

# LPP

## FINANCIAL RESULTS FOR 3Q16

GLOBAL ASPIRATIONS

WARSAW, 15th NOVEMBER 2016

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RESERVED

 TALLINDER

M O H I T O

 house

CROPP

sinsay

# DISCLAIMER

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# AGENDA

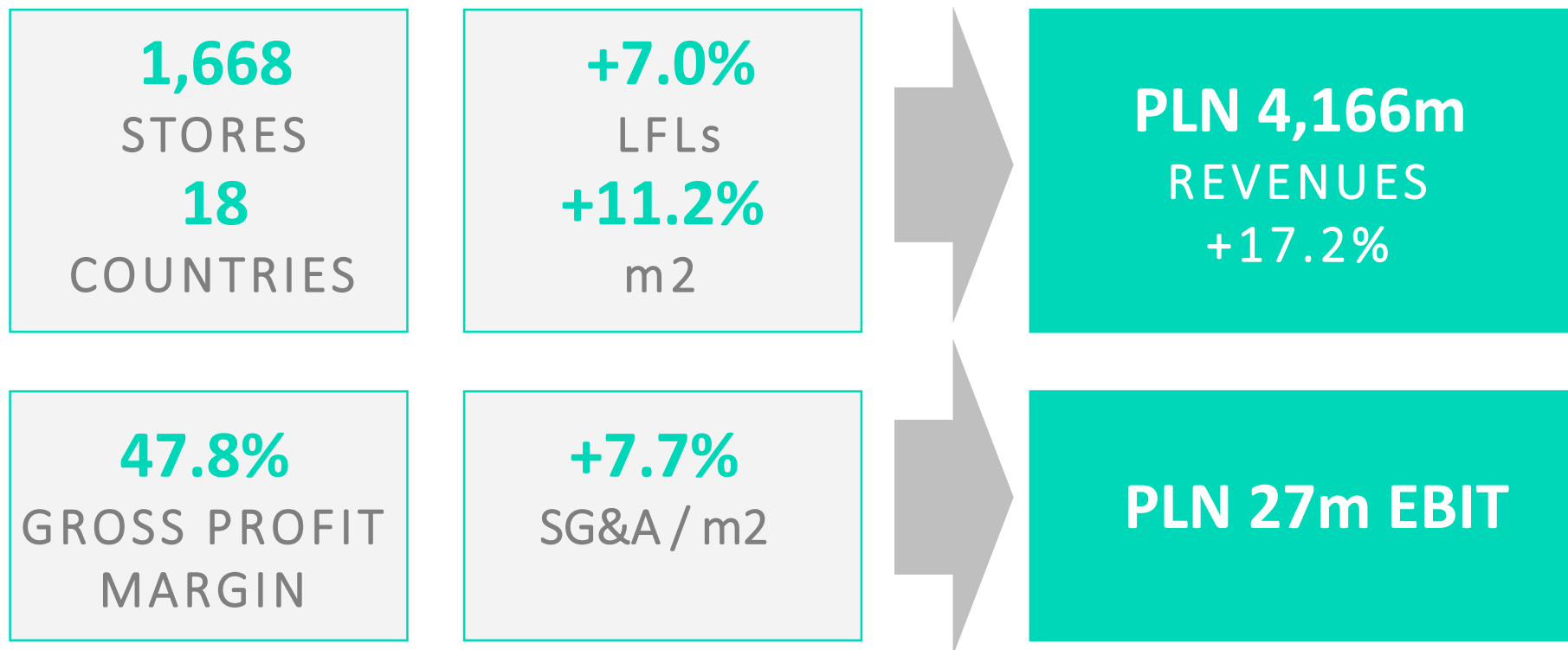
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- Executive summary
- 3Q16 financial results
- Key corporate events
- 2016 and 2017 outlook
- Q&A



# Over PLN 4bn revenues in 9M16

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# Key 3Q16 achievements

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## Franchise agreement for Belarus

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Agreement with a local franchisee for first stores in Minsk.

August 2016



## Closing the Tallinder brand

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Lower-than-expected sales were one of the reasons for closing the stores.

September 2016



## RESERVED flagship in Munich

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16<sup>th</sup> store in Germany, in Munich.  
3,456 m2

September 2016



## LPP stores free from furs

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Resignation from natural furs at all LPP's brands.

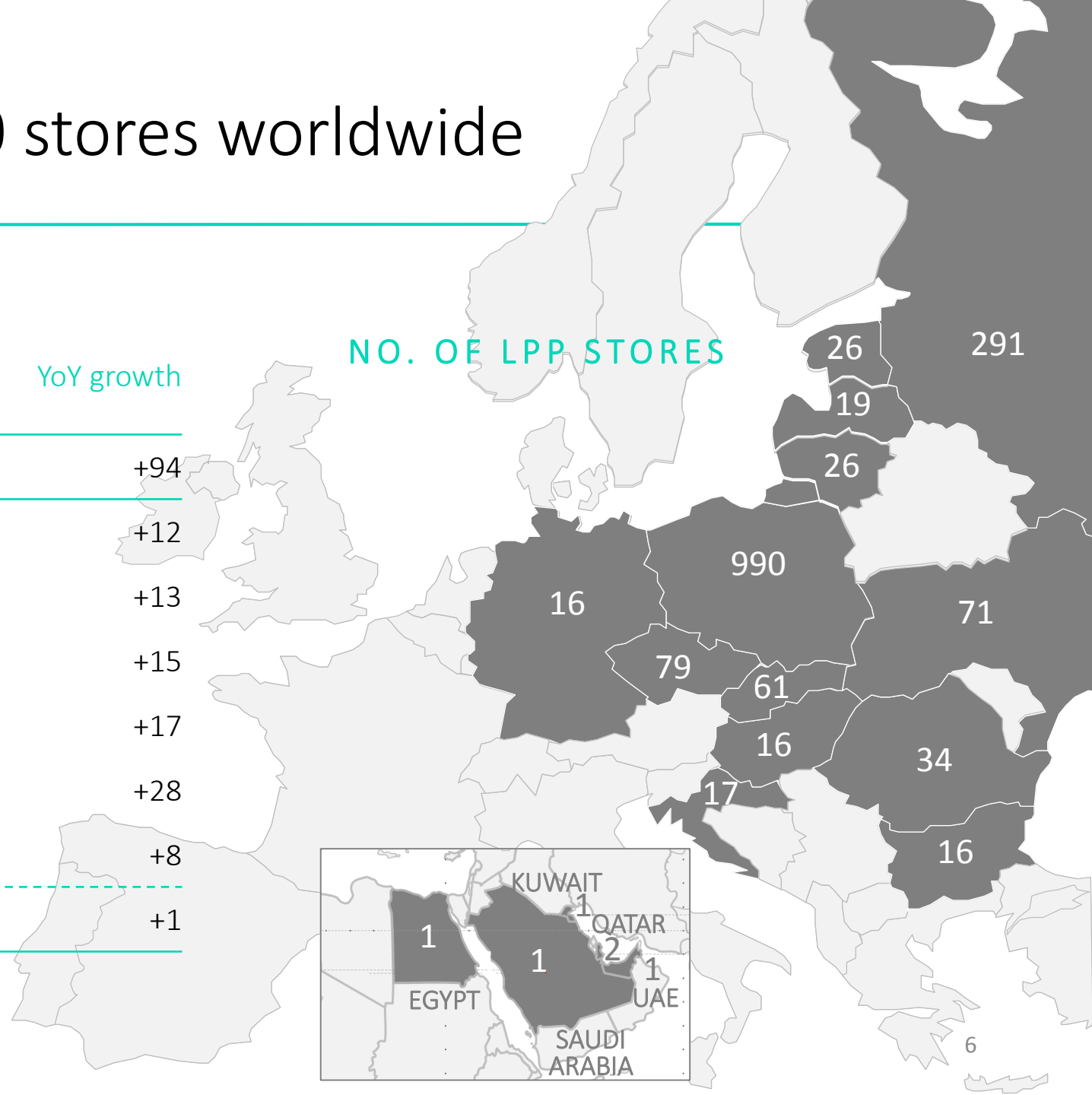
September 2016

# Almost 1,700 stores worldwide

## NO. OF LPP STORES

30.09.2016      No. of stores      YoY growth

LPP GROUP	1,668	+94
RESERVED	449	+12
Cropp	375	+13
House	326	+15
MOHITO	288	+17
SiNSAY	185	+28
Tallinder	8	+8
Outlets	37	+1



# AGENDA

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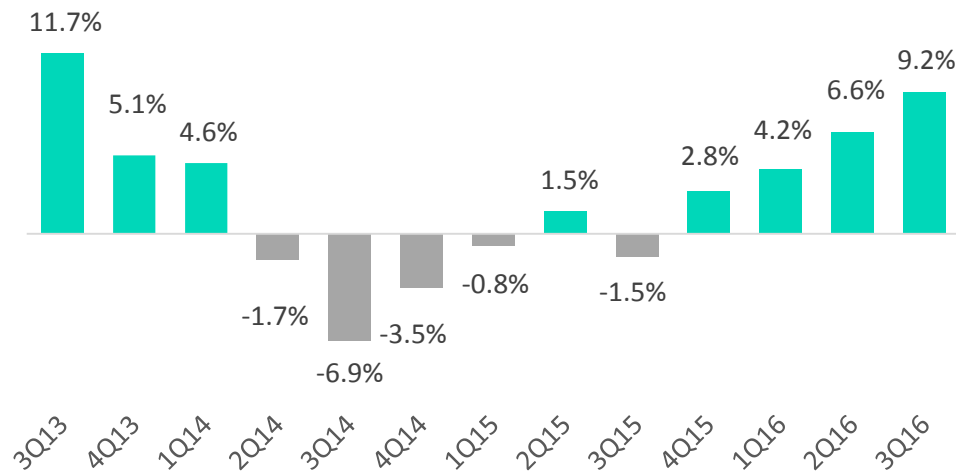
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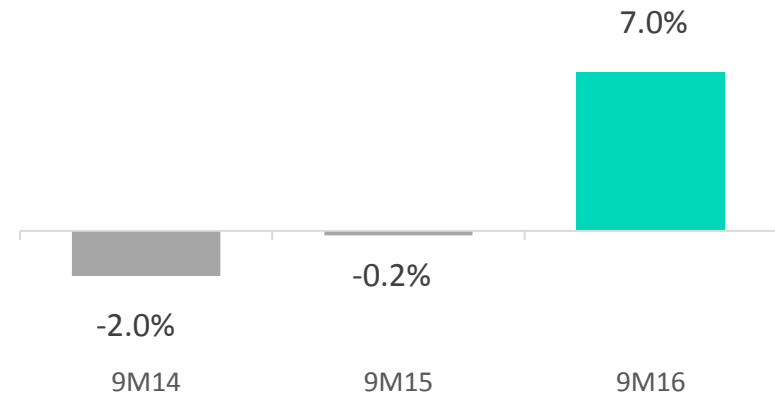


# Dynamic LFL growth

LFLs in LOCAL CURRENCIES  
data for the group



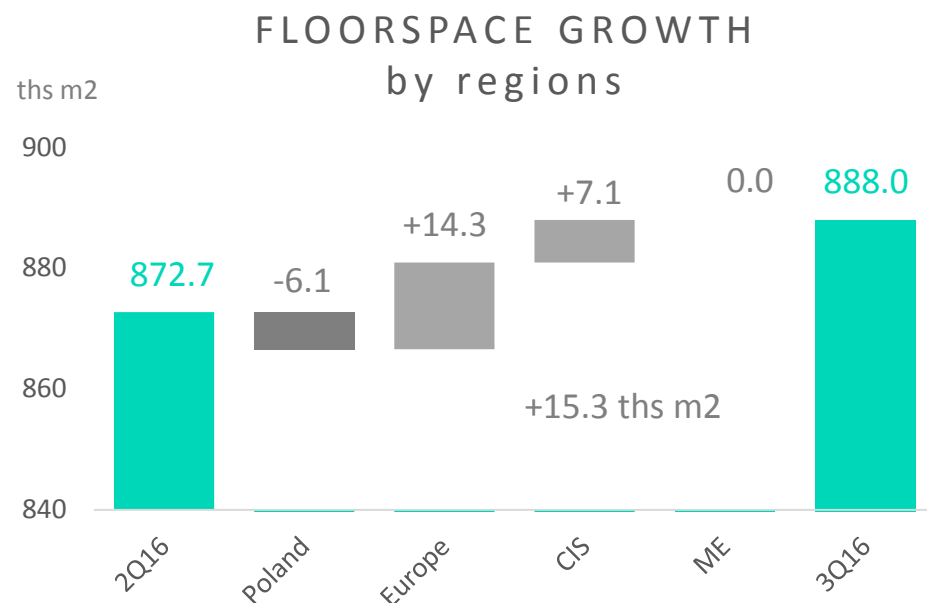
LFLs in LOCAL CURRENCIES  
data for the group



- LFLs were positive in each month in 3Q16. All brands showed positive LFLs in 3Q16. RESERVED LFLs in Poland stood at 0% in 3Q16 compared to -8% in 2Q16.
- 3Q16 LFLs were in the black in all countries except for Slovakia and Hungary.
- The highest double-digit positive LFLs in 3Q16 were recorded in Russia, Ukraine, Romania, Croatia and Bulgaria. In 3Q16 we had positive LFLs in Germany.



# Floorspace growth in Europe and Russia

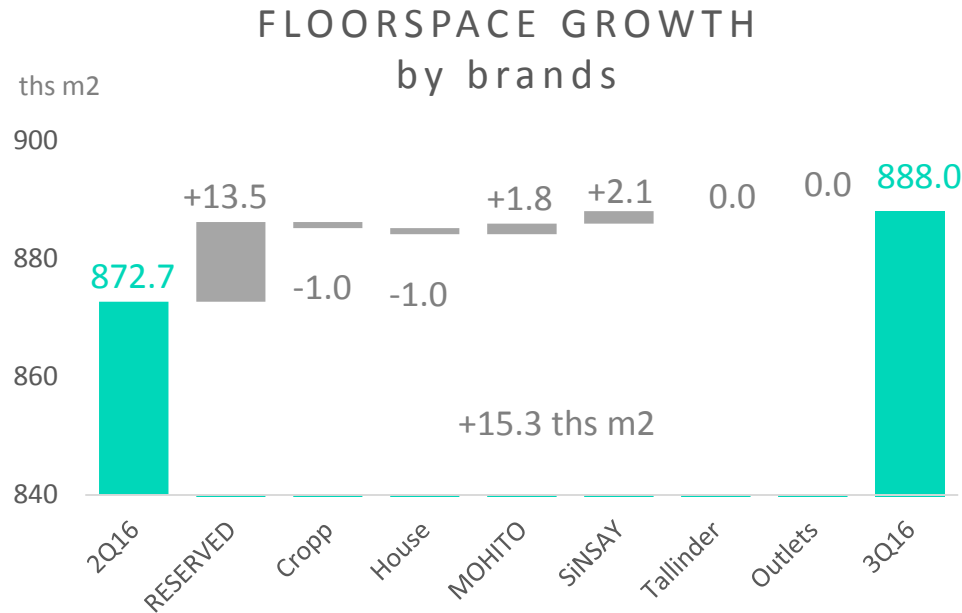


**3Q16 FLOORSPACE by regions**

ths m2	3Q15	3Q16	YoY
LPP GROUP	798.8	888.0	11.2%
Poland	443.9	471.2	6.2%
Europe	161.7	205.2	26.9%
CIS	187.7	204.0	8.7%
ME	5.5	7.6	38.3%

- Fall in Poland mainly from closing down the seasonal stores of Cropp and House (c. 5 ths m2).
- Dynamic growth in Europe in 3Q16 due to: (1) development in Germany (one new store, 3.5 ths m2) and (2) new openings in the Balkans (new stores in Bulgaria and Romania with a total of 11.3 ths m2).
- Acceleration of development in Russia - 11 new stores in 3Q16.
- There were no openings in the Middle East in 3Q16.

# RESERVED brand – a growth leader

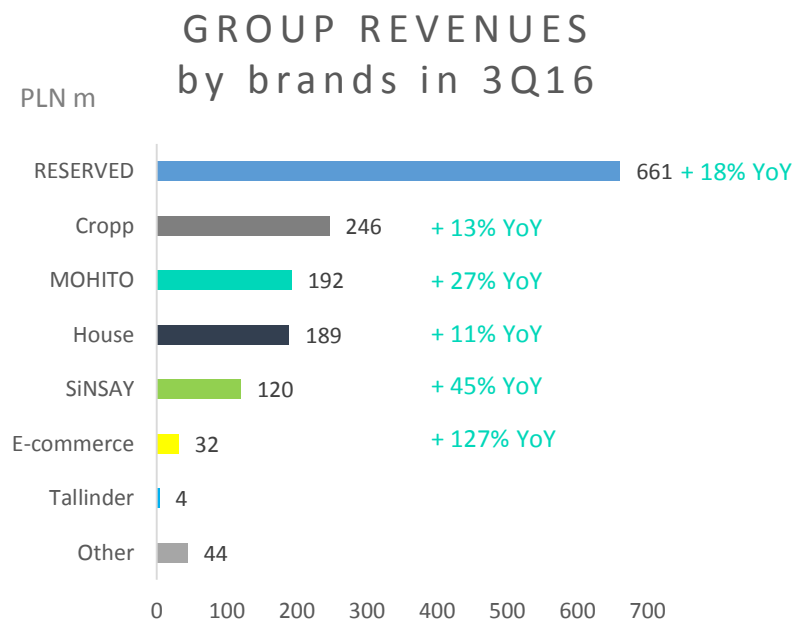
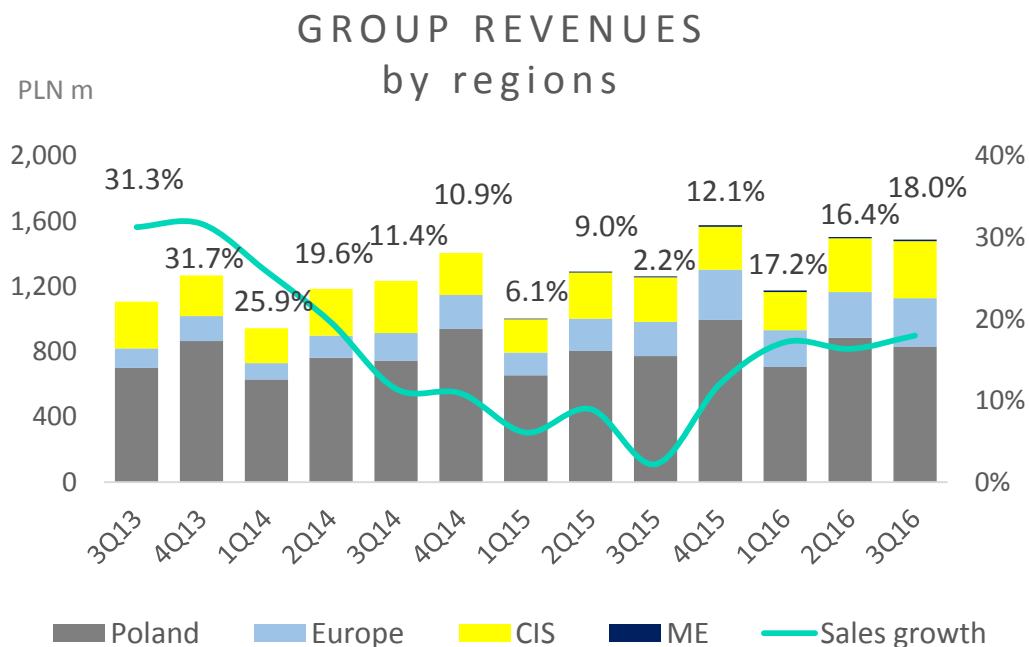


**3Q16 FLOORSPACE by brands**

ths m2	3Q15	3Q16	YoY
LPP GROUP	798.8	888.0	11.2%
RESERVED	435.7	487.2	11.8%
Cropp	109.1	116.7	6.9%
House	95.2	103.8	9.1%
MOHITO	90.3	97.6	8.1%
SiNSAY	54.8	65.2	18.9%
Tallinder	0.0	3.7	n/m
Outlets	13.6	13.8	1.2%

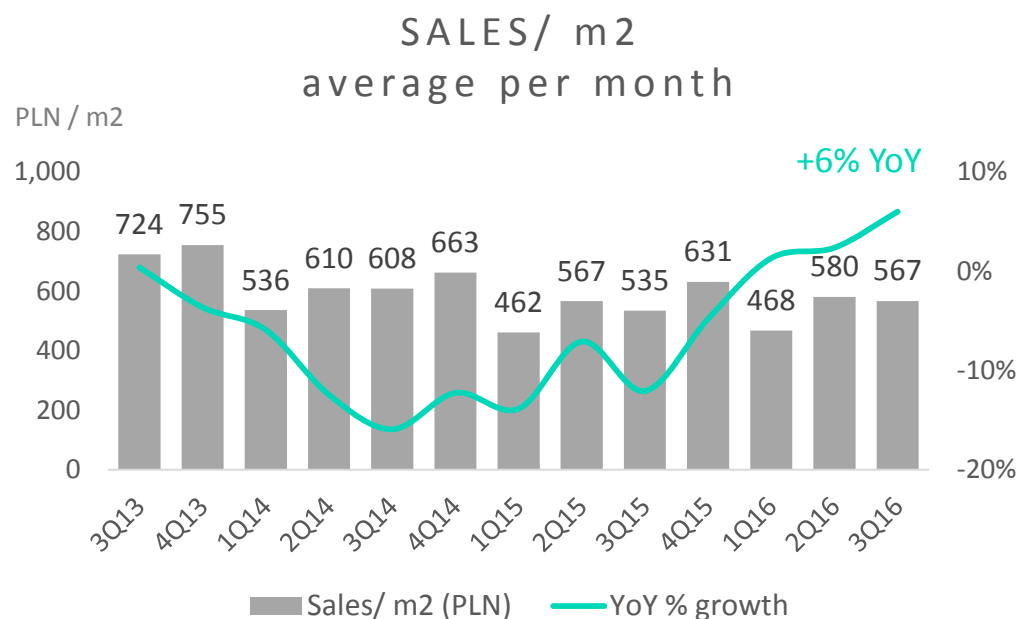
- Dynamic RESERVED development in 3Q16 due to: (1) openings in Germany (flagship in Munich, 3.5 ths m2), (2) accelerated openings in Russia and (3) further openings in the Balkans.
- Closing of seasonal Cropp and House stores reduced floorspace by c. 5 ths m2.
- SiNSAY was the fastest growing brand in our portfolio due to development in Poland and abroad.

# Fast top-line growth



- Group revenues up 18% YoY in 3Q16 due to higher floorspace and positive LFLs.
- The largest nominal revenue growth in 3Q16 took place in Russia, Poland and Germany.
- The largest nominal revenue growth in 3Q16 was generated by RESERVED and MOHITO brands.
- 3Q16 was the first quarter in which RESERVED foreign sales exceeded domestic revenues.

# Acceleration of sales/ m2 growth

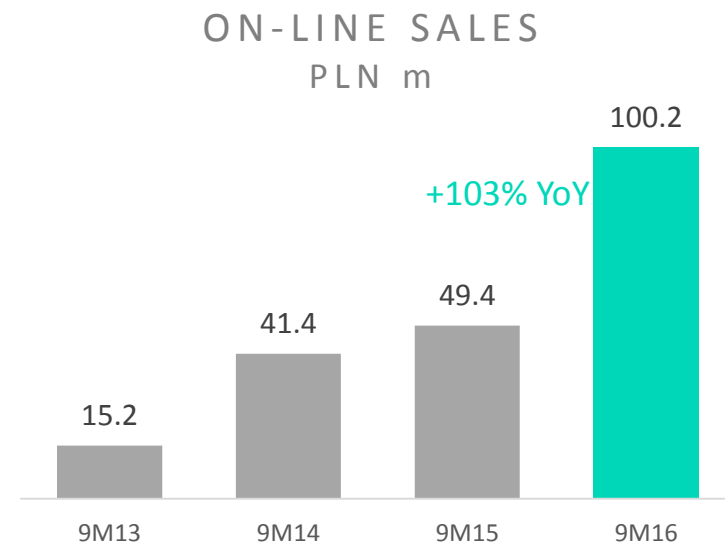
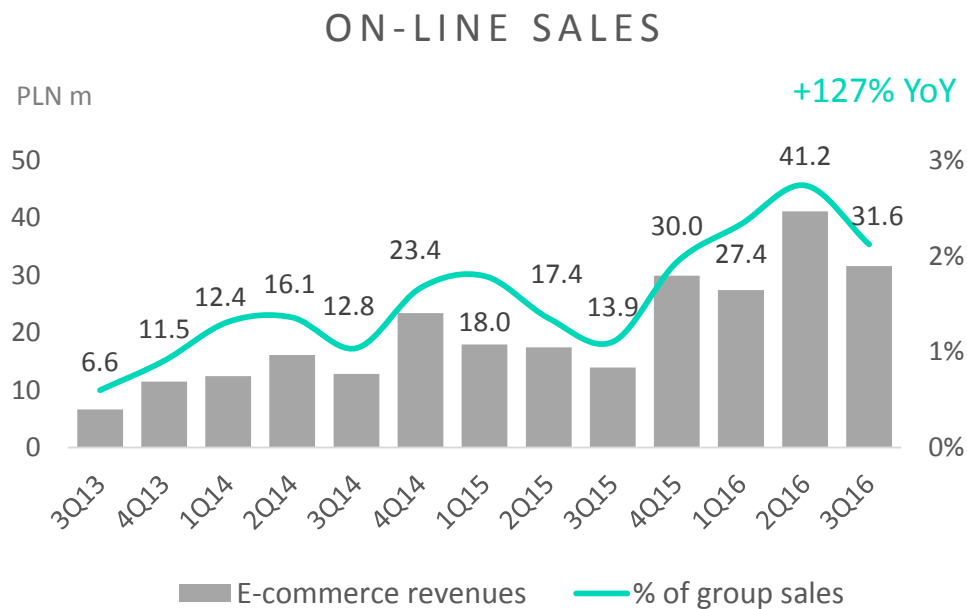


## RETAIL SALES/ m2

PLN (monthly)	3Q15	3Q16	YoY
LPP GROUP	504	547	8.5%
Poland	544	560	3.0%
Europe	456	497	9.1%
CIS	463	570	22.9%

- In 3Q16 both sales/ m2 and retail sales/ m2 showed positive YoY dynamics.
- Double-digit YoY sales/ m2 growth was recorded in Croatia, the Czech Republic, Estonia, Lithuania, Romania and Russia.
- In local currencies sales/ m2 grew 31% YoY in Russia and 38% YoY in Ukraine in 3Q16.

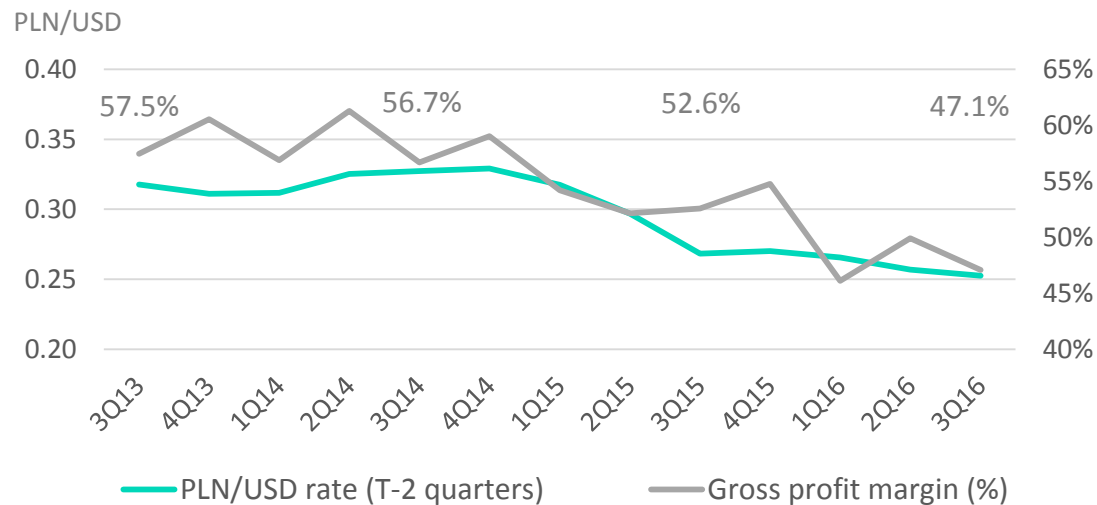
# Dynamic e-commerce development



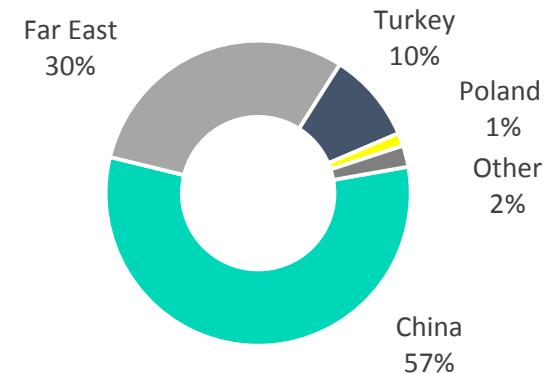
- On-line sales constituted 3.4% of revenues from Poland and 2.1% of group revenues in 3Q16.
- Around 90% of on-line sales was generated in Poland.
- Each of our six brands has its own internet store in Poland.
- RESERVED on-line stores are present in six countries.

# A new sell-out policy

## GROSS PROFIT MARGIN vs PLN/US\$



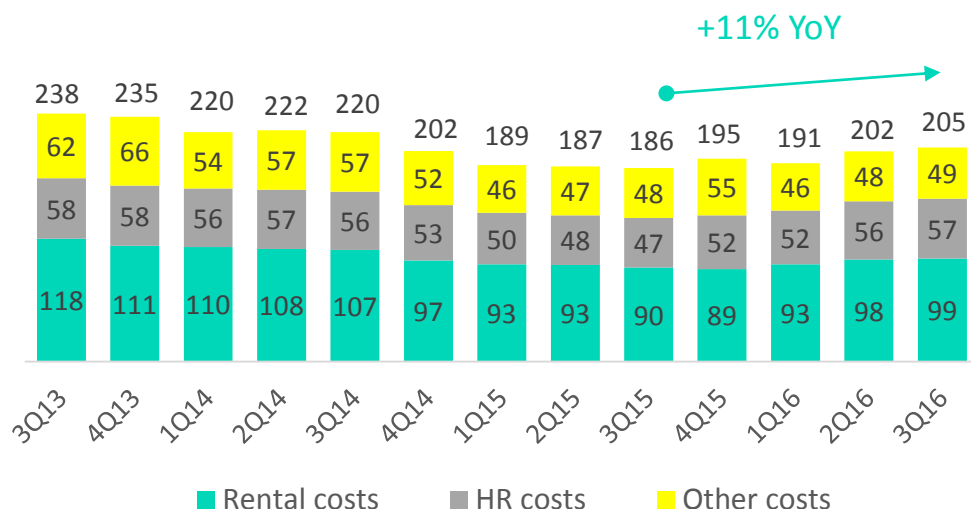
## 9M16 PURCHASES by regions



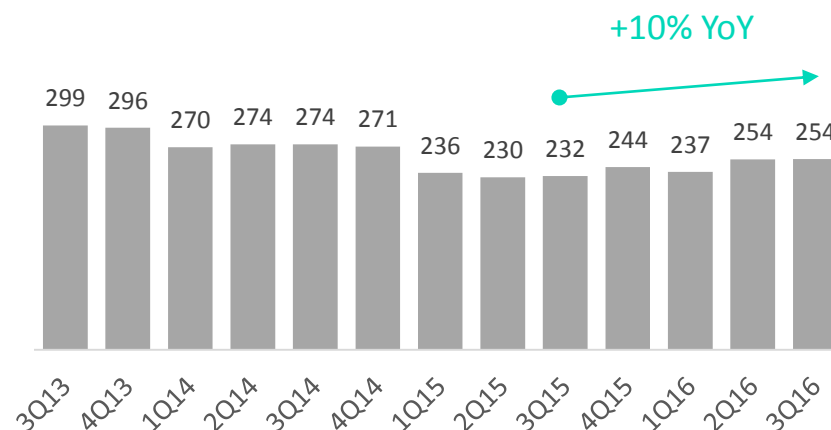
- Fall in 3Q16 gross profit margin resulted from stronger sell-offs at RESERVED in July and August.
- In 3Q16 we continued our new sell-out policy – goods were sold off to the maximum extent in stores, to avoid the costs of removal and transportation to the post-season warehouse.
- Better YoY perception of A/W collection (especially RESERVED women collection) and colder weather in the second half of the month helped raise the gross profit margin by 1 p.p. in September 2016.

# Higher costs per/ m2

COSTS of OWN STORES/ m2



SG & A/ m2



- Higher rental charges → depreciation of PLN vs. EUR and turnover-based payments in July and August.
- Growth in personnel costs → growth in salaries, especially in the Baltic countries, Russia and Poland.
- Pick-up in SG&A/ m2 → higher costs of headquarters (development of product divisions, further e-commerce expansion) and higher costs of stores.



# 3Q16 results burdened by write-offs

PLN m	3Q15	3Q16	YoY
<b>Revenues</b>	<b>1,261.5</b>	<b>1,488.4</b>	<b>18.0%</b>
Gross profit on sales	663.2	700.6	5.6%
<i>Gross profit margin</i>	<i>52.6%</i>	<i>47.1%</i>	<i>-5.5 p.p.</i>
SG&A costs	546.8	662.2	21.1%
Other operating activity	-9.6	-33.6	
<b>EBIT</b>	<b>106.8</b>	<b>4.8</b>	<b>-95.5%</b>
<i>EBIT margin</i>	<i>8.5%</i>	<i>0.3%</i>	<i>-8.2 p.p.</i>
Net financials	-14.4	-8.0	
Pre-tax profit	92.5	-3.2	n/m
Tax	12.7	3.2	
<b>Net income</b>	<b>79.7</b>	<b>-6.5</b>	<b>n/m</b>
<i>Net margin</i>	<i>6.3%</i>	<i>-0.4%</i>	<i>-6.7 p.p.</i>

- Dynamic revenue growth (positive LFLs and floorspace increase).
- Decrease in gross margin: lower margins in sell-out months (July and August), but margin pick-up in September.
- YoY growth in SG&A costs due to higher costs of stores and headquarters.
- EBIT burdened by PLN24.6m of write-offs and provisions related to shutting down the Tallinder stores.
- Negative net financials:
  - PLN 1.9m of FX losses (3Q15: PLN 10m losses), out of which PLN 9.6m losses on ruble and hryvna (3Q15: PLN 10m losses) and PLN 13.5m gains on US\$ (PLN 1m loss in 3Q15).
- Tax liability in 3Q16 despite pre-tax loss – write-offs and provisions are not tax deductible.

# Closing down the Tallinder brand

- September 6, 2016 the Management Board decided to resign from further development of the Tallinder brand.
- The first store was opened in February 2016. At the end of October 2016, the brand had 9 stores. These will be closed by the end of February 2017.
- Unsatisfactory results for 1H16 were among the reasons for abandonment of the brand's development.
- We estimate 2016 loss at c. PLN 20m. In addition, PLN 24.6m of related provisions and write-offs were booked in 3Q16.
- We plan to convert Tallinder stores into stores of other LPP brands.

## P&L AND CASH FLOW IMPACT

	1Q16	2Q16	3Q16	2016 target
Revenues (PLN m)	0.7	3.1	3.8	35
Sales / m2 per month (PLN)	324	310	344	1,000

PLN m	2015	2016 results	2016 target
Revenues	0	12	35
EBIT	(6)	(20)	(1)
Capex	0	(18)	(19)

Note: The results for 2016 are LPP's estimates at the time of publication of the current report on closing down the Tallinder brand. Targets for 2016 are LPP's expectations at the time the brand was launched.

# Adjusted bottom-line above zero

PLN m	3Q15	3Q16	YoY
<b>Revenues</b>	<b>1,261.5</b>	<b>1,488.4</b>	<b>18.0%</b>
Gross profit on sales	663.2	700.6	5.6%
<i>Gross profit margin</i>	<i>52.6%</i>	<i>47.1%</i>	<i>-5.5 p.p.</i>
Adjusted SG&A costs	546.8	658.5	20.4%
Adj. other operating activity	-9.6	-12.7	
<b>Adjusted EBIT</b>	<b>106.8</b>	<b>29.4</b>	<b>-72.5%</b>
<i>Adj. EBIT margin</i>	<i>8.5%</i>	<i>2.0%</i>	<i>-6.5 p.p.</i>
Net financials	-14.4	-8.0	
Adj. pre-tax profit	92.5	21.3	-76.9%
Adjusted tax	12.7	7.5	
<b>Adjusted net income</b>	<b>79.7</b>	<b>13.9</b>	<b>-82.6%</b>
<i>Net margin</i>	<i>6.3%</i>	<i>0.9%</i>	<i>-5.4 p.p.</i>

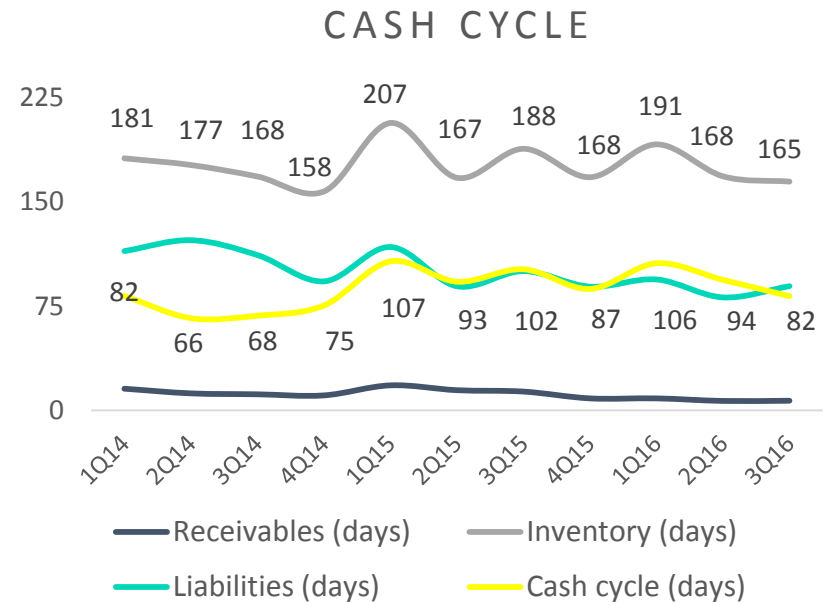
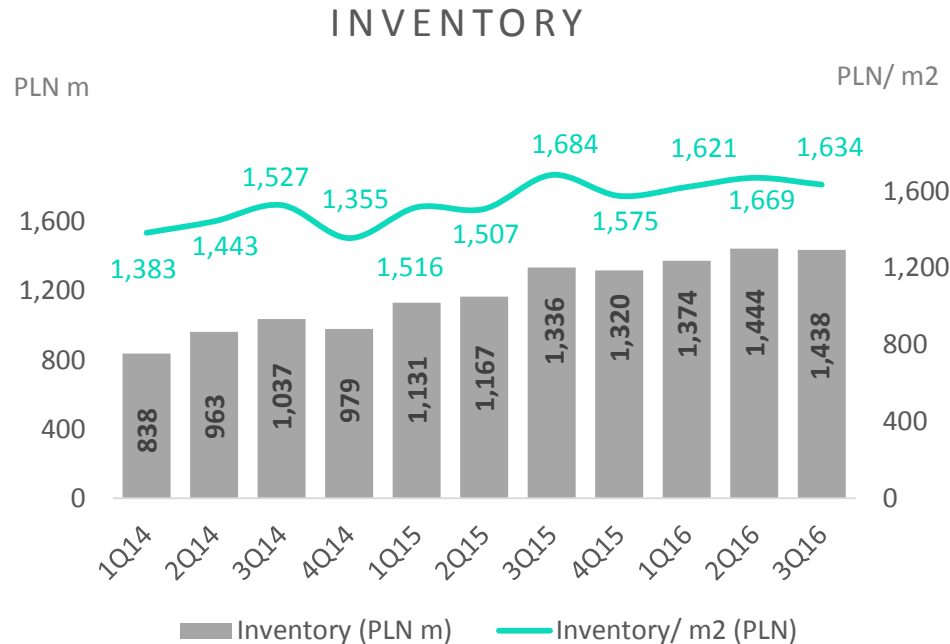
- 3Q16 EBIT charged with PLN 24.6m write-offs and provisions related to resignation from development of the Tallinder brand.
- PLN 3.7m provisions for closing down stores and contractual fines increased 3Q16 selling costs.
- PLN 20.9m write-offs for capex incurred for Tallinder brand increased other operating costs.
- 3Q16 adjusted bottom-line would be above zero, both on pre-tax and net levels.
- Net profit was adjusted by PLN 20.4m, including deferred tax amount.

# Results in line with preliminary data

PLN m	9M15	9M16	YoY
<b>Revenues</b>	<b>3,555.3</b>	<b>4,165.6</b>	<b>17.2%</b>
Gross profit on sales	1,880.1	1,992.1	6.0%
<i>Gross profit margin</i>	<i>52.9%</i>	<i>47.8%</i>	<i>-5.1 p.p.</i>
SG&A costs	1,582.7	1,909.2	20.6%
Other operating activity	-30.0	-55.6	
<b>EBIT</b>	<b>267.3</b>	<b>27.4</b>	<b>-89.8%</b>
<i>EBIT margin</i>	<i>7.5%</i>	<i>0.7%</i>	<i>-6.8 p.p.</i>
<b>Adj. EBIT</b>	<b>267.3</b>	<b>52.0</b>	<b>-80.6%</b>
<i>Adj. EBIT margin</i>	<i>7.5%</i>	<i>1.2%</i>	<i>-6.3 p.p.</i>
Net financials	-46.3	-10.7	
Pre-tax profit	221.0	16.7	-92.4%
Tax	42.0	-1.0	
<b>Net income</b>	<b>179.0</b>	<b>17.7</b>	<b>-90.1%</b>
<i>Net margin</i>	<i>5.0%</i>	<i>0.4%</i>	<i>-4.6 p.p.</i>
<b>Adj. net income</b>	<b>179.0</b>	<b>38.1</b>	<b>-78.7%</b>
<i>Adj. net margin</i>	<i>5.0%</i>	<i>0.9%</i>	<i>-4.1 p.p.</i>

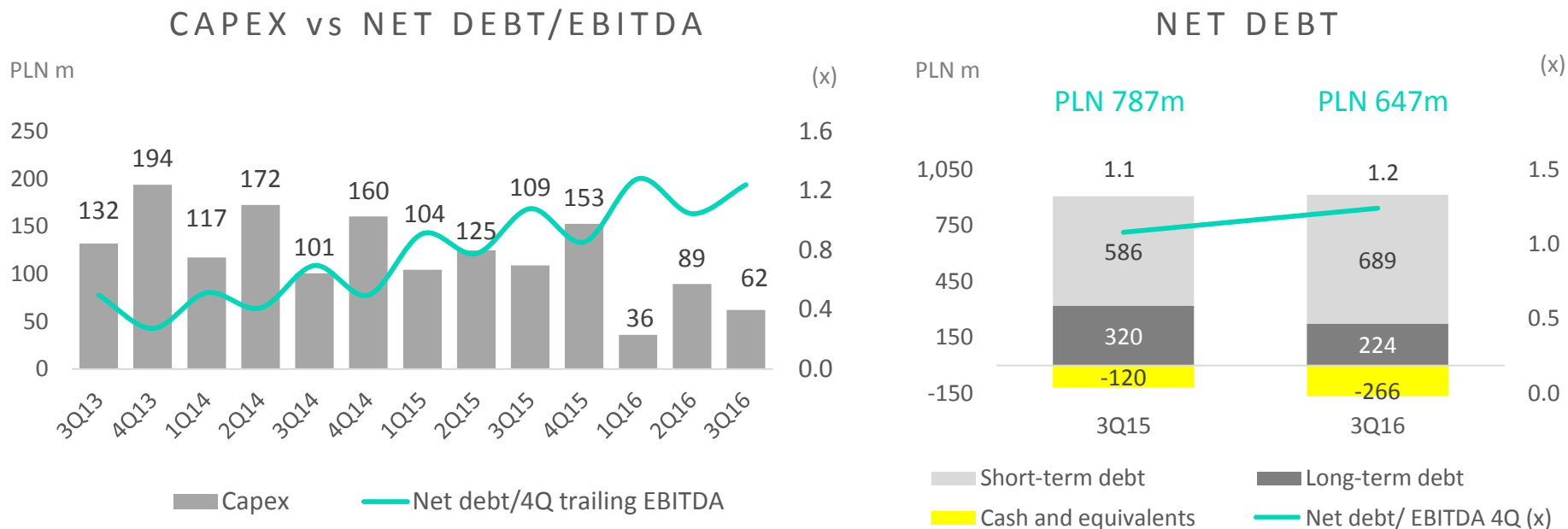
- Dynamic revenue growth (positive LFLs and higher floorspace).
- Continuation of trends on gross profit margin: new sell-out policy and competitive pressure.
- YoY growth in SG&A costs due to higher cost of stores and headquarters from 2Q16.
- Increase in other operating costs due to write-downs related to resignation from the Tallinder brand.
- Negative net financials:
  - PLN 8.7m of FX gains (9M15: PLN 32.8m losses), out of which PLN 4.9m gains on ruble and hryvna (9M15: PLN 32.5m loss) and PLN 5.2m gains on US\$ (9M15: PLN 11m of losses).
- Low tax results from low pre-tax profit.

# Fall in inventory/ m2



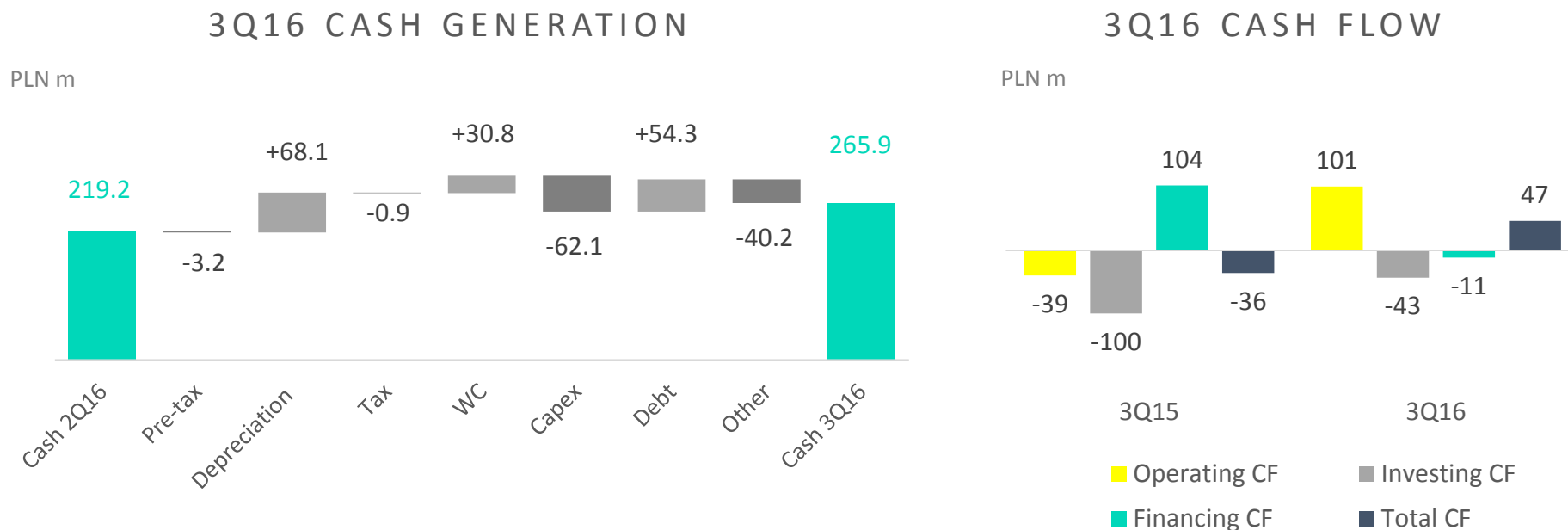
- Nominal YoY growth in inventory results from higher floorspace.
- Fall in inventory/ m2 YoY results from the new sell-out policy and changes in inventory management (less inventory in stores).
- Faster YoY and QoQ cash cycle mainly due to lower inventory turnover.

# Lower YoY indebtedness and capex



- 3Q16 capex down 43% YoY due to a lower number of new openings and completion of investments in HQs.
- QoQ capex decline results from seasonally lower openings during the summer holiday season.
- Stable net debt/ EBITDA level. Our aim is to reduce net debt / EBITDA ratio.

# Strong operating cash flow



- Operating cash flow → YoY increase thanks to changes in inventory management policy.
- Investing cash flow → lower YoY capex results from completion of investment in headquarters.
- Financing cash flow → increased borrowing but dividend payment.
- PLN 1.6bn in open credit lines used for letters of credits, guarantees and overdrafts.



# 9M16 executive summary

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## ACHIEVEMENTS AND CHALLENGES

- Improvement in RESERVED women collection. Work in progress.
- Strong results of MOHITO, SiNSAY, Cropp and House brands.
- Further growth in foreign sales. RESERVED foreign sales exceeded domestic revenues.
- Acceleration of e-commerce dynamics.
- Focus on achieving profitability in Germany (mainly on sales/ m2).

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# Franchise agreement for Belarus

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- Agreement signed in August 2016.
- Brand to be developed: RESERVED.
- An experienced local franchisee: Investment Group RAPA
- Settlement: wholesale, direct sales to franchisee. Lack of SG&A costs and capex.
- Planned development: up to three RESERVED stores in Minsk (the first one with 2 ths m2 in 1H17).
- Reasons behind entering:
  - A high-growth perspective market
  - Limited international competition
  - First modern shopping centre being built
  - Recognition of LPP's brands.

## DEVELOPMENT IN BELARUS



# Another RESERVED flagship in Germany



- First store in the capital city of Bavaria, Munich. This high-street store was opened in September 2016.
- Floorspace: 3,456 m<sup>2</sup>. Personnel: 60 people.
- 16<sup>th</sup> store in Germany but the first one in the whole LPP network in the new upgraded RESERVED concept.
- 20 stores in Germany by 2017. 20<sup>th</sup> store to be opened in Frankfurt am Main in 4Q17.

## FURTHER DEVELOPMENT IN GERMANY



NEXT OPENENINGS	M2	DATE
Berlin	2,096	1Q 17
Hamburg	2,780	1Q 17
Cologne	2,884	1Q 17
Frankfurt am Main	2,644	4Q 17

# No more natural furs in our collections

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## RESPONSIBLE PRODUCTION

- Signing the ACCORD agreement (2013).
- Effective supervision over factories and suppliers:
  - factory audit department (2014),
  - offices in Dhaka/ Bangladesh (2015).
- Update of Code of Conduct for suppliers (April 2015).
- Eco production:
  - resignation from usage of angora, i.e. rabbit fur (Nov. 2014),
  - introduction of organic cotton (Dec. 2015)
  - resignation from natural furs (Sept. 2016).

## RESIGNATION FROM NATURAL FURS

- Ban is effective for all LPP brands.
- Launch of *Fur Free Stores* campaign from Autumn/Winter 2016/2017 collections. LPP is one of > 300 companies and designers participating in this initiative.
- High quality synthetic fabrics instead of natural furs.
- Co-operation with Open Cages Association.
- Advantages:
  - meeting the expectations of our clients,
  - reducing our impact on the environment.

# Autumn/Winter trends at MOHITO

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**GOLD LABEL**

Sensual and dark limited collection with elegant clothes in line with the latest trends. Black dominates both clothing and accessories.



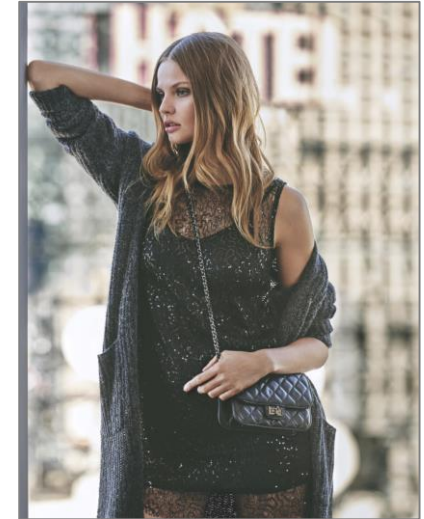
*Minnie*  
COLLECTION

Pop-culture icon, Minnie Mouse, inspired us to create a special collection characterized by simple cuts and glamorous finishing.



**NEW YORK**  
CITY VIBES

Comfortable clothes underlining female shapes. Dominating colours are black, dirty pink, grey and crimson. Among fabrics, focus on jeans, leather and artificial fur.



**AW 2016**

Top model Magdalena Frąckowiak is the face of the collection. The session was made in New York.



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# 2016 floorspace targets maintained

Floorspace (thś m2)	31.12.2015	2016 previous target	2016 new target	YoY growth
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## BY BRANDS

RESERVED	461.3	508.0	507.3	10%
Cropp	114.5	120.2	120.4	5%
House	99.7	105.2	105.0	6%
MOHITO	94.5	98.7	99.1	5%
SiNSAY	59.7	69.4	69.8	17%
Tallinder	0.0	4.4	4.1	-
Outlets	13.8	13.8	12.6	-9%

## BY REGIONS

Poland	465.0	495.6	494.2	6%
Europe	179.0	209.3	209.5	17%
CIS	193.9	207.2	207.0	7%
ME	5.5	7.6	7.6	38%
<b>TOTAL</b>	<b>843.5</b>	<b>919.7</b>	<b>918.3</b>	<b>9%</b>

- 9% YoY floorspace growth targeted for 2016 together with 1,700 stores in 18 countries.
- 2016 targets: (1) further development in Germany, (2) further floorspace growth in Russia and (3) acceleration in the SEE region.
- Planned 2016 capex at c. PLN 310m, down 37% YoY due to slower floorspace growth.
- Capex split: (1) PLN 270m for new stores and (2) PLN 40m for store upgrades. Outlays for headquarters delayed until 2017.
- 4Q16 floorspace growth should mainly come from the CEE region (Poland should be the regional leader). We also plan openings in Russia and the Baltic countries. 2016 development plans for Germany and the Middle East have already been achieved.

# 2016 expectations

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## 2016 TARGETS

### 2016 TARGETS MAINTAINED

- Revenue growth should exceed floorspace growth.
- Fall in gross profit margin by no more than c.3-4% p.p. versus 2015 level.

## 4 Q16 CHANCES

- LFLs improvement.
- E-commerce development (4 brands on-line in 5 new countries in 4Q16).
- Lack of turnover tax charges in 4Q16.

## 4 Q16 RISKS

- Unfavourably warm weather.
- Continuation of FX trends on PLN/US\$ and PLN/EUR.
- Pressure on SG&A/ m2, especially HR costs.

# Double-digit floorspace growth in 2017

Floorspace (tho m2)	2016 target	2017 target	YoY growth
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## BY BRANDS

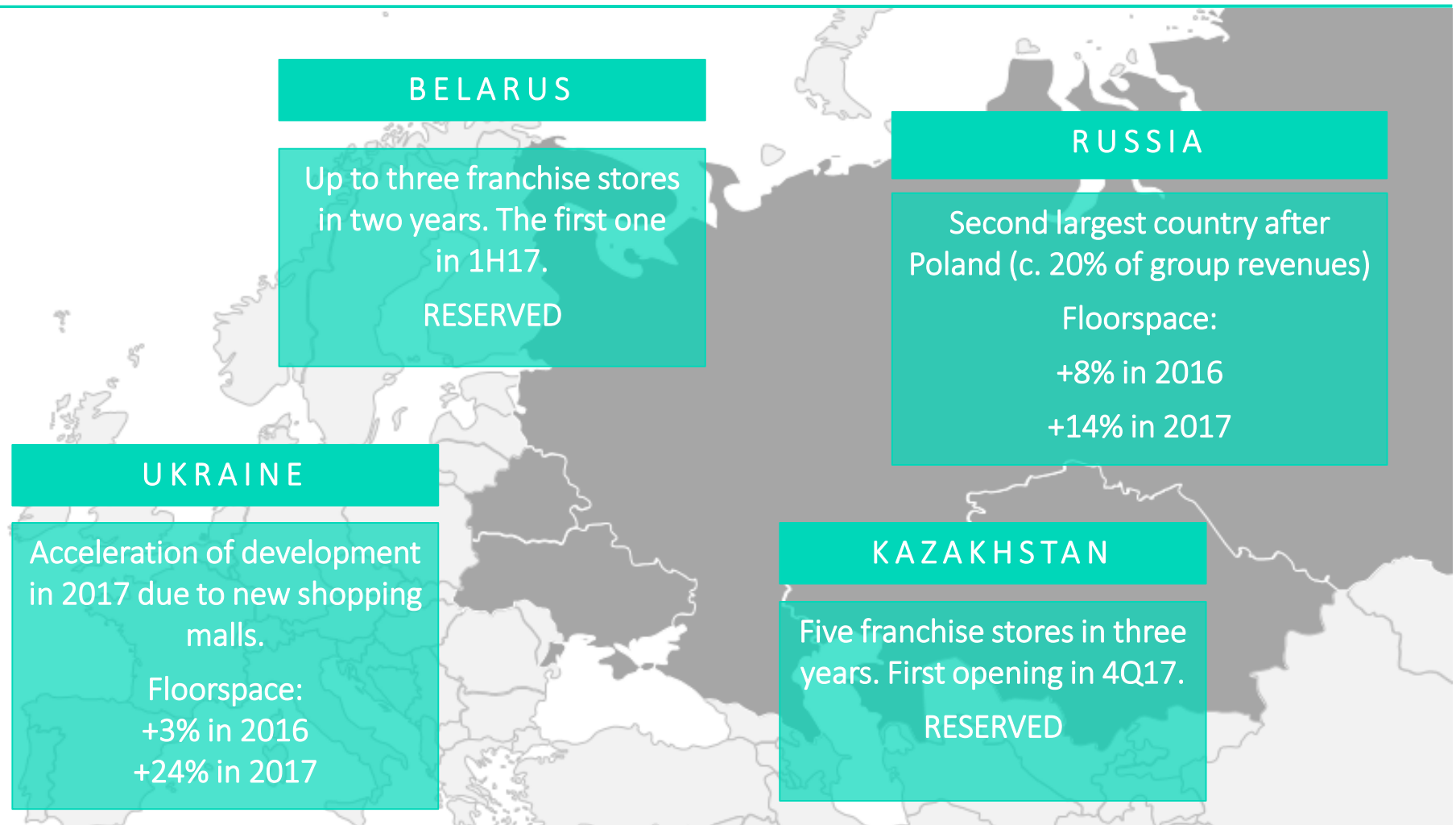
RESERVED	507.3	581.4	15%
Cropp	120.4	128.5	7%
House	105.0	113.4	8%
MOHITO	99.1	104.2	5%
SiNSAY	69.8	81.2	16%
Tallinder	4.1	0.0	-100%
Outlets	12.6	11.0	-12%

## BY REGIONS

Poland	494.2	527.1	7%
Europe	209.5	237.9	14%
CIS	207.0	243.9	18%
ME	7.6	10.9	43%
<b>TOTAL</b>	<b>918.3</b>	<b>1,019.8</b>	<b>11%</b>

- 11% YoY floorspace growth in 2017.
- 4 new countries in 2017:
  - Serbia and the UK in Europe (own stores);
  - Belarus and Kazakhstan in CIS (franchise stores).
- RESERVED stores in 22 countries at the end of 2017.
- 2017 targets: (1) further CEE development (emphasis on Poland and Hungary), (2) CIS acceleration (especially own stores in Russia) and (3) faster growth in the SEE region.
- Planned 2017 capex at c. PLN 430m, up 39% YoY, due to faster floorspace growth (planned store capex at c. PLN 350m) and headquarters expansion (PLN 80m).

# CIS development acceleration



# 2017 outlook

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## 2017 TARGETS

- Revenue growth should exceed floorspace growth (positive LFLs at all brands).
- Pick-up in gross profit margin versus 2016 level. Estimated 2017 gross profit margin at 52-53%.

## 2017 CHANCES

- LFLs improvement, especially at RESERVED brand.
- Dynamic e-commerce development (3 new markets).

## 2017 RISKS

- Ban on trade on Sundays (19% of turnover) and turnover tax.
- Unfavourable FX trends on PLN/US\$ and PLN/EUR.

# E-commerce – a strategic pillar



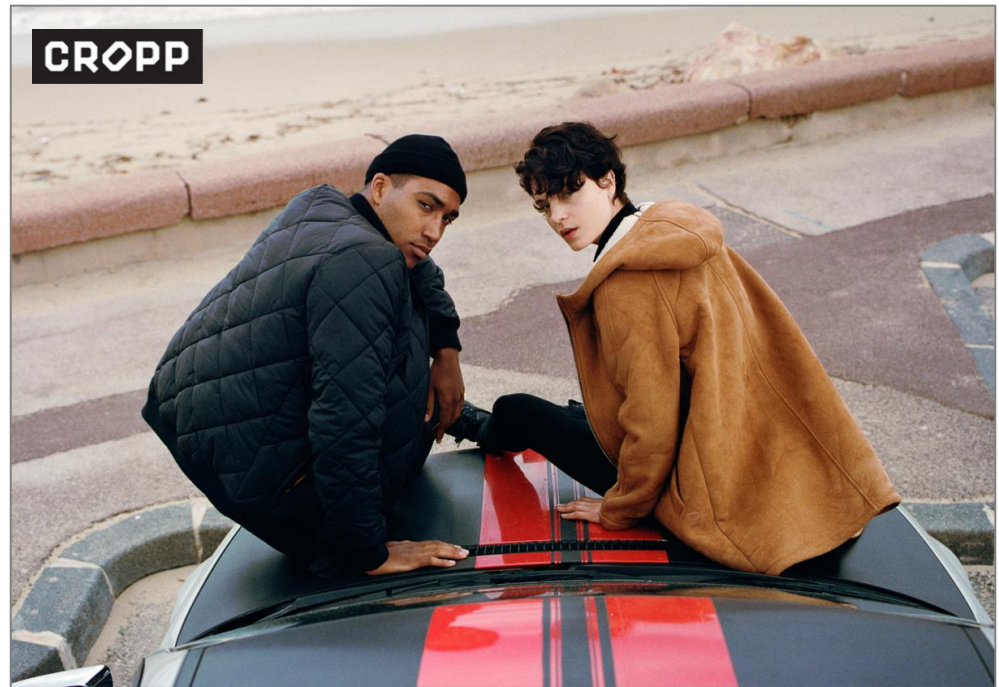
## TARGET BY 2020

7-8% of group sales generated by e-commerce

# AGENDA

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- Executive summary
- 3Q16 financial results
- Key corporate events
- 2016 and 2017 outlook
- Q&A





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- Back-up



# Network development

Floorspace (ths m2)	30.09.2014	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015	31.03.2016	30.06.2016	30.09.2016
<b>RESERVED</b>	<b>367.4</b>	<b>389.7</b>	<b>402.7</b>	<b>416.3</b>	<b>435.7</b>	<b>461.3</b>	<b>467.1</b>	<b>473.8</b>	<b>487.2</b>
Poland	204.7	209.2	215.2	219.0	223.4	232.5	230.9	235.1	232.0
Europe	69.6	83.9	90.1	95.1	106.5	120.2	124.0	127.2	140.0
CIS	93.2	96.6	95.8	98.3	100.4	103.1	104.6	103.9	107.7
ME	0.0	0.0	1.5	3.9	5.5	5.5	7.6	7.6	7.6
<b>Cropp</b>	<b>101.2</b>	<b>105.4</b>	<b>106.6</b>	<b>111.5</b>	<b>109.1</b>	<b>114.5</b>	<b>115.4</b>	<b>117.8</b>	<b>116.7</b>
Poland	57.0	58.3	58.5	62.8	59.6	63.0	63.6	65.2	63.0
Europe	15.6	17.1	17.8	18.7	19.1	19.8	20.2	20.6	21.0
CIS	28.6	30.0	30.2	30.0	30.4	31.7	31.6	31.9	32.8
<b>House</b>	<b>87.3</b>	<b>89.6</b>	<b>89.9</b>	<b>96.7</b>	<b>95.2</b>	<b>99.7</b>	<b>100.5</b>	<b>104.8</b>	<b>103.8</b>
Poland	56.9	57.3	56.2	62.4	59.3	62.2	62.9	65.4	63.1
Europe	10.3	11.4	12.7	13.2	14.4	15.1	15.5	16.4	16.8
CIS	20.1	20.9	21.0	21.1	21.6	22.4	22.0	23.1	23.9
<b>MOHITO</b>	<b>78.4</b>	<b>82.8</b>	<b>86.4</b>	<b>89.1</b>	<b>90.3</b>	<b>94.5</b>	<b>94.9</b>	<b>95.9</b>	<b>97.6</b>
Poland	45.1	46.2	47.8	49.2	49.7	52.1	52.5	51.8	52.4
Europe	9.4	11.8	13.6	14.5	15.2	16.1	16.5	17.7	18.1
CIS	24.0	24.8	25.0	25.4	25.4	26.2	25.9	26.3	27.1
<b>SiNSAY</b>	<b>38.0</b>	<b>43.7</b>	<b>48.4</b>	<b>52.4</b>	<b>54.8</b>	<b>59.7</b>	<b>60.5</b>	<b>63.1</b>	<b>65.2</b>
Poland	29.1	32.7	35.5	38.6	40.3	43.5	43.9	44.5	45.5
Europe	3.1	4.4	5.4	6.3	6.6	7.6	8.0	8.8	9.2
CIS	5.8	6.6	7.6	7.6	7.9	8.6	8.6	9.8	10.5
<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>2.9</b>	<b>3.7</b>	<b>3.7</b>
<b>Outlets</b>	<b>8.8</b>	<b>11.3</b>	<b>11.8</b>	<b>12.4</b>	<b>13.6</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>
<b>Total by regions</b>									
Poland	400.0	413.6	423.5	443.5	443.9	465.0	468.3	477.4	471.2
Europe	107.9	128.6	139.6	147.7	161.7	179.0	184.4	190.8	205.2
CIS	173.2	180.3	181.2	183.2	187.7	193.9	194.7	196.9	204.0
ME	0.0	0.0	1.5	3.9	5.5	5.5	7.6	7.6	7.6
<b>TOTAL</b>	<b>681.1</b>	<b>722.5</b>	<b>745.8</b>	<b>778.4</b>	<b>798.8</b>	<b>843.5</b>	<b>855.0</b>	<b>872.7</b>	<b>888.0</b>

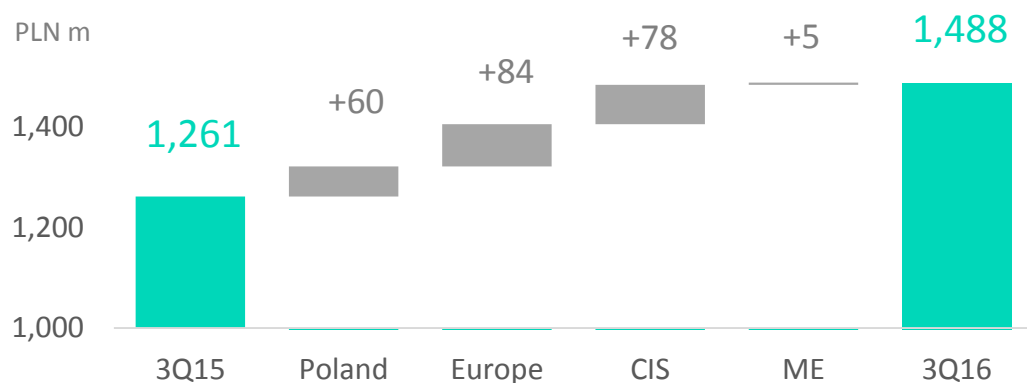
# 2016 network development details

Floorspace (thn m2)	31.12.2015	2016 TARGET	Nominal growth	YoY growth
<b>RESERVED</b>	<b>461.3</b>	<b>507.3</b>	<b>46.0</b>	<b>10%</b>
Poland	232.5	246.9	14.4	6%
Europe	120.2	144.1	23.9	20%
CIS	103.1	108.7	5.6	5%
ME	5.5	7.6	2.1	38%
<b>Cropp</b>	<b>114.5</b>	<b>120.4</b>	<b>5.9</b>	<b>5%</b>
Poland	63.0	65.3	2.3	4%
Europe	19.8	21.2	1.4	7%
CIS	31.7	34.0	2.3	7%
<b>House</b>	<b>99.7</b>	<b>105.0</b>	<b>5.3</b>	<b>5%</b>
Poland	62.2	64.3	2.0	3%
Europe	15.1	16.4	1.2	8%
CIS	22.4	24.3	2.0	9%
<b>MOHITO</b>	<b>94.5</b>	<b>99.1</b>	<b>4.7</b>	<b>5%</b>
Poland	52.1	53.4	1.3	2%
Europe	16.1	18.1	1.9	12%
CIS	26.2	27.7	1.5	6%
ME	0.0	0.0	0.0	-
<b>SINSAY</b>	<b>59.7</b>	<b>69.8</b>	<b>10.1</b>	<b>17%</b>
Poland	43.5	48.6	5.1	12%
Europe	7.6	9.7	2.1	27%
CIS	8.6	11.5	3.0	34%
ME	0.0	0.0	0.0	-
<b>Tallinder</b>	<b>0.0</b>	<b>4.1</b>	<b>4.1</b>	<b>-</b>
Poland	0.0	4.1	4.1	-
Europe	0.0	0.0	0.0	-
CIS	0.0	0.0	0.0	-
<b>Outlets</b>	<b>13.8</b>	<b>12.6</b>	<b>-1.2</b>	<b>-9%</b>
Poland	11.6	11.6	0.0	0%
Europe	0.2	0.2	0.0	0%
CIS	2.0	0.8	-1.2	-60%
<b>TOTAL</b>	<b>843.5</b>	<b>918.3</b>	<b>74.9</b>	<b>9%</b>

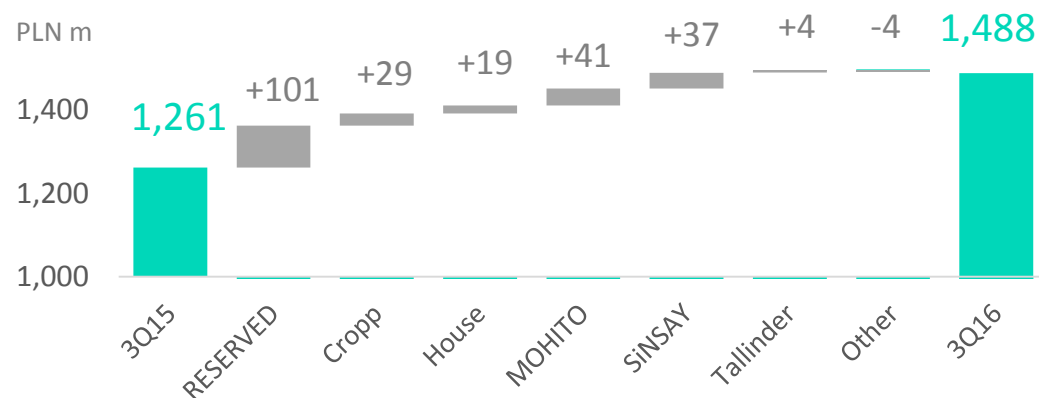
No. of stores	31.12.2015	2016 TARGET	Nominal growth	YoY growth
<b>RESERVED</b>	<b>449</b>	<b>460</b>	<b>11</b>	<b>2%</b>
Poland	237	234	-3	-1%
Europe	107	117	10	9%
CIS	101	103	2	2%
ME	4	6	2	50%
<b>Cropp</b>	<b>372</b>	<b>379</b>	<b>7</b>	<b>2%</b>
Poland	217	219	2	1%
Europe	66	68	2	3%
CIS	89	92	3	3%
<b>House</b>	<b>319</b>	<b>328</b>	<b>9</b>	<b>3%</b>
Poland	208	210	2	1%
Europe	48	51	3	6%
CIS	63	67	4	6%
<b>MOHITO</b>	<b>280</b>	<b>290</b>	<b>10</b>	<b>4%</b>
Poland	164	166	2	1%
Europe	52	57	5	10%
CIS	64	67	3	5%
ME	0	0	0	-
<b>SINSAY</b>	<b>170</b>	<b>198</b>	<b>28</b>	<b>16%</b>
Poland	127	142	15	12%
Europe	21	26	5	24%
CIS	22	30	8	36%
ME	0	0	0	-
<b>Tallinder</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>-</b>
Poland	0	9	9	-
Europe	0	0	0	-
CIS	0	0	0	-
<b>Outlet</b>	<b>37</b>	<b>36</b>	<b>-1</b>	<b>-3%</b>
Poland	33	33	0	0%
Europe	1	1	0	0%
CIS	3	2	-1	-33%
<b>TOTAL</b>	<b>1,627</b>	<b>1,700</b>	<b>73</b>	<b>4%</b>

# Group 3Q16 revenue growth contributors

REVENUE GROWTH  
by regions



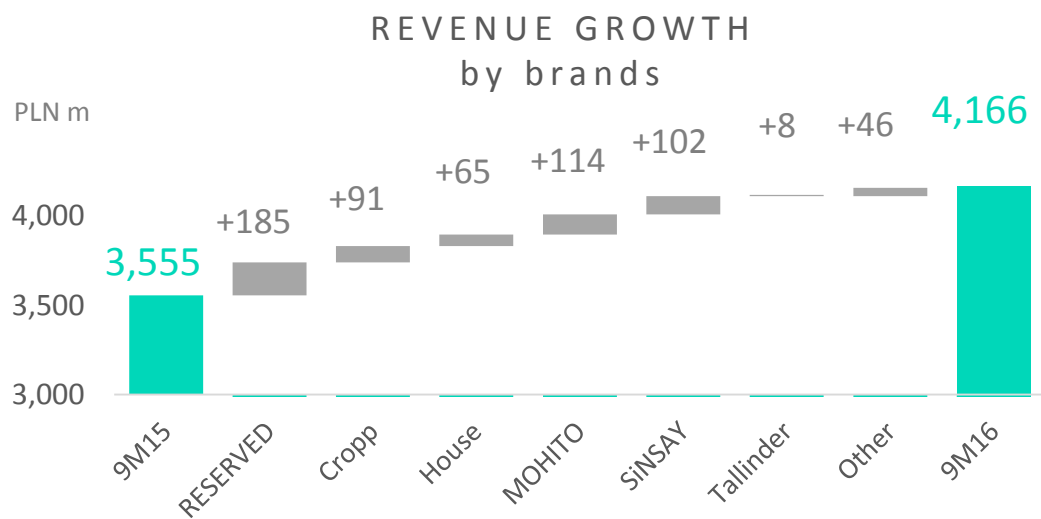
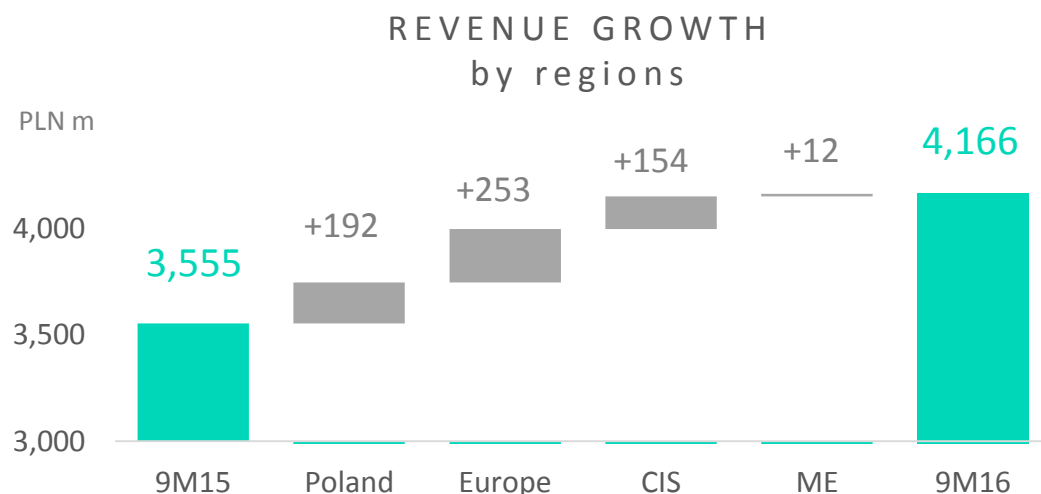
REVENUE GROWTH  
by brands



REVENUES  
by brands

PLN m	3Q15	3Q16	YoY
LPP GROUP	1,261.5	1,488.4	18.0%
RESERVED PL	314.5	329.7	4.8%
RESERVED EX	245.4	331.1	34.9%
Cropp PL	131.2	132.9	1.3%
Cropp EX	86.2	113.5	31.7%
House PL	119.7	125.8	5.1%
House EX	50.5	63.3	25.4%
MOHITO PL	85.9	99.2	15.5%
MOHITO EX	65.3	93.2	42.6%
SiNSAY PL	64.9	88.0	35.7%
SiNSAY EX	17.9	32.1	79.3%
Tallinder PL	0.0	3.8	n/m
Other	80.0	75.7	-5.3%

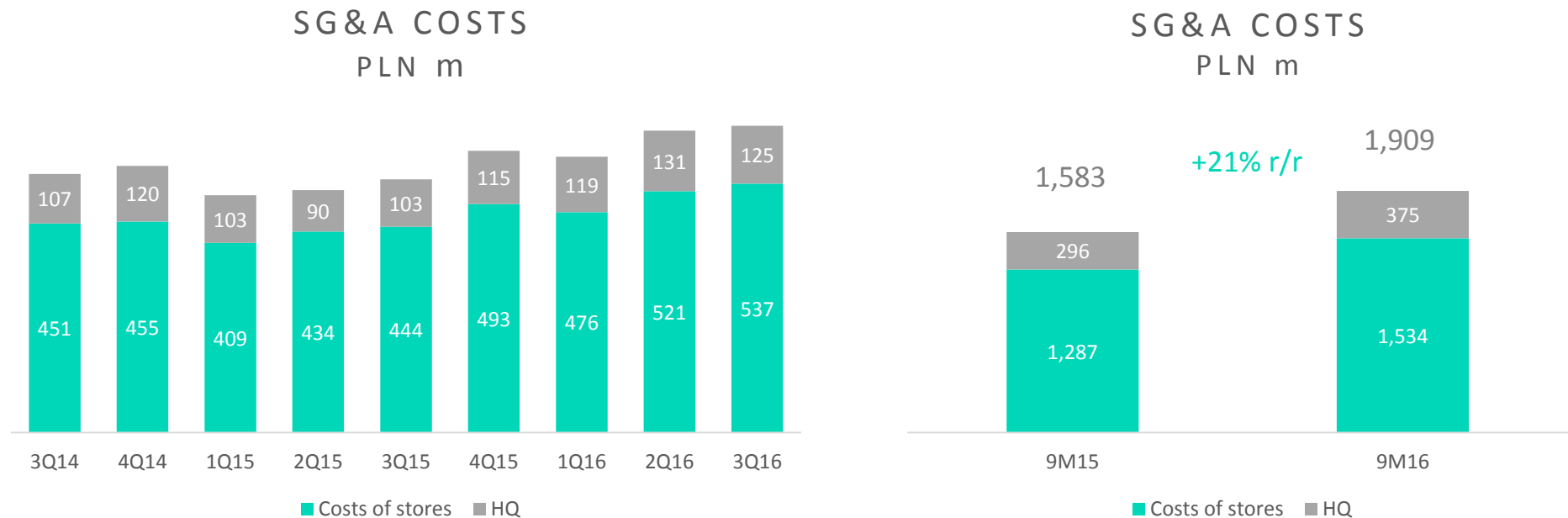
# Group 9M16 revenue growth contributors



REVENUES  
by brands

PLN m	9M15	9M16	YoY
LPP GROUP	3,555.3	4,165.6	17.2%
RESERVED PL	985.0	971.4	-1.4%
RESERVED EX	694.5	893.5	28.6%
Cropp PL	330.6	355.2	7.4%
Cropp EX	224.9	290.9	29.3%
House PL	318.5	353.3	10.9%
House EX	138.3	168.8	22.0%
MOHITO PL	248.0	286.4	15.5%
MOHITO EX	163.5	238.9	46.1%
SiNSAY PL	177.5	243.9	37.4%
SiNSAY EX	46.5	81.7	75.6%
Tallinder PL	0.0	7.5	n/m
Other	227.8	274.0	20.3%

# Costs of stores and HQs



- Costs of stores encompass costs of own stores (rentals, personnel and other) as well as costs of franchise stores in Poland. Stores in the Middle East do not affect SG&A costs.
- Costs of stores → YoY growth in 3Q16 due to higher YoY floorspace, depreciation of zloty versus euro and HR costs. Fall in costs of franchise stores in Poland, due to switch to company owned stores.
- HQ costs → YoY growth in 3Q16 due to development of product departments and further e-commerce expansion.

# Other operating activity and net financials in 3Q16

## OTHER OPERATING REVENUES

PLN m	3Q15	3Q16
Inventory excess (write-ups)	2.6	4.0
Gain on sale of assets	2.1	3.6
<b>Other operating revenues</b>	<b>6.0</b>	<b>7.4</b>

## OTHER OPERATING COSTS

PLN m	3Q15	3Q16
Write-offs	2.3	22.0
Inventory losses	8.5	13.7
Donations and others	2.6	3.8
<b>Other operating costs</b>	<b>15.7</b>	<b>41.0</b>

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<b>OTHER OPERATING ACTIVITY</b>	<b>-9.6</b>	<b>-33.6</b>
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## FINANCIAL REVENUES

PLN m	3Q15	3Q16
FX gains	0.0	-1.9
Interest	0.7	0.0
<b>Financial revenues</b>	<b>0.7</b>	<b>-1.9</b>

## FINANCIAL COSTS

PLN m	3Q15	3Q16
FX losses	10.1	0.0
Interest	4.3	5.6
Provisions	0.9	0.4
<b>Financial costs</b>	<b>15.0</b>	<b>6.1</b>

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<b>NET FINANCIALS</b>	<b>-14.4</b>	<b>-8.0</b>
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# Other operating activity and net financials in 9M16

## OTHER OPERATING REVENUES

PLN m	9M15	9M16
Inventory excess (write-ups)	9.3	12.0
Gain on sale of assets	4.4	7.4
<b>Other operating revenues</b>	<b>16.5</b>	<b>21.1</b>

## OTHER OPERATING COSTS

PLN m	9M15	9M16
Write-offs	5.3	29.6
Inventory losses	25.3	35.2
Donations and others	10.5	7.9
<b>Other operating costs</b>	<b>46.5</b>	<b>76.6</b>

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<b>OTHER OPERATING ACTIVITY</b>	<b>-30.0</b>	<b>-55.6</b>
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## FINANCIAL REVENUES

PLN m	9M15	9M16
FX gains	0.0	8.7
Interest	1.7	0.5
<b>Financial revenues</b>	<b>1.9</b>	<b>9.4</b>

## FINANCIAL COSTS

PLN m	9M15	9M16
FX losses	32.8	0.0
Interest	13.4	17.4
Provisions	1.6	2.5
<b>Financial costs</b>	<b>48.2</b>	<b>20.0</b>

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<b>NET FINANCIALS</b>	<b>-46.3</b>	<b>-10.7</b>
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# Historical quarterly numbers

PLN m	4Q14	4Q15	1Q15	1Q16	2Q15	2Q16	3Q15	3Q16	YoY
<b>Revenues</b>	<b>1,404.9</b>	<b>1,575.0</b>	<b>1,002.6</b>	<b>1,174.8</b>	<b>1,291.3</b>	<b>1,502.4</b>	<b>1,261.5</b>	<b>1,488.4</b>	<b>18.0%</b>
Gross profit on sales	829.1	862.8	543.6	541.8	673.4	749.7	663.2	700.6	5.6%
<i>Gross profit margin</i>	<i>59.0%</i>	<i>54.8%</i>	<i>54.2%</i>	<i>46.1%</i>	<i>52.1%</i>	<i>49.9%</i>	<i>52.6%</i>	<i>47.1%</i>	<i>-5.5 p.p.</i>
SG&A costs	576.2	608.9	512.5	595.3	523.5	651.7	546.8	662.2	21.1%
Other operating activity net	-4.7	-18.5	-7.3	-10.4	-13.1	-11.6	-9.6	-33.6	
<b>EBIT</b>	<b>248.3</b>	<b>235.4</b>	<b>23.7</b>	<b>-63.9</b>	<b>136.8</b>	<b>86.5</b>	<b>106.8</b>	<b>4.8</b>	<b>-95.5%</b>
<i>EBIT margin</i>	<i>17.7%</i>	<i>14.9%</i>	<i>2.4%</i>	<i>-5.4%</i>	<i>10.6%</i>	<i>5.8%</i>	<i>8.5%</i>	<i>0.3%</i>	<i>-8.2 p.p.</i>
Net financial activity	-74.6	-42.0	-53.4	-5.0	21.5	2.4	-14.4	-8.0	
<b>Pre-tax profit</b>	<b>173.7</b>	<b>193.4</b>	<b>-29.7</b>	<b>-68.9</b>	<b>158.3</b>	<b>88.9</b>	<b>92.5</b>	<b>-3.2</b>	<b>n/m</b>
Tax	-72.0	21.0	7.6	-3.4	21.6	-0.9	12.7	3.2	
Minorities	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Net income</b>	<b>245.1</b>	<b>172.3</b>	<b>-37.3</b>	<b>-65.6</b>	<b>136.6</b>	<b>89.8</b>	<b>79.7</b>	<b>-6.5</b>	<b>n/m</b>
<i>Net income margin</i>	<i>17.4%</i>	<i>10.9%</i>	<i>-3.7%</i>	<i>-5.6%</i>	<i>10.6%</i>	<i>6.0%</i>	<i>6.3%</i>	<i>-0.4%</i>	<i>-6.7 p.p.</i>

# Balance sheet remains stable

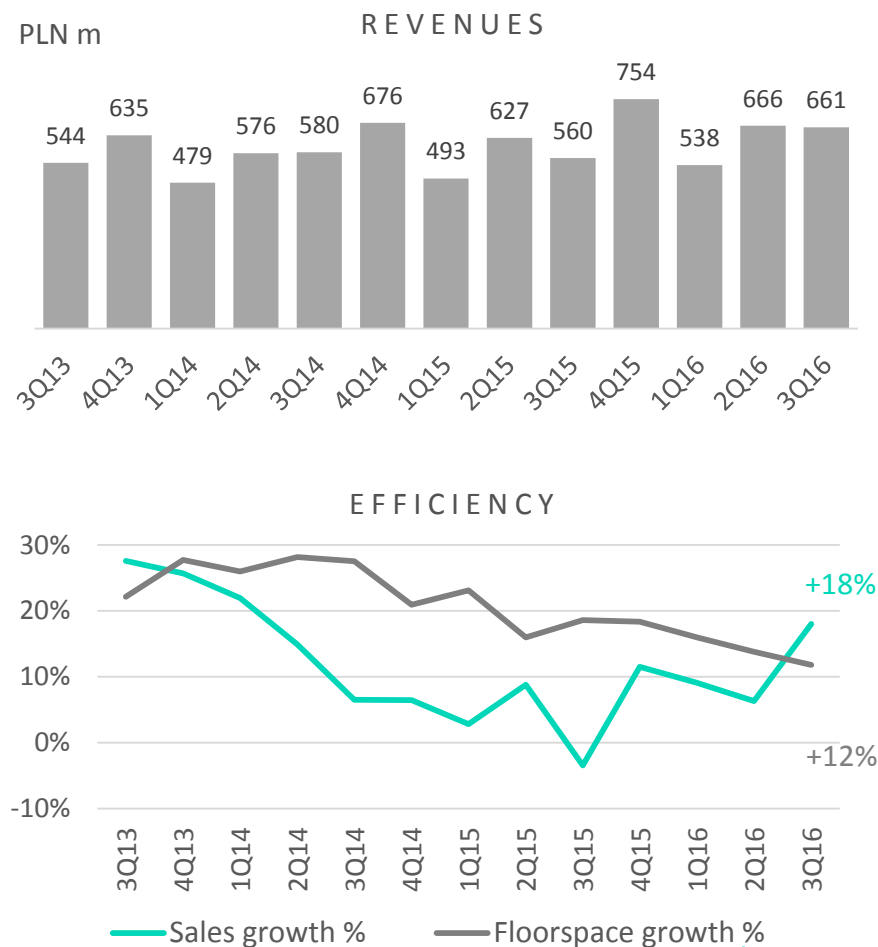
PLN m	30.09.2015	31.12.2015	30.09.2016
<b>Non-current assets</b>	<b>1,664.3</b>	<b>1,797.0</b>	<b>1,797.8</b>
intangibles (including goodwill)	323.3	324.4	325.9
fixed assets	1,149.0	1,258.8	1,260.3
<b>Current assets</b>	<b>1,742.2</b>	<b>1,768.2</b>	<b>1,954.7</b>
inventory	1,336.0	1,319.7	1,438.3
trade receivables	186.6	115.1	112.8
cash and equivalents	119.9	224.4	265.9
<b>Total assets</b>	<b>3,406.6</b>	<b>3,565.2</b>	<b>3,752.4</b>
<b>Equity</b>	<b>1,739.7</b>	<b>1,889.7</b>	<b>1,913.0</b>
<b>Long-term liabilities</b>	<b>360.6</b>	<b>344.1</b>	<b>292.3</b>
interest bearing debt	320.3	284.3	223.5
<b>Short-term liabilities</b>	<b>1,306.3</b>	<b>1,331.3</b>	<b>1,547.2</b>
trade liabilities	687.4	721.4	808.5
interest bearing debt	586.4	561.1	689.4
<b>Total liabilities</b>	<b>3,406.6</b>	<b>3,565.2</b>	<b>3,752.4</b>

- Higher YoY fixed assets due to investments in stores.
- Stable YoY intangibles due to investments in concept stores of five brands, but write-offs for Tallinder brand.
- Higher YoY inventory due to growth in floorspace and zloty depreciation vs US\$.
- YoY fall in receivables results from lack of down payments for the logistics centre.
- Pick-up in trade liabilities due to higher floorspace.
- Short-term debt picked-up YoY due to the need to finance inventory and new openings.
- YoY fall in long-term debt – part of the debt used for investments reclassified to short-term borrowing.

# RESERVED

- A fast fashion brand with a broad customer base; wide range of collections.
- Target customers: women, men and children.
- Established in 1998.
- First brand in Germany and the Middle East.
- Advertised by international stars (Georgia May Jagger, Brooklyn Beckham).
- Store concept: each store has three sections - women, men and children, differentiated by colours and fixtures and fittings. Men and women zones are sub-divided to display lines.

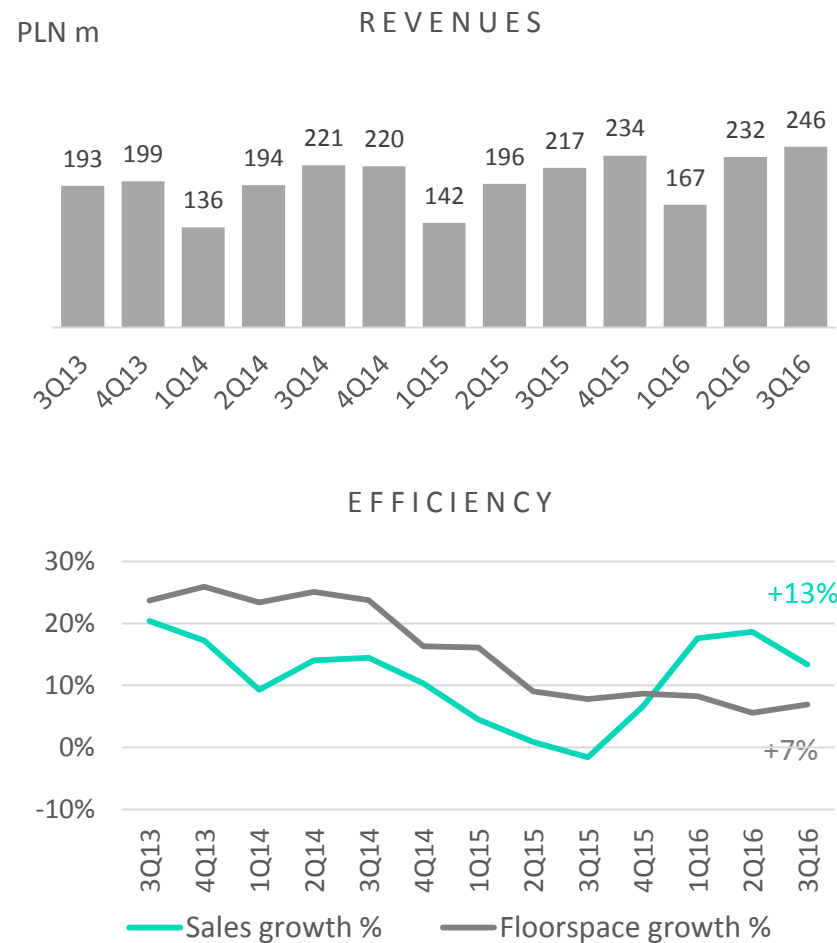
	3Q15	3Q16	YoY
Average store space (m2)	997	1,085	9%
Average monthly sales (PLN/m2)	442	457	3%



# CROPP

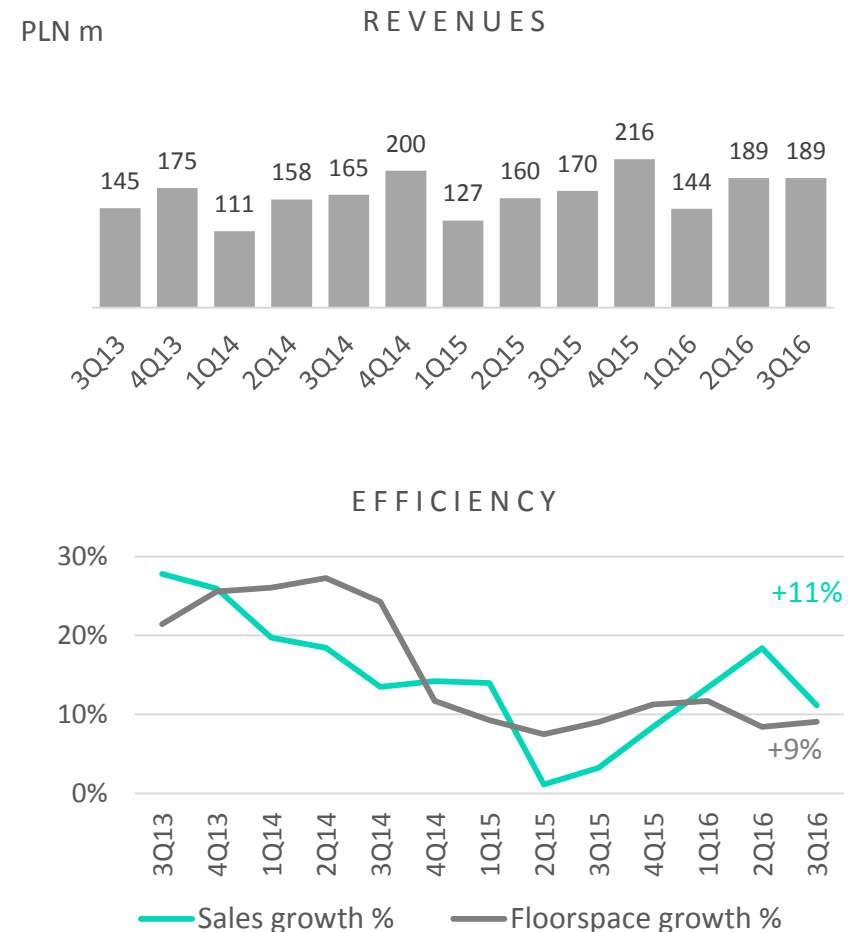
- A casual streetwear brand.
- Target customers: teenagers (boys and girls).
- Established in 2004.
- Partner of events for artists and street art.
- Offers also international labels (eg. New Balance, Converse).
- Store concept: the shopping space is designed in the form of squat, garage and industrial halls. Stores encompass special relax zones with PlayStation and tablets with WiFi. Shop window displays are equipped with modern multimedia.

	3Q15	3Q16	YoY
Average store space (m2)	302	311	3%
Average monthly sales (PLN/m2)	664	701	6%



- Urban fashion brand with folk and vintage elements.
- Target customers: teenagers (boys and girls) who like brave fashion choices.
- Established in 2001 (in LPP Group since 4Q08).
- Participates in multiple artistic events and sponsors alternative music, eg. iFestival.
- Store concept: the interior of the store is inspired by music instruments and possesses many music and art related details. A fresh look is obtained by usage of wooden elements and glass & metal lamps.

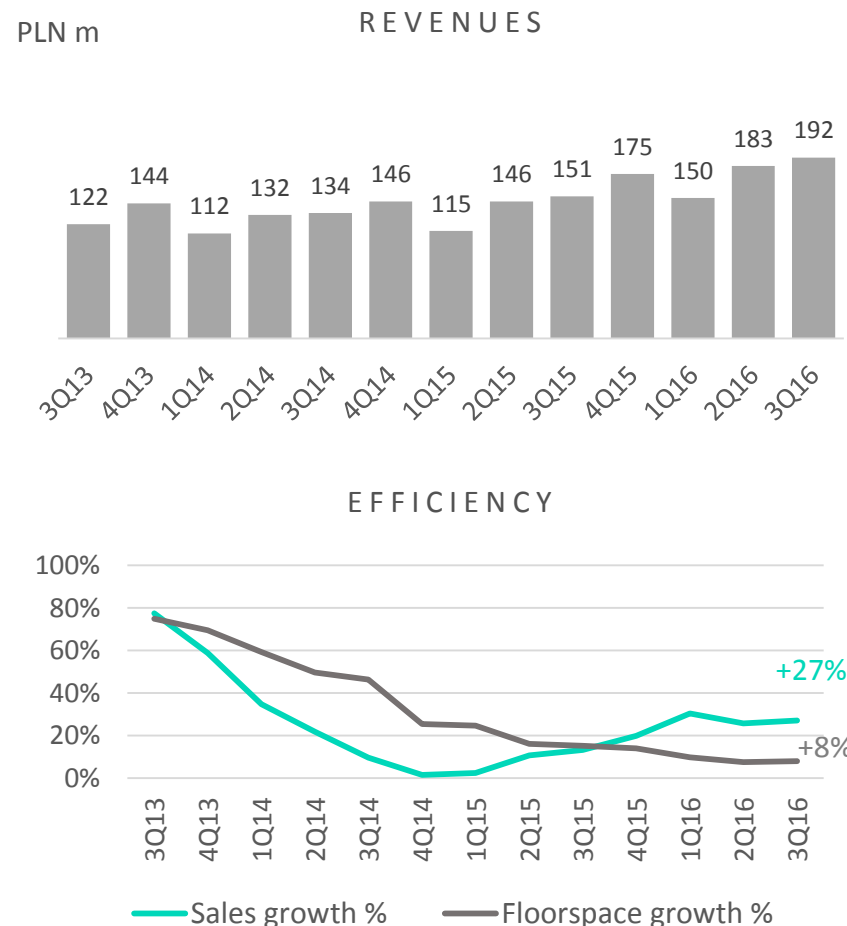
	3Q15	3Q16	YoY
Average store space (m2)	306	318	4%
Average monthly sales (PLN/m2)	584	600	3%



# M O H I T O

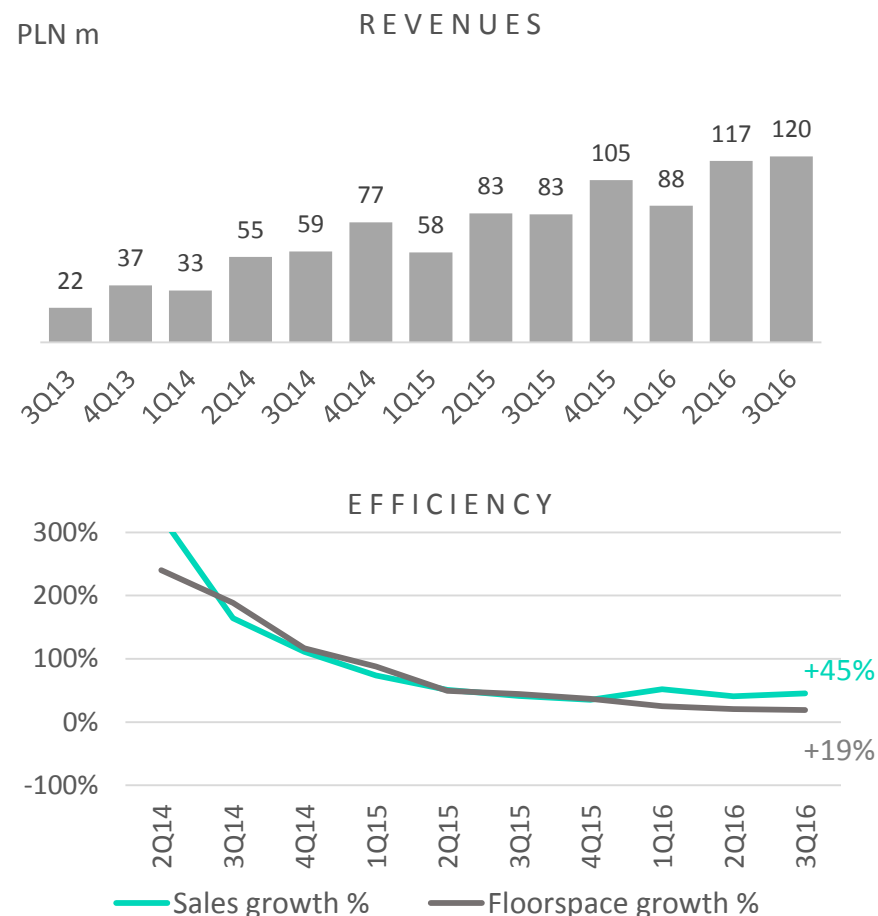
- A brand that combines comfort and elegance for business and informal meetings.
- Target customer: young women.
- Established in 2008 (in LPP's Group since 4Q08).
- Anja Rubik created a limited collection for AW2014/15. Zuzanna Bijoch was the face of AW2015/16 collection. Top-model Anna Jagodzińska advertised SS16 collection.
- Store concept: relates to elegance and beauty. The centre of the store is bright and is surrounded by a darker environment.

	3Q15	3Q16	YoY
Average store space (m2)	333	339	2%
Average monthly sales (PLN/m2)	564	657	16%



- Clothes for every day inspirations and original party outfits.
- Target customers: teenagers – girls only.
- Established in 2013.
- The brand stands out for original T-shirts with extraordinary prints.
- In AW15/16 singer Margaret designed her star collection.
- Store concept: fresh and edgy interiors yet monochromatic to differentiate from colourful clothes sold. Selling area divided into black and white parts.

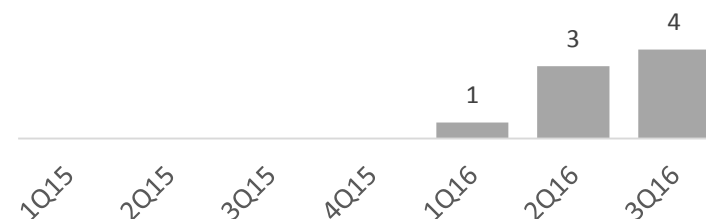
	3Q15	3Q16	YoY
Average store space (m2)	349	352	1%
Average monthly sales (PLN/m2)	523	626	20%



- Fashion brand for customers who appreciate timeless elegance, minimalism and high quality.
- Target customer: Men and women + 30 years old.
- First stores: February 2016.
- To be closed down in February 2017.
- SS16 collection advertised by a well-known football player Jarosław Bieniuk.
- Elegant store interiors decorated in natural materials like stone, leather and wood stained in ink.

PLN m

REVENUES



	3Q15	3Q16	YoY
Average store space (m2)	-	458	n/m
Average monthly sales (PLN/m2)	-	344	n/m



# Glossary

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Poland	Retail sales in Poland and other sales of LPP SA.
CEE	Region including: Czech Republic, Slovakia, Hungary.
Baltic	Region including: Lithuania, Latvia, Estonia.
CIS	Region including: Russia, Ukraine and from 2017 also Belarus and Kazakhstan.
SEE	Region including: Bulgaria, Romania, Croatia, while from 2017 also Serbia.
WE	Region including Germany and from 2017 also the UK.
ME	Region including: Egypt, Qatar, Kuwait, Saudi Arabia, UAE.
Europe	Region including: CEE, Baltic, SEE and WE.
EBITDA	EBIT + depreciation from cash flow statement.
Average monthly revenues/m2	Revenues of segment or brand / average working total floorspace / 3.
Average monthly costs of own stores/m2	Quarterly costs of own stores / average working floorspace of own stores (ie. excluding all franchise stores which represent c. 7% of the working floorspace) / 3.
Average monthly SG&A PLN/m2	Quarterly SG&A costs/ average working total floorspace excluding stores located in ME / 3.
Inventory/ m2	End of period group inventory/ total floorspace without franchise stores in ME.
Inventory days	Average quarterly inventory/ group COGS * 90 days.
Receivables days	Average quarterly receivables/ group revenues * 90 days.
Liabilities days	Average short-term liabilities/ group COGS * 90 days.
Cash conversion cycle	Inventory days + receivables days – liabilities days.

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**RESERVED**

 **TALLINDER**

**M O H I T O**

 **house**

**CROPP**

**sinsay**