LPP

LPP SA GROUP

CONSOLIDATED CONDENSED INTERIM REPORT FOR H1 2022/23

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01

CONSOLIDATED INTERIM REPORT ON THE OPERATIONS OF THE LPP SA GROUP

ABOUT US

WHO WE ARE

LPP is a Polish family-run company engaged in the design, manufacturing and distribution of clothing. We have over 30-year experience in the clothing sector. Our sales network covers entire Poland, the countries of Central, Eastern and Western Europe, the Balkans and the Middle East. Customers visiting our traditional stores and shopping online are offered apparel, accessories and footwear under our five brands: Reserved, Cropp, House, Mohito and Sinsay. Each of those brands, differing in character, is targeted at a different customer group.

Although we operate on 38 markets, our brand concepts are developed, all our collections are created and all strategic decisions are made in Poland. The heart of our organisation is the head office in Gdańsk, where the Company's history has begun. Our offices are located also in Cracow, Warsaw, Shanghai and Dhaka.

Our staff consists in total of approx. 32 thousand people employed in our offices, sales and distribution units in Poland as well as European and Asian countries. The cornerstones of LPP's culture are openness, diversity, responsibility for common development and mutual respect.

HOW WE OPERATE AS A GROUP

The LPP SA Group is composed of the Parent Company with its registered office in Poland, 8 domestic companies and 25 foreign companies. The Group's foreign subsidiaries are, to a major extent, engaged in the distribution of products of our brands outside Poland.

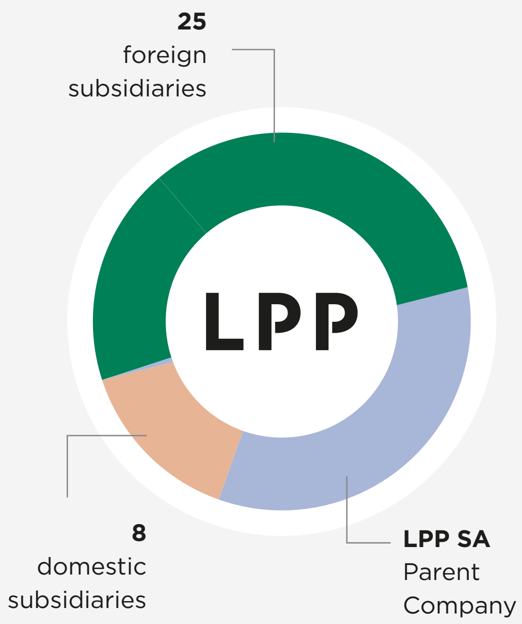
Polish subsidiaries are engaged in the following activities: store operation services in the territory of Poland (LPP Retail Sp. z o.o), sale of promotional clothing (Printable Sp. z o.o.), logistics services (LPP Logistics Sp. z o.o.), development works involving logistics centres (Veviera Investments Sp. z.o.o), management of IT projects for the Group (Silky Coders Sp. z o.o. and Dock IT Sp. z o.o.) and activities involving rental of real property in Poland, where ours brand stores are located (DP&SL Sp. z o.o., IL&DL Sp. z o.o.).

During 6 months ended 31 July 2022, there were the following changes in the Group's structure:

- sale of Re Trading OOO, the Russian subsidiary, to an external business partner;
- closure of Reserved Fashion BIS Modne Znamke DOO, one of our two Slovenian subsidiaries;
- establishment of two new companies: LPP Italy SRL, the Italian subsidiary with its registered office in Milan, and LPP Albania LTD, the Albanian subsidiary with its registered office in Tirana. The newly created Italian and Albanian companies have been established with a view to the expansion of the Group's operations to those countries.

These consolidated financial statements of the Group, covering the period from 1 February 2022 and 31 July 2022, include separate results of LPP SA as well as the results of foreign subsidiaries and six Polish subsidiaries. The remaining two Polish subsidiaries (engaged in the lease of real properties where our brand stores are operated in Poland) were not consolidated due to irrelevance of data.

Structure of the LPP SA Group



OUR SHAREHOLDERS

Shares in LPP SA have been quoted on the main market of the Warsaw Stock Exchange (WSE) since 2001 as part of domestic indices such as WIG, WIG Poland, WIG20, WIG30, WIG140, WIG Clothes, WIG ESG and foreign ones including MSCI Poland Index, CECE Index and FTSE Russell Index. Additionally, the Company has been qualified as member of the segment of family-run companies quoted on the WSE, launched in 2021.

On the debut date, the price of the Company's shares was PLN 48.00. The highest value was recorded in 2022: PLN 18,770.00.

The table below presents shareholders holding, as at the date of publishing this report, directly or indirectly, at least 5% of the general number of votes at the GM of LPP. In the period following the publishing of the previous report (for Q1 2022/23), there were no changes in the major LPP shareholdings. However, there were changes in the share capital itself and the number of shares: an increase from PLN 3,704,846 by PLN 3,636 to PLN 3,708,482 and the issuance of 1,818 ordinary bearer shares of the M series, of the nominal value of PLN 2 per share, as part of the target capital (CR 26/2022).

Shareholder	Number of shares held	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Sky Foundation**	227,898	12.3%	227,898	7.0%	455,796
Other shareholders	1,047,454	56.5%	1,047,454	32.2%	2,094,908
Total	**1,854,241**	**100.0%**	**3,254,241**	**100.0%**	**3,708,482**

* The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(d) MAR).
** The Sky Foundation is closely associated with Mr Jerzy Lubianiec, co-founder of LPP.

OUR MANAGEMENT AND SUPERVISORY BOARDS

AS AT 31 JULY 2022, THE MANAGEMENT BOARD OF LPP WAS COMPOSED OF:

- Marek Piechocki – President of LPP's Management Board
- Jacek Kujawa – Vice-President of LPP's Management Board
- Przemysław Lutkiewicz – Vice-President of LPP's Management Board
- Sławomir Łoboda – Vice-President of LPP's Management Board
- Marcin Piechocki - Vice-President of LPP's Management Board

AS AT 31 JULY 2022, THE SUPERVISORY BOARD OF LPP WAS COMPOSED OF:

- Miłosz Wiśniewski – independent Chairman of LPP's Supervisory Board
- Wojciech Olejniczak – Vice-Chairman of LPP's Supervisory Board
- Piotr Piechocki – Member of LPP's Supervisory Board
- Magdalena Sekuła – independent Member of LPP's Supervisory Board
- Grzegorz Maria Słupski – independent Member of LPP's Supervisory Board

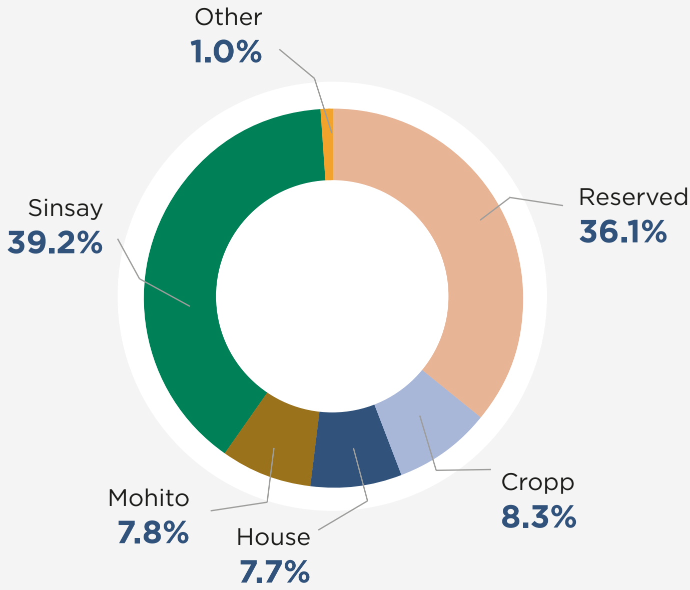
The table below presents the LPP shareholdings of management officers as at the date of publishing this report. In the period following the publishing of the previous report (for Q1 2022/23), there was a change in the LPP shareholdings of management officers following the acquisition of shares in line with the 2021 incentive scheme. At the same time, supervisory officers hold no shares in LPP.

Shareholder	Number of shares held	Number of votes at the GM
Marek Piechocki - President of the Management Board	1,429	1,429
Przemysław Lutkiewicz - Vice-President of the Management Board	524	524
Jacek Kujawa - Vice-President of the Management Board	972	972
Sławomir Łoboda - Vice-President of the Management Board	831	831
Marcin Piechocki - Vice-President of the Management Board	570	570

OUR PORTFOLIO

We own five recognisable brands: Reserved, Mohito, Cropp, House and Sinsay. Each of them is dedicated to a different group of customers representing various lifestyles, having different needs and expressing themselves in their own way.

Percentage share in sales of specific brands in 1H 2022/23




MOHITO


sinsay


house

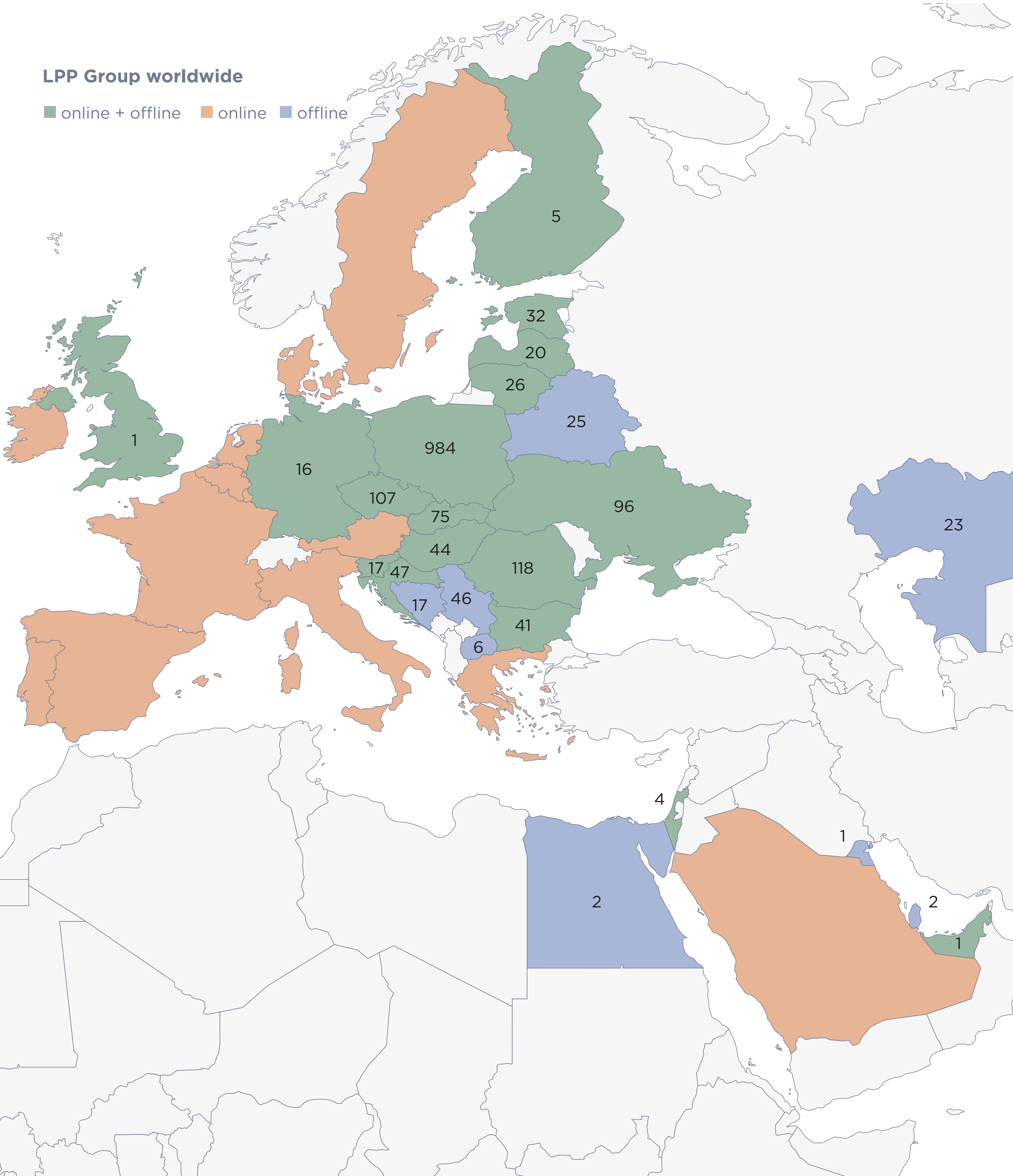

CROPP

OUR MARKET PRESENCE

We offer our products to customers in on-site and online stores jointly in 38 countries on 3 continents.

Our on-site store chain comprises 1,756 stores of the total area of 1,459.3 thousand m^2 in 25 countries.

We are present online on 32 markets.



BASIC FIGURES PRESENTING THE EFFECTS OF THE LPP SA GROUP'S OPERATIONS FROM 01.02.2022 TO 31.07.2022

(Historical data for a comparative period, i.e. Q2 2021/22 and H1 2021/22, are given in two versions: 1) before restatement – results published in the financial statements for H1 2021/22 and 2) after restatement – the Russian company as discontinued operations.)

1. NUMBER OF STORES

As at 31.07.2022	Number of stores
Reserved	344
Cropp	313
House	316
Mohito	209
Sinsay	574
LPP Group in total	**1,756**

2. SALES BROKEN DOWN BY BRAND

in PLN mln	Sales in H1 2022/23	Sales in H1 2021/22 before restatement	Sales in H1 2021/22 after restatement
Reserved	2,660	2,396	2,019
Cropp	613	700	497
House	567	578	472
Mohito	573	491	402
Sinsay	2,889	1,773	1,370
Pozostałe	73	55	45
Razem	**7,375**	**5,993**	**4,806**

in PLN mln	Sales in Q2 2022/23	Sales in Q2 2021/22 before restatement	Sales in Q2 2021/22 after restatement
Reserved	1,582	1,440	1,240
Cropp	390	448	334
House	354	382	321
Mohito	309	312	263
Sinsay	1,685	1,034	791
Other	20	27	40
Total	**4,341**	**3,643**	**2,990**

3. ONLINE SALES

	H1 2022/23	H1 2021/22 before restatement	H1 2021/22 after restatement
Sales in PLN mln	2,213	1,781	1,682

	Q2 2022/23	Q2 2021/22 before restatement	Q2 2021/22 after restatement
Sales in PLN mln	1,225	793	748

4. REVENUE BROKEN DOWN BY REGION

in PLN mln	H1 2022/23	H1 2021/22 before restatement	H1 2021/22 after restatement
Poland	3,325	2,397	2,397
Europe	3,255	1,860	1,860
Other regions*	795	1,737	549
Total	**7,375**	**5,993**	**4,806**

*Other regions: Ukraine, Belarus, Kazakhstan and the Middle East countries

in PLN mln	Q2 2022/23	Q2 2021/22 before restatement	Q2 2021/22 after restatement
Poland	1,866	1,487	1,487
Europe	1,878	1,165	1,165
Other regions*	597	991	338
Total	**4,341**	**3,643**	**2,990**

*Other regions: Ukraine, Belarus, Kazakhstan and the Middle East countries

5. OPERATING EXPENSES

	H1 2022/23 (IFRS16)	H1 2021/22 (IFRS16)	Q2 2022/23 (IFRS16)	Q2 2021/22 (IFRS16)
Operating expenses (in PLN mln)	3,226	2,573	1,808	1,372
Operating expenses per m^2 /month	373	284	407	293

1. CAPITAL EXPENDITURES

In H1 2022/23, capital expenditures (CAPEX) amounted to PLN 492.6 mln, i.e. approx. 8% less compared to H1 of the preceding year mainly due to smaller expenditures for developing brand stores abroad (ceased development of sales networks in Russia and Ukraine).

7. INVENTORY

	31.07.2022	31.07.2021	Change y/y (%)
Inventory (PLN mln)	4,445	2,311	92.3%
Inventory per m^2 in PLN	3,067	1,439	113.2%

8. DEBT

Debt	As at 31.07.2022	As at 31.07.2021	Change y/y (%)
Current loans	1,056,162	554,591	90.4%
Non-current loans	314,303	166,336	89.0%
Bonds	293,312	294,409	-0.4%
Financial lease	3,372,886	3,379,664	-0.2%
Cash	738,085	1,594,893	-53.7%
Net debt	**4,298,578**	**2,800,107**	**53.5%**

9. FACTORS AND EVENTS, INCLUDING THOSE OF EXTRAORDINARY NATURE, SIGNIFICANTLY AFFECTING THE CONDENSED FINANCIAL STATEMENTS

The Group's financial results in H1 2022/23 were substantially affected by extraordinary circumstances involving the outbreak of the war in Ukraine, the discontinuation of operating activities in Russia and the sale by LPP of the Russian subsidiary Re Trading OOO.

Due to the outbreak of the war in February 2022, the Group's traditional and online stores in Ukraine were closed and, when reopened, their business activity was not restored to the level preceding the war. As at the balance-sheet date, out of 159 brand stores operating before the war, 96 traditional stores were open while online stores recommenced their operation yet with some restrictions.

At the same time, following a decision made by the Management Board, in March, the Group terminated the sale of its products in the territory of Russia having closed all traditional and online stores. In May, having regard of the uncertain situation and impossible prediction of the fate of the armed conflict in the East, the Company decided to sell the Russian subsidiary to an Asian investor.

As the sale of the subsidiary became final in June and, simultaneously, LPP lost control over Re Trading OOO, the results generated by that subsidiary in the reporting period were presented as discontinued operations, which had a bearing on the Group's results – continuing operations. A detailed description of the sale of Re Trading and its effect on the financial statements are given in note 6 to the consolidated financial statements.

Considering the fact that, before the war, both markets, i.e. the Russian and Ukrainian ones, were important for the Group in terms of revenue, the limitation of sale on those markets affected revenue generated by the Group in H1 2022/23.

Nonetheless, despite limited sales in those two countries, revenue of the Group was higher by approx. 23%, reaching over PLN 7 bln compared to almost PLN 6 bln in the same period a year ago.

Higher revenue of the Group was generated owing to positive LFLs (like-for-like sales +30.3% y/y), numerous new on-site Sinsay stores opened and e-commerce sales. Among brands, the highest revenue was generated by Sinsay owing to the development of its retail space and increasing popularity of clothing from the value-for-money segment to which the brand belongs. The Group's marketing activities and the continuing popularity trend of this sales channel had a positive impact on the increase in the Group's revenue on online sales, totalling over PLN 2 bln. Online sales accounted for approx. 30% of the Group's entire sales.

Due to the limited possibility of selling goods in Russia and Ukraine (being markets with relatively high trade margins for the Group), there was an increase in inventory y/y and the need of larger promotional campaigns for SS collections in all brands, which affected gross margin on sales, reaching in H1 the value of 51.6%, i.e. 3.9 p.p. less than a year ago.

Operating expenses incurred by the Group in H1 2022 were approx. 25% higher y/y due to increased rental costs resulting from an increasing share of turnover-dependent rent and an EUR exchange rate disadvantageous for the Company (with the majority of rents being denominated in EUR). Additionally, the following factors affected an increase in store operation expenses in H1 2022/23: an increase in the minimum wage, payroll review and the return of store staff to work after lockdowns as well as increased costs of power supply and third-party services. At the same time, higher e-commerce expenses including logistics and marketing costs had an additional impact on the increase in operating expenses.

Due to higher operating expenses y/y, the operating margin generated in H1 2022/23 was lower than a year ago, reaching 6.9%, i.e. 4.5 p.p. less than a year ago.

As a result of the above-mentioned mainly extraordinary factors in the reporting period, the LPP Group yielded net profit on continuing operations, totalling PLN 564.8 mln. Due to a net loss on discontinued operations, totalling PLN 50.7 mln, the Group's net profit for H1 2022/23 amounted to PLN 514.2 mln compared to PLN 480.6 mln a year ago (after restatement).

Basic figures reflecting the Group's performance and margins gained in H1 and Q2 2022/23 are given in tables below.

(in PLN thousand)	H1 2022/23	H1 2021/22 before restatement	H1 2021/22 after restatement
Revenue	7,374,796	5,993,480	4,805,527
Gross sales profit	3,803,711	3,325,195	2,491,094
Costs of stores and distribution and general costs	3,226,364	2,573,029	2,211,257
EBITDA	1,035,657	1,208,110	677,532
Operating profit (loss)	512,361	682,202	237,692
Net profit (loss) on continuing operations	564,843	480,643	111,288

(in PLN thousand)	Q2 2022/23	Q2 2021/22 before restatement	Q2 2021/22 after restatement
Revenue	4,340,566	3,643,141	2,990,231
Gross sales profit	2,255,824	2,019,893	1,538,658
Costs of stores and distribution and general costs	1,807,818	1,372,309	1,168,645
EBITDA	667,075	863,756	562,378
Operating profit (loss)	395,345	595,010	338,573
Net profit (loss) on continuing operations	537,536	459,095	229,651

Margin (%)	H1 2022/23	H1 2021/22 before restatement	H1 2021/22 after restatement
Gross sales margin	51.6%	55.5%	51.8%
EBITDA	14.0%	20.2%	14.1%
Operating	6.9%	11.4%	4.9%
Net on continuing operations	7.7%	8.0%	2.3%

Margin (%)	Q2 2022/23	Q2 2021/22 before restatement	Q2 2021/22 after restatement
Gross sales margin	52.0%	55.4%	51.5%
EBITDA	15.4%	23.7%	18.8%
Operating	9.1%	16.3%	11.3%
Net on continuing operations	12.4%	12.6%	7.7%

10. OTHER MAJOR EVENTS IN H1 2021/22 AND IN THE PERIOD PRECEDING PUBLICATION OF THIS REPORT

MARCH

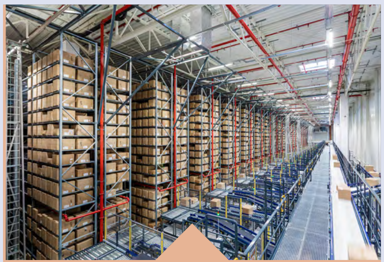
CLOSURE OF ALL BRAND STORES IN RUSSIA

APRIL-MAY

DECISION TO SEEL THE RUSSIAN COMPANY AND ITS SALE

APRIL-JUNE

CHANGE IN OUR BUSINESS DEVELOPMENT STRATEGY – ACTIONS AIMED AT EXPANDING SINSAY AND RESERVED IN SOUTHERN AND WESTERN EUROPE



MAY

DEVELOPMENT OF A NEW WAREHOUSE IN JASIONKA NEAR RZESZÓW

JOINING THE SBTI INITIATIVE

JULY

OPENING A RESERVED FLAGSHIP STORE IN ISRAEL

AUGUST

LAUNCHING THE OPERATING ACTIVITY OF LPP LOGISTICS, OUR SUBSIDIARY

SEPTEMBER

JOINT PROJECT OF LPP AND “UBRANIA DO ODDANIA” FOR THE UNAWEZA FOUNDATION OF MARTYNA WOJCIECHOWSKA

OPENING THE NEW FULFILLMENT CENTRE IN PRUSZCZ GDAŃSKI

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS – ADOPTION OF RESOLUTIONS IN THE ISSUANCE OF BONDS

BASIC THREATS AND RISKS PERTAINING TO THE REMAINDER OF THE FINANCIAL YEAR

The LPP Group has identified several current threats and risks related to the remainder of the financial year. These threats and risks are described in detail below, including actions taken by the Company to minimise their effects.

MACROECONOMIC RISK	**Risk:** The macroeconomic situation in countries where the Group sells its products and where its suppliers' factories are located is crucial for the Group. The Group's revenues and margins depend on the economic situation of households and their consumption inclinations. An economic growth or decline in countries where LPP brand stores are located may translate into an increase or decrease in consumer spending, including clothing expenses. Similarly, an economic growth or decline in countries where the manufacturing of goods is located may translate into an increase of, or decrease in, manufacturing costs. The current macroeconomic situation, i.e. the deteriorating economic climate in Poland and worldwide, may adversely affect the Group's performance and financial position. On one hand, an increase in supply-side inflation may bring about the Company's need to incur higher costs of purchasing garments ordered from suppliers. In cases where there is a limited possibility of translating the increase in costs into prices of products offered to customers, the above may result in decreasing the Group's trade margin. On the other hand, the simultaneous increase in demand-side inflation poses the risk of a decrease in customers' purchasing power and, consequently, their lower propensity to purchase clothes, which will affect the Group's revenue.

MACROECONOMIC RISK	**Actions minimising this risk:** Being present on numerous markets, the Group diversifies that risk into several countries with a diverse macroeconomic situation (reduced correlation of the economic climate between countries). It sells products of five brands thus splitting the risk into several age groups. Currently, the Group focuses its activities on the intense development of the Sinsay brand falling within the value-for-money segment which is more popular with customers at a time of the economic downturn. On a day-to-day basis, the Group monitors the economic situation worldwide and in countries of its presence, adjusting its strategy accordingly. As regards stock purchases, the Group minimises the said risk by placing manufacturing orders with numerous manufacturers in several countries and by co-operating on a long-term basis with selected suppliers. Therefore, considering a high order volume, the Group is able to negotiate advantageous stock prices. Yet, in cases of unavoidable increases in product purchase costs, the pricing policy applied by the Company allows it to respond by increasing the prices of the products offered while constantly monitoring and analysing the prices of competitors' goods. This was the case as regards collections of the last two seasons when, following an increase in production costs, the Company increased the prices of selected products accordingly, while differentiating the increases by brand, due to the different threshold of price sensitivity of each brand's customers.
GEOPOLITICAL RISK	**Risk:** The occurrence of an armed conflict or even a war in countries where the Group has its sales and distribution network and where our suppliers' factories are located may adversely affect the Group's operations. That is why the Company is exposed to the risk of embargoes or restrictions being imposed on import or export of goods (services). This risk may involve disruptions in the purchase of goods, bans on the purchase/sale of goods in the territory of countries in conflict, as well as economic and financial sanctions imposed by external organisations on countries in conflict, where the Group outsources production or carries out sales activities. Such situations may have a bearing on the Group's supply chain and sales continuity and cause cash transfer difficulties and payment bottlenecks, which may ultimately affect its liquidity. In extreme situations, there is a risk that the Company may be required to cease its operations in conflict areas. Furthermore, the Company gives notice to the risk of adverse impact on its corporate image in cases of conducting business activity in the territory of a country being a conflict initiator. The Group operates in numerous countries, placing manufacturing orders in the region of Asian countries (where there is a risk of a growing tension between China and Taiwan) and selling goods in, among others, the countries of Eastern Europe (with a potential risk of a political and armed conflict being elevated for several years now). The said risk materialised due to the outbreak of the war in Ukraine following an invasion by Russian troops in February 2022. The current uncertainty as to the war ending still poses a risk for the Group.

GEOPOLITICAL RISK	**Actions minimising this risk:** Risks associated with constraints arising from political and economic crises are difficult to mitigate due to unpredictable development of conflict situations and decisions taken in their aftermath by international institutions and organisations and also having regard of the nature of the Group's independence. The Company takes the following activities mitigating the risks involved: (1) operating on numerous markets (the Group pursues business activity in 38 countries which makes it possible to limit disruptions in given territories); (2) limiting the Group's exposure to a given country (a single country's share in sales may not exceed 20% of the Group's total sales, except Poland); (3) day-to-day monitoring of financial settlements in the Group and making sure that there are no excessive liabilities/receivables which might affect the Group's liquidity; (4) monitoring the current political and economic situation and, following an in-depth analysis, making ongoing decisions by the Company's Management Board e.g. on changes in business development directions.
PANDEMIC RISK	**Risk:** The outbreak of an epidemic on markets where the Group has its collections manufactured and where it sells its products may substantially affect the situation in those countries and, in consequence, affect the Group's results. The epidemic spreading in countries where suppliers' manufacturing plants are located may cause disturbances in the continuity of the supply chain i.e. delays in, or lack of, raw materials or textile supplies or, eventually, entire collections, which, in consequence, may adversely affect the product offer and its availability. At the same time, the outbreak of an epidemic in countries where the Group sells its collections may have a negative impact on customer demand. Restricted mobility may cause a decrease in shopping or even putting a halt on purchases in the event of closure of on-site stores. The 2020 outbreak of the COVID19 pandemic materialised the said risk on both sides (countries involved in manufacturing and sales). The present risk entails an increase in infections and returning further waves of pandemics in the upcoming autumn/winter season. **Actions minimising this risk:** Being present on numerous markets, the Group diversifies that risk into many countries. The Company is developing online sales being the alternative shopping channel for customers should on-site stores be closed. If need be, as in the case of the initial stage of the outbreak of the COVID-19 pandemic, the Company will quickly react by making decisions aimed at maintaining the Group's liquidity position by e.g. reducing operating costs or capital expenditures.
FOREIGN EXCHANGE RISK	**Risk:** Considering the fact that, partially, the Group's revenue are denominated in foreign currencies (mainly EUR and local currencies), stock purchase costs – mainly in USD and operating costs – in over 50% in foreign currencies (mainly EUR), the Group is exposed to the risk of adverse foreign exchange fluctuations. The Group faces the highest FX exposure to USD and EUR. The USD exposure is related to the location of goods production and purchases (mainly Asian countries), while the EUR exposure is related to rent payments for stores. LPP reports its financial results in PLN. Consequently, the strong position of PLN against USD and EUR has a positive impact on our Group's margins, while its weak position against key currencies reduces our profitability. In light of the current economic and political situation in Poland and worldwide, the Company is exposed to the risk of a negative impact of the exchange rate on the Group's results in terms of both trading and operating margins. **Actions minimising this risk:** To level foreign exchange differences in financial operations, the Company hedges USD/PLN exchange rate by entering into forward contracts for USD payments to suppliers. At the same time, the increasing share of currencies other than PLN in the Group's sales (mainly EUR) further minimises the said risk.

INTEREST RATE RISK	**Risk:** As a result of its floating-rate loan debt and the issue of the 2019 floating-rate bonds, the Company is exposed to the risk of changes in interest rates, any increase in which affects the amount of interest paid by the Company on its debt. The ongoing series of interest rate rises in Poland since autumn 2021 due to the central bank's tightening of the monetary policy materialises this risk, which translates into actually higher financing costs for the Company. Any further interest rate rises will exacerbate the risk in question. **Actions minimising this risk:** The Company pursues a conservative financial policy. It tries to minimise the amount of borrowings and financial commitments to maintain a net cash position on the balance sheet. The active policy of the Treasury Department and the incurring of financial liabilities by the Parent Company only allows better control of the interest rate risk while minimising it.
COLLECTION AND FASHION TREND RISK	**Risk:** The Group operates on a very competitive, demanding and changing fashion market which is characterised by a high level of diversity in customer expectations and is closed correlated with changes in fashion trends and customer preferences. A key success factor is, on one hand, the sensing of changes in fashion trends and adjusting the product range to current consumer needs and, on the other hand, a quick reaction to such needs. Additionally, in the fashion industry, a natural element is the cyclical nature associated with alternating seasons, requiring collection changes while taking into account permeating seasons and the occurrence of extreme weather changes. This, in turn, poses the risk of a mismatch between the type of collection and present weather conditions, which may affect customers' purchasing decisions (shopping postponement or abandonment). Such situations may ultimately shorten the regular price sales season and reduce the Group's revenue and margin. Currently, the Autumn-Winter 22 collection sales season is underway for the Company and the involved fashion trend risk in the remainder of the financial year will depend on its degree of adaptation to customer tastes and preferences. **Actions minimising this risk:** On a constant basis, LPP monitors fashion market trends by participating in fairs, exhibitions and fashion events and by accessing the latest global publications on fashion (Internet catalogues). In the Company, a Head Designer has been appointed i.e. a multi-person team following fashion trends worldwide and educating all LPP designers on the latest ones appearing. Our Company takes actions aimed at digital advancement i.e. brand promotion in social media and cooperation with influencers and trendsetters, which has also a positive effect on limiting the market trend risk. Our collections are designed by several teams of designers and their work is organised so as to minimise the impact of a single designer on collections as a whole. Designers undergo constant assessment covering, among others, margins yielded on their collections. At the same time, the Company mitigates the risk of unsuccessful collections by offering a wide range of additional products expanding the basic apparel offer e.g. accessories, underwear, footwear, bags, and by providing an adequate structure of each collection i.e. basic (classic) models and fashionable products. Additionally, an important factor mitigating the said risk is addressing products to different age groups. As regards minimising the weather condition risk, the Company has a system for analysing temperatures and weather conditions, connected with supply planning processes involving different countries. If it is required to deliver stock in a more speedy way, it is possible to change the transport type from maritime to railway transport. At the same time, the portfolio of near-shore suppliers (not distant from the Group's distribution centres) is being constantly expanded.

RISK OF INCREASED POWER SUPPLY COSTS	**Risk:** The existing risk of an energy crisis in Poland, Europe and worldwide is beginning to materialise. Electricity supplies for 2023 are priced at the highest-ever level on many European exchanges. This situation is influenced by both the climate crisis (a drought limiting production by hydroelectric or nuclear power plants and coal-fired power generation), the trade war with Russia and record-breaking gas prices (resulting from lower supplies due to the embargo imposed on Russia and that country's turning off the tap). At the same time, low coal stocks in Poland (due to the earlier increased consumption of this fuel) are pushing up energy prices on the domestic market. The phenomenon of more expensive electricity in countries of the Group's presence entails the risk of increased operating costs since energy costs are part of operating costs of all our brand stores, offices and logistics warehouses. An additional risk for the Group, resulting from the energy crisis. may be restrictions imposed by the European Commission on electricity consumption. **Actions minimising this risk:** The Company invests in solutions increasing application of renewable energy sources. In 2021, it signed an agreement for the supply of renewable energy with FIGENE Energia, under which, for ten subsequent years starting from 1 January 2023, the Company will use renewable energy in the majority of its office buildings in Poland (in Gdańsk, Pruszcz Gdański and Cracow) and in the Distribution Centre in Pruszcz Gdański and Brześć Kujawski. Having signed this agreement, the Company will avoid the high cost of conventional energy. Additionally, the Company has high-tech systems in place to manage electricity consumption in its warehouses. Power consumption in the offices is monitored, and remote metering of all the Group's brand stores for both energy and water consumption will be completed already in 2023, which will allow inefficient consumption points to be searched for. Another action taken by the Company to limit the risk of increased power supply costs was the installation of 4 thousand photovoltaic panels (of a total capacity of 1.5 MW) on the roof of the Distribution Centre in Brześć Kujawski, being the source of renewable energy for the facility. Furthermore, along with the planned assembly of own batteries, the above will ensure power independence of that warehouse while the Company will be able to acquire required know-how to expand such power supply solutions in the entire Group.

LOGISTICS RISK	**Risk:** The task of logistics in the fashion industry is to quickly and accurately complete the right number of garment shipments to individual on-site shops and individual deliveries to customers ordering online, while optimising the volume of goods in logistics centres. The changes that have taken place in the retail industry in recent years (the pandemic and the resulting increase in importance of e-commerce, disrupted supply chains, changes in customer behaviour, including their expectation of ever shorter delivery times) have shown that comprehensive logistics facilities are a necessity for a volatile and dynamically changing market environment. The expansion of the Group's sales in new countries and the strategy of developing an omnichannel organisation without simultaneous investment in logistics improvements could bring about the risk of failure to provide the optimum logistics services. **Actions minimising this risk:** Along with growing demand, the Group has been consistently expanding its logistics facilities both at home and abroad. We currently have contemporary distribution centres in Poland (Pruszcz Gdański, Gdańsk, Stryków, Brześć Kujawski and investments launched in Rzeszów and Stryków) and abroad, i.e. in Slovakia and Romania. At the same time, in emergency situations, the Company is able to redirect containers with goods to other auxiliary warehouses it has. As regards e-commerce deliveries, part of deliveries to individual customers may be made from the nearest on-site store. It cooperates with specialised third parties in the field of logistics industry, such as operators specialising in e-commerce logistics or manufacturers of modern IT and technological solutions for the logistics industry. Reacting to the changing market environment, the Company constantly introduces IT improvements for logistics, including projects based on AI algorithms. Furthermore, in response to the growing importance of efficient logistics in the entire supply chain and considering further development of LPP on new European market, the Management Board has decided to spin off a company responsible for managing the supply and distribution network. All these actions taken by the Group improve logistics efficiency and make it possible to minimise the risk of ineffective logistics, ultimately increasing the Group's competitiveness on the market.

FACTORS WHICH MAY AFFECT RESULTS GAINED BY THE LPP GROUP WITHIN AT LEAST H2 2022/23

In the next six months at least, the Group's financial results may be affected by the following:

- economic and social situation in Poland and other countries in which the Group's stores are operated, resulting from:
  - the inflation pressure,
  - the lasting war in Ukraine, exacerbating factors inhibiting economic growth in European countries,
  - increased prices of energy sources,
  - elevated interest rates charged on loans
- Possible decline in household purchasing power and simultaneous smaller inclination to buy clothes when disposable income becomes lower.
- Change in the customer behaviour model and increased inclination to buy value-for-money clothing.
- Fashion trends, attractiveness of collections offered by the Company.
- PLN/USD and PLN/EUR exchange rates.
- Level of transportation costs and prospective disruptions in the supply chain.
- Prospective tax law amendments in Poland.
- Control of the Group's operating expenses (SG&A).
- E-commerce development by the Group, including new European markets, i.e. in Greece, Italy and Spain.
- Development of the Group's traditional store chain, including new European markets, i.e. in Greece, Italy and Spain.
- Development of the logistics network.
- Development of the organisation's omnichannel model.
- The Group's CAPEX.

According to the sales plans for the financial year 2022/23 (excluding Russia and, in part, the Ukrainian market), the Group may yield sales of PLN 16 bln, i.e. approx. 13% more y/y, with e-commerce sales exceeding PLN 5 bln.

Simultaneously, considering the present geopolitical situation in Eastern Europe, the level of insecurity and the economic instability on all markets as well as increased inflation correlated with increasing cost pressure, in 2022/23, the Group expects that its trade and operating margins will decrease.

Nonetheless, in 2022/23, the Group plans to maintain investment commitment of PLN 1.0 bln, including approx. PLN 600 mln to be appropriated for the development of the traditional store chain, the space of which will be simultaneously decreased in the current year by approx. 10% y/y, i.e. to 1,695.4 thousand m^2 , due to cessation of development in the Eastern region. In the years to come, the Group expects to restore its retail space and return to growth.

SUPPLEMENTARY INFORMATION

The Company is not a party to any significant court or administrative proceedings.

In the reporting period, there were no transactions with associates other than those specified in point 19 of the consolidated financial statements and point 18 of the separate financial statements for H1 2022/23.

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

The Management Board takes no standing on performance forecasts to be met for a given year based on results given in this report as the Company has no practice of publishing any such forecasts.

This report contains basic information essential for evaluating the standing of the LPP Group. In the opinion of the Management Board, currently, the execution of the obligations of the LPP Group remains unthreatened.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Vice-President
of the Management Board

Jacek Kujawa
Vice-President
of the Management Board

Sławomir Łoboda
Vice-President
of the Management Board

Marcin Piechocki
Vice-President
of the Management Board

Gdańsk, 4 October 2022

02

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

INTRODUCTION

We hereby approve the consolidated condensed interim financial statements of the LPP SA Group for 6 months ended 31 July 2022, comprising the consolidated condensed interim statement of comprehensive income, with comprehensive income totalling PLN 775,074 thousand, the consolidated condensed interim statement of financial position, with assets and liabilities totalling PLN 14,939,236 thousand, the consolidated condensed interim statement of cash flows, showing a decrease in net cash by PLN 616,806 thousand, the consolidated condensed interim statement of changes in equity, showing an increase in equity by PLN 126,729 thousand, as well as notes describing significant accounting principles and other explanatory data.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Vice-President
of the Management Board

Jacek Kujawa
Vice-President
of the Management Board

Sławomir Łoboda
Vice-President
of the Management Board

Marcin Piechocki
Vice-President
of the Management Board

Gdańsk, 4 October 2022

SELECTED CONSOLIDATED CONDENSED FINANCIAL DATA

for 6 months ended 31 July 2022

	in PLN thousand		in EUR thousand	
	Cumulatively			
Selected consolidated financial data	2022/23	2021/22	2022/23	2021/22
	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07
Revenue	7,374,796	4,805,527	1,580,438	1,057,694
Operating profit (loss)	512,361	237,692	109,800	52,316
Pre-tax profit (loss)	672,772	192,271	144,177	42,319
Net profit (loss)	564,843	111,288	121,047	24,494
Weighted average number of shares	1,838,870	1,838,066	1,838,870	1,838,066
Profit (loss) per share	307.17	60.55	65.83	13.33
Net cash flows from operating activities	-522,684	1,173,481	-112,013	258,283
Net cash flows from investing activities	-386,505	-316,845	-82,829	-69,737
Net cash flows from financing activities	257,483	-794,635	55,179	-174,899
Total net cash flows	-651,706	62,001	-139,662	13,646

	in PLN thousand		in EUR thousand	
Selected consolidated financial data	2022/23	2021/22	2022/23	2021/22
	31.07.2022	31.01.2022	31.07.2022	31.01.2022
Total assets	14,939,236	14,135,248	3,151,804	3,074,083
Non-current liabilities	3,341,822	3,983,219	705,041	866,256
Current liabilities	8,198,588	6,879,932	1,729,696	1,496,223
Equity	3,398,826	3,272,097	717,067	711,604
Share capital	3,708	3,705	782	806
Weighted average number of shares	1,838,870	1,838,066	1,838,870	1,838,066
Book value per share	1,848.32	1,780.18	389.95	387.15
Declared or paid dividend per share	350.00	450.00	73.84	97.86

SELECTED CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE

for 6 months ended 31 July 2022

		H1		Q2	
Comprehensive income statement (in PLN thousand)	Notes	2022	2021	2022	2021
		01.02 - 31.07	01.02 - 31.07 restated	01.05 - 31.07	01.05 - 31.07 restated
Continuing operations					
Revenue	7	7 374 796	4 805 527	4 340 566	2 990 231
Cost of goods sold		3 571 085	2 314 433	2 084 742	1 451 573
Gross profit (loss) on sales		**3 803 711**	**2 491 094**	**2 255 824**	**1 538 658**
Costs of stores and distribution		2 842 734	1 985 222	1 586 497	1 062 205
General costs		383 630	226 035	221 321	106 440
Other operating income	8	29 184	26 890	17 734	10 844
Other operating expenses	8	94 170	69 035	70 395	42 284
Operating profit (loss)		**512 361**	**237 692**	**395 345**	**338 573**
Financial income	9	238 808	13 153	236 047	4 280
Financial expenses	9	78 397	58 574	33 271	20 949
Pre-tax profit (loss)		**672 772**	**192 271**	**598 121**	**321 904**
Income tax	10	107 929	80 983	60 585	92 253
Net profit (loss) on continuing operations		**564 843**	**111 288**	**537 536**	**229 651**
Profit/(loss) on discontinued operations		**-50 681**	**369 355**	**-291 344**	**229 444**
Total net profit/(loss)		**514 162**	**480 643**	**246 192**	**459 095**
Net profit attributable to:					
Shareholders of the parent company		514 162	480 643	246 192	459 095
Non-controlling interests		0	0	0	0
Other comprehensive income					
Items transferred to profit or loss					
Currency translation on foreign operations		260 912	59 851	176 003	46 659
Total comprehensive income		**775 074**	**540 494**	**422 195**	**505 754**
Attributable to:					
Shareholders of the parent company		775 074	540 494	422 195	505 754
Non-controlling interests		0	0	0	0
Weighted average number of shares		1 838 870	1 838 066	1 838 870	1 838 066
Diluted number of shares		1 838 870	1 839 884	1 838 870	1 839 884
Profit (loss) per share		307,17	261,49	292,32	249,77
Diluted profit (loss) per share		307,17	261,24	292,32	249,52

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 July 2022

Statement of financial position (in PLN thousand)	Notes	31.07.2022	31.01.2022	31.07.2021
ASSETS				
Non-current assets		**6,505,002**	**7,027,715**	**6,147,480**
1. Property, plant and equipment	11	2,823,359	2,760,486	2,754,075
2. Right-of-use assets		2,604,211	3,412,312	2,732,314
3. Intangible assets		146,984	144,431	140,727
4. Goodwill		183,203	183,203	183,203
5. Trademark		77,508	77,508	77,508
6. Non-current receivables		323,731	0	0
6. Deferred tax assets		333,570	425,405	239,990
7. Prepayments		5,012	5,756	3,091
8. Other financial assets	14	7,424	18,614	16,572
Current assets		**8,434,234**	**7,107,533**	**5,323,051**
1. Inventory	12	4,445,103	3,864,113	2,310,985
2. Trade receivables		1,322,634	246,077	162,339
3. Income tax receivables		13,279	33,929	104,308
4. Other non-financial assets		101,951	196,016	89,901
5. Prepayments		66,124	49,243	37,629
6. Other financial assets	14	359,697	60,570	70,610
7. Deposits and investment funds	13	1,387,361	1,302,694	952,386
8. Cash and cash equivalents		738,085	1,354,891	1,594,893
TOTAL assets		**14,939,236**	**14,135,248**	**11,470,531**

Statement of financial position (in PLN thousand)	Notes	31.07.2022	31.01.2022	31.07.2021
EQUITY AND LIABILITIES				
Equity		**3,398,826**	**3,272,097**	**2,785,223**
1. Share capital	15	3,708	3,705	3,705
2. Share premium		364,315	364,315	364,315
3. Other reserves		2,718,275	2,345,104	2,333,647
4. Currency translation on foreign operations		56,263	-204,649	-205,387
5. Retained earnings		256,280	763,637	288,958
6. Non-controlling interest capital		-15	-15	-15
Non-current liabilities		**3,341,822**	**3,983,219**	**3,232,601**
1. Bank loans and borrowings	16	314,303	144,174	166,336
2. Lease liabilities		2,604,714	3,428,223	2,663,200
3. Bonds		293,312	294,665	294,409
4. Employee liabilities		1,413	1,409	1,819
5. Deferred tax liabilities		2,473	627	134
6. Accruals		125,607	114,121	106,703
Current liabilities		**8,198,588**	**6,879,932**	**5,452,707**
1. Trade and other liabilities		5,685,862	4,970,841	3,450,723
2. Dividend liabilities		322,217	0	416,795
3. Contract liabilities		16,682	20,547	12,461
4. Refund liabilities		86,082	76,308	48,225
5. Bank loans and borrowings	16	1,056,162	535,036	554,591
6. Lease liabilities		768,172	749,069	716,464
7. Employee liabilities		130,405	149,672	67,218
8. Income tax liabilities		97,346	311,178	119,370
9. Provisions		4,378	10,669	14,287
10. Accruals		31,282	56,612	52,573
TOTAL equity and liabilities		**14,939,236**	**14,135,248**	**11,470,531**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

for 6 months ended 31 July 2022

Cash flow statement (in PLN thousand)	Notes	I H1 2022 01.02 - 31.07	I H1 2021 01.02 - 31.07 restated	Q2 2022 01.05 - 31.07	Q2 2021 01.05 - 31.07 restated
A. Cash flows from operating activities – indirect method					
I. Pre-tax profit (loss)		672,772	192,271	598,121	321,904
II. Total adjustments		-1,195,456	981,210	-831,027	517,275
1. Amortisation and depreciation		523,296	439,840	271,730	223,805
2. Foreign exchange (gains) losses		-170,929	-8,560	-72,233	-7,124
3. Interest and dividends		75,644	39,467	54,193	12,727
4. (Profit) loss on investing activities		-68,536	65,793	-64,664	71,747
5. Income tax paid		-336,946	-80,116	-287,050	-42,528
6. Change in provisions and employee benefits		-38,089	41,055	-32,503	-11,285
7. Change in inventory		-403,559	-12,179	91,242	-44,033
8. Change in receivables and other assets		-900,470	-205,526	-644,323	-199,909
9. Change in current liabilities, excluding bank loans and borrowings		-724,207	361,548	-1,024,618	173,953
10. Change in prepayments and accruals		40,491	-17,146	69,350	-16,035
11. Other adjustments		807,849	357,034	807,849	355,957
III. Net cash flows from operating activities		**-522,684**	**1,173,481**	**-232,906**	**839,179**
B. Cash flows from investing activities					
I. Inflows		106,966	129,794	22,543	35,567
1. Disposal of intangible and PPE assets		51,040	48,325	19,459	20,876
2. Repayment of loans granted		70	94	66	47
3. Interest and other inflows from financial assets	14	11	204	11	3
4. Other investing inflows (investment funds)	14	55,845	81,171	3,007	14,641
II. Outflows		493,471	446,639	229,840	218,359
1. Purchase of intangible and PPE assets		492,584	385,265	229,220	206,864
2. Loans granted		620	300	620	0
3. Other investing outflows (investment funds)	14	267	61,074	0	11,495

III. Net cash flows from investing activities	**-386,505**	**-316,845**	**-207,297**	**-182,792**
C. Cash flows from financing activities				
I. Inflows	997,188	46,854	551,253	26,207
1. Proceeds from issuance of shares	0	0	0	0
2. Loans and borrowings	997,188	46,854	551,253	26,207
3. Other financial inflows	0	0	0	0
II. Outflows	739,705	841,489	543,922	553,033
1. Dividends and other payments to owners	326,131	416,795	326,131	416,795
2. Repayment of loans and borrowings	13,163	150,617	6,203	0
3. Lease liabilities paid	339,312	225,542	174,744	112,961
4. Interest	61,099	48,535	36,844	23,277
5. Other financial outflows	0	0	0	0
III. Net cash flows from financing activities	**257,483**	**-794,635**	**7,331**	**-526,826**
D. Cash flows from continuing operations	**-651,706**	**62,001**	**-432,872**	**129,561**
E. Net cash flows from discontinued operations	**-42,521**	**263,009**	**-77,541**	**221,504**
D. Total net cash flows	**-694,227**	**325,010**	**-510,413**	**351,065**
E. Balance sheet change in cash, including:	**-616,806**	**317,039**	**-492,155**	**351,641**
– change in cash due to foreign currency translation	77,421	-7,971	18,258	576
F. Opening balance of cash	**1,316,969**	**1,276,243**	**1,133,155**	**1,250,188**
G. Closing balance of cash	**622,742**	**1,601,253**	**622,742**	**1,601,253**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for 6 months ended 31 July 2022

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium
Balance as at 1 February 2022	3,705	0	364,315
Distribution of profit for 12 months ended 31.01.2022	0	0	0
Dividend paid	0	0	0
Remuneration paid in shares	3	0	0
Transactions with owners	**3**	**0**	**0**
Net profit for H1 2022 ended 31 July 2022	0	0	0
Currency translation on foreign operations	0	0	0
Total comprehensive income	**0**	**0**	**0**
Balance as at 31 July 2022	3,708	0	364,315
Balance as at 1 February 2021	3,705	0	364,315
Distribution of profit for 12 months ended 31.01.2021	0	0	0
Dividend paid	0	0	0
Remuneration paid in shares	0	0	0
Transactions with owners	**0**	**0**	**0**
Net profit for H1 2021 ended 31 July 2021	0	0	0
Currency translation on foreign operations	0	0	0
Total comprehensive income	**0**	**0**	**0**
Balance as at 31 July 2021	3,705	0	364,315

Other reserves	Currency translation on foreign operations	Retained earnings	Equity attributable to the parent company	Non-controlling interests	TOTAL equity
2,345,104	-204,649	763,637	3,272,112	-15	3,272,097
373,171	0	-373,171	0	0	0
0	0	-648,348	-648,348	0	-648,348
0	0	0	3	0	3
373,171	**0**	**-1,021,519**	**-648,345**	**0**	**-648,345**
0	0	514,162	514,162	0	514,162
0	260,912	0	260,912	0	260,912
0	**260,912**	**514,162**	**775,074**	**0**	**775,074**
2,718,275	56,263	256,280	3,398,841	-15	3,398,826
3,155,123	-265,238	-189,514	3,068,391	-15	3,068,376
2,171	0	-2,171	0	0	0
-833,590	0	0	-833,590	0	-833,590
9,943	0	0	9,943	0	9,943
-821,476	**0**	**-2,171**	**-823,647**	**0**	**-823,647**
0	0	480,643	480,643	0	480,643
0	59,851	0	59,851	0	59,851
0	**59,851**	**480,643**	**540,494**	**0**	**540,494**
2,333,647	-205,387	288,958	2,785,238	-15	2,785,223

03

ADDITIONAL INFORMATION ON, AND NOTES TO, THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01.02.2022 TO 31.07.2022

1. OVERVIEW

The LPP SA Group (further referred to as the “Group”, “LPP Group”) 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, 7th 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.

These consolidated condensed interim financial statements of the Group for 6 months ended 31 July 2022 were approved by the Management Board of LPP SA for publishing on 4 October 2022.

2. CHANGES IN THE COMPOSITION OF THE GROUP

During 6 months ended 31 July 2022, there were the following changes in the composition of the Group:
- sale of Re Trading OOO in Russia;
- establishment of two companies LPP Albania Ltd in Albania and LPP Italy S.R.L. in Italy;
- winding up of Reserved Fashion BIS, Modne Znamke Doo in Slovenia.

A detailed description of the transaction involving the sale of Re Trading is given in note titled Discontinued operations (note 6).

New companies in Albania and Italy were formed in connection with expansion of the Group’s operations involving the sale of goods in traditional and online stores in those countries.

Reserved Fashion BIS, Modne Znamke DOO was closed and wound up due to a change in a business concept in Slovenia.

3. BASIS FOR PREPARATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND KEY ACCOUNTING PRINCIPLES

3.1. BASIS FOR PREPARATION

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 January 2022, approved for publishing on 20 April 2022.

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

The Group’s consolidated condensed interim financial statements cover 6 months ended 31 July 2022 and comprise comparative data for the period of 6 months ended 31 July 2021 and as at 31 January 2022. The comprehensive income statement and notes thereto comprise also data for Q2 i.e. for 3 months ended 31 July 2022 and comparative data for the period of 3 months ended 31 July 2021 – this data has neither been reviewed nor audited by a statutory auditor.

Data presented in these financial statements for 6 months ended 31 July 2022 have been reviewed semi-annually by a statutory auditor.

In the periods covered by these consolidated condensed interim 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: 31.07.2022 – PLN/EUR 4.7399, 31.01.2022 – PLN/EUR 4.5982,
- 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: 01.02-31.07.2022 – PLN/EUR 4.6663, 01.02.-31.07.2021 – PLN/EUR 4.5434.

These consolidated condensed interim financial statements were prepared based on the assumption that the Group would remain a going concern in foreseeable future. They incorporate no adjustments concerning various methods for assessment and classification of assets and liabilities, which could be recognised as required should the Group be unable to remain a going concern in foreseeable future.

3.2. CHANGES IN ESTIMATES AND ASSUMPTIONS

When drawing up these consolidated condensed interim financial statements, the Parent Company's Management Board uses judgement in making estimates and assumptions that affect accounting policies applied and the reported amounts of assets, liabilities, income and expenses. Actual values may differ from those estimated by the Management Board.

Information on estimates and assumptions of importance for the financial statements were given in the financial statements for the financial year ended 31 January 2022. Furthermore, in these consolidated condensed interim financial statements, the Group presented the impact of assumptions made by the Management Board on estimated revaluation write-offs (notes 7, 11 and 12) and revenue on customer contracts (note 7).

As emphasised by the Management Board, all estimates concerning the sale of Re Trading OOO, given in notes 6, 7 and 8 are subject to uncertainty due to the effects of war operations conducted by Russia. Estimates regarding the value of assets related to the Russian market have been made to the best knowledge of the Management Board. In future, a change in the economic and business environment in Russia may result in changes made in the Management Board's estimates in terms of risks involved with the assets in question.

3.3. ACCOUNTING PRINCIPLES

These consolidated condensed interim financial statements were prepared in accordance with the accounting principles presented in the last consolidated financial statements of the Group for the year ended 31 January 2022.

3.4. ERROR CORRECTIONS AND CHANGE IN ACCOUNTING PRINCIPLES

The consolidated condensed interim financial statements comprise neither corrections of errors from previous years nor a change in accounting principles.

4. SEASONALITY OF OPERATIONS

Seasonality in sales is a characteristic feature of the entire clothing market both in Poland and abroad. Typically, the gross margin achieved in periods of selling new collections at regular prices is higher than the one recorded during clearance sales. This results in disproportions in the value of margins generated in individual calendar quarters (with the highest margins in Q2 and Q4 and the lowest in Q1 and Q3). To avoid significant differences in margins between calendar quarters, the Company changed the financial year by adjusting it to the collection calendar and, therefore, alleviated the impact of clearance sales and seasonality on margins of individual calendar quarters.

5. OPERATING SEGMENTS

The LPP SA Group conducts one type of activity (one business segment considered as basic). 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.

Revenues and financial results regarding geographical segments for the period from 1 February 2022 to 31 July 2022 and for a comparable period are given in tables below.

01.02 - 31.07.2022 (in PLN thousand)	European Union countries	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	6,838,608	536,188	0	0	7,374,796
Intersegment sales	228,710	0	-228,710	0	0
Other operating income	20,689	8,495	0	0	29,184
Total revenue	**7,088,007**	**544,683**	**-228,710**	**0**	**7,403,980**
Total operating expenses, including	6,016,983	588,920	-192,084	383,630	6,797,449
Cost of sale of goods between segments	178,209	0	-178,209	0	0
Other operating expenses	91,979	2,191	0	0	94,170
Operating profit (loss)	**979,045**	**-46,428**	**-36,626**	**-383,630**	**512,361**
Financial income	0	0	0	0	238,808
Financial expenses	0	0	0	0	78,397
Pre-tax profit (loss)	**0**	**0**	**0**	**0**	**672,772**
Income tax	0	0	0	0	107,929
Net profit on continuing operations	**0**	**0**	**0**	**0**	**564,843**
Profit/loss on discontinued operations	0	0	0	0	-50,681
Net profit/(loss) attributable to shareholders of the Parent Company	**0**	**0**	**0**	**0**	**514,162**

01.02 - 31.07.2021 (restated) (in PLN thousand)	European Union countries	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	4,386,740	418,787	0	0	4,805,527
Intersegment sales	200,941	0	-200,941	0	0
Other operating income	23,936	2,954	0	0	26,890
Total revenue	**4,611,617**	**421,741**	**-200,941**	**0**	**4,832,417**
Total operating expenses, including	4,053,694	401,203	-155,242	226,035	4,525,690
Cost of sale of goods between segments	164,227	0	-164,227	0	0
Other operating expenses	65,918	3,117	0	0	69,035
Operating profit (loss)	**492,005**	**17,421**	**-45,699**	**-226,035**	**237,692**
Financial income	0	0	0	0	13,153
Financial expenses	0	0	0	0	58,574
Pre-tax profit (loss)	**0**	**0**	**0**	**0**	**192,271**
Income tax	0	0	0	0	80,983
Net profit on continuing operations	**0**	**0**	**0**	**0**	**111,288**
Profit/loss on discontinued operations	0	0	0	0	369,355
Net profit/(loss) attributable to shareholders of the Parent Company	**0**	**0**	**0**	**0**	**480,643**

6. DISCONTINUED OPERATIONS

On 24 February 2022, the troops of the Russian Federation attacked Ukraine and started a war. LPP SA suspended operating activities of its subsidiary LPP Ukraina to ensure safety of its employees in areas of warfare (CR no 06/2022 of 28 February 2022). At the same time, LPP SA started closely monitoring the situation on the Russian market and a change in international relations, arising from the initiation by Russia of the war, which resulted in the implementation of sanctions and restrictions in trade relations between the UE and Russia. Consequently, on 4 March 2022, LPP SA adopted a decision to suspend operating activities in Russia (CR no 12/2022 of 4 March 2022). Initially, the Company halted the operations of the online store in Russia. In subsequent days, traditional stores were being closed. On 28 April 2022, LPP SA made a final decision on ceasing trade operations in Russia and selling its Russian companies Re Trading OOO and LLC Re Development (CR no 17/2022 of 28 April 2022).

On 19 May 2022, LPP SA decided to sell Re Trading OOO to an Asian investor (CR no 19/2022 of 19 May 2022) and put LLC Re Development in liquidation. On 23 May 2022, the Company signed an agreement on the sale of 100% of shares in Re Trading OOO with an investor, which was confirmed and legitimised by a decision of a Russian court having jurisdiction for the subsidiary's registered office on 30 June 2022. Under the agreement signed, the investor has no right to use LPP trademarks in Russia. Due to the fact that the operations of Re Trading OOO were recognised as a separate geographical area of importance for the LPP SA Group and that the sale transaction was authorised by law and that, as of 30 June 2022, LPP SA lost control over Re Trading OOO, the results generated by the company during the financial year were recognised as discontinued operations. When assessing the execution of control, based on IFRS 10, LPP SA, having sold the entire shareholding in Re Trading OOO, acknowledged the withdrawal and sale of investments in the form of a subsidiary. The sale agreement incorporated an option (resting with the buyer only) of reselling the company to LPP SA by the end of 2026 if, in the investor's opinion, business operation conditions in Russia would not make it possible for Re Trading to continue its operations at a profit. Furthermore, the sale agreement incorporated provisions prohibiting LPP SA to have any impact on the appointment or approval of key management officers of Re Trading or on the procedure for appointing members of its supervisory authority. Key management officers of Re Trading may include neither present nor previous employees of LPP SA or persons associated with LPP SA. The sale agreement provides also for a transitional period in which LPP SA undertook to support the investor in the stock purchase, logistics and IT processes. As assessed by LPP SA, such support does not meet the conditions for the exercise of authority within the meaning of control requirements under IFRS 10.

As at the date of sale of Re Trading OOO, the book value of shares held by LPP SA was PLN 912.9 mln. Revenue on the sale of the subsidiary amounted to USD 135.5 mln (equivalent to PLN 600.8 mln according to the exchange rate as at the transaction date). The Company discounted the sale in line with the CAPM model at a discount rate of 22.59%. Following the discount in question, the value of revenue was PLN 296.2 mln. At the individual level, LPP SA recorded a loss on the sale of discounted operations, totalling PLN 616.7 mln, which was presented in the separate report of LPP SA, in the separate item of the statement of comprehensive income: "profit/loss on the sale of subsidiaries".

As at the balance-sheet date i.e. 31 July 2022, the discounted value of receivables from the sale of the company amounted to PLN 323.7 mln (measured at the exchange rate applicable on the balance-sheet date) and was presented in the statement of financial position, in non-current receivables. According to the agreement, the date of payment for the sale of the company was postponed in fixed proportions by 2026 at the latest.

Detailed values concerning the measurement of the sale of Re Trading OOO are given in the table below.

(in PLN thousand)	Values
Revenue under the agreement according to the exchange rate as at the transaction date	600,799
Discount recognising the country risk	-304,535
Discounted revenue	**296,264**
Foreign exchange differences	27,468
Discounted receivables	**323,732**

The value of the subsidiary's net assets at the time of sale was PLN 642.8 mln. The loss generated following the loss of control over the subsidiary amounted to PLN 346.6 mln in the consolidated results of the LPP Group and was presented in a separate item of the statement of comprehensive income, i.e. in Discontinued operations.

Calculation of the loss generated following the loss of control is given in the table below.

Calculation of the loss following the loss of control (in PLN thousand)	Values
Revenue under the agreement according to the exchange rate as at the transaction date	600,799
Discount recognising the country risk	-304,535
Discounted revenue	**296,264**
Value of shares sold	-912,993
Deferred tax between the discounted value and the contractual value	57,862
Foreign currency translation	86,506
Realised margin	125,737
Loss generated upon loss of control	**-346,624**

In item "discontinued operations", the Group reported both the loss on the sale of Re Trading, amounting to PLN 346.6 mln, and the results generated by Re Trading by June 2022, totalling PLN 295.9 mln (comprising, among others, profit on sale of PLN 459.4 mln and the reversal of the write-off on unprofitable stores, amounting to PLN 402.8 mln).

Revenue, expenses and results on discontinued operations are given below.

	CUMULATIVELY		Q2 2022	
Statement of comprehensive income (in PLN thousand)	2022	2021	2022	2021
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Revenue on operating activities	943,213	1,206,665	595,956	669,232
Other operating revenue (revaluation write-off on stores)	402,840	0	116,023	0
Operating expenses	954,954	762,155	661,617	412,795
Net financial expenses	31,823	18,631	8,625	9,297
Pre-tax profit (loss) on sales	**359,276**	**425,879**	**41,737**	**247,140**
Income tax	63,333	56,524	-13,543	17,696
Net profit (loss)	**295,943**	**369,355**	**55,280**	**229,444**
Profit (loss) on discontinued operations	-346,624	0	-346,624	0
Net profit (loss) on discontinued operations	**-50,681**	**369,355**	**-291,344**	**229,444**

Cash flows on discontinued operations

Cash flow statement	CUMULATIVELY 2022	2021	Q2 2022 2022	2021
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Cash flows on operating activities	125,241	609,296	35,343	539,344
Cash flows on investing activities	-105,549	-148,578	-38,032	-76,454
Cash flows on financing activities	-62,213	-197,709	-74,852	-241,386
Change in net cash from discontinued operations	**-42,521**	**263,009**	**-77,541**	**221,504**

7. REVENUE ON CUSTOMER CONTRACTS

The table below presents revenue from contracts with customers, broken down by categories reflecting the manner in which economic factors affect the nature, amount, payment date and uncertainty of revenue and cash flows.

(in PLN thousand)	H1 2022	2021	Q2 2022	2021
	01.02 - 31.07	01.02 - 31.07 (restated)	01.05 - 31.07	01.05 - 31.07 (restated)
Type of sale				
Sale of goods, including:	7,374,240	4,805,347	4,340,200	2,990,133
E-commerce	*2,121,393*	*1,681,939*	*1,133,252*	*748,217*
Sale of services	556	180	366	98
Total	**7,374,796**	**4,805,527**	**4,340,566**	**2,990,231**
Brand				
Reserved	2,660,434	2,018,776	1,365,306	1,240,209
Cropp	613,084	496,776	336,018	334,439
House	567,035	472,339	317,987	320,797
Mohito	572,585	402,425	274,111	263,289
Sinsay	2,888,545	1,370,467	1,473,499	791,447
Other	73,114	44,745	573,643	40,049
Total	**7,374,796**	**4,805,527**	**4,340,566**	**2,990,231**

Trade and other receivables

The LPP Group sells clothes and accessories to customers in its own stores and online in Poland and abroad, with payments made in cash or by credit/debit cards. Due to this business model, the balance of receivables is relatively low. Trade receivables comprise wholesale settlements.

Revaluation write-offs

During 6 months ended 31 July 2022, the Group recognised changes in revaluation write-offs on receivables in respect of all receivables or assets under consumer contracts.

Changes made both in the current period and the comparative one are given in the table below.

Revaluation write-offs on receivables (in PLN thousand)	2022	2021
	01.01-31.07	01.01-31.07
Opening balance	24,051	38,334
Write-offs made in the period	51,797	5,385
Write-offs reversed in the period	1,082	13,522
Currency translation differences	300	223
Closing balance	**75,066**	**30,420**

Under intra-Group distribution agreements, LPP SA supplies its subsidiaries with goods from the latest collections to be sold on local markets. Before the outbreak of the war in Ukraine, as a rule, LPP SA delivered stock to Re Trading OOO in Russia. Following closure of Russian stores, Re Trading OOO suspended a payment for goods to be made to Poland. After the sale of the Russian company, under the agreement signed, LPP SA should receive from Re Trading OOO a full payment for the stock delivered to that company before the outbreak of the war, under previously issued invoices. An arrangement to that effect provides for the receipt of all dues by May 2023 at the latest. By the balance-sheet date, LPP SA received over 25% of outstanding dues, with payments being made on a weekly regular basis, i.e. quicker than as scheduled.

In recognition of a credit risk, for the yet unpaid trade receivables owed by the Russian company, in the reporting period ended 31 July 2022, the Group made revaluation write-offs amounting to PLN 40,052 thousand. The value of the said write-offs resulted mainly from the fact that, after the sale of Re Trading OOO, receivables owed by it were classified as receivables from an external business partner. The sale of Re Trading is described in note 6 Discontinued operations.

8. OTHER OPERATING INCOME AND EXPENSES

In other operating income, the Groups shows, among others: PLN 3,097 thousand – subsidies obtained in the reporting period as additional financing of payroll and social security contributions (in 6 months ended 31 July 2021: PLN 17,852 thousand) and PLN 8,245 thousand – earnings on the annulment of contracts under IFSR 16 (in 6 months ended 31 July 2021: PLN 3,335 thousand).

In other operating expenses, the key value is a surplus of write-offs established over their reversed value for trade receivables (primarily receivables owed by the Russian company Re Trading OOO), amounting to PLN 50,994 thousand (in 6 months ended 31 July 2021: PLN 3,461 thousand). A detailed description of methodology for recognising revaluation write-offs for receivables is given in note 7. Based on rational assumptions, the Management Board decided to recognise a write-off for part of unpaid invoices.

Other important items in other operating expenses are losses on non-current and current assets, totalling PLN 22,960 thousand (in 6 months ended 31 July 2021: PLN 8,390 thousand) and donations granted as part of aid for the Ukrainian people, totalling PLN 8,208 thousand (in 6 months ended 31 July 2021: PLN 409 thousand).

9. FINANCIAL INCOME AND EXPENSES

Financial income (in PLN thousand)	H1 2022 01.02 - 31.07	H1 2021 restated 01.02 - 31.07	Q2 2022 01.05 - 31.07	Q2 2021 restated 01.05 - 31.07
Interest	4,804	1,835	4,569	1,583
Measurement of participation units in funds	3,821	156	1,295	112
Dividends	10	6	10	6
Other financial income, including:	230,173	11,156	230,173	2,579
– currency translation balance	229,289	0	229,289	0
– adjustment of the lease liability	839	11,156	839	2,579
Total financial income	**238,808**	**13,153**	**236,047**	**4,280**

Financial expenses (in PLN thousand)	H1 2022 01.02 - 31.07	H1 2021 restated 01.02 - 31.07	Q2 2022 01.05 - 31.07	Q2 2021 restated 01.05 - 31.07
Interest expenses – bank loans	26,212	5,146	18,048	1,313
Interest expenses – bonds	4,106	2,019	4,106	2,019
Interest expenses – budgetary and other	11,363	595	6,315	403
Interest expenses – lease liabilities	35,781	45,214	17,602	22,637
Bank commissions	935	1,563	299	830
Other financial expenses, including:	0	4,037	-13,099	-6,253
– currency translation balance	0	4,037	-7,697	-6,253
Total financial expenses	**78,397**	**58,574**	**33,271**	**20,949**

10. INCOME TAX

The main components of the Group's income tax liability for the period from 1 February 2022 to 31 July 2022 and for a comparative period are given in the table below.

Income tax (in PLN thousand)	H1 2022	H1 2021 restated	Q2 2022	Q2 2021 restated
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Current income tax	121,111	116,822	88,411	102,782
Taxation of foreign controlled companies	0	28,268	0	28,268
Deferred income tax	-13,182	-64,107	-27,826	-38,797
Total	**107,929**	**80,983**	**60,585**	**92,253**

11. PROPERTY, PLANT AND EQUIPMENT

PURCHASE AND SALE

During 6 months ended 31 July 2022, the Group purchased PPE totalling PLN 626,979 thousand (during 6 months ended 31 July 2021: PLN 547,264 thousand). Those were mainly investments related to the development of new stores and the construction of a new part of the logistics centre in Pruszcz Gdański and offices in Gdańsk.

During 6 months ended 31 July 2022, the Group sold PPE of a net value of PLN 310 thousand (during 6 months ended 31 July 2021: PLN 1,080 thousand), reaching net profit on sales of PLN 75 thousand (2021: loss of PLN 639 thousand).

IMPAIRMENT WRITE-OFFS

In the period ended 31 July 2022, the Group recognised an additional impairment write-off on fixed assets, totalling PLN 338 thousand (in 6 months ended 31 July 2021: PLN 53,095 thousand). At the same time, in 2022, the impairment write-off was reversed through its partial use of PLN 7,769 thousand and reversed in the amount of PLN 4,283 thousand due to the absence of relevant prerequisites (in 6 months ended 31 July 2021, the write-off was also reversed through its use in the amount of PLN 2,268 thousand and reversed in the amount of PLN 1,746 thousand due the absence of relevant prerequisites). In the statement of comprehensive income, the surplus of write-offs established over their reversed value is shown in other operating expenses, in the amount of PLN 3,945 thousand.

CONTRACTUAL OBLIGATIONS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

As at the balance sheet date, the Group had contractual obligations to purchase PPE, totalling PLN 104,805 thousand.

The said amount comprised the following:
- obligations related to the development of LPP stores – PLN 39,332 thousand,
- obligations under contracts on the expansion of logistics centres – PLN 12,182 thousand,
- obligations under contracts on the construction of office buildings – PLN 53,291 thousand.

In comparative periods, this value was as follows:

- 31.07.2021 – PLN 261,101 thousand,
- 31.01.2022 – PLN 99,093 thousand.

12. INVENTORY

During 6 months ended 31 July 2022, the Group reversed revaluation write-offs on inventories, in the amount of PLN 15,501 thousand (in 6 months ended 31 July 2021: a write-off was made in the amount of PLN 149,691 thousand). The said amount was recognised in item “Cost of goods sold”.

The key item in inventories is trade commodities. A detailed inventory structure is given in the table below.

Inventory – balance-sheet value (in PLN thousand)	31.07.2022	31.01.2022
Materials	19,177	31,726
Goods	4,376,107	3,784,283
Product return assets	49,819	48,104
Total	**4,445,103**	**3,864,113**

13. DEPOSITS

Deposits and investment funds (in PLN thousand)	31.07.2022	31.01.2022
Participation units in funds	677,136	649,999
Security deposits	200,000	200,000
Collateral	510,225	452,695
Deposits and investment funds	**1,387,361**	**1,302,694**

In the reporting period, the Group acquired participation units in money market funds. In the cash flow statement, in investing activities, the Company reports an acquisition in the amount of PLN 267 thousand and redemption of PLN 25,755 thousand. The loss on redeemed units amounted to PLN 4,252 thousand and was reported in operating activities, in profit/loss on investing activities. The measurement of the above-mentioned instruments is at level 2of the fair value hierarchy in respect of participation units in unquoted funds.

With reference to signed factoring contracts described in detail in note 16, LPP SA paid a security deposit of PLN 200 mln to secure the factor's claims and deposited a collateral of PLN 510 mln.

14. OTHER FINANCIAL ASSETS

In PLN thousand	31.07.2022	31.01.2022
Non-current assets		
Other receivables	7,355	18,494
Loans granted	69	120
Other non-current financial assets	**7,424**	**18,614**
Current assets		
Other receivables	151,935	0
Receivables payable by payment card operators	109,402	36,875
Loans granted	751	155
Forward contract valuation	97,609	23,540
Other current financial assets	**359,697**	**60,570**
Other financial assets	367,121	79,184

The measurement of the above-mentioned instruments is at level 2of the fair value hierarchy.

15. SHARE CAPITAL

The Group's share capital is that of the Parent Company.

As at 31 July 2022, the share capital amounted to PLN 3,708 thousand and changed compared to 31 January 2022 by PLN 3 thousand following the issuance of new M series shares in connection with the settlement of the incentive scheme for the financial year ended 31 January 2022. The share capital was divided into 1,854,241 shares of the nominal value of PLN 2 per share.

The shareholding structure of the Parent Company as at 31 July 2022 is given in the table below.

Shareholder	Number of shares held	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Sky Foundation**	227,898	12.3%	227,898	7.0%	455,796
Other shareholders	1,047,454	56.5%	1,047,454	32.2%	2,094,908
Total	**1,854,241**	**100.0%**	**3,254,241**	**100.0%**	**3,708,482**

* The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(d) MAR).
** The Sky Foundation is closely associated with Mr Jerzy Lubianiec, co-founder of LPP SA.

16. BANK LOANS AND TRADE LIABILITIES

In the balance-sheet period, LPP SA and the Group companies signed and launched two bank loan agreements. One of them involves an investment loan of PLN 199,217 thousand as at the balance-sheet date, charged with 1-month Wibor plus a bank margin. In the same time, a revolving loan was launched in the amount of USD 45 mln. As at the balance-sheet date, the value of the said loan was PLN 208,642 thousand. The revolving loan is charged with the Sofr reference rate plus a bank margin.

As at the balance-sheet date i.e. 31 July 2022, the liabilities, including trade liabilities, totalled PLN 5,685,862 thousand, and they increased by approx. 14% compared to 31 January 2022. The said increase resulted primarily from increased purchases in connection with the opening and replenishment of new traditional and online stores and from an increased USD exchange rate. As at 31 July 2022, the Group had trade liabilities (denominated both in PLN and foreign currencies, mainly USD) totalling PLN 3,663,313 thousand, owed to HSBC Polska SA, Santander Polska SA, PEKAO SA and BNP Paribas under the supplier financing scheme i.e. reversed factoring. As part of reversed factoring, after presenting a purchase invoice, the bank factor pays liabilities owed to the supplier in line with a previously agreed time schedule. The Group's total reversed factoring limits in the above-mentioned banks amount to: PLN 890 mln and USD 50 mln (established by 30.06.2023), USD 250 mln (established by 25.12.2023) and USD 632.5 mln (established indefinitely). In connection with factoring limits, the Group paid a security deposit of PLN 200 mln to secure the claims of one factor and deposited a collateral of PLN 510 mln on another factor's bank account. Any prospective release from, or a reduction of, the collateral or the security deposit will be equivalent to a decrease in the limit set forth in the reversed factoring agreement and the requirement to pay liabilities in the same amount.

17. DIVIDENDS PAID AND OFFERED FOR PAYMENT

On 20 May 2022, by resolution no 18, the General Meeting of LPP SA decided to allocate part of profit from previous years for dividend payment in the amount of PLN 648,348,050. The dividend date was set for 30 May 2022, with payment to be made in two instalments: on 6 June 2022 and 30 August 2022. The dividend per share was PLN 350.00.

In the comparative period, on 29 June 2021, by resolution no 17, the General Meeting of LPP SA decided to allocate part of profit from previous years for dividend payment in the amount of PLN 833,590,350. The dividend date was set for 6 July 2021, with payment to be made in two instalments: on 20 July 2021 and 6 October 2021. The dividend per share was PLN 450.00.

18. CONTINGENT ASSETS AND LIABILITIES

In H1 2022, the LPP SA Group companies utilised bank guarantees to secure payment of rent for the leased premises designated for brand stores, offices and warehouse space.

As at 31 July 2022, the total value of bank guarantees issued upon request and at the responsibility of LPP SA amounted to approx. PLN 297,296 thousand, of which:
- guarantees issued to secure agreements concluded by LPP SA amounted to PLN 91,450 thousand,
- guarantees issued to secure agreements concluded by consolidated associates amounted to PLN 191,503 thousand,
- guarantees issued to secure warehouse and office space lease agreements concluded by LPP SA amounted to PLN 14,343 thousand.

In H1 2022, the Company also received guarantees as collateral for payments from a contracting party. As at 31 July 2022, the value of the said guarantees was PLN 17,155 thousand. On 31 July 2022, the value of sureties granted by the Parent Company was PLN 261,083 thousand. In the opinion of the Management Board, any outflow of funds recognised in off-balance sheet/contingent liabilities is very unlikely. The majority of these liabilities involve guarantees securing payment of rent by the LPP SA Group companies. In the reporting period, neither Issuer nor its subsidiary granted any sureties for bank loans or credits or any guarantees, jointly to a single entity or such entity's subsidiary, of a value exceeding 10.0% of the Issuer's equity.

19. TRANSACTIONS WITH ASSOCIATES

The Group's associates include:
- key management officers of the LPP SA Group and their close family members,
- entities controlled or significantly influenced by key management officers or their close family members within the meaning provided for in IAS 24.

19.1. REMUNERATIONS OF KEY MANAGEMENT OFFICERS OF LPP SA

The Company recognises members of the Parent Company's Management Board and the Supervisory Board as key management officers.

From 1 February to 31 July 2022, current benefits of members of the Parent Company's Management Board amounted to PLN 2,927 thousand (in 6 months ended 31 July 2021: PLN 2,438 thousand).

From 1 February to 31 July 2022, current benefits of members of the Parent Company's Supervisory Board amounted to PLN 77 thousand (in 6 months ended 31 July 2021: PLN 88 thousand).

20. LITIGATION

LPP SA is not a party to any court, arbitration or administrative proceedings involving any liabilities or receivables exceeding, in total, jointly or separately, 10% of equity of LPP SA.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 1 August 2022, a separated part of the enterprise was transferred from LPP SA to LPP Logistics Sp. z o.o.. The separated part covered warehouse and logistics operations carried out by the logistics department of LPP SA. The change in question was made within the Group without affecting consolidated data.

22. APPROVAL FOR PUBLISHING

These consolidated condensed interim financial statements prepared for 6 months ended 31 July 2021 (with comparative data) were approved for publishing by the Management Board of LPP SA on 4 October 2022.

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SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS

INTRODUCTION

We hereby approve the separate condensed interim financial statements of LPP SA for 6 months ended 31 July 2022, comprising the separate condensed interim statement of comprehensive income, with comprehensive income totalling PLN 289,805 thousand, the separate condensed interim statement of financial position, with assets and liabilities totalling PLN 12,857,588 thousand, the separate condensed interim statement of cash flows, showing a decrease in net cash by PLN 407,778 thousand, the separate condensed interim statement of changes in equity, showing a decrease in equity by PLN 358,540 thousand, as well as notes describing significant accounting principles and other explanatory data.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Vice-President
of the Management Board

Jacek Kujawa
Vice-President
of the Management Board

Sławomir Łoboda
Vice-President
of the Management Board

Marcin Piechocki
Vice-President
of the Management Board

Gdańsk, 4 OCTOBER 2022

SELECTED SEPARATE CONDENSED INTERIM FINANCIAL DATA

for 6 months ended 31 July 2022

	in PLN thousand		in PLN thousand	
	Cumulatively			
Selected separate financial data	2022/23	2021/22	2022/23	2021/22
	01.02-31.07	01.02 - 31.07	01.02-31.07	01.02 - 31.07
Revenue	6,328,584	4,411,389	1,356,232	970,944
Operating profit (loss)	-133,505	201,101	-28,610	44,262
Pre-tax profit (loss)	332,039	174,522	71,157	38,412
Net profit (loss)	289,805	113,937	62,106	25,077
Weighted average number of shares	1,838,870	1,838,066	1,838,870	1,838,066
Profit (loss) per share	157.60	61.99	33.77	13.64
Net cash flows from operating activities	-752,070	702,897	-161,171	154,707
Net cash flows from investing activities	-281,146	-174,340	-60,250	-38,372
Net cash flows from financing activities	625,437	-664,026	134,033	-146,152
Total net cash flows	-407,779	-135,469	-87,388	-29,817

	in PLN thousand		in PLN thousand	
Selected separate financial data	2022/23	2021/22	2022/23	2021/22
	31.07.2022	31.01.2022	31.07.2022	31.01.2022
Total assets	12,857,588	11,236,699	2,712,629	2,443,717
Non-current liabilities	1,999,316	1,633,128	421,806	355,167
Current liabilities	7,154,943	5,541,702	1,509,513	1,205,189
Equity	3,703,329	4,061,869	781,310	883,361
Share capital	3,708	3,705	782	806
Weighted average number of ordinary shares	1,838,870	1,838,066	1,838,870	1,838,066
Book value per share	2,013.92	2,209.86	424.89	480.59
Declared or paid dividend per share	350	450	73.84	97.86

SEPARATE CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for 6 months ended 31 July 2022

Statement of comprehensive income (in PLN thousand)	Notes	H1 2022 01.02 - 31.07	H1 2021 01.02 - 31.07	Q2 2022 01.05 - 31.07	Q2 2021 01.05 - 31.07
Continuing operations					
Revenue	5	6,328,584	4,411,389	3,598,236	2,617,899
Cost of goods sold		3,717,417	2,749,737	2,066,527	1,582,426
Gross profit (loss) on sales		**2,611,167**	**1,661,652**	**1,531,709**	**1,035,473**
Costs of stores and distribution		1,740,590	1,228,593	964,750	635,365
General costs		332,801	229,384	170,196	119,904
Other operating income		17,617	7,413	10,448	3,115
Other operating expenses		82,799	9,987	65,461	5,041
Profit/loss on the sale of subsidiaries		-606,099	0	-616,729	0
Operating profit (loss)		**-133,505**	**201,101**	**-274,979**	**278,278**
Financial income	6	510,251	22,436	478,939	21,052
Financial expenses	6	44,707	49,015	23,909	21,809
Pre-tax profit (loss)		**332,039**	**174,522**	**180,051**	**277,521**
Income tax	7	42,234	60,585	14,044	79,500
Net profit (loss)		**289,805**	**113,937**	**166,007**	**198,021**
Total comprehensive income		**289,805**	**113,937**	**166,007**	**198,021**
Weighted average number of shares		1,838,870	1,838,066	1,838,870	1,838,066
Diluted number of shares		1,838,870	1,839,884	1,838,870	1,839,884
Profit (loss) per share		**157.60**	**61.99**	**90.28**	**107.73**
Diluted net profit (loss) per share		**157.60**	**61.93**	**90.28**	**107.63**

SEPARATE CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 July 2022

Statement of financial position (in PLN thousand)	Notes	31.07.2022	31.01.2022	31.07.2021
ASSETS				
Non-current assets		**5,054,122**	**5,237,251**	**4,813,896**
1. Property, plant and equipment	8	1,538,880	1,508,059	1,444,564
2. Right-of-use assets		1,097,646	1,068,509	918,664
3. Intangible assets		140,549	141,505	137,424
4. Goodwill		179,618	179,618	179,618
5. Trademark		77,508	77,508	77,508
6. Investments in subsidiaries	9	1,265,409	2,078,666	1,942,672
7. Non-current receivables		323,731	0	0
8. Deferred tax assets		154,194	104,137	95,723
9. Prepayments		1,421	1,762	332
10. Other financial assets	12	275,166	77,487	17,391
Current assets		**7,803,466**	**5,999,448**	**3,663,671**
1. Inventory	10	3,988,537	2,799,900	1,595,929
2. Trade receivables		1,776,869	1,228,974	407,205
3. Income tax receivables		0	0	94,750
4. Other non-financial assets		557	517	4,756
5. Prepayments		24,672	29,072	15,600
6. Other financial assets	12	321,226	26,682	42,123
7. Deposits and investment funds	11	1,387,361	1,279,702	935,889
8. Cash and cash equivalents		304,244	634,601	567,419
TOTAL assets		**12,857,588**	**11,236,699**	**8,477,567**

Statement of financial position (in PLN thousand)	Notes	31.07.2022	31.01.2022	31.07.2021
EQUITY AND LIABILITIES				
Equity		**3,703,329**	**4,061,869**	**2,731,056**
1. Share capital	14	3,708	3,705	3,705
2. Share premium		364,315	364,315	364,315
3. Other reserved		2,709,697	2,336,526	2,323,269
4. Retained earnings		625,609	1,357,323	39,767
Non-current liabilities		**1,999,316**	**1,633,128**	**1,486,303**
1. Bank loans and borrowings	15	500,975	144,174	166,336
2. Lease liabilities		1,172,077	1,153,676	978,606
3. Bonds		293,312	294,665	294,409
4. Employee liabilities		1,230	1,230	1,592
5. Accruals		31,722	39,383	45,360
Current liabilities		**7,154,943**	**5,541,702**	**4,260,208**
1. Trade and other liabilities		5,274,683	4,603,458	3,064,456
2. Dividend liabilities		322,217	0	416,795
3. Contract liabilities		13,071	15,858	9,635
4. Refund liabilities		42,233	39,332	20,583
5. Bank loans and borrowings	15	1,040,154	228,800	326,652
6. Lease liabilities		357,579	314,213	286,064
7. Employee liabilities		13,533	39,144	28,927
8. Income tax liabilities		73,829	281,093	77,111
9. Provisions		0	0	10,000
10. Accruals		17,644	19,804	19,985
TOTAL equity and liabilities		**12,857,588**	**11,236,699**	**8,477,567**

SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS

for 6 months ended 31 July 2022

Cash flow statement (in PLN thousand)	Notes	H1 2022 01.02 - 31.07	H1 2021 01.02 - 31.07	Q2 2022 01.05 - 31.07	Q2 2021 01.05 - 31.07
A. Cash flows from operating activities – indirect method					
I. Pre-tax profit (loss)		332,039	174,522	180,051	277,521
II. Total adjustments		-1,084,109	528,375	-446,416	304,694
1. Amortisation and depreciation		243,917	206,173	125,053	105,389
2. Foreign exchange losses (gains)		-159,063	-8,359	-59,191	-7,168
3. Interest and dividends		-100,592	2,448	-105,532	-9,940
4. (Profit) loss on investing activities		304,068	12,646	299,639	18,369
5. Income tax paid		-299,729	-57,710	-261,870	-27,105
6. Change in provisions and employee benefits		-25,470	28,361	-21,740	-22,650
7. Change in inventory		-1,188,149	-4,866	-803,164	-42,252
8. Change in receivables and other assets		-559,727	-127,357	62,852	-11,333
9. Change in current liabilities, excluding bank loans and borrowings		1,027,881	469,323	645,938	294,406
10. Change in prepayments and accruals		-5,028	-2,227	-6,184	-2,965
11. Other adjustments		-322,217	9,943	-322,217	9,943
III. Net cash flows from operating activities		**-752,069**	**702,897**	**-266,365**	**582,215**
B. Cash flows from investing activities					
I. Inflows		176,596	234,324	125,802	39,427
1. Disposal of intangible and PPE assets		27,259	29,733	12,104	13,140
2. From financial assets, including:		123,582	154,790	113,698	26,287
a) in associates		123,507	154,506	113,623	26,244
– sale of the company		14,036	0	14,036	0
– dividends		108,039	8,919	98,776	8,919
– repayment of loans granted		990	130,885	426	4,780
– interest		442	2,421	385	264
– other (repayment of additional contributions)		0	12,281	0	12,281
b) in other entities		75	284	75	43
– repayment of loans granted		64	80	64	40

– interest and other inflows from financial assets	12	11	204	11	3
3. Other investing inflows	12	25,755	49,801	0	0
II. Outflows		457,742	408,664	274,622	176,858
1. Purchase of intangible and PPE assets		160,174	155,484	60,916	76,858
2. For financial assets, including:		297,301	223,180	213,706	100,000
a) in associates		296,681	222,880	213,086	100,000
– purchase of shares		103,176	214,954	34,960	100,000
– loans granted		193,505	7,926	178,126	0
b) in other entities		620	300	620	0
– loans granted		620	300	620	0
3. Other investing outflows	12	267	30,000	0	0
III. Net cash flows from investing activities		**-281,146**	**-174,340**	**-148,820**	**-137,431**
C. Cash flows from financing activities					
I. Inflows		1,173,791	0	602,676	0
1. Proceeds from issuance of shares		4	0	4	0
2. Loans and borrowings		1,173,787	0	602,672	0
3. Other financial inflows		0	0	0	0
II. Outflows		548,354	664,026	446,691	460,542
1. Dividends and other payments to owners		326,131	416,795	326,131	416,795
2. Repayment of loans and borrowings		13,163	118,910	6,203	-15,148
3. Lease liabilities paid		170,513	105,755	88,423	49,385
4. Interest		38,547	22,566	25,934	9,510
5. Other financial outflows		0	0	0	0
III. Net cash flows from financing activities		**625,437**	**-664,026**	**155,985**	**-460,542**
D. Total net cash flows		-407,779	-135,469	-259,200	-15,758
E. Balance sheet change in cash, including:		-330,358	-143,440	-173,232	-15,182
– change in cash due to foreign currency translation		77,421	-7,971	85,968	576
F. Opening balance of cash		596,680	709,247	448,101	589,536
G. Closing balance of cash		188,901	573,778	188,901	573,778

SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for 6 months ended 31 July 2022

Statement of changes in equity (in PLN thousand)	Share capital	Share premium
Balance as at 1 February 2022	3,705	364,315
Distribution of profit for 12 months ended 31.01.2022	0	0
Dividend payment	0	0
Remuneration paid in shares	3	0
Transactions with owners	**3**	**0**
Net profit for 6 months ended 31 July 2022	0	0
Total comprehensive income	**0**	**0**
Balance as at 31 July 2022	3,708	364,315
Balance as at 1 February 2021	3,705	364,315
Dividend payment	0	0
Remuneration paid in shares	0	0
Transactions with owners	**0**	**0**
Net profit for 6 months ended 31 July 2021	0	0
Total comprehensive income	**0**	**0**
Balance as at 31 July 2021	3,705	364,315

Other reserves	Retained earnings	TOTAL equity
2,336,526	1,357,323	4,061,869
373,171	-373,171	0
0	-648,348	-648,348
0	0	3
373,171	**-1,021,519**	**-648,345**
0	289,805	289,805
0	**289,805**	**289,805**
2,709,697	625,609	3,703,329
3,146,916	-74,170	3,440,766
-833,590	0	-833,590
9,943	0	9,943
-823,647	**0**	**-823,647**
0	113,937	113,937
0	**113,937**	**113,937**
2,323,269	39,767	2,731,056

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ADDITIONAL INFORMATION ON, AND NOTES TO, THE SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01.02.2022 O 31.07.2022

1. OVERVIEW

LPP SA (further referred to as "LPP", "Company") is a joint-stock company with publicly traded shares.

The Company is recorded in the register of entrepreneurs of the National Court Register in the District Court for Gdańsk-North in Gdańsk, 7th Economic Division, under number KRS 0000000778. The Parent Company holds REGON statistical identification number 190852164.

The Company's registered office is located at ul. Łąkowa 39/44 in Gdańsk (80-769).

LPP SA is a company involved in the designing and distribution of clothing in Poland, the countries of Central, Eastern and Western Europe and in the Middle East. The Group's basic products are sold under the following trademarks: Reserved, Cropp, House, Mohito and Sinsay.

These separate condensed interim financial statements of the Company for 6 months ended 31 July 2022 were approved by the Management Board for publishing on 4 October 2022.

2. BASIS FOR PREPARATION OF THE SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS AND KEY ACCOUNTING PRINCIPLES

2.1. BASIS FOR PREPARATION

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

These separate condensed interim financial statements of LPP SA do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's separate financial statements for the year ended 31 January 2022, approved for publishing on 20 April 2022.

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

Data presented in these financial statements for the period of 6 months ended 31 July 2022 have been reviewed semi-annually by a statutory auditor. The comprehensive income statement and notes thereto comprise also data for Q2 i.e. for 3 months ended 31 July 2022 and comparative data for 3 months ended 31 July 2021 – this data has neither been reviewed nor audited by a statutory auditor.

In the periods covered by these separate condensed interim 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: 31.07.2022 – PLN/EUR 4.7399, 31.01.2022 – PLN/EUR 4.5982,
- 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: 01.02-31.07.2022 – PLN/EUR 4.6663, 01.02-31.07.2021 - PLN/EUR 4.5434.

These separate condensed interim financial statements were prepared based on the assumption that the Company would remain a going concern in the foreseeable future despite occurrence of specific circumstances affecting the Company's remaining a going concern in the nearest future.

2.2. CHANGES IN ESTIMATES AND ASSUMPTIONS

When drawing up these separate condensed interim financial statements, the Company's Management Board uses judgement in making estimates and assumptions that affect accounting policies applied and the reported amounts of assets, liabilities, income and expenses. Actual values may differ from those estimated by the Management Board.

Information on estimates and assumptions of importance for the financial statements were given in the separate financial statements for the financial year ended 31 January 2022. Furthermore, in these separate condensed interim financial statements, the Company presented the impact of assumptions made by the Management Board on estimated revaluation write-offs (note 13) and revenue on customer contracts (note 5).

As emphasised by the Management Board, all estimates concerning the sale of Re Trading OOO, given in notes 13 and 19 are subject to uncertainty due to the effects of war operations conducted by Russia. Estimates regarding the value of assets related to the Russian market have been made to the best knowledge of the Management Board. In future, a change in the economic and business environment in Russia may result in changes made in the Management Board's estimates in terms of risks involved with the assets in question.

2.3. ACCOUNTING PRINCIPLES

These separate condensed interim financial statements were prepared in accordance with the accounting principles presented in the last separate financial statements of LPP SA for the year ended 31 January 2022.

3. ERROR CORRECTIONS AND CHANGE IN ACCOUNTING PRINCIPLES

The separate condensed interim financial statements comprise neither corrections of errors from previous years nor a change in accounting principles.

4. SEASONALITY OF OPERATIONS

Seasonality in sales is a characteristic feature of the entire clothing market both in Poland and abroad. Typically, the gross margin achieved in periods of selling new collections at regular prices is higher than the one recorded during clearance sales. This results in disproportions in the value of margins generated in individual calendar quarters (with the highest margins in Q2 and Q4 and the lowest in Q1 and Q3). To avoid significant differences in margins between calendar quarters, the Company changed the financial year by adjusting it to the collection calendar and, therefore, alleviated the impact of clearance sales and seasonality on margins of individual calendar quarters.

5. REVENUE ON CUSTOMER CONTRACTS

The table below presents revenue on customer contracts broken down by categories reflecting the manner in which economic factors affect the nature, amount, payment date and uncertainty of revenue and cash flows

	H1		Q2	
(in PLN thousand)	2022	2021	2022	2021
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Type of sale				
Sale of goods, including:	6,324,816	4,408,361	3,596,304	2,616,836
E-commerce	*1,234,726*	*998,716*	668,274	464,161
Sale of services	3,768	3,028	1,932	1,063
Total	**6,328,584**	**4,411,389**	**3,598,236**	**2,617,899**
Brand			0	0
Reserved	2,115,647	1,695,486	1,218,493	1,002,418
Cropp	550,335	462,499	329,041	286,854
House	512,430	468,982	303,589	304,453
Mohito	472,545	381,877	237,697	239,686
Sinsay	2,668,996	1,399,250	1,502,730	783,425
Other	8,631	3,295	6,686	1,063
Total	**6,328,584**	**4,411,389**	**3,598,236**	**2,617,899**

The Company has no contracting party for which revenue exceeds 10% of all revenues.

6. FINANCIAL INCOME AND EXPENSES

Financial income (in PLN thousand)	2022	2021	2022	2021
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Interest	7,032	2,723	6,208	1,590
Measurement of participation units in funds	3,821	142	1,295	104
Dividends	141,920	19,305	132,657	19,305
Other financial income, including:	357,478	266	338,779	53
– currency translation balance	356,825	0	338,319	0
– adjustment of lease liability	653	266	460	53
Total financial income	**510,251**	**22,436**	**478,939**	**21,052**

Financial expenses (in PLN thousand)	2022	2021	2022	2021
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Interest expenses – bank loans	26,187	4,979	18,048	1,275
Interest expenses – bonds	4,106	2,019	-1,296	2,019
Interest expenses – budgetary and other	205	590	159	444
Interest expenses – lease liabilities	13,293	17,842	6,711	8,655
Revaluation of investments	0	0	0	0
Bank commissions	916	1,563	287	828
Other financial expenses, including:	0	22,022	0	8,588
– currency translation balance	0	22,022	0	8,588
Total financial expenses	**44,707**	**49,015**	**23,909**	**21,809**

7. INCOME TAX

The main components of the Company's income tax liability for the period from 1 February 2022 to 31 July 2022 and for a comparative period are given in the table below.

Income tax (in PLN thousand)	2022	2021
	01.02 - 31.07	01.02 - 31.07
Current income tax	92,291	61,873
Taxation of foreign controlled companies	0	28,268
Deferred income tax	-50,057	-29,556
Total	**42,234**	**60,585**

8. PROPERTY, PLANT AND EQUIPMENT

PURCHASE AND SALE

During 6 months ended 31 July 2022, the Company purchased PPE totalling PLN 163,250 thousand (during 6 months ended 31 July 2021: PLN 131,838 thousand). Those were mainly investments related to the development of new stores and the construction of a new part of the logistics centre in Pruszcz Gdański and offices in Gdańsk.

During 6 months ended 31 July 2022, the Company sold PPE of a net value of PLN 191 thousand (during 6 months ended 31 July 2021: PLN 966 thousand), reaching net profit on sales of PLN 80 thousand (2021: profit totalling PLN 298 thousand).

IMPAIRMENT WRITE-OFFS

In the period ended 31 July 2022, LPP SA recognised no additional impairment write-offs on fixed assets (in 6 months ended 31 July 2021: LPP recognised a write-off of PLN 211 thousand). At the same time, in 2022, the impairment write-off was used in the amount of PLN 2,949 thousand and reversed in the amount of PLN 3,458 thousand due to the absence of relevant prerequisites (in 6 months ended 31 July 2021, the write-off was used in the amount of PLN 859 thousand). In the statement of comprehensive income, the reversed revaluation write-off is shown in other operating expenses, in the amount of PLN 3,458 thousand.

CONTRACTUAL OBLIGATIONS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

As at the balance sheet date, LPP SA had contractual obligations to purchase PPE totalling PLN 67,472 thousand.

The said amount comprised the following:
- obligations related to the development of LPP stores – PLN 14,181 thousand,
- obligations under contracts on the development of office buildings – PLN 53,291 thousand.

In comparative periods, this value was as follows:

- 31.07.2021 – PLN 199,792 thousand,
- 31.01.2022 – PLN 14,928 thousand.

9. INVESTMENTS IN SUBSIDIARIES

The value of shares in subsidiaries and additional contributions to their share capitals, shown based on the purchase price, as well as changes in specific periods are given in the table below.

Investments in subsidiaries (in PLN thousand)	Shares	Additional contributions
Balance as at 1 February 2022	**795,044**	**1,406,538**
- increase	32,476	70,700
- decrease	137,273	779,160
Balance as at 31 July 2022	**690,247**	**698,078**
Balance as at 1 February 2021	**663,389**	**1,254,899**
- increase	104,034	113,920
- decrease	0	12,281
Balance as at 31 July 2021	**767,423**	**1,356,538**

In the current reporting period, the value of shares in subsidiaries increased due to the establishment of new subsidiaries in Albania and Italy and provision of additional contributions to companies existing in Poland and Bosnia. In the same period, shares were sold in the Russian company outside the Group while shares in the Belarussian company were sold within the Group. A detailed description of the sale of Re Trading is given in note Discontinued operations (note 19).

The value of revaluation write-offs on shares and additional contributions to the share capital in subsidiaries, including their changes in individual periods, were as follows.

Revaluation write-off (in PLN thousand)	Revaluation write-off on shares	Revaluation write-off on additional contributions
Balance as at 1 February 2022	**122,916**	**0**
- increase	0	0
- decrease	0	0
Balance as at 31 July 2022	**122,916**	**0**
Balance as at 1 February 2021	**166,516**	**11,773**
- increase	3,000	0
- decrease	0	0
Balance as at 31 July 2021	**169,516**	**11,773**

10. INVENTORY

In 6 months ended 31 July 2022, the Company reversed revaluation write-offs on inventory to a recoverable value of PLN 42,221 thousand (in 6 months ended 31 July 2021: a write-off established in the amount of PLN 90,845 thousand). This amount was recognised in the cost of goods sold.

In inventory, the key item is trade commodities. A detailed structure of inventory is given in the table below.

Inventory – balance sheet value (in PLN thousand)	31.07.2022	31.01.2022
Materials	12,479	10,033
Goods	3,950,467	2,768,301
Product return assets	25,591	21,566
Total	**3,988,537**	**2,799,900**

11. DEPOSITS

Deposits and investment funds (in PLN thousand)	31.07.2022	31.01.2022
Participation units	677,136	627,007
Security deposits	200,000	200,000
Collateral	510,225	452,695
Deposits and investment funds	**1,387,361**	**1,279,702**

In the reporting period, the Company acquired participation units in money market funds. As at 31 July 2022, in the cash flow statement, in investing activities, the Company reports the acquisition of PLN 267 thousand and redemption of funds in the amount of PLN 25,755 thousand. The value of a loss incurred on redeemed units amounted to PLN 4,252 thousand and was reported in operating activities, in profit/loss on investing activities. As regards participation units in unquoted funds, the measurement of the above-mentioned instruments is at level 2 of the fair value hierarchy.

With reference to signed factoring contracts described in detail in note 15, the Company paid a security deposit of PLN 200 mln to secure the factor's claims and deposited a collateral of PLN 510 mln.

12. OTHER FINANCIAL ASSETS

Other financial assets (in PLN thousand)	31.07.2022	31.01.2022
Non-current assets		
Other receivables	3,476	3,217
Loans granted	271,690	74,270
Other non-current financial assets	**275,166**	**77,487**
Current assets		
Other receivables	147,162	2,379
Receivables payable by payment card operators	37,886	595
Loans granted	3,604	168
Forward contract valuation	97,609	23,540
Foreign currency sold	34,965	0
Dividend receivables	**321,226**	**26,682**
Other financial assets in total	596,392	104,169

The measurement of the above-mentioned instruments is at level 2 of the fair value hierarchy.

13. REVALUATION WRITE-OFFS ON OTHER ASSETS

Revaluation write-off on fixed assets (in PLN thousand)	2022	2021
	01.02-31.07	01.02-31.07
Opening balance	38,687	24,333
Write-offs recognised as cost in the period	0	211
Write-offs used in the period	2,949	859
Write-offs reversed in the period	3,458	0
Closing balance	**32,280**	**23,685**

Revaluation write-off on receivables (in PLN thousand)	2022	2021
	01.02-31.07	01.02-31.07
Opening balance	18,985	23,666
Write-offs recognised as cost in the period	55,957	5,042
Write-offs reversed in the period	9,123	6,122
Closing balance	**65,819**	**22,586**

14. SHARE CAPITAL

As at 31 July 2022, the Company's share capital amounted to PLN 3,708 thousand, having changed compared to 31 January 2022 by PLN 3 thousand, following the issuance of new M series shares in connection with the settlement of the incentive scheme for the financial year ended 31 January 2022. The Company's share capital was divided into 1,854,241 shares of a nominal value of PLN 2 per share.

The shareholding structure in the Parent Company as at 31 July 2022 is given in the table below.

Shareholder	Number of shares held	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Sky Foundation**	227,898	12.3%	227,898	7.0%	455,796
Other shareholders	1,047,454	56.5%	1,047,454	32.2%	2,094,908
Total	**1,854,241**	**100.0%**	**3,254,241**	**100.0%**	**3,708,482**

*The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(d) MAR).
**The Sky Foundation is closely associated with Mr Jerzy Lubianiec, co-founder of LPP SA.

15. BANK LOANS AND TRADE LIABILITIES

In the balance-sheet period ended 31 July 2022, LPP SA signed and launched a new revolving loan agreement with HSBC Continental Europe SA for USD 45 mln. The revolving loan is charged with the Sofr reference rate plus a bank margin.

As at the balance-sheet date, i.e. 31 July 2022, the liabilities, including trade liabilities, totalled PLN 5,274,683 thousand, and they increased by 15% compared to 31 January 2022. The said increase resulted from increased purchases in connection with the opening and replenishment of new traditional and online stores and from an increased USD exchange rate. As at 31 July 2022, LPP SA had trade liabilities (denominated both in PLN and foreign currencies, mainly USD) totalling PLN 3,663,313 thousand, owed to HSBC Polska SA, Santander Polska SA, PEKAO SA and BNP Paribas under the supplier financing scheme i.e. reversed factoring. As part of reversed factoring, after presenting a purchase invoice, the bank factor pays liabilities owed to the supplier in line with a previously agreed time schedule. The Company's total reversed factoring limits in the above-mentioned banks amount to: PLN 890 mln and USD 50 mln (established by 30.06.2023), USD 250 mln (established by 25.12.2023) and USD 632.5 mln (established indefinitely). In connection with factoring limits, the Company paid a security deposit of PLN 200 mln to secure the claims of one factor and deposited a collateral of PLN 510 mln on another factor's bank account. Any prospective release from, or a reduction of, the collateral or the security deposit will be equivalent to a decrease in the limit set forth in the reversed factoring agreement and the requirement to pay liabilities in the same amount.

16. CONTINGENT ASSETS AND LIABILITIES

In H1 2022, the LPP SA Group companies utilised bank guarantees to secure payment of rent for the leased premises designated for brand stores, offices and a warehouse.

As at 31 July 2022, the total value of bank guarantees issued upon request and at the responsibility of LPP SA amounted to approx. PLN 297,296 thousand, of which:

- guarantees issued to secure agreements concluded by LPP SA amounted to PLN 91,450 thousand,
- guarantees issued to secure agreements concluded by consolidated associates amounted to PLN 191,503 thousand,
- guarantees issued to secure warehouse and office space lease agreements concluded by LPP SA amounted to PLN 14,343 thousand.

In H1 2022, the Company received also guarantees as collateral for payments from a contracting party. As at 31 July 2022, their value was PLN 17,155 thousand. On 31 July 2022, the value of sureties granted by the Company was PLN 261,083 thousand. In the opinion of the Management Board, any outflow of funds recognised in off-balance sheet/contingent liabilities is very unlikely. The majority of these liabilities involve guarantees securing payment of rent by the LPP SA Group companies. In the reporting period, neither the Issuer nor its subsidiary granted any sureties for bank loans or credits or any guarantees – jointly to a single entity or such entity's subsidiary, of a value exceeding 10.0% of the Issuer's equity.

17. DIVIDENDS PAID AND OFFERED FOR PAYMENT

On 20 May 2022, the General Meeting of LPP SA adopted Resolution no 18 on the allocation of part of the profit gained from previous years for payment of a dividend totalling PLN 648,348,050. The dividend date was set for 30 May 2022, while the dividend was agreed to be paid in two instalments: on 6 June 2022 and 30 August 2022. The value of dividend per share was PLN 350.00.

In the comparative period, on 29 June 2021, the General Meeting of LPP SA adopted Resolution no 17 on the allocation of part of the profit gained from previous years for payment of a dividend totalling PLN 833,590,350. The dividend date was set for 6 July 2021, while the dividend was agreed to be paid in two instalments: on 20 July 2021 and 6 October 2021. The value of dividend per share was PLN 450.00.

18. TRANSACTIONS WITH ASSOCIATES

The Company's associates include:
- Polish and foreign companies controlled by LPP SA companies based on direct shareholdings,
- key management officers of LPP SA and their close family members,
- entities controlled or significantly influenced by key management officers or their close family members.

18.1. REMUNERATIONS OF KEY MANAGEMENT OFFICERS OF LPP SA

The Company recognises members of the Parent Company's Management Board and the Supervisory Board as key management officers.

From 1 February to 31 July 2022, current benefits of members of the Parent Company's Management Board amounted to PLN 2,927 thousand (in 6 months ended 31 July 2021: PLN 2,438 thousand).

From 1 February to 31 July 2022, current benefits of members of the Parent Company's Supervisory Board amounted to PLN 77 thousand (in 6 months ended 31 July 2021: PLN 88 thousand).

Associates (in PLN thousand)	Liabilities as at 31.07.2022	Receivables as at 31.07.2022	Revenue 01.02-31.07.2022	Purchases 01.02-31.07.2022
Domestic subsidiaries	114,131	3,492	3,773	346,788
Foreign subsidiaries	4,241	534,659	2,476,427	320
Total	**118,372**	**538,151**	**2,480,200**	**347,108**

Associates (in PLN thousand)	Liabilities as at 31.07.2021	Receivables as at 31.07.2021	Revenue 01.02-31.07.2021	Purchases 01.02-31.07.2021
Domestic subsidiaries	49,664	50,908	3,029	182,255
Foreign subsidiaries	24,947	300,191	1,828,853	685
Total	**74,611**	**351,099**	**1,831,882**	**182,940**

The figures given in the tables above present only mutual transactions between LPP SA and its associates, being shown from the Parent Company's perspective.

Data presented as liabilities of LPP SA are receivables in associates, and purchases are revenues of given companies.

All the transactions with associates are concluded at arm's length basis.

Revenue generated by domestic subsidiaries derives from the rental of office space for the purpose of their business operations and business-related services, while revenue gained by foreign subsidiaries arises from the sale of goods and services.

Purchases from domestic subsidiaries involve the rental of real properties for operating Cropp, Reserved, Mohito and House stores and business-related services. Purchases from foreign subsidiaries involve the costs of trademark use only.

19. DISCONTINUED OPERATIONS

On 30 June 2022, LPP SA sold 100% of shares in its subsidiary Re Trading with its registered office in Moscow. Consequently, LPP SA lost total control over the company. Revenue on the sale of the subsidiary amounted to PLN 600,799 thousand (USD 135,504,415). The Company discounted the sale applying the CAPM mode, at a discount rate of 22.59%. When discounted, revenue totalled PLN 296,264 thousand. The value of shares sold was PLN 912,992 thousand. The loss incurred by LPP SA on the sale of Re Trading was PLN 616,728 thousand and was presented in a separate item in the statement of comprehensive income as Profit/loss on the sale of subsidiaries. As at the balance-sheet date, discounted receivables on the company's sale was PLN 323,732 thousand and was presented in the statement of financial position, in non-current receivables. According to the agreement, the date of payment for the sale of the company was postponed in fixed proportions by 2026 at the latest.

20. LITIGATION

LPP SA is not a party to any court, arbitration or administrative proceedings involving any liabilities or receivables exceeding, in total, jointly or separately, 10% of equity of LPP SA.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 1 August 2022, a separate part of the enterprise was transferred from LPP SA to LPP Logistics Sp. z o.o.. The separated part covered warehouse and logistics operations carried out by the logistics department of LPP SA.

22. APPROVAL FOR PUBLISHING

These separate condensed interim financial statements prepared for 6 months ended 31 July 2022 (with comparative data) were approved for publishing by the Management Board of LPP SA on 4 October 2022.

06

STATEMENT OF THE MANAGEMENT BOARD

STATEMENT OF THE MANAGEMENT BOARD

In line with the requirements set forth in the Regulation by the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities and the terms and conditions for recognition of information required under the laws of an EU non-member state as equivalent, the Management Board of LPP SA declares as follows:

- to the best of the Board's knowledge, the semi-annual consolidated report of the Management Board on the operations of the Issuer's Group, gives a true view of the development, achievements and standing of the LPP SA Group, including a description of basic risks and threats.
- to the best of the Board's knowledge, the consolidated condensed interim financial statements and comparative data have been prepared in accordance with accounting principles currently in effect and give a true, reliable and fair view of the assets and the financial standing of the LPP SA Group and its financial performance result in the periods presented, and that the report of the Management Board on the operations of the LPP SA Group,
- to the best of the Board's knowledge, the separate condensed interim financial statements and comparative data have been prepared in accordance with accounting principles currently in effect and give a true, reliable and fair view of the assets and the financial standing of LPP SA and its financial performance.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Vice-President
of the Management Board

Jacek Kujawa
Vice-President
of the Management Board

Sławomir Łoboda
Vice-President
of the Management Board

Marcin Piechocki
Vice-President
of the Management Board

Gdańsk, 4 OCTOBER 2022

07

STANDPOINT OF THE MANAGEMENT BOARD OF LPP SA AND THE OPINION OF THE SUPERVISORY BOARD OF LPP SA ON THE RESERVATION MADE BY THE AUDIT COMPANY IN THEIR OPINION ON THE REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

STANDPOINT OF THE MANAGEMENT BOARD OF LPP SA ON THE RESERVATION MADE IN THE OPINION ON THE REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENT

The Management Board of LPP SA takes the following standpoint on the reservation made by Jan Letkiewicz, key statutory auditor of Grant Thornton Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Poznań, in respect of the conclusion on the review of the consolidated condensed interim financial statements of the LPP SA Group for the period from 1 February 2022 to 31 July 2022:

The Management Board of LPP SA, as the Group's parent company, made a decision on impairment losses to be made by the Group on property, plant and equipment as well as inventory in the territory of Ukraine and Russia in the reporting period ended 31 January 2022 due to the fact that the Board acknowledged the existence of a major risk of impairment, relating to the above-mentioned assets, already as at the above-mentioned balance-sheet date. As assessed by the Management Board of LPP SA, the risk of impairment emerged already before the date of direct invasion by Russian troops on the territory of Ukraine (the launch of large-scale kinetic actions by armed forces). As regards the above, the Management Board gave consideration to the state of the armed conflict existing since 2014, of varying intensity, including, primarily, experience dating back to the first aggression of the Russian Federation on Ukraine in 2014 (seizure and subsequent annexation of Crimea). In consequence of the said events, the LPP SA Group incurred substantial financial losses.

Having regard of the above-mentioned experience and incoming information on the geopolitical situation in the countries of Eastern Europe, the Management Board of LPP SA ascertained a risk of their having a significant impact on the market, including the possibility of conducting trade operations, in the period ended 31 January 2022. As stemmed from the source analysis, since November 2021, the armed forces of the Russian Federation were in the process of preparing for the attack on the territory of Ukraine. The said circumstance was confirmed, in particular, by information on Russian troops deployed along the border with Ukraine remaining on the territory of Belarus after military exercises, and information on the deployment (grouping) of Russian forces along the Eastern border of Ukraine and the mobilisation of a very large Russian force (more than 100,000 soldiers) as well as media information on the date planned by the Russians for launching military operations. At the same time, there were evident diplomatic efforts made by the Euro-Atlantic alliance countries to deter any imminent military action.

In consideration of the above, the Management Board of LPP SA recognised that there was a high probability of risk of substantial escalation of operations by Russian armed forces in Ukraine, considering battles taking place with varying intensity since 2014. The consequence of the above would be at least temporary cessation of trading operations in the territory of Ukraine or its significant part as well as the likelihood of sanctions resulting in restrictions on operations carried out on the Russian market. The said risk was disclosed already in the financial year ended 31 January 2022. Therefore, the Management Board of LPP SA made a decision on revaluating assets in the territory of Russia and Ukraine by recognising in the financial statements relevant write-offs as at the balance-sheet date, i.e. 31 January 2022.

The Management Board of LPP SA considered that, on the above-mentioned balance-sheet date, those assets might not be shown in the financial statements in an amount exceeding their recoverable value. In other words, the Management Board of LPP SA considered it justifiably prudent that it was highly probable that the carrying value of property, plant and equipment in the subsidiaries in Ukraine and Russia presented to date was higher than the value that could have been obtained through its use or sale. Therefore, considering the high probability of hostilities only, obtaining a return on investment in these countries is highly questionable. Thus, LPP SA as parent company recognised an impairment loss on the assets in question.

Should those write-offs not be made, as at 31 January 2022, the value of the Group's assets and equity would have been higher by PLN 608 mln and the Group's financial result for the period from 1 February to 31 July 2022 would have been higher by PLN 608 mln.

Given the one-off and incidental nature of the event in question, there is no need to take any further action on the subject matter of the reservation made.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Vice-President
of the Management Board

Jacek Kujawa
Vice-President
of the Management Board

Sławomir Łoboda
Vice-President
of the Management Board

Marcin Piechocki
Vice-President
of the Management Board

Gdańsk, 4 OCTOBER 2022

OPINION OF THE SUPERVISORY BOARD OF LPP SA ON THE RESERVATION MADE BY THE AUDIT COMPANY IN THEIR OPINION ON THE REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

The Supervisory Board of LPP SA acknowledges the conclusion made by the audit company Grant Thornton Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Poznań, involving a reservation regarding the review of the consolidated condensed interim financial statements of the LPP SA Group for the period from 1 February 2022 to 31 July 2022.

When expressing their opinion, the Supervisory Board took into consideration the fact that the conclusion involving the reservation, provided for in the report by Grant Thornton Polska sp. z o.o. sp. k. with its registered office in Poznań on the review of the consolidated condensed interim financial statements of the LPP SA Group, is derived from the opinion incorporating the reservation, given in the report of the audit company Ernst & Young Audyt Polska sp. z o.o. sp.k. with its registered office in Warsaw on the audit of the consolidated financial statements of the LPP SA Group for the financial year from 1 February 2021 to 31 January 2022, which incorporated the same reservation.

The Supervisory Board holds the view that the decision on the making and recognition, in the consolidated financial statements of the LPP SA Group for the financial year ended 31 January 2022, of impairment losses on property, plant and equipment as well as inventory, totalling PLN 608 mln, was, having regard of the Management Board's explanations, a reasonably justifiable action. It represented a conservative and prudent approach to determining the Group's financial result. Should those write-offs not be made, the Group's financial result for the financial year ended 31 January 2022 would have been higher by approx. PLN 608 mln.

In other words, the impact of the said impairment losses on the financial result was disclosed in the period ended 31 January 2022. The effect of the said decision is no need to make impairment losses in the period under review (i.e. from 1 February 2022 to 31 July 2022). Should the said write-offs be recognised in the analysed period from 1 February 2022 to 31 July 2022, the financial result would have been lower by PLN 608 mln.

The explanations of the Management Board on the reasons for making the decision on impairment losses to be made by the Group on property, plant and equipment in the territory of Ukraine and Russia in the reporting period ended 31 January 2022 are convincing and based on commonly known circumstances. The political tension between the Russian Federation and Ukraine, and consequently the NATO states, was visible starting already from 2021. It has been growing since the joint military exercises of Russian and Belarusian forces in the territory of Belarus and the presence of Russian troops deployed along the border with Ukraine, as well as information on the deployment (grouping) of Russian forces along the Eastern border of Ukraine. In light of the said operations, the risk of a full-scale military conflict (not limited, as before, to parts of the Luhansk and Donetsk regions) emerged. This risk was confirmed by information revealed by the intelligence of NATO countries on subsequent planned dates for launching hostilities by Russia. A real consequence of the materialisation of the said risk would be at least temporary suspension of trading operations in the territory of Ukraine or its significant part, as well as the likelihood of the imposition of sanctions resulting in restrictions on operations carried out on the Russian market.

The Management Board of LPP SA had good reason to believe that the said risk emerged already in the financial year ended 31 January 2022. Therefore, the decision on the revaluation of assets in the territory of Russia and Ukraine by recognising relevant write-offs as at the balance-sheet date, i.e. 31 January 2022, was justified. Reporting the aforementioned assets in an undated value in the consolidated financial statements as at the balance-sheet date of 31 January 2022 would result in their recognition, with high probability, in amounts exceeding their recoverable value.

The Management Board of LPP SA could have justified concerns about the high probability of having to revaluate the assets. The above stems from the fact that the carrying value of property, plant and equipment in the subsidiaries in Ukraine and Russia presented to date seemed to be, already as at the balance-sheet date and with high probability, higher than the value that could have been obtained through its use or sale. Therefore, considering the high probability of hostilities only, obtaining a return on investment in these countries is highly questionable.

Given the one-off and incidental nature of the event in question, there is no need to take any further action on the subject matter of the reservation made.

SUPERVISORY BOARD OF LPP SA:

Miłosz Wiśniewski
Chairman of the Supervisory Board

Wojciech Olejniczak
Vice-Chairman of the Supervisory Board

Magdalena Sekuła
Member of the Supervisory Board

Piotr Piechocki
Member of the Supervisory Board

Grzegorz Maria Słupski
Member of the Supervisory Board

Gdańsk, 4 OCTOBER 2022

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