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# LPP SA CG

INTERIM FINANCIAL STATEMENTS FOR  
Q3 2018

RESERVED CROPP  house MOHITO sinsay









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# 01

## Selected Consolidated Interim Financial Data

For 9 months ended 30 September 2018

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	Cumulatively			
	2018	2017	2018	2017
	01.01-30.09	01.01-30.09	01.01-30.09	01.01-30.09
Revenues	5 674 032	4 880 520	1 333 968	1 146 577
Operating profit (loss)	323 235	201 712	75 993	47 388
Pre-tax profit (loss)	303 094	211 810	71 258	49 760
Net profit (loss)	192 917	141 225	45 355	33 178
Net cash flows from operating activities	901 073	478 256	211 843	112 356
Net cash flows from investing activities	-619 594	-292 599	-145 667	-68 740
Net cash flows from financing activities	54 480	-294 674	12 808	-69 228
Total net cash flows	335 959	-109 017	78 984	-25 611

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	2018	2017	2018	2017
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
	30.09.2018 PLN	30.09.2017 PLN	30.09.2018 EUR	30.09.2017 EUR
Total assets	5 167 812	4 330 828	1 209 864	1 038 344
Long-term liabilities	315 296	324 377	73 816	77 771
Short-term liabilities	2 297 206	1 563 020	537 811	374 744
Equity	2 555 325	2 443 446	598 241	585 832
Share capital	3 705	3 705	867	888
Weighted average number of ordinary shares	1 833 464	1 824 209	1 833 464	1 824 209
Profit (loss) per ordinary share	105.22	77.49	24.74	18.21
Book value per share	1 393.71	1 197.29	326.29	277.85
Declared or paid dividend per share	40.00	35.74	9.36	8.29

# Consolidated Condensed Interim Statement of Financial Position

as at 30 September 2018

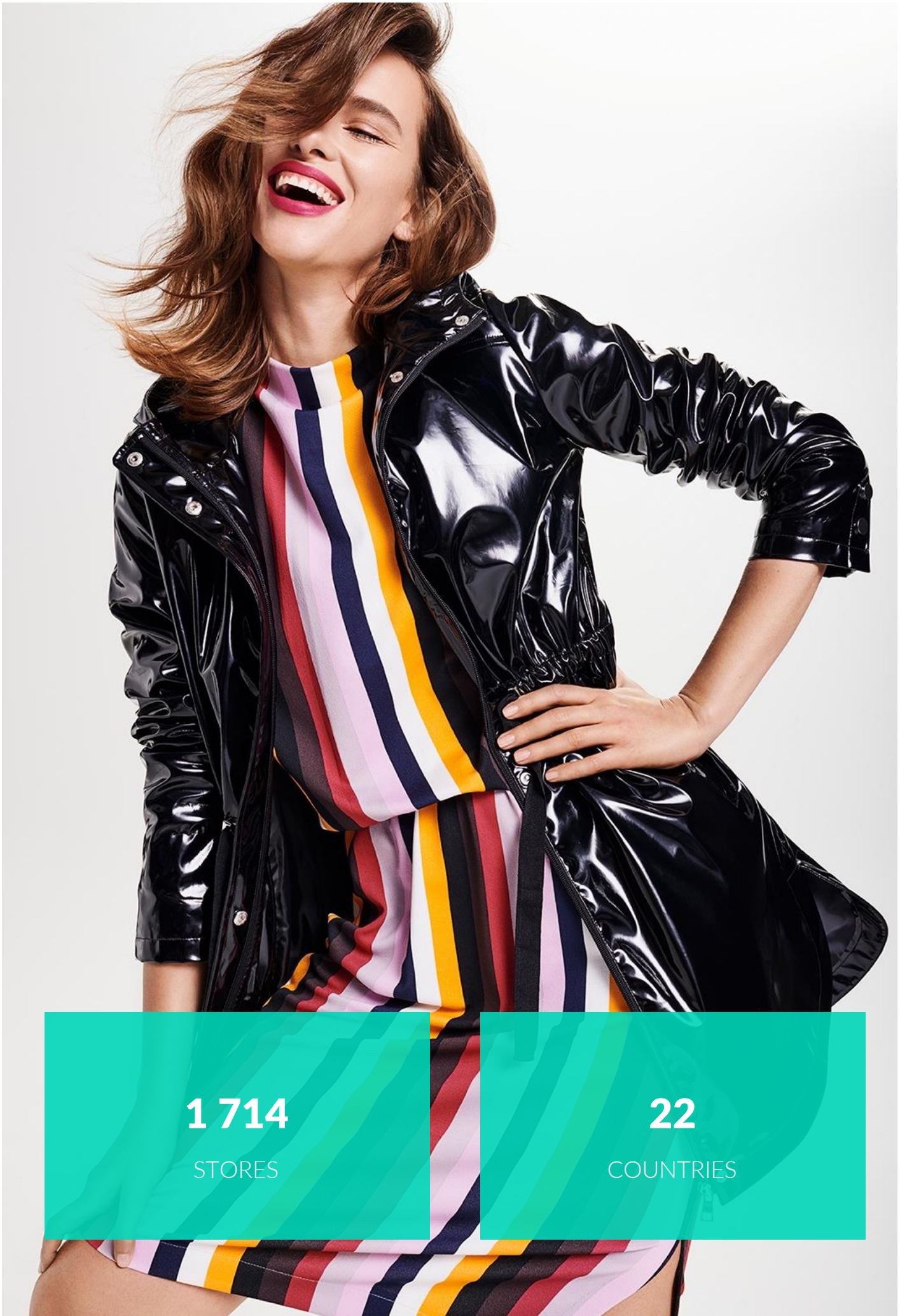
Statement of financial position  
(in PLN thousand)

	As at:		
	30.09.2018	31.12.2017 (transformed)	30.09.2017 (transformed)
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 238 057</b>	<b>2 041 365</b>	<b>1 952 148</b>
1. Fixed assets	1 648 279	1 478 164	1 397 468
2. Intangible assets	80 951	64 071	57 126
3. Goodwill	209 598	209 598	209 598
4. Trademark	77 508	77 508	77 508
5. Other financial assets	7 241	4 937	4 733
6. Deferred tax assets	163 633	151 335	145 642
7. Prepayments	50 847	55 752	60 073
<b>Current assets</b>	<b>2 929 755</b>	<b>2 289 463</b>	<b>2 204 979</b>
1. Inventory	1 587 055	1 475 187	1 638 714
2. Trade and other receivables	207 347	199 648	181 475
3. Income tax receivables	7 358	6 394	23 583
4. Receivables and loans	1 743	1 755	1 774
5. Other financial assets	192 383	0	0
6. Other non-financial assets	39 565	47 569	63 060
7. Prepayments	43 149	44 120	39 968
8. Cash and cash equivalents	851 155	514 790	256 405
<b>TOTAL assets</b>	<b>5 167 812</b>	<b>4 330 828</b>	<b>4 157 127</b>

**Statement of financial position**  
(in PLN thousand)

	As at:		
	30.09.2018	31.12.2017 (transformed)	30.09.2017 (transformed)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>2 555 325</b>	<b>2 443 446</b>	<b>2 184 113</b>
1. Share capital	3 705	3 705	3 705
2. Treasury shares	-43 067	-43 334	-43 329
3. Share premium	277 631	277 631	277 630
4. Other reserves	2 250 525	1 823 453	1 823 041
5. Currency translation on foreign operations	-222 592	-208 167	-167 604
6. Retained earnings	289 123	590 158	290 670
- profit (loss) from previous years	96 206	149 307	149 307
- net profit (loss) for the current period	192 917	440 851	141 363
<b>Non-controlling interest capital</b>	<b>-15</b>	<b>-15</b>	<b>-76</b>
<b>Long-term liabilities</b>	<b>315 296</b>	<b>324 377</b>	<b>307 498</b>
1. Bank loans and borrowings	101 903	141 824	155 150
2. Employee liabilities	751	751	3 299
3. Deferred tax liabilities	0	31	10
4. Accruals	212 543	181 690	148 958
5. Other long-term liabilities	99	81	81
<b>Short-term liabilities</b>	<b>2 297 206</b>	<b>1 563 020</b>	<b>1 665 592</b>
1. Trade and other liabilities	1 764 252	1 325 278	1 417 262
2. Contract liabilities	12 558	0	0
3. Employee liabilities	76 456	43 572	28 518
4. Income tax liabilities	146 944	53 462	46 852
5. Bank loans and borrowings	224 137	56 496	112 090
6. Provisions	12 758	9 944	7 758
7. Accruals	60 101	74 268	53 112
<b>TOTAL equity and liabilities</b>	<b>5 167 812</b>	<b>4 330 828</b>	<b>4 157 127</b>





**1 714**

STORES

**22**

COUNTRIES



# Consolidated Condensed Interim Statement of Comprehensive Income

for 9 months ended 30 September 2018

Comprehensive income statement (in PLN thousand)	2018	2017 (transformed)	2018	2017 (transformed)
	01.01-30.09	01.01-30.09	01.07-30.09	01.07-30.09
<b>Continuing operations</b>				
Revenue	5 674 032	4 880 520	2 043 944	1 812 772
Cost of goods sold	2 693 378	2 400 385	1 000 577	924 187
<b>Gross profit (loss) on sales</b>	<b>2 980 654</b>	<b>2 480 135</b>	<b>1 043 367</b>	<b>888 585</b>
Other operating income	20 884	16 857	7 012	5 052
Selling costs	2 236 044	2 017 117	776 885	695 322
General costs	374 812	220 944	121 867	79 697
Other operating costs	67 447	57 219	22 415	15 532
<b>Operating profit (loss)</b>	<b>323 235</b>	<b>201 712</b>	<b>129 212</b>	<b>103 086</b>
Financial income	5 298	22 142	-1 471	13 484
Financial costs	25 439	12 044	17 740	2 235
<b>Pre-tax profit (loss)</b>	<b>303 094</b>	<b>211 810</b>	<b>110 001</b>	<b>114 335</b>
Income tax	110 177	70 585	18 444	29 259
<b>Net profit (loss) on continuing operations</b>	<b>192 917</b>	<b>141 225</b>	<b>91 557</b>	<b>85 076</b>
<b>Net profit attributable to:</b>				
Shareholders of the parent company	192 917	141 363	91 557	85 118
Non-controlling interests	0	-138	0	-42
<b>Other comprehensive income</b>				
<b>Items transferred to profit or loss</b>				
Currency translation on foreign operations	-14 425	-52 676	-42 700	9 390
<b>Total comprehensive income</b>	<b>178 492</b>	<b>88 549</b>	<b>48 857</b>	<b>94 466</b>
<b>Attributable to:</b>				
Shareholders of the parent company	178 492	88 912	48 857	94 825
Non-controlling interests	0	-363	0	-359

# 04

## Consolidated Condensed Interim Statement of Changes in Equity

for 9 months ended 30 September 2018

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Currency translation on foreign operations	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority interests	TOTAL equity
<b>Balance as at 1 January 2018</b>	<b>3 705</b>	<b>-43 334</b>	<b>277 631</b>	<b>1 823 453</b>	<b>-208 167</b>	<b>590 158</b>	<b>0</b>	<b>2 443 446</b>	<b>-15</b>	<b>2 443 431</b>
Division of profit for 2017	0	0	0	420 610	0	-493 952	0	-73 342	0	-73 342
Remuneration paid in shares	0	0	0	6 729	0	0	0	6 729	0	6 729
Subscription to treasury shares	0	267	0	-267	0	0	0	0	0	0
<b>Transactions with owners</b>	<b>0</b>	<b>267</b>	<b>0</b>	<b>427 072</b>	<b>0</b>	<b>-493 952</b>	<b>0</b>	<b>-66 613</b>	<b>0</b>	<b>-66 613</b>
Net profit for three quarters of 2018	0	0	0	0	0	0	192 917	192 917	0	192 917
Currency translation on foreign operations	0	0	0	0	-14 425	0	0	-14 425	0	-14 425
<b>Balance as at 30 September 2018</b>	<b>3 705</b>	<b>-43 067</b>	<b>277 631</b>	<b>2 250 525</b>	<b>-222 592</b>	<b>96 206</b>	<b>192 917</b>	<b>2 555 325</b>	<b>-15</b>	<b>2 555 310</b>



Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Currency translation on foreign operations	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority interests	TOTAL equity
<b>Balance 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 share purchases	0	-11	0	0	0	0	0	-11	0	-11
Division of profit for 2016	0	0	0	214 743	0	-280 273	0	-65 530	0	-65 530
Subscriptions to shares	26	0	26 237	0	0	0	0	26 263	0	26 263
Contribution by non-controlling shareholders	0	0	0	0	0	0	0	0	62	62
Consolidation of a subsidiary	0	0	0	0	0	-27	0	-27	0	-27
<b>Transactions with owners</b>	<b>26</b>	<b>-11</b>	<b>26 237</b>	<b>214 743</b>	<b>0</b>	<b>-280 300</b>	<b>0</b>	<b>-39 297</b>	<b>61</b>	<b>-39 236</b>
Net profit for three quarters of 2017	0	0	0	0	0	0	141 363	141 363	-138	141 225
Currency translation on foreign operations	0	0	0	0	-52 676	0	0	-52 676	0	-52 676
<b>Balance 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>2 184 113</b>	<b>-76</b>	<b>2 184 037</b>

# Consolidated Condensed Interim Cash Flow Statement

for 9 months ended 30 September 2018

Cash flow statement (in PLN thousand)	01.01-30.09.2018	01.01-30.09.2017	01.07-30.09.2018	01.07-30.09.2017
I. Pre-tax profit (loss)	303 094	211 810	110 001	114 335
II. Total adjustments	597 979	266 446	319 821	15 005
1. Amortisation and depreciation	258 302	219 897	88 204	72 459
2. Foreign exchange gains (losses)	-21 386	4 762	11 712	5 616
3. Interest and dividends	2 962	-792	269	-8 173
4. Profit (loss) on investing activities	-8 366	3 040	-7 433	-1 662
5. Income tax paid	-32 655	-65 025	-12 306	-19 885
6. Change in provisions and employee benefits	35 150	-845	15 931	-1 232
7. Change in inventories	-125 670	-498 021	-119 720	-156 872
8. Change in receivables and other assets	16 056	18 560	-25 497	-42 680
9. Change in short-term liabilities, excluding bank loans and borrowings	452 128	603 273	370 249	174 305
10. Change in prepayments and accruals	11 519	4 142	8 283	-4 429
11. Other adjustments	9 939	-22 545	-9 871	-2 442
<b>III. Net cash flows from operating activities</b>	<b>901 073</b>	<b>478 256</b>	<b>429 822</b>	<b>129 340</b>
I. Inflows	417 421	29 317	168 656	14 781
1. Disposal of intangible and fixed assets	66 864	29 069	18 540	14 745
2. From financial assets, including:	557	244	116	32
a) in associates	96	165	96	0
- dividends	96	165	96	0
b) in other entities	461	79	20	32
- repayment of loans granted	57	79	20	32
- interest and other inflows from financial assets	404	0	0	0
3. Other investing inflows (investment funds)	350 000	4	150 000	4
II. Outflows	1 037 015	321 916	360 933	120 344
1. Purchase of intangible and fixed assets	496 971	321 866	209 929	120 324
2. For financial assets, including:	44	50	4	20
a) in associates	0	0	0	0
b) in other entities	44	50	4	20
- loans granted	44	50	4	20
3. Other investing outflows (investment funds)	540 000	0	151 000	0
<b>III. Net cash flows from investing activities</b>	<b>-619 594</b>	<b>-292 599</b>	<b>-192 277</b>	<b>-105 563</b>
I. Inflows	183 764	26 264	69 528	26 186
1. Proceeds from issuance of shares	0	26 264	0	26 186
2. Loans and borrowings	183 764	0	69 528	0



Cash flow statement (in PLN thousand)	01.01-30.09.2018	01.01- 30.09.2017	01.07-30.09.2018	01.07- 30.09.2017
3. Other inflows from financing activities	0	0	0	0
II. Outflows	129 284	320 938	97 682	230 216
1. Cost of maintenance of treasury shares	0	11	0	4
2. Dividends and other payments to owners	73 342	65 527	73 342	65 527
3. Repayment of loans and borrowings	50 459	245 876	22 683	162 715
4. Financial lease liabilities paid	0	0	0	0
5. Interest	5 483	9 524	1 657	1 970
6. Other financial outflows	0	0	0	0
<b>III. Net cash flows from financing activities</b>	<b>54 480</b>	<b>-294 674</b>	<b>-28 154</b>	<b>-204 030</b>
<b>D. Total net cash flows</b>	<b>335 959</b>	<b>-109 017</b>	<b>209 391</b>	<b>-180 253</b>
<b>E. Balance sheet change in cash, including:</b>	<b>336 365</b>	<b>-109 348</b>	<b>199 697</b>	<b>-178 500</b>
- change in cash due to foreign currency translation	406	-331	-9 694	1 753
<b>F. Opening balance of cash</b>	<b>515 405</b>	<b>366 026</b>	<b>641 973</b>	<b>437 262</b>
<b>G. Closing balance of cash</b>	<b>851 364</b>	<b>257 009</b>	<b>851 364</b>	<b>257 009</b>



**+10.2%**

OF SPACE

**+16.3%**

THE GROUP'S SALES



# 06

## Selected Separate Interim Financial Data

for 9 months ended 30 September 2018

Selected separate financial data	in PLN thousand		in EUR thousand	
	Cumulatively			
	2018	2017	2018	2017
	01.01-30.09	01.01-30.09	01.01-30.09	01.01-30.09
Revenues	4 586 765	4 017 035	1 078 351	943 719
Operating profit (loss)	182 775	59 048	42 970	13 872
Pre-tax profit (loss)	339 670	196 473	79 857	46 157
Net profit (loss)	234 373	145 972	55 101	34 293
Net cash flows from operating activities	747 454	369 712	175 727	86 856
Net cash flows from investing activities	-341 343	-147 920	-80 250	-34 751
Net cash flows from financing activities	-73 133	-294 675	-17 194	-69 228
Total net cash flows	332 978	-72 883	78 283	-17 122

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	2018	2017	2018	2017
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
	30.09.2018 PLN	30.09.2017 PLN	30.09.2018 EUR	30.09.2017 EUR
Total assets	4 984 972	4 219 353	1 167 058	1 011 617
Long-term liabilities	233 038	265 242	54 558	63 593
Short-term liabilities	2 036 772	1 406 709	476 839	337 267
Equity	2 715 162	2 547 402	635 661	610 756
Share capital	3 705	3 705	867	888
Weighted average number of ordinary shares	1 833 464	1 824 209	1 833 464	1 824 209
Profit (loss) per ordinary share	127.83	80.02	30.05	18.80
Book value per share	1 480.89	1 205.75	346.70	279.82
Declared or paid dividend per share	40.00	35.74	9.36	8.29

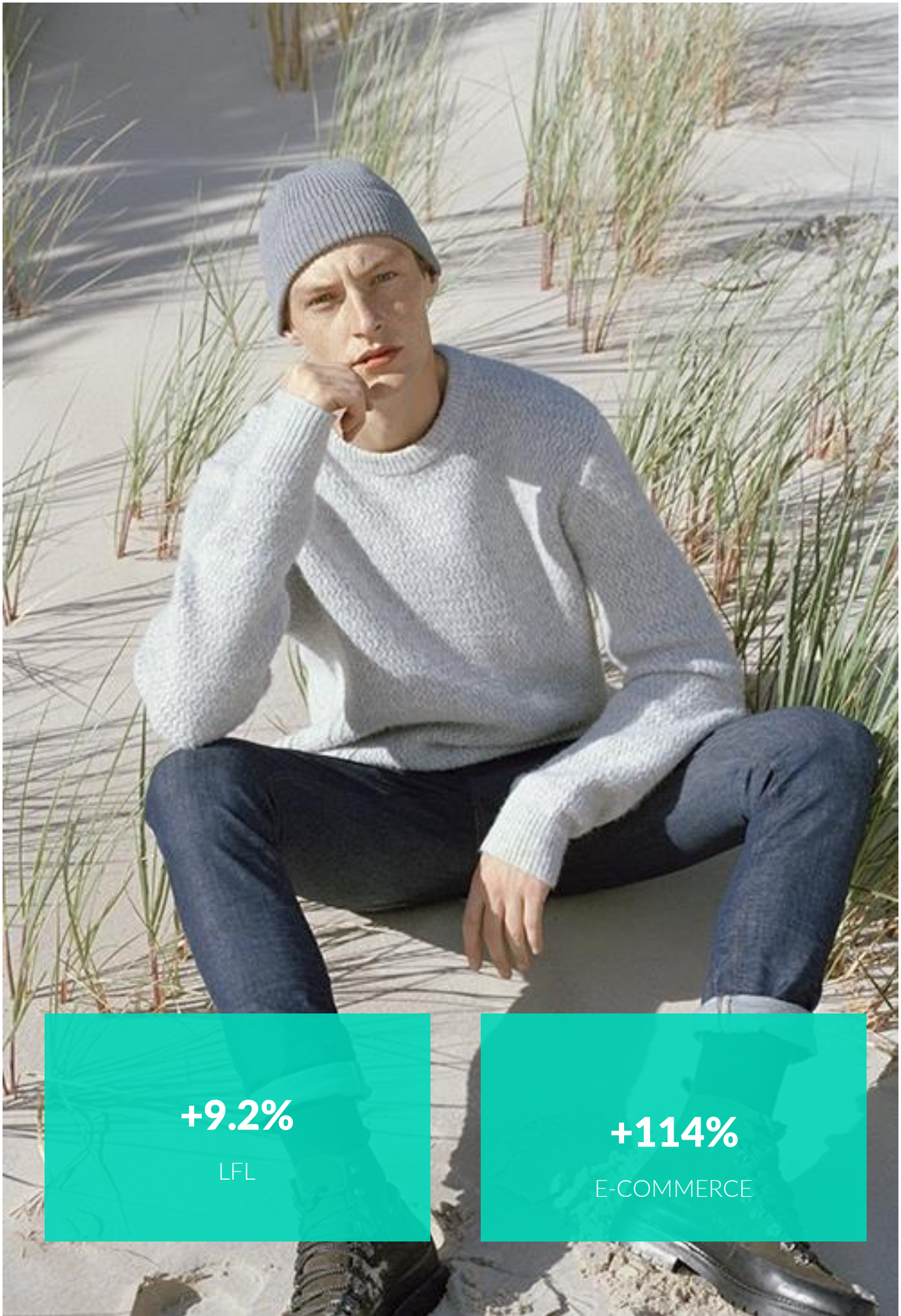
# Separate Condensed Interim Statement of Financial Position

as at 30 September 2018

Statement of financial position (in PLN thousand)	As at:		
	30.09.2018	31.12.2017 (transformed)	30.09.2017 (transformed)
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 726 513</b>	<b>2 508 755</b>	<b>2 373 944</b>
1. Fixed assets	1 046 550	918 958	885 951
2. Intangible assets	78 100	61 028	53 965
3. Goodwill	179 618	179 618	179 618
4. Investments in subsidiaries	1 337 724	1 271 189	1 159 671
5. Receivables and loans	1 592	1 536	1 561
6. Deferred tax assets	81 539	76 355	92 383
7. Prepayments	1 390	71	795
<b>Current assets</b>	<b>2 258 459</b>	<b>1 710 598</b>	<b>1 679 964</b>
1. Inventory	1 187 504	1 105 622	1 202 048
2. Trade receivables	267 290	313 210	332 567
3. Income tax receivables	0	6 075	19 027
4. Receivables and loans	1 736	1 732	2 703
5. Other financial assets	192 383	0	0
6. Other non-financial assets	18 173	22 273	21 866
7. Prepayments	17 276	20 974	17 523
8. Cash and cash equivalents	574 097	240 712	84 230
<b>TOTAL assets</b>	<b>4 984 972</b>	<b>4 219 353</b>	<b>4 053 908</b>

Statement of financial position (in PLN thousand)	As at:		
	30.09.2018	31.12.2017 (transformed)	30.09.2017 (transformed)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and liabilities</b>	<b>2 715 162</b>	<b>2 547 402</b>	<b>2 199 543</b>
1. Share capital	3 705	3 705	3 705
2. Treasury shares	-43 067	-43 334	-43 329
3. Share premium	277 631	277 631	277 630
4. Other reserves	2 242 520	1 815 973	1 815 565
5. Retained earnings	234 373	493 427	145 972
- profit (loss) from previous years	0	0	0
- net profit (loss) for the current period	234 373	493 427	145 972
<b>Long-term liabilities</b>	<b>233 038</b>	<b>265 242</b>	<b>255 583</b>
1. Bank loans and borrowings	101 903	141 824	155 150
2. Employee liabilities	733	733	2 693
3. Accruals	130 303	122 604	97 659
4. Other long-term liabilities	99	81	81
<b>Short-term liabilities</b>	<b>2 036 772</b>	<b>1 406 709</b>	<b>1 598 782</b>
1. Trade and other liabilities	1 673 619	1 218 218	1 385 191
2. Contractual liabilities	10 211	0	0
3. Income tax liabilities	147 090	45 335	41 016
4. Bank loans and borrowings	99 302	56 496	112 090
5. Employee liabilities	58 650	28 456	17 287
6. Provisions	5 181	5 254	4 426
7. Accruals	42 719	52 950	38 772
<b>TOTAL equity and liabilities</b>	<b>4 984 972</b>	<b>4 219 353</b>	<b>4 053 908</b>





**+9.2%**

LFL

**+114%**

E-COMMERCE

# Separate Condensed Interim Statement of Comprehensive Income

for 9 months ended 30 September 2018

Statement of comprehensive income (in PLN thousand)	2018	2017 (transformed)	2018	2017 (transformed)
Continuing operations				
Revenue	4 586 765	4 017 035	1 701 146	1 575 040
Cost of goods sold	2 680 377	2 479 661	1 031 703	993 590
<b>Gross profit (loss) on sales</b>	<b>1 906 388</b>	<b>1 537 374</b>	<b>669 443</b>	<b>581 450</b>
Other operating income	9 431	10 391	3 169	2 284
Selling costs	1 236 326	1 139 642	429 133	395 951
General costs	464 045	324 318	165 651	124 346
Other operating costs	32 673	24 757	10 270	8 273
<b>Operating profit (loss)</b>	<b>182 775</b>	<b>59 048</b>	<b>67 558</b>	<b>55 164</b>
Financial income	172 381	184 778	54 982	113 165
Financial costs	15 486	47 353	10 443	2 376
<b>Pre-tax profit (loss)</b>	<b>339 670</b>	<b>196 473</b>	<b>112 097</b>	<b>165 953</b>
Income tax	105 297	50 501	25 272	27 621
<b>Net profit (loss)</b>	<b>234 373</b>	<b>145 972</b>	<b>86 825</b>	<b>138 332</b>
<b>Total comprehensive income</b>	<b>234 373</b>	<b>145 972</b>	<b>86 825</b>	<b>138 332</b>

# Separate Condensed Interim Statement of Changes in Equity

for 9 months ended 30 September 2018

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	TOTAL equity
<b>Balance as at 1 January 2018</b>	<b>3 705</b>	<b>-43 334</b>	<b>277 631</b>	<b>1 815 973</b>	<b>493 427</b>	<b>0</b>	<b>2 547 402</b>
Division of profit for 2017	0	0	0	420 085	-493 427	0	-73 342
Remuneration paid in shares	0	0	0	6 729	0	0	6 729
Subscription to treasury shares	0	267	0	-267	0	0	0
<b>Transactions with owners</b>	<b>0</b>	<b>267</b>	<b>0</b>	<b>426 547</b>	<b>-493 427</b>	<b>0</b>	<b>-66 613</b>
Net profit for three quarters of 2018	0	0	0	0	0	234 373	234 373
<b>Balance as at 30 September 2018</b>	<b>3 705</b>	<b>-43 067</b>	<b>277 631</b>	<b>2 242 520</b>	<b>0</b>	<b>234 373</b>	<b>2 715 162</b>



Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	TOTAL equity
<b>Balance 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 share purchases	0	-12	0	0	0	0	-12
Division of profit for 2016	0	0	0	214 540	-280 071	0	-65 531
Subscriptions to shares	27	0	26 237	4	0	0	26 268
<b>Transactions with owners</b>	<b>27</b>	<b>-12</b>	<b>26 237</b>	<b>214 544</b>	<b>-280 071</b>	<b>0</b>	<b>-39 275</b>
Net profit for three quarters of 2017	0	0	0	0	0	145 972	145 972
<b>Balance as at 30 September 2017</b>	<b>3 705</b>	<b>-43 329</b>	<b>277 630</b>	<b>1 815 555</b>	<b>0</b>	<b>145 972</b>	<b>2 199 543</b>

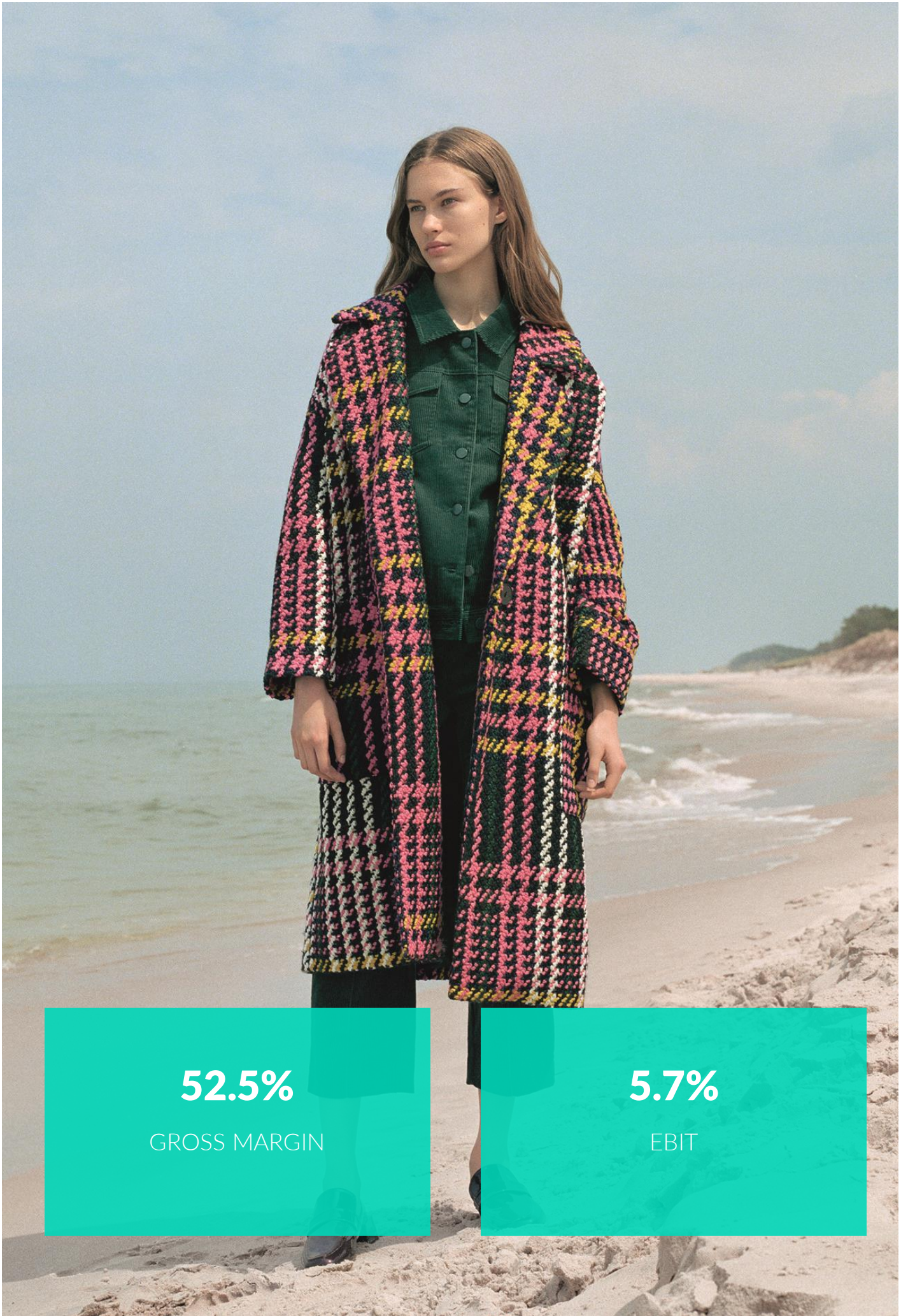
# Separate Condensed Interim Cash Flow Statement

for 9 months ended 30 September 2018

Cash flow statement (in PLN thousand)	01.01- 30.09.2018	01.01- 30.09.2017	01.07- 30.09.2018	01.07- 30.09.2017
I. Pre-tax profit (loss)	339 670	196 473	112 097	165 953
II. Total adjustments	407 784	173 239	275 616	-97 036
1. Amortisation and depreciation	136 200	117 680	45 802	38 857
2. Foreign exchange gains (losses)	-21 784	4 708	11 480	5 599
3. Interest and dividends	-165 689	-163 118	-60 380	-101 580
4. Profit (loss) on investing activities	-17 842	27 832	-7 986	-1 769
5. Income tax paid	-7 483	-38 217	-1 423	-11 066
6. Change in provisions and employee benefits	30 122	25	24 105	4 232
7. Change in inventories	-80 136	-367 847	-58 343	-49 475
8. Change in receivables and other assets	41 854	-33 906	-50 191	-197 402
9. Change in short-term liabilities, excluding bank loans and borrowings	484 078	627 548	371 553	215 050
10. Change in prepayments and accruals	1 735	-1 466	-1 060	518
11. Other adjustments	6 729	0	2 059	0
<b>III. Net cash flows from operating activities</b>	<b>747 454</b>	<b>369 712</b>	<b>387 713</b>	<b>68 917</b>
I. Inflows	584 777	191 472	228 766	108 242
1. Disposal of intangible and fixed assets	66 716	28 917	18 653	14 720
2. From financial assets, including:	168 061	162 555	60 113	93 522
a) in associates	167 609	162 490	60 096	93 504
- dividends	167 609	162 490	60 096	93 504
b) in other entities	452	65	17	18
- repayment of loans	48	65	17	18
- interest and other inflows from financial assets	404	0	0	0
3. Other investing inflows (investment funds)	350 000	0	0	0
II. Outflows	926 120	339 392	305 003	94 534
1. Purchase of intangible and fixed assets	319 541	165 391	134 655	60 379
2. For financial assets, including:	66 579	174 001	19 347	34 155
a) in associates	66 535	173 951	19 343	34 135
- purchase of shares	66 535	173 003	19 343	33 187
- loans granted	0	948	0	948
b) in other entities	44	50	4	20
- loans granted	44	50	4	20
3. Other investing outflows (investment funds)	540 000	0	151 001	0
<b>III. Net cash flows from investing activities</b>	<b>-341 343</b>	<b>-147 920</b>	<b>-76 237</b>	<b>13 708</b>
I. Inflows	44 719	26 264	38 808	26 264
1. Proceeds from issuance of shares	0	26 264	0	26 264

Cash flow statement (in PLN thousand)	01.01- 30.09.2018	01.01- 30.09.2017	01.07- 30.09.2018	01.07- 30.09.2017
2. Bank loans and borrowings	44 719	0	38 808	0
3. Other inflows from financing activities	0	0	0	0
II. Outflows	117 852	320 938	86 738	230 209
1. Cost of maintenance of treasury shares	0	11	0	4
2. Dividends and other payments to owners	73 342	65 527	73 342	65 527
3. Repayment of bank loans and borrowings	40 165	245 876	12 388	162 707
4. Financial lease liabilities paid	0	0	0	0
5. Interest	4 345	9 525	1 008	1 971
6. Other outflows from financing activities	0	0	0	0
<b>III. Net cash flows from financing activities</b>	<b>-73 133</b>	<b>-294 675</b>	<b>-47 930</b>	<b>-203 945</b>
<b>D. Total net cash flows</b>	<b>332 978</b>	<b>-72 883</b>	<b>263 546</b>	<b>-121 320</b>
<b>E. Balance sheet change in cash, including:</b>	<b>333 385</b>	<b>-73 212</b>	<b>253 853</b>	<b>-119 565</b>
- change in cash due to foreign currency translation	407	-329	-9 693	1 755
<b>F. Opening balance of cash</b>	<b>241 327</b>	<b>157 716</b>	<b>310 759</b>	<b>206 153</b>
<b>G. Closing balance of cash</b>	<b>574 305</b>	<b>84 833</b>	<b>574 305</b>	<b>84 833</b>





**52.5%**

GROSS MARGIN

**5.7%**

EBIT

# Additional Information on the Consolidated Condensed Interim Financial Statements

## 1. Overview of the LPP SA Capital Group

The LPP SA Capital Group ("Capital Group", "Group", "CG") is composed of LPP SA ("Parent Company", "Company") and its subsidiaries.

The Parent Company is recorded in the register of entrepreneurs of the National Court Register kept by the District Court for Gdańsk-North in Gdańsk, 7<sup>th</sup> Economic Division of the National Court Register, under number KRS 0000000778.

The Parent Company and the Group companies have been established for an unlimited period of time.

The Group's basic scope of business is:

- retail sale of clothing,
- wholesale of clothing.

During 9 months ended 30 September 2018, there were changes in the composition of the Group as compared to 31 December 2017 due to the establishment of new subsidiaries:

- LPP Kazakhstan LLP with its registered office in Almaty;
- Reserved Fashion, Modne Znamke DOO with its registered office in Ljubljana;
- LPP BH DOO with its registered office in Banja Luka.

These companies handle the distribution of products in Kazakhstan, Slovenia, Bosnia and Hercegovina.

On 25 May 2018, the General Meeting of Shareholders adopted a resolution on the granting of a consent for the sale of an organised part of the enterprise of LPP SA, currently operating under Promostars brand, by contributing it as an in-kind contribution to the subsidiary Amur Sp. Z o.o..





## 2. Basis for preparation of the consolidated condensed interim financial statements and information on changes in applied accounting principles

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"), approved by the European Union.

The consolidated condensed interim financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017, approved for publishing on 12 March 2018.

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

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

- exchange rate as at the last day of the reporting period: 30.09.2018 - PLN/EUR 4.2714, 31.12.2017 – PLN/EUR 4.1709, and 30.09.2017 – PLN/EUR 4.3091,
- average exchange rate for the period, calculated as an arithmetic average of the rates as at the last day of each month in a given period: 01.01.-30.09.2018 – PLN/EUR 4.2535, 01.01.-30.09.2017 – PLN/EUR 4.2566.

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

The accounting policy applied for preparing these financial statements complies in all material respects with the accounting policy adopted for preparing the annual consolidated financial statements of the LPP SA Capital Group for the financial year 2017, in accordance with International Financial Reporting Standards, with due consideration of amendments introduced under IFRS 9 and 15.

In 2018, the Group made several changes in presenting data in the financial statements.

- Change in presentation of transactions involving the sale of outlays in third-party premises

Since January 2018, the sale of outlays in third-party premises is presented as follows:

- a) outlays in third-party premises are presented in fixed assets and depreciated in the usability period,
- b) the value of a net sale invoice for such outlays is reported in full in prepayments/accruals and settled over time throughout contract duration.

So far, the Group presented the net value of the said transaction in in prepayments/accruals and depreciated it over time.



Data for 2017 and as at 30 September 2017 were transformed, with values given in the table below.

■ Change in presentation of deferred tax assets and liabilities

Since January 2018, deferred tax assets and liabilities are presented in the statement of financial position in an amount netted in respect of specific companies, and not separately for assets and liabilities as before.

Data for 2017 and as at 30 September 2017 were transformed, with values given in the table below.

■ Change in presentation of license liabilities

Since January 2018, license liabilities are presented in trade liabilities, without adjusting the value of inventories as before.

Data for 2017 and as at 30 September 2017 were transformed, with values given in the table below.

■ Change in presentation of revaluation write-offs on inventories

Since January 2018, revaluation write-offs on inventories are presented in the statement of comprehensive income, in the cost of goods sold. These write-offs are made twice a year. Previously, this value was shown in other operating figures.

Data for 9 months of 2017 were transformed, with values given in the table below.

At the same time, changes were made in presenting data as at 30 September 2017 and 31 December 2017 in the statement of financial position and the statement of comprehensive income for 9 months ended 30 September 2017 due to changes implemented in 2017. All changes are given in the table below.

Following the implementation of changes in presentation, adjustments given below were made in financial data as at 31 December 2017:

Changes during 12 months of 2017	Value in PLN thousand	Data approved	Data transformed
Sale of outlays in third-party premises	130 594	Accruals – liabilities	Fixed assets
Sale of outlays in third-party premises	1 939	Prepayments – assets	Accruals – liabilities
License liabilities	2 650	Inventories	Trade liabilities
Deferred tax liabilities	7 296	Deferred tax liabilities	Deferred tax assets

Changes were made also as at 30 September 2017:

Changes during 9 months of 2017	Value in PLN thousand	Data approved	Data transformed
Revaluation write-offs on inventories	13 819	Other operating income	Cost of goods sold
Revaluation write-offs on inventories	7 323	Other operating costs	Cost of goods sold
Revaluation write-offs on receivables	816	Other operating income	Other operating costs
Revaluation write-offs on fixed assets	1 392	Other operating costs	Other operating income
Provision for product returns	4 874	Accruals	Provisions
State budget receivables	63 060	Loans and receivables	Other non-financial assets
Sale of outlays in third-party premises	102 980	Accruals – liabilities	Fixed assets
Sale of outlays in third-party premises	1 332	Prepayments – assets	Accruals - liabilities
License liabilities	1 615	Inventories	Trade liabilities
Deferred tax liabilities	5 574	Deferred tax liabilities	Deferred tax assets

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

#### Key achievements of the Capital Group in Q3 2018

##### 1. Number of stores and retail space

At the end of Q3 2018, the LPP SA CG had 1 714 stores in 22 countries, of a total area of 1 035.4 thousand m<sup>2</sup>. The CG had 774 stores (528.2 thousand square metres) abroad. Compared to Q3 2017, the total retail space increased by 10.2%.

In Q3 2018, the largest nominal increase in space compared to Q3 2017 was recorded by the Reserved brand (58.1 thousand m<sup>2</sup>) as the CG commenced sales in two new countries (Slovenia and Israel). The growth dynamics was the highest in the Sinsay brand (24.5 % y/y) owing to, among others, its consistent development in Poland abroad.

As at 30 September 2018	Number of stores	Change y/y	Q3 2018	Q3 2017	Change y/y
			Area in thousand m <sup>2</sup>	Area in thousand m <sup>2</sup>	
Reserved	451	-3	584.9	526.8	11.0%
Cropp	362	-11	126.4	121.4	4.1%
House	326	+2	112.4	105.6	6.4%
Mohito	291	+6	106.2	98.5	7.8%
Sinsay	256	+43	94.7	76.0	24.5%
Outlets	28	-6	10.8	11.6	-7.1%
<b>Total LPP CG</b>	<b>1 714</b>	<b>+31</b>	<b>1 035.4</b>	<b>939.9</b>	<b>10.2%</b>

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

In Q3 2018, the highest nominal sales growth was generated by Reserved. This result has been achieved by the brand owing to collections highly recognised by customers and the consistent development of retail space (opening of new brand stores, including new markets such as Slovenia and Israel and the increased area of previously opened stores). The highest growth dynamics in Q3 2018 were yielded by Sinsay owing to a successful collection and the dynamic development of retail space, and House, as the said brand's collection has significantly improved y/y. Two brands, i.e. Reserved and Cropp, generated in Q3 2018 more revenue abroad than in Poland.

Sale in retail stores of specific brands and online, generated in Q3 2018 and, cumulatively, in three quarters of 2018, is given in tables below.

	in PLN mln		Change y/y
	Sales in Q3 2018	Sales in Q3 2017	
Reserved	918	825	11.2%
Cropp	289	302	-4.2%
House	237	205	15.8%
Mohito	193	200	-3.4%
Sinsay	209	165	26.4%
E-commerce	150	75	101.3%
Other	47	41	15.6%
<b>Total</b>	<b>2 044</b>	<b>1 813</b>	<b>12.8%</b>

	in PLN mln		
	Sales in Q1-Q3 2018	Sales in Q1-Q3 2017	Change y/y (%)
Reserved	2 566	2 202	16.5%
Cropp	786	744	5.6%
House	630	544	15.7%
Mohito	568	596	-4.7%
Sinsay	553	426	29.9%
E-commerce	460	214	114.5%
Other	110	154	-28.1%
<b>Total</b>	<b>5 674</b>	<b>4 881</b>	<b>16.3%</b>

### 3. Sales in LFL stores

Sales revenues in LFL stores (in local currencies) in Q3 2018 increased by 3.6%, remaining positive in each month of Q3 despite the high base. In Q3, positive LFL performance was recorded by Reserved, House and Sinsay. In the reporting period, the highest (two-digit) LFL performance was reached in Romania, Lithuania, Ukraine and Russia.

Cumulatively, i.e. during the first three quarters of 2018, revenue from sales in LFL stores (in local currencies) increased by 9.2%, with all brands recording positive LFL performance, except Mohito. The highest LFL performance was reached in Romania, Hungary and Ukraine.

### 4. Online sales

In Q3 2018, the LPP SA CG gained revenue of PLN 150.5 million from online sales, i.e. 101.3% more than a year ago. A three-digit growth in online sales was gained owing to the development of e-stores outside Poland (with an on-line store in Russia being added), marketing expenditures (cooperation with female bloggers and influencers) and changes in customer habits in Poland (stores closed on certain Sundays). In Q3 2018, revenue from online stores constituted 7.4% of the Capital Group's sales and 8.3% of domestic revenue. Approx. 58% of online sales were generated domestically.

Cumulatively, during the first three quarters of 2018, the LPP CG gained revenue of PLN 459.8 mln from online sales, i.e. 114.5% more than a year ago. In this period, revenue from online sales constituted 8.1% of the CG's sales and 9.4% of domestic revenue. Approx. 61% of online sales were generated domestically.

	Q3 2018	Q3 2017	Change y/y (%)	Q1-Q3 2018	Q1-Q3 2017	Change y/y (%)
Sales in PLN mln	150.5	74.8	101.3%	459.8	214.4	114.5%

### 5. Sales revenues broken down by country and region

In Q3 2018, the LPP CG recorded dynamic sales growths in Europe, resulting from high dynamics in CEE and SEE countries. Dynamic sales growths were generated also by all CIS countries and the Middle East (owing to the opening of the first retail store in Israel). Domestically, the CG recorded low sales dynamics due to the optimisation of the store chain and disadvantageous warm weather in September. In Q3 2018, the highest nominal growth in revenues y/y was recorded in Russia and Poland.

Revenues from sales generated by the Group companies operating in individual countries and regions are given in tables below (excluding intra-Group sales).

Country	Revenues Q3 2018	Revenues Q3 2017	Change y/y (%)
Poland	1 044 041	1 000 433	4.4%
Czech Republic	97 823	83 940	16.5%
Slovakia	59 609	50 147	18.9%
Hungary	37 582	28 080	33.8%
Lithuania	36 447	31 287	16.5%
Latvia	27 165	23 758	14.3%
Estonia	37 090	27 299	35.9%
Russia	398 567	332 356	19.9%
Ukraine	91 670	70 569	29.9%
Belarus	7 162	3 930	82.2%
Bulgaria	21 097	15 757	33.9%
Romania	60 912	45 274	34.5%
Croatia	26 373	20 029	31.7%
Serbia	9 036	1 030	777.3%
Slovenia	632	-	-
Germany	68 271	70 307	-2.9%
Great Britain	12 252	4 092	199.4%
Middle East	8 213	4 488	83.0%
<b>Total</b>	<b>2 043 943</b>	<b>1 812 772</b>	<b>12.8%</b>

Country	Revenues Q1-Q3 2018	Revenues Q1-Q3 2017	Change y/y (%)
Poland	3 003 973	2 692 241	11.6%
Czech Republic	280 989	222 534	26.3%
Slovakia	170 098	138 391	22.9%
Hungary	112 293	73 294	53.2%
Lithuania	95 667	78 807	21.4%
Latvia	72 586	59 976	21.0%
Estonia	93 822	70 284	33.5%
Russia	1 033 882	928 289	11.4%
Ukraine	241 825	187 250	29.1%
Belarus	13 489	9 522	41.7%
Bulgaria	57 900	42 422	36.5%
Romania	169 503	117 802	43.9%
Croatia	65 695	51 250	28.2%
Serbia	18 830	1 030	1729.0%
Slovenia	632	-	-
Germany	194 087	185 543	4.6%
Great Britain	32 081	4 092	684.1%
Middle East	16 680	17 792	-6.3%
<b>Total</b>	<b>5 674 032</b>	<b>4 880 520</b>	<b>16.3%</b>



	Revenues Q3 2018	Revenues Q3 2017	Change y/y (%)	Revenues Q1-Q3 2018	Revenues Q1-Q3 2017	Change y/y (%)
Poland	1 044 041	1 000 433	4,4%	3 003 973	2 692 241	11,6%
Other European countries	494 290	400 998	23,3%	1 364 182	1 045 426	30,5%
Russia, Ukraine, Belarus*	497 399	406 854	22,3%	1 289 196	1 125 061	14,6%
Middle East*	8 213	4 488	83,0%	16 680	17 792	-6,3%
<b>Total</b>	<b>2 043 943</b>	<b>1 812 772</b>	<b>12,8%</b>	<b>5 674 032</b>	<b>4 880 520</b>	<b>16,3%</b>

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

## 6. Retail sales per m2

In Q3 2018, retail sales (in traditional stores) per m2 of the LPP CG (with this indicator calculated as the CG's retail sales divided by an average number of meters operating in a given period) decreased by 3.1% compared to the preceding year.

	Q3 2018	Q3 2017	Change y/y (%)	Q1-Q3 2018	Q1-Q3 2017	Change y/y (%)
Retail sales m2/month in PLN	618	638	-3,1%	591	578	2.2%

## 7. Operating costs

The operating costs of the LPP Capital Group include the costs of own stores, the costs of franchise stores and head office costs. The latter comprise, among others, costs of the head office in Gdańsk, offices in Cracow and Warsaw, the offices of foreign subsidiaries and logistics costs. In Q3 2018, the Group recorded an increase in operating costs by 16%, mainly due to the increase in head office costs resulting from the increased costs of logistics, e-commerce and marketing.

	Q3 2018	Q3 2017	Change y/y (%)	Q1-Q3 2018	Q1-Q3 2017	Change y/y (%)
Operating costs (in PLN mln)	899	775	16,0%	2 611	2 238	16.7%
Operating costs per m2/month	295	280	5,3%	290	273	6.6%

## 8. Capital expenditures

In Q3 2018, the Group's capital expenditures (CAPEX) amounted to PLN 209.9 mln, being higher than in Q3 2017 by 74.5% due to the expansion of the logistics centre in Pruszcz Gdański and the head office as well as the first expenditures made for the construction of the distribution centre in Brześć Kujawski.

## 9. Inventory per m2

The inventory level and its optimisation are important elements of working capital management – it is important to observe inventory per m2 over time. The Group's inventory consists of goods in stores, warehoused goods and merchandise in transit - from the manufacturer to a logistics centre. The CG strives at minimising inventory and, at the same time, maintaining a sufficient product volume to maximise sales. In Q3 2018, the

inventory level per m2 was lower by 11.9% compared to Q3 2017 owing to successful collections and effective sales management. The Company's long-term goal was equalling trade liabilities with inventories. This goal was attained in Q3 2018.

	30.09.2018	30.09.2017	Change (%)
Inventory (in PLN mln)	1 587	1 639	-3.2%
Inventory per m2 in PLN	1 552	1 761	-11.9%

## 10. Debt

LPP has credit lines in 6 banks in the total amount of PLN 1.3 billion, utilised for bank guarantees, letters of credit for trade financing or as a revolving loan. Additionally, the Group uses a supplier financing programme (reversed factoring) and, at the end of Q3 2018, the limit was utilised in the amount of PLN 910 mln. Furthermore, the Group has a long-term debt extended to finance the expansion of the logistics centre and the head office. Due to the seasonality of sales, LPP increases the financing of purchases with a bank loan in the first and third quarter to finance inventories, and reduces lending in the second and fourth quarters, during periods of regular sales. The Company strives at minimising the level of debt to maintain financial security. At the same time, due to strong operating cash flows, at the end of Q3 2018, the Group had PLN 851 mln in cash. Consequently, at the end of Q3 2018, the Group showed net cash of PLN 525 mln (compared to a net debt a year ago). The following table shows the level of net cash (debt) in PLN thousand and the utilisation of loans as at 30 September 2018.

	Q3 2018	Q3 2017	Change y/y (%)
Short-term loans	224 137	112 090	100.0%
Long-term loans	101 903	155 150	-34.3%
Cash	851 155	256 405	232.0%
<b>Net debt (net cash)</b>	<b>- 525 115</b>	<b>10 835</b>	<b>n/m</b>

Bank ( in PLN thousand)	Bank loan utilisation as at 30 September 2018		Bank loan utilisation as at 31 December 2017	
	in PLN thousand	currency in thousand	in PLN thousand	currency in thousand
PKO BP SA	91 868	-	107 446	-
PKO BP SA	40 729	-	55 970	-
Pekao SA	25 000	-	34 006	-
Citibank Bank Handlowy	27 456	-	74	-
Raiffeisen Bank Polska SA	0	-	21	-
BGŻ BNP Paribas Bank Polska SA	16 152	-	803	-
Ukrsibbank	11 071	UAH 85 100	0	-
AO Raiffeisen Bank	57 664	RUB 1 027 872	0	-
Citibank Russia	56 100	RUB 1 000 000	0	-
<b>Total</b>	<b>326 040</b>		<b>198 320</b>	

## Other major events in Q3 2018 and in the period preceding publication of this report



08.2018

### ISRAEL – THE 21<sup>st</sup> COUNTRY

In August, the LPP CG had its debut on a new market in Israel as the Group opened a Reserved store of an area of 730 m2 in a shopping centre in Tel Aviv.



09.2018

### SŁOWENIA – THE 22<sup>nd</sup> COUNTRY

In September, the LPP CG opened its first store in Slovenia, namely, a Reserved store of an area of 1,700 m2 in the City Centre w Celje.



09.2018

### NEW RESERVED CAMPAIGN

In September, the CG launched its global campaign of the Reserved brand with Joanna Kulig and Jeanne Damas.



09.2018

### THE 20<sup>th</sup> STORE IN GERMANY

In September, the Group opened the 20<sup>th</sup> Reserved store on the German market. The retail store of an area of 2,644 m2 is located in Frankfurt-am-Main, at the Zeil.



09.2018

#### AGREEMENTS WITH BANKS

In September, the Company signed an annex to the agreement with Raiffeisen Bank Polska SA, prolonging the multi-purpose credit line utilised for an overdraft, guarantees and letters of credit, totalling PLN 280 mln.



10.2018

#### AGREEMENT ON THE LEASE OF A DISTRIBUTION CENTRE IN ROMANIA

In October, the Company signed an agreement for the lease of a distribution centre in Romania, which will facilitate the efficient handling of online sales of all brands of the CG in South-East Europe. The distribution centre of an area of 22 thousand m2 is planned to be opened by the end of 2019.



10.2018

#### KAZAKHSTAN – THE 23<sup>rd</sup> COUNTRY

In October, the LPP CG opened its first retail store in Kazakhstan. The Reserved store of an area of 2,385 m2 was opened in Dostyk Plaza in Almaty.

## 4. Factors and events, including those of extraordinary nature, significantly affecting the condensed financial statements

In Q3 2018, sales revenues increased by 12.8% compared to the same period of the preceding year, mainly owing to very good sales in both channels, i.e. in traditional stores (specifically Sinsay and Reserved) and online stores. The sales increase in traditional stores resulted from the increase of retail space by 10.2% y/y. The increased online sales was a consequence of increased operations abroad and marketing expenditures. In Q3 2018, a sales margin increased by 2.0 pp, i.e. from 49.0% to 51.0%, owing to favourable foreign currency trends and highly appreciated autumn-winter collections of the majority of brands.

In Q3 2018, operating costs increased by 16.0%, with such increase being higher than the sales increase due to the development of operations abroad and logistics.

In Q3 2018, the Capital Group recorded higher financial costs resulting from foreign exchange differences.

Consequently, in Q3 2018, the Capital Group recorded an increase in net profit by 7.6%, to PLN 91 557 thousand.



Basic figures reflecting the outcome of the Group's operations, margins gained in Q3 and values cumulatively in 2018 are given in tables below.

	Q3 2018	Q3 2017	Change y/y (%)	Q1-Q3 2018	Q1-Q3 2017	Change y/y (%)
Revenues from sales	2 043 944	1 812 772	12.8%	5 674 032	4 880 520	16.3%
Gross sales profit	1 043 367	888 585	17.4%	2 980 654	2 480 135	20.2%
General sales and administrative costs	898 752	775 019	16.0%	2 610 856	2 238 061	16.7%
EBITDA	217 416	175 545	23.9%	581 537	421 609	37.9%
Operating profit	129 212	103 086	25.3%	323 235	201 712	60.2%
Net profit	91 557	85 118	7.6%	192 917	141 363	36.5%

Margin (%)	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Gross sales margin	51.0%	49.0%	52.5%	50.8%
EBITDA	10.6%	9.7%	10.2%	8.6%
Operating	6.3%	5.7%	5.7%	4.1%
Net	4.5%	4.7%	3.4%	2.9%

## 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), during which, traditionally, the clearance sales of the SS collection are organised. Usually, this process results in attaining a lower margin compared to the average yearly gross margin on sales in the entire quarter.

## 6. Information on revaluation write-offs on inventories to a net realisable value and reversal of the said write-offs

Detailed information is provided for in Note 35.1.

## 7. Information on impairment losses on financial assets, fixed and intangible assets or other assets, and on their reversal

Detailed information is provided for in Note 35.1.

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

Relevant information is provided for in Note 35.5.

## 9. Information on deferred tax assets and liabilities

Detailed information is provided for in Note 35.6.

## 10. Information on material transactions involving the purchase and sale of fixed assets

In the reporting period, there were no such events.



## GOALS FOR 2018:

CONTINUING DOUBLE-DIGIT SALE INCREASES IN THE CG

MARGIN OF 54-55%

RETAINING NET CASH

9% INCREASE IN RETAIL SPACE

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

In the reporting period, there were no such events.

## **12. Information on material litigation-related settlements**

In the reporting period, there were no such events.

## **13. Specification of adjusted errors from previous periods**

In the reporting period, there were no such events.

## **14. Information on changes in economic and business conditions substantially affecting the fair value of the Company's financial assets and liabilities**

In the reporting period, there were no such events.

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

In the reporting period, there were no such events.

## **16. Information on one or more transactions effected by the Issuer or its subsidiary with associates if effected on terms other than at arm's length basis, with a specification of their value**

In the reporting period, there were no such events.

## **17. For financial instruments measured at fair value – information on the change of the method of determining such value**

Not applicable.

## **18. Information on changes in the classification of financial assets due to their changed purpose or utilisation**

Not applicable.

## **19. Division into operating segments – revenues and results by segment**

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 specific segments in Q3 2018 and for the comparable period are presented in Note 35.9.

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

In Q3 2018, the Issuer neither issued nor redeemed or repaid any debt or equity securities.

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

The General Meeting of Shareholders of LPP SA decided to pay a dividend, allocating for that purpose part of the profit generated in 2017, in the amount of PLN 73 342 480, i.e. PLN 40.00 per eligible share.

The amount allocated for ordinary shares was PLN 59 342 480, for preference shares – PLN 14 000 000. The date of preparation of the list of shareholders eligible to receive the dividend for 2017 was set for 24 August 2018, and the dividend payment date was set for 14 September 2018.

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

These financial statements were approved for publishing by the Management Board of the Parent Company on 19 November 2018.

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

There were no such events.

## **24. Changes in the LPP Capital Group's structure, including those resulting from mergers, gaining or losing control over subsidiaries or long-term investments as well as from division, restructuring or discontinuation of operations**

On 25 May 2018, the General Meeting of Shareholders adopted a resolution on the granting of a consent for the sale of an organised part of the enterprise of LPP SA, currently operating under Promostars brand, by contributing it in kind to a subsidiary of the LPP SA CG. The substance of the in-kind contribution will be assets and rights constituting part of a functionally separated clothing sales department operated under the Promostars brand.



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

In Q3 2018, the companies of the LPP SA Capital Group benefited from bank guarantees to secure the payment of rent for the leased space for brand stores, offices and a warehouse.

As at 30 September 2018, the total value of bank guarantees granted upon request and under responsibility of LPP SA amounted to PLN 269 585 thousand, of which:

<b>PLN 80 540 thousand</b>	guarantees granted to secure agreements concluded by LPP SA
<b>PLN 186 728 thousand</b>	guarantees granted to secure agreements concluded by consolidated associates
<b>PLN 2 317 thousand</b>	guarantees granted to secure lease agreements concluded by LPP SA for warehouse and office space

In Q3 2018, the Company also received guarantees. These guarantees secured payments by a contracting party, and their value as at 30 September 2018 amounted to PLN 16 659 thousand.

In the reporting period, the Parent Company provided guarantees. As at 30 September 2018, their value amounted to PLN 104 798 thousand and increased compared to 31 December 2017 by PLN 13 387 thousand.

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

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

Total future payments (minimum and conditional) under lease agreements, estimated as at 30 September 2018, are as follows.

<b>PLN 1 053 567 thousand</b>	payables maturing within 12 months after the balance sheet date
<b>PLN 3 026 507 thousand</b>	payables maturing in the period from 12 months to 5 years after the balance sheet date
<b>PLN 1 209 127 thousand</b>	payables maturing within more than 5 years after the balance sheet date

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

The Company published no annual result forecasts.

## 28. Shareholders holding directly or indirectly, 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 report submission, along with the number of shares held by those

## entities, their percentage share in the share capital, the number of votes attached, and their percentage share in total votes at the General Meeting of Shareholders, and changes in the structure of major shareholdings in LPP SA following submission of the previous periodical report

The shareholding structure of the Parent Company as at the date of submission of the report for Q3 2018 is given in the table below.

Shareholder	Number of shares held	Share in the share capital	Number of votes at the GM	Share in total votes at the GM
Semper Simul Foundation*	319 208	17.2%	1 019 208	31.5%
Sky Foundation**	226 338	12.2%	926 338	28.6%
Treasury shares***	18 861	1.0%	0	0.0%
Other shareholders	1 288 016	69.5%	1 288 016	39.8%
<b>Total</b>	<b>1 852 423</b>	<b>100.0%</b>	<b>3 233 562</b>	<b>100.0%</b>

\*The Semper Simul Foundation is associated with Mr Marek Piechocki (Article 3(1)(26)(d) MAR).

\*\*The Sky Foundation is associated with Mr Jerzy Lubianiec (Article 3(1)(26)(d) and Article 4(15) of the Public Offering Act).

\*\*\* Voting rights at the GM, attached to 18 861 shares, may not be exercised as these are treasury shares of LPP SA.

In the period following submission of the previous report (for H1 2018), there were no changes in the ownership of major shareholdings.

## 29. Structure of shareholdings in LPP SA or rights attached to shares, held by the Issuer's management and supervisory officers as at the date of submission of a quarterly report, including changes in the shareholding structure following submission of the previous periodical report, broken down by person

The shareholdings in LPP SA, owned by key management and supervisory officers, as at the date of submission of the report for Q3 2018:

Shareholder	Number of shares held	Number of votes at the GM
Marek Piechocki – President of the Management Board	39	39
Jacek Kujawa - Vice-President of the Management Board	179	179
Przemysław Lutkiewicz - Vice-President of the Management Board	36	36
Sławomir Łoboda - Vice-President of the Management Board	128	128
Jerzy Lubianiec – Chairman of the Supervisory Board*	226 338	926 338
Antoni Tymiński – Member of the Supervisory Board	11	11
Piotr Piechocki – Member of the Supervisory Board	14	14

\*shares held indirectly through a subsidiary

After submission of the last periodical report (for H1 2018), there were no changes in the ownership structure of LPP SA shares held by members of the Issuer's Management Board and the Supervisory Board.

## 30. Significant proceedings pending before courts and arbitration or public administration authorities in respect of liabilities or receivables of the issuer or its subsidiary, with the specification of the subject matter of the proceedings, value of the object of dispute, date of commencement of the proceedings, parties thereto and the issuer's standpoint

With reference to information provided in previous periodical and current reports on the pending audit procedure involving settlement of CIT for 2012, LPP SA awaits for the case to be resolved anew by the first-instance tax authority, upholding its standpoint that, in the Company's opinion, it correctly calculated CIT for 2012 and recognised, as revenue-earning costs, expenses which could be lawfully recognised as such. Having analysed settlements of licence fees for using trademarks, LPP SA created, as at 30 September 2018, a provision for prospective tax risks, totalling PLN 70.1 mln. This amount was increased in Q3 2018 by PLN 1.3 mln. Regardless of the above, upon request of the Customs and Fiscal Office for the Pomorskie Voivodeship in Gdynia, the Company provided documents regarding settlement of CIT for 2011 and 2013.

By the date of publishing the enclosed financial statements, there were no events occurring after the balance sheet date and requiring to be additionally disclosed.

## 31. Transactions with associates

### 31.1. Key management officers

The Group recognises members of the Management and Supervisory Boards as key management officers of the Parent Company.

The value of short-term benefits of members of the Management Board of the Parent Company, received between 1 January and 30 September 2018, amounted to PLN 6 116 thousand.

Remunerations shown separately for each key management officer were as follows.

First name and surname (in PLN thousand)	Position	30 September 2018	30 September 2017
Marek Piechocki	President of the Management Board	2 156	1 305
Przemysław Lutkiewicz	Vice-President of the Management Board	1 320	870
Jacek Kujawa	Vice-President of the Management Board	1 320	870
Sławomir Łoboda	Vice-President of the Management Board	1 320	870

The value of short-term benefits of members of the Supervisory Board of the Parent Company, received between 1 January and 30 September 2018, amounted to PLN 158 thousand.

Remunerations shown separately for each member of the Supervisory Board were as follows.

First name and surname (in PLN thousand)	Position	30 September 2018	30 September 2017
Jerzy Lubianiec	Chairman of the Supervisory Board	67	60
Wojciech Olejniczak	Member of the Supervisory Board	14	15
Piotr Piechocki	Member of the Supervisory Board	14	0
Magdalena Sekuła	Member of the Supervisory Board	21	0
Antoni Tymiński	Member of the Supervisory Board	21	0
Miłosz Wiśniewski	Member of the Supervisory Board	21	0
Maciej Matusiak	Member of the Supervisory Board	0	15
Krzysztof Olszewski	Member of the Supervisory Board	0	15
Dariusz Pachla	Member of the Supervisory Board	0	33

## 32. Information on the granting by the issuer or its subsidiary of credit or loan sureties or guarantees – jointly to a single entity or its subsidiary if the total value of existing sureties or guarantees is significant

In the reporting period, neither the Issuer nor any of its subsidiaries granted any substantial credit or loan sureties or guarantees to a single entity or its subsidiary.

Detailed information on conditional liabilities are provided in section 25 hereof.

### **33. Other information which may significantly affect the evaluation of the staffing, property and financial standing and the financial result of the LPP SA Capital Group as well as information relevant for evaluating the capacity of the Issuer's Capital Group to perform its liabilities**

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

### **34. Factors which, according to LPP SA, will affect the results gained by its Capital Group within at least the next quarter**

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

- a) Economic and political situation in Poland and in countries where the stores of the LPP SA CG are operated, specifically in Russia and Ukraine.
- b) Attractiveness of collections of specific brands and customers' positive response.
- c) PLN/USD, PLN/EUR, PLN/RUB and PLN/UAH exchange rates.
- d) Sunday trading ban (18% of sales in Poland).
- e) Control of SG&A/m<sup>2</sup>.
- f) Development of the sales network of Reserved, Cropp, House, Mohito and Sinsay brands. Space optimisation on the Polish market, increasing growth in Europe, in particular South-Eastern Europe, continued development in the CIS region. In 2018, it is planned to increase store space by approx. 9% y/y, i.e. by approx. 93 thousand m<sup>2</sup>. The CAPEX planned for 2018 amounts to approx. PLN 560 mln. Planned expenditures for stores amount to PLN 320 mln PLN, for infrastructures amount 240 mln PLN. In 2019, it is planned to increase store space by approx. 10% y/y, i.e. by approx. 114 thousand m<sup>2</sup>. The CAPEX planned for 2019 amounts to approx. PLN 700 mln (increase by approx. 25% y/y). Planned expenditures for stores amount to PLN 380 mln, expenditures for head offices – PLN 100 mln, for logistics – PLN 170 mln, for IT - PLN 50 mln.
- g) Dynamic e-commerce development – in 2018, the Company plans that online sales should increase by 100% y/y, exceeding at the same time 9% of the Capital Group's sale and going beyond 20% of the Group's sales in 2021. In the first half of 2019, the Capital Group intends to launch an e-store for all EU countries and in Ukraine.

## **35. Explanatory notes to the consolidated condensed interim financial statements**

### **35.1. Revaluation write-offs on assets**

Values of certain assets, presented in the consolidated financial statements drawn up as at 30 September 2018, were adjusted with revaluation write-offs. Detailed information on revaluation write-offs shown as at the last day of the reporting period and changes in the period are given in the table below.



	in PLN thousand		
	Fixed and intangible assets	Inventory	Receivables, loans and shares
<b>As at 1 January 2018</b>	<b>7 414</b>	<b>53 674</b>	<b>16 665</b>
Increase	8 123	37 242	1 435
Decrease	7 230	3 118	1 793
<b>As at 30 September 2018</b>	<b>8 307</b>	<b>87 798</b>	<b>16 307</b>

## 35.2. Other financial assets

In the reporting period, the Group acquired participation units in money market funds. The value of such units as at 30 September 2018 amounted to PLN 192 383 thousand, comprising the value of acquired units on the purchase date, amounting to PLN 190 000 thousand, and the value stemming from their valuation, amounting to PLN 2 383 thousand. In the cash flows statement, in investing activities, the Group shows the acquisition of participation units of the value of PLN 540 000 thousand and their redemption in the amount of PLN 350 000 thousand. The value after balance-sheet valuation, totalling PLN 1 979 thousand (calculated, unpaid), is recognised in the operating part, in interests and dividends. The value of profit earned from redeemed participation units was PLN 404 thousand (paid) and was shown in the investing part, in other inflows from financial assets. The valuation of the above-mentioned instruments is at level 1 of the fair value hierarchy as regards participation units in funds quoted on the regulated market and at level 2 of the fair value hierarchy as regards unquoted funds.

## 35.3. Cash

In order to prepare the cash flow statement, the CG classifies cash in the manner adopted for presenting its financial position. A difference in the value of cash shown in the statement of financial position and in the cash flow statement is affected by the following:

in PLN thousand	30 September 2018	30 September 2017
Cash and cash equivalents in the statement of financial position in bank and at hand	851 155	256 405
<i>Adjustments:</i>		
Exchange differences from balance sheet valuation of cash in foreign currency	209	604
<b>Cash and cash equivalents recognised in CF</b>	<b>851 364</b>	<b>257 009</b>

## 35.4. Employee liabilities

The value of employee liabilities presented in the consolidated financial statements and their changes in the reporting period are presented below.

	in PLN thousand		
	Retirement benefits	Unpaid remunerations	Short-term liabilities for the unused holiday leave
<b>As at 1 January 2018</b>	<b>751</b>	<b>21 172</b>	<b>22 400</b>
Increase	0	75 165	55 628
Decrease	0	43 660	54 249

### 35.5. Provisions

The value of provisions presented in the consolidated financial statements and their changes in the reporting period are given in the table below.

	in PLN thousand	
	Provision for product returns	Other provisions
<b>As at 1 January 2018</b>	<b>7 818</b>	<b>2 126</b>
- provisions made	39 423	1 111
- provisions reversed	35 594	2 126
<b>As at 30 September 2018</b>	<b>11 647</b>	<b>1 111</b>

### 35.6. Income tax

The main components of income tax of the LPP SA CG from 1 January 2018 to 30 September 2018 and in a comparative period are given in the table below.

	in PLN thousand	
	01.01-30.09.2018	01.01-30.09.2017
Current income tax	122 611	76 592
Deferred income tax	-12 434	-6 007
<b>Total</b>	<b>110 177</b>	<b>70 585</b>

### 35.7. Deferred tax assets and liabilities

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

Detailed information on the components of those figures is given in tables below.

Deferred tax assets	in PLN thousand	
	30 September 2018	31 December 2017
Difference between balance sheet and tax depreciation of fixed assets	-3 560	17 691
Depreciation of trademarks	86 869	90 878
Revaluation of inventories	15 816	1 934
Revaluation of trade receivables	175	375
Margin on goods unsold outside the Group	19 096	15 620
Margin on the sale of outlays	32 461	11 501
Tax loss	0	47
Unpaid remuneration and surcharges	13 424	12 986
Provision for product returns	1 090	1 162
Other temporary differences	-1 738	- 859

<b>Total</b>	<b>163 633</b>	<b>151 335</b>
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Deferred tax liabilities	30 September 2018	31 December 2017
Difference between balance sheet and tax depreciation of intangible and fixed assets	0	31
<b>Total</b>	<b>0</b>	<b>31</b>

## 35.8. Foreign exchange differences

In the consolidated statement of comprehensive income, prepared as at 30 September 2018, the value foreign exchange losses exceeds by PLN 12 755 thousand the value of foreign exchange gains.

## 35.9. Operating segments

Revenues and financial results relating to geographical segments for the period from 1 January 2018 to 30 September 2018 and for a comparative period are given in tables below.

30 September 2018	in PLN thousand				Total
	EU Member States	Other countries	Consolidation adjustments	Values not attributed to segments	
External sales	3 689 500	1 984 532	0	0	5 674 032
Inter-segment sales	790 385	0	-790 385	0	0
Other operating income	10 262	9 870	0	752	20 884
<b>Total revenue</b>	<b>4 490 147</b>	<b>2 201 261</b>	<b>-790 385</b>	<b>752</b>	<b>5 694 916</b>
Total operating costs, including	3 558 455	2 168 246	-797 279	374 812	5 304 234
Costs of inter-segment sales	607 250	0	-607 250	0	0
Other operating costs	34 432	33 015	0	0	67 447
<b>Segment result</b>	<b>897 260</b>	<b>-206 859</b>	<b>6 894</b>	<b>-374 060</b>	<b>323 235</b>
Financial income				5 298	5 298
Financial costs				25 439	25 439
<b>Profit/loss before taxation</b>					<b>303 094</b>
Income tax					110 177
Non-controlling interests					0
<b>Net profit/loss attributable to Shareholders of the Parent Company</b>					<b>192 917</b>

30 September 2017	in PLN thousand				Total
	EU Member States	Other countries	Consolidation adjustments	Values not attributed to segments	
External sales	3 763 951	1 116 569	0	0	4 880 520
Inter-segment sales	680 625	2 454	-683 079	0	0
Other operating income	11 371	4 650	0	836	16 857
<b>Total revenue</b>	<b>4 455 947</b>	<b>1 123 673</b>	<b>-683 079</b>	<b>836</b>	<b>4 897 377</b>
Total operating costs, including	4 101 274	962 939	-646 711	220 944	4 638 446
Costs of inter-segment sales	548 287	2 397	-550 684	0	0
Other operating costs	31 008	26 211	0	0	57 219
<b>Segment result</b>	<b>323 665</b>	<b>134 523</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
<b>Profit/loss before taxation</b>					<b>211 810</b>
Income tax					70 585
Non-controlling interests					-138
<b>Net profit/loss attributable to shareholders of the Parent Company</b>					<b>141 363</b>

#### Management Board of LPP SA:

<b>Marek Piechocki</b>	<b>Przemysław Lutkiewicz</b>	<b>Jacek Kujawa</b>	<b>Sławomir Łoboda</b>
President	Vice-President	Vice-President	Vice-President
of the Management Board	of the Management Board	of the Management Board	of the Management Board





**LPP SA**  
**POLISH COMPANY**  
**FAMILY-RUN COMPANY**  
**SOCIALLY RESPONSIBLE**  
**COMPANY**









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