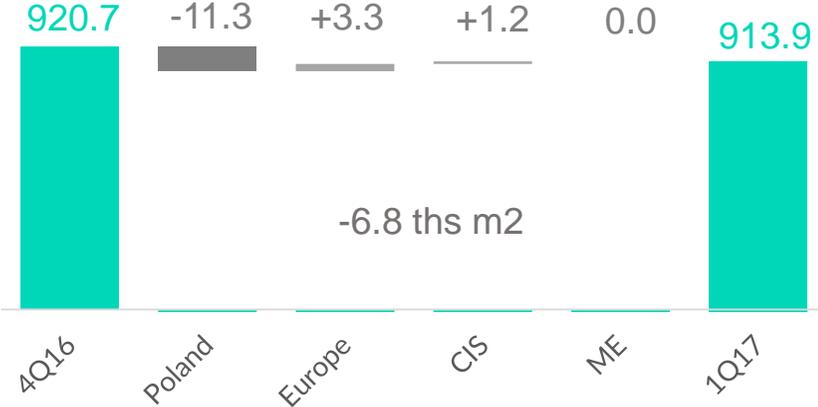
| NUMBER OF<br>STORES | 31.12.2016   | 2017 TARGET  | Nom. growth | YoY          |
|---------------------|--------------|--------------|-------------|--------------|
| <b>Reserved</b>     | <b>461</b>   | <b>468</b>   | <b>7</b>    | <b>2%</b>    |
| Poland              | 236          | 227          | -9          | -4%          |
| Europe              | 116          | 122          | 6           | 5%           |
| CIS                 | 103          | 112          | 9           | 9%           |
| ME                  | 6            | 7            | 1           | 17%          |
| <b>Cropp</b>        | <b>379</b>   | <b>385</b>   | <b>6</b>    | <b>2%</b>    |
| Poland              | 219          | 213          | -6          | -3%          |
| Europe              | 68           | 71           | 3           | 4%           |
| CIS                 | 92           | 101          | 9           | 10%          |
| <b>House</b>        | <b>330</b>   | <b>336</b>   | <b>6</b>    | <b>2%</b>    |
| Poland              | 212          | 205          | -7          | -3%          |
| Europe              | 51           | 52           | 1           | 2%           |
| CIS                 | 67           | 79           | 12          | 18%          |
| <b>Mohito</b>       | <b>290</b>   | <b>287</b>   | <b>-3</b>   | <b>-1%</b>   |
| Poland              | 166          | 155          | -11         | -7%          |
| Europe              | 57           | 54           | -3          | -5%          |
| CIS                 | 67           | 78           | 11          | 16%          |
| <b>Sinsay</b>       | <b>198</b>   | <b>246</b>   | <b>48</b>   | <b>24%</b>   |
| Poland              | 142          | 155          | 13          | 9%           |
| Europe              | 26           | 42           | 16          | 62%          |
| CIS                 | 30           | 49           | 19          | 63%          |
| <b>Tallinder</b>    | <b>9</b>     | <b>0</b>     | <b>-9</b>   | <b>-100%</b> |
| Poland              | 9            | 0            | -9          | -100%        |
| Europe              | 0            | 0            | 0           | 0%           |
| CIS                 | 0            | 0            | 0           | 0%           |
| <b>Outlets</b>      | <b>36</b>    | <b>34</b>    | <b>-2</b>   | <b>-6%</b>   |
| Poland              | 33           | 30           | -3          | -9%          |
| Europe              | 1            | 1            | 0           | 0%           |
| CIS                 | 2            | 3            | 1           | 50%          |
| <b>TOTAL</b>        | <b>1 703</b> | <b>1 756</b> | <b>53</b>   | <b>3%</b>    |

# Changes in 1Q17 floorspace

CHANGE IN FLOORSPACE BY BRANDS  
(ths m2)



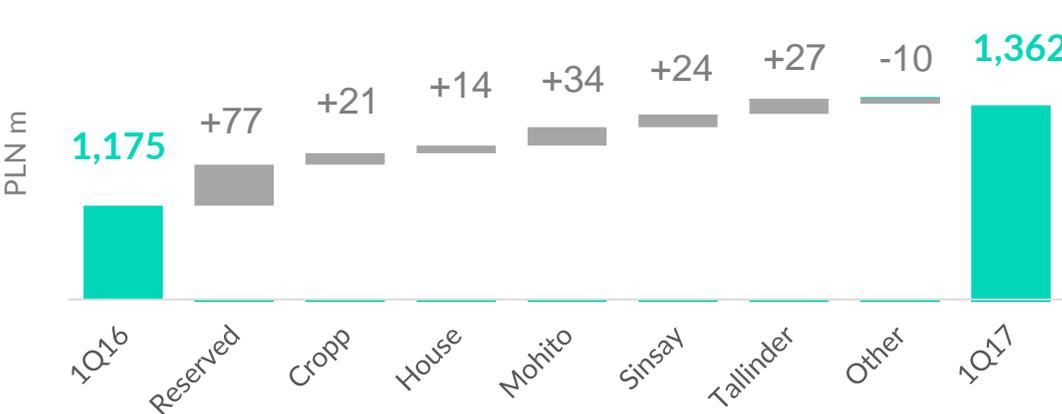
CHANGE IN FLOORSPACE BY REGIONS  
(ths m2)



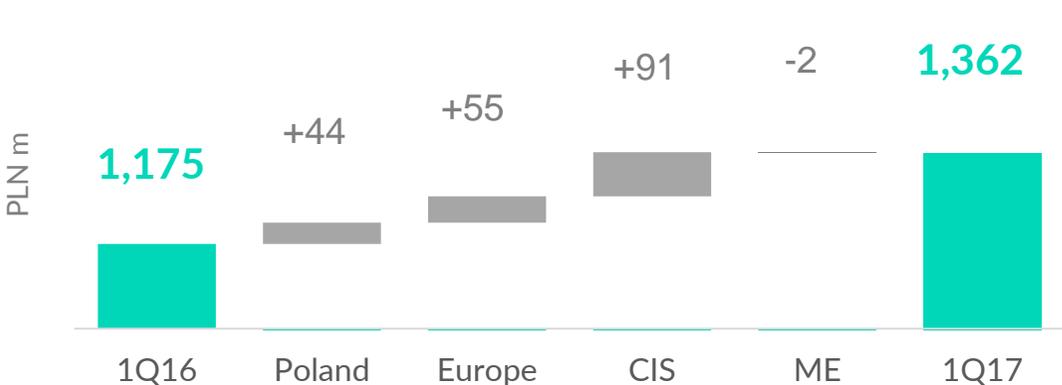
- Reserved development in 1Q17 resulted from: (1) new openings in Germany (2 stores, 5.7 ths m2) and (2) flagship store in Moscow (Russia).
- Optimisation of floorspace in Poland: resignation from small stores (especially those of Reserved and House brands) whose rental agreements expired in 1Q17.
- Closing of Tallinder brand stores in February 2017.

# 1Q17 revenue growth contributors

REVENUE GROWTH BY BRANDS



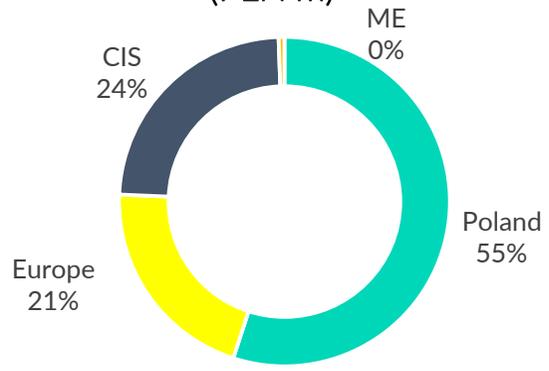
REVENUE GROWTH BY REGIONS



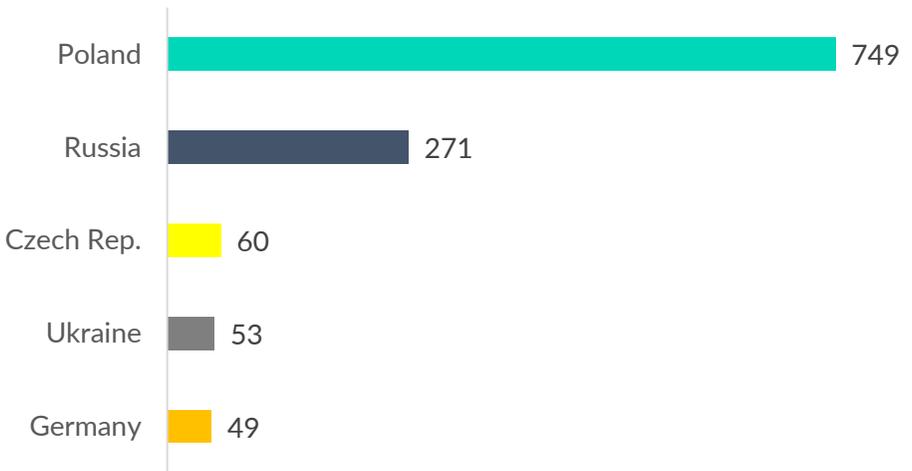
| PLN m            | 1Q16           | 1Q17           | YoY          |
|------------------|----------------|----------------|--------------|
| <b>LPP GROUP</b> | <b>1,174.8</b> | <b>1,362.3</b> | <b>16.0%</b> |
| Reserved PL      | 288.1          | 295.9          | 2.7%         |
| Reserved EX      | 249.6          | 318.4          | 27.6%        |
| Cropp PL         | 96.2           | 93.8           | -2.5%        |
| Cropp EX         | 71.2           | 94.7           | 33.0%        |
| House PL         | 101.0          | 101.6          | 0.6%         |
| House EX         | 43.1           | 56.9           | 31.9%        |
| Mohito PL        | 86.1           | 95.2           | 10.6%        |
| Mohito EX        | 63.5           | 88.4           | 39.4%        |
| Sinsay PL        | 68.2           | 81.4           | 19.4%        |
| Sinsay EX        | 20.0           | 30.8           | 54.0%        |
| E-commerce       | 27.4           | 54.9           | 100.1%       |
| Other            | 60.4           | 50.2           | -16.9%       |

# Revenue and COGS split

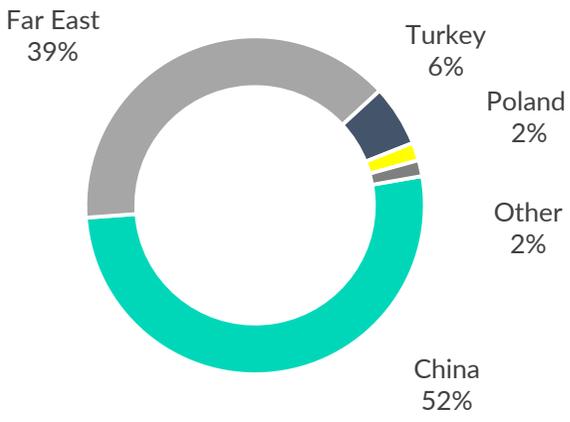
1Q17 REVENUES BY REGIONS  
(PLN m)



TOP5 REVENUES BY COUNTRIES  
(PLN m)



1Q17 PURCHASES BY REGIONS  
(PLN m)

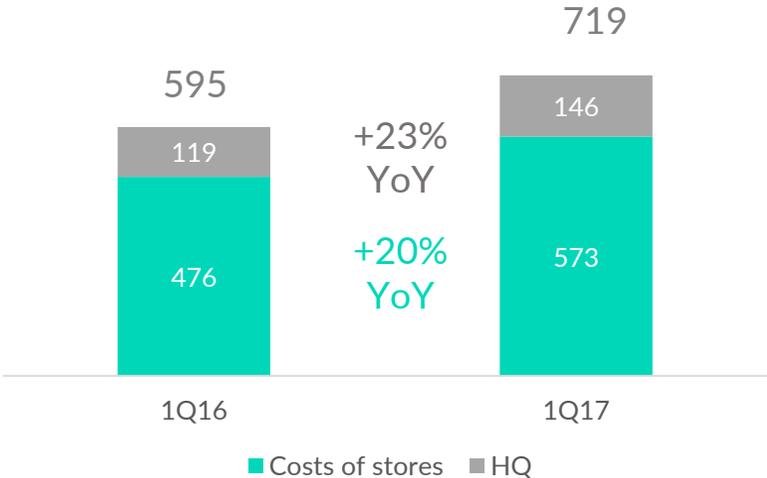


Poland remains our most important market.

# Costs of stores and HQs

SG&A COSTS  
(PLN m)

SG&A COSTS  
(PLN m)



- 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 have any material effect on SG&A costs.
- Costs of stores → YoY growth in 1Q17 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 1Q17 due to development of product departments and further e-commerce expansion.

# Other operating and net financial lines

## OTHER OPERATING ACTIVITY

| PLN m                             | 1Q16         | 1Q17         |
|-----------------------------------|--------------|--------------|
| <b>OTHER OPERATING REVENUES</b>   | <b>6.4</b>   | <b>7.9</b>   |
| Inventory excess                  | 4.5          | 3.6          |
| Gain on sale of assets, write-ups | 0.8          | 4.1          |
| <b>OTHER OPERATING COSTS</b>      | <b>16.8</b>  | <b>18.2</b>  |
| Write-offs                        | 4.1          | 0.0          |
| Inventory losses                  | 9.4          | 11.9         |
| Donations and other               | 2.3          | 3.7          |
| <b>OTHER OPERATING ACTIVITY</b>   | <b>-10.4</b> | <b>-10.4</b> |

Stable level of net other operating activity: higher YoY write-ups of assets in 1Q17 compensated by higher inventory losses (consequence of pick-up in activity levels).

## NET FINANCIAL ACTIVITY

| mIn PLN                       | 1Q16        | 1Q17        |
|-------------------------------|-------------|-------------|
| <b>FINANCIAL REVENUES</b>     | <b>2.2</b>  | <b>1.7</b>  |
| FX gains                      | 1.9         | 0.4         |
| Interest                      | 0.2         | 1.3         |
| <b>FINANCIAL COSTS</b>        | <b>7.2</b>  | <b>4.2</b>  |
| FX losses                     | 0.0         | 0.0         |
| Interest                      | 5.8         | 3.4         |
| Fees and charges              | 1.5         | 0.8         |
| <b>NET FINANCING ACTIVITY</b> | <b>-5.0</b> | <b>-2.5</b> |

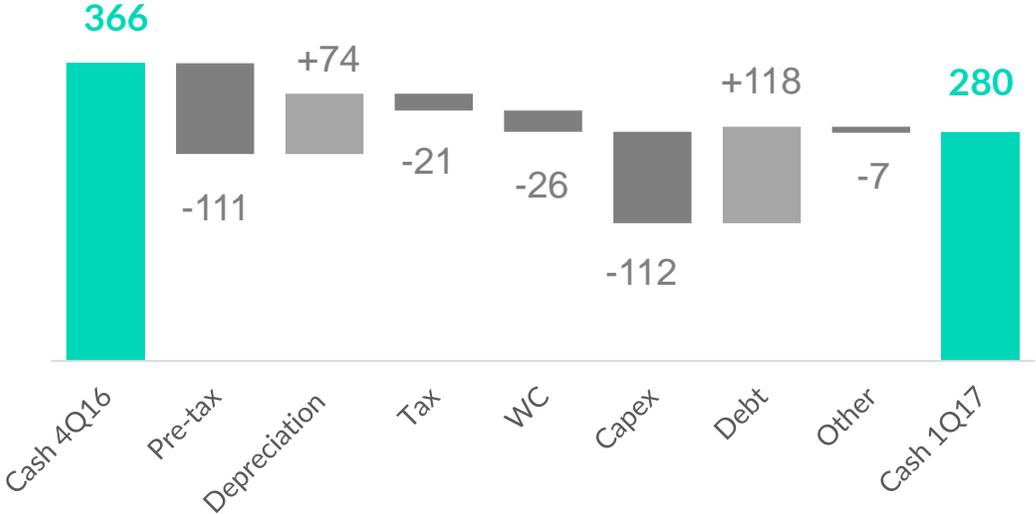
PLN 0.4m FX gains (1Q16: PLN 1.9m gains), including PLN 5.0m losses on ruble and hryvna (1Q16: PLN 1.4m gains), PLN 16.6m gains on US\$ (1Q16: PLN 1.1m gains) and PLN 11.2m losses on other currencies (EUR, RON, HUF, CZK).

# Historical quarterly numbers

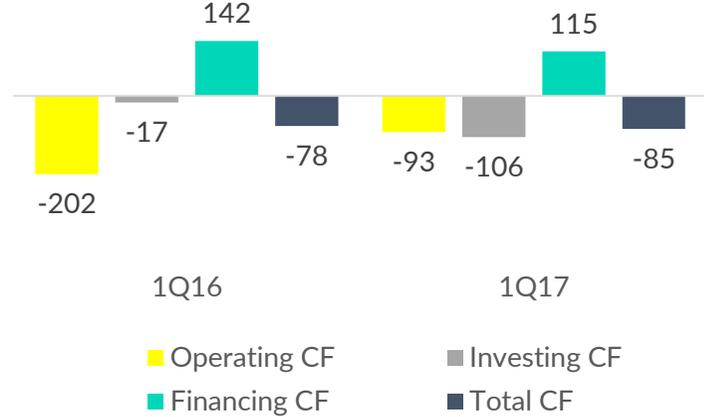
| PLN m                  | 2Q15           | 2Q16           | 3Q15           | 3Q16           | 4Q15           | 4Q16           | 1Q16           | 1Q17           | YoY          |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| <b>Revenues</b>        | <b>1,291.3</b> | <b>1,502.4</b> | <b>1,261.5</b> | <b>1,488.4</b> | <b>1,575.0</b> | <b>1,853.4</b> | <b>1,174.8</b> | <b>1,362.3</b> | <b>16.0%</b> |
| Gross profit on sales  | 673.4          | 749.7          | 663.2          | 700.6          | 862.8          | 941.7          | 541.8          | 620.6          | 14.6%        |
| Gross profit margin    | 52.1%          | 49.9%          | 52.6%          | 47.1%          | 54.8%          | 50.8%          | 46.1%          | 45.6%          | -0.5 p.p.    |
| SG&A costs             | 523.5          | 651.7          | 546.8          | 662.2          | 608.9          | 699.6          | 595.3          | 719.2          | 20.8%        |
| Other operating line   | -13.1          | -11.6          | -9.6           | -33.6          | -18.5          | -43.0          | -10.4          | -10.4          |              |
| <b>EBIT</b>            | <b>136.8</b>   | <b>86.5</b>    | <b>106.8</b>   | <b>4.8</b>     | <b>235.4</b>   | <b>199.1</b>   | <b>-63.9</b>   | <b>-109.0</b>  | <b>n/m</b>   |
| EBIT margin            | 10.6%          | 5.8%           | 8.5%           | 0.3%           | 14.9%          | 10.7%          | -5.4%          | -8.0%          | -2.6 p.p.    |
| Net financial activity | 21.5           | 2.4            | -14.4          | -8.0           | -42.0          | -21.7          | -5.0           | -2.5           |              |
| Pre-tax profit         | 158.3          | 88.9           | 92.5           | -3.2           | 193.4          | 177.4          | -68.9          | -111.5         | n/m          |
| Tax                    | 21.6           | -0.9           | 12.7           | 3.2            | 21.0           | 20.4           | -3.4           | 5.5            |              |
| <b>Net income</b>      | <b>136.6</b>   | <b>89.8</b>    | <b>79.7</b>    | <b>-6.5</b>    | <b>172.3</b>   | <b>157.0</b>   | <b>-65.6</b>   | <b>-117.0</b>  | <b>n/m</b>   |
| Net income margin      | 10.6%          | 6.0%           | 6.3%           | -0.4%          | 10.9%          | 8.5%           | -5.6%          | -8.6%          | -3.0 p.p.    |

# Cash flows

1Q17 CASH GENERATION  
(PLN m)



1Q17 CASH FLOWS  
(PLN m)



- Operating cash flow → more favourable YoY due to extending the payment terms for suppliers.
- Investing cash flow → higher YoY capex due to payments for stores opened in 4Q16.
- Financing cash flows → usage of short-term debt due to negative operating cash flows.
- PLN 1.6bn in open credit lines used for letters of credits, guarantees and overdrafts.

# Balance sheet increasingly strong

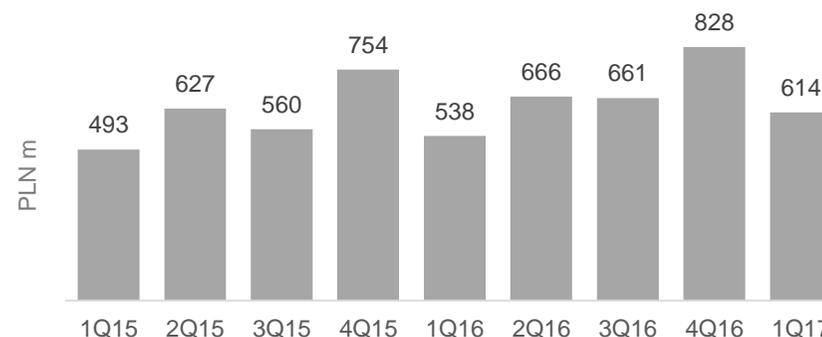
| PLN m                         | 31.03.2016     | 31.12.2016     | 31.03.2017     |
|-------------------------------|----------------|----------------|----------------|
| <b>Non-current assets</b>     | <b>1,782.7</b> | <b>1,838.7</b> | <b>1,813.8</b> |
| fixed assets                  | 1,241.3        | 1,291.3        | 1,272.0        |
| Intangibles (inc. goodwill)   | 325.2          | 330.6          | 334.2          |
| <b>Current assets</b>         | <b>1,761.6</b> | <b>1,839.3</b> | <b>1,856.1</b> |
| inventory                     | 1,373.6        | 1,164.1        | 1,251.4        |
| trade receivables             | 109.6          | 165.4          | 154.8          |
| cash and equivalents          | 145.3          | 365.8          | 280.4          |
| <b>Total assets</b>           | <b>3,544.3</b> | <b>3,677.9</b> | <b>3,669.9</b> |
| <b>Equity</b>                 | <b>1,851.1</b> | <b>2,134.7</b> | <b>2,016.4</b> |
| Long-term liabilities         | 326.8          | 267.3          | 258.3          |
| interest bearing debt         | 268.2          | 195.0          | 181.8          |
| <b>Short-term liabilities</b> | <b>1,366.4</b> | <b>1,275.9</b> | <b>1,395.2</b> |
| trade liabilities             | 604.0          | 881.1          | 881.9          |
| interest bearing debt         | 711.8          | 315.1          | 446.2          |
| <b>Total liabilities</b>      | <b>3,544.3</b> | <b>3,677.9</b> | <b>3,669.9</b> |

- Higher YoY fixed assets due to investments in stores. Fall QoQ due to network optimisation in Poland.
- Higher YoY intangibles, despite Tallinder brand write-offs, due to investments in concept stores of five brands and IT outlays.
- YoY fall in inventory due introduction of new inventory management policy.
- YoY growth in receivables due to sell-off of obsolete inventory in December 2016.
- Pick-up in trade liabilities YoY and fall in short-term debt due to new supply chain financing policy.
- YoY fall in long-term debt, due to more favourable YoY operating cash flows in 4Q16 and 1Q17.

# RESERVED

|                |   |
|----------------|---|
| CUSTOMER       | Women, men and children.  |
| YEAR OF LAUNCH | 1998  |
| BRAND CONCEPT  | A fast fashion brand with a broad customer base; wide range of collections.   |
| 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 into display lines. |
| MARKETING      | Advertised by international stars (Georgia May Jagger, Brooklyn Beckham).   |

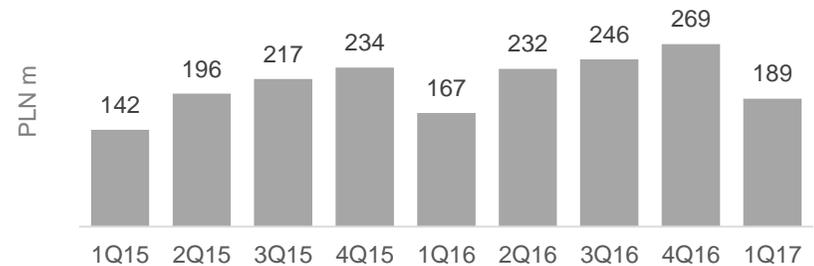
## REVENUES



|                                | 1Q16  | 1Q17  | YoY |
|--------------------------------|-------|-------|-----|
| Number of stores               | 448   | 455   | + 7 |
| Floorspace (ths m2)            | 467.1 | 510.7 | 9%  |
| Average store space (m2)       | 1,043 | 1,122 | 8%  |
| Average monthly sales (PLN/m2) | 395   | 411   | 4%  |

|                |  |
|----------------|--|
| CUSTOMER       | Teenagers – boys and girls.  |
| YEAR OF LAUNCH | 2004   |
| BRAND CONCEPT  | A casual streetwear brand.   |
| 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. |
| MARKETING      | Partner of events for artists and street art.  |

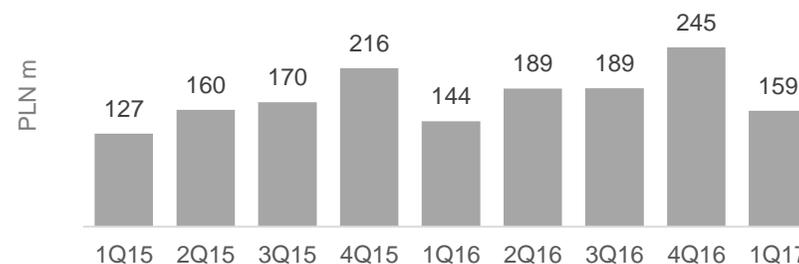
## REVENUES



|                                | 1Q16  | 1Q17  | YoY |
|--------------------------------|-------|-------|-----|
| Number of stores               | 375   | 376   | + 1 |
| Floorspace (ths m2)            | 115.4 | 120.1 | 4%  |
| Average store space (m2)       | 308   | 319   | 4%  |
| Average monthly sales (PLN/m2) | 487   | 525   | 8%  |

|                |  |
|----------------|--|
| CUSTOMER       | Teenagers (boys and girls) who like brave fashion choices.   |
| YEAR OF LAUNCH | 2001 (in LPP's Group since 4Q08).  |
| BRAND CONCEPT  | Urban fashion brand with folk and vintage elements.  |
| 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. |
| MARKETING      | Participates in multiple artistic events and sponsors alternative music, eg. iFestival.  |

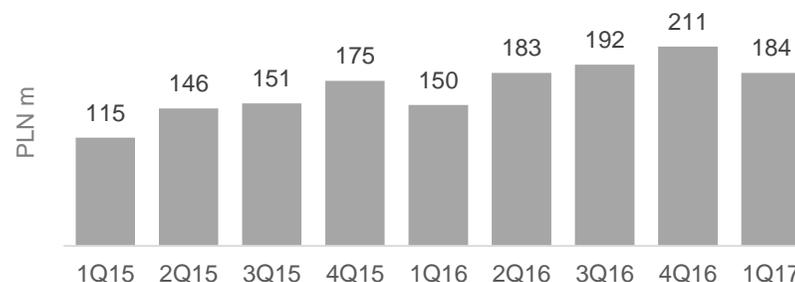
## REVENUES



|                                | 1Q16  | 1Q17  | YoY |
|--------------------------------|-------|-------|-----|
| Number of stores               | 322   | 321   | - 1 |
| Floorspace (thś m2)            | 100.5 | 102.9 | 2%  |
| Average store space (m2)       | 312   | 321   | 3%  |
| Average monthly sales (PLN/m2) | 481   | 512   | 6%  |

|                |  |
|----------------|--|
| CUSTOMER       | Young women.   |
| YEAR OF LAUNCH | 2008 (in LPP's Group since 4Q08)   |
| BRAND CONCEPT  | A brand that combines comfort and elegance for business and informal meetings.   |
| STORE CONCEPT  | Concept relates to elegance and beauty. The centre of the store is bright and is surrounded by a darker environment.   |
| MARKETING      | Anja Rubik created a limited collection for AW2014/15. Zuzanna Bijoch was the face of AW2015/16 collection. Top-model Anna Jagodzińska advertised SS16 collection. |

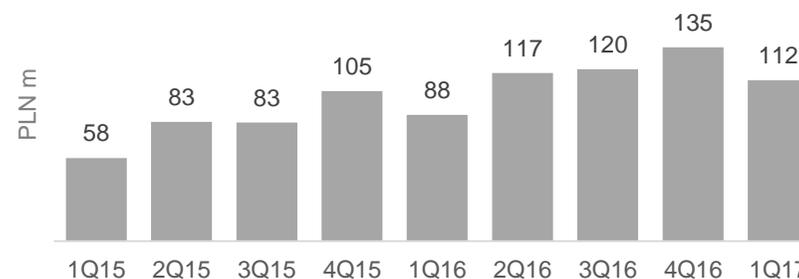
## REVENUES



|                                | 1Q16 | 1Q17 | YoY |
|--------------------------------|------|------|-----|
| Number of stores               | 281  | 285  | + 4 |
| Floorspace (tho m2)            | 94.9 | 97.8 | 3%  |
| Average store space (m2)       | 337  | 342  | 1%  |
| Average monthly sales (PLN/m2) | 528  | 622  | 18% |

|                |   |
|----------------|---|
| CUSTOMER       | Teenagers – girls only.   |
| YEAR OF LAUNCH | 2013  |
| BRAND CONCEPT  | Clothes for every day inspirations and original party outfits. The brand stands out for original T-shirts with extraordinary prints.      |
| STORE CONCEPT  | Fresh and edgy interiors yet monochromatic to differentiate from colourful clothes sold. Selling area divided into black and white parts. |
| MARKETING      | In AW15/16 singer Margaret designed her star collection.  |

## REVENUES

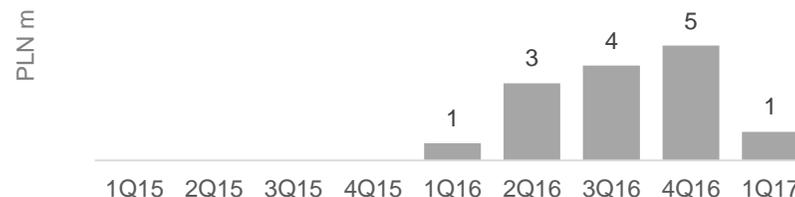


|                                | 1Q16 | 1Q17 | YoY  |
|--------------------------------|------|------|------|
| Number of stores               | 172  | 198  | + 26 |
| Floorspace (ths m2)            | 60.5 | 69.8 | 15%  |
| Average store space (m2)       | 352  | 352  | 0%   |
| Average monthly sales (PLN/m2) | 491  | 536  | 9%   |

# TALLINDER (closed down in 1Q17)

|                |   |
|----------------|---|
| CUSTOMER       | Men and women + 30 years old.   |
| YEAR OF LAUNCH | First stores opened in February 2016. These were closed down in February 2017 due to unsatisfactory sales/ m2 and growing losses. |
| BRAND CONCEPT  | Fashion brand for customers who appreciate timeless elegance, minimalism and high quality.  |
| STORE CONCEPT  | Elegant store interiors decorated in natural materials like stone, leather and wood stained in ink.                               |
| MARKETING      | SS16 collection advertised by a well-known football player Jarosław Bieniuk.  |

## REVENUES



|                                | 1Q16 | 1Q17 | YoY   |
|--------------------------------|------|------|-------|
| Number of stores               | 6    | 0    | - 6   |
| Floorspace (ths m2)            | 2.9  | 0.0  | -100% |
| Average store space (m2)       | 484  | 0    | n/m   |
| Average monthly sales (PLN/m2) | 324  | 395  | 22%   |

# Glossary

|  |  |
|--|--|
| 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 and from 2017 also Belarus and Kazakhstan.   |
| SEE  | Region including: Bulgaria, Romania, Croatia, while from 2017 also Serbia.   |
| WE   | Region including Germany and from 2017 also the UK.  |
| ME   | Region including: Egypt, Qatar, Kuwait, Saudi Arabia, UAE.   |
| Europe   | Region including: CEE, Baltic, SEE and WE.   |
| EBITDA   | EBIT + depreciation from cash flow statement.  |
| Average monthly revenues/m <sup>2</sup>            | Revenues of segment or brand / average working total floorspace / 3.   |
| Average monthly costs of own stores/m <sup>2</sup> | Quarterly costs of own stores / average working floorspace of own stores (ie. excluding all franchise stores which represent c. 6% of the working floorspace) / 3. |
| Average monthly SG&A PLN/m <sup>2</sup>            | Quarterly SG&A costs/ average working total floorspace excluding stores located in ME / 3.   |
| Inventory/ m <sup>2</sup>                          | End of period group inventory/ total floorspace without franchise stores in ME.  |

## CONTACT INFORMATION

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### LOGISTICS CENTRE

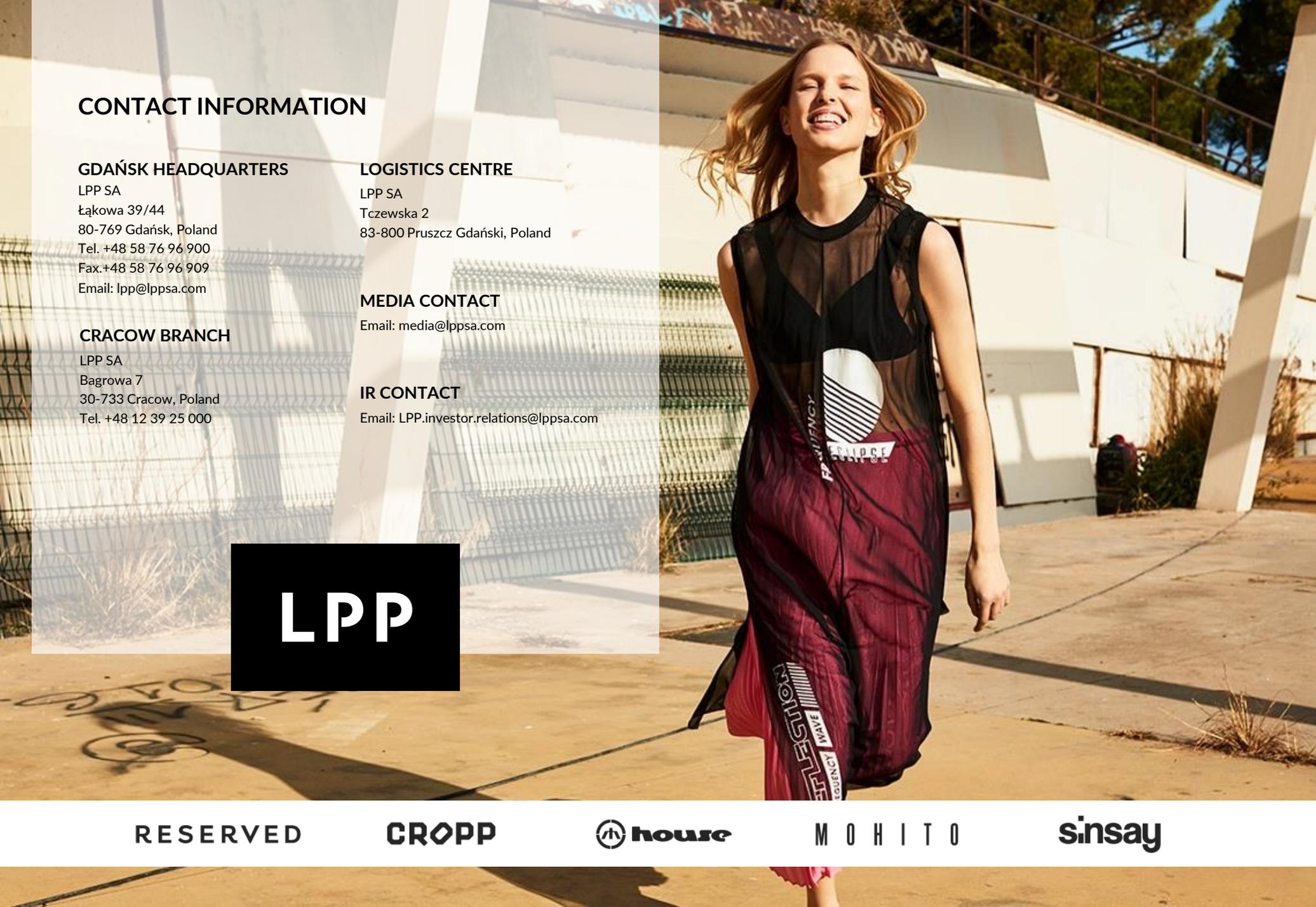
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