

**LPP**

# **2Q19 FINANCIAL RESULTS PRESENTATION**

**WARSAW  
12<sup>TH</sup> SEPTEMBER 2019**



**RESERVED**

**CROPP**

**house**

**MOHITO**

**sinsay**

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1. 2Q19 financial results

2. Key corporate events

3. 2019 outlook

# On-line and off-line growth continues

**1,752**  
STORES

**+5.7%**  
LFL

**24**  
COUNTRIES

**+9.7%**  
m2

**+46%**  
E-COMMERCE

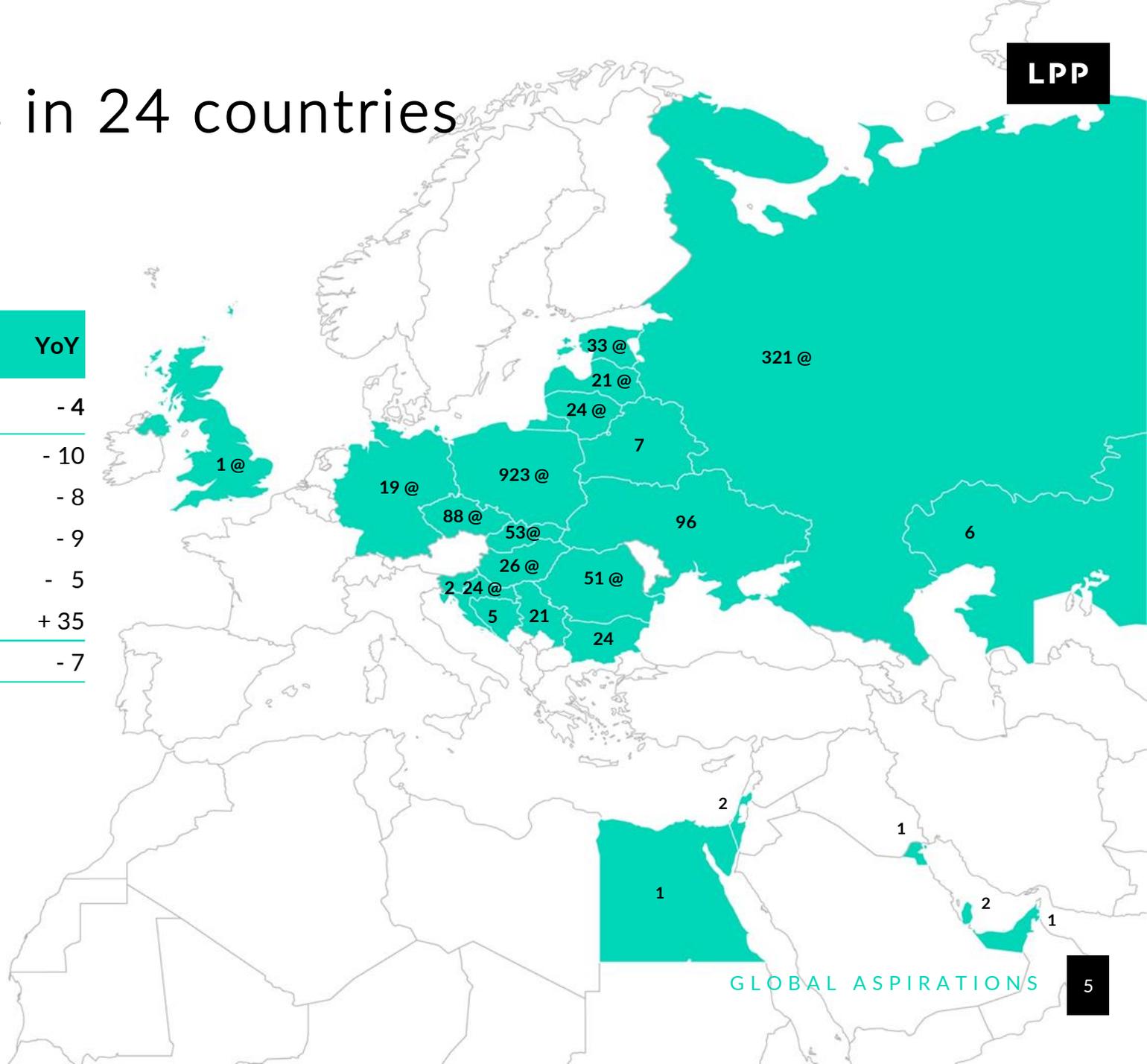
**+11.3%**  
GROUP REVENUES

# 1,752 stores in 24 countries

30.06.2019	No. of stores	YoY
<b>LPP GROUP</b>	<b>1,752</b>	<b>- 4</b>
Reserved	453	- 10
Cropp	374	- 8
House	326	- 9
Mohito	289	- 5
Sinsay	288	+ 35
Outlets	22	- 7

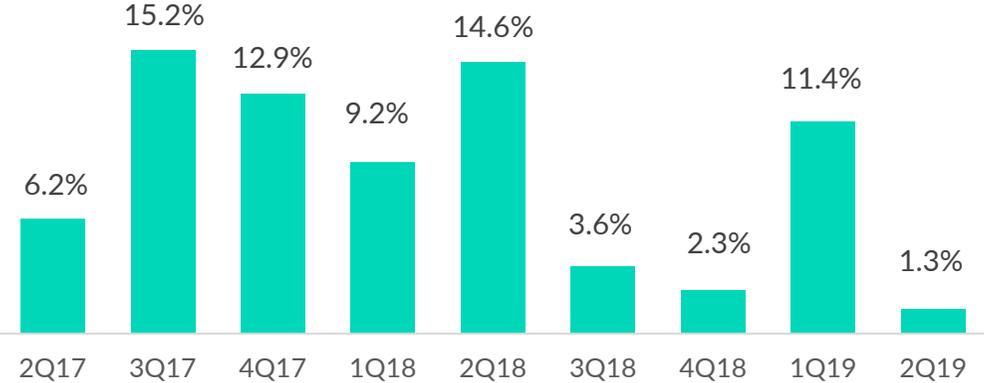
xx Number of stores

@ Own internet stores

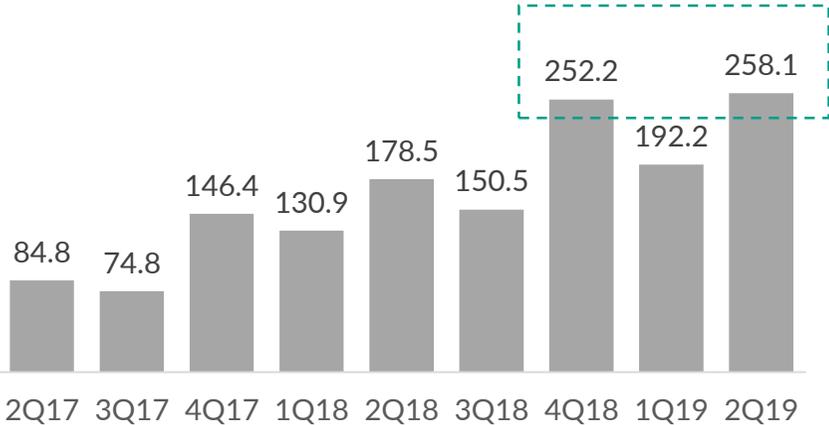


# High e-commerce growths

LFL DYNAMICS  
(local currencies)



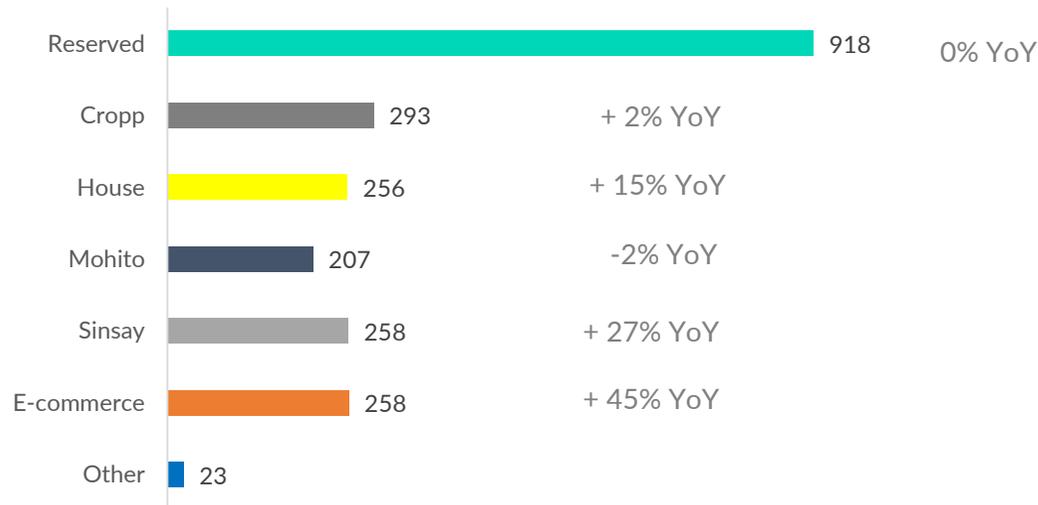
ON-LINE SALES  
(PLN m)



- LFLs were positive in April and June 2019. Cropp, House and Sinsay recorded positive LFLs in 2Q19.
- In 2Q19 LFLs were positive in half of countries present (the highest in Lithuania, the UK, Germany and Ukraine).
- Double-digit e-commerce growth (+45% YoY) due to development of e-stores outside of Poland, internet marketing outlays and changing customer habits in Poland (stores partially closed on Sundays).
- On-line sales amounted to 13.0% of revenues from Poland and 11.7% group revenues in 2Q19. In 2Q19 Poland constituted 54% of e-commerce revenues.

# Floorspace growth in all brands

REVENUES BY BRANDS  
(PLN m)



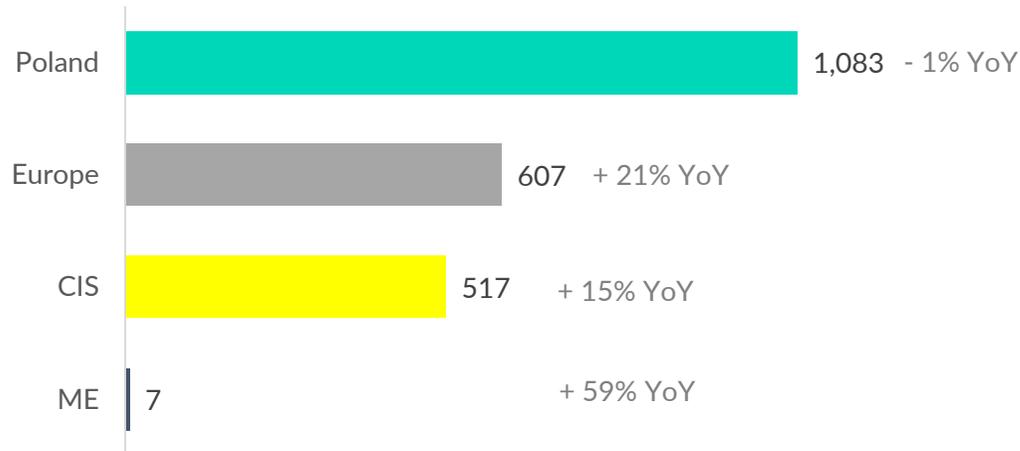
2Q19 FLOORSPACE  
(by brands)

ths m2	2Q18	2Q19	YoY
<b>LPP GROUP</b>	<b>1,034.2</b>	<b>1,134.3</b>	<b>9.7%</b>
Reserved	582.2	631.6	8.5%
Cropp	130.1	141.4	8.7%
House	113.0	122.2	8.2%
Mohito	105.5	108.8	3.1%
Sinsay	92.8	120.0	29.3%
Outlets	10.6	10.2	-3.8%

- In 2Q19 Reserved, Cropp and Mohito generated more revenues from abroad than from Poland.
- The fastest sales growth was recorded by Sinsay (successful collections and dynamic network development) and House brand (continuation of YoY collection improvements).
- Reserved revenues were stable YoY. Despite unfavourable weather in May, revenues were positively affected by consistent floorspace development (new markets: Kazakhstan, Slovenia, B&H and Israel).

# Foreign revenues exceed Polish ones

REVENUES BY REGIONS  
(PLN m)



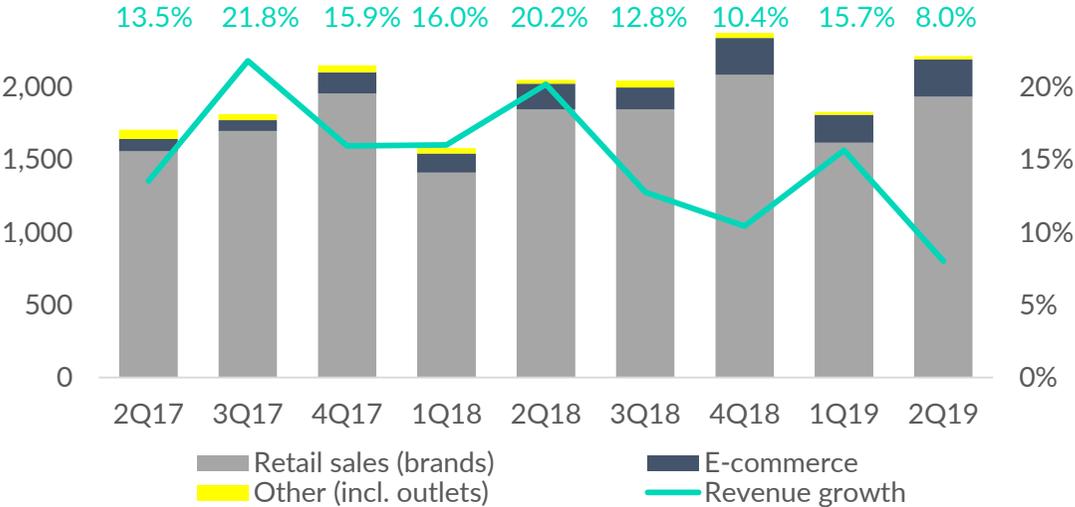
2Q19 FLOORSPACE  
(by regions)

ths m2	2Q18	2Q19	YoY
LPP GROUP	1,034.2	1,134.3	9.7%
Poland	518.0	521.2	0.6%
Europe	254.9	327.1	28.3%
CIS	254.7	278.9	9.5%
ME	6.6	7.1	7.2%

- In 2Q19, first time in LPP's history, foreign revenues exceeded domestic ones.
- European revenues were positively affected by floorspace development, especially in the SEE region, and strong reception of the collection by clients from Western Europe.
- High sales dynamics in all CIS countries in 2Q19 and new market impact (Kazakhstan). Growth in ME in 2Q19 due to development in Israel.
- Among countries, the highest nominal YoY revenue growth was recorded in Russia and Romania.

# Group revenues continue to grow

GROUP REVENUES  
(PLN m)



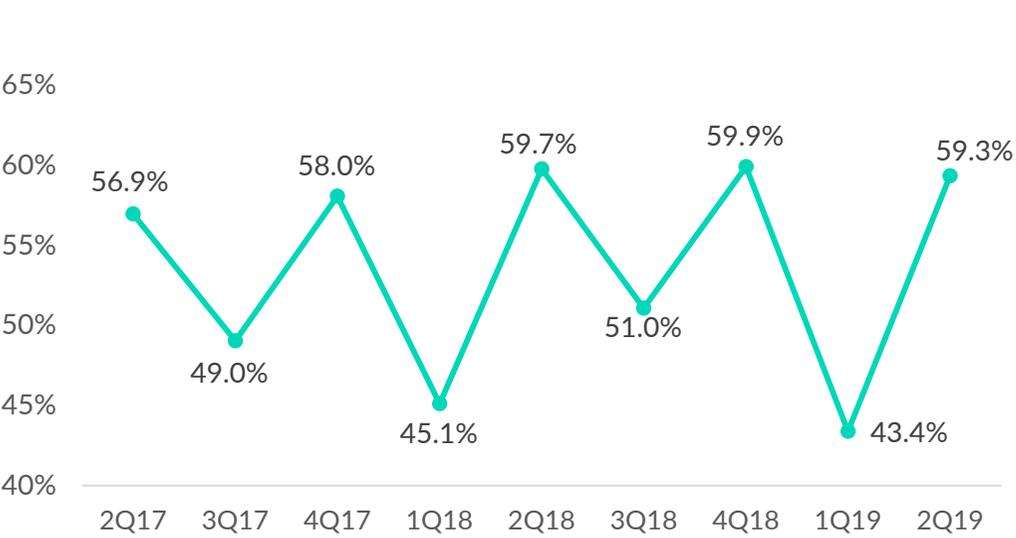
REVENUES/ M2

PLN (monthly)	2Q18	2Q19	YoY
LPP GROUP retail	631	591	-6,3%
Poland	656	608	-7,3%
Europe	612	553	-9,6%
CIS	599	603	0,6%
LPP GROUP	674	667	-1,0%

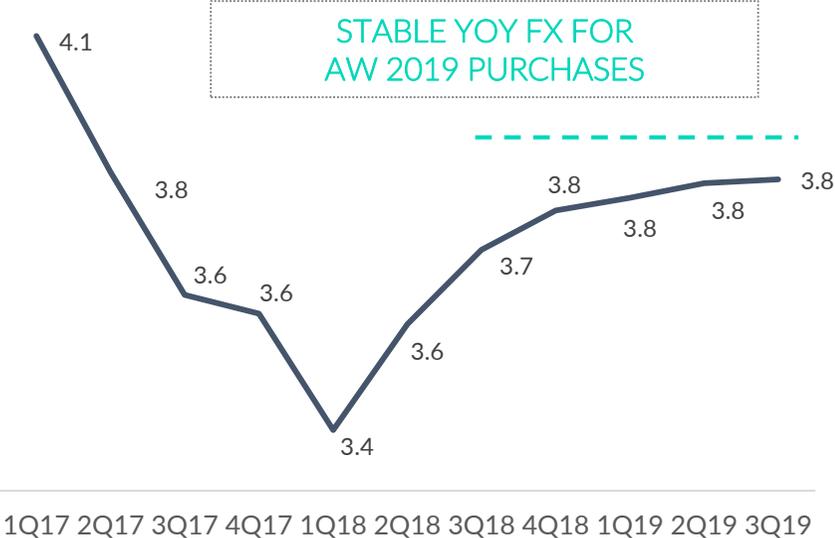
- Group revenues grew 8.0% YoY in 2Q19 due to higher floorspace, strong e-commerce dynamics and positive LFLs.
- Stabilisation in YoY sales/ m2 in 2Q19 due to e-commerce development. Lower YoY retail sales/ m2 due to opening of increasingly large stores.
- The highest double-digit retail sales/ m2 growths were recorded in 2Q19 in the UK and Germany.

# Gross profit margin stabilisation

### QUARTERLY GROSS PROFIT MARGIN



### AVERAGE QUARTERLY US\$/PLN



- Stable YoY gross margin in 2Q19 due to inventory management policy – maximisation of gross profit margin within the regular season, but stronger off-season sell-offs.
- Good reception of Spring/ Summer 2019 collections in majority of brands. As a result, lower YoY inventory write-offs.
- The Autumn part of Autumn/ Winter 2019 collection was purchased at a stable YoY US\$/PLN.

# Operating costs under control

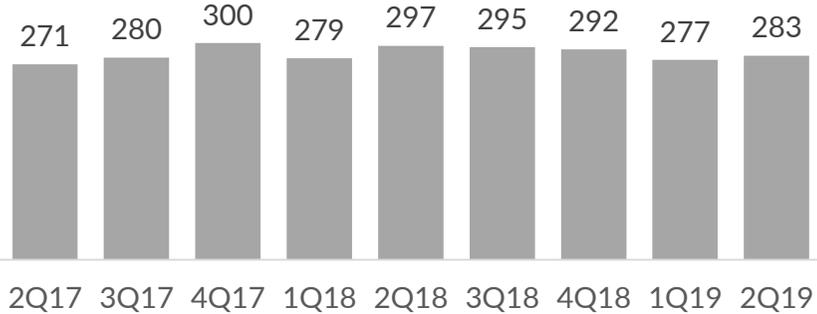
COSTS OF OWN STORES/ M2 (IAS17)

-4% YoY



SG&A COSTS/ M2 (IAS17)

-5% YoY



- Lower YoY rental costs → higher average store space lowers average rent/ m2, selective location choices.
- YoY fall in HR costs → lower responsibilities of sales personnel, outsourcing of part of HR functions. As a result, growth in other costs of stores.
- Fall in SG&A/ m2 → higher costs of HQs due to e-commerce development and resultant higher logistics costs, but fall per m2 due to floorspace growth.

# Higher operating margin in 2Q19

PLN m	2Q18 IAS17	2Q19 IFRS16	YoY	2Q19 IAS17
Revenues	2,049.7	2,214.1	8.0%	2,214.1
Gross profit margin	59.7%	59.3%	-0.4pp.	59.3%
SG&A costs	891.6	948.6	6.4%	929.3
<b>Operating profit</b>	<b>311.8</b>	<b>352.5</b>	<b>13.1%</b>	<b>371.8</b>
EBIT margin	15.2%	15.9%	0.7pp.	16.8%
Financial costs net	-15.5	-10.8		0.8
<b>Net profit</b>	<b>206.1</b>	<b>205.5</b>	<b>-0.3%</b>	<b>249.6</b>
<b>EBITDA</b>	<b>397.4</b>	<b>594.9</b>	<b>49.7%</b>	<b>458.1</b>

- Single-digit group revenue growth:
  - on-line sales development,
  - floorspace increase,
  - positive LFLs, despite unfavourable weather.
- Gross profit margin stabilisation at a high level: good acceptance of Spring/ Summer collections, but impact of US\$.
- SG&A costs growth below sales dynamics due to positive effect of operating leverage. Limited comparability YoY due to the application of IFRS16.
- More favourable YoY net financial activity despite IFRS16 application due to FX gains.
- A high and stable net income.

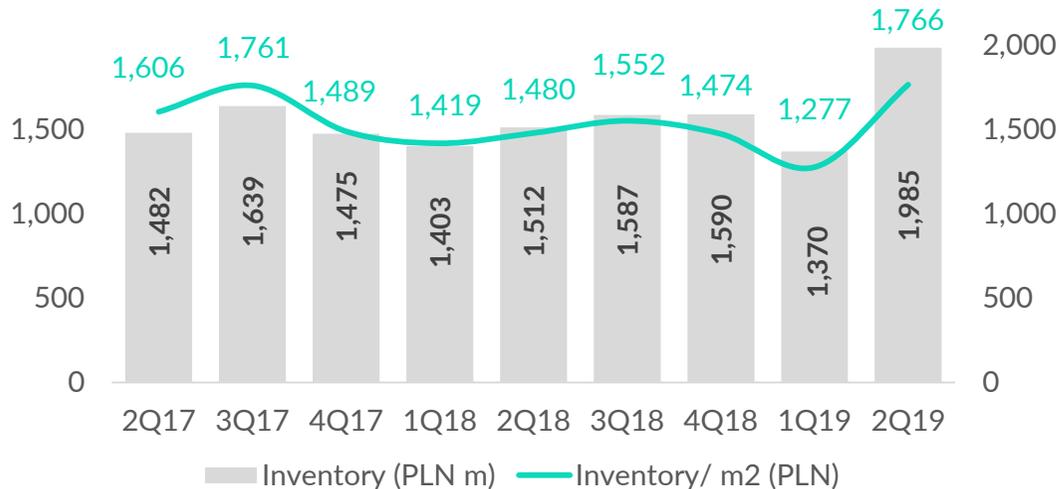
# Double-digit EBIT growth in 1H19

PLN m	1H18 IAS17	1H19 IFRS16	YoY	1H19 IAS17
Revenues	3,630.1	4,041.8	11.3%	4,041.8
Gross profit margin	53.4%	52.1%	-1.3pp.	52.1%
SG&A costs	1,712.1	1,822.6	6.5%	1,812.0
<b>Operating profit</b>	<b>194.0</b>	<b>252.3</b>	<b>30.0%</b>	<b>262.9</b>
EBIT margin	5.3%	6.2%	0.9pp.	6.5%
Financial costs	-0.9	-27.4		-4.2
<b>Net profit</b>	<b>101.4</b>	<b>90.9</b>	<b>-10.3%</b>	<b>118.3</b>
<b>EBITDA</b>	<b>364.1</b>	<b>727.1</b>	<b>99.7%</b>	<b>450.0</b>

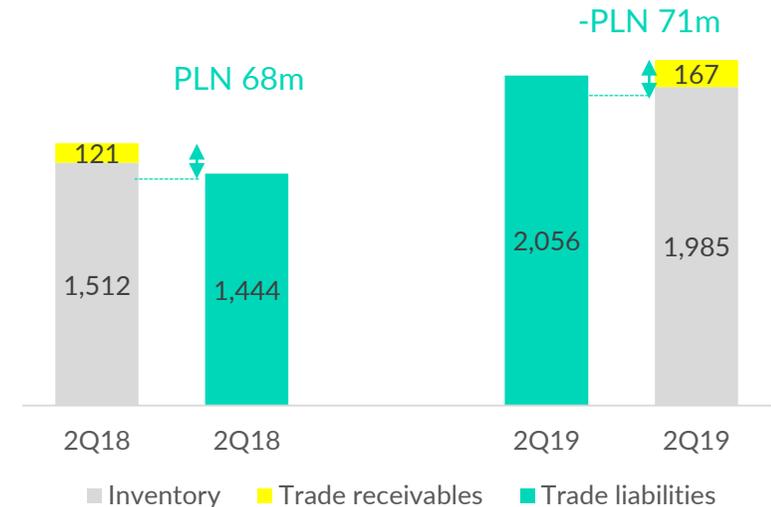
- Double-digit group revenue growth:
  - positive LFLs and floorspace increase,
  - on-line sales development.
- Lower gross margin: good acceptance of Spring/ Summer collections, but higher YoY sell-offs in January and February, negative weather impact in May and impact of US\$.
- SG&A costs growth below sales dynamics due to positive effect of operating leverage. Limited comparability YoY due to the application of IFRS16.
- Double-digit EBIT growth.
- Less favourable YoY net financial activity due to IFRS16 application.

# Trade liabilities finance inventory

## INVENTORY



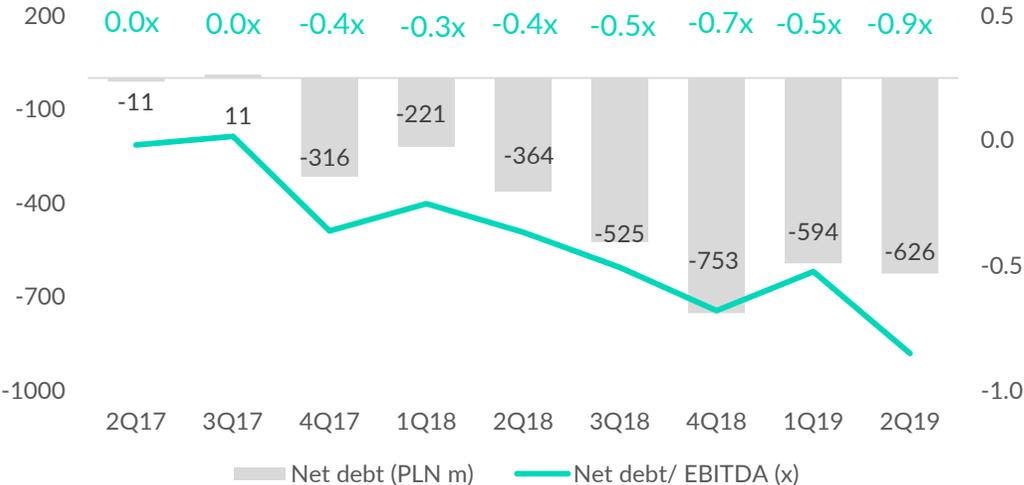
## WORKING CAPITAL (PLN m)



- 31% YoY growth in inventory, due to acceleration of Autumn/Winter 2019 in-takes by one month and lower-than-expected revenues in 2Q19. 19% YoY pick-up in inventory/ m2.
- We are in line with our long-term target of matching liabilities to inventory level.
- Supplier financing programme utilization at PLN 887m at the end of 2Q19.
- As a result, we reduced our cash cycle to -6 days in 2Q19 (negative values) compared to 15 days in 2Q18.

# Net cash on the balance sheet

NET DEBT AND NET DEBT/ EBITDA  
(PLN m, without IFRS16)



CAPEX  
(PLN m)



- At the end of 2Q19, we had PLN 626m of net cash. In addition, we had PLN 22.9m worth of money market funds. Our target is to keep net cash in the next quarters for future investments.
- 2Q19 capex reached PLN 214m, up 56% YoY due to upgrades of existing stores and opening of new ones as well as outlays for distribution centres coupled with expansion of our HQ.
- YoY fall in long-term debt due to repayments of investment loans (on schedule) and lack of new borrowings.

# 1H19 executive summary

1 Positive LFL dynamics in all brands.

2 Double-digit on-line sales growth.

3 Control of costs of stores.

4 Shortening of cash cycle.

5 Financial safety – net cash.



sinsay

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# Key corporate events



April-June 2019

**FURTHER OPENINGS  
IN CZECH REPUBLIC**

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Opening of 10 stores  
in Czech Republic.

11,289 m<sup>2</sup>



**DYNAMIC SEE  
DEVELOPMENT**

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Opening of 13 stores in the  
region, out of which  
7 in Serbia.  
E-commerce in Croatia.

17,561 m<sup>2</sup>

April-June 2019



August 2019

**NORTH MACEDONIA  
IN 2020**

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Taking decision to enter  
26<sup>th</sup> market, i.e. North  
Macedonia in 3Q20.

8,300 m<sup>2</sup>



**RFID  
IMPLEMENTATION**

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Implementation of RFID  
in 87 Reserved stores  
at the end of 1H19.

Current status: 170 stores  
Reserved stores with  
functioning RFID.

June 2019

# Dynamic SEE development



In 2Q19 we entered the 6<sup>th</sup> market in the region i.e. Bosnia & Herzegovina.

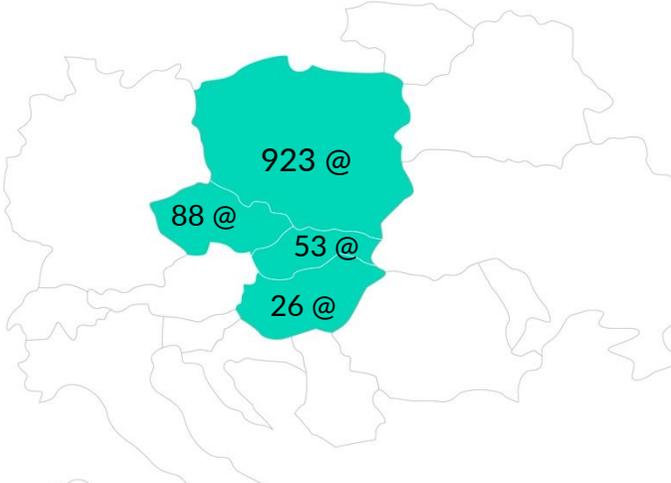
In April we launched e-store of all brands in Croatia.

Launch of 22,000 m2 warehouse in Romania to source e-commerce in the region at the turn of September/October.

North Macedonia – planned opening 3Q20.



# New openings in Czech Republic



Openings of new stores in Prague, Teplice, Liberec and Trebic.

Continuation of fast e-commerce growth.

Facility centre in Slovakia in January 2020.



Openings of stores all of brands in Czech Republic in 2Q19.

# RFID – project’s business aims



OUR BUSINESS AIMS →

Full availability of goods in stores (selling area)

Faster inventory rotation

Efficient replenishment

RFID implementation in all Reserved stores by the end of 2019.

Faster check-out

Shorter stock-taking

# RFID – a comprehensive approach

Rotating clips



Suppliers



Distribution centre



IT



## RFID (Radio Frequency Identification) 8 PROJECTS

RESERVED



Security



Sales

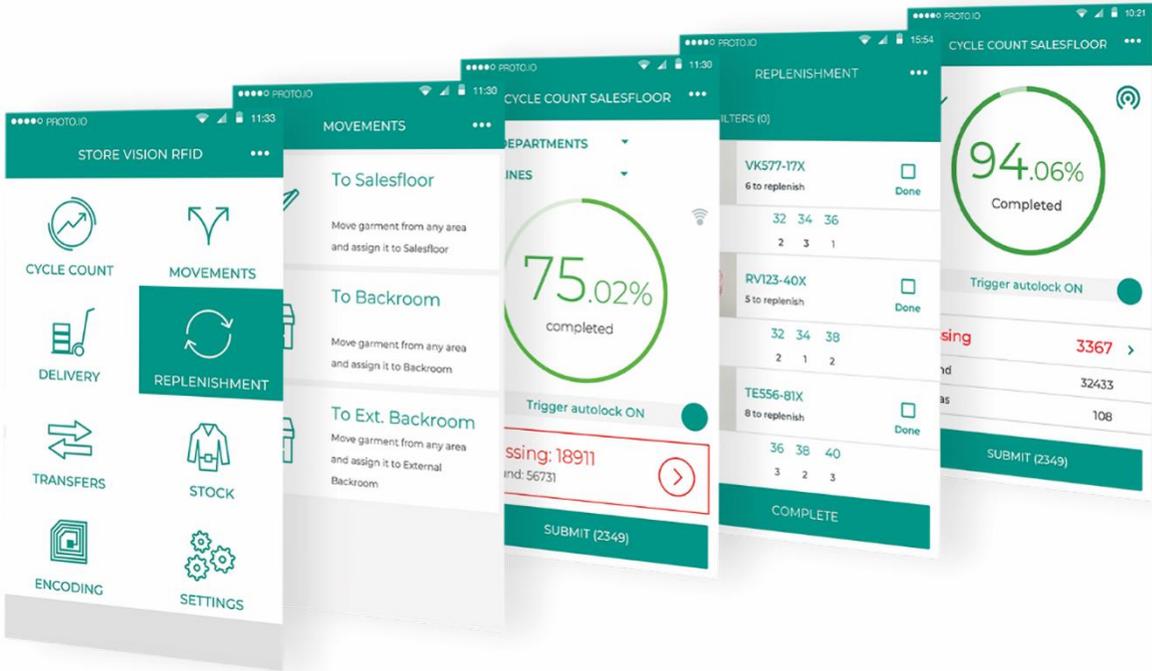


Training



Investments

# RFID – own mobile and web application



Creation of **own mobile and web application** for RFID purpose.

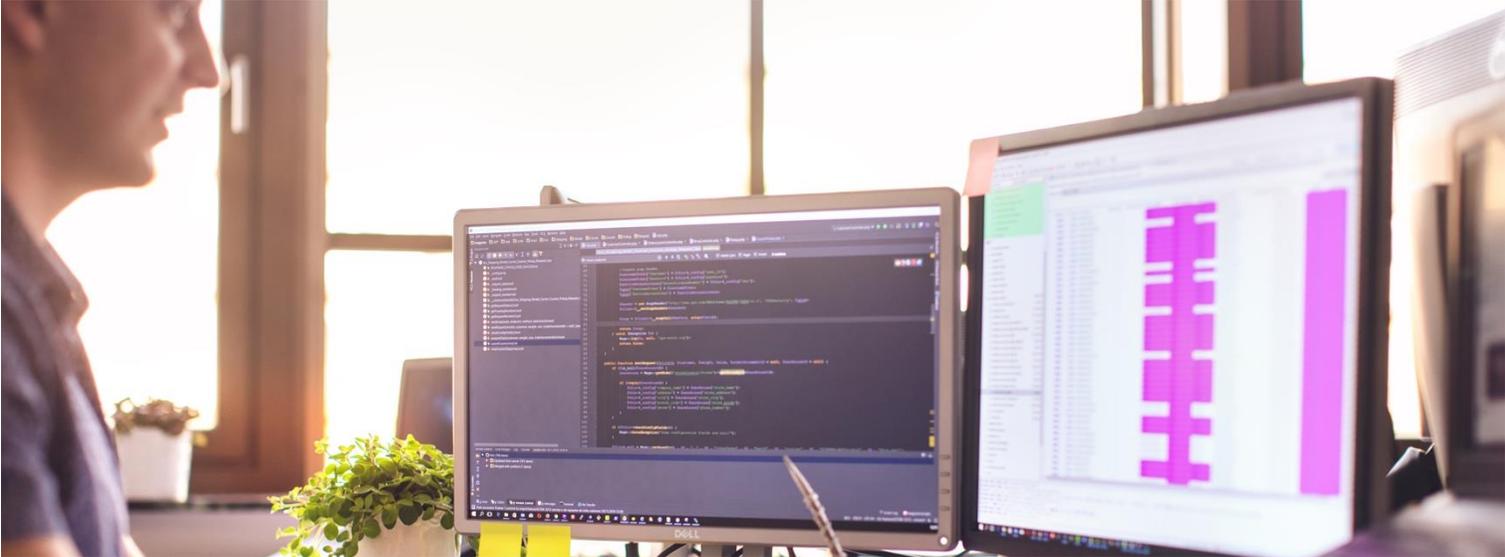
**Broader possibilities** of in-store inventory management.

# Big data – potential for efficiency



**100 bn**

of structured records



WE USE ALGORITHMS THAT LEARN AND ENHANCE THEMSELVES (MACHINE LEARNING)

Collected data is processed by our dedicated algorithms and used for:

designers support in creating projects

supporting merchants with orders

allocation of goods to individual stores (individual approach)

and as a result to increase revenues and margin.

# Omnichannel today and tomorrow

TODAY

Merging on-line with off-line.

Purchases, collection and return of goods both in stores and on-line.

66% of e-commerce returns conducted in stores.

53% of on-line purchases is done by mobile.

70% of e-commerce traffic comes from mobile devices.

TOMORROW

E-commerce Reserved deliveries directly from stores thanks to RFID implementation.

Omnichannel increases e-commerce efficiency - we focus on increased conversions, not traffic, which allows us to keep marketing costs low.



# New ecological collections in stores

Environmental friendly materials in collections and verification of suppliers' ecological solutions.



2019 TARGET: ecological products constituting 10% of the offering.



Eco collections in all LPP's brands in SS20.

# Plastic reduction

LPP was the first Polish company to join the global circular economy initiative in the field of plastic management - New Plastics Economy Global Commitment.



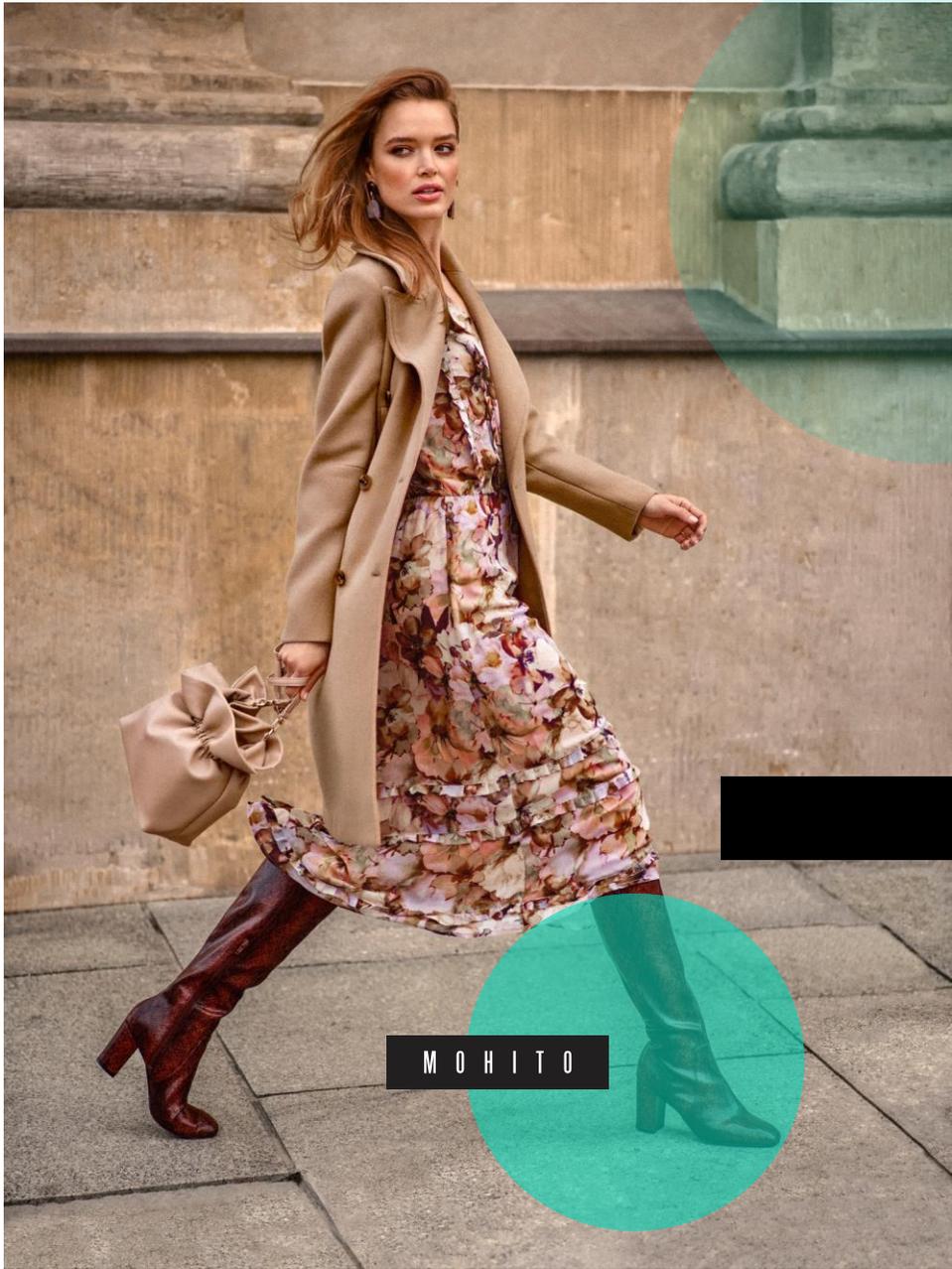
By 2025 LPP has committed itself to:

use only plastic packaging that is fully recyclable or compostable

eliminate plastic packaging that is not re-usable from on-line sales, logistics operations, including shipments of products from suppliers

from September 2019, payable recycled paper bags in LPP stores.

New Plastics Economy Global Commitment



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# Growth acceleration in 2019

Floorspace (ths m2)	2018	2019 former target	2019 target	YoY
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**BY BRANDS**

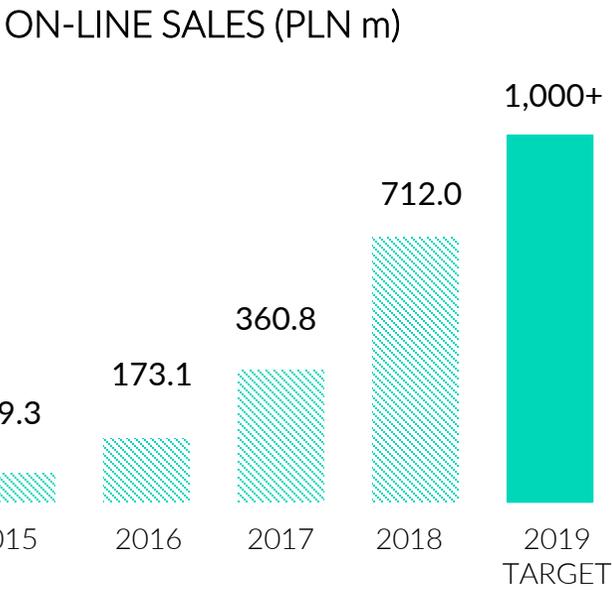
Reserved	616.7	675.1	677.9	10%
Cropp	134.0	154.7	153.4	15%
House	116.2	132.7	132.0	14%
Mohito	109.4	114.6	114.8	5%
Sinsay	103.0	141.0	157.8	53%
Outlets	12.0	9.1	9.1	-24%

**BY REGIONS**

Poland	529.5	542.4	542.9	3%
Europe	279.4	361.5	368.8	32%
CIS	275.4	314.9	324.8	18%
ME	7.1	8.3	8.4	19%
<b>TOTAL</b>	<b>1,091.3</b>	<b>1,227.1</b>	<b>1,245.0</b>	<b>14%</b>

- Acceleration of growth in 2019 to 14% YoY.
- 2 new markets in 2019 (with own stores): Bosnia and Herzegovina (1H19) and Finland (4Q19).
- As a result, at the end of 2019 Reserved brand stores should be present in 25 countries.
- 2019 targets:
  - floorspace stabilization in Poland,
  - acceleration of growth in Europe (emphasis on South Eastern Europe),
  - continuation of floorspace development in the CIS region,
  - new store in the Middle East (Israel).
- Planned 2019 capex at c. PLN 900m, up c. 13% YoY. Planned store capex at c. PLN 710m, HQs outlays at PLN c. 110m, logistics outlays at c. PLN 30m and IT at c. PLN 50m.

# Dynamic on-line sales growth



over PLN 1 bn of e-commerce revenues

**2019** target

# Further e-commerce development

- In **2H19** we plan to launch e-store for all **EU countries and in Ukraine**.
- Development through **own e-stores** gives us direct access to retail client, control over inventory and pricing policy as well as stability (no intermediaries, continuity of contact).
- At the end of 2019 e-stores of LPP's brands in **35 countries**.
- ME development via a third party platform.



# We maintain our 2019 guidance

## TARGETS (13 months)

- Continuation of double-digit revenue growth due to floorspace development, positive LFLs and e-commerce.
- Group's gross profit margin should be between 53-54%.
- Cost control.
- Net cash to continue.

- LPP's stores in new countries.
- Continuation of dynamic e-commerce growths.
- RFID implementation at Reserved brand.

## OPPORTUNITIES

- Unfavourable FX trends on US\$, EUR and RUB in relation to PLN.
- More severe ban on trade on Sundays (12% of Polish revenues).

## RISKS

# Diversification of financing – bond issuance

**13<sup>th</sup> September 2019**

Extraordinary Shareholder Meeting to give consent for corporate bond issuance.

## TERMS OF THE ISSUANCE:

Size:  
up to PLN 300m

Mode: offer to  
designated qualified  
investors

Tenor: 5 years

Aim of the issuance: financing of Brześć Kujawski distribution centre.



Q&A



CROPP

Back-up

# Network development

Floorspace (ths m2)	30.06.2017	30.09.2017	31.12.2017	31.03.2018	30.06.2018	30.09.2018	31.12.2018	31.03.2019	30.06.2019
<b>Reserved</b>	<b>520.8</b>	<b>526.8</b>	<b>562.3</b>	<b>561.0</b>	<b>582.2</b>	<b>584.9</b>	<b>616.7</b>	<b>609.7</b>	<b>631.6</b>
Poland	247.4	247.9	266.8	264.9	264.7	259.3	273.3	263.3	266.2
Europe	151.3	157.6	160.8	162.2	178.1	182.3	191.7	192.9	215.1
CIS	114.0	114.7	128.1	127.3	132.8	136.0	144.6	146.4	143.2
ME	8.2	6.6	6.6	6.6	6.6	7.3	7.1	7.1	7.1
<b>Cropp</b>	<b>121.9</b>	<b>121.4</b>	<b>127.2</b>	<b>127.7</b>	<b>130.1</b>	<b>126.4</b>	<b>134.0</b>	<b>134.3</b>	<b>141.4</b>
Poland	66.5	64.9	65.7	65.7	67.9	64.2	66.5	64.2	65.0
Europe	20.8	21.2	22.3	22.1	22.6	22.8	24.9	27.0	30.3
CIS	34.7	35.3	39.3	39.8	39.6	39.3	42.6	43.1	46.1
<b>House</b>	<b>106.6</b>	<b>105.6</b>	<b>110.6</b>	<b>110.9</b>	<b>113.0</b>	<b>112.4</b>	<b>116.2</b>	<b>115.0</b>	<b>122.2</b>
Poland	65.1	64.0	65.0	64.9	66.8	65.9	67.3	64.5	66.7
Europe	16.2	16.2	17.1	17.2	17.0	17.0	18.9	21.0	24.9
CIS	25.4	25.4	28.6	28.7	29.2	29.4	30.1	29.5	30.6
<b>Mohito</b>	<b>99.3</b>	<b>98.5</b>	<b>103.8</b>	<b>103.4</b>	<b>105.5</b>	<b>106.2</b>	<b>109.4</b>	<b>108.1</b>	<b>108.8</b>
Poland	52.6	52.1	53.0	52.3	53.7	52.9	54.1	52.3	52.3
Europe	18.1	18.1	19.7	20.1	21.2	22.2	23.5	24.7	26.4
CIS	28.6	28.4	31.1	31.0	30.6	31.1	31.8	31.0	30.1
<b>Sinsay</b>	<b>72.5</b>	<b>76.0</b>	<b>84.6</b>	<b>85.8</b>	<b>92.8</b>	<b>94.7</b>	<b>103.0</b>	<b>107.3</b>	<b>120.0</b>
Poland	49.0	50.9	53.2	53.3	56.0	56.4	60.1	61.3	63.6
Europe	10.4	10.9	12.8	13.1	15.9	17.3	20.2	21.7	30.4
CIS	13.1	14.2	18.7	19.4	21.0	21.0	22.7	24.3	26.1
<b>Tallinder (Poland only)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Outlets</b>	<b>12.6</b>	<b>11.6</b>	<b>12.1</b>	<b>12.1</b>	<b>10.6</b>	<b>10.8</b>	<b>12.0</b>	<b>11.0</b>	<b>10.2</b>
<b>Total by regions</b>									
Poland	492.1	490.5	514.0	511.5	518.0	507.2	529.5	513.9	521.2
Europe	216.9	224.1	232.8	235.0	254.9	261.8	279.4	287.4	327.1
CIS	216.5	218.7	247.3	247.8	254.7	259.0	275.4	277.1	278.9
ME	8.2	6.6	6.6	6.6	6.6	7.3	7.1	7.1	7.1
<b>TOTAL</b>	<b>933.7</b>	<b>939.9</b>	<b>1,000.6</b>	<b>1,000.9</b>	<b>1,034.2</b>	<b>1,035.4</b>	<b>1,091.3</b>	<b>1,085.4</b>	<b>1,134.3</b>

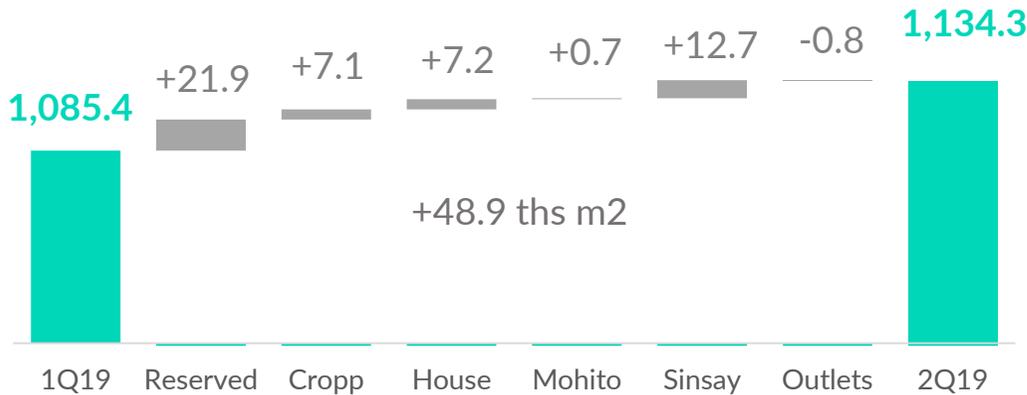
# 2019 network development details

Floorspace (ths m2)	31.12.2018	31.12.2019	Nom. growth.	YoY growth
<b>Reserved</b>	<b>616.7</b>	<b>677.9</b>	<b>61.2</b>	<b>10%</b>
Poland	273.3	275.3	2.0	1%
Europe	191.7	226.8	35.0	18%
CIS	144.6	167.4	22.8	16%
ME	7.1	8.4	1.4	19%
<b>Cropp</b>	<b>134.0</b>	<b>153.4</b>	<b>19.4</b>	<b>15%</b>
Poland	66.5	64.6	-2.0	-3%
Europe	24.9	35.8	10.9	44%
CIS	42.6	53.1	10.5	25%
<b>House</b>	<b>116.2</b>	<b>132.0</b>	<b>15.8</b>	<b>14%</b>
Poland	67.3	67.5	0.2	0%
Europe	18.9	31.2	12.3	65%
CIS	30.1	33.3	3.3	11%
<b>Mohito</b>	<b>109.4</b>	<b>114.8</b>	<b>5.4</b>	<b>5%</b>
Poland	54.1	53.0	-1.1	-2%
Europe	23.5	30.1	6.5	28%
CIS	31.8	31.7	0.0	0%
<b>Sinsay</b>	<b>103.0</b>	<b>157.8</b>	<b>54.8</b>	<b>53%</b>
Poland	60.1	78.2	18.1	30%
Europe	20.2	45.0	24.8	123%
CIS	22.7	34.6	11.8	52%
<b>Outlets</b>	<b>12.0</b>	<b>9.1</b>	<b>-2.9</b>	<b>-24%</b>
Poland	8.3	4.4	-3.9	-47%
Europe	0.2	0.0	-0.2	-100%
CIS	3.5	4.7	1.1	32%
<b>TOTAL</b>	<b>1,091.3</b>	<b>1,245.0</b>	<b>153.6</b>	<b>14%</b>

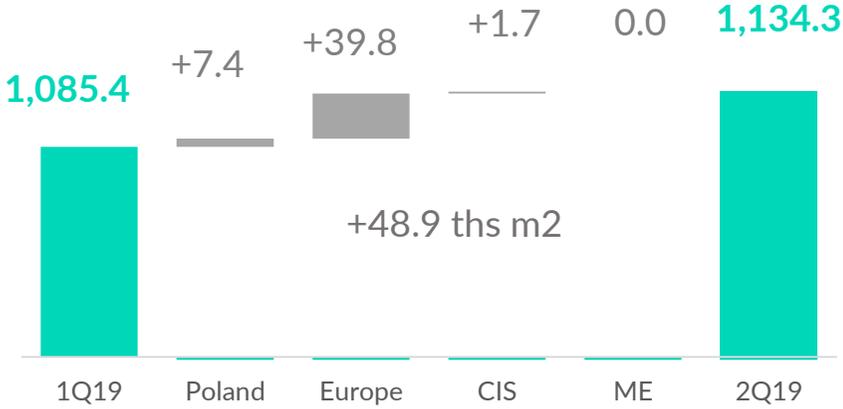
No. of STORES	31.12.2018	31.12.2019	Nom. growth	YoY growth
<b>Reserved</b>	<b>464</b>	<b>464</b>	<b>0</b>	<b>0%</b>
Poland	216	205	-11	-5%
Europe	127	135	8	6%
CIS	114	116	2	2%
ME	7	8	1	14%
<b>Cropp</b>	<b>373</b>	<b>373</b>	<b>0</b>	<b>0%</b>
Poland	200	182	-18	-9%
Europe	69	80	11	16%
CIS	104	111	7	7%
<b>House</b>	<b>332</b>	<b>330</b>	<b>-2</b>	<b>-1%</b>
Poland	200	187	-13	-6%
Europe	54	65	11	20%
CIS	78	78	0	0%
<b>Mohito</b>	<b>296</b>	<b>292</b>	<b>-4</b>	<b>-1%</b>
Poland	156	148	-8	-5%
Europe	60	67	7	12%
CIS	80	77	-3	-4%
<b>Sinsay</b>	<b>272</b>	<b>317</b>	<b>45</b>	<b>17%</b>
Poland	165	175	10	6%
Europe	51	75	24	47%
CIS	56	67	11	20%
<b>Outlets</b>	<b>28</b>	<b>16</b>	<b>-12</b>	<b>-43%</b>
Poland	22	11	-11	-50%
Europe	1	0	-1	-100%
CIS	5	5	0	0%
<b>TOTAL</b>	<b>1,765</b>	<b>1,792</b>	<b>27</b>	<b>2%</b>

# Changes in 2Q19 floorspace

CHANGE IN FLOORSPACE BY BRANDS  
(ths m2)



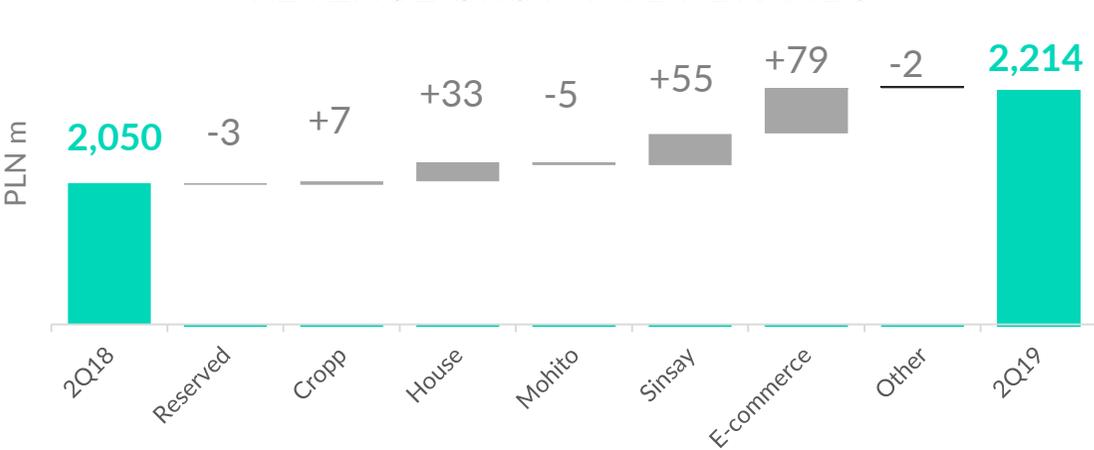
CHANGE IN FLOORSPACE BY REGIONS  
(ths m2)



- Dynamic 2Q19 floorspace development, especially abroad.
- Development in Europe resulted mainly from openings in Romania, Serbia, Croatia and Lithuania and Latvia. Floorspace in Western Europe and Middle East remained stable.
- In 2Q19 Reserved added the most floorspace among brands while Sinsay ranked second.

# 2Q19 revenue growth contributors

REVENUE GROWTH BY BRANDS



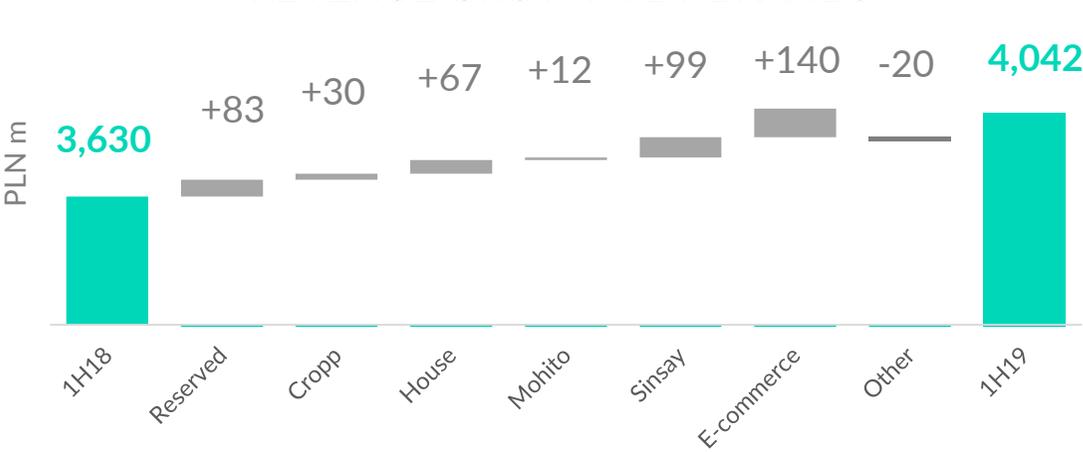
REVENUE GROWTH BY REGIONS



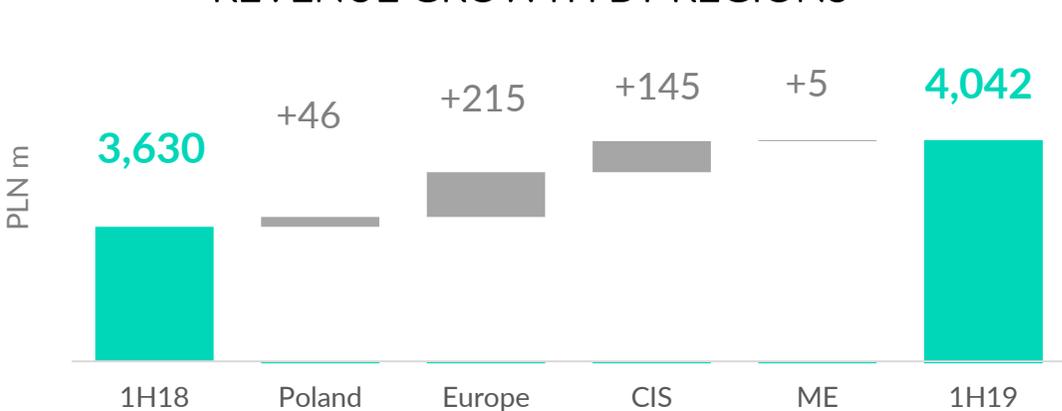
PLN m	2Q18	2Q19	YoY
<b>LPP GROUP</b>	<b>2,049.7</b>	<b>2,214.1</b>	<b>8.0%</b>
Reserved PL	447.2	407.2	-8.9%
Reserved EX	474.3	511.2	7.8%
Cropp PL	134.3	127.6	-4.9%
Cropp EX	152.3	165.6	8.7%
House PL	139.6	151.4	8.4%
House EX	83.1	104.8	26.1%
Mohito PL	110.1	99.0	-10.1%
Mohito EX	102.3	108.3	5.8%
Sinsay PL	128.7	147.4	14.6%
Sinsay EX	73.7	110.1	49.4%
E-commerce	178.5	258.1	44.6%
Other	25.7	23.4	-9.2%

# 1H19 revenue growth contributors

REVENUE GROWTH BY BRANDS



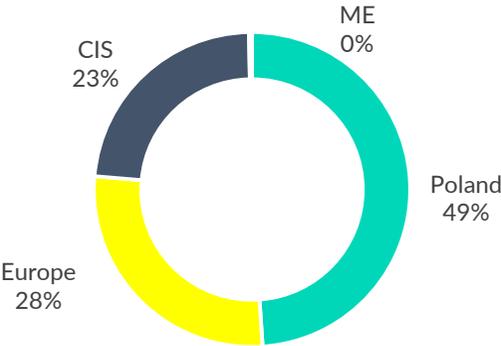
REVENUE GROWTH BY REGIONS



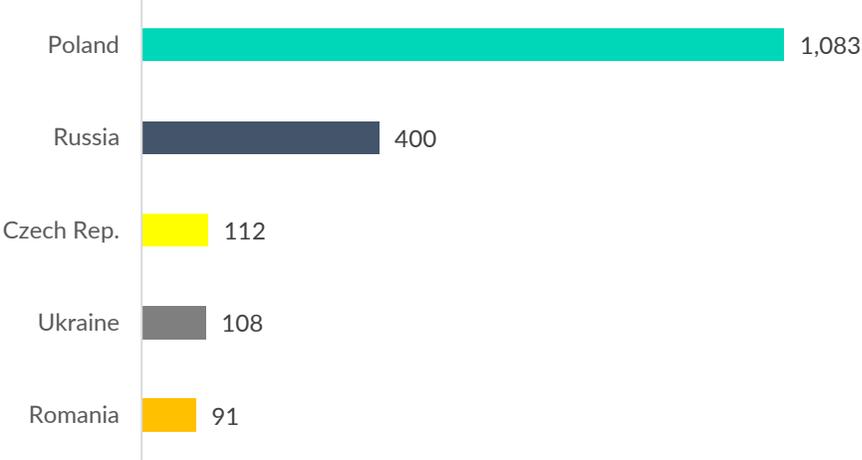
PLN m	1H18	1H19	YoY
<b>LPP GROUP</b>	<b>3,630.1</b>	<b>4,041.8</b>	<b>11.3%</b>
Reserved PL	815.1	783.8	-3.8%
Reserved EX	833.9	948.0	13.7%
Cropp PL	238.3	233.1	-2.2%
Cropp EX	258.4	293.3	13.5%
House PL	246.7	273.6	10.9%
House EX	145.8	186.3	27.8%
Mohito PL	196.9	190.4	-3.3%
Mohito EX	177.8	196.2	10.4%
Sinsay PL	224.6	258.9	15.3%
Sinsay EX	119.9	184.8	54.1%
E-commerce	309.4	450.3	45.6%
Other	63.2	43.1	-31.9%

# 2Q19 revenue and COGS split

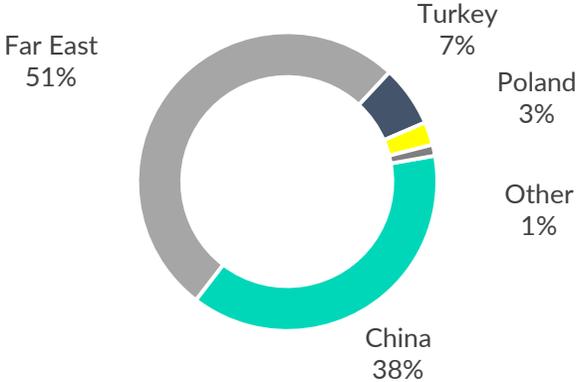
2Q19 REVENUES BY REGIONS (PLN m)



TOP5 REVENUES BY COUNTRIES IN 2Q19 (PLN m)



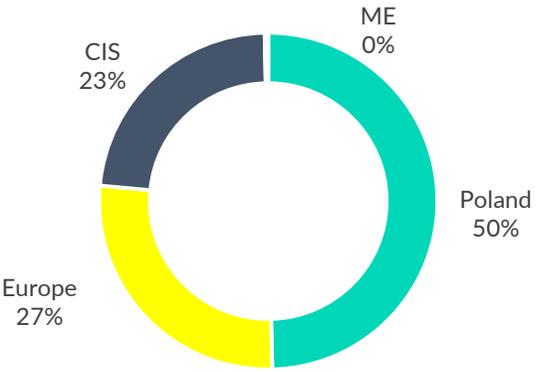
2Q19 PURCHASES BY REGION (PLN m)



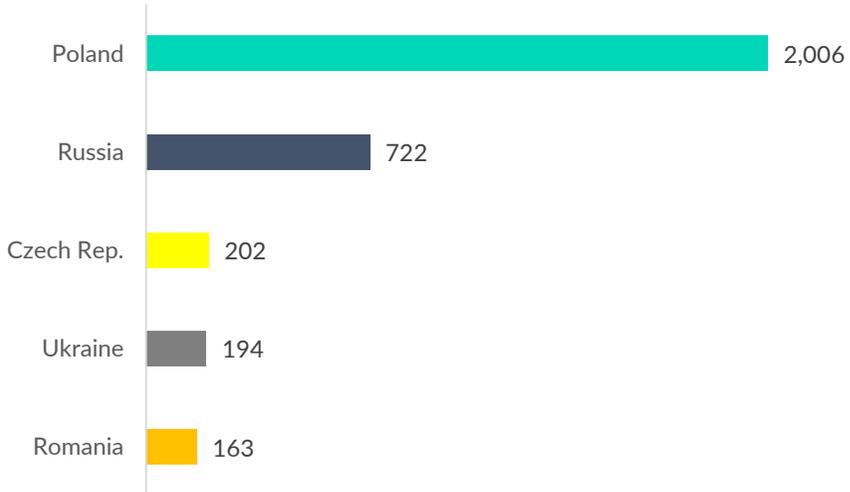
Poland remains our most important market in 2Q19.

# 1H19 revenue and COGS split

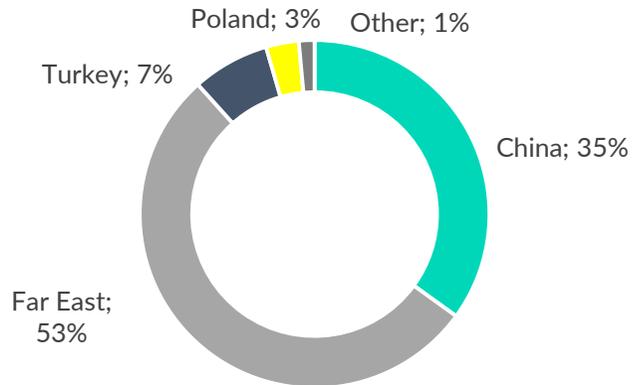
1H19 REVENUES BY REGIONS (PLN m)



TOP5 REVENUES BY COUNTRIES IN 1H19 (PLN m)



1H19 PURCHASES BY REGION (PLN m)



Poland remains our most important market in 1H19.

# A new breakdown of SG&A costs

Until the end of 2018 we showed selling costs and general & administrative expenses.

Since 2019, instead of selling costs, we have decided to show costs of stores, e-commerce and logistics which are the most important SG&A costs.

Overheads consists now of marketing costs, back-office, selling and product divisions.

The sum of SG&A costs has not changed.

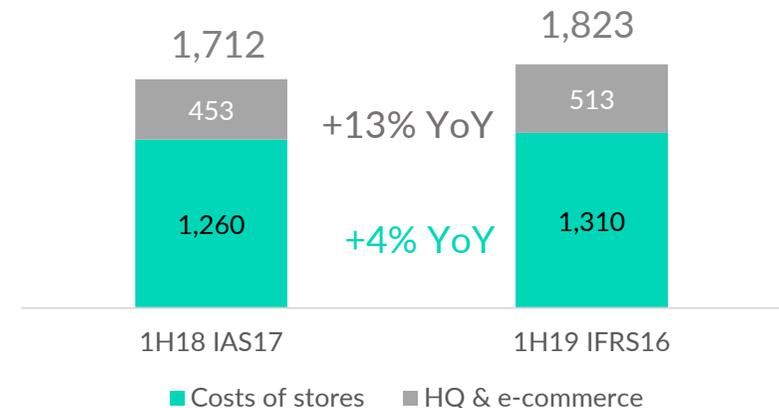
Reasons for change: consistency of cost items in financial statements with those in management reports, superior reflection of the business model, an easier way to show the impact of IFRS16.

# Costs of stores and HQs

SG&A COSTS  
(PLN m, IFRS16 since 1Q19)



SG&A COSTS  
(PLN m)



- Costs of stores encompass costs of own stores (rentals, personnel and other) as well as costs of franchise stores in Poland. Stores in the Middle East and Belarus do not have any material effect on SG&A costs.
- Costs of stores → lower growth in 2Q19 - higher floorspace, but cost control.
- HQ costs → YoY growth in 2Q19 due to e-commerce foreign expansion, higher costs of foreign logistics, but lower traditional marketing costs (lower costs of content production).

# 2Q19 other operating and net financial lines

## OTHER OPERATING ACTIVITY

PLN m	2Q18	2Q19
<b>OTHER OPERATING REVENUES</b>	<b>3.2</b>	<b>12.3</b>
Inventory excess	1.6	0.7
Gain on sale of assets, write-ups	-0.2	5.9
<b>OTHER OPERATING COSTS</b>	<b>24.3</b>	<b>24.0</b>
Write-offs	6.7	-2.3
Inventory losses	5.5	17.2
Donations and other	4.0	2.7
<b>OTHER OPERATING ACTIVITY</b>	<b>-21.1</b>	<b>-11.7</b>

Higher level of other operating income due to reversal of receivables write-offs (PLN 5.1m). Higher other operating expenses due to a larger scale of business.

## NET FINANCIAL ACTIVITY

PLN m	2Q18	2Q19
<b>FINANCIAL REVENUES</b>	<b>-10.3</b>	<b>24.2</b>
FX gains	-11.7	22.5
Interest	1.4	1.7
<b>FINANCIAL COSTS</b>	<b>5.2</b>	<b>34.9</b>
FX losses	0.0	0.0
Interest	4.4	35.1
Fees and charges	0.9	-0.2
<b>NET FINANCIAL ACTIVITY</b>	<b>-15.5</b>	<b>-10.8</b>

PLN 22.5m of FX gains (2Q18: PLN 11.7m losses), out of which PLN 2.8m losses on ruble and hryvnia (2Q18: PLN 8.5m losses), PLN 8.1m gains on US\$ (2Q18: PLN 1.0m losses) and PLN 2.8m gains on other currencies (EUR, RON, HUF, CZK) and PLN 14.4m of FX gains from IFRS16.

Additional IFRS16 interest amounted to PLN 25.9m in 2Q19.

# 1H19 other operating and net financial lines

## OTHER OPERATING ACTIVITY

PLN m	1H18	1H19
<b>OTHER OPERATING REVENUES</b>	<b>5.5</b>	<b>17.9</b>
Inventory excess	2.4	2.3
Gain on sale of assets, write-ups	0.0	7.4
<b>OTHER OPERATING COSTS</b>	<b>36.7</b>	<b>48.8</b>
Write-offs	8.1	0.0
Inventory losses	17.2	29.6
Donations and other	6.4	8.7
<b>OTHER OPERATING ACTIVITY</b>	<b>-31.2</b>	<b>-30.9</b>

Higher level of other operating income due to reversal of receivables write-offs in 2Q19. Higher other operating expenses due to larger scale of business.

## NET FINANCIAL ACTIVITY

PLN m	1H18	1H19
<b>FINANCIAL REVENUES</b>	<b>6.8</b>	<b>36.5</b>
FX gains	4.5	30.9
Interest	2.3	5.5
<b>FINANCIAL COSTS</b>	<b>7.7</b>	<b>63.9</b>
FX losses	0.0	0.0
Interest	6.0	63.0
Fees and charges	1.7	0.9
<b>NET FINANCIAL ACTIVITY</b>	<b>-0.9</b>	<b>-27.4</b>

PLN 30.9m of FX gains (1H18: PLN 4.5m gains), out of which PLN 2.7m gains on ruble and hryvnia (1H18: PLN 14.0m losses), PLN 2.7m gains on US\$ (1H18: PLN 19.3m gains) and PLN 1.7m losses on other currencies (EUR, RON, HUF, CZK) and PLN 27.2m of FX gains from IFRS16.

Additional IFRS16 interest amounted to PLN 50.3m in 1H19.

# IFRS16 – summary of the impact

## EBITDA

PLN 156.1m of additional amortisation of right of use asset.

2Q19

PLN 287.6m of additional amortisation of right of use asset.

1H19

## EBIT

Taking out 47% of rentals (PLN 136.8m) while replacing these with amortisation of right of use asset.

2Q19

Taking out 49% of rentals (PLN 276.9m) while replacing these with amortisation of right of use asset.

1H19

## NET INCOME

Financial costs related to the asset (-PLN 25.9m) and FX gains (+PLN 14.4m).

2Q19

Financial costs related to the asset (-PLN 50.3m) and FX gains (+PLN 27.2m).

1H19

# IFRS16 impact in 2Q19

	2Q19 IFRS16	IFRS16 adjustments					2Q19 IAS17
		rentals	D&A	interest	FX differences	tax	
Revenues	2,214.1						2,214.1
Gross profit	1,312.8						1,312.8
% gross profit margin	59.3%						59.3%
SG&A costs	948.6	136.8	-156.1				929.3
Other operating line	-11.7						-11.7
EBIT	352.5	-136.8	156.1	0.0	0.0	0.0	371.8
Net financial activity	-10.8			25.9	-14.4		0.8
Pre-tax profit/ loss	341.8	-136.8	156.1	25.9	-14.4	0.0	372.6
Tax	136.3					-13.3	123.0
Net income/ loss	205.5	-136.8	156.1	25.9	-14.4	13.3	249.6
D&A	242.3		-156.1				86.2
EBITDA	594.9	-136.8	0.0	0.0	0.0	0.0	458.1

# IFRS16 impact in 1H19

	1H19 IFRS16	IFRS16 adjustments					1H19 IAS17
		rentals	D&A	interest	FX differences	tax	
Revenues	4,041.8						4,041.8
Gross profit	2,105.8						2,105.8
% gross profit margin	52.1%						52.1%
SG&A costs	1,822.6	276.9	-287.6				1,812.0
Other operating line	-30.9						-30.9
EBIT	252.3	-276.9	287.6	0.0	0.0	0.0	262.9
Net financial activity	-27.4			50.3	-27.2		-4.2
Pre-tax profit/ loss	224.9	-276.9	287.6	50.3	-27.2	0.0	258.7
Tax	134.0					6.4	140.5
Net income/ loss	90.9	-276.9	287.6	50.3	-27.2	-6.4	118.3
D&A	474.7		-287.6				187.1
EBITDA	727.0	-276.9	0.0	0.0	0.0	0.0	450.0

# Historical quarterly results

PLN m	4Q17	4Q18	1Q18 IAS17	1Q19 IFRS16	YoY	1Q19 IAS17	2Q18 IAS17	2Q19 IFRS16	YoY	2Q19 IAS17
<b>Revenues</b>	<b>2,148.9</b>	<b>2,372.7</b>	<b>1,580.4</b>	<b>1,827.7</b>	<b>15.7%</b>	<b>1,827.7</b>	<b>2,049.7</b>	<b>2,214.1</b>	<b>8.0%</b>	<b>2,214.1</b>
Gross profit on sales	1,247.0	1,420.6	712.8	793.0	11.2%	793.0	1,224.5	1,312.8	7.2%	1,312.8
<i>Gross profit margin</i>	58.0%	59.9%	45.1%	43.4%	-1.7pp.	43.4%	59.7%	59.3%	-0.4pp.	59.3%
SG&A costs	861.9	921.3	820.5	874.0	6.5%	882.7	891.6	948.6	6.4%	929.2
Other operating line	-8.4	-66.0	-10.1	-19.1		-19.1	-21.1	-11.7		-11.7
<b>EBIT</b>	<b>376.7</b>	<b>433.3</b>	<b>-117.7</b>	<b>-100.2</b>	<b>-14.9%</b>	<b>-108.9</b>	<b>311.8</b>	<b>352.5</b>	<b>13.1%</b>	<b>371.8</b>
<i>EBIT margin</i>	17.5%	18.3%	-7.4%	-5.5%	2.0pp.	-6.0%	15.2%	15.9%	0.7pp.	16.8%
Net financial activity	-24.9	-12.7	14.5	-16.6		-5.0	-15.5	-10.8		0.8
Pre-tax profit	351.9	420.6	-103.2	-116.9	13.2%	-113.9	296.3	341.8	15.4%	372.6
Tax	52.3	108.3	1.6	-2.3		17.5	90.2	136.3		123.0
<b>Net income</b>	<b>299.5</b>	<b>312.3</b>	<b>-104.8</b>	<b>-114.6</b>	<b>9.4%</b>	<b>-131.4</b>	<b>206.1</b>	<b>205.5</b>	<b>-0.3%</b>	<b>249.6</b>
<i>Net income margin</i>	13.9%	13.2%	-6.6%	-6.3%	0.4pp.	-7.2%	10.1%	9.3%	-0.8pp.	11.3%

# Retail sales tax

## Current regulations:

0% tax up to PLN 17m  
of monthly revenues

0.8% tax from PLN 17m  
to PLN 170m revenues  
monthly

1.4% tax from revenues  
above PLN 170m monthly

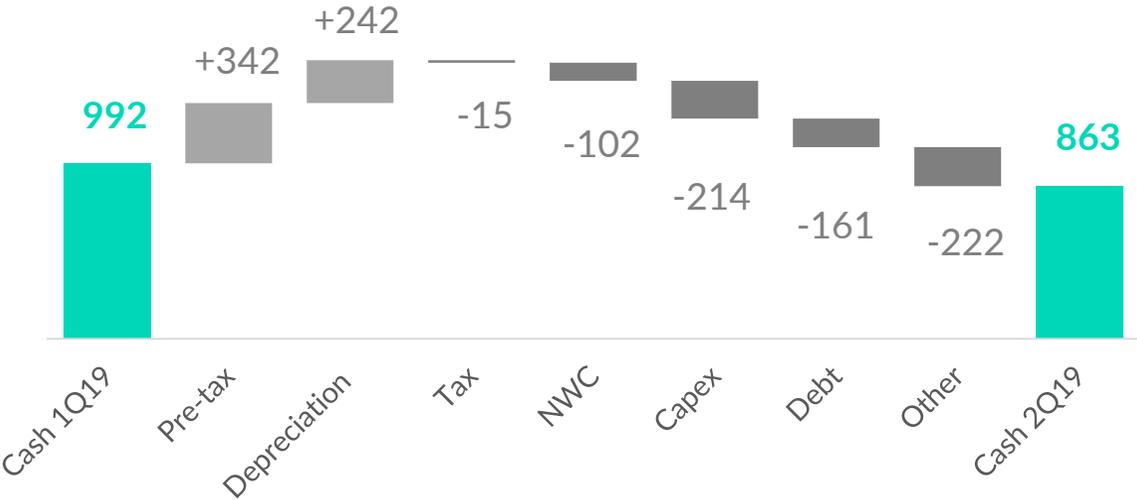
Internet revenues are excluded from the tax. Based on 2018 data the tax would reach c. PLN 41m.

The tax is to be payable since January 2020. It will be put in operating costs.

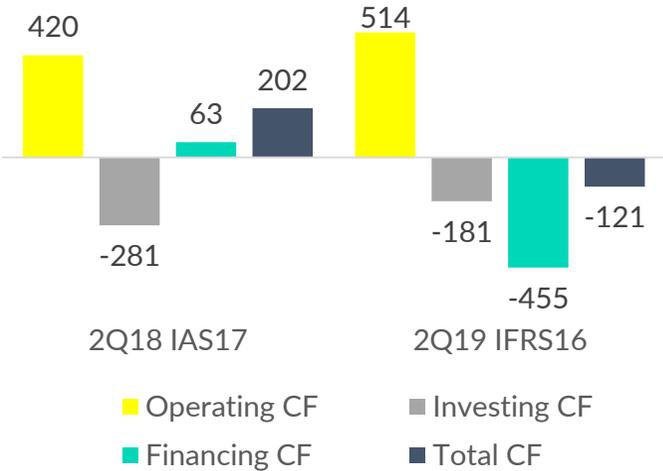
In 2020 the cost could reach some PLN 45m.

# Cash flows

2Q19 CASH GENERATION  
(PLN m)



2Q19 CASH FLOWS  
(PLN m)



- Operating cash flow → higher YoY despite inventory pick-up, due to impact of higher D&A from IFRS16.
- Investing cash flow → higher YoY capex, but higher net sale of money market funds.
- Financing cash flows → debt repayment, dividend payment and financial lease payments (IFRS16).
- PLN 1.4bn in open credit lines used for letters of credits, guarantees and overdrafts.

# Investments in the future of LPP

PLN m	2019	2020	2021	2022	2019-2022
<b>Stores</b>	<b>710</b>	<b>620</b>	<b>500</b>	<b>450</b>	<b>2,280</b>
Stores in Poland and abroad	710	620	500	450	2,280
<b>Offices</b>	<b>110</b>	<b>110</b>	<b>70</b>	<b>0</b>	<b>290</b>
New office Gdańsk Łąkowa - Building 1	50				50
New office Gdańsk Łąkowa - Building 2	30	40			70
New office Gdańsk Łąkowa - Building 3		70	70		140
New office Cracow	30				30
<b>Logistics</b>	<b>30</b>	<b>200</b>	<b>200</b>	<b>0</b>	<b>430</b>
Expansion DC Pruszcz Gdański	30				30
New DC Brześć Kujawski		200	200		400
<b>IT &amp; others</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>200</b>
<b>TOTAL</b>	<b>900</b>	<b>980</b>	<b>820</b>	<b>500</b>	<b>3,200</b>

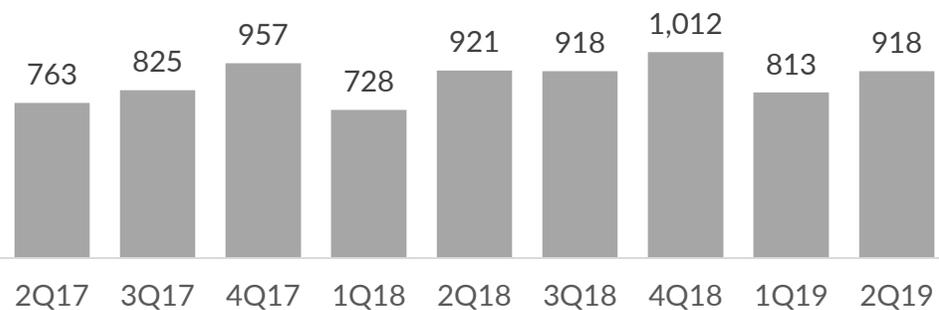
# Balance sheet increasingly strong

PLN m	2Q18	4Q18	2Q19
<b>Non-current assets</b>	<b>2,128.6</b>	<b>2,417.8</b>	<b>5,393.4</b>
fixed assets	1,558.5	1,818.3	1,992.0
intangibles (incl. goodwill)	359.1	376.7	394.7
right of use assets (IFRS16)	0.0	0.0	2,868.2
<b>Current assets</b>	<b>2,630.9</b>	<b>2,963.1</b>	<b>3,197.3</b>
inventory	1,512.2	1,590.4	1,984.9
trade receivables	121.4	121.7	167.3
cash and equivalents	651.5	1,045.0	862.9
<b>Total assets</b>	<b>4,759.5</b>	<b>5,380.8</b>	<b>8,590.7</b>
<b>Equity</b>	<b>2,504.4</b>	<b>2,860.5</b>	<b>2,878.6</b>
<b>Long-term liabilities</b>	<b>322.4</b>	<b>346.1</b>	<b>2,609.2</b>
interest bearing debt	115.2	88.6	61.9
financial leases (IFRS16)	0.0	0.0	2,431.3
<b>Short-term liabilities</b>	<b>1,932.7</b>	<b>2,174.1</b>	<b>3,103.0</b>
trade liabilities	1,444.3	1,557.4	2,056.0
interest bearing debt	172.7	203.2	175.0
financial leases (IFRS16)	0.0	0.0	599.0
<b>Total liabilities and equity</b>	<b>4,759.5</b>	<b>5,380.8</b>	<b>8,590.7</b>

- IFRS16 impact: change from operating leases to financial ones – creation of right of use assets and finance lease liabilities.
- YoY growth in fixed assets due to network development and investments in logistics.
- YoY growth in intangibles due to investments in IT.
- Higher YoY inventory due to faster receipt of Autumn/Winter collection.
- YoY growth in receivables results from downpayments for distribution centre.
- Higher cash due to strong cash generation.
- YoY growth in trade payables due to supplier financing programme.
- YoY fall in long-term debt due to repayments of investment loans (on schedule) and no new borrowings.

# RESERVED

REVENUES (PLN m)



	2Q18	2Q19	YoY
Number of stores	463	453	-10
Floorspace (ths m2)	582.2	631.6	8%
Average store space (m2)	1,257	1,394	11%



LPP

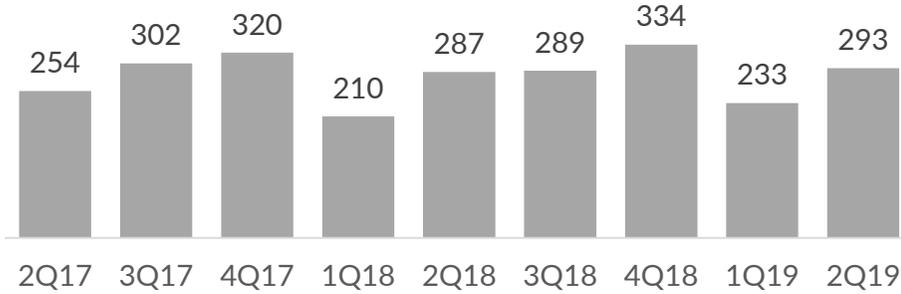
WOMEN, MEN  
AND CHILDREN

1998  
YEAR OF LAUNCH

AN ANCHOR BRAND WITH A BROAD CUSTOMER BASE OFFERING THE LATEST TRENDS.

# CROPP

## REVENUES (PLN m)

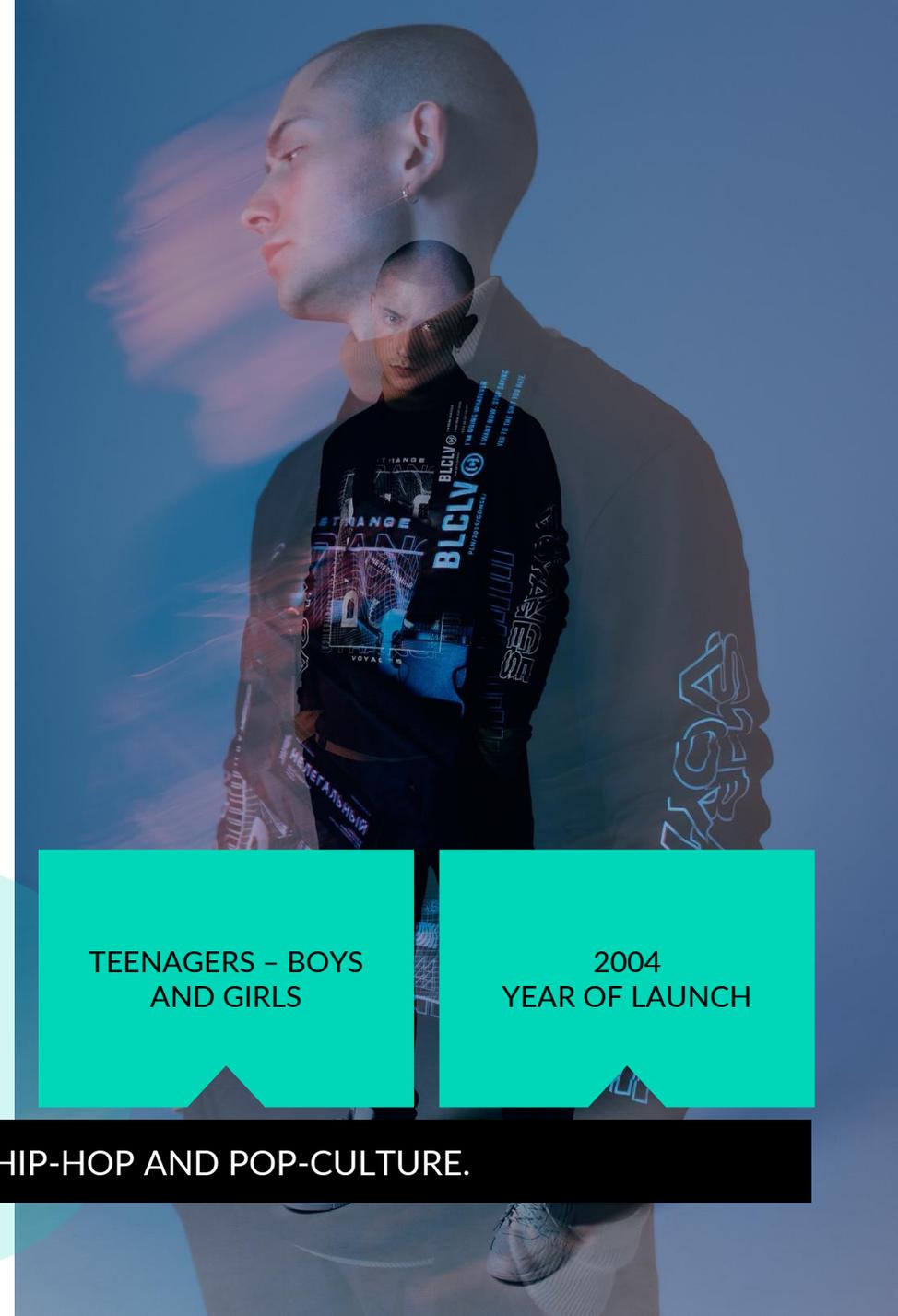


	2Q18	2Q19	YoY
Number of stores	382	374	-8
Floorspace (ths m2)	130.1	141.4	9%
Average store space (m2)	341	378	11%

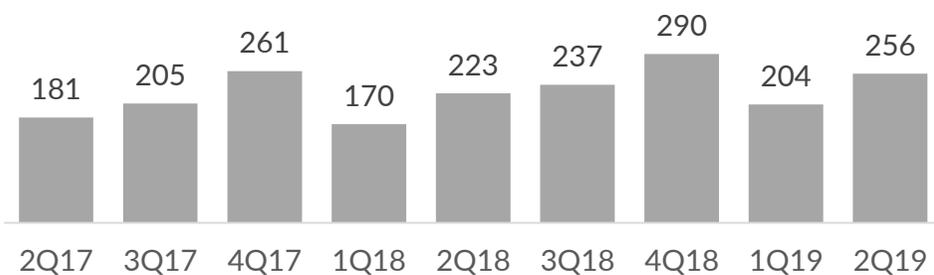
TEENAGERS – BOYS  
AND GIRLS

2004  
YEAR OF LAUNCH

A STREETWEAR BRAND INSPIRED BY HIP-HOP AND POP-CULTURE.



## REVENUES (PLN m)



	2Q18	2Q19	YoY
Number of stores	335	326	-9
Floorspace (ths m2)	113.0	122.2	8%
Average store space (m2)	337	375	11%



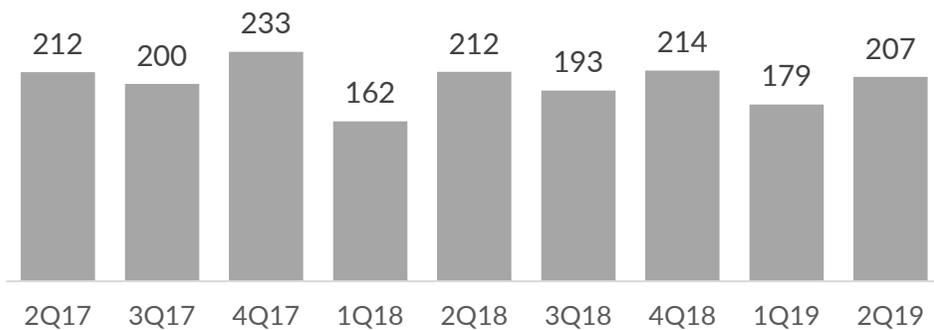
TEENAGERS (BOYS AND GIRLS) WHO LIKE BRAVE FASHION CHOICES.

2001  
YEAR OF LAUNCH

OPTIMISTIC FASHION BRAND.

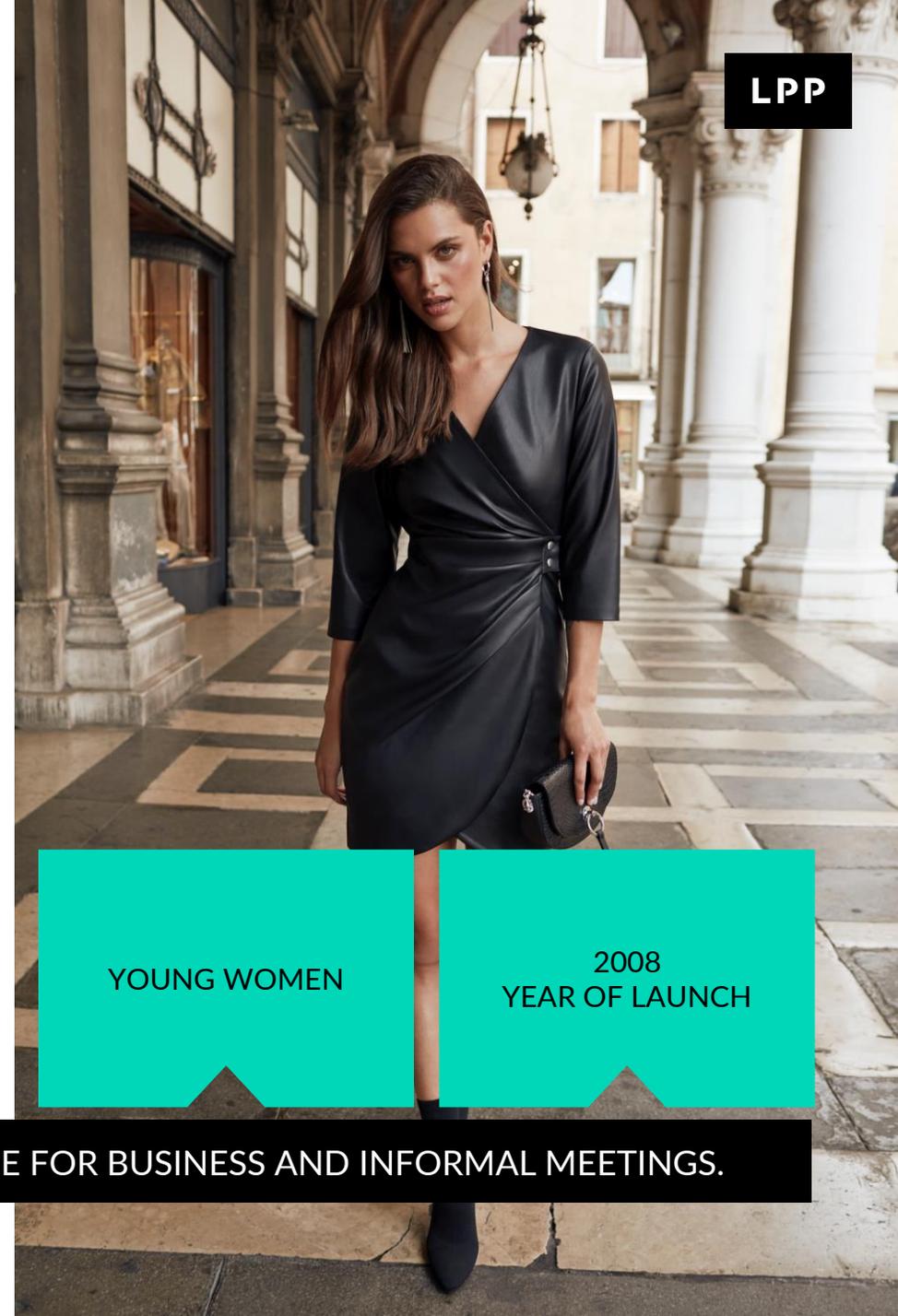
# M O H I T O

## REVENUES (PLN m)



	2Q18	2Q19	YoY
Number of stores	294	289	-5
Floorspace (ths m2)	105.5	108.8	3%
Average store space (m2)	359	377	5%

LPP

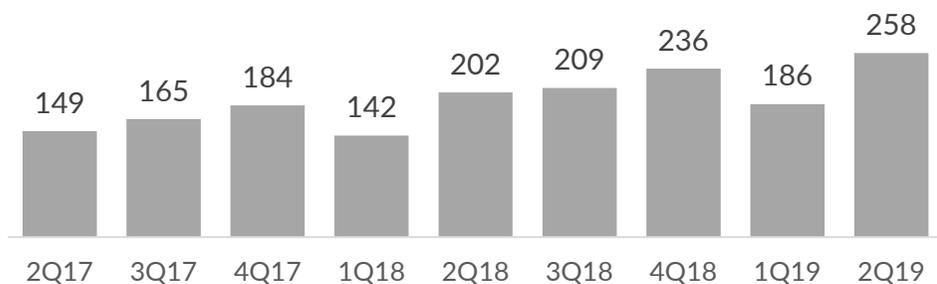


YOUNG WOMEN

2008  
YEAR OF LAUNCH

A BRAND THAT COMBINES COMFORT AND ELEGANCE FOR BUSINESS AND INFORMAL MEETINGS.

## REVENUES (PLN m)



	2Q18	2Q19	YoY
Number of stores	253	288	+ 35
Floorspace (thś m2)	92.8	120.0	29%
Average store space (m2)	367	417	14%



TEENAGERS - GIRLS ONLY

2013 YEAR OF LAUNCH

CLOTHES FOR EVERY DAY INSPIRATIONS AND ORIGINAL PARTY OUTFITS.



# Glossary

Poland	Retail sales in Poland and other sales of LPP SA.
CEE	Region including: Czech Republic, Slovakia, Hungary.
Baltic	Region including: Lithuania, Latvia, Estonia.
CIS	Region including: Russia, Ukraine, Belarus and from 2018 also Kazakhstan.
SEE	Region including: Bulgaria, Romania, Croatia, Serbia, from 2018 also Slovenia and from 2019 B&H.
WE	Region including Germany and the UK, while from 2019 also Finland.
ME	Region including: Egypt, Qatar, Kuwait, UAE, while from 2018 also Israel. Until mid-2017 the region also encompassed Saudi Arabia.
Europe	Region including: CEE, Baltic, SEE and WE.
EBITDA	EBIT + depreciation from cash flow statement.
Average monthly revenues/m <sup>2</sup>	Revenues of segment or brand / average working total floorspace / 3.
Average monthly costs of own stores/m <sup>2</sup>	Quarterly costs of own stores / average working floorspace of own stores (ie. excluding all franchise stores which represent c. 4.6% of the working floorspace) / 3.
Average monthly SG&A PLN/m <sup>2</sup>	Quarterly SG&A costs/ average working total floorspace excluding stores located in ME and Belarus / 3.
Inventory/ m <sup>2</sup>	End of period group inventory/ total floorspace without franchise stores in ME and Belarus.
Cash turnover cycle	Receivables (in days) plus inventories (in days) minus liabilities (in days). Calculations on average amounts of receivables, inventories and liabilities.

A woman with long brown hair, wearing a maroon long-sleeved dress with a black belt, stands on a balcony with classical architecture. The balcony has a stone balustrade and columns. The background shows a building with windows and decorative elements.

**LPP**

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RESERVED

CROPP

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MOHITO

sinsay