RESERVED CROPP HOUSE MOHITO sinsay

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1. Group overview

A global brand, a Polish company

We are an international retail company based in Gdańsk with over 30 years of experience in designing and selling clothes and accessories.

WE OWN FIVE FASHION BRANDS:

RESERVED CROPP HOUSE MOHITO SINSAY

39 countries
offline + online

PLN 15.9 bn
revenues

1,962
stores

c.30,000
employees

e-commerce 28%
of revenues

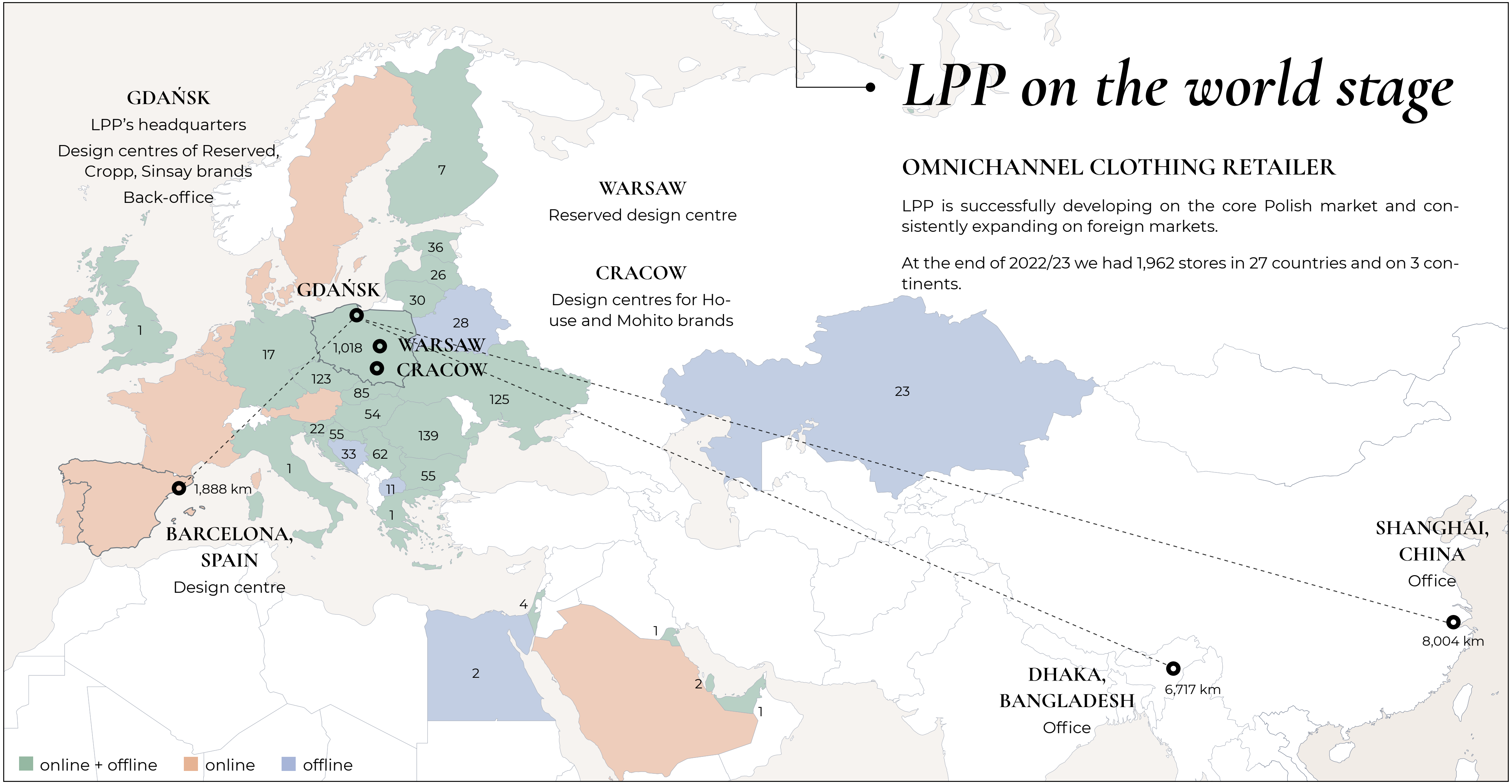
Data for 2022/23 or at the end of 31.01.2023.

LPP on the world stage

OMNICHANNEL CLOTHING RETAILER

LPP is successfully developing on the core Polish market and consistently expanding on foreign markets.

At the end of 2022/23 we had 1,962 stores in 27 countries and on 3 continents.



CEE

Poland	1,018
Sinsay	328
Reserved	184
Cropp	182
House	194
Mohito	130

Czech Rep.	123
Sinsay	41
Reserved	20
Cropp	25
House	22
Mohito	15

Slovakia	85
Sinsay	27
Reserved	16
Cropp	14
House	17
Mohito	11

Hungary	54
Sinsay	22
Reserved	15
Cropp	5
House	7
Mohito	5

Bulgaria	55
Sinsay	27
Reserved	8
Cropp	8
House	7
Mohito	5

Romania	139
Sinsay	78
Reserved	16
Cropp	19
House	18
Mohito	8

Croatia	55
Sinsay	27
Reserved	7
Cropp	6
House	8
Mohito	7

SEE

Serbia	62
Sinsay	35
Reserved	7
Cropp	8
House	7
Mohito	5

Slovenia	22
Sinsay	8
Reserved	3
Cropp	5
House	4
Mohito	2

B&H	33
Sinsay	25
Reserved	1
Cropp	2
House	4
Mohito	1

North Macedonia	11
Sinsay	6
Reserved	2
Cropp	1
House	1
Mohito	1

Greece	1
Sinsay	1

BALTIC

Lithuania	30
Sinsay	13
Reserved	6
Cropp	5
House	3
Mohito	3

Latvia	26
Sinsay	10
Reserved	5
Cropp	4
House	4
Mohito	3

Estonia	36
Sinsay	13
Reserved	5
Cropp	7
House	6
Mohito	5

EAST

Ukraine	125
Sinsay	43
Reserved	22
Cropp	27
House	22
Mohito	11

Belarus	28
Sinsay	15
Reserved	3
Cropp	4
House	4
Mohito	2

Kazachstan	23
Sinsay	14
Reserved	3
Cropp	2
House	2
Mohito	2

WE

Finland	7
Sinsay	3
Reserved	1
Cropp	1
House	1
Mohito	1

Germany	17
Reserved	17

UK	1
Reserved	1

Italy	1
Sinsay	1

ME

Egypt	2
Reserved	2

Kuwait	1
Reserved	1

Qatar	2
Reserved	2

UAE	1
Reserved	1

Israel	4
Reserved	4

2. History

1991

CREATION OF MISTRAL COMPANY BY:

MAREK PIECHOCKI, CEO & CO-FOUNDER
Present in the retail business since 1989
CEO of LPP since 2000
The Best-Performing CEO according to Harvard Business Review (2013)

JERZY LUBIANIEC, CO-FOUNDER
1991–1997 ran Mistral company as a sole trader (LPP's predecessor)
1995–2000 CEO of LPP
President of the Supervisory Board between 2000-2020

1993

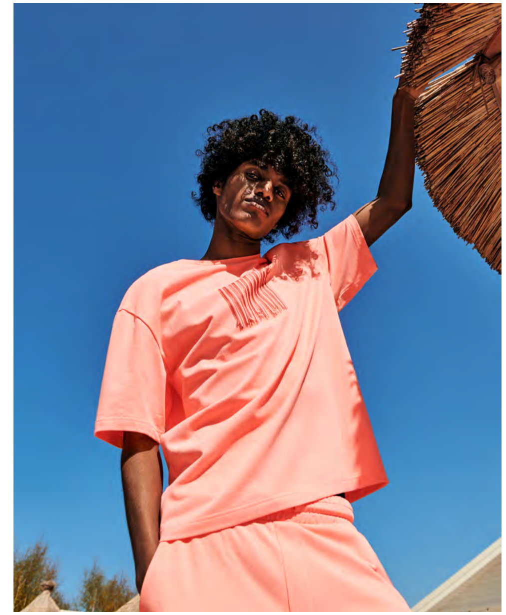
- Sale of goods imported from Asia.

1994

- First designed clothes.

1995

- Mistral transformed into LPP.



1997

- Opening of office in Shanghai.

1998

- Launch of Reserved – first retail store opened.

2001

- IPO on the Warsaw Stock Exchange (debut at PLN 48.4 share price).

2002-03

- Start of international expansion (Russia, Czech Republic, Estonia, Hungary, Latvia).

2003

- Further international expansion (Lithuania, Ukraine, Slovakia).

2004

- Launch of Cropp brand.

2005

- Creation of Esotiq brand.

2008

- Launch of the modern Distribution Centre in Pruszcz Gdański.
- Acquisition of Artman, owner of House and Mohito brands.
- Further international expansion (Romania, Bulgaria).

2010

- Payment of first dividend.

2010/11

- Divesture of Esotiq brand.
- Start of e-commerce store (Poland).

2013

- Launch of Sinsay brand.
- Joining the ACCORD alliance.

2014

- Entry into MSCI and WIG20 indices.
- New countries: Germany (also online), Croatia.

2015

- Middle East entry (Egypt, Qatar, Kuwait, Saudi Arabia).
- Launch of online stores in Czech Republic, Slovakia and Romania.

2016

- Launch of Tallinder brand (closed down in 2017).
- New country in ME: United Arab Emirates.
- Opening online store in Hungary.

2017

- Opening of Reserved London flagship (Oxford Street) campaign with Kate Moss.
- Entry to Belraus and Serbia.
- Launch e-commerce stores in Lithuania, Latvia, Estonia, Great Britain, Russia.
- Start first Fulfillment Center (Stryków near Łódź) dedicated for e-commerce sales.

2018

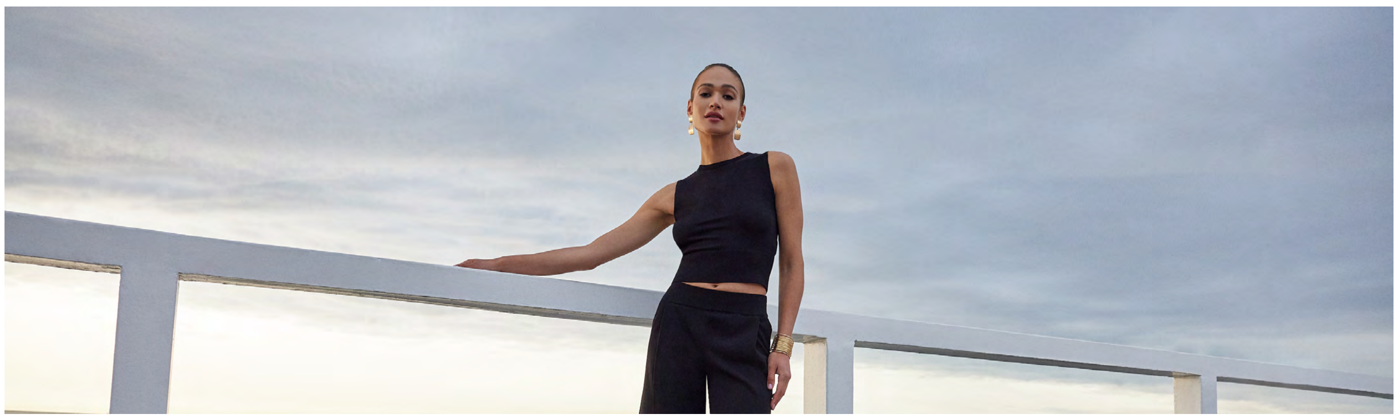
- Reserved global campaign with Cindy Crawford.
- LPP a family company after changes in shareholder structure.
- LPP entered Slovenia, Israel and Kazakhstan.
- Entry to ME online via franchise partner.

2019/20

- Start of online sales in Croatia and Ukraine.
- Launch of pan-European e-store.
- Debut in Bosnia&Herzegovina and Finland.
- Joining the New Plastics Economy Global Commitment as the first Polish company.
- Launch of international Reserved campaign starring the top model Kendall Jenner.
- Start of Fulfillment Center in Romania (near Bucharest).

2020/21

- Finalising expansion of Pruszcz Gdański Distribution Centre. Total floorspace: 100,000 m².
- Completion of reorganization proceedings in Germany (negotiating new terms and conditions with the landlords).
- Opening of Reserved store in Dubai, in the world's largest shopping center, Dubai Mall.
- Launch of e-store in Slovenia and Israel.
- Acquisition of a controlling interest in LPP by Semper Simul Foundation. Securing the family character of the company and guarantee of strategy implementation.
- Launch Fulfillment Center in Slovakia.



2021/22

- Launch of e-store operations in Bulgaria.
- Entry with offline stores to North Macedonia and Qatar (via franchise partner).
- Launch of Reserved application in Polish language version.

2022/23

MARCH'22 Closing of operations in Russia (decision about selling the subsidiary registered in Russia)

MAY'22 Start of the first stage of the process of developing the Company's climate strategy, in line with SBTi (Science Based Targets).

MAY'22 Launch ofDistribution Centre in Brześć Kujawski.

AUGUST'22 Start of the operating activities of LPP Logistics - a subsidiary responsible for logistics services in the Group's entire chain.

SEPTEMBER'22 Launch of the new Fulfillment Centers: in Pruszcz Gdański near Gdańsk.

OCTOBER'22 Opening of Sinsay design centre in Barcelona

NOVEMBER'22 Start of online store in Serbia and Liban.

NOVEMBER'22 Debut of Sinsay application.

DECEMBER'22 Opening of first Sinsay store in Marcon, Italy (debut LPP in Italy).

JANUARY'23 Joining the Accord Pakistan.

JANUARY'23 Launch of the new Fulfillment Centers: in Jasionka near Rzeszów.

JANUARY'23 Signing of a contract for the lease of the first Distribution Centre abroad i.e. in Romania (near Bucharest).

JANUARY'23 Debut of Sinsay in Heraklion, Greece.

3. Strategy

Our goal is to continuously develop LPP and transform it into an increasingly sustainable company that responds to the climate challenges of today. We are continuously improving our offer and adapting it to the ever-changing customer expectations. Our collections are more and more accessible thanks to the extension of our traditional stores network (increasing commercial floorspace YoY), as well as online stores. We are driving our development towards the omnichannel concept to ensure that our customers have full access to the products, regardless of the sales channel. At the same time, we are constantly responding to the challenges posed by the world around us in both technological and environmental context.

With this LPP development plan in mind for the years to come, we founded our strategy on three pillars: the omnichannel model, digitalisation and sustainable development.

3.1. Omnichannel organisation

LPP is an omnichannel organisation where offline and online sales are fully integrated. We are committed to providing our customers with the best possible shopping experience, regardless of whether they choose to purchase our collections in traditional stores or online. That is why we develop both channels simultaneously while ensuring a coherent presentation of our offer.

Our priorities are as follows:

- further development of our five clothing brands (Sinsay, Reserved, Cropp, House and Mohito) in the mid-price range or value-for money segment, dedicated to different target groups;
- increased accessibility of our brands' offer by way of simultaneous development of the traditional retail network and the online offer so that our customers interact with the brand wherever, whenever and however they wish thanks to integrated channels.

3.1.1. Expansion by brands

It is our strategy to continue to develop our existing five brands.

At present, we manage five brands dedicated to different customer groups, starting with men and women (Reserved, Mohito and Sinsay) through clothing for children (part of Reserved and Sinsay) and teenagers (Cropp, House, Sinsay). Reserved, Cropp, House and Mohito fall within a moderate price range while Sinsay offer products in value-for-money segment.

The intention is to capture new customers, achieve economies of scale during the design and sourcing process and increase the leverage while negotiating the level of rentals and fit-outs as well as the quality of floorspace with the shopping mall operators.

On top, it allows us to develop niches within a selected price range and helps us target customers with different affluence. Furthermore, our brand portfolio diversifies the fashion risk.

Our past performance shows that we have been able to execute our strategy effectively.

Even though we only started with Reserved brand in 1998, we have successfully developed Cropp, Esotiq (divested, management buyout) and Sinsay. Two brands have been acquired along with the Artman merger (House and Mohito).

In February 2016 we launched our first up-market brand, Tallinder, which offered classical designs made of high quality materials. However, due to unsatisfactory sales results in September 2016 we decided to close down Tallinder stores as of the end of February 2017.

For the time being, we do not have plans for yet another brand launch.

Expansion by brands

- 1998 RESERVED
- 2004 CROPP
- 2005 ESOTIQ (divested in 2010/2011)
- 2008 HOUSE, MOHITO (merger with Artman)
- 2013 sinsay
- 2016 TALLINDER (closed down in 2017)

3.1.2. Expansion through development of traditional and online sales networks

Brand development would not be comprehensive if not correlated with the expansion of our offline and online sales networks.

Our goal is to diversify the Group's revenues, i.e. maintaining our current domestic position and increasing the share of sales abroad, specifically in EU countries.

Today, apart from Poland, we are present in six geographic territories on three continents, with each of them having different development perspectives:

Poland is our domestic, most important market generating a substantial part of our revenue. Having recognition of its considerate maturity and a dense sales network, we focus on maintaining the current position of brands owned by LPP, refreshing store concepts and expanding their retail space. Any potential extension of the on-site store chains will be carried out concentrating, first of all, on stores of our younger brands.

Central and Eastern Europe (CEE), covering countries such as the Czech Republic, Slovakia, Hungary. Just like in Poland, we focus mainly on developing the traditional store chain in smaller towns where we see a potential for younger brands, first of all Sinsay. We expand the traditional store chain mainly through retail parks, yet also by opening stores located at commercial streets. At the same time, in large cities, we modernise the traditional store chain and gradually increase and refresh store concepts to implement in full the omnichannel model and adapt brand stores to new market requirements and customer expectations.

Baltic Sea Region (BSR), with our brand stores operating in Lithuania, Latvia and Estonia. Just like the CEE markets, these three markets are considered mature, with emphasis put mainly on developing our younger brands. The price segment of our younger brands corresponds to their development, particularly in smaller towns, in retail space like retail parks.

East i.e. Ukraine, Belarus, Kazakhstan. Due to the war in Ukraine, our development in Eastern Europe has been suspended.

South Eastern Europe (SEE) i.e. Romania, Bulgaria, Croatia, Serbia, Slovenia, Bosnia and Herzegovina, North Macedonia and Greece. These are markets with a large development potential for all LPP brands. In that region, we gradually expand the traditional store chain, strengthening our presence in the Balkans.

Western Europe (WE) i.e. Germany, the UK, Finland and Italy. These are countries where we want to strengthen the position of our brands and develop the retail chain.

Middle East (ME) i.e. Egypt, Qatar, Kuwait, United Arab Emirates and Israel. Our presence with the Reserved brand in that region is based on the cooperation with a franchise partner. Simultaneously, we continue online sales based on external sales platforms.

Expansion by countries (offline)

- **1998** Poland
- **2002** Russia, Latvia, Estonia, Czech Republic, Hungary
- **2003** Ukraine, Slovakia, Lithuania
- **2008** Romania, Bulgaria
- **2014** Croatia, Germany
- **2015** Egypt, Qatar, Kuwait, Saudi Arabia
- **2016** United Arab Emirates
- **2017** UK, Belarus, Serbia, Saudi Arabia (-)
- **2018** Kazahstan, Slovenia, Israel
- **2019** B&H, Finland
- **2021/22** North Macedonia
- **2022/23** Greece, Italy, Russia (-)

Expansion by countries (online)

- **2011** Poland
- **2014** Germany
- **2015** Czech Republic, Slovakia, Romania
- **2016** Hungary
- **2017** Lithuania, Latvia, Estonia, the UK, Russia
- **2018** Bahrain, Kuwait, UAE, Saudi Arabia, Oman (ME region through franchise partner)
- **2019** Ukraine, Croatia, pan-European e-store
- **2020/21** Slovenia, Israel
- **2021/22** Bulgaria, Qatar
- **2022/23** Serbia, Lebanon, Russia (-)

3.2. Digitalisation of the organisation

We operate in the area of fashion, but at the same time, in response to the revolution observed in the clothing industry, we are a tech-oriented company. We create original IT solutions tailored to our needs. We implement state-of-the-art technologies, the so called Fashion Tech, throughout the value chain, starting with the product, through logistics and sales. We have our own analytical facilities, which allows us to understand megatrends and customer expectations. This, in turn, enables us to respond flexibly and quickly to changes in shopping preferences and to design collections in tune with the current needs of our customers. Without the digitalisation of our organisation, the implementation of LPP's business strategy would not be possible.

As part of our Fashion Tech activities, we focus our efforts on using modern technology to:
- continuously improve our collections in line with our customers' expectations,
- expand our range of sales and after-sales services in line with global retail trends,
- increase the flexibility of our distribution network,
- fully integrate traditional and online channels in the spirit of the omnichannel strategy.

OWN STORE VISION APPLICATION

RFID USAGE IN STORES

BIG DATA

Sizeable amounts of data on customer preferences on types and colours of clothes.

DATA IS PROCESSED BY ALGORITHMS

We use machine learning which means that algorithms learn and improve themselves on their own.

SUPPORT FOR DESIGNERS

Support for the purchasing department and individual store allocation. As a result, higher revenues and margin.

3.3. Sustainable development

In the times of growing awareness as to the importance of responsible business, elements of our concern for our surroundings – the environment and people alike – are reflected in our strategy. We base the company's development on sustainable rules for all processes within the company.

Our sustainable development strategy is tantamount to responsible fashion, which means thinking about our collections not only from the perspective of clothing design, its production, distribution and use, but also giving our clothes the so-called second life after the end of the process of its use by customers.

Such a comprehensive approach is our response to current climate challenges. Every year, we want to effectively reduce the negative environmental impact of LPP but also to educate our customers and business partners how we can make joint efforts to effectively take care of the planet for our own sake, but also for the future generations.

You can find details of our sustainable development in the ESG section of this Report.

4. Brands

Our brands are our value and we put a lot of effort not only in creating but also in developing them. Each of our five brands stands out from the others, offering not only different types of clothes, but different stores and shopping experience.

	sinsay	RESERVED	CROPP	HOUSE	MOHITO
KEY BRAND FEATURES	The lates trends in affordable prices.	Metropolitan chic with a timeless feel, an interpretation of the world's leading trends.	Streetwear brand influenced by contemporary culture and music.	The latest trends with a casual style.	Comfort and elegance for business and informal meetings.
TARGET CUSTOMERS	Women, men, teenagers, children, newborn	Women, men, children, newborn	Teenagers (boys and girls)	Teenagers (boys and girls)	Women
YEAR OF LAUNCH	2013	1998	2004	2001 (at LPP since 4Q08)	2008 (at LPP since 4Q08)
# STORES/ FLOORSPACE	737 699.6 ths m²	352 569.6 ths m²	325 153.4 ths m²	331 156.4 ths m²	217 94.4 ths m²
AVERAGE STORE SIZE	949 m²	1,618 m²	472 m²	472 m²	435 m²

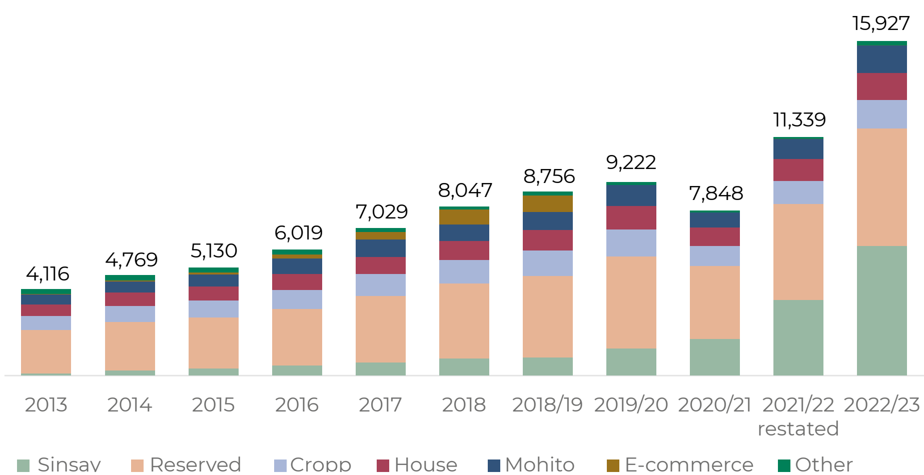
WE CONCENTRATE ON AFFORDABLE PRICES

REVENUES BY BRANDS

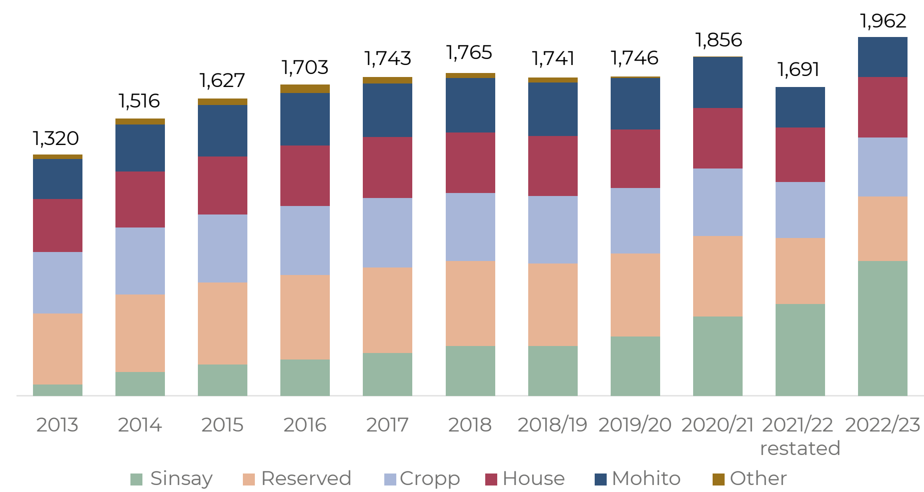
PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2019/20	2020/21	2021/22	2021/22 restated	2022/23
Revenues	**4,116**	**4,769**	**5,130**	**6,019**	**7,029**	**8,047**	**8,756**	**9,899**	**9,222**	**7,848**	**14,030**	**11,339**	**15,927**
Sinsay	74	225	329	461	610	789	851	1,208	1,282	1,738	4,587	3,579	6,162
Reserved	2,074	2,311	2,434	2,693	3,160	3,578	3,881	4,047	4,370	3,467	5,386	4,574	5,598
Cropp	687	771	790	915	1,064	1,120	1,206	1,300	1,289	972	1,526	1,103	1,357
House	546	634	673	767	805	920	993	1,117	1,135	875	1,295	1,053	1,288
Mohito	456	523	586	737	829	782	846	897	987	708	1,144	957	1,315
E-commerce	27	65	79	173	361	712	802	1,174	-	-	-	-	-
Other	252	241	239	261	200	146	178	156	159	88	92	72	207
Tallinder	-	-	-	12	1	-	-	-	-	-	-	-	-
Floorspace (m²)	**588,562**	**722,510**	**843,473**	**920,724**	**1,000,611**	**1,091,320**	**1,075,639**	**1,230,860**	**1,230,860**	**1,435,402**	**1,888,149**	**1,888,149**	**1,673,360**

2019/20 (13M) represents 13-month long audited data, 2019/20 represents 12-month long data created for comparison purposes. Since 2019/20 there was a change in data presentation. E-commerce revenues are now allocated among brands.

REVENUES BY BRANDS



STORES BY BRANDS



4.1. Sinsay brand

Sinsay responds to customers' extensive needs, offering the latest trends at affordable prices. The diversity of collections allows customers to freely create trendy looks for any occasion. The brand's offer comprises products for the whole family. Sinsay also offers comfortable and functional clothing for mums and cute products and accessories for children. The brand's offer is complemented by interior design products and a line of make-up and beauty products. The brand is mainstream priced yet has the lowest average price tag (PLN 25 in 2022/23), so that it is affordable for the target group.

17
#online markets

20
#offline markets

737
#stores

PLN 6.2bn
revenues

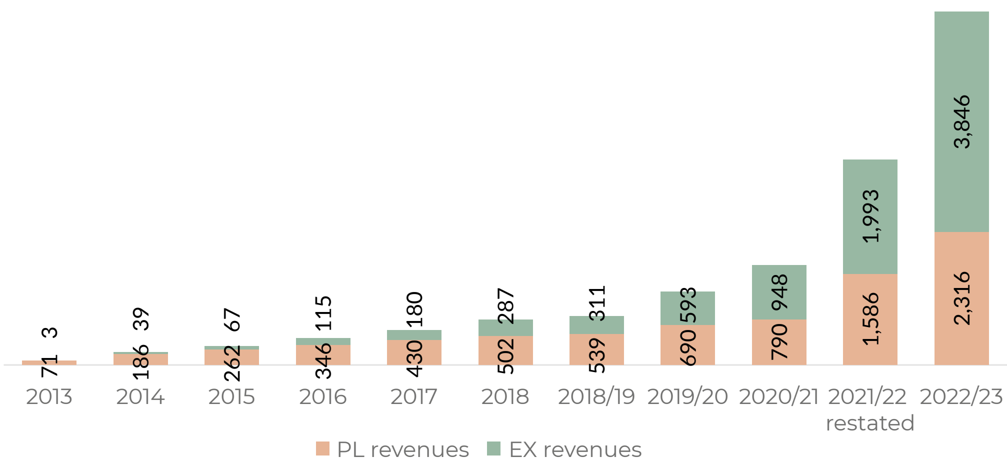
2013
year of launch

700 ths m²
floorspace

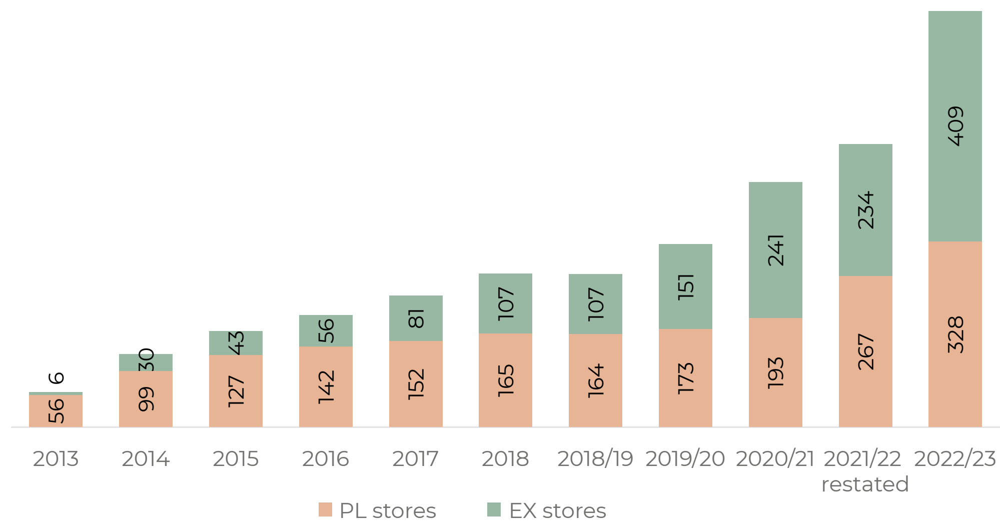
SINSAY - BASIC FIGURES

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2021/22 restated	2022/23
Revenues	**74**	**225**	**329**	**461**	**610**	**789**	**851**	**1,282**	**1,738**	**4,587**	**3,579**	**6,162**
No. of stores	62	129	170	198	233	272	271	324	434	743	501	737
Store size (m²)	325	338	351	352	363	379	379	535	760	927	879	949
Floorspace (eop, ths m²)	20	44	60	70	85	103	103	173	330	689	440	700
Sales/ m² monthly	670	584	531	607	690	719	709	728	615	790	912	924
% of floorspace in PL	*89%*	*75%*	*73%*	*70%*	*63%*	*58%*	*58%*	*45%*	*35%*	*30%*	*47%*	*39%*
No. of countries offline	4	10	11	11	13	15	15	17	18	19	18	20
No. of countries online	1	1	1	6	10	10	10	12	13	14	13	17

SINSAY - REVENUES (PLN M)



SINSAY - STORES



4.2. Reserved brand

Reserved is our response to the needs of customers looking for metropolitan chic with a timeless feel. Collections of this brand are an interpretation of the world's leading trends, created with an eye to the rapidly evolving customer needs. Original limited lines invite to conduct more daring fashion explorations and experiments that allow you to express yourself even better. As leader in Central and Eastern Europe, Reserved remains the brand of first choice for those looking for functional and fashionable outfits, ideal not only for everyday wear but also for occasions that require a special setting. Reserved brand is mainstream priced with average price tag at PLN 69 in 2022/23.

metropolitan chick with a timeless feel

34
#online markets

25
#offline markets

352
#stores

PLN 5.6bn
revenues

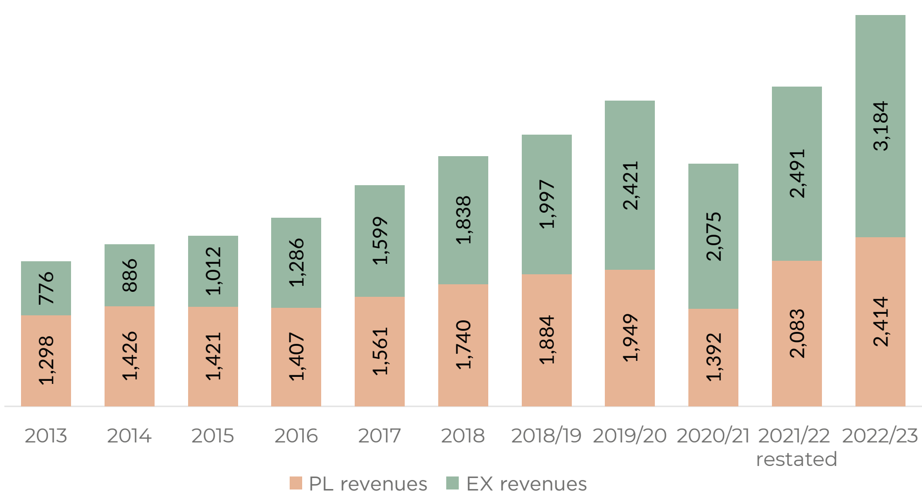
1998
year of launch

570 ths m²
floorspace

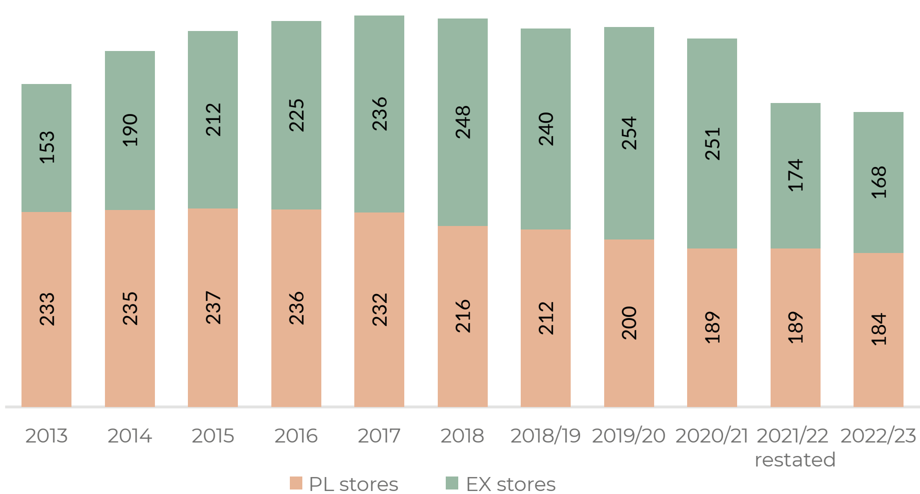
RESERVED - BASIC FIGURES

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2021/22 restated	2022/23
Revenues	**2,074**	**2,311**	**2,434**	**2,693**	**3,160**	**3,578**	**3,881**	**4,370**	**3,467**	**5,386**	**4,574**	**5,598**
No. of stores	386	425	449	461	468	464	452	454	440	447	363	352
Store size (m²)	835	917	1,027	1,104	1,201	1,329	1,338	1,464	1,533	1,589	1,608	1,618
Floorspace (eop, ths m²)	322	390	461	509	562	617	605	665	675	710	584	570
Sales/ m² monthly	617	547	483	475	514	527	525	500	441	657	666	823
% of floorspace in PL	*59%*	*54%*	*50%*	*49%*	*47%*	*44%*	*44%*	*41%*	*40%*	*38%*	*46%*	*47%*
No. of countries offline	11	13	17	18	20	23	23	25	25	26	25	25
No. of countries online	1	2	5	6	11	16	16	30	30	33	32	34

RESERVED - REVENUES (PLN M)



RESERVED - STORES



4.3. Cropp brand

Cropp is a streetwear brand enabling our customers to create their individual style from our female and male collections supplemented with a wide variety of footwear and modern accessories. The brand helps to express emotions and cross boundaries. Brand designers get inspired by modern culture and music, creatively mixing them in projects with fashion straight from catwalks around the world. Cropp's customers are persons following the latest trends but not blindly, opting for individuality and expressing a unique style. Cropp is a mainstream priced brand with an average price tag of PLN 64 in 2022/23.

17
#online markets

18
#offline markets

325
#stores

PLN 1.4bn
revenues

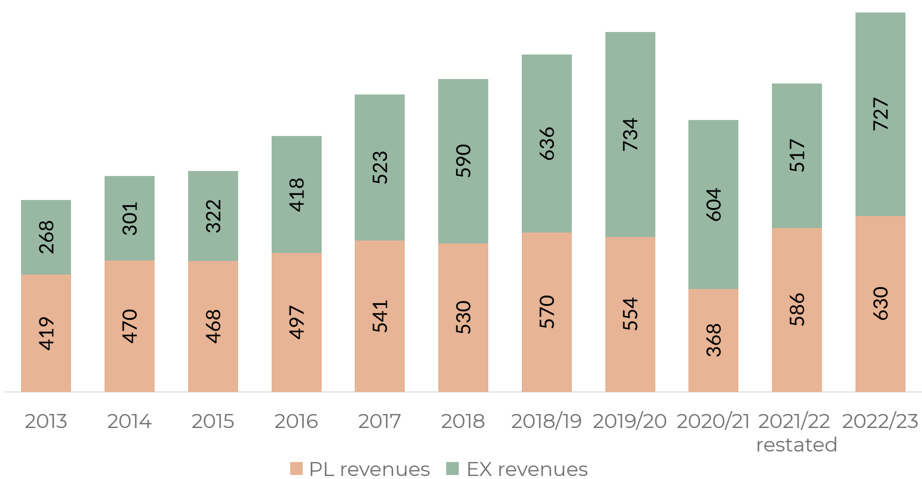
2004
year of launch

153 ths m²
floorspace

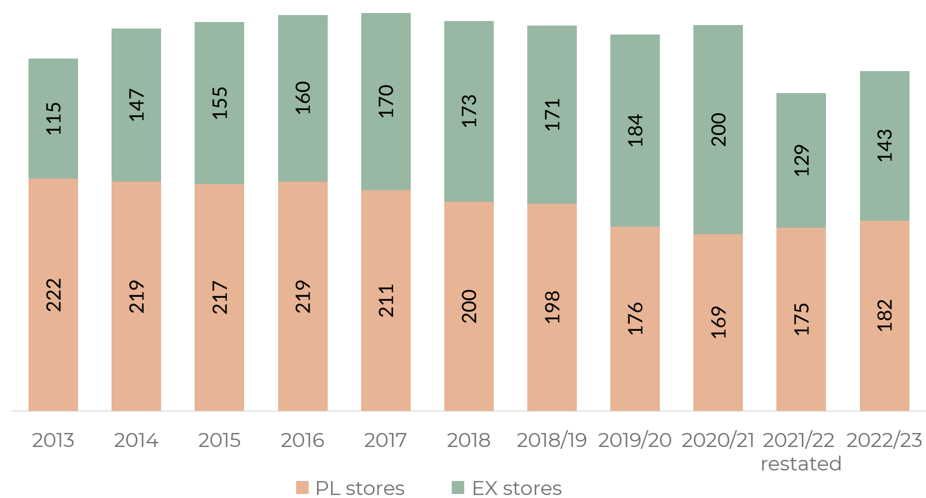
CROPP - BASIC FIGURES

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2021/22 restated	2022/23
Revenues	**687**	**771**	**790**	**915**	**1,064**	**1,120**	**1,206**	**1,289**	**972**	**1,526**	**1,103**	**1,357**
No. of stores	337	366	372	379	381	373	369	360	369	398	304	325
Store size (m²)	269	288	308	318	334	359	360	411	450	481	459	472
Floorspace (eop, ths m²)	91	105	114	120	127	134	133	148	166	191	140	153
Sales/ m² monthly	725	647	591	653	732	729	723	717	517	712	671	758
% of floorspace in PL	*60%*	*55%*	*55%*	*54%*	*52%*	*50%*	*50%*	*43%*	*38%*	*36%*	*50%*	*50%*
No. of countries offline	11	12	12	12	13	15	15	17	17	19	18	18
No. of countries online	1	1	1	6	9	10	10	12	13	14	13	17

CROPP - REVENUES (PLN M)



CROPP - STORES



4.4. House brand

The brand offers interesting combinations of the latest trends with a casual style. It also inspires to be brave, play with styles and consciously shape your own image. House focuses on listening to customers' needs and observing their environment: things they are interested in, hobbies, plans and dreams. Knowing their world, it is possible to meet their expectations and adjust to their dynamic pace of life, creating fashionable and, at the same time, casual every-day outfits for men and women. House collections are created following observations of the style of metropolitan streets and pop-culture, being also inspired by trends present in social media, music and art. Brand designers use professional tools to analyse fashion trends and take part in textile fairs. House continues to stay within the mainstream pricing - 2022/23 average price tag came in at PLN 58.

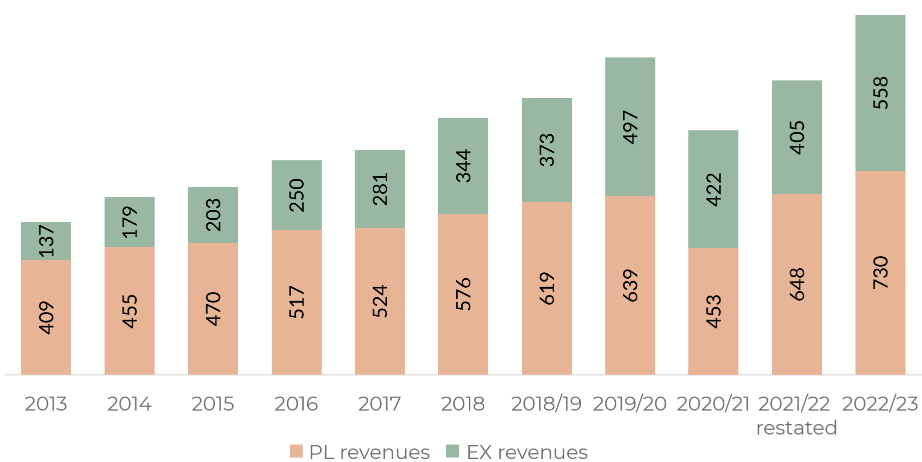
brand that *combines* the latest trends with **street style**

17	#online markets
18	#offline markets
331	#stores
PLN 1.3bn	revenues
2001	(at LPP since 4Q08) year of launch
156 ths m²	floorspace

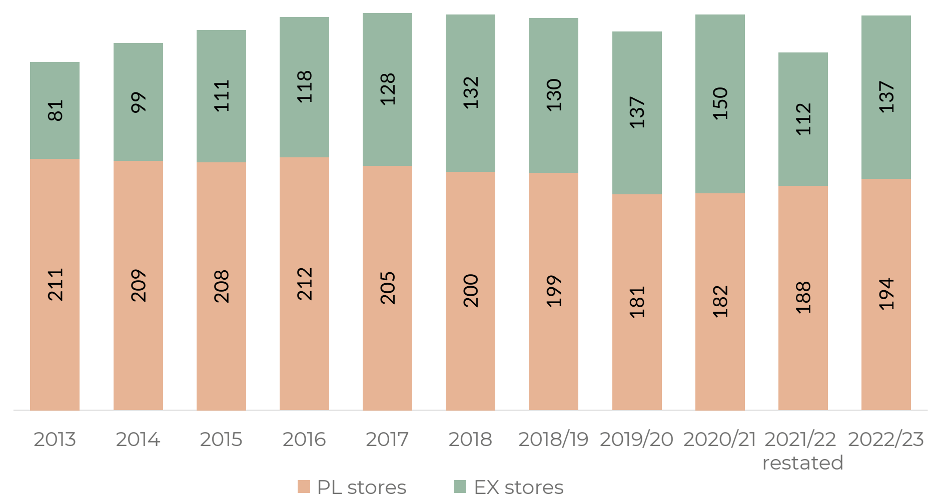
HOUSE - BASIC FIGURES

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2021/22 restated	2022/23
Revenues	**546**	**634**	**673**	**767**	**805**	**920**	**993**	**1,135**	**875**	**1,295**	**1,053**	**1,288**
No. of stores	292	308	319	330	333	332	329	318	332	368	300	331
Store size (m²)	275	291	313	320	332	350	350	401	442	471	461	472
Floorspace (eop, ths m²)	80	90	100	106	111	116	115	127	147	173	138	156
Sales/ m² monthly	652	612	579	621	639	689	684	715	535	673	641	717
% of floorspace in PL	*69%*	*64%*	*62%*	*61%*	*59%*	*58%*	*58%*	*51%*	*49%*	*45%*	*56%*	*53%*
No. of countries offline	9	10	12	12	13	15	15	17	17	19	18	18
No. of countries online	1	1	1	6	10	10	10	12	13	14	13	17

HOUSE - REVENUES (PLN M)



HOUSE - STORES



4.5. Mohito brand

Mohito is a proposal for women who love fashion and appreciate original urban elegance. Casual, confident, sensual and loving life - this is how designers from the Polish brand see each woman. The brand carefully follows global trends, maintaining in its design the balance between fashion inspiration, comfort and functionality which is particularly expected now. The collections include classic and modern cuts, a wide range of colours, original prints and fashionable patterns. Mohito offers clothes at an affordable price – the average price tag of PLN 86 in 2022/23 was the highest among our brands.

17
#online markets

18
#offline markets

217
#stores

PLN 1.3bn
revenues

2008
(at LPP since 4Q08)
year of launch

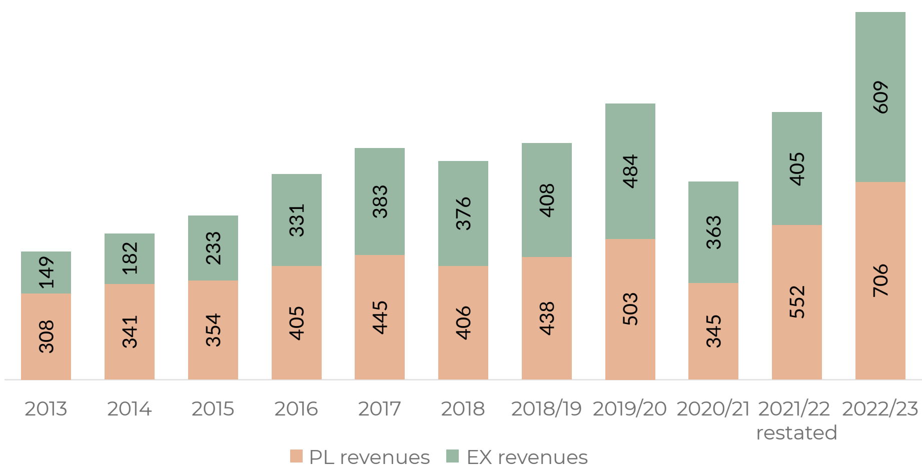
94 ths m^2
floorspace

fashion brand emphasizing
feminity and *elegance*

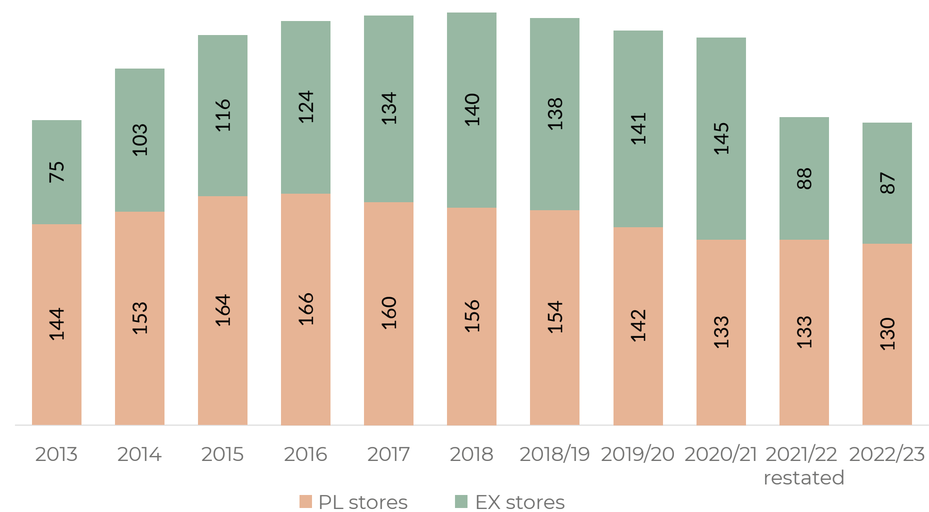
MOHITO - BASIC FIGURES

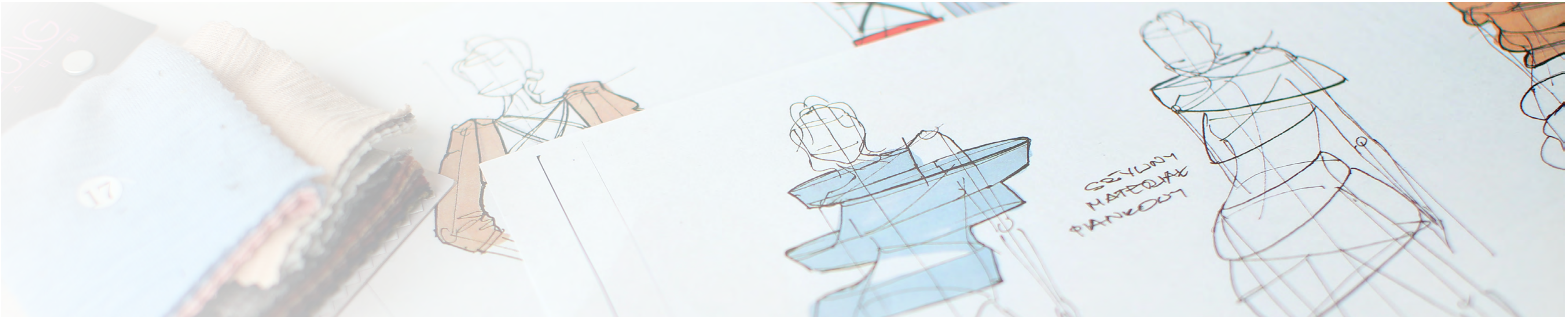
PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2021/22 restated	2022/23
Revenues	**456**	**523**	**586**	**737**	**829**	**782**	**846**	**987**	**708**	**1,144**	**957**	**1,315**
No. of stores	219	256	280	290	294	296	292	283	278	286	221	217
Store size (m²)	301	323	337	342	353	370	370	395	414	428	427	435
Floorspace (eop, ths m²)	66	83	94	99	104	109	108	112	115	123	94	94
Sales/ m² monthly	759	583	549	636	696	620	619	631	523	801	943	1,165
% of floorspace in PL	*62%*	*56%*	*55%*	*54%*	*51%*	*49%*	*50%*	*46%*	*44%*	*42%*	*54%*	*54%*
No. of countries offline	9	12	12	12	13	15	15	17	18	19	18	18
No. of countries online	1	1	1	6	10	10	10	12	13	15	14	17

MOHITO - REVENUES (PLN M)



MOHITO - STORES





5. Value chain

We create value for our customers by offering them interesting designs matching their tastes at attractive prices and in high quality stores.
The value chain is managed by a calendar which points when works on collection should start and when the goods should hit the stores.

Design

5
different brands

300+
designers

Production

93%
goods sourced from Asia

1,200+
suppliers

Logistics

459 ths m^2
of warehousing space

44 m
e-commerce orders handled

Stores

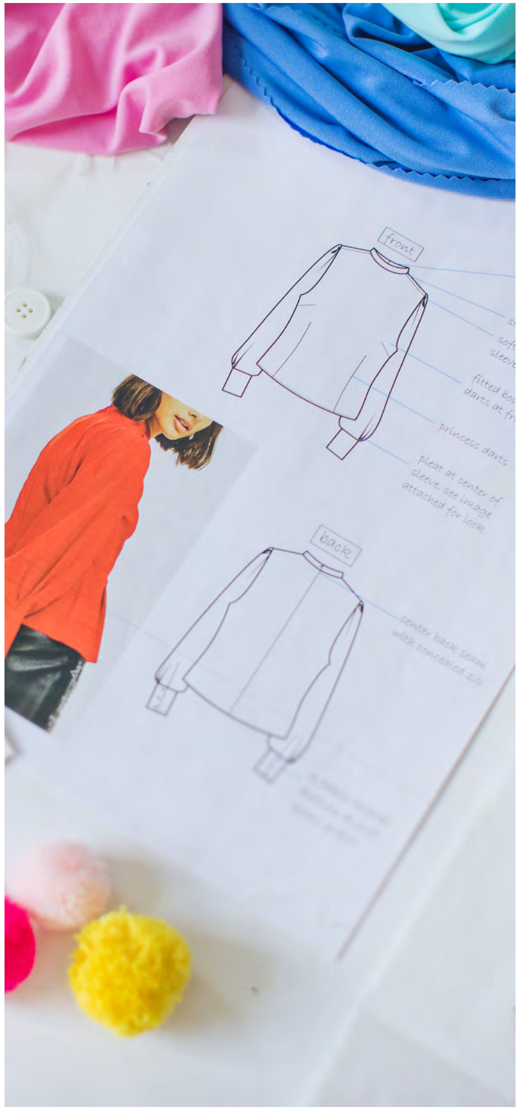
1,962
stores

3
continents
Europe, Asia, Africa

Customers

39
countries offline and online

430m
clothing items sold annually



5.1. Design

Our added value lies in designing the clothes that we sell. We have an over 300-strong team of designers while the total number of people creating collections exceeds 1,000. They originate mostly from various art schools in Poland, among other from Gdańsk, Warsaw, Poznań, Cracow or Łódź. We run three designing centres in Poland, one in Gdańsk (in our headquarters, responsible for Reserved, Cropp, Sinsay), one in Cracow (responsible for House and Mohito) and third centre in Warsaw (a back-up design centre for Reserved). Additionally, we launched also Sinsay design centre in Spain (Barcelona). We search for the most talented people, co-operate with design schools and run employer branding projects, in order to find most creative and suited individuals.

The designing process is quite a complex one and starts several months before the clothes hit the stores. Our designers look for inspirations in all possible places.

FASHION FAIRS

by participating in numerous fashion fairs and closely watching the catwalks, mostly abroad but also domestically.

MARKET RESEARCH

conducted on selected groups in order to improve customer understanding, monitoring fashion-devoted internet portals, blogs and highstreets.

STREET FASHION

we take inspiration also from the streets of the most fashionable cities, as this is where trends are often born. Our designers not only visit London, Paris and Milan but Tokio and Seul as well.

FASHION CATALOGUES AND LOOKBOOKS

studying publications aiming to predict the main trends in upcoming seasons.

SALES ANALYSIS

the top-quality IT systems enable to capture trends and show what types of garments customers of all five brands prefer (fabric, texture, colour and style).

SOCIAL MEDIA

another place where trends are born and popularised are social media which we follow to know which trends are being accepted by stars and by the general public.

Design centres in diverse locations

GDAŃSK

- LPP's largest design centre.
- The centre is responsible for Reserved, Cropp and Sinsay brands.

WARSAW

- Design centre responsible for Reserved (special collection).

CRACOW

- Design centre for House and Mohito brands.

BARCELONA

- Design centre for Sinsay.

Individual ideas of designers are summed up and collection books are prepared by combined forces of designers, purchase department, product managers and heads of departments. As a result, a detailed documentation of each planned model is created, which not only takes the design but also available fabrics into account.

Once a piece of clothing has been designed, a sample garment has to be created. Once all the samples have been obtained, a so called Mile Stone Meeting (MSM) is organised with all interested parties and the samples are judged. This encompasses checking whether they fit the design, whether the cut is a proper one and assessing the quality of fabrics and the usefulness of the design in real life. The samples are prepared in various sizes and these are also verified. After the MSM, comments are sent to suppliers.

We prepare two main collections for all our brands: Spring/Summer (SS) and Autumn/Winter (AW) and each season consists of two phases. Phases are then split into intakes, whose number depends on the brand (usually one month - one intake). The collections are structured so as to incorporate: a base (a set of universal clothing), core (a mix of latest trends with types of garment that customers want to wear) and directional (must-haves, most fashionable items). It is the degree of these trends that differs depending on the brand.

PREPARATION OF PROJECT MODELS AND SENDING DOCUMENTATION TO SUPPLIERS

1. Analysis of previous seasons and determination of demand
2. Inspirational meeting
3. Preparation of projects
4. Projects sent to suppliers

PLACING ORDERS FOR MODELS (PRICE, DATES, QUALITY, QUANTITY)

5. Evaluation of designs prepared by suppliers
6. MSM (meeting to decide on orders)
8. Placing orders and negotiating terms of a contract
7. Sending comments to suppliers

COORDINATION OF PRODUCTION

9. Production monitoring

SHIPPING, DISPLAY AND SALE OF MODELS

10. Allocation, organization of delivery and transportation
11. Visual merchandising
12. Sale and customer service
13. Replenishment

INTRODUCTION OF SELL-OFFS AND WITHDRAWAL OF UNSOLD PRODUCTS

14. Competition price survey
15. Price adjustments in seasonal sell-offs
16. Changing seasons and withdrawal of the end of line products

5.2. Production

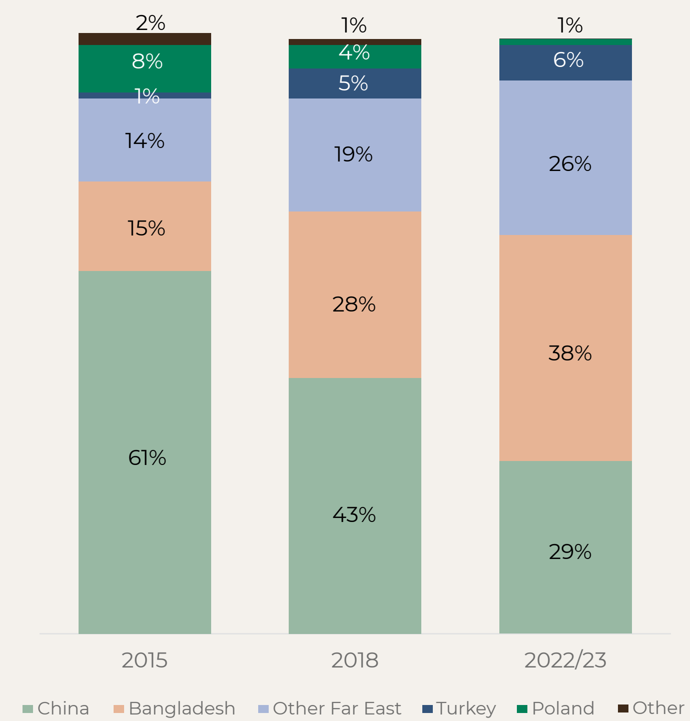
We run a lean business model and thus do not own factories. Production is sourced mostly from the Far East. Bangladesh constitutes 37.9% and China 28.8% of our supplies while the remaining Far East countries 26%. These are Myanmar, Cambodia, India, Pakistan. 6.0% of our production is sourced from Turkey. We will continue to look for favourable new sourcing countries.

Sourcing in the Far East is supervised by our offices in Shanghai (China, opened in 1997) and in Dhaka (Bangladesh, opened in 2015). Shanghai office is run by natives mostly and employs over 100 people. The office is responsible for quality checks, finding new suppliers, supporting production and negotiating contracts. Our office in Dhaka currently deals with quality checks among Bangladesh suppliers, conducts audits of workers safety and working conditions of the factories, in which LPP's clothes are produced.

The production process is dependent on the outcome of the designing process. Once designs have been approved, an Ordering Application is created in LPP's IT system. It indicates the amount of pieces to be produced for each model, in which stores the clothing is to be sold as well as the required delivery dates. These are sent to the purchasing department which is responsible: 1) for negotiating the best prices for these parameters and 2) for confirmation of delivery dates. After this, orders are sent to suppliers which need to confirm their receipt and terms via a sales confirmation document. Only then, can the production process begin.

Before producing the garments, the supplier needs to obtain the fabrics, from which the clothes are to be produced. At this stage final product documentation is confirmed. Once the production has been completed, the supplier files for a quality control. Production lead time is much shorter if European countries are the sourcing partners. In such situations the cycle takes even as little as 30 days. It usually refers to must-have collections.

CHANGES IN PRODUCTION SPLIT



DIVERSIFICATION OF SOURCING FROM CHINA

Sourcing countries

Responsible production

Responsible fashion begins at the stage of choosing the materials from which we sew our collections. We carefully monitor the raw materials market. We focus on ethical and sustainable sourcing of raw materials within our supply chain. One example of this is our partnership with Cotton Made in Africa – the standard for sustainable cotton cultivation in Africa. This, in turn, enables us to support local communities in Africa in addition to sourcing raw material. Certified and more environmentally friendly materials are also gradually introduced into our offer, for example: Lenzing, Ecovero, recycled wool, organic cotton. Above all, we look for solutions that reduce the environmental impact of the fabrics and materials we use most often.

The condition for cooperation with suppliers is their compliance with the rules of safety, care for the environment, as well as the provisions of the conventions of the International Labour Organisation and the Universal Declaration of Human Rights. "The LPP Code of Conduct" is a document taking into account the provisions of the International Labour Organisation conventions and the Universal Declaration of Human Rights and defining the conditions our suppliers are strictly obliged to observe in order to do business with LPP.

In addition to the need to comply with the LPP Code of Conduct, we control the working conditions of our suppliers by subjecting them to regular audits carried out by representatives of our offices, as well as independent auditing companies.

323
audits conducted by LPP's employees

396
by independent external auditors

5.3. Logistics

Once the goods are produced, they need to be delivered to our Distribution Centres (DCs) and later to our stores and e-commerce customers.

The suppliers ship them in containers (majority of goods; journey takes between 30 to 40 days) or use road or air transport.

The goods are sent directly to our Distribution Centres in Poland (one is located in Pruszcz Gdański, near Gdańsk, where headquarters are located and second one is located in Brześć Kujawski). On average the goods spent some two weeks in Distribution Centre where they are repacked and sent to stores or Fulfillment Centre (FC).

Depending on the suppliers, the goods are either sent packed by type (e.g. trousers in all sizes) or as pre-packs (specific number of items in specific sizes and colours) or cross-docs (allowing for fast delivery to stores). Once the goods are in Distribution Centre, they are repacked for each of the stores possessed.

Over the years we started changing our logistics process to make it more aligned to growing e-commerce part of our business. We launched Fulfillment Centres (FCs) dedicated for e-commerce stores. We launched Fulfillment Centres (FCs) - logistics centres dedicated for e-commerce stores. First FC was launched in Poland, but along with growing online sales abroad, we have decided to open FCs outside Poland. Now, we have one in Romania and Slovakia. Each is responsible for deliveries for the region.

Due to expending in SEE region we also decided to open Distribution Centre abroad. We signed a contract for the lease of the first Distribution Centre in Romania (50 km from Bucharest). Thus the transport of part our collections from Asia will be organized directly to Constanta port. Thanks to this we will shorten delivery time our collections dedicated for this region and additionally to save the costs of transport.

The changes that have taken place in the retail industry in recent years have shown that efficient and comprehensive logistics facilities are the answer to the dynamically changing market environment. Due to this fact, LPP took the decision to establish a separate logistics operator – LPP Logistics (subsidiary of LPP). Another step was expanding the scope of LPP Logistics operations outside of Poland and creation of two foreign subsidiaries of LPP Logistics: LPP Logistics Romania and LPP Logistics Slovakia.

Distribution Centres

PRUSZCZ GDAŃSKI Poland **100 ths m²** traditional stores, owned	**BRZEŚĆ KUJAWSKI** Poland **75 ths m²** traditional stores, owned
GDAŃSK Poland **30 ths m²** traditional stores, rented	**BOLINTIN-DEAL** (near Bucharest), Romania **65 ths m²** traditional stores, rented, planned

Fulfillment Centres

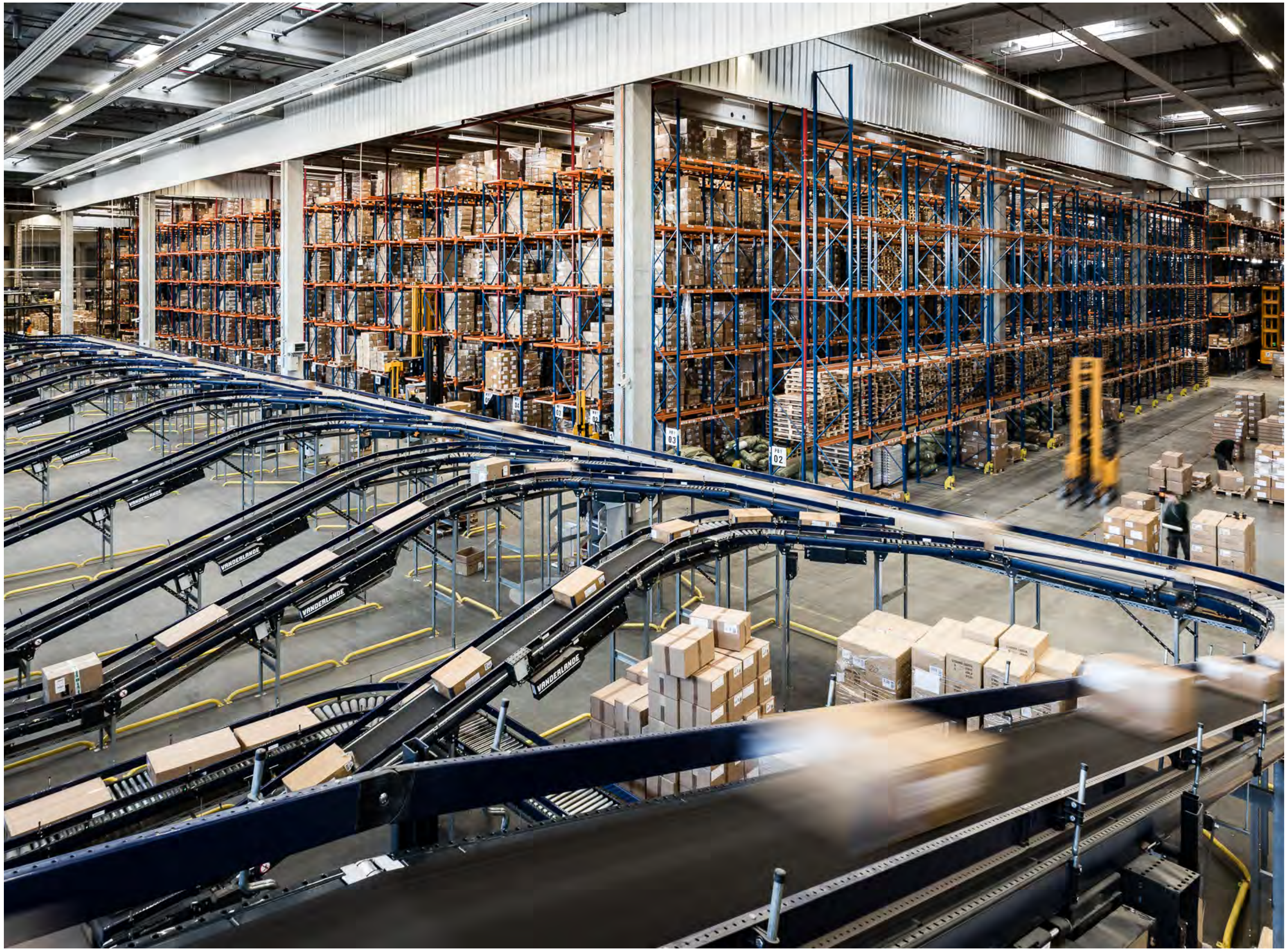
BUCHAREST Romania **43 ths m²** e-commerce, rented	**BRATISLAVA** Slovakia **32 ths m²** e-commerce, rented
PRUSZCZ GDAŃSKI Poland **64 ths m²** e-commerce, rented	**JASIONKA** (near Rzeszów), Poland **69 ths m²** e-commerce, owned

Deliveries to stores take place every day, yet a store obtains new goods on average every 2 to 3 days. We do not own transportation vehicles. The logistics process is outsourced to couriers.

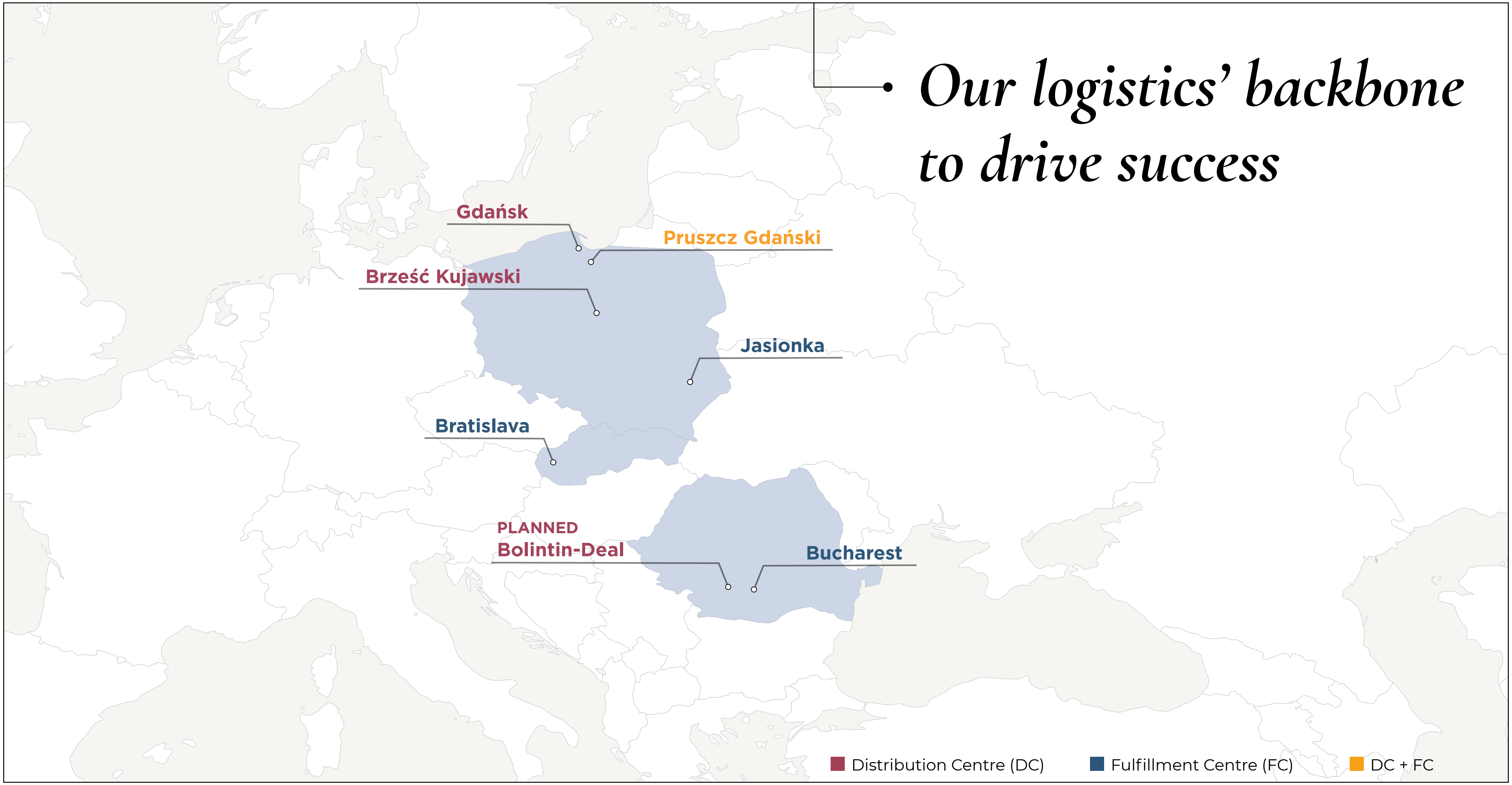
To all countries the goods are delivered from Pruszcz Gdański, Gdańsk or Brześć Kujawski. Distribution Centres are responsible for the traditional stores. The Pruszcz Gdański centre is owned and is located on a plot of land owned by LPP. The location in Gdańsk proximity is highly convenient for the marine transportation used. The centre's size was expanded in 2015 and in 2020.

When built in 2007, the centre had 30.5 ths m², its expansion added 35.5 ths m², while after its second expansion its floorspace amounts to 100 ths m².

Our new Distribution Centre in Brześć Kujawski has already been launched. We are now planning Distribution Centre abroad, in Romania (50 km from Bucharest).



Our logistics' backbone to drive success



Share of different modes of transportation in 2022/23

(by the number of items shipped)

5.4. Selling

Stores

We invest in modern stores, inviting customers to enter them.

Internet

We invest in modern logistics, increasing the pace of obtaining purchases and in IT, increasing online purchases comfort.

Omnichannel

We believe that the future belongs to omnichannel and stores support online sales.

We focus on modern store concept

sinsay

RESERVED

CROPP

HOUSE

MOHITO

Reserved in fashion cities

Fashion brand in

big cities

with more demanding customers.

Stores in the

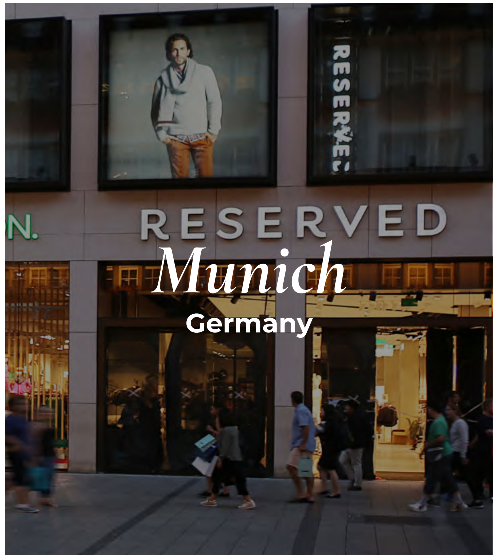
best shopping malls and highstreets.

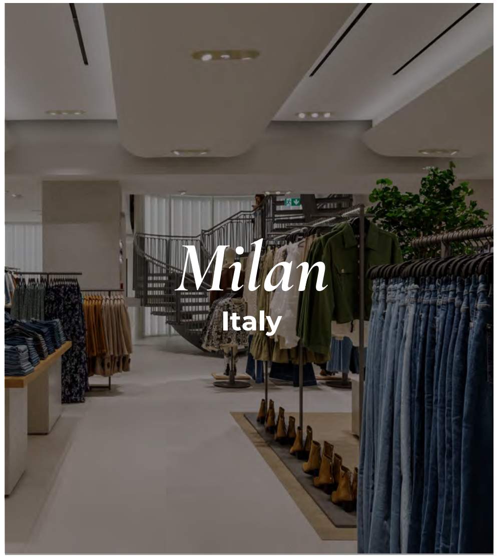
Using digitalisation:

advance systems like RFID as base.

Cities where Reserved takes inspiration from:

Seoul, Tokyo, New York and Paris.





Sinsay in small towns

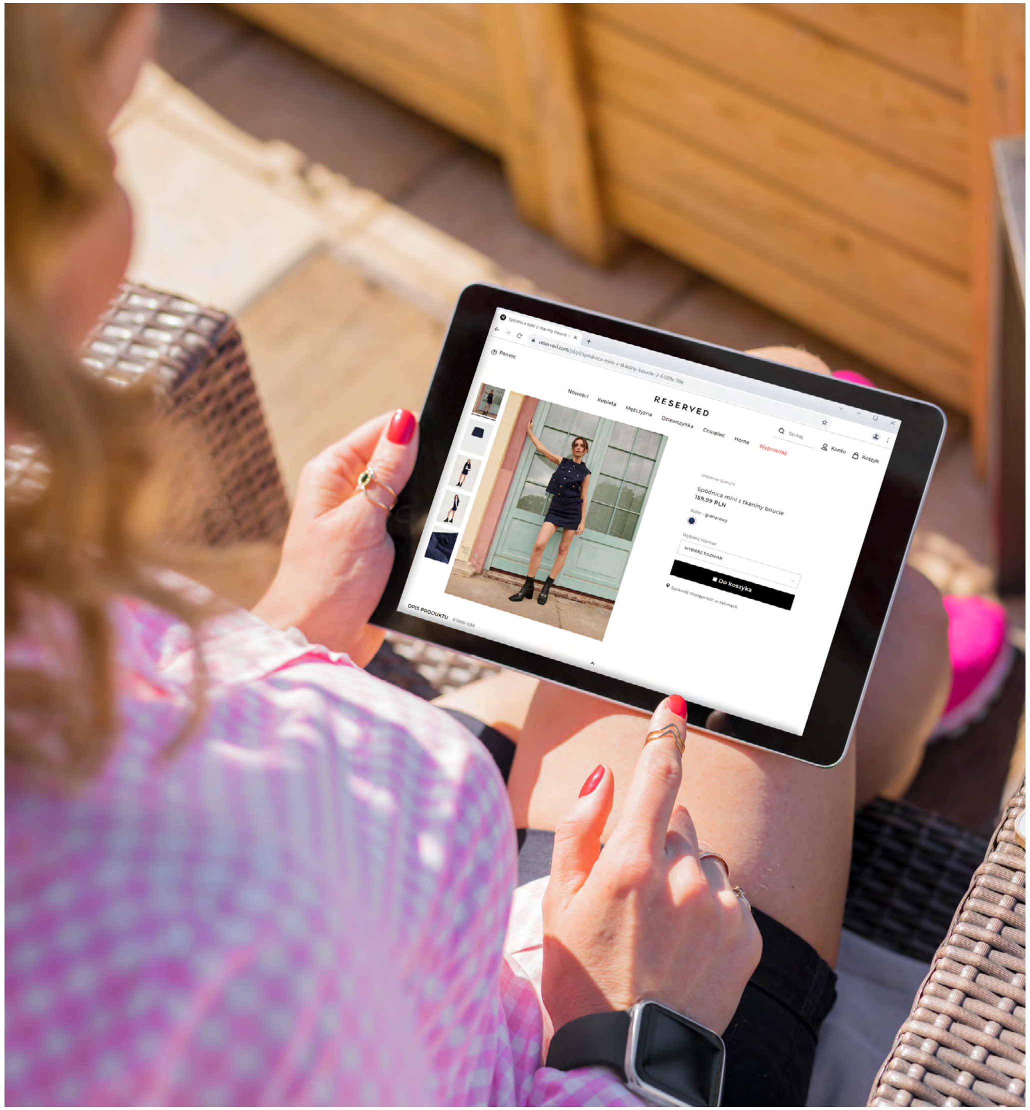
Brand in
retail parks, smaller towns.

Value for money segment,
price is the main driver.

Flexible approach to store size (floorspace between
600 and 1,000 m²).

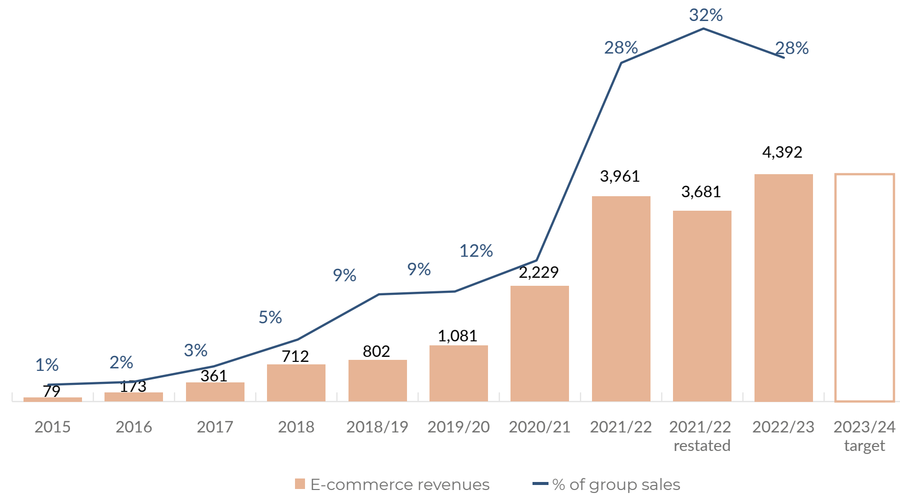
From teenager-oriented brand to
family-one.

1,000 Sinsay stores
by the end of 2023/24.



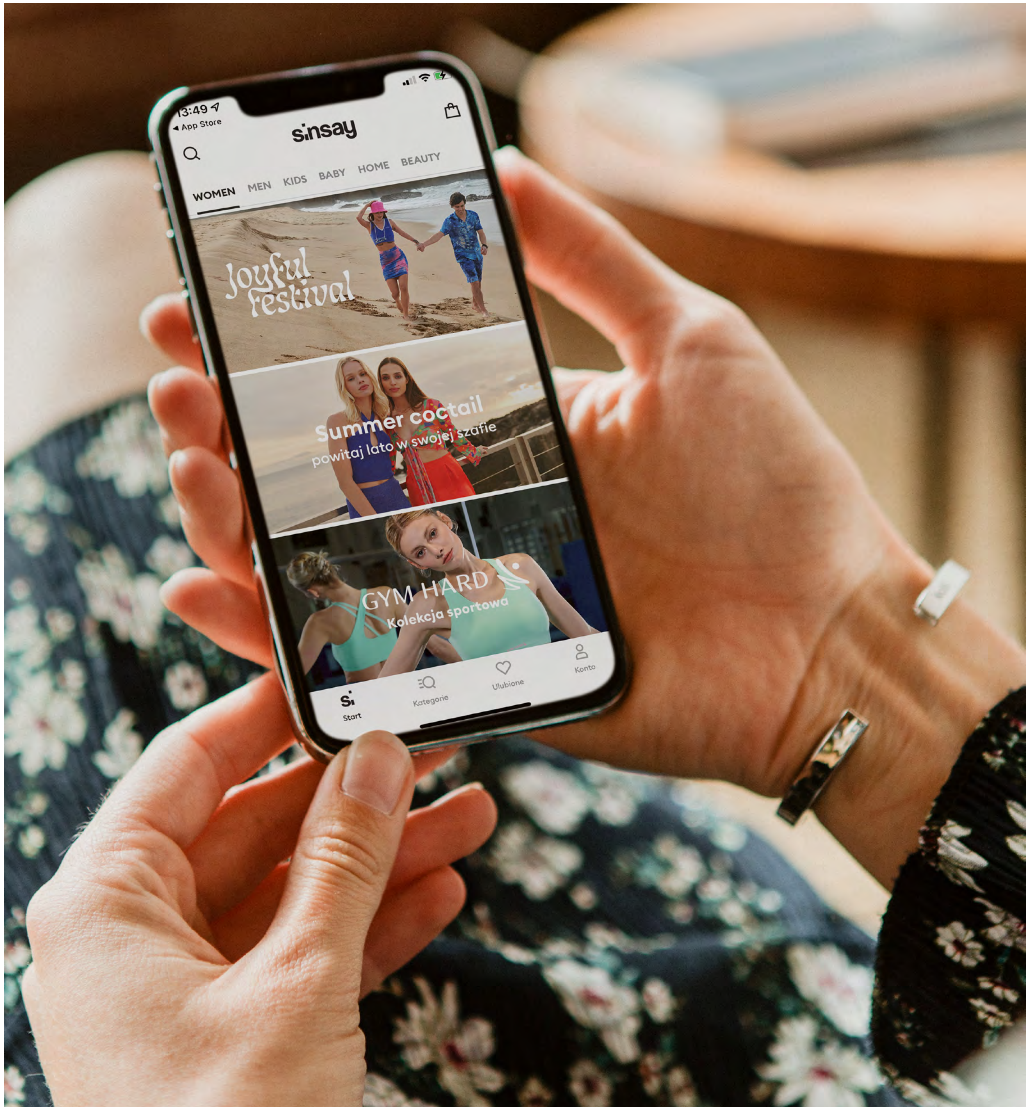
Almost 1/3 of revenues online

E-COMMERCE REVENUES (PLN M)



DEVELOPMENT THROUGH OWN E-STORES GIVES US

- direct access to retail customers,
- control over inventory and pricing policy,
- stability (no intermediaries, continuation of contact).



Reserved and Sinsay apps support online

At the end of 2Q23/24, apps were available for:

RESERVED

- Poland
- Germany
- Romania
- Czech Republic
- Slovakia
- Hungary

sinsay

- Poland
- Romania
- Czech Republic
- Slovakia
- Hungary
- Bulgaria

MOHITO

PLANNED IN 4Q23/24

- Poland

IN POLAND, THOSE APPLICATIONS GENERATED CA 50% OF ONLINE SALES IN 2023/24 YTD.

5.5. Advertising

We aim to attract as many customers as possible, as traffic and brand recognition are the key to our success and growth in value. Growing conversion rates and average ticket sales are what we strive for at all our brands in traditional stores but also in e-commerce.

Due to diversity of our brands, people in all ages are our customers and target customers. As a result, we use various types of advertising to communicate with our customers.

We also monitor what the customers purchase in both the traditional and online stores. The detailed sales analysis conducted by types of clothes, cities, countries, sizes and colours is a useful tool in determining the shapes of future collections.

Internet and social media

we want to be present on the most important fashion blogs. All our brands have dedicated profiles on Facebook, YouTube and Instagram and TikTok.

Star collections

designed by international or local celebrities. In 2019/20 Reserved collections were advertised by Kendall Jenner (top model and global influencer).

Sponsporship

brands take part in projects that could increase their recognition (eg. fashion fairs, artistic projects, Cropp Baltic Games).

Fashion influencers

we promote our clothes by co-operating with fashion influencers who show our collections on their social media.

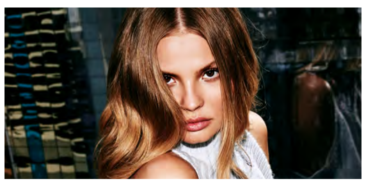
LPP's selected fashion campaigns

SS08
Star collection with
Paprocki & Brzozowski

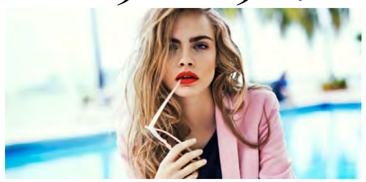
AW08/09
Star collection with
Gosia Baczyńska

AW10/11

Anna Jagodzińska
Karmen Pedaru

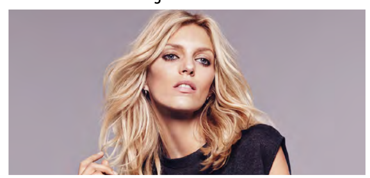
SS11/AW11/12

Magdalena Frąckowiak
Sasha Pivovarowa

SS12/AW12/13
Anna Vialicyna
Julia Stegner

SS13/AW13/14

Cara Delevingne
Freja Beha Erichsen

SS14
Frida Gustavsson

AW14/15

Georgia May Jagger
Anja Rubik


SS15
Georgia May Jagger
star collection
Elizabeth Jagger
Jerry Hall
Brooklyn Beckham

AW15/16
Georgia May Jagger
Zuzanna Bijoch


SS16/AW16/17
Anna Jagodzińska
Magdalena Frąckowiak

AW17/18

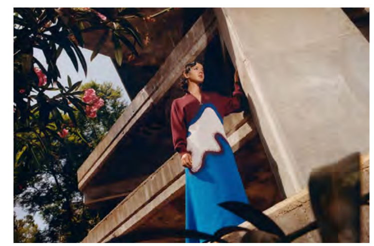
Kate Moss
Irina Shayk

SS18/AW18/19

Cindy Crawford
Joanna Kulig

AW19/20

Kendall Jenner

AW21/22
Monika Brodka


Marketing changes along with our customers

Cropp x Kinga Sawczuk i Antonina Flak

AW21/22

The campaign features two top Polish influencers – Kinga Sawczuk @kompleksiaraxx and Antonina Flak @samosiaa_yt.

Athleisure Reserved x Kubota

SS22

Reserved and Kubota joined forces and presented a joint, unique collection that evokes nostalgic memories of the 1990s, when both brands were launched.

Magda Mołek x Reserved

AW22/23

Reserved invited Magda Mołek, a journalist and Youtuber, to work on a capsule collection together. The collection was created with the pre-Christmas, Christmas and carnival season in mind.

Blanca Miró x Reserved

AW22/23

Cooperation with a Spanish fashion influencer, recognizable on Western European markets.

Bell x Sinsay

SS22

In cooperation with the Polish cosmetics company Bell, Sinsay created a collection that brings back the style of the 2000s in a modern version.

6. Business model

Below we present an in-depth description of our business model and details on how our financial results are generated. Please note that three important changes took place in the way we present our financials. The first one encompassed a change in our fiscal year which moved away from calendar year. 2019/20 was the only 13-month-long year in our history. Data shown from 2020/21 include 12-months of audited financials. The second change encompassed introduction of IFRS16 from January 1, 2019, which replaced IAS17. As a result, majority of our operating leases were reclasified into finance leases. The third one encompassed divesting the Russian operations following the Russian invasion on Ukraine.

Fiscal year 2019/20 was the only 13-month-long year.	2020/21 and 2021/22 fiscal year were 12-month-long.	In 2022/23 disposal of the Russian business.
↓	↓	↓
It encompassed the period from the beginning of January 2019 till the end of January 2020.	We present 12-month-long data for 2018/19 and 2019/20 for comparison purposes.	In 2Q22/23 Russian operations are treated as discontinued operations as a result data for 2021/22 has been restated.

Disposal of the Russian subsidary

THE SALE AGREEMENT INCLUDES, AMONG OTHERS

- sale of Russian stores
- sale of goods in stores in Russia

the buyer's inability to use LPP brand names and trade-marks both in offline and online stores (logos in stores have been changed);

recovery by LPP of receivables from inventories in Russia (regular repayment along with the liquidation of the goods).

01.2022	Growing risk of Russia's attack on Ukraine
02.2022	Russia's invasion on Ukraine
03.2022	Decision to suspend operations in Russia - closing all stores in this country
04.2022	Decision to sell LPP's business in Russia
05.2022	Agreement for the sale of shares in the Russian subsidiary Re Trading to an investor from Asia
06.2022	Commencement of the liquidation process of LLC RE Development (the second Russian company)
06.2022	Finalisation of transaction and loss of control over Re Trading
from 07.2022	Gradual flow of receivables for go-ods from stores in Russia

6.1. Revenues

The revenues we generate are made up of two parts: the retail and the wholesale one. The retail portion is generated in our stores and e-stores. The wholesale part is made up of sales to franchisees and sale of promotional clothing. The retail part of our revenues continues to grow strongly not only due to tradional stores but also e-commerce development. Below we present the retail line split into: store revenues and e-commerce.

6.1.1. Store revenues

Store revenues encompass revenues of our five brands: Sinsay, Reserved, Cropp, House and Mohito. The scale of store revenues depends on: (1) the scale of the retail network and (2) average sales per m² recorded.

NETWORK SIZE

The network size is a derivate of number of stores and their average floorspace. For forecasting purposes the scale of the network is better to be looked at from the perspective of square meters of floorspace than number of stores, as the square meters decide on the level of selected costs of stores. The network size is generated by multiplying the number of stores by average store size. We look at our floorspace through the perspective of brands possessed, as these differ in terms of store size. The network of Reserved and Sinsay dominate in terms of scale. Over the past years, the average store size has been expanding, accommodating for growing number of items within collections. We believe such a situation is going to continue, as we need larger stores to accomodate for more elaborate collections and to support omnichannel implementation (larger stores have more room to accomodate goods which can be shipped directly from them to e-commerce customers).

GROUP REVENUES

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2022/23
Revenues (PLN m)	**4,116**	**4,769**	**5,130**	**6,019**	**7,029**	**8,047**	**8,756**	**9,899**	**7,848**	**14,030**	**11,339**	**15,927**
YoY growth	*28%*	*16%*	*8%*	*17%*	*17%*	*14%*	-	*13%*	*-21%*	*79%*	*44%*	*40%*
Revenues/ m² monthly (PLN)	**664**	**589**	**536**	**575**	**628**	**662**	**657**	**671**	**500**	**715**	**758**	**869**
YoY growth	*-2%*	*-11%*	*-9%*	*7%*	*9%*	*5%*	-	*2%*	*-25%*	*43%*	*52%*	*15%*
Store revenues	3,921	4,560	4,937	5,703	6,571	7,235	7,776	8,569	5,531	9,977	7,587	11,328
YoY growth	*28%*	*16%*	*8%*	*16%*	*15%*	*10%*	-	*10%*	*-35%*	*80%*	*37%*	*49%*
E-commerce	27	65	79	173	361	712	802	1,174	2,229	3,961	3,681	4,392
YoY growth	*343%*	*143%*	*22%*	*118%*	*108%*	*97%*	-	*46%*	*90%*	*78%*	*65%*	*19%*
Wholesale revenues	169	145	114	143	97	100	178	156	88	92	72	207
YoY growth	*3%*	*-14%*	*-22%*	*26%*	*-32%*	*2%*	-	*-12%*	*-43%*	*4%*	*-18%*	*188%*

The development targets of brands are set at the country level. Such an approach allows to judge further expansion potential. Naturally, the lower the number of stores and the higher the affluence of customers, the more abundant the growth perspectives are within selected towns, cities and countries. We do not set ourselves saturation targets, however see more expansion opportunities on the new markets entered. We concentrate on store quality not quantity.

SALES PER SQM

Sales per square meter are best calculated on average floorspace and looked at on an average monthly basis. This indicator shows the average performance of all LPP's stores opened in the reporting period, both the mature and the new ones. Typically, it takes a new store up to 36 months to mature and start generating target turnover levels of a mature store. Due to stronger brand awareness maturity is easier to reach domestically than abroad. In times of fast floorspace expansion, the sales per sqm ratio may be falling. Then, the performance of the network is judged by LFLs (like-for-like, same store sales).

LFLs are the key indicator of our traditional store business' success. We measure these at stores that have been the same as a year before (i.e. have not changed their floorspace, have not undergone upgrades) and have been in operation for the past 12 months (without a break longer than 7 days). Calculations are conducted in local currencies, i.e. without taking into account changes in currencies in countries in which LPP's stores are run. LFLs are dependent on many factors, both internal and external ones. Internal factors include: the quality of collections and the degree to which these suit the customers' tastes, the pricing policy and price to quality ratio but also the proximity of other stores in the neighbourhood (cannibalization) and the amount of customers switching to internet purchases. External factors include traffic to shopping centres and stores, average ticket sales, number of pieces purchased by customers.

We actively work on LFLs levels. The actions that we undertake include: (1) increasing the number of types of items within collections, (2) working to have the must-haves in the stores, (3) constantly upgrading the quality of floorspace (new store concepts), (4) investing in technology, and (5) conducting well-thought promotions.

6.1.2. E-commerce

A fast growing part of our operations is the e-commerce business. This is related to: (1) the number of brands in e-commerce, (2) the number of countries where we offer internet purchases, (3) the quality of our e-stores and as well as mobile applications, (4) time of delivery and (5) payment modes. We are in the process of introducing omnichannel which supports both our store and online operations. This has been streghened by the pandemics.

6.1.3. Wholesale

Our revenues not only comprise of retail but also from wholesale. The two most important sources of wholesale revenues are: (1) franchise revenues – sales to our Middle East franchisees; from 2017 this number also encompasses sales to Belarus (only until end of 2019/20, we replaced franchised stores with own ones) and from 2018 Israel and (2) Promostars – offer for business customers with promotional clothes (includes T-shirts, sweaters, trousers, jackets, hats etc). The latter has been separated to a different entity, as its operations substantially differed from other our businesses.

GROUP LFLS

	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2022/23
LFLs	5.6%	-2.5%	0.6%	6.4%	10.1%	7.2%	7.8%	3.6%	-38,0%	55.8%	17.0%

6.2. Gross profit on sales margin

Gross profit is the amount of money that remains in the company after taking into account the costs of goods sold. These include production costs, customs duties and shipping the goods to our distribution centres. Also, since 2017 the line includes inventory write-offs.

The largest cost is the cost of suppliers. We do not own factories and thus look for the most attractive sources of clothes and accessories among third parties. Such an approach gives us flexibility to react to changing macroeconomic conditions and lowers cash outlflows (no construction capex needed). China has been our most important supplier since the company's inception. However, we have not produced in the same place over the years. Our office in Shanghai, supervising the production, is constantly on the lookout for new suppliers or better offers, taking the growing production quantities into account. Over the past years, we have been diversifying our production sourcing into other Far East countries. In 2021/22 Bangladesh sourcing exceeded this from China. The key reason is growing prices in China and its orientation on more sophisticated and value added production (e.g. we do not source simple T-shirts from China). Other countries that we produce in are: Cambodia, Myanmar, Pakistan, India. Overall, the Far East constituted c. 90% of our supplies. The rest is almost entirely split between Turkey and Poland.

The production countries are important as some of them bear exports duties on textiles, aimed at protecting the EU markets. The customs duty reaches 12% from China and almost 10% from Vietnam, India and Indonesia. There are none relating to Bangladesh. Details can be found in the table below. Once manufactured, goods are transported to our distribution centres. Please note that customs duties are also important while selling goods abroad, e.g. to Ukraine.

The geographical divergence exposes us not only to customs duties but also to FX risks. The purchases from the Far East are denominated in US$ mostly, while our revenues are linked to zloty and euro in majority. We do not hedge the purchases and try to include any changes in PLN/US$ in prices for the end customers. Appreciation of zloty to US$ is thus favourable for us and we can split the benefit with our customers. However, depreciation of zloty versus US$ increases our costs of purchase and we try to at least partially transfer this additional cost onto the end customer.

Due to the lead time from the Far East, the PLN/US$ exchange rate lagged by two quarters is a good proxy of our gross profit margin trends. That is because prices of goods sourced in the Far East are set up while ordering them based on our FX rates forecasts. Price tags are printed in the Far East. Thus, changing price tags requires manual re-labelling of all the goods affected. That is conducted only in rare cases of strong currency movements in our distribution centre.

Although historically, the costs of freight have not been a sizeable component of the gross profit margin, their importance is on the rise. We have started experiencing sizeable growth in freight costs as well as their availability since 2Q21/22, followed by disturbances in supply chains from Asia.

The gross profit margin is affected not only by the US$/PLN relationship, but also by competitive pressure (the decisions of competitors), the affluence of customers and their propensity to consume, by the collections (whether or not they meet the needs of the customers) as well as a growing share of Sinsay in revenues (the brand bears lower margins than other brands).

The gross profit margin varies between calendar quarters. We used to have high margins in the second and the fourth quarter when we sell our collections in full prices. That has now changed with the shifted fiscal year. In 2H16 we introduced a new inventory management policy. As a result, we tend to minimise the number and scale of sell-offs after the arrival of new collections, but tend to maximise the amount

2022/23 CUSTOMS DUTIES BY COUNTRIES

Bangladesh	0%
Cambodia	0%
China	12%
India	9.6%
Indonesia	9.6%

Myanmar	0%
Pakistan	0%
Thailand	12%
Vietnam	10%
Turkey	0%

of goods sold during the sell-off months. Post-season inventory is sold to third parties and does not return to our stores. In December 2016 we sold off obsolete inventory to improve our cash flows and lower inventory levels. Without this transaction, 2016 gross profit margin would come in at 50.8%. In 2017 our gross profit margin increased to 53.0% along with successful Reserved brand restructuring, while in 2018 it reached the level of 54.7%. In 2019/20 gross profit margin came in at 52.0%, down 0.9 pp. YoY. Decrease in gross margin despite good acceptance of the SS19 and AW19 collections, was due to negative impact of weather in May and December 2019, high US$ as well as a higher Sinsay share in revenues (gross margin lower than at other brands). 2020/21 gross profit margin has been affected by pandemics, while in 2021/22 we have recorded sizeable gross profit margin growth due to, among others, delayed demand and favourable purchase prices.

2022/23 gross profit margin decreased YoY due to the incapacity to sell goods in Russia and limited sales in Ukraine (markets with relatively higher trade margins). Having already purchased collections, the Group had to organize larger Spring/Summer promotion actions for all brands. This action affected the gross margin on sales, which, in 2022/23, reached 51.1%, i.e. 6.2 pp. lower than a year ago (on continuing operations). Additionally, the decrease in the gross margin YoY was affected by a larger share of the Sinsay brand diluting the margin, higher freight costs (in 1H) and the high 2021/22 base.

For analytical purposes, apart from percentage margin, the gross profit should also be looked at in nominal per square meter level. This ratio is superior to sales per square meter as it takes also the pricing and discount policy into account.

GROSS PROFIT MARGIN

	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2021/22 restated PFSA	2022/23	2022/23 restated PFSA
Gross profit (PLN m)	2,409	2,793	2,743	2,934	3,727	4,401	4,628	5,146	4,084	8,107	6,491	6,491	8,131	8,013
YoY growth	*31.9%*	*15.9%*	*-1.8%*	*7.0%*	*27.0%*	*18.1%*	-	*11.2%*	*-20.6%*	*98.5%*	*58.9%*	*58.9%*	*25.3%*	*23.5%*
Gross profit/ m² monthly (PLN)	405	356	293	280	333	358	347	349	260	413	434	434	442	437
YoY growth	*0%*	*-12%*	*-18%*	*-4%*	*19%*	*8%*	-	*0%*	*-26%*	*58.5%*	*66.9%*	*66.9%*	*-18.5%*	*0.7%*
Gross profit margin	*58.5%*	*58.6%*	*53.5%*	*48.7%*	*53.0%*	*54.7%*	*52.9%*	*52.0%*	*52.0%*	*57.8%*	*57.2%*	*57.2%*	*51.1%*	*50.3%*
USD/PLN average rate	3.16	3.15	3.77	3.94	3.78	3.61	3.62	3.84	3.89	3.89	3.89	3.89	4.49	4.49

PFSA - the Polish Financial Supervision Authority

In connection with the PFSA's recommendation, a change took place with regard to write-offs related to: (1) tangible fixed assets in Russia, (2) tangible fixed assets in Ukraine, (3) inventories in Ukrainian stores. The amount of write-offs does not change, but the timing of their recognition. Due to the PFSA recommendation, the figures for 2021/22 and 2022/23 have been restated.

6.3. SG&A costs

Apart from COGS our costs also comprise of SG&A costs (selling and general administration costs). However, we believe that our business model is easier to understand if we split the operating costs into costs of stores and costs of headquarters. For managerial purposes we look at costs at the per sqm basis and suggest a similar approach while analysing and forecasting our results. We are constantly working on improving the SG&A/ m² ratio on a monthly basis. These have reached PLN 293 in 2013 and PLN 368 in 2022/23, due to inflation and growing salaries. For years costs of stores dominate over costs of headquarters, while in 2022/23 SG&A costs were divided into 50% costs of stores and 50% of HQ.

One of the characteristics of our business is a high operating leverage. 39% of our SG&A costs are variable while as much as 61% are fixed (IAS17), i.e. this portion of operating costs does not change along with changes in revenues. The high operating leverage is favourable for us in moments of positive LFLs and growing sales, as the positive effect on EBIT is more than proportional. However, in times of slowdown and falling LFLs the operating leverage is working against us, requiring cost reductions to maintain EBIT levels. Still, due to growing share of online in our revenues we gradually switch from SG&A/ m² approach to calculating SG&A as percentage of revenues. It is our ambitious aim to keep this ratio around 40% in the future.

COSTS OF STORES (under IAS17) comprise of two elements: costs of own stores and costs of franchise stores. Costs of franchise stores are constituted by the proportion of turnover that is paid by us to franchisees to cover for their costs. Costs of own stores are best looked at per sqm per month basis. The costs of own stores can be divided into three parts: rental costs, HR costs and other costs of own stores.

RENTAL COSTS (34% in 2022/23 costs of own stores) are typically denominated in EUR (87%), however other currencies also appear: 4% in PLN and 9% in other

SG&A COSTS

								IFRS16				
PLN m	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2018/19**	**2019/20 (13M)**	**2020/21**	**2021/22**	**2021/22 restated**	**2022/23**
SG&A costs (PLN m)	1,759	2,148	2,192	2,609	3,100	3,532	3,822	4,213	3,848	5,961	5,058	6,702
YoY growth	*29%*	*22%*	*2%*	*19%*	*19%*	*14%*	-	*10%*	*-2%*	*55%*	*31%*	*33%*
SG&A/ m² monthly (PLN)	296	274	234	237	280	291	287	289	247	305	341	368
YoY growth	*-1%*	*-8%*	*-14%*	*1%*	*11%*	*4%*	-	*1%*	*-15%*	*23%*	*38%*	*8%*
% of sales	*43%*	*45%*	*43%*	*43%*	*44%*	*44%*	*44%*	*43%*	*42%*	*42%*	*45%*	*42%*
Costs of stores (PLN m)	1,423	1,731	1,780	2,080	2,377	2,555	2,751	2,959	2,355	3,158	2,503	3,371
YoY growth	*32%*	*22%*	*2%*	*17%*	*14%*	*7%*	-	*8%*	*25%*	*34%*	*6%*	*35%*
Costs of headquarters (PLN m)	336	417	411	528	723	977	1,071	1,254	1,492	2,803	2,555	3,331
YoY growth	*17%*	*24%*	*2%*	*28%*	*37%*	*35%*	-	*17%*	*-14%*	*88%*	*71%*	*30%*

currencies. The rental formulas tend to be complex and include a fixed and a floating element. The contracts we sign tend to have a fixed floor value which is paid until a certain level of store revenue is reached. Once the stipulated threshold is crossed, a certain percentage of turnover is paid to the landlord. As a result, we share to a larger extent with our landlord in times of economic prosperity, yet we have to cope with fixed cost in times of slowdown. We continuously work on more favourable rental levels, both domestically and abroad. This became especially important to us during the COVID-19 pandemics.

HR COSTS (33% in 2022/23 costs of own stores) are costs of employees working in our stores, both domestically and abroad. We try to optimize the working hours and number of employees per store. Although this differs from brand to brand (large Reserved and Sinsay stores versus medium size of other brands) on average there are 12.6 people per store. Their remuneration consists of a fixed and a variable portion (depending on the revenues of the store). We often recruit students to our stores for whom this is the first job.

OTHER COSTS OF STORES (33% in 2022/23) include many items like costs of media and electricity, security of the stores, materials (security clips, labels RFID, hungers), payment card commission, depreciation (the largest part - half of the whole amount). Capex for the stores is depreciated over a 7-year period.

COSTS OF HEADQUARTERS are all other costs not related directly to costs of stores. These include the costs of the management, accounting department, marketing, designing clothes and supervision over their production as well as e-commerce and logistics, i.e. the cost of shipping the goods from the distribution centres to stores.

Please note that our approach to HR has changed over the years. While showing the number of group employees, we take into account: 1) employees of the Gdańsk headquarters, Pruszcz Gdański Distribution Centre and Cracow and Warsaw offices, 2) employees of our foreign subsidiaries (foreign offices including Shanghai and foreign stores personnel) and 3) the personnel of Polish stores. Until the end of 2016, the personnel of Polish stores was not treated as our employees in financial statements, as these people were not directly employed by us. Within LPP's operating cost structure, costs of employees could be found under HR costs line, while costs of personnel in Polish stores constituted part of third party services. This changed in 2017 - from this year, store personnel are our employees and their cost is treated as personnel cost. 2018 has been an exceptional year in terms of number of employees, as this has fallen in nominal terms. There are two key reasons: (1) transfer of part of responsibilities of employees to third party companies in search of efficiency, and (2) partial ban on trade on Sundays in Poland which allowed us to alter the working schedules. It remained relatively stable YoY in 2019/20, as we optimised our store network. Due to further expansion, we experienced YoY growth in HQs costs.

Group's HR costs also include the costs of stock option programs for the management. These are based on shares and aim to align the goals of shareholders (growth in value) with the goals of the management. There have been several of these since LPP's inception. Cost of stock option programme recognition has been minimal over the past years compared to the level of earnings recorded.

EMPLOYESS DATA

	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2022/23
No. of group employees	15,854	19,970	21,563	25,106	25,635	25,174	24,588	24,447	21,977	31,808	29,930
Employees in Poland	10,515	12,767	13,894	16,239	14,736	14,294	13,827	14,061	11,578	15,144	16,686
- office & warehouse	1,651	2,039	2,200	2,708	3,320	3,347	3,414	3,776	3,486	3,101	4,363
- stores	8,864	10,728	11,694	13,531	11,416	10,947	10,413	10,285	8,092	12,043	12,323
Employees abroad	5,339	7,203	7,669	8,867	10,899	10,880	10,761	10,386	10,399	16,664	13,244
- office	383	455	454	486	539	501	550	625	714	1,263	812
- stores	4,956	6,748	7,215	8,381	10,360	10,379	10,211	9,761	9,685	15,401	12,432

6.4. EBIT

EBIT is generated by the difference between gross profit per sqm and SG&A costs per sqm. Thus, maximization of this amount is our key focus. We do it by: 1) aiming to maximize gross profit on sales per sqm and 2) minimizing costs per sqm.

However, the operating profit also needs to be adjusted for the other operating line, which has been and is going to remain a negative contributor. The key reason behind the negative result are the inventory losses (thefts and damages of goods in the stores). Until 2017 annual numbers, the other operating line included write-offs for unsold inventory, yet these have been moved to the gross profit line.

6.5. Net financials line

There are two key elements influencing the net financials line, interest paid on debt, interest obtained on cash held and foreign exchange differences. Since 2019 the line also includes IFRS16 lease interest payments.

EBIT

								IFRS16						
	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2021 restated PFSA	2022/23	2022 restated PFSA
EBIT (PLN m)	**616**	**609**	**503**	**226**	**578**	**757**	**688**	**806**	**153**	**1,479**	**1,128**	**1,403**	**1,460**	**1,184**
YoY growth	*35%*	*-1%*	*-17%*	*-55%*	*155%*	*31%*	-	*17%*	*-83%*	*866%*	*637%*	*817%*	*29%*	*-16%*
EBIT margin	*15%*	*13%*	*10%*	*4%*	*8%*	*9%*	*8%*	*8%*	*2%*	*11%*	*10%*	*12%*	*9%*	*7%*

6.5.1. Interest payments

The interest payments are a consequence of the level of debt and net interest payments depend on the scale of net debt. Over the past years we have used different sources of funding, including bank loans as well as convertible bonds. Currently, bank loans are used yet to a lower extent, while at the end of 2019/20 we issued PLN 300m worth corporate bonds. The level of short-term debt, used to finance ongoing operations, the long-term indebtedness largely consists of loans taken to finance distribution centre and headquarters expansion. Financial costs line also includes provisions and fees for the banks as well as finance lease charges from January, 1 2019 along with IFRS16 application.

6.5.2. FX differences

We calculate FX differences at each balance sheet date, i.e. their level changes every quarter. There are two areas of FX differences in our net financial line: (1) FX differences resulting from balance sheet items (mostly liabilities which constitute payments for goods ordered) and (2) receivables from subsidiaries to be paid to the parent company (a way of financing foreign subsidiaries). Historically, we did not hedge, yet we changed our approach from 2H17.

Over the past years we have taken steps to reduce this exposure. Firstly, in 2Q14 we converted the Russian rubble denominated receivables into the equity of our subsidiary. The aim was to lower the scale of volatility the depreciation of Russian rubble would have on the group's earnings in the following years. The aim has been achieved. However, we point out that historically when we faced negative equity at selected foreign subsidiaries (e.g. Hungary, Romania, Czech Republic) receivables from them had been converted into equity.

Secondly, we decided to lower the scale of receivables along with our foreign subsidiaries growing in scale and strength. Thirdly, since 2H17 we introduced hedging of invoices from our suppliers. This lowered the variability of the net financials line. We hedge the invoice value the moment it is sent to us by our supplier. We use delivery forwards. As the transactions do not constitute hedge accounting, the impact is visible in the net financials line only.

The situation changed in 2019/20 along with introduction of IFRS16. As the majority of our rental agreements and thus liabilities are in foreign currencies, we have a sizeable FX exposure due to translation risk. This sizeable liability is recalculated to PLN at each balance sheet date resulting in a large scale of FX gains or losses.

NET FINANCIALS

								IFRS16				
	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2022/23
Net financials (PLN m)	**-92**	**-149**	**-88**	**-32**	**-15**	**-33**	**-31**	**-140**	**-270**	**-247**	**-190**	**-97**
Financial income	2	3	2	1	5	8	9	11	72	26	26	127
Financial costs	94	152	90	34	20	41	41	151	341	273	216	224

6.6. Taxes

Taxes in the income statement consist of current and deferred taxation. Current taxation is the amount of income taxes payable for the period. It consists of sum of taxes paid by all the subsidiaries of LPP group. It is important to note that the tax bases are not cumulated and tax is paid in each of the countries present. Thus, a loss in one country does not offset income earned in another country.

Deferred taxation is an accounting adjustment aimed to match the tax effect of transactions to the relevant accounting period. Thus, deferred taxes line estimates future tax consequences of transactions and events recognised in the financial statements of current and previous periods. We have both permanent and temporary differences between the accounting and tax treatment. Permanent differences result from some types of the costs not being allowed by tax office (e.g. entertainment, penalties and fines) and temporary ones (different methods of depreciation of assets for the purpose of financial statements and tax accounting).

However, it should be noted that there are differences between the tax in financial statements and tax paid (visible in cash flow). They key reason is the simplified method of taxes paid, chosen by us in 2005. The normal tax advances method requires calculation of advances based on monthly earnings. The simplified method allows to pay monthly advances based on T-2 audited earnings and an equal monthly instalment is paid each month. The difference is then corrected in March next year and paid to the tax office.

2022/23 TAX RATES BY COUNTRIES

Poland	19%
Czech Rep.	19%
Slovakia	21%
Hungary	9%
Croatia	18%
Lithuania	15%
Latvia	0%
Estonia	0%
Russia	20%
Serbia	15%
Ukraine	18%
Bulgaria	10%
Romania	16%
Cyprus	2,5%
Germany	32%
UK	16%
Slovenia	15%
Kazakhstan	20%
Finland	20%
B&H	10%
Belarus	18%

TAXES

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2021/22 restated PFSA	2022/23	2022/23 restated PFSA
Taxes	**91**	**-22**	**63**	**19**	**123**	**219**	**214**	**244**	**74**	**278**	**212**	**212**	**219**	**219**
Current taxation	97	95	56	27	135	231	235	212	121	518	447	447	248	248
Deferred taxation	-6	-117	7	-7	-12	-12	-21	32	-47	-240	-235	-235	-30	-30
Effective tax rate	*17%*	*-5%*	*15%*	*10%*	*22%*	*30%*	*33%*	*37%*	*-63%*	*23%*	*23%*	*18%*	*16%*	*20%*

6.7. Net profit

The level of net profit is a derivative of all the actions described above. On top, historically we recorded a small level of minorities which had to be taken out from the group net income. This resulted from the parent company not having a 100% stake in some small subsidiaries.

NET INCOME

								IFRS16						
	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2021/22 restated PFSA	2022/23	2022/23 restated PFSA
Total net income	**431**	**480**	**351**	**175**	**441**	**505**	**442**	**421**	**-190**	**954**	**954**	**1,562**	**1,094**	**485**
Result from discontinued operations	0	0	0	0	0	0	0	0	0	0	228	561	-51	-384
Net income on continuing operations (PLN m)	431	480	351	175	441	505	442	421	-190	954	725	1,001	1,144	869
YoY growth	*22%*	*11%*	*-27%*	*-50%*	*152%*	*15%*	*-*	*-5%*	*N/M*	*N/M*	*N/M*	*N/M*	*58%*	*-13%*
Net margin on continuing operations	*10%*	*10%*	*7%*	*3%*	*6%*	*6%*	*5%*	*4%*	*-2%*	*7%*	*6%*	*9%*	*7%*	*5%*

6.8. Cash cycle

The net working capital and the cash conversion cycle are important cash flow elements that show the performance and characteristics of our business model.

Net working capital is defined as trade receivables plus inventories minus trade liabilities. Once these are translated into days, the formula defines a cash conversion cycle. Please note that in calculations we use a 365 day year and average values of inventory, receivables and liabilities. Due to a long lead time of production in the Far East, the net working capital used to take away from our operating cash flows. This was because we sold the inventory slower than we paid our liabilities. This has changed since 2016 when we started introducing supply chain financing, which has been growing YoY.

Trade receivables include receivables from our clients. As a vast majority of our clients are retail customers, the related receivables turnover is very short, ranging up to 2 days maximum if credit card not cash is used as a payment mode. However, the trade receivables line also includes receivables related to the wholesale business. These are responsible for the receivables days ratio ranging below 10 days. As we do not use pre-payments while ordering goods from the Far East, these do not affect the trade receivables line.

Inventory consists of three elements: (1) goods in transit – from factories to the final port (FOB, i.e. Free on Board, method used), (2) goods in the warehouse, (3) goods in stores. The nominal level of inventory has been growing and may continue to do so. This results from ongoing network expansion – each new store increases the demand for working capital as more goods need to be ordered. Thus, it is more practical to look at inventory from a per square meter perspective, though at the end of 2022/23 of revenues came from online. For analysis we use end-of-period group floorspace with exception of the ME and Belarus franchise stores (Belarus until the end of 2019/20). This ratio has been relatively stable in the past though appreciating US$ versus zloty puts a pressure on working capital and increases the value of inventory held and inventory ratios. Over the past years inventory days have oscillated around 150 days. That is however now also changing (now inventory day comes in 169 days) as fast growing internet operations are blurring the per sqm picture.

The level of liabilities depends on Far East purchases. We rarely use letter of credits or bank transfers now and mostly concentrate on supply chain financing. Goods are ordered 3-4 months in advance of their shipment and the latter takes up to 30-40 days to Poland. Our liabilities cycle grew from below 100 days to over some 193 days.

Please also note that the cash cycle ratio underwent changes between 2016-18. At the end of 2016 we disposed off obsolete inventory which improved the inventory days. We have also started implementing the supplier financing programme which expanded in 2017 and we continue to use this financial instrument. We have expanded our trade liabilities period by using supply chain financing and offering our suppliers the possibility to discount their invoices at the banking platform with the use of LPP's discount rate. We have reached our aim to finance inventory with trade liabilities.

CASH CYCLE

	2013	2014	2015	2016	2017	2018	2018/19	IFRS16 2019/20 (13M)	IFRS16 2020/21	2021/22	2021/22 restated PFSA	2022/23	2022/23 restated PFSA
Net working capital (PLN m)	**421**	**538**	**713**	**448**	**350**	**155**	**-27**	**-36**	**-605**	**-958**	**-840**	**1,133**	**1,133**
Receivables	163	177	115	165	200	122	104	144	158	246	246	944	944
Inventory	805	979	1,320	1,164	1,473	1,590	1,210	1,921	2,074	3,864	3,982	3,353	3,353
Liabilities	548	619	721	881	1,323	1,557	1,341	2,101	2,837	5,068	5,068	3,164	3,164

	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2021/22 restated PFSA	2022/23	2022/23 restated PFSA
Cash cycle (days)	**60**	**70**	**84**	**61**	**33**	**16**	**11**	**-1**	**-34**	**-56**	**-63**	**-10**	**-7**
Receivables (days)	13	13	10	9	9	7	7	5	7	5	7	14	14
Inventory (days)	156	165	176	147	145	153	129	146	194	183	228	169	169
Liabilities (days)	110	108	102	95	122	144	125	152	235	244	298	193	190

Note: In calculations we use a 365 da

Supply chain finance - SCF (Supplier Financing Programme)

BENEFITS FOR LPP

- Extended payment periods on invoices for goods purchased.
- Net working capital and operating cash flows improvement.
- No cost for LPP – cost is included in discount rate used.

BANKING PLATFORM

BENEFITS FOR SUPPLIERS

- Possibility to discount invoices for LPP before the payment deadline (low discount rate based on LPP's standing).
- No impact on credit ability.
- Lower cost than banking debt.

PLN 1.5BN POSITIVE EFFECT AT THE END OF 2022/23

6.9. Capex

SPLIT OF CAPEX

Apart from net working capital, capex is our most important cash outflow. Capital expenditure incurred can be divided into three areas:

CAPEX ON STORES: Outlays include costs of setting up new stores in shopping malls, retail parks and high streets as well as costs of refurbishing and upgrades. The majority of outlays is conducted for new stores. Maintenance capex (understood as rebuilts and extentions) constitutes c. 10% of all store capex spending. Our capex spending is reduced by fit-outs from shopping mall developers. Our target capex is now close to PLN 3,700/ m² and may go up due to inflation in materials and services. It should also be noted that capex per sqm meter is calculated not on net additions (difference in end-of-period values) but on gross floorspace additions (not made public). In 2019/20 we incurred higher than historical level of store capex. This was not only related to larger network but also a sizeable portion of our store rental agreements expiring. We have decided to thoroughly renew these stores that are to remain.

CAPEX ON LOGISTICS: Historically, this capex line was oriented on the Pruszcz Gdański Distribution Centre. There were two waves of the outlays. The first when the new Distribution Centre was built. The second one, when the distribution centre was expanded (finished in 2Q15). Construction cost PLN 120m, while expansion PLN 177m. The DC was also expanded in 2019/20. We have decided to locate the next distribution centre in Brześć Kujawski, which is now operational. The construction lasted from March till November 2021, adding to capex PLN 240m.

OTHER CAPEX: The latter includes, among others, spending for refurbishing of headquarters and IT. E-commerce outlays are an increasingly important contributor to this line.

FIT-OUTS

Fits-outs are a form of compensation for investment in stores given to us by shopping mall operators and developers. In general these constitute a reduction of capex and should be looked at combined with the capex levels shown as outflow in the investing cash flow.

The treatment of fit-outs has changed over the years. Since 2019 recognition of fit-outs in the financial statements depends on whether rental expenses related to them are recognised under IFRS16 or not. If the rental agreement is recognised along with IFRS16, then the fit-out value lowers the right-of-use asset, which is then amortised in the lower value. If the rental agreement is not under IFRS16, then the whole value of fit-out lowers rental expenses in SG&A costs proportionally to the length of the agreement.

Still, a portion of fit-outs is booked as a cash inflow in the investing cash flow and comes back to us in cash. Historically the treatment of fit-outs was different. Until the end of 2014 this gain constituted part of other operating income. From 2015 the accounting treatment changed, and the gain was depreciated over the useful life of the store (7 years) and treated as a reduction in rentals. Another change took place in 2018 with the whole value of fit-out reducing the level of rentals, proportionally to the lenght of the agreement.

HEADQUARTERS

Our headquarters have not changed since the company's inception. These are located in Gdańsk at Łąkowa street. On top, we rent some additional floorspace in Gdańsk to accommodate all personnel. In Poland, we also have offices in Pruszcz Gdański, Cracow and Warsaw.

Our Gdańsk headquarters have been expanded and revitalised. The project was initiated mid-2013 while finalised in September 2015. The refurbished space includes a restaurant for employees as well as a fitness gym, showers and changing rooms for those commuting by bicycles.

Further expansion was needed and contrary to the old buildings, new ones are built from scratch on a nearby plot of land. The construction of first building was completed in 2021, while the others are under construction.

CAPEX

PLN m	2013	2014	2015	2016	2017	2018	2018/19	IFRS16 2019/20 (13M)	2020/21	2021/22	2021/22 restated	2022/23
Capex (PLN m)	542	551	491	272	442	799	932	1,004	825	1,325	960	1,157
Stores	455	386	392	230	376	489	620	729	622	912	547	736
Logistics	56	100	31	5	5	181	180	133	71	275	275	268
Other	30	65	67	37	61	129	132	142	132	138	138	153
YoY growth	88%	2%	-11%	-45%	62%	81%	-	8%	-13%	61%	16%	21%
% of sales	13%	12%	10%	5%	6%	10%	11%	10%	9%	9%	8%	7%

Infrastructure spending → Capex

PLN m	2023/24
Stores	800
Offices	50
Logistics	120
IT & Other	80
TOTAL	**1,050**

6.10. Net debt versus dividend

We use debt in financing our growth in order to: 1) speed-up our development, 2) increase ROE and 3) lower WACC (weighted average cost of capital). Short-term debt is used to finance net working capital charges and store openings. Long-term debt is related to longer tenure projects, mostly financing of distribution centre expansion and refurbishing of the headquarters and financing new store openings. Historically, debt was also used to acquire our competitor Artman. Currently, we use bank debt yet to a lower extent and do not have any corporate bonds outstanding. Our banking exposure is split into several large banks in Poland. Debt is taken at the parent company level (centralisation). Exemption is made for Ukraine subsidiary. Due to cash generation of the business in 2017 we have moved from net debt to net cash and we have doubled the net cash position in 2019/20 versus 2017 levels. From 2019/20 the net cash position changed into net debt due to application of IFRS16 instead of IAS17 accounting standard. Usage of debt and fast floorspace growth have not stopped us from dividend payments. The first dividend was paid from 2009 earnings in 2010.

Dividend per share has grown at a 2010-14 CAGR of 17%, picking up from PLN 50 to PLN 93.6. The external turbulences in 2014-16 have led us to the decision to cut the dividend payment in 2015 (DPS of PLN 32 from 2014 earnings) and in 2016 (DPS of PLN 33 from 2015 earnings). Since then dividends have been on the rise, reaching PLN 60 per share and PLN 110.1m from 2018 earnings, paid out in June 2019. No dividend was paid from 2019/20 earnings due to negative impact of COVID-19. PLN 834m dividend from retained earnings was approved by AGM in June 2021. The first of equal tranches was paid in July 2021. The second was paid in October 2021. We continued dividend payments in tranches in 2022 and 2023.

Annual General Meeting of Shareholders adopted Dividend Policy for the following years 2023/24-2025/26.

LPP's dividend policy goals are:
- ensuring shareholders' regular participation in net profit generated by the Company,
- effective management of the Group's capital,
- maintaining financial safety -the minimum equity/assets ratio 30% (without IFRS16).

Dividend payment amounting to:
- at least 50% of separate net profit from the preceding year,
- no more than 70% of the Group's consolidated net profit.

NET DEBT

	IAS17							IFRS16			
IAS17/IFRS16	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2022/23
Net debt (PLN m)	209	399	621	144	-316	-753	-841	2,459	2,906	3,796	4,849
Cash and equivalents	149	184	224	366	515	1,045	1,070	1,361	1,278	1,355	465
Long-term debt	184	204	284	195	142	89	84	463	485	439	845
Short-term debt	174	378	561	315	56	203	145	109	521	535	806
Finance leases								3,248	3,248	4,177	3,663
Net debt/ EBITDA (x)	0.3	0.5	0.9	0.3	-0.4	-0.7	-0.7	1.3	2.4	1.4	1.9
Dividends (PLN m)	154	170	58	60	66	73	73	110	-	834	649
YoY growth	*10%*	*10%*	*-66%*	*3%*	*9%*	*12%*	-	-	*N/M*	*N/M*	*-22%*

Note: Dividends are shown under the year paid.

6.11. Goodwill

The goodwill and trademark values recognized on our balance sheet relate to acquisitions of Artman SA (majority) and Slovak franchisee (Koba AS). As purchase of Artman SA in 2008 encompassed taking private a WSE-listed competitor, a controlling premium had to be offered to minority investors to de-list the target. Given the sizeable scale of cost synergies generated from acquisition of two additional brands (House and Mohito), the value allocated to goodwill and trademark has not changed over the years, even though an impairment test had been conducted annually. We do not see risk of write-offs in the foreseeable future. Should we cancel goodwill out, our tangible equity still remains sizably in the black.

GOODWILL

								IFRS16				
PLN m	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2021/22 restated PFSA**	**2022/23**
Intangible assets	20	29	37	44	64	90	93	126	136	144	144	186
Goodwill	184	210	210	210	210	210	210	210	183	183	183	183
Trademark	78	78	78	78	78	78	78	78	78	78	78	78
Equity	1,496	1,638	1,890	2,135	2,443	2,861	2,816	3,247	3,068	3,272	3,881	3,984
Tangible equity	1,215	1,323	1,565	1,804	2,092	2,484	2,436	2,834	2,671	2,867	3,475	3,538
Assets	2,492	2,934	3,565	3,678	4,207	5,381	7,906	9,606	10,354	14,135	14,744	12,921

Note: Dividends are shown under the year paid.

7. Financials

CONSOLIDATED INCOME STATEMENT

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2021/22 restated PFSA	2022/23	2022/23 restated PFSA
								IFRS16						
Revenues	4,116	4,769	5,130	6,019	7,029	8,047	8,756	9,899	7,848	14,030	11,339	11,339	15,927	15,927
COGS	1,707	1,977	2,388	3,085	3,302	3,645	4,128	4,754	3,764	5,922	4,848	4,848	7,796	7,913
Gross profit	**2,409**	**2,793**	**2,743**	**2,934**	**3,727**	**4,401**	**4,628**	**5,146**	**4,084**	**8,107**	**6,491**	**6,491**	**8,131**	**8,013**
SG&A costs	1,759	2,148	2,192	2,609	3,100	3,532	3,822	4,213	3,848	5,961	5,058	5,058	6,702	6,702
Other operating line	-34	-35	-48	-99	-42	-113	-118	-127	-83	-667	-305	-29	31	-126
EBIT	**616**	**609**	**503**	**226**	**578**	**757**	**688**	**806**	**153**	**1,479**	**1,128**	**1,403**	**1,460**	**1,184**
Net financials	-92	-149	-88	-32	-15	-33	-31	-140	-270	-247	-190	-190	-97	-97
Taxes	91	-22	63	19	123	219	214	244	74	278	212	212	219	219
Minorities	2	2	0	0	0	0	0	0	0	0	0	0	-2	-2
Net income on continuing operations	**431**	**480**	**351**	**175**	**441**	**505**	**442**	**421**	**-190**	**954**	**725**	**1,001**	**1,144**	**869**
Result from discontinued operations	0	0	0	0	0	0	0	0	0	0	228	561	-51	-384
Total net income	**431**	**480**	**351**	**175**	**441**	**505**	**442**	**421**	**-190**	**954**	**954**	**1,562**	**1,094**	**485**
Amortisation & depreciation	148	194	224	267	293	349	427	1,094	1,073	1,148	943	943	1,129	1,129
EBITDA	**764**	**803**	**726**	**494**	**872**	**1,106**	**1,115**	**1,899**	**1,171**	**2,627**	**2,072**	**2,347**	**2,589**	**2,314**

PFSA - the Polish Financial Supervision Authority

In connection with the PFSA's recommendation, a change took place with regard to write-offs related to: (1) tangible fixed assets in Russia, (2) tangible fixed assets in Ukraine, (3) inventories in Ukrainian stores. The amount of write-offs does not change, but the timing of their recognition. Due to the PFSA recommendation, the figures for 2021/22 and 2022/23 have been restated.

CONSOLIDATED INCOME STATEMENT, YOY DYNAMICS

								IFRS16						
PLN m	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2018/19**	**2019/20 (13M)**	**2020/21**	**2021/22**	**2021/22 restated**	**2021/22 restated PFSA**	**2022/23**	**2022/23 restated PFSA**
Revenues	28%	16%	8%	17%	17%	14%	-	13%	-21%	79%	44%	44%	40%	40%
COGS	22%	16%	21%	29%	7%	10%	-	15%	-21%	57%	29%	29%	61%	63%
Gross profit	**32%**	**16%**	**-2%**	**7%**	**27%**	**18%**	**-**	**11%**	**N/M**	**99%**	**59%**	**59%**	**25%**	**23%**
SG&A costs	29%	22%	2%	19%	19%	14%	-	10%	-2%	55%	31%	31%	33%	33%
Costs of sales	31%	21%	4%	20%	14%	11%	-	8%	-34%	701%	N/M	N/M	N/M	N/M
EBIT	**35%**	**-1%**	**-17%**	**-55%**	**155%**	**31%**	**-**	**17%**	**-83%**	**866%**	**637%**	**817%**	**29%**	**-16%**
Net financials	203%	63%	-41%	-63%	-54%	123%	-	347%	92%	-8%	N/M	N/M	N/M	N/M
Taxes	30%	-124%	-387%	-69%	537%	78%	-	14%	-70%	278%	189%	189%	3%	3%
Minorities	22%	22%	-100%	-	-	-	-	-	-	-	-	-	N/M	N/M
Net income on continuing operations	**22%**	**11%**	**-27%**	**-50%**	**152%**	**15%**	**-**	**-5%**	**N/M**	**N/M**	**N/M**	**N/M**	**58%**	**-13%**
Result from discontinued operations	0%	0%	0%	0%	0%	0%	-	0%	0%	0%	N/M	N/M	N/M	N/M
Net income	**22%**	**11%**	**-27%**	**-50%**	**152%**	**15%**	**-**	**-5%**	**N/M**	**N/M**	**N/M**	**N/M**	**15%**	**-69%**
Amortisation & depreciation	36%	31%	15%	20%	10%	19%	-	156%	-7%	13%	-12%	12%	20%	20%
EBITDA	**36%**	**5%**	**-10%**	**-32%**	**77%**	**27%**	**-**	**70%**	**-38%**	**124%**	**69%**	**91%**	**25%**	**-1%**

CONSOLIDATED BALANCE SHEET

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (IFRS16)	2020/21 (IFRS16)	2021/22 (IFRS16)	2021/22 restated PFSA (IFRS16)	2022/23 (IFRS16)
Non-current assets	**1,232**	**1,516**	**1,797**	**1,839**	**1,920**	**2,418**	**5,280**	**5,871**	**5,621**	**7,028**	**7,518**	**7,352**
Tangible fixed assets	897	1,039	1,259	1,291	1,348	1,818	1,821	2,312	2,440	2,760	3,251	3,336
Right-of-use assets	0	0	0	0	0	0	2,894	3,000	2,589	3,412	3,412	2,888
Intangible assets	20	29	37	44	64	90	93	126	136	144	144	186
Goodwill	184	210	210	210	210	210	210	210	183	183	183	183
Trademark	78	78	78	78	78	78	78	78	78	78	78	78
Other investments	10	2	2	0	0	0	0	0	0	0	0	0
Receivables and loans	13	6	6	6	5	8	8	8	14	19	19	8
Long-term receivables	0	0	0	0	0	0	0	0	0	0	0	315
Deferred tax assets	30	144	139	144	159	164	173	135	179	425	425	351
Pre-payments	0	9	67	67	57	51	4	2	2	6	6	8
Current assets	**1,260**	**1,417**	**1,768**	**1,839**	**2,287**	**2,963**	**2,627**	**3,735**	**4,733**	**7,108**	**7,225**	**5,569**
Inventory	805	979	1,320	1,164	1,473	1,590	1,210	1,921	2,074	3,864	3,982	3,353
Trade receivables	163	177	115	165	200	122	104	144	158	246	246	944
Receivables from income tax	17	11	47	75	6	0	1	8	103	34	34	8
Other receivables	97	46	35	0	0	0	0	0	0	0	0	50
Other non-financial assets	0	0	0	29	48	38	45	53	64	196	196	53
Pre-payments	16	20	27	38	44	33	26	37	32	49	49	79
Other financial assets	12	0	0	0	2	100	170	114	71	61	61	59
Deposits and investment funds	0	0	0	0	0	0	0	97	953	1,303	1,303	557
Cash and cash equivalents	149	184	224	366	515	1,045	1,070	1,361	1,278	1,355	1,355	465
Total assets	**2,492**	**2,934**	**3,565**	**3,678**	**4,207**	**5,381**	**7,906**	**9,606**	**10,354**	**14,135**	**14,744**	**12,921**

CONSOLIDATED BALANCE SHEET

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20	2020/21	2021/22	2021/22 restated PFSA	2022/23
								IFRS16				
Equity	**1,496**	**1,638**	**1,890**	**2,135**	**2,443**	**2,861**	**2,816**	**3,247**	**3,068**	**3,272**	**3,881**	**3,984**
Share capital	4	4	4	4	4	4	4	4	4	4	4	4
Treasury shares	-49	-43	-43	-43	-43	-43	-43	-41	0	0	0	0
Additional paid-in capital	235	235	235	251	278	279	279	285	364	364	364	364
Other capital	860	1,092	1,324	1,608	1,823	2,252	2,252	2,733	3,155	2,345	2,345	2,720
Foreign exchange differences from subsidiaries	-4	-184	-229	-115	-208	-232	-214	-163	-265	-205	-205	58
Retained earnings	447	532	599	430	590	601	539	430	-190	764	1,372	840
Profit (loss) from previous years	16	52	248	255	149	96	96	9	0	-190	-190	-254
Net profit (loss) for the current period	431	480	351	175	441	505	442	421	-190	954	1,562	1,094
Minority interest	3	3	0	0	0	0	0	0	0	0	0	-2
Long-term liabilities	**192**	**211**	**344**	**267**	**233**	**346**	**2,634**	**3,159**	**3,114**	**3,983**	**3,983**	**3,723**
Bank loans	184	204	284	195	142	89	84	171	191	144	144	538
Other financial liabilities	0	0	0	0	0	0	0	292	294	295	295	307
Finance lease (IFRS16)	0	0	0	0	0	0	2,439	2,568	2,524	3,428	3,428	2,760
Provisions for employee benefits	3	2	2	3	1	1	1	1	2	1	1	2
Provision for deferred income tax	5	5	7	4	7	1	0	0	0	1	1	2
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Accruals	0	0	51	66	83	256	109	127	104	114	114	114
Short-term liabilities	**803**	**1,085**	**1,331**	**1,276**	**1,530**	**2,174**	**2,456**	**3,199**	**4,171**	**6,880**	**6,880**	**5,214**
Trade and other liabilities	548	619	721	881	1,323	1,557	1,341	2,101	2,837	5,068	5,068	3,164
Income tax liabilities	38	38	3	7	53	234	236	174	68	311	311	155
Bank loans	174	378	561	315	56	203	145	109	521	535	535	806
Other financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Finance lease (IFRS16)	0	0	0	0	0	0	566	680	654	749	749	902
Provisions	25	20	18	38	54	107	132	90	35	160	160	153
Special funds	0	0	0	0	0	0	0	0	0	0	0	0
Accruals	19	29	28	34	44	72	36	45	56	57	57	33
Total liabilities	**2,492**	**2,934**	**3,565**	**3,678**	**4,207**	**5,381**	**7,906**	**9,606**	**10,354**	**14,135**	**14,744**	**12,921**

CONSOLIDATED CASH FLOW STATEMENT

								IFRS16						
PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2021/22 restated	2021/22 restated PFSA	2022/23	2022/23 restated PFSA
Pre-tax profit (loss)	**524**	**460**	**414**	**194**	**564**	**724**	**657**	**665**	**-117**	**1,232**	**938**	**1,213**	**1,363**	**1,087**
Total adjustments	-15	33	-160	524	330	488	943	1,183	1,191	1,772	1,277	1,001	-740	-465
Amortisation and depreciation	148	194	224	267	293	349	427	1,094	1,073	1,148	943	943	1,129	1,129
Income tax paid	-92	-91	-128	-59	-92	-42	-45	-296	-327	-320	-220	-220	-402	-402
Net working capital	-96	-127	-223	256	101	125	469	269	113	145	253	136	-2,293	-2,293
- Change in inventories	-178	-259	-382	212	-354	-133	330	-315	-218	-1,998	-1,404	-1,521	698	698
- Change in receivables	-82	52	7	-36	-39	4	52	-66	-579	-661	-426	-426	387	387
- Change in liabilities	165	80	152	80	494	254	87	650	911	2,804	2,083	2,083	-3,378	-3,378
Change in provisions	8	0	-1	16	15	61	78	-22	-53	87	80	80	-21	-21
Other adjustments	17	58	-31	44	12	-4	14	139	384	712	219	62	847	1,122
Net operating cash flow	**509**	**493**	**254**	**718**	**893**	**1,212**	**1,600**	**1,848**	**1,075**	**3,004**	**2,214**	**2,214**	**622**	**622**
Investing inflows	49	88	75	91	58	635	639	480	374	287	279	279	279	279
Capex	-542	-551	-491	-272	-442	-799	-932	-1,004	-825	-1,325	-960	-960	-1,157	-1,157
Other investing outflows	-25	-13	0	0	0	-540	-640	-338	-556	-290	-290	-290	-19	-19
Investing cash flow	**-518**	**-476**	**-416**	**-181**	**-384**	**-704**	**-933**	**-861**	**-1,007**	**-1,328**	**-971**	**-971**	**-897**	**-897**
Financing inflows	220	283	365	16	26	369	390	949	1,325	7	318	318	1,243	1,243
Interest bearing debt	220	283	365	16	26	369	390	949	1,213	7	318	318	1,243	1,243
Other	0	0	0	0	0	0	0	0	112	0	0	0	0	0
Financing outflows	-220	-265	-164	-410	-386	-348	-497	-1,632	1,465	1,642	1,692	1,692	1,852	1,852
Treasury shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	-154	-170	-58	-60	-66	-73	-73	-110	0	-834	-834	-834	-648	-648
Interest bearing debt	-52	-79	-87	-329	-309	-261	-349	-664	768	56	238	238	296	296
Interest and finance lease	-14	-17	-19	-22	-17	-14	-75	-858	696	753	621	621	908	908
Financing cash flow	**-1**	**17**	**201**	**-394**	**-360**	**21**	**-106**	**-682**	**-140**	**-1,635**	**-1,374**	**-1,374**	**-609**	**-609**

CONSOLIDATED RATIOS

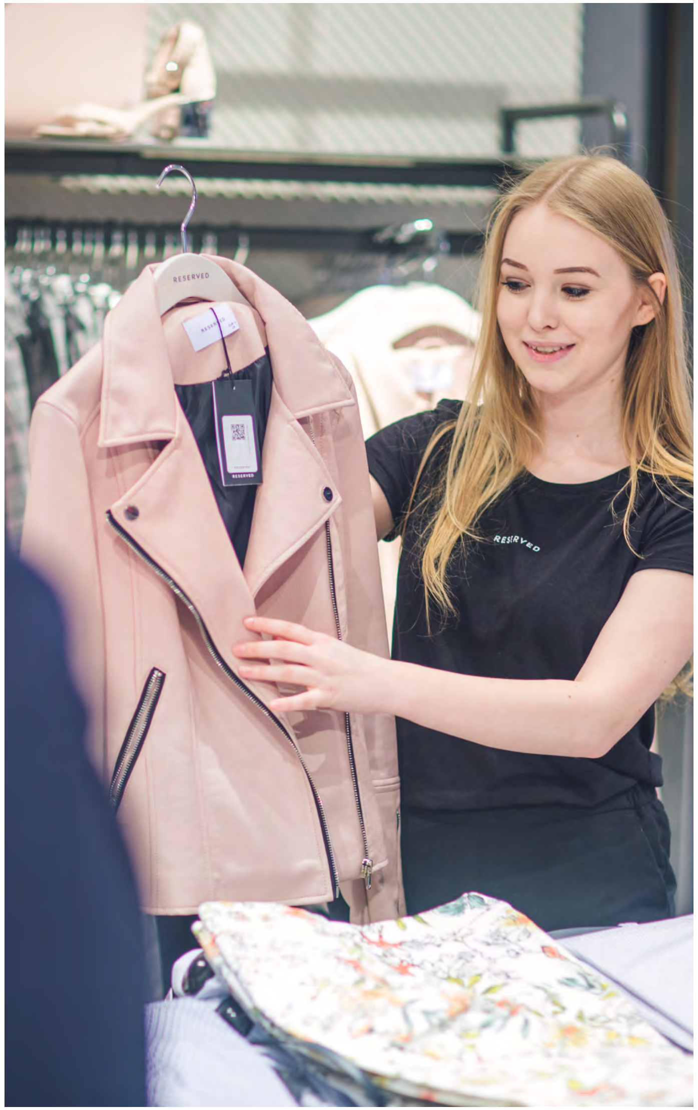
	IAS17							IFRS16						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2018/19**	**2019/20 (13M)**	**2020/21**	**2021/22**	**2021/22 restated**	**2021/22 restated PFSA**	**2022/23**	**2022/23 restated PFSA**
Gross profit margin	58.5%	58.6%	53.5%	48.7%	53.0%	54.7%	52.9%	52.0%	52.0%	57.8%	57.2%	57.2%	51.1%	50.3%
EBITDA margin	18.6%	16.8%	14.2%	8.2%	12.4%	13.7%	12.7%	19.2%	14.9%	18.7%	18.3%	20.7%	16.3%	14.5%
EBIT margin	15.0%	12.8%	9.8%	3.8%	8.2%	9.4%	7.9%	8.1%	1.9%	10.5%	9.9%	12.4%	9.2%	7.4%
Net income margin on continuing operations	10.5%	10.1%	6.8%	2.9%	6.3%	6.3%	5.1%	4.3%	-2.4%	6.8%	6.4%	8.8%	7.2%	5.5%
ROE	28.8%	29.3%	30.6%	19.9%	8.7%	19.3%	16.8%	13.9%	-6.0%	30.1%	22.9%	31.6%	31.5%	23.9%
Cash cycle (days)	60	70	84	61	33	16	11	-1	-34	-56	-68	-63	-10	-7
- receivables	13	13	10	9	9	7	7	5	7	5	7	7	14	14
- inventory	156	165	176	147	145	153	129	146	194	183	224	228	169	169
- liabilities	110	108	102	95	122	144	125	152	235	244	298	298	193	190
Net debt/ EBITDA (IAS17/ IFRS16)	0.3	0.5	0.9	0.3	-0.4	-0.7	-0.7	1.3	2.4	1.4	1.3	1.3	1.9	1.9
Net debt/ equity (IAS17/ IFRS16)	0.1	0.2	0.3	0.1	-0.1	-0.3	-0,3	0.8	0.9	1.2	1.2	1.0	1.2	1.2

8. Outlook

The year 2022 was impacted by war in Ukraine. The war and international economic sanctions imposed on Russia resulted in LPP divesting its Russian business and suspending our development plans in the East. Simultaneously, we made a decision to make a complete change in our development strategy. Now our development is to be focused, first of all, on strengthening the position of our brands on current markets and expanding our business in Southern and Western Europe. Also our development is to be oriented on omni-channel: i.e. merging of offline with online operations.

In terms of traditional network, we plan to have 2,000 ths m^2 of floorspace at the end of 2023/24, 20% higher YoY. It is our aim to grow 10-15% p.a. in floorspace in the next two years.

In terms of online, we will continue to focus on own e-stores. Our aim is to improve profitability in this channel. We do not plan development of new brands. As we are present in several geographies, each having different growth opportunities, we present outlook by key regions.



Floorspace development targets

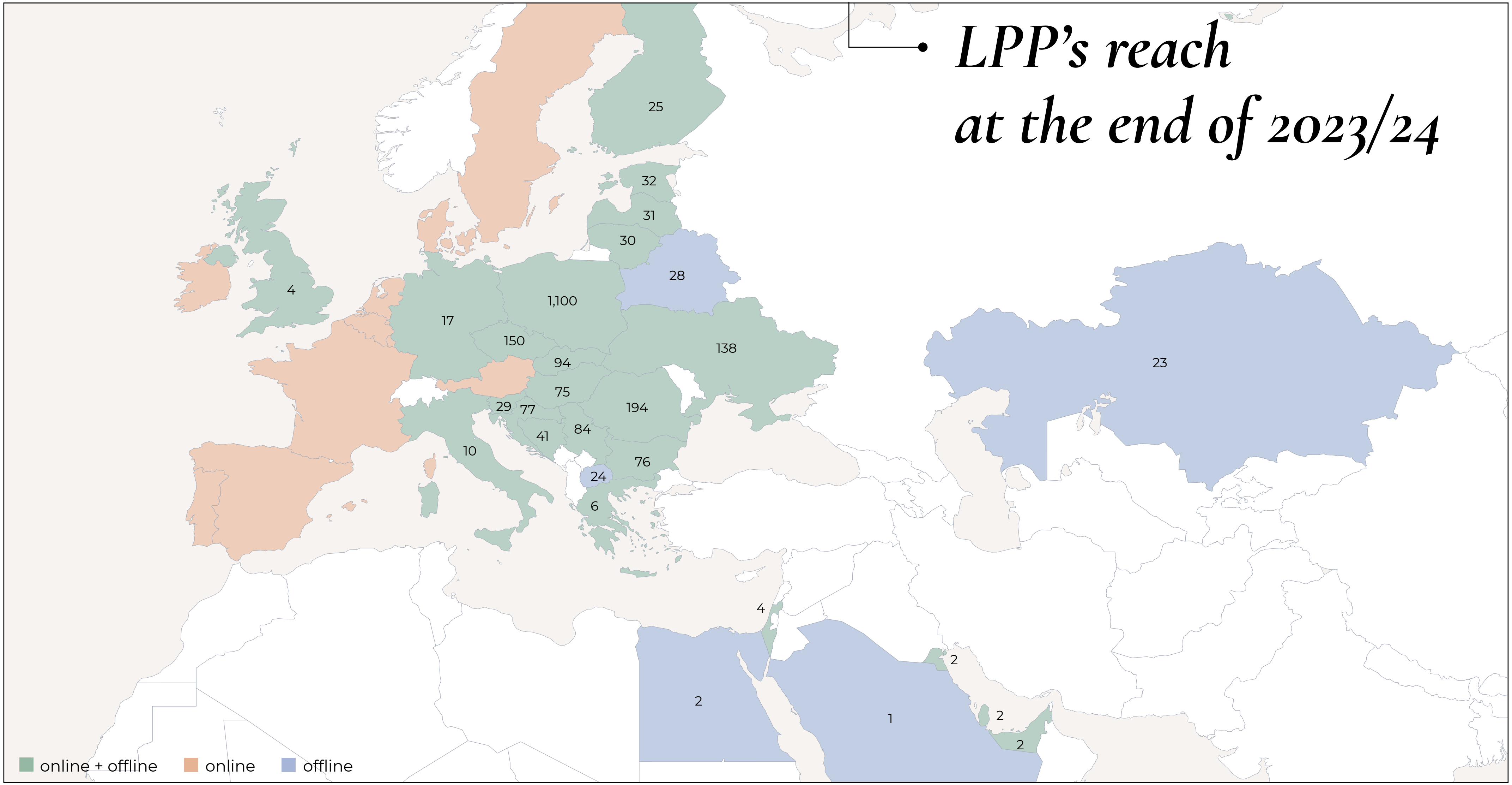
BY BRANDS

Floorspace (ths m²)	I.2023	I.2024 target	YoY
Sinsay	699.1	955.1	37%
Reserved	569.6	597.9	5%
Cropp	153.4	172.8	13%
House	156.4	173.5	11%
Mohito	94.4	100.7	7%

BY REGIONS

Floorspace (ths m²)	I.2023	I.2024 target	YoY
Poland	752.5	845.4	12%
Europe	743.9	961.4	29%
Other regions	176.9	193.2	9%
TOTAL	**1,673.4**	**2,000.0**	**20%**

LPP's reach at the end of 2023/24



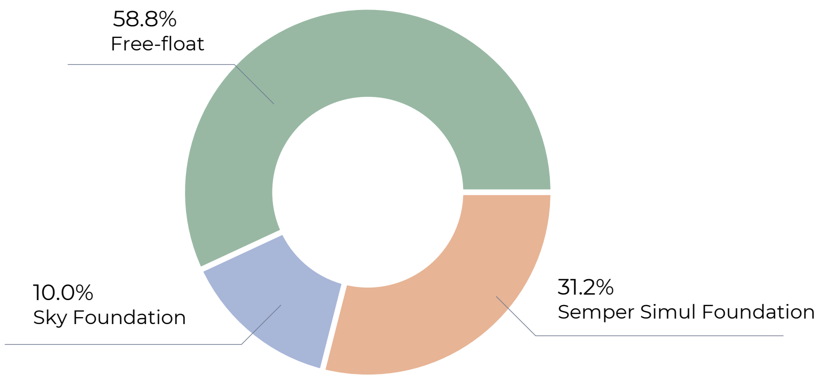
9. Presence on Warsaw Stock Exchange

LPP has been listed on the WSE since 2001. Within those years, due to our consistent and well-executed growth strategy, we have advanced from a mid-cap company to a WIG20 blue-chip, attracting not only Polish but also international investors.

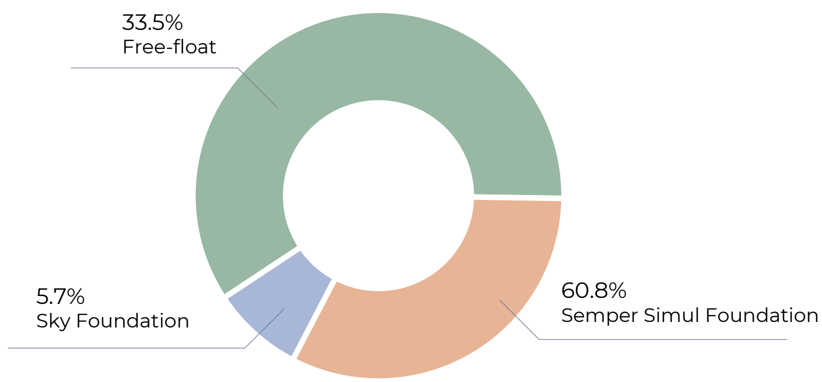
9.1. Shareholder structure

LPP's shareholder structure underwent sizeable changes in the past years. The founders Marek Piechocki and Jerzy Lubianiec have transferred their shares to foundations in order to: protect the company against fragmentation of capital in the future, ensure the family status of the company and maintain the current culture and longevity of the company. The CEO, Marek Piechocki, transferred shares to the Semper Simul Foundation, which currently holds 31.2% of equity and 60.8% of votes. Co-founder, Jerzy Lubianiec, transferred his shares to the Sky Foundation, which currently holds 10.0% of capital and 5.7% of votes. Transfer of shares does not mean an automatic succession. Both ordinary and privileged shares (1 to 5 in votes) are deposited in in Semper Simul Foundation. LPP has a sizeable 58.8% free-float. The company no longer holds treasury shares. These were sold to the market in December 2020.

SHAREHOLDERS BY EQUITY – OCTOBER 2023



SHAREHOLDERS BY VOTES – OCTOBER 2023



LPP's stock performance shows the success story of the company since its debut on the Warsaw Stock Exchange (WSE).

In 2001 a successful IPO of G series shares took place. New investors subscribed for 300,000 shares, each for PLN 48 issue price. In 2003 the company issued new H series shares. The investors subscribed for 190,000 shares at issuing price of PLN 265. The funds gathered from both issuances were used to develop the network of Reserved stores and investments in IT systems. The highest LPP share price on WSE was PLN 18,770 in January 2022.

TICKERS		PERFORMANCE AS OF 31.01.2023	
WSE	LPP	1Y	-36%
BLOOMBERG	LPP PW	3Y	20%
REUTERS	LPPP.WA	5Y	4%

LPP'S SHARE PRICE: FROM IPO UNTIL 31.01.2023

CONSOLIDATED INCOME STATEMENT, YOY DYNAMICS

PLN m	2013	2014	2015	2016	2017	2018	2018/19	2019/20 (13M)	2020/21	2021/22	2022/23
Share price eop	9,000	7,235	5,555	5,674	8,910	7,850	8,370	8,465	7,690	15,890	10,120
Min cob	4,406	7,235	5,230	3,820	5,090	7,535	7,535	6,945	4,450	7,680	7,360
Max cob	9,477	10,100	8,099	6,210	9,063	10,170	10,170	9,125	8,680	18,770	16,000
EPS basic	239.18	264.98	193.87	96.19	241.36	275.53	241.34	229.55	-103.44	518,76	590.79
DPS	85.1	93.6	32.0	33.0	35.7	40.0	40.0	60.0	0.0	350,0	430.0
Dividend yield	*0.9%*	*1.3%*	*0.6%*	*0.6%*	*0.4%*	*0.5%*	*0.5%*	*0.7%*	*0.0%*	*2,2%*	*4.2%*
Payout ratio	*44%*	*39%*	*12%*	*17%*	*37%*	*22%*	-	*22%*	*0%*	*172%*	*68.1%*
Weighted average number of shares	1,809,725	1,809,725	1,812,145	1,816,932	1,826,537	1,833,483	1,833,489	1,834,192	1,838,066	1,838,066	1,853,738

Note: Prices from infostrefa.com. Cob stands for close of business. Dividends shown under the year in which they were paid.

9.2. Index presence

LPP's successful business model has been reflected in increased interest of foreign institutional shareholders in the stock. Along with rising earnings and growing share price, the liquidity of the shares has also augmented. Domestically, LPP is a member of WIG20, WIG30, WIG140, WIG ESG, WIG ODZIEŻ and WIG.

WIG20 is the most important index on the WSE. LPP has entered the index in March 2014 and currently is the sole clothing retailer in it. At the end of 2022/23 LPP had a 4.8% weight in WIG20 index. WIG30 is the index of the most liquid companies on the WSE, introduced in September 2013. LPP has been its member since inception and held a 4.6% weight in this index at the end of 2022/23. LPP is also a member of the broadest index of the WSE - the WIG Index. At the end of 2022/23 LPP had a 3.4% weight in the index. Additionally, the Company was qualified as member of the index of family-run companies listed on the WSE, launched in 2021.

Apart from domestic indices, LPP is also a member of important foreign indices. Firstly, since August 2014 LPP has been a member of MSCI Poland index, the key benchmark index for foreign financial institutions investing in Poland. LPP's shares are also present in three FTSE indices: All-World Index, Emerging Index and Global-Style Index (FTSE indices are tracked e.g. by ETFs) and CECE Index.

POLISH INDICES

WIG20

- The most important index of the WSE
- Member since March 2014
- c. 4.8% LPP's weight

WIG30

- WIG30 index of the 30 most liquid companies on the WSE, launched September 2013
- Member since index inception
- c. 4.6% LPP's weight

WIG140

- WIG140 index of the 140 most liquid companies on the WSE, launched December 2021
- Member since index inception
- c. 3.5% LPP's weight

WIG

- The broadest index of the WSE
- c. 3.4% LPP's weight
- One of the largest clothing retailers in the index

WIG ESG

- The index comprises of WIG20 and mWIG40 companies, published since September 2019
- Weight in the index is among others based on ESG standing
- c. 4.6% LPP's weight

INTERNATIONAL INDICES

MSCI POLAND

- Key index for international institutions investing in Poland
- Encompasses 20+ companies from WSE
- LPP member since August 2014

FTSE RUSSEL INDEX

- Poland is a developed market for FTSE from 24 September 2018. LPP is part of FTSE Developed Index (Medium Classification)
- LPP member of All-World Index

CECE

- Created by the Vienna Stock Exchange, the index comprises of companies from Poland, Czech Republic and Hungary
- LPP re-entered the index mid-September 2017

On top LPP's shares belong also to WIG-Poland (index of solely Polish companies), WIG-ODZIEŻ (a sector index), WIG20TR and WIG30TR (TR indices show total return).

Since August 2021 LPP also belongs to a segment of family companies.

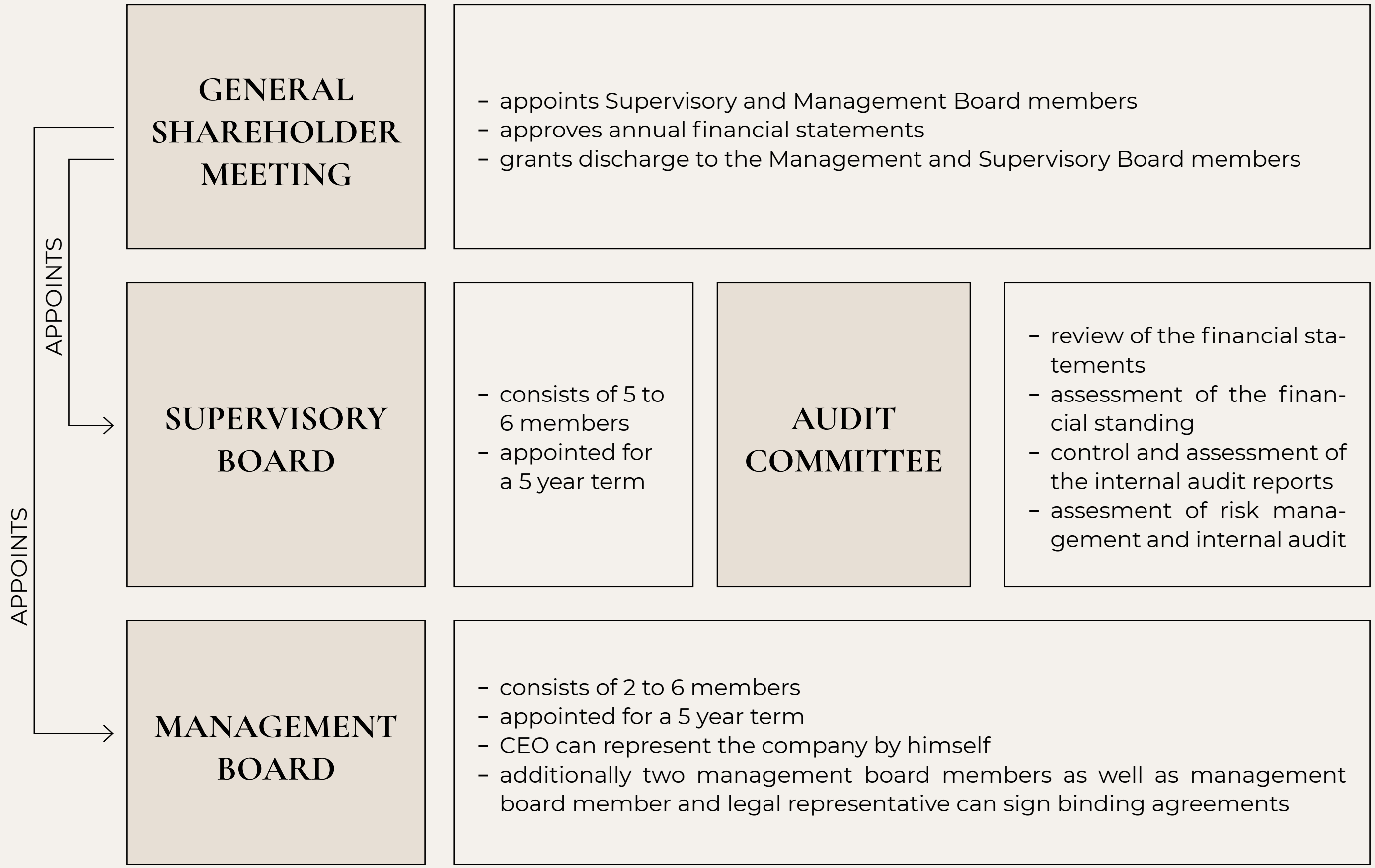
10. Governance

Corporate governance and transparency are of key importance for us. There are three levels on which corporate governance is exercised, the General Shareholders' Meeting, the Supervisory Board and the Management Board.

The General Shareholders' meeting takes place at least once a year. It appoints the Supervisory and Management Board of the company, approves the consolidated and separate financial statements as well as grants discharge to the actions of Management and Supervisory Board Members.

According to our bylaws, the Supervisory Board consists of between 5 to 6 members. It is appointed for a 5-year term. The board supervises the actions of the Management Board. Within the Supervisory Board there is an Audit Committee. The Audit Committee performs several functions: reviews the financial statements, assesses the financial standing of the company and the group, supervises the internal audit department and evaluates the development strategy of LPP.

The bylaws also define the role and responsibilities of the Management Board. The latter can consist of between 2 to 6 members. The Management Board Members are appointed concurrently for a joint 5-year term. The CEO can represent the company by himself. Contracts binding for the company can also be signed by two Management Board Members and one Management Board Member and one legal representative.



10.1. *Supervisory Board*

MIŁOSZ WIŚNIEWSKI

Independent the Chair of the Supervisory Board

- a graduate of the Mikołaj Kopernik University in Toruń and Executive M.B.A. École Nationale des Ponts et Chaussées in Paris
- experience in finance and management

PIOTR PIECHOCKI

Member of the Supervisory Board

- a graduate of the Warsaw School of Economics and IE Business School in Madrid
- co-created and managed the e-commerce department in LPP SA (responsible for the entire sales in this channel and for the launching of online stores on new markets: Germany, the Czech Republic, Slovakia, Romania, Hungary)
- connected with Semper Simul Foundation, as a beneficiary of the foundation

JAGODA PIECHOCKA

Member of the Supervisory Board

- a graduate of the Warsaw University of Technology and HEC Paris in Paris
- experienced in the IT sector
- connected with Semper Simul Foundation, as a beneficiary of the foundation

GRZEGORZ MARIA SŁUPSKI

Independent Member of the Supervisory Board

- an entrepreneur and a manager
- experienced at a housing cooperative, including multiple years as a leader or of Management Board and as a Chair of the Supervisory board

ALICJA MILIŃSKA

Member of the Supervisory Board

- a graduate of the University of Gdańsk
- experienced accountant
- employed at LPP SA (as the Chief Accountant and Member of the Management Board of LPP SA)

LPP'S SUPERVISORY BOARD

	Function	Independent	Audit Committee Member
Miłosz Wiśniewski	Chair of the Supervisory Board	✓	✓
Alicja Milińska	Member of the Supervisory Board	-	-
Jagoda Piechocka	Member of the Supervisory Board	-	-
Piotr Piechocki	Member of the Supervisory Board	-	✓
Grzegorz Maria Słupski	Member of the Supervisory Board, Chair of Audit Committee	✓	✓

SUPERVISORY BOARD AS AT THE DATE OF PUBLICATION.

10.2. Management Board

MAREK PIECHOCKI
CEO & Founder

- Since 1989 in the retail business.
- Founded LPP's predecessor in 1991. CEO of LPP since 2000.
- Responsible for LPP's strategy and development of brands: Reserved, Cropp, House.

PRZEMYSŁAW LUTKIEWICZ
Management Board Member, CFO

- At LPP since 2008. Since 2015 LPP's CFO (Chief Financial Officer).
- Responsible for finance, controlling, internal audit, investor relations, as well as supervision over foreign companies belonging to the LPP Group.
- 1995-2007 manager at First Data Poland.

SŁAWOMIR ŁOBODA
Management Board Member

- Co-operated with LPP since 1997.
- Appointed: 14 October 2015.
- Responsible for legal issues, new retail space and store expansion.

MARCIN PIECHOCKI
Management Board Member

- Co-operated with LPP since 2017.
- Appointed: 29 June 2021.
- Responsible for Mohito and Sinsay brands, internal communication and external relations.

JACEK KUJAWA
Management Board Member

- At LPP since 2004. Initially IT Director.
- Appointed: 25 November 2009. Responsible for logistics, administration. investments and IT.
- 1999-2004 at Wirtualna Polska.

Jacek Kujawa Management Board Member has resigned from the Management Board of the Company (and its Group entities) on 10th October 2023.

Marek Piechocki President of the Management Board	– Supervision of work of the Management Board – HR – Reserved, Cropp, House – brand development, product development, omnichannel sales – ESG and Purchase – Sales operations, Support and Controlling – Promostars
Przemysław Lutkiewicz Management Board Member, CFO	– Reporting – Operational Controlling – Financial Controlling – Shared Services Centre – International Business – Internal Control & Risk Management – Investor Relations – Travel Office – Central Purchasing – Treasury
Jacek Kujawa Management Board Member,	– Silky Coders (IT) – LPP Logistics – Administration – Construction – Contact Center
Sławomir Łoboda Management Board Member,	– Lease and expansion Reserved, Cropp, House and Mohito – Legal – Retail Market Analysis and Research
Marcin Piechocki Management Board Member,	– Mohito and Sinsay – brand development, product development, omnichannel sales – External communication – Internal communication, CSR and Employer Branding

10.3. Risk management

In the Group, enterprise risk management (ERM), i.e. day-to-day risk identification and mitigation, is the responsibility of Internal Control & Risk Management Department. Risk management in the Company is supervised by the Management Board of LPP, whereas the Supervisory Board of LPP exercises control over the above-mentioned Department.

Internal Control & Risk Management Department is the author of the Risk Management Procedure which incorporates a detailed description of the risk management process, specifies a desirable risk culture, stages of the risk management process and its participants. Furthermore, the procedure in question defines the scope of responsibility and tools to be used.

Key risks for LPP and actions mitigating them	
MACROECONOMIC RISK	Being present on numerous markets, the Group is exposed to changes in the economic, regulatory, social and political environment, which may affect consumer demand, hinder its operations or reduce its profitability. LPP is aware of the increase in household costs affected by the growing inflation, high power supply costs and problems in the supplies of consumer goods, parts and subassemblies for production of commodities. Continuing long-term economic problems may lead to stagflation, which, in consequence, may increase unemployment in Poland and Europe. The Group's revenues and margins depend on the economic situation of households. An economic growth or decline in countries where our brand stores are located may translate into an increase or decrease in consumers' spending, including clothing expenses. Similarly, an economic growth or decline in countries where our goods are manufactured may translate into an increase, decrease or, relatively, stabilisation of manufacturing costs. Additionally, the ongoing energy crisis may cause an increase in energy prices in Poland and Europe, which will bring about an increase in store maintenance costs and affect other areas of the LPP Group's operations. The worldwide financial crisis also poses a threat to the Group. If such crisis occurs, the Polish zloty may weaken, leading to declines in share values. **Action mitigating the risk in question** The Group minimises the said risk as follows. – **Sale of goods:** presence on numerous European markets – diversification of risk into numerous countries with a diverse macroeconomic situation, sale of goods under several brands addressed to various groups of recipients in order to spread the risk into several age groups, offering a wide range of goods at a wide range of prices - from cheap and easily accessible to more expensive ones. – **Stock purchases:** outsourcing production to numerous manufacturers in over a dozen of countries, long-term cooperation with selected suppliers, which permits negotiating advantageous product prices. – **Operating costs:** strict control of the company's operating costs (cost budgeting, the analysis of work processes and their optimisation), outsourcing of processes, in which the company is unable to get to scale or reach an adequate service quality level.
FASHION TREND AND SALES RISK	LPP Group operates on a highly competitive, demanding and changing fashion market characterised by variable customer tastes. In LPP's sales model, a natural element is the cyclical nature of changing seasons, requiring the Group to change collections. Lacking customer demand for collections may require introducing additional bonuses and promotion, which will affect the gross margin, performance and financial stability of the Group. **Action mitigating the risk in question** On a constant basis, LPP monitors fashion market trends by participating in fairs, exhibitions and fashion events and by accessing the latest global publications on fashion (Internet catalogues). In the Company, a Head Designer has been appointed i.e. a multi-person team following fashion trends worldwide and educating all LPP designers on the latest ones appearing. On a daily basis, the VM and Omnichannel Departments monitor changing fashion and shopping trends as well s the pricing policy of our key competitors.

Key risks for LPP and actions mitigating them

For several years now, the digital area has been substantially strengthened, that is promoting the Group's brands in social media and cooperation with influencers and trendsetters. Our clothes are designed by several teams of designers, separate for each brand, and their work is organised so as to minimise the impact of a single designer on collections as a whole. Designers undergo constant assessment covering, among others, margins they generate. Furthermore, the Company aims at offering a wide range of products (by supplementing the basic offer with accessories, underwear, footwear etc.) to mitigate the risk of unsuccessful collections. An important factor mitigating the said risk is addressing products to different age groups (mainly through separate brands addressed to different customer groups).

RISK OF SOLICITING AND RETAINING TALENTED EMPLOYEES

Considering the governmental policy on increasing the minimum wages and the macroeconomic situation, remunerations in the Group may not be attractive enough, specifically as regards highly qualified employees. LPP is aware of the risk involving a limited possibility of soliciting or losing adequate staff due to insufficient attractiveness of remunerations or benefits offered by, as well as working conditions in, all LPP Group companies. Specifically, this risk involves turnover in key staff, persons engaged in the design and preparation of collections and IT specialists, including also store and distribution centre staff. As regards store staff, there is also a staff availability risk resulting from the forms of employment offered.

Action mitigating the risk in question

The highly qualified staff employed and engaged in business operations guarantees that companies will make proper market offers and an adequate customer approach, thus reaching a market success. To retain key personnel, the LPP Group has implemented a well-grounded market-based remuneration policy and an incentive scheme developed by the Group. Moreover, the Group invests in its staff by organising training courses, setting carrier paths and giving promotion opportunities inside the Group. In LPP, a substantial factor in attracting talented personnel is also the Group's image and care for internal and external employer branding.

A key to retain the best employees is, apart from working conditions, our care for ethical and inclusive work environment as well as our corporate culture and the performance quality assured by our management officers whose constant development is the Company's priority.

RISK OF DISRUPTED SUPPLY CHAINS

The Group outsources the production of its goods to independent external producers located most often in Asia. Commodities are transported by sea or railway from Asia to Europe and are then distributed in Europe from its own logistics centres. The risk in question affects the possibility of the smooth supply of goods from manufacturers through warehouses to stores and, finally, consumers. The pandemic, political disturbances and diminished competitiveness on the transportation market may result in increased congestions and delays in transportation, specifically from the Far East.

Action mitigating the risk in question

LPP reacts to the risk of disturbances in the supply chain by:

- diversifying production countries, including the transfer of part of production from Asia to Europe or North Africa (e.g. increasing the order volume in Turkey instead of China);
- diversifying transportation means: increasing the share of railway transport instead of maritime transport (as an alternative, there is the New Silk Road plan);
- implementing a new ordering strategy that gives recognition to current delays in the supply chain and accelerated orders of specific items of clothing (individual models) or entire collections;
- investments in the expansion of logistics facilities and technologies, including IT; owing to the above, the last mile is shortened, compensating the prolonged time of inbound deliveries.
- diversification of countries in which LPP has its logistics centres, e.g. the development of a distribution centre in Romania will have a bearing on the rerouting of goods delivered from manufacturing plants.

11. Towards sustainable fashion

2011
- Joining the ACCORD alliance

2014
- Establishing of factory audit division
- Resignation from angora

2015
- Setting up offices in Dhaka (Bangladesh)
- Update of Code of Conduct for suppliers
- Introduction of organic cotton

2016
- Resignation from natural furs

2017
- Stronger supervision over factories in Asia
- Start of cooperation with SGS auditing company

2018
- Second ACCORD agreement
- Launch of the Eco Aware collection

2019/20
- New CSR strategy For People For Our Planet
- Joining the New Plastics Economy Global Commitment

2020/21
- Joining ZDHC (Zero Discharge of Hazardous Chemicals)
- Joining the Polish Plastic Pact

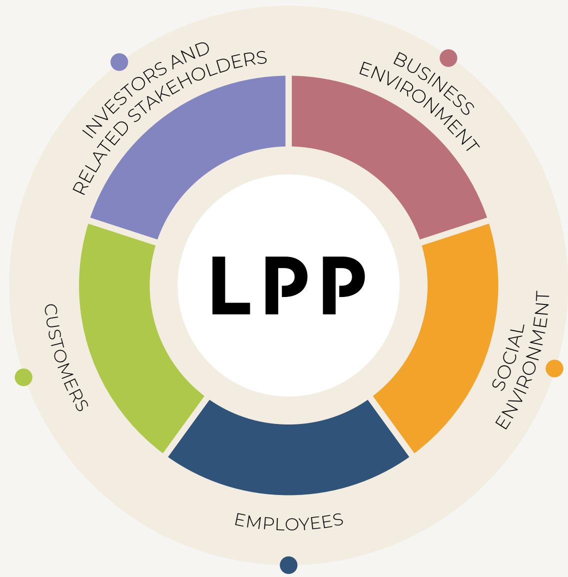
2021/22
- Joining the Canopy
- Joining Cotton made in Africa

2022/23
- joining ACCORD Pakistan
- joining amfori BSCI
- submitting to SBTi the Target Submission Form

11.1. Our stakeholder relations

We conduct an annual stakeholder mapping analysis and implement various forms of stakeholder engagement. We supplement the current forms of dialogue with an annual meeting, the so-called stakeholder panel, which is conducted according to the principles of the AA1000 standard. The results of the stakeholder dialogue are incorporated into our relevance analysis of ESG topics. This is an important input for ESG decision-making processes, as well asnon-financial reporting. Communicating with stakeholders and providing them with appropriate channels to contact us is also a part of the due diligence process.

STAKEHOLDER MAP



INVESTORS AND RELATED STAKEHOLDERS

- Investors
- The most relevant Polish and international analysts – ca. 130-180 people who take part in the earnings calls
- Warsaw Stock Exchange
- Polish Association of Listed Companies
- Polish Financial Supervision Authority

CUSTOMERS

- In-store customers
- E-commerce customers

EMPLOYEES

- Employees of the LPP central headquarters
- Employees of the distribution centres
- Employees of the retail network

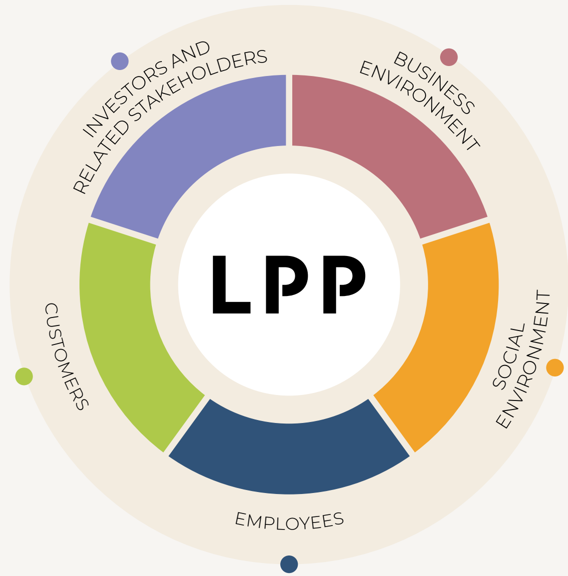
BUSINESS ENVIRONMENT

- Suppliers in Poland and abroad
- Lessors of retail outlets in key locations
- Franchisees
- Banks
- Industry organisations
- Financial institutions
- Journalists

SOCIAL ENVIRONMENT

- Industry organisations
- Consumer organisations
- Community service organisations supported by LPP
- Colleges and universities
- collaborating with LPP
- Local authorities
- Influencers

SELECTED COMMUNICATION CHANNELS



INVESTORS AND RELATED STAKEHOLDERS

- Bilingual corporate website
- E-mail lists
- Business media
- Regular investor conferences
- Investor Relations electronic contact mailbox
- Annual and non-financial reports
- ESPI system for sharing operational and periodical reports
- EBI for sharing corporate
- governance reports
- Quarterly earnings calls
- Conference calls
- Video statements
- General Shareholder Meeting

CUSTOMERS

- Brand websites
- Customer Service Centre
- Social media
- Newsletter
- Store spaces
- Mass media

EMPLOYEES

- E-mail lists
- Yammer, a social messaging service
- • Workplace spaces (displays, walls, information boards, reception)
- Direct meetings
- Special events
- Training sessions
- Surveys and opinion polls
- MS Teams

BUSINESS ENVIRONMENT

- E-mail lists
- Regular earnings calls
- Press office e-mail
- Company website
- Direct meetings
- Special events and publications
- Dedicated events, e.g. stakeholder panels
- Dedicated channels of communication for members of the Union of Polish Retail and Services Employers: website, WhatsApp, e-mail lists, membership meetings via MS Teams
- Surveys and opinion polls
- MS Teams

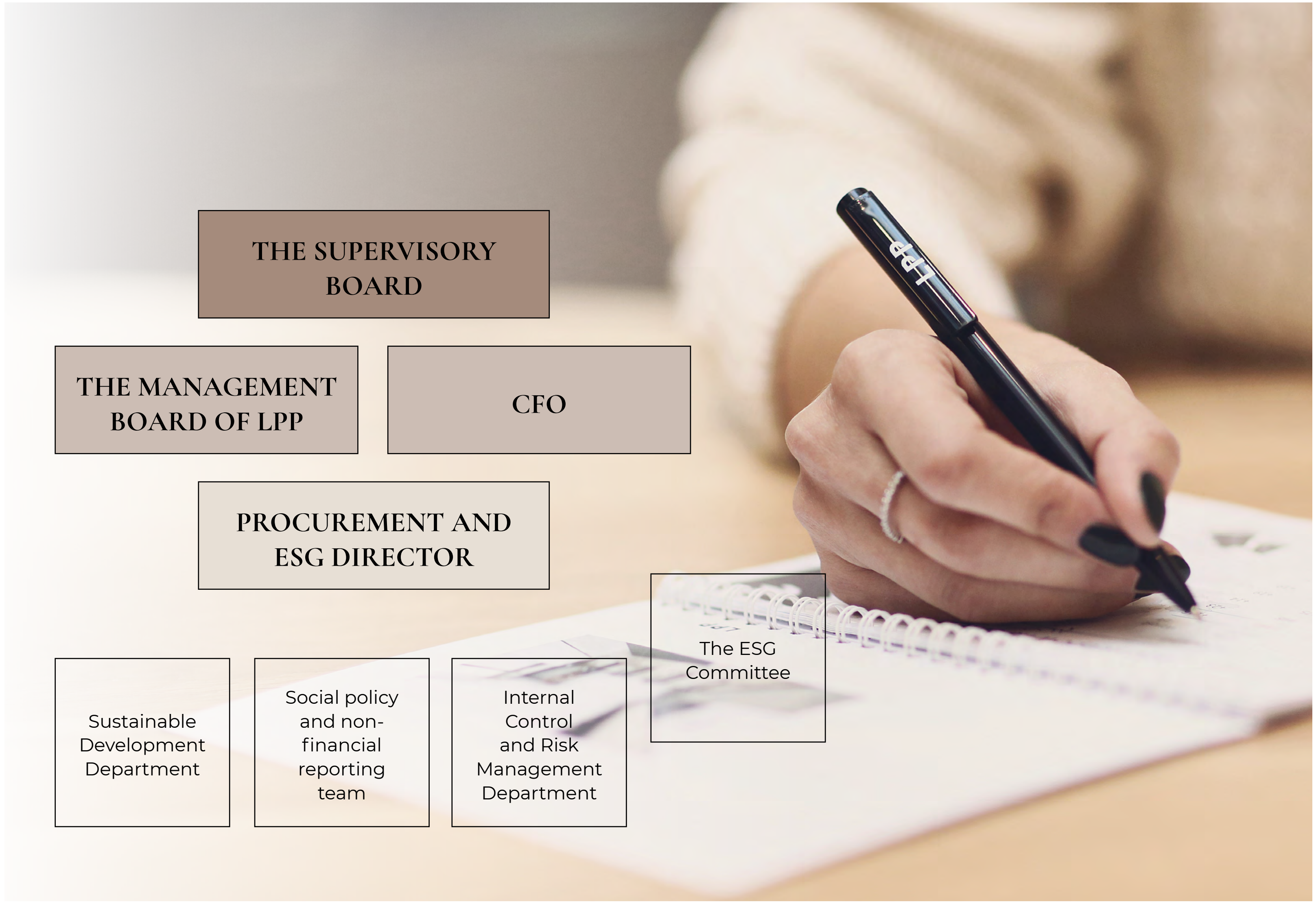
SOCIAL ENVIRONMENT

- E-mail lists
- Social media
- Mass media
- Direct meetings
- Dedicated events, e.g. stakeholder panels
- Projects carried out with the support of local authorities
- Projects carried out in collaboration with partners
- Surveys and opinion polls
- MS Teams
- Company website

11.2. ESG is high on our agenda

To handle the potential threats and opportunities faced by the LPP Group in an effective manner, we have been consistently developing the structure of our corporate governance. We have worked out reporting schemes and assigned responsibility for areas related to environmental matters, including the ones related to climate change, in the entire value change. LPP's oversight of climate-related risks and opportunities is embedded at the highest level of our organisation.

The graph provided below presents the LPP units responsible for management of climate risks and cyclical reporting to the Supervisory Board of LPP.



	Description of responsibility for climate issues
Management Board of LPP	The role of the Management Board is to implement the business strategy, in which sustainable development is one of the three pillars. The scope of duties also includes the long-term shaping of LPP Group's development strategy.
Chief Financial Officer (CFO)	The key area of responsibility of the CFO is financial planning, fiscal management and financing arrangement, and the strictly related assessment of threats, including climate risks, which may influence the short-, medium and long-term business activity of the Company. The CFO reports directly to the President of the Management Board.
Procurement and ESG Director	The role of the Procurement and ESG Director is to shape and implement sustainable development strategy and to analyse and plan ESG risk mitigation, including environmental and climate risks, in cooperation with the CFO. Combination of these two functions seeks to ensure effective management of implementation of the KPIs for own activity and for the supply chain, which are based largely on environmental initiatives, such as improved energy efficiency, development of logistics processes, consumption of energy from renewable sources, as well as transformation towards circular economy. The Procurement and ESG Director is obliged to prepare quarterly reports to the CFO on the status of the sustainable development strategy implementation as well as twice-a-year reports to the Management Board of the Company. The Procurement and ESG Director presides over the ESG Committee.
The ESG Committee	The Procurement and ESG Director holds the function of the ESG Committee chairman; the Committee gathers brand management directors, as well as directors of key functional areas of the Company. The role of the ESG Committee is to perform the advisory function for the Management Board of LPP and the executive function in relation to ESG and sustainable development issues, related to activity of LPP and the LPP Group. The Committee makes decisions on the implementation of ESG tasks upon their approval by the Management Board and supports the Management Board of LPP in maintaining a prominent position of the company among the leaders of ESG and sustainable development practices.
	The Committee's work aims to strengthen the interdisciplinary approach to the management of ESG and sustainability issues at LPP and to strengthen the good cooperation practices of key organisational units of LPP in this area.
Sustainable Development Department	The Sustainable Development Department is responsible for the implementation of the sustainability strategy, control and implementation of tasks related to security in the LPP production area. They implement initiatives that are translated into goals defined in the strategic documents. These goals serve as a basis for further works of the ESG Committee. The team consists of auditors and experts, who are tasked with advising departments and units responsible for implementation of the key strategy components. It is the so-called (lateral) control of the strategy implementation by the ESG Committee. The team also provides support for environmental activities and initiatives of LPP. It includes such areas as emission calculation, company level and product level decarbonization, as well as energy and supply chain management.
Internal Control and Risk Management Department	The key area of responsibility for the Internal control and risk management department is continuous identification and analysis of risks and opportunities faced by the Company, in strict cooperation with the CFO. The scope of duties also includes prioritization of key risks and opportunities in the ESG area, including environmental and climate factors, in cooperation with the ESG Committee and the Procurement and ESG Director who is the chairman of the Committee.
Social policy and non-financial reporting Team	The team composition includes the President of the LPP Foundation, the Social Issues Specialist, the Diversity and Community Relations Expert. The unit is tasked with carrying out a human and labour rights due diligence process involving the identification and assessment of key risks, the implementation and monitoring of the effectiveness of appropriate remedial and corrective actions, and the communication of actions taken with stakeholders.

11.3. Significant ESG risks and mitigating actions

Along with enterprise risk management, the Group manages ESG risks. In terms of merits, this process is fully integrated with the course of the enterprise risk management procedure. Both ESG risks and those identified as part of the ERM process are analysed in terms of their impact on the execution of the strategy of the LPP Group. As recommended by TCFD, in the financial year, the Group analysed scenarios covering both physical and transformational climate risks, with due consideration of all risk subcategories.

SIGNIFICANT ESG RISKS	MITIGATING ACTIONS
E – environmental	
Risk of limited availability of raw materials for the production of materials and their increasing price as a consequence of ongoing climate change	LPP Group constantly monitors the prices of raw materials critical to the production of its collections and adjusts its sales prices in line with raw material prices. In addition, it is steadily increasing the range of sustainable raw material sources used, including Cotton made in Africa and Lenzing,
Risk of disruption to production processes due to extreme weather events	LPP Group's activities are focused on diversifying its production markets by moving garment production from countries with a higher risk of progressive climate change, e.g. Bangladesh, to lower-risk countries, e.g. India. Above and beyond this, LPP is taking steps to increase the distribution of a particular product group in different markets.
Risk of limited availability of sustainably produced or recycled materials	In order to mitigate the risk, the LPP Group is taking measures to raise product prices or reduce the number of models using yarn from sustainable sources. LPP is also focusing on increasing investment in eff orts to develop the market for sustainably sourced and recycled materials, including a collaboration with a start-up that recycles polyester.
S – social	
Risk of human rights and/or labour ethics violations in the supply chain	Protecting the human rights and fundamental freedoms of LPP Group employees and all employees in the LPP Group's supply chains is a fundamental commitment, supported by management at the highest level. In 2022, the company developed the "Human rights policy (LPP Group)" in collaboration with leading Polish authorities in the field. The policy represents a commitment and a guideline for the activities of LPP SA and LPP Group companies in respecting human rights, understood in accordance with the UN Guiding Principles on Business and Human Rights. It is also a reflection of the importance that LPP Group attaches to respecting human rights in its operations, for both ethical and business reasons. The policy applies to all LPP Group companies in Poland and abroad. LPP mitigates the risks of human rights violations by familiarising employees at the recruitment stage with the principles contained in documents such as: LPP Code of conduct, LPP Rules. Manual for employees, LPP Rules for employees of retail stores, Health and Safety and HR guidelines. In May 2022 the LPP Group defined the Diversity, equality and inclusion policy, which is a commitment to respect the human rights of all those who work for LPP and a clear statement against any manifestation of human rights violations, including but not limited to discrimination on any grounds. The policy indicates the most important directions for the organisation in the area of diversity management. It covers all Polish and foreign subsidiaries of LPP SA, which are part of the LPP Group. The LPP Group has also been a signatory to the UN Global Compact since 2019.

SIGNIFICANT ESG RISKS	MITIGATING ACTIONS
Talent acquisition and retention talents	Having a highly qualified and committed workforce guarantees companies the right market offering, the right customer approach and market success. The retention of key personnel is to be ensured by a rational, but also market-based remuneration policy, the incentive system developed by LPP Group, investing in employees through training, setting career paths and enabling promotion within the LPP Group's structures. Our image and the care of our internal and external Employer Branding also play a significant role in the fight for talent. Key to retaining the best, in addition to working conditions, is nurturing an ethical and inclusive working environment and the culture and management quality of the management team, whose continuous development is a priority for LPP.
G – governance	
Risks associated with the need to adapt quickly to regulations related to sustainable development	The LPP Group is aware of the relevance of the regulations being introduced and the need to adapt its operations to them. The dynamics of the changes taking place in the ESG field have led to a strengthening of the team involved in work in this area, as well as an intensification of the work itself. In order to guard against the risk of non-compliance resulting from a lack of awareness of legislative changes, the LPP Group provides its entities with regulatory intelligence services through its headquarters and support centres in the regions where the LPP Group operates. LPP continuously monitors the legislative progress of the new regulations, cooperates with external consultancies and adapts its procedures and operational activities to the new requirements.
Risk of negative image and public pressure due to insufficient, negative or misperceived messages related to proenvironmental measures	As part of its risk mitigation efforts, the LPP Group runs a series of consumer education programmes, including the "Look after your clothes" campaign. In addition, the LPP Group focuses on driving consistent sustainability communication across all LPP brands and undertakes active departmental participation in fashion industry sustainability conferences.

11.4. Scenario analysis

The scenario analysis is a key tool to support the LPP Group in identifying the potential impact of climate change on our organisation and its supply chain. For the purpose of the analysis, we have adopted two different hypothetical scenarios to ensure a better examination of resistance of our business model and development areas. This allowed us to understand how climate change could impact our activity in different regions of the world and at all levels of the value chain, from procurement of materials and production through distribution to sales, up to the use and disposal of our products by our customers.

The process of identifying key risks involved a qualitative as well as quantitative assessment of the likelihood of a phenomenon occurring and the scale of its impact should it materialise, with reference to both financial and reputational criteria. To make this possible, we made an attempt to identify an extensive list of environmental threats and subjected them to a critical assessment and prioritization in line with the dimensions listed above. The result of this analysis allowed us to identify events that are highly probable and exert substantial impact on our activity.

In line with TCFD recommendations, we carried out a scenario analysis for both physical and transformational risks taking into account all risk subcategories.

Risk assessment: Low, Medium, High, Very High

	Risk		Scenario	Obtaining raw materials	Production	Distribution	Sale and customer satisfaction
PHYSICAL	Chronic	Risk of limited availability of producers and subcontractors due to progressing climate change	<2°C	High	High		
			4°C	Very High	Very High		
		Risk of limited availability and increase in price of raw materials for production as a result of progressive climate change	<2°C	High			
			4°C	Very High			
	Acute	Risk of disruption to production processes due to extreme weather events	<2°C		Medium		
			4°C		High		
		Risk of disruption to logistics processes due to extreme weather events	<2°C			Medium	
			4°C			High	
TRANSFORMATIONAL	Market	Risk of limited availability and rising prices of sustainably produced or recycled materials	<2°C	Very High			
			4°C	Very High			
		Risk of increase in own warehouse management costs and supply chain costs due to increased electrical energy prices	<2°C		Medium	Medium	
			4°C		High	High	
	Regulatory	Risk of limited availability and increased cost of marine logistics and timely transport	<2°C			Very High	
			4°C			High	
		Risk of increased demands and increased accuracy of non-financial reporting on climate and social issues	<2°C	High	High	High	High
			4°C	High	High	High	High
	Technological	Risk of failure to adapt to the pace of change in technology to address consumer needs or regulatory requirements for pro-environmental measures	<2°C		Very High	Very High	Very High
			4°C		High	High	High
	Reputational	Risk of negative image and public pressure due to insufficient, negative or misperceived communications related to pro-environmental activities	<2°C				Very High
			4°C				Very High

More details about The scenario analysis you can find in our **SUSTAINABILITY REPORT FOR 2022/23** (pages: 56-63).

11.5. Diversity, equality and inclusion

The diversity of people co-creating LPP is the wealth of the organization and a fundamental value in the company's culture. LPP is a multinational community, speaking different languages, professing different religions and the one that does not profess any, which has different levels of fitness, skin color, gender, is of different ages, has different psychosexual orientation and gender identity, fulfills different life roles, has different styles communication. This community is made up of people from different time zones, with different values, cultures, sensitivities, physical and mental health.

With this awareness, we want to create a workplace open to diversity on a daily basis, where every person feels welcome and respected. Therefore, we do not accept any form of discrimination based on, for example, gender, ethnic or national origin, religion, non-denominationalism, disability, age, psychosexual orientation, gender identity and other visible or invisible features.

Since 2019, we have been signatories of the Diversity Charter. In addition, in May 2022, after a several-month workshop and consultation process, we adopted the first "Diversity, equality and inclusion policy". It is not only an expression of appreciation for the fact that we are a diverse team, but also a commitment to building a friendly workplace that supports equal treatment and prevents discrimination.

At the same time, we created a separate position of Diversity and External Relations Expert to implement and develop good practices in the area of diversity.

The Diversity and External Relations Expert is responsible for the implementation and development of good practices in the area of diversity. We created this position in 2022/23. However, we develop knowledge and competences regarding diversity in the entire LPP team.

At LPP, there is an absolute ban on discrimination and harassment. All such incidents may – also anonymously – be reported in a safe manner and no negative professional consequences or retaliation of any kind is implemented against whistleblowers. In 2022/23 – as in the previous period – we did not record any confirmed cases of discrimination.

We also counteract discrimination by being open to working with people with disabilities, who effectively support the LPP Group's recruitment processes thanks to, among other things, remote working. In 2022/23, we employed 381 people with disabilities, 56 more than in 2021/22.

It is our intention to ensure that any pay gap be based purely on merit - competence, experience, and performance. We do not accept pay differences based on any diversity characteristics, including gender. The overall wage gap indicator, or Gender Pay Gap, in the LPP Group in 2022/23 was -2% (in 2021/22 it was -4%). As regards management positions, the Gender Pay Gap was at +4%, which means that, on average, this is the percentage of how much more women earn in LPP SA (for comparison, in 2021/2022 the indicator was +3%). In other positions, the difference was -1% (2021/22 - 4%).

SELECTED ISSUES OF DE&I POLICY

The policy aimed at diversity management, equality and building an inclusive culture			
Diversity of persons forming LPP	**DE&I in the management of LPP**	**Building an inclusive organisational culture**	**Building commitment and sense of empowerment**
– we want to enhance, strengthen and value the diversity of our staff and our customers	– we will develop a structure responsible for coordinating all DE&I issues – we will integrate the DE&I perspective into existing and future processes, actions, and criteria	– we will systematically improve knowledge, develop sensitivity and share experiences in the fi eld of DE&I issues – we will strengthen the competencies of individuals and the management team as regards managing diversity, equality, and building an inclusive culture	– the board and the management team engage in and support the DE&I-related actions – space for all the people forming LPP to express their opinions and co-decide on the organisational character of LPP – inclusive communication taking into account the different dimensions of diversity – initiating and strengthening employee networks

11.6. *We measure our carbon footprint*

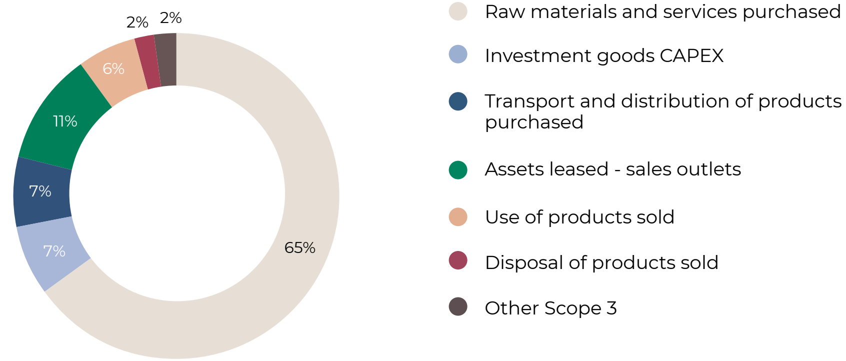
Just like every other organisation, LPP has an impact on the climate. In the process of our operations, greenhouse gases are emitted to the atmosphere by vehicles as a result of fuel combustion, electricity is used to power our offices, stores and distribution centres, and – most importantly – to produce materials and garments, ship them and while they are used, that is throughout their lifecycle. To measure our impact on the climate, we have been evaluating our carbon footprint, that is our greenhouse gas (GHG) emissions. Our carbon footprint was calculated in accordance with the GHG Protocol A Corporate Accounting and Reporting Standard. We chose 2019 as the base year – the reference point for the subsequent years. Our key corporate environmental impact comes from Scope 3 of GHG emissions.

GHG calculations conducted in line with internationally recognised GHG Protocol.

LPP GROUP GHG EMISSIONS IN TONNES OF CO_2E, 2022/23

IN 2022/23, THE GHG EMISSIONS INTENSITY OF LPP GROUP IN SCOPE 1&2 IN TERMS OF REVENUE WAS 1.36 [T CO^{2}E/ PLN 1M].

SCOPE 3 GHG EMISSIONS OF LPP GROUP BY SOURCES



11.7. SBTi

In 2022, we joined SBTi - the global Science Based Targets initiative, which supports the private sector its efforts to combat global warming.

In July 2023, LPP became the first Polish apparel company with the decarbonisation plan approved by this organization.

Our commitments comprise a plan to reduce greenhouse gas emissions by 2030 in the categories that are responsible for our carbon footprint to the most extent. The certification obtained by LPP confirms that the targets set by the company are in line with the Paris Agreement and are part of the efforts to halt the 1.5°C increase in global warming.

REDUCING GREENHOUSE GAS EMISSIONS

	SCOPE 1 & 2	SCOPE 3
TARGET	**42%** reduction of greenhouse gas emissions by 2030 (2021 as base year).	1) 51.6% reduction of greenhouse gas emissions resulting from purchased goods and services per unit of product purchased by 2030 (2021 as base year). 2) Engagement and cooperation with business partners responsible for 21% of emissions covering upstream transportation and leased assets in developing their own reduction targets by 2027.
TARGET	Increasing the share of electricity from RES, reduction in energy consumption, increasing the share of electric and hybrid vehicles in the company's own vehicle fleet.	**Goods and services purchased:** 1) higher share of materials with a lower carbon footprint e.g. Cotton made in Africa, recycled polyester, certified viscose e.g. Lenzing, 2) selection of factories and production markets with a more favourable energy mix. **Leased assets (stores, warehouses, offices):** cooperation with landlords e.g. electricity from renewable sources in stores and warehouses, telemetry. **Transport and distribution from supplier to warehouse:** alternative energy sources in transport (mainly by sea) - engagement of shipowners.

adopting a sustainable development strategy
2019

first independent calculation of the total carbon footprint
2021

approval of the decarbonisation plan by SBTi
2023

achievement of the targets set
2030

2025 - COMMITMENT TO REVIEW THE TARGETS

11.8. Sustainable development strategy

	PRODUCT AND PRODUCTION	CHEMICAL SAFETY IN PRODUCTION	PACKAGING AWARE – PLASTIC UNDER CONTROL	SUSTAINABLE DEVELOPMENT IN HQ BUILDINGS AND RETAIL NETWORK
2020	– Launching a programme to support our suppliers in implementing best practices that reduce the use of natural resources in the garment production process.	– ZDHC membership	– 100% of online orders packaging of Mohito and Reserved without single-use plastics. – 100% of foil for House, Cropp and Sinsay online orders shipment from recycling. – Limiting single-use fi lm for commercial samples packaging by 50%	– Implementing an energy effi ciency programme in stores, as well as solutions to reduce emis-sions.
2021	– 25% of the garments produced by LPP are collections made from more sustainable materials. – 30% of suppliers in South Asia are factories using technologies that reduce water and/or energy con-sumption in the garment production process.	– 100% of products containing wool or down will have RDS/RWS certificate	– 100% of price tags film-free	– 100% of green energy powering our servers and online stores
2023	– 100% of the denim factories covered by the program-me use technologies that reduce water and/or energy consumption in the garment production process. – Second-hand clothing collection system in 100% of stores in all countries (in 2022/2023 we achieved 100% in Poland) – PLN 1m on investment in new technologies allowing for textile waste utilisation.		– 100% of cardboard boxes with FSC certi-ficate or recycled – 100% of store packaging recycled	– All new buildings with environ-mental certification (BREEAM/ LEED)
2025	– 50% of Reserved clothing made from more sustaina-ble materials (i.e. organic, cellulose or recycled fi bres). – CO_2 reduction of 15% (target in revision according to SBTi methodology).	– Full compliance with ZDHC standards	– 100% of plastic in packaging suitable for re-use, recyclable or biodegradable	– 100% of stores covered by store energy effi ciency programme and emission reduction solutions.

WE REPORT USING INTERNATIONAL STANDARDS AND FRAMEWORKS

- GRI Empowering Sustainable Decisions
- GREENHOUSE GAS PROTOCOL
- SUSTAINABLE DEVELOPMENT GOALS
- TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
- UN GLOBAL COMPACT
- NFRD
- SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

WE ARE RATED BY:

- SUSTAINALYTICS
- S&P Global Ratings
- CDP
- FTSE Russell
- CHRB Corporate Human Rights Benchmark

WE ARE PART OF ESG INDICES

- WIG ESG
- MSCI

OUR DECARBONISATION PLAN APPROVED BY:

- SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

WE ARE MEMBER:

- canopy
- COTTON MADE IN AFRICA
- ROADMAP TO ZERO
- amfori Trade with purpose
- International ACCORD for Health and Safety in the Textile and Garment Industry

Glossary

Poland	Retail sales in Poland and other sales of LPP SA.
CEE	Region including: Czech Republic, Slovakia, Hungary and Poland (if not stated otherwise).
Baltic	Region including: Lithuania, Latvia, Estonia.
East	Region including: Ukraine, Belarus and Kazakhstan.
SEE	Region including: Bulgaria, Romania, Croatia, Serbia (from 2017), Slovenia (from 2018), Bosnia & Herzegovina (from 2019) and North Macedonia from 2021/22.
WE	Region including Germany, the UK (from 2017) and Finland (from 2019).
ME	Region including: Egypt, Qatar, Kuwait, UAE and Israel (from 2018). Until mid-2017 the region included also Saudi Arabia.
Europe	Region including: CEE, Baltic, SEE and WE.
EBITDA	EBIT + depreciation from cash flow statement.
Average monthly revenues/ m²	Revenues of segment or brand/ average working total floorspace/ 12.
Average monthly costs of own stores/ m²	Costs of own stores/ average working floorspace of own stores (ie. excluding all franchise stores which represent c. 2.5% of the working floorspace) / 12.
Average monthly SG&A PLN/ m²	SG&A costs/ average working total floorspace excluding stores located in ME and Belarus (until 2020/21) / 12.
Inventory/ m²	End of period group inventory/ total floorspace without franchise stores in ME and Belarus (until 2020/21).
Inventory days	Average inventory/ group COGS * 365 days.
Receivables days	Average receivables/ group revenues * 365 days.
Liabilities days	Average short-term liabilities/ group COGS * 365 days.
Cash conversion cycle	Inventory days + receivables days – liabilities days.
PFSA	The Polish Financial Supervision Authority.

Disclaimer

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