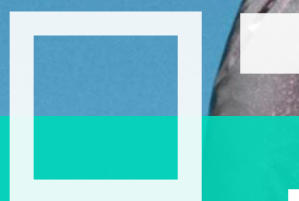


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LPP SA GROUP

INTERIM FINANCIAL STATEMENTS
FOR Q3 2020/21

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Contents

01.	SELECTED CONSOLIDATED INTERIM FINANCIAL DATA	4
02.	CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	5
03.	CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	7
04.	CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT	10
05.	CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	15
06.	SELECTED SEPARATE INTERIM FINANCIAL DATA	18
07.	SEPARATE CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	
08.	SEPARATE CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	24
09.	SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	29
10.	ADDITIONAL INFORMATION ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	

Selected Consolidated Interim Financial Data

for 9 months ended 31 October 2020

Selected consolidated financial data	in PLN thousand			in EUR thousand		
	Cumulatively					
	2020/21	2019/20	2019	2020/21	2019/20	2019
	01.02 - 31.10	01.02 - 31.10	01.01 - 30.09	01.02 - 31.10	01.02 - 31.10	01.01 - 30.09
Revenue	5,753,661	6,497,487	6,389,983	1,285,045	1,508,763	1,483,076
Operating profit (loss)	72,963	584,935	392,825	16,296	135,826	91,172
Pre-tax profit (loss)	-112,523	476,731	268,364	-25,131	110,700	62,286
Net profit (loss)	-145,759	291,624	110,519	-32,554	67,717	25,651
Weighted average number of shares	1,834,417	1,834,091	1,834,091	1,834,417	1,834,091	1,834,091
Profit (loss) per share	-79.46	159.00	60.26	-17.75	36.92	13.99
Net cash flows from operating activities	1,158,001	887,437	1,019,515	258,632	206,069	236,623
Net cash flows from investing activities	-363,249	-491,951	-551,177	-81,129	-114,235	-127,925
Net cash flows from financing activities	-121,838	-532,984	-597,826	-27,212	-123,763	-138,752
Total net cash flows	672,914	-137,498	-129,488	150,291	-31,928	-30,053

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	2020/21	2019/20	2020/21	2019/20
	31.10.2020	31.01.2020	31.10.2020	31.01.2020
Total assets	10,006,161	9,605,862	2,166,398	2,233,402
Long-term liabilities	2,970,314	3,159,266	643,092	734,542
Short-term liabilities	4,014,006	3,199,120	869,058	743,808
Equity	3,021,856	3,247,491	654,251	755,055
Share capital	3,705	3,705	802	861
Weighted average number of shares	1,834,417	1,834,192	1,834,417	1,834,192
Book value per share	1,647.31	1,770.53	356.65	411.66
Declared or paid dividend per share	0.00	60.00	0.00	13.95

Consolidated Condensed Interim Statement of Comprehensive Income

for 9 months ended 31 October 2020

Statement of comprehensive income (in PLN thousand)	2020	2019 (unpublished)	2019
	01.02 - 31.10	01.02 - 31.10	01.01 - 30.09
Continuing operations			
Revenue	5,753,661	6,497,487	6,389,983
Cost of goods sold	2,788,332	2,970,897	3,119,859
Gross profit (loss) on sales	2,965,329	3,526,590	3,270,124
Costs of stores and distribution	2,455,594	2,522,055	2,474,317
General costs	362,914	375,763	352,298
Other operating income	89,742	37,381	27,521
Other operating costs	163,600	81,218	78,205
Operating profit (loss)	72,963	584,935	392,825
Financial income	126,874	6,885	7,090
Financial costs	312,360	115,089	131,551
Pre-tax profit (loss)	-112,523	476,731	268,364
Income tax	33,236	185,107	157,845
Net profit (loss) on continuing operations	-145,759	291,624	110,519
Net profit attributable to:			
Shareholders of the parent company	-145,759	291,624	110,519
Non-controlling interests	0	0	0
Other comprehensive income			
Items transferred to profit or loss			
Currency translation on foreign operations	-80,972	25,907	73,212
Total comprehensive income	-226,731	317,531	183,731
Attributable to:			
Shareholders of the parent company	-226,731	317,531	183,731
Non-controlling interests	0	0	0
Average weighted number of shares	1,834,417	1,834,091	1,834,091
Profit (loss) per share	-79.46	159.00	60.26

Statement of comprehensive income (in PLN thousand)	2020	2019 (unpublished)	2019
	01.08 - 31.10	01.08 - 31.10	01.07 - 30.09
Continuing operations			
Revenue	2,445,717	2,332,044	2,348,161
Cost of goods sold	1,061,541	961,073	1,183,816
Gross profit (loss) on sales	1,384,176	1,370,971	1,164,345
Costs of stores and distribution	918,329	886,040	882,061
General costs	117,537	134,073	121,949
Other operating income	23,723	15,929	9,626
Other operating costs	70,849	31,489	29,447
Operating profit (loss)	301,184	335,298	140,514
Financial income	57,501	1,847	-29,389
Financial costs	118,183	43,206	67,682
Pre-tax profit (loss)	240,502	293,939	43,443
Income tax	-6,368	57,552	23,812
Net profit (loss) on continuing operations	246,870	236,387	19,631
Net profit attributable to:			
Shareholders of the parent company	246,870	236,387	19,631
Non-controlling interests	0	0	0
Other comprehensive income			
Items transferred to profit or loss			
Currency translation on foreign operations	17,127	-13,336	39,254
Total comprehensive income	263,997	223,051	58,885
Attributable to:			
Shareholders of the parent company	263,997	223,051	58,885
Non-controlling interests	0	0	0
Average weighted number of shares	1,834,417	1,834,091	1,834,091
Profit (loss) per share	134.58	128.89	10.70

Consolidated Condensed Interim Statement of Financial Position

as at 31 October 2020

Statement of financial position (in PLN thousand)	As at			
	31.10.2020	31.01.2020	31.10.2019 (unpublished)	30.09.2019
ASSETS				
Non-current assets	5,538,688	5,870,719	5,703,205	5,636,438
1. Fixed assets	2,406,999	2,312,386	2,176,064	2,139,613
2. Intangible assets	131,653	126,234	117,446	115,129
3. Right of usufruct	2,526,386	3,000,237	2,982,277	2,955,662
4. Goodwill	209,598	209,598	209,598	209,598
5. Trademark	77,508	77,508	77,508	77,508
6. Other financial assets	16,439	7,965	8,768	8,891
7. Deferred tax assets	168,262	134,795	128,111	127,721
8. Prepayments	1,843	1,996	3,433	2,316
Current assets	4,467,473	3,735,143	3,176,622	3,357,887
1. Inventory	1,643,422	1,921,139	1,857,340	2,022,992
2. Trade receivables	189,170	143,783	183,142	154,508
3. Income tax receivables	80,767	7,870	3,638	7,697
4. Other financial assets	395,546	210,968	126,707	176,192
5. Other non-financial assets	84,657	53,017	48,872	44,044
6. Prepayments	18,546	36,892	28,674	31,615
7. Cash and cash equivalents	2,055,365	1,361,474	928,249	920,839
TOTAL assets	10,006,161	9,605,862	8,879,827	8,994,325

Statement of financial position
(in PLN thousand)

	As at			
	31.10.2020	31.01.2020	31.10.2019 (unpublished)	30.09.2019
EQUITY AND LIABILITIES				
Equity	3,021,856	3,247,491	3,028,093	2,939,144
1. Share capital	3,705	3,705	3,705	3,705
2. Treasury shares	-41,115	-41,115	-41,115	-41,115
3. Share premium	284,877	284,877	284,877	284,877
4. Other reserves	3,156,952	2,733,227	2,731,039	2,731,039
5. Currency translation on foreign operations	-243,775	-162,803	-187,908	-158,442
6. Retained earnings	-138,788	429,600	237,495	119,080
- profit (loss) from previous years	6,971	8,561	-54,129	8,561
- net profit (loss) for the current period	-145,759	421,039	291,624	110,519
Non-controlling interest capital	-15	-15	-15	-15
Long-term liabilities	2,970,314	3,159,266	2,860,128	2,708,344
1. Bank loans and borrowings	202,939	171,234	181,325	47,572
2. Lease liabilities	2,361,349	2,567,953	2,565,161	2,544,028
3. Other financial liabilities (bonds)	293,853	291,675	0	0
4. Employee liabilities	1,465	1,463	1,009	1,009
5. Deferred tax liabilities	662	276	387	1,758
6. Accruals	107,549	126,665	112,246	113,977
7. Other long-term liabilities	2,497	0	0	0
Short-term liabilities	4,014,006	3,199,120	2,991,621	3,346,852
1. Trade and other liabilities	2,758,965	2,053,635	1,834,309	2,133,774
2. Contract liabilities	13,586	19,929	14,387	14,919
3. Customer refund liabilities	30,183	27,207	33,058	30,059
4. Bank loans and borrowings	456,586	109,451	204,592	277,304
5. Lease liabilities	651,019	680,184	627,164	631,920
6. Employee liabilities	49,954	80,483	72,820	74,079
7. Income tax liabilities	7,662	174,363	132,068	110,325
8. Provisions	1,320	9,097	31,321	31,994
9. Accruals	44,731	44,771	41,902	42,478
TOTAL equity and liabilities	10,006,161	9,605,862	8,879,827	8,994,325



M O H I T O

Consolidated Condensed Interim Cash Flow Statement

for 9 months ended 31 October 2020

Cash flow statement (in PLN thousand)	01.02 - 31.10.2020	01.02 - 31.10.2019 (unpublished)	01.01 - 30.09.2019
A. Cash flows from operating activities			
I. Pre-tax profit (loss)	-112,523	476,731	268,364
II. Total adjustments	1,270,524	410,706	751,151
1. Amortisation and depreciation	815,724	717,937	730,204
2. Foreign exchange (gains) losses	-8,548	7,870	-3,958
3. Interest and dividends	108,136	84,909	82,214
4. (Profit) loss on investing activities	86,528	-12,292	-13,386
5. Income tax paid	-282,906	-246,267	-245,873
6. Change in provisions and employee benefits	-36,126	-38,043	-20,651
7. Change in inventories	215,439	-706,047	-400,770
8. Change in receivables and other assets	-369,669	-95,221	-2,295
9. Change in short-term liabilities, excluding bank loans and borrowings	723,818	696,334	641,164
10. Change in prepayments and accruals	-763	-4,136	-4,219
11. Other adjustments	18,891	5,662	-11,279
III. Net cash flows from operating activities	1,158,001	887,437	1,019,515
B. Cash flows from investing activities			
I. Inflows	281,438	298,530	299,277
1. Disposal of intangible and fixed assets	74,599	117,870	118,635
2. From financial assets, including:	1,383	1,357	1,339
a) in associates	0	0	0
- dividends	0	0	0
b) in other entities	1,383	1,357	1,339
- repayment of loans	74	51	49
- interest and other inflows from financial assets	1,309	1,306	1,290
3. Other investing inflows (investment funds)	205,456	179,303	179,303
II. Outflows	644,687	790,481	850,454
1. Purchase of intangible and fixed assets	532,567	682,774	642,747
2. For financial assets, including:	120	2,707	2,707
a) in associates	0	0	0
- purchase of shares	0	0	0
- loans granted	0	0	0
b) in other entities	120	2,707	2,707
- purchase of shares	0	2,627	2,627
- loans granted	120	80	80
3. Other investing outflows	112,000	105,000	205,000
III. Net cash flows from investing activities	-363,249	-491,951	-551,177

Cash flow statement (in PLN thousand)	01.02 - 31.10.2020	01.02 - 31.10.2019 (unpublished)	01.01 - 30.09.2019
C. Cash flows from financing activities			
I. Inflows	750,088	523,765	439,856
1. Proceeds from issuance of shares	2	2	0
2. Bank loans and borrowings	750,086	523,763	439,856
3. Other financial inflows	0	0	0
II. Outflows	871,926	1,056,749	1,037,682
1. Cost of maintenance of treasury shares	0	0	0
2. Dividends and other payments to owners	0	110,065	110,065
3. Repayment of bank loans and borrowings	354,185	364,690	414,880
4. Financial lease liabilities paid	416,846	490,356	429,410
5. Interest	100,772	91,638	83,327
6. Other financial outflows	123	0	0
III. Net cash flows from financing activities	-121,838	-532,984	-597,826
D. Total net cash flows	672,914	-137,498	-129,488
E. Balance sheet change in cash, including:	693,890	-142,200	-124,130
- change in cash due to foreign currency translation	20,976	-4,702	5,358
F. Opening balance of cash	1,348,311	1,075,895	1,043,947
G. Closing balance of cash	2,021,225	938,397	914,459

Cash flow statement (in PLN thousand)	01.08 - 31.10.2020	01.08 - 31.10.2019 (unpublished)	01.07 - 30.09.2019
A. Cash flows from operating activities			
I. Pre-tax profit (loss)	240,502	293,939	43,443
II. Total adjustments	444,715	10,965	339,708
1. Amortisation and depreciation	261,793	245,952	255,451
2. Foreign exchange (gains) losses	-57,207	11,789	-19,586
3. Interest and dividends	30,540	30,585	53,082
4. (Profit) loss on investing activities	46,843	-3,016	-5,888
5. Income tax paid	-69,497	-29,711	-63,342
6. Change in provisions and employee benefits	14,359	30,757	30,367
7. Change in inventories	-3,215	-100,945	-9,388
8. Change in receivables and other assets	-357,909	-12,113	17,716
9. Change in short-term liabilities, excluding bank loans and borrowings	531,261	-166,303	97,349
10. Change in prepayments and accruals	16,745	3,508	-16,883
11. Other adjustments	31,002	462	830
III. Net cash flows from operating activities	685,217	304,904	383,151
B. Cash flows from investing activities			
I. Inflows	39,885	98,327	95,128
1. Disposal of intangible and fixed assets	39,837	53,252	50,051
2. From financial assets, including:	48	93	77
a) in associates	0	0	0
- dividends	0	0	0
b) in other entities	48	93	77
- repayment of loans	47	9	9
- interest and other inflows from financial assets	1	84	68
3. Other investing inflows (investment funds)	0	44,982	45,000
II. Outflows	181,326	312,331	341,857
1. Purchase of intangible and fixed assets	179,222	262,331	236,797
2. For financial assets, including:	104	0	60
a) in associates	0	0	0
- purchase of shares	0	0	0
- loans granted	0	0	0
b) in other entities	104	0	60
- purchase of shares	0	0	0
- loans granted	104	0	60
3. Other investing outflows	2,000	50,000	105,000
III. Net cash flows from investing activities	-141,441	-214,004	-246,729

Cash flow statement (in PLN thousand)	01.08 - 31.10.2020	01.08 - 31.10.2019 (unpublished)	01.07 - 30.09.2019
C. Cash flows from financing activities			
I. Inflows	81,710	268,101	158,490
1. Proceeds from issuance of shares	2	0	0
2. Bank loans and borrowings	81,708	268,101	158,490
3. Other financial inflows	0	0	0
II. Outflows	397,151	315,663	244,754
1. Cost of maintenance of treasury shares	0	0	0
2. Dividends and other payments to owners	0	0	0
3. Repayment of bank loans and borrowings	165,464	107,795	72,831
4. Financial lease liabilities paid	208,563	175,110	153,907
5. Interest	23,124	32,758	18,016
6. Other financial outflows	0	0	0
III. Net cash flows from financing activities	-315,441	-47,562	-86,264
D. Total net cash flows	228,335	43,338	50,158
E. Balance sheet change in cash, including:	291,856	31,780	57,989
- change in cash due to foreign currency translation	63,521	-11,558	7,831
F. Opening balance of cash	1,792,890	895,059	864,301
G. Closing balance of cash	2,021,225	938,397	914,459



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Consolidated Condensed Interim Statement of Changes in Equity

for 9 months ended 31 October 2020

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Currency translation on foreign operations	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority interests	TOTAL equity
Balance as at 1 February 2020	3,705	-41,115	284,877	2,733,227	-162,803	429,600	0	3,247,491	-15	3,247,476
Division of profit for 13 months ended 31 January 2020	0	0	0	422,629	0	-422,629	0	0	0	0
Partial reconciliation of the incentive programme	0	0	0	2	0	0	0	2	0	2
Remuneration paid in shares	0	0	0	1,094	0	0	0	1,094	0	1,094
Transaction with owners	0	0	0	423,725	0	-422,629	0	1,096	0	1,096
Net loss for 9 months ended 31 October 2020	0	0	0	0	0	0	-145,759	-145,759	0	-145,759
Currency translation on foreign operations	0	0	0	0	-80,972	0	0	-80,972	0	-80,972
Total comprehensive income	0	0	0	0	-80,972	0	-145,759	-226,731	0	-226,731
Balance as at 31 October 2020	3,705	-41,115	284,877	3,156,952	-243,775	6,971	-145,759	3,021,856	-15	3,021,841

Statement of changes in equity (in PLN thousand) (unpublished)	Share capital	Treasury shares	Share premium	Other reserves	Currency translation on foreign operations	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority interests	TOTAL equity
Balance as at 1 February 2019	3,705	-43,067	278,591	2,251,623	-213,815	538,665	0	2,815,702	-15	2,815,687
Division of profit for 2018	0	0	0	482,729	0	-482,729	0	0	0	0
Dividend payment	0	0	0	0	0	-110,065	0	-110,065	0	-110,065
Remuneration paid in shares	0	0	0	4,923	0	0	0	4,923	0	4,923
Reconciliation of the incentive programme	0	1,952	6,286	-8,236	0	0	0	2	0	2
Transactions with owners	0	1,952	6,286	479,416	0	-592,794	0	-105,140	0	-105,140
Net profit for 9 months ended 31 October 2019	0	0	0	0	0	0	291,624	291,624	0	291,624
Currency translation on foreign operations	0	0	0	0	25,907	0	0	25,907	0	25,907
Total comprehensive income					25,907		291,624	317,531		317,531
Balance as at 31 October 2019 (unpublished)	3,705	-41,115	284,877	2,731,039	-187,908	-54,129	291,624	3,028,093	-15	3,028,078

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Currency translation on foreign operations	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority interests	TOTAL equity
Balance as at 1 January 2019	3,705	-43,067	278,591	2,251,623	-231,654	601,355	0	2,860,553	-15	2,860,538
Division of profit for 2018	0	0	0	482,729	0	-482,729	0	0	0	0
Dividend payment	0	0	0	0	0	-110,065	0	-110,065	0	-110,065
Remuneration paid in shares	0	0	0	4,923	0	0	0	4,923	0	4,923
Reconciliation of the incentive programme	0	1,952	6,286	-8,236	0	0	0	2	0	2
Transactions with owners	0	1,952	6,286	479,416	0	-592,794	0	-105,140	0	-105,140
Net profit for 9 months ended 30 September 2019	0	0	0	0	0	0	110,519	110,519	0	110,519
Currency translation on foreign operations	0	0	0	0	73,212	0	0	73,212	0	73,212
Total comprehensive income					73,212		110,519	183,731		183,731
Balance as at 30 September 2019 (unpublished)	3,705	-41,115	284,877	2,731,039	-158,442	8,561	110,519	2,939,144	-15	2,939,129

Selected Separate Interim Financial Data

for 9 months ended 31 October 2020

Selected separate financial data	in PLN thousand			in EUR thousand		
	Cumulatively					
	2020/21	2019/20	2019	2020/21	2019/20	2019
	01.02 - 31.10	01.02 - 31.10	01.01 - 30.09	01.02 - 31.10	01.02 - 31.10	01.01 - 30.09
Revenue	4,525,448	5,036,499	4,993,240	1,010,731	1,169,511	1,158,901
Operating profit (loss)	47,861	134,256	53,924	10,689	31,175	12,515
Pre-tax profit (loss)	-160,448	82,483	-21,310	-35,835	19,153	-4,946
Net profit (loss)	-210,056	-16,630	-101,513	-46,915	-3,862	-23,561
Weighted average number of shares	1,834,417	1,834,091	1,834,091	1,834,417	1,834,091	1,834,091
Profit (loss) per share	-114.51	-9.07	-55.35	-25.57	-2.11	-12.85
Net cash flows from operating activities	668,196	263,905	447,148	149,238	61,281	103,780
Net cash flows from investing activities	-389,438	-198,624	-288,635	-86,979	-46,122	-66,990
Net cash flows from financing activities	111,470	-196,578	-310,593	24,896	-45,647	-72,087
Total net cash flows	390,228	-131,297	-152,080	87,155	-30,488	-35,297

Selected separate financial data	in PLN thousand		in EUR thousand	
	2020/21	2019/20	2020/21	2019/20
	31.10.2020	31.01.2020	31.10.2020	31.01.2020
Total assets	8,026,959	7,255,842	1,737,888	1,687,013
Long-term liabilities	1,500,774	1,340,554	324,927	311,684
Short-term liabilities	3,341,258	2,521,401	723,404	586,236
Equity	3,184,927	3,393,887	689,557	789,093
Share capital	3,705	3,705	802	861
Weighted average number of shares	1,834,417	1,834,192	1,834,417	1,834,192
Book value per share	1,736.21	1,850.34	375.90	430.21
Declared or paid dividend per share	0.00	60.00	0.00	13.95

Separate Condensed Interim Statement of Comprehensive Income

for 9 months ended 31 October 2020

Statement of comprehensive income (in PLN thousand)	2020	2019 (unpublished)	2019
	01.02 - 31.10	01.02 - 31.10	01.01 - 30.09
Continuing operations			
Revenue	4,525,448	5,036,499	4,993,240
Cost of goods sold	2,767,833	3,086,505	3,163,348
Gross profit (loss) on sales	1,757,615	1,949,994	1,829,892
Costs of stores and distribution	1,227,467	1,289,325	1,267,458
General costs	462,573	512,064	487,003
Other operating income	26,664	22,097	17,692
Other operating costs	46,378	36,446	39,199
Operating profit (loss)	47,861	134,256	53,924
Financial income	62,763	7,721	8,035
Financial costs	271,072	59,494	83,269
Pre-tax profit (loss)	-160,448	82,483	-21,310
Income tax	49,608	99,113	80,203
Net profit (loss) on continuing operations	-210,056	-16,630	-101,513
Other comprehensive income			
Total comprehensive income	-210,056	-16,630	-101,513
Weighted average number of shares	1,834,417	1,834,091	1,834,091
Net profit (loss) per share	-114.51	-9.07	-55.35

Statement of comprehensive income (in PLN thousand)	2020	2019 (unpublished)	2019
	01.08 - 31.10	01.08 - 31.10	01.07 - 30.09
Continuing operations			
Revenue	1,887,317	1,741,072	1,810,071
Cost of goods sold	1,150,784	1,043,895	1,212,661
Gross profit (loss) on sales	736,533	697,177	597,410
Costs of stores and distribution	491,078	453,083	452,315
General costs	174,615	180,600	172,631
Other operating income	2,910	9,858	9,046
Other operating costs	16,693	13,633	17,739
Operating profit (loss)	57,057	59,719	-36,229
Financial income	25,569	1,411	-12,591
Financial costs	74,154	16,933	60,837
Pre-tax profit (loss)	8,472	44,197	-109,657
Income tax	18,778	27,273	-2,062
Net profit (loss) on continuing operations	-10,306	16,924	-107,595
Other comprehensive income			
Total comprehensive income	-10,306	16,924	-107,595
Weighted average number of ordinary shares	1,834,417	1,834,091	1,834,091
Net profit (loss) per share	-5.62	9.23	-58.66

Separate Condensed Interim Statement of Financial Position

as at 31 October 2020

Statement of financial position (w PLN thousand)	As at			
	31.10.2020	31.01.2020	31.10.2019 (unpublished)	30.09.2019
ASSETS				
Non-current assets	4,735,631	4,432,309	4,165,729	4,145,830
1. Fixed assets	1,402,793	1,327,041	1,244,879	1,233,030
2. Intangible assets	128,856	123,179	114,373	112,005
3. Right of usufruct	953,280	938,484	936,768	937,834
4. Goodwill	179,618	179,618	179,618	179,618
5. Investments in subsidiaries	2,010,559	1,814,405	1,614,991	1,604,896
6. Other financial assets	8,777	3,091	3,107	3,034
7. Deferred tax assets	51,451	45,599	71,066	74,443
8. Prepayments	297	892	927	970
Current assets	3,291,328	2,823,533	2,291,084	2,452,325
1. Inventory	1,093,042	1,365,814	1,289,818	1,452,054
2. Trade receivables	349,397	225,195	335,634	327,869
3. Income tax receivables	67,209	0	0	0
4. Other financial assets	360,545	205,011	97,963	139,672
5. Other non-financial assets	1,928	8,955	2,468	2,690
6. Prepayments	9,275	19,830	11,564	11,909
7. Cash and cash equivalents	1,409,932	998,728	553,637	518,131
TOTAL assets	8,026,959	7,255,842	6,456,813	6,598,155

Statement of financial position (in PLN thousand)	As at			
	31.10.2020	31.01.2020	31.10.2019 (unpublished)	30.09.2019
EQUITY AND LIABILITIES				
Equity	3,184,927	3,393,887	2,931,678	2,868,489
1. Share capital	3,705	3,705	3,705	3,705
2. Treasury shares	-41,115	-41,115	-41,115	-41,115
3. Share premium	284,877	284,877	284,877	284,877
4. Other reserves	3,147,516	2,724,723	2,722,535	2,722,535
5. Retained earnings	-210,056	421,697	-38,324	-101,513
- profit (loss) from previous years	0	0	-21,694	0
- net profit (loss) for the current period	-210,056	421,697	-16,630	-101,513
Long-term liabilities	1,500,774	1,340,554	1,045,847	931,627
1. Bank loans and borrowings	202,939	171,234	181,325	47,572
2. Lease liabilities	952,814	824,849	810,492	829,060
3. Other financial liabilities (bonds)	293,853	291,675	0	0
4. Employee liabilities	1,289	1,289	944	944
5. Accruals	49,879	51,507	53,086	54,051
6. Other long-term liabilities	0	0	0	0
Short-term liabilities	3,341,258	2,521,401	2,479,288	2,798,039
1. Trade and other liabilities	2,666,629	1,934,036	1,971,247	2,163,140
2. Contract liabilities	9,519	15,624	10,808	10,822
3. Customer refund liabilities	8,136	16,093	21,382	19,026
4. Bank loans and borrowings	356,041	60,162	95,397	153,704
5. Lease liabilities	224,851	249,140	240,996	245,055
6. Employee liabilities	32,336	53,709	54,793	54,693
7. Income tax liabilities	21,591	163,315	30,787	97,478
8. Provisions	0	7,000	31,000	31,000
9. Accruals	22,155	22,322	22,878	23,121
TOTAL equity and liabilities	8,026,959	7,255,842	6,456,813	6,598,155



Separate Condensed Interim Cash Flow Statement

for 9 months ended 31 October 2020

Statement of comprehensive income (in PLN thousand)	01.02 - 31.10.2020	01.02 - 31.10.2019 (unpublished)	01.01 - 30.09.2019
A. Cash flows from operating activities			
I. Pre-tax profit (loss)	-160,448	82,483	-21,310
II. Total adjustments	828,644	181,422	468,458
1. Amortisation and depreciation	337,934	315,639	312,789
2. Foreign exchange (gains) losses	-21,204	4,702	-5,358
3. Interest and dividends	35,040	21,089	22,753
4. (Profit) loss on investing activities	108,945	-12,392	-11,697
5. Income tax paid	-264,393	-208,225	-205,271
6. Change in provisions and employee benefits	-28,373	2,155	-3,405
7. Change in inventories	273,355	-521,050	-287,774
8. Change in receivables and other assets	-360,799	-192,405	-205,015
9. Change in short-term liabilities, excluding bank loans and borrowings	736,496	764,778	850,223
10. Change in prepayments and accruals	10,549	2,208	-3,710
11. Other adjustments	1,094	4,923	4,923
III. Net cash flows from operating activities	668,196	263,905	447,148
B. Cash flows from investing activities			
I. Inflows	256,582	271,346	270,436
1. Disposal of intangible and fixed assets	41,979	37,608	38,461
2. From financial assets, including:	9,147	54,435	52,672
a) in associates	7,770	53,079	51,333
- dividends	7,437	1,746	0
- interest	333	0	0
- other/repayment of capital contribution	0	51,333	51,333
b) in other entities	1,377	1,356	1,339
- repayment of loans	68	50	49
- interest and other inflows from financial assets	1,309	1,306	1,290
3. Other investing outflows	205,456	179,303	179,303
II. Outflows	646,020	469,970	559,071
1. Purchase of intangible and fixed assets	232,592	269,638	268,834
2. For financial assets, including:	303,428	95,332	85,237
a) in associates	303,377	95,252	85,157
- purchase of shares	141,945	95,252	85,157
- loans granted	161,432	0	0
b) in other entities	51	80	80
- loans granted	51	80	80
3. Other investing outflows (investment funds)	110,000	105,000	205,000
III. Net cash flows from investing activities	-389,438	-198,624	-288,635

Cash flow statement (in PLN thousand)	01.02 - 31.10.2020	01.02 - 31.10.2019 (unpublished)	01.01 - 30.09.2019
C. Cash flows from financing activities			
I. Inflows	370,066	179,674	63,242
1. Proceeds from issuance of shares	2	2	0
2. Bank loans and borrowings	370,064	179,672	63,242
3. Other financial inflows	0	0	0
II. Outflows	258,596	376,252	373,835
1. Cost of maintenance of treasury shares	0	0	0
2. Dividends and other payments to owners	0	110,065	110,065
3. Repayment of bank loans and borrowings	41,210	40,165	40,165
4. Financial lease liabilities paid	181,793	201,300	198,999
5. Interest	35,470	24,722	24,606
6. Other financial outflows	123	0	0
III. Net cash flows from financing activities	111,470	-196,578	-310,593
D. Total net cash flows	390,228	-131,297	-152,080
E. Balance sheet change in cash, including:	411,204	-135,999	-146,722
- change in cash due to foreign currency translation	20,976	-4,702	5,358
F. Opening balance of cash	985,565	695,195	663,831
G. Closing balance of cash	1,375,793	563,898	511,751

Cash flow statement (in PLN thousand)	01.08 - 31.10.2020	01.08 - 31.10.2019 (unpublished)	01.07 - 30.09.2019
A. Cash flows from operating activities			
I. Pre-tax profit (loss)	8,472	44,197	-109,657
II. Total adjustments	657,887	21,819	276,103
1. Amortisation and depreciation	110,613	109,379	108,084
2. Foreign exchange (gains) losses	-63,768	11,558	-19,709
3. Interest and dividends	9,359	7,975	9,541
4. (Profit) loss on investing activities	4,014	-4,458	-3,936
5. Income tax paid	-63,991	-20,885	-48,501
6. Change in provisions and employee benefits	19,716	36,108	46,361
7. Change in inventories	127,461	14,118	56,950
8. Change in receivables and other assets	-160,396	-45,057	-80,902
9. Change in short-term liabilities, excluding bank loans and borrowings	674,016	-90,635	222,537
10. Change in prepayments and accruals	863	2,076	-15,962
11. Other adjustments	0	1,640	1,640
III. Net cash flows from operating activities	666,359	66,016	166,446
B. Cash flows from investing activities			
I. Inflows	24,699	61,064	63,335
1. Disposal of intangible and fixed assets	24,324	14,242	18,255
2. From financial assets, including:	375	1,840	81
a) in associates	333	1,746	0
- dividends	0	1,746	0
- interest	333	0	0
- other/repayment of capital contribution	0	0	0
b) in other entities	42	94	81
- repayment of loans	41	10	12
- interest and other inflows from financial assets	1	84	69
3. Other investing inflows	0	44,982	44,999
II. Outflows	228,453	151,680	230,655
1. Purchase of intangible and fixed assets	69,317	91,585	87,222
2. For financial assets, including:	159,136	10,095	38,433
a) in associates	159,101	10,095	38,373
- purchase of shares	0	10,095	38,373
- loans granted	159,101	0	0
b) in other entities	35	0	60
- loans granted	35	0	60
3. Other investing outflows (investment funds)	0	50,000	105,000
III. Net cash flows from investing activities	-203,754	-90,616	-167,320

Cash flow statement (in PLN thousand)	01.08 - 31.10.2020	01.08 - 31.10.2019 (unpublished)	01.07 - 30.09.2019
C. Cash flows from financing activities			
I. Inflows	2	179,672	83,292
1. Proceeds from issuance of shares	2	0	0
2. Bank loans and borrowings	0	179,672	83,292
3. Other financial inflows	0	0	0
II. Outflows	135,726	90,926	77,564
1. Cost of maintenance of treasury shares	0	0	0
2. Dividends and other payments to owners	0	0	0
3. Repayment of bank loans and borrowings	37,609	11,684	0
4. Lease liabilities paid	88,380	70,948	69,362
5. Interest	9,737	8,294	8,202
6. Other financial outflows	0	0	0
III. Net cash flows from financing activities	-135,724	88,746	5,728
D. Total net cash flows	326,881	64,146	4,854
E. Balance sheet change in cash, including:	390,402	52,588	12,685
- change in cash due to foreign currency translation	63,521	-11,558	7,831
F. Opening balance of cash	1,048,912	499,752	506,897
G. Closing balance of cash	1,375,793	563,898	511,751



10

Separate Condensed Interim Statement of Changes in Equity

for 9 months ended 31 October 2020

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	TOTAL equity
Balance as at 1 February 2020	3,705	-41,115	284,877	2,724,723	421,697	0	3,393,887
Remuneration paid in shares	0	0	0	1,094	0	0	1,094
Partial reconciliation of the incentive programme	0	0	0	2	0	0	2
Division of profit for 2019	0	0	0	421,697	-421,697	0	0
Transactions with owners	0	0	0	422,793	-421,697	0	1,096
Net loss for 9 months ended 31 October 2020	0	0	0	0	0	-210,056	-210,056
Total comprehensive income	0	0	0	0	0	-210,056	-210,056
Balance as at 31 October 2020	3,705	-41,115	284,877	3,147,516	0	-210,056	3,184,927

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	TOTAL equity
Balance as at 1 February 2019	3,705	-43,067	278,591	2,243,618	570,601	0	3,053,448
Remuneration paid in shares	0	0	0	4,923	0	0	4,923
Reconciliation of the incentive programme	0	1,952	6,286	-8,236	0	0	2
Division of profit for 2018	0	0	0	482,230	-482,230	0	0
Dividend payment	0	0	0	0	-110,065	0	-110,065
Transactions with owners	0	1,952	6,286	478,917	-592,295	0	-105,140
Net loss for 9 months ended 31 October 2019	0	0	0	0	0	-16,630	-16,630
Total comprehensive income	0	0	0	0	0	-16,630	-16,630
Balance as at 31 October 2019 (unpublished)	3,705	-41,115	284,877	2,722,535	-21,694	-16,630	2,931,678

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	TOTAL equity
Balance as at 1 January 2019	3,705	-43,067	278,591	2,243,618	592,295	0	3,075,142
Remuneration paid in shares	0	0	0	4,923	0	0	4,923
Reconciliation of the incentive programme	0	1,952	6,286	-8,236	0	0	2
Division of profit for 2018	0	0	0	482,230	-482,230	0	0
Dividend payment	0	0	0	0	-110,065	0	-110,065
Transactions with owners	0	1,952	6,286	478,917	-592,295	0	-105,140
Net loss for 9 months ended 30 September 2019	0	0	0	0	0	-101,513	-101,513
Total comprehensive income	0	0	0	0	0	-101,513	-101,513
Balance as at 31 March 2019	3,705	-41,115	284,877	2,722,535	0	-101,513	2,868,489

Additional Information on the Consolidated Condensed Interim Financial Statements

1. Overview of the LPP SA Group

The LPP SA Group (further referred to as the “Group”) is composed of LPP SA (“Parent Company”, “Company”) and its subsidiaries.

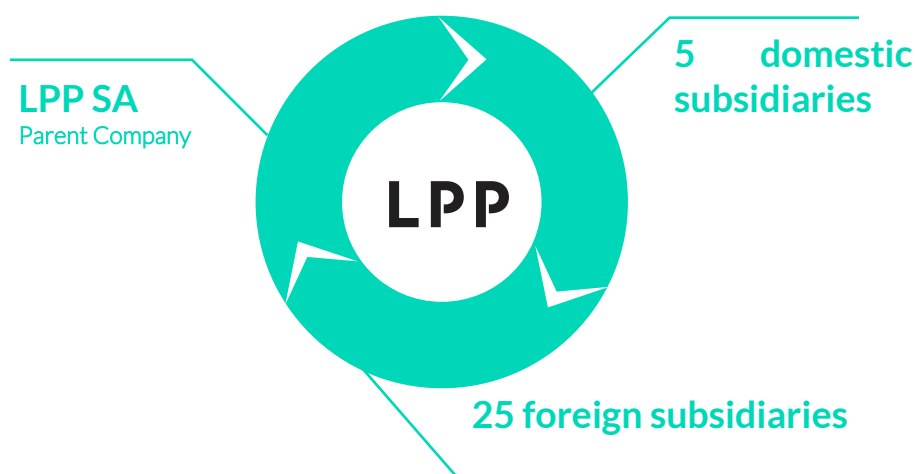
The Parent Company is recorded in the register of entrepreneurs of the National Court Register kept by the District Court for Gdańsk-North in Gdańsk, 7th Economic Division of the National Court Register, under number KRS 0000000778.

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.

During 9 months ended 31 October 2020, there was a change in the composition of the Group compared to 31 January 2020, namely, LPP Logistics Sp. z o.o. with its registered office in Gdańsk was established. The new company will handle the warehousing of goods to be resold and general logistics issues.



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

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

The consolidated condensed interim financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 January 2020, approved for publishing on 20 May 2020.

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

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

- exchange rate as at the last day of the reporting period: 31.10.2020 - PLN/EUR 4.6188, 31.01.2020 - PLN/EUR 4.3010,
- 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: 01.02-31.10.2020 - PLN/EUR 4.4774, 01.02.-31.10.2019 - PLN/EUR 4.3065, 01.01.-30.09.2019 - PLN/EUR 4.3086.

The accounting policy applied for preparing these financial statements complies in all material respects with the accounting policy adopted for preparing the annual consolidated financial statements of the LPP SA Group for the financial year 2019/20, in accordance with International Financial Reporting Standards.

These consolidated condensed interim financial statements have been drawn up based on the assumption that the Group's consolidated companies remain a going concern in the foreseeable future despite occurrence of circumstances arising from the COVID-19 coronavirus pandemic, affecting the continuation of the Group's operations in the nearest future.

In the period from March 2020 to the day of publishing this report, in many countries where LPP SA pursues its operations, due to the outspread of the COVID-19 pandemic, there were restrictions implemented based on decisions of governmental authorities in respect of the operation of commercial centres where LPP's traditional stores of all of its brands are located. During the following epidemic waves, due to restrictions and home stay instructions implemented by governmental authorities, the LPP Group had to halt almost all of its on-site sales. Therefore, the online sales channel had become the only source of revenue until quarantine restrictions were gradually alleviated.

To secure financial liquidity and maintain the Company's operations, the Management Board of LPP SA undertook numerous activities involving reduction of costs and expenses, including planned investments, decrease in employees' salaries, renegotiation of rent for the lease of retail space, suspension of dividend payment, reduction of future collection orders, intense e-commerce development and the sourcing of governmental financial aid and additional financing from banks.

Despite the high level of cash held by the Group as at the end of the reporting period, the Management Board of LPP keeps monitoring financial liquidity and carries out regular stress tests covering a period of over a dozen of months of its continuing operations i.e. by the end of June 2021. Prognosed cash flows analysed are based on hypothetical cautious assumptions to assess viability of remaining a going concern in the current "post-Covid" situation on the fashion market in retail trade. These analyses provide for the following: a negative impact on revenue generated from sales in traditional stores, increase in online sales observed following closure of traditional stores and the continuing tendency in this sales channel after store reopening.

3. Achievements of the LPP SA Group in the reported period

Key achievements of the Group in Q3 2020/21

1. Number of stores and retail space

At the end of Q3 2020/21, the LPP Group had 1,802 traditional stores, of the total area of 1,351.8 thousand m2, operating in 25 countries. Abroad, we operated 934 stores (800.3 thousand m2).

Compared with Q3 2019/20, the total retail space increased by 13.2%.

The largest nominal increase was recorded by Sinsay (116.4 thousand m2). Furthermore, in the said period, this brand recorded the highest dynamics in retail space development (78.0% y/y).

As at 31.10.2020	Number of stores	Change y/y	Q3 2020/21	Q3 2019/20	Change y/y (%)
			Area in thousand m2	Area in thousand m2	
Reserved	440	-18	667.8	655.0	2.0%
Cropp	366	3	159.7	143.2	11.5%
House	328	6	141.9	125.5	13.0%
Mohito	277	-14	112.3	112.5	-0.2%
Sinsay	386	73	265.4	149.1	78.0%
Outlet	5	-11	4.6	8.8	-47.6%
Total LPP Group	1,802	39	1,351.8	1,194.1	13.2%

2. Sales broken down by brand

In Q3 2020/21, the total sales of all brands in both channels, i.e. in traditional and online stores, was PLN 2,446 mln. Despite the pandemic, revenue was higher by 4.9 %, compared to the same period last year. This result was generated owing to the positive effect of increased online sales which balanced decreased sales in on-site stores due to changed customer habits (lesser interest in on-site shopping and migration to online stores).

In the reported period, high sales growths were recorded by Sinsay. In Reserved, revenue was noticeably stable, while Cropp and House recorded one-digit decreases. Mohito offering, of all brands, the most formal apparel recorded the largest decreases y/y, which confirms changes in shopping trends as formal apparel has become a defensive trend.

Owing to the consistent development of the sales network abroad and growing brand recognition, three brands i.e. Reserved, Cropp and Sinsay generated in Q3 2020/21 more revenue abroad than domestically.

Sales in individual brands in both channels, i.e. in traditional and online stores, in Q3 2020/21 and, cumulatively, in three quarters is given in the tables below.

	w PLN mln		
	Sales in Q3 2020/21	Sales in Q3 2019/20	Change y/y (%)
Reserved	1,069	1,077	-0.7%
Cropp	321	334	-3.8%
House	271	278	-2.3%
Mohito	213	246	-13.3%
Sinsay	543	344	57.7%
Other	28	53	-47.9%
Total	2,446	2,332	4.9%

	w mln PLN		
	Sales in Q1 - Q3 2020/21	Sales in Q1 - Q3 2019/20	Change y/y (%)
Reserved	2,562	3,101	-17.4%
Cropp	713	921	-22.6%
House	627	798	-21.4%
Mohito	521	707	-26.4%
Sinsay	1,252	867	44.3%
Other	80	103	-22.4%
Total	5,754	6,497	-11.4%

3. Sales in LFL stores

In Q3 2020/21, sales revenue in like-for-like (LFL) stores (in local currencies) decreased by 8.3%. In that period, the said decrease in LFL sales was caused by the COVID-19 pandemic and changes in shopping preferences of customers who, despite on-site stores being open, more often chose the online channel when making their shopping decisions.

A decrease in LFL sales was recorded by all of the Group's brands. Geographically, substantial differences were noted e.g. positive LFLs were recorded in Russia, Serbia and Slovenia, while two-digit negative LFLs were recorded in Great Britain and specific countries in the Middle East, which had been caused by differing decisions made in those countries on the closure and opening of shopping centres.

4. Online sales

In Q3 2020/21, revenue from online sales reached PLN 446 mln i.e. 86.2% more than a year ago. High two-digit growths in online sales resulted from changing customer habits i.e. migration to the online channel. Due to restrictions implemented and also convenience and safety of online shopping, new trends accelerating since the start of COVID-19 became permanent both in time and geographically. Despite on-site stores being open, in Q3 2020/21, online shopping remained very popular.

To adjust to the new situation, already in preceding quarters, the Group focused its intense activities on the development of online sales both in terms of technology (IT solutions) and logistics.

Owing to the advantageous situation and prioritised treatment by the Group of the online channel, online sales in Q3 2020/21 reached 18.2% of the Group's sales. At the same time, owing to the development of online sales abroad, more and more revenue is generated in that channel abroad. In Q3 2020/21, domestic online sales reached only approx. 47% of entire sales in that channel. Apart from Poland, the highest nominal online growths were generated for the Group in Romania, Russia, Germany, Ukraine and the Czech Republic.

In the reported period, the online customers base was expanded to include persons so far preferring to shop in on-site stores and the e-commerce sales structure changed due to the growing demand for products previously characteristic for on-site shopping. Simultaneously, 83% of store visits were made, and 68% of goods were shopped online, using mobile devices.

	w PLN mln					
	Q3 2020/21	Q3 2019/20	Change y/y (%)	Q1 - Q3 2020/21	Q1 - Q3 2019/20	Change y/y (%)
Sales in PLN mln	446	240	86.2%	1,451	690	110.3%

5. Revenue broken down by country and region

In Q3 2020/21, the LPP Group recorded sales growths y/y in all countries where it operates except for Poland, the Czech Republic, Great Britain and the Middle East countries.

The highest nominal sales growths y/y were recorded by the Group in Romania, Russia and Ukraine. Simultaneously, the highest percentage dynamics were recorded in Finland, Serbia, Slovenia as well as in Bosnia and Hercegovina.

In Q3 2020/21, sales abroad was higher than domestic sales. Sales abroad reached 56.3% of the Group's sales, with domestic sales totalling 43.7%.

Revenue from traditional and online sales, generated by the Group's companies operating in specific regions, is given in table below (with the exclusion of intra-Group sales).

Country/Region	Q3 2020/21	Q3 2019/20	Change y/y (%)	Q1 – Q3 2020/21	Q1 – Q3 2019/20	Change y/y (%)
Poland	1,069,866	1,080,858	-1.0%	2,568,060	3,123,396	-17.8%
Other European countries	735,877	642,726	14.5%	1,820,185	1,763,920	3.2%
CIS	633,521	599,125	5.7%	1,352,916	1,586,131	-14.7%
Middle East*	6,453	9,335	-30.9%	12,500	24,041	-48.0%
Total	2,445,717	2,332,045	4.9%	5,753,661	6,497,487	-11.4%

* Revenues from the Middle East countries are generated by franchise stores.

6. Operating costs

The Group's operating costs include costs of own and franchise stores in Poland, distribution costs and general costs. Costs of own stores comprise rental (under IAS 17), payroll and other costs while distribution costs comprise the costs of logistics and e-commerce. General costs include marketing costs, back-office costs as well as costs of the sales and product departments.

In Q3 2020/21, despite a decrease in the costs of stores (lower rents following relevant negotiations and payroll costs), the Group recorded an increase in operating costs by 1.5% mainly due to increased logistics and e-commerce costs.

	Q3 2020/21 (IFRS 16)	Q3 2019/20 (IFRS 16)	Change y/y (%)	Q1 – Q3 2020/21 (IFRS 16)	Q1 – Q3 2019/20 (IFRS 16)	Change y/y (%)
Operating costs (in PLN mln)	1,036	1,020	1.5%	2,819	2,898	-2.7%
Operating costs per m2/month	262	297	-11.8%	248	291	-14.8%

7. Capital expenditures

Investments of the LPP Group are made in several areas and involve the following:

- construction and modernisation of traditional stores (in Poland and abroad),
- construction of distribution centres,
- expansion and modernization of offices and
- e-commerce and IT expenditures.

In Q3 2020/21, CAPEX amounted to PLN 179.2 mln i.e. by 27.0% less compared to Q3 of the preceding year. Lower expenditures y/y were caused by reduced investments in the development of the sales network and postponement of investments in logistics. The decisions in question were made due to the pandemic.

8. Inventory

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

In Q3 2020/21, the inventory level was lower by 11.5% y/y, with inventory level per m2 being lower by 22.1% y/y, due to the reduced orders for Autumn-Winter 2020 collections following a decision made by the Management Board due to the outspread of the epidemic in March 2020. At the same time, high demand for clothes after the opening of on-site stores and maintained high online sales were the reasons for the low inventory level recorded by the Group in Q3 2020/21.

	31.10.2020	31.10.2019	Change y/y (%)
Inventory (PLN mln)	1,643	1,857	-11.5%
Inventory per m2 in PLN	1,223	1,570	-22.1%

9. Debt

LPP has credit lines in 6 banks in the total amount of PLN 1.3 billion, utilised for bank guarantees, letters of credit for trade financing or as a revolving loan. As at the end of Q3 2020/21, LPP utilised specific credit line products as follows: PLN 111.9 mln, PLN 193.1 mln, PLN 0 respectively.

Additionally, the Company has 2 short-term loans for repayment of trade liabilities, totalling PLN 303.0 mln (without interest).

At the same time, two subsidiaries, i.e. the Russian and Ukrainian companies, utilise credit lines extended by local banks, which, as at the end of October 2020, were utilised in the amount of PLN 75.0 mln and PLN 9.3 mln respectively (the Ukrainian company utilises a relevant guarantee limit).

Additionally, LPP uses a supplier financing programme (reversed factoring). As at the end of Q3 2020/21, the limit was utilised in the amount of PLN 1,558 mln.

Furthermore, LPP has a debt arising from investment credit facilities. As at the end of October 2020, the total value of the said credit facilities was PLN 255.1 mln.

To diversify the sources of financing, in 2019, the Company issued 5-year bonds of the total value of PLN 300 mln.

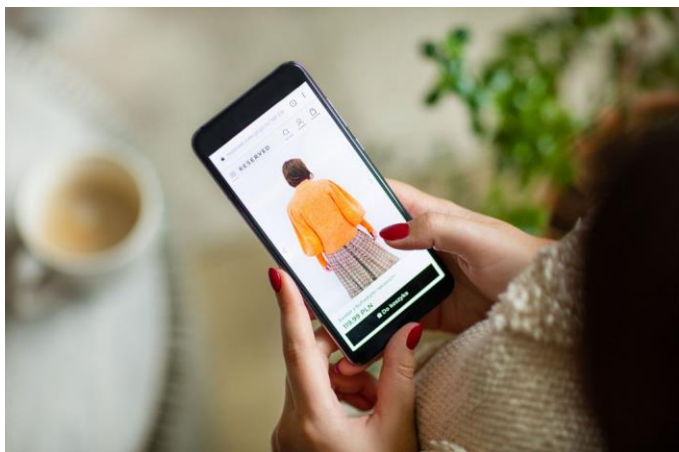
As at the end of Q3 2020/21, the Group held PLN 2,055 mln in cash and, having deducted its debt, showed net cash of PLN 1,093 mln (according to IAS 17) compared to PLN 542 mln a year ago.

The following table shows the level of net debt (cash) in PLN thousand (calculated under IAS 17) and loan utilisation as at 31 October 2020.

	As at 31.10.2020	As at 31.10.2019 (unpublished)	Change y/y (%)	As at 30.09.2019
Short-term loans	456,586	204,592	123.2%	277,304
Long-term loans	202,939	181,325	11.9%	47,572
Bonds*	302,673	-	-	-
Cash	2,055,365	928,249	121.4%	920,839
Net debt (net cash)	-1,093,167	-542,332	101.6%	-595,963

* PLN 302,673 thousand (discounted value of bonds amounting to PLN 293,853 thousand plus interest in the amount of PLN 8,820 thousand)

Other major events in Q3 2020/21 and in the period preceding publication of this report



OCTOBER 2020

MADE IN POLAND

During this event, we presented LPP's omnichannel activities and benefits of technological and logistics investments.



OCTOBER 2020

RECOMMENCEMENT OF CONSTRUCTION OF THE DISTRIBUTION CENTRE IN BRZEŚĆ KUJAWSKI

The Company made the decision to recommence investing in the Distribution Centre in Brześć Kujawski. The revised project will start in Q1 2021.



OCTOBER 2020

NON-FINANCIAL REPORTING

For the second time, the LPP Integrated Report won the first award in the 2020 Social Reports Contest.



NOVEMBER 2020

LPP – A FAMILY-RUN COMPANY

The Semper Simul Foundation acquired a controlling interest in LPP. The decision made by key shareholders to exchange shares was yet another step to strengthen the family-run company for generations.



NOVEMBER 2020

BRAND STORE IN DUBAI

In Dubai, in the world's largest shopping centre Dubai Mall, we opened a Reserved brand store (retail space of 1,430 m2).

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

Although the COVID-19 pandemic started in Q1 of the financial year, its effects had a bearing also on the results generated by the Group in Q3 2020/21.

The pandemic clearly affected revenue generated by the Group. In October, the epidemical situation worsened in countries where the Group operates. Additionally, in several countries, another lockdown was introduced. Due to the above, the number of customers visiting on-site stores decreased, thus causing lower revenue y/y being recorded in that sales channel which still generates the majority of the Group's revenue. At the same time, in Q3 2020/21, online sales was still high and, therefore, the Group's revenue increased by 4.9% compared to the same period last year.

The Group's gross margin was by 2.2 p.p. lower than a year ago due to the following factors: growing online sales, higher USD/PLN exchange rates applied when purchasing goods for the Autumn collection (USD/PLN 3.75 in 2019 and USD/PLN 3.90 in 2020), lower RUB/PLN and UAH/PLN exchange rates (revenue generated on the Russian and Ukrainian markets accounted in total for approx. 25% of the Group's revenue) and, additionally, no pass-through of disadvantageous exchange rates on prices during the pandemic.

The pandemic affected also operating costs. Despite reduced store operation costs (lower rents following negotiations in that respect), increased logistics and e-commerce costs were a reason why, ultimately, operating costs were 1.5% higher y/y.

In Q3 2020/21, the LPP Group recorded a less advantageous effect of other operating activities y/y due to the fact that, despite subsidies recognised in that quarter in the amount of PLN 10.6 mln, the Group made write-offs totalling PLN 30.4 mln following reclassification of rental agreements.

In the reporting period, the Group recorded also a less advantageous effect of net financial activities due to higher foreign exchange losses under IFRS 16.

Consequently, the LPP Group recorded a net profit of PLN 247 mln versus net profit of PLN 236 mln, generated a year ago.

Basic figures reflecting the Group's performance as well as margins gained in Q3 2020/21 and, cumulatively, for 9 months of 2020/21 are given in tables below.

	9 months 2020/21	9 months 2019/20	Change y/y (%)	Q3 2020/21	Q3 2019/20	Change y/y (%)
Revenue	5,753,661	6,497,487	-11.4%	2,445,717	2,332,044	4.9%
Gross sales profit	2,965,329	3,526,590	-15.9%	1,384,176	1,370,971	1.0%
Costs of stores and distribution and general costs	2,818,508	2,897,818	-2.7%	1,035,866	1,020,113	1.5%
EBITDA	888,687	1,302,872	-31.8%	562,977	581,250	-3.1%
Operating profit (loss)	72,963	584,935	-87.5%	301,184	335,298	-10.2%
Net profit (loss)	-145,759	291,624	n/m	246,870	236,387	4.4%

Margin (%)	9 months 2020/21	9 months 2019/20	Change y/y (p.p.)	Q3 2020/21	Q3 2019/20	Change y/y (p.p.)
Gross sales margin	51.5%	54.3%	-2.7	56.6%	58.8%	-2.2
EBITDA	15.4%	20.1%	-4.6	23.0%	24.9%	-1.9
Operating	1.3%	9.0%	-7.7	12.3%	14.4%	-2.1
Net	-2.5%	4.5%	-7.0	10.1%	10.1%	0.0

5. Explanations of the seasonal or cyclical nature of the LPP SA Group's operations in the reporting period

The seasonal nature of sales is a feature of the entire clothing market both in Poland and abroad. Usually, the gross margin obtained in the period of sales of a new collection at regular prices is higher than the one recorded during clearance sales. The above affects disproportions in the value of margins in specific calendar quarters (the highest in the second and fourth quarters, the lowest in the first and third quarters). To avoid large differences in margins between specific quarters, the Group has changed its financial year to adjust it to the collection calendar, thus levelling the impact of clearance sales and seasonality on margins applied in specific calendar quarters.

6. Information on revaluation write-offs on inventories to a net realisable value and their reversal

Detailed information is provided for in Note 35.1.

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

Detailed information is provided for in Note 35.1.

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

Relevant information is provided for in Note 35.3.

9. Information on deferred income tax assets and liabilities

Detailed information is provided for in Note 35.5.

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

In the reporting period, there were no such events.

11. Information on a material liability arising from the purchase of tangible fixed assets

In the reporting period, there was no such event.

12. Information on material litigation-related settlements

In the reporting period, there were no such events.

13. Specification of adjusted errors from previous periods

In the reporting period, there were no such events.



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

In the reporting period, there were no such events.

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

In the reporting period, there were no such events.

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

In the reporting period, there were no such events.

17. Changes in the structure of the Issuer's Capital Group, including those resulting from a merger of entities, acquisition or sale of subsidiaries, long-term investments, division, restructuring or discontinued operations

There were no such events.

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

Not applicable.

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

Not applicable.

20. Division into operating segments – revenue and results attributable to individual segments

The LPP Group pursues one type of business activity (a single branch-specific segment considered basic). Business activity is carried out in two geographical segments: in and outside the European Union. The division into geographical segments is based on the criterion of location of the Group's assets.

Revenue and results attributable to individual segments in Q3 2020/21 and comparable periods are given in Note 35.9.

21. Information on the issuance, redemption and repayment of debt and equity securities

There were no such events.

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

On 18 September 2020, the General Meeting of LPP adopted a resolution on the division of net profit generated in the financial year 2019/20, under which it was decided that the profit would be transferred in full to the share capital and excluded from distribution. Consequently, it was resolved that no dividend would be paid for the financial year 2019/20.

23. Date of approval of the financial statements for publishing

These financial statements were approved for publishing by the Management Board of the Parent Company on 18 December 2020.

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

On 18 November 2020, the Company initiated the sale of its treasury shares by way of the accelerated book-building procedure (ABB). On the same day, the Company completed the said process having received from institutional investors demand declarations covering all sellable treasury shares of the Company i.e. 17,099 shares constituting in total 0.97% of the Company's share capital and giving right, in total, to 0.55% of the total number of votes at the General Meeting. The price per share was PLN 6,600, the share sale date was set for 19 November 2020 and the amount obtained was PLN 112.9 mln (CR 32/2020 and CR 33/2020).

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

In Q3 2020/21, companies of the LPP SA Group utilised bank guarantees to secure payment of rent for the leased space for brand stores, offices and a warehouse.

As at 31 October 2020, the total value of bank guarantees granted upon request and under responsibility of LPP SA amounted to PLN 277,639 thousand, allocated as follows:

- guarantees granted to secure agreement concluded by LPP SA: PLN 82,339 thousand;
- guarantees granted to secure agreement concluded by consolidated associates: PLN 193,169 thousand;
- guarantees granted to secure lease agreements concluded by LPP SA for warehouse and office space: PLN 2,131 thousand.

In Q3 2020/21, the Company also received guarantees. These guarantees secured payments by a contracting party, and their value as at 31 October 2020 amounted to PLN 9,100 thousand.

26. Estimates concerning future liabilities under lease agreements concluded

The Group companies are parties to agreements on the lease of store, office and warehouse space and a car fleet.

Before adoption of IFRS 16, the Group (as lessee) classified each lease on the date of commencement of the lease term as finance or operating lease. The lease was classified as finance lease if, principally, the entire risk and benefits arising from the possession of a leased object were transferred to the Group. Otherwise, the lease was classified as operating lease. The finance lease was recognised at fair value of the leased object, determined as at the date of commencement of the lease term or in amounts equalling the current value of the minimum lease payments if it was lower than fair value. Lease payments were distributed as interest (recognised as financial costs) and a decrease in the lease liability. In the operating lease, the leased object was not activated, and lease payments were recognised as lease costs in the statement of comprehensive income, using the straight-line method for the lease term.

Following adoption of IFRS 16, the Group applied a single approach in recognition and measurement of all lease agreements in which it is a lessee, except for short-term and low-value leases. The Group has recognised lease liabilities and assets involving the right of use of an underlying asset.

As at 31 October 2020, the Group recognised the following:

- right-of-use assets in the amount of PLN 2,526,386 thousand;
- lease liabilities in the amount of PLN 3,012,368 thousand.

During 9 months ended 31 October 2020, the right-of use asset was depreciated in the amount of PLN 498,526 thousand, with lease interest totalling PLN 96,193 thousand.

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

The Company published no annual result forecasts.

28. Shareholders holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of LPP SA as at the date of report submission, along with the number of shares held by those entities, their percentage share in the share capital, the number of votes attached, and their percentage share in total votes at the General Meeting of Shareholders, and changes in the structure of major shareholdings in LPP SA following submission of the previous periodical report

The shareholding structure of the Parent Company as at the date of submission of the report for Q3 2020/21 is given in the table below.

Shareholder	Number of shares held	Interest in the share capital	Number of votes at the GM	Share in total votes at the GM
Semper Simul Foundation*	746,488	40.3%	2,146,488	65.9%
Sky Foundation**	51,338	2.8%	51,338	1.6%
Other shareholders	1,054,597	56.9%	1,054,597	32.5%
Total	1,852,423	100.0%	3,252,423	100.0%

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

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

In the period following submission of the previous periodical report (the one for H1 2019/20), there were several changes in major shareholdings in LPP SA.

Following the acquisition by eligible persons of the total of 907 treasury shares under the 2019 incentive programme (CR 30/2020) and after the sale by the Company of the remaining 17,099 treasury shares (CR 33/2020), there was a change in the percentage share of

votes at the General Meeting, held by two key shareholders of LPP i.e. the Semper Simul Foundation and the Sky Foundation: from 31.5% and 28.6% to 31.3% and 28.5%, respectively.

The next change took place on 19 November 2020. The Sky Foundation transferred 175,000 preference shares as in-kind contribution to its subsidiary Sky SPV Limited. The above resulted in the decrease of the direct share of the Sky Foundation in the total number of votes at the General Meeting of the Company.

Following the said transaction, the Sky Foundation still held directly 51,338 ordinary bearer shares and, indirectly, 175,000 preference shares in LPP. Ordinary shares constituted 2.77% of the share capital of LPP and gave right to 1.58% of the total number of votes at the General Meeting. Preference shares held indirectly, through the subsidiary Sky SPV Limited, constituted 9.45% of the share capital of LPP and gave right to 26.90% of the total number of votes at the General Meeting.

In total, directly and indirectly, the Sky Foundation held 226,338 shares in LPP SA i.e. 12.22% of the Company's share capital, giving right to 926,338 votes at the General Meeting, which constituted 28.48% of the total number of votes at the General Meeting.

The above-mentioned changes were described in the following current reports: CR 34/2020, CR 35/2020, CR 36/2020.

Subsequent changes were made on 20 November 2020 as provided for in the following current reports: CR 38/2020, CR 43/2020, CR 42/2020, CR 41/2020, CR 40/2020.

The Sky Foundation transferred indirectly to the Semper Simul Foundation 175,000 preference shares in LPP.

At the same time, the Semper Simul Foundation acquired indirectly 252,200 ordinary shares in LPP from third parties.

As a result of the above-mentioned transactions, the Semper Simul Foundation holds, directly and indirectly, 746,488 shares in LPP SA, constituting 40.30% of the share capital of LPP and giving right to 2,146,488 votes i.e. 65.997% of the total number of votes at the General Meeting of the Company.

The Sky Foundation holds 51,338 ordinary bearer shares in LPP SA i.e. 2.77% of the share capital of LPP, giving right to 51,338 votes at the General Meeting of the Company i.e. 1.58% of the total number of votes at the General Meeting.

As a result of the above-mentioned indirect acquisition i.e. the acquisition of shares in entities with shareholdings in LPP, the Semper Simul Foundation exceeded the threshold of 33% of the total number of votes at the General Meeting of the Company. Therefore, according to the provisions of law (the Public Offering Act), the Semper Simul Foundation was required to announce a call for subscribing to shares to be sold or to sell shares in a number giving right to no more than 33% of the total number of votes. Consequently, on 20 November 2020, the Semper Simul Foundation announced a call for subscribing to 111 shares in LPP to be sold and, at the same time, it made clear that its intention was to increase its shareholding in the Company (directly and indirectly, together with its subsidiaries) to 66.00% of votes at the General Meeting of the Company, constituting a share of 40.30% in the Company's share capital. The deadline for accepting subscriptions to shares in LPP to be sold is 28 December 2020.

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

The shareholdings in LPP SA of key management and supervisory officers as at the date of submission of the report for Q3 2020/21 are given in the table below.

Shareholder	Number of shares held	Number of votes at the GM
Marek Piechocki – President of the Management Board	664	664
Przemysław Lutkiewicz - Vice-President of the Management Board	415	415
Jacek Kujawa - Vice-President of the Management Board	568	568
Sławomir Łoboda - Vice-President of the Management Board	507	507
Jerzy Lubianiec – Chairman of the Supervisory Board*	51,338	51,338
Antoni Tymiński - Member of the Supervisory Board	11	11

* shares held indirectly through a subsidiary

After submission of the last periodical report (the one for H1 2019/20), there were the following changes in shareholdings in LPP SA of key management and supervisory officers: the Company's key management officers acquired shares in LPP under the 2019 incentive programme i.e. they acquired in total 907 LPP's treasury shares. The President of the Management Board acquired 322 shares while other members of the Management Board acquired 195 shares each (CR 30/2020).

Furthermore, there was a change in the shareholdings of key supervisory officers: Mr Jerzy Lubianiec, Chairman of the Supervisory Board, transferred indirectly 175,000 preference shares (CR 43/2020).

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

In the reporting period, there were no significant proceedings pending before any court or public administration authority in respect of any liabilities or receivables of the Company or its subsidiary.

31. Transactions with associates

31.1. Key management officers

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

The value of short-term benefits of members of the Management Board of the Parent Company, received between 1 February and 31 October 2020, amounted to PLN 3,659 thousand.

The value of short-term benefits of members of the Supervisory Board of the Parent Company, received between 1 February and 31 October 2020, amounted to PLN 107 thousand.

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

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

Detailed information on conditional liabilities are provided for in Note 25.

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

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

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

As assessed by the Company, the following factors will affect results to be achieved by the LPP SA Group in the calendar quarters to come:

a) Situation resulting from the COVID-19 pandemic

The potential another strong wave of the COVID-19 pandemic after Christmas could affect the results generated by the Group. A lockdown, if any, implemented by governmental authorities in countries where the Group sells apparel in on-site stores in order to minimise another outspread of the pandemic may result in a decrease in on-site shopping or in a shopping halt should commercial centres be closed again.

The pandemic spreading in countries where manufacturing plants of LPP's suppliers are located could cause disturbances in the continuity of the supply chain and, in consequence, delays in supplies of collections or, in the extreme, the absence of such supplies in the event of another closure of sewing plants. Additionally, during the pandemic, there may be logistics problems involving transportation and warehousing of goods. All these elements could adversely affect the Group's product offer and its availability and, consequently, its financial results.

A chance to minimise that risk is nationwide vaccinations against COVID-19 to be introduced in numerous countries. Nonetheless, the LPP Group makes constant efforts to minimise the adverse effect of the pandemic in several ways.

As regards the purchase of goods, the Group increases its flexibility in terms of searching for new sources of supplies (both in the countries of the Far East as well as European and African countries) and using different modes of transport (e.g. railway transport).

As the Group operates not only in the traditional sales channel and develops also online sales, it will be able to adjust to restrictions in shopping centres, if any.

b) Economic and political situation in Poland and countries where the stores of the LPP SA Group are operated

The COVID-19 pandemic caused a global economic crisis. Due to the fact that the Group's revenue and margins depend on the economic situation of households and their consumption inclinations and since the economic crisis may result in a decrease of consumer spending, including outlays for clothing, the Group's results may be affected by the scale of the crisis and the pace of post-crisis recovery.

At the same time, considering the fact that the Group manages five brands falling within a moderate price range, the adverse effect of economic slowdown on the demand for products offered by the Group is being minimised. Additionally, adjusting to the current situation, the Group has successfully developed the concept of the Sinsay brand with the lowest prices in the entire portfolio. Sinsay collections have been supplemented with female, male and children's lines as well as interior decoration products.

c) Fashion trends, attractiveness of collections, consumer behaviour model

The precarious economic situation, a decline in social moods, including consumer attitudes, and a changed lifestyle in the post-pandemic reality may have a bearing on the new consumer behaviour model, a change in preferences as to how people dress and on changes in fashion trends.

Due to financial uncertainty, there may be consumers seldom purchasing clothes and thus putting emphasis on timeless classic models of better quality. However, there may be customers for whom low prices will be a priority. Additionally, due to increasing consumer awareness, there may be more consumers for whom ecological motivation will have decisive importance. Simultaneously, as a result of lifestyle and mode-of-work changes, dressing principles as well as casual and work style will change. Formal clothes will be in defence while home wear, casual or athleisure (combination of sports and streetwear clothes) will be more and more popular.

The Group's results will be decisively affected by the way in which collections of five brands will be adjusted to currently changing trends. Therefore, the Group puts special emphasis on fashion issues. Design teams of each brand keep abreast with fashion trends which are often related to macroeconomic trends. Designers and persons engaged in the process of preparing collections for the brands of the LPP Group take part in exhibitions, fashion shows and fairs which, at the time of the pandemic, owing to digital advancement, may be attended online. Owing to technological development and smartphone prevalence, LPP designers get currently inspired by the Internet and social media, being therefore able to quickly react to changing trends.

d) PLN/USD, PLN/EUR and PLN/RUB exchange rates

Due to the fact that approx. a half of the Group's revenues are denominated in foreign currencies (with costs of purchases of goods being denominated in approx. 90% in USD, and operating costs in approx. 60% in EUR (under IAS 17)), the USD/PLN and EUR/PLN exchange rates will affect the Group's results. USD exposure is related to the venue of manufacturing and purchasing goods (mainly Asian countries), while EUR exposure is related to payments of rent in brand stores. Considering the fact that Russia is responsible for approx. 19% of the Group's sales (in Q3 2020/21), the Company is substantially exposed also to Russian ruble. The LPP Group reports its financial results in PLN. Consequently, the strengthening of PLN versus USD and EUR positively affects our margins, while the weakening of PLN versus key currencies decreases the Group's profitability. At the same time, the model of continuous product supplies reduces the risk of purchasing entire collections at exchange rate peaks.

Another factor affecting the Group's financial result will be IFRS 16 implemented in 2019, relating to the conversion of lease liabilities (mainly in EUR) based on the current exchange rate.

e) Control of operating costs (SG&A)

In the nearest future, the control of operating costs will affect the Group's financial results. The operating costs of the Group include the costs of own stores and franchise stores in Poland as well as distribution and general costs. The costs of own stores comprise mainly rent (under IAS 17) and payroll costs, while distribution costs include the costs of logistics and e-commerce. General costs comprise the costs of marketing, back-office as well as sales and products departments.

The Management Board of LPP decided to implement a savings scheme. One of the elements of the said savings scheme is adjusting the value of rent for the lease of retail space to the turnover generated in stores. Although negotiations held with owners of shopping centres after the first lockdown are completed, the Group does not exclude the possibility of holding another round of negotiations if new restrictions in on-site store operation are implemented. The outcome of such negotiations may have a bearing on the value of the Group's operating costs and, ultimately, on the Group's financial results.

f) Dynamic e-commerce development

Steadily growing importance of e-commerce reported even before the pandemic has definitely accelerated, changing the balance of powers between the two sales channels i.e. the traditional channel (on-site stores) and the online one. Most probably, the change of customers' shopping habits, i.e. the transfer of shopping processes to the online channel, will last. Adjusting to the current trend, the Group has taken action aimed at further expansion of the said sales channel. The Group plans to develop e-commerce by entering new markets and implementing in this sales channel the RFID technology introduced in the Reserved brand and by further improvements in logistics and IT (including artificial intelligence). The emphasis put on the development of the said channel as part of the Group's strategy will have a bearing on results yielded. The Group plans that, owing to these activities, in 2020/21, it will double its revenue on online sales y/y, reaching PLN 2 bln and, next year, it will increase such revenue by 50%.

g) Development of the chain of traditional stores

Results generated by the Group will be affected by the development of the chain of traditional stores. The Group's goal is to develop the chain of traditional stores, with special emphasis put on Sinsay, House and Cropp brands, selective development of retail space in Poland, continuing growths in Europe, specifically in South-Eastern Europe, and on retail space development in the CIS region. Simultaneously, the Group keeps implementing the process of optimising retail space (closing of unprofitable stores and expanding profitable ones).

The Group plans to end the year 2020/21 with an increase of 16% r/r in retail space. In 2021/22, as planned by the Group, retail space will increase by 15% y/y, including the entry on new market i.e. North Macedonia.

h) Logistics development

Considering the fact that retail trade will be transferred, to the growing extent, to the Internet, and, as regards online orders, speedy deliveries, safety and flexibility will be of key importance apart from collection attractiveness, the Group will be required to adjust logistics currently focused on handling traditional sales to online sales purposes. Owing to recently made investments in logistics and IT, the Group will be able to quickly adjust to new conditions and customer expectations. Consequently, the investments in question may have a positive impact on the Group's results.

i) Omnichannel

The creation of the omnichannel system will affect results generated by the Group. Owing to the omnichannel system, customers will be able to freely purchase goods in both permeating channels. Traditional stores support online sales and, therefore, it is necessary to invest in modern stores encouraging customers to pay a visit. Building the omnichannel system, the LPP Group currently invests in the development of modern stores, logistics and state-of-the-art technology. Investments in such solutions will determine the possibility of adjusting the business model to the new reality, simultaneously enabling the Group to operate in upcoming economic conditions with a potential higher than that of its competitors.

j) CAPEX

The Group's results will be affected by capital expenditures. Due to the COVID-19 pandemic, capital expenditures have been modified compared to those planned by the Group before. Capital expenditures planned in 2020/21 will amount to PLN 760 mln, comprising the following expenditures: on-site stores - PLN 580 mln, offices - PLN 60 mln, logistics - PLN 50 mln and IT - PLN 70 mln. CAPEX planned for the year 2021/22 amounts to PLN 1,100 mln (including expenditures for on-site stores - PLN 840 mln, offices - PLN 50 mln, logistics - PLN 150 mln and IT - PLN 60 mln). CAPEX planned for the year 2022/23 is PLN 900 mln (on-site stores - PLN 750 mln, offices - PLN 50 mln, logistics - PLN 40 mln and IT - PLN 60 mln).

All the above-mentioned factors may affect financial results generated by the Group in upcoming calendar quarters. At the same time, the Group expects that its results may be affected predominantly by the effects of the COVID-19 pandemic. Therefore, the Group's previous short-term development plans and its financial goals for the current financial year have been reviewed and modified.

Due to the effects of the COVID-19 pandemic, the Group expects that, in 2020/21, it will decrease its revenue by 15% y/y. The effects of COVID-19 will probably affect the Group's gross margin which, in 2020/21, may reach 50 - 51%.

Simultaneously, the Group expects that the adverse impact of the pandemic will be temporary and, upon its expiry, in the years to come, the Group will continue to increase its revenue and develop its operations in line with its long-term strategy.

The Company has adopted a 2021/22 replenishment plan similar to that of 2019/2020, i.e. the year preceding the pandemic, providing for a two-digit growth in retail space, improved operating margin compared to 2019/20 and a safe financial position. It is planned that a two-digit sales growth will be continued in subsequent years 2022/23.

35. Explanatory notes to the consolidated condensed interim financial statements

35.1. Revaluation write-offs on assets

Values of specific assets, presented in the consolidated financial statements drawn up as at 31 October 2020, were adjusted with revaluation write-offs. Detailed information on revaluation write-offs shown as at the last day of the reporting period and changes in the period are given in the table below.

	in PLN thousand		
	Fixed and intangible assets	Inventory	Receivables, loans and shares
As at 1 February 2020	48,439	142,689	38,338
Increase	40,885	0	23,432
Decrease	3,141	4,318	13,528
As at 31 October 2020	86,183	138,371	48,242

35.2. Other financial assets

In PLN thousand	31.10.2020	31.01.2020
Non-current assets		
Other receivables	16,317	7,905
Loans granted	122	60
Other long-term financial assets	16,439	7,965
Current assets		
Other receivables	100,000	0
Receivables from payment card providers	55,709	22,236
Loans granted	88	55
Participation units in funds	1,999	96,877
Valuation of forward contracts	34,299	4,509
Foreign currencies sold	203,451	87,291
Other short-term financial assets	395,546	210,968
Other financial assets in total	411,985	218,933

In the reporting period, there was a substantial increase in the value of other short-term receivables which, as at 31 October 2020, totalled PLN 100,000 thousand. The said increase results from the security deposit paid in relation to the reverse factoring agreement to Santander Factoring Sp. z o.o..

The Group also acquired participation units in money market funds. The value of such units as at 31 October 2020 amounted to PLN 1,999 thousand, reflecting the value of acquired debt securities as at the purchase date. In the cash flow statement, in investing activities, the Group shows the acquisition of participation units in the amount of PLN 112,000 thousand and their redemption in the amount of PLN 205 456 thousand. The value of profit earned from redeemed participation units was PLN 1,308 thousand (the value paid) and was shown in the investing part, in interest and other inflows from financial assets. The valuation of the above-mentioned instruments is at level 1 of the fair value hierarchy as regards participation units in funds quoted on the regulated market and at level 2 of the fair value hierarchy as regards unquoted funds.

35.3. Provisions

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

	in PLN thousand	
	Provision for early termination of agreements	Other provisions
Balance as at 1 February 2020	0	9,097
Provisions made	0	0
Provisions reversed	0	7,777
Balance as at 31 October 2020	0	1,320

35.4. Income tax

The main components of income tax of the LPP SA Group from 1 January 2020 to 31 October 2020 and in comparative periods are given in the table below.

	in PLN thousand		
	01.02 - 31.10.2020	01.02 - 31.10.2019 (unpublished)	01.01 - 30.09.2019
Current income tax	41,283	137,905	113,052
Taxation of foreign subsidiaries	26,128	5,365	5,365
Deferred income tax	-34,175	41,837	39,428
Total	33,236	185,107	157,845

	in PLN thousand		
	01.08.2020 - 31.10.2020	01.08.2020 - 31.10.2019 (unpublished)	01.07 - 30.09.2019
Current income tax	22,671	59,100	22,952
Taxation of foreign subsidiaries	4,537	0	0
Deferred income tax	-33,576	-1,548	860
Total	-6,368	57,552	23,812

35.5. Deferred tax assets and liabilities

As at the end of the reporting period, consolidated financial statements show values of both deferred income tax assets in the amount of PLN 168,262 thousand and deferred income tax liabilities amounting to PLN 662 thousand.

35.6. Other operating income and costs

	01.02-31.10.2020	01.02-31.10.2019 (unpublished)	01.01-30.09.2019
Other operating costs (in PLN thousand)	2020	2019	2019
Loss on sales of non-financial fixed assets	0	192	0
Revaluation of non-financial assets, including:	48,638	0	0
- revaluation write-offs on net fixed assets	38,734	0	0
- revaluation write-offs on net receivables	9,904	0	0
Other operating costs, including	114,962	81,026	78,205
- losses on current and non-current assets	51,269	54,014	45,682
Other operating costs in total	163,600	81,218	78,205

	01.08 - 31.10.2020	01.08 - 31.10.2019 (unpublished)	01.07-30.09.2019
Other operating costs (in PLN thousand)	2020	2019	2019
Loss on the sale of non-financial fixed assets	0	-343	0
Revaluation of non-financial assets, including:	6,476	0	0
- revaluation write-offs on net fixed assets	-261	0	0
- revaluation write-offs on net receivables	6,737	0	0
Other operating costs, including	64,373	31,832	29,447
- losses on current and non-current assets	13,851	12,830	7,601
Other operating costs in total	70,849	31,489	29,447

	01.02-31.10.2020	01.02-31.10.2019 (unpublished)	01.01-30.09.2019
Other operating income (in PLN thousand)	2020	2019	2019
Profit on sales of non-financial fixed assets	157	0	0
Subsidies	65,410	0	0
Other operating income, including:	24,175	37,381	27,521
- profit on contract annulment under IFRS 16	14,599	1,820	1,793
- compensations	1,008	4,986	4,504
- reversal of revaluation write-offs on net fixed assets	0	2,063	1,966
- reversal of revaluation write-offs on net receivables	0	1,357	483
Other operating income in total	89,742	37,381	27,521

	01.08 - 31.10.2020	01.08 - 31.10.2019 (unpublished)	01.07-30.09.2019
Other operating income (in PLN thousand)	2020	2019	2019
Profit on sales of non-financial fixed assets	84	0	-96
Subsidies	10,619	0	0
Other operating income, including:	13,020	15,929	9,722
- profit on contract annulment under IFRS 16	8,101	1,095	1,372
- compensations	186	1,699	2,221
- reversal of revaluation write-offs on net fixed assets	0	97	-268
- reversal of revaluation write-offs on net receivables	0	695	-2,352
Other operating income in total	23,723	15,929	9,626

35.7. Financial income and costs

	01.02 - 31.10	01.02 - 31.10 (unpublished)	01.01 - 30.09
Financial income (in PLN thousand)	2020	2019	2019
Interest	5,894	5,850	6,076
Measurement of participation units in funds	-115	974	974
Dividends	0	24	24
Other financial income, including:	121,095	37	16
- currency translation balance	0	0	0
- adjustment of lease liability	120,980	0	0
Total financial income	126,874	6,885	7,090

	01.08 - 31.10	01.08 - 31.10 (unpublished)	01.07 - 30.09
Financial income (in PLN thousand)	2020	2019	2019
Interest	1,879	1,850	1,554
Measurement of participation units in funds	0	0	0
Dividends	0	0	0
Other financial income, including:	55,622	-3	-30,943
- currency translation balance	0	0	-30,949
- adjustment of lease liability	55,527	0	0
Total financial income	57,501	1,847	-29,389

During 9 months ended 31 October 2020, the Company renegotiated retail space lease agreements. Rent discounts obtained for the period from March to October 2020 were recognised by the Company as an adjustment of the lease liability, adjusting correspondingly financial income.

	01.02 - 31.10	01.02 - 31.10 (unpublished)	01.01 - 30.09
Financial costs (in PLN thousand)	2020	2019	2019
Interest costs – bank loans	20,780	11,619	11,413
Interest costs – bonds	4,347	0	0
Interest costs – budget and other	123	4,323	4,307
Interest costs – lease liabilities	96,193	80,124	78,277
Bank commissions	4,415	1,294	1,899
Other financial costs, including:	186,502	17,729	35,655
- currency translation balance	186,502	15,101	33,027
Total financial costs	312,360	115,089	131,551

	01.08 - 31.10	01.08 - 31.10 (unpublished)	01.07 - 30.09
Financial costs (in PLN thousand)	2020	2019	2019
Interest costs – bank loans	10,619	4,365	4,010
Interest costs – bonds	0	0	0
Interest costs – budget and other	66	-686	-907
Interest costs – lease liabilities	29,045	28,375	27,885
Bank commissions	1,016	683	1,039
Other financial costs, including:	77,437	10,469	35,655
- currency translation balance	77,437	7,841	33,027
Total financial costs	118,183	43,206	67,682

35.8. Foreign exchange differences

In the consolidated statement of comprehensive income, prepared as at 31 October 2020, the value of foreign exchange losses exceeds the value of foreign exchange gains by PLN 186,502 thousand.

35.9. Operating segments

Revenues and financial results relating to geographical segments for the period from 1 February 2020 to 31 October 2020 and for comparative periods are given in tables below.

31 October 2020 (in PLN thousand)	in PLN thousand				
	EU Member States	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	4,354,387	1,399,274	0	0	5,753,661
Inter-segment sales	901,767	0	-901,767	0	0
Other operating income	81,168	8,574	0	0	89,742
Total income	5,337,322	1,407,848	-901,767	0	5,843,403
Total operating costs, including	4,983,689	967,427	-707,190	362,914	5,606,840
Costs of inter-segment sales	694,520	0	-694,520	0	0
Other operating costs	121,469	42,131	0	0	163,600
Segment result	232,164	398,290	-194,577	-362,914	72,963
Financial income	0	0	0	126,874	126,874
Financial costs	0	0	0	312,360	312,360
Profit/loss before taxation					-112,523
Income tax					33,236
Non-controlling interests					0
Net profit/loss attributable to Shareholders of the Parent Company					-145,759

31 October 2019 (in PLN thousand) (unpublished)	in PLN thousand				
	EU Member States	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	4,832,866	1,664,621	0	0	6,497,487
Inter-segment sales	986,840	0	-986,840	0	0
Other operating income	25,653	11,728	0	0	37,381
Total income	5,845,359	1,676,349	-986,840	0	6,534,868
Total operating costs, including	4,870,061	1,419,888	-796,997	375,763	5,868,715
Costs of inter-segment sales	747,843	0	-747,843	0	0
Other operating costs	49,925	31,293	0	0	81,218
Segment result	925,373	225,168	-189,843	-375,763	584,935
Financial income	0	0	0	6,885	6,885
Financial costs	0	0	0	115,089	115,089
Profit/loss before taxation					476,731
Income tax					185,107
Non-controlling interests					0
Net profit/loss attributable to Shareholders of the Parent Company					291,624

30 September 2019 (in PLN thousand)	in PLN thousand				
	EU Member States	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	4,782,206	1,607,777	0	0	6,389,983
Inter-segment sales	984,278	9,544	-993,822	0	0
Other operating income	19,215	8,306	0	0	27,521
Total income	5,785,699	1,625,627	-993,822	0	6,417,504
Total operating costs, including	5,133,777	1,444,059	-983,660	352,298	5,946,474
Costs of inter-segment sales	750,815	0	-750,815	0	0
Other operating costs	51,077	26,912	0	216	78,205
Segment result	600,845	154,656	-10,162	-352,514	392,825
Financial income	0	0	0	7,090	7,090
Financial costs	0	0	0	131,551	131,551
Profit/loss before taxation					268,364
Income tax					157,845
Non-controlling interests					0
Net profit/loss attributable to Shareholders of the Parent Company					110,519

Management Board of LPP SA:

Marek Piechocki	Przemysław Lutkiewicz	Jacek Kujawa	Sławomir Łoboda
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board



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