

# LPP

## INTERIM FINANCIAL STATEMENT FOR Q3 2017 of THE LPP SA GROUP

GDANSK, 21 NOVEMBER 2017

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## Selected Consolidated Financial Data of LPP SA Group for the nine months ended 30 September 2017

Selected consolidated financial data	3Q 2017	3Q 2016	3Q 2017	3Q 2016
	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
	in thousand PLN		in thousand EUR	
Revenues	4 880 520	4 165 643	1 146 577	953 498
Operating profit (loss)	201 712	27 358	47 388	6 262
Pre-tax profit (loss)	211 810	16 697	49 760	3 822
Net profit (loss)	141 225	17 744	33 178	4 062
Net cash flows from operating activities	478 256	178 780	112 356	40 922
Net cash flows from investing activities	-292 599	-142 093	-68 740	-32 524
Net cash flows from financing activities	-294 674	5 457	-69 228	1 249
Total net cash flows	-109 017	42 144	-25 611	9 647

Selected consolidated financial data	2017	2016	2017	2016
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	in thousand PLN		in thousand EUR	
Total assets	4 059 438	3 677 932	942 062	831 359
Long-term liabilities	233 589	267 254	54 208	60 410
Short-term liabilities	1 641 812	1 275 947	381 010	288 415
Equity	2 184 113	2 134 731	506 861	482 534
Share capital	3 705	3 679	860	832
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
Weighted average number of ordinary shares	1 824 209	1 816 049	1 824 209	1 816 049
Profit (Loss) per ordinary share (in PLN / EUR)	77.49	9.77	18.21	2.24
Book value per ordinary share (in PLN / EUR)	1 197.29	1 053.37	277.85	244.29
Declared or paid dividend per share (in PLN / EUR)	35.74	33.00	8.29	7.65

## Consolidated Statement of Financial Position of LPP SA Group as at 30 September 2017

Statement of financial position	As at the end of:		
	30.09.2017	31.12.2016	30.09.2016
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1 855 879</b>	<b>1 838 664</b>	<b>1 797 790</b>
1. Fixed assets	1 294 488	1 291 338	1 260 259
2. Intangible assets	57 126	43 511	38 753
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	1 571
7. Receivables and loans	4 646	6 180	6 541
8. Deferred tax assets	151 216	143 657	140 041
9. Pre-payments	61 210	66 736	63 383
<b>Current assets</b>	<b>2 203 559</b>	<b>1 839 268</b>	<b>1 954 658</b>
1. Inventory	1 637 099	1 164 135	1 438 251
2. Trade receivables	181 475	165 389	112 755
3. Income tax receivables	23 583	75 274	66 529
4. Other receivables	64 737	31 034	34 425
5. Loans	97	91	81
6. Pre-payments	40 163	37 592	36 722
7. Cash and cash equivalents	256 405	365 753	265 895
<b>TOTAL assets</b>	<b>4 059 438</b>	<b>3 677 932</b>	<b>3 752 448</b>

Statement of financial position	As at the end of:		
	30.09.2017	31.12.2016	30.09.2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>2 184 113</b>	<b>2 134 731</b>	<b>1 912 976</b>
1. Share capital	3 705	3 679	3 670
2. Treasury shares	-43 329	-43 318	-43 315
3. Share premium	277 630	251 393	243 233
4. Other reserves	1 823 041	1 608 298	1 608 298
5. Foreign currency translation reserve	-167 604	-114 928	-171 486
6. Retained earnings	290 670	429 607	272 576
- profit (loss) from previous years	149 307	254 832	254 832
- net profit (loss) for the current period	141 363	174 775	17 744
<b>Minority shareholders' capital</b>	<b>-76</b>	<b>0</b>	<b>0</b>
<b>Long-term liabilities</b>	<b>233 589</b>	<b>267 254</b>	<b>292 258</b>
1. Bank loans and borrowings	155 150	195 033	223 515
2. Provisions for employee benefits	3 299	2 711	2 806
3. Deferred tax liabilities	5 584	3 890	5 314
4. Accruals	69 475	65 575	60 613
5. Other liabilities	81	45	10
<b>Short-term liabilities</b>	<b>1 641 812</b>	<b>1 275 947</b>	<b>1 547 214</b>
1. Trade and other liabilities	1 415 647	881 064	808 452
2. Employee liabilities	28 518	28 486	19 183
3. Income tax liabilities	46 852	7 449	1 942
4. Bank loans and borrowings	112 090	315 111	689 355
5. Other provisions	2 884	5 121	3 455
6. Accruals	35 821	38 716	24 827
<b>TOTAL equity and liabilities</b>	<b>4 059 438</b>	<b>3 677 932</b>	<b>3 752 448</b>

## Consolidated statement of the results and other total revenue of LPP SA Group as at 30 September 2017

Statement of profit and other income	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016
<b>Continuing operations</b>				
Revenues	4 880 520	4 165 643	1 812 772	1 488 400
Cost of goods sold	2 406 881	2 173 523	924 108	787 768
<b>Gross profit (loss) on sales</b>	<b>2 473 639</b>	<b>1 992 120</b>	<b>888 664</b>	<b>700 632</b>
Other operating income	32 884	21 092	4 785	7 401
Selling costs	2 017 117	1 765 549	695 322	616 432
General and administrative costs	220 944	143 661	79 697	45 793
Other operating costs	66 750	76 644	15 344	41 006
<b>Operating profit (loss)</b>	<b>201 712</b>	<b>27 358</b>	<b>103 086</b>	<b>4 802</b>
Financial income	22 142	9 356	13 484	-1 941
Financial costs	12 044	20 017	2 235	6 107
<b>Pre-tax profit (loss)</b>	<b>211 810</b>	<b>16 697</b>	<b>114 335</b>	<b>-3 246</b>
Income tax	70 585	-1 047	29 259	3 248
<b>Net profit (loss) from z continuing operations</b>	<b>141 225</b>	<b>17 744</b>	<b>85 076</b>	<b>-6 494</b>
<b>Net profit attributable to:</b>				
Shareholders of the parent company	141 363	17 744	85 118	-6 494
Minority interest	-138	0	-42	0
<b>Other comprehensive income</b>				
<b>Items transferred to profit or loss</b>				
Currency translation on foreign operations	-52 676	57 271	9 390	-14 447
<b>Total comprehensive income</b>	<b>88 549</b>	<b>75 015</b>	<b>94 466</b>	<b>-20 941</b>
<b>Attributable to:</b>				
Shareholders of the parent company	88 502	75 015	94 415	-20 941
Minority interest	62	0	66	0

## Consolidated statement of changes in the equity of LPP SA Group for the nine months ended 30 September 2017

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
<b>As at 1 January 2017</b>	<b>3 679</b>	<b>-43 318</b>	<b>251 393</b>	<b>1 608 298</b>	<b>-114 928</b>	<b>429 607</b>	<b>0</b>	<b>2 134 731</b>	<b>0</b>	<b>2 134 731</b>
Treasury shares purchases		-11						-11	0	-11
Distribution of profit for 2016				214 743		-280 273		-65 530	0	-65 530
Purchase of shares	26		26 237						0	
Contribution by minority shareholders								0	61	61
Consolidation of subsidiary						-27		-27	0	-27
Transactions with owners	26	-11	26 237	214 743	0	-280 300	0	-39 305	61	-39 244
Net profit (loss) for 3Q 2017							141 378	141 378	-137	141 241
Currency translation on foreign operations					-52 676			-52 676	0	-52 676
<b>As at 30 September 2017</b>	<b>3 705</b>	<b>-43 329</b>	<b>277 630</b>	<b>1 823 041</b>	<b>-167 604</b>	<b>149 307</b>	<b>141 378</b>	<b>2 184 128</b>	<b>-76</b>	<b>2 184 052</b>
<b>As at 1 January 2016</b>	<b>3 662</b>	<b>-43 306</b>	<b>235 074</b>	<b>1 323 736</b>	<b>-228 757</b>	<b>599 330</b>	<b>0</b>	<b>1 889 739</b>	<b>0</b>	<b>1 889 739</b>
Treasury shares purchases		-6						-6	0	-6
Distribution of profit for 2015				284 562		-344 498		-59 936	0	-59 936
Purchase of shares	8		8 159					8 167	0	8 167
Transactions with owners	8	-9	8 159	284 562	0	-344 498	0	-51 778	0	-51 778
Net profit (loss) for 3Q 2016							17 744	17 744	0	17 744
Currency translation on foreign operations					57 271			57 271	0	57 271
<b>As at 30 September 2016</b>	<b>3 670</b>	<b>-43 315</b>	<b>243 233</b>	<b>1 608 298</b>	<b>-171 486</b>	<b>254 832</b>	<b>17 744</b>	<b>1 912 976</b>	<b>0</b>	<b>1 912 976</b>

## Consolidated cash flow statement of LPP SA Group for the nine months ended 30 September 2017

Cash flow statement	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016
<b>A. Cash flows from operating activities - indirect method</b>				
I. Pre-tax profit (loss)	211 810	16 697	114 335	-3 246
II. Total adjustments	266 446	162 083	15 005	104 654
1. Amortisation	219 897	197 279	72 459	68 068
2. Foreign exchange gains (losses)	4 762	-6 188	5 616	43
3. Interest and dividends	-792	17 184	-8 173	5 660
4. Profit (loss) from investing activities	3 040	21 326	-1 662	17 785
5. Income tax paid	-65 025	-28 541	-19 885	-920
6. Change in provisions	-845	4 885	-1 232	-828
7. Change in inventories	-498 021	-85 433	-156 872	-5 442
8. Change in receivables	18 560	7 408	-42 680	-4 388
9. Change in short-term liabilities, excluding loans and borrowings	603 273	49 982	174 305	40 585
10. Change in prepayments and accruals	4 142	-11 946	-4 429	-8 381
11. Other adjustments	-22 545	-3 873	-2 442	-7 528
<b>III. Net cash flows from operating activities</b>	<b>478 256</b>	<b>178 780</b>	<b>129 340</b>	<b>101 408</b>
<b>B. Cash flows from investing activities</b>				
I. Inflows	29 317	45 438	14 781	18 919
1. Disposal of intangible and fixed assets	29 069	45 202	14 745	18 950
2. From financial assets, including:	244	236	32	-31
a) in related parties	165	130	0	-52
- dividends	165	130	0	-52
b) in other entities	79	106	32	21
- repayment of loans	79	98	32	21
- interest	0	8	0	0
3. Other investing inflows	4	0	4	0
II. Outflows	321 916	187 531	120 344	62 108
1. Purchase of intangible and fixed assets	321 866	187 480	120 324	62 108
2. For financial assets, including:	50	51	20	0
a) in related parties	0	0	0	0
- purchase of shares	0	0	0	0
- loans granted	0	0	0	0
b) in other entities	50	51	20	0
- loans granted	50	51	20	51
3. Other investing outflows	0	0	0	0
<b>III. Net cash flows from investing activities</b>	<b>-292 599</b>	<b>-142 093</b>	<b>-105 563</b>	<b>-43 189</b>

<b>C. Cash flows from financing activities</b>				
I. Inflows	26 264	151 551	26 186	71 041
1. Proceeds from issuance of shares	26 264	8 168	26 186	0
2. Loans and borrowings	0	143 383	0	71 041
3. Other inflows from financial activities	0	0	0	0
II. Outflows	320 938	146 094	230 216	82 272
1. Cost of maintaining of treasury shares	11	9	4	3
2. Dividends and other payments to owners	65 527	59 936	65 527	59 936
3. Repayment of loans and borrowings	245 876	69 231	162 715	16 704
4. Payment of liabilities arising from financial leases	0	0	0	0
5. Interest	9 524	16 918	1 970	5 629
6. Other outflows from financing activities	0	0	0	0
<b>III. Net cash flows from financing activities</b>	<b>-294 674</b>	<b>5 457</b>	<b>-204 030</b>	<b>-11 231</b>
<b>D. Total net cash flows</b>	<b>-109 017</b>	<b>42 144</b>	<b>-180 253</b>	<b>46 988</b>
<b>E. Balance sheet change in cash, including:</b>	<b>109 348</b>	<b>41 448</b>	<b>-178 500</b>	<b>46 695</b>
- change in cash due to foreign exchange differences	-331	-696	1 753	-293
<b>F. Opening balance of cash</b>	<b>366 026</b>	<b>223 053</b>	<b>437 262</b>	<b>218 209</b>
<b>G. Closing balance of cash</b>	<b>257 009</b>	<b>265 197</b>	<b>257 009</b>	<b>265 197</b>

## Selected financial data of LPP SA for the nine months ended 30 September 2017

Selected financial data	3Q 2017	3Q 2016	3Q 2017	3Q 2016
	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
	in thousand PLN		in thousand EUR	
Revenues	4 017 035	3 407 678	943 719	780 003
Operating profit (loss)	59 048	-66 737	13 872	-15 276
Pre-tax profit (loss)	196 473	73 593	46 157	16 845
Net profit (loss)	145 972	71 029	34 293	16 258
Net cash flows from operating activities	369 712	-7 040	86 856	-1 611
Net cash flows from investing activities	-147 920	-49 537	-34 751	-11 339
Net cash flows from financing activities	-294 675	5 864	-69 228	1 342
Total net cash flows	-72 883	-50 713	-17 122	-11 608

Selected financial data	2017	2016	2017	2016
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	in thousand PLN		in thousand EUR	
Total assets	3 985 657	3 493 969	924 940	789 776
Long-term liabilities	204 766	244 476	47 519	55 261
Short-term liabilities	1 581 348	1 156 647	366 979	261 448
Equity	2 199 543	2 092 846	510 441	473 066
Share capital	3 705	3 678	860	831
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
Weighted average number of ordinary shares	1 824 209	1 816 049	1 824 209	1 816 049
Profit (Loss) per ordinary share (in PLN / EUR)	80.02	39.11	18.80	8.95
Book value per ordinary share (in PLN / EUR)	1 205.75	1 032.81	279.82	239.52
Declared or paid dividend per share (in PLN / EUR)	35.74	33.00	8.29	7.65

## Statement of Financial Position of LPP SA as at 30 September 2017

Statement of financial position	As at the end of:		
	30.09.2017	31.12.2016	30.09.2016
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 284 070</b>	<b>2 095 664</b>	<b>2 029 848</b>
1. Fixed assets	791 281	800 010	793 852
2. Intangible assets	53 965	40 541	35 984
3. Goodwill	179 618	179 618	179 618
4. Investments in subsidiaries	1 159 671	979 950	913 914
5. Receivables and loans	1 561	1 666	1 695
6. Deferred tax assets	96 042	91 890	102 719
7. Pre-payments	1 932	1 989	2 066
<b>Current assets</b>	<b>1 701 587</b>	<b>1 398 305</b>	<b>1 602 693</b>
1. Inventory	1 200 433	832 586	1 008 549
2. Trade receivables	355 610	294 500	443 782
3. Income tax receivables	19 027	73 579	57 651
4. Other receivables	23 543	19 677	14 333
5. Loans	1 026	82	79
6. Pre-payments	17 718	20 439	16 197
7. Cash and cash equivalents	84 230	157 442	62 102
<b>TOTAL assets</b>	<b>3 985 657</b>	<b>3 493 969</b>	<b>3 632 541</b>

Statement of financial position	As at the end of:		
	30.09.2017	31.12.2016	30.09.2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>2 199 543</b>	<b>2 092 846</b>	<b>1 875 638</b>
1. Share capital	3 705	3 678	3 670
2. Treasury shares	-43 329	-43 317	-43 315
3. Share premium	277 630	251 393	243 233
4. Other reserves	1 815 565	1 601 021	1 601 021
5. Retained earnings	145 972	280 071	71 029
- profit (loss) from previous years	0	0	0
- net profit (loss) for the current period	145 972	280 071	71 029
<b>Long-term liabilities</b>	<b>204 766</b>	<b>244 476</b>	<b>266 834</b>
1. Bank loans and borrowings	155 150	195 033	223 515
2. Provisions for employee benefits	2 693	2 222	2 123
3. Deferred tax liabilities	3 659	2 005	3 543
4. Accruals	43 183	45 171	37 643
5. Other liabilities	81	45	10
<b>Short-term liabilities</b>	<b>1 581 348</b>	<b>1 156 647</b>	<b>1 490 069</b>
1. Trade and other liabilities	1 383 576	792 684	768 767
2. Employee liabilities	17 287	15 488	8 944
3. Income tax liabilities	41 016	0	0
4. Bank loans and borrowings	112 090	315 111	689 353
5. Other provisions	179	2 423	3 455
6. Accruals	27 200	30 941	19 550
<b>TOTAL equity and liabilities</b>	<b>3 985 657</b>	<b>3 493 969</b>	<b>3 632 541</b>

## Statement of the results and other total revenue of LPP SA as at 30 September 2017

Statement of profit and other income	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016
Revenues	4 017 035	3 407 678	1 575 040	1 219 550
Cost of goods sold	2 479 891	2 166 125	993 590	816 868
<b>Gross profit (loss) on sales</b>	<b>1 537 144</b>	<b>1 241 553</b>	<b>581 450</b>	<b>402 682</b>
Other operating income	11 962	31 194	2 558	5 397
Selling costs	1 139 642	1 041 332	395 951	353 659
General and administrative costs	324 318	241 985	124 346	85 194
Other operating costs	26 098	56 167	8 547	32 619
<b>Operating profit (loss)</b>	<b>59 048</b>	<b>-66 737</b>	<b>55 164</b>	<b>-63 393</b>
Financial income	207 118	207 108	113 165	62 040
Financial costs	69 693	66 778	2 376	27 548
<b>Pre-tax profit (loss)</b>	<b>196 473</b>	<b>73 593</b>	<b>165 953</b>	<b>-28 901</b>
Income tax	50 501	2 564	27 621	-3 785
<b>Net profit (loss)</b>	<b>145 972</b>	<b>71 029</b>	<b>138 332</b>	<b>-25 116</b>
<b>Total comprehensive income</b>	<b>145 972</b>	<b>71 029</b>	<b>138 332</b>	<b>-25 116</b>

## Statement of changes in the equity of LPP SA for the nine months ended 30 September 2017

Statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
<b>As at 1 January 2017</b>	<b>3 678</b>	<b>-43 317</b>	<b>251 393</b>	<b>1 601 021</b>	<b>280 071</b>	<b>0</b>	<b>2 092 846</b>
Treasury shares purchases		-12					-12
Distribution of profit for 2016				214 540	-280 071		-65 531
Purchase of shares	27		26 237	4			26 268
Transactions with owners	27	-12	26 237	214 544	-280 071	0	-39 275
Net profit (loss) for 3Q 2017						145 972	145 972
<b>As at 30 September 2017</b>	<b>3 705</b>	<b>-43 329</b>	<b>277 630</b>	<b>1 815 565</b>	<b>0</b>	<b>145 972</b>	<b>2 199 543</b>
<b>As at 1 January 2016</b>	<b>3 662</b>	<b>-43 306</b>	<b>235 074</b>	<b>1 316 609</b>	<b>344 347</b>	<b>0</b>	<b>1 856 386</b>
Treasury shares purchases		-9					-9
Distribution of profit for 2015				284 412	-344 347		-59 935
Purchase of shares	8		8 159				8 167
Transactions with owners	8	-9	8 159	284 412	-344 347	0	-51 777
Net profit (loss) for 3Q 2016						71 029	71 029
<b>As at 30 September 2016</b>	<b>3 670</b>	<b>-43 315</b>	<b>243 233</b>	<b>1 601 021</b>	<b>0</b>	<b>71 029</b>	<b>1 875 638</b>

## Cash flow statement of LPP SA for the nine months ended 30 September 2017

Cash flow statement	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.07.2017- 30.09.2017	01.07.2016- 30.09.2016
<b>A. Cash flows from operating activities - indirect method</b>				
I. Pre-tax profit (loss)	196 473	73 593	165 953	-28 901
II. Total adjustments	173 239	-80 633	-97 036	37 870
1. Amortisation	117 680	112 269	38 857	37 961
2. Foreign exchange gains (losses)	4 708	-6 193	5 599	74
3. Interest and dividends	-163 118	-89 353	-101 580	-29 340
4. Profit (loss) from investing activities	27 832	-24 895	-1 769	10 838
5. Income tax paid	-38 217	-21 998	-11 066	-322
6. Change in provisions	25	4 091	4 232	64
7. Change in inventories	-367 847	-54 697	-49 475	31 458
8. Change in receivables	-33 906	-75 990	-197 402	-29 946
9. Change in short-term liabilities, excluding loans and borrowings	627 548	81 193	215 050	18 443
10. Change in prepayments and accruals	-1 466	-5 060	518	-1 360
11. Other adjustments	0	0	0	0
<b>III. Net cash flows from operating activities</b>	<b>369 712</b>	<b>-7 040</b>	<b>68 917</b>	<b>8 969</b>
<b>B. Cash flows from investing activities</b>				
I. Inflows	191 472	151 431	108 242	53 445
1. Disposal of intangible and fixed assets	28 917	44 658	14 720	18 475
2. From financial assets, including:	162 555	106 773	93 522	34 970
a) in related parties	162 490	106 667	93 504	34 948
- dividends	162 490	106 667	93 504	34 948
- other	0	0	0	0
b) in other entities	65	106	18	22
- interest	0	8	0	0
- repayment of loans	65	98	18	22
3. Other investing inflows	0	0	0	0
II. Outflows	339 392	200 968	94 534	70 808
1. Purchase of intangible and fixed assets	165 391	80 894	60 379	20 334
2. For financial assets, including:	174 001	120 074	34 155	50 474
a) in related parties	173 951	120 023	34 135	50 474
- purchase of shares	173 003	120 023	33 187	50 474
- loans granted	948	0	948	0
b) in other entities	50	51	20	0
- loans granted	50	51	20	0
3. Other investing outflows	0	0	0	0
<b>III. Net cash flows from investing activities</b>	<b>-147 920</b>	<b>-49 537</b>	<b>13 708</b>	<b>-17 363</b>

<b>C. Cash flows from financing activities</b>				
I. Inflows	26 264	151 536	26 264	71 025
1. Loans and borrowings	0	143 368	0	71 025
2. Proceeds from issuance of shares	26 264	8 168	26 264	0
3. Other inflows from financial activities	0	0	0	0
II. Outflows	320 939	145 672	230 209	81 836
1. Cost of maintaining of treasury shares	11	9	4	3
2. Repayment of loans and borrowings	245 876	68 809	162 707	16 269
3. Interest	9 525	16 918	1 971	5 628
4. Other outflows from financing activities	65 527	59 936	65 527	59 936
<b>III. Net cash flows from financing activities</b>	<b>-294 675</b>	<b>5 864</b>	<b>-203 945</b>	<b>-10 811</b>
<b>D. Total net cash flows</b>	<b>-72 883</b>	<b>-50 713</b>	<b>-121 320</b>	<b>-19 205</b>
<b>E. Balance sheet change in cash, including:</b>	<b>-73 212</b>	<b>-51 409</b>	<b>-119 565</b>	<b>-19 499</b>
- change in cash due to foreign exchange differences	-329	696	1 755	294
<b>F. Opening balance of cash</b>	<b>157 716</b>	<b>112 117</b>	<b>206 153</b>	<b>80 610</b>
<b>G. Closing balance of cash</b>	<b>84 833</b>	<b>61 404</b>	<b>84 833</b>	<b>61 404</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR Q3 2017

### 1. About LPP SA Capital Group

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

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

There is no parent company in relation to LPP SA.

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

No.	Company name	Registered office	Control acquisition date
1.	LPP Retail Sp. z o.o.	Gdansk, Poland	26.09.2001
2.	DP&SL Sp. z o.o.	Gdansk, Poland	26.09.2001
3.	IL&DL Sp. z o.o.	Gdansk, Poland	26.09.2001
4.	AMUR Sp. z o.o.	Gdansk, Poland	09.05.2003
5.	LPP Estonia OU	Tallinn, Estonia	29.04.2002
6.	LPP Czech Republic SRO	Prague, Czech Republic	16.09.2002
7.	LPP Hungary KFT	Budapest, Hungary	18.10.2002
8.	LPP Latvia LTD	Riga, Latvia	30.09.2002
9.	LPP Lithuania UAB	Vilnius, Lithuania	27.01.2003
10.	LPP Ukraina AT	Peremyshliany, Ukraine	23.07.2003
11.	RE Trading OOO	Moscow, Russia	12.02.2004
12.	LPP Romania Fashion SRL	Bucharest, Romania	12.08.2007
13.	LPP Bulgaria EOOD	Sofia, Bulgaria	14.08.2008
14.	LPP Slovakia SRO	Banska Bystrica, Slovakia	30.10.2008
15.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	26.08.2011
16.	Gothals LTD	Nicosia, Cyprus	22.07.2011
17.	LPP Croatia DOO	Zagreb, Croatia	22.01.2014
18.	LPP Deutschland GmbH	Hamburg, Germany	03.03.2014
19.	IPMS Management Services FZE	Ras Al Khaimah, UAE	15.07.2015
20.	LPP Reserved UK LTD	Altrincham, UK	15.10.2015
21.	LLC Re Development	Moscow, Russia	22.04.2016
22.	LLC Re Street	Moscow, Russia	02.09.2016
23.	LPP Reserved DOO Beograd	Belgrade, Serbia	26.12.2016
24.	P&L Marketing & Advertising Agency SAL	Bejrut, Liban	15.02.2017

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

The consolidated financial statement of the Capital Group for the period from 1 January to 30 September 2017 includes individual results of LPP SA and the results of the foreign subsidiaries mentioned above excluding the following national subsidiaries due to their irrelevance:

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's report for Q3 2017 comprises the condensed consolidated financial statements and selected explanatory data included in these Notes as well as condensed financial statements of the parent company, in accordance with IAS 34 "Interim Financial Reporting".

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

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

In the current reporting period, there was a change in the recognition and presentation in the financial statements of the result of the retirement provision.

Previously, the retirement provision was presented in "other operating costs and income". At present, this value is shown in "selling costs and general costs". Due to the irrelevance of data, no change has been made in values in preceding periods.

At the same time, there was a change in presenting a provision for holidays and bonuses in the statement of financial position.

At present, these values are shown in the item "employee liabilities" instead of "other provisions", as it was done previously. This change in presentation has already been recognised in values in preceding periods.

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

#### Key achievements of the Group in Q32017:

##### 1. The number of stores and commercial space

At the end of Q3 2017, the LPP SA Capital Group had 1 683 stores in 20 countries, of a total area of 933.9 thousand sq. m.

As compared to Q3 2016, the largest nominal increase in space was recorded by the Reserved brand (39.6 thousand m2), while the growth dynamics was the largest in the Sinsay brand - 16,7% y/y.

As at 30.09.2017	Number of stores	Change y/y	Q3 2017 Area in '000 m2	Q3 2016 Area in '000 m2	Change y/y
Reserved	454	+5	526.8	487.2	8.1%
Cropp	373	-2	121.4	116.7	4.0%
House	324	-2	105.6	103.8	1.7%
Mohito	285	-3	98.5	97.6	0.9%
Sinsay	213	+28	76.0	65.2	16.7%
Tallinder	0	-8	0.0	3.7	-100.0%
Outlety	34	-3	11.6	13.8	-15.6%
<b>Total LPP Group</b>	<b>1 683</b>	<b>+15</b>	<b>939.9</b>	<b>888.0</b>	<b>5.9%</b>

##### 2. Sales broken down by brand

In Q3 2017, Reserved stores generated sales of PLN 825 million, while Cropp stores - PLN 302 million. Sales generated in Q3 totalled PLN 205 million in House stores, PLN 200 million in Mohito stores and PLN 165 million in Sinsay stores.

The highest nominal sales growth in Q3 2017 was generated by the Reserved and Cropp brands while the fastest growing brand in the portfolio was Sinsay.

	Sales 3Q 2017 in mln PLN	Sales 3Q 2016 in mln PLN	Change y/y	Sales 1-3Q 2017 in mln PLN	Sales 1-3Q 2016 in mln PLN	Change y/y
Reserved	825	661	24.9%	2 202	1 865	18.1%
Cropp	302	246	22.4%	744	646	15.1%
House	205	189	8.3%	544	522	4.3%
Mohito	200	192	4.0%	596	525	13.4%
Sinsay	165	120	37.6%	426	326	30.8%
Outlet	15	24	-38.1%	51	79	-35.1%
E-commerce	75	32	136.6%	214	100	114.0%

##### 3. Sales in comparable stores

Sales revenues in LFL stores (in local currencies) were positive in each month of Q3, with an increase of 15.2% in the entire Q3. All brands had positive LFL results in Q3, with the highest LFL dynamics recorded by Reserved. In Q3, LFL was positive in all countries (with the highest figures in Hungary, Romania, Ukraine and the Czech Republic).

#### 4. Online sales

In Q3 2017, the Company gained revenues of PLN 74.8 million from the online sales, which constituted 4.1% of the Capital Group's sales and 5.4% of sales in the country. Approx. 72% of the online sales were generated domestically.

Online sale in mln PLN				
3Q 2013	3Q 2014	3Q 2015	3Q 2016	3Q 2017
6.6	12.8	13.9	31.6	74.8

Online sale in mln PLN			
1Q 2017	2Q 2017	3Q 2017	Total
54.9	84.8	74.8	214.4

#### 5. Revenues from sales in the Group companies

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

Kraj	Revenues in period from 01.01.2017 till 30.09.2017	% share in period from 01.01.2017 till 30.09.2017	Revenues in 3Q 2017	% share in 3Q 2017
Poland	2 692 241	55.2%	1 000 433	55.2%
Czech Republic	222 534	4.6%	83 940	4.6%
Slovakia	138 391	2.8%	50 147	2.8%
Hungary	73 294	1.5%	28 080	1.5%
Lithuania	78 807	1.6%	31 287	1.7%
Latvia	59 976	1.2%	23 758	1.3%
Estonia	70 284	1.4%	27 299	1.5%
Russia	928 289	19.0%	332 356	18.3%
Ukraine	187 250	3.8%	70 569	3.9%
Belarus	9 522	0.2%	3 930	0.2%
Bulgaria	42 422	0.9%	15 757	0.9%
Romania	117 802	2.4%	45 274	2.5%
Croatia	51 250	1.1%	20 029	1.1%
Serbia	1 030	0.0%	1 030	0.1%
Germany	185 543	3.8%	70 307	3.9%
Great Britain	4 092	0.1%	4 092	0.2%
Middle East	17 792	0.4%	4 488	0.2%
<b>Total</b>	<b>4 880 520</b>	<b>100.0%</b>	<b>1 812 772</b>	<b>100.0%</b>

#### 6. Retail sales per m2

LPP's retail sales per m2 in Q3 of 2017 increased by 16.6% compared to the previous year.

Retail sales / m2 / month in PLN	3Q 2016	3Q 2017	Change (%)
Sales/m2	638	547	16.6%

## 7. Capital expenditures

In Q3 2017, CAPEX totalled PLN 120.3 mln, that is 93.7% more as compared to Q3 of the preceding year owing to the opening of retail stores in prestigious locations (specifically London) and payments for stores modernized and opened in Q2 2017.

## 8. Inventory level per m2

The inventory level and its optimisation is an essential element of working capital management - important is the observation of inventory per m2 over time. Inventory consists of the goods in the stores, the goods in the warehouse and merchandise in transit - from the manufacturer to the logistics centre. The Company strives to minimise inventory and at the same time to maintain sufficient product to maximise sales. In Q3 2017, the level of inventory per m<sup>2</sup> was higher as compared to Q3 2016.

This increase results from the higher value resulting from the autumn-winter collection (the entire collection has been brought from abroad).

Inventory per m2	1Q	2Q	3Q	4Q
2014	1 383	1 443	1 527	1 355
2015	1 516	1 507	1 684	1 575
2016	1 621	1 669	1 634	1 275
2017	1 381	1 604	1 759	

## Other significant events in Q3 2017:

1. On 24 August 2017, the Company concluded a franchise agreement with H&O Fashion Chains Ltd with its registered office in Israel, by virtue of which 3 Reserved stores will be opened in Israel in 2018 (CR 35/2017).
2. In August, LPP opened its first stores in Serbia; the total area of 3 stores (2 Reserved and 1 Sinsay store) is 3,5 thousand m2.
3. On 6 September, the Issuer opened its first flagship store of an area of 3 thousand m2 in Great Britain, at prestigious Oxford Street, and launched the online Reserved store in that country.
4. On 21 September, the Company published information on the goals of the LPP SA CG for 2018 (CR 41/2017).

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

In Q3 2017, sales revenues were 21.8% higher than those gained a year ago owing to the increase in sales area, positive sales figures in LFL stores and the dynamic development of online sales.

In Q3, the gross margin amounted to 49.0% compared to 47.1% in Q3 2016. A substantial increase of the gross margin y/y in Q3 has been gained owing to collection improvement, advantageous currency trends and a new goods management policy.

The increase in SG&A resulted from the higher costs of stores and the head office. An increase in the costs of stores results from the higher area y/y, RUB/PLN appreciation and the opening of a store in London. Simultaneously, in Q3, the costs of franchise stores in Poland decreased due to converting them into own stores. An increase in the costs of the head office y/y resulted from the development of product departments, further e-commerce expansion and resultant pick-up in logistics costs and one-off marketing costs related to London store opening.

Other operating line more favourable y/y due to lack of write-offs and provisions for closing down the Tallinder brand in 3Q2016.

Despite higher costs of stores and the head office, the Group gained profit at an operating level in the amount of PLN 103.1 mln compared to that of PLN 4.8 mln a year ago.

The balance of revenues and financial costs in Q3 was positive owing to profits on foreign exchange differences and low financial costs along with reduced indebtedness. Consequently, in Q3 2017, the CG gained profit of PLN 85.1 mln (compared to a net loss of PLN 6.5 mln in Q3 2016).

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

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

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

Detailed information is included in Note 35.1.

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

Detailed information is included in Note 35.1.

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

Detailed information is included in Note 35.4.

## **9. Information on deferred tax liabilities and assets**

Detailed information is contained in Note 35.6.

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

No such transactions were effected in the reporting period.

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

No such obligations were incurred in the reporting period.

## **12. Information on material litigation issues**

No such transactions were effected in the reporting period.

## **13. Indication of adjustments for prior period errors**

No such adjustments were made in the reporting period.

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

No such changes occurred in the reporting period.

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

There were no such events in the reporting period.

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

No such transactions were effected in the reporting period.

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

Not applicable.

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

Not applicable.

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

The LPP SA Capital Group is involved in one type of business activity (one trade segment regarded as the core one). A division into two geographical segments was applied: activity within and outside the European Union. The division into geographical segments was based on the criterion of location of the Group's assets. Revenue and results attributable to particular segments in Q3 2017 and the comparable period are presented in Note 35.8.

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

In Q3, the remaining subscription warrants of the A series were converted into L-series shares in the share capital of LPP SA. Due to the said conversion, there were issued 13 132 bearer shares of the L series. Following the said issue, the Issuer's share capital amounts to PLN 3 704 846 and is divided into: 350 000 registered shares and 1 502 423 bearer shares. Consequently, the total number of votes at the General Meeting of Shareholders is 3 233 445 (the company holds also 18 978 treasury shares giving no right to vote and, therefore, votes attached to those shares have not been included in the total number of votes at the General Meeting of Shareholders).

New shares of the L series constitute 1.06% of the Issuer's share capital and 0.4% of the total number of votes at the Issuer's general meeting - CR 33/2017.

The L-series shares were dematerialised as well as admitted and introduced to public trading in September 2017 (CR 38/2017 and CR 42/2017).

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

As decided by the General Meeting of Shareholders, part of profit gained in 2016, in the amount of PLN 65 527 324.30, was appropriated as dividend, which corresponded to PLN 35.74 per eligible share.

The amount of PLN 53 018 324.30 was allocated for ordinary shares, and PLN 12 509 000 for preference shares.

The list of shareholders eligible for dividend payment for 2016 was drawn up as at 4 September 2017, with the dividend payment date being set for 20 September 2017.

## **22. Date of approval of the financial statements for issue**

These financial statements were approved for publication by the Management Board of the Parent Company on 20<sup>th</sup> November 2017.

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

There were no such events in the reporting period.

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

There were no such events in the reporting period.

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

In Q3 2017, LPP SA and its subsidiaries used bank guarantees to secure the payment of rent for space leased to operate brand stores as well as office and warehouse facilities.

As at 30 September 2017, the total value of bank guarantees granted at the request and on the responsibility of LPP SA amounted to PLN 268 359 thousand, of which:

- a) guarantees granted to secure agreements concluded by LPP SA - PLN 79 023 thousand,
- b) guarantees granted to secure agreements executed by consolidated related parties amounted to PLN 189 027 thousand,
- c) guarantees granted to secure storage space lease agreements concluded by LPP SA - PLN 309 thousand.

In Q3 2017, the Company also received guarantees. These guarantees were collateral from the counterparty payments, their value as at 30 September amounted to PLN 26 278 thousand.

In the reporting period the Parent Company provided guarantees; their value as at 30 September 2017 amounted to PLN 94 095 thousand and decreased compared to 31 December 2016 by PLN 15 853 thousand.

## **26. Estimates concerning future liabilities under lease agreements**

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

Total future payments (minimum and conditional) under lease agreements, estimated as at 30 September 2017, are as follows:

- payables maturing within 12 months after the balance sheet date PLN 927 691 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 2 686 414 and
- payables maturing within more than 5 years from the balance sheet date PLN 1 264 985 thousand

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

The Company did not publish any forecasts of annual results.

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

Shareholding structure of the parent company as at the date of submission of the report for Q3 2017:

Shareholder	Number of shares held	Share in the share capital	Number of votes at the AGM	Share in the total number of votes at the AGM
Marek Piechocki	175 497	9.5%	875 493	27.1%
Jerzy Lubianiec	174 999	9.4%	874 995	27.1%
Forum TFI SA*	200 730	10.8%	200 738	6.2%
Treasury shares	18 978	1.0%	0**	0.0%
Other shareholders	1 282 219	69.2%	1 282 219	39.7%
<b>Total</b>	<b>1 852 423</b>	<b>100.0%</b>	<b>3 233 445</b>	<b>100.0%</b>

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

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

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

In the period following submission of the previous report (the one for Q1 2017), there was a change in the ownership structure of major shareholdings. Due to the conversion of 13 132 subscription warrants of the A series into 13 132 of L-series shares in LPP (CR 33/2017), shareholdings of by two shareholders, Mr Marek Piechocki and Mr Jerzy Lubianiec, have been reduced from 27.2% each to 27.1% each. Additionally, the share of votes at the General Meeting of Shareholders, held by Mr Jerzy Lubianiec, has been reduced from 9.5% of votes to 9.4%.

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

The ownership structure of shareholdings in LPP SA, held by managing and supervising officers and supervisors, as at the date of the report for Q3 2017.

Shareholder	Number of shares held	Number of votes at the AGM
Marek Piechocki - President of the Management Board	175 497	875 493
Jacek Kujawa - Vice-President of the Management Board	153	153
Przemysław Lutkiewicz - Vice-President of the Management Board	10	10
Sławomir Łoboda - Vice-President of the Management Board	102	102
Jerzy Lubianiec - Chairman of the Supervisory Board	174 999	874 995
Antoni Tymiński - Member of the Supervisory Board	11	11
Piotr Piechocki - Member of the Supervisory Board	14	14

In the period following submission of the previous quarterly report (the one for Q1 2017), there was a change in the structure of LPP's shareholding of a person supervising the Issuer. Mr Dariusz Pachla, member of the

Supervisory Board, ceased to perform his function as of 20 October 2017 and, therefore, he has not been listed above. At the same time, Mr Antoni Tymiński and Mr Piotr Piechocki have been appointed to the Supervisory Board and included in the said list due to their shareholding in LPP SA.

### 30. Information on legal proceedings

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

At the same time, referring to the information provided for in earlier periodical and current reports (such as CR 04/2017) on the pending audit procedure involving settlement of income tax for 2012, LPP SA informs that the Company awaits resolution of the appeal filed in that respect on 27 July 2017 against the decision of the Head of Customs and Fiscal Office for the Pomorskie Voivodeship in Gdynia, delivered to the Company on 20 June 2017. The Company informed of having filed the said appeal in CR 26/2017.

The Company has upheld the view that 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.

Having analysed settlements involving licence fees for the use of trademarks, the Issuer made, as at 30 September 2017, a provision for prospective tax risks of previous years, in the total amount of PLN 41 million (in 3Q2017 PLN 18,5 million).

### 31. Transactions with related entities

#### 31.1. Key management personnel

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

Short-term employee benefits received by members of the Management Board in the period from 1 January to 30 September 2017 amounted to PLN 3 915 thousand.

The remunerations, presented separately for each key management officer, were as follows:

Name and surname	Function	Remuneration received in 2017
Marek Piechocki	President of the Board	PLN 1 305,000
Przemysław Lutkiewicz	Vice-President of the Board	PLN 870,000
Jacek Kujawa	Vice-President of the Board	PLN 870,000
Sławomir Łoboda	Vice-President of the Board	PLN 870,000

The value of short-term benefits of members of the Parent Company's Supervisory Board received in the period from 1 January to 30 September 2017 amounted to PLN 138,000.

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

Name and surname	Function	Remuneration received in 2017
Jerzy Lubianiec	Chairman of the Supervisory Board	PLN 60,000
Maciej Matusiak	Member of the Supervisory Board	PLN 15,000
Wojciech Olejniczak	Member of the Supervisory Board	PLN 15,000
Krzysztof Olszewski	Member of the Supervisory Board	PLN 15,000
Dariusz Pachla	Member of the Supervisory Board	PLN 33,000

#### 31.2. Transactions with affiliated entities

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

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

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

in PLN '000

Related entities	Receivables as at 30.09.2017	Liabilities as at 30.09.2017	Revenue for the period I-IX 2017	Expenses for the period I-IX 2017
Domestic companies	35	7	8	4 298

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

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

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

## 32. Information on guarantees and sureties

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

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

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

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

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

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

- Economic situation in Poland and in countries where the stores of LPP SA Capital Group operate, especially in Russia and Ukraine.
- USD/EUR exchange rate, and RUB/UAH exchange rate.
- Possible ban on Sunday trading from 2018 (18% of revenues in Poland).
- Control of the SG&A costs per m<sup>2</sup>, in particular, staff costs.  
Development of the sales network for Reserved, Cropp, House, Mohito and Sinsay brands. Further expansion into Polish, Russian, Ukrainian markets and in Belarus. In 2017, the Company plans to increase the area of chain stores by 9%, i.e. by approx. 80.6 thousand m<sup>2</sup>, in 2018 by 10%. In 2017, the planned CAPEX amounts to approx. PLN 410 mln, thus increasing by approx. 50% y/y owing to the increase in retail space (planned expenses for stores amount to PLN 370 mln, for the head office PLN 10 mln, for IT and e-commerce PLN 30 mln). In 2017, the Group's gross margin is planned at the level of approx. 53%, in 2018 at the level of approx. 53-54%. In 2018, the CAPEX is planned in the amount of PLN 430 mln, thus increasing by approx. 5% y/y (planned expenses for stores amount to PLN 320 mln, for the head office PLN 90 mln, for IT and e-commerce PLN 20 mln).
- Development of e-commerce: by the end of 2017, the Issuer plans to have its online stores operating in 11 countries, while by the end of 2018 – in 16 countries. In 2018, the Company intends

to increase its online revenues by 100%. The goal is to attain, by 2020, online sales constituting 7-8% of the Group's sales. To support development of on line sale, the Issuer rented two new logistics centres dedicated for e-commerce: Stryków (Poland) - Arvato services e-commerce for 4 brands: Reserved, House, Mohito and Sinsay, responsible for orders from Poland and foreign countries(Germany, Czech Republic, Slovakia, Romania, Hungary, Baltic countries and the UK) and in Moscow (Russia) - servicing of e-commerce in the whole of Russia. In the future the Issuer plans minimum two new centres: in the UK and in South Eastern Europe.

- f) Maintaining the net debt at a low level by, among others, further improvement of working capital. The goal is to equalise the level of liabilities with the inventory level.

## 35. Notes to the condensed consolidated financial statements

### 35.1. Revaluation write-downs of assets

The values of some assets presented in the consolidated financial statements prepared as at 30 September 2017 are adjusted by revaluation write-downs. Detailed information on the amounts of the write-downs reported as at the last day of the reporting period and changes in the period are presented in the table below.

	in PLN '000		
	Tangible fixed assets	Inventories	Receivables, loans and shares
As at 01.01.2017	22 517	57 865	15 912
Increase	1 392	11 087	2 458
Decrease	19 340	13 819	816
As at 30.09.2017	4 569	55 133	17 554

In the reporting period, there has been a decrease of the revaluation write-down of tangible and intangible assets in the amount of PLN 19,3 million as it has been used.

### 35.2. Receivables

The value of the write-down comprises:

revaluation write-down of receivables and claimed receivables from customers: PLN 16 279 thousand

revaluation write-down of doubtful receivables: PLN 627 thousand

revaluation write-down of receivables from employees and other: PLN 648 thousand

### 35.3. Cash

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

	in PLN '000
	30.09.2017
Cash and its equivalents shown in the financial statement	256 405
<i>Adjustments:</i>	
Exchange rate differences from the balance sheet valuation of cash denominated in foreign currencies	604
<b>Cash and its equivalents shown in the CFS</b>	<b>257 009</b>

### 35.4. Provisions and employee liabilities

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

in PLN '000

	Long-term provision for employee benefits	Short-term provision for unpaid remuneration	Short-term provision for unused holiday leave	Other short-term provisions
As at 01.01.2017	2 711	10 531	17 955	5 121
provisions established	3 299	13 619	16 767	0
provisions reversed	2 711	12 399	17 955	2 237
As at 30.09.2017	3 299	11 751	16 767	2 884

### 35.5. Income tax

Major components of income tax of LPP SA Capital Group for the period from 01.01.2017 to 30.09.2017 and comparative period are presented in the table below.

in PLN '000

	from 01.01.2017 till 30.09.2017	from 01.01.2016 till 30.09.2016
Current income tax	76 592	4 837
Deferred income tax	- 6 007	-5 886
Total	70 585	-1 047

The increase of current income tax in the current reporting period results from the disclosure in 3Q2017 of the provision for prospective tax risks of previous years, in the amount of PLN 18 516 thousand.

### 35.6. Deferred tax assets and liabilities

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

The components thereof are presented in the tables below.

in PLN '000

Deferred income tax assets	30.09.2017
Depreciation of fixed assets and trademarks	115 206
Trade receivables update	721
Stock value update	537
Margin from goods unsold outside the Group	14 915
Margin from outlays sold	10 030
Estimated returns of goods	978
Salaries, mark-up and staff costs	7 320
Estimated costs	1 473
Other	36
<b>Total</b>	<b>151 216</b>

Deferred tax liabilities	30.09.2017
Amortisation of intangible assets	5 304
Outstanding damages	138
Other	142
<b>Total</b>	<b>5 584</b>

### 35.7 Exchange rate differences

The consolidated profit and loss account drawn up as at 30 September 2017 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 17 750 thousand.

### 35.8. Operating segments

Revenues and financial results concerning geographical segments for the period between 1 January 2017 and 30 September 2017 and for the comparable period are presented in the tables below.

2017

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	3 763 951	1 116 569	0	0	4 880 520
Intersegmental sales	680 625	2 454	-683 079	0	-
Other operating income	14 683	17 365	0	836	32 884
<b>Total revenues</b>	<b>4 459 259</b>	<b>1 136 388</b>	<b>-683 079</b>	<b>836</b>	<b>4 913 404</b>
Total operating costs, including	4 096 648	974 061	-646 711	220 944	4 644 942
Costs of intersegmental sales	548 287	2 397	-550 684	0	-
Other operating costs	38 946	27 804	0	0	66 750
<b>Segment results</b>	<b>323 665</b>	<b>132 126</b>	<b>-36 368</b>	<b>-220 108</b>	<b>201 712</b>
Financial income				22 142	22 142
Financial costs				12 044	12 044
Profit/loss before tax					211 810
Income tax					70 585
Non-controlling shareholders					-138
<b>Net profit/loss allocated to the Shareholders of the Parent Company</b>					<b>141 363</b>

2016

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	3 251 904	913 739	0	0	4 165 643
Intersegmental sales	541 466	0	-541 466	0	-
Other operating income	15 741	5 351	0	0	21 092
<b>Total revenues</b>	<b>3 809 111</b>	<b>919 090</b>	<b>-541 466</b>	<b>0</b>	<b>4 186 735</b>
Total operating costs, including	3 634 346	861 334	-556 608	143 661	4 082 733
Costs of intersegmental sales	460 945	0	-460 945	0	-
Other operating costs	56 568	20 076	0	0	76 644
<b>Segment results</b>	<b>118 197</b>	<b>37 680</b>	<b>15 142</b>	<b>-143 661</b>	<b>27 358</b>
Financial income				9 356	9 356
Financial costs				20 017	20 017
Profit/loss before tax					16 697
Income tax					-1 047
<b>Net profit/loss allocated to the Shareholders of the Parent Company</b>					<b>17 744</b>

### 36. Notes to the separate financial statements of LPP SA

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

In the reporting period, assets increased by PLN 28 527 thousand.

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

#### The Management Board of LPP SA:

Marek Piechocki	President of the Management Board	.....
Przemysław Lutkiewicz	Vice-President of the Management Board	.....
Jacek Kujawa	Vice-President of the Management Board	.....
Sławomir Łoboda	Vice-President of the Management Board	.....

Gdansk, 20 September 2017