

Independent Auditor's Report

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.
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To the Shareholders of LPP Spółka Akcyjna

Report on the audit of the consolidated financial statements

We have audited the enclosed consolidated financial statements of the Capital Group, with the parent company LPP Spółka Akcyjna (Parent Company) with its registered office in Gdańsk, at ul. Łąkowa 39/44. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of financial result and other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the period from 1 January 2016 to 31 December 2016, additional notes about the adopted accounting principles and other explanatory information.

Responsibility of the Management Board and the Supervisory Board of the Parent Company for the consolidated financial statements

The preparation and reliable presentation of the consolidated financial statements in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations announced in regulations of the European Commission and other applicable laws is the responsibility of the Management Board of the Parent Company. The Management Board of the Parent Company is also responsible for internal audit which is deemed required for the preparation of the consolidated financial statements without any material distortion caused by fraud or error.

According to the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2016, item 1047, as amended) (Accounting Act), the Management Board and Members of the Supervisory Board of the Parent Company are required to ensure that the consolidated financial statements meet the requirements provided for in the Accounting Act.

Responsibility of the statutory auditor

Our responsibility was to express our opinion on the said consolidated financial statements on the basis of the audit we conducted.

Our audit was conducted in accordance with Chapter 7 of the Accounting Act and the Polish Auditing Standards consistent with the International Standards of Auditing, adopted by resolution no 2783/52/2015 of the National Council of Statutory Auditors, dated 10 February 2015, as amended.

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Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp k Entity authorised to audit financial statements no. 4055
General Partner: Grant Thornton Polska Sp z o. o. Management Board of the general partner: Cecylia Pol - President of the Management Board, Tomasz Wróblewski - Vice-President of the Management Board.
Registered office: 61-131 Poznań, ul. Abpa Antoniego Baraniaka 88 E NIP: 782-25-45-999, REGON: 302021882 Bank account: 95 1750 1019 0000 0000 3165 2243 District Court Poznań - Nowe Miasto i Wilda in Poznań, 8th Commercial Division, under KRS No. 0000407558

The said standards require the observance of ethical requirements and the planning and conducting of the audit to become sufficiently assured that the consolidated financial statements comprise no material distortion.

The audit consisted in the implementation of procedures aimed at obtaining evidence for audited amounts and disclosures in the audited consolidated financial statements. The choice of procedures depends on the opinion of the statutory auditor, including his/her assessment of the risk of material distortion in the consolidated financial statements, caused by fraud or error. When assessing such risk, the statutory auditor takes into account internal audit activities relating to the preparation and reliable presentation by the Parent Company of the consolidated financial statements, with a view to designing auditing procedures that will be adequate in given circumstances, and not with a view to giving opinion on the effectiveness of the entity's internal audit. The audit includes also the assessment of the adequacy of the accounting principles (policy) adopted, the rationality of estimates made by the Management Board of the Parent Company as well as the evaluation of the overall presentation of the consolidated financial statements.

We hold the view that the audit evidence we obtained gives sufficient and adequate grounds to express our opinion.

Opinion

In our opinion, the enclosed audited consolidated financial statements:

- present a true and fair view of the assets and the financial position of the Capital Group as at 31 December 2016 and of its financial results for the financial year from 1 January 2016 to 31 December 2016, in line with the International Accounting Standards, the International Financial Reporting Standards, related interpretations announced in regulations of the European Commission and the adopted accounting principles (policy),
- are consistent in terms of their form and content with the provisions of law binding for the Capital Group and with the Articles of Association of the Parent Company.

Explanation

Raising no objections in terms of correctness and reliability of the audited consolidated statements, we draw attention to the fact that, from 2015, the Tax Audit Office (*Urząd Kontroli Skarbowej*) in Gdańsk has conducted an audit procedure in respect of the reliability of tax bases declared by the Parent Company and the correctness of calculation and payment of CIT for 2012. On 20 January 2017, the Management Board of the Parent Company received the protocol of the Tax Audit Office, drawn up as part of the audit procedure conducted. In the said protocol, the Tax Audit Office presented its standpoint challenging the correctness of determination by the Company of revenue earning costs in respect of expenses made for sub-licences for the use of trademarks, contributed to a subsidiary in the form of an in-kind contribution. The description of the situation, including the assessment of potential maximum charges arising from the issuance by tax authorities of decisions disadvantageous for the Parent Company, as well as a reply of the Management Board of the Parent Company to the standpoint of the Tax Audit Office, are provided for in note 8 to the financial statements.

Report on other legal requirements and regulations

Opinion on the report on the operations of the Capital Group

Our opinion on the audit of the consolidated financial statements does not comprise the report on the operations of the Capital Group.

The preparation of the report on the operations of the Capital Group in accordance with the Accounting Act and other applicable laws is the responsibility of the Management Board of the Parent Company. Furthermore, the Management Board and Members of the Supervisory Board of the Parent Company are required to ensure that the report on the operations of the Capital Group meets the requirements set forth in the Accounting Act.

Our duty was to review, in connection with the conducted audit of the consolidated financial statements, the wording of the report on the operations of the Capital Group and to specify whether the information provided in the said report adheres to Article 49 paragraph 2 of the Accounting Act and the Regulation of the Minister of Finance, dated 19 February 2009, on current and interim information provided by issuers of securities and on the terms and conditions for recognition of information required under the laws of a country not being a member state as equivalent (consolidated text: Journal of Laws of 2014, item 133, as amended) (Regulation on current and interim information), and whether such information complies with the information provided for in the enclosed consolidated financial statements. Our duty was also to make a statement on whether, based on our knowledge on the Capital Group and its environment, obtained in the course of auditing the consolidated financial statements, we ascertained any material distortions.

In our opinion, the information provided in the report on the operations of the Capital Group adheres to Article 49 paragraph 2 of the Accounting Act and the Regulation on current and interim information and complies with the information provided for in the enclosed consolidated financial statements. Furthermore, based on our knowledge on the Capital Group and its environment, obtained in the course of auditing the consolidated financial statements, we ascertained no material distortions in the report on the operations of the Capital Group.

In connection with the conducted audit of the consolidated financial statements, our duty was also to review the wording of the declaration of the Parent Company on corporate governance, constituting a separate part of the report on the operations of the Capital Group. We are of the opinion that, in the said declaration, the Parent Company incorporated information within the scope required under the secondary law enacted under Article 60 paragraph 2 of the Act on public offering and the terms and conditions for the introduction of financial instruments to an organised trading system and on publicly traded companies (consolidated text: Journal of Laws of 2016, item 1639). This information is compliant with applicable laws and the information provided for in the consolidated financial statements.

Jan Letkiewicz

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Statutory Auditor no. 9530

Key statutory auditor conducting the audit on behalf of

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,

Poznań, ul. Abpa Antoniego Baraniaka 88E, entity authorised to audit financial statements,
reference number 4055

Poznań, 6 April 2017