LPP

3Q22/23

3Q22/23
RESULTS PRESENTATION

GDAŃSK, DECEMBER 15, 2022

RESERVED CROPP house MOHITO sinsay

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01

Key corporate events

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Opening in October 2022. The office currently employs 10 people.

First collections for Spring/Summer 2023.

Purpose of the design centre:

- recognition of customer tastes on the Mediterranean markets,
- support for our product department in Gdańsk in designing women's online collections,
- acquiring key talents for the fashion industry (designers, buyers).

Opening of Sinsay design centre in Barcelona

A team of designers from Spain led by a Polish manager with experience from Spanish market.

Blanca Miró X Reserved

Cooperation with a global influencer

Reserved capsule collection designed in cooperation with Blanca Miró - a Spanish fashion influencer, recognizable on Western European markets. Our aim is to increase brand recognition in the Mediterranean countries.

Vintage style, high quality

Outerwear, suits, knitwear

Made in cooperation with the Warsaw LPP design centre

The collection available online and in flagships in Poland and abroad from October 28, 2022.

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Reserved Home a new product line

Broadening of Reserved anchor brand assortment

Available from Spring/Summer 2023, solely online

Our goal is to repeat the success of Sinsay's Homewear collection

Decorations
pottery, candles, accessories for children

Textiles
sheets, curtains, pillows

Cooperation with local suppliers and artists MADE IN POLAND/MADE IN EUROPE

Focus on trends, capsule collections, quality and natural raw materials

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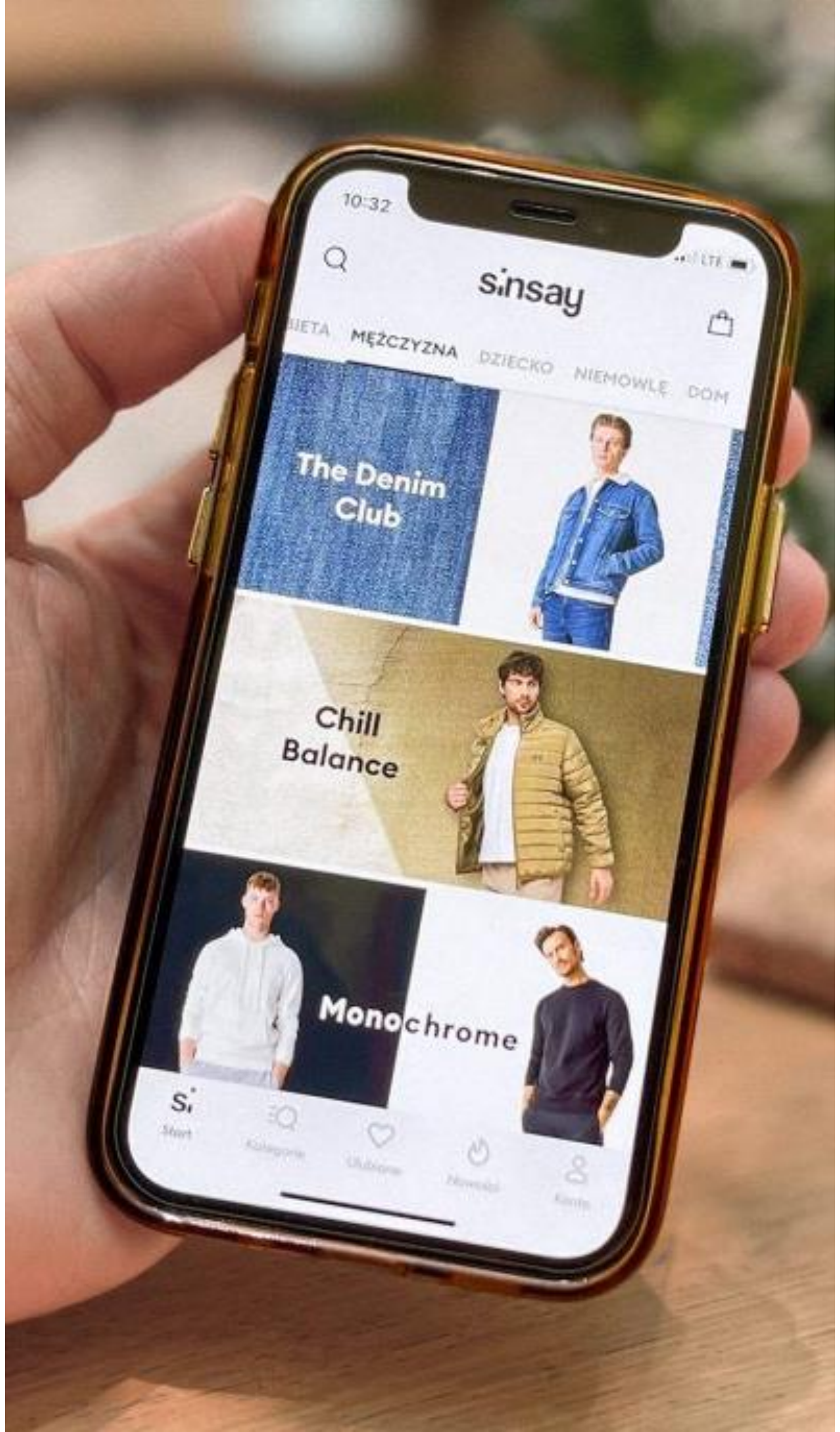
Easier access to clients

More returning customers to our e-stores

Low cost of reaching customers



Development of mobile aps

RESERVED

3.3m downloads	**4.9/5** user rating	**45%** share of online in PL revenues

sinsay

2.5m downloads	**4.9/5** user rating	**40%** share of online in PL revenues

Serbia – a new online market

5th online Balkan market
in our brand portfolio
(opened in November 2022)

All our brands
are available online

Almost PLN 2m in sales
in first month of operations

- Online presence in Balkan countries
- New online market - Serbia

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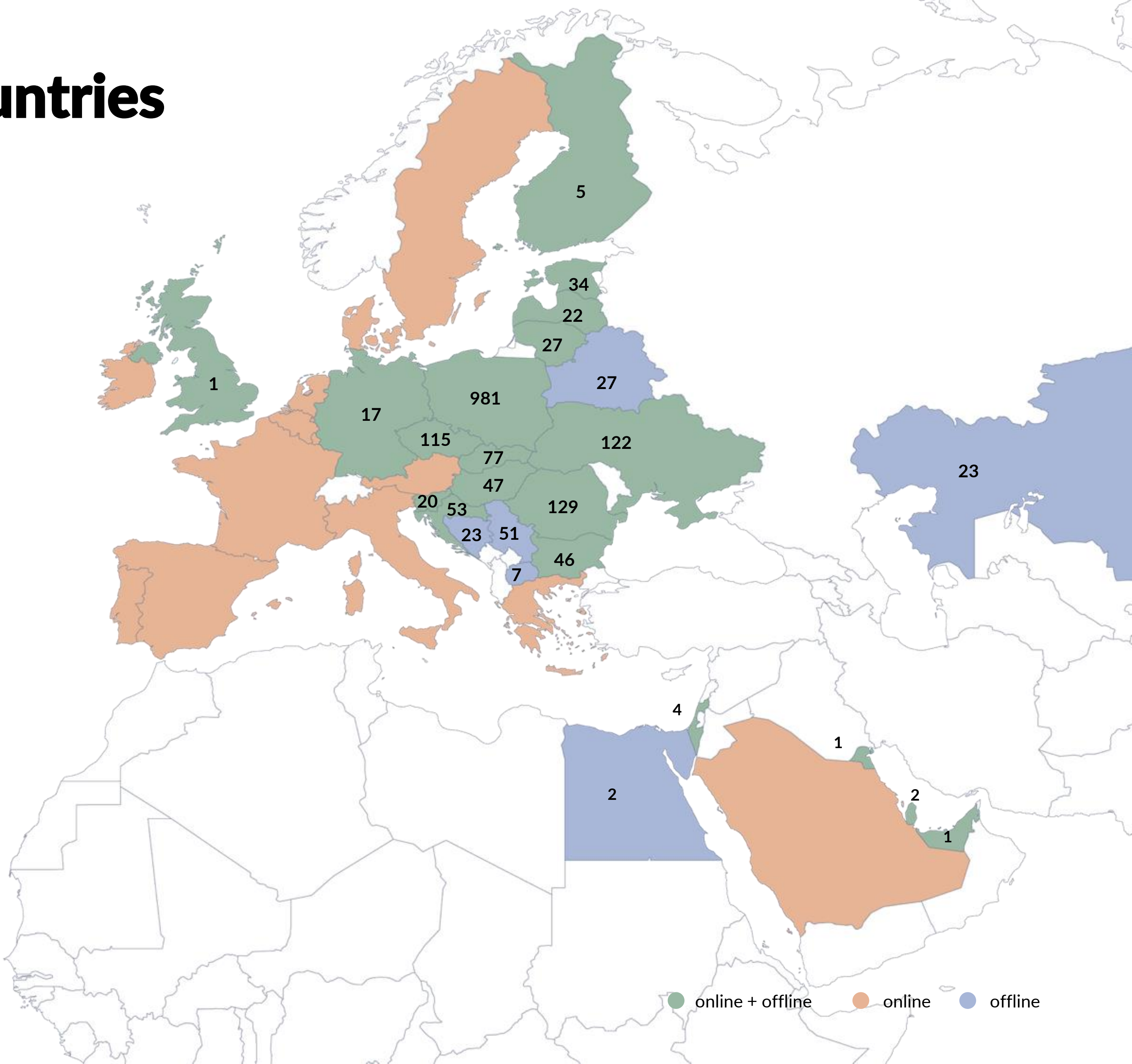
Presence in 38 countries

As at 31.10.2022	No. of stores	YoY
LPP GROUP	**1 837**	**- 288**
Poland	981	+ 53 ↑
Abroad	856	+ 157 ↑
Discontinued operations	0	- 498



02

3Q22/23 financial results

Sale of Russian subsidiary changed financial statements

	1Q22/23	2Q22/23	3Q22/23	4Q22/23
Statement of comprehensive income	Russian company shown as assets held for sale	Russian company shown as discontinued operations; significant loss on sale of Russian assets	No influence of Russian business; impact of inventory for the CIS market on margin; discount unwind and FX differences	No influence of Russian business; smaller impact of inventory for the CIS market on margin; discount unwind and FX differences
Statement of financial position (balance sheet)	Russian company shown as assets and liabilities held for sale	Receivables from sale of stores and goods on the balance sheet	Gradual repayment of receivables from goods sold	Gradual repayment of receivables from goods sold
Statement of cash flows	Cash flows from the Russian company shown separately from those from continuing operations	Cash cash flows from discontinued operations, impact of growing trade receivables on operating cash flows	Favourable impact of gradual release of inventories and receivables	Favourable impact of gradual release of inventories and receivables

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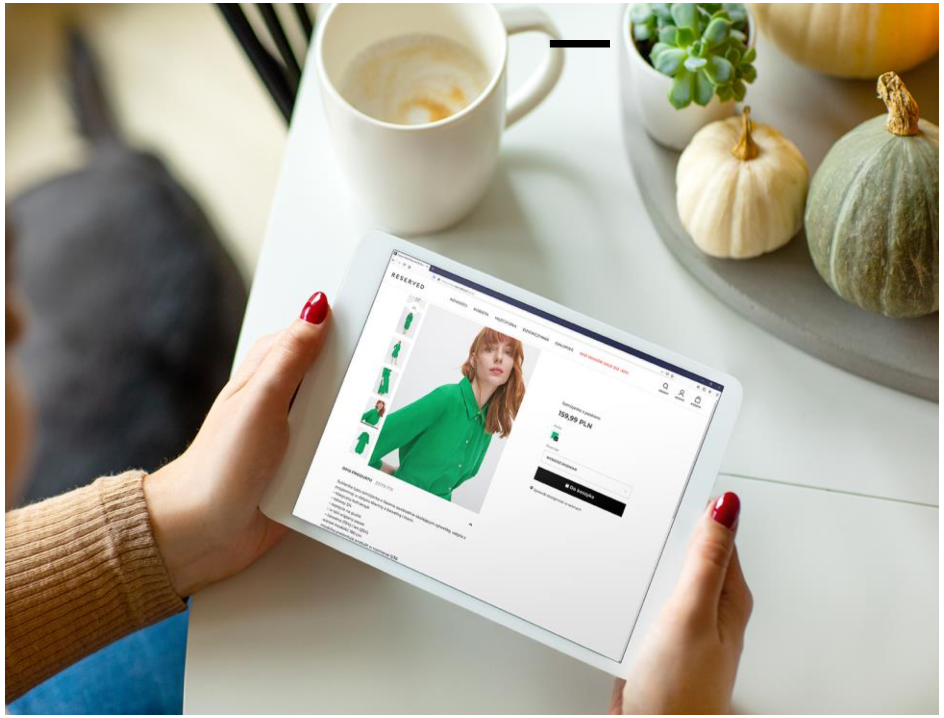
Towards omnichannel

38
COUNTRIES

+47.9%
GROUP REVENUES



Data from continued operations except for floorspace.

OFFLINE

1,837
stores

-11.4%
m^2

+19.8%
LFLs

25
countries

ONLINE

32
countries

+28.8%
revenues

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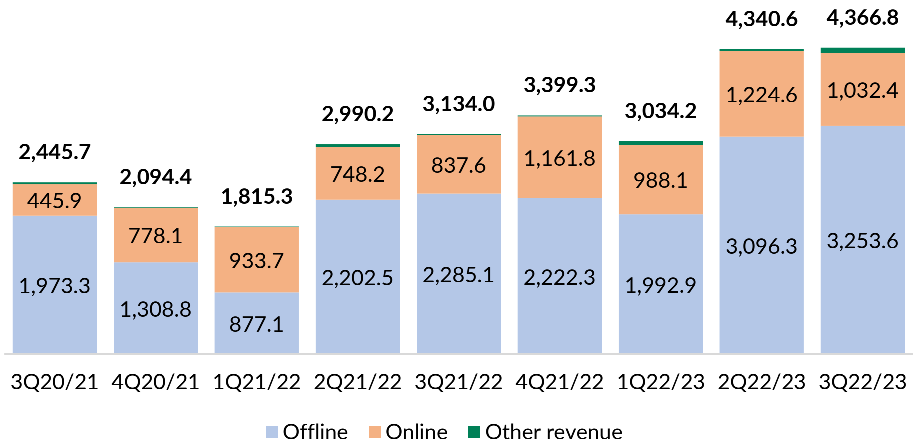
High double-digit Group revenue growth

GROUP REVENUES

(PLN m, data from 1Q21/22 for continued operations)



OMNICHANNEL REVENUES

(PLN m, continued operations)

PLN	3Q21/22	3Q22/23	YoY
LPP GROUP	**3,134.0**	**4,366.8**	**39.3%**
Reserved	1,249.3	1,435.9	14.9%
Cropp	299.8	382.3	27.5%
House	266.4	342.9	28.7%
Mohito	284.4	379.8	33.5%
Sinsay	1,022.2	1,745.1	70.7%

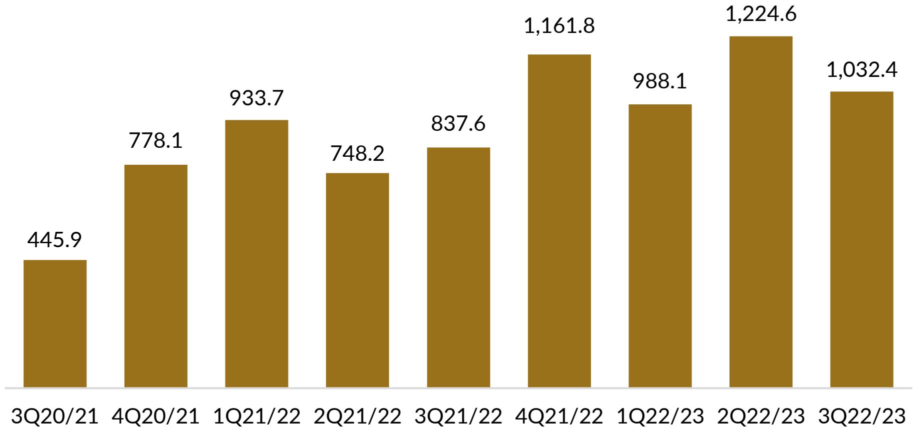
Difference between Group revenues and brand revenues consists of other revenues.

- Group revenues in 3Q22/23 increased by 39.3% YoY, due to increasing sales in each brand (from continued operations).
- High growth of Sinsay revenues thanks to intensive openings of new traditional stores, entering new markets with e-store and continued popularity of the value-for-money segment.
- Revenues of Reserved supported by improvement in men's collection (increasing share of classic models). Dynamics affected by low number of openings.
- 33.5% YoY increase in revenues in the Mohito brand: strong sales of broader casual collection (outerwear, sweaters), lower share of the office collection.
- Increase in Group's sales/ m^2 in 3Q22/23 by 14.2% YoY to PLN 941/ m^2 (from continued operations). Increase of Group's offline sales/ m^2 by 21.0% YoY to PLN 700/ m^2.

Over PLN 1bn e-commerce revenues

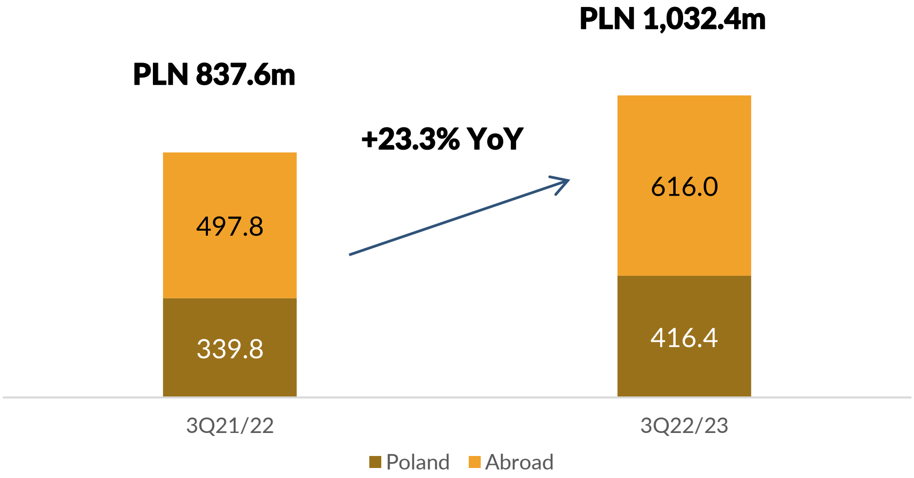
ONLINE SALES

(PLN m, data from 1Q21/22 for continued operations)



ONLINE BY REGIONS

(PLN m, 3Q21/22 continued operations)



- Double-digit increase in online sales by 23.3% YoY in 3Q22/23 due to development of online stores in new markets, increasing use of mobile applications by customers and increased marketing activities.
- Online sales in 3Q22/23 accounted for 23.7% of revenues from Poland (22.3% in 3Q21/22) and 23.6% of the Group's revenues (26.7% in 3Q21/22).
- 23.7% increase in online revenues on foreign markets: the highest dynamics were achieved by Bulgaria, the United Kingdom, Romania, while the highest nominal growth by: Romania, Bulgaria and Czech Republic. 22.6% YoY online growth in Poland – positive impact of Reserved and Sinsay applications.
- In 3Q22/23, 87% of visits and 71% of purchases took place via mobile devices.

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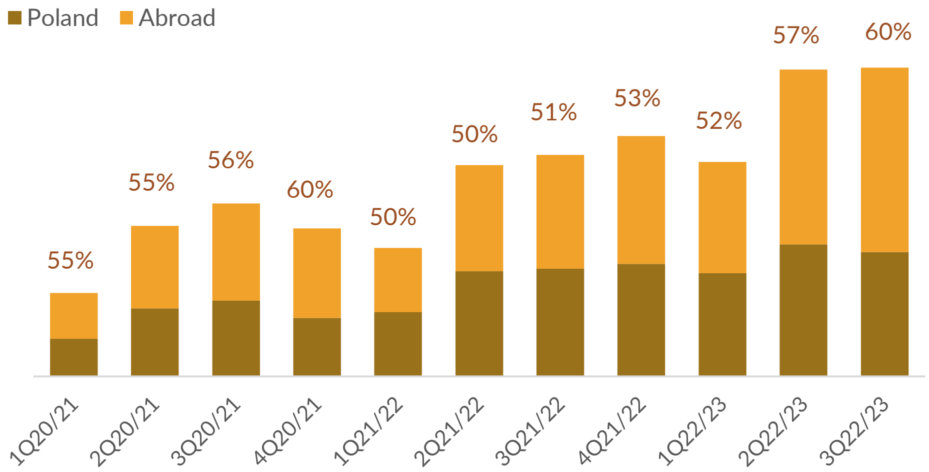
Growing share of foreign revenues

SHARE OF FOREIGN SALES IN REVENUES

(data from 1Q21/22 from continued operations)



3Q22/23 FLOORSPACE

(by regions, 3Q21/22 before restatement)

ths m^2	3Q21/22	3Q22/23	YoY
LPP GROUP	**1,750.4**	**1,550.1**	**-11.4%**
Poland	645.0	716.8	11.1%
Abroad	672.6	833.4	23.9%
Discontinued operations	432.8	0	-100.0%

- Foreign sales were higher than in Poland in 3Q22/23. Poland accounted for 40.3% of the Group's sales vs. 48.6% in 3Q21/22.
- Sales growth in Europe in 3Q22/23 in all countries resulted from positive LFL (except for Slovakia) and favourable trends in online sales, supported by online marketing.
- Top 5 countries outside Poland in terms of revenues in 3Q22/23 were: Romania (PLN 353m), Czech Republic (PLN 268m), Ukraine (PLN 219m), Germany (PLN 169m) and Slovakia (PLN 161m).

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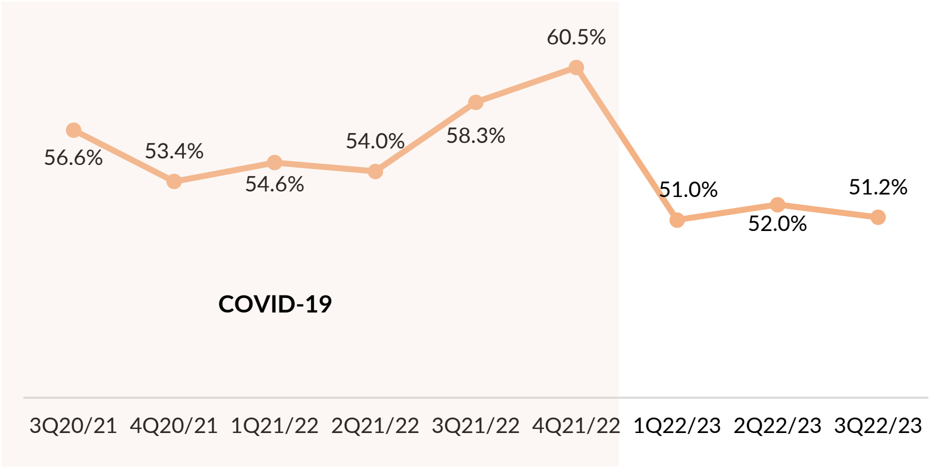
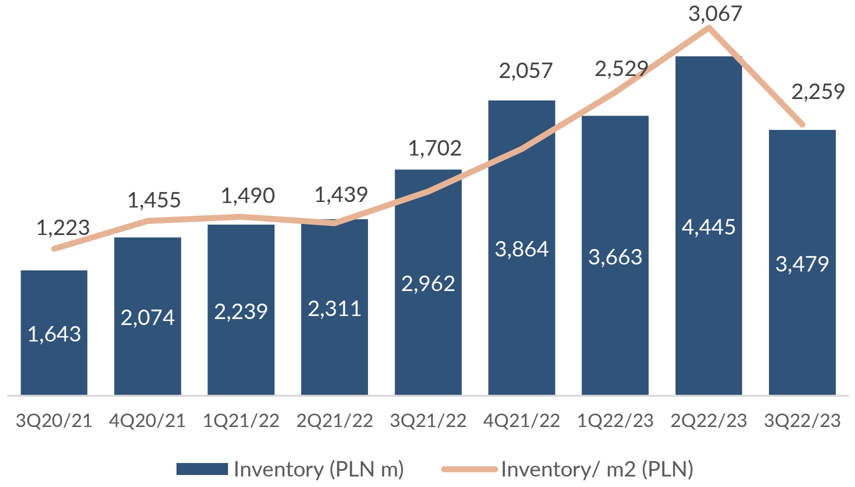
Sizeably lower inventory QoQ

QUARTERLY GROUP GROSS PROFIT MARGIN
(data from 1Q21/22 from continued operations)



INVENTORY AND INVENTORY/ M²
(data from 1Q21/22 from continued operations)



- Gross margin in 3Q22/23 lower YoY by 7.1 pp. due to: 1) high 3Q21/22 base supported by deferred demand after COVID-19 and favourable purchase prices, 2) higher share of Sinsay brand in revenues, 3) higher YoY promotions of goods originally intended for Eastern markets and 4) less favorable YoY US$/PLN exchange rate.
- Decrease in inventories by 21.8% QoQ i.e. by PLN 1bn due to favorable sales trends. C. 90% of inventory consists of Autumn/Winter 2022/23 collection.
- An increase in inventories by 17.5% YoY due to earlier import of the entire Autumn/Winter 2022/23 collection to avoid turbulences in the supply chain (not restated base). 32.7% YoY increase in inventories/ m² in 3Q22/23 due to lack of Russian floorspace.

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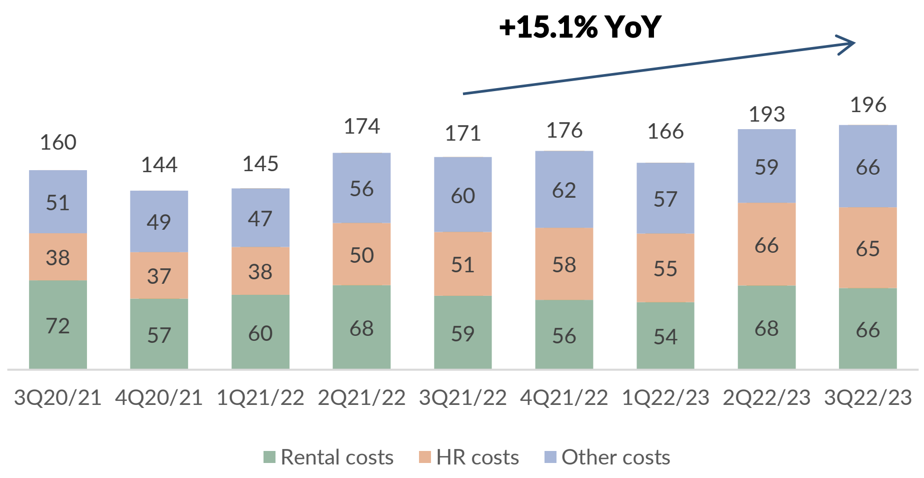
Inflationary cost growth

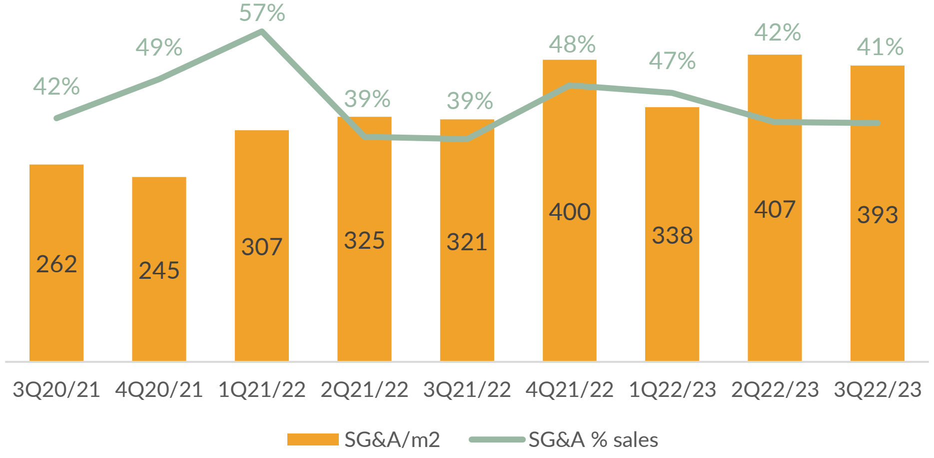
COSTS OF OWN STORES / M²

(IAS17, data from 1Q21/22 for continued operations)



SG&A COSTS / M²

(IFRS16, data from 1Q21/22 for continued operations)



- Increase in YoY rental costs/ m² → higher share of turnover-based rentals (with higher YoY turnover), depreciation of PLN against EUR and inflation indexation.
- YoY increase in personnel costs/ m² → increase in minimum wage, review of salaries and adjustment of number of employees to the level of sales.
- YoY increase in other costs/ m² → usage of materials and third-party services driven by sales growth, inflation and higher energy costs.
- Increase in SG&A/ m² costs by 22.3% YoY – results from growing operating costs of traditional stores and e-commerce (higher YoY expenses on marketing and transport costs) and growing logistics costs related to higher inventory.
- Share of SG&A costs in revenues increased from 39% in 3Q21/22 to 41% in 3Q22/23.
- In 3Q22/23, costs of stores amounted to PLN 912.2m, +40.0% YoY for the continued operation, and costs of HQs and e-commerce at PLN 899.1m, + 60.3% YoY.

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PLN 0.5bn EBIT in the quarter

- Double-digit YoY sales growth thanks to growing LFLs in traditional stores and online growth.
- Gross margin on sales decreased YoY due to high base, higher share of Sinsay brand in revenues, higher YoY promotions and less favorable YoY US$/PLN exchange rate.
- YoY increase in SG&A costs results from higher store costs (higher rentals, HR costs and other costs) and rising e-commerce costs.
- In 3Q22/23, PLN 101.6m of write-ups on stores in Ukraine (restoration of activity) and PLN 9.0m reversal of write-off for credit risk from receivables for goods sold to Russia. In 3Q21/22, PLN 7.9m in salary subsidies compared to PLN 2.4m in 3Q22/23.
- Less favorable YoY net financial activity balance in 3Q22/23 mainly due to higher interest costs on loans and bonds. FX losses amounted to PLN 1.6m versus PLN 3.7m FX gains in 3Q21/22. Additionally, in 3Q22/23 PLN there was a +PLN 6.1m of discount unwind on receivables from Russia and +PLN 7.0m of adjustments on liabilities under IFRS16 in 3Q21/22.
- Effective tax rate is lower than 19% due to logistics activities being conducted in the Special Economic Zone.

PLN m, IFRS16	3Q21/22 (after restatement)	3Q22/23	YoY
Revenues	**3,134.0**	**4,366.8**	**39.3%**
Gross profit margin on sales	*58,3%*	*51.2%*	*-7.1pp.*
SG&A costs	1,212.6	1,811.3	49.4%
EBIT	**620.4**	**511.8**	**-17.5%**
EBIT margin	*19.8%*	*11.7%*	*-8.1pp.*
Net financial activity	-20.8	-53.4	N/M
Net profit from continued operations	**486.1**	**395.5**	-18.6%
Net profit from discontinued operations	**141.5**	-	**N/M**
Net profit	**627.6**	**395.5**	**-37.0%**
EBITDA	**861.8**	**798.0**	**-7.4%**

Almost PLN 1bn profit from continued operations

- Double-digit sales growth YoY thanks to new store openings, high LFL sales and very good sales in the online channel.
- Gross margin decrease YoY due to: higher share of Sinsay brand diluting gross margin, higher YoY promotions, high freight prices (1H22/23) and high base.
- Increase in SG&A expenses comparable to sales growth. Rising costs of traditional stores as well as logistics and online marketing.
- More favorable YoY impact of other operating activities in 9M22/23: PLN 105.5m write-up on stores in Ukraine (restoration of activity), PLN 37.4m write-down for credit risk arising from receivables for goods sold to Russia in other costs operating expenses and PLN 5.5m in salary subsidies. Other operating activities in 9M21/22: PLN 25.8m in subsidies and subsidies to employees' salaries and PLN 50.2m in write-offs for unprofitable stores.
- More favorable YoY net financial activity in 9M22/23 due to PLN 227.6m FX gains (PLN -0.3m in 9M21/22). PLN 18.2m adjustment of liability under IFRS16.
- Effective tax rate is lower than 19% due to logistics activities being conducted in the Special Economic Zone.

PLN m, IFRS16	9M21/22 (after restatement)	9M22/23	YoY
Revenues	**7,939.5**	**11,741.5**	**47.9%**
Gross profit margin on sales	*55.9%*	*51.4%*	*-4.5pp.*
SG&A costs	3,423.9	5,037.7	47.1%
EBIT	**973.7**	**1,024.2**	**5.2%**
EBIT margin	*12.3%*	*8.7%*	*-3.5pp.*
Net financial activity	-66.2	107.0	N/M
Net profit from continued operations	**713.0**	**960.4**	**34.7%**
Net profit from discontinued operations	**395.2**	**-50.7**	**N/M**
Net profit	**1,108.2**	**909.7**	**-17.9%**
EBITDA	1,655.0	1,833.6	10.8%

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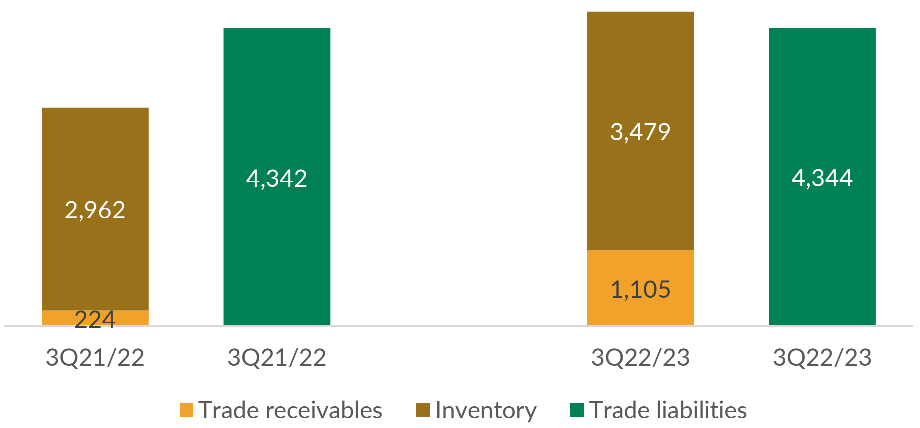
Short-term changes in working capital

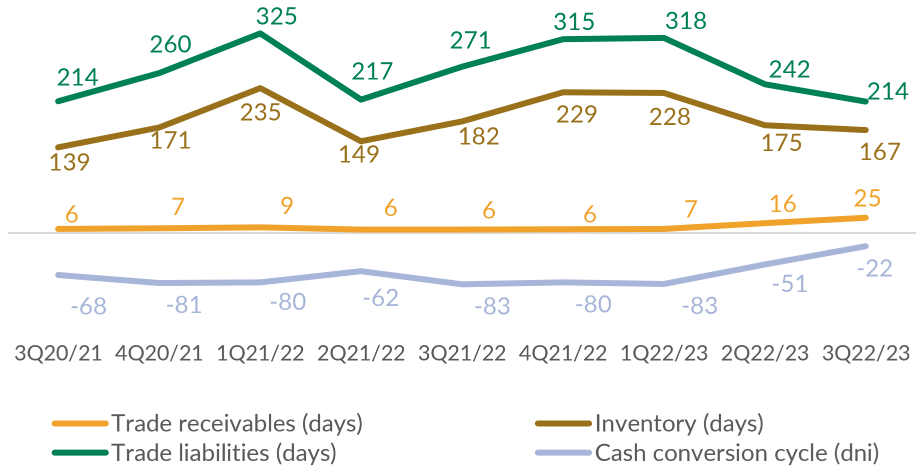
WORKING CAPITAL

(PLN m, 3Q21/22 without restatment)



CASH CONVERSION CYCLE

(days)



- Less favorable YoY working capital is a short-term trend.
- PLN 1.1bn of receivables at the end of 3Q22/23 – high level, mainly due to receivables from sale of stores and goods from Russian stores, repayment of some PLN 0.2bn during the quarter.
- High level of inventories imported in full before the season i.e. PLN 3.5bn, significantly below trade liabilities of PLN 4.3bn.
- Lower QoQ use of reverse factoring - PLN 2.7bn at the end of 3Q22/23 vs. PLN 3.5bn at the end of 2Q22/23 – repayment of trade liabilities before selling inventories.
- As a result, operating cash flows in 3Q22/23 amounted to PLN 672m, down 24% YoY.

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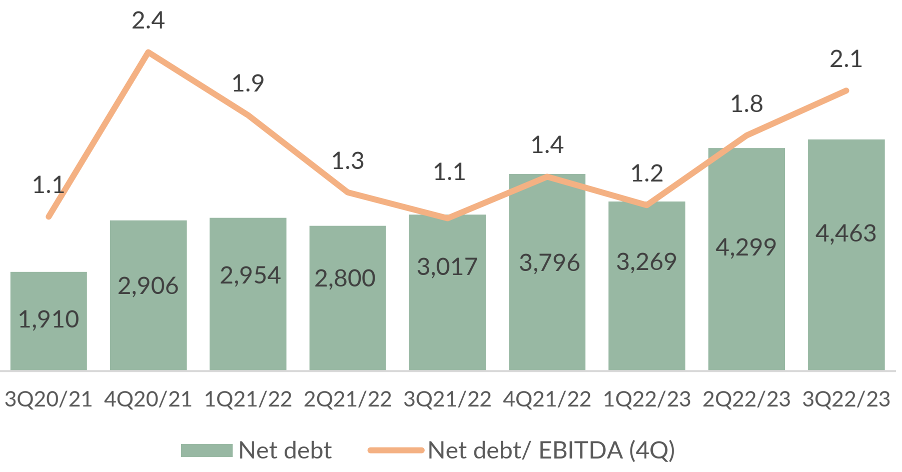
Safe indebtedness level

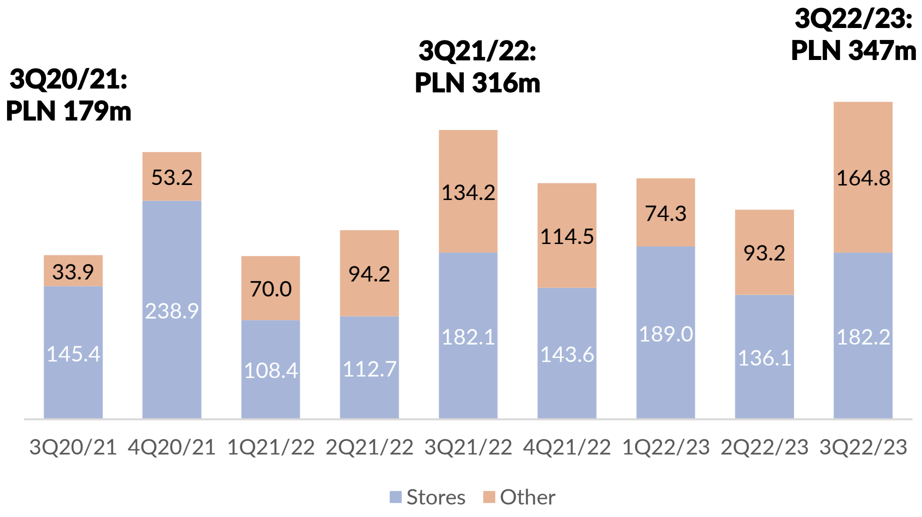
NET DEBT

(PLN m, IFRS16, from 1Q22/23 lack of Russian subsidiary)



CAPEX

(PLN m, data from 1Q21/22 for continued operations)



- At the end of 3Q22/23, net debt under IFRS16 amounted to PLN 4.5bn, including PLN 3.4bn of finance lease debt.
- PLN 1bn deposited in money market mutual funds and factoring security deposits. If included, net debt/ EBITDA (4Q) ratio would come in at 1.6x.
- In 3Q22/23, capital expenditures amounted to PLN 347.0m, i.e. 9.7% YoY more on continuing operations. PLN 182.2m outlays for stores and PLN 164.8m for infrastructure and IT, mainly on construction of a warehouse e-commerce in Jasionka near Rzeszów.

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9M22/23 executive summary

1. **High sales** dynamics from continued operations.
2. **Strong** sales in **offline channel**.
3. **Over PLN 3bn e-commerce** revenues.
4. Trade liabilities exceeded inventory.
5. **Safe indebtedness** ratio.

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3Q22/23

03

2022/23 + outlook

Positive outlook for the fourth quarter

Successful Black Week	Strong November results	Christmas and New Year's Eve collections in every brand
Black Friday YoY revenue growth: offline 13% online 31% 49% online share	Positive LFLs in every brand	A wide range of Christmas collections, successful sales between November and December
Black Week (20.11–26.11) YoY revenue growth: offline +29% online +25% 42% online share	Double-digit sales growth of the Group YoY (in continued operations) both online and offline	Expanded New Year's Eve offer with a stronger return to post-pandemic celebrations

2022/23 targets

Targets

- Revenues over PLN 16 billion, +40% YoY from continued operations.
- Decrease in area to 1,671 ths m2 and 1,960 stores. Priority in development given to Sinsay brand.
- PLN 4.5bn in online revenues (stronger control of e-marketing spending).
- Lower gross profit margin on sales and operating margin, the latter in the range of 8-9%.
- PLN 1.1bn capex (out of which PLN 700m for stores, PLN 330m on infrastructure and PLN 70m for IT).

Opportunities

- Higher willingness of customers to buy clothes from the value-for-money segment (Sinsay brand).
- Favourable impact of mobile applications for online Reserved and Sinsay revenues.
- Collections adjusted to actual needs and tastes of the customers.

Risks

- Impact of higher inflation on consumer behaviour.
- Stronger YoY sell-offs due to goods ordered for the Eastern market.
- Unfavourable PLN exchange rate in relation to US$, EUR.

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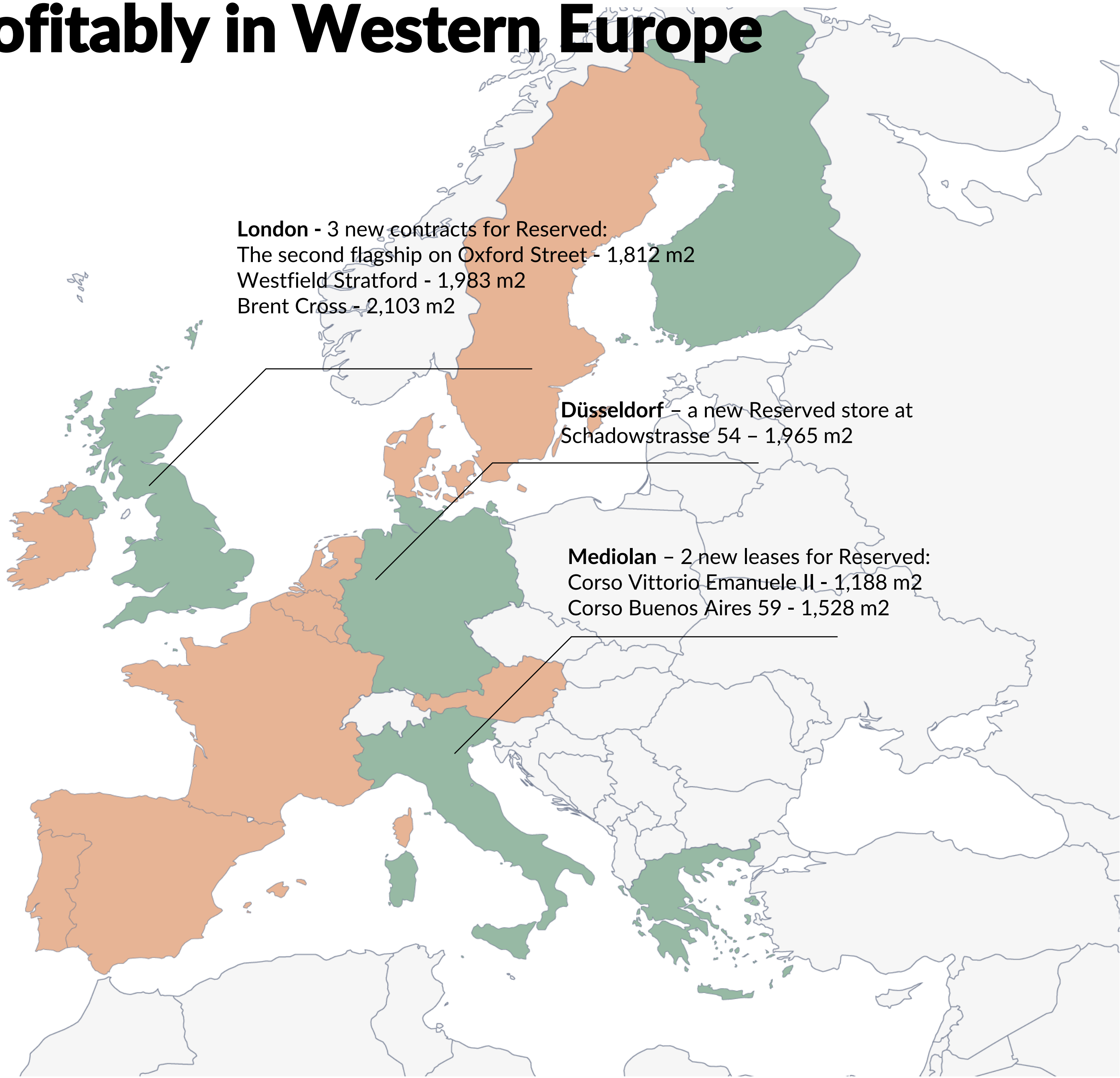
We aim to grow profitably in Western Europe

Debut of the Reserved brand in Italy in Milan: 3Q23/24.

More Reserved stores in the United Kingdom in London (shopping centers and Oxford Street): 4Q23/24.

New Reserved store in Germany in Düsseldorf: 4Q23/24.

Sinsay stores in Italy and Greece: 4Q22/23.



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Further 2022/23+ floorspace development

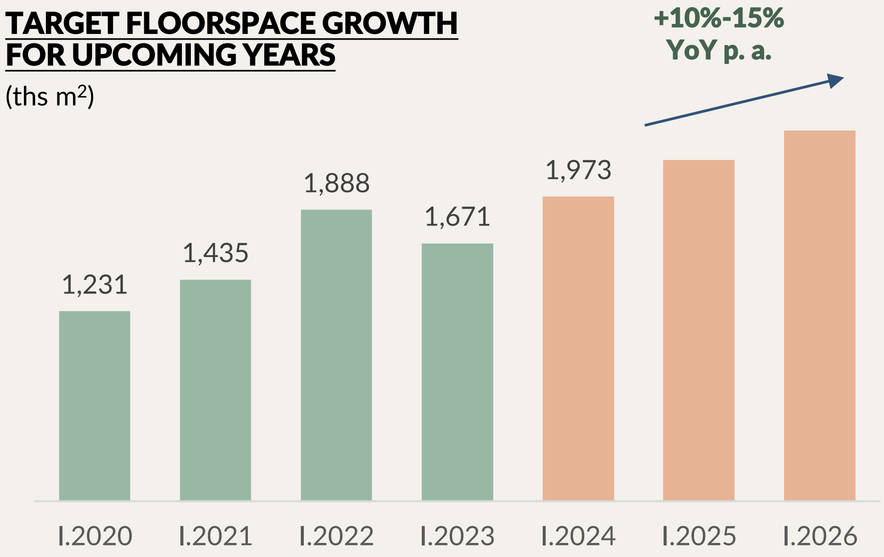
3Q22/23

27

Floorspace (ths m²)	I.2023 target	I.2024 target	YoY
Poland	753	845	12%
Abroad	918	1 128	23%
TOTAL	**1,671**	**1,973**	**18%**

TARGET FLOORSPACE GROWTH FOR UPCOMING YEARS

(ths m²)



The largest nominal increase in space in 2023/24 in the following countries outside Poland: Romania, Czech Republic, Croatia, Bulgaria, Finland.

Increase in floorspace due to development of all brands on key markets.

Further m-commerce development in 1H23/24

Working capital efficiency improvement

	4Q22/23	1H23/24	4Q23/24
Inventory	Normalisation of inventory levels		
Receivables	Normalization of the level of receivables, repayment of a significant part of receivables from the sale of the Russian company		
Liabilities	Normalization of the level of liabilities		

2023/24 targets

Targets

- Double-digit YoY revenue growth.
- 18% YoY floorspace growth. Priority given to Sinsay brand.
- Double-digit online revenue growth.
- Gross profit on sales and EBIT margin growth.
- Capex at PLN 1,05bn (out of which PLN 800m for stores, PLN 170m for infrastructure, PLN 80m for IT).

Opportunities

- Assortment development (e.g. Reserved Homewear).
- Lower marine freight prices and more possibilities to negotiate lower purchase cost of goods with suppliers.
- Acceptance of higher prices by customers.

Risks

- Impact of possible economic slowdown.
- Growing operating costs (electricty costs, salary inflation, PLN depreciation).
- Geopolitical situation in East Asia.

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A flexible business model prepared for challenges

The latest IT, e-commerce and m-commerce solutions combined with effective and scalable logistics

A diversified business model combining the mainstream market with value-for-money

Safe liquidity situation, unused credit lines in the amount of PLN 0.6bn

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3Q22/23

04

Q&A

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Glossary

Poland	Retail sales in Poland and other sales of LPP SA.
Abroad	Region including: CEE (Czech Republic, Slovakia, Hungary), Baltic (Lithuania, Latvia, Estonia), SEE (Bulgaria, Romania, Croatia, Serbia, Slovenia, Bosnia and Herzegovina, and from 2021/22 Northern Macedonia), WE (Germany, UK, Finland), CIS (Ukraine, Belarus, Kazakhstan) and presence in ME (Egypt, Qatar, Kuwait, United Arab Emirates, Israel).
EBITDA	EBIT + depreciation from cash flow statement.
Average monthly revenues/ m^2	Revenues of segment or brand / average working total floorspace / 3.
Average monthly costs of own stores/ m^2	Quarterly costs of own stores / average working floorspace of own stores (ie. excluding all franchise stores which represent c. 2.7% of the working floorspace) / 3.
Average monthly SG&A PLN/ m^2	Quarterly SG&A costs/ average working total floorspace excluding stores located in ME/ 3.
Inventory/ m^2	End of period group inventory/ total floorspace without foreign franchise stores.
Cash turnover cycle	Receivables (in days) plus inventories (in days) minus liabilities (in days). Calculations on average amounts of receivables, inventories and liabilities.

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discoverlpp

company/lpp-sa

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