LPP

LPP GROUP
CONSOLIDATED ANNUAL REPORT FOR 2023

This report covers the financial year of LPP Group, lasting from 1 February 2023 to 31 January 2024 (further referred as 2023 financial year).

26 March 2023

The information contained in this material constitutes a translation of the original content prepared in Polish, and in the event of any discrepancies between the English and Polish versions, the Polish version is the binding and effective version.

RESERVED CROPP HOUSE MOHITO sinsay

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01 CEO's Letter to Shareholders

Dear Shareholders,

A very good year when we have successfully achieved the objectives set for the period is behind us. The most important goal was to sustain LPP's growth and high profitability while maintaining expansion cost discipline.

Our diversified business model was undoubtedly our major asset. On the one hand, concentration on value-for-money segment and retail parks, while on the other hand, the sale of more lifestyle collections in shopping centers and a strong online channel supported by mobile applications, have provided the Group with a high degree of stability and resilience to volatile business conditions.

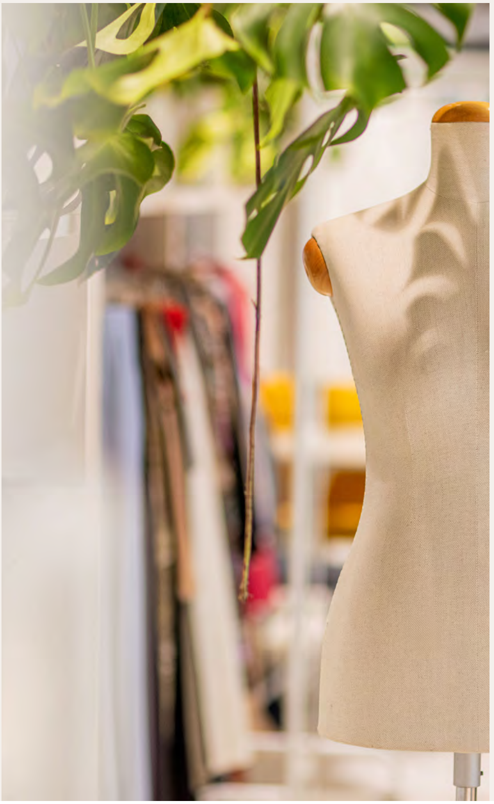
Throughout the year, we continued the intensive development of our sales network, which today already comprises ca 2 m m^2 of floorspace, nearly 20% more than a year ago. We have mainly focused on the development of our youngest brand, Sinsay, with its format perfectly matching the current market demand. The strategy we adopted in 2019, relying on a value-for-money brand and significantly expanding its product range at that time as well as expanding its sales network, is paying off today and simultaneously underpins our plan for the continued growth of Sinsay.

Within just 12 months of 2023, as many as 313 stores were added to our portfolio, including 241 Sinsay brand stores. The strong interest in its product range had a major impact on the Group's sales results in 2023, which we generated at a record level exceeding PLN 17 bn (+9.3% YoY). This included the growth of our youngest brand by as much as 25% YoY.

The high operating efficiency accompanied by cost discipline effectively maintained throughout the year has contributed to ensuring our very secure financial position today. Profitable brands, a double-digit growth in traditional sales and stable results in the online channel, despite a significant reduction in CEO's Letter to Shareholders digital marketing costs, allowed us to generate a record-high operating profit of PLN 2.3 bn (+92.8% YoY) and a historic net profit of PLN 1.6 bn.

Poland remains our most important market, while we perceive great potential for further development of our brands in Romania and the South European region. In the coming years, we plan to further exploit the offering advantage of the Sinsay brand. Its well-developed omnichannel model enhanced by modern m-commerce tools and an offer format tailored to market demand provide significant growth opportunities in smaller towns, especially in the CEE and SEE regions.

As in 2023, we intend to allocate a significant part of our capital expenditures for the development of our floorspace. In 2023, we invested a total of PLN 1.1 bn, of which more than PLN 0.9bn was spent on stores.



This year, we plan to increase our investment to a record level of PLN 1.5 bn, including PLN 1.2 bn for expansion of our sales network.At the same time, we want to remain a dividend company and this year we intend to submit a proposal to the General Meeting of Shareholders for the highest profit distribution we have ever paid out.

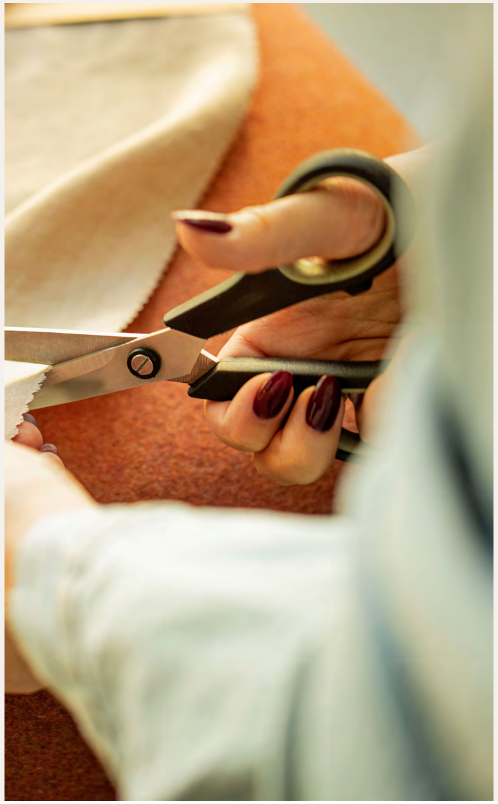
Unfortunately, at the threshold of 2024, an attempt was undertaken to undermine our stability and opinion of a reliable partner for our shareholders. In mid-March, the Hindenburg Research intelligence agency published a report in which it made false allegations against us in an attempt to convince the public and the capital market that LPP Group was continuing its operations in Russia. As a result of these actions, the share price recorded a drop of more than 30%. I assure you that the allegations made by the intelligence service against LPP Group are untrue. Therefore, we have immediately taken adequate steps in order to explain this case.

I believe that 2024 will allow us to generate a growth rate at a level of +20%, higher than ever before, followed by proportionally high Group's profits. The visible consumption recovery in Q4 of last year, good macroeconomic outlook and a strong organisation provide a sound basis for the next 12 months. During this time, we aim to generate a double-digit growth rate in the online channel and positive comparable sales results in traditional stores, while maintaining a gross margin at 52-53%. We will focus primarily on continued development of our youngest brand, whose network we plan to expand by a further 620 stores. This will be accompanied by a parallel increase in warehouse space. By the end of 2025, we will increase it by nearly 50%, expanding our distribution network for both online and offline channels.

We are facing a period of intensive growth. Only in the next three years, we plan to double our traditional network and, in the meantime, generate twice as much sales volume as we do today. Therefore, we are optimistic about the future, entering it with a sense of providing LPP with strong foundations for its further intensive development.

Marek Piechocki,

The CEO of LPP



02

Report of the Management Board on the operations of LPP Group with a Corporate Governance statement for 2023

(with due consideration of disclosure requirements for the report on the operations of the parent company for the said period)

Introduction

This Report of the Management Board on the operations of LPP Group for 2023 incorporates information the scope of which has been set forth in §§ 70-71 of the Regulation of the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities [...] (the Regulation).

Under § 71 subparagraph 8 of the Regulation, this report comprises also disclosures required for the Report on the operations of the Parent Company, referred to in § 70 subparagraph 1 point 4 of the Regulation.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Member of the Management Board

Sławomir Łoboda
Member of the Management Board

Marcin Piechocki
Member of the Management Board

Mikołaj Wezdecki
Member of the Management Board

GDAŃSK, 26 MARCH 2024

About us

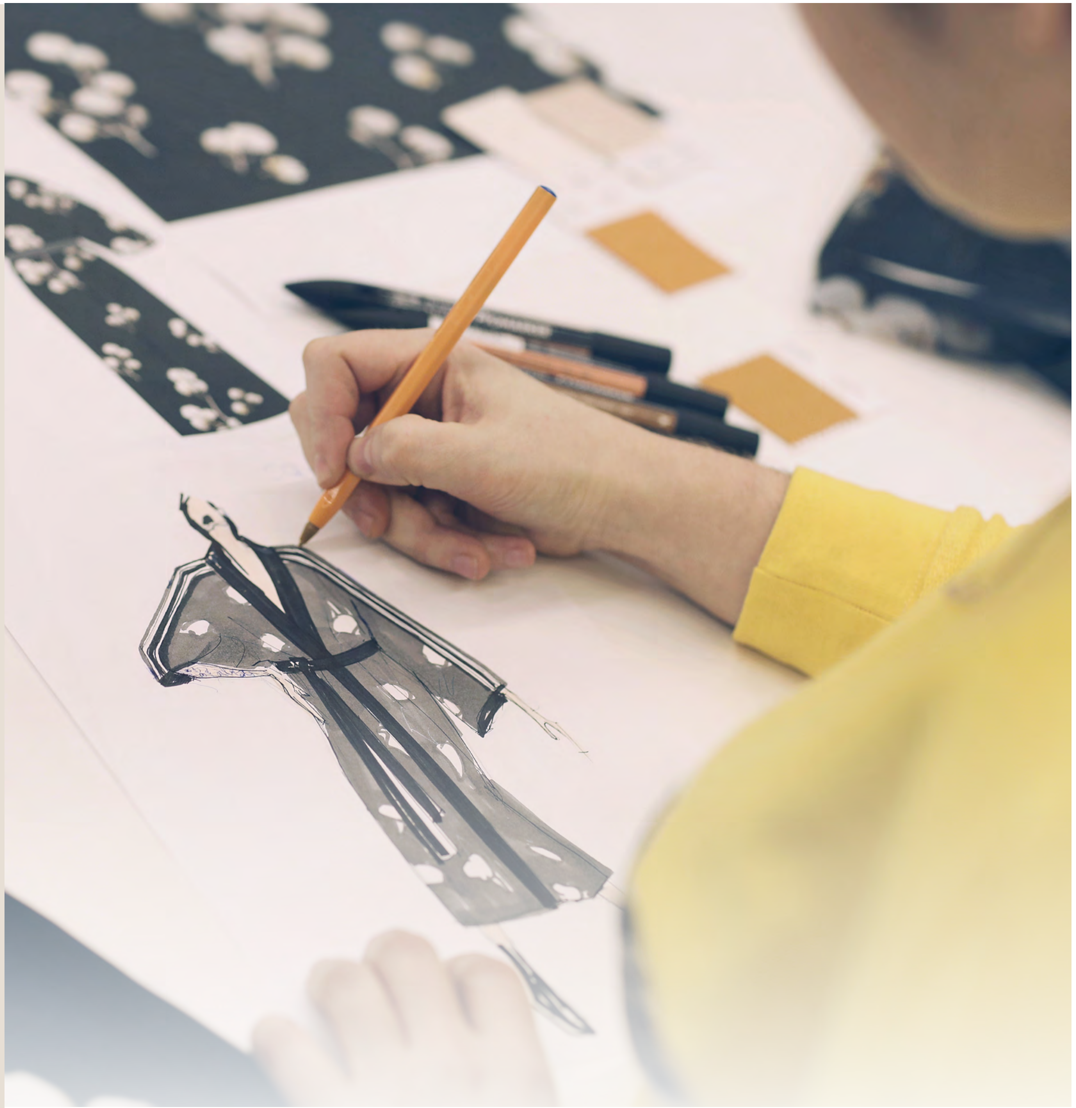
WHO WE ARE

LPP is a Polish, family-owned company specialising in the design, manufacturing and distribution of apparel. We have over 30-year experience in the clothing industry. Our sales network comprises entire Poland, countries of Europe and the Middle East. Our customers visiting traditional stores and shopping online are offered clothing, accessories and footwear of our five brands: Sinsay, Reserved, Cropp, House and Mohito In addition, the Sinsay and Reserved brands offer home and interior design goods. Each of our brands has a different target group and a distinctive profile.

Although we operate in nearly forty markets worldwide, the concepts for our brands and all our collections are developed in Poland, as well as all strategic decisions are made here. The heart of our organisation is Gdańsk where our history started. Our offices are also located in Cracow, Warsaw, Shanghai and Dhaka.

In each country where our traditional brand stores are located, a local LPP representative unit operates. The leaders of LPP subsidiaries are fashion specialists who successfully manage our business in their countries.

Our team comprises the total of over 33 thousand people working in offices as well as in sales and distribution structures in Poland, countries of Europe and Asia. Openness, diversity, responsibility for joint development and mutual respect shape the LPP's unique culture.



OUR OFFICES

GDAŃSK

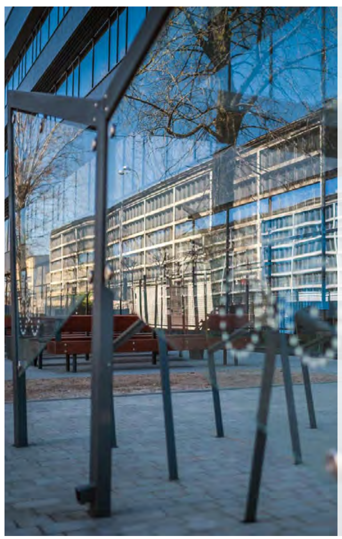
LPP Headquarters. This is where the designs for Sinsay, Reserved and Cropp collections are created. In Gdańsk, LPP Management Board makes the most important decisions for the operation and development of the company and all the key departments of the company are also located here.

WARSAW

Since 2017, the Reserved brand product office has been operating in Warsaw. Its team supports the product preparation department in Gdańsk both in the development of regular collections and in special projects.

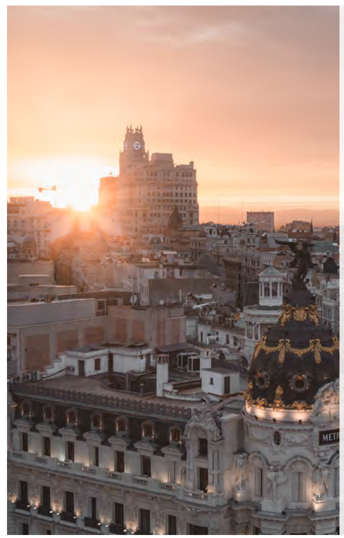
SHANGHAI

Our Asian office in Shanghai has been operating since 1997. The staff of the office is responsible, among others, for the acquisition of suppliers, support of individual production stages, quality control, as well as verification of our suppliers' compliance with the safety rules and labour rights.



CRACOW

Cracow accommodates the design facilities of the House and Mohito brands, as well as the sales department of these brands. Our administrative department supporting both brands also operates there.

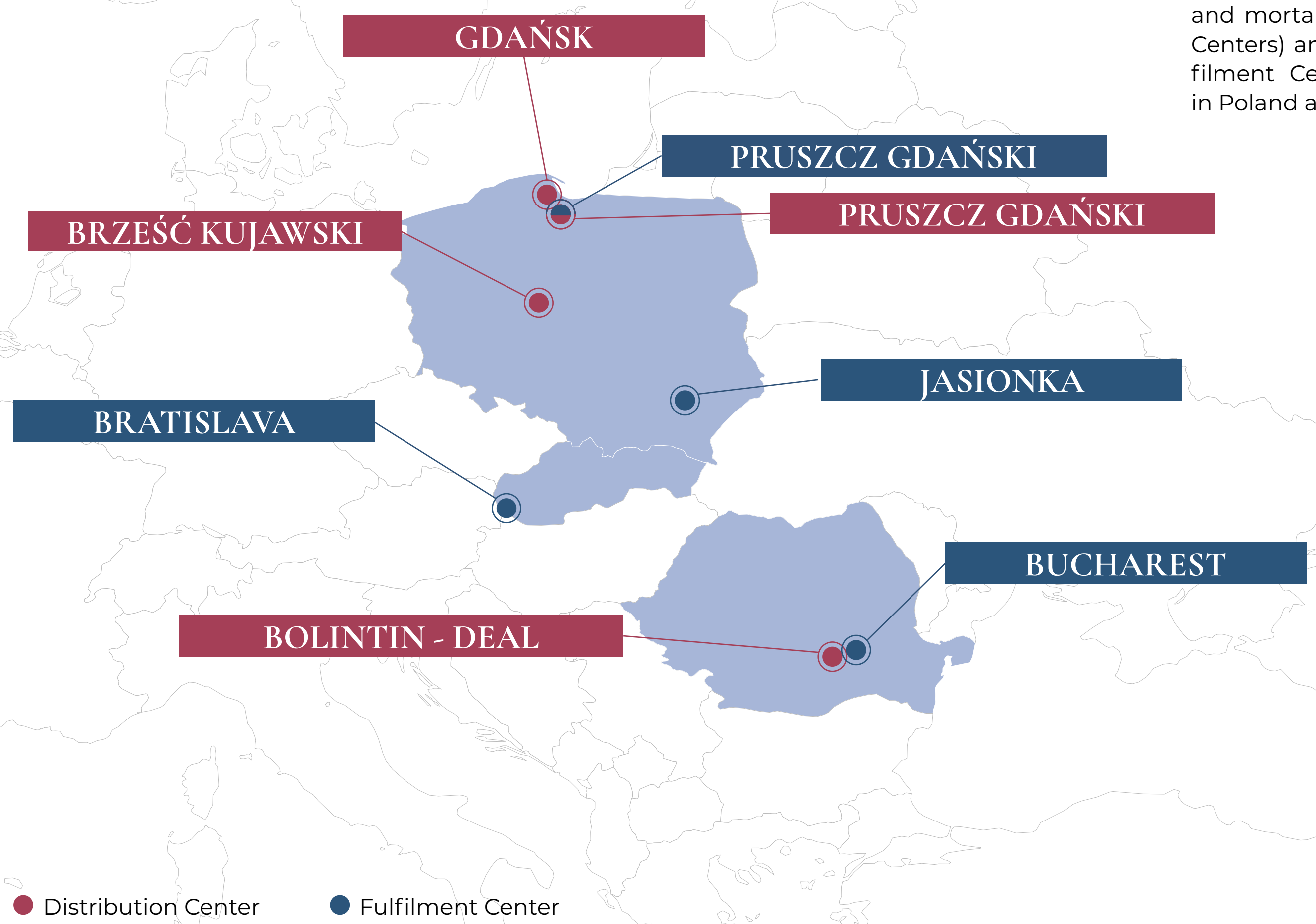


BARCELONA

In 2022, our design office was created in Barcelona, originally dedicated to Sinsay, subsequently converted for Reserved in 2023. The office seeks to identify customer tastes in Western markets, as well as to attract talents of key importance for the fashion industry and to increase sourcing possibilities due to presence of representative offices of suppliers from Europe, Africa and Asia.

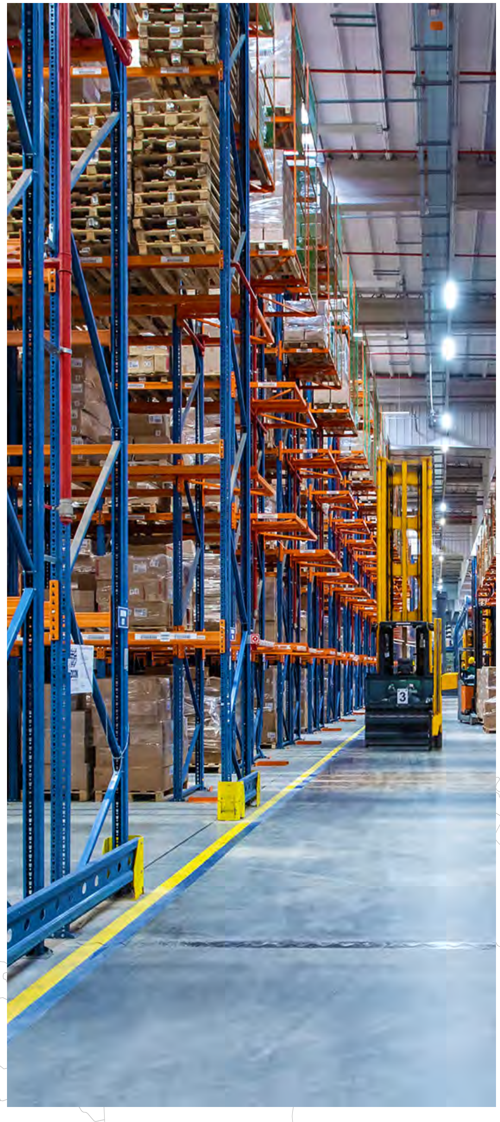
DHAKA

In 2015, we launched LPP's representative office in Dhaka, the capital of Bangladesh. The office is responsible for coordinating and supervising the production of our collections in the local plants, as well as auditing the manufacturing facilities in terms of appropriate working conditions and respect for human rights.



OUR DISTRIBUTION NETWORK

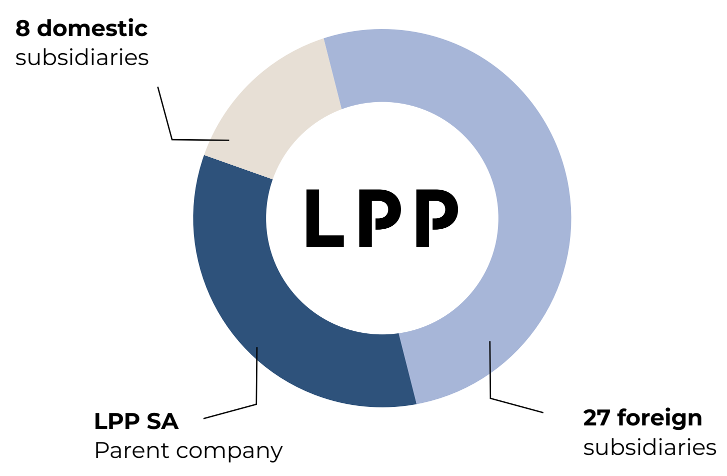
We also operate the distribution network supporting brick and mortar stores (Distribution Centers) and online stores (Fulfilment Centers) located both in Poland and overseas.



HOW WE OPERATE AS A GROUP

The LPP Group is composed of the Parent Company, 8 domestic subsidiaries established in Poland and 27 foreign subsidiaries. Most of the foreign subsidiaries are engaged in distribution of products of our brands outside Poland. Polish companies are involved, among others, in store operation services in the territory of Poland, sale of promotional clothing, logistics services, management of IT projects for the Group. The detailed composition of the Group and changes in its structure are presented in the Consolidated Financial Statements.

Structure of LPP Group



OUR PORTFOLIO OF BRANDS

We have five own recognised brands: Sinsay, Reserved, Cropp, House and Mohito. Each of them is dedicated to a different group of customers representing various lifestyles, having different needs and expressing themselves in their own ways.

Figures are provided for the end of 2023 financial year i.e. 31 January 2024.

Sinsay is the youngest brand in the LPP Group's portfolio. It debuted with its first shops in Poland on 1 March 2013. Originally targeted at teenagers. At present, the brand's offer also includes comfortable and functional clothing for women, men as well as products and accessories for children. **Sinsay's** offer is complemented by home and interior design products, pet accessories and a line of make-up and beauty products.

Sinsay is the value-for-money brand where price is one of the key determinants in the shopping process. It operates on the basis of an extensive traditional sales network of 978 traditional stores located in 20 countries, mainly in small towns in retail park formats. The brand's operation is based on an omnichannel model. Its widespread accessibility in the online channel is a factor distinguishing **Sinsay** from its competitors in this segment.

Its current revenue of ca 43% accounts for the highest share of the Group's total portfolio.

The Group's first brand, launched in 1998 and over the years operating as the flagship brand in the LPP portfolio. Its network of traditional stores currently comprises 361 stores located in 27 countries, especially in Europe, but also in Africa and Asia, mainly in large cities, shopping centers and along the streets of fashion capital cities.

In addition to the traditional network, the brand's assortment is also available online, where sale in selected markets is supported by, among others, a mobile application.

Reserved collections represent the global leading trends. The brand's offer comprises both assortment dedicated to formal and casual styles. Although **Reserved's** customer is a more demanding client who appreciates fashionable collections, the brand's proposals fall into the middle price range.

In addition to its own fashion collections, **Reserved** is also known for establishing cooperation with external designers or craftsmen, forming limited edition capsules. Its collections are dedicated to women, men and children.

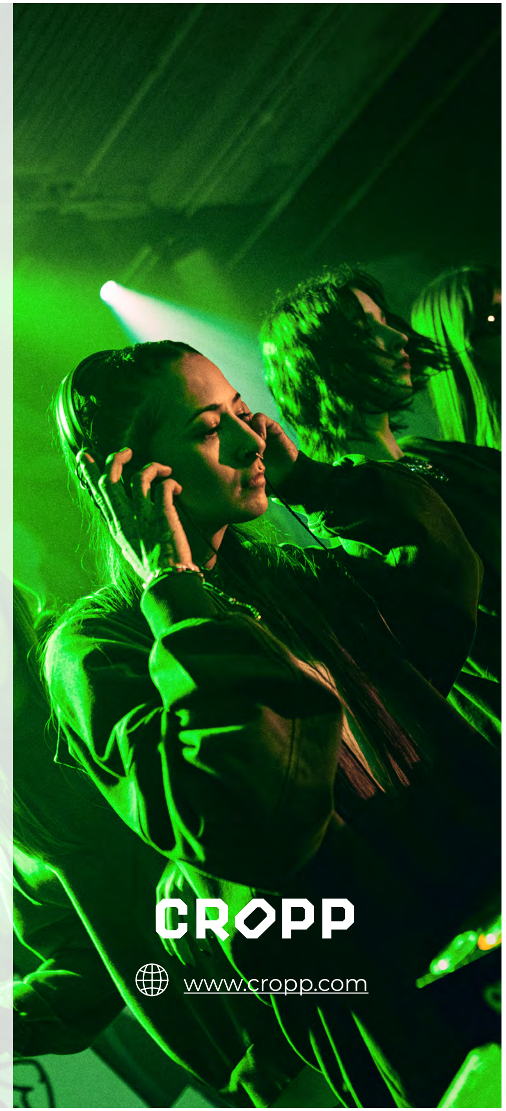
Reserved's share in LPP's portfolio amounts to ca 33%, ranking it the second brand in terms of revenue generated in the Group.

The brand designs clothing, shoes and accessories targeted mainly at teenagers. It represents a casual, urban, sporty style inspired by the hip-hop and pop culture. It also learns from trends visible in the streets. It frequently relies on the street art style, broadly reflected in original graphics, which represent the brand's distinctive feature.

Cropp was created in 2004 as the second brand in the LPP Group's portfolio, following Reserved.

Its retail network currently comprises 355 stores located in 18 European markets.

It accounts for ca 8% of the Group's revenue.



The brand's range includes clothing, shoes and accessories for men and women. It is inspired by the world of pop culture, including music, films, TV series, art and sport. **House** designs are also based on mainstream trends in the centre of young people's interests, mainly via social media, but also on styles inspired by new technologies.

The brand was launched in 2001. It became part of the LPP Group's portfolio in 2009 following the acquisition of **House** from the Artman company established in Cracow.

The brand operates through the omnichannel model with a traditional offer available in 353 stores, in 18 European countries. **The brand accounts for 7% of the Group's revenue.**

Mohito, like the House brand, has been included in the Group's portfolio since 2008, as a result of LPP's merger with Artman.

The brand dedicates its collections exclusively to women, underlining an energetic look in line with global fashion trends. The **Mohito** range includes items of both women's apparel and accessories, with the key product items including dresses, women's suits and blouses.

It is the brand representing the highest mid-price ratio of the Group's entire portfolio. It offers its collections through the offline channel, but also online, ranking among the top LPP brands in terms of its share of e-commerce sale. Its traditional stores are present in 228 stores in 18 European countries.

It accounts for 8% of the Group's revenue.

OUR BUSINESS MODEL – IN 4 STEPS

STEP 1: DESIGNING

3 design offices in Poland (Gdańsk, Cracow, Warsaw)
1 foreign office (Barcelona)

Over
300 designers,
5 diverse brands

Our designers follow fashion fairs in fashion capitals worldwide and, on a daily basis, follow street fashion and social media. On such basis original collections are developed which creatively match trends for a given season (colours, patterns, models) with our customers' needs.

STEP 2: PRODUCTION

Over
1,500 suppliers
from Asia and Europe

We do not own manufacturing plants and we outsource sewing of designed collections. Accordingly, individual elements of our collections are produced in plants specialising in specific types of clothing.

About 92% of our brand collections are ordered in Asia, mainly Bangladesh (32%), China (29%), Myanmar (18%), Pakistan (5%), India (4%), Cambodia (2%). On the contrary, orders from Turkey account for 7% of the collection. At the same time, the value of goods purchased from any single supplier does not exceed 5% of total purchases.

STEP 3:
DISPATCH AND LOGISTICS

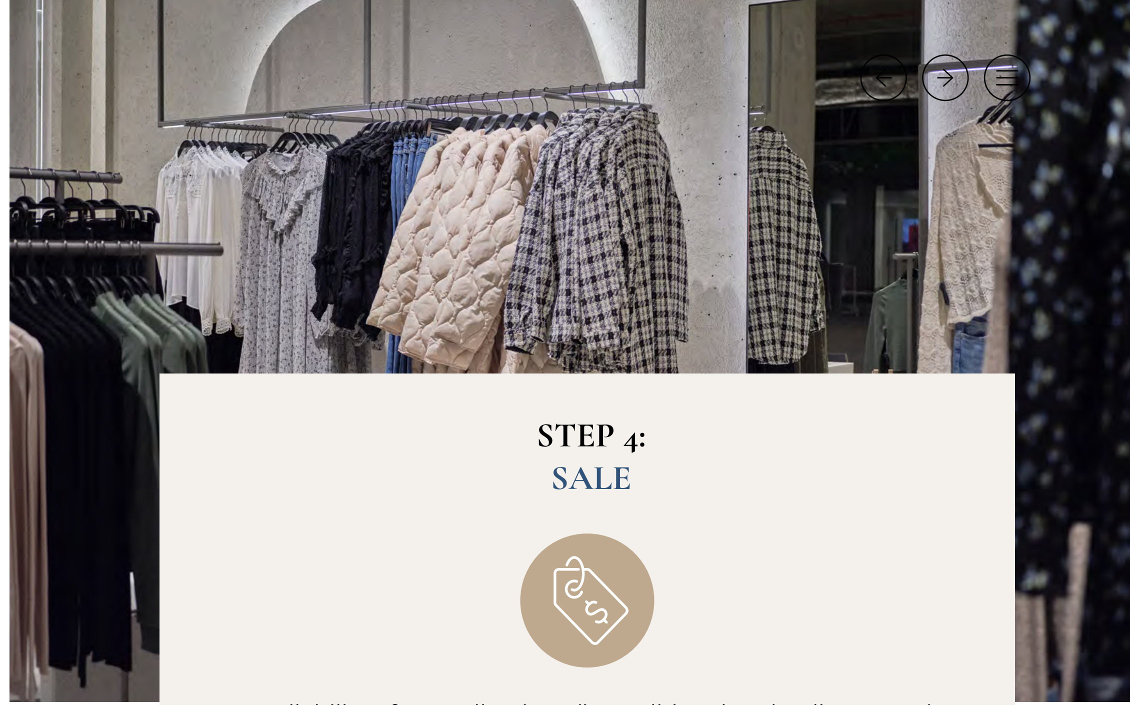
Import - maritime transport accounts for **96%**
Export - road transport accounts for **100%**

478 ths m² of the total warehouse space

Distribution Centers in Poland and worldwide (Romania, Slovakia)

Almost **40m** e-commerce orders executed in the financial year

Currently, besides successful collections, the quality of logistics services is of major importance for customers in the shopping process. Therefore, we develop our distribution network on a regular basis. In Pruszcz Gdański, one of the most state-of-the-art distribution centers in this part of Europe operates while our other warehousing facilities are located in Brześć Kujawski, the Podkarpacie region and abroad: in Romania (Bucharest) and Slovakia (Bratislava). We also invest in new technologies facilitating the entire process of product distribution to brands' stores and in the e-commerce channel.



STEP 4:
SALE

Availability of our collections (in traditional and online stores) in **39** countries on **3** continents

2,275 brand stores of the total floorspace of **1,993.7 ths m²** in **28 countries**

Online sales in **34 countries**

Ca **494 m** of clothing items and accessories sold annually

In response to changing customer preferences and behaviour and the omnipresent digitalisation and transformation in retail, we focus on the omnichannel. We assume a holistic approach to both sales channels (traditional and online) offering our brand products in a constantly developing network of brand stores and online stores. At the same time, we care for the top quality customer service by introducing state-of-the-art Fashion Tech solutions.

OUR CUSTOMERS

Final customers of our products both in traditional and in online stores are individual clients preferring clothing purchases within a moderate price range.

On the other hand, direct customers buying products of LPP SA (parent company) are mainly subsidiaries (foreign companies) and, to a lesser extent, non-related parties (mainly franchise partners).

The subsidiaries build the network of stores of our individual brands locally and are supplied with trading goods by LPP SA, the parent company.

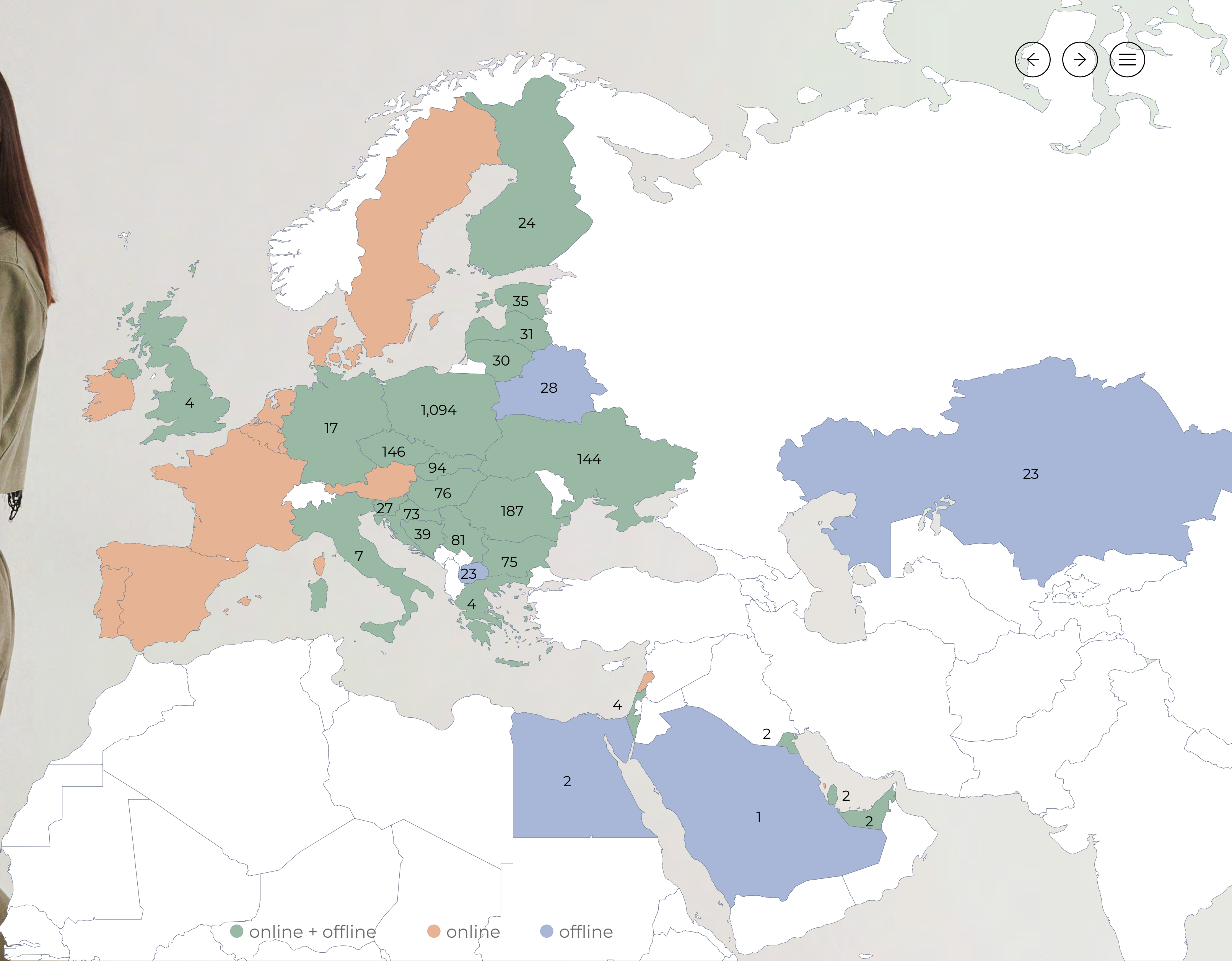
The franchise model results from the specific nature of some local markets and involves outsourcing the sale of our products to local business partners, more experienced in this area (a model applied for Reserved in the Middle East countries with two partners of this region).

OUR MARKET PRESENCE

We offer our products to customers in traditional stores and online stores located in 39 countries on 3 continents.

Our offline network comprises 2,275 stores of the total floorspace of 1,993.7 thousand m² in 28 countries.

We are present online on 34 markets.



KEY EVENTS IN 2023

FEBRUARY

Debut of Reserved Home

LPP has introduced a new range of products to the Reserved brand's online offer - Reserved Home with home and interior design items.

Accord Pakistan

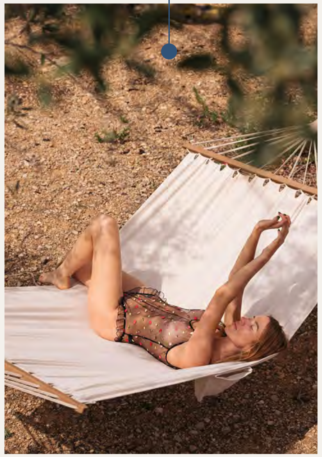
LPP joined the signatories of the Accord Pakistan agreement covering a total of more than 500 plants which seeks to significantly enhance working conditions and safety in factories.

MARCH

Sinsay - the second store in Italy

Sinsay opened its second brand store in Italy, in the Bicocca Village Shopping Center in Milan.

APRIL



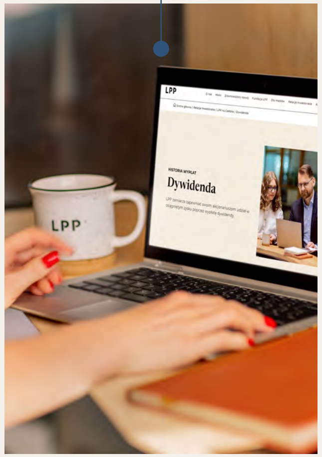
Reserved x Le Petit Trou cooperation

Reserved's underwear joint capsule collection with the Polish brand, Le Petit Trou, which aimed to expand the range in the online channel and offer premium products recognised worldwide to customers.

JUNE

Creating 2 foreign logistics subsidiaries

LPP Logistics created LPP Logistics Romania s.r.l. and LPP Logistics Slovakia s.r.o. with the aim of expanding the scope of LPP Logistics activities outside Poland, more efficient operation of the Group's regional distribution infrastructure and standardisation of service quality at managed facilities, including their cost optimisation.



The General Meeting adopted the first Dividend Policy of the Company (for 2023-2025), the purpose of which is, among other, to ensure the regular participation of shareholders in the Company's net profit and the payment of dividends in an amount corresponding to at least 50% of the previous year's separate net profit (no more than 70% of the Group's consolidated net profit).

KEY EVENTS IN 2023

Dividend payment for 2022

The Company paid the dividend for 2022 in two equal tranches (PLN 215 per share), i.e. on 14 July and 10 October 2023. The total amount of dividend per share was PLN 430, with the dividend record date on 10 July 2023.

Cooperation of Reserved with the "BOLESŁAWIEC" Ceramics Factory

A joint project of the Reserved brand and the "Bolesławiec" Ceramics Factory on the limited home line collection comprising unique ceramic products (tableware), home textiles and clothing true to the Bolesławiec patterns with the aim to support domestic entrepreneurs and promote local craftsmanship also abroad.

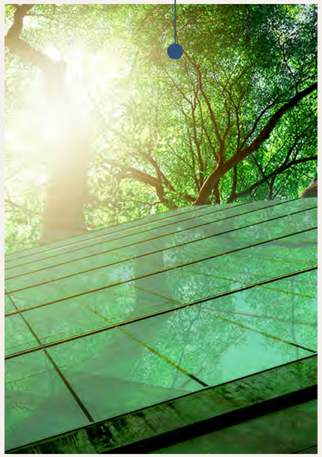
Opening of the second Reserved store in the United Kingdom,

first under the new concept, in the Westfield Stratford City Shopping Center, eastern London.

JULY

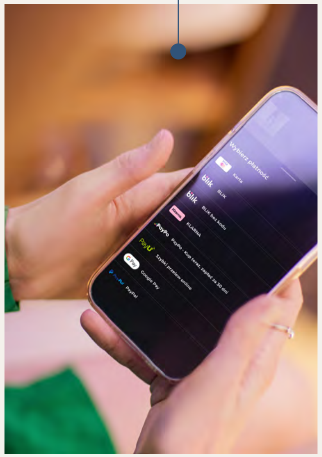
AUGUST

SEPTEMBER



LPP decarbonisation plan approved by SBTi

The Company's decarbonisation plan has been approved by the global Science Based Targets initiative (SBTi) supporting the private sector in combating global warming, reaffirming LPP's assumptions consistent with the Paris Agreement in seeking to contain the increase in global warming to 1.5°C.



Introduction of instalment payments in e-commerce

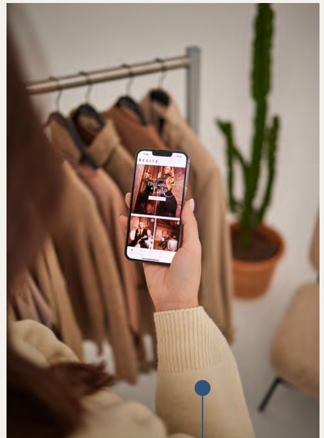
LPP has introduced the option of payment of interest- free instalments for Reserved, Cropp, House, Mohito and Sinsay online stores.

Debut of the Reserved store in Italy.

Opening of the Reserved brand store in Milan, located in the most important shopping street, Corso Vittorio Emanuele II.

KEY EVENTS IN 2023

Opening of successive Reserved stores in London, in the Brent Cross Shopping Center and the other one in Oxford Street.



Launch of Mohito app

Debut of Mohito mobile app, strengthening the brand's sales potential in the online channel, also supporting the brand development in overseas markets.

Changes in shareholder structure

Decreasing the threshold below 5.0% of votes at the General Meeting by Sky Foundation.

SEPTEMBER

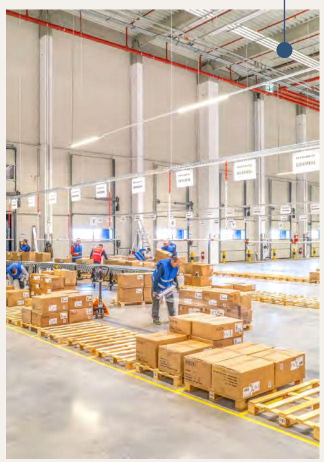
OCTOBER

NOVEMBER

JANUARY

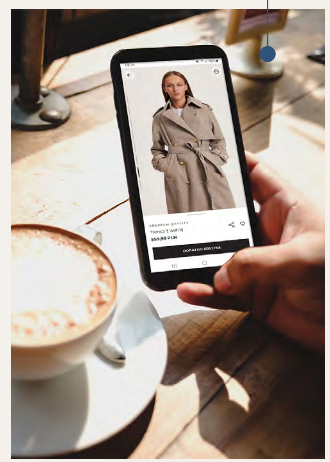
Opening of Sinsay stores in Greece

Opening of Sinsay stores in Janina locations (in September), in Thessaloniki (in October) and in Larissa (in November).



Distribution Center in Romania

End of construction works in the Shopping Center near Bucharest, Romania, dedicated to operate ca 450 stores in Romania, Bulgaria, Hungary, Croatia, North Macedonia, Serbia and Greece.



Opening of an online store in Bosnia and Herzegovina.

Our financial position and results for 2023

NUMBER OF OUR BRAND STORES AND FLOORSPACE

Number of stores	31.01.2024	31.01.2023	YoY change
Sinsay	978	737	241
Reserved	361	352	9
Cropp	355	325	30
House	353	331	22
Mohito	228	217	11
Total	**2,275**	**1,962**	**313**

Floorspace in thousands m^2	31.01.2024	31.01.2023	YoY change
Sinsay	954.6	699.6	36.4%
Reserved	594.5	569.6	4.4%
Cropp	172.3	153.4	12.3%
House	171.3	156.4	9.6%
Mohito	100.9	94.4	6.8%
Total	**1,993.7**	**1,673.4**	**19.1%**

SALES OF OUR BRANDS (OFFLINE AND ONLINE)

PLN m	2023	2022	YoY change
Sinsay	6,995	5,610	24.7%
Reserved	5,342	5,261	1.5%
Cropp	1,247	1,193	4.6%
House	1,137	1,194	-4.8%
Mohito	1,304	1,266	3.0%
Other	192	207	-6.9%
Trade agents	1,188	1,196	-0.7%
Total	**17,406**	**15,927**	**9.3%**

ONLINE SALES

	2023	2022	YoY change
Online sales (PLN m)	4,285.5	4,391.9	-2.4%
Share of online sales in total revenues	24.6%	27.6%	-3.0 pp.

REVENUES BY COUNTRIES AND REGIONS

Region	Country (PLN m)	2023	2022	YoY change
Central and Eastern Europe (CEE)	Poland	7,385	6,860	7.6%
	Czech Republic	1,025	1,067	-3.9%
	Slovakia	634	657	-3.5%
	Hungary	618	598	3.4%
Baltics Sea Region (BSR)	Lithuania	324	329	-1.4%
	Latvia	242	252	-4.1%
	Estonia	191	206	-6.9%
The Eastern Region	Ukraine	1,184	694	70.7%
	Belarus	142	165	-14.1%
	Kazakhstan	103	112	-8.5%
South-Eastern Europe (SEE)	Bulgaria	474	405	17.1%
	Romania	1,449	1,330	8.9%
	Croatia	501	448	11.9%
	Serbia	460	282	63.2%
	Slovenia	168	152	10.9%
	Bosnia and Herzegovina	228	150	51.7%
	Macedonia	90	45	99.6%
	Greece	110	20	462.5%
Western Europe (WE)	Germany	570	672	-15.1%
	Great Britain	75	58	28.3%
	Finland	119	66	81.1%
	Italy	52	10	409.2%
	Other European countries	41	117	-64.7%
	Middle East	33	37	-10.8%
	Trade agents	1,188	1,196	-0.7%
	Total	**17,406**	**15,927**	**9.3%**

Middle East revenues encompass sales to franchisees. In 2022, sales of other European countries include online sales from Greece and Italy.

Region/ country (PLN m)	2023	2022	YoY change
Poland	7,385	6,860	7.6%
Other countries	8,834	7,870	12.2%
Trade agents	1,188	1,196	-0.7%
Total	**17,406**	**15,927**	**9.3%**

OPERATING EXPENSES

IFRS16	2023	2022	YoY change
Operating costs (PLN m)	6,565	6,703	-2.1%
Operating costs per m²/month	300	368	-18.5%
Operating costs/revenues	37.7%	42.1%	-4.4 pp.

CAPITAL EXPENDITURE

PLN m	2023	2022	YoY change
Stores	930	736	26.3%
Offices	69	63	8.4%
Logistics	25	268	-90.7%
IT & Other	67	89	-25.5%
Total	**1,090**	**1,157**	**-5.8%**

INVENTORY

	31.01.2024	31.01.2023	YoY change
Inventory (PLN m)	3,040	3,353	-9.3%
Inventory per m² in PLN	1,534	2,016	-23.9%

INDEBTEDNESS

PLN m, IFRS16	31.01.2024	31.01.2023	YoY change
Short-term bank loans	49	806	-93.9%
Long-term bank loans	490	538	-9.0%
Bonds	310	307	1.1%
Finance leases	3,908	3,663	6.7%
Cash	1,077	465	131.5%
Net debt	**3,680**	**4,849**	**-24.1%**
Net debt/ EBITDA (4Q)	**1.0**	**1.9**	**-46.4%**

BASIC ECONOMIC AND FINANCIAL FIGURES OF LPP GROUP AND SELECTED INDICATORS

(Comparative data from the profit and loss account were restated, with balance-sheet data remained unchanged.)

PLN m	2023	2022 (restated)	YoY change (%)
Revenue	17,406	15,927	9.3%
Gross profit on sales	8,967	8,013	11.9%
Costs of stores, distribution and general costs	6,565	6,703	-2.1%
EBITDA	3,666	2,314	58.5%
Operating profit (loss)	2,284	1,184	92.8%
Net profit (loss)	1,612	485	232.3%
Equity	4,717	3,984	18.4%
Liabilities and provisions for liabi-lities	9,085	8,937	1.7%
Long-term liabilities, including:	3,431	3,723	-7.8%
- bank loans	490	538	-9.0%
- bonds	0	307	-100.0%
Short-term liabilities, including:	5,654	5,214	8.4%
- bank loans	49	806	-93.9%
- trade and other liabilities	4,185	3,062	36.7%
Non-current assets	7,973	7,352	8.5%
Current assets, including:	5,829	5,569	4.7%
Inventory	3,040	3,353	-9.3%
Trade receivables	810	944	-14.2%

PROFITABILITY RATIOS

	2023	2022 restated	YoY change (pp)
Gross profit margin on sales	51.5%	50.3%	1.2
Operating profit margin	13.1%	7.4%	5.7
Return on sales (ROS)	9.3%	5.5%	3.8
Return on assets (ROA)	12.1%	6.7%	5.3
Return on equity (ROE)	37.1%	24.0%	13.1

Gross profit margin on sales – gross profit on sales divided by revenues from sales of goods and services
Operating profit margin – operating profit divided by revenues from sales of goods and services
Return on Sales – net profit from continuing operations divided by revenues from sales of goods and services
Return on Assets – net profit from continuing operations divided by average assets during the financial year
Return on Equity – net profit from continuing operations divided by average equity during the financial year

LIQUIDITY RATIOS

	2023	2022	YoY change (pp)
Current liquidity ratio	1.0	1.1	-3.5%
Quick liquidity ratio	0.5	0.4	16.0%
Inventory turnover (days)	138	169	-18.3%
Receivables turnover (days)	18	14	28.6%
Trade liabilities turnover (days)	161	193	-16.6%

Current liquidity ratio – current assets divided by the carrying amount of short-term liabilities
Quick liquidity ratio – current assets less inventory divided by the carrying amount of short-term liabilities
Inventory turnover ratio (days) – average inventory divided by costs of goods and products sold and multiplied by the number of days in a given period
Receivables turnover ratio (days) – average trade receivables divided by revenues from sales and multiplied by the number of days in a given period
Trade liabilities turnover ratio (days) – average trade liabilities divided by costs of goods and products sold and multiplied by the number of days in a given period

ASSET MANAGEMENT RATIOS

	2023	2022	YoY change (pp)
Fixed assets to equity ratio	59.2%	54.2%	5.0
Total debt ratio	65.8%	69.2%	-3.3
Short-term debt ratio	41.0%	40.4%	0.6
Long-term debt ratio	24.9%	28.8%	-4.0

Fixed assets to equity ratio – shareholders' equity divided by fixed assets
Total debt ratio – long- and short-term payables divided (including provisions for liabilities) by the balance sheet total
Short-term debt ratio – short-term debt divided by the balance sheet total
Long-term debt ratio – long-term debt divided by the balance sheet total

FACTORS AND EVENTS (INCLUDING EXTRAORDINARY EVENTS) WITH A MATERIAL IMPACT ON THE GROUP'S OPERATIONS AND FINANCIAL STATEMENTS, INCLUDING THE RESULTS ACHIEVED

EXPANSION

At the end of the 2023 financial year, the network of traditional Group's stores was present in 28 countries and comprised 2,275 stores with the total floorspace of 1,993.7 thousand m^2. 1,181 stores (1,147.0 thousand m^2) operated outside Poland.

The total floorspace and number of stores compared to 2022 increased by 19.1% and 313 stores. The highest increase in the number of stores and floorspace was recorded by the Sinsay brand, as a result of the intensive growth of this brand both in the country and abroad (including in new markets).

REVENUES

Due to the sales of five brands, both in their offline and online stores, the Group achieved revenues of PLN 17.4 billion in the financial year 2023, i.e. 9.3% more than in the previous year. Almost all Group brands increased their revenues, with the highest growth in nominal terms recorded by Sinsay. This brand also achieved the highest YoY sales growth rate of 25%.

The growth in the Sinsay brand was a result of both its development and the popularity of clothing from the value-for-money segment where the brand belongs.

At the same time, in 2023, two brands, Sinsay and Reserved generated more revenue from their international operations than from Poland, which demonstrates their international nature.

In 2023, revenues from Poland accounted for approximately 42% of revenues for the entire Group. In addition to the domestic market, the Group recorded its highest sales in Romania, Ukraine, the Czech Republic and Slovakia.

The Group's revenues in 2023 were also affected by sales in comparable stores (LFL 1.1%) and online sales, which in the financial year amounted to PLN 4.3 billion and accounted for 25% of the Group's total revenues.

After a slowdown in revenues in the second and third quarter of 2023, a recovery in sales and a return to the desired dynamics was noticeable in the fourth quarter.

GROSS PROFIT MARGIN ON SALES

Despite the higher share of the Sinsay brand with lower margins diluting the total gross margin, in 2023, the Group generated a higher YoY gross profit margin on sales reaching 51.5% i.e. 1.2 p.p. higher than in the previous year.

Higher margin in the financial year resulted from: significantly lower YoY collection purchase costs, lower freight costs, more favorable US$/PLN currency and the sale of larger parts of collections at full prices due to lower YoY promotional campaigns.

OPERATING COSTS

The Group's operating costs consist of store costs (rents, wages and other costs such as energy and depreciation), distribution costs (logistics and e-commerce) and overheads (marketing, head office and subsidiaries).

In the 2023 financial year, the Group recorded a YoY decrease in operating costs by 2.1%. The lower operating costs, despite continued sales growth, result from the cost discipline introduced by the Company as part of the preparation for the projected economic downturn in 2023. Lower operating costs were mainly achieved due to lower expenses on marketing and logistics as well as lower store costs due to the optimisation of man-hours.

Moreover, the YoY decline in operating costs was strongly affected by lower store costs due to growing share of the Sinsay brand demonstrating lower store maintenance costs (lower rents and lower shared costs).

As a result of these activities, the share of operating costs in the Group's revenue in 2023 fell to 38% from 42% in the previous year.

The Group's long-term objective is to keep SG&A costs below 40% while increasing the annual sales growth to ca 20%.

OPERATING PROFIT AND EBIT MARGIN

Lower YoY operating costs translated into 13.1% operating margin in 2023, i.e. 5.7 p.p. more than in the previous year and the operating profit of PLN 2.3 billion, i.e. 92.8% more than PLN 1.2 billion achieved a year before.

Very good operating results are mainly a consequence of the business model combining the value-for-money segment (Sinsay brand) located mainly in retail parks and addressed to customers in small towns, with the segment of other LPP brands in large shopping centers, larger cities, while strongly supporting both segments through online sales.

ASSETS (STRUCTURE OF ASSETS AND LIABILITIES)

The Group's assets consist of two main components: (1) non-current assets that include fixed assets and shop equipment, with a value of PLN 4 billion at the end of 2023, and (2) trade inventories with a value of PLN 3 billion as at the balance sheet date. As the sales network and number of stores develops, the value of fixed assets increases. On the other hand, the value of trade inventory depends on the size of the floorspace and the development of online stores. At the same time, the Group worked on reducing its inventory, decreasing store store inventory levels while accelerating inventory turnover, resulting in increased operating efficiency.

The Group pursues a conservative liabilities management policy maintaining a secure financing structure. Prior to the introduction of IFRS16, the aim was to maintain more than 50% share of equity in liabilities, while after the introduction of this standard, above 20%. At the end of 2023, the share of equity in liabilities was 34.2%, with equity of PLN 5 billion.

INVENTORIES

The Group's inventories consist of goods in stores, warehouses (including those supporting online stores) and goods in transit - from the producer to the distribution centre.

In the 2023 financial year, while sales increased by 9.3% YoY, the Group reduced its inventory YoY levels by 9.3%, i.e. by PLN 313 million, to the level of PLN 3.0 billion. The YoY reduction in inventory levels is a positive result of the measures taken by the Group throughout the year.

At the same time, the inventory level per m^2 at the end of 2023 came in at PLN 1,534 and it was 23.9% lower compared to the previous year, as a result of continued improvement in goods management and work on turnover acceleration.

DEBT

At the end of 2023, the Group held PLN 1.1 billion of cash and, taking into account the indebtedness, it had net debt of PLN 3.7 billion compared to PLN 4.8 billion in the previous year. Additionally, PLN 561 million was deposited in money market funds, which are not recognised in the cash line.

The Company also had short-term and long-term loans and borrowings and bonds. In the financial year, the level of short-term debt decreased YoY as a result of the lack of use of short-term loans.

The use of loans as at 31 January 2024 is presented in note 24 of the consolidated financial statements and in note 25 of the separate financial statements.

OTHER OPERATING INCOME AND COSTS

The Group's results at the level of other operating income and expenses in 2023 were also affected by non-recurring events related to inventory losses in stores and warehouses amounting to PLN 92.1 m (vs. PLN 75.9 m in 2022) and write-offs for receivables and unprofitable stores amounting to PLN 70.8 m.

FINANCIAL INCOME AND COSTS

In addition, the Group's results at a level of financial income in 2023 were affected by an update of the discount rate on receivables from the sale of the Russian company, which resulted in an increase in financial income by PLN 53.6 m (vs. PLN 80.4 m in the previous year).

However, foreign exchange losses in 2023, i.e. PLN -121.2 m (vs. a positive result of PLN 24.9 m in 2022), contributed to a less favourable YoY negative net financing activities by the Group.

NET PROFIT AND NET PROFITABILITY

As a consequence of the foregoing factors, in the settlement period, the LPP Group generated net profit of PLN 1.6 million compared to PLN 0.5 million in the previous year, with net profitability of 9.3%.

BASIC ECONOMIC AND FINANCIAL FIGURES OF LPP (PARENT COMPANY)

PLN m	2023	2022	YoY change (%)
Revenue	14,253	13,425	6.2%
Gross profit on sales	5,906	5,340	10.6%
Costs of stores, distribution and general costs	4,060	4,334	-6.3%
EBITDA	2,270	834	172.2%
Operating profit (loss)	1,773	362	390.4%
Net profit (loss)	1,626	534	204.4%
Equity	4,791	3,953	21.2%
Liabilities and provisions for liabilities	6,239	6,582	-5.2%
Long-term liabilities, including:	1,514	2,098	-27.8%
- bank loans	524	678	-22.8%
- bonds	0	307	-100.0%
Short-term liabilities, including:	4,725	4,484	5.4%
- bank loans	32	787	-96.0%
- trade and other liabilities	4,144	3,098	33.7%
Non-current assets	5,410	5,347	1.2%
Current assets, including:	5,620	5,187	8.3%
Inventory	2,452	2,709	-9.5%
Trade receivables	1,665	1,507	10.4%

Targets adopted and financial risk management methods

FINANCIAL LIQUIDITY RISK

Financial liquidity means the capacity of timely settlement of financial liabilities. This is closely related to the ability of the company to generate cash and manage its financial resources.

The business model adopted by our Group, i.e. the sale of goods for cash to an end customer ensures sustainable generation of daily cash proceeds and guarantees independence in relation to single large customers. Liquidity management involves goods management and determining adequate prices and margins as well as the strict control of costs and expenses and management of financial surpluses.

The Company's liquidity is audited through current monitoring of the balance of bank accounts, creating cash flow forecasts in monthly periods and by planning cash flows between the subsidiaries and LPP SA.

Adequate working capital management is also important in liquidity management, which is facilitated by the Company's use of the supplier financing programme (reverse factoring). Due to the programme, the Company maintains higher trade liabilities which improves financial liquidity.

CREDIT RISK

Generating profits on a long-term basis by the Group enhances the financial safety and enables to obtain creditworthiness on the market, which is an important element of the company's image and a warranty of its development and stability.

The priority of the LPP Management Board in the finance area is the generation of the Group's profits at a level enabling the daily servicing of credit liabilities and ensuring funds for the Group's further development. LPP maintains its creditworthiness at a high level – by paying, on an ongoing basis, all of its liabilities, by increasing sale and optimising costs and by adequate planning of future activities to detect any emerging risks in advance. To that end, budgets, financial plans, cash flow forecasts and stress tests are prepared. Financial ratios, including debt ratios, are monitored. The Company assumed that the maximum level of net debt should not exceed 3x EBITDA.

INVESTMENT RISK

The investment risk is associated with the failure to achieve expected results of an investment in new stores and warehouses or delay in investment completion. Such risk may stem from the lack of in-depth knowledge of investment issues, excessive financial exposure in relation to the company's capacity as well as the occurrence of unexpected circumstances, such as the COVID-19 pandemic in 2020 or the outbreak of war in Ukraine in 2022.

The Group invests in projects in the scope of its competence, which increases the likelihood of success. Significant investments of the Company are associated with the development of the sales network in Poland and abroad, construction of Distribution Centers and investment in Fashion Tech.

Moreover, the Management Board of the Company regularly evaluates its investment capacity, adequately to the needs, adjusting to the dynamically changing circumstances.

Examples include the 2022 events in the countries of Eastern Europe, i.e. Russia's invasion in Ukraine which contributed to the revision and change of the Group's investment plans, namely, the sale of the Russian company and the ultimate withdrawal from the Russian market.

INTEREST RATE RISK

The interest rate risk is related to the use of bank loans by the Company, bonds issued and, to a lesser extent, loans extended.

Bank loans taken by LPP bear a floating interest rate dependent on changes in market interest rates. According to the Management Board, the planned interest rates cuts will not have a material impact on the

Company's financial performance due to low credit exposure in business financing.

FOREIGN EXCHANGE RISK

At present, the Group generates ca 42% of revenues in PLN. On the other hand, the basic settlement currency for the majority of transactions involving the purchase of trading goods is US$. A minor part of settlements is processed in EUR. The Company hedges the US$/PLN exchange rate by entering into forward contracts for payments in US$ to suppliers. The aim of the transactions is to minimise the level of foreign exchange differences in financial operations (i.e. below the operating profit). Apart from the foreign exchange risk relating to the settlement currency used for purchasing of trading goods, there is also a risk related to the settlement of rents under floorspace lease agreements in EUR, partially mitigated by inflows on operating activity in this currency.

Management of financial resources

The management of financial resources involves making the decisions concerning raising of funds subsequently used for the company's operations and development.

To pursue its operations, our Group must hold both in-kind resources (inventory) and funds i.e. financial resources. In-kind and financial resources are inter-related. The requirement of holding financial resources is associated with financing of the Group's current transactions (among others, payment for goods and services) and investment (brand stores, distribution centers, technology), supporting ongoing operations and indirectly providing the source of cash inflows for the Group. The funds raised increase the Group's financial resources and are used in a subsequent cycle of its operations. The cash flow timing and intensity are significant, which requires adequate management.

The management of financial resources in our Group consists in controlling the level of debt, timely payment of liabilities as well as monitoring of the level and structure of our Company's current assets. Due to effective management of financial resources, profit generation and implementation of the adopted strategy by the Group is possible.

Our basic business model based on retail sale allows to receive immediate payments for the goods sold. The proceeds generated and bank loan agreements signed fully secure commitments undertaken by us.

BORROWINGS

Our internal policy of incurring and settlement of borrowings is centralised and implemented by the parent company and, at the same time, entails debt minimising to maintain the Group's financial safety.

As part of its short-term borrowings, LPP may utilise multi-purpose credit facilities which may be used for bank guarantees, letters of credit or as a revolving loan used occasionally and depending on the needs, with repayments made from current inflows. The company uses short-term liabilities mainly to cover short-term fluctuations in liquidity, resulting mainly from the seasonality in sale or goods order cycle.

In 2023, with regard to this type of lending, LPP had access to multi-purpose facilities with 6 banks, with the total value of ca PLN 2.26 bn at the end of the year. The utilisation of the multi-purpose facilities for individual products under the facilities amounted to: PLN 150 m for bank guarantees and PLN 128 m for letters of credit. The company did not use an overdraft facility.

The only exception to the centralisation rule is the subsidiary, LPP Ukraine which uses short-term lending in the form of revolving loans from a local bank in Ukraine. This company settles its liabilities to lenders from its current proceeds. At the end of the financial year, the utilisation of the facility, converted into PLN, amounted to ca PLN 0.06 m.

LPP SA also uses a supplier financing programme the so-called reverse factoring, through which it can negotiate more favourable deferred payment terms with suppliers, reduce financing costs and increase LPP's financial liquidity. The use of reverse factoring as at 31 January 2024 amounted to PLN 2.1 bn.

In addition, LPP Group has long-term debt used for investment projects (e.g. expansion of its headquarters, warehouses). At the end of the financial year, investment loans amounted to PLN 541 m (PLN 117 m LPP, PLN 424 m LPP Logistics).

BONDS

In 2019, in order to diversify fund raising sources, the Company issued 300 thousand unsecured ordinary 5-year bearer bonds of A series. The bonds of the nominal value of PLN 1 ths per bond, of the total value of PLN 300 m, charged with WIBOR 6M increased by a margin of 1.1%, will mature on 12 December 2024. Bonds were issued as part of non-public placement and were offered to specified qualified investors.

The bonds have not been issued in a documentary form and are registered in the depository of securities kept by Krajowy Depozyt Papierów Wartościowych SA and were introduced to trading on the Catalyst bond market in the Alternative Trading System operated by Giełda Papierów Wartościowych w Warszawie SA (Warsaw Stock Exchange).

At present, the Company has no plans to roll over the bonds issued or to re-issue these instruments.

FINANCIAL SURPLUSES

LPP allocates its financial surpluses primarily for the repayment of overdrafts. Subsequently, the Company allocates its financial resources for negotiated bank deposits and monetary funds. In line with our internal Company policy, financial resources are allocated with due consideration of geographic and currency diversification as well as diversification regarding entities accepting cash deposits.

At the end of the financial year, the Group held PLN 1.1 bn in cash and, including debt, it had net debt of PLN 3.7 bn compared to PLN 4.8 bn in the previous year. Additionally, the Company held PLN 561 m in money market funds, which are not recognised in the cash item.

TRANSFER PRICING POLICY AND CENTRALISED CURRENCY MANAGEMENT

As a Group we apply a centralised liquidity management model, i.e. the parent company (LPP SA) purchases goods and distributes them to subsidiaries and, subsequently the subsidiaries pay for those goods in a local currency to the parent company. The parent company is vested with decision-making functions in the scope of the flow of receivables, foreign currency exchange and incurring of financial liabilities.

Through selling goods to subsidiaries and by applying the transfer pricing policy, LPP regulates their profitability and its flow of revenues by issuing invoices to subsidiaries. By centralising the cash flow received from a part of revenues generated by the subsidiaries, LPP gains its multi-currency revenue. The FX position is managed based on SPOT and futures transactions. The Company performs its FX operations with financial institutions in Poland and abroad.

FINANCIAL PRODUCTS

The following financial instruments are available to the Company: bank loans contracted, bank deposits, participation units in money market funds, bonds, loans granted, intercompany loans, derivatives transactions i.e. forward FX contracts aimed at managing foreign exchange risk involved in the purchase of trading goods abroad.

LPP uses the services of a number of banks and financial institutions, selecting financial products that are most appropriate for it from each of the institutions. Furthermore, the financial products themselves are subject to regular reviews and benchmarking analyses. Moreover, LPP actively participates in the selection of institutions and their financial products for its own subsidiaries.

Our strategy, plans, outlook and development directions

OUR STRATEGY

LPP is a Polish family-owned company. Our goal is the continuous development of LPP and transforming it into an increasingly sustainable company responding to current climate challenges. We continue to improve our offer and adjust it to customers' changing expectations. We are increasing the availability of our collections by expansion of the network of traditional stores (increasing the floorspace YoY) and online stores. We develop our operations in the spirit of the omnichannel concept to make all products available to our customers regardless of the sales channel. At the same time, we face the technological and environmental challenges of the surrounding world.

Striving to pursue the said development plan for the following years, we have founded our strategy on the following three pillars: the omnichannel, digitalisation and sustainable development.

1. OMNICHANNEL ORGANISATION

LPP is an omnichannel organisation where traditional and online sale are fully integrated. We are committed to providing our customers with the best possible shopping experience, whether they choose to purchase our collections in traditional stores or online. Therefore, we concurrently develop both these channels taking care of a consistent presentation of our offer.

Our priority is to:
- further develop our 5 fashion brands (Sinsay, Reserved, Cropp, House and Mohito) falling within a value for money or moderate price range segment, dedicated to various target groups;
- increase the availability of our brand offers through simultaneous expansion of the traditional store network and the online offer, so that our customers can interact with the brand where, when and how they want, through integrated channels.

EXPANSION THROUGH BRANDS

We focus on attracting new customers and increasing the satisfaction of our existing customers. We started building our portfolio with the Reserved brand which opened its first store in 1998. At present, we already manage five brands dedicated to different target groups. Our offer includes collections for men and women (Reserved, Mohito and Sinsay), but also clothing for children (part of Reserved and Sinsay brands) and teenagers (Cropp, House, Sinsay). Reserved, Cropp, House and Mohito fall within a moderate price range while Sinsay offers products in the value-for-money segment.

At present, we have no plans related to creating any new brands. We concentrate our efforts on developing the brands currently included in our portfolio, with special emphasis on Sinsay. Originally, the brand was dedicated to teenage girls while it currently offers fashionable outfits also for young women and men. Sinsay's offer also includes collections for mums as well as products and accessories for children. The brand's offer is complemented by home and interior design items as well as a line of make-up and beauty products. Market's positive response to the new Sinsay concept and the accompanying intensive development of its traditional network, mainly in small towns, will contribute to successive growth of Sinsay's share in the portfolio of LPP brands in the consecutive years.

EXPANSION THROUGH BRANDS

1998	RESERVED
2004	CROPP
2005	ESOTIQ *(sold in 2010/2011)*
2008	HOUSE, MOHITO *(both brands acquired due to the acquisition of Artman)*
2013	sinsay
2016	TALLINDER *(brand closed in 2017)*
2019	Strategic change in the **Sinsay** brand

DEVELOPMENT THROUGH EXPANSION IN NEW MARKETS

The development through brands would not be complete if it is not accompanied by the expansion of our sales network, both traditional and online. Our goal is to diversify the Group's revenues, i.e. maintaining our current position on the domestic market but also increasing the share of foreign sales, especially in European Union region. Today, apart from Poland, we are present in six geographic territories, each of them having different development outlook:

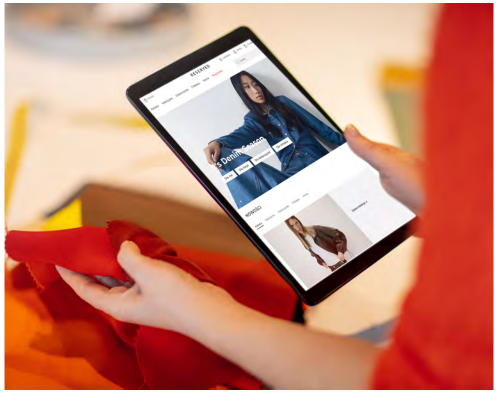
- **Poland** is our domestic and simultaneously most important market generating a major part of the Group's revenue. Due to its considerable maturity and a dense sales network, we mainly focus on maintaining the current position of brands owned by LPP, refreshing store concepts and expanding their floorspace. Any potential extension of the traditional store network will be carried out by focusing primarily on Sinsay brand stores.
- **Central and Eastern Europe (CEE)**, which includes countries such as: the Czech Republic, Slovakia, and Hungary. Due to the well-established presence of all our brands in this region, we consider it to be a mature market. Therefore, the focus here is mainly on developing the traditional network in smaller towns where we see development potential for younger brands, especially Sinsay. We are expanding the traditional store network mainly through retail parks, but also through high street stores. In parallel, we are modernising the traditional network in large cities and successively expanding and refreshing store concepts in order to fully implement the omnichannel model and adapt our stores to new market requirements and customer expectations.
- **The countries of the Baltic Sea Region (BSR)**, where our brands are currently present include Lithuania, Latvia, and Estonia. We regard all the three countries, as well as the CEE markets, as mature and hence focus on developing younger brands in smaller towns, mainly in retail parks.
- **The Eastern region** i.e. Ukraine, Belarus and Kazakhstan, is the region where we recognise growth potential for our brands, therefore we plan to resume the development of retail space in the Ukrainian and Kazakh markets.
- **South-Eastern Europe (SEE)** i.e. Bulgaria, Romania, Croatia, Serbia, Slovenia, Bosnia and Herzegovina, North Macedonia and Greece are markets with high growth potential for all LPP brands. We are gradually expanding our traditional network there, and we plan to continue our presence in the Balkans.
- **Western Europe (WE)** i.e. Germany, the United Kingdom, Finland and Italy are countries where the development of the sales network will be carried out conservatively.
- **The Middle East (ME)** i.e. Egypt, Qatar, Kuwait, the United Arab Emirates, and Israel. Our presence with Reserved brand in this region is based on cooperation with a franchise partner. At the same time, we continue to sell online through external sales platforms.

EXPANSION BY COUNTRY

1998	Poland
2002	Russia, Latvia, Estonia, Czech Republic, Hungary
2003	Ukraine, Slovakia, Lithuania
2007	Romania
2008	Bulgaria
2014	Croatia, Germany
2015	Egypt, Qatar, Kuwait, Saudi Arabia
2016	United Arab Emirates
2017	United Kingdom, Belarus, Serbia
2018	Kazakhstan, Slovenia, Israel
2019	Bosnia and Herzegovina, Finland
2021	Northern Macedonia
2022	Italy
2023	Greece

EXPANSION OF E-STORES BY COUNTRY

2011	Poland
2014	Germany
2015	Czech Republic, Slovakia, Romania
2016	Hungary
2017	Latvia, Lithuania, Estonia, United Kingdom, Russia
2018	Middle East countries by franchise partner: Bahrain, Kuwait, United Arab Emirates, Saudi Arabia, Oman
2019	Croatia, Ukraine, Reserved online pan-European shop - European Union countries (12 countries)
2020	Slovenia, Israel
2021	Bulgaria, Qatar
2022	Serbia, Lebanon
2023	Bosnia and Herzegovina



In response to changing customer preferences and behaviour as well as the omnipresent digitalisation and retail trade transformation, our omnichannel strategy assumes a holistic approach to both sales channels, i.e. the traditional and the online channel. As a result of the circumstances surrounding the outbreak of the COVID-19 pandemic, the qualitative and quantitative development of the online channel became a priority for LPP. Logistics and technology have become inseparable elements supporting the development of the online channel, determining the success of the e-commerce and customer satisfaction. Therefore, our company focuses its activities on the expansion of the distribution network (distribution centres and warehouses dedicated to e-commerce services, the so-called fulfilment centres) in Poland and abroad, as well as on the successive increase of the share of modern technologies in logistics and in the customer service process.

At the end of 2023, the offer of our brands was available in a total of 39 markets, including offline in 28 countries and online in 34 countries.

2. ORGANISATION DIGITALISATION

We operate in the fashion sector, but at the same time, in response to the revolution observed in the fashion industry, we are a technology company. We develop IT solutions tailored to our needs. We implement modern technologies, the so-called Fashion Tech, throughout the entire value chain, from product to logistics and sales. We have our own analytical facilities that allow us to understand mega trends and customer expectations. This enables us to respond flexibly and quickly to changes in purchasing preferences and to design collections tailored to 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 utilising modern technology with the aim of:
- continuous refinement of collections according to our customers' expectations,
- expanding our range of sales and after-sales services in line with global retail trends,
- improving the flexibility of our distribution network,
- full integration of the traditional and online channels reflecting the omnichannel strategy.

3. SUSTAINABLE DEVELOPMENT

In the era of increasing awareness of the importance of responsible business, LPP's strategy reflects our care for the environment and humanity. The Company's development is based on sustainable rules governing all our processes.

Our sustainable development strategy is founded on responsible fashion i.e. thinking of our collections not only in terms of designing clothing, its manufacturing, distribution and utilisation but also in terms of extending our clothes' life once these are no longer used by customers.

Such a comprehensive approach is our response to current climate challenges. Each year, we want to limit efficiently LPP's adverse environmental impact and also educate our customers and business partners how to join our efforts in taking care of our planet both for our sake and for the sake of future generations.

In 2019, we announced the second LPP Sustainable Development Strategy "For People For Our Planet" scheduled for 2020 - 2025, based on four pillars: design and production, elimination of plastics, chemical safety and infrastructure and buildings.

This is our action programme and the goals we have defined for the near future, but also a sign of responsibility for our environment.

Sustainable development also means the company's pro-social activities, the vast majority of which are implemented through our LPP Foundation established in 2017. We help disadvantaged children and young people and the sick. We also support medical facilities and organisations caring for people at risk of social exclusion.

OUR SHORT-TERM FINANCIAL GOALS AND INVESTMENT PLANS

In the forthcoming years, we plan to strengthen our sale through the omnichannel model which, by combining online markets with traditional stores, offers the possibility of achieving the best profitability. We also perceive great opportunities in our diversified business model, combining the value-for-money segment (Sinsay brand) with the lifestyle segment (other Group brands) and a strong online channel for both these segments.

We perceive opportunities for further growth of the traditional sales network especially in the value-for-money segment, i.e. Sinsay brand, and its locations in retail parks of smaller towns.

The Group will focus on expansion in Southern and Central Europe, while growth in Western Europe will be carried out conservatively.

For 2024, an increase of approximately 25% YoY is planned, prioritising the development of the Sinsay brand floorspace.

Sales plans for 2024 envisage the achievement of revenue of ca PLN 21 bn (due to growth in floorspace, positive LFL and double-digit growth in online sale).

In the 2024 financial year, the Group expects a gross profit on sales margin in the range of 52-53%. At the same time, it assumes maintaining cost efficiency, i.e. the operating costs-to-revenues ratio of below 40%.

Consequently, the Group would like to achieve an operating margin above 12% in 2024.

Our plans for 2024 are strengthened by the good outlook for 1Q 2024 resulting from the positive response to the Spring/Summer collection by clients and the increase in sales (from 1 February to 25 March 2024), positive sales growth (Sinsay: LFL +26% YoY and online +54% YoY, the remaining brands: LFL +5%, +4% w online).

Our investment plans for the nearest financial year assume the amount of PLN 1.5 bn, including ca PLN 1.2 bn for the development of the network of traditional stores. We plan to spend PLN 260 m for projects related to infrastructure and IT.

We are fully capable of financing the ongoing and planned investment projects. We will finance these investment projects from our own resources and bank loans. The table below presents our investment plan for the nearest year.

CAPEX (PLN m)	2024
Stores (in Poland and abroad)	1,200
Offices	10
Logistics	200
IT & Other	50
Total	**1,460**

Risk management

DESCRIPTION OF MAJOR RISK FACTORS AND THREATS, INCLUDING THE EXTENT OF THE GROUP'S EXPOSURE AND THE METHODS OF THEIR MITIGATION

In the Group, Enterprise Risk Management (ERM), i.e. ongoing risk identification and mitigation, is the responsibility of the Internal Control and 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 Internal Control and Risk Management Department.

The Company's Risk Management Procedure was developed to supplement previously adopted documents and risk management processes. The procedure contains 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 also defines the scope of responsibility and tools to be used.

Along with the Procedure, the Risk Log was created, dividing risks into the following main categories:
- strategic;
- operational;
- regulatory and compliance;
- financial;
- reputational.

The Risk Log describes selected risks and opportunities identified by the Company in key areas of the LPP Group's operations. They were selected in accordance with the level of their severity which is based on the likelihood of their occurrence and the scale of their impact if materialised. Reference is made to financial criteria (impact on the Group's financial performance) and reputational criteria (impact on the reputation of the Group, its brands and its management staff).

Parallel to the enterprise risk management, the Group manages climate risks. This process is methodologically fully integrated with the process of the enterprise risk management procedure. Both climate risks and risks identified as part of the ERM process are analysed in terms of their impact on the implementation of LPP Group's strategy.

The current risks most significant to the Group's development are presented in detail below, bearing in mind that financial risks are described in the section on Goals and Methods of Financial Risk Management of this Management Board Report and climate risks - in the Sustainability Report.

DESCRIPTION OF SELECTED MATERIAL RISKS

RISK	RISK MITIGATION MEASURES

MACROECONOMIC RISK
 	
Due to its presence 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 maintenance costs affected by the growing inflation, high energy costs and problems related to the supplies of consumer goods, parts and components used for manufacturing of products.
 	
Continuing long-term economic problems may lead to stagflation, which may consequently contribute to a rise in unemployment in Poland and Europe.
 	
The Group's revenues and margins depend on the economic position of households. An economic growth or downturn in countries where our brand stores are located may translate into an increase or decrease in consumers' spending, including clothing expenses. Analogically, an economic growth or downturn in countries where our goods are manufactured may translate into an increase, decrease or stabilisation of manufacturing costs. In addition, the continuing energy crisis may result in an increase in energy prices in Poland and Europe, affecting an increase in store maintenance costs and other areas of the LPP Group's operations.
	The Group mitigates the risk in several ways:
	– **Sale of goods:**
	  – presence in multiple European markets - diversification of risk across a number of countries with a diverse macroeconomic situation,
	  – sale of goods under several brands addressed to various groups of customers in order to spread the risk into several age groups,
	  – offering goods at a wide range of prices - from cheap and easily accessible to more expensive ones.
	– **Purchase of goods:**
	  – outsourcing the production of goods to multiple manufacturers in more than a dozen countries,
	  – long-term cooperation with selected suppliers, which allows the negotiation of advantageous product prices.
	– **Operating costs:**
	  – strict control of the company's operating costs (cost budgeting, analysis of work processes and their optimisation).
	Due to the cost discipline introduced by the Company in 2023 (reduced expenditure on performance marketing, logistics and lower store maintenance costs), operating costs were lower YoY despite the continued growth of the sales network.
	– **Investment in renewable energy sources:**
	In 2021, the Group signed the agreement for the supply of green energy with FIGENE Energia, under which, starting from 1 January 2023, for 10 subsequent years, it will consume green energy in the majority of its office buildings across Poland (in Gdańsk, Pruszcz Gdański and Cracow) and in the Distribution Centers in Pruszcz Gdański and Brześć Kujawski. Through this agreement, the Company will avoid high costs of conventional energy. Furthermore, the Group has technologically advanced systems for managing energy consumption in its warehouses. Energy consumption in offices is monitored and in 2023, the process of remote metering of energy and water consumption in all the Group's brand stores was completed, which enables to detect inefficient consumption points.

RISK	RISK MITIGATION MEASURES
FASHION TREND AND SALES RISK LPP Group operates on a highly competitive, demanding and changing fashion market and variable customer tastes. In the LPP's sales model, a natural element is the cyclical nature of changing seasons, requiring the change of collections. A lack of customers' demand as a result of a mis--match between the collection and their tastes and demand may require the Group to introduce additional discounts and promotions, which will negatively affect the Group's gross profit margin, performance and financial stability. In addition, the risk of unsuitable collections for a given period/season may result in a failure to meet the defined sales plan and an increased cost of goods storage.	LPP monitors fashion market trends on an ongoing basis by participating in shows, fairs and fashion events and by access to the latest global publications on fashion (the so-calld 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 in this scope. Several teams of designers, separate for each brand, work on the clothing designs, and their work is organised so as to minimise the influence of one designer on the entire collections. Designers undergo constant assessment including, among others, margins they generate. In 2023, a Reserved brand office in Barcelona was set up with the aim of identifying customer tastes in Western markets, as well as sourcing key fashion talent, which is also a measure reducing the risk of bad collections. At the same time, the VM and Omnichanel departments continuously monitor changing fashion trends, shopping trends and the pricing policies of major competitors. Strengthening the Group's presence in the digital area is also an important factor in mitigating the risk - on the one hand, promoting the Group's brands in social media and collaboration with influencers, and on the other hand, designers using inspiration from fashion trends present in social media. In addition, the risk is also mitigated by targeting different age groups of end users (mainly through separate brands aimed at different target groups).
COMPETITION RISK The rise in popularity of online shopping has resulted in a global trend of sales migra-ting from traditional to online stores. LPP is aware that for the modern customer, both the online and offline world is equally important in the shopping process. At the same time, many players are active in the clothing market in Poland and in the European co-untries, including the world's leading companies from this sector. The share of compe-titors is increasing also in the e-commerce market and new players (including from the value-for-money segment) have emerged, posing a threat to LPP's online sales. Due to increased operating costs resulting from, among other things, an increase in the minimum wage, rising store maintenance costs, the Group perceives a risk of losing competitiveness if the prices of its products are increased, particularly in the value-for-money segment, where a low price plays a key role.	The Company's employees attend fashion fairs and shows and have access to publications and websi-tes dedicated to the latest fashion trends. This reduces the risk of bad and less competitive collections. The Company is successively developing organically by opening new stores and online stores, entering new markets in Europe and saturating its network of existing stores. By doing so, it builds recognition of its brands and becomes more competitive in the region. Our success in each market depends on the collections and their acceptance by the customer. It is therefore important to identify the customers' habits, the response time to their needs and the quality of the so-called "customer experience" we offer. By investing in the cutting-edge technologies, e.g. the implementation of our brands' mobile applica-tions, we gain increased customer satisfaction, thus enhancing our competitiveness. LPP focuses on competing with other players by offering fashion products at affordable prices and, in the Sinsay brand, at competitively low prices. Therefore, the Company analyses the activities of its competitors by monitoring the market or comparing the offers and price levels of its competitors. In addition, continuous activities are planned in the Group, the implementation of which may improve purchasing processes, e.g. the introduction of self-service cash desks or increased frequency of deliveries.

RISK	RISK MITIGATION MEASURES
RISK OF MISMATCHING COLLECTIONS DUE TO UNPREDICTABLE WEATHER CHANGES The blurring of the seasons and the occurrence of extreme weather changes means that there is a risk of a mismatch between the type of collections available to the customer and the current weather conditions. The extremely high temperatures in Poland and other European countries experienced earlu Autmun (i.e. September-October 2023) showed that this risk can materialise.	LPP has a temperature and weather analysis system in place, coupled with supply planning processes for various markets. In addition, if the assortment needs to be delivered more quickly, it is possible to change the transport method from sea to air, and the portfolio of so-called near shore suppliers (in close proximity to the LPP distribution centres) is constantly being expanded. At the same time, due to the trend of changing weather patterns, the Group has revised the collection model through a higher proportion of multi-seasonal or transitional models. As a result, parts of collections take on the character of whole-year products more and more frequently. This model reduces business risk because if a product does not sell in the Spring-Summer season, it can be sold in the Autumn-Winter season by changing the way it is presented.
GEOPOLITICAL RISK The occurrence of an armed conflict or even a war in the territory of countries where the Group has its sales and distribution networks and in the areas where factories or our suppliers are located, may adversely affect the Group's operations. Therefore, the Group is exposed to the risk of imposition of an embargo or import or export restrictions on goods (services), the risk of appropriation of trade commodities, nationalisation of assets and, in consequence, the risk of losing such trade commodities or assets. The risk may also relate both to the ban on sales of goods in the territory of countries affected by an armed conflict as well as economic and financial sanctions imposed by external organisations on countries in conflict, where the Group pursues its business activity. Such actions may affect the continuity of our sales and the supply chain, hinder the transfer of cash and cause payment backlogs, which, in consequence, may affect the Group's liquidity. In extreme situations, there is the risk that the Group would have to cease operations in conflict territories. The Group recognizes the risk involving negative impact on its corporate image in cases where it conducts its business activity in the territory of a country that has initiated a conflict.	The elevated geopolitical risk increases the scale of challenges in business operations, however, in such circumstances, a flexible response to market changes and the safeguarding of the supply chains may create a significant competitive advantage. Risks associated with restrictions caused by the occurrence of political and economic crisis situations are difficult to mitigate due to the unpredictability of conflict situation development and consequential decisions made by institutions and international organisations. The Group takes proactive measures to mitigate the following risks: – operations on numerous markets (the Group operates in 39 countries and, therefore, it is possible to limit the consequences of occurrence of disturbances on specific territories); – limiting the Group's exposure to a given country (a share in a single country's sales may not exceed 20% of the Group's total sales, except Poland); – regular monitoring of the balance of financial settlements in the Group and exercising control so as to avoid excessive liabilities/receivables which might adversely affect the Group's liquidity; – monitoring the current political and economic situation and, following a comprehensive analysis, making by the Company's Management Board of decisions on a day-to-day basis; – selling goods through two independent distribution challenges, such as traditional stores and online sales.
RISK OF LIMITED AVAILABILITY OF RAW MATERIALS FOR TEXTILE MANUFACTURING AND THEIR INCREASING PRICE AS A CONSEQUENCE OF PROGRESSING CLIMATE CHANGE The financial exposure of the LPP Group is the highest as regards cotton, being the main natural raw material used in manufacturing the collections. The water stress caused by extreme weather conditions such as droughts or intense rainfall may adversely affect cotton crops, particularly in regions where most of the world's production is concentrated. In addition, the excessive use of water may result in protests of local communities, which may affect the availability and price of material from countries such as India, China, Pakistan, Uzbekistan, Turkmenistan, Kazakhstan. In the long-term perspective, this may result in the unavailability of the raw material and, consequently, price increases.	The LPP Group monitors, on a constant basis, prices of raw materials of critical importance for collection manufacturing and adjust its sales prices to those of raw materials. In addition, the Group regularly expands the scope of sustainable sources of raw materials used, e.g. Cotton made in Africa and Lenzing.

RISK	RISK MITIGATION MEASURES
RISK OF OBTAINING AND RETAINING TALENTED EMPLOYEES Considering the governmental policy regarding increasing the minimum wage and the macroeconomic situation, wages in the Group may not be attractive enough, particularly in relation to highly qualified employees. LPP is aware of the risk involving a limited possibility of obtaining or losing adequate staff due to insufficient attractiveness of wages or benefits offered, 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 center staff. In the area of the store staff, there is also a staff availability risk resulting from the forms of employment offered.	Having a highly qualified and committed staff guarantees companies the proper market offering, the adequate customer approach and market success. The retention of key personnel should be ensured by a rational, but also market-based remuneration policy, the incentive system developed by the LPP Group, investing in employees through training, setting career paths and enabling promotion within the Group's structures. A regular review of remuneration is also carried out. In LPP, a substantial factor in attracting talented personnel is also the Group's image and care for internal and external employer branding (EB). The Company is currently developing a new umbrella EB strategy for the Group which will strive to attract a wide range of candidates to the company. 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.
CYBERSECURITY RISK This risk involves hazards for the confidentiality, accessibility and integrity of information processed such as: – infrastructure security breaches and unauthorised access to IT systems, – leakage of confidential data (including personal data) as a result of e.g. a hacking attack or their inadvertent disclosure, – social engineering attacks and infection of infrastructure by malware/ransomware, – disruption of operational business continuity following a DoS/DDoS attack. If materialised, the risk in question may result in the violation of personal privacy as well as reputational and financial losses (a decrease in revenue due to a loss of consumers' confidence regarding transaction security and potential charges imposed by the regulatory authority).	Aiming at ensuring an effective and adequate level of information protection, LPP Group has implemented and, on a continuous basis, has been developing technical and organisational solutions based on leading standards in the area of information security and personal data protection. LPP ensures that these solutions are adequate in terms of scale, the profile of business operations and risks identified. The Group has specialised organisational units responsible for managing and supervising information security, including personal data protection (the CISO position with relevant team, the Data Protection Officer). The specific departments aim at ensuring the Group's compliance with both domestic and EU regulations, including the GDPR, as well as standards arising from international norms such as ISO 27001 or PCI DSS. The Group has implemented and regularly optimises procedures aimed at information security and personal data protection as well as IT security solutions. The effectiveness of the processes, procedures and solutions implemented is confirmed by organising cyclical security tests and audits in cooperation with, among others, specialised external companies. LPP holds a PCI DSS compliance certificate confirming the Company's reliability and integrity, ensuring the security, confidentiality and protection of information relating to payment card transactions made by customers.

RISK	RISK MITIGATION MEASURES
RISK OF DISRUPTED SUPPLY CHAINS The Group outsources the production of its goods to independent external producers located most often in Asia. Goods are transported by sea or railway from Asia to Europe and are then distributed in Europe from its own logistics centers. The risk of disrupted supply chains negatively affects the possibility of the smooth supply of goods from manufacturers through warehouses to stores and, finally, to consumers. The pandemic, political disturbances and decreased competitiveness on the transportation market may result in increased congestions and delays in transportation, specifically from the Far East. At the end of 2023, due to the events in the Red Sea (Huti attacks), there was a sudden global shift in maritime transport. Due to the threat in the region, ships have been diverted to a route around the Cape of Good Hope. As a consequence, maritime transport times have increased by ca 10-12 days, and the problems encountered with container availability and ship space, as well as the longer transport route, have led shipowners to introduce freight surcharges. The effect of this situation may have a negative impact on the Group's gross profit margin.	LPP responds to the risk of supply chain disruption by: – diversifying supplier 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: guarantee of maritime, air, rail transport; – implementing a new sourcing strategy that takes into account current delays in the supply chain and accelerated orders of parts (specific models) or whole collections - in such a way, the Company has partially neutralised the delays associated with the events in the Red Sea; – investments in the expansion of logistics facilities and technologies, including IT which allow for effective processing of supplies and reducing the impact of any delays; – diversification of countries where LPP has its logistics centers, e.g. the launch of a distribution center in Romania enabling direct deliveries from manufacturers to the port of Constanta, thus optimising costs and reducing the so-called 'last mile' in deliveries to stores located in Southern European markets; – cooperation under long-term contracts with shipowners - any significant disruption in the global supply chain translates into container prices and the availability of space on ships, due to long-standing cooperation with logistics partners the Company is able to adequately secure both of these issues.
RISK RELATED TO DISSEMINATION OF FALSE INFORMATION BY THIRD PARTIES As a result of actions taken by third parties deliberately targeting the reputation of the Company, a risk of a negative perception of the Company's image by stakeholders such as investors, lenders, business partners, customers, employees, regulators and the general public exists, which may result in loss of reputation and economic losses. The impact of such an event may have an immediate effect such as a drop in the Company share price, and may also be visible in the long-term and be reflected in difficulties in obtaining financing, an outflow of customers and reluctance on the part of business partners to enter into cooperation. The Company is aware of the multidimensional nature of the effects following the publication of false information about the Company.	In order to manage the risk adequately and mitigate the impact in the event of its materialisation, the Company cooperates with specialised media market monitoring companies to acquire information about an imminent image crisis at the earliest possible stage of its occurrence. In March 2024, the Company experienced an attack on its image as a result of a third party publishing a report containing a series of false, manipulated information about the Company referring to the sale of the LPP business in Russia. Confronted with this threat, the Company responded by issuing 3 current reports and took preventive measures: – publication of statements on the Company's website on its position regarding the allegations, as well as sending a message to the Warsaw Stock Exchange; – submission of notices to the public prosecutor's office on the suspicion of committing a crime to the detriment of LPP SA and its shareholders, listed investors, threatening the security of the financial market; – publication of preliminary unaudited selected consolidated estimates for Q4 and for the full financial year 2023; – organising a conference of the President of the Management Board of the Company and the CFO with investors and journalists; – organizing a meeting with the Supervisory Board.

RISK	RISK MITIGATION MEASURES
RISK OF VIOLATION OF HUMAN RIGHTS AND/OR WORK ETHICS IN THE SUPPLY CHAIN The risk involves a failure to comply with international standards or those of the Group in terms of respect for human rights and fundamental freedoms in the supply chain (raw materials, textiles, collection production), as well as in other areas of activity damaging the Group's image and reputation. The Company identifies the following key risk factors for human rights violation: – forced labour; – safe and hygienic working conditions (including the right to rest); – health (the right to health); – equal treatment and ban on discrimination; – the right to family life (work-life balance); – child labour; – social security; – fair wage. Operating in a number of countries and cooperating with suppliers and producers from different parts of the world, the Company perceives the threat of cooperation with contractors who may not respect the accepted principles of respect for human rights. Also in the non-production area, situations may occur among the Company's employees that indicate a breach of the ethical principles adopted by the Company.	The protection of human rights and fundamental freedoms of employees of the LPP Group and all employees in the Group's supply chains is the basic obligation supported by the top management. Since 2019, the Company has been a signatory to the UN Global Compact. In 2022, the Company developed the LPP Human Rights Policy. in cooperation with key Polish experts in this area. The Policy is recognised as an obligation and a guide for actions taken by LPP SA and its Group companies in terms of human rights protection understood in line with the UN Recommendations on business and human rights. This Policy applies in all companies of the LPP Group in Poland and abroad. LPP mitigates the risks of violation of human rights by, among others, introducing employees, at the recruitment stage, into the principles incorporated in documents such as the Code of Conduct, the LPP Rules, the Employees Manual, the LPP Rules for Store Employees, instructions in the area of health and safety at work as well as HR. In May 2022, the Group defined the LPP Group Policy concerning managing diversity, equal treatment and building a culture of inclusion, referred to as the "Diversity, Equity and Inclusion Policy" (DE&I), which constitutes an obligation to observe human rights held by all persons working for LPP and a clear-cut declaration of objection against any occurrence of breach of human rights, including, inter alia, discrimination on any grounds whatsoever. The policy comprises all the Group's Polish and foreign subsidiaries belonging to the Group.

Supplementary information

INFORMATION ABOUT MAJOR ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT (R&D)

The Group's long-term engagement in the development of Fashion Tech, i.e. the use of new technologies throughout the entire value chain, from clothing design through logistics to omnichannel sales and after-sales customer service, allows us to adapt to the new reality of the industry which, due to the ubiquitous digitalisation of life, is dynamically changing the behaviour and expectations of contemporary customers.

In the past financial year 2023, our most important R&D achievements were related to technology in logistics and omnichannel, the implementation of the mobile app for the Mohito brand, research into the application of algorithms (artificial intelligence), and a research and development project on the recyclability of fabrics. They are described below.

TECHNOLOGICAL SOLUTIONS FACILITATING LOGISTICS PROCESSES

Control Tower platform - The Group has implemented the original Control Tower platform project to control the flow of goods through the various upstream stages of the supply chain, enabling the optimisation of logistics processes in terms of cost and operations and a quick response to changing market conditions.

New Application Sinsay Allocation Project - in the 2023 financial year, research was carried out in the Company on an application enbling automation of the allocation process in the Sinsay brand. This solution will contribute to:
- increasing the productivity by reducing manual user intervention in the process;
- cost reductions through optimised packaging of goods (essential for logistics, shipment and warehousing) and through their automatic dispatch to stores.

Distribution center in Romania - in the financial year, the Group launched an overseas Distribution Center, strengthening its distribution network in Southern Europe, thereby shortening the so-called "last mile" for Southern European stores and, as a result, reduced transportation costs.

In streamlining logistics processes, the Group has introduced state-of-the-art solutions at the facility, including designs based on artificial intelligence algorithms. Operations in the new Distribution Center are supported by, among other things, a 140 m long automatic sorter, on which it is possible to sort goods for up to 450 traditional stores simultaneously. Due to the special pneumatic distributors applied, the number of discharge points per occupied area of the designed sorter is maximised.

The transport of packed cartons, on the other hand, is handled by an automatic conveyor line with a length of more than 1 km and a capacity of 2,000 cartons per hour. The entire system has been integrated with equipment such as carton folding and sealing machines, label applicators and volumetric gates. In addition to the sorter and conveyor line, the Center has been equipped with a modern fleet comprising dozens of trolleys.

TECHNOLOGICAL SOLUTIONS FACILITATING SALES PROCESSES

Mobile app for the Mohito brand - one of the most important R&D achievements of the past financial year was the mobile app for Mohito. The app reinforces the brand's growth potential in the online channel and provides the Group with data on, among others, customer preferences, allowing for their better identification and tailoring the offer accordingly. Through the app, the Group increases brand recognition and builds customer loyalty.

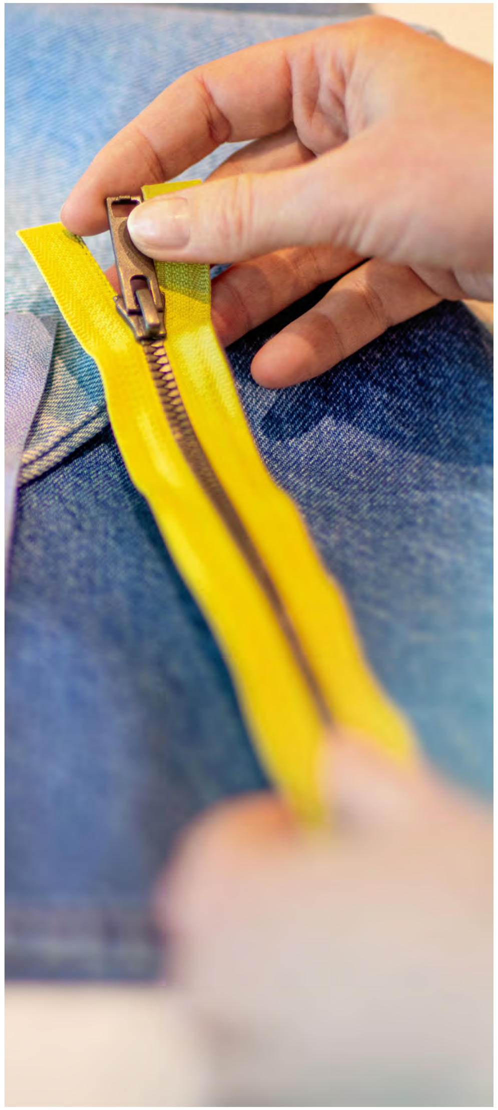
INITIATIVES IN THE AREA OF ALGORITHM RESEARCH - MACHINE LEARNING

Dynamic Pricing (SPeeD) - in the financial year, the Group worked on a product lifecycle pricing management project that enables margin optimisation while allowing proper inventory management.

The SPeeD app will be used to automate price management during the regular sales period in traditional stores. Moreover, the price flexibility of demand is investigated and machine learning algorithms are developed to support price management during the sell-off period. Algorithms based on sets of rules and features have been implemented in the application.

RECYCLING RESEARCH AND DEVELOPMENT PROJECT

For years, the clothing industry has been struggling with the problem of lack of access to technology that would allow textile waste to be fully utilised for the production of new fabrics (currently less than 1% of textiles are recycled due to the lack of technology). As part of its research and development projects, in 2023 the Company continued its cooperation with a Polish start-up, which had started a year earlier, with the aim to carry out research that will result in the development of the technology allowing for full recycling of used polyester fabrics and obtaining yarn for the production of new fibres. A barrier to processing polyester fabrics according to the textile-to-textile concept is the fact that the fabrics used for clothing production contain additives of other fibres, dyes and other substances. The start-up is exploring the possibility of using the original concept of selective depolymerisation of polyester fabric made from dyed fibres and obtaining a raw material that will be used to produce polyester of non-degraded quality. As part of the pilot joint project, the start-up will support LPP in its search for an effective method to recycle multigrade materials, allowing for their reuse as full-value materials for clothing manufacturing.



INFORMATION ON SPONSORING, CHARITY OR OTHER SIMILAR POLICIES AND A STATEMENT OF EXPENDITURE INCURRED

Since the beginning of our operations, we have taken a highly responsible approach to building lasting community relations. For almost 30 years, we have been actively responding to the needs and expectations of our partners and stakeholders, undertaking corresponding initiatives. The LPP Foundation, established in 2017, is responsible for their implementation. The LPP Foundation's goal is to take action for the benefit of persons and communities exposed to the threat of social exclusion as well as in the scope of healthcare and environmental protection. We pay special attention to projects supporting disadvantaged persons, mainly children and young people, projects involving in-kind aid and supporting our partners in the closest neighbourhood of the company. Detailed information on the activities of the LPP Foundation in the 2023 financial year is provided in the Sustainability Report.

The Group's 2023 outlays to charitable institutions and community organisations are presented in the table.

The total value of support:	5,269,783 PLN
Including:	
Cash donations	2,801,570 PLN
In-kind donations	2,468,213 PLN

Method adopted:

Data includes amounts allocated to social activities by LPP Group subsidiaries in Poland and abroad and the LPP Foundation.

RANGE OF LPP FOUNDATION'S ACTIVITIES

The value of cash donations made in the year reported	2,801,570 PLN
Including:	
Amount for health care	1,170,459 PLN
Amount for environmental projects	77,000 PLN
Amount for local community actions and projects counteracting social exclusion	1,554,111 PLN
Number of organisations supported financially by the LPP Foundation	67
Number of entities that received clothing as a donation in kind	210
Number of volunteers involved in projects in the reported year	750
Number of hours worked by volunteers	10,184
Number of clothing items donated to for social purposes	281,051
Political contributions (LPP does not support political activities) (PLN)	0

INFORMATION ON MATERIAL AGREEMENTS CONCLUDED, INCLUDING AGREEMENTS BETWEEN SHAREHOLDERS, INSURANCE AND COOPERATION AGREEMENTS

In 2023, we concluded:

- the agreement on the provision of insurance guarantees for payment of a customs debt;
- insurance agreement – a global insurance policy covering all assets of the Group, including real estate, goods, machinery and devices;
- lease agreements and annexes amending the terms and conditions of current agreements with owners of commercial floorspace in Poland and abroad;
- agreements with banks, including annexes to existing agreements, with:
  - Pekao SA (annexes to the supplier financing agreement, annexes to the multi-purpose credit line agreement),
  - BNP Paribas Bank Polska SA (annex to the multi-purpose credit line agreement),
  - Citi Bank Handlowy SA (annex to the overdraft agreement, framework agreement for a revolving line for providing bank guarantees),
  - Santander SA (annexes to the factoring agreement, annexes to factoring agreement with BGK guarantee),

- PKO Bank Polska SA (the factoring agreement, annex to the multi-purpose credit line agreement),
  - ING SA (the factoring agreement),
  - mBank (the multi-purpose credit line agreement).
- agreements on the lease of warehouse space.

INFORMATION ON AGREEMENTS CONCLUDED AND TERMINATED IN A GIVEN FINANCIAL YEAR, COVERING LOANS AND BANK, WITH THE SPECIFICATION OF AT LEAST THEIR AMOUNT, TYPE AND INTEREST RATE, CURRENCY AND MATURITY DATE

Information on bank loans taken out as at 31 January 2024 and their maturity dates is provided in the financial statements of the LPP SA Group (note 24) and in the financial statements of LPP (note 25).

INFORMATION ON SURETIES AND GUARANTEES GRANTED AND RECEIVED IN THE FINANCIAL YEAR, INCLUDING THOSE GRANTED TO THE RELATED PARTIES

Information on sureties and guarantees granted and received in the financial year (including those granted to the related parties), is included in the financial statements of the LPP SA Group (note 29) and in the financial statements of LPP SA (note 30).

INFORMATION ON TRANSACTIONS ENTERED INTO BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES THAN ON ARM'S LENGTH BASIS, INCLUDING THEIR AMOUNTS AND DETAILS SPECIFYING THEIR NATURE

All transactions entered into by LPP with related parties in the reporting period were concluded at arm's length basis.

Detailed information on transactions with related parties is provided in the financial statements of the LPP SA Group (note 30.1) and the financial statements of LPP SA (notes 31.1 and 31.2).

INFORMATION ON THE CONTROL SYSTEM OF EMPLOYEE SHARE SCHEMES

The Company has not implemented any employee share schemes.

INFORMATION ON THE AUDIT COMPANY AUDITING OUR FINANCIAL STATEMENTS

This information is provided in the financial statements of the LPP SA Group (note 37) and in the financial statements of LPP SA (note 32).

INFORMATION ON LOANS GRANTED IN THE FINANCIAL YEAR, INCLUDING THOSE GRANTED TO THE ISSUER'S ASSOCIATES, SPECIFYING AT LEAST THEIR AMOUNT, TYPE AND INTEREST RATE, CURRENCY AND MATURITY DATE

Information on loans granted in the financial year is provided in the financial statements of the LPP SA Group (note 18.1) and in the financial statements of LPP SA (note 19.1).

DIFFERENCES BETWEEN THE FINANCIAL RESULTS PRESENTED IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED FORECASTS FOR THE YEAR

We have not published any forecasts of financial results.

Statement of corporate governance

APPLIED CORPORATE GOVERNANCE PRINCIPLES

The Management Board of LPP declares that, from 1 July 2021, the Company has been applying corporate governance principles incorporated in the "2021 Best Practice for WSE Listed Companies" (with exceptions) according to current EBI report no 1/2021 published by LPP on 27 July 2021.

Corporate governance principles attached as Enclosure to Resolution No 13/1834/2021 of the Board of the Warsaw Stock Exchange, dated 29 March 2021, titled "2021 Best Practice for WSE Listed Companies" (DPSN 2021), have been published on a website dedicated to best practice for companies listed on the stock Warsaw Stock Exchange, operated by Warsaw Stock Exchange, at website address:
www.gpw.pl/dobre-praktyki2021

INFORMATION ON CORPORATE GOVERNANCE PRINCIPLES APPLIED BY LPP AS PROVIDED FOR IN 2021 BEST PRACTICE FOR WSE LISTED COMPANIES

The Management Board of LPP SA declares that the Company and its governing bodies applied in 2023 the principles provided for in the 2021 Best Practice for WSE Listed Companies, except for the following six principles: 2.1, 2.2, 2.11.6, 4.1, 4.3, 6.4:

2.1. The company should have a diversity policy for the Management and Supervisory Boards, adopted by the Supervisory Board or the General Meeting, respectively. The diversity policy shall define the goals and criteria for diversity in areas such as gender, field of education, specialist knowledge, age and professional experience, and shall specify a timeframe and method for monitoring the achievement of the said goals. As regards gender diversity, a condition for ensuring the diversity of the company's governing bodies is that the minority share in a given body is no less than 30%.

This principle is not applied.

The Company's comment: The Company is in the process of developing a diversity policy for the Management and Supervisory Boards which will meet the requirements of the DPSN 2021. The Company will aim at ensuring gender diversity in its governing bodies in future terms of office. At the same time, the Company currently ensures gender diversity in its subsidiaries (out of 20 foreign subsidiaries, 13 of them are headed by women).

2.2. Persons making decisions on the election of members of the company's Management or Supervisory Board should secure comprehensiveness of these bodies by choosing persons ensuring diversity, making it possible inter alia to achieve the target ratio of the minimum proportion of minorities set at no less than 30%, in accordance with the goals set out in the adopted diversity policy referred to in principle 2.1.

This principle is not applied.

The Company's comment: The key criteria for choosing members of the Management and Supervisory Boards in the Company are the candidate's education, knowledge and experience as well as competence in the required fields to perform the function. At the same time, the Company is in the process of developing a diversity policy for the Management and Supervisory Boards, fulfilling the requirements of the DPSN 2021.

2.11. Apart from activities resulting from the provisions of law, once a year, the Supervisory Board shall prepare and present its annual report to the General Meeting for approval. The above-mentioned report shall incorporate, to the minimum extent, the following:

2.11.6. information on the advancement of execution of the diversity policy applying to the Management and Supervisory Boards, including attainment of the goals referred to in principle 2.1.

This principle is not applied.

The Company's comment: Currently, the Company has no diversity policy applying to the Management and Supervisory Boards.

4.1. The company should enable its shareholders to take part in a General Meeting using electronic communication means (electronic general meeting) if justified in terms of shareholders' expectations communicated to the company, as long as it is able to provide technical infrastructure required to hold such Meeting.

This principle is not applied.

The Company's comment: The above-mentioned principle is not applied by the Company as its implementation would involve technical risks. Giving shareholders the option to communicate in the course of the general meeting without being present at the meeting, using electronic communication means, involves both technical and legal hazards for the proper and efficient conduct of the general meeting. In particular, the above brings about a real risk of technical interference preventing continuous bilateral communication with shareholders present in venues other that the meeting room. Therefore, the Company is unable to guarantee the reliability of technical infrastructure. At the same time, in the Company's opinion, the currently applicable rules for participation in general meetings facilitate the proper and effective exercise of rights attached to shares and sufficiently secure the interests of all shareholders.

4.3. The Company will provide public broadcasting of the General Meeting in real time.

This principle is not applied.

The Company's comment: As stems from the current practice of the Company's bodies, there is no need to record and publish the records of the General Meeting. In the Company's opinion, the information it publishes, as provided by law, on the announcement of the convening and the agenda of the General Meeting enables all shareholders to gain full knowledge of issues to be discussed at the Meeting.

6.4. The Supervisory Board shall perform its tasks on a continuous basis, and, therefore, the remuneration of Board members may not be dependent on the number of meetings held. Remuneration of members of committees, in particular the audit committee, should take into account additional workload related to the work in those committees.

This principle is not applied.

The Company's comment: The remuneration of members of the Supervisory Board is related to the scope of tasks and responsibilities arising from their function, while remaining at the same time adequate to the Company's size. The lump-sum remuneration, which is a component of the remuneration, is due and payable for participation in the meeting of the Supervisory Board or the Audit Committee of the Supervisory Board, respectively, allowing to take into account the workload of a member of the Supervisory Board when determining the amount of remuneration. The remuneration principles applied have been in force in the Company for many years and, as experience shows, they fulfil their role. Thus, in the Company's opinion, there is no need to change the remuneration principles at present. However, should the circumstances change, the Company does not exclude future application of the said principle.

Simultaneously, the Management Board of LPP SA declares that the Company does not apply corporate governance practices beyond requirements set forth in domestic law.

Description of internal control and risk management systems

IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS, INCLUDING CONSOLIDATED FINANCIAL STATEMENTS

The Group has implemented a well-functioning internal control system, adapted to its needs and characteristics, which provides for the following:

- completeness of revenue invoicing,
- appropriate cost control,
- efficient use of resources and assets,
- accuracy and reliability of financial information included in financial statements and interim reports,
- adequate protection of sensitive information and prevention of uncontrolled outflow of information from the Company,
- effective and prompt identification of irregularities,
- identification of, and appropriate response to, major risks.

Elements of our Company's internal control system include:

- control activities taken at all levels and in all units of the Company, based on procedures (permits, authorizations, revisions, reconciliation, reviews of operational activities, distribution of duties) ensuring compliance with guidelines of the Company's Management Board and, at the same time, enabling to take actions necessary to identify and minimise errors and hazards for the Company,
- Workflow Guide - proper records and documentation circulation control system (to ensure compliance of account records with accounting evidence),
- duly qualified auditing staff,
- division of duties excluding the possibility that one employee performs activities associated with execution and documentation of a business transaction from the beginning to the end,
- inventory manual, specifying the rules for the use, storage and stock-taking of assets,
- principles for balance sheet depreciation of intangible and tangible fixed assets,
- IT system - the Company's accounting books have been kept using SAP systems ensuring credibility, reliability and accuracy of information processed. Access to SAP information resources is limited to authorised personnel, for performance of their duties only.
- accounting policy recognising the principles of the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) and related interpretations published in the form of implementing regulations of the European Commission,
- electronic system for document processing (invoices, parts of employee documentation, commissioning of equipment purchases, payment orders, etc.).

In the process of preparing the Company's financial statements, both separate and consolidated, the auditing of financial statements by an independent statutory auditor, i.e. the external control, is an element supporting the internal control system.

The statutory auditor is appointed by LPP's Supervisory Board. The tasks of the independent auditor include reviewing semi-annual financial statements and auditing annual financial statements as well as controlling their accuracy and compliance with accounting principles.

Four LPP departments are responsible for preparing the financial statements i.e. CSC (the Common Services Centre), the Reporting Department, the Controlling Department and the Investor Relations Department headed, respectively, by the CSC female director, the female Chief Accountant, the Controlling Director and the female Investor Relations Director. Before submitting financial statements to the independent statutory auditor, the Chief Financial Officer, responsible for the financial reporting process on behalf of the Management Board, verifies them in terms of completeness and correct recognition of all economic events.

In LPP SA, the strategy and business plan performance are reviewed semi-annually. This is due to cycles occurring in the clothing industry. After closing the first half of the year, senior and middle management staff review the Company's financial results. The operating results of the Company, individual trade departments or even individual stores are analysed each month.

The internal control of, and closely related risk management in, financial reporting processes are matters of daily interest for the Management Board of our Company. LPP SA analyses business risk factors related to the Company's operations. An important role in this respect is also played by management staff responsible for controlling the activities of their departments, including identification and assessment of risks associated with the process of preparing financial statements in an accurate, reliable and lawful manner.

In the Company, , there is also an Internal Control and Risk Management Department. It simultaneously performs the duties of the Audit Department and is responsible for the current identification and mitigation of risks in the Group. The risk management process was described in detail in the Company's internal document - Risk Management Procedure. In addition, the Company maintains a risk register and prepares the Risk Log which is periodically reviewed and approved by the Management Board of LPP SA.

The works of the Internal Control and Risk Management Department are planned annually, taking into consideration the mitigation of risks occurring in LPP SA and their materiality. The audit plan is approved by a Management Board Member and is also sent to the Supervisory Board. The Supervisory Board exercises a control function over the Internal Control and Risk Management Department, which receives periodic reports from the auditor on the audit tasks performed.

The Internal Control and Risk Management Department operates in line with the document entitled "Internal Control System". It contains descriptions of all major financial and operating processes, specifying simultaneously relevant control processes. In audit plans for another period, their relevance and impact on the organisation are always taken into account.

The Internal Control and Risk Management Department carries out audits of departments located in the Company's head office and in foreign subsidiaries. Each audit is concluded with an audit report approved by the relevant Member of the Management Board. The Internal Control and Risk Management Department monitors also the implementation of post-audit recommendations.

In 2023, the Internal Control and Risk Management Department conducted 18 audits (12 foreign subsidiaries, 1 foreign branch and 5 departments of LPP SA) concluded with the internal audit report containing recommendations.

Our shares and shareholders

OUR OWNER

Shareholder structure of LPP SA at the end of the 2023 financial year, i.e. as at 31 January 2024.

Shareholder	Number of shares held	Proportion of the share capital	Number of votes at the GM	Proportion of the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Other shareholders	1,276,301	68.8%	1,276,301	39.2%	2,552,602
Total	**1,855,190**	**100.0%**	**3,255,190**	**100.0%**	**3,710,380**

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

Shareholder structure of LPP SA at the end of the 2022 financial year, i.e. as at 31 January 2023.

Shareholder	Number of shares held	Proportion of the share capital	Number of votes at the GM	Proportion of the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578.889	31.2%	1,978,889	60.8%	1,157,778
Sky Foundation**	227.898	12.3%	227.898	7.0%	455.796
Other shareholders	1,047,454	56.5%	1,047,454	32.2%	2,094,908
Total	**1,854,241**	**100.0%**	**3,254,241**	**100.0%**	**3,708,482**

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

*** The Sky Foundation is closely associated with Mr Jerzy Lubianiec, a co-founder of LPP.*

In 2023 there were changes in the ownership structure of major blocks of LPP shares. The Sky Foundation reduced its exposure below the threshold of 5% of the total number of votes at the General Meeting of Shareholders (CR 33/2023).

Additionally, in the 2023 financial year, there was a change in the share capital itself and the number of shares, which was related to the increase of capital by PLN 1,898 from PLN 3,708,482 to PLN 3,710,380 and the issuance of 949 series M ordinary bearer shares of the nominal value of PLN 2 per share as part of the authorised capital (CR 04/2023).

LPP shares are also held by the key management and supervisory officers of the Company. The tables below show their status as at the end of financial years 2023 and 2022.

In the financial year there was a change in the structure of LPP shareholdings held by management officers, consisting in the acquisition of the Company shares by members of the Management Board under the incentive programme for 2022 (CR 05/2023).

At the same time, the structure of LPP shares held by the management and supervisory officers has also changed as a result of new persons joining the Company bodies (Ms Jagoda Piechocka, Ms Alicja Milińska and Mr Mikołaj Wezdecki) and the resignation of a member of the Management Board (Mr Jacek Kujawa) holding shares in the Company.

In addition, during the financial year, one member of the Management Board, Mr Przemysław Lutkiewicz, disposed of the Company shares (CR 01/2024).

Apart from the information contained in this section, key management and supervisory officers do not hold shares in LPP subsidiaries.

Shareholder	Number of shares held	Number of votes at the GM	Nominal value of shares
Marek Piechocki - President of the Management Board	1.702	1.702	3.404
Przemysław Lutkiewicz - Management Board Member	493	493	986
Sławomir Łoboda - Management Board Member	500	500	1.000
Marcin Piechocki - Management Board Member	739	739	1.478
Mikołaj Wezdecki - Management Board Member	1	1	2
Alicja Milińska – Member of the Supervisory Board	732	732	1.464
Jagoda Piechocka - Member of the Supervisory Board	103	103	206

Shareholdings of key management and supervisory officers as at 31 January 2023.

Shareholder	Number of shares held	Number of votes at the GM	Nominal value of shares
Marek Piechocki - President of the Management Board	1.429	1.429	2.858
Przemysław Lutkiewicz - Management Board Member	350	350	700
Jacek Kujawa - Management Board Member	972	972	1.944
Sławomir Łoboda - Management Board Member	331	331	662
Marcin Piechocki - Management Board Member	570	570	1.140

INFORMATION ON AGREEMENTS WHICH MAY GIVE GROUNDS FOR FUTURE CHANGES IN PROPORTIONS OF SHAREHOLDINGS HELD BY CURRENT SHAREHOLDERS

The Company has no knowledge on any agreements which could give grounds for any future changes in proportions of shareholdings held by current shareholders.

TREASURY SHARES

Currently, the Company has no treasury shares.

SHARE LISTING

Shares in LPP SA have been quoted on the main market of the Warsaw Stock Exchange (WSE) since 2001.

On the debut date, the price of the Company shares amounted to PLN 48.00. The lowest value of the Company's shares in the history of listings in the amount of PLN 47.00 was recorded by LPP SA on 18 May 2001 and the highest value was recorded on 12 January 2021 amounting to PLN 18,770.00. At the same time, after the balance sheet date of 26 February 2024, LPP's share price reached its all-time maximum of PLN 18,900.

In the financial year 2023, prices of LPP SA shares were between PLN 9,145.00 and 16,730.00 (at closing prices).

The share quotation during the last session (at closing price) in the financial year, i.e. on 31 January 2024, was PLN 15,570.00

At the end of 2023, the Group's net profit attributable to shareholders of the parent company per share was PLN 866.27, and a year before it was PLN 262.55.

As at 31 January 2024, shares of LPP SA were part of the following stock exchange indices:

Domestic:

WIG – an index comprising shares listed on the main market. It shows the total relative value of companies quoted on the Warsaw Stock Exchange (WSE) compared to their value since the beginning of quotation (on 16 April 1991, the index equalled 1,000 points). It is a price index. As at 31 January 2024, the share of LPP SA in WIG was 5.0%.

WIG20 – an index calculated on the basis of the value of the portfolio of 20 largest and most liquid companies from the main market of the WSE. LPP SA has been a constituent of the said index since 2014. As at 31 January 2024, LPP's share in WIG20 amounted to 7.0%.

WIG-Poland – a national index comprising only shares of Polish companies listed on the main market of the WSE, which meet basic criteria for being index constituents. As at 31 January 2024, the share of LPP SA in WIG-Poland was 5.1%.

WIG20TR – a total return index taking into account dividends paid by 20 largest and most liquid companies listed on the WSE and share issues with pre-emptive rights. As at 31 January 2024, the share of LPP SA in WIG20TR was 7.0%.

WIG30 – index comprising 30 largest and most liquid companies listed on the main market of the WSE. As at 31 January 2024, the share of LPP SA in WIG30 was 6.8%.

WIG30TR - a total return index taking into account dividends paid by 30 largest and most liquid companies listed on the WSE and share issues with pre-emptive rights. As at 31 January 2024, the share of LPP SA in WIG30TR was 6.8%.

WIG140 – a total return index comprising 140 companies being constituents of WIG20, mWIG40 and sWIG80 indices, taking into account revenue on dividends and pre-emptive rights. As at 31 January 2024, the share of LPP in this index was 5.2%.

WIG-Clothes – a sector index including WIG constituents which simultaneously belong to the "clothes and cosmetics" sector. As at 31 January 2024, the share of LPP SA in WIG-Clothes was 84.1%.

WIG ESG – index published from 3 September 2019 based on the value of the portfolio of shares in companies recognised as socially responsible i.e. those observing the principles of socially responsible business, specifically in terms of environmental, social, economic issues and corporate governance. As at 31 January 2024, the share of LPP SA in WIG ESG was 5.2%.

CEEplus - an index published from 4 September 2019, based on the value of the portfolio of the largest and most liquid listed companies from the Central European region. As at 31 January 2024, LPP's share in the index was 2.4%

Additionally, the Company was qualified as member of the index of family-run companies listed on the WSE, launched in 2021.

Foreign:

MSCI Poland Index covering over 20 key countries listed at the WSE. LPP SA has been a constituent of the said index since 2014.

CECE index of the Vienna Stock Exchange, covering companies from Poland, the Czech Republic and Hungary. LPP SA has been a constituent of the said index since mid-September 2017.

FTSE Russell Index of the London Stock Exchange, covering developed countries. LPP SA has been a constituent of the said index (in the category of medium companies) from 24 September 2018, i.e. from the time when Poland was transferred from the index of developing countries to the index of developed countries.

SHARE-RELATED LIMITATIONS AND SHAREHOLDERS WITH SPECIAL CONTROLLING RIGHTS

The sale or pledging of registered shares requires the Company's consent. Permits for selling or pledging registered shares are granted by the Supervisory Board in writing, otherwise being null and void, within 14 days from the date of a relevant application. If the Company refuses to give such permit, it should, within 30 days, designate another buyer and define the date and place of payment of the price. If, within the above-mentioned time-frame, the Company does not indicate another buyer, shares may be sold without any limitations.

At the same time, registered shares carry voting rights of 5 votes per share at the General Meeting of Shareholders. Registered shares are held by a single entity i.e. the Semper Simul Foundation (related to Mr Marek Piechocki, Article (3)(1)(26)(d) MAR)

The said entity holds (directly and indirectly) 350,000 registered shares giving right to 1,750,000 votes at the General Meeting.

Apart from the above, there are no other securities giving any special control rights.

ISSUANCE OF SECURITIES – ALLOCATION OF PROCEEDS FROM THE ISSUANCE OF SECURITIES IN THE REPORTING PERIOD

In the financial year, the Company issued no securities.

LPP's managing and governing bodies

OUR MANAGEMENT BOARD - RULES OF APPOINTING AND DISMISSING KEY MANAGEMENT OFFICERS AND THEIR COMPETENCE

In accordance with the Articles of Association, the Management Board of LPP SA consists of two to six persons appointed and dismissed by the General Meeting of Shareholders for a term of five years. The General Meeting of Shareholders of LPP also determines the number of LPP Management Board members.

The Management Board consists of: the President of the Management Board and from one and five Management Board members. LPP's Management Board represents the Company at court and in out-of-court proceedings.

The scope of competence and rules of procedure of the Management Board of LPP SA are defined in the following documents:

- LPP SA Articles of Association available on the Company's website
- Rules of Operation of the Management Board available on the Company's website:
- Commercial Companies Code.

LPP's Management Board is responsible for any matters not falling within the scope of competence of other governing bodies of LPP SA.

At the same time, the Management Board is not authorised to make any decisions on the issuance or buy-out of shares.

No agreements were concluded with key management officers which would provide for a compensation in case of their resignation or dismissal from their position otherwise than for important reasons or if they are recalled or dismissed as a result of the issuer's merger by acquisition.

Values of any remuneration of key management officers are presented in the consolidated financial statements (notes 30.2 and 30.3) and in the separate financial statements (notes 31.3 and 31.4).

During the financial year, changes in the composition of the Management Board of the Company took place. The changes resulted from the resignation of Mr Jacek Kujawa from his post of Management Board Member of the Company on 10 October (CR 24/2023) and the appointment of Mr Mikołaj Wezdecki as a member of the Management Board to act in the capacity of Executive Vice-President of the Management Board by the EGM on 17 November (CR 31/2023).

In the financial year 2023, the LPP Management Board held 42 meetings with an attendance rate of 98%.

The composition of the Management Board as at 31 January 2024, profiles of the individual members and their responsibilities are presented below.

The composition of the Management Board of the as at 31 January 2024
Marek Piechocki - President of the LPP Management Board
Przemysław Lutkiewicz - Member of the LPP Management Board
Sławomir Łoboda - Member of the LPP Management Board
Marcin Piechocki - Member of the LPP Management Board
Mikołaj Wezdecki - Member of the LPP Management Board

MAREK PIECHOCKI

PRESIDENT OF THE LPP MANAGEMENT BOARD

Creator and co-founder of LPP, currently the President of the Management Board of the Company. Since the beginning of his professional career focused on developing his own business; involved in the clothing industry since 1989. In 1991, together with Jerzy Lubianiec, he established the Mistral enterprise. Four years later, this company was transformed into LPP.

In his capacity as the President of the Management Board, he is responsible for all aspects of the Company's operations – from fashion brand management, through product development and sales operations in the omnichannel model. He supervises the Company's strategic actions in the scope of ESG and manages teams responsible for outsourcing production of the collections worldwide. In 2013, recognised by the prestigious Harvard Business Review magazine as the most effective CEO in Poland.

Marek Piechocki was born in 1961. He is a graduate of the Faculty of Civil Engineering at the Gdańsk University of Technology.

PRZEMYSŁAW LUTKIEWICZ

MANAGEMENT BOARD MEMBER

Controlling Director in LPP since 2008. Within the Finance Department, he created the Controlling Department from scratch by supervising the work of his analysts, auditors, and security units within sales networks. He implemented IT tools providing the company with management information necessary to manage all LPP SA Group companies. He also actively participated in maintaining relations with foreign institutional investors.

As Management Board member, since the beginning of 2015 he has been responsible for the area of finance, controlling, internal audit, investor relations, as well as supervision over foreign subsidiaries of the entire LPP Group.

During his earlier career in 2007-2008, he was the co-creator of the First Data SSC in Gdańsk as the Finance and Controlling Director. In 2006-2007, he acted in the capacity of a member of the Management Board and the Finance Director in First Data Polska SA, while in 1995-2008, he held many positions, from the Head of the Planning and Reporting Team to the Director of the Controlling Department in PolCard SA / First Data Polska SA.

Przemysław Lutkiewicz was born in 1970 and is the graduate of the Maritime Academy of Gdynia, as well as the Faculty of Management at Gdańsk University and the post-graduate of the Gdańsk University of Technology.

SŁAWOMIR ŁOBODA

MANAGEMENT BOARD MEMBER

He has been associated with LPP since 1997. For many years, he was responsible for the LPP legal services, which he performed as the managing partner, representing Krzyżagórska Łoboda and Partners law office. In addition, since 2005 he has also been responsible for the lease and expansion department of the Company.

As Management Board member, since October 2015, he has been responsible for the development of LPP, i.e. for the acquisition of new floorspace, market analyses, as well as for the legal department.

During his cooperation with LPP, he has implemented many projects including the creation of the franchise network, listing of the company on the stock exchange, merger with Artman SA, disposal of the Esotiq brand and development of the company's own store chain.

Born in 1965, he is a law graduate of the University of Gdańsk. In 1995, he passed the bar examination for legal advisors.

MARCIN PIECHOCKI

MANAGEMENT BOARD MEMBER

He started his career path within LPP structures in 2017, initially as the assistant merchant and subsequently as the merchant of the Reserved brand. Until 2018, he was responsible for the merchandise purchasing process, price negotiations with suppliers, timely deliveries and analysing the sales results of the Group's flagship brand.

From 2018, he managed the process of opening and operating the largest Reserved brand stores in the region. In the same period, he was entrusted with supervising and co-creating the new concept for Sinsay, the youngest brand in the LPP Group's portfolio. He was responsible for the Sinsay product, sales of collection and the brand's expansion in new locations. In the following years, he served as the managing director of Sinsay and Mohito and was responsible for the company's internal communications and LPP's external relations. In 2021, he was appointed to the company's bodies to the position of Management Board member.

Marcin Piechocki's professional career began in 2013, when he joined Citibank International, managing its IT team until 2017.

He was born in 1989. He is a graduate of the Faculty of Electronics and Information Technology at the Warsaw University of Technology.

MIKOŁAJ WEZDECKI

MANAGEMENT BOARD MEMBER

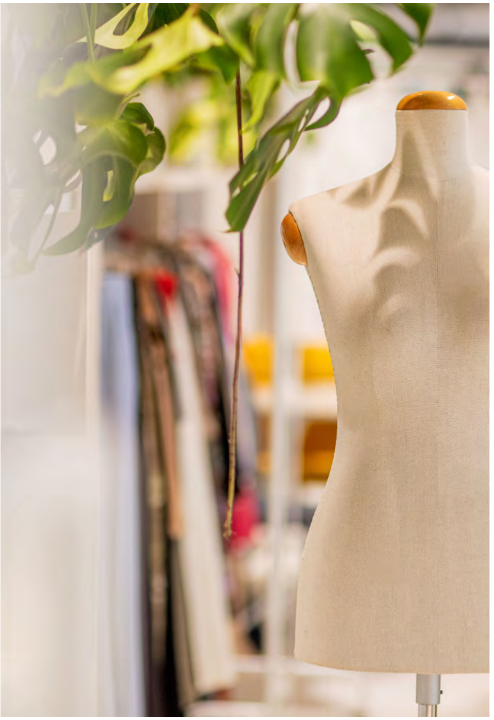
He has been working at LPP since 2022, in charge of the digitalisation process and the development policy of the Group's e-commerce area, as well as the establishment of new standards and synergies in the development of the brands' online platform, as Director of Digitalisation.

Previously, in the years 2006-2019, he was affiliated with RTV EURO AGD, an electronics and household appliances retailer, where he built one of the largest online retail stores for consumer electronics and household appliances in Poland. Since 2019, he has been involved with the Modivo Group as a member of the management board and director for the e-commerce area, where he launched the new Modivo.pl sales platform, one of the leading online platforms in Central and Eastern Europe. At the same time, he actively participated in the development of the company's strategy and in the process of acquiring an investor for the company, eventually SoftBank, the world's largest investment fund.

He was born in 1983. He graduated from the Higher School of Management and Marketing in Warsaw and the Academy of Leadership Psychology at the Business School of the Warsaw University of Technology. He also graduated as the Executive MBA at the Warsaw University of Technology.

DIVISION OF RESPONSIBILITIES SCHEME

Areas of LPP's activity, starting from managing the development of the Company's products and associated brands, through finance, investment activity, logistics, administration or technology development, have been distributed competently among the individual members of the Management Board.



MAREK PIECHOCKI

PRESIDENT OF THE MANAGEMENT BOARD (LPP CO-FOUNDER)

- Reserved, Cropp, House - omnichannel development and sales
- HR
- Purchasing and ESG
- Sales operations
- Logistics
- Investments
- Administration

PRZEMYSŁAW LUTKIEWICZ

MEMBER OF THE LPP MANAGEMENT BOARD

- Reporting
- Controlling
- Human Resources, Payroll and Accounting
- Investor relations
- Management of foreign subsidiaries
- Internal control and risk management
- Investor relations
- Office of Business Travel Organisation
- Central Purchasing
- Treasury

SŁAWOMIR ŁOBODA

MEMBER OF THE LPP MANAGEMENT BOARD

- Reserved, Cropp, House, Mohito - rental and expansion.
- Legal service
- Market analyses

MARCIN PIECHOCKI

MEMBER OF THE LPP MANAGEMENT BOARD

- Sinsay, Mohito - brand and product development and omnichannel sales
- Sinsay - Rental and expansion
- Internal communication
- Social Media
- Employer Branding
- External relations

MIKOŁAJ WEZDECKI

MEMBER OF THE LPP MANAGEMENT BOARD

- Contact Centre
- Data Science
- IT Operations
- IT Core
- Business Value Services IT

OUR SUPERVISORY BOARD AND ITS COMMITTEE

The supervisory functions at LPP are performed by the Supervisory Board consisting of five members.

The scope of competence and rules of procedure of the Supervisory Board of LPP are defined in the following documents:

- LPP SA Articles of Association available on the Company's website
- Rules of Operation of the Management Board available on the Company's website:
- Commercial Companies Code.

Values of any remuneration of key supervisory officers are presented in the consolidated and separate financial statements (respectively, notes 30.2 and 31.3.

The composition of the Supervisory Board of LPP as at 31 January 2024 and profiles of its individual members are presented below.

During the financial year there were changes in the composition of the Supervisory Board of LPP resulting from the resignation of Ms Magdalena Sekuła and Mr Wojciech Olejniczak from their positions of members of the Supervisory Board (CR 11/2023) and the appointment of Ms Jagoda Piechocka (CR 14/2023) and Ms Alicja Milińska (CR 20/2023) as members of the Supervisory Board.

At the same time, in 2023, the LPP's Supervisory Board held five meetings, with one person absent during one meeting.

Composition of the Supervisory Board of LPP as at 31 January 2024
Miłosz Wiśniewski – independent* Chair of the Supervisory Board of LPP
Alicja Milińska – Member of the Supervisory Board of LPP
Jagoda Piechocka – Member of the Supervisory Board of LPP
Piotr Piechocki – Member of the Supervisory Board of LPP
Grzegorz Maria Słupski - Independent* Member of the Supervisory Board of LPP

**independence criteria set forth in the Act on Statutory Auditors, Audit Companies and Public Supervision of 11 May 2017*

MIŁOSZ WIŚNIEWSKI

INDEPENDENT CHAIR OF THE SUPERVISORY BOARD OF LPP

Born in 1964, a graduate of the Mikołaj Kopernik University in Toruń and Executive M.B.A. of École Nationale des Ponts et Chaussées in Paris.

He gained his experience in the area of finance and management in Cereal Partners Worldwide, where he worked from September 1992 to May 2012 holding, among others, the position of Regional Financial Controller for Western and South Europe, CPW Finance Director in Poland, Regional Director for Greece and the Balkans and Development Director for Central Europe.

From May 2012 to January 2015, he served as Chief Financial Officer of Boryszew SA. In March 2016, he was appointed as the President of the Management Board of Robod SA.

ALICJA MILIŃSKA

MEMBER OF THE SUPERVISORY BOARD OF LPP

Born in 1960, a graduate of the University of Gdańsk.

In the years 1985-1990 she gained experience in the field of human resources and payroll, working for such entities as worker cooperative “STOREM” with its registered office in Gdańsk, “Carot” Sp. z o.o. with its registered office in Gdańsk and “Tal” Sp. z o.o. with its registered office in Gdańsk. In 1990 she was employed at the “ETC” commercial enterprise in Gdańsk, where for five consecutive years she worked first as an accountant and then as a chief accountant.

From 1995 to 2021, she was employed at LPP SA as Chief Accountant. Member of the Management Board of LPP SA in the years 2000-2009.

JAGODA PIECHOCKA

MEMBER OF THE SUPERVISORY BOARD OF LPP

Born in 1996, a graduate of the Warsaw University of Technology and HEC Paris in Paris.

She has gained her experience in the IT sector, among others, as a business analyst in HURO Sp. z o.o. and a junior consultant in IT.integro in the years 2018-2020. Since September 2021, she has been employed as the IT Product Manager by Procter & Gamble, managing global IT projects.

Moreover, she also holds the position of the President of the Management Board of AMA Sp. z o.o. with its registered office in Sopot, pursuing advisory and investment activities in the area of real estate and Management Board Member of Family Investments sp. z o.o. with its registered office in Sopot and Family Investments 2 sp. z o.o. with its registered office in Sopot, carrying out investment activities on the real estate and hotel services market.

Ms Jagoda Piechocka has connections with the Semper Simul Foundation, as a beneficiary of the foundation.

PIOTR PIECHOCKI

MEMBER OF THE SUPERVISORY BOARD OF LPP

Born in 1987, a graduate of the Warsaw School of Economics and IE Business School in Madrid. In the years 2010-2011, he completed his internship in, among others, Procter&Gamble and The Boston Consulting Group.

In the years 2012-2017, he co-founded and managed the e-commerce department in LPP SA. Piotr Piechocki was responsible for the entire sales in this channel and for the launch of online stores on new markets (Germany, the Czech Republic, Slovakia, Romania, Hungary).

At present, he acts as the President of the Management Board of Family Investment sp. z o.o. with its registered office in Sopot and Family Investment 2 sp. z o.o. with its registered office in Sopot, both of which pursue investment activity on the real estate and hotel services market. This activity is not competitive to LPP SA.

Mr Piotr Piechocki has connections with the Semper Simul Foundation, as a beneficiary of the foundation.

GRZEGORZ MARIA SŁUPSKI

INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF LPP

He holds a PhD in economics and is an entrepreneur who successfully created and managed a number of companies mainly in the printing, retail and new technology sectors in Poland.

He has over 20-years' experience in housing cooperatives, including multiple years as the President of the Management Board and as the Chairman of the Supervisory Board. In the years 2008-2017 he acted in the capacity of the Deputy-Chair of the Supervisory Board of GIK sp. z o.o. in Gdańsk and in the years 2017-2020 as the Chair of the Supervisory Board of GARG sp. z o.o. - Ivest GDA. Since 2000, the co-founder, the shareholder and the member of the Supevisory Board of Argo Card sp. z o.o. in Gdańsk and since 1995, the President of the Management Board of Argo SA in Gdańsk.

LPP SUPERVISORY BOARD COMMITTEE

Since 2017, within the Supervisory Board of LPP, the Audit Committee has been operating, composed of person listed below, meeting the independence criteria and other requirements defined in Article 129 of the Act on Statutory Auditors, Audit Companies and Public Supervision of 11 May 2017 (Journal of Laws of 2017, item 1089):

Composition of the Audit Committee:

Grzegorz Maria Słupski - Chair of the Audit Committee, fulfils the statutory criteria of independence, has knowledge and skills in the scope of accounting and auditing of financial statements, has experience in performing supervisory duties in commercial companies and, at the same time, holds a PhD in economics.

Piotr Piechocki - Member of the Audit Committee, has industry knowledge and skills gained as the manager of the e-commerce department of LPP.

Miłosz Wiśniewski - Member of the Audit Committee, fulfils the statutory criteria of independence, has knowledge and skills in the scope of accounting and auditing of financial statements which he acquired as the Financial Director at Cereal Partners Worldwide and Boryszew SA.

In 2023, the Audit Committee held 5 meetings. One person was absent during one meeting.

The tasks of the Audit Committee comprise the following:

- monitoring the financial reporting process and provision of recommendations aimed at ensuring diligence of the said process in the Company;
- monitoring the effectiveness of internal-control and audit systems and the risk management system in the Company, including in terms of financial reporting;
- monitoring performance of financial audit activities in the Company, in particular the carrying out of an audit by an audit company,
- with due consideration of any and all motions and findings of the Audit Supervision Commission, arising from a control procedure carried out in the audit company;
- control and monitoring of the indepen-

dence of a statutory auditor and an audit company, specifically in cases where the audit company provides non-audit services to the Company;
- informing the Supervisory Board of audit results and explaining how such audit has contributed to reliability of the Company's financial reporting and what was the Committee's role in the audit procedure;
- assessing the independence of a statutory auditor;
- granting consent for using permissible services other than the audit of financial statements, provided by an audit company or a statutory auditor;
- developing a policy for choosing an audit company for audit purposes;
- developing a policy for the provision of permissible non-audit services by an audit company carrying out the audit, entities affiliated with such audit company and a member of the audit company's group;
- determining a procedure for choosing an audit company by the Company;
- providing the Supervisory Board with recommendations in accordance with Article 130(1)(8), 130(2) and 130(3) of the Act;
- verifying work performance of a person (entity) performing the duties of statutory auditor, in particular, by staying in touch with the statutory auditor in the course of auditing the financial statements of the Company and its subsidiaries to discuss work progress and clarify any doubtful issues and reservations of the statutory auditor in terms of the applied accounting policy or in-house control systems;
- discussing with the Company's statutory auditors the features and scope of the annual report and reviews of interim financial statements;
- reviewing the Company's interim and annual (separate and consolidated) financial statements audited;
- issuing opinions for the Supervisory Board on termination of the agreement with an entity authorised to audit the Company's financial statements;
- granting consent for appointment and dismissal by the Management Board of a person performing in the Company a key function covering internal audit duties;
- monitoring the compliance system applicable in the Company.

KEY PRINCIPLES OF THE POLICY FOR THE SELECTION OF THE AUDIT COMPANY TO CONDUCT AN AUDIT AND THE POLICY FOR THE PROVISION OF NON-AUDIT SERVICES BY THE AUDIT COMPANY

The Company has a policy for the selection of the audit company for auditing of the financial statements, the detailed text of which is posted on the website at:

https://wwwlpp62711ea95a.blob.core.windows.net/blobwwwlpp62711ea95a/wp-content/uploads/2023/07/LPP-SA-Polityka-wyboru-firmy-audytorskiej-do-badania-sprawozdan-finansowych-LPP-SA.pdf

Its main assumptions are presented below.

Criteria for the selection of the audit company

In the course of preparation of the recommendations by the Audit Committee and, subsequently, in the course of selection of the audit company performed by the Supervisory Board of LPP SA, the following criteria are taken into consideration:

a) experience gained so far by the audit company as well as qualifications and experience of persons assigned to carry out financial audit activities;
b) knowledge of the industry in which the Company operates;
c) the pricing terms offered by the audit company;
d) the proposed work schedule for the financial auditing activity;
e) the comprehensiveness of services declared by the audit firm;
f) the reputation of the audit firm;
g) the circumstances that auditing services were provided to the Company in the past, subject to the requirements of the Act on Auditors and Regulation 537 regarding the rotation of audit firms and key statutory auditors.

The selection shall be made among any audit companies that have submitted bids for the provision of the statutory auditing service in accordance with the Selection Policy, provided that:

a) an audit company that audited the Financial Statements of the Company after the expiry of the maximum engagement periods may not undertake an audit of the Financial Statements of the Company for a period of four consecutive years,
b) the organisation of the tender procedure shall not exclude participation in the selection procedure of companies which received less than 15% of their total fee for auditing services from public interest entities in the relevant Member State of the European Union in the previous calendar year, as listed in the list of audit companies,
c) The Company may invite any audit companies to submit their bids for the provision of the statutory auditing services, provided that this shall not violate the provisions referred to in paragraph 2(1) of the Audit Company Selection Policy.

Limitations related to the selection of the audit company:

a) the maximum duration of continuous statutory audit assignments executed by the audit company shall not exceed 10 years;
b) the key statutory auditor may not audit the annual consolidated financial statements of the Group or the annual financial statements in the Company for more than 5 years;
c) the key statutory auditor may again perform the audit of the annual consolidated financial statements of the Group or

the annual financial statements in the Company upon expiry of a period of at least 3 years from the completion of the last audit.

The first agreement on the audit of financial statements is concluded with the audit company for a period of at least two years, with a possibility of its extension for the consecutive periods of at least 2 years.

When recommending and selecting the audit company, it is also required to take into account limitations arising from the Policy for the Provision of Permitted Services.

The fees for conducting the audit earned by the audit company, its statutory auditors and subcontractors shall not:

a) be subject to any conditions, including the audit results;
b) be shaped by or dependent on the provision of additional non-audit services by the audit company for the Company or its affiliates.
c) The audit fee reflects labour intensity, complexity of work and required qualifications.

The fees of the entity authorised to audit the separate and consolidated financial statements paid or payable for the year ended 31 January 2024 and for the comparative period by type of service are presented in the financial statements of the LPP Group (note 37).

The Company also has in place the "Policy for the provision by an audit company, its affiliates and a member of the audit company network of permitted non-audit services" which assumes the need to ensure the independence of the audit company and the statutory auditor and to limit the potential for conflicts of interest when the audit firm is contracted to provide permitted non-audit services by way of defining prohibited services and permitted services.

Examples of permitted services include due diligence procedures involving economic and financial standing, assurance services covering pro forma financial information, performance forecasts or estimated results, published in the audited entity's prospectus, the audit of historical financial information for the prospectus, verification of consolidation packages.

Prohibited services include, in particular: tax services involving the preparation of tax returns, payroll taxes, customs dues, book-keeping services, drafting of accounting documentation and financial statements, development and implementation of internal control or risk management procedures associated with the preparation or control of financial information or development and implementation of technological systems related to financial information, or services associated with the in-house audit function.

Permitted services may be provided only in the scope not related to the Company's tax policy, following the assessment by the Au-

dit Committee of threats and safeguards ensuring the independence of the audit company, the key statutory auditor and other members of the auditing team.

In the financial year 2023, an agreement was issued for a non-audit service, i.e. the support in the verification of indicators for the non-financial report (ESG), however, it was performed after 31 January 2024.

GENERAL MEETING OF LPP'S SHAREHOLDERS

THE RULES OF PROCEDURE OF THE GENERAL MEETING, ITS COMPETENCE, DESCRIPTION OF THE RIGHTS OF SHAREHOLDERS AND THE PROCEDURE FOR EXERCISING THOSE RIGHTS

The competence and rules of procedure of the General Meeting of LPP's Shareholders are defined in the following documents:

- LPP SA Articles of Association available on the Company's website
- Rules of Operation of the Management Board available on the Company's website:
- Commercial Companies Code.

Convening the General Meeting of Shareholders

a) The General Meeting of Shareholders may be convened as an ordinary or extraordinary meeting.
b) The General Meeting of Shareholders is held in Gdańsk, Warsaw, Sopot or Pruszcz Gdański - at a venue indicated by the Management Board.
c) The Ordinary General Meeting is held annually within six months after the end of the financial year.
d) The Extraordinary General Meeting is convened by the Management Board upon its own initiative, at the request of the Supervisory Board and upon a written request of shareholders representing one twentieth of the share capital.
e) The fact of convening the General Meeting, stating the date (day, hour) and venue, is announced by the Management Board on the Company's website and in the manner set forth for providing current information in accordance with the provisions on public offering and the terms and conditions for introducing financial instruments to organised trading, and on public companies.

Competence of the General Meeting of Shareholders

a) Examining and approving financial statements and reports of the Management Board on the operations of the LPP SA Group for the preceding year.
b) Taking all decisions relating to claims for redressing damage suffered during the establishment of LPP SA or its management or supervision.
c) Adopting a resolution on the distribution of profits or covering losses.
d) Discharging members of the LPP SA governing bodies from the performance of their duties.
e) Appointment and dismissing of members of the LPP bodies.
f) Adopting a resolution on the issuance of bonds, including convertible bonds.
g) Amendments to the Articles of Association.
h) Adopting resolutions on the merger, transformation, dissolution and liquidation of LPP SA.
i) Adopting resolutions on the sale and lease of the enterprise and establishing beneficial ownership.
j) Examining and deciding on motions submitted by the Supervisory Board.
k) Deciding on other matters falling within the scope of competence of the General Meeting under the Commercial Companies Code and the Company's Articles of Association.

Sessions of the General Meeting of Shareholders

a) The General Meeting is opened by the Chair of the Supervisory Board or a person authorised by him who then holds the elections for Chair of the General Meeting.
b) The person opening the General Meeting takes action aimed at immediate election of Chair of the General Meeting, who leads the works of the GM and ensures efficient and proper conduct of the session.
c) The General Meeting adopts resolutions only on matters included in the agenda.
d) Draft resolutions proposed for adoption by the General Meeting and other relevant materials are presented to shareholders including the justification and the opinion of the Supervisory Board.
e) The proceedings of the General Meeting are recorded in the minutes by a notary public.

Voting

a) Voting at the General Meeting is open. Secret ballot takes place when electing governing bodies and upon requests to dismiss the Company's bodies or liquidators or to make them accountable, as well as in personal matters. In addition, the secret ballot is held upon request of at least one shareholder or his/her/its representative.
b) The General Meeting may appoint a three-person ballot counting committee, whose duties include ensuring the due conduct of each voting, supervising computer services (if a vote takes place using electronic technology) as well as checking and announcing the results.
c) Each share gives right to one vote at the General Meeting. In the case of a series B preference share, one share gives right to five votes at the General Meeting.
d) The Chair announces voting results which are then recorded in the session minutes.

Shareholders' rights and the manner of their exercising

a) Shareholders have the right to participate in the General Meeting, either personally or by proxy;

b) Shareholders representing at least one-twentieth of the share capital may request the convening of an Extraordinary General Meeting and the inclusion of specific items on the agenda of that meeting.
c) Shareholders representing at least one-twentieth of the share capital have the right to request the inclusion of specific items on the agenda of the General Meeting. This request, including a justification or a draft resolution concerning the proposed agenda item, should be submitted no later than 21 days before the scheduled date of the meeting.
d) Each shareholder may, during the General Meeting, propose draft resolutions concerning the items on the agenda.

For the 2023 financial year, the Annual General Meeting was held on 30 June 2023 and the Extraordinary General Meeting on 17 November 2023.

RULES FOR AMENDING OUR ARTICLES OF ASSOCIATION

Any amendment to the Company's Articles of Association requires, first of all, an initiative of a shareholder or the Company's bodies. These may apply for convening the General Meeting or supplementing its agenda with voting on the amendment of the Articles of Association. A draft resolution amending the Articles of Association requires an appropriate majority of votes at the General Meeting. If any such resolution is adopted, the Company's Management Board is required to file an application with the registry court to record it. An amendment to the Articles of Association is effective upon its registration.

DESCRIPTION OF A DIVERSITY POLICY APPLIED TO LPP'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES IN TERMS OF ASPECTS INCLUDING AGE, GENDER OR EDUCATION AND PROFESSIONAL EXPERIENCE, GOALS OF SUCH DIVERSITY POLICY, THE POLICY EXECUTION PROCESS AND ITS EFFECTS IN A GIVEN REPORTING PERIOD

LPP implements the provisions of Directive 2022/2381 on improving the gender balance among directors of listed companies and related measures by ensuring a 40% share of female members of the Supervisory Board. The Company is aware of the importance and need of ensuring diversity in terms of gender, education, age and experience as well as many other diversity factors at all levels of the Group, i.e. both in management and supervisory bodies of LPP SA and in the governing bodies of its subsidiaries and also at the level of all employees of the Group.

The Company has a developed and adopted the employee diversity policy. The Company is working on developing and adopting a diversity policy among members of the Management Board and the Supervisory Board, which will reflect the intention to ensure diversity among members of the Company's governing bodies in future terms of office.

At present, the Management Board of LPP is composed of five men: two of them at the age of 30 to 50 and three over 50 years of age. The Supervisory Board is composed of three men and two women. One person is aged under 30, one from 30 to 50 and three persons are over 50 years of age.

Members of the Management Board and the Supervisory Board of LPP have diverse education i.e. technical, IT, financial, economic and legal education. They also have diversified experience both in terms of the industry and entities where they previously gained their experience.

03 Consolidated financial stetements of LPP Group

Introduction

We hereby approve the consolidated financial statements of LPP SA Group for the period of 12 months ended 31 January 2024, comprising the comprehensive income statement, with comprehensive income totalling PLN 1,521 m, the statement of financial position, with assets and liabilities totalling PLN 13,802.1 m, the cash flow statement, showing an increase in net cash by PLN 610 m, the statement of changes in equity, showing an increase in equity by PLN 732.6 m, and notes with a description of material accounting principles and other explanations.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Management Board Member

Sławomir Łoboda
Management Board Member

Marcin Piechocki
Management Board Member

Mikołaj Wezdecki
Management Board Member

GDAŃSK, 26 MARCH 2024

SELECTED FINANCIAL DATA

for the period of 12 months ended 31 January 2024

Selected financial data	PLN m 01.02.2023 – 31.01.2024	PLN m 01.02.2022 – 31.01.2023	EUR m 01.02.2023 - 31.01.2024	EUR m 01.02.2022 – 31.01.2023
Revenues	17,406.2	15,926.5	3,869.9	3,390.4
Operating profit (loss)	2,283.5	1,184.4	507.7	252.1
Pre-tax profit	2,047.2	1,087.5	455.1	231.5
Net profit (loss) attributable to shareholders of the dominating entity	1,607.1	486.7	357.3	103.6
Weighted average number of shares	1,855,190	1,853,738	1,855,190	1,853,738
Profit (loss) per share	866.3	262.6	192.6	55.9
Net cash flows from operating activities	4,343.3	622.3	965.6	132.5
Net cash flows from investing activities	-983.6	-897.1	-218.7	-191.0
Net cash flows from financing activities	-2,749.7	-609.3	-611.3	-129.7
Total net cash flows	610.0	-884.1	135.6	-188.2

Selected financial data	PLN m As at 31.01.2024	PLN m As at 31.01.2023	EUR m As at 31.01.2024	EUR m As at 31.01.2023
Total assets	13,802.1	12,921.0	3,177.7	2,744.0
Long-term liabilities	3,431.3	3,722.7	790.0	790.6
Short-term liabilities	5,653.8	5,213.9	1,301.7	1,107.2
Equity	4,717.0	3,984.4	1,086.0	846.1
Share capital	3.7	3.7	0.9	0.8
Weighted average number of shares	1,855,190	1,853,738	1,855,190	1,853,738
Book value per share	2,542.60	2,149.39	585.39	456.45
Paid dividend per share	430.00	350.00	99.00	74.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 12 months ended 31 January 2024

Consolidated statement of comprehensive income (PLN m)	Notes	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023 restated
Continuing operations			
Revenues	9.1	17,406.2	15,926.5
Cost of goods sold	9.2	8,439.7	7,913.4
Gross profit (loss) on sales		**8,966.5**	**8,013.1**
Costs of stores and distribution	9.5	5,645.9	5,840.1
General costs	9.5	918.9	862.4
Other operating income	9.3	66.9	95.9
Other operating costs	9.3	185.1	222.1
Operating profit (loss)		**2,283.5**	**1,184.4**
Financial income	9.4	98.0	126.9
Financial costs	9.4	334.3	223.8
Pre-tax profit (loss)		**2,047.2**	**1,087.5**
Income tax	10	435.2	218.5
Net profit (loss) from continuing operations		**1,612.0**	**869.0**
Net profit (loss) from discontinued operations	**13**	**0.0**	**-383.9**
Total net profit (loss)		**1,612.0**	**485.1**
Net profit attributable to:			
Shareholders of the parent company		1,607.1	486.7
Non-controlling interests		4.9	-1.6
Other comprehensive income			

Consolidated statement of comprehensive income (PLN m)	Notes	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023 restated
Items transferred to profit or loss			
Currency translation on foreign operations		-91.0	262.2
Total comprehensive income		**1,521.0**	**747.3**
Total comprehensive income attributable to:			
Shareholders of the parent company		1,516.1	748.9
Non-controlling interests		4.9	-1.6
Weighted average number of shares		1,855,190	1,853,738
Diluted numer of shares		1,856,450	1,855,052
Net profit attributable to shareholders of the parent company per share (PLN)	11	866.27	262.55
Diluted net profit (loss) attributable to shareholders of the parent company per share (PLN)	11	865.68	262.36
Net profit (loss) on continuing operations per share (PLN)	11	868.91	468.78
Diluted net profit (loss) on continuing operations per share (PLN)	11	868.32	468.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 January 2024

Consolidated statement of financial position (PLN m)	Notes	As at 31.01.2024	As at 31.01.2023	As at 31.01.2022 restated
ASSETS				
Non-current assets		**7,973.4**	**7,351.8**	**7,518.3**
1. Tangible fixed assets	14	3,642.5	3,336.0	3,251.1
2. Right of use assets	15	3,245.1	2,888.4	3,412.3
3. Intangible assets	16	271.7	185.6	144.4
4. Goodwill	17	183.2	183.2	183.2
5. Trademark	16	77.5	77.5	77.5
6. Long-term receivables	13	229.3	314.6	0.0
7. Deferred tax assets	10.3	306.2	350.7	425.4
8. Prepayments	28	8.9	8.2	5.8
9. Other financial assets	18.1	9.0	7.6	18.6
Current assets		**5,828.7**	**5,569.2**	**7,225.3**
1. Inventory	20	3,040.3	3,353.4	3,981.9
2. Trade receivables	21	809.7	944.1	246.1
3. Income tax receivables		36.2	8.5	33.9
4. Short-term receivables	13	89.7	50.4	0.0
5. Other non-financial assets	18.2	65.5	53.1	196.0
6. Prepayments	28	81.6	78.9	49.2
7. Other financial assets	18.1	68.4	59.0	60.6
8. Deposit and investment funds	19	560.8	556.8	1,302.7
9. Cash and cash equivalents	22	1,076.5	465.0	1,354.9
TOTAL ASSETS		**13,802.1**	**12,921.0**	**14,743.6**

Consolidated statement of financial position (PLN m)	Notes	As at 31.01.2024	As at 31.01.2023	As at 31.01.2022 restated
EQUITY AND LIABILITIES				
Equity		**4,717.0**	**3,984.4**	**3,880.5**
1. Share capital	23.1	3.7	3.7	3.7
2. Share premium	23.2	364.3	364.3	364.3
3. Other reserves	23.3	2,466.3	2,720.4	2,345.1
4. Currency translation on foreign operations		-33.4	57.6	-204.6
5. Retained earnings		1,912.8	840.0	1,372.0
6. Non-controlling interest capital		3.3	-1.6	0.0
Long-term liabilities		**3,431.3**	**3,722.7**	**3,983.2**
1. Bank loans and borrowings	24	489.7	538.1	144.2
2. Lease liabilities	15	2,892.1	2,760.1	3,428.2
3. Bonds	27	0.0	306.9	294.7
4. Employee liabilities	25.1	2.4	1.7	1.4
5. Deferred tax liabilities	10.3	1.6	1.6	0.6
6. Accruals	28	45.5	114.3	114.1
Short-term liabilities		**5,653.8**	**5,213.9**	**6,879.9**
1. Trade and other liabilities	27	4,184.6	3,062.2	4,970.8
2. Contract liabilities	9.1	28.8	26.0	20.5
3. Customer refund liabilities	9.1	84.7	75.9	76.3
4. Bank loans and borrowings	24	49.0	806.1	535.0
5. Lease liabilities	15	1,015.5	902.5	749.1
6. Employee liabilities	25.2	181.3	147.9	149.7
7. Income tax liabilities		52.6	155.5	311.2
8. Provisions	26	6.4	4.9	10.7
9. Accruals	28	50.9	32.9	56.6
TOTAL equity and liabilities		**13,802.1**	**12,921.0**	**14,743.6**

CONSOLIDATED CASH FLOW STATEMENT

for 12 months ended 31 January 2024

Consolidated cash flow statement (PLN m)	Notes	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023 restated
A. Cash flows from operating activities			
I. Pre-tax profit (loss)		2,047.2	1,087.5
II. Total adjustments		2,296.1	-465.2
1. Amortisation and depreciation		1,382.5	1,129.2
2. Foreign exchange gains (losses)		-53.1	-7.8
3. Interest and dividends		216.9	198.2
4. Profit (loss) on investing activities		34.9	-26.6
5. Income tax paid		-531.7	-402.3
6. Change in provisions and employee benefits	25, 26	23.8	-21.5
7. Change in inventories	20	239.4	815.9
8. Change in receivables and other assets	18, 21	272.2	386.8
9. Change in short-term liabilities, excluding bank loans and borrowings	27	725.9	-3,377.7
10. Change in prepayments and accruals	28	-24.1	27.9
11. Other adjustments		9.4	812.7
III. Net cash flows from operating activities		**4,343.3**	**622.3**
B. Cash flows from investing activities			
I. Inflows		**126.5**	**278.7**
1. Disposal of intangible and fixed assets		125.7	116.4
2. Repayment of loans		0.8	0.1
3. Interest and other inflows from financial assets		0.0	0.0
4. Other investing inflows (investment funds)		0.0	162.2
II. Outflows	**19**	**1,110.1**	**1,175.8**

Consolidated cash flow statement (PLN m)	Notes	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023 restated
1. Purchase of intangible and fixed assets		1,089.8	1,156.9
2. Loans granted		0.3	3.5
3. Other investing outflows	19	20.0	15.4
III. Net cash flows from investing activities		**-983.6**	**-897.1**
C. Cash flows from financing activities			
I. Inflows		**0.0**	**1,242.6**
1. Inflows from share issuance		0.0	0.0
2. Bank loans and borrowings		0.0	1,242.6
3. Other financial inflows		0.0	0.0
II. Outflows		**2,749.7**	**1,851.9**
1. Dividends and other payments to owners		797.7	648.3
2. Repayment of bank loans and borrowings		805.6	295.7
3. Financial lease liabilities paid		926.3	731.7
4. Interest		220.1	176.2
III. Net cash flows from financing activities		**-2,749.7**	**-609.3**
D. Total net cash flows from continuing operations		**610.0**	**-884.1**
E. Net cash flows from discontinued operations		**0.0**	**-42.5**
F. Total net cash flows		**610.0**	**-926.6**
Opening balance of cash in line with the balance sheet		465.0	1,354.9
Closing balance of cash in line with the balancesheet		1,076.5	465.0
G. Balance sheet change in cash, including:		**611.5**	**-889.9**
- change in cash due to currency translation		1.5	36.7
H. Opening balance of cash		**390.4**	**1,317.0**
I. Closing balance of cash		**1,000.4**	**390.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 12 months ended 31 January 2024

Consolidated statement of changes in equity (PLN m)	Share capital	Share premium	Other reserves	Currency translation on foreign oparations	Retained earnings	Equity attributable to the parent company	Non-controlling interests	Total equity
Balance as at 1 February 2023	**3.7**	**364.3**	**2,720.4**	**57.6**	**840.0**	**3,986.0**	**-1.6**	**3,984.4**
Share-based payments	0.0	0.0	9.4	0.0	0.0	9.4	0.0	9.4
Dividend paid	0.0	0.0	-263.5	0.0	-534.3	-797.8	0.0	-797.8
Transactions with owners	**0.0**	**0.0**	**-254.1**	**0.0**	**-534.3**	**-788.4**	**0.0**	**-788.4**
Net profit for 12M until 31 January 2024	0.0	0.0	0.0	0.0	1,607.1	1,607.1	4.9	1,612.0
Currency translation on foreign operations	0.0	0.0	0.0	-91.0	0.0	-91.0	0.0	-91.0
Total comprehensive income	**0.0**	**0.0**	**0.0**	**-91.0**	**1,607.1**	**1,516.1**	**4.9**	**1,521.0**
Balance as at 31 January 2024	**3.7**	**364.3**	**2,466.3**	**-33.4**	**1,912.8**	**4,713.7**	**3.3**	**4,717.0**
Balance as at 1 February 2022	**3.7**	**364.3**	**2,345.1**	**-204.6**	**1,372.0**	**3,880.5**	**0.0**	**3,880.5**
Share-based payments	0.0	0.0	4.9	0.0	0.0	4.9	0.0	4.9
Dividend paid	0.0	0.0	0.0	0.0	-648.3	-648.3	0.0	-648.3
Distribution of profit for 12M ended 31 January 2022	0.0	0.0	370.4	0.0	-370.4	0.0	0.0	0.0
Transactions with owners	**0.0**	**0.0**	**375.3**	**0.0**	**-1,018.7**	**-643.4**	**0.0**	**-643.4**
Net profit for 12M until 31 January 2024	0.0	0.0	0.0	0.0	486.7	486.7	-1.6	485.1
Currency translation on foreign operations	0.0	0.0	0.0	262.2	0.0	262.2	0.0	262.2
Total comprehensive income	**0.0**	**0.0**	**0.0**	**262.2**	**486.7**	**748.9**	**-1.6**	**747.3**
Balance as at 31 January 2023	**3.7**	**364.3**	**2,720.4**	**57.6**	**840.0**	**3,986.0**	**-1.6**	**3,984.4**

Accounting principles (policy) and supplementary notes

1. GENERAL INFORMATION

The LPP SA Group (hereinafter referred to as the "Group") is composed of LPP SA ("Parent Company", Company") and its subsidiaries. The Group's consolidated financial statements cover the year ended 31 January 2024 and include comparative figures for the year ended 31 January 2023 and 31 January 2022.

On 25 May 2018, the Ordinary General Meeting of Shareholders of LPP SA adopted the resolution changing the Company's financial year so that it ultimately lasted from 1 February to 31 January of the following calendar year. This change resulted from the natural calendar of the clothing industry, where new collections are launched from February and the clearance sales period ends in January. Accordingly, the reporting periods cover the 12-month period from 1 February to 31 January of the following calendar year.

The comparative period covers the financial year of 12 calendar months that was audited by the statutory auditor, i.e. from 1 February 2022 to 31 January 2023. In connection with the recommendations of the Polish Financial Supervision Authority (KNF), the figures for the statement of comprehensive income and the statement of cash flows have been restated. A description of the data changes is included in note 8.

LPP SA, the parent company, is entered in the register of entrepreneurs of the National Court Register kept by the District Court for Gdańsk-North in Gdańsk, 7th Economic Division of the National Court Register, under the KRS number 0000000778.

There was no change in the name of the reporting entity during the reporting period.

The head office of LPP SA is located at: Łąkowa 39/44, Gdańsk, Poland.

The parent company and the Group companies have been established for an indefinite period of time.

The Group's core business is the retail and wholesale of clothing.

2. COMPOSITION OF THE GROUP

No	Company name	Registered office	Shareholding
1.	LPP Retail Sp. z o.o.	Gdańsk, Poland	100.0%
2.	DP&SL Sp. z o.o.	Gdańsk, Poland	100.0%
3.	IL&DL Sp. z o.o.	Gdańsk, Poland	100.0%
4.	LPP Printable Sp. z o.o.	Gdańsk, Poland	100.0%
5.	LPP Logistics Sp. z o.o.	Gdańsk, Poland	100.0%
6.	Dock IT Sp. z o.o.	Gdańsk, Poland	100.0%
7.	Silky Coders Sp. z o.o.	Gdańsk, Poland	100.0%
8.	Veviera Investments Sp. z o.o.	Gdańsk, Poland	50.0%
9.	LPP Czech Republic SRO	Prague, Czech Republic	100.0%
10.	LPP Slovakia SRO	Banska Bystrica, Slovakia	100.0%
11.	LPP Hungary KFT	Budapest, Hungary	100.0%
12.	LPP Lithuania UAB	Vilnius, Lithuania	100.0%
13.	LPP Latvia LTD	Riga, Latvia	100.0%
14.	LPP Estonia OU	Tallinn, Estonia	100.0%
15.	LPP Ukraine AT	Peremyshliany, Ukraine	100.0%
16.	OOO LPP BLR	Minsk, Belarus	100.0%

No	Company name	Registered office	Shareholding
17.	LPP Kazakhstan LLP	Almaty, Kazakhstan	100.0%
18.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	100.0%
19.	LPP Romania Fashion SRL	Bucharest, Romania	100.0%
20.	LPP Croatia DOO	Zagreb, Croatia	100.0%
21.	LPP Reserved DOO Beograd	Belgrade, Serbia	100.0%
22.	LPP Fashion, DOO	Ljubljana, Slovenia	100.0%
23.	LPP BH DOO	Banja Luka, Bosnia and Herzegovina	100.0%
24.	LPP Macedonia DOOEL	Skopje, Macedonia	100.0%
25.	LPP Albania LTD	Tirana, Albania	100.0%
26.	LPP Greece Single Member Private Company	Athens, Greece	100.0%
27.	LPP Deutschland GmbH	Hamburg, Germany	100.0%
28.	LPP Reserved UK LTD	Altrincham, United Kingdom	100.0%
29.	LPP Finland LTD	Helsinki, Finland	100.0%
30.	LPP Italy SRL	Milan, Italy	100.0%
31.	LPP Clothing Retail Spain, S.L.	Madrid, Spain	100.0%
32.	Sinsay Portugal, Unipessoal LDA	Portugal, Lisbon	100.0%
33.	P&L Marketing&Advertising Agency SAL	Beirut, Lebanon	97.3%
34.	LPP Logistics Slovakia s.r.o.	Sered, Slovakia	100.0%
35.	LPP Logistics Romania s.r.l.	Stefanesti de Jos, Romania	100.0%

As at 31 January 2024, the share in the total number of votes held by the Group in subsidiaries was equal to the Group's shareholding in those entities.

The following changes occurred in the LPP SA Group in the reporting period:
- A new subsidiary was established in Portugal: Sinsay Portugal, Unipessoal LDA;
- A new subsidiary was established in Slovakia: LPP Logistics Slovakia, s.r.l.;
- A new subsidiary was established in Romania: LPP Logistics Romania s.r.o.;
- A subsidiary in Russia was liquidated: LLC Re Development;
- A subsidiary in Bulgaria was liquidated: LPP Bulgaria EOOD.

3. COMPOSITION OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

Composition of the Management Board of LPP SA as at 31 January 2024:
- President of the Management Board, Marek Piechocki
- Member of the Management Board, Przemysław Lutkiewicz
- Member of the Management Board, Sławomir Łoboda
- Member of the Management Board, Marcin Piechocki
- Member of the Management Board, Mikołaj Wezdecki

In the reporting period, there was a change in the composition of the Management Board of the Company. On 10 October 2023, Mr Jacek Kujawa resigned from his function of Management Board Member. On 17 November 2023, the Extraordinary General Meeting of Shareholders appointed Mr Mikołaj Wezdecki for the position of Management Board Member.

4. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of LPP SA for publishing on 26 March 2024.

5. CRITICAL ESTIMATES AND ASSUMPTIONS

5.1. Professional judgement

The preparation of the Group's consolidated financial statements requires the Management Board of the Parent Company to make judgements, estimates and assumptions affecting presented revenues, costs, assets and liabilities and related additional notes as well as disclosures regarding contingent liabilities. Uncertainty related to these assumptions and estimates may result in major adjustments in balance sheet values of assets and liabilities in the future.

5.2. Uncertainty over estimates and assumptions

Basic assumptions for the future and other key sources of uncertainty, occurring as at the balance sheet date, are described below.

The methodology applied for determining estimated values is based on the best knowledge of the Management Board of the Parent Company and complies with IFRS requirements. Assumptions and estimates made may be changed due to future events resulting from market changes or changes beyond the Group's control.

Estimates made by the Management Board of the Parent Company, affecting the values disclosed in the financial statements, relate to:

- **Depreciation rates**
  The value of depreciation rates is determined based on the estimated economic useful life of tangible fixed assets and intangible assets. For the right-of-use right, values of depreciation rates were determined depending on agreement duration. Based on current estimates, the Group verifies the economic useful life applied on an annual basis.

  The marginal interest rate is determined based on three components:
  - Risk-free rate,
  - Additional risks arising from company risk,
  - Additional risk (risk reduction) arising from the risk of a particular asset.

  The value of the marginal interest rate in 2023 was 6.59%.

- **Percentage of returns of goods sold in the reporting period to be made in the next reporting period**
  Due to the fact that customers make product claims and return goods purchased in stores and in wholesale, revenues are updated by adjusting the estimated value of such returns. Based on historical data we estimate a percentage rate reflecting the ratio of product returns versus the sales volume. At the end of each reporting period, this ratio is re-estimated.

  At present, the companies in the Group adopted product return ratios for specific sales channels in the following ranges:
  - in traditional stores - 1.5-3%
  - in online stores - 14-32%

- **Impairment losses on inventory**
  The Group analyses the value of inventory twice a year, after the first half of the year and at the end of a financial year. It stems from exchanging Spring/Summer and Autumn/Winter collections. The Group assesses the current position and evaluates the level at which the value of inventory is subject to an impairment loss.

  The Group recognises write-offs on goods sold out and goods older than the last season in accordance with the following principle:
  - goods to be sold in brand stores - subject to write-offs in the amount determined based on a current analysis,
  - goods to be sold to external customers - subject to write-offs in the amount of 60-80% of the value of goods.

- **Asset impairment**
  Twice a year, after the first half and at the end of a financial year, the Group assesses whether objective evidence exists for permanent impairment of an asset or a group of assets. The Group recognises individual retail sales units as separate cash generating units (CGU) and, at their level, estimates the potential impairment, if any. Furthermore, the Group assesses that the initial phase of the store's operations comprising the first full 12 months is the best indicator of profitability of the store. At the end of the year, the Group analyses the profitability of individual retail sales units recognising them as a single cash generating unit and, in the event of identifying stores without any promising perspectives for improving results within a given time-frame, the Group makes a decision on applying a permanent impairment loss on assets assigned to such unprofitable store.

  If there is objective evidence and a need to apply the impairment loss, the Group determines an estimated recoverable value of an asset and makes an impairment loss in an amount equal to a difference between the recoverable value and the carrying amount. An impairment loss is recognised in the statement of comprehensive income in the period in which it was identified.

- **Measurement of provisions for retirement and pension benefits**
  The Group creates a provision for future liabilities arising from retirement and pension benefits, applying actuarial methods. A change in financial ratios providing the basis for the estimate, i.e. an increase in the discount rate by 0.5 p.p. and a decrease in the remuneration index by 0.5 p.p., would result in the increase of the provision by PLN 3.2 m.

- **Future tax results taken into account when determining deferred income tax assets**
  The Group recognises a deferred income tax asset based on the assumption that, in the future, taxable profit will be generated allowing for its utilisation.

  A future deterioration in taxable results yielded could make this assumption illegitimate.

  The Group assesses in detail the nature and scope of evidence justifying the conclusion that it is probable that the Group will yield a future taxable profit sufficient to deduct unsettled tax losses, unused tax assets or other negative temporary differences.

When assessing whether the achievement of future taxable income is probable (likelihood exceeding 50%), the Group takes into account all evidence available, confirming both such probability and its absence.

- **Assumptions adopted to test the impairment of trademark, goodwill and other tangible assets.**
  Intangible assets with an unspecified useful life are annually tested for impairment. Assumptions adopted to perform the test are discussed in notes 16 and 17.

  Methods for determining estimated values are applied on a continuous basis in relation to the previous reporting period.

- **Impact of climate change risks**
  The Group analysed its operations in terms of their climate impact. The Management Board of LPP SA is aware that part of its business operations may, to a certain extent, have environmental impact and that its presence on numerous markets involves exposure to climate risks. Following the analysis performed, the Management Board of LPP SA did not detect any major impact of climate risks on these financial statements. A detailed description of the analysis and actions taken in the scope of climate risks is provided in the Report of the Management Board on the operations of the LPP SA Group, in the chapter Risk Management as well as in the Non-financial report for 2023.

A change in estimates was recorded (in line with the methodology adopted) in the scope of:
- estimated economic useful life of tangible fixed assets – applicable to outlays in third-party premises (determination of a new depreciation period after modernisation),
- estimated economic useful life of lease contracts,
- future taxable results taken into account when determining deferred income tax assets,
- sales adjustment ratio related to product returns to be made in the next reporting period,
- measurement of provisions for retirement and pension benefits,
- assumptions made for testing trademark and goodwill impairment,
- uncertainty related to tax settlements.

The Group's tax settlements are subject to tax audit. Due to the fact that, in the event of numerous transactions, the interpretation of tax laws may differ from that applied by the Management Board in the utmost good faith, amounts disclosed in the financial statements may be changed at a later time upon their final determination by authorities authorised to carry out tax audits. Similar changes may affect, depending on future interpretations of tax authorities, the possibility of employing tax benefits recognised in the financial statements as deferred income tax assets.

On 15 July 2016, the Tax Ordinance was amended to give recognition to the General Anti-Abuse Rule (GAAR). The GAAR is intended to prevent the creation and implementation of artificial legal arrangements to avoid payment of tax in Poland. Under new regulations, a substantially higher degree of judgement will be required when assessing the effects of individual transactions.

The GAAR should be applied to transactions concluded after its entry into force and to transactions executed before its entry into force, yet involving benefits gained after the said date or those still achievable. The implementation of the aforementioned provisions enabled Polish revenue control authorities to challenge legal arrangements and agreements implemented by taxpayers, such as group restructuring and reorganisation.

The Group recognises and measures current and deferred tax assets or liabilities satisfying the criteria of IAS 12 Income Taxes based on tax profit (loss), a taxable base, unsettled tax losses, unused tax credits and tax rates, with due consideration of assessed uncertainty over tax settlements.

If it is uncertain whether, and to what extent, a tax authority will approve specific tax settlements for a given transaction, the Group recognises such settlements taking into account such uncertainty.

6. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with the requirements of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2023, item 120), LPP SA has presented its consolidated financial statements based on International Financial Reporting Standards (IFRS), approved by the EU (IFRS EU).

These consolidated financial statements have been drawn up in accordance with the historical cost accounting model, except for financial instruments and the incentive programme which are measured at fair value.

These consolidated financial statements have been drawn up assuming that the Group continues its economic activity as a going concern in the foreseeable future. As at the date of approval of these financial statements for publishing, there are no material uncertainties relating to events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern.

These financial statements are presented in Polish zlotys (PLN) and all values, unless otherwise indicated, are given in millions of PLN.

6.1. DECLARATION OF COMPLIANCE WITH THE IFRS

These consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) approved by the European Union, covering standards and interpretations accepted by the International Accounting Standards Board. As at the date of approval of these financial statements for publishing, considering the continuing process of implementation of the IFRS in the EU, the IFRS applicable to these financial statements do not differ from IFRS EU.

The optional earlier application of a standard or an interpretation has not been used in these financial statements.

6.2. AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Amendments to standards or interpretations in force and applied by the Group from 2023 and their impact on the consolidated financial statements:

Standard/interpretation	Effective date
New IFRS 17 Insurance contracts The standard regulates the recognition, measurement, presentation and disclosures of insurance and reassurance contracts. It supersedes the previous version of IFRS 4. The new standard had no impact on the Group's financial statements as the contracts concluded do not fall under the definition of insurance contracts.	annual periods beginning on or after 1 January 2023
Amendments to IFRS 17 Insurance contracts The Board adopted transitional provisions concerning comparative information for entities that simultaneously implement IFRS 17 and IFRS 9 to reduce potential accounting mismatches arising from differences between these standards. The amendment had no impact on the consolidated financial statements.	annual periods beginning on or after 1 January 2023
Amendments to IAS 1 Presentation of Financial Statements The IASB has specified which information regarding accounting policies applied by an entity is material and requires disclosure in the financial statements. The principles focus on adaptation of the disclosures to the entity's individual circumstances. The Board warns against the use of standardised provisions copied from the IFRS and expects that the basis for the measurement of financial instruments shall be considered as material information The amendment had no impact on the consolidated financial statements.	annual periods beginning on or after 1 January 2023

Standard/interpretation	Effective date
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors In the standard concerned, the Board introduced a definition of accounting estimate: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The Company estimates that the change will not affect the financial statements. The amendment had no impact on the consolidated financial statements.	annual periods beginning on or after 1 January 2023
Amendments to IAS 12 Income Taxes The Board implemented a principle stipulating that if, as a result of a transaction, equal amounts of positive and negative temporary differences arise at the same time, assets and the provision for deferred income tax should be recognised even if such a transaction does not result from a merger and has no impact on the accounting or tax result. This implies the requirement to recognise assets and the provision of deferred income tax e.g. when equal amounts of temporary differences arise in the event of lease (a separate temporary difference from a liability and the right of use) or in the event of recultivation provision. The principle stipulated that assets and liabilities due to deferred income tax are offset if assets and liabilities due to current income tax are offset has not been changed. The amendment had no impact on the consolidated financial statements.	annual periods beginning on or after 1 January 2023
Amendment to IAS 12 Income Taxes The amendment introduces a temporary exemption from the recognition of deferred tax arising from the implementation of international tax reform (Pillar II) and the obligation to introduce additional related disclosures. The amendment had no impact on the consolidated financial statements.	annual periods beginning on or after 1 January 2023

Standards and interpretations effective in the version published by the IASB but not endorsed by the European Union are presented below in the section referring to standards and interpretations that are not yet in force.

The optional earlier application of a standard or an interpretation has not been used in these financial statements.

Published standards and interpretations that have not entered into force for periods beginning on 1 January 2023 and their impact on the Group's financial statements:

Standard/interpretation	Effective date
Amendments to IAS 1 Presentation of Financial Statements The IAS Board clarified the principles for classification of liabilities as current or non-current, mainly in two respects: – it was clarified that the classification depends on the rights held by the entity as at the balance sheet date, – intentions of the management with regard to acceleration or delay in the payment of a liability are not taken into account. Since the Group has already been applying the principles consistent with the revised standard, the amendments will not affect its financial statements.	annual periods beginning on or after 1 January 2024
Amendments to IAS 1 Presentation of Financial Statements The amendment clarifies that, as at the balance sheet date, an entity does not take into account covenants that will have to be met in the future when considering the classification of liabilities as current or non-current. On the other hand, the entity should disclose information about these covenants in the notes to the financial statements. The Company estimates that the change will not affect its financial statements.	annual periods beginning on or after 1 January 2024

Standard/interpretation	Effective date
Amendment to IFRS 16 Leases The amendment clarifies the requirements in relation to the measurement of the lease liability arising from sale and leaseback transactions. It is intended to prevent incorrect recognition of the result on a transaction for the retained right of use portion when the lease payments are volatile and do not depend on an index or a rate. The Group estimates that the amendment will have no impact on its financial statements as it does not comprise transactions affected by the amendment.	annual periods beginning on or after 1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures The amendments clarify the features of agreements on financing of liabilities to suppliers (so-called reverse factoring agreements) and introduce the obligation to disclose information on agreements with suppliers, including their terms and conditions, the amounts of these liabilities, payment terms and information on liquidity risk. The Company estimates that the change will not affect its financial statements.	annual periods beginning on or after 1 January 2024
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates The amendment clarifies how an entity should assess whether a currency is exchangeable and how it should determine the exchange rate in case of a currency not being exchangeable, and requires disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The Company estimates that the change will not affect its financial statements.	annual periods beginning on or after 1 April 2024

7. KEY ACCOUNTING PRINCIPLES

The key accounting principles applied when preparing these consolidated financial statements are presented in relevant subsequent notes.

These principles were applied in all presented years on a continuous basis, except for new standards and interpretations described in section 6.2, applied for the first time.

7.1. Conversion of items denominated in foreign currency

The functional currency for the parent company and the presentation currency for the Group is the Polish zloty (PLN).

The functional currency of foreign subsidiaries is their local currency.

At the balance sheet date, the assets and liabilities of foreign subsidiaries are converted into the Group's presentation currency at the exchange rate of the National Bank of Poland prevailing as at the balance sheet date, while their statements of comprehensive income are converted at the average weighted exchange rate for the financial period concerned. Exchange gains and losses arising from such translation are recognised in other comprehensive income and accumulated in a separate equity item.

When a foreign entity is disposed of, the exchange differences accumulated in the equity of the foreign entity concerned are recognised in profit or loss.

The following foreign currency exchange rates were adopted for balance sheet measurement purposes:

Currency	As at 31 January 2024	As at 31 January 2023
EUR	4.3434	4.7089
CZK	0.1753	0.1975
BGN	2.2997	2.4076
100HUF	1.1280	1.2106
RUB	0.0	0.0631
UAH	0.1069	0.1258
RON	0.8726	0.9564
RSD	0.0371	0.0401
100KZT	0.8955	0.9377
BAM	2.2154	2.4013
GBP	5.0848	5.3595
100MK	7.0493	7.6402
BYN	1.2928	1.6312
100ALL	4.1840	4.0451

The average weighted exchange rates for individual financial period were as follows:

Currency	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
EUR	4.5034	4.7021
CZK	0.1867	0.1918
BGN	2.3015	2.4051
100HUF	1.1820	1.1900
RUB	0.0	0.0689
UAH	0.1139	0.1305
RON	0.9071	0.9540
RSD	0.0384	0.0400
100KZT	0.9150	0.9700
BAM	2.2949	2.3993
GBP	5.1762	5.4879
100MK	7.2760	7.6280
BYN	1.3660	1.6937
100ALL	4.1900	3.9800

7.2. Consolidation principles

The financial statements of the subsidiaries are prepared in accordance with the accounting standards applicable in each country, however, for consolidation purposes, their financial data has been restated so that the consolidated financial statements are prepared on the basis of uniform accounting principles. Adjustments are introduced to eliminate any discrepancies in the accounting principles applied. The financial statements of subsidiaries cover reporting periods consistent with that of the parent company.

All material balances and transactions between Group entities, including unrealised gains from intra-Group transactions, have been fully eliminated.

Subsidiaries are consolidated from the date on which the Group has taken control over them and cease to be consolidated from the date on which such control expires. The parent company exercises control when:
- it has authority over the entity concerned,
- it is subject to exposure to variable returns or is entitled to variable returns from its exposure in a given entity,
- it has the ability to use its powers to shape the level of returns generated.

The Group verifies the fact of exercising control over other entities if circumstances have arisen indicating a change in one or more of the aforementioned control exercising conditions.

8. ADJUSTMENTS OF ERRORS AND CHANGES IN ACCOUNTING PRINCIPLES

As a result of the recommendations of the Office of the Polish Financial Supervision Authority (UKNF) (CR 22/2023), LPP SA Group restated the comparative data for 2022 as an adjustment of previous years' errors. The values disclosed in the Data restated column relate to write-downs of tangible fixed assets in Russia and Ukraine and write-downs of inventories in Ukrainian stores. These values were written down as costs for 2021, whereas according to the position the UKNF they should be included in the subsequent period, i.e. for 2022. The UKNF, referring to the provisions of IAS 10, adopted the position that the outbreak of the war in Ukraine in February 2022 was not an adjusting event for 2021 but for the following year, i.e. 2022.

Consolidated statement of comprehensive income (PLN m)	Notes	01.02.2022 31.01.2023 published	Data adjustment	01.02.2022 31.01.2023 after adjustment
Revenues	9.1	15,926.5	0.0	15,926.5
Cost of goods sold	9.2	7,795.6	117.8	7,913.4
Gross profit (loss) on sales		**8,130.9**	**-117.8**	**8,013.1**
Costs of stores and distribution	9.5	5,840.1	0.0	5,840.1
General costs	9.5	862.4	0.0	862.4
Other operating income	9.3	172.7	-76.8	95.9
Other operating costs	9.3	141.5	80.6	222.1
Operating profit (loss)		**1,459.6**	**-275.2**	**1,184.4**
Financial income	9.4	126.9	0.0	126.9
Financial costs	9.4	223.8	0.0	223.8
Pre-tax profit (loss)		**1,362.7**	**-275.2**	**1,087.5**
Income Tax	10	218.5	0.0	218.5
Net profit (loss) from continuing operations		**1,144.2**	**-275.2**	**869.0**
Net profit/ loss from discontinued operations	**13**	**-50.7**	**-333.2**	**-383.9**
Total net profit/loss		**1,093.5**	**-608.4**	**485.1**
Net profit attributable to:				
Shareholders of the parent company		*1,095.1*	*0.0*	*486.7*
Non-controlling interests		*-1.6*	*0.0*	*-1.6*

Consolidated statement of comprehensive income (PLN m)	Notes	01.02.2022 31.01.2023 published	Data adjustment	01.02.2022 31.01.2023 after adjustment
Other comprehensive income				
Items transferred to profit or loss				
Currency translation on foreign operations		*262.2*	*0.0*	*262.2*
Total comprehensive income		**1,355.7**	**-608.4**	**747.3**
Total comprehensive income attributable to:				
Shareholders of the parent company		*1,357.3*	*0.0*	*748.9*
Non-controlling interests		*-1.6*	*0.0*	*-1.6*
Weighted average number of shares		1,853,738		1,853,738
Diluted number of shares		1,855,052		1,855,052
Net profit (loss) attributable to shareholders of the parent company per share (PLN)	11	590.75		262.55
Diluted net profit (loss) attributable to shareholders of the parent company per share (PLN)	11	590.33		262.36
Net profit (loss) on continuing operations per share (PLN)	11	617.24		468.78
Diluted net profit (loss) on continuing operations per share (PLN)	11	616.80		468.45

Consolidated statement of cash flows (PLN m)	Notes	01.02.2022 31.01.2023 published	Data adjustment	01.02.2022 31.01.2023 after adjustment
I. Pre-tax profit		1,362.7	-275.2	1,087.5
II. Total adjustments		-740.4	275.2	-465.2
1. Amortisation and depreciation		1,129.2	0.0	1,129.2
2. Foreign exchange (gains) losses		-7.8	0.0	-7.8
3. Interest and share in profit (dividends)		198.2	0.0	198.2
4. (Profit) loss on investing activities		-184.0	157.4	-26.6
5. Income tax paid		-402.3	0.0	-402.3
6. Change in provisions and employee benefits	25, 26	-21.5	0.0	-21.5
7. Change in inventory	20	698.1	117.8	815.9
8. Change in receivables and other assets	18, 21	386.8	0.0	386.8
9. Change in short-term liabilities excluding bank loans and borrowings	27	-3,377.7	0.0	-3,377.7
10. Change in prepayments and accruals	28	27.9	0.0	27.9
11. Other adjustments		812.7	0.0	812.7
III. Net cash flows from operating activities (I +/- II)		**622.3**	**0.0**	**622.3**

Consolidated statement of cash flows (PLN m)	Notes	01.02.2022 31.01.2023 published	Data adjust-ment	01.02.2022 31.01.2023 after adjustment
I. Inflows		**278.7**	**0.0**	**278.7**
1. Disposal of intangible and tangible fixed assets		116.4	0.0	116.4
2. Repayment of loans granted		0.1	0.0	0.1
3. Interest and other inflows from financial assets		0.0	0.0	0.0
4. Other investing inflows (investment funds)	19	162.2	0.0	162.2
II. Outflows		**1,175.8**	**0.0**	**1,175.8**
1. Purchase of intangible assets and tangible fixed assets		1,156.9	0.0	1,156.9
2. Loans granted		3.5	0.0	3.5
3. Other investing outflows (investment funds)	19	15.4	0.0	15.4
III. Net cash flows from investing activities (I-II)		**-897.1**	**0.0**	**-897.1**
I. Inflows		**1,242.6**	**0.0**	**1,242.6**
1. Inflows from issuance of shares		0.0	0.0	0.0
2. Credits and loans received		1,242.6	0.0	1,242.6
3. Other financial inflows		0.0	0.0	0.0
II. Outflows		**1,851.9**	**0.0**	**1,851.9**
1. Dividends and other payments to owners		648.3	0.0	648.3

Consolidated statement of cash flows (PLN m)	Notes	01.02.2022 31.01.2023 published	Data adjust-ment	01.02.2022 31.01.2023 after adjustment
2. Repayment of bank loans and borrowings		295.7	0.0	295.7
3. Lease liabilities paid		731.7	0.0	731.7
4. Interest paid		176.2	0.0	176.2
5. Other financial outflows		0.0	0.0	0.0
III. Net cash flows from financing activities (I-II)		**-609.3**	**0.0**	**-609.3**
Cash flows from continuing operations		**-884.1**	**0.0**	**-884.1**
Net cash flows from financing activities		**-42.5**	**0.0**	**-42.5**
Total net cash flows		**-926.6**	**0.0**	**-926.6**
Opening balance of cash as per balance sheet		*1,354.9*		*1,354.9*
Closing balance of cash as per balance sheet		*465.0*		*465.0*
Balance sheet change in cash, including:		**-889.9**	**0.0**	**-889.9**
- change in cash due to exchange translation differences		36.7	0.0	36.7
Cash opening balance		**1,317.0**	**0.0**	**1,317.0**
Cash closing balance		**390.4**	**0.0**	**390.4**

9. REVENUE AND EXPENSES

9.1. Revenues

ACCOUNTING POLICY

Upon contract conclusion, the Group evaluates whether a given contract meets all required criteria, i.e.:

- The parties concluded a contract (in written or oral form or in accordance with an adopted trading practice) and are obligated to perform their duties;
- The Group is able to identify rights of each party to goods or services to be transferred;
- The Group is able to identify payment conditions for goods or services to be transferred;
- The contract has economic content (i.e. one may expect that, as a result of the contract, there will be a change in risk, timing or amount of the entity's future cash flows); and
- It is probable that the Group will be paid a consideration due in exchange for goods or services to be transferred to the customer.

When assessing whether payment of the consideration is probable, the Group takes into account only the customer's ability and intention to pay the amount of the consideration in due time.

Identification of performance obligations

Upon contract conclusion, the Group evaluates goods and services promised in the contract with the customer and identifies individual contractual obligations. The Group analyses whether a product or service is different or similar and, depending on findings made, performance obligations to which revenue is allocated are recognised as required.

Determining the transaction price

The Group assigns a transaction price to each liability in an amount reflecting the value of consideration payable in exchange for the transfer of promised goods or services.

Fulfilment of performance obligations

Revenue is recognised at the time, or in the course, of fulfilling a performance obligation by transferring a promised good or service to the customer. The above takes place when an entity transfers "control" over goods or services to a contracting party. Such control is the ability to manage the use of a given asset and obtain all major benefits from it.

As regards contracts involving services provided by the Group, under which the Group has the right to receive from the customer a consideration in an amount directly reflecting the value for the customer of a performance made so far. The Group recognises revenue over time, versus benefits transferred.

Contract assets

In contract assets, the Group recognises the rights to a consideration payable in exchange for goods or services, provided by the Group to the customer if this right is subject to a condition other than the lapse of time (e.g. to the entity's future performances). The Group assesses whether there has been an asset impairment according to IFRS 9.

Trade receivables

In trade receivables, the Group recognises the rights to a consideration payable in exchange for goods or services, provided by the Group to the customer if this right is unconditional (with the only condition for the consideration to be due and payable is the lapse of time). The Group recognises receivables in line with IFRS 9.

Contract liabilities

In contract liabilities, the Group recognises the consideration received or due from the customer, which involves the duty to provide the customer with goods or services.

Customer refund liabilities

The Group recognises customer refund liabilities due to the fact that customers make product claims and return goods purchased. Revenue from the sale of goods is updated by adjusting the estimated value of such returns, divided into traditional and online sales.

Sale of goods

The Group pursues business activity covering mainly the sale of goods, including retail sales in traditional and online stores and as well as wholesale.

According to the provisions of the standard, if a contract provides for a single performance obligation, i.e. the sale of goods, the revenue is recognised at a point of time (i.e. when the customer gains control of such goods). In the case of retail outlets (stores), revenue is recognised at the time of transaction. Revenue recognition in wholesale sales depends on the Incoterms under which the transaction is performed. For online sales, the Group recognises revenue upon invoicing, taking into account estimated expected returns.

Revenue by category

The table below presents revenue from contracts with customers, broken down by categories reflecting how the economic factors affect the nature, amount, payment date and uncertainty of revenue and cash flows.

Revenue from contracts with customers for the period from 01.02.2023 to 31.01.2024 (PLN m)	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Other	Total
Type of sales									
online	1,957.8	421.7	243.2	235.4	311.2	232.9	174.3	709.0	4,285.5
offline	5,426.9	1,026.8	781.6	335.0	872.9	385.3	460.2	3,832.0	13,120.7
Total	**7,384.7**	**1,448.5**	**1,024.8**	**570.4**	**1,184.1**	**618,2**	**634.5**	**4,541.0**	**17,406.2**
Brand									
Sinsay	2,675.5	926.0	404.1	39.8	572.7	314.9	258,9	1 803.4	6,995.3
Reserved	2,484.7	301.7	348.5	511.1	323.6	205,9	222.0	944.8	5,342.3
Cropp	641.7	86.4	90.9	3.0	139.7	19,9	41.4	224.2	1,247.2
House	676.7	57.4	69.9	1.8	107.1	21,4	48.5	154.1	1,136.9
Mohito	713.8	77.0	111.4	14.7	41.0	56,1	63.7	226.7	1,304.4
Other	192.3	0.0	0.0	0.0	0.0	0,0	0.0	1,187.8	1,380.1
Total	**7,384.7**	**1,448.5**	**1,024.8**	**570.4**	**1,184.1**	**618,2**	**634.5**	**4,541.0**	**17,406.2**

Revenue from contracts with customers for the period from 01.02.2022 to 31.01.2023 (PLN m)	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Other	Total
Type of sales									
online	1,868.7	488.2	309.9	340.0	183.6	262.0	219.3	720.1	4,391.8
offline	4,991.7	842.2	756.9	331.8	510.0	335.6	438.1	3,328.4	11,534.7
Total	**6,860.4**	**1,330.4**	**1,066.8**	**671.8**	**693.6**	**597.6**	**657.4**	**4,048.5**	**15,926.5**
Brand									
Sinsay	2,254.1	811.0	393.5	59.9	287.9	296.3	230.5	1,276.5	5,609.5
Reserved	2,365.3	299.4	383.8	579.9	205,6	216.6	252.5	958.3	5,261.5
Cropp	61,6.6	82.6	94.5	3.7	95.8	19.4	51.5	228.7	1,192.9
House	719.7	66.9	78.0	5.0	78.4	17.9	56.0	171.7	1,193.6
Mohito	698.1	70.5	117.0	23.3	25.9	47.4	66.9	217.1	1,266.3
Other	206.6	0.0	0.0	0.0	0.0	0.0	0.0	1,196.2	1,402.8
Total	**6,860.4**	**1,330.4**	**1,066.8**	**671.8**	**693.6**	**597.6**	**657.4**	**4,048.5**	**15,926.5**

As part of the agreement on the sale of Re Trading, the parties provided for a transitional period during which LPP SA made a commitment to support the investor, among others, in the processes of purchasing goods. The sale of goods which related to the aforementioned support, is shown in the Other item and column and amounted to PLN 1,187.8 m in 2023 (2022: PLN 1,196.2 m).

Assets and liabilities under contracts with customers

The Group sells clothes and accessories in traditional and online stores in Poland and abroad, with payments made in cash or by payment cards. Due to this business model, the balance of receivables is relatively low. Trade receivables comprise wholesale settlements.

Contractual liabilities include gift cards purchased. Such gift cards will be utilised by customers for purchasing clothes in traditional stores. As estimated by the Group, an average gift card utilisation period is 12 months.

Considering that the main distribution channel is retail sale and, to a lesser extent, wholesale, and taking into account product returns envisaged in the Group's policy, the Group estimates the value of customer refund liabilities as at each balance sheet date. Such an estimate is made based on a percentage of product returns determined in consideration of data from the preceding quarter. This value is presented in the "customer refund liabilities" item.

The Group recognised the following assets and liabilities under contracts with customers:

PLN m	As at 31 January 2024	As at 31 January 2023
Trade receivables	809.7	944.1
Refund asset	47.2	46.6
Refund liabilities	84.7	75.9
Contract liabilities	28.8	26.0

9.2. Cost of goods sold

A detailed breakdown of items comprised in the total value of the cost of goods sold is shown in the table below.

Items recognised in costs of goods sold (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Measurement of inventory at a purchase price	8,287.6	7,970.3
Revaluation write-off on inventory	154.2	-27.2
Estimated product returns	-2.1	-29.7
Total	**8,439.7**	**7,913.4**

9.3. Other operating income and costs

ACCOUNTING POLICY

Other operating income and expenses comprise operating income and costs of operations other than the Group's basic operations, for example profit or loss on the sale of tangible fixed assets, fines and charges, donations, revaluation write-offs on assets etc.

Subsidies are recognised when there is reasonable certainty that it will be received and all ancillary conditions are satisfied.

If there are indications of impairment, the Group tests tangible fixed assets for impairment. Impairment losses are recognised when the tests indicate a recoverable amount lower than the carrying amount.

Other operating income (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023 restated
Profit on disposal of non-financial tangible fixed assets	0.0	0.7
Subsidies	1.7	7.0
Revaluation of assets, including:	0.0	38.5
- value of net fixed asset write-downs	0.0	38.5
Other operating revenue, including:	65.2	49.7
- gain on cancellation of contracts measured in accordance with IFRS 16	24.8	23.9
- compensations	11.5	3.4
Other operating income, total	**66.9**	**95.9**

Other operating costs (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023 restated
Loss on disposal of non-financial tangible fixed assets	0.2	0.0
Revaluation of assets, including:	70.8	107.9
- value of net fixed asset write-downs	42.8	80.6
- revaluation write-offs on receivables net	28.0	27.3
Other operating costs, including	114.1	114.2
- losses in current and non-current assets	92.1	75.8
- donations	3.3	18.3
- fines	0.4	0.3
Other operating costs, total	**185.1**	**222.1**

9.4. Financial income and costs

ACCOUNTING POLICY

Financial income and costs comprise, in particular, interest, revaluation of loans, foreign exchange differences and dividends.

Interest income and interest expense are recognised regularly when accrued, applying the effective interest method, over the net carrying value of a given financial asset.

Dividends are recognised at the time of determining the rights of eligible shareholders.

If there are indications of impairment, the Group tests investment for impairment. Impairment losses are recognised when the tests indicate a recoverable amount lower than the carrying amount.

Foreign exchange differences are recognised on a net basis.

Financial income (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Interest, including:	16.2	7.9
- on deposits	11.1	3.7
- on loans and receivables	5.1	4.2
Measurement of participation units in funds	28.2	12.9
Dividends	0.0	0.0
Other financial income, including:	53.6	106.1
- discount	53.6	80.4
- currency translation balance	0.0	24.9
- adjustment of a lease liability	0.0	0.8
Total financial income	**98.0**	**126.9**

In the reporting period, the Group recognised a discount item of PLN 53.6 m (2022: PLN 80.4 m) which is related to the sale of shares in Re Trading OOO.

Financial costs (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Interest expenses - bank loans	80.5	83.3
Interest expenses - bonds	15.9	38.0
Interest expenses - state budget and other	1.4	17.6
Interest expenses - lease liabilities	109.4	77.0
Other, including:	127.1	7.9
- currency translation balance	121.2	0.0
Total financial costs	**334.3**	**223.8**

The Group recorded a negative balance of currency translation differences due to the appreciation of the PLN against the USD, the currency in which the company imports goods from Asia.

9.5. Costs by type

Costs by type (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Amortisation and depreciation	1,381.3	1,129.2
Rentals	539.7	477.9
Store and warehouse operation services	609.1	652.8
Transportation	625.5	777.8
Taxes and fees	163.3	146.7
Payroll	1,541.6	1,366.7
Other costs by type	1,704.3	2,151.4
of which: Advertising	432.5	779.9
Other costs by type	**6,564.8**	**6,702.5**

The reconciliation of cost values in the comparative model with the calculation model in the table below:

Costs by type (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Costs by type, including:	6,564.8	6,702.5
Items recognised in costs of stores and distribution	5,645.9	5,840.1
Items recognised in overhead costs	918.9	862.4

9.6. Costs of depreciation, employee benefits and inventory

Items recognised in costs of goods sold (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Measurement of inventory at a purchase price	8,287.6	7,970.3
Revaluation write-off on inventory	154.2	-27.2
Estimated product returns	-2.1	-29.7
Total	**8,439.7**	**7,913.4**

Items recognised in costs of stores and distribution (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Depreciation of non-current assets	497.4	423.9
Depreciation of intangible assets	8.8	3.2
Depreciation of the right of assets	790.6	618.3
Costs of inventory consumption for advertising purposes	1.4	3.7
Costs of employee benefits, including:	1,256.3	1,182.0
- payroll	1,096.2	1,028.6
- social security costs	160.1	153.4
Total	**2,554.5**	**2,231.1**

Items recognised in general costs (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Depreciation of non-current assets	31.8	34.8
Depreciation of intangible assets	34.0	33.9
Depreciation of the right of assets	18.6	15.0
Costs of inventory consumption for advertising purposes	0.5	0.0
Costs of employee benefits, including:	524.6	401.8
- payroll	445.4	338.0
- social security costs	79.2	63.8
Total	**609.5**	**485.5**

Items recognised in other operating costs (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Surplus of inventory deficits over surpluses	75.7	59.9
Inventory disposal	10.1	7.4
Donations	3.3	18.3
Total	**89.1**	**85.6**

10. INCOME TAX

ACCOUNTING POLICY

Mandatory charges of the financial result comprise current and deferred income tax not recognised in other comprehensive income or directly in equity.

The current tax charge is calculated on the basis of the tax result for the financial year concerned. Changes in estimates referring to previous years are recognised as an adjustment to the current year's charge. Tax charges are calculated based on the tax rates applicable for the financial year.

Deferred tax is calculated using the balance sheet method as the tax payable or refundable in the future on the differences between the carrying amounts of assets and liabilities and the corresponding tax values used to calculate the tax base.

A deferred tax liability is recognised on all temporary gains, while a deferred tax asset is recognised to the extent that it is probable that future taxable gains may be deducted by the recognised deductible temporary losses.

The Group offsets deferred tax assets and liabilities and recognises the value in the Statement of Financial Position on a net basis separately for each Group company.

If, in the Group's opinion, it is likely that an individual company's approach to the tax issue or a group of tax issues will be accepted by the tax authority, each company determines the taxable income (tax loss), the tax base, unused tax assets, unused tax credits and the tax rates with regard to the tax approach planned or applied in its tax return. When assessing this probability, the Group assumes that the tax authorities with the power to control and challenge the tax treatment will carry out such an audit and will have access to any information.

If the Group determines that it is not probable that the tax authority will accept the company's approach to a tax issue or a group of tax issues, the company reflects the effects of the uncertainty in the tax accounting in the period during which it determined the foregoing. The Group recognises an income tax liability using one of two methods, depending on which of them better reflects the manner in which the uncertainty may materialise:

- the company determines the most likely scenario - it is a single amount among possible results, or
- the company recognises the expected value - it is the sum of the probability-weighted amounts among possible results

Income tax (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Current income tax	402.8	248.0
Deferred income tax	32.4	-29.5
Total income tax	**435.2**	**218.5**

10.1. Effective tax rate

The reconciliation of income tax on the financial result before tax at the statutory tax rate, with the income tax reported in the financial result for the periods from 1 February 2023 to 31 January 2024 and the comparative period, is shown in the table below.

Income tax (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Pre-tax profit (loss)	2,047.2	1,087.5
Income tax at a statutory tax rate of 19% applicable in Poland	**389.0**	**206.6**
Effect of difference in tax rates between countries	76.3	17.9
Adjustments relating to current income tax of previous years	2.9	13.2
Permanently non-tax deductible costs	29.4	14.3
Revenues permanently non included in taxable base	-62.4	-33.5
Income tax (charge) recognised in profit or loss	**435.2**	**218.5**

On 25 October 2023, LPP SA signed the agreement with the National Revenue Administration (NRA) under the Co-operation Programme. The aim of the Programme is to ensure the compliance with the tax law, with an active support of the NRA, taking into account the individual needs and expectations of the Company. The agreement will allow the Company to increase business and tax transparency, cooperate more efficiently with the NRA and reduce the risk of business activities in terms of taxes, by agreeing business changes and operations with the tax authorities in advance.

Income tax is calculated with the use of following tax rates.

Estonia	Latvia	Hungary	Bulgaria	Macedonia	Bosnia and Herzegovina	Serbia
0%	0%	9%	10%	10%	10%	15%
Latvia	**Slovenia**	**Great Britain**	**Romania**	**Ukraine**	**Croatia**	**Belarus**
15%	15%	16%	16%	18%	18%	18%
Poland	**Czech Republic**	**Russia**	**Finland**	**Kazakhstan**	**Slovakia**	**Germany**
19%	19%	20%	20%	20%	21%	32%

10.2. Deferred income tax - financial result

Deferred income tax recognised in the financial result for the period from 1 February 2023 to 31 January 2024 and for the comparative period resulted from the following items:

Deferred income tax (PLN m)	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Difference between balance sheet and tax depreciation of fixed assets	-8.6	-71.5
Difference between the right of asset and the lease liability	-25.1	61.6
Revaluation of inventory	22.8	-27.7
Revaluation of trade receivables	5.8	-4.1
Margin on goods unsold outside the Group	-5.1	-27.9
Fee on capex sold	-2.7	-4.3
Tax loss	-9.9	55.8
Unpaid remuneration surcharges	3.8	-2.0
Provision for goods returned	0.2	1.5
Tax credit	-7.4	34.7
Estimated return/estimated rental subsidies	-19.4	26.1
Other temporary differences	1.1	-6.1
Foreign exchange differences from the conversion	12.1	-6.5
Total	**-32.4**	**29.6**

10.3. Deferred tax assets and liabilities

The value of the deferred tax assets and liabilities recognised in the statement of financial position results from the items and figures shown in the table below.

Deferred income tax assets (PLN m)	As at 31 January 2024	As at 31 January 2023
Difference between balance sheet and tax depreciation of fixed assets	-54.3	-45.7
Difference between the right of asset and the lease liability	120.1	145.2
Revaluation of inventory	54.5	31.7
Revaluation of trade receivables	4.9	-0.9
Margin on goods unsold outside the Group	33.7	38.8
Fee on capex sold	4.2	6.9
Tax loss	89.0	98.9
Unpaid remuneration and surcharges	13.3	9.5
Provision for goods returned	5.4	5.2
Tax credit	27.3	34.7
Estimated return/estimated rental subsidies	11.3	30.7
Other temporary differences	-3.2	-4.3
Total	**306.2**	**350.7**

Deferred income tax liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Difference between balance sheet and tax depreciation of fixed assets	1.6	1.6
Other temporary differences	0.0	0.0
Total	**1.6**	**1.6**

As at 31 January 2024, the Group recognised deferred tax assets due to tax losses in the Group subsidiaries in the amount of PLN 89 m (2022: PLN 98.9 m). The key values were calculated in LPP SA in the amount of PLN 59.2 m, in LPP BLR in the amount of PLN 6.3 m and in LPP Ukraine AT in the amount of PLN 7.3 m. According to the tax regulations in the aforementioned countries, there is no limitation period for the settlement of the tax loss.

In addition, the Group disclosed deferred tax assets arising from a tax credit relating to business activities carried out by LPP Logistics Sp. z o.o. in the economic zone in the amount of PLN 27.3 million.

11. EARNINGS PER SHARE

ACCOUNTING POLICY

Basic earnings per share are calculated by dividing the net profit for the period concerned by the weighted average number of issued shares of LPP SA outstanding in a given period.

Diluted earnings per share are calculated by dividing the net profit for the period concerned by the weighted average number of shares outstanding during the period adjusted by the weighted average number of shares that would be issued upon conversion of all dilutive prospective equity instruments into shares.

The calculation of basic and diluted earnings per share is presented below.

Earnings per share	01.02.2023 – 31.01.2024	01.02.2022 – 31.01.2023
Number of shares used as the denominator of the formula		
Weighted average number of shares	1,855,190	1,853,738
Dilutive effect of options convertible to shares	1,260	1,314
Diluted weighted average number of shares	1,856,450	1,855,052
Earnings per share		
Net profit (loss) attributable to shareholders of the dominant company (PLN m)	1,607.1	486.7
Net profit (loss) on continuing operations (PLN m)	1,612.0	869.0
Net profit (loss) attributable to shareholders of the dominant company per share (PLN)	866.27	262.55
Diluted net profit (loss) attributable to shareholders of the dominant company per share (PLN)	865.68	262.36
Net profit (loss) on continuing operations per share (PLN)	868.91	468.78
Diluted net profit (loss) on continuing operations per share (PLN)	868.32	468.45

In the period from the balance sheet date to the date of drawing up these financial statements, there were no other transactions involving any shares or potential shares.

12. DIVIDENDS PAID AND OFFERED FOR PAYMENT

ACCOUNTING POLICY

Dividends are recognised at the time of determining the rights of eligible shareholders.

On 30 June 2023, the Ordinary General Meeting of Shareholders of LPP SA adopted Resolution no 19 on allocation of part of the profit generated for the year ended 31 January 2023 and a part of previous years' profit for dividend payment in the total amount of PLN 797.7 m. The dividend record date was set on 10 July 2023, whereas the payment was made in two instalments: on 14 July 2023 and on 10 October 2023. The dividend per share amounted to PLN 430.00.

Also in the current financial year, on 31 January 2024, the Supervisory Board of LPP SA approved the disbursement of the advance dividend payment for the year ended 31 January 2024. The advance payment was determined in the amount of PLN 528.7 m, i.e. PLN 285 per share. The date for determining the list of shareholders was set on 23 April 2024 while the date of the interim dividend payment was set on 30 April 2024.

On 20 May 2022, the Ordinary General Meeting of Shareholders of LPP SA adopted Resolution no 18 on allocation of a part of the preceding years' profit for dividend payment in the amount of PLN 648.3 m. The dividend record date was set on 30 May 2022, whereas the payment was made in two instalments: on 6 June 2022 and on 30 August 2022. The dividend per share amounted to PLN 350.00.

13. DISCONTINUED OPERATIONS

No discontinued operations took place in the current period.

Last year, on 19 May 2022, LPP SA decided to sell Re Trading OOO to an investor from Asia (CR no 19/2022 of 19 May 2022) and to put LLC Re Development into liquidation. On 23 May 2022, a contract for the sale of 100% of shares of Re Trading OOO was signed with the investor, confirmed and validated by the decision of the Russian court with jurisdiction over the company's registered office on 30 June 2022. Pursuant to the signed agreement, the investor is not authorised to use the LPP brand trademarks in Russia. Due to the fact that the activity of Re Trading OOO was a significant separate geographical area for the LPP SA Group and the sale transaction was legally authorised, as of 30 June 2022 LPP SA lost control over Re Trading OOO and, subsequently, the results generated during the financial year by the company were recognised as discontinued operations.

While assessing the exercise of control, based on the provisions of IFRS 10, by selling its entire block of shares in Re Trading OOO, LPP SA approved the withdrawal and disposal of the investment in the form of a subsidiary. The sale agreement includes an option (on the buyer's side exclusively) to resell the company to LPP SA by the end of 2026 if, in the investor's opinion, the business conditions in Russia no longer ensure that Re Trading will be able to continue this business on a profitable basis. The sale agreement contains clauses prohibiting any influence of LPP SA on the appointment or approval of key personnel of Re Trading as well as on the selection process of members of the governing body.
The key management personnel of Re Trading may not include current or former employees of LPP SA or any persons affiliated with LPP SA. As part of the sale agreement, the parties also provided for a transitional period during which LPP SA undertook to support the investor in the processes of purchasing goods, logistics and IT.

In the opinion of LPP SA, this support does not meet the conditions for the exercise of powers in the meaning of the control requirements of IFRS 10.

Among others:
- the Company does not have the authority to appoint or approve members of the key management staff of Re Trading, LPP does not have the authority or ability to influence the management of Re Trading's activities by such personnel;
- no member of the key management staff of OOO Re Trading was appointed by LPP SA after the date of the sale transaction;
- none of LPP SA's employees is a member of the key management staff of Re Trading (and vice versa);
- OOO Re Trading has not transferred any expert knowledge on its operations to LPP SA since the date of the sale transaction;
- the core business of Re Trading does not relate to LPP SA and is not conducted on its behalf;
- the activity of OOO Re Trading is not financed by LPP SA in the form of loans, borrowings or guarantees;
- the current management of operating and financial activities does not involve and is not influenced by LPP SA to any extent whatsoever.

As at 31 January 2024, the discounted value of receivables from the disposal of the Re Trading OOO company amounted to PLN 319 m and was presented in the Statement of financial position in the item: Long-term receivables in the amount of PLN 229.3 m (2022: PLN 314.6 m) and in the item Short-term receivables in the amount of PLN 89.7 m (2022: PLN 50.4 m). In accordance with the contract, the date of payment for the divestment of the company was deferred in agreed proportions maximum to 2026. The portion attributable for repayment at the end of 2023 has been conducted.

14. TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

Tangible fixed assets are initially carried at purchase price increased with all costs directly related to the purchase and adaptation of an asset to the working conditions for its intended use. Costs incurred after the date when a fixed asset was put to use, such as costs of maintenance and repairs, are charged to the financial result as they are incurred.

As at the balance sheet date, tangible fixed assets are measured at a purchase price less accumulated depreciation and impairment write-offs.

Depreciation is applied by the Group on the straight-line basis. Tangible fixed assets are depreciated over their pre-determined expected useful life. This period is revised annually.

Depreciation rates applied for specific groups of tangible fixed assets are as follows:

Asset group	depreciation rate
Buildings, premises, civil engineering structures, including:	2.5-50%
Capex in a third-party facility	*10-20%*
Technical equipment and machinery	2.5-50%
Means of transportation	10-25%
Other tangible fixed assets, including:	10-40%
Furniture	*12.5%*

The value of tangible fixed assets is also periodically tested for impairment, if any, resulting from any events or changes in the business environment or within the Company, which could cause an impairment of these assets below their current carrying amount.

While establishing depreciation rates for individual items of tangible fixed assets, the Group determines whether there are any components of such asset, the purchase price of which is important as compared with the purchase price of the entire fixed asset, and whether the usability period for these components is different from the usability period for the remaining part of the fixed asset.

Tangible fixed assets under construction are measured as at the balance sheet date at a level of the total costs directly associated with their purchase or manufacturing, less impairment losses.

A given item of tangible fixed assets may be removed from the statement of financial position after its sale or when no economic benefits of the asset further use are expected. Profits or losses arising from the sale, disposal or cessation of use of tangible fixed assets are specified as a difference between revenue and their net value and are recognised in the result, in other operating income or expenses.

External financing costs are capitalised as part of costs of production of tangible and intangible non-current assets. External financing costs comprise interest calculated applying the effective interest rate method and foreign exchange differences involved in external financing, up to the amount corresponding to the adjustment of the interest cost.

Changes in tangible fixed assets (by type) in the period from 1 February 2023 to 31 January 2024 (PLN m)	Land	Buildings, premises, civil engineering structures	Technical equipment and machinery	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets	Total tangible fixed assets
Opening balance of gross value of tangible fixed assets	198.3	3,384.2	928.3	26.0	1,094.3	195.4	9.2	5,835.7
Foreign exchange differences from the conversion	0.0	-155.4	-21.8	-1.6	-63.9	-5.4	-0.8	-248.9
Purchase	0.0	50.0	87.8	6.2	122.3	760.6	37.8	1,064.7
Transfer from fixed assets under construction	0.0	607.5	12.2	0.2	142.2	-746.6	-15.5	0.0
Sale	0.0	7.6	2.1	1.5	1.4	0.4	0.0	13.0
Liquidation	0.0	53.9	18.7	0.4	27.8	0.0	0.0	100.8
Other decreases	0.0	22.3	38.8	0.1	0.0	7.6	25.3	94.1
Other increases	0.0	2.2	0.0	0.0	33.1	1.6	0.0	36.9
Closing balance of tangible fixed assets, gross	**198.3**	**3,804.7**	**946.9**	**28.8**	**1,298.8**	**197.6**	**5.4**	**6,480.5**
Opening balance of accumulated depreciation (redemption)	0.0	1,289.1	414.8	10.9	628.6	0.0	0.0	2,343.4
Foreign exchange differences from the conversion	0.0	-65.8	-11.8	-0.6	-30.2	0.0	0.0	-108.4
Depreciation for the period	0.0	328.6	90.6	3.9	106.1	0.0	0.0	529.2
Sale	0.0	5.9	2.0	1.3	1.1	0.0	0.0	10.3
Liquidation	0.0	44.1	18.2	0.4	25.1	0.0	0.0	87.8
Other decreases	0.0	0.0	21.0	0.1	0.0	0.0	0.0	21.1
Other increases	0.0	3.8	0.0	0.0	14.8	0.0	0.0	18.6
Closing balance of accumulated depreciation (redemption)	**0.0**	**1,505.7**	**452.4**	**12.4**	**693.1**	**0.0**	**0.0**	**2,663.6**
Opening balance of impairment losses	0.0	128.9	2.6	0.0	16.7	8.1	0.0	156.3
Foreign exchange differences from conversion	0.0	-12.2	-0.4	0.0	-2.3	-1.3	0.0	-16.2
Increases	0.0	53.6	0.0	0.0	0.0	0.2	0.0	53.8

Changes in tangible fixed assets (by type) in the period from 1 February 2023 to 31 January 2024 (PLN m)	Land	Buildings, premises, civil engineering structures	Technical equipment and machinery	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets	Total tangible fixed assets
Use	0.0	6.8	0.1	0.0	1.6	0.0	0.0	8.5
Reversal	0.0	9.0	0.3	0.0	1.7	0.0	0.0	11.0
Closing balance of impairment losses	**0.0**	**154.5**	**1.8**	**0.0**	**11.1**	**7.0**	**0.0**	**174.4**
Total net tangible fixed assets as at 1 February 2023	198.3	1,966.2	510.9	15.1	449.0	187.3	9.2	3,336.0
Total net value of tangible fixed assets as at 31 January 2024	**198.3**	**2,144.5**	**492.7**	**16.4**	**594.6**	**190.6**	**5.4**	**3,642.5**

Impairment loss - items in the statement of comprehensive income	Amount
Increase - other operating costs, revaluation of non-financial assets	42.8
Decrease - other operating income, revaluation of non-financial assets	

Changes in tangible fixed assets (by type) in the period from 1 February 2022 to 31 January 2023 (PLN m)	Land	Buildings, premises, civil engineering structures	Technical equipment and machinery	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets	Total tangible fixed assets
Opening balance of gross value of tangible fixed assets	135.7	3,386.0	829.6	18.0	1,215.6	113.0	92.3	5,790.2
Changes in the Group's structure	0.0	-549.6	-84.9	-2.0	-331.2	-32.5	-35.3	-1,035.5
Foreign exchange differences from the conversion	0.0	5.7	0.2	-0.2	-2.6	0.0	-0.2	2.9
Purchase	25.0	59.8	138.1	11.5	93.5	919.0	23.9	1,270.8
Transfer from fixed assets under construction	0.0	609.6	57.3	0.0	141.7	-808.6	0.0	0.0
Sale	0.0	1.9	2.8	1.2	0.0	0.4	0.0	6.3
Liquidation	0.0	76.3	9.2	0.1	27.8	0.2	0.0	113.6
Other decreases	0.0	50.8	1.1	0.0	1.4	5.4	71.5	130.2
Other increases	37.6	1.7	1.1	0.0	6.5	10.5	0.0	57.4
Closing balance of tangible fixed assets, gross	**198.3**	**3,384.2**	**928.3**	**26.0**	**1,094.3**	**195.4**	**9.2**	**5,835.7**
Opening balance of accumulated depreciation (redemption)	0.0	1,311.3	384.2	10.1	688.2	0.0	0.0	2,393.8
Changes in the Group's structure	0.0	-231.6	-51.7	-1.6	-175.9	0,0	0,0	-460,8
Foreign exchange differences from the conversion	0.0	-4.1	-2.1	-0.1	-7.3	0.0	0.0	-13.6
Depreciation for the period	0.0	245.8	85.6	3.4	123.9	0.0	0.0	458.7
Depreciation for the period - discontinued operations	0.0	32.0	7.3	0.1	28.9	0.0	0.0	68.3
Sale	0.0	1.8	2.7	1.0	0.0	0.0	0.0	5.5
Liquidation	0.0	61.5	8.9	0.0	26.6	0.0	0.0	97.0
Other decreases	0.0	4.1	1.1	0.0	2.8	0.0	0.0	8.0
Other increases	0.0	3.1	4.2	0.0	0.2	0.0	0.0	7.5
Closing balance of accumulated depreciation (redemption)	**0.0**	**1,289.1**	**414.8**	**10.9**	**628.6**	**0.0**	**0.0**	**2,343.4**
Opening balance of impairment losses	0.0	282.1	25.8	0.0	168.9	1.7	0.0	478.5

Changes in tangible fixed assets (by type) in the period from 1 February 2022 to 31 January 2023 (PLN m)	Land	Buildings, premises, civil engineering structures	Technical equipment and machinery	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets	Total tangible fixed assets
Changes in the Group's structure	0.0	-199.7	-17.6	0.0	-120.1	0.0	0.0	-337.4
Foreign exchange differences from the conversion	0.0	-9.3	-0.8	0.0	-5.4	-0.5	0.0	-16.0
Increases	0.0	83.3	0.0	0.0	0.0	8.4	0.0	91.7
Use	0.0	10.3	0.1	0.0	0.5	0.0	0.0	10.9
Reversal	0.0	17.2	4.7	0.0	26.2	1.5	0.0	49.6
Closing balance of impairment losses	**0.0**	**128.9**	**2.6**	**0.0**	**16.7**	**8.1**	**0.0**	**156.3**
Total net value of tangible fixed assets as at 1 February 2022	135.7	1,792.6	419.6	7.9	358.5	111.3	92.3	2,917.9
Total net value of tangible fixed assets as at 31 January 2023	**198.3**	**1,966.2**	**510.9**	**15.1**	**449.0**	**187.3**	**9.2**	**3,336.0**

Impairment loss - items in the statement of comprehensive income	Amount
Increase - other operating costs, revaluation of non-financial assets	80.6
Decrease - other operating income, revaluation of non-financial assets	38.5

In the period ended 31 January 2024, the Group recognised impairment losses on tangible fixed assets relating to unprofitable stores in the amount of PLN 53.8 m (2022: PLN 91.7 m).

In the same period, revaluation write-off were partially utilised in the amount of PLN 8.5 m (2022: PLN 10.9 m) due to store closure, and such write-offs were partially reversed in the amount of PLN 11 m (2022: PLN 49.6 m).

In the comparative period, LPP SA sold the Russian company. A detailed description of the transaction is included in Note 13 Discontinued operations in the Consolidated Financial Statements for the previous year. Decreases in tangible fixed assets as a result of the sale of Re Trading OOO are shown in the table of changes in tangible fixed assets under the headings "Change in Group's structure".

As at 31 January 2024, the Group had contractual liabilities related to the purchase of tangible fixed assets in the amount of 156 m (2022: PLN 158.3 m).

The above amount consisted of the following liabilities:
- Liabilities related to the development of LPP brand stores – PLN 83.7 m
- Liabilities under contracts on the expansion of logistics centers – PLN 32.1 m,
- Liabilities under contracts on the construction of office buildings – PLN 40.2 m.

As at the balance sheet date, there were limitations on the disposal of real estate held in Pruszcz Gdański and Gdańsk in connection with investment loans. A detailed description is included in note 24.

15. LEASES

ACCOUNTING POLICY

Upon contract conclusion, the Group assesses whether a given agreement is a lease agreement or covers leased assets. The agreement is a lease agreement or covers leased assets if it transfers the right to control the use of an identified asset for a given period in exchange for a consideration.

The Group applies a single model for recognising and measuring all leases, except for short-term and low-value leases. As at the lease commencement date, the Group recognises a right-of-use asset and a lease liability.

Right-of-use assets

The Group recognises right-of-use assets as at the lease commencement date. The right-of-use assets are measured at cost and decreased with total depreciation write-offs and impairment losses. The cost of right-of-use assets comprises the amount of lease liabilities recognised, initial direct costs incurred as well as any and all lease fees paid on or before the commencement date, lowered by any lease incentives received.

Lease liabilities

As at the lease commencement date, the Group measures lease liabilities in the amount of the current value of lease fees due and payable on that date. In principle, lease payments comprise fixed lease fees.

When calculating the current value of lease payments, the Group applies the lessee's marginal interest rate as at the lease commencement date if a percentage rate for the lease may not be easily determined. After the lease commencement date, the amount of lease liabilities is increased with interest and decreased with lease payments made. Furthermore, the balance sheet value of lease liabilities is re-measured if there is a change in the lease term and fixed lease fees.

Short-term and low-value leases

The Group applies an exemption as regards recognition of its short-term lease contracts (i.e. contracts with a lease term of 12 months or less, with no purchase option) as short-term lease. The Group also applies a relevant exemption as regards recognition of the lease of low-value assets. These charges are recognised as costs at their payment date.

LPP SA and its subsidiaries are parties to lease agreements for brand stores, offices, warehouses, transportation means and for exercising the right of perpetual usufruct of land.

The following lease terms are applied:
- for brand stores – from 3 to 10 years, with the lease extension option;
- for office and warehouse space – from 3 to 6 years;
- for cars – from 5 to 10 years;
- for the right of perpetual usufruct – as decided by the City Hall.

Specific lease agreements may be extended or terminated. The Management Board makes a judgement to determine a term in respect of which there is reasonable certainty that such agreements will last.

Furthermore, the Group concluded agreements on the lease of store floorspace and cars, with a lease term of 12 months or less, and lease agreements covering office equipment and low-value equipment. As regards short-term and low-value leases, the Group benefits from a relevant exemption.

The carrying amounts of right-of-use assets and their changes in the reporting period are presented in the table below:

Changes in the right of assets in the period from 1 February 2023 to 31 January 2024 (PLN m)	Store lease	Other lease	Total right of use
Opening balance. gross value of the right of assets	4,346.2	340.1	4,686.3
Foreign exchange differences from the conversion	-254.3	-6.1	-260.4
Changes in the Group's structure	0.0	0.0	0.0
Increases (new leases)	963.1	110.8	1,073.9
Modifications to lease agreements	344.0	30.5	374.5
Revaluation of lease liabilities*	-154.9	-172.4	-327.3
Closing balance, gross value of the right of assets	**5,244.1**	**302.9**	**5,547.0**
Opening balance of accumulated depreciation	1,680.4	117.5	1,797.9
Foreign exchange differences from the conversion	-94.3	-1.3	-95.6
Changes in the Group's structure	0.0	0.0	0.0
Depreciation for the period	754.6	54.6	809.2
Depreciation for the period - discontinued operations	0.0	0.0	0.0
Modifications to lease agreements	-7.4	0.0	-7.4
Revaluation*	-121.5	-80.7	-202.2
Closing balance of accumulated depreciation	**2,211.8**	**90.1**	**2,301.9**
Total net value of the right of assets as at 1 February 2023	2,665.8	222.6	2,888.4
Total net value of the right of assets as at 31 January 2024	**3,032.3**	**212.8**	**3,245.1**

Changes in the right of assets in the period from 1 February 2022 to 31 January 2023 (PLN m)	Store lease	Other lease	Total right of use
Opening balance. gross value of the right of assets	4,688.3	267.0	4,955.3
Foreign exchange differences from the conversion	7.0	0.2	7.2
Changes in the Group's structure	-1,111.4	0.0	-1,111.4
Increases (new leases)	659.2	71.6	730.8
Modifications to lease agreements	230.3	13.1	243.4
Revaluation of lease liabilities*	-127.2	-11.8	-139.0
Closing balance, gross value of the right of assets	**4,346.2**	**340.1**	**4,686.3**
Opening balance of accumulated depreciation	1,456.2	86.8	1,543.0
Foreign exchange differences from the conversion	-14.8	0.1	-14.7
Changes in the Group's structure	-315.7	0.0	-315.7
Depreciation for the period	585.1	48.2	633.3
Depreciation for the period - discontinued operations	68.9	0.0	68.9
Modifications to lease agreements	-41.7	-8.1	-49.8
Revaluation*	-57.6	-9.5	-67.1
Closing balance of accumulated depreciation	**1,680.4**	**117.5**	**1,797.9**
Total net value of the right of assets as at 1 February 2022	3,232.1	180.2	3,412.3
Total net value of the right of assets as at 31 January 2023	**2,665.8**	**222.6**	**2,888.4**

The carrying amounts of right-of-use liabilities and their changes in the reporting period are presented below:

Lease liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	3,662.6	4,177.3
Changes in the Group's structure	0.0	-956.8
Increases (new agreements)	1,216.4	877.5
Modifications to lease agreements	404.9	310.7
Revaluation*	-137.7	-84.2
Foreign exchange differences	-204.1	69.7
Interest	109.4	77.0
Payments	-1,143.9	-808.6
Closing balance	**3,907.6**	**3,662.6**
Short-term	1,015.5	902.5
Long-term	2,892.1	2,760.1
Total	**3,907.6**	**3,662.6**

*The revaluation applies to agreements physically liquidated due to the winding-up of a contract or liquidation due to the transition to turnover rentals.

Modifications to lease agreements involved changes in lease terms, changes in lease fees subject to a rate or index and from measurement of value in a foreign currency.

In the comparative period ended 31 January 2023, LPP SA sold the Russian company. Decreases in the right of assets and lease liabilities following the sale of Re Trading OOO are recognised in tables presenting changes in the right of assets and lease liabilities, in items "change in the Group's structure".

In the reporting period, the Group presented the following values in the financial statements for continuing operations:

- costs of depreciation of the right of assets: PLN 809.2 m (2022: PLN 633.3 m);
- Interest costs: PLN 109.4 m (2022: PLN 77.0 m);
- costs of rent under agreements not recognised in accordance with IFRS 16: PLN 539.7 m (2022: PLN 477.9 m).

As at 31 January 2024 and 31 January 2023, the Group reports the split of lease liabilities based on their maturity dates in undiscounted values, as follows:

Undiscounted lease liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Upon to 1 month	90.2	80.5
From 1 to 3 months	180.4	161.0
From 3 months to 1 year	811.9	724.6
Above 1 year	3,082.7	2,954.7
Total	**4,165.1**	**3,920.8**

16. INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets include patents and licenses, computer software, costs of brand store concepts and other intangible assets meeting criteria set forth in IAS 38.

As at the balance sheet date, intangible assets are recognised at their purchase price or their manufacturing cost, less amortisation and impairment losses. Intangible assets with a determined useful life are deamortised on the straight-line basis for the period of their economic usability. Useful lives of specific intangible assets are verified annually.

Amortisation rates applied to specific groups of intangible assets are as follows:

Asset group	Amortisation rate
Costs of completed store concept works	20%
Acquired concessions, patents, licences and similar assets	10-50 %

Costs of brand store concept

The Group's companies carry out activities involving the design and construction of model clothing stores.

Outlays directly associated with such works is recognised as intangible assets.

Outlays incurred on concept works carried out as part of a given project are transferred to a subsequent period if one may consider that they will be recovered in the future. Future benefits are assessed based on the principles provided for in IAS 36.

Upon initial recognition of outlays on store concept works, the historical cost model is applied, according to which assets are recognised at their purchase prices or their manufacturing cost less accumulated amortisation and accumulated impairment losses. Completed works are amortised applying the straight-line method over an expected benefit-gaining period lasting five years.

The key intangible asset is the House trademark recognised in the statement of financial position under a separate item of non--current assets i.e. “trademark”. Its carrying amount as at 31 January 2024 amounted to PLN 77.5 m (2022: PLN 77.5 m).

The useful life of this asset is indefinite.

In the current reporting period, the Group carried out an annual impairment test involving this asset (as part of testing cash--generating units to which also goodwill is allocated) which confirmed that no impairment was required for the asset in question. Test details are described in note 17.

As at 31 January 2024, other key intangible assets were as follows:
- Software supporting sales in retail stores in subsidiaries. As at 31 January 2024, the carrying amount amounted to PLN 16.2 m (2022: PLN 10.9 m);
- System supporting identification and stock-taking of goods in stores and warehouses. As at 31 January 2024, its carrying amount amounted to PLN 6.9 m (2022: PLN 7.2 m);
- Software for tracking shipped goods. As at 31 January 2024, the carrying amount of this component amounted to PLN 3.3 m (2022: PLN 4.6 m);
- SAP financial, accounting and payroll system. As at 31 January 2024, the carrying amount of this component amounted to PLN 3 m (2022: PLN 4.1 m);
- Inventory allocation programme. As at 31 January 2024, the carrying amount of this component amounted to PLN 6.4 m (2022: PLN 6.5 m);
- Application for product order management. As at 31 January 2024, the carrying amount of this component amounted to PLN 23.5 m (2022: PLN 19.7 m);
- Application for managing goods in brands. As at 31 January 2024, the carrying amount of this component amounted to PLN 13.8 m (2022: PLN 17.6 m).

Changes in intangible assets in the period from 1 February 2023 to 31 January 2024 (PLN m)	Costs of completed concept works	Software	Intangible assets under development	Total
Opening balance of gross intangible assets	3.2	285.0	63.3	351.5
Foreign exchange differences from the conversion	0.0	-0.2	0.0	-0.2
Acquisitions	0.0	0.1	131.5	131.6
Transfer from intangible assets under development	3.1	72.2	-75.3	0.0
Liquidation	1.8	6.5	0.0	8.3
Other increases	0.0	0.0	1.4	1.4
Other decreases	0.0	0.0	4.0	4.0
Closing balance of gross intangible assets	**4.5**	**350.6**	**116.9**	**472.0**
Opening balance of accumulated amortisation	3.2	162.7	0.0	165.9
Foreign exchange differences from the conversion	0.0	-0.2	0.0	-0.2
Changes in the Group's structure	0.0	0.0	0.0	0.0
Amortisation for the period	0.2	42.6	0.0	42.8
Amortisation for the period - discontinued operations	0.0	0.0	0.0	0.0
Decreases	1.8	6.4	0.0	8.2
Closing balance of accumulated amortisation	**1.6**	**198.7**	**0.0**	**200.3**
Opening balance of impairment losses	0.0	0.0	0.0	0.0
Decreases	0.0	0.0	0.0	0.0
Closing balance of impairment losses	**0.0**	**0.0**	**0.0**	**0.0**
Total net value of intangible assets as at 1 February 2023	0.0	122.3	63.3	185.6
Total net value of intangible assets as at 31 January 2024	**2.9**	**151.9**	**116.9**	**271.7**

Changes in intangible assets in the period from 1 February 2022 to 31 January 2023 (PLN m)	Costs of completed concept works	Software and licences	Intangible assets under development	Total
Opening balance of gross intangible assets	4.3	227.6	47.9	279.8
Foreign exchange differences from the conversion	0.0	0.0	0.0	0.0
Changes in the Group's structure	0.0	-0.4	0.0	-0.4
Acquisitions	0.0	0.3	71.8	72.1
Transfer from intangible assets under development	0.0	62.7	-62.7	0.0
Liquidation	1.1	1.8	0.0	2.9
Other increases	0.0	2.5	13.2	15.7
Other decreases	0.0	5.9	6.9	12.8
Closing balance of gross intangible assets	3.2	285.0	63.3	351.5
Opening balance of accumulated amortisation	**4.1**	**131.4**	**0.0**	**135.5**
Foreign exchange differences from the conversion	0.0	0.0	0.0	0.0
Changes in the Group's structure	0.0	-0.3	0.0	-0.3
Amortisation for the period	0.2	36.9	0.0	37.1
Amortisation for the period - discontinued operations	0.0	0.1	0.0	0.1
Decreases	1.1	5.4	0.0	6.5
Closing balance of accumulated amortisation	**3.2**	**162.7**	**0.0**	**165.9**
Opening balance of impairment losses	0.0	0.0	0.0	0.0
Decreases	0.0	0.0	0.0	0.0
Closing balance of impairment losses	**0.0**	**0.0**	**0.0**	**0.0**
Total net value of intangible assets as at 1 February 2022	0.2	96.2	47.9	144.3
Total net value of intangible assets as at 31 January 2023	**0.0**	**122.3**	**63.3**	**185.6**

In the reporting period ended 31 January 2024 and the comparative period, there were no revaluation write-offs on intangible assets.

17. GOODWILL

ACCOUNTING POLICY

Goodwill is initially recognised at cost of purchase and is calculated as a difference between the two values:
- the sum of a consideration for taking over control, non-controlling interest and the fair value of blocks of shares (stocks) held in the acquired entity before the acquisition date, and
- the fair value of the entity's identifiable acquired net assets.

The excess of the sum calculated as indicated above over the fair value of the entity's identifiable acquired net assets is recognised in the assets of the separate statement of the financial position as goodwill. Goodwill represents a payment made by the acquiring company expecting future economic benefits from assets which may not be identified individually or recognised separately.

As at the reporting date, goodwill is measured at the cost of purchase less accumulated impairment losses applied so far and deductions for the disposal of part of shares to which it was previously assigned. Impairment losses up to the value assigned to a cash-generating unit (unit group) are not reversible.

Goodwill is tested for impairment before the end of the reporting period in which the merger occurred, and then in each subsequent annual reporting period. If there are any indications of impairment, an impairment test is carried out before the end of each reporting period in which such indications occurred.

As at 31 January 2024, goodwill remained unchanged and amounted to PLN 183.2 m (2022: PLN 183.2 m). It was created following the merger of LPP SA with Artman in July 2009.

The table below shows the changes in goodwill:

Gross value (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	209.6	209.6
Increases	0.0	0.0
Decreases	0.0	0.0
Closing balance	**209.6**	**209.6**

Impairments (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	26.4	26.4
Increases	0.0	0.0
Closing balance	**26.4**	**26.4**

Gross value (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	183.2	183.2
Closing balance	**183.2**	**183.2**

According to IAS 36 and the accounting policy, as at 31 January 2024, an impairment test was carried out for the goodwill of Artman, of the balance sheet value of PLN 183.2 m and trademark of balance sheet value of PLN 77.5 m.

The recoverable amount of cash-generating units with an allocated value was determined based on their value in use, applying the discounted cash flow (DCF) model.

The detailed assumptions for the estimates are as follows:

The goodwill of Artman and the House brand – estimated applying the DCF method for cash flows generated by House stores.

The valuation was based on the following assumptions:
- period covering estimated cash flows - 5 years (2024-2028), without recognising a residual value,
- annual sales in 2024-2028 in stores tested – a consistent increase year by year at a pace similar to that in 2023;
- operating costs of stores tested – a consistent increase year by year at a pace similar to that in 2023;
- in the forecast period, a discount rate is variable and calculated based on the sum of WIBOR 6 months plus risk bonus. In 2023, the discount rate was 10.82% (2022: 11.99%) and will remain unchanged by 2028.

The above-mentioned parameters comply with experience gained so far (for costs--sales assumptions) and are coherent with information originating from external sources for other figures.

No rational change of assumptions adopted will result in the need to apply a revaluation write-off on goodwill and trademark.

18. OTHER ASSETS

18.1. Other financial assets

ACCOUNTING POLICY

Other financial assets comprise items such as deposit receivables, loans granted, value of participation units in money market funds and positive forward contract measurement.

The accounting policy on financial assets is presented in note 33.

Other financial assets (PLN m)	As at 31 January 2024	As at 31 January 2023
Non-current assets		
Other receivables	8.8	7.4
Loans granted	0.2	0.2
Other long-term financial assets	**9.0**	**7.6**
Current assets		
Other receivables	2.4	5.4
Receivables from payment card operators	62.7	50.1
Loans granted	3.3	3.5
Other short-term financial assets	**68.4**	**59.0**
Other financial assets, total	**77.4**	**66.6**

Loans granted are measured at amortised cost applying the effective percentage rate method. Due to the absence of an active market, it was assumed that the balance sheet value of loans was the same as their fair value.

As at 31 January 2024, the Group had loans granted in the amount of PLN 3.5 m (2022: PLN 3.7 m).

Interest on loans in PLN is ca 4-6%, with maturity dates falling between in the years 2024-2028.

Changes in the carrying amount of loans are as follows:

Changes in the carrying amount (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	3.7	0.3
Loans granted in the period	0.2	3.5
Interest accrued	0.4	0.0
Loans repaid including interest	-0.8	-0.1
Revaluation write-off	0.0	0.0
Closing balance	**3.5**	**3.7**

No revaluation write-offs on loans were created in the current reporting period and in the comparative year.

18.2. Other non-financial assets

ACCOUNTING POLICY

Other non-financial assets include state budget receivables, except for corporate income tax receivables constituting a separate item in the financial statements, and other benefits not recognised as financial instruments. Receivables related to value added tax represent the most significant item. This value may be adjusted by a revaluation write-off if there are such indications.

Other non-financial assets (PLN m)	As at 31 January 2024	As at 31 January 2023
Current assets:		
State budget receivables	52.1	49.0
Other receivables	13.4	4.1
Other short-term non-financial assets	**65.5**	**53.1**
Other non-financial assets, total	**65.5**	**53.1**

As at 31 January 2024, the value of other receivables was adjusted by the revaluation write-off in the amount of PLN 0.2 m (2022: PLN 0.2 m).

19. DEPOSITS AND MUTUAL FUNDS

Deposits and mutual funds (PLN m)	As at 31 January 2024	As at 31 January 2023
Participation units in funds	560.8	556.8
Deposits and mutual funds	**560.8**	**556.8**

In the reporting period, the Group acquired participation units in money market funds in the amount of PLN 20 m. As at 31 January 2024, the value of the units amounted to PLN 560.8 m (2022: 556.8 m) and consisted of the value of the units acquired on the date of purchase in the amount of PLN 525.6 m and its valuation in the amount of PLN 35.2 m. Measurement of the aforementioned instruments is included in level 2 of the fair value hierarchy in relation to participation units in unlisted funds.

20. INVENTORY

ACCOUNTING POLICY

As at the balance sheet date, inventories are measured at a purchase price not exceeding their net realisable values.

The following items are recognised as inventories:
- trade goods,
- materials (fabrics and sewing accessories) purchased and delivered to external contracting parties for processing purposes,
- IT consumables related to the operation, maintenance and development of the computer network,
- spare parts for devices in the logistics centre, other than tangible fixed assets,
- advertising materials.

Trade goods in domestic warehouses are recorded by quantity and value and measured as follows:
- imported goods – at purchase prices comprising the purchase price, costs of transportation outside and inside Poland to the first unloading site in Poland as well as customs duties; the following foreign exchange rate is applied to convert the value in a foreign currency:
  - resulting from the customs document,
  - applicable on the day preceding the date of issue of the purchase invoice in the case of deliveries directly to Russia,
- in the case of goods purchased in Poland – at purchase prices; costs associated with the purchase of these goods, due to their immaterial value, are charged directly to operating costs as incurred.

Trade goods sold from Reserved, Cropp, House, Mohito and Sinsay collections are measured at average weighted prices.

Trade goods in bonded warehouses are measured at purchase prices comprising a purchase price and the costs of transportation outside and inside Poland to the first unloading site in Poland. The value of goods delivered from bonded warehouses (moved to local warehouses or sold directly abroad) is measured based on the detailed identification of goods for individual lots delivered to bonded warehouses.

The Parent Company's trade goods in transit are measured at purchase prices increased with the costs of transportation outside and inside Poland, known at the time of preparing the statement of financial position. In relation to imported goods in transit, the average exchange rate of the National Bank of Poland effective on the balance sheet date is applied.

The Group has two regular sales periods: (1) March-June for Spring/Summer collections, (2) September-December for Autumn/Winter collections. After such periods, sell-offs start.

Inventories which lost their commercial and usable value are written off according to the following rule:
- goods to be sold in brand stores - revaluation write-offs in a percentage compliant with the current analysis
- wholesale goods to be sold to external recipients – subject to revaluation write-offs in the amount of 60-80% of the value of goods

The value of the write-down in the period is recognised in the cost of sales and is presented on a net basis.

The value of the Group's inventories consists mainly of trade goods. A detailed structure of inventories is presented in the table below:

Inventory - carrying amount (PLN m)	As at 31 January 2024	As at 31 January 2023
Materials	13.9	18.8
Goods	2,979.2	3,288.0
Right of return assets	47.2	46.6
Total	**3,040.3**	**3,353.4**

In the reporting period, due to estimated measurement of clearance goods, the Group, according to the revaluation write-off policy, recognised relevant write-offs on inventories in the statement of financial position.

Changes in their value in the reporting period and the comparative period are presented in the table below.

Write-offs (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	205.0	372.3
Wrtite-offs created in the period	154.2	0.0
Wrtite-offs reversed in the period	0.0	27.2
Write-offs reversed - discontinued operations	0.0	139.3
Foreign exchange differences	-15.8	-0.8
Closing balance	**343.4**	**205.0**

In the current period, inventory write-offs were created in the amount of PLN 154.2 m due to a smaller volume of goods ordered from previous seasons.

21. TRADE RECEIVABLES

ACCOUNTING POLICY

The Group implements a simplified approach to trade receivables, measuring a write-off for expected credit losses, in the amount equal to expected credit losses over lifetime using a provision matrix. The Group uses its historical credit loss data, adjusted where appropriate for the impact of forward-looking information. Trade receivables are recognised and shown in originally invoiced amounts, with due consideration of a write-off on expected credit losses over lifetime.

Short-term receivables are measured in amounts payable due to negligible discounting.

Detailed information on the structure of the Group's short-term receivables is presented in the table below.

Trade receivables (PLN m)	As at 31 January 2024	As at 31 January 2023
Trade receivables	809.7	944.1
Trade receivables write-offs	78.4	51.2
Trade receivables gross	**888.1**	**995.3**

Changes in the value of write-offs in the reporting period and the comparative period are presented in the table below.

Write-offs (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	51.2	23.9
Wrtite-offs created in the period	31.4	86.4
Write-offs created - discontinued operations	0.0	0.0
Wrtite-offs used in the period	0.0	0.2
Wrtite-offs reversed in the period	3.4	59.1
Foreign exchange differences	-0.8	0.2
Closing balance	**78.4**	**51.2**

22. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise cash in hand and at bank, deposits payable on demand and short-term highly liquid investments (up to 3 months).

The balance of cash and cash equivalents, shown in the cash flow statement, is adjusted with foreign exchange differences from the balance sheet measurement of cash in a foreign currency.

The fair value of cash and cash equivalents as at 31 January 2024 amounts to PLN 1,076.5 (2022: PLN 465.0 m).

Cash (PLN m)	As at 31 January 2024	As at 31 January 2023
Cash in hand and at bank	1,076.5	465.0
Other cash	0.0	0.0
Total	**1,076.5**	**465.0**

For the purpose of preparing the cash flow statement, the Group classifies cash in the manner adopted for presenting its financial position. The difference in the value of cash recognised in the statement of financial position and in the cash flow statement is affected by the following factors:

Cash (PLN m)	As at 31 January 2024	As at 31 January 2023
Cash and cash equivalents in the statement of financial position	1,076.5	465.0
Adjustments:		
Foreign exchange differences from balance sheet measurement of cash in foreign currency	-76.1	-74.6
Cash and cash equivalents recognised in the statement of cash flows	**1,000.4**	**390.4**

23. SHARE CAPITAL AND OTHER CAPITALS

ACCOUNTING POLICY

According to the Articles of Association of LPP SA and the entry in the National Court Register, the share capital is shown in the nominal value of issued shares.

Shares acquired in the Parent Company and bought-back reduce equity. Treasury shares are measured at purchase price.

Capital from the sale of shares above their nominal value is created from the surplus of the issuance price above the shares' nominal value, decreased by share issuance costs.

Other capitals comprise of:
- other reserves,
- capital from the settlement of the merger transaction,
- reserve capital.

The value of other reserves comprises:
- profit from previous years, qualified based on decisions of General Meetings of Shareholders,
- share-based payments in line with the incentive programme addressed to selected individuals.

The capital from the settlement of the merger transaction was created at the time of settlement of goodwill arising upon acquisition of Artman SA.

23.1. Share capital

As at 31 January 2024, the share capital amounted to PLN 3.7 m and increased by PLN 2.0 thousand compared to 31 January 2023. It was divided into 1,855,190 shares of a nominal value of PLN 2 per share.

The table below shows the total number of shares divided into separate issuances.

Series/issue	Type of share	Type of preference	Type of limitation of rights attached to shares	As at 31 January 2024	As at 31 January 2023
A	bearer	ordinary	none	100	100
B	registered	preference	none	350,000	350,000
C	bearer	ordinary	none	400,000	400,000
D	bearer	ordinary	none	350,000	350,000
E	bearer	ordinary	none	56,700	56,700
F	bearer	ordinary	none	56,700	56,700
G	bearer	ordinary	none	300,000	300,000
H	bearer	ordinary	none	190,000	190,000
I	bearer	ordinary	none	6,777	6,777
J	bearer	ordinary	none	40,000	40,000
K	bearer	ordinary	none	80,846	80,846
L	bearer	ordinary	none	21,300	21,300
M	bearer	ordinary	none	2,767	1,818
Number of shares, total				**1,855,190**	**1,854,241**

All shares issued are paid in full.

Registered shares held by the Semper Simul Foundation, in the total number of 350,000, have preference in terms of voting rights at the General Meeting of Shareholders. Each registered share gives right to 5 votes.

The shareholding structure of the Parent Company as at 31 January 2024 is presented in the table below.

Shareholder	Number of shares held (pcs.)	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Other shareholders	1,276,301	68.8%	1,276,301	39.2%	2,552,602
Total	**1,855,190**	**100.0%**	**3,255,190**	**100.0%**	**3,710,380**

** The Semper Simul Foundation is closely related to Mr Marek Piechocki (Article 3(1)(26)(D) of the MAR).*

The shareholding structure of the Parent Company as at 31 January 2023 is presented in the table below.

Shareholder	Number of shares held (pcs.)	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Sky Foundation**	227,898	12.3%	227,898	7.0%	455,796
Other shareholders	1,047,454	56.5%	1,047,454	32.2%	2,094,908
Total	**1,854,241**	**100.0%**	**3,254,241**	**100.0%**	**3,708,482**

** The Semper Simul Foundation is closely related to Mr Marek Piechocki (Article 3(1)(26)(D) of the MAR).*

*** The Sky Foundation is closely related to Mr Jerzy Lubianiec, co-founder of LPP SA.*

23.2. Share premium

This item is a separated amount of other reserves, resulting from the surplus on the sale of shares above their nominal value, with the carrying amount of PLN 364.3 m (2022: PLN 364.3 m).

23.3. Other capitals

Values of specific types of capital are presented in the table below.

Type of capital (PLN m)	As at 31 January 2024	As at 31 January 2023
Other reserves	2,438.2	592.3
Capital from the settlement of the merger transaction	-1.4	-1.4
Reserve capital	29.5	2,129.5
Total	**2,466.3**	**2,720.4**

Other reserves presented under equity as at 31 January 2024 were created mainly from net profit from previous years and following measurement of remunerations paid in shares.

In the reporting period, there was an increase in the value of other reserves in connection with the resolution on the transfer of the amount of PLN 2,100 m from the supplementary capital, which previously came from the profits of previous years.

The structure of the other reserves is as follows:

Type of other reserves(PLN m)	As at 31 January 2024	As at 31 January 2023
Created under statutory law based on the write-off on financial result	1.3	1.3
Created according to the Articles of Association based on the write-off on financial result	2,365.7	529.2
Created from the amount of remuneration paid in shares	71.2	61.8
Total	**2,438.2**	**592.3**

24. BANK LOANS, BORROWINGS AND DEBT SECURITIES

ACCOUNTING POLICY

On initial recognition, all bank loans, borrowings and debt securities are measured at fair value reduced with the costs of obtaining a bank loan or a loan.

Following initial recognition, all bank loans, borrowings and debt securities are measured at amortised cost applying the effective interest rate method.

Revenues and costs are measured in profit or loss at the time of removing a liability from the balance sheet and as a result of settlement of an effective interest rate.

As at 31 January 2024, the debt arising from bank loans was as follows:

Utilisation of loans as at 31 January 2024

Bank	PLN m	currency in million	Bank loan cost	Maturity date
PKO BP SA	248.3	-	wibor 1m+bank's margin	21.12.2025
PKO BP SA	173.0	-	wibor 1m+bank's margin	11.07.2032
Pekao SA	39.4	-	wibor 1m+bank's margin	30.09.2025
Pekao SA	32.4	-	wibor 1m+bank's margin	31.08.2027
Pekao SA	44.9	-	wibor 1m+bank's margin	31.12.2027
BNP Paribas Bank Polska SA	0.7	-	wibor 1m+bank's margin	30 November 2024
Total	**538.7**			

Bank loans amounting to PLN 538.7 m included:
- Long-term loans in the amount of PLN 489.7 m,
- Short-term loans of PLN 49 m (of which PLN 48.3 m is the portion of long-term investment loans falling due within 12 months of the balance sheet date)

Long-term loans outstanding as at 31 January 2024 were as follows:
- PLN 20.6 m - investment loan to finance the operations of LPP SA,
- PLN 68.2 m - investment loan to finance the modernisation of the head office of LPP SA.
- PLN 152.5 m - investment loan for the construction of a Distribution Center in Brześć Kujawski
- PLN 248.4 m - working capital loan for the operations of LPP Logistics Sp. z o.o.

As at 31 January 2023, the debt arising from bank loans was as follows.

Utilisation of loans as at 31 January 2023

Bank	PLN m	currency in million	Bank loan cost	Maturity date
PKO BP SA	403.0	-	wibor 1m+bank's margin	04.11.2023
PKO BP SA	193.6	-	wibor 1m+bank's margin	11 July 2032
PKO BP SA	248.1	-	wibor 1m+bank's margin	21.12.2025
Pekao SA	0.0	-	wibor 1m + bank's margin/ euribor 1m + bank's margin/ libor 1m + bank's margin	30.06.2023
Pekao SA	58.2	-	wibor 1m+bank's margin	30.09.2025
Pekao SA	41.5	-	wibor 1m+bank's margin	31.08.2027
Pekao SA	45.0	-	wibor 1m+bank's margin	31.12.2027
Pekao SA	0.9	-	wibor 1m+bank's margin	30 November 2024
Citibank Bank Handlowy	68.8	-	wibor 1m+bank's margin	09.01.2024
HSBC Continental Europe SA	92.4	21.2 USD	reference rate+bank's margin	08.02.2023
ING Bank Śląski S.A.	192.7	-	wibor 1m+bank's margin	31.01.2024
Santander Bank Polska SA	0.0	-	wibor 1m+bank's margin	28.02.2023
Total	**1,344.2**			

Detailed information on bank loans as at 31 January 2024 is provided below.

Bank	Type of loan/ facility	Loans amount and currency		Security
		PLN m	currency	
PKO BP SA	Investment bank	199.4	PLN	contractual mortgage, assignment of receivables from the property insurance agreement, blank promissory note with a promissory note declaration, surety of LPP SA, guarantee of payment of principal amount and interest instalments by LPP SA
PKO BP SA	Working capital overdraft	250.0	PLN	contractual mortgage, assignment of receivables from the real estate insurance agreement, blank promissory note with a promissory note declaration, surety of LPP SA, guarantee of payment of principal amount and interest instalments by LPP SA
Pekao SA	Investment bank	105.0	PLN	blank promissory note with promissory note declaration and the statement of submission to enforcement, power of attorney to bank accounts of Pekao SA
Pekao SA	Investment bank	105.0	PLN	ordinary mortgage, assignment of receivables from real estate insurance policies, blank promissory note with promissory note declaration and the statement of submission to enforcement, power of attorney to bank accounts of Pekao SA, mortgage on real estate at value PLN 0.7 m
Pekao SA	Investment bank	63.6	PLN	contractual mortgage on real estate at value PLN 90.4 m
BNP Paribas Bank Polska SA	Multi-target and multi-currency facility	765.9, including: 2 USD; 1 EUR	PLN/USD/EUR	blank promissory note with promissory note declaration and the statement of submission to enforcement, KUKE guarantee in the amount of PLN 400 m

25. EMPOLYEE BENEFITS

ACCOUNTING POLICY

According to remuneration schemes, the Group's employees have the right to retirement and pension benefits paid as one-off payments when an employee retires. The value of the said benefits depends on the duration of work and the employee's average remuneration. The Group creates a provision for future retirement-related liabilities in order to allocate costs to relevant periods.

The current value of such liabilities is calculated by an independent actuary. Accumulated liabilities are equal to discounted future payments, with due consideration of labour turnover, and relate to the period until the balance sheet date. Demographic and labour turnover information is based on historical data. This value is shown in the non-current part of the statement of financial position.

Remeasurement of liabilities arising from employee benefits provided for in specified benefit schemes, covering actuarial profit and loss, is recognised in other comprehensive income, without later reclassification to profit or loss.

Furthermore, the Group calculates liabilities arising from unused holiday leave and unpaid remuneration, comprising also bonuses for the current period to be disbursed in the next reporting period. These liabilities are shown in the short-term part of the financial statement in question.

25.1. Retirement and pension benefits

The value of retirement and pension benefits based on actuarial valuation is shown below:

Retirement and pension benefits (PLN m)	As at 31 January 2024	As at 31 January 2023
Opening balance	1.7	1.4
Adjustment	0.0	0.0
Current employment costs	0.7	0.3
Closing balance	**2.4**	**1.7**

Analysis of sensitivity to changes in actuarial assumptions

Change in the adopted discount rate by 0.5 p.p. (PLN m)	increase	decrease
Balance as at 31 January 2024		
Retirement severance pay	1.5	1.6
Pension severance pay	0.1	0.1
Balance as at 31 January 2023		
Retirement severance pay	1.2	1.3
Pension severance pay	0.1	0.1

Change in the employee retention rate by 0.5 p.p. (PLN m)	increase	decrease
Balance as at 31 January 2024		
Retirement severance pay	1.5	1.6
Pension severance pay	0.1	0.1
Balance as at 31 January 2023		
Retirement severance pay	1.0	1.1
Pension severance pay	0.1	0.1

Change in the remuneration increase rate by 0.5 p.p. (PLN m)	increase	decrease
Balance as at 31 January 2024		
Retirement severance pay	1.6	1.5
Pension severance pay	0.1	0.1
Balance as at 31 January 2023		
Retirement severance pay	1.1	1.0
Pension severance pay	0.1	0.1

25.2. Other employee benefits

A summary of other employee benefits is presented in the table below:

Other employee benefits (PLN m)	Unpaid remuneration	Unused holiday leave
Balance as at 1 February 2023	**104.2**	**43.7**
- provision created	134.3	3.3
- provision utilised	0.0	0.0
- provision reversed	104.2	0.0
Balance as at 31 January 2024	**134.3**	**47.0**
Balance as at 1 February 2022	**99.7**	**50.0**
Changes in the Group's structure	-0.3	-12.7
- provision created	105.8	6.4
- provision utilised	7.0	0.0
- provision reversed	94.0	0.0
Balance as at 31 January 2023	**104.2**	**43.7**

26. PROVISIONS

ACCOUNTING POLICY

Provisions are created when the Group has a duty arising from past events and when it is probable that the exercise of the said duty will results in outflows of economic benefits, and when the amount of such liability may be reliably estimated. Costs relating to a given provision are recognised in the Group's profit or loss, lowered by returns.

The Group calculates the provision for other costs at the level of existing costs incurred for this type of service.

A summary of the provisions and changes in the reporting period are shown in the table below:

Provisions (PLN m)	Other provisions
Balance as at 1 February 2023	**4.9**
- provision created	6.4
- provision utilised	0.0
- provision reversed	4.9
Balance as at 31 January 2024	**6.4**
Balance as at 1 February 2022	**10.7**
- provision created	4.9
- provision utilised	0.0
- provision reversed	10.7
Balance as at 31 January 2023	**4.9**

27. TRADE AND OTHER LIABILITIES

ACCOUNTING POLICY

Short-term trade liabilities are shown in the amount payable and recognised according to IFRS 9 as financial liabilities measured at amortised cost.

Other financial liabilities comprise mainly bonds issued and measured at amortised cost and negative valuation of derivatives measured as at the balance sheet date at fair value.

Other non-financial liabilities comprise, in particular, liabilities owed to the tax office as VAT. Other non-financial liabilities are recognised in an amount payable.

Long-term liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Other financial liabilities (bonds)	0.0	306.9
Financial liabilities	**0.0**	**306.9**
Total long-term liabilities	**0.0**	**306.9**

Short-term liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Trade liabilities.	1,593.5	1,374.2
Reverse factoring liabilities	2,101.5	1,479.7
Other financial liabilities (forwards)	0.9	46.1
Other financial liabilities (bonds)	310.2	12.2
Financial liabilities	**4,006.1**	**2,912.2**
Liabilities due to taxes and other benefits	171.8	145.2
Other non-financial liabilities	6.7	4.8
Non-financial liabilities	**178.5**	**150.0**
Total short-term liabilities	**4,184.6**	**3,062.2**

As part of effective financial operations, the Parent Company signed reverse factoring (the so-called supply chain finance) agreements under which, after the presentation of an invoice for purchases made, the bank (factor) pays liabilities owed to the supplier in line with the agreed payment deadline. If the supplier decides on automatic payment, the bank (factor) pays liabilities owed to suppliers within 7 business days. If the supplier does not decide on automatic payment, the bank (factor) pays liabilities owed to suppliers within 7 days from the date of notification by the supplier of the intent to buy out a given liability. The Group repays the liability owed to the bank (factor) in the initial period specified on invoices, i.e. within a timeframe of 90 to 180 days. The Group does not incur costs of early payment of liabilities to suppliers by the factor. As assessed by the Group, the type of such liabilities remains unchanged and their terms and conditions do not differ substantially from the Group's other trade liabilities not subject to reverse factoring. Therefore, they remain classified as trade liabilities. As at 31 January 2024, the Group held domestic and foreign invoices with factoring banks with the value of PLN 244.9 m and USD 462.6 m (2022: PLN 9.8 m and USD 338.1 m). The Group has limits for reverse factoring in the amount of PLN 250 m and USD 270 m - set until 30 June 2024, USD 518 m - set for an indefinite period of time, renewable on 30 June 2024, USD 100 m - set for an indefinite period of time, revolving on 29 February 2024 and USD 60 m - set for an indefinite period of time, revolving on 4 November 2024 and the amount of EUR 50 m - set for an indefinite period of time, revolving on 31 January 2025 within the credit committee. The limit that the Group could use as at 31 January 2024 amounted to PLN 5 m, USD 485 m and EUR 50 m.

In previous years, the Group issued 300,000 unsecured ordinary five-year series A bonds with a nominal value of PLN 1,000 per bond.

The redemption date has been set for 12 December 2024. Interest on bonds is WIBOR 6M plus margin of 1.1%.

As at 31 January 2024, the value of bonds was PLN 310.2 m and the said value is shown in the statement of financial position in the short-term part as other financial liabilities being part of trade and other liabilities.

28. PREPAYMENTS AND ACCRUALS

ACCOUNTING POLICY

In prepayments the Group recognises prepaid expenses relating to future reporting periods, including, first of all, rentals.

In accruals, in the liabilities column of the statement of financial position, the Group presents payments received from lessors for resold outlays for store equipment. This involves lease agreements in respect of which neither right-of-use asset nor lease liabilities were recognised due to the type of payment or short-term contract duration.

The resale of outlays results from the conclusion of a lease agreement and is a form of reimbursement of costs incurred to adjust the store for operations.

Prepayments - assets (PLN m)	As at 31 January 2024	As at 31 January 2023
Long-term		
Rentals	2.8	1.4
Software supervision	0.3	0.8
Licence fees, subscriptions, web domains	1.8	2.1
Other long-term prepayments	4.0	3.9
Total long-term prepayments	**8.9**	**8.2**
Short-term		
Rentals	20.0	20.5
Insurance	13.3	12.6
Property Tax	7.0	8.0
Software supervision	5.1	2.8
Licence fees, subscriptions, web domains	13.3	14.2
Other short-term prepayments	22.9	20.8
Total short-term prepayments	**81.6**	**78.9**

Accruals - liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Long-term		
Remuneration for outlays resold	37.4	67.1
Surcharges on lease agreements	7.7	46.0
Deferred rentals	0.4	0.1
Other sale	0.0	1.1
Total long-term accruals	**45.5**	**114.3**
Short-term		
Loyalty scheme	25.5	0.0
Remuneration for outlays resold	22.3	27.3
Surcharges on lease agreements	1.5	1.8
Other sale	1.6	3.8
Total short-term accruals	**50.9**	**32.9**

29. CONTINGENT LIABILITIES AND ASSETS

ACCOUNTING POLICY

In the statement of financial position, the Group does not recognise conditional assets or liabilities which, in the LPP SA Group's opinion, are not likely to be fulfilled in the future. The values of guarantees and sureties are treated as conditional assets and liabilities and are presented in the note below.

In 2023, LPP SA Group companies used bank guarantees to secure the payment of rent for the leased floorspace for brand stores, offices and a warehouse.

As at 31 January 2024, the total value of bank guarantees issued at the request and under the responsibility of LPP SA amounted to PLN 312.1 m, of which:

- the value of guarantees issued to secure agreements concluded by LPP SA amounted to PLN 96.1 m,
- the value of guarantees issued to secure agreements concluded by consolidated related entities amounted to PLN 199.7 m,
- the value of guarantees issued to secure agreements for the lease of warehouse and office space concluded by LPP SA amounted to PLN 16.3 m.

In 2023, the Company also received guarantees as collateral for payments from a contracting party. The value of the guarantees received amounts to PLN 17.5 m.

In the opinion of the Management Board, any outflow of funds recognised in off-balance sheet/ contingent liabilities is unlikely. The majority of these liabilities involve guarantees securing payment of rentals by the LPP SA Group entities.

29.1. Litigation

LPP SA is not a party to any proceedings before a court, authority competent for arbitration or public administration body concerning the liabilities or receivables with the value exceeding, individually or in total, 10% of equity of LPP SA.

On the other hand, LPP SA is involved in an investigation initiated by the Office for Competition and Consumer Protection (UOKiK) in order to determine whether the Company, in connection with its marketing activity referring to ecological issues, has committed an infringement justifying the initiation of proceedings concerning practices infringing the collective interests of consumers. The UOKiK enquiry is part of a coordinated effort by the European antitrust authorities targeting companies in the clothing industry with regard to standards for the use of ECO labelling of clothing. At the request of the President of the Office for Competition and Consumer Protection, LPP SA submitted a wide range of explanations and evidence. At this stage the Company is not charged for applying practices violating the collective interest of consumers. In the event that the authority decides that there are grounds to attribute such practices to the Company, the maximum legally permitted level of the fine is no more than 10% of the turnover generated in the financial year preceding the imposition of the fine.

30. INFORMATION ON RELATED PARTIES

30.1. Transactions with associates

In the period ended 31 January 2024, there were no transactions with entities in which persons classified as key management officers have control.

In the comparative period, LPP SA entered into transactions with BBK SA, where persons classified as key management officers have control. These transactions related to the rental of floorspace and were settled by the balance sheet date. The value of the annual purchase amounted to PLN 0.8 m.

30.2. Remuneration of key management officers of the Parent Company

The Group recognises members of the Management Board and the Supervisory Board of the parent company as key management officers.

In the period from 1 February 2023 to 31 January 2024, short-term benefits paid to members of the Management Board of the parent company amounted to PLN 5.8 m (2022: PLN 6.1 m).

The remuneration presented separately for each of the persons classified as key management officers were as follows:

Surname and name (in PLN m)	Position	As at 31 January 2024	As at 31 January 2023
Marek Piechocki	President of the Management Board	1.7	1.7
Przemysław Lutkiewicz	Member of the Management Board	1.0	1.1
Jacek Kujawa	Member of the Management Board	0.8	1.1
Sławomir Łoboda	Member of the Management Board	1.0	1.1
Marcin Piechocki	Member of the Management Board	1.0	1.1
Mikołaj Wezdecki	Member of the Management Board	0.3	0.0

From 1 February 2023 to 31 January 2024, the value of short-term benefits of members of the Parent Company Supervisory Board amounted to PLN 126 thousand (2022: PLN 133 thousand).

The remuneration presented separately for each member of the Supervisory Board were as follows:

Surname and name (in PLN thousand)	Position	As at 31 January 2024	As at 31 January 2023
Miłosz Wiśniewski	Chair of the Supervisory Board	37	36
Alicja Milińska	Member of the Supervisory Board	2	0
Jagoda Piechocka	Member of the Supervisory Board	5	0
Piotr Piechocki	Member of the Supervisory Board	26	24
Grzegorz Słupski	Member of the Supervisory Board	25	24
Magdalena Sekuła	Member of the Supervisory Board	16	24
Wojciech Olejniczak	Member of the Supervisory Board	15	25

30.3. Share-based remuneration of key management officers of the Parent Company

ACCOUNTING POLICY

The Company's Management Board receives share-based bonuses under relevant resolutions. The transaction cost is measured by reference to fair value as at the date of granting such rights. The value of remuneration for work of management officers is specified indirectly by reference to the fair value of financial instruments vested. The fair value of options is measured as at the vesting date, taking into consideration also non-market vesting conditions such as the attainment of an expected financial result, when determining the fair value of share options.

The remuneration cost and, on the other side, an increase in equity is measured based on the best available estimates on the number of options to be vested in a given period. When determining the number of options to be vested, non-market vesting conditions are taken into account. The Company adjusts the said estimates if, based on later information, the number of options vested differs from earlier estimates. Adjustments of estimates, relating to the number of options vested, are shown in the profit or loss for the current period, without making adjustments to previous periods.

In 2021, the Incentive Scheme for the Management Board of the Parent Company was launched for three subsequent years 2021, 2022 and 2023. The Incentive Scheme for the said years is independent, i.e. bonus ratios for specific financial years, their levels and the number of shares will be determined by the Supervisory Board for each financial year separately.

In 2023, the Supervisory Board determined that, for the financial year from 1 February 2023 to 31 January 2024, members of the Company's Management Board may receive, in total, up to 1,260 ordinary bearer shares if all conditions set forth in the Rules are met:
- they remain in the Management Board by the date of conclusion of the share acquisition agreement;
- the Company generates specific operating profit.

The settlement date of the Incentive Scheme, separate for each financial year, should fall within three months from the date of publishing by the Company of the Consolidated Annual Report. The issuance price per share equals its nominal value and amounts to PLN 2. As the original profit target was not fully met in the current year, the number of shares to be received by members of the Managment Board was adjusted from 1,260 to 700 while the value of share-based employee benefits payable amounted to PLN 8.6 m.

For the financial year from 1 February 2022 to 31 January 2023, members of the Management Board of LPP SA received 949 ordinary bearer shares with the issue price of PLN 2, of the fair value of PLN 14.2 m. The new share issue was registered on 23 May 2023.

The number of shares awarded under the Incentive Scheme is as follows:

Surname and name (pcs)	Position	As at 31 January 2024	As at 31 January 2023
Marek Piechocki	President of the Management Board	250	273
Przemysław Lutkiewicz	Member of the Management Board	150	169
Jacek Kujawa	Member of the Management Board	0	169
Sławomir Łoboda	Member of the Management Board	150	169
Marcin Piechocki	Member of the Management Board	150	169

31. FINANCIAL RISK MANAGEMENT

The Group is exposed to numerous risks associated with financial instruments.

The risks affecting the Group include:
- credit risk
- liquidity risk
- market risk comprising currency and interest rate risk.

In the Group's operations, main financial instruments include bank loans (note 24) and bonds issued (note 27). Their main objective is to provide financing for the operations of the entire Group. Moreover, the Group holds other financial instruments established in the course of its business operations. Those mainly include cash and deposits (note 22), collaterals, deposits and investment funds (note 19), trade receivables (note 21), lease liabilities (note 15), trade liabilities and trade finance liabilities (note 27).

Furthermore, the parent company enters into transactions involving derivatives, namely forward contracts. This transaction is aimed at managing currency risk occurring in the course of business activity.

The Management Board of the parent company verifies and agrees the rules for managing each type of risk.

According to IFRS 7, LPP SA has analysed risks related to financial instruments, affecting the Group.

31.1. Credit risk

The maximum credit risk is reflected in the carrying amount of all receivables as well as guarantees and sureties granted.

Carrying amounts of the above-mentioned financial assets are presented in the table below.

Positions (PLN m)	As at 31 January 2024	As at 31 January 2023
Loans	3.5	3.7
Trade receivables	809.7	944.1
Other receivables	11.2	12.8
Receivables from payment card operators	62.7	50.1
Participation units in funds	560.8	556.8
Cash and cash equivalents	1,076.5	465.0
Guarantees and sureties granted	312.1	296.5
Total	**2,836.5**	**2,329.0**

The Group constantly monitors outstanding payments owed by clients and to creditors, analysing credit risk individually or as part of specific classes of assets. Furthermore, as part of credit risk management, the Group enters into transactions with contracting parties with confirmed creditworthiness.

The Group considers as default the contracting party's non-performance of a liability upon expiry of 90 days from its payment deadline. The Group takes into account future-related information in applied parameters of the model for estimating expected losses, by adjusting basic coefficients of insolvency probability. Receivables from recipients are interest-free and usually have a market payment term. Consequently, in the opinion of the Management Board of the Parent Company, there is no additional credit risk beyond the level determined by the write-off on expected credit losses, relevant for the Group's trade receivables.

The Group monitors on its own exposure to credit risk arising from receivables from recipients by way of a periodical analysis of the financial position of contracting parties and determining crediting limits. As assessed by the Management Board of LPP SA, there is no credit risk exposure.

The credit risk associated with financial instruments in the form of cash on bank accounts is limited as parties to the transactions are banks with high credit ratings of international rating agencies. The Group does not have a significant concentration of credit risk. The risk is spread over a large number of banks it uses and customers with whom it cooperates. In the opinion of the Management Board of LPP SA, the credit risk arising from cash and participation units in funds is irrelevant.

The value of guarantees and sureties granted is shown in note 29.

The classification of gross trade receivables broken down by the length of overdue period as at 31 January 2024 and in the comparative period is given in the table below.

Gross trade receivables (PLN m)	As at 31 January 2024	As at 31 January 2023
Not overdue	410.6	651.7
Overdue up to one year	476.8	343.3
Overdue for over one year	0.7	0.3
Total	**888.1**	**995.3**

As at the balance sheet date, the Group recognised revaluation write-offs on receivables of PLN 78.4 m. These write-offs relate to trade receivables overdue up to one year.

LPP SA and its subsidiaries do not use hedging instruments for the aforementioned financial risks and no hedge accounting is applied.

31.2. Liquidity risk

The Group's objective is to maintain a balance between continuity and flexibility of funding by using funding sources such as overdrafts, investment loans, forward derivatives, reverse factoring and bonds. The Parent Company has appointed a special team to monitor cash flows in terms of maturity dates for both investments and financial assets.

As at 31 January 2024, the Group held unused credit lines of PLN 1,974.5 m (2022: PLN 1,042.2 m), in respect of which all terms and conditions have been met. As at the balance sheet date, the Group fulfils all covenants and other contractual conditions.

As at 31 January 2024, the Company had investment loans and credit facilities. A detailed description of the financial position of the Group in terms of bank loans granted is presented in note 24, while in terms of bonds issued – in note 27.

The Group uses also reverse factoring. A detailed description of this type of financing is given in note 27. The payment deadline of reverse factoring liabilities corresponds to payment deadlines of other trade settlements.

At the balance sheet date, the Group's financial liabilities fell within the following maturity ranges.

Bank loans (PLN m)	As at 31 January 2024	As at 31 January 2023
Up to 1 month	18.0	174.4
From 1 to 3 months	34.7	150.8
From 3 months to 1 year	155.9	535.3
Above 1 year	361.1	574.4
Total	**569.7**	**1,434.9**

**undiscounted values*

Bonds (PLN m)	As at 31 January 2024	As at 31 January 2023
Up to 1 month	0.0	0.0
From 1 to 3 months	0.0	0.0
From 3 months to 1 year	310.2	12.2
Above 1 year	0.0	306.9
Total	**310.2**	**319.1**

Lease liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Up to 1 month	90.2	80.5
From 1 to 3 months	180.4	161.0
From 3 months to 1 year	811.9	724.6
Above 1 year	3,082.7	2,954.7
Total	**4,165.1**	**3,920.8**

The liquidity risk involves also liabilities stemming from purchases of goods and services.

The classification of gross trade receivables broken down by the length of overdue period as at 31 January 2024 and in the comparative period is given in the table below.

Gross trade liabilities (PLN m)	As at 31 January 2024	As at 31 January 2023
Not overdue	3,684.8	2,763.1
Overdue up to one year	9.7	89.1
Overdue for over one year	0.5	1.7
Total	**3,695.0**	**2,853.9**

31.3. Currency risk

The Group is exposed to currency risk arising from transactions concluded. Such risk occurs when the Parent Company sells or purchases goods in currencies other than its functional currency. In the Group, the basic settlement currency in most transactions involving purchases of trade commodities is USD. Ca 90% of transactions concluded by LPP SA are denominated in foreign currencies other than the reporting currency, while 46% of sales in the Parent Company is denominated in its reporting currency.

Apart from the currency risk involving the settlement currency used for purchasing trade commodities, there is also a risk associated with the fact of settling retail space rentals in EUR.

As at 31 January 2024, the Group's financial assets and liabilities denominated in two main foreign currencies, converted into PLN applying a closing exchange rate as at the balance sheet date, which are of importance for the financial statements, are given in the table below.

As at 31 January 2024 (PLN m)	Values denominated in currency		Converted value
	USD	EUR	
Cash	271.7	80.9	352.6
Trade receivables	253.6	459.4	713.0
Investment funds	560.8	0.0	560.8
Trade liabilities	2,246.7	219.5	2,466.2
Lease liabilities	0.0	1,291.3	1,291.3

Since the main cost for the parent company are purchases of trade goods made mainly in USD, LPP SA started using for this currency hedging derivative instruments (forward contracts) and USD deposits to hedge the risk involved in exchange rate fluctuations. By taking such action, LPP SA is capable of adjusting, to a major extent, foreign exchange losses adversely affecting the Group's result. As at 31 January 2023, a negative mark-to-market of forward contracts amounted to PLN 0.9 m (2022: PLN 46.1 m – a positive mark-to-market value) and was shown as other financial liabilities (note 27).

Negative measurement of forward contracts (PLN m)	As at 31 January 2024	As at 31 January 2023
Velocity	0.9	22.7
BNP Paribas	0.0	12.2
Bank Pekao SA	0.0	11.2
Total	**0.9**	**46.1**

The sensitivity of pre-tax profit (loss) to rational and probable USD and EUR exchange rate fluctuations, with assumed steadiness of other factors, is shown in the table below.

Balance sheet items	Increase/decrease of the foreign exchange rate	Impact on (loss)/ equity
31 January 2024 - USD	+ 5%	-58.0
	- 5%	58.0
31 January 2023 - USD	+ 5%	-10.3
	- 5%	10.3
31 January 2024 - EUR	+ 5%	-48.5
	- 5%	48.5
31 January 2023 - EUR	+ 5%	-60.0
	- 5%	60.0

When analysing the impact of fluctuations in USD exchange rates in 2023, it is necessary to take into account the forward derivatives and deposits denominated in USD used by the parent company.

31.4. Interest rate risk

The interest rate risk is related to the continuous utilisation by LPP SA of debt financing based on a variable value of WIBOR rates and, to a minor extent, to loans granted and bonds issued. Bank loans bearing a floating interest rate involve a cash flow risk. In the opinion of the Management Board of the parent company holds the view that a prospective change in interest rates will have no major impact on the results earned by the Group.

The tables below present the analysis of the impact of interest rate changes on the statement of comprehensive income. This analysis covers financial items of the Group's statement of financial position as at the balance sheet date.

		+/- 75 pb IR	
Balance sheet items (PLN m)	Value	Impact on (loss)/equity	Impact on (loss)/equity
Financial assets			
Loans	3.5	0.0	0.0
Cash	1,076.5	8.1	-8.1
Participation units	560.8	4.2	-4.2
Impact on pre-tax financial assets		*12.3*	*-12.3*
Tax (19%)		-2.3	2.3
Impact on post-tax financial assets		*10.0*	*-10.0*
Financial liabilities			
Bank loans	538.7	-4.0	4.0
Bonds	310.2	-2.3	2.3
Impact on pre-tax financial assets		*-6.4*	*6.4*
Tax (19%)		1.2	-1.2
Impact on post-tax financial assets		*-5.2*	*5.2*
Total		**4.8**	**-4.8**

As at 31 January 2024, the Group's net profit would have been higher by PLN 4.8 m if interest rates in PLN, EUR and USD had been higher by 75 basis points, assuming that all the remaining parameters remained unchanged. This result is due to a substantially higher balance of cash compared with bank loans and borrowings taken out.

32. FAIR VALUES OF ASSETS AND LIABILITIES

Fair value is defined as an amount for which, at arm's length basis, a given asset could be exchanged, and a liability discharged, between well-informed unrelated interested parties. As regards financial instruments for which there is an active market, their fair value is determined based on parameters deriving from the active market (sales and purchase prices). As regards financial instruments for which there is no active market, their fair value is determined on the basis of measurement techniques, where model input data consists of variables deriving from active markets (exchange rates, interest rates).

In the Group's opinion, the carrying value of financial assets and liabilities is close to their fair value due to a short maturity term.

The Group classifies the following items in the category of equity instruments measured at fair value through profit or loss:

- participation units in money market funds (note 19);
- derivatives such as FX forward contracts (note 27).

Derivatives are recognised as assets when their value is positive and as liabilities when their value is negative.

The fair value of FX forward contracts is determined by reference to the current forward rates prevailing for contracts of similar maturity.

All assets and liabilities measured at fair value or where their fair value is disclosed in the financial statements are classified in the fair value hierarchy on the basis of the lowest level of input data significant to the measurement to fair value taken as a whole.

33. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Each contract resulting in creation of a financial asset for one party and, at the same time, a financial liability or equity instrument for the other party is a financial instrument.

A financial asset or a financial liability is recognised in the statement of financial position when the Company becomes a party to that instrument. Standardised purchase and sale transactions of financial assets and liabilities are recognised as at the transaction date.

A financial asset is derecognised from the statement of financial position when the contractual rights to the economic benefits and risks have been exercised, have expired or the Group has waived them.

The Group derecognises a financial liability from the statement of financial position upon its expiry, i.e. when the obligation specified in the contract has been discharged, cancelled or has expired.

Classification and measurement

According to IFRS 9, except for some trade receivables, a financial asset is initially measured at fair value which, in the case of financial assets other than measured at fair value through profit or loss, is increased by transaction costs which may be directly assigned to the purchase of such financial assets.

After initial recognition, an asset is measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. An entity classifies a financial asset based on its business model applied for financial asset management and the characteristics of cash flows resulting from the cash flow agreement for the financial asset (Solely Payments of Principal and Interest - SPPI criterion).

As at the purchase date, the Group measures financial assets and liabilities at fair value, i.e. most frequently, at fair value of the payment made (for assets) or the payment received (for liabilities).

As at the balance sheet date, the Group's financial assets and liabilities, in accordance with IFRS 9, are measured in accordance with the principles set out below.

Classification of financial assets
- measured at amortised cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

For the purposes of measurement after initial recognition, financial assets are classified into one of four following categories:
- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income,
- equity instruments measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

The Group classifies the following items as financial assets measured at amortised cost:
- trade and other receivables,
- loans granted,
- cash and cash equivalents.

A financial asset is measured at amortised cost if both of the following conditions are met:
- the financial asset is held in accordance with a business model that seeks to hold financial assets to gain contractual cash flows, and
- the contractual terms related to the financial asset generate cash flows within specified time limits that are only repayments of the principal amount and interest on the outstanding principal amount.

Financial assets that do not meet the criteria for measurement at amortised cost or at fair value through comprehensive income are measured at fair value through profit or loss.

The Group classifies the following items in the category of equity instruments measured at fair value through profit or loss:
- participation units in money market funds,
- forward contracts.

Impairment of financial instruments

In case of trade receivables, the Group applies a simplified approach and measures the write-off on expected credit losses in an amount equal to the expected credit losses throughout the lifetime using a provision matrix. The Group uses its historical credit loss data, adjusted where appropriate for the impact of forward-looking information.

In case of other financial assets, the Group measures the write-off on expected credit losses in an amount equal to 12 months of expected credit losses. If the credit risk associated with a given financial instrument has increased significantly since its initial recognition, the Group measures the write-off on expected credit losses on the financial instrument in an amount equal to the expected credit losses throughout the lifetime.

Financial derivatives

Financial derivatives used by the Company to hedge the foreign exchange risks are primarily FX forward contracts. Such financial derivatives are measured at fair value. Derivatives are recognised as assets when their value is positive and as liabilities when their value is negative.

Profits and losses on changes in the fair value of derivatives that do not comply with the principles of hedge accounting and are recognised directly in the net profit or loss for the financial year.

The fair value of FX forward contracts is determined by reference to the current forward rates prevailing for contracts of similar maturity.

Financial liabilities

Financial liabilities other than hedging derivatives are recognised under the following items in the statement of statement of financial position:

- bank loans and borrowings,
- other financial liabilities,
- trade and other liabilities.

Following the initial recognition, financial liabilities are measured at amortised cost applying the effective interest rate, except for financial liabilities held for trade or designated as measured at fair value through profit or loss (derivatives other than hedging instruments). Short-term trade liabilities are measured in the amount payable due to insignificant discounting effects.

The value of financial assets presented in the consolidated statement of financial position relates to the following categories of financial instruments defined in IFRS 9:

1. measured at amortised cost (AC)
2. measured at fair value through profit or loss (fair value)

	As at 31 January 2024	
Non-current assets (PLN m)	AC	Fair value
Other financial assets	9.0	0.0

	As at 31 January 2024	
Current assets (PLN m)	AC	Fair value
Trade receivables	809.7	0.0
Other financial assets	68.4	0.0
Participation units in funds	0.0	560.8
Cash and cash equivalents	1,076.5	0.0

	As at 31 January 2023	
Non-current assets (PLN m)	AC	Fair value
Other financial assets	7.6	0.0

	As at 31 January 2023	
Current assets (PLN m)	AC	Fair value
Trade receivables	944.1	0.0
Other financial assets	59.0	0.0
Participation units in funds	0.0	556.8
Cash and cash equivalents	465.0	0.0

The value of financial liabilities presented in the statement of financial position relates to the categories of financial instruments defined in IFRS 9 as financial liabilities measured at amortised cost (AC) and financial liabilities measured at fair value through profit or loss.

	As at 31 January 2024		
Long-term liabilities (PLN m)	AC	Fair value	Beyond IFRS 9
Bank loans and borrowings	489.7	0.0	0.0
Lease liabilities	2,892.1	0.0	0.0

	As at 31 January 2023		
Long-term liabilities (PLN m)	AC	Fair value	Beyond IFRS 9
Bank loans and borrowings	538.1	0.0	0.0
Lease liabilities	2,760.1	0.0	0.0
Other financial liabilities (bonds)	306.9	0.0	0.0

	As at 31 January 2024		
Short-term liabilities (PLN m)	AC	Fair value	Beyond IFRS 9
Trade liabilities.	3,695.0	0.0	0.0
Lease liabilities	1,015.5	0.0	0.0
Measurement of forward contracts	0.0	0.9	0.0
Bonds	310.2	0.0	0.0
Other liabilities	0.0	0.0	178.5
Bank loans and borrowings	49.0	0.0	0.0

	As at 31 January 2023		
Short-term liabilities (PLN m)	AC	Fair value	Beyond IFRS 9
Trade liabilities.	2,853.9	0.0	0.0
Lease liabilities	902.5	0.0	0.0
Bonds	12.2	0.0	0.0
Other liabilities	0.0	0.0	150.0
Bank loans and borrowings	806.1	0.0	0.0

34. OPERATING SEGMENTS

Financial results and other information regarding geographical segments for the period from 1 February 2023 to 31 January 2024 and for the comparative period are presented in the tables below.

For the year ended 31 January 2024 (PLN m)	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Olher countries	Total
Revenues	7,384.7	1,448.5	1,024.8	570.4	1,184.1	618.2	634.5	4,541.0	17,406.2
Operating profit (loss)	**1,351.0**	**147.0**	**115.4**	**68.0**	**283.0**	**66.3**	**58.4**	**194.4**	**2,283.5**
Profit before tax									**2,047.2**
Income tax									435.2
Net profit (loss) on continuing operations									**1,612.0**
Net profit (loss) from discontinued operations									**0.0**
Net profit (loss)									**1,612.0**

For the year ended 31 January 2024 (PLN m)	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Olher countries	Values not allocated to segments	Total
Consolidated segment assets	9,047.7	669.5	432.1	400.0	289.1	263.8	262.8	2,127.4	309.7	13,802.1
Consolidated segment liabilities	5,609.2	364.7	308.1	425.1	197.4	176.7	188.8	1,274.8	540.3	9,085.1

Other disclosures	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Olher countries	Total
Capital expenditure of the segment	295.7	135.6	67.7	6.5	27.1	58.1	27.2	446.8	1,064.7
Segment depreciation	606.1	122.8	100.6	67.2	36.0	43.2	40.1	365.3	1,381.3
Impairment losses on fixed assets	5.4	9.8	6.5	0.0	0.2	8.6	2.2	21.1	53.8
Reversal of impairment losses on fixed assets	0.0	0.7	0.0	3.7	5.6	0.0	0.1	0,9	11.0
Other non-cash expenses	49.0	6.4	7.4	3.2	6.8	3.6	3.0	34.7	114.1

For the year ended 31 January 2023 (PLN m)	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Olher countries	Total
Revenues	6,860.4	1,330.4	1,066.8	671.8	693.6	597.6	657.4	4,048.5	15,926.5
Operating profit (loss)	**804.8**	**114.8**	**120.8**	**55.5**	**-98.2**	**28.5**	**44.2**	**114.0**	**1,184.4**
Profit before tax									**1,087.5**
Income tax									218.5
Net profit (loss) on continuing operations									**869.0**
Net profit (loss) from discontinued operations									**-383.9**
Net profit (loss)									**485.1**

For the year ended 31 January 2023 (PLN m)	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Olher countries	Values not allocated to segments	Total
Consolidated segment assets	8,786.0	504.5	429.5	401.6	270.7	194.9	256.4	1,723.1	354.3	12,921,0
Consolidated segment liabilities	5,096.2	255.5	308.0	410.0	215.8	139.9	170.0	995.4	1,345.8	8,936,6

Other disclosures	Poland	Romania	Czech Republic	Germany	Ukraine	Hungary	Słowakia	Olher countries	Total
Capital expenditure of the segment	587.7	116.6	60.8	1.9	18.6	44.6	75.2	365.4	1,270.8
Segment depreciation	530.3	92.7	89.8	63.6	37.1	31.7	36.0	248.0	1,129.2
Impairment losses on fixed assets	1.1	0.9	0.0	0.4	89.0	0.0	0.3	0.0	91.7
Reversal of impairment losses on fixed assets	19.4	2.3	3.1	0.0	0.0	0.0	0.0	24.8	49.6
Other non-cash expenses	51.5	6.9	6.1	3.1	10.2	3.0	2.3	31.8	114.9

35. CAPITAL MANAGEMENT

The Group manages capital with the aim of ensuring the Group's remaining a going concern and the expected rate of return for shareholders and other entities interested in the financial position of the Group.

The Group monitors the level of capital based on the carrying amount of equity. Based on the amount of capital determined in such a way, the Group calculates the ratio of capital to total funding sources (equity, bank loans and bonds). The Group assumes maintaining this ratio at a level not lower than 0.3.

Moreover, to monitor its debt servicing capacity, the Group calculates the debt (i.e. liabilities from leases, loans, borrowings and other debt instruments) to EBITDA (operating profit adjusted for depreciation and amortisation) ratio. The Group assumes maintaining the debt to EBITDA ratio at a level not higher than 3.0.

The aforementioned targets of the Group are compliant with the requirements imposed by the loan agreements, presented in detail in note 24.

Neither the Group nor the Parent Company is subject to external capital requirements.

In the reporting period analysed, the capital to total funding ratio amounted to 0.5 (2022: 0.4), whereas the debt to EBIDTA ratio stood at 1.30 (2022: 2.30).

36. EMPLOYMENT STRUCTURE

In the year ended 31 January 2024, average employment (FTEs) in the entire Group amounted to 21,489 FTEs (2022: 19,862 FTEs).

37. INFORMATION ON THE REMUNERATION OF THE STATUTORY AUDITOR OR THE AUDIT FIRM

On 21 July 2022, LPP SA signed the agreement on the audit of the annual financial statements of the Company and the LPP SA Group for the years 2022-2024 and on the review of interim semi-annual financial statements of the Company and the LPP SA Group in the aforementioned period. The entity authorised to audit and review the financial statements of the Company and the LPP SA Group was chosen by the Supervisory Board of LPP SA acting under Article 35 of its Articles of Association of LPP SA.

The entity chosen was Grant Thornton Polska Prosta spółka akcyjna with its registered office in Poznań, entered in the list of Polish Board of Statutory Auditors under no 4055.

The remuneration of the auditor and the companies included in the network for the year ended 31 January 2023 and the comparative period, broken down by types of services, amounted to:

Remuneration paid or due (in PLN thou)	01.02.2023 – 31.01.2024		01.02.2022 – 31.01.2023	
	Remuneration of the network	including the audit firm	Remuneration of the network	including the audit firm
Mandatory audit of the annual financial statements	348	303	375	337
Review of the semi-annual financial statements	273	273	201	201
Other services	257	257	0	0
Total	**878**	**833**	**576**	**538**

38. EVENTS AFTER THE BALANCE SHEET DAY

On 15 March 2024, Hindenburg Research, an intelligence agency, published a report on its website in which it raised more than a dozen allegations against LPP SA, challenging the Company's previous communication regarding the termination of its trading activities in the Russian Federation.

The report resulted in a 35.78% decline of the LPP share price, which rose by 20.52% on the next trading day (18 March 2024).

LPP SA issued statements included in Current Reports No. 4/2024, No. 5/2024 and No. 6/2024 rebutting the allegations indicated by the intelligence agency. In the statements, the Company has informed that the action of Hindenburg Research is part of an organised disinformation attack calculated to drive down the share price of LPP and assured that it is not the owner of the Russian business and does not control the activities of its former company in Russia.

As a result of the report published by the intelligence agency, the Company submitted a notice to the public prosecutor's office on the suspicion of committing a crime to the detriment of LPP SA and its shareholders, institutional investors, threatening the security of the financial market.

Currently, LPP SA is continuing the process of clarifying the circumstances of generation of the said report and has undertaken communication activities with the market, the banks and the public supervision authorities.

At the time of signing the consolidated financial statements, no letter changing the terms of the loan agreement or terminating it had been received.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Member of the Management Board

Sławomir Łoboda
Member of the Management Board

Marcin Piechocki
Member of the Management Board

Mikołaj Wezdecki
Member of the Management Board

GDAŃSK, 26 MARCH 2023

04 Statements of the Management Board

Statement on reliability of the financial statements

In line with the requirements set forth in the Regulation by the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities […] (Regulation), the Management Board of LPP SA declares that, to the best of the Board's knowledge, the annual consolidated financial statements for the financial year 2023 and comparative data have been prepared in accordance with accounting principles currently in effect and present a true and fair view of the assets and the financial standing of LPP Group as well as the financial result in the periods presented, and that the report of the Management Board on the operations of LPP Group, together with the statement on corporate governance for 2023 (with due consideration of disclosure requirements for the Report on the Operations of the Parent Company for the said period), present a true and fair view of the development, achievements and the standing of LPP Group and LPP SA, including a description of basic risks and threats.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Member of the Management Board

Sławomir Łoboda
Member of the Management Board

Marcin Piechocki
Member of the Management Board

Mikołaj Wezdecki
Member of the Management Board

Statement of the entity authorised to audit financial statements

In line with the requirements set forth in the Regulation by the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities [...] (Regulation), the Management Board of LPP SA informs that, based on the statement of the Supervisory Board of LPP SA, the entity authorized to audit financial statements, which has audited the annual consolidated financial statements of LPP Group and the separate financial statements of LPP SA, has been chosen in accordance with the provisions of law, including those governing the selection of, and the procedure for selecting, an audit company.

The audit company Grant Thornton Polska Prosta spółka akcyjna based in Poznań and members of the auditing team met the conditions for preparing an impartial and independent report on the audit of the annual consolidated financial statements in accordance with binding laws as well as professional and ethical standards.

Furthermore, the Management Board of LPP SA informs that, based on the statement made by the Supervisory Board of LPP SA, binding laws governing the rotation of audit companies and a key statutory auditor as well as mandatory waiting periods have been complied with.

LPP SA has implemented a policy for choosing an audit company and a policy for the provision by an audit company or its affiliate or network member of additional non-audit services, including those conditionally permitted to be rendered by an audit company.

MANAGEMENT BOARD OF LPP SA:

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President of the Management Board

Przemysław Lutkiewicz
Member of the Management Board

Sławomir Łoboda
Member of the Management Board

Marcin Piechocki
Member of the Management Board

Mikołaj Wezdecki
Member of the Management Board

Statement on non-financial information

The Management Board of LPP SA declares that, together with this report being published, it publishes a sustainability report for 2023, titled “Towards decarbonisation”, providing comprehensive information on the Issuer. The integrated report meets the requirements of the Accounting Act and, being a separate document, constitutes a statement on non-financial information.

MANAGEMENT BOARD OF LPP SA:

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Member of the Management Board

Sławomir Łoboda
Member of the Management Board

Marcin Piechocki
Member of the Management Board

Mikołaj Wezdecki
Member of the Management Board

05 Statement of, and assessment by, the Supervisory Board

Statement of the Supervisory Board of LPP SA on the fulfilment by the audit committee of statutory requirements

Following the duty stemming from § 70(1)(8) and § 71(1)(8) of Regulation of the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities and the terms and conditions for recognition of information required under the laws of an EU non-member state as equivalent (Journal of Laws of 2018, item 757), the Supervisory Board of LPP SA hereby declares:

- compliance with the provisions on the appointment, composition and operation of the Audit Committee of the Supervisory Board of LPP SA, including those governing fulfilment by its members of independence criteria and requirements to have knowledge and skills related to the industry sector in which LPP SA operates as well as provisions on accounting or auditing financial statements,
- that the Audit Committee of the Supervisory Board of LPP SA performed the tasks of an audit committee as provided for in binding provisions of laws, in particular those provided for in Article 130(1) of the Act dated 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision (Journal of laws of 2017, item 1089, as amended).

SUPERVISORY BOARD OF LPP SA:

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

Assessment by the Supervisory Board of LPP SA

The Supervisory Board, having reviewed:
- the financial statements of LPP SA and LPP Group for the financial year 2023,
- LPP Management Board's report on the operations of the Company's Group in the financial year 2023 (incorporating the report on the Company's operations in the said period),
- the opinion and the report of the statutory auditor on the audit of the Company's financial statements for the financial year 2023;
- the opinion and the report of the statutory auditor on the audit of the financial statements of the Company's Group for the financial year 2023;

Acknowledges that, in the opinion of the Supervisory Board:
- the Management Board's report on the operations of the Company's Group in the financial year 2023, incorporating the Management Board's report on the Company's operations in the said period;
- the financial statements of LPP SA for the financial year 2023 and
- the consolidated financial statements of LPP Group for the financial year 2023 are complete and accurate and contain data which exhaustively presents the standing of the Company and LPP Group.

Furthermore, the Supervisory Board indicates that the Management Board's report on the operations of LPP Group for 2023 incorporates also the Management Board's report on the operations of the Company (as parent company). The joint presentation of the two reports is permissible under Article 55(2a) of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2019, item 351, as amended) and § 71(8) of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information submitted by issuers of securities and on the terms and conditions for recognition as equivalent of information required under the laws of a non-member state (Journal of Laws of 2018, item 757).

The Supervisory Board recommends that the Annual General Meeting of Shareholders should adopt the resolution approving:
- the Management Board's report on the operations of the Company's Group and the Company's operations in the financial year 2023;
- the Company's financial statement for the financial year 2023;
- consolidated financial statement of LPP Group for the financial year 2023.

The Supervisory Board takes such view based on the analysis of documents referred to above and the results of works of the Board's Audit Committee and the Supervisory Board itself. These activities have led to the conclusion that the above-mentioned documents are complete, accurate and contain data which exhaustively presents the standing of the Company and LPP Group.

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