LPP

4Q22/23

4Q22/23 RESULTS PRESENTATION

GDAŃSK, APRIL 27, 2023

RESERVED CROPP HOUSE MOHITO sinsay

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01

Key corporate events

Sinsay brand with first stores in Italy

Commerciale Valecenter Shopping Centre
Marcon, near Venice, Italy

Opening: **December 2022**

Floorspace: **1,436 m^2**

Bicocca Village Shopping Centre
Milan, Italy

Opening: **March 2023**

Floorspace: **1,280 m^2**

Sinsay own stores and online stores of all brands

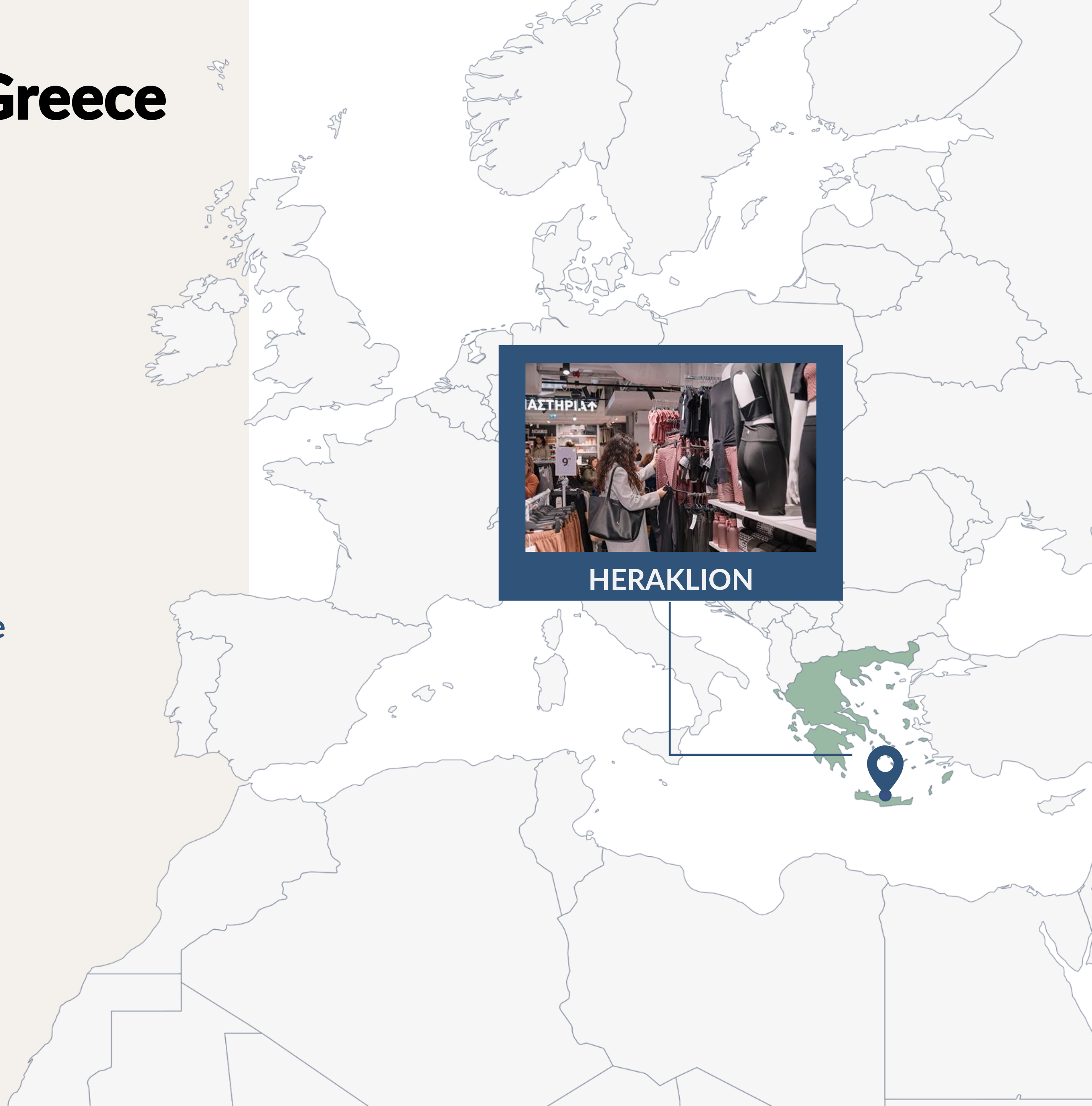
Strong sales of Sinsay Kids online

Sinsay's debut in Greece

Talos Plaza Shopping Centre
Heraklion, Crete, Greece
Opening: **January 2023**
Floorspace: **1,075 m²**

Sinsay's own store and online store for all brands

Strong Sinsay online sales



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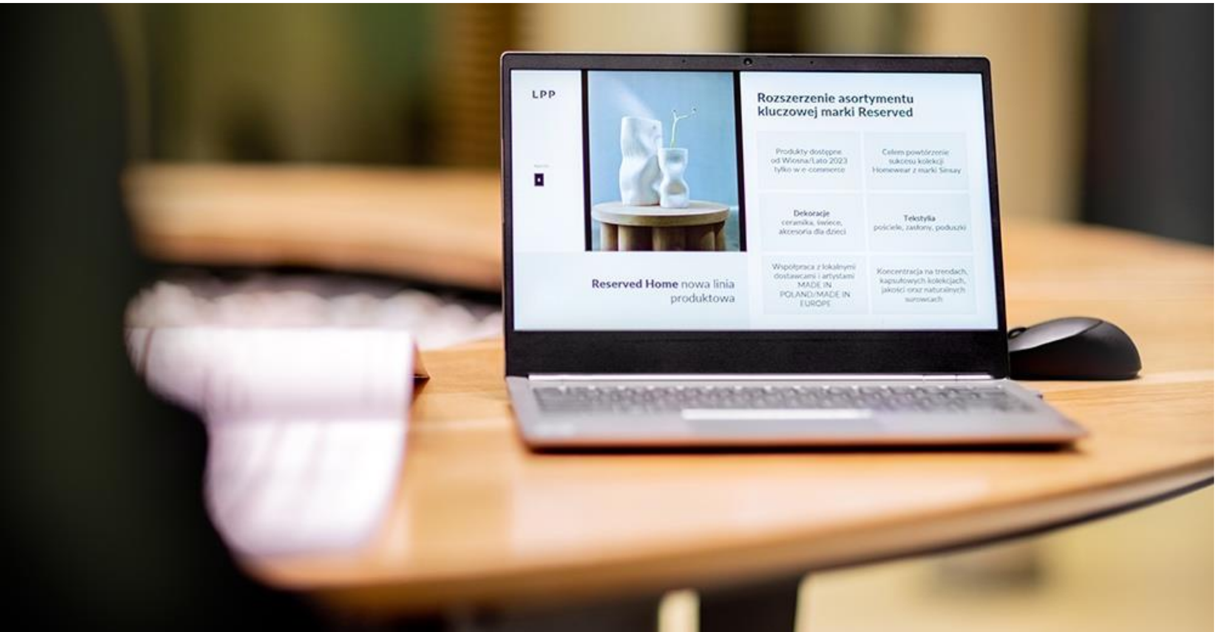
Initiatives supporting online

The largest shares in online sales of brands in 4Q22/23:

34%	**31%**	**29%**
MOHITO	SINSAY	RESERVED



Usage of algorithms and artificial intelligence

DYNAMIC YIELD

a tool that provides online customers with a personalized experience through:

- recommending products they may like;
- offering a similar product model in an available size to the one they wanted to buy, but that is already sold out;
- suggesting a matching, additional item of clothing for the one the customer is viewing.

Visible effects of the project: **2H22/23 +**

Launch of a new Fulfillment Center in Jasionka near Rzeszów

Distribution of e-commerce shipments, both domestic and to foreign markets from January 2023.

Warehouse with a total floorspace of **69 ths m^2** and storage capacity of up to 7 million items of products, will provide service to 100,000 orders per day.

The facility meets the BREEAM certification requirements at the *Excellent* level, taking into account solutions supporting environmental protection.

Positive reception of Mohito and Reserved collections

Favourable sales of formal clothing, i.e. jackets, suits in subdued, practical colours, in both brands.

Strong Mohito online sales, especially outerwear. High revenue dynamics in CEE and SEE region.

Robust sales of men's Reserved collection – more classic models, higher quality of fabrics used. Men’s collection responsible for c. 20% of Reserved revenues.

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Towards a circular economy

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Rebuilding Ukrainian revenues

125 operating stores
(159 stores before the war)

31%
of 4Q22/23 sales are online; online stores work with limited deliveries.

4th
country by revenue, after Poland, Romania, Czech Republic

PLN 20m
financial and in-kind support provided so far for the Ukraine

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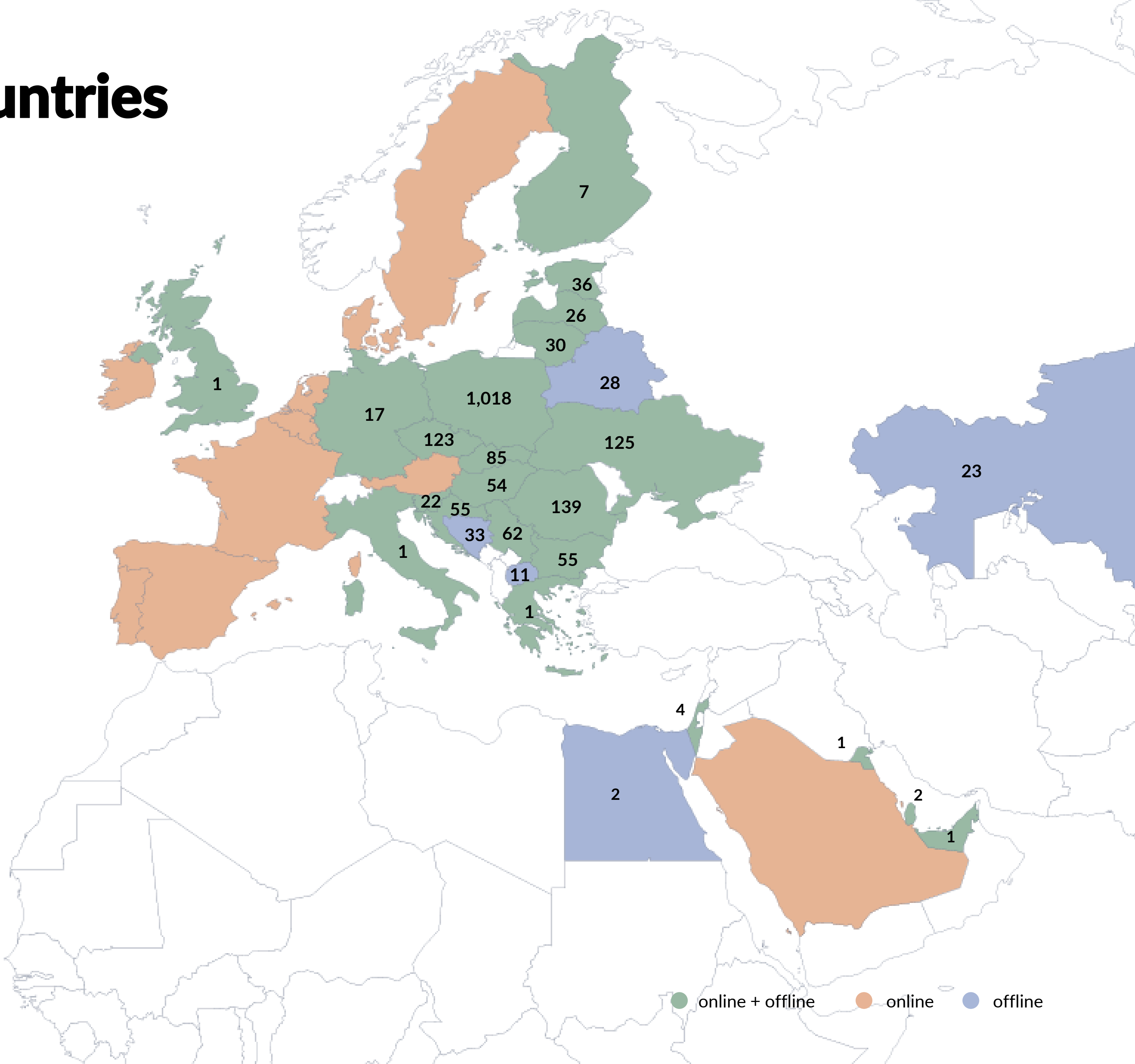
Presence in 39 countries

As at 31.01.2023	No. of stores	YoY
LPP GROUP	**1,962**	**- 282**
Poland	1,018	+ 66 ↑
Abroad	856	+ 205 ↑
Discontinued operations	0	- 553



4Q22/23 financial results

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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; lower 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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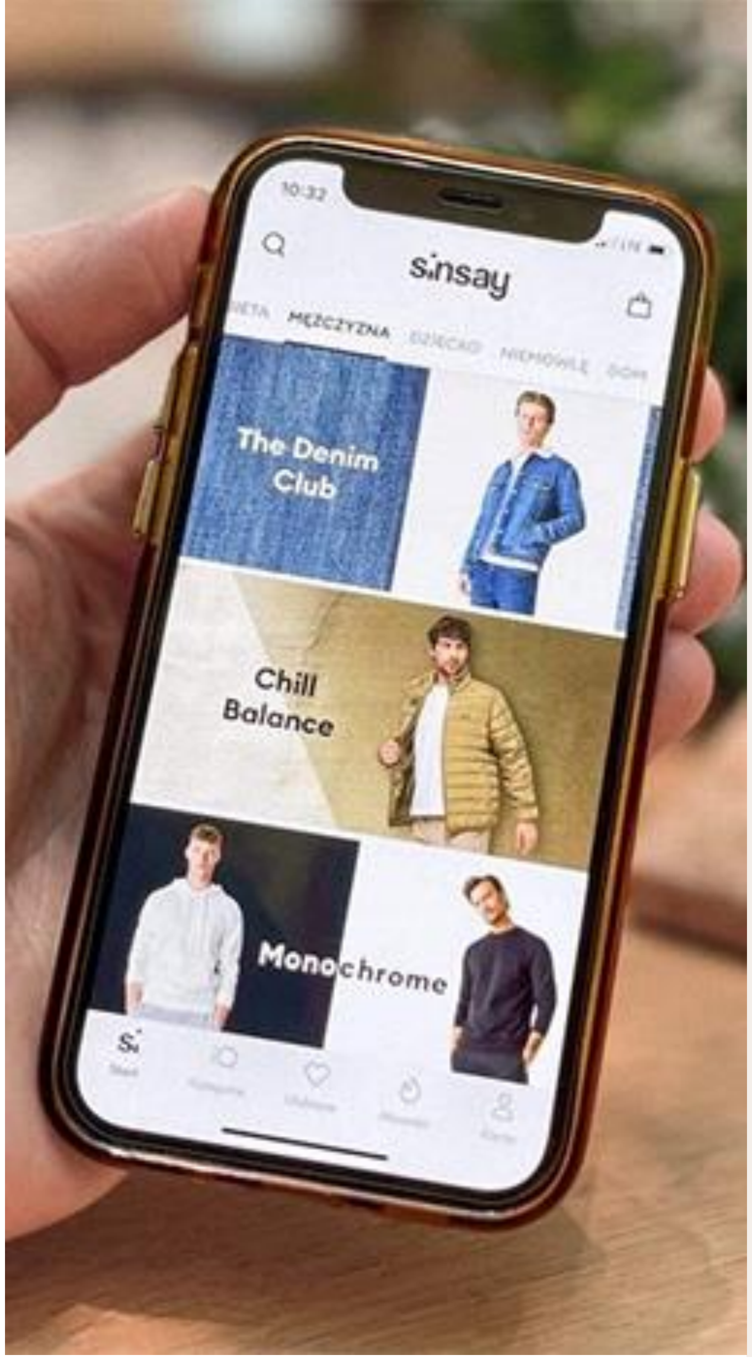
Towards omnichannel

39
countries

PLN 16bn
+40.5%
Group revenues



OFFLINE

1,962 stores	-11.4% m^2
+17.0% LFLs	27 countries

ONLINE

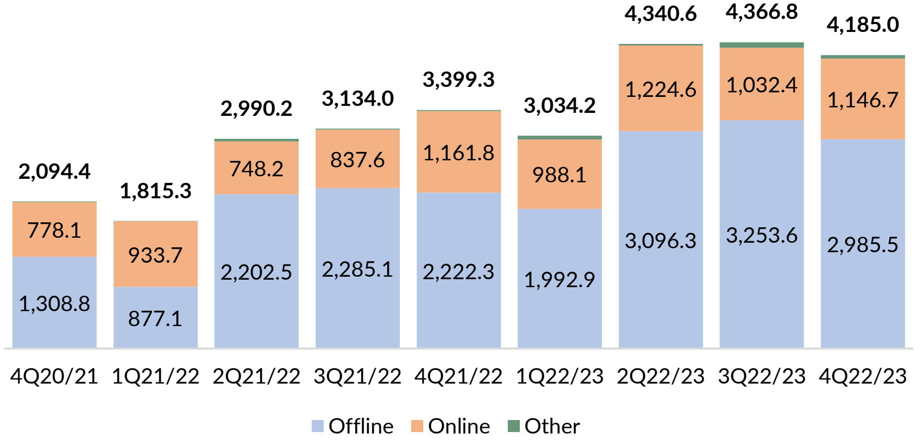
34 countries	+19.3% revenues

Data from continued operations except for floorspace.

High double-digit Group revenue growth

GROUP REVENUES

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



OMNICHANNEL REVENUES

(PLN m, continued operations)

	4Q21/22	4Q22/23	YoY
LPP GROUP	**3,399.3**	**4,185.0**	**23.1%**
Reserved	1,306.1	1,501.9	15.0%
Cropp	306.8	362.0	18.0%
House	314.4	378.0	20.2%
Mohito	270.4	362.1	33.9%
Sinsay	1,186.6	1,528.3	28.8%

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

- Group's revenues in 4Q22/23 increased YoY by 23.1%, thanks to growing sales in each brand (dynamics on continuing operations).
- High nominal revenues growth and YoY dynamics of Sinsay due to the intensive openings of new traditional stores and entering new markets with e-stores.
- Sales in Reserved supported by an improvement in the men's collection (increasing share of classic models) and favourable reception of women's collection.
- 33.9% YoY increase in revenues from Mohito brand due to adaptation of the collection to tastes of customers. High dynamics of omnichannel revenues - Slovenia, Serbia and Bulgaria and of online store - Germany, Czech Republic and Hungary.
- Increase in the Group's sales/ m^2 in 4Q22/23 by 1.5% YoY to PLN 839/ m^2 (from continuing operations). Increase of Group's offline sales/ m^2 by 12.2% YoY to PLN 595/ m^2.

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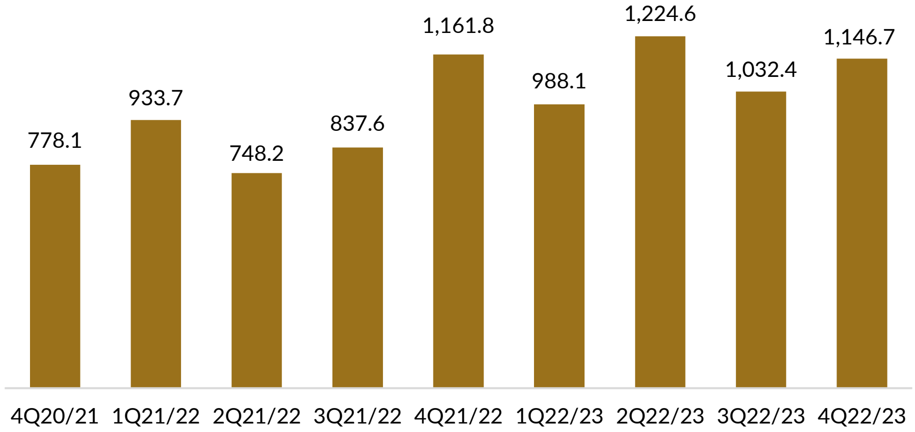
Over PLN 1bn e-commerce revenues

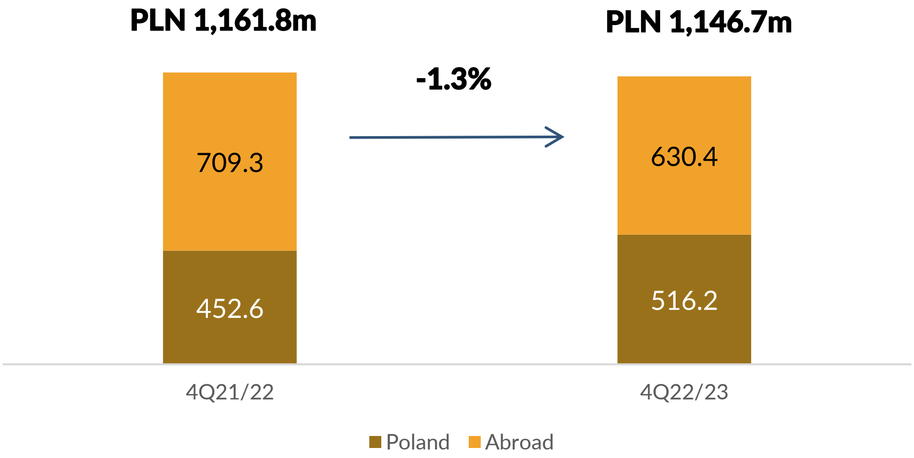
ONLINE SALES

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



ONLINE BY REGIONS

(PLN m, 4Q21/22 continued operations)



- Stable YoY online sales in 4Q22/23 despite customers returning to traditional stores and a significant reduction in spending on performance marketing due to a sizeable part of brands' collections dedicated to this channel.
- Online sales in 4Q22/23 accounted for 29.1% of revenues from Poland (28.4% in 4Q21/22) and 27.4% of the Group's revenues (34.2% in 4Q21/22).
- In 4Q22/23, 86% of visits and 70% of purchases took place via mobile devices.
- At the end of 4Q22/23, Reserved application was available in 3 countries (Poland, Germany, Romania), and Sinsay in 2 markets (Poland, Romania).
- 14.1% YoY online growth in Poland - positive impact of the Reserved and Sinsay applications. In Poland those applications generated c.45% of online revenues.

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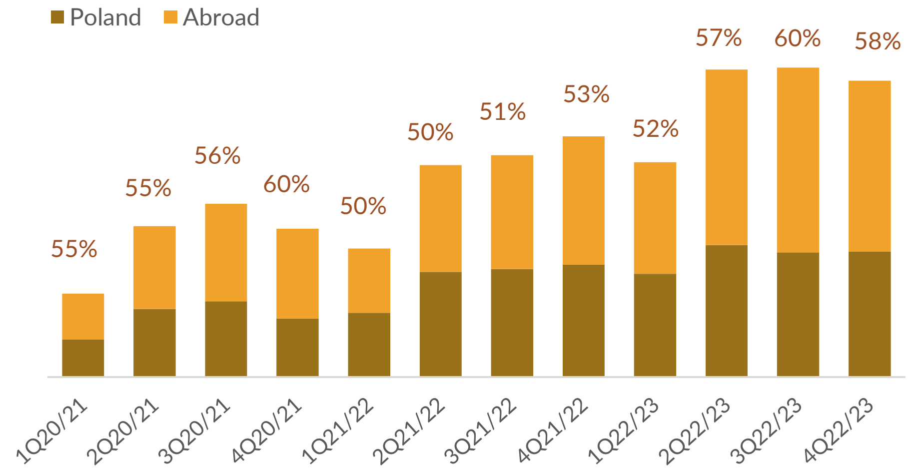
Foreign revenues exceed domestic ones

SHARE OF FOREIGN SALES IN REVENUES

(data from 1Q21/22 from continued operations)



4Q22/23 FLOORSPACE

(by regions, 4Q21/22 before restatement)

ths m^2	4Q21/22	4Q22/23	YoY
LPP GROUP	**1,888.1**	**1,673.4**	**-11.4%**
Poland	677.2	752.5	11.1%
Abroad	720.0	920.8	27.9%
Discontinued operations	432.8	0	-100.0%

- High 11.1% YoY increase in floorspace in Poland due to development of Sinsay brand in retail parks in smaller towns. Significantly higher development abroad (+27.9% YoY) due to dynamic floorspace growth in Romania, Serbia and Bulgaria.
- Sales abroad in 4Q22/23 were higher than in Poland. Poland accounted for 42.4% of the Group's sales vs. 46.8% in 4Q21/22.
- Sales increases in Europe in 4Q22/23 were the highest in the SEE countries (Bosnia and Herzegovina, Bulgaria and Serbia) - the result of new openings of traditional stores, the collections fitting the region and very good results of the online store opened in 3Q22/23 in Serbia.
- The highest sales in 4Q22/23 in 3 countries outside Poland were achieved by: Romania, Czech Republic and Ukraine.

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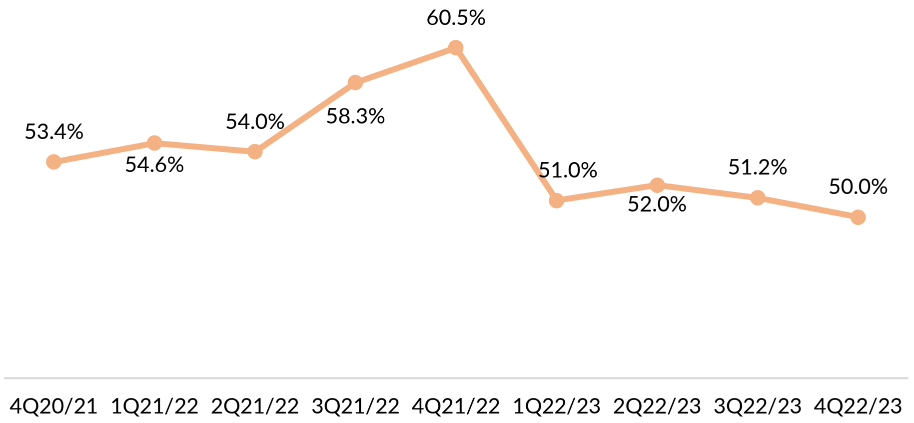
Further inventory reduction

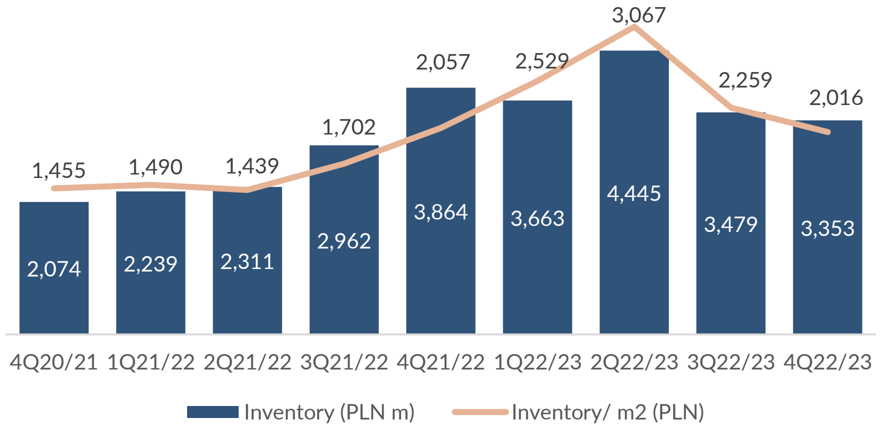
QUARTERLY GROUP GROSS PROFIT MARGIN

(data from 1Q21/22 from continued operations)



INVENTORY AND INVENTORY/ M²

(data from 1Q21/22 from continued operations)



- Gross profit margin in 4Q22/23 lower YoY by 10.5 pp. due to: 1) high 4Q21/22 base supported by deferred demand after COVID-19 and favorable purchase prices of goods, 2) higher share of Sinsay brand in sales, 3) higher YoY promotions of goods originally intended for eastern markets and 4) less favorable YoY US$/PLN exchange rate.
- Margins in Reserved, Cropp, House and Mohito brands sizeably above 50%, the highest in Mohito and Cropp.
- Fall in inventories by 13.2% YoY due to a smaller number of stores in the sales network. Spring/Summer 2023 collection constituted 73% of inventory.
- Decrease in inventories/ m² by 2.0% YoY and 10.8% QoQ due to continued improvement in the goods management process and work on accelerating rotation.

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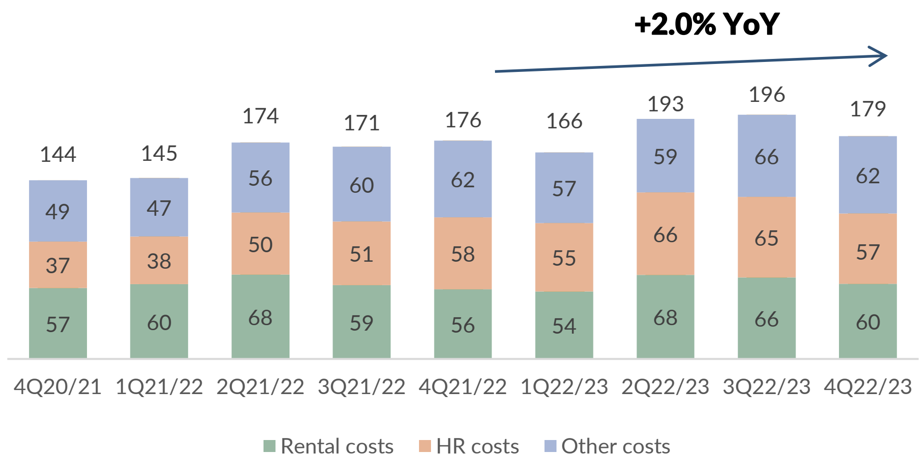
Stable costs despite inflation

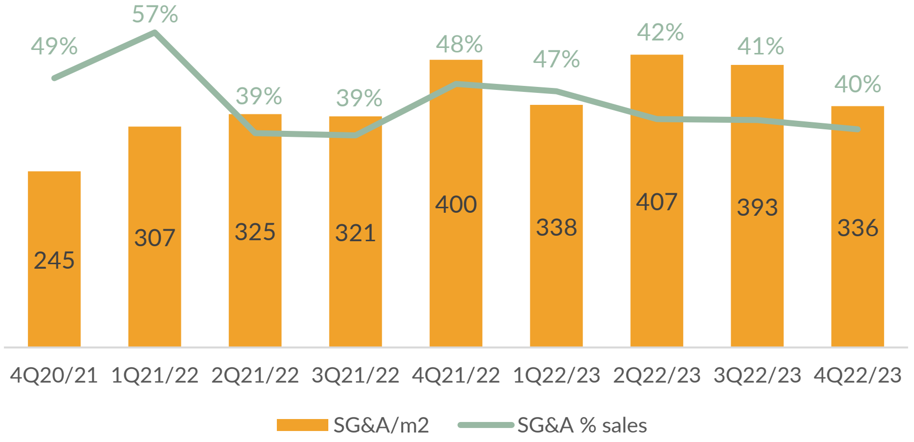
COSTS OF OWN STORES / M²

(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, depreciation of PLN against EUR and the effect of inflation indexation.
- Decrease in personnel costs/ m² YoY ➔ flexible management of work schedules, lower number of employees due to application of new technologies.
- Stable YoY other costs/ m² ➔ materials for opening new stores (e.g. RFID clips), actions optimizing energy consumption.
- Decrease in SG&A costs/ m² by 16.1% YoY ➔ lower operating costs of online stores (lower YoY marketing expenses, costs of transport and e-commerce logistics).
- Share of SG&A costs in revenues decreased from 48% in 4Q21/22 to 40% in 4Q22/23.
- In 4Q22/23, store costs amounted to PLN 894.7m, +23.6% YoY on continuing operations, and HQs and e-commerce costs PLN 770.1m, -15.4% YoY.

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Quarterly EBIT improvement

- Double-digit sales growth YoY due to new store openings and high comparable sales (LFL).
- Gross profit margin decrease YoY due to: high base, higher share of the Sinsay brand diluting the gross margin, stronger YoY promotional campaigns and unfavorable US$ FX.
- Stable YoY SG&A costs due to e-commerce cost reductions (marketing and logistics).
- More favorable impact of other operating activities YoY in 4Q22/23. 4Q22/23: PLN 9.8m reversal of write-down on stores in Ukraine (restoration of activity), PLN 11.4m gain on liquidation of IFRS16 contracts and PLN 15.2m reversal of credit risk write-down on receivables for goods sold to Russia. 4Q21/22: PLN 272.9m of write-offs related to Ukraine, PLN 3.4m of profit from the liquidation of IFRS16 agreements and PLN 3.2m of subsidies.
- Less favorable YoY net financial activity balance in 4Q22/23 mainly due to FX losses (-PLN 202.7m vs. -PLN 98.7m in 4Q21/22) and higher costs of interest on loans and bonds. Additionally, in 4Q22/23 PLN +74.3m reversed discount on receivables for sold stores in Russia. PLN + 6.9m of adjustments on liabilities under IFRS16 in 4Q21/22.

PLN m, IFRS16	4Q21/22 (after restatement)	4Q22/23	YoY
Revenues	**3,399.3**	**4,185.0**	**23.1%**
Gross profit margin on sales	*60.5%*	*50.0%*	*-10.5pp.*
SG&A costs	1,634.2	1,664.8	1.9%
EBIT	**154.4**	**435.5**	**182.0%**
EBIT margin	*4.5%*	*10.4%*	*5.9pp.*
Net financial activity	-124.1	-203.9	N/M
Net profit from continued operations	**12.4**	**183.9**	1,388.7%
Net profit from discontinued operations	**-167.1**	**-**	**N/M**
Net profit (loss) of the parent company	**-154.7**	**185.5**	**N/M**
EBITDA	**416.6**	**755.2**	**81.3%**

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Over PLN 1bn profit from continuing operations

- High double-digit YoY sales growth thanks to the opening of new stores, high comparable sales (LFL) and sales in the online channel.
- Decrease in gross profit margin YoY due to: higher YoY promotional campaigns, higher share of the Sinsay brand diluting the margin, high freight costs (1H22/23) and high base.
- Growth in SG&A costs lower than revenue growth. Higher costs of stores due to growing share of turnover-based leases, growth in personnel costs due to higher minimum wage and rising costs of e-commerce (logistics and online marketing).
- More favorable impact of other operating activities: surplus of PLN 115.3m from the reversal of write-offs created for Ukrainian stores in 2022/23 compared to PLN 272.9m of write-offs related to Ukraine in the base.
- More favorable YoY balance on financial activities due to financial income: PLN 24.9m FX gains (PLN 99.0m FX losses in 2021/22) and PLN 80.4m discount unwind on receivables from the sale of Russian stores. At the same time, higher YoY costs of interest on loans and bonds (PLN 121.3m versus PLN 15.3m in 2021/22). PLN +25.1m of adjustments on liabilities under IFRS16 in 2021/22.
- Effective tax rate is lower than 19% due to logistics activities being conducted in the Special Economic Zone.

PLN m, IFRS16	2021/22 (after restatement)	2022/23	YoY
Revenues	**11,338.8**	**15,926.5**	**40.5%**
Gross profit margin on sales	*57.2%*	*51.1%*	*-6.2pp.*
SG&A costs	5,058.1	6,702.5	32.5%
EBIT	**1,128.1**	**1,459.7**	**29.4%**
EBIT margin	*9.9%*	*9.2%*	*-0.8pp.*
Net financial activity	-190.3	-96.9	N/M
Net profit from continued operations	**725.3**	**1,144.2**	**57.7%**
Net profit from discontinued operations	**228.2**	**-50.7**	**N/M**
Net profit of the parent company	**953.5**	**1,095.2**	**14.9%**
EBITDA	**2,071.5**	**2,588.9**	**25.0%**

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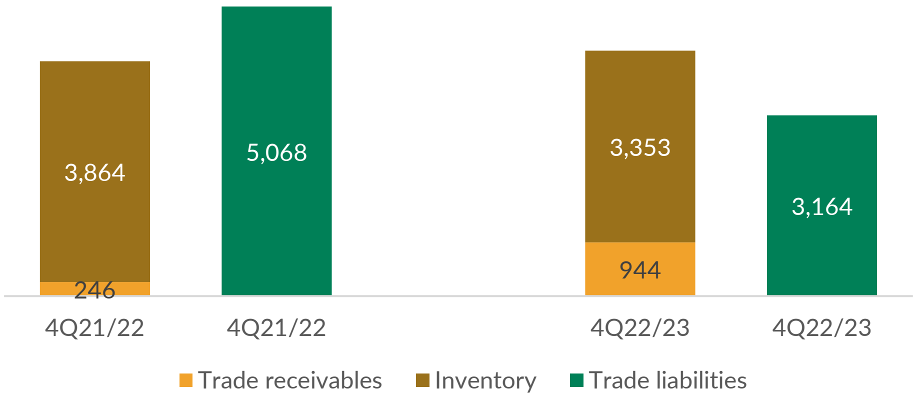
Short-term changes in working capital

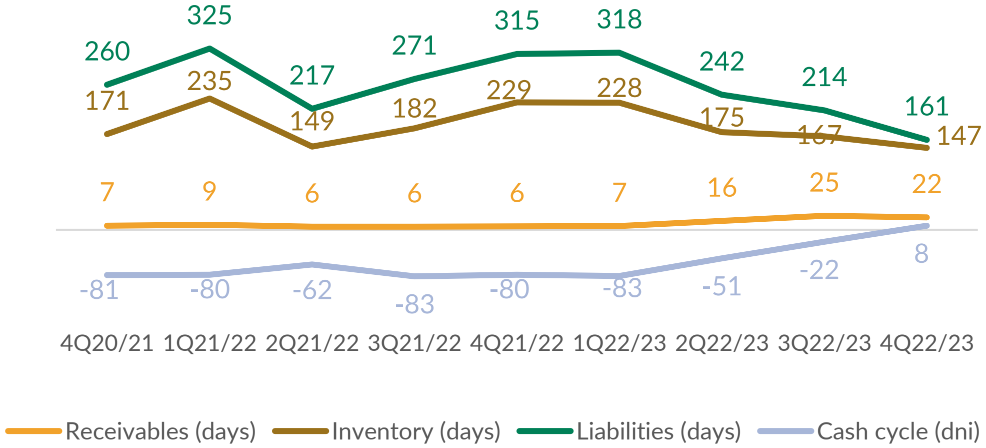
WORKING CAPITAL

(PLN m, 4Q21/22 without restatement)



CASH CONVERSION CYCLE

(days)



- Less favorable YoY working capital is a short-term trend - repayment of trade liabilities before the sale of inventories, high base effect.
- Lower use of reverse factoring – PLN 1.5bn at the end of 4Q22/23 (PLN 3.5bn limit) vs. over PLN 3.3bn at the end of 4Q21/22.
- PLN 0.9bn of receivables at the end of 4Q22/23 - high level mainly due to receivables from the sale of goods belonging to Russian stores, repayment of c. PLN 0.2 billion during the quarter.
- Operating cash flows in 4Q22/23 amounted to PLN 473m, sizeable YoY growth versus PLN 38m in 4Q21/22 due to freeing some of the inventory and receivables repayment.

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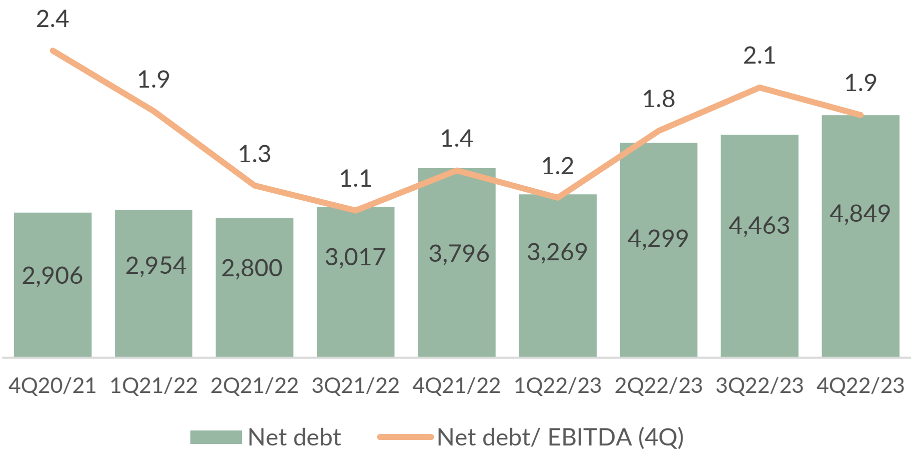
Safe net indebtedness level

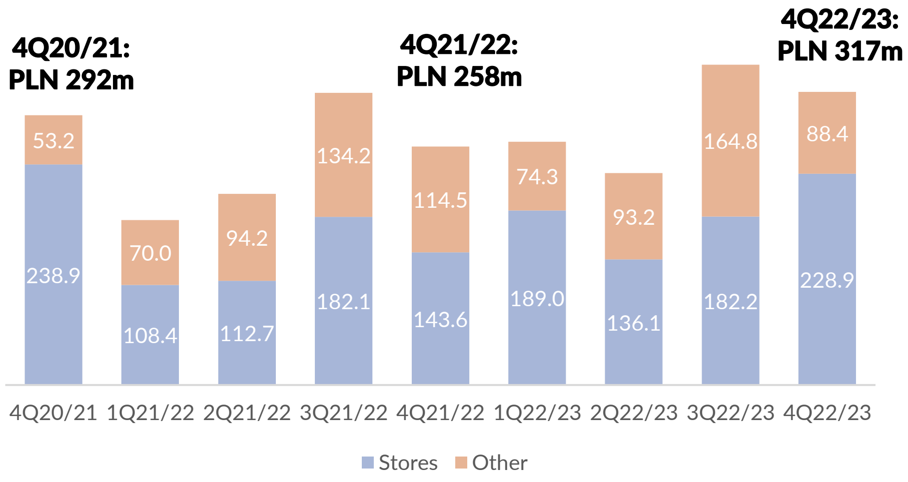
NET DEBT

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



CAPEX

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



- At the end of 4Q22/23, net debt under IFRS 16 amounted to PLN 4.8bn due to higher usage of debt (financing of the slower rotating inventory), PLN 3.7bn came from finance leases.
- Net debt does not include PLN 0.6bn in money market funds and collateral deposits for reverse factoring. YoY fall compared to PLN 1.3bn in 4Q21/22 due to collateral release. At the end of 4Q22/23 factoring was secured only by US$ 66m invested in income generating money market funds. Including these, the net debt/EBITDA (Q4) would be 1.7x.
- In 4Q22/23, capital expenditures amounted to PLN 317.3m, i.e. 22.9% YoY more on continuing operations. Store capex amounted to PLN 228.9m and PLN 88.4m on infrastructure and IT.

2022/23 targets summary

	TARGETS	ACHIEVEMENTS
✓	**PLN 16bn**	**+40% YoY revenue growth** from continuing operations
✓	**1,960 stores**	**1,962 stores** and 1,673 ths m2 floorspace
✓	**PLN 4.5bn**	**PLN 4.4bn** online sales, +19% YoY
✓	**8-9% EBIT margin**	**9.2% EBIT margin,** PLN 1.5bn EBIT
✓	**PLN 1.1bn capex**	PLN 1.2bn of capital expenditures

03

2023/24 + outlook

Positive outlook for the first quarter

C. 20% YoY floorspace growth in retail space (+90 net stores in the quarter)	Offline sales: +25% YoY	Online sales: stable YoY	Work on reducing inventory by improving rotation and splitting deliveries
Strict cost control	Customers accept price increases in more expensive brands, but are price sensitive in the value-for-money segment (Sinsay is the largest contributor to EBIT)		Target: increase in EBIT and improvement of profitability

Preliminary estimates for the period from February 1, 2023 to April 21, 2023.

Strong 2023/24 SEE development

C. 150 new stores (over 100 of Sinsay brand) in the SEE region: Romania (+50), Croatia (+20), Bulgaria (+20), Serbia (+20), other countries (+40)

Expansion of traditional stores of Sinsay and Reserved brands in Italy (+20) and Sinsay in Greece (+8)

Opening of an online store in Bosnia and Herzegovina (in 4Q23/24)

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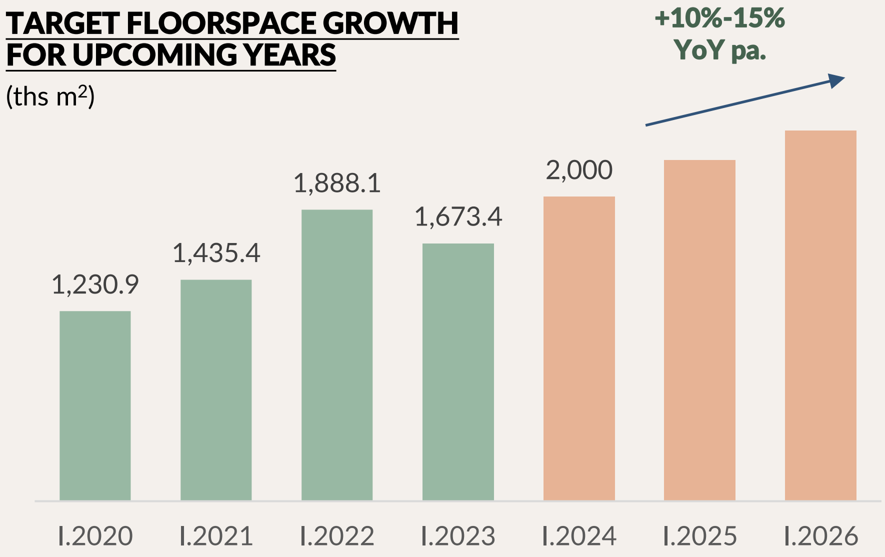
2 million m² of floorspace in 2023/24

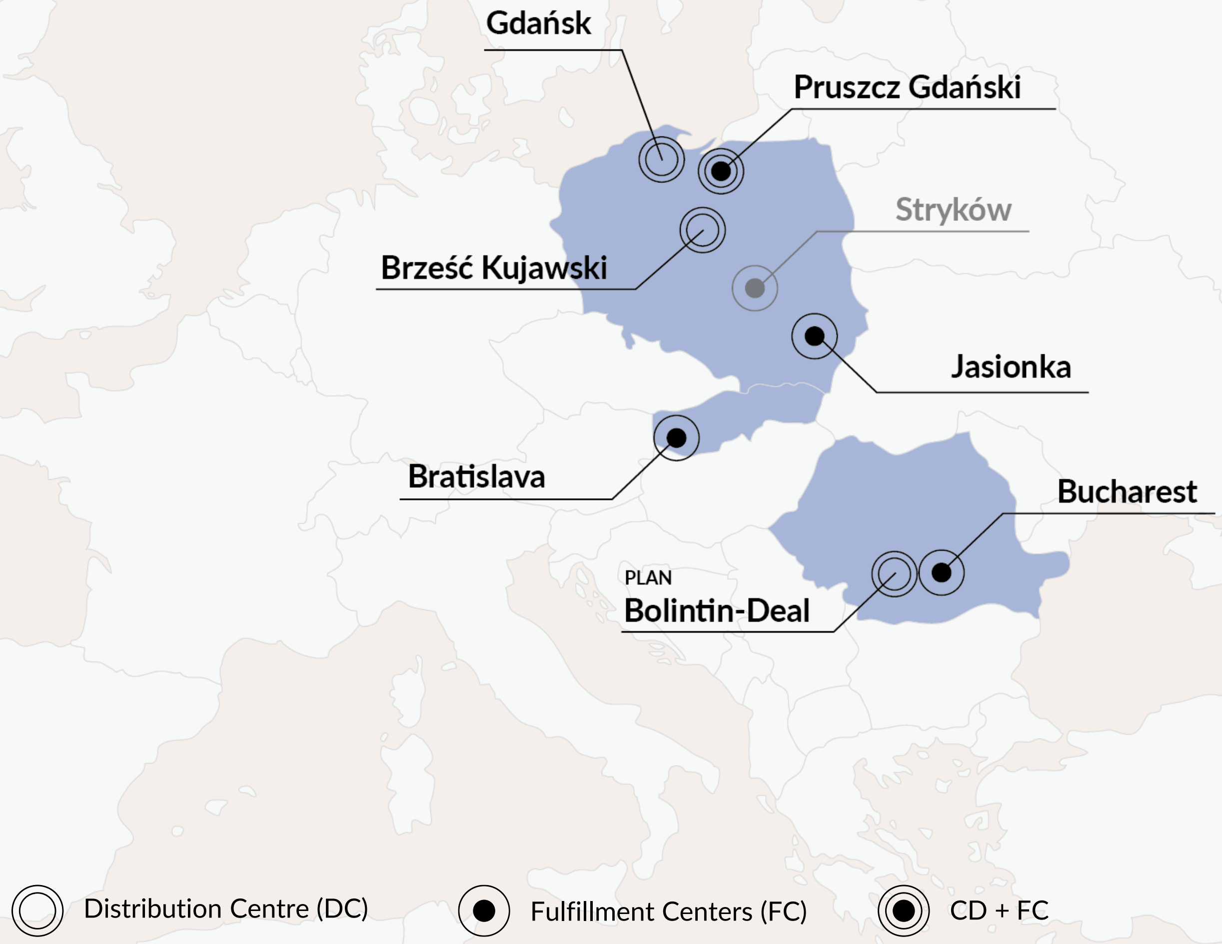
Floorspace (ths m²)	I.2023	I.2024 target	YoY
Poland	753	845	12%
Abroad	921	1 155	25%
TOTAL	1,673	2,000	20%



The largest nominal increase in space in 2023/24 in the following countries outside Poland: Romania, Czech Republic, Italy, Bulgaria, Serbia. Increase in floorspace due to development of all brands on key markets.

Reaching 1 million m² of floorspace took LPP 20 years.
Another 1 million m² in 5 years.
At the end of 2023/24 floorspace is fully secured with signed lease agreements.

Cost savings in logistics



Resignation from the outsourced FC in Stryków, transfer of operations to Jasionka FC (owned) and Pruszcz Gdański FC (rented). Operations run by LPP Logistics.

Economies of scale in foreign logistics – another Distribution Centre in Romania will allow for efficient service of stores in the SEE region.
Use of port of Constanta (change of the route of deliveries of goods from the factories) - significant reduction of costs and shortening of delivery times to this region.

Additional benefits from own logistics company:
- replacement of the external operator with its own operating model in Slovakia,
- benefits from the special economic zone in Poland.

2023/24 target: growth in profitability

Offline revenues – 25% YoY growth due to higher floorspace (2,340 stores) and positive LFLs

Online revenues - stable YoY

Group revenues at c. PLN 18bn

Gross profit margin between 51-53%

PLN 0.5bn cost reductions (performance marketing, logistics)

EBIT margin 10%+

PLN 1.1bn capex, including PLN 800m for stores

Working capital normalization (liabilities higher than inventory)

Lower YoY net debt/EBITDA

2023/24 opportunities and risks

Opportunities

- Development on new markets (South Eastern-Europe, Western Europe).
- Collections tailored to the tastes and needs of clients.
- Greater propensity of customers to buy clothing from the value-for-money segment.
- Maintaining cost discipline.

Risks

- Impact of the economic slowdown on the purchasing behavior of clients.
- Persistent inflationary pressure.
- Geopolitical situation in East Asia and possible problems with supply chains.
- Increased competition in the value-for-money segment.

Dividend payment continued

LPP's Management Board proposed a dividend payment for the financial year 2022/23 in the amount of PLN 430 per share.

Proposed dividend day (i.e. the date on which the list of shareholders entitled to dividend is established) at July 10, 2023.

Proposed dividend payment to take place in two equal tranches (PLN 215 per share each):

- the first tranche on July 14, 2023,
- the second tranche on October 10, 2023.

04

Q&A

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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Kontakt

GDAŃSK HQs

Łąkowa 39/44, 80-769 Gdańsk
Tel. +48 58 76 96 900
Email: lpp@lpp.com

CONTACT FOR INVESTORS

Email: LPP.investor.relations@lpp.com

CONTACT FOR MEDIA

Email: media@lpp.com

WWW.LPP.COM