LPP SA CAPITAL GROUP
CONSOLIDATED CONDENSED INTERIM REPORT FOR 2017

Including:

1. Statement of the Management Board complying with the Regulation of the Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and on the conditions for regarding information required by the law of a non-member state as equivalent.
2. Consolidated condensed interim financial statements for the period from 01.01.2017 to 30.06.2017
3. Additional information and explanatory notes to the consolidated condensed interim financial statements for the period from 01.01.2017 to 30.06.2017
4. Condensed interim separate financial statements for the period from 01.01.2017 to 30.06.2017
5. Additional information and explanatory notes to the condensed interim financial statements for the period from 01.01.2017 to 30.06.2017
6. Interim report on the activities of the LPP SA Capital Group for the period from 01.01.2017 to 30.06.2017

GDAŃSK, 28 AUGUST 2017

STATEMENT OF THE MANAGEMENT BOARD

In line with the Regulation of the Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and on the conditions for regarding information required by the law of a non-member state as equivalent, the Management Board of LPP SA declares that:

- to the best of its knowledge, the consolidated condensed interim financial statements and comparative data have been prepared in accordance with applicable accounting standards and they give a true and fair view of the property and financial standing of the LPP SA Capital Group and its financial result,

- to the best of its knowledge, the separate condensed interim financial statements and comparative data have been prepared in accordance with applicable accounting standards and they give a true and fair view of the property and financial standing of LPP SA and its financial result,

- the interim consolidated report of the Management Board on the activities of the issuer's group presents a true view of the development, achievements and standing of the LPP SA Capital Group, including a description of risks and threats,

- the entity authorised to audit financial statements, which reviewed the interim separate and consolidated financial statements, had been selected in accordance with the law. This entity and statutory auditors who conducted the review met the conditions to issue an impartial and independent audit report in accordance with relevant provisions of national law and professional standards.

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 ....

Gdańsk, 28 August 2017

Consolidated Condensed Interim Financial Statements for the period from 01.01.2017 to 30.06.2017

Selected Consolidated Financial Data of the LPP SA Capital Group
for the six months ended 30 June 2017

Selected consolidated financial data	I H 2017 01.01.2017-30.06.2017 in thousand PLN	I H 2016 01.01.2016-30.06.2016 in thousand PLN	I H 2017 01.01.2017-30.06.2017 in thousand EUR	I H 2016 01.01.2016-30.06.2016 in thousand EUR
Revenues	3 067 748	2 677 243	722 265	611 173
Operating profit (loss)	98 626	22 556	23 220	5 149
Pre-tax profit (loss)	97 475	19 943	22 949	4 553
Net profit (loss)	56 149	24 238	13 220	5 533
Net cash flows from operating activities	348 916	77 372	82 148	17 663
Net cash flows from investing activities	-187 036	-98 904	-44 035	-22 578
Net cash flows from financing activities	-90 644	16 688	-21 341	3 810
Total net cash flows	71 236	-4 844	16 772	-1 106

Selected consolidated financial data	30.06.2017 in thousand PLN	31.12.2016 in thousand PLN	30.06.2017 in thousand EUR	31.12.2016 in thousand EUR
Total assets	3 940 270	3 677 932	932 277	831 359
Long-term liabilities	245 903	267 254	58 181	60 410
Short-term liabilities	1 631 056	1 275 947	385 912	288 415
Equity	2 063 346	2 134 731	488 193	482 534
Share capital	3 679	3 679	870	832

Selected consolidated financial data	30.06.2017 in thousand PLN	30.06.2016 in thousand PLN	30.06.2017 in thousand EUR	30.06.2016 in thousand EUR
Weighted average number of ordinary shares	1 820 313	1 816 049	1 820 313	1 816 049
Profit (Loss) per ordinary share (in PLN / EUR)	30.90	13.35	7.27	3,05
Book value per ordinary share (in PLN / EUR)	1 133.51	1 064,91	268,19	240.63
Declared or paid dividend per share (in PLN / EUR)	35.74	33.00	8.46	7.46

Consolidated Condensed Interim Statement of Financial Position of the LPP SA Capital Group
as at 30 June 2017

in PLN '000

Statement of financial position	As at the end of:		
	30.06.2017	31.12.2016	30.06.2016
ASSETS			
Non-current assets	**1 795 186**	**1 838 664**	**1 811 687**
1. Fixed assets	1 248 534	1 291 338	1 265 973
2. Intangible assets	52 150	43 511	39 370
3. Goodwill	209 598	209 598	209 598
4. Trademark	77 508	77 508	77 508
5. Investments in subsidiaries	87	136	136
6. Investments in other entities	0	0	1 721
7. Receivables and loans	4 610	6 180	6 176
8. Deferred tax assets	142 345	143 657	146 113
9. Pre-payments	60 354	66 736	65 092
Current assets	**2 145 084**	**1 839 268**	**1 913 259**
1. Inventory	1 480 214	1 164 135	1 443 972
2. Trade receivables	134 752	165 389	116 465
3. Income tax receivables	22 084	75 274	67 375
4. Other receivables	37 780	31 034	32 967
5. Loans	74	91	87
6. Pre-payments	35 275	37 592	33 193
7. Cash and cash equivalents	434 905	365 753	219 200
TOTAL assets	**3 940 270**	**3 677 932**	**3 724 946**

Consolidated Interim Report for 2017 of the LPP SA CG, in PLN '000

Statement of financial position	As at the end of:		
	30.06.2017	31.12.2016	30.06.2016
EQUITY AND LIABILITIES			
Equity	**2 063 346**	**2 134 731**	**1 933 920**
1. Share capital	3 679	3 679	3 670
2. Treasury shares	-43 325	-43 318	-43 312
3. Share premium	251 393	251 393	243 233
4. Other reserves	1 823 041	1 608 298	1 608 298
5. Foreign currency translation reserve	-176 994	-114 928	-157 039
6. Retained earnings	205 552	429 607	279 070
- profit (loss) from previous years	149 307	254 832	254 832
- net profit (loss) for the current period	56 245	174 775	24 238
Minority shareholders' capital	**-35**	**0**	**0**
Long-term liabilities	**245 903**	**267 254**	**303 268**
1. Bank loans and borrowings	168 469	195 033	239 638
2. Provisions for employee benefits	3 037	2 711	2 695
3. Deferred tax liabilities	5 538	3 890	5 663
4. Accruals	68 777	65 575	55 272
5. Other liabilities	82	45	0
Short-term liabilities	**1 631 056**	**1 275 947**	**1 487 758**
1. Trade and other liabilities	1 215 068	881 064	755 916
2. Dividend liabilities	65 531	0	59 936
3. Employee liabilities	27 765	28 486	23 756
4. Income tax liabilities	27 401	7 449	892
5. Bank loans and borrowings	255 432	315 111	619 234
6. Other provisions	3 333	5 121	0
7. Special funds	0	0	133
8. Accruals	36 526	38 716	27 891
TOTAL equity and liabilities	**3 940 270**	**3 677 932**	**3 724 946**

Consolidated Condensed Interim Statement of Profit and Other Comprehensive Income of the LPP SA Capital Group
for the six months ended 30 June 2017

in PLN '000

Statement of profit and other income	I H 2017 01/01/2017 30/06/2017	I H 2016 01/01/2016 30/06/2016	2Q 2017 01/04/2017 30/06/2017	2Q 2016 01/04/2016 30/06/2016
Continuing operations				
Revenues	3 067 748	2 677 243	1 705 433	1 502 412
Cost of goods sold	1 482 773	1 385 755	741 068	752 695
Gross profit (loss) on sales	**1 584 975**	**1 291 488**	**964 365**	**749 717**
Other operating income	28 099	13 691	20 240	7 242
Selling costs	1 321 795	1 149 117	661 670	602 060
General and administrative costs	141 247	97 868	82 152	49 636
Other operating costs	51 406	35 638	33 192	18 798
Operating profit (loss)	**98 626**	**22 556**	**207 591**	**86 465**
Financial income	8 658	11 297	6 990	9 091
Financial costs	9 809	13 910	5 609	6 669
Pre-tax profit (loss)	**97 475**	**19 943**	**208 972**	**88 887**
Income tax	41 326	-4 295	35 795	-931
Net profit (loss) from z continuing operations	**56 149**	**24 238**	**173 177**	**89 818**
Net profit attributable to:				
Shareholders of the parent company	*56 245*	*24 238*	*173 273*	*89 818*
Minority interest	*-96*	*0*	*-96*	*0*
Other comprehensive income				
Items transferred to profit or loss				
Currency translation on foreign operations	-62 066	71 718	-60 832	52 946
Total comprehensive income	**-5 917**	**95 956**	**112 345**	**142 764**
Attributable to:				
Shareholders of the parent company	-5 913	95 956	112 349	142 764
Minority interest	-4	0	-4	0

Consolidated Condensed Interim Statement of Changes in Equity of the LPP SA Capital Group
for the six months ended 30 June 2017

in PLN '000

Statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Foreign currency translation reserve	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority capital	Equity TOTAL
As at 1 January 2017	**3 679**	**-43 318**	**251 393**	**1 608 298**	**-114 928**	**429 607**	**0**	**2 134 731**	**0**	**2 134 731**
Treasury shares purchases		-7						-7		-7
Distribution of profit for 2016				214 743		-280 273		-65 530		-65 530
Contribution by minority shareholders								0	61	61
Consolidation of subsidiary						-27		-27		-27
Transactions with owners	0	-7	0	214 743	0	-280 300	0	-65 564	61	-65 503
Net profit for I H 2017							56 245	56 245	-96	56 149
Currency translation on foreign operations					-62 066			-62 066		-62 066
As at 30 June 2017	**3 679**	**-43 325**	**251 393**	**1 823 041**	**-176 994**	**149 307**	**56 245**	**2 063 346**	**-35**	**2 063 311**
As at 1 January 2016	**3 662**	**-43 306**	**235 074**	**1 323 736**	**-228 757**	**599 330**	**0**	**1 889 739**	**0**	**1 889 739**
Treasury shares purchases		-6						-6		-6
Distribution of profit for 2015				284 562		-344 498		-59 936		-59 936
Purchase of shares	8		8 159					8 167		8 167
Transactions with owners	**8**	-6	8 159	284 562	0	-344 498	0	-51 775		-51 775
Net profit for I H 2016							24 238	24 238		24 238
Currency translation on foreign operations					71 718			71 718		71 718
As at 30 June 2016	**3 670**	**-43 312**	**243 233**	**1 608 298**	**-157 039**	**254 832**	**24 238**	**1 933 920**	**0**	**1 933 920**

Consolidated Condensed Interim Cash Flow Statement of the LPP SA Capital Group
for the six months ended 30 June 2017

in PLN '000

Cash flow statement	01.01.2017-30.06.2017	01.01.2016-30.06.2016
A. Cash flows from operating activities - indirect method		
I. Pre-tax profit (loss)	97 475	19 943
II. Total adjustments	251 441	57 429
1. Amortisation	147 438	129 211
2. Foreign exchange gains (losses)	-854	-6 231
3. Interest and dividends	7 381	11 524
4. Profit (loss) from investing activities	4 702	3 541
5. Income tax paid	-45 140	-27 621
6. Change in provisions	387	5 713
7. Change in inventories	-341 149	-79 991
8. Change in receivables	61 240	11 796
9. Change in short-term liabilities, excluding loans and borrowings	428 968	9 397
10. Change in prepayments and accruals	8 571	-3 565
11. Other adjustments	-20 103	3 655
III. Net cash flows from operating activities	**348 916**	**77 372**
B. Cash flows from investing activities		
I. Inflows	14 536	26 519
1. Disposal of intangible and fixed assets	14 324	26 252
2. From financial assets, including:	212	267
a) in related parties	165	182
- dividends	165	182
b) in other entities	47	85
- repayment of loans	47	77
- interest	0	8
3. Other investing inflows	0	0
II. Outflows	201 572	125 423
1. Purchase of intangible and fixed assets	201 542	125 372
2. For financial assets, including:	30	51
a) in related parties	0	0
- purchase of shares	0	0
- loans granted	0	0
b) in other entities	30	51
- loans granted	30	51
3. Other investing outflows	0	0
III. Net cash flows from investing activities	**-187 036**	**-98 904**

Consolidated Interim Report for 2017 of the LPP SA CG, in PLN '000

C. Cash flows from financing activities		
I. Inflows	86	80 510
1. Proceeds from issuance of shares	78	8 168
2. Loans and borrowings	8	72 342
3. Other inflows from financial activities	0	0
II. Outflows	90 730	63 822
1. Cost of maintaining of treasury shares	7	6
2. Dividends and other payments to owners	0	0
3. Repayment of loans and borrowings	83 169	52 527
4. Payment of liabilities arising from financial leases	0	0
5. Interest	7 554	11 289
6. Other outflows from financing activities		
III. Net cash flows from financing activities	**-90 644**	**16 688**
D. Total net cash flows	**71 236**	**-4 844**
E. Balance sheet change in cash, including:	**-69 152**	**-5 247**
- change in cash due to foreign exchange differences	-2 084	-403
F. Opening balance of cash	**366 026**	**223 053**
G. Closing balance of cash	**437 262**	**218 209**

Additional Information and Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the period from 01.01.2017 to 30.06.2017

1. General Information

The Parent Company of the LPP SA Capital Group (further referred to as the “Capital Group”, “Group”, “CG”) is LPP Spółka Akcyjna (further referred to as the “Parent Company”).
The Parent Company is recorded in the register of entrepreneurs of the National Court Register in the District Court for Gdańsk-North for the city of Gdańsk, 7th Economic Division, under number KRS 0000000778. The Parent Company holds REGON statistical identification number 90852164.

The Company’s registered office is located at ul. Łąkowa 39/44 in Gdańsk (80-769).
The Parent Company and the Group conducts economic activity in the following countries: Poland, Estonia, the Czech Republic, Lithuania, Latvia, Hungary, Russia, Ukraine, Romania, Bulgaria, Slovakia, Germany, Croatia, Great Britain, Serbia, Lebanon, Cyprus and the United Arab Emirates.

LPP SA is a company involved in the designing and distribution of clothing in Poland, the countries of Central, Eastern and Western Europe and in the Middle East. The Group's basic products are sold under the following trademarks: Reserved, Cropp, House, Mohito and Sinsay. The majority of subsidiaries comprised in the CG and subject to consolidation are entities engaged in the distribution of goods outside Poland. Clothing is basically the only product sold by the Capital 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, Cracow and Warsaw, to be subsequently transferred to the purchase department which orders the production of specific models, cooperating in that respect with manufacturing plants in Poland and abroad, including China and Bangladesh. Production in China is distributed through 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 manufacturing plants in terms of adequate working conditions and respect for human rights.

The CG also generates insignificant revenues from the sale of services. These are primarily the revenues of the parent company, mainly know-how services related to the operation of brand stores by Polish contracting parties 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 for use, etc. The companies Gothals Limited in Cyprus and IPMS in UAE have been established for that purpose.
The company P&L Marketing & Advertising Agency SAL in Lebanon has been formed to supervise franchise stores in the Middle East and the marketing activity in that region.
Three domestic subsidiaries are engaged in the lease of real properties where the stores of Reserved, Cropp, House and Mohito are operated. One domestic subsidiary is engaged in the handling of stores in Poland.

As at 30 June 2017, the LPP SA Capital Group consists of:
- LPP SA – as the parent company,
- 4 domestic subsidiaries,
- 20 foreign subsidiaries.

LPP SA has no parent company.

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

Consolidated Interim Report for 2017 of the LPP SA CG, in PLN '000

No	Company Name	Registered Office	Share in the Share Capital
1.	LPP Retail Sp. z o.o.	Gdańsk, Poland	100%
2.	DP&SL Sp. z o.o.	Gdańsk, Poland	100%
3.	IL&DL Sp. z o.o.	Gdańsk, Poland	100%
4.	AMUR Sp. z o.o.	Gdańsk, Poland	100%
5.	LPP Estonia OU	Tallinn, Estonia	100%
6.	LPP Czech Republic SRO	Prague, the Czech Republic	100%
7.	LPP Hungary KFT	Budapest, Hungary	100%
8.	LPP Latvia LTD	Riga, Latvia	100%
9.	LPP Lithuania UAB	Vilnius, Lithuania	100%
10.	LPP Ukraina AT	Peremyshliany, Ukraine	100%
11.	RE Trading OOO	Moscow, Russia	100%
12.	LPP Romania Fashion SRL	Bucharest, Romania	100%
13.	LPP Bulgaria EOOD	Sofia, Bulgaria	100%
14.	LPP Slovakia S.R.O.	Bańska Bystrzyca, Slovakia	100%
15.	LPP Fashion Bulgaria LTD	Sofia, Bulgaria	100%
16.	Gothals LTD	Nicosia, Cyprus	100%
17.	LPP Croatia D.O.O.	Zagreb, Croatia	100%
18.	LPP Deutschland GmbH (Reserved GmbH)	Hamburg, Germany	100%
19.	IPMS Management Services FZE	Ras Al Khaimah, UAE	100%
20.	LPP Reserved UK LTD	Altrincham, UK	100%
21.	LLC Re Development	Moscow, Russia	100%
22.	LLC Re Street	Moscow, Russia	100%
23.	LPP Reserved D.O.O Beograd	Belgrade, Serbia	100%
24.	P&L Marketing&Advertising Agency SAL	Beirut, Lebanon	97.32%

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

The consolidated condensed financial statements of the CG for the period from 1 January to 30 June 2017 include individual results of LPP SA and the results of the above-mentioned foreign subsidiaries, except for the following domestic subsidiaries as their results are immaterial:

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

The fact that the financial statements of these companies are not consolidated does not adversely affect the true and fair view of the Capital Group's property and financial standing and its financial result.

2. Basis of Preparation and the Accounting Policy

2.1 Basis of Preparation

The consolidated condensed interim financial statements of the LPP SA Capital Group cover a period of 6 months ended 30 June 2017 and comprise comparative data for the six months ended 30 June 2016 and as at 31 December 2016. These financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, approved by the European Union.
Data in these statements have undergone an interim review by a statutory auditor.

The consolidated condensed interim financial statements do not contain all the information disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Capital Group for 2016.

The currency of these consolidated condensed interim financial statements is Polish Zloty and all amounts are expressed in PLN thousand.

In the period covered by the consolidated condensed financial statements, the following PLN/EUR exchange rates fixed by the National Bank of Poland were applied to covert selected financial data:

- exchange rate as at the last day of the reporting period: 30.06.2016 - PLN/EUR 4.2265, 31.12.2016 – PLN/EUR 4.424, and 30.06.2016 – PLN/EUR 4.4255,
- average exchange rate for the period, calculated as an arithmetic average of the rates as at the last day of each month in a given period: 01.01-30.06.2016 – PLN/EUR 4.3805, 01.01.-31.12.2016 – PLN/EUR 4.3757,
- average trade-weighted exchange rate in the period: 01.01-30.06.2017 – PLN/EUR 4.2641.

The consolidated condensed interim financial statements were prepared based on the assumption that the companies comprised in the Capital Group and subject to consolidation will remain a going concern in the foreseeable future. As at the date of approval of these consolidated condensed financial statements for publication, there are no circumstances that could pose a threat to the continued operation of these companies.

2.2 Accounting Policies

These consolidated condensed interim financial statements have been prepared in accordance with the accounting policies presented in the Group's last consolidated financial statements for the year ended 31 December 2016.
After 1 January 2016, there were no publications of any new or amended interpretations applicable to annual periods commencing after 1 January 2016. Standards and interpretations which have been published but are not yet in force as they have not been approved by the European Union, or have been approved by the European Union but were not applied earlier by the Capital Group, were shown in the annual financial statements for 2016. In the first half of 2017, the only standard published was IFRS 17 Insurance Contracts and the interpretation IFRIC 23 The uncertainty associated with tax recognition.

As regards IFRS 9, IFRS 15 and IFRS 16, the Group is currently assessing their impact in the financial statements.

In the current reporting period, there was a change in presenting holiday and retirement provisions as costs.
At present, both the holiday provision and retirement provision are recorded as "Salaries" in costs by type and presented in the Statement of Profit in selling costs or general costs.

In the preceding years, the retirement provision was recorded in "Other operating profit and costs" and was presented in that item. Following its current recognition, that value is transferred to selling and general costs.
Values disclosed in previous periods already take account of that change. Values for the preceding period are irrelevant.
The holiday provision was recorded using the "Cost Settlement" account and was presented as selling or general costs. Therefore, it is presented as in the previous years.

At the same time, there was a change in presenting the holiday and bonus provision in the statement of financial position of the LPP CG. At present, these values are presented in the item "Employee liabilities" instead "Other provisions" as it was done before.

2.3 Adjustments and Changes in the Accounting Policies

These consolidated condensed financial statements include no adjustments from previous years.

3. Seasonality of Operations

Seasonality in sales is a characteristic feature of the entire clothing market both in Poland and abroad. Typically, the gross margin achieved in the second and the fourth quarter is higher than the one recorded in the first and third quarter. This is due to the sale of new collections at regular prices, i.e. without discounts (with the spring-summer collection being sold in the second quarter, and the autumn-winter collection being sold in the fourth quarter).

4. Operating Segments

The LPP SA Capital Group conducts one type of activity (one business segment considered as basic). 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.

Revenues and financial results regarding geographical segments for the period from 1 January 2017 to 30 June 2017 and for a comparable period are given in tables below.

Six months ended 30 June 2017 in PLN '000

	European Union countries	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	2 358 653	709 095			3 067 748
Sales between segments	358 286	2 278	-360 564		-
Other operating income	11 861	15 560		678	28 099
Total revenue	**2 728 800**	**726 933**	**-360 564**	**678**	**3 095 847**
Total operating expenses, including	2 535 571	623 622	-354 625	141 247	2 945 815
Cost of sale of goods between segments	*304 894*		*-304 894*		-
Other operating costs	30 985	20 421			51 406
Segment result	**162 244**	**82 890**	**-5 939**	**-140 569**	**98 626**
Financial revenues					8 658
Financial costs					9 809
Profit before tax					97 475
Income tax					41 320
Net profit from continuing operations					**56 149**

Six months ended 30 June 2016 in PLN '000

	European Union countries	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	2 114 173	563 070			2 677 243
Sales between segments	338 442		-338 442		-
Other operating income	10 936	2 661		94	13 691
Total revenue	**2 463 551**	**565 731**	**-338 442**	**94**	**2 690 934**
Total operating expenses, including	2 330 070	552 364	-347 562	97 868	2 632 740
Cost of sale of goods between segments	*274 828*		*-274 828*		-
Other operating costs	22 059	13 579			35 638
Segment result	**111 422**	**-212**	**9 120**	**-97 774**	**22 556**
Financial revenues					11 297
Financial costs					13 910
Profit before tax					19 943
Income tax					-4 295
Net profit from continuing operations					**24 238**

5. Tangible Fixed Assets

In order to purchase tangible fixed assets, the LPP SA Capital Group made contractual obligations totalling PLN 73 367 thousand. In comparable periods, these figures were as follows:

- as at 30.06.2016 – PLN 17 326 thousand,
- as at 31.12.2016 – PLN 32 235 thousand.

CHANGES IN FIXED ASSETS (by type) in the six months ended 30 June 2017 in PLN '000

	Land	Buildings, facilities, civil engineering structures	Plant and machinery	Transportation means	Other fixed assets	Fixed assets in progress	Total fixed assets
Opening balance gross value of fixed assets	42 814	1 381 621	375 415	9 461	546 688	22 843	2 378 842
- foreign exchange differences	0	-23 138	-4 809	-171	-16 948	-465	-45 531
- increase	0	64 339	19 150	2 050	29 983	141 431	256 953
- decrease	0	48 734	11 230	737	17 074	121 954	199 729
Closing balance gross value of fixed assets	**42 814**	**1 374 088**	**378 526**	**10 603**	**542 649**	**41 855**	**2 390 535**
Opening balance accumulated depreciation (amortisation)	0	593 485	182 753	6 273	285 296	0	1 067 807
- depreciation	0	70 289	24 534	512	46 728	0	142 063
- foreign exchange differences	0	-6 463	-3 145	-67	-9 819	0	-19 494
- decrease	0	29 311	10 044	670	12 454	0	52 479
Closing balance accumulated depreciation (amortisation)	**0**	**628 000**	**194 098**	**6048**	**309 751**	**0**	**1 137 897**
Opening balance impairment write-offs	0	14 653	575	0	4 469	0	19 697
- increase	0	1 238	127	0	167	0	1 532
- decrease	0	12 174	560	0	4 391	0	17 125
Closing balance impairment write-offs	**0**	**3 717**	**142**	**0**	**245**	**0**	**4 104**
Total closing balance net value of fixed assets	**42 814**	**742 371**	**184 286**	**4 555**	**232 653**	**41 855**	**1 248 534**

CHANGES IN FIXED ASSETS (by type) in the six months ended 30 June 2016 in PLN '000

	Land	Buildings, facilities, civil engineering structures	Plant and machinery	Transportation means	Other fixed assets	Fixed assets in progress	Total fixed assets
Opening balance gross value of fixed assets	42 812	1 221 195	334 086	9 088	443 952	25 495	2 076 630
- foreign exchange differences	0	33 461	6 414	188	16 600	799	57 462
- increase	0	64 201	15 007	814	36 770	92 795	209 587
- decrease	0	25 228	4 480	744	8 858	92 400	131 710
Closing balance gross value of fixed assets	**42 814**	**1 293 629**	**351 027**	**9 346**	**488 464**	**26 689**	**2 211 969**
Opening balance accumulated depreciation (amortisation)	0	470 275	141 144	6 160	196 959	0	814 538
- depreciation	0	61 235	22 291	593	40 311	0	124 430
- foreign exchange differences	0	17 092	3 954	137	9 899	0	31 082
- decrease	0	16 981	4 227	371	5 706	0	27 285
Closing balance accumulated depreciation (amortisation)	**0**	**531 621**	**163 162**	**6 519**	**241 463**	**0**	**942 765**
Opening balance impairment write-offs	0	3 183	10	0	148	0	3 341
- increase	0	130	1	0	26	0	157
- decrease	0	262	5	0	0	0	267
Closing balance impairment write-offs	**0**	**3 051**	**6**	**0**	**174**	**0**	**3 231**
Total closing balance net value of fixed assets	**42 814**	**758 957**	**187 859**	**2 827**	**246 827**	**26 689**	**1 265 973**

In the reporting period ended 30 June 2017, the Group recognised an impairment write-off totalling PLN 1 532 thousand due to the planned closing of stores in Russia. At the same time, an impairment write-off totalling PLN 17 125 thousand was reversed due to its appropriation, without affecting the Group's result.

6. Intangible Assets

Changes in intangible assets in the six months ended 30 June 2017 in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
Opening balance gross value of intangible assets	12 583	80 050	76 526	13 018	105 651
- foreign exchange differences	0	-295	-295	0	-295
- increase	0	5 966	5 721	13 712	19 678
- decrease	2 392	1 012	685	5 489	8 893
Closing balance gross value of intangible assets	**10 191**	**84 709**	**81 267**	**21 241**	**116 141**
Opening balance accumulated depreciation (amortisation)	**5 425**	**53 895**	**51 584**	**0**	**59 320**
- foreign exchange differences	1 075	4 300	4 147	0	5 375
- depreciation	0	-243	-243	0	-243
- decrease	358	618	562	0	976
Closing balance accumulated depreciation (amortisation)	**6 142**	**57 334**	**54 926**	**0**	**63 476**
Opening balance impairment write-offs	**2 033**	**787**	**514**	**0**	**2 820**
- decrease	2 033	272	0	0	2 305
Closing balance impairment write-offs	**0**	**515**	**514**	**0**	**515**
Total closing balance net value of intangible assets	**4 049**	**26 860**	**25 827**	**21 241**	**52 150**

Changes in intangible assets in the six months ended 30 June 2016 in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
Opening balance gross value of intangible assets	11 163	72 182	68 650	3 919	87 264
- foreign exchange differences	0	348	348	0	348
- increase	0	4 529	4 529	6 711	11 240
- decrease	0	87	1	4 375	4 462
Closing balance gross value of intangible assets	**11 163**	**76 972**	**73 526**	**6 255**	**94 390**
Opening balance accumulated depreciation (amortisation)	3 200	46 722	44 726	0	49 922
- foreign exchange differences	0	317	317	0	317
- depreciation	1 173	3 608	3 440	0	4 781
- decrease	0	0	0	0	0
Closing balance accumulated depreciation (amortisation)	**4 370**	**50 647**	**48 483**	**0**	**55 020**
Opening balance impairment write-offs	0	0	0	0	0
- increase	0	0	0	0	0
Closing balance impairment write-offs	**0**	**0**	**0**	**0**	**0**
Total closing balance net value of intangible assets	**6 790**	**26 325**	**25 043**	**6 255**	**39 370**

7. Revaluation Write-Offs of Assets

Revaluation write-offs of inventory: in PLN '000

	01.01.2017 - 30.06.2017	01.01.2016- 30.06.2016
Opening balance	57 865	22 689
Write-offs made in the period	7 917	7 412
Write-offs reversed in the period	14 492	686
Currency translation	5 551	-285
Closing balance	**56 841**	**29 130**

Consolidated Interim Report for 2017 of the LPP SA CG, in PLN '000

Revaluation write-offs of receivables and loans:

	01.01.2017-30.06.2017	01.01.2016- 30.06.2016
Opening balance	15 941	13 229
Write-offs made in the period	2 271	300
Write-offs reversed in the period	383	417
Currency translation	96	-35
Closing balance	**17 925**	**13 077**

Revaluation write-offs of shares:

	01.01.2017-30.06.2017	01.01.2016- 30.06.2016
Opening balance	0	9 163
Write-offs made in the period	0	0
Write-offs reversed in the period	0	22
Currency translation	0	-74
Closing balance	**0**	**9 067**

Revaluation write-offs of inventory and receivables are shown in the Statement of Profit in other operating income and costs, while revaluation write-offs of shares are shown in financial revenues and costs.

8. Fair Value of Financial Instruments

The Group believes that the carrying value of financial assets and liabilities approximates the fair value.

9. Cash and Cash Equivalents

For the purpose of preparing the cash flow statement, the CG classifies cash in the manner adopted for the presentation of financial position. The difference in the value of cash shown in the statement of financial position and the cash flow statement is affected by:

	30.06.2017	30.06.2016
Cash and cash equivalents recognised in the statement of financial position at hand and in the bank:	434 905	219 200
Adjustments: Currency translation from balance sheet valuation of cash in foreign currency	2 357	-991
Cash and cash equivalents recognised in the consolidated cash flow statement	**437 262**	**218 209**

10. Share Capital

The issued share capital of the Group is the share capital of the Parent Company.
As at 30 June 2017, the share capital amounted to PLN 3 679 thousand and was divided into 1 839 291 shares of a nominal value of PLN 2 per share.

Consolidated Interim Report for 2017 of the LPP SA CG, in PLN '000

As at 30 June 2017, the shareholding structure in the Parent Company was as follows:

Shareholder	Number of shares held	Share in the share capital	Number of votes at the GM	Share in total votes at the GM	Nominal value of shares
Marek Piechocki	175 497	9.5%	875 493	27.2%	350 994
Jerzy Lubianiec	174 999	9.5%	874 995	27.2%	349 998
Forum TFI SA*	200 730	10.9%	200 738	6.2%	401 460
Treasury shares	18 978	1.0%	0**	0.0%	37 956
Other shareholders	1 269 087	69.0%	1 269 087	39.4%	2 538 174
Total	**1 839 291*** **	**100.0%**	**3 220 313*** **	**100.0%**	**3 678 582**

*Forum TFI SA manages the funds of Forum 64 Closed-End Investment Fund (entity affiliated with Mr Jerzy Lubianiec, shareholder of LPP SA) and Forum 65 Closed-End Investment Fund (entity affiliated with Mr Marek Piechocki, 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.
** LPP SA may not exercise voting rights at the GM, attached to 18 978 shares, as these are treasury shares of LPP SA.
*** As at the date of publishing this report, the number of shares and votes increased by 13 132 due to the conversion of warrants into shares.

11. Dividends

In the first half of 2017, the Parent Company LPP SA did not pay any dividends to the shareholders. At the same time, in the reporting period, i.e. on 19 June 2016, by Resolution No. 19, the General Meeting of Shareholders of LPP SA decided to allocate part of the profit generated for 2016, in the amount of PLN 65 531 268, for dividend payment. The dividend date was set for 4 September 2017, while the dividend payment date was set for 20 September 2017. As at the date of adopting the resolution, the value of dividend per share in LPP SA was PLN 36 (CR 24/2017). Following the conversion of 13 132 A series warrants into shares of the L series, the value of dividend per share is PLN 35.74 (CR 34/2017).

12. Earnings per share

The earnings per share (EPS) ratio is calculated by dividing the net profit attributable to the Parent Company's shareholders by the weighted average number of ordinary shares existing in a given period.
An element diluting the number of ordinary shares is the awarded subscription warrants to be converted into shares in the future.
The calculation of EPS is given below.

	01.01.2017 30.06.2017	01.04.2017 30.06.2017	01.01.2016 30.06.2016	01.04.2016 30.06.2016
Profit (loss) for the current period attributable to shareholders of the parent company	56 245	173 273	24 238	89 818
Weighted average number of ordinary shares	1 820 313	1 820 313	1 816 049	1 816 049
Diluted number of ordinary shares	1 829 094	1 829 094	1 826 853	1 826 853
Profit (loss) per share	30.90	95.19	13.35	49.46
Diluted profit (loss) per share	30.75	94.73	13.27	49.17

13. Provisions including Provisions for Employee Benefits

The value of provisions, including provisions for employee benefits, shown in the consolidated condensed financial statements and their changes in specific periods are as follows.

in PLN ’000

	Long-term provision for retirement and similar benefits	Short-term provision for unpaid remuneration	Short-term provision for unused holiday leave	Other short-term liabilities
For the period from 01.01.2017 to 30.06.2017				
As at the beginning of the period	2 711	10 531	17 955	5 121
- provision made	5 518	6 467	28 067	3 333
- provision reversed	5 192	10 531	24 724	5 121
As at the end of the period	3 037	6 467	21 298	3 333
For the period from 01.01.2016 to 30.06.2016				
As at the beginning of the period	2 179	4 337	13 437	0
- provision made	2 695	6 567	17 189	0
- provision reversed	2 179	4 336	13 437	0
As at the end of the period	2 695	6 567	17 189	0

14. Contingent Assets and Liabilities

In the first half of 2017, the LPP SA Capital Group companies used banking guarantees to secure payment of rent for space leased to operate brand stores as well as office and warehouse facilities.

As at 30 June 2017, the total value of banking guarantees issued upon request and at the responsibility of LPP SA amounted to approx. PLN 265 518 thousand, of which:
- guarantees issued to secure agreements concluded by LPP SA amounted to PLN 75 851 thousand,
- guarantees issued to secure agreements concluded by consolidated associates amounted to PLN 188 533 thousand,
- guarantees issued to secure agreements concluded by non-consolidated associates amounted to PLN 832 thousand,
- guarantees issued to secure office space lease agreements concluded by LPP SA amounted to PLN 303 thousand.

In the first half of 2017, the Company also obtained guarantees. These guarantees were to secure payments from a contracting party, and their value as at 30 June 2017 amounted to PLN 26 747 thousand.

On 30 June 2017, the value of sureties issued by the Parent Company amounted to PLN 102 647 thousand and decreased compared to 31 December 2016 by PLN 9 953 thousand.

According to the Management Board, any outflow of funds disclosed under off-balance sheet/contingent liabilities is unlikely. The majority of these liabilities involve guarantees securing payment of rent by the LPP SA Capital Group companies.
In the reporting period, neither the Issuer nor any of its subsidiaries granted credit or loan sureties or guarantees to a single entity or its subsidiary, of a total value exceeding 10.0% of the Issuer’s equity.

15. Income Tax

The main components of the Group’s income tax liability for the period from 01.01.2017 to 30.06.2017 and for a comparative period are given in the table below.

Six months ended 30 June 2017

in PLN ’000

	from 01.01.2017 to 30.06.2017	from 01.01.2016 to 30.06.2016
Current income tax	38 746	3 320
Deferred income tax	2 580	- 7 615
Total	**41 326**	**- 4 295**

The increase of the current income tax in the current reporting period results from the disclosure in the financial statements of a provision for potential tax risks, amounting to PLN 22 500 thousand.

16. Transactions with Related Parties

The Group's related parties include:

- Polish and foreign companies controlled by the Group companies based on the direct shareholding,
- key management officers of the LPP SA Capital Group and their close family members,
- entities controlled or significantly influenced by key management officers or their close family members within the meaning provided for in IAS 24.

16.1 Key Management Officers

The Group recognises members of the Parent Company's Management Board and the Supervisory Board as key management officers.
In the period from 1 January to 30 June 2017, short-term benefits of members of the Parent Company's Management Board amounted to PLN 2 903 thousand.
The remuneration of each key management officer is given in the table below.

Six months ended 30 June 2017

First name and surname	Position	Remuneration received in IH 2017
Marek Piechocki	President of the Management Board	PLN 968 thousand
Przemysław Lutkiewicz	Vice-President of the Management Board	PLN 645 thousand
Jacek Kujawa	Vice-President of the Management Board	PLN 645 thousand
Sławomir Łoboda	Vice-President of the Management Board	PLN 645 thousand

In the period from 1 January to 30 June 2017, short-term benefits of members of the Parent Company's Supervisory Board amounted to PLN 92 thousand.
The remuneration of each member of the Supervisory Board is given in the table below.

Six months ended 30 June 2017

First name and surname	Position	Remuneration received in IH 2017
Jerzy Lubianiec	Chairman of the Supervisory Board	PLN 40 thousand
Maciej Matusiak	Member of the Supervisory Board	PLN 10 thousand
Wojciech Olejniczak	Member of the Supervisory Board	PLN 10 thousand
Krzysztof Olszewski	Member of the Supervisory Board	PLN 10 thousand
Dariusz Pachla	Member of the Supervisory Board	PLN 22 thousand

16.2 Transactions with Related Parties

in PLN '000

Related parties	Liabilities as at 30.06.2017	Receivables as at 30.06.2017	Sales revenues in the period 01.01-30.06.2017	Purchases in the period 01.01-30.06.2017
Domestic subsidiaries	8	1	5	3 626
Total	**8**	**1**	**5**	**3 626**

in PLN '000

Related parties	Liabilities as at 31.12.2016	Receivables as at 31.12.2016	Sales revenues in the period 01.01-30.06.2016	Purchases in the period 01.01-30.06.2016
Domestic subsidiaries	94	1	7	5 428
Total	**94**	**1**	**7**	**5 428**

The figures given in the table above present only mutual transactions between LPP SA and three non-consolidated Polish subsidiaries, and they are shown from the Parent Company's perspective.

Data presented as liabilities of LPP SA are receivables in related parties, and expenses are equivalent to revenues of given companies.
All the transactions with related parties were concluded on market terms.
Revenues related to domestic companies are derived from the rental of office space for the purpose of their business operations.

Purchases related to domestic subsidiaries involve the rental of real properties for operating Cropp, Reserved, Mohito and House stores. Payment deadlines set for subsidiaries are between 45 and 120 days.

17. Events after the Balance Sheet Date and Other Substantial Changes

17.1 Conversion of A series subscription warrants to shares of the L series

On 11 August 2017, 13 132 A series subscription warrants were converted into shares of the L series. Due to the above, the issued share capital was increased by PLN 26 264. Following the conversion, the value of dividend per share will amount to PLN 35.74.

17.2 Court Proceedings

With reference to information provided for in earlier interim and current reports (such as CR no 4/2017 and 26/2017) on the pending audit procedure involving settlement of income tax for 2012, LPP SA informs that, as part of the said procedure, on 20 June 2017, it was served a decision of the Head of the Customs and Fiscal Office for the Pomorskie Voivodeship in Gdynia. In the previous years and at present, the Company has had expenses related to sub-licences for the use of trademarks contributed in kind to the subsidiary in Cyprus (Gothals LTD), which, according to the decision's wording, was the overestimation by the Company of revenue earning costs for 2012, giving grounds for the calculation of a tax liability by the auditing authority. In the said decision, the Company was charged with a corporate income tax liability for 2012, resulting in the Company's obligation to pay an additional amount of PLN 16 391 thousand (sixteen million three hundred ninety one thousand Polish zlotys) of tax for the said period with due interest.
On 27 July 2017, the Company filed a relevant appeal against the said decision to have it repealed in full. The decision served has no force of law and it has not been made immediately enforceable.
In the opinion of the Company and legal and tax advisers engaged to conduct this case, the above-mentioned decision has defects which should result in having it repealed in full.
The Company upholds the view that, in its opinion, it has correctly calculated the value of CIT for 2012 and duly classified as revenue earning costs the expenses which, under applicable laws, may be recognised as such.
Following the analysis of settlements related to licence fees for the use of trademarks, referred to in additional note 14.2 *Transactions with Related Parties* to the separate condensed interim financial statements, as at 30 June 2017, the Group created a provision for potential tax risks, totalling PLN 22 500 thousand.

18. Approval for Publication

The condensed interim financial statements for the six months ended 30.06.2017 (with comparable data) were approved for publication by the Management Board of LPP SA on 28 August 2017.

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 ………………………………………………

Gdańsk, 28 August 2017

Condensed Interim Financial Statements for the period from 01.01.2017 to 30.06.2017

Selected Financial Data of LPP SA
for the six months ended 30 June 2017

in PLN '000

Selected financial data	I H 2017 01.01.2017-30.06.2017	I H 2016 01.01.2016-30.06.2016	I H 2017 01.01.2017-30.06.2017	I H 2016 01.01.2016-30.06.2016
	in thousand PLN		in thousand EUR	
Revenues	2 441 995	2 188 128	574 939	499 516
Operating profit (loss)	3 884	-3 344	914	-763
Pre-tax profit (loss)	30 520	102 494	7 186	23 398
Net profit (loss)	7 640	96 145	1 799	21 948
Net cash flows from operating activities	300 795	-16 009	70 819	-3 655
Net cash flows from investing activities	-161 628	-32 173	-38 053	-7 345
Net cash flows from financing activities	-90 730	16 675	-21 361	3 807
Total net cash flows	48 437	-31 507	11 404	-7 193

Selected financial data	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	in thousand PLN		in thousand EUR	
Total assets	3 791 712	3 493 969	897 128	789 776
Long-term liabilities	217 020	244 476	51 347	55 261
Short-term liabilities	1 539 745	1 156 647	364 307	261 448
Equity	2 034 947	2 092 846	481 473	473 066
Share capital	3 678	3 678	870	831

Selected financial data	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	in thousand PLN		in thousand EUR	
Weighted average number of ordinary shares	1 820 313	1 816 049	1 820 313	1 816 049
Profit (Loss) per ordinary share (in PLN / EUR)	4.20	52.94	0.99	12.09
Book value per ordinary share (in PLN / EUR)	1 117.91	1 046.64	264.50	236.50
Declared or paid dividend per share (in PLN / EUR)	35.74	33.00	8.46	7.46

Condensed Interim Statement of Financial Position of LPP SA
as at 30 June 2017

in PLN ’000

Statement of financial position	As at the end of:		
	30.06.2017	31.12.2016	30.06.2016
ASSETS			
Non-current assets	**2 209 096**	**2 095 664**	**1 983 402**
1. Fixed assets	770 879	800 010	807 625
2. Intangible assets	49 247	40 541	36 512
3. Goodwill	179 618	179 618	179 618
4. Investments in subsidiaries	1 111 201	979 950	857 393
5. Receivables and loans	1 563	1 666	1 660
6. Deferred tax assets	94 679	91 890	99 939
7. Pre-payments	1 909	1 989	655
Current assets	**1 582 616**	**1 398 305**	**1 626 854**
1. Inventory	1 150 958	832 586	1 040 378
2. Trade receivables	172 679	294 500	414 588
3. Income tax receivables	18 443	73 579	56 760
4. Other receivables	19 045	19 677	16 781
5. Loans	74	82	83
6. Pre-payments	17 622	20 439	16 663
7. Cash and cash equivalents	203 795	157 442	81 601
TOTAL assets	**3 791 712**	**3 493 969**	**3 610 256**

Consolidated Interim Report for 2017 of the LPP SA CG, in PLN '000

Statement of financial position	As at the end of:		
	30.06.2017	31.12.2016	30.06.2016
EQUITY AND LIABILITIES			
Equity	**2 034 947**	**2 092 846**	**1 900 757**
1. Share capital	3 678	3 678	3 670
2. Treasury shares	-43 325	-43 317	-43 312
3. Share premium	251 393	251 393	243 233
4. Other reserves	1 815 561	1 601 021	1 601 021
6. Retained earnings	7 640	280 071	96 145
- profit (loss) from previous years	0	0	0
- net profit (loss) for the current period	7 640	280 071	96 145
Long-term liabilities	**217 020**	**244 476**	**275 851**
1. Bank loans and borrowings	168 469	195 033	239 638
2. Provisions for employee benefits	2 579	2 222	1 994
3. Deferred tax liabilities	3 673	2 005	3 978
4. Accruals	42 217	45 171	30 241
5. Other liabilities	82	45	0
Short-term liabilities	**1 539 745**	**1 156 647**	**1 433 648**
1. Trade and other liabilities	1 220 662	792 684	782 100
2. Employee liabilities	13 168	15 488	12 465
3. Income tax liabilities	22 500	0	0
4. Bank loans and borrowings	255 430	315 111	618 805
5. Other provisions	179	2 423	0
6. Special funds	0	0	133
7. Accruals	27 806	30 941	20 145
TOTAL equity and liabilities	**3 791 712**	**3 493 969**	**3 610 256**

Condensed Interim Statement of Profit and Other Comprehensive Income of LPP SA

for the six months ended 30 June 2017

in PLN ’000

Statement of profit and other income	I H 2017 01/01/2017 30/06/2017	I H 2016 01/01/2016 30/06/2016	2Q 2017 01/04/2017 30/06/2017	2Q 2016 01/04/2016 30/06/2016
Revenues	2 441 995	2 188 128	1 328 276	1 143 497
Cost of goods sold	1 486 301	1 349 257	750 662	684 784
Gross profit (loss) on sales	**955 694**	**838 871**	**577 614**	**458 713**
Other operating income	9 404	25 797	4 281	20 383
Selling costs	743 691	687 673	374 295	353 584
General and administrative costs	199 972	156 791	113 126	80 107
Other operating costs	17 551	23 548	5 710	8 981
Operating profit (loss)	**3 884**	**-3 344**	**88 764**	**36 424**
Financial income	93 953	145 068	38 922	97 765
Financial costs	67 317	39 230	29 697	7 250
Pre-tax profit (loss)	**30 520**	**102 494**	**97 989**	**126 939**
Income tax	22 880	6 349	22 024	13 454
Net profit (loss)	**7 640**	**96 145**	**75 965**	**113 485**
Total comprehensive income	**7 640**	**96 145**	**75 965**	**113 485**

Statement of Changes in Equity of LPP SA
for the six months ended 30 June 2017

in PLN ’000

Statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	TOTAL equity
As at 1 January 2017	**3 678**	**-43 317**	**251 393**	**1 601 021**	**280 071**	**0**	**2 092 846**
Treasury shares purchases		-8					-8
Distribution of profit for 2016				214 540	-280 071		-65 531
Purchase of shares							0
Transactions with owners	0	-8	0	214 540	-280 071	0	-65 539
Net profit for I H 2017						7 640	7 640
As at 30 June 2017	**3 678**	**-43 325**	**251 393**	**1 815 561**	**0**	**7 640**	**2 034 947**
As at 1 January 2016	**3 662**	**-43 306**	**235 074**	**1 316 609**	**344 347**	**0**	**1 856 386**
Treasury shares purchases		-6					-6
Distribution of profit for 2015				284 412	-344 347		-59 935
Purchase of shares	8		8 159				8 167
Transactions with owners	8	-6	8 159	284 412	-344 347	0	-51 774
Net profit for I H 2016						96 145	96 145
As at 30 June 2016	**3 670**	**-43 312**	**243 233**	**1 601 021**	**0**	**96 145**	**1 900 757**

Condensed Interim Cash Flow Statement of LPP SA
for the six months ended 30 June 2017

in PLN '000

Cash flow statement	01.01.2017-30.06.2017	01.01.2016-30.06.2016
A. Cash flows from operating activities - indirect method		
I. Pre-tax profit (loss)	30 520	102 494
II. Total adjustments	270 275	-118 503
1. Amortisation	78 823	74 309
2. Foreign exchange gains (losses)	-891	-6 268
3. Interest and dividends	-61 538	-60 013
4. Profit (loss) from investing activities	29 601	-35 733
5. Income tax paid	-27 151	-21 677
6. Change in provisions	-4 207	4 027
7. Change in inventories	-318 372	-86 155
8. Change in receivables	163 496	-46 044
9. Change in short-term liabilities, excluding loans and borrowings	412 498	62 751
10. Change in prepayments and accruals	-1 984	-3 700
11. Other adjustments	0	0
III. Net cash flows from operating activities	**300 795**	**-16 009**
B. Cash flows from investing activities		
I. Inflows	83 230	97 987
1. Disposal of intangible and fixed assets	14 197	26 183
2. From financial assets, including:	69 033	71 804
a) in related parties	68 986	71 719
- dividends	68 986	71 719
- other	0	0
b) in other entities	47	85
- interest	0	8
- repayment of loans	47	77
3. Other investing inflows	0	0
II. Outflows	244 858	130 160
1. Purchase of intangible and fixed assets	105 012	60 560
2. For financial assets, including:	139 846	69 600
a) in related parties	139 816	69 549
- purchase of shares	139 816	69 549
b) in other entities	30	51
- loans granted	30	51
3. Other investing outflows	0	0
III. Net cash flows from investing activities	**-161 628**	**-32 173**

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C. Cash flows from financing activities		
I. Inflows	0	80 510
1. Loans and borrowings	0	72 342
2. Proceeds from issuance of shares	0	8 168
3. Other inflows from financial activities	0	0
II. Outflows	90 730	63 835
1. Cost of maintaining of treasury shares	7	6
2. Repayment of loans and borrowings	83 169	52 540
3. Interest	7 554	11 289
4. Other investing outflows – financial leases		
III. Net cash flows from financing activities	**-90 730**	**16 675**
D. Total net cash flows	**48 437**	**-31 507**
E. Balance sheet change in cash, including:	**46 353**	**-31 911**
- change in cash due to foreign exchange differences	-2 084	-404
F. Opening balance of cash	**157 716**	**112 117**
G. Closing balance of cash	**206 153**	**80 610**

1. General Information

LPP SA (further referred to as the "LPP", "The Company") is a joint-stock company, its shares are publicly traded.
The Company is recorded in the register of entrepreneurs of the National Court Register in the District Court for Gdańsk-North for the city of Gdańsk, 7th Economic Division, under number KRS 0000000778. The Company holds REGON statistical identification number 90852164.
The Company's registered office is located at ul. Łąkowa 39/44 in Gdańsk (80-769).
LPP SA is a company involved in the designing and distribution of clothing in Poland, the countries of Central, Eastern and Western Europe and in the Middle East. The Group's basic products are sold under the following trademarks: Reserved, Cropp, House, Mohito and Sinsay.

2. Basis of Preparation and the Accounting Policy

2.1 Basis of Preparation

The consolidated condensed interim financial statements of LPP SA cover a period of 6 months ended 30 June 2017 and comprise comparative data for the six months ended 30 June 2016 and as at 31 December 2016. These financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, approved by the European Union.
Data in these statements have undergone an interim review by a statutory auditor.

The condensed interim financial statements do not contain all the information disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Capital Group for 2016.

The currency of these condensed interim financial statements is Polish Zloty and all amounts are expressed in PLN thousand.

The condensed interim financial statements were prepared based on the assumption that the Company will remain a going concern in the foreseeable future. As at the date of approval of these condensed financial statements for publication, there are no circumstances that could pose a threat to the continued operation of LPP SA.

2.2 Accounting Policies

These condensed interim financial statements have been prepared in accordance with the accounting policies presented in the Group's last consolidated financial statements for the year ended 31 December 2016.

After 1 January 2016, there were no publications of any new or amended interpretations applicable to annual periods commencing after 1 January 2016. Standards and interpretations which have been published but are not yet in force as they have not been approved by the European Union, or have been approved by the European Union but were not applied earlier by the Capital Group, were shown in the annual financial statements for 2016. In the first half of 2017, the only standard published was IFRS 17 Insurance Contracts and the interpretation IFRIC 23 The uncertainty associated with tax recognition.
As regards IFRS 9, IFRS 15 and IFRS 16, the Group is currently assessing their impact in the financial statements.

In the current reporting period, there was a change in presenting holiday and retirement provisions as costs.
At present, both the holiday provision and retirement provision are recorded as "Salaries" in costs by type and presented in the Statement of Profit in selling costs or general costs.

In the preceding years, the retirement provision was recorded in "Other operating profit and costs" and was presented in that item. Following its current recognition, that value is transferred to selling and general costs.
Values disclosed in previous periods already take account of that change. Values for the preceding period are irrelevant.

The holiday provision was recorded using the “Cost Settlement” account and was presented as selling or general costs. Therefore, it is presented as in the previous years.

At the same time, there was a change in presenting the holiday and bonus provision in the statement of financial position of the LPP CG. At present, these values are presented in the item “Employee liabilities” instead “Other provisions” as it was done before.

2.3 Adjustments and Changes in the Accounting Policies

These consolidated condensed financial statements include no adjustments from previous years.

3. Seasonality of Operations

Seasonality in sales is a characteristic feature of the entire clothing market both in Poland and abroad. Typically, the gross margin achieved in the second and the fourth quarter is higher than the one recorded in the first and third quarter. This is due to the sale of new collections at regular prices, i.e. without discounts (with the spring-summer collection being sold in the second quarter, and the autumn-winter collection being sold in the fourth quarter).

4. Tangible Fixed Assets

As at the balance sheet date, LPP SA has contractual obligations to acquire tangible fixed assets in the amount of PLN 66 677 thousand. In comparable periods, this figure was as follows:

- as at 30.06.2016 - PLN 10 846 thousand,
- as at 31.12.2016 - PLN 19 493 thousand.

CHANGES IN FIXED ASSETS (by type) in the six months ended 30 June 2017 in PLN '000

	Land	Buildings, facilities, civil engineering structures	Plant and machinery	Transport ation means	Other fixed assets	Fixed assets in progress	Total fixed assets
Gross value of fixed assets at the beginning of period	42 813	825 340	261 136	7 378	317 954	15 843	1 470 464
- increase	0	16 396	7 355	1 126	9 891	48 482	83 250
- decrease	0	35 246	10 258	0	13 818	38 550	97 872
Gross value of fixed assets at the end of period	**42 813**	**806 490**	**258 233**	**8 504**	**314 027**	**25 775**	**1 455 842**
Accumulated depreciation (amortisation) at the beginning of period	0	354 710	116 087	6 183	176 205	0	653 185
- depreciation	0	32 320	15 274	165	25 936	0	73 695
- decrease	0	24 183	9 211		9 352	0	42 746
Accumulated depreciation (amortisation) at the end of period	**0**	**362 847**	**122 150**	**6 348**	**192 789**	**0**	**684 134**
Impairment write-offs at the beginning of period	0	12 298	572	0	4 399	0	17 269
- increase	0	0	0	0	0	0	0
- decrease	0	11 562	558	0	4 320	0	16 440
Impairment write-offs at the end of period	**0**	**736**	**14**	**0**	**79**	**0**	**829**
Total closing balance net value of fixed assets	**42 813**	**442 907**	**136 069**	**2 156**	**121 159**	**25 775**	**770 879**

CHANGES IN FIXED ASSETS (by type) in the six months ended 30 June 2016 in PLN '000

	Land	Buildings, facilities, civil engineering structures	Plant and machinery	Transportation means	Other fixed assets	Fixed assets in progress	Total fixed assets
Gross value of fixed assets at the beginning of period	42 813	787 884	240 188	7 812	281 568	13 086	1 373 351
- increase	0	20 477	10 763	315	13 162	55 844	100 561
- decrease	0	5 443	2 789	327	1 282	56 615	66 456
Gross value of fixed assets at the end of period	**42 813**	**802 918**	**248 162**	**7 800**	**293 448**	**12 315**	**1 407 456**
Accumulated depreciation (amortisation) at the beginning of period	0	306 162	93 453	6 275	131 771	0	537 661
- depreciation	0	31 458	13 832	279	24 253	0	69 822
- decrease	0	4 517	2 679	58	1 194	0	8 448
Accumulated depreciation (amortisation) at the end of period	**0**	**333 103**	**104 606**	**6 496**	**154 830**	**0**	**599 035**
Impairment write-offs at the beginning of period	0	796	0	0	0	0	796
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
Impairment write-offs at the end of period	**0**	**796**	**0**	**0**	**0**	**0**	**796**
Total closing balance net value of fixed assets	**42 813**	**469 019**	**143 556**	**1 304**	**138 618**	**12 315**	**807 625**

5. Intangible Assets

Changes in intangible assets in the six months ended 30 June 2017 in PLN ’000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
Gross value of intangible assets at the beginning of period	12 583	71 543	70 046	13 017	97 144
- increase	0	5 610	5 543	13 713	19 323
- decrease	2 392	327	0	5 489	8 208
Gross value of intangible assets at the end of period	**10 191**	**76 826**	**75 589**	**21 241**	**108 259**
Accumulated depreciation (amortisation) at the beginning of period	5 425	48 358	47 565	0	53 783
- depreciation	1 075	4 053	3 920	0	5 128
- decrease	359	56	0	0	415
Accumulated depreciation (amortisation) at the end of period	**6 141**	**52 355**	**51 485**	**0**	**58 496**
Impairment write-offs at the beginning of period	2 033	787	514	0	2 820
- decrease	2 033	272			2 305
Impairment write-offs at the end of period	**0**	**515**	**514**		**515**
Total closing balance net value of intangible assets	**4 050**	**23 956**	**23 590**	**21 241**	**49 247**

Changes in intangible assets in the six months ended 30 June 2016 in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
Gross value of intangible assets at the beginning of period	11 163	64 515	63 118	3 919	79 597
- increase	0	4 390	4 390	6 711	11 101
- decrease	0	0	0	4 376	4 376
Gross value of intangible assets at the end of period	**11 163**	**68 905**	**67 508**	**6 254**	**86 322**
Accumulated depreciation (amortisation) at the beginning of period	3 200	42 123	41 645	0	45 323
- depreciation	1 172	3 315	3 146	0	4 487
- decrease	0	0	0	0	0
Accumulated depreciation (amortisation) at the end of period	**4 372**	**45 438**	**44 791**	**0**	**49 810**
Impairment write-offs at the beginning of period	0	0	0	0	0
- decrease	0	0	0	0	0
Impairment write-offs at the end of period	**0**	**0**	**0**	**0**	**0**
Total closing balance net value of intangible assets	**6 791**	**23 467**	**22 717**	**6 254**	**36 512**

6. Investments in Subsidiaries

The value of shares in subsidiaries, additional equity contributions for subsidiaries at their purchase price and revaluation write-offs as at 30.06.2017 and comparative data are given in tables below.

As at 30 June 2017 in PLN '000

Description of the subsidiary as at 30.06.2017	Shares	Additional equity contributions	Revaluation write-off	Carrying value of shares as at 30.06.2017
Foreign companies	316 546	1 160 888	366 370	1 111 064
Domestic companies	149	0	12	137
Total	316 695	1 160 888	366 382	1 111 201

As at 31 December 2016 in PLN ’000

Description of the subsidary as at 31.12.2016	Shares	Additonal equity contributions	Revaluation write-off	Carrying value of shares as at 31.12.2016
Foreign companies	298 322	1 012 522	331 031	979 813
Domestic companies	149		12	137
Total	298 471	1 012 522	331 043	979 950

As at 30 June 2016 in PLN ’000

Description of the subsidary as at 30.06.2016	Shares	Additional equity contributions	Revaluation write-off	Carrying value of shares as at 30.06.2016
Foreign companies	277 312	983 058	403 114	857 256
Domestic companies	149	0	12	137
Total	277 461	983 058	403 114	857 393

In the reporting period, the value of shares and additional equity contributions increased.
The increase in the value of shares was affected by the equity increase in the company in Great Britain and Serbia, while additional equity contributions were made in companies in Slovakia, Germany and Russia.

7. Revaluation Write-Offs of Assets

Revaluation write-offs of shares: in PLN ’000

	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Opening balance	331 043	437 476
Write-offs included as cost in the period	57 678	25 335
Write-off reversed in the period	22 339	59 685
Closing balance	**366 382**	**403 126**

Revaluation write-offs of loans: in PLN ‘000

	01.01.2017 -30.06.2017	01.01.2016- 30.06.2016
Opening balance	29	33
Write-offs included as cost in the period	0	0
Write-offs reversed in the period	1	2
Closing balance	**28**	**31**

Revaluation write-offs of inventory: in PLN ‘000

	01.01.2017 -30.06.2017	01.01.2016- 30.06.2016
Opening balance	3 058	7 018
Write-offs included as cost in the period	0	3 122
Write-offs reversed in the period	229	428
Closing balance	**2 829**	**9 712**

Revaluation write-offs of receivables: in PLN ‘000

	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Opening balance	6 651	24 457
Write-offs included as cost in the period	1 120	6 904
Write-offs reversed in the period	1 425	20 055
Closing balance	**6 346**	**11 306**

8. Fair Value of Financial Instruments

The Company believes that the carrying value of financial assets and liabilities approximates the fair value.

9. Share Capital

As at 30 June 2017, the share capital of LPP amounted to PLN 3 679 thousand and was divided into 1 839 291 shares of a nominal value of PLN 2 per share.

As at 30 June 2017, the shareholding structure in the Parent Company was as follows:

Shareholder	Number of shares held	Share in the share capital	Number of votes at the GM	Share in total votes at the GM	Nominal value of shares
Marek Piechocki	175 497	9.5%	875 493	27.2%	350 994
Jerzy Lubianiec	174 999	9.5%	874 995	27.2%	349 998
Forum TFI SA*	200 730	10.9%	200 738	6.2%	401 460
Treasury shares	18 978	1.0%	0**	0.0%	37 956
Other shareholders	1 269 087	69.0%	1 269 087	39.4%	2 538 174
Total	**1 839 291*** **	**100.0%**	**3 220 313*** **	**100.0%**	**3 678 582**

*Forum TFI SA manages the funds of Forum 64 Closed-End Investment Fund (entity affiliated with Mr Jerzy Lubianiec, shareholder of LPP SA) and Forum 65 Closed-End Investment Fund (entity affiliated with Mr Marek Piechocki, 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.
** LPP SA may not exercise voting rights at the GM, attached to 18 978 shares, as these are treasury shares of LPP SA.
*** As at the date of publishing this report, the number of shares and votes increased by 13 132 due to the conversion of warrants into shares.

10. Dividends

In the first half of 2017, the Parent Company LPP SA did not pay any dividends to the shareholders. At the same time, in the reporting period, i.e. on 19 June 2016, by Resolution No. 19, the General Meeting of Shareholders of LPP SA decided to allocate part of the profit generated for 2016, in the amount of PLN 65 531 268, for dividend payment. The dividend date was set for 4 September 2017, while the dividend payment date was set for 20 September 2017. As at the date of adopting the resolution, the value of dividend per share in LPP SA was PLN 36 (CR 24/2017). Following the conversion of 13 132 A series warrants into shares of the L series, the value of dividend per share is PLN 35.74 (CR 34/2017).

11. Earnings per Share

The earnings per share (EPS) ratio is calculated by dividing net profit by the weighted average number of ordinary shares in a given period.
An element diluting the number of ordinary shares is the awarded subscription warrants to be converted into shares in the future.
Calculation of EPS is given below.

in PLN ’000

	01.01.2017 30.06.2017	01.04.2017 30.06.2017	01.01.2016 30.06.2016	01.04.2016 30.06.2016
Net profit (loss) for the current period	7 640	75 965	96 145	113 485
Weighted average number of ordinary shares	1 820 313	1 820 313	1 816 049	1 816 049
Diluted number of ordinary shares	1 829 094	1 829 094	1 826 853	1 826 853
Profit (loss) per share	4,20	41,73	52,94	62,49
Diluted profit (loss) per share	4,18	41,53	52,63	62,12

12. Provisions including Provisions for Employee Benefits

The value of provisions, including provisions for employee benefits, disclosed in the condensed separate financial statements of LPP S.A. and their changes in specific periods were as follows:

in PLN ’000

	Long-term provision for retirement and similar benefits	Short-term provision for unpaid remuneration	Short-term other provision	Short-term provision for unused holiday leave
For the period from 01.01.2017 to 30.06.2017				
Opening balance	2 222	10 388	2 423	5 100
- provisions made	5 060	6 463	0	13 474
- provisions reversed	4 703	10 388	2 244	11 869
Closing balance	2 579	6 463	179	6 705
For the period from 01.01.2016 to 30.06.2016				
Opening balance	1 790	4 337	0	4 305
- provisions made	1 994	6 567	0	5 898
- provisions reversed	1 790	4 337	0	4 305
Closing balance	1 994	6 567	0	5 898

13. Income Tax

The main components of income tax of LPP S.A. for the period from 01.01.2017 to 30.06.2017 and for a comparative period are given in the table below.

in PLN ’000

	01.01.2017 30.06.2017	01.01.2016 30.06.2016
Current income tax	24 000	667
Deferred income tax	-1 120	5 682
Total	**22 880**	**6 349**

The increase of the current income tax in the current reporting period results from the disclosure in the financial statements of a provision for potential tax risks, amounting to PLN 22 500 thousand.

14. Transactions with Related Parties

The Group's related parties include:

- Polish and foreign companies controlled by LPP SA based on the direct shareholding,
- key management officers of the LPP SA and their close family members,
- entities controlled or significantly influenced by key management officers or their close family members within the meaning provided for in IAS 24.

14.1 Key Management Officers

The Group recognises members of the Parent Company’s Management Board and the Supervisory Board as key management officers.
In the period from 1 January to 30 June 2017, short-term benefits of members of the Parent Company’s Management Board amounted to PLN 2 903 thousand.
The remuneration of each key management officer is given in the table below.

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Six months ended 30 June 2017

First name and surname	Position	Remuneration received in H1 2017
Marek Piechocki	President of the Management Board	PLN 968 thousand
Przemysław Lutkiewicz	Vice-President of the Management Board	PLN 645 thousand
Jacek Kujawa	Vice-President of the Management Board	PLN 645 thousand
Sławomir Łoboda	Vice-President of the Management Board	PLN 645 thousand

In the period from 1 January to 30 June 2017, short-term benefits of members of the Parent Company's Supervisory Board amounted to PLN 92 thousand.
The remuneration of each member of the Supervisory Board is given in the table below.

Six months ended 30 June 2017

First name and surname	Position	Remuneration received in H1 2017
Jerzy Lubianiec	Chairman of the Supervisory Board	PLN 40 thousand
Maciej Matusiak	Member of the Supervisory Board	PLN 10 thousand
Wojciech Olejniczak	Member of the Supervisory Board	PLN 10 thousand
Krzysztof Olszewski	Member of the Supervisory Board	PLN 10 thousand
Dariusz Pachla	Member of the Supervisory Board	PLN 22 thousand

14.2 Transactions with Related Parties

Related parties	Liabilities as at 30.06.2017	Receivables as at 30.06.2017	Sales revenues in the period 01.01-30.06.2017	Purchases in the period 01.01-30.06.2017
Domestic subsidiaries	11 278	453	1 366	29 680
Foreign subsidiaries	73 886	94 780	731 211	103 524
Total	**85 164**	**95 233**	**732 577**	**133 204**

Related parties	Liabilities as at 31.12.2016	Receivables as at 31.12.2016	Sales revenues in the period 01.01-30.06.2016	Purchases in the period 01.01-30.06.2016
Domestic subsidiaries	94	1	7	5 428
Foreign subsidiaries	39 774	196 741	579 593	92 086
Total	**39 868**	**196 742**	**579 600**	**97 514**

The figures given in the tables above present only mutual transactions between LPP SA and the subsidiaries, and they are shown from the Parent Company's perspective.
Data presented as liabilities of LPP SA are receivables in related parties, and purchases are equivalent to revenues of given companies.
All the transactions with related parties were concluded on market terms.
Revenues relating to domestic subsidiaries are derived from the rental of office space for the purpose of their business operations and services provided in connection with such business operations, while revenues gained by foreign companies are derived from the sale of goods and services
Purchases related to domestic subsidiaries involve the rental of real properties for operating Cropp, Reserved, Mohito and House stores and purchases from foreign subsidiaries involve the costs of using the trademarks.

15. Events after the Balance Sheet Date and Other Substantial Changes

15.1 Conversion of A series subscription warrants to shares of the L series

On 11 August 2017, 13 132 A series subscription warrants were converted into shares of the L series. Due to the above, the issued share capital was increased by PLN 26 264. Following the conversion, the value of dividend per share will amount to PLN 35.74.

15.2 Court Proceedings

With reference to information provided for in earlier interim and current reports (such as CR no 4/2017 and 26/2017) on the pending audit procedure involving settlement of income tax for 2012, LPP SA informs that, as part of the said procedure, on 20 June 2017, it was served a decision of the Head of the Customs and Fiscal Office for the Pomorskie Voivodeship in Gdynia. In the previous years and at present, the Company has had expenses related to sub-licences for the use of trademarks contributed in kind to the subsidiary in Cyprus (Gothals LTD), which, according to the decision's wording, was the overestimation by the Company of revenue earning costs for 2012, giving grounds for the calculation of a tax liability by the auditing authority. In the said decision, the Company was charged with a corporate income tax liability for 2012, resulting in the Company's obligation to pay an additional amount of PLN 16 391 thousand (sixteen million three hundred ninety one thousand Polish zlotys) of tax for the said period with due interest.
On 27 July 2017, the Company filed a relevant appeal against the said decision to have it repealed in full. The decision served has no force of law and it has not been made immediately enforceable.
In the opinion of the Company and legal and tax advisers engaged to conduct this case, the above-mentioned decision has defects which should result in having it repealed in full.
The Company upholds the view that, in its opinion, it has correctly calculated the value of CIT for 2012 and duly classified as revenue earning costs the expenses.
Following the analysis of settlements related to licence fees for the use of trademarks, referred to in additional note 14.2 *Transactions with Related Parties* to the separate condensed interim financial statements, as at 30 June 2017, the Group created a provision for potential tax risks, totalling PLN 22 500 thousand.

16. Approval for Publication

The condensed interim financial statements for the six months ended 30.06.2017 (with comparable data) were approved for publication by the Management Board of LPP SA on 28 August 2017.

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 ..………………………………………………

Gdańsk, 28 August 2017

Interim Report on the Activities of the LPP SA Capital Group for the period from 01.01.2017 to 30.06.2017

1. Activities of the LPP SA Capital Group in the period 01.01.2017 – 30.06.2017

Main Activities Carried Out in H1 2017

1. Number of Stores and Retail Space

In H1 2017, 47 stores were launched, having the total area of approx. 26.7 thousand sq. m., thus increasing the total area of stores to approximately 933.7 thousand sq. m (1 710 stores), with 697 stores of an area of approx. 441.6 thousand sq. m. located abroad. Compared to June 2016, the total retail area increased by 7.0%.

As at 30.06.2017	Number of stores	Change y/y	H1 2017 Area in '000 m2	H1 2016 Area in '000 m2	Change y/y
Reserved	458	+11	520.8	473.8	9.9%
Cropp	386	-2	121.9	117.8	3.5%
House	338	-5	106.6	104.8	1.7%
Mohito	288	+4	99.3	95.9	3.6%
Sinsay	204	+25	72.5	63.1	14.9%
Tallinder	0	-8	0.0	3.7	-100.0%
Outlets	36	-1	12.6	13.8	-8.6%
LPP CG total	**1 710**	**+24**	**933.7**	**872.7**	**7.0%**

2. Sales Broken by Brand

In H1 2017, the stores of specific brands generated sales as given in the table below.

	Sales in Q1 2017 in PLN '000	Sales in Q2 2017 in PLN '000	Sales in H1 2017 in PLN '000
Reserved	614 350	762 578	1 376 928
Cropp	188 523	253 832	442 355
House	158 501	180 993	339 495
Mohito	183 636	212 238	395 874
Sinsay	112 198	148 521	260 719
Tallinder	1 145	-	1 145
Outlets	17 018	19 259	17 018

3. Sales in Like-for-Like Stores

In H1 2017, sales revenue in like-for-like stores (LFL) in local currencies increased by 5.5%, with a 6.2% increase in Q2 2017.

4. Online Sales

In H1 2017, the LPP SA Capital Group generated revenue from online sales yielding approx. 4.6% of the Group's revenues. In the second quarter, online sales yielded 5.0% of the Group's sales.
At the end of the first half of the year, the Company owned online stores of its 5 brands in Poland, the Czech Republic, Slovakia, Hungary, Romania, Germany, Lithuania, Latvia and Estonia.
Revenues from online sales in the first halves of specific years are given in the table below.

H1 2013	H1 2014	H1 2015	H1 2016	H1 2017
8 544	28 531	35 424	68 589	139 651

5. Revenues from Sales in the Group Companies

In the second quarter and first half of 2017, the best sales growth was achieved in the EU countries and Russia. Revenues from sales generated by the Group companies operating in specific countries (in PLN '000) are given in the table below.

	H1 2017	H1 2016	Semi-annual change (%)	Q2 2017	Q2 2016	Quarterly change (%)
Poland	1 691 808	1 591 888	6.3%	942 435	886 089	6.4%
Czech Rep.	138 595	116 987	18.5%	78 471	65 001	20.7%
Slovakia	88 244	73 149	20.6%	49 527	40 304	22.9%
Hungary	45 215	32 347	39.8%	25 926	17 243	50.4%
Lithuania	47 520	41 727	13.9%	26 404	22 995	14.8%
Latvia	36 219	33 879	6.9%	20 215	18 691	8.2%
Estonia	42 986	40 053	7.3%	23 725	22 003	7.8%
Russia	595 933	459 317	29.7%	325 418	273 076	19.2%
Ukraine	116 681	103 753	12.5%	63 621	57 429	10.8%
Belarus*	5 593	-	-	5 593	-	-
Bulgaria	26 665	26 123	2.1%	14 864	14 041	5.9%
Romania	72 528	39 584	83.2%	40 004	20 421	95.9%
Croatia	31 221	24 975	25.0%	17 829	14 540	22.6%
Germany	115 237	77 086	49.5%	65 798	43 692	50.6%
Middle East*	13 305	16 375	-18.7%	5 605	6 887	-18.6%
Total	**3 067 748**	**2 677 243**	**14.6%**	**1 705 433**	**1 502 412**	**13.5%**

	H1 2017	H1 2016	Semi-annual change (%)	Q2 2017	Q2 2016	Quarterly change (%)
Poland	1 691 808	1 591 888	6.3%	942 435	886 089	6.4%
Other European countries	644 429	505 910	27.4%	362 761	278 931	30.1%
Russia, Ukraine, Belarus*	718 207	563 070	27.6%	394 631	330 505	19.4%
Middle East*	13 305	16 375	-18.7%	5 605	6 887	-18.6%
Total	**3 067 748**	**2 677 243**	**14.6%**	**1 705 433**	**1 502 412**	**13.5%**

*Revenues in the Middle East countries and Belarus are those generated by franchise stores.

6. Sales per m2

In H1 2017, sales per m2 of the LPP CG increased by 7.8% compared to the preceding year. This indicator, calculated as the entire CG sales divided by an average number of meters operating in a given period, is one of the most important indicators in the retail industry.

Sales / m2 / month in PLN	H1 2017	H1 2016	Semi-annual change (%)	Q2 2017	Q2 2016	Q2 change (%)
Sales/m2	563	522	7.8%	622	580	7.2%

7. Basic Figures Showing the Results of the CG's Operations

In H1 207, sales revenues increased by 14.6% compared to the same period last year mainly due to very good sales in both business lines, i.e. traditional stores (Mohito, Sinsay and Reserved) and e-commerce. Geographically, the LPP Group achieved the highest sales growth in Romania, Germany, Hungary, Russia and Croatia. The increase in sales is attributable also to the increase in retail space – by 7% year on year.
The trade margin increased by 3.5 p.p, while in percentages it increased from 48.2% to 51.7% as a result of a new product management policy and improved collections.
Operating costs increased by 17.3%, with a significant share of these costs being expenses incurred for operating retail stores. Store operation costs increased due to both an increase in wages in all countries and an increase in other costs. The increase in other costs was caused by the increased utilisation of materials due to substantial store openings in Germany. The increase in SG&A costs was affected also by the operation of the head office. The costs of operation of the head office increased due to a further expansion of e-commerce departments and the expansion of product departments.
In H1 2017, the CG recorded increased net financial costs despite lower interest and charges (reduced indebtedness). Increased financial costs were affected by smaller profit on foreign exchange differences. Consequently, in H1 2017, the LPP CG recorded an increase in net profit by 132.1% to PLN 56 245 thousand.

Basic figures showing the results of the Group's operations and margins achieved in Q2 and H1 2017 are given in tables below.

Figure	H1 2017 (PLN '000)	H1 2016 (PLN '000)	Semi-annual change (%)	Q2 2017	Q2 2016	Quarterly change (%)
Revenues from sales	3 067 748	2 677 243	14.6%	1 705 433	1 502 412	13.5%
Gross sales profit	1 584 975	1 291 488	22.7%	964 365	749 717	28.6%
General sales and administrative costs	1 463 042	1 246 985	17.3%	743 822	651 696	14.1%
EBITDA (operating profit + depreciation)	246 064	151 767	62.1%	281 244	152 733	84.1%
EBIT (operating profit)	98 626	22 556	337.2%	207 591	86 465	140.1%
Net profit	56 245	24 238	132.1%	173 273	89 818	92.9%

Margin (%)	H1 2017	H1 2016	Q2 2017	Q2 2016
Gross sales margin	51.7%	48.2%	56.5%	49.9%
EBITDA	8.0%	5.7%	16.5%	10.2%
Operating	3.2%	0.8%	12.2%	5.8%
Net	1.8%	0.9%	10.2%	6.0%

8. Capital Expenditures

In H1 2017, capital expenditures (covering mainly the construction of new stores and the modernisation of previously opened stores) amounted to PLN 201 600, being higher than a year ago by 61%.

Planned capital expenditures for the entire 2017 will amount to approx. PLN 375 000 thousand, of which PLN 340 000 thousand will be spent on constructing new stores and modernising already operating ones, and PLN 35 000 thousand on the construction of another LPP office building in Gdańsk.

9. Operating Costs

The operating costs of the LPP Capital Group include the costs of own stores, the costs of franchise stores and head office costs (the head office in Gdańsk, offices in Cracow and Warsaw and those of foreign subsidiaries). In H1 2017, the Group recorded an increase in the costs of own stores by 17.9%, mainly due to the increase in staffing costs resulting from the increase in salaries and employment in stores and due to other costs being increased.
The head office costs also increased due to increased employment in the e-commerce department and product departments and an increase in salaries in product departments. Operating costs by cost centres are given in the table below.

	H1 2017	H1 2016	Change %	Q2 2017	Q2 2016	Change %
Costs of own stores	1 096 408	930 011	17.9%	548 546	483 281	13.5%
- rentals	502 564	452 165	11.1%	250 621	234 173	7.0%
- staff	320 628	254 755	25.9%	159 681	133 935	19.2%
- other	273 216	223 091	22.5%	138 244	115 173	20.0%
Costs of franchise stores	57 676	67 508	-14.6%	32 713	37 473	-12.7%
Costs of head office	308 958	249 466	23.8%	162 563	130 942	24.1%
Total costs	1 463 042	1 246 985	17.3%	743 822	651 696	14.1%
Costs PLN/m2/month	*268*	*245*	*9.4%*	*271*	*254*	*6.8%*

10. Inventory level per m2

The inventory level and its optimisation are important elements of working capital management – it is important to observe inventory per m2 over time. Inventory consists of goods in stores, warehoused goods and merchandise in transit - from the manufacturer to a logistics centre. The Company strives to minimise inventory and, at the same time, maintain a sufficient product volume to maximise sales. At the end of H1 2017, the inventory level per m2 was lower by 3.9%, mainly due to a decrease in the USD/PLN exchange rate as the Company buys the majority of goods in Asia, where settlements are made in USD.

Inventory per m2	Q1	Q2	Q3	Q4
2014	1 383	1 443	1 527	1 355
2015	1 516	1 507	1 684	1 572
2016	1 621	1 669	1 634	1 275
2017	1 381	1 604	-	-

11. Company's Debt

The Company has credit lines in 6 banks in the total amount of PLN 1.7 billion, utilised for bank guarantees, letters of credit for trade financing or as a revolving loan. Additionally, the Company has a long-term debt extended to finance the expansion of the logistics centre and the head office. Due to the seasonality of sales, the Company increased the financing of purchases with a credit facility in the first and third quarter - to finance inventories and reduce lending in the second and fourth quarters, during periods of regular sales. The Company strives to minimise the level of debt in order to maintain financial security. The following table shows the level of net debt in PLN '000, i.e. the sum of loans less balance of cash.

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	H1 2017	H1 2016	Change (%)
Short-term loans	255 432	619 234	-58.8%
Long-term loans	168 469	239 638	-29.7%
Cash	-434 905	-219 200	98.4%
Net debt	**-11 004**	**639 672**	**-101.7%**

Other significant events in H1 2017:

1. On 27 February 2017, LPP SA and BGŻ BNP Paribas SA signed an annex to the multi-option credit line agreement dated 14 April 2004. By virtue of the said annex, the credit line limit has been prolonged by 30 January 2018 (CR 10/2017).
2. On 21 June 2017, LPP SA and PKO BP SA signed an annex to the multi-option credit line agreement dated 24 June 2005. By virtue of the said annex, the credit line limit has been prolonged by 23 June 2020 (CR 27/2017).
3. On 28 June 2017, LPP SA and Bank Polska Kasa Opieki SA signed an annex to the multi-option credit line agreement dated 13 August 2004. By virtue of the said annex, the credit line limit has been prolonged by 30 June 2020 (CR 28/2017).
4. On 28 June 2017, LPP SA and HSBC Bank Polska SA signed an annex to the letter of credit line agreement dated 1 July 2015. By virtue of the said annex, the line limit has been prolonged by 29 June 2018 (CR 29/2017).
5. In April 2017, LPP SA signed an agreement on the outsourcing of logistics services for the e-commerce channel (Reserved, House, Mohito and Sinsay) with Arvato.
6. In April 2017, first Reserved, Cropp and House franchise stores were opened in Belarus (Minsk), of a total area of 2 700 m2.
7. In April 2017, the Company launched on-line stores of its five brands in Lithuania, Latvia and Estonia.
8. In May 2017, the nineteenth store had it debut in Germany, being a flagship store in that country, of an area of 2 000 m2, in a prestigious location (Berlin).
9. In H1 2017, the Company started securing foreign exchange rates for USD payments to suppliers (CR 30/2017).

2. Basic Factors Affecting Growth Opportunities; Risks and Threats

The basic tasks of the LPP SA Capital Group, the implementation of which will determine its position in the future, include:

a) developing online sales,
b) creation and expansion of a competitive store chain in Europe, including openings in new countries,
c) building strong clothing brands,
d) increasing business profitability and performance.

The execution by the Issuer's Capital Group of its strategic tasks and goals will be affected by numerous internal and external factors representing opportunities as well as risks and threats.

Internal Factors

a) Market strategy of the LPP SA CG

The activity of the LPP SA Capital Group is focused on designing and distribution of clothing as well as building its brand while outsourcing many activities to third parties. The Capital Group has no own manufacturing capacities and does not plan to develop its own manufacturing plants.
The outsourcing of production can significantly reduce fixed costs and gives access to modern and changing technologies applied by suppliers constantly improving their manufacturing capacities. Accordingly, the Group's investments are directed at increasing the commercial potential, maintaining competitive advantage on the market, creating its own distribution network and gaining consumers loyal to the Capital Group and its products. Throughout 2017, the Company plans to increase retail space by 10%, to 1 008.8 thousand m2.
In 2017, the Company will open its flagship store at Oxford Street in London and, in cooperation with a franchisee, stores in Kazachstan. Additionally, since August 2017, the first store in Serbia has been in operation.

b) Risk of increased competition - market position of the LPP SA Capital Group

Low barriers to enter the clothing market may increase competition. At the same time, there are many entities operating on the clothing market in Poland and abroad, including companies being world industry leaders.
Marketing activities carried out over the years, concerning individual brands owned by LPP SA, have made them highly recognised among the target customer group.
The expansion of the sales network, based on selecting the most attractive locations, by no means increases the chances of strengthening the market position.
Considering the volume of sales revenues, the LPP SA Capital Group may be recognised as one of the key market players. As the market is very fragmented, there is still a chance of increasing sales.
However, competition in the industry in which the Capital Group operates is significant and gets stronger as online sales are being developed.

c) Risk of changes in fashion and market trends - extending and renewing the offer for customers

The clothing market is characterised by a wide variety of customer expectations and is closely correlated with changes in fashion trends. A key factor in a clothing company's success is the sense of changes in fashion trends and the adjustment of its product range to current consumer needs. Therefore, LPP SA pays significant attention to fashion. Analysing constantly changing trends, the design department adapts them to customer needs to continue offering desirable products at a very good price-quality ratio. In order to fulfil their tasks, designers participate in trade fairs around the world, have the knowledge of professional literature and use online information on fashion-related issues.

d) Risk of unsuccessful store location

The Group's development strategy provides for the rapid expansion of its sales network. The opening of new stores involves the risk that specific locations may prove to be unsuccessful. This may result in a failure to meet a projected revenue level, which, in consequence, will adversely affect the Issuer's financial performance.
The Group reduces the risk of unsuccessful locations following good market surveillance and a detailed analysis of each potential new location. The number of stores owned also reduces the impact of a single location on the financial position of the Capital Group.

e) Logistics

The Parent Company has a modern logistics centre in Pruszcz Gdański (expanded in 2014 and 2015), which allows to prepare an adequate quantity of packages of clothing for stores in such a way that, on one hand, they can offer a wide range of products for customers at all times and, on the other hand, the quantity of goods warehoused in the logistics centre is as small as possible.
At the same time, Russian LPP uses an external logistics operator with its own logistics centre near Moscow, providing the Company with services comprising the warehousing and transportation of goods to stores.
In connection with the development of the LPP SA Capital Group, in the logistics centre in Pruszcz Gdański, modern technological solutions are implemented to ensure the possibility of handling the needs of the CG by approx. 2020. That is why, at present, the Company is searching for a location for its new logistics centre, and the planned expenses related to the above in the years 2019-2020 will amount to PLN 300 million.
Additionally, in April 2017, LPP SA signed the agreement on the outsourcing of logistics services for the e-commerce channel (four brands: Reserved, House, Mohito and Sinsay) with Arvato Polska, a leader in comprehensive outsourcing solutions. Owing to that cooperation, the Company will have the possibility of making quicker product deliveries to clients from a dedicated warehouse of Arvato in central Poland and will have access to know-how on e-commerce logistics.

f) Online sales

Adapting to a prevailing trend related to the increasing popularity of online shopping, the Parent Company has launched online stores of all of its brands and has taken actions aimed at further development of that sales channel by streamlining mobile sales platforms and improving supply logistics.
In the reporting period, the Company had online stores of its five brands in Poland, the Czech Republic, Slovakia, Hungary, Romania, Germany, Lithuania, Latvia and Estonia.
In the second half of 2017, LPP plans to open online stores of its five brands in Russia and Ukraine and a Reserved online store in Great Britain.

By 2020, the Company plans to increase the share of online sales to 7-8% of the sales of the entire Group.

d) Optimisation of the operating costs of the LPP SA Capital Group

To ensure a high level of the LPP SA Capital Group's performance and productivity, actions are taken to reduce costs incurred and adjust them to the changing market situation. The main area of cost optimisation is agreements on the lease of retail space, which constitute 47% of total costs associated with the operation of stores.

External Factors

a) Risk associated with the economic situation in Poland and countries where the Capital Group's stores operate

The economic situation in countries where the LPP SA Capital Group sells its products and the situation in countries where factories manufacturing goods for LPP are located is crucial for the Company's standing. An economic growth or decline in countries where the Company's stores are located translates proportionately into an increase or decrease in the sales of goods. Furthermore, an economic growth or decline in countries where the manufacturing of goods is located may translate into an increase or decrease in manufacturing costs.

b) Foreign exchange rates - currency risk

The majority of goods purchase transactions effected by the LPP SA Capital Group involve foreign currency payments, with most of them being settled in USD and their minor part being settled in EUR.
The majority of sales gains are yielded in PLN. The instability of the Polish currency in relation to USD and EUR is a risk. Therefore, the Company has decided to start securing the USD/PLN exchange rate by concluding forward currency contracts for USD payments to suppliers. Transactions are aimed at minimising the level of exchange rate differences in financial operations (i.e. below operating profit).
Apart from foreign exchange settlements of purchases of goods, there is yet another area in which the EUR exchange rate affects the costs incurred by the LPP SA Capital Group, i.e. the majority of settlements related to agreements on the lease of premises for the retail sales of goods.
Large fluctuations of the Russian rouble and the Ukrainian hryvnia also significantly affect financial results. The changes in the rates of RUB and UAH to USD expose the Company to the risk of significant exchange rate differences and adversely affect the trade margin in Russia and Ukraine.

c) Interest rate risk

The interest rate risk is associated with the continuous utilisation of bank loans by the Group and, though to a lesser extent, with loans granted. Credit facilities with a floating interest rate are charged with a cash flow risk. In the opinion of the Issuer's Management Board, a potential change in interest rates will not substantially affect the performance of LPP SA.

d) Risk of changes in customs and tax regulations

Customs and tax regulations have a significant impact on the Group's activity. Changes in this area can significantly affect the operations of the Issuer's Group.
LPP SA purchases clothing, and, currently, the majority of the goods are imported from Asia. The introduction of potential import quotas and heavy customs duties could affect the revenues of the Issuer's Group by reducing margins applied. Relevant changes in economic conditions will affect all businesses operating on this market, and the probability of this risk is low due to a firm customs policy of the European Union.
At the same time, the introduction of tax on large stores in Poland may adversely affect the Issuer's operations and poses a potential risk.

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e) Risk of shortening trading time

The brand stores of the Issuer's Group are located in shopping malls. As there have been attempts to introduce regulations limiting trading time in malls, there is the risk of shortening the time of sales of the Capital Group's products from seven to six days a week (currently, a trade prohibition applies to statutory days off).
This limitation could result in the reduction of sales revenues and financial results of the Issuer's Group.
This factor may also affect other businesses on this market.

f) Risk associated with weather conditions

In the business conducted, during one season, there may occur positive or negative effects of weather conditions, which may affect an increase/decrease in sales, and, consequently, an increase/decrease of the Capital Group's margins. However, in the long term, weather and climatic factors do not affect the Group's development.

3. Effects of Changes in the Structure of the Economic Entity, including Those of a Merger, Acquisition or Sale of Economic Entities, Acquisition or Sale of the Issuer's Capital Group Entities, Long-Term Investments, Division, Restructuring and Discontinued Operations

In the reporting period, a subsidiary in Lebanon was established, i.e. P&L Marketing&Advertising Agency SAL aimed at supervising franchise stores in the Middle East and the marketing activity in that region. Apart from the above, in the reporting period, there were no other organisational changes in the Issuer's Capital Group.

4. Position of the Management Board on the Possibility of Achieving Previously Published Forecasts of Annual Results in View of Results Disclosed in the Interim Report Compared to Forecast Results

No forecasts for 2017 were published.

5. Specification of Shareholders Holding Directly or Indirectly, through Subsidiaries, at Least 5% of Total Votes at the Issuer's General Meeting of Shareholders as at the Date of Report Submission, along with the Number of Shares Held by Those Shareholders, Their Percentage Share in the Share Capital, the Number of Votes Attached, and Their Percentage Share in Total Votes at the General Meeting Of Shareholders, and an Indication of Changes in the Ownership Structure of Large Blocks of the Issuer's Shares in the Period Following Submission of the Previous Report

The shareholding structure of LPP SA as at the date of submission of the report is given in the table below.

Shareholder	Number of shares	Number of votes at the GM	Share in total votes at the GM	Share in the share capital	Nominal value of shares
Marek Piechocki	175 497	9.5%	875 493	27.1%	350 994
Jerzy Lubianiec	174 999	9.4%	874 995	27.1%	349 998
Forum TFI SA*	200 730	10.8%	200 738	6.2%	401 460
Treasury shares	18 978	1.0%	0**	0.0%	37 956
Other shareholders	1 282 219	69.2%	1 282 219	39.7%	2 564 438
Total	**1 852 423**	**100.0%**	**3 233 445**	**100.0%**	**3 704 846**

*Forum TFI SA manages the funds of Forum 64 Closed-End Investment Fund (entity affiliated with Mr Jerzy Lubianiec, shareholder of LPP SA) and Forum 65 Closed-End Investment Fund (entity affiliated with Mr Marek Piechocki, 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.
** LPP SA may not exercise voting rights at the GM, attached to 18 978 shares, as these are treasury shares of LPP SA.

In the period following submission of the previous report (for Q1 2017), there was a change in the ownership structure of large blocks of shares. As a result of converting 13 132 A series subscription warrants into 13 132 shares of the L series in LPP (CR 33/2017), shares in the share capital, held by two shareholders, i.e. Mr Marek Piechocki and Mr Jerzy Lubianiec, decreased from 27.2% to 27.1% per person. Additionally, the share in votes held by Mr Jerzy Lubianiec at the General Meeting of Shareholders was reduced from 9.5% of votes to 9.4%.

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6. Listing of Individual Shareholdings of the Issuer's Shares or Rights Attached to Them, Held by Persons Managing and Supervising the Issuer as at the Date of Report Submission, with the Specification of Shareholding Changes in the Period Following Submission of the Previous Report

Shareholder	Number of shares	Number of votes at the GM
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

Following submission of the last report (for Q1 2017), there were no changes in the ownership structure of LPP SA shares held by members of the Issuer's Management Board and the Supervisory Board.

7. Specification of Proceedings Pending before Courts and Arbitration or Public Administration Authorities

Neither LPP SA nor any of its subsidiaries are a party to any proceedings before a court, arbitration or public administration authority, involving liabilities or debts, the value of which would exceed, individually or jointly, 10% of the equity of LPP SA.

Currently, there is an audit procedure carried out by the Customs and Fiscal Office for the Pomorskie Voivodeship, concerning the settlement of income tax for 2012. This matter is discussed in point 17.2 of these financial statements.

8. Information on the Conclusion by the Issuer or its Subsidiary of one or more Transactions with Related Parties if They are Significant either Individually or Collectively and Are Concluded on Non-Market Terms

In the reporting period, there were no transactions with related parties, other than those specified in Note 16.2 to the consolidated condensed interim financial statements for H1 2017.

9. Information on the Granting by the Issuer or Its Subsidiary of Credit or Loan Sureties or Guarantees – Jointly to Single Entity or Its Subsidiary if the Total Value of Existing Sureties or Guarantees Is Equivalent to at Least 10% of the Issuer’s Equity, Stating the Name of the Entity to Which Sureties or Guarantees Were Granted, the Total Value of Credit Facilities or Loans that Had Been Assured or Guaranteed in Full or in Part, a Period for Which Such Sureties or Guarantees Were Granted, Financial Terms and Conditions Thereof, and the Nature of Relationships between the Issuer and the Entity Taking Such Credit Facility or Loan

In the reporting period, there were no such events.

10. Other Information Important in the Issuer's Opinion to Evaluate Its Staffing, Property and Financial Standing, Its Financial Result and Their Changes as well as Information Relevant for Evaluating the Possibility of Execution of the Issuer's Obligations

This report contains basic information essential for the evaluation of the standing of the Issuer's Capital Group. In the opinion of the Management Board, currently, the execution of the obligations of the Capital Group remains unthreatened.

11. Specification of Factors Which, according to the Issuer, Will Affect Its Results within at Least the Next Six Months

Basic factors affecting results to be achieved in the nearest future are as follows:

a) economic situation in Poland and in countries where the Group's stores operate, especially in Russia and Ukraine,
b) USD/EUR exchange rate, and the Russian rouble to Ukrainian hryvnia exchange rate,
c) assessment of the autumn-winter collection by customers,
d) improving the product of the Reserved brand,
e) development of online sales,
f) development of the sales network of Reserved, Cropp, House, Mohito, Sinsay - the goal for the end of 2017 is to increase the number of stores of the Group to 1 747 (y/y increase by 3%), and an increase in retail space to 1 008.8 thousand m2 (y/y increase by 10%).

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 …………………………………………

Gdańsk, 28 August 2017