

LPP

Update on the effects of the COVID-19 coronavirus outbreak on the operations of LPP Group

Current report no: 13/2020

Date: 15 April 2020

Hour: 1.43 pm

In connection with CR 6/2020 published on 15 March 2020, providing information on the effects of the COVID-19 coronavirus on the operations of the LPP SA Group, the Management Board of LPP SA (the Issuer) updates the said information as at 15 April 2020.

The Issuer recognises the highest risk arising from the effects of COVID-19 for the sale of goods. Following decisions made by governments of the countries in which the Group operates its traditional stores, in 21 countries out of 25, traditional stores of all LPP brands have been closed. The implemented restrictions concerning the operation of commercial facilities will adversely affect the Group's sales and financial results. At the same time, in 30 countries, online stores operate with no trading restrictions, generating high sales increases.

Risk relating to the supply chain is recognised by the Issuer as low.

Plants in China, Cambodia and Myanmar pursue standard operations. Plants in Bangladesh and India remain closed, while in Turkey and Pakistan production has been limited.

Simultaneously, warehouses in Poland, Russia and Romania accept goods and make dispatches to online stores.

Currently, the Company has stocks of goods worth approx. PLN 2 bln, comprising solely clothes from 2020 Spring/Summer collections.

The Company's Management Board has undertaken numerous actions to maintain its strong liquidity position:

- on the revenues part: actions aimed at the dynamic development of e-commerce;
- on the costs part: reduction of store and head office costs (benefitting from the assistance of the Polish government as part of the anti-crisis shield involving rent-free periods for the duration of store closure and governmental support for payroll costs);
- on the expenditures part: reduction of orders for Autumn/Winter 2020, reduction of capital expenditures for 2020/21 to PLN 500 mln (limited number of new stores to be opened in 2020/21, i.e. the Company

plans to increase space by 10% y/y, postpone in time investments involving the construction of head offices and the distribution centre in Brześć) and recommend non-payment of a dividend.

As at 15 April 2020, the Issuer expects that the effects of the COVID-19 pandemic will substantially affect the Group's future results and operations. However, due to uncertainty, dynamics and prevalence of factors beyond the Issuer's control, as the date of this report, such impact still remains impossible to be estimated.

Any new circumstances substantially affecting financial results generated by the Issuer and its economic standing will be communicated without delay in separate current or periodical reports.

Article 17(1) MAR – Inside Information

Signatures:	Przemysław Lutkiewicz – Vice-President of the Management Board Sławomir Łoboda - Vice-President of the Management Board
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