# LPP Factbook

2023

RESERVED CROPP HOUSE MOHITO sinsay

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# Group overview

## A GLOBAL BRAND, A POLISH COMPANY

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

**WE OWN FIVE FASHION BRANDS:**

RESERVED CROPP HOUSE MOHITO sinsay

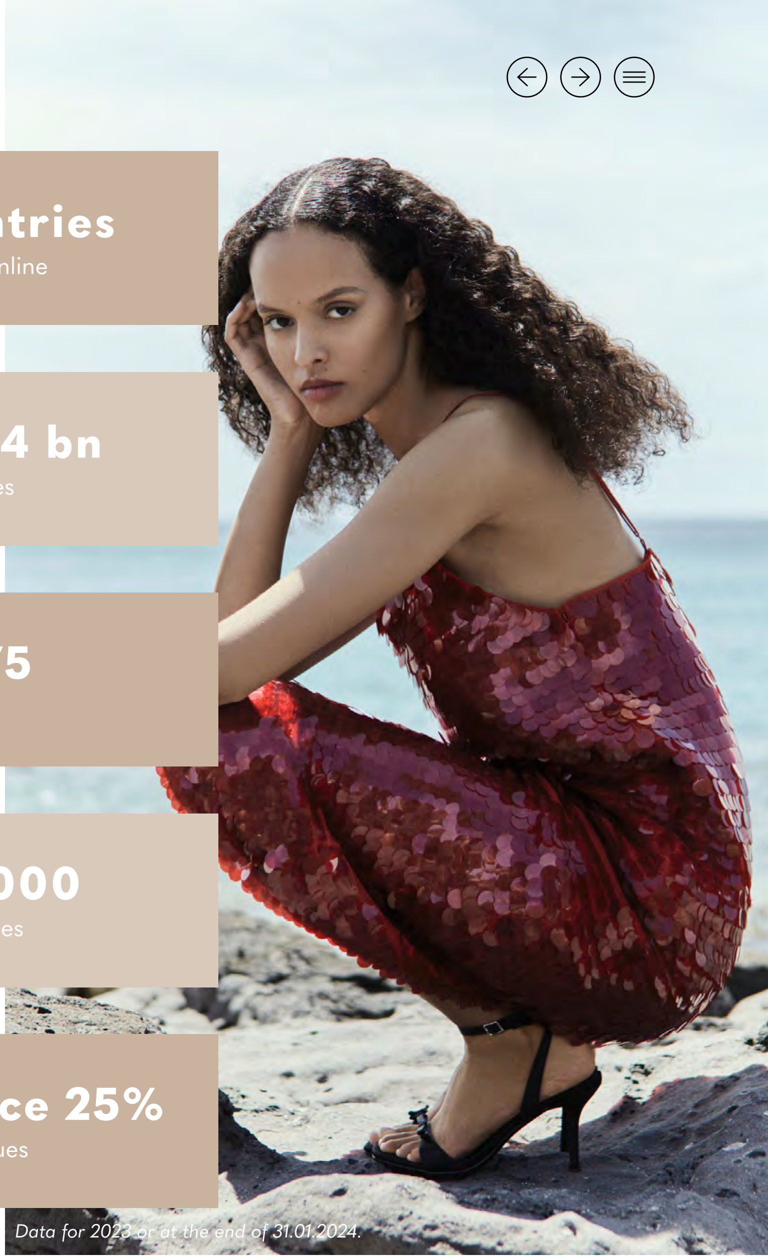
**39 countries**
offline + online

**PLN 17.4 bn**
revenues

**2,275**
stores

**c. 33,000**
employees

**e-commerce 25%**
of revenues



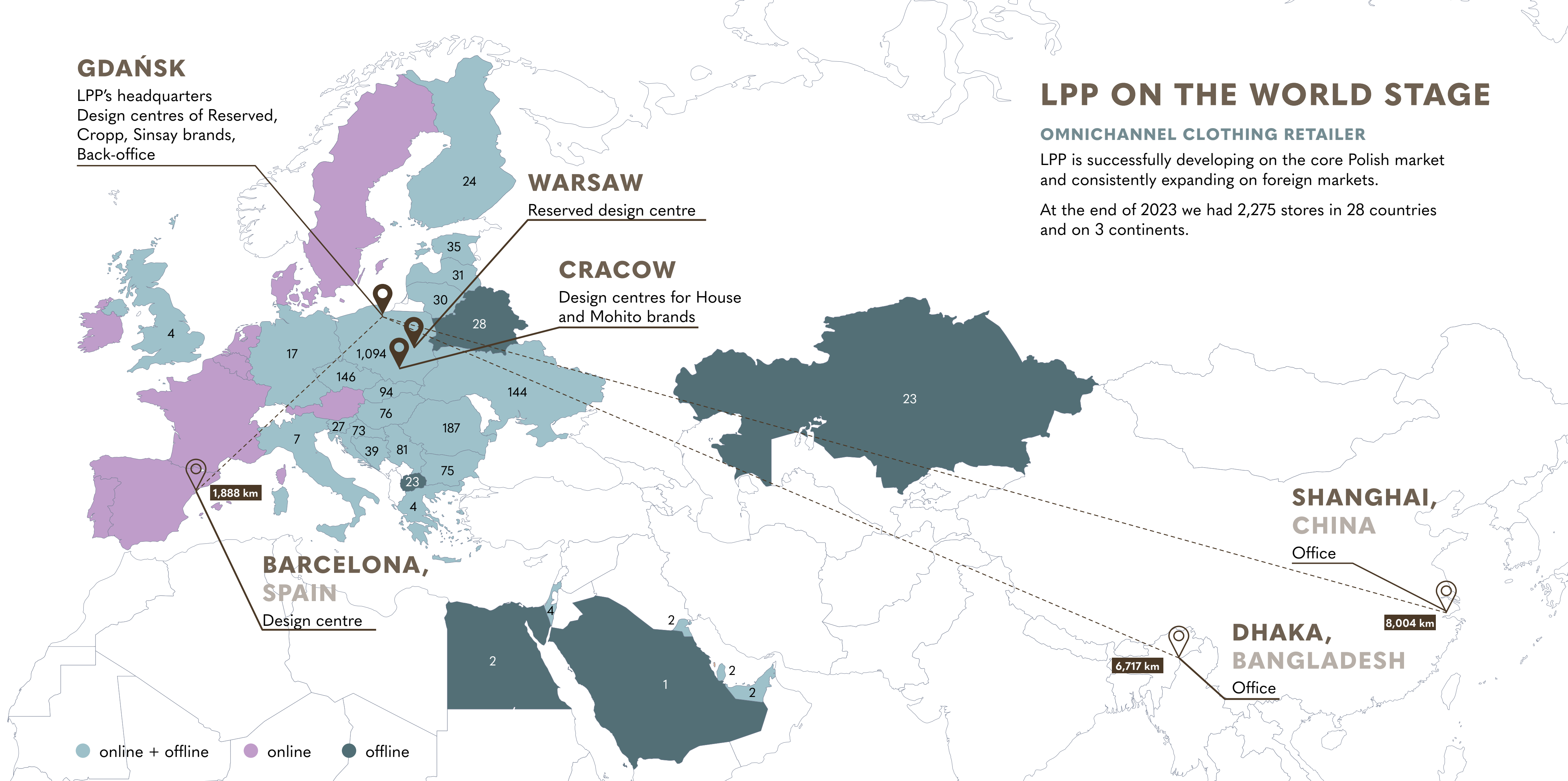
*Data for 2023 or at the end of 31.01.2024.*

# LPP ON THE WORLD STAGE

## OMNICHANNEL CLOTHING RETAILER

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

At the end of 2023 we had 2,275 stores in 28 countries and on 3 continents.



LPP

## Cee

## See

| POLAND | 1,094 |
|---|---|
| Sinsay | 400 |
| Reserved | 181 |
| Cropp | 187 |
| House | 198 |
| Mohito | 128 |

| CZECH REPUBLIC | 146 |
|---|---|
| Sinsay | 58 |
| Reserved | 19 |
| Cropp | 29 |
| House | 25 |
| Mohito | 15 |

| SLOVAKIA | 94 |
|---|---|
| Sinsay | 37 |
| Reserved | 16 |
| Cropp | 14 |
| House | 17 |
| Mohito | 10 |

| HUNGARY | 76 |
|---|---|
| Sinsay | 34 |
| Reserved | 14 |
| Cropp | 7 |
| House | 12 |
| Mohito | 9 |

| BULGARIA | 75 |
|---|---|
| Sinsay | 43 |
| Reserved | 9 |
| Cropp | 10 |
| House | 8 |
| Mohito | 5 |

| CROATIA | 73 |
|---|---|
| Sinsay | 41 |
| Reserved | 7 |
| Cropp | 8 |
| House | 10 |
| Mohito | 7 |

| SLOVENIA | 27 |
|---|---|
| Sinsay | 12 |
| Reserved | 3 |
| Cropp | 5 |
| House | 3 |
| Mohito | 4 |

| NORTH MACEDONIA | 23 |
|---|---|
| Sinsay | 14 |
| Reserved | 3 |
| Cropp | 2 |
| House | 2 |
| Mohito | 2 |

| ROMANIA | 187 |
|---|---|
| Sinsay | 110 |
| Reserved | 21 |
| Cropp | 24 |
| House | 20 |
| Mohito | 12 |

| SERBIA | 81 |
|---|---|
| Sinsay | 52 |
| Reserved | 7 |
| Cropp | 9 |
| House | 8 |
| Mohito | 5 |

| BOSNIA & HERZEGOVINA | 39 |
|---|---|
| Sinsay | 31 |
| Reserved | 1 |
| Cropp | 2 |
| House | 4 |
| Mohito | 1 |

| GREECE | 4 |
|---|---|
| Sinsay | 4 |

## Baltic

| LITHUANIA | 30 |
|---|---|
| Sinsay | 14 |
| Reserved | 5 |
| Cropp | 5 |
| House | 2 |
| Mohito | 4 |

| LATVIA | 31 |
|---|---|
| Sinsay | 14 |
| Reserved | 5 |
| Cropp | 4 |
| House | 4 |
| Mohito | 4 |

| ESTONIA | 35 |
|---|---|
| Sinsay | 14 |
| Reserved | 3 |
| Cropp | 7 |
| House | 6 |
| Mohito | 5 |

## East

| UKRAINE | 144 |
|---|---|
| Sinsay | 56 |
| Reserved | 24 |
| Cropp | 29 |
| House | 23 |
| Mohito | 12 |

| BELARUS | 28 |
|---|---|
| Sinsay | 15 |
| Reserved | 3 |
| Cropp | 4 |
| House | 4 |
| Mohito | 2 |

| KAZAKHSTAN | 23 |
|---|---|
| Sinsay | 14 |
| Reserved | 3 |
| Cropp | 2 |
| House | 2 |
| Mohito | 2 |

## We

| FINLAND | 24 |
|---|---|
| Sinsay | 9 |
| Reserved | 2 |
| Cropp | 7 |
| House | 5 |
| Mohito | 1 |

| GERMANY | 17 |
|---|---|
| Reserved | 17 |

| UNITED KINGDOM | 4 |
|---|---|
| Reserved | 4 |

| ITALY | 7 |
|---|---|
| Sinsay | 6 |
| Reserved | 1 |

## Me

| EGYPT | 2 |
|---|---|
| Reserved | 2 |

| QATAR | 2 |
|---|---|
| Reserved | 2 |

| ISRAEL | 4 |
|---|---|
| Reserved | 4 |

| KUWAIT | 2 |
|---|---|
| Reserved | 2 |

| UAE | 2 |
|---|---|
| Reserved | 2 |

| SAUDI ARABIA | 1 |
|---|---|
| Reserved | 1 |

# 02 History

## 1991

## CREATION OF MISTRAL COMPANY BY:

### MAREK PIECHOCKI, CEO & CO-FOUNDER

Present in the retail business since 1989
CEO of LPP since 2000
The Best-Performing CEO according to Harvard Business Review (2013)

### JERZY LUBIANIEC, CO-FOUNDER

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

## 1993

- Sale of goods imported from Asia.

## 1994

- First designed clothes.

## 1995

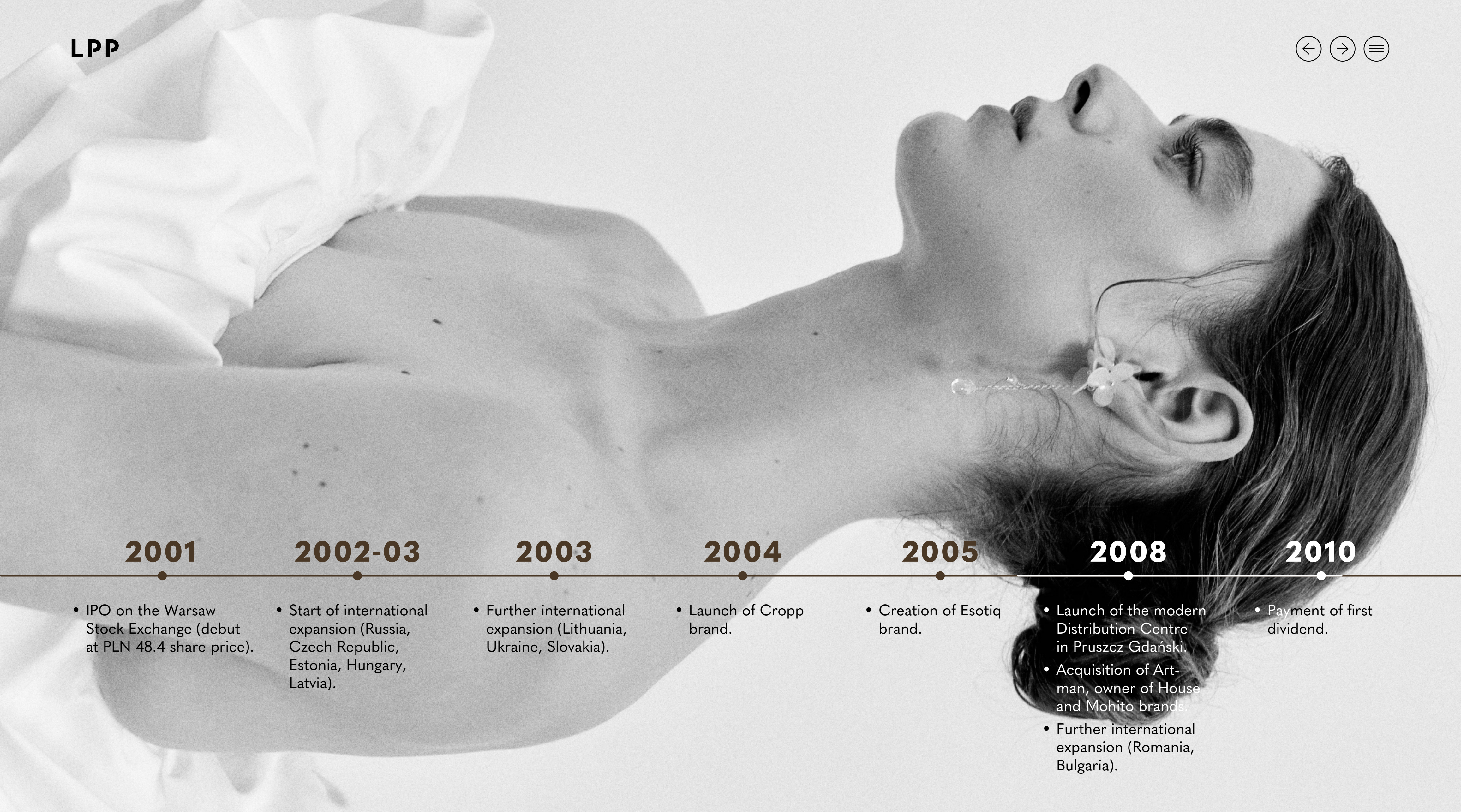
- Mistral transformed into LPP.

## 1997

- Opening of office in Shanghai.

## 1998

- Launch of Reserved – first retail store opened.



**2001**
- IPO on the Warsaw Stock Exchange (debut at PLN 48.4 share price).

**2002-03**
- Start of international expansion (Russia, Czech Republic, Estonia, Hungary, Latvia).

**2003**
- Further international expansion (Lithuania, Ukraine, Slovakia).

**2004**
- Launch of Cropp brand.

**2005**
- Creation of Esotiq brand.

**2008**
- Launch of the modern Distribution Centre in Pruszcz Gdański.
- Acquisition of Artman, owner of House and Mohito brands.
- Further international expansion (Romania, Bulgaria).

**2010**
- Payment of first dividend.

## 2010

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

## 2013

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

## 2014

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

## 2015

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

## 2016

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

## 2017

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

## 2018

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

## 2019

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

## 2020

- Finalising expansion of Pruszcz Gdański Distribution Centre. Total floorspace: 100,000 m$^2$.
- Completion of reorganization proceedings in Germany (negotiating new terms and conditions with the landlords).
- Opening of Reserved store in Dubai, in the world's largest shopping center, Dubai Mall.
- Launch of e-store in Slovenia and Israel.
- Acquisition of a controlling interest in LPP by Semper Simul Foundation. Securing the family character of the company and guarantee of strategy implementation.
- Launch Fulfillment Center in Slovakia.

## 2021

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

## 2022

- Closing of operations in Russia (decision about selling the subsidiary registered in Russia)
- Start of the first stage of the process of developing the Company's climate strategy, in line with SBTi (Science Based Targets).
- Launch of Distribution Centre in Brześć Kujawski.
- Start of the operating activities of LPP Logistics - a subsidiary responsible for logistics services in the Group's entire chain.
- Launch of the new Fulfillment Centers: in Pruszcz Gdański near Gdańsk.
- Opening design centre in Barcelona.
- Start of online store in Serbia and Liban.
- Debut of Sinsay application.
- Opening of first Sinsay store in Marcon, Italy (debut LPP in Italy).
- Joining the Accord Pakistan.
- Launch of the new Fulfillment Centers: in Jasionka near Rzeszów.
- Signing of a contract for the lease of the first Distribution Centre abroad i.e. in Romania (near Bucharest).
- Debut of Sinsay in Heraklion, Greece.

# 2023

### FEBRUARY
- Debut of Reserved Home.

### APRIL
- Cooperation Reserved with Le Petit Trou (underwear joint capsule premium collection).

### JUNE
- Creating 2 foreign logistics subsidiaries (LPP Logistics created LPP Logistics Romania s.r.l. and LPP Logistics Slovakia s.r.o.).
- The first Dividend Policy of the Company (for 2023-2025).

### JULY
- LPP decarbonisation plan approved by SBTi.
- Cooperation of Reserved with the "BOLESŁAWIEC" Ceramics Factory.

### SEPTEMBER
- Debut of the Reserved store in Italy (Milan, Corso Vittorio Emanuele II).

### NOVEMBER
- Debut of Mohito mobile app.
- Changes in the shareholders of the company - decreasing the threshold below 5.0% of votes at the General Meeting by Sky Foundation.

### JANUARY
- Opening of an online store in Bosnia and Herzegovina.

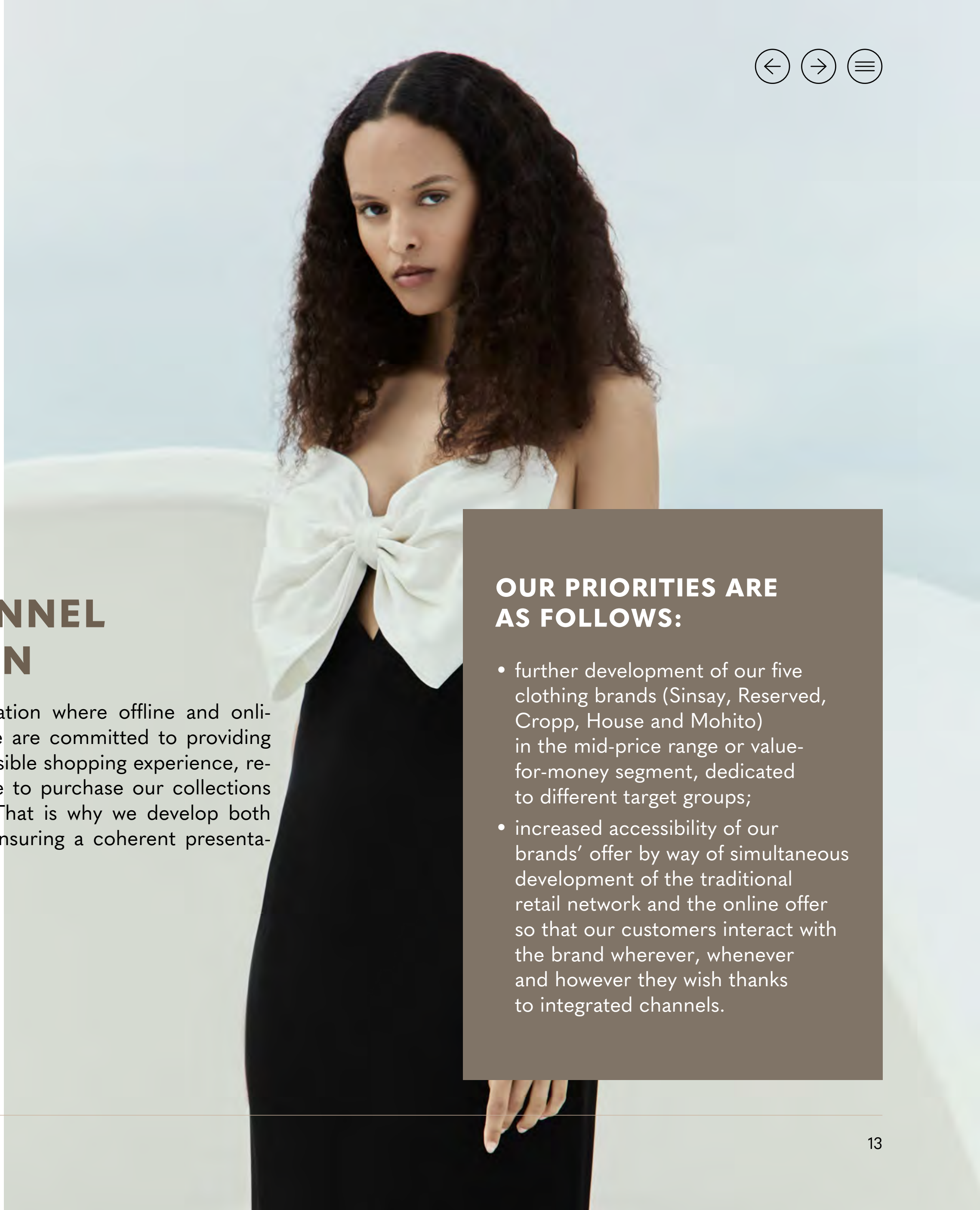
# 03 Strategy

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

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

## 3.1. OMNICHANNEL ORGANISATION

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



### OUR PRIORITIES ARE AS FOLLOWS:

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

### 3.1.1. EXPANSION BY BRANDS

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

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

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

On top, it allows us to develop niches with the shopping mall or retail parks operators. Furthermore, our brand portfolio diversifies the fashion risk.

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

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

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

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

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 affect a regular increase of Sinsay's share in the portfolio of LPP brands in the consecutive years.

### 3.1.2. DEVELOPMENT THROUGH EXPANSION IN NEW MARKETS

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

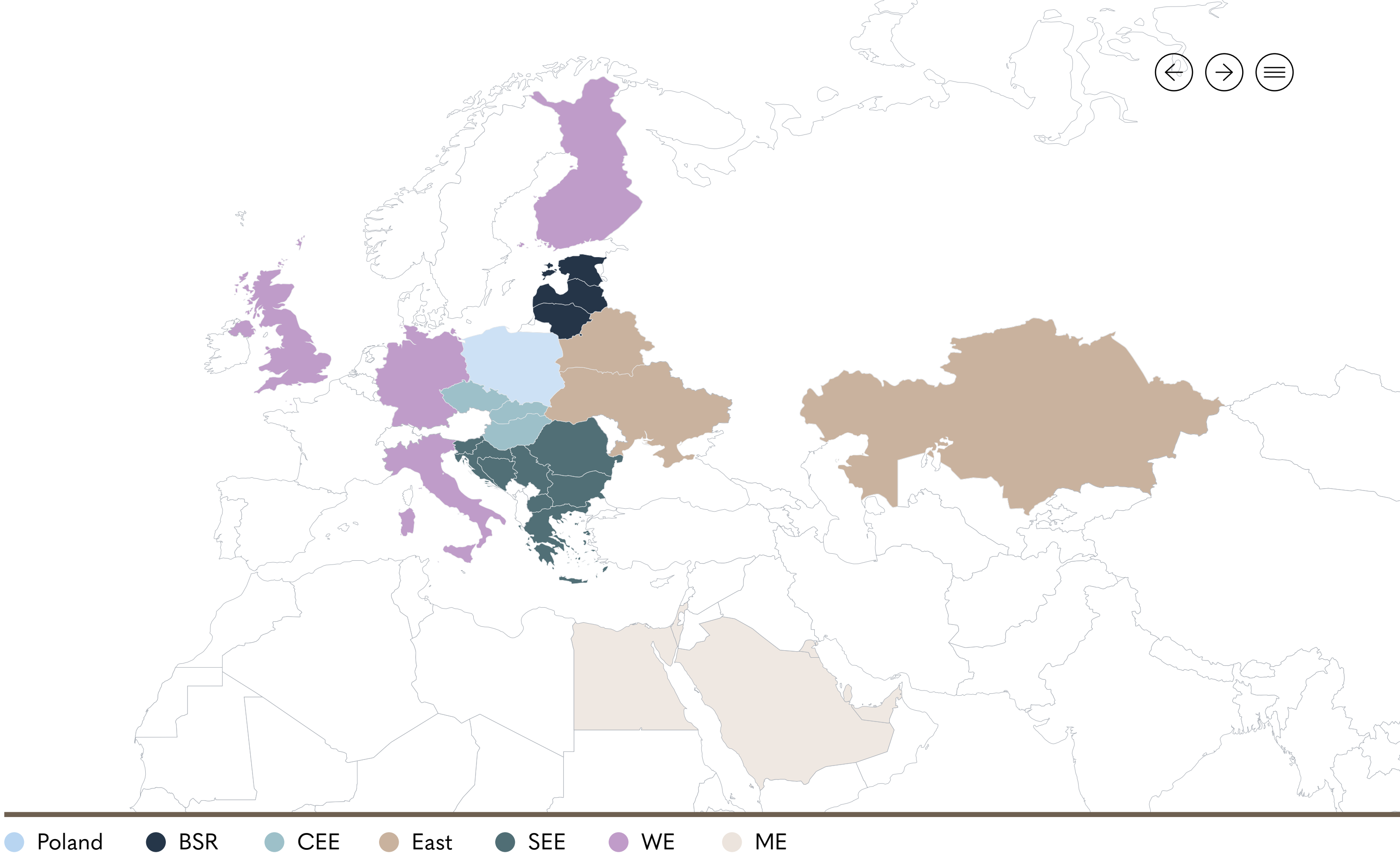
Our goal is to diversify the Group's revenues, i.e. maintaining our current domestic position and increasing the share of sales abroad, specifically in EU countries.

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

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

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

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




**East** i.e. Ukraine, Belarus 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 (special for Sinsay). 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.

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

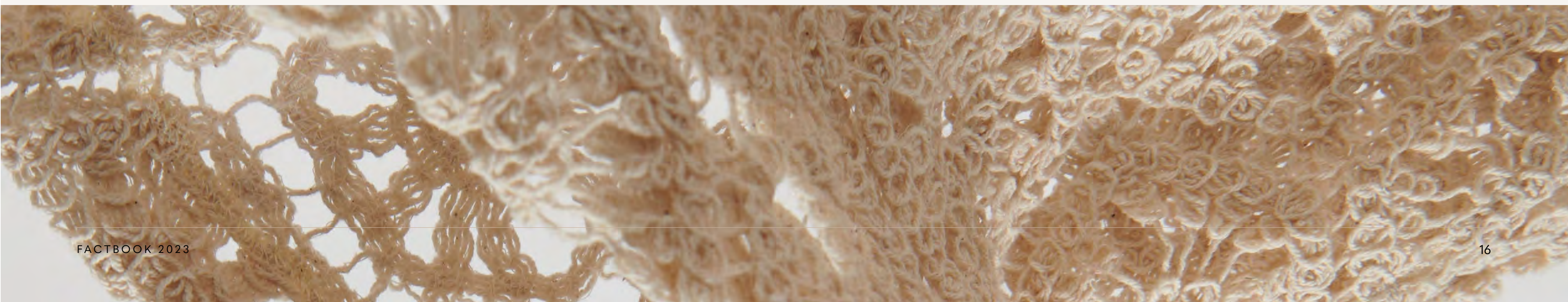
# EXPANSION BY COUNTRIES

## OFFLINE

| 1998 | 2002 | 2003 | 2008 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Poland** | Russia, Latvia, Estonia, Czech Republic, Hungary | Ukraine, Slovakia, Lithuania | Romania, Bulgaria | Croatia, Germany | Egypt, Qatar, Kuwait, Saudi Arabia | United Arab Emirates | UK, Belarus, Serbia, Saudi Arabia (-) | Kazahstan, Slovenia, Israel | B&H, Finland | North Macedonia | Greece, Italy, Russia (-) | Saudi Arabia |

## ONLINE

| 2011 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Poland** | Germany | Czech Republic, Slovakia, Romania | Hungary | Lithuania, Latvia, Estonia, the UK, Russia | Bahrain, Kuwait, UAE, Saudi Arabia, Oman (ME region through franchise partner) | Ukraine, Croatia, pan-European e-store | Slovenia, Israel | Bulgaria, Qatar | Serbia, Lebanon, Russia (-) | Bosnia&Herzegovina |



# 3.2. DIGITALISATION OF THE ORGANISATION

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

**As part of our Fashion Tech activities, we focus our efforts on using modern technology to:**

- continuously improve our collections in line with our customers' expectations,
- expand our range of sales and after-sales services in line with global retail trends,
- increase the flexibility of our distribution network,
- fully integrate traditional and online channels in the spirit of the omnichannel strategy.

**OWN STORE VISION APPLICATION**

**RFID USAGE IN STORES**

**BIG DATA**

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

**DATA IS PROCESSED BY ALGORITHMS**

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

**SUPPORT FOR DESIGNERS**

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

# 3.3. SUSTAINABLE DEVELOPMENT

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

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

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

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

# Brands

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

| | sinsay | RESERVED | CROPP | HOUSE | MOHITO |
|---|---|---|---|---|---|
| **KEY BRAND FEATURES** | The lates trends in affordable prices. | The global leading trends (formal and casual styles). | Casual, urban, sporty style inspired by the hip-hop and pop culture. | Style inspired by the pop culture (music, fiilms, art and sport). | Comfort and elegance for business and informal meetings. |
| **TARGET CUSTOMERS** | Women, men, teenagers, children, newborn | Women, men, children, newborn | Teenagers (boys and girls) | Teenagers (boys and girls) | Women |
| **YEAR OF LAUNCH** | 2013 | 1998 | 2004 | 2001 (at LPP since 4Q08) | 2008 (at LPP since 4Q08) |
| **# STORES/ FLOORSPACE** | 978<br>954.6 ths $m^2$ | 361<br>594.5 ths $m^2$ | 355<br>172.3 ths $m^2$ | 353<br>171.3 ths $m^2$ | 228<br>100.9 ths $m^2$ |
| **AVERAGE STORE SIZE** | 976 $m^2$ | 1,647 $m^2$ | 485 $m^2$ | 485 $m^2$ | 442 $m^2$ |

## TWO PILLARS:

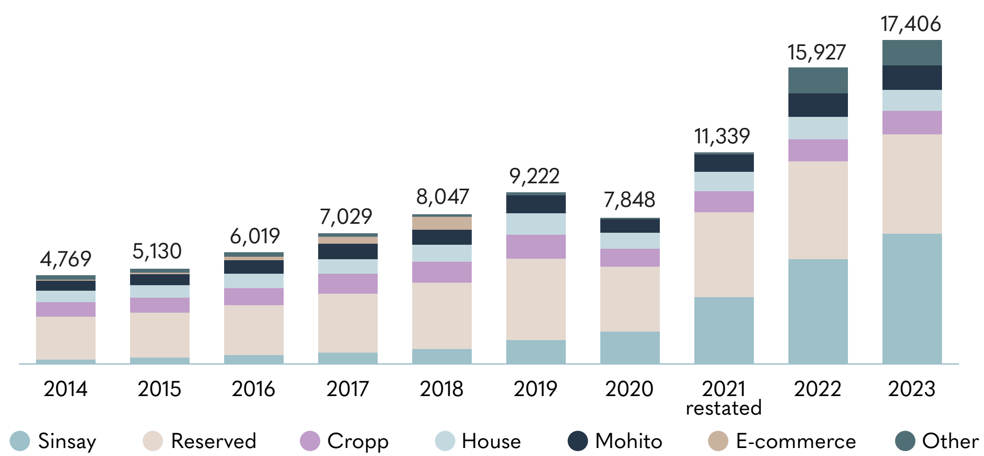
**VALUE-FOR-MONEY BRAND (SINSAY)**
**MAINSTREAM-PRICED BRANDS (RESERVED, CROPP, HOUSE, MOHITO)**

## REVENUES BY BRANDS

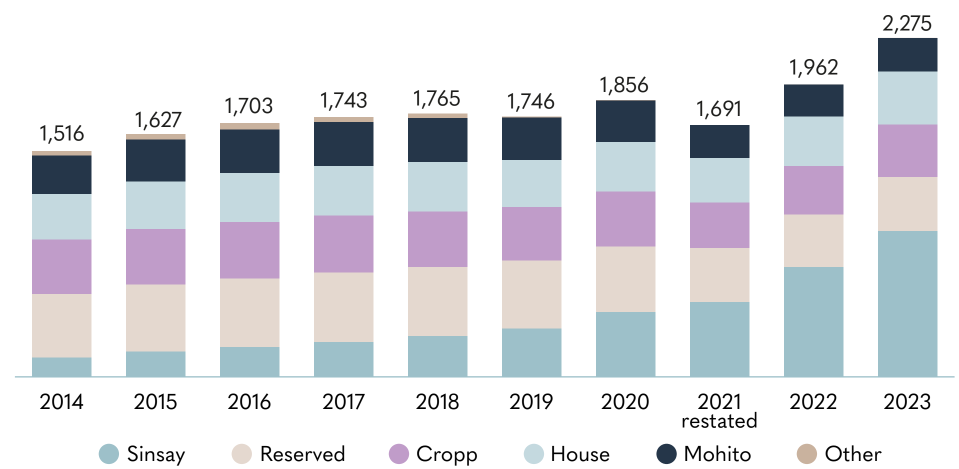
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2019 | 2020 | 2021 | 2021 restated | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **4,769** | **5,130** | **6,019** | **7,029** | **8,047** | **8,756** | **9,899** | **9,222** | **7,848** | **14,030** | **11,339** | **15,927** | **17,406** |
| Sinsay | 225 | 329 | 461 | 610 | 789 | 851 | 1,208 | 1,282 | 1,738 | 4,587 | 3,579 | 5,610 | 6,995 |
| Reserved | 2,311 | 2,434 | 2,693 | 3,160 | 3,578 | 3,881 | 4,047 | 4,370 | 3,467 | 5,386 | 4,574 | 5,261 | 5,342 |
| Cropp | 771 | 790 | 915 | 1,064 | 1,120 | 1,206 | 1,300 | 1,289 | 972 | 1,526 | 1,103 | 1,193 | 1,247 |
| House | 634 | 673 | 767 | 805 | 920 | 993 | 1,117 | 1,135 | 875 | 1,295 | 1,053 | 1,194 | 1,137 |
| Mohito | 523 | 586 | 737 | 829 | 782 | 846 | 897 | 987 | 708 | 1,144 | 957 | 1,266 | 1,304 |
| E-commerce | 65 | 79 | 173 | 361 | 712 | 802 | 1,174 | - | - | - | - | - | - |
| Other | 241 | 239 | 261 | 200 | 146 | 178 | 156 | 159 | 88 | 92 | 72 | 1,403 | 1,380 |
| Tallinder | - | - | 12 | 1 | - | - | - | - | - | - | - | - | - |
| **Floorspace ($m^2$)** | **722,510** | **843,473** | **920,724** | **1,000,611** | **1,091,320** | **1,075,639** | **1,230,860** | **1,230,860** | **1,435,402** | **1,888,149** | **1,888,149** | **1,673,360** | **1,993,664** |

*2019 (13m) represents 13-month long audited data, 2019 represents 12-month long data created for comparison purposes. Since 2019 there was a change in data presentation. E-commerce revenues are now allocated among brands. 2021 data restated (excludes Russia). Other sales in 2022 and 2023 includes sales to trade agents.*

## REVENUES BY BRANDS (PLN M)




## STORES BY BRANDS



LPP

## 4.1. SINSAY

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.

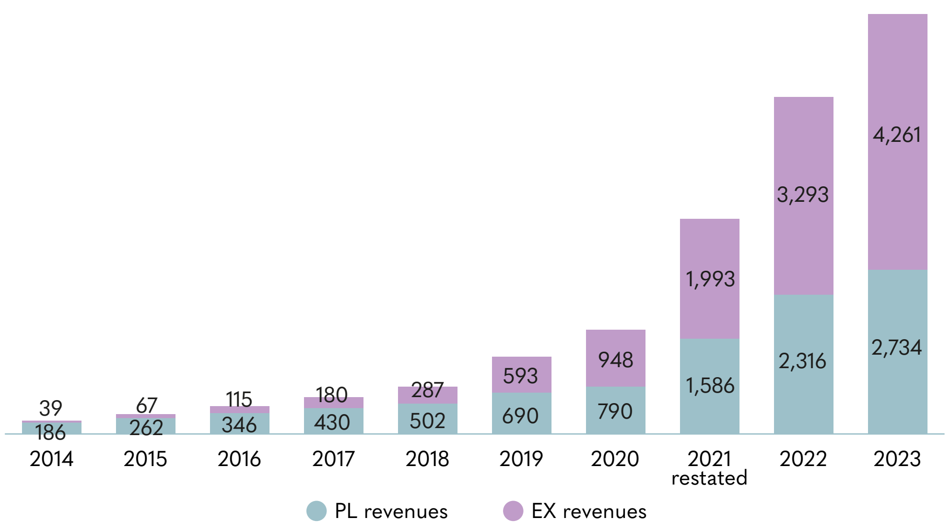
*the latest trends in affordable prices*

- **18** #online markets
- **20** #offline markets
- **978** #stores
- **PLN 7.0 bn** revenues
- **2013** year of launch
- **955 ths m²** floorspace

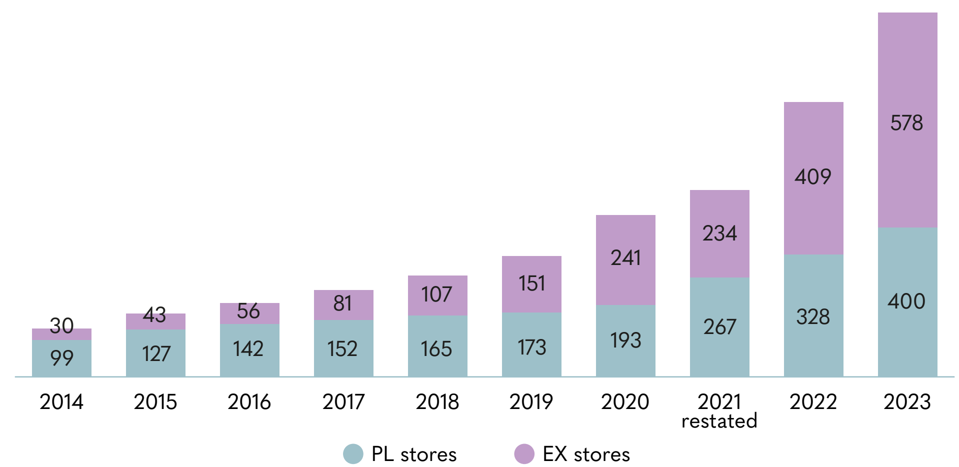
## SINSAY - BASIC FIGURES

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 | 2020 | 2021 | 2021 restated | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **225** | **329** | **461** | **610** | **789** | **851** | **1,282** | **1,738** | **4,587** | **3,579** | **5,610** | **6,995** |
| No. of stores | 129 | 170 | 198 | 233 | 272 | 271 | 324 | 434 | 743 | 501 | 737 | 978 |
| Store size ($m^2$) | 338 | 351 | 352 | 363 | 379 | 379 | 535 | 760 | 927 | 879 | 949 | 976 |
| Floorspace (eop, ths $m^2$) | 44 | 60 | 70 | 85 | 103 | 103 | 173 | 330 | 689 | 440 | 700 | 955 |
| Sales/ $m^2$ monthly | 584 | 531 | 607 | 690 | 719 | 709 | 728 | 615 | 790 | 912 | 841 | 711 |
| *% of floorspace in PL* | *75%* | *73%* | *70%* | *63%* | *58%* | *58%* | *45%* | *35%* | *30%* | *47%* | *39%* | *37%* |
| No. of countries offline | 10 | 11 | 11 | 13 | 15 | 15 | 17 | 18 | 19 | 18 | 20 | 20 |
| No. of countries online | 1 | 1 | 6 | 10 | 10 | 10 | 12 | 13 | 14 | 13 | 17 | 18 |

## SINSAY - REVENUES (PLN M)




## SINSAY - STORES



## 4.2. RESERVED

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.


**34**
#online markets

**27**
#offline markets

**361**
#stores

**PLN 5.3 bn**
revenues

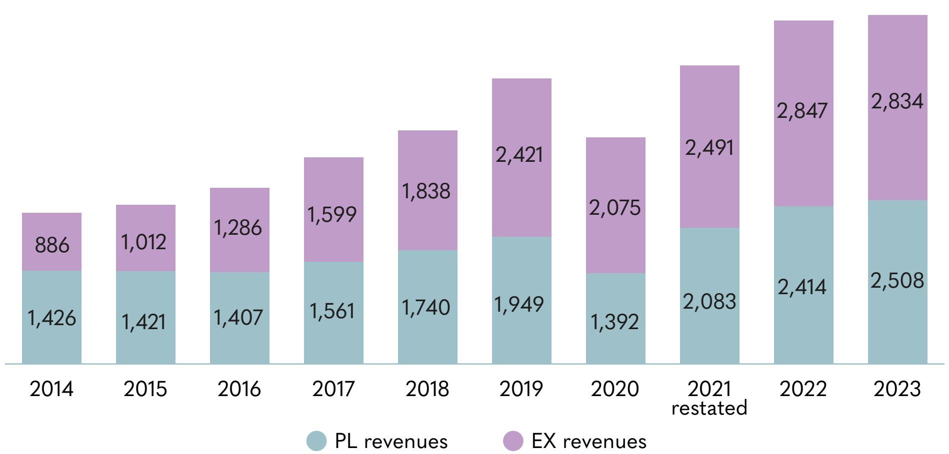
**1998**
year of launch

**595 ths m²**
floorspace

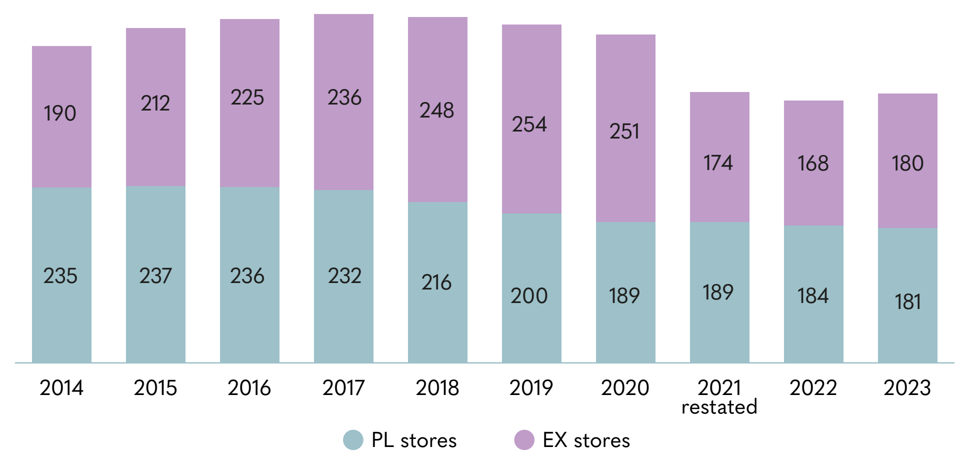
## RESERVED - BASIC FIGURES

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 | 2020 | 2021 | 2021 restated | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **2,311** | **2,434** | **2,693** | **3,160** | **3,578** | **3,881** | **4,370** | **3,467** | **5,386** | **4,574** | **5,261** | **5,342** |
| No. of stores | 425 | 449 | 461 | 468 | 464 | 452 | 454 | 440 | 447 | 363 | 352 | 361 |
| Store size ($m^2$) | 917 | 1,027 | 1,104 | 1,201 | 1,329 | 1,338 | 1,464 | 1,533 | 1,589 | 1,608 | 1,618 | 1,647 |
| Floorspace (eop, ths $m^2$) | 390 | 461 | 509 | 562 | 617 | 605 | 665 | 675 | 710 | 584 | 570 | 595 |
| Sales/ $m^2$ monthly | 547 | 483 | 475 | 514 | 527 | 525 | 500 | 441 | 657 | 666 | 773 | 780 |
| *% of floorspace in PL* | *54%* | *50%* | *49%* | *47%* | *44%* | *44%* | *41%* | *40%* | *38%* | *46%* | *47%* | *46%* |
| No. of countries offline | 13 | 17 | 18 | 20 | 23 | 23 | 25 | 25 | 26 | 25 | 25 | 27 |
| No. of countries online | 2 | 5 | 6 | 11 | 16 | 16 | 30 | 30 | 33 | 32 | 34 | 34 |

## RESERVED - REVENUES (PLN M)




## RESERVED - STORES



## 4.3. CROPP

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.

*casual, urban, sporty style inspired by the hip-hop and pop culture*

**18**
#online markets

**18**
#offline markets

**355**
#stores

**PLN 1.2 bn**
revenues

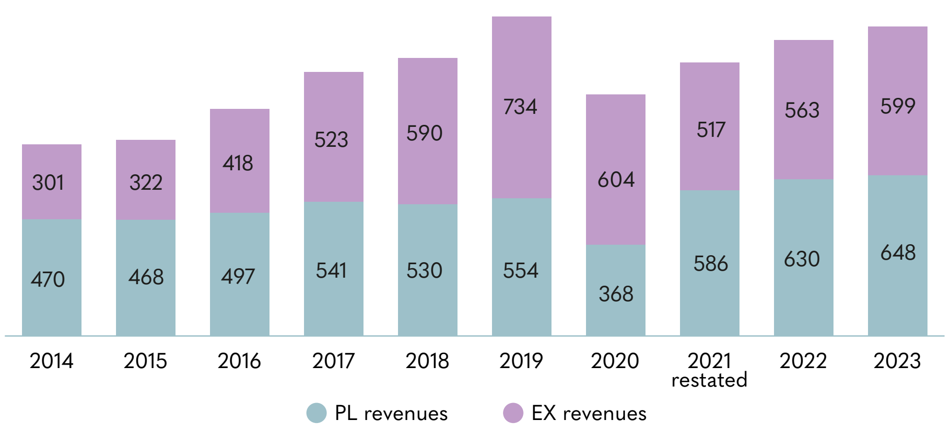
**2004**
year of launch

**172 ths m$^2$**
floorspace

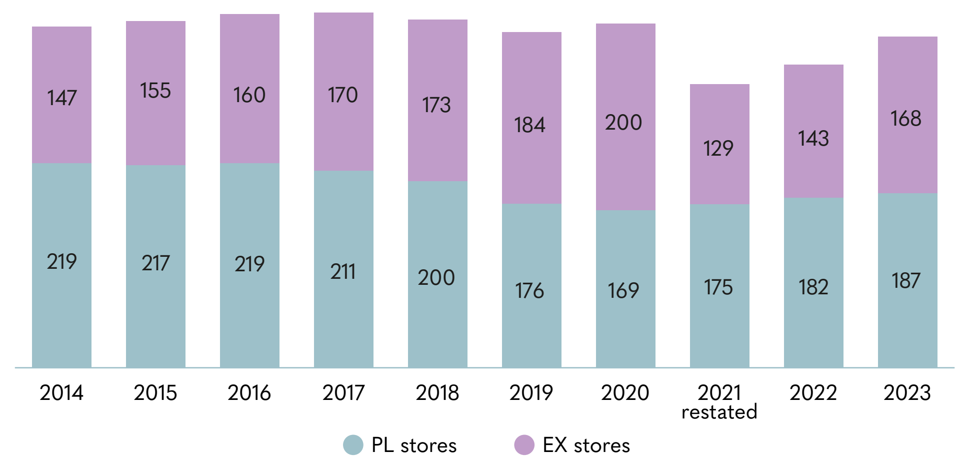
## CROPP - BASIC FIGURES

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 | 2020 | 2021 | 2021 restated | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **771** | **790** | **915** | **1,064** | **1,120** | **1,206** | **1,289** | **972** | **1,526** | **1,103** | **1,193** | **1,247** |
| No. of stores | 366 | 372 | 379 | 381 | 373 | 369 | 360 | 369 | 398 | 304 | 325 | 355 |
| Store size ($m^2$) | 288 | 308 | 318 | 334 | 359 | 360 | 411 | 450 | 481 | 459 | 472 | 485 |
| Floorspace (eop, ths $m^2$) | 105 | 114 | 120 | 127 | 134 | 133 | 148 | 166 | 191 | 140 | 153 | 172 |
| Sales/ $m^2$ monthly | 647 | 591 | 653 | 732 | 729 | 723 | 717 | 517 | 712 | 671 | 666 | 623 |
| *% of floorspace in PL* | *55%* | *55%* | *54%* | *52%* | *50%* | *50%* | *43%* | *38%* | *36%* | *50%* | *50%* | *47%* |
| No. of countries offline | 12 | 12 | 12 | 13 | 15 | 15 | 17 | 17 | 19 | 18 | 18 | 18 |
| No. of countries online | 1 | 1 | 6 | 9 | 10 | 10 | 12 | 13 | 14 | 13 | 17 | 18 |

## CROPP - REVENUES (PLN M)




## CROPP - STORES



## 4.4. HOUSE

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 2008 following the acquisition of House from the Artman company established in Cracow.

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


**18**
#online markets

**18**
#offline markets

**353**
#stores

**PLN 1.1 bn**
revenues

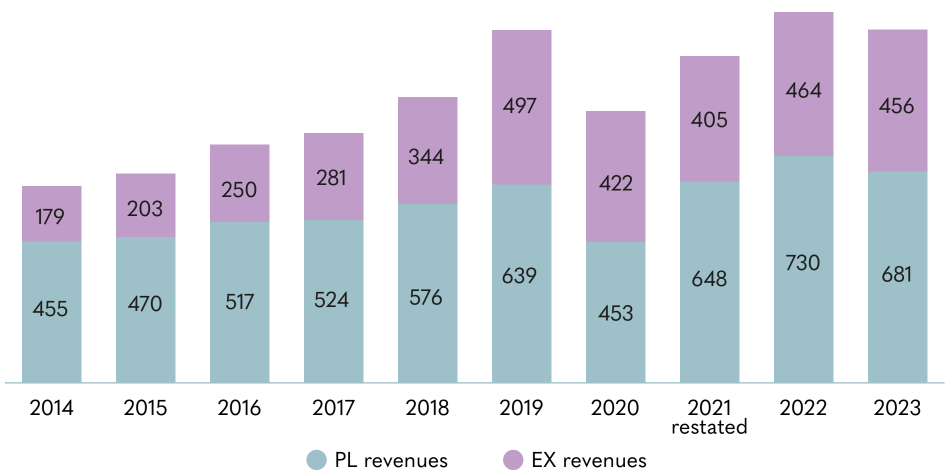
**2001**
(at LPP since 4Q08) year of launch

**171 ths m$^2$**
floorspace

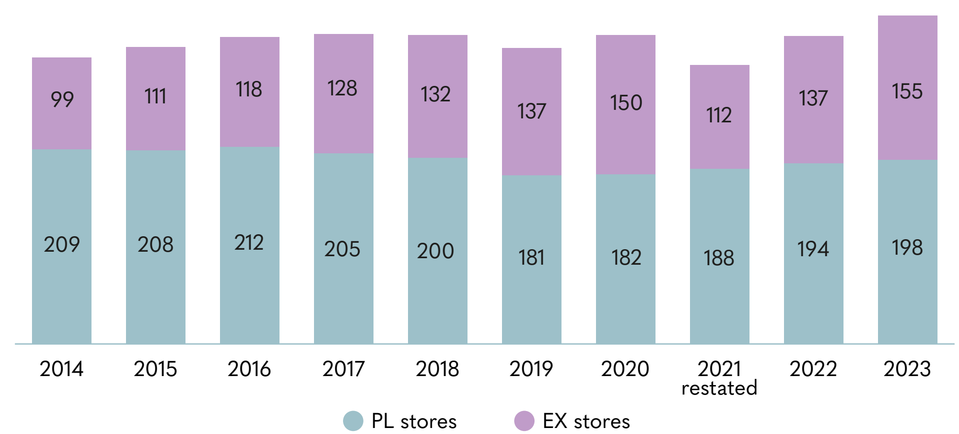
## HOUSE - BASIC FIGURES

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 | 2020 | 2021 | 2021 restated | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **634** | **673** | **767** | **805** | **920** | **993** | **1,135** | **875** | **1,295** | **1,053** | **1,194** | **1,137** |
| No. of stores | 308 | 319 | 330 | 333 | 332 | 329 | 318 | 332 | 368 | 300 | 331 | 353 |
| Store size ($m^2$) | 291 | 313 | 320 | 332 | 350 | 350 | 401 | 442 | 471 | 461 | 472 | 485 |
| Floorspace (eop, ths $m^2$) | 90 | 100 | 106 | 111 | 116 | 115 | 127 | 147 | 173 | 138 | 156 | 171 |
| Sales/ $m^2$ monthly | 612 | 579 | 621 | 639 | 689 | 684 | 715 | 535 | 673 | 641 | 664 | 568 |
| *% of floorspace in PL* | *64%* | *62%* | *61%* | *59%* | *58%* | *58%* | *51%* | *49%* | *45%* | *56%* | *53%* | *51%* |
| No. of countries offline | 10 | 12 | 12 | 13 | 15 | 15 | 17 | 17 | 19 | 18 | 18 | 18 |
| No. of countries online | 1 | 1 | 6 | 10 | 10 | 10 | 12 | 13 | 14 | 13 | 17 | 18 |

## HOUSE - REVENUES (PLN M)




## HOUSE - STORES



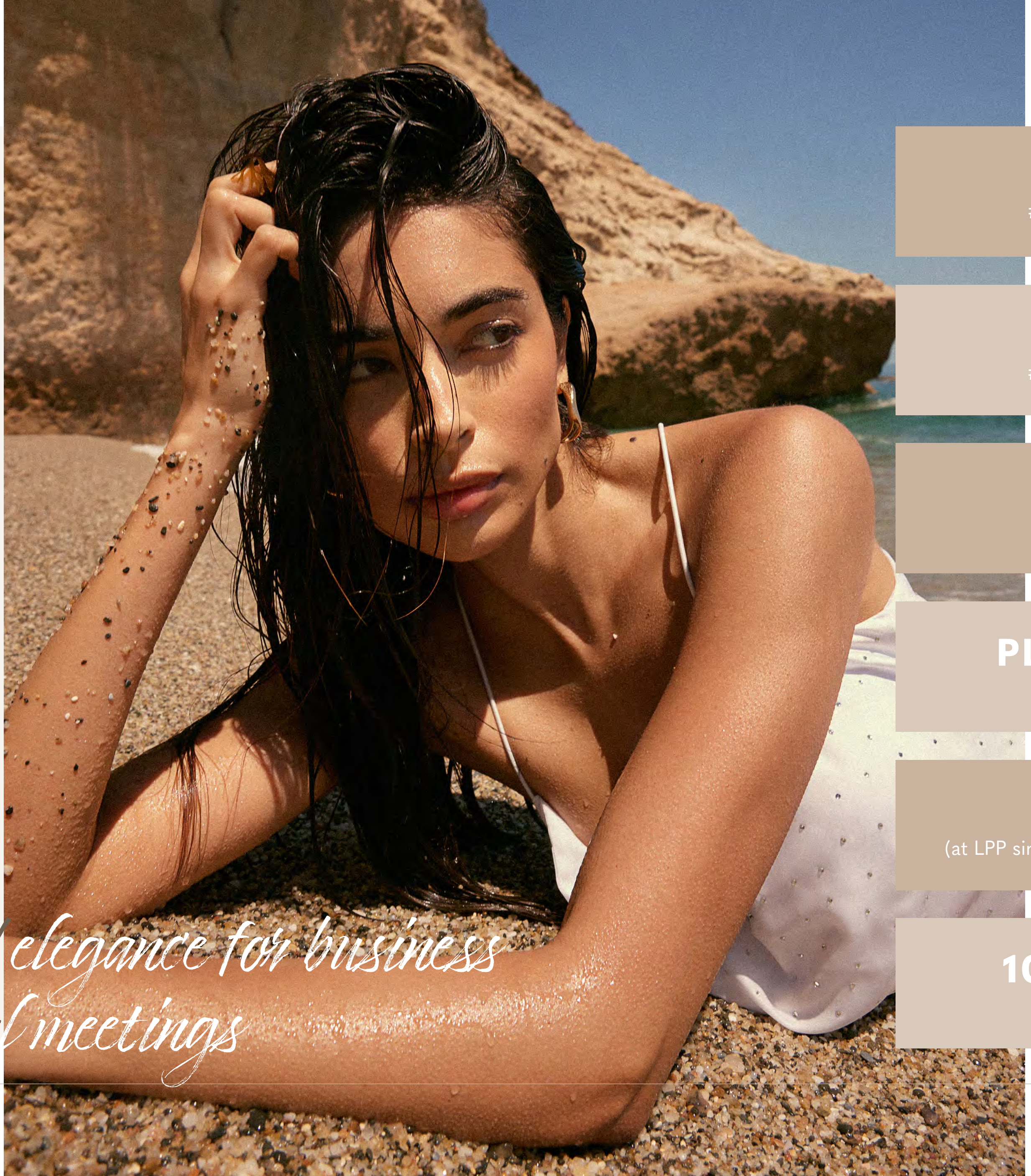
## 4.5. MOHITO

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 midprice ratio of the Group's entire portfolio. It offers its collectionsthrough 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.



*comfort and elegance for business and informal meetings*

**19**
#online markets

**18**
#offline markets

**228**
#stores

**PLN 1.3 bn**
revenues

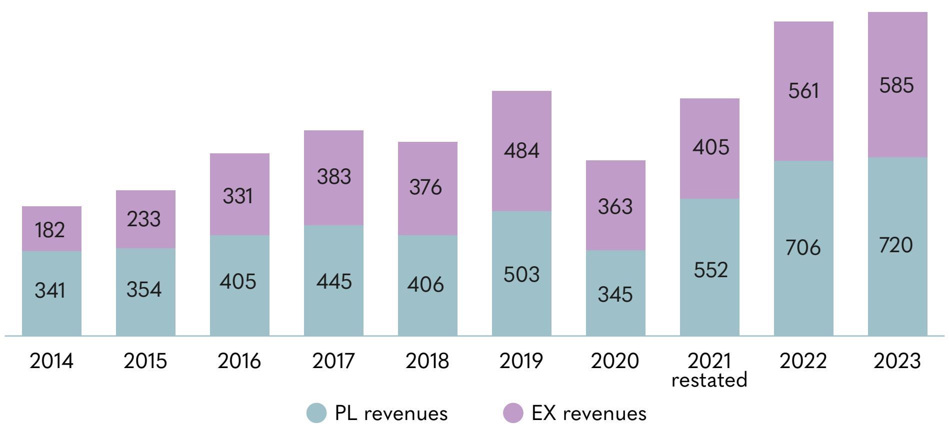
**2008**
(at LPP since 4Q08) year of launch

**101 ths m²**
floorspace

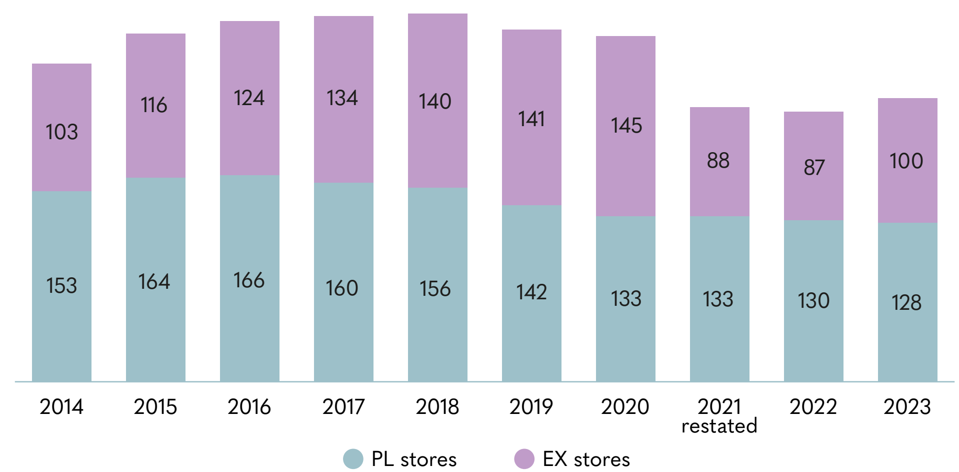
## MOHITO - BASIC FIGURES

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 | 2020 | 2021 | 2021 restated | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **523** | **586** | **737** | **829** | **782** | **846** | **987** | **708** | **1,144** | **957** | **1,266** | **1,304** |
| No. of stores | 256 | 280 | 290 | 294 | 296 | 292 | 283 | 278 | 286 | 221 | 217 | 228 |
| Store size ($m^2$) | 323 | 337 | 342 | 353 | 370 | 370 | 395 | 414 | 428 | 427 | 435 | 442 |
| Floorspace (eop, ths $m^2$) | 83 | 94 | 99 | 104 | 109 | 108 | 112 | 115 | 123 | 94 | 94 | 101 |
| Sales/ $m^2$ monthly | 583 | 549 | 636 | 696 | 620 | 619 | 631 | 523 | 801 | 943 | 1,122 | 1,102 |
| % of floorspace in PL | 56% | 55% | 54% | 51% | 49% | 50% | 46% | 44% | 42% | 54% | 54% | 51% |
| No. of countries offline | 12 | 12 | 12 | 13 | 15 | 15 | 17 | 18 | 19 | 18 | 18 | 18 |
| No. of countries online | 1 | 1 | 6 | 10 | 10 | 10 | 12 | 13 | 15 | 14 | 17 | 19 |

## MOHITO - REVENUES (PLN M)

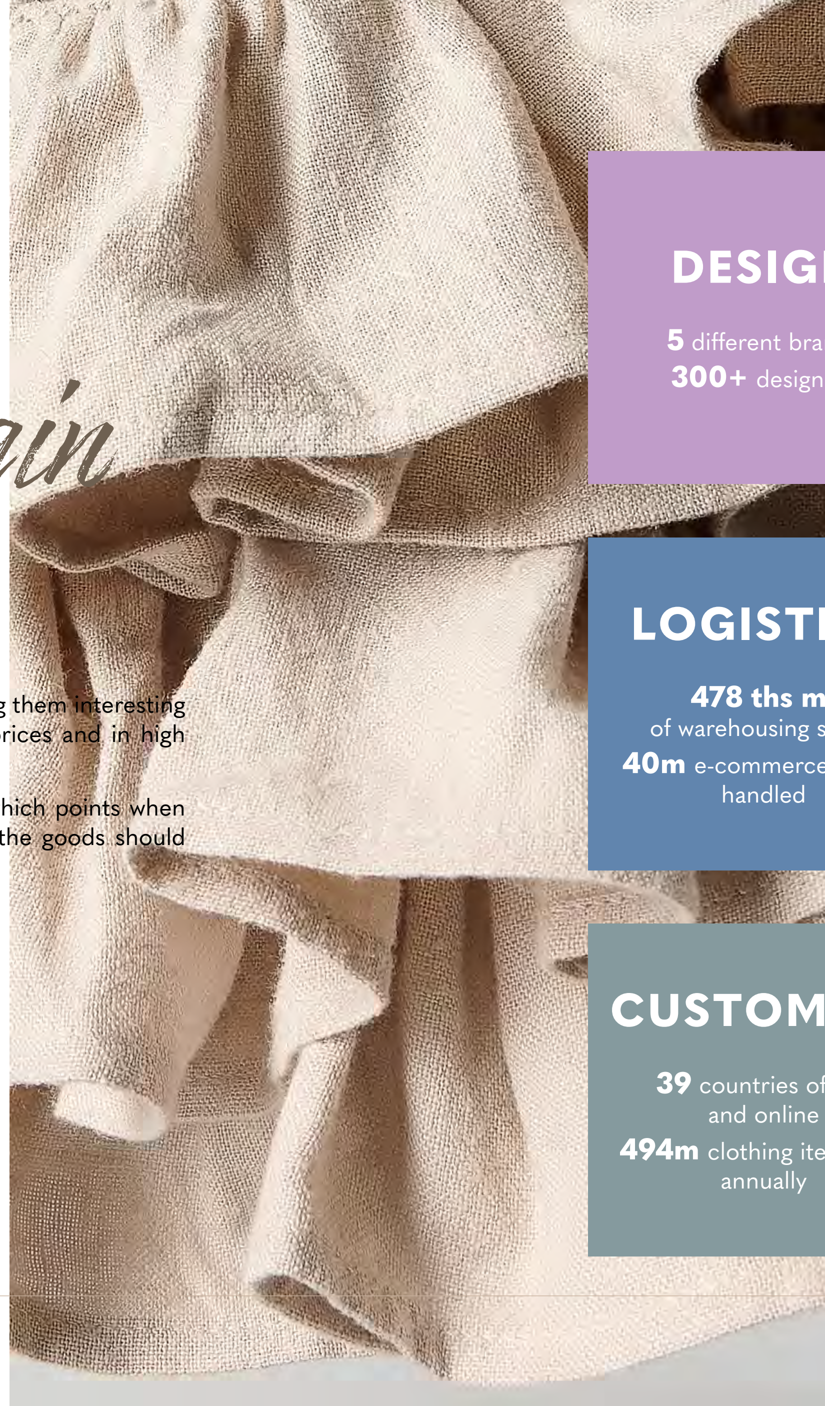



## MOHITO - STORES



05

# Value chain



We create value for our customers by offering them interesting designs matching their tastes at attractive prices and in high quality stores.

The value chain is managed by a calendar which points when works on collection should start and when the goods should hit the stores.

## DESIGN

**5** different brands
**300+** designers

## PRODUCTION

**92%** goods sourced from Asia
**1,500+** suppliers

## LOGISTICS

**478 ths m²** of warehousing space
**40m** e-commerce orders handled

## STORES

**2,275** stores
**3** continents: Europe, Asia, Africa

## CUSTOMERS

**39** countries offline and online
**494m** clothing items sold annually

## 5.1. DESIGN

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

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

### FASHION FAIRS

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

### MARKET RESEARCH

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

### STREET FASHION

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

### FASHION CATALOGUES AND LOOKBOOKS

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

### SALES ANALYSIS

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

### SOCIAL MEDIA

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

# DESIGN CENTRES IN DIVERSE LOCATIONS

## GDAŃSK

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

## WARSAW

- Design centre responsible for Reserved (special collection).

## CRACOW

- Design centre for House and Mohito brands.

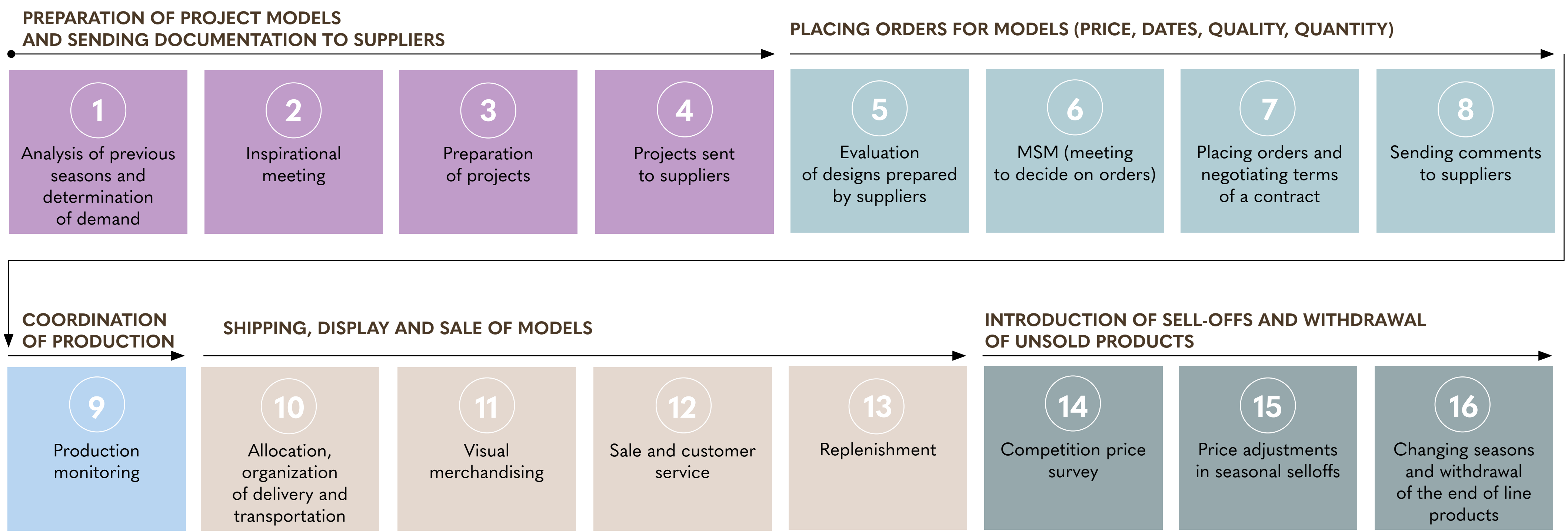
## BARCELONA

- Design centre for Reserved.


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

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

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



## 5.2. PRODUCTION

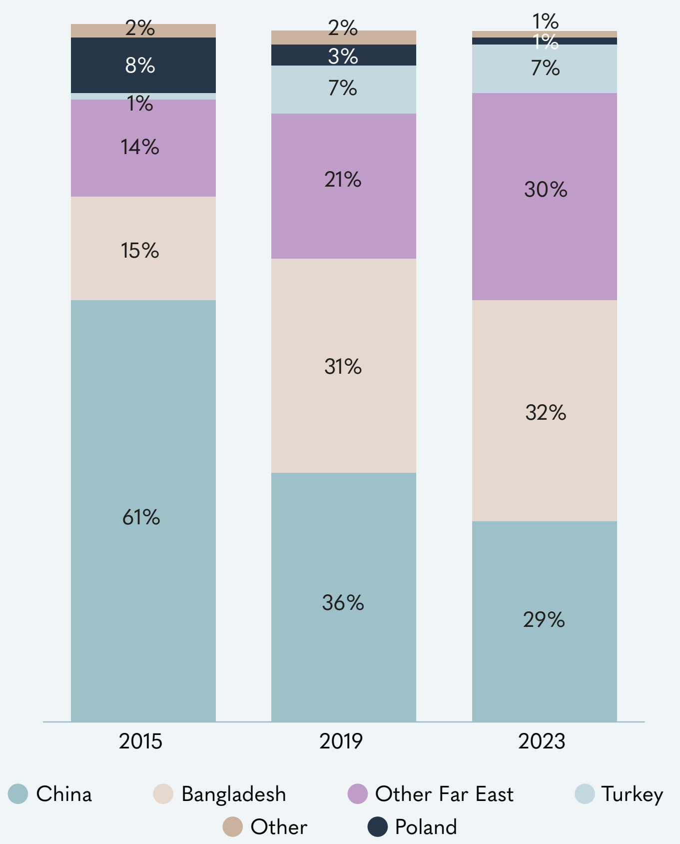
Bangladesh constitutes 32% and China 29% of our supplies while the remaining Far East countries 32%. These are Myanmar, Pakistan, India, Cambodia. 7% of our production is sourced from Turkey. We will continue to look for favourable new sourcing countries.

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

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

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

### CHANGES IN PRODUCTION SPLIT




### DIVERSIFICATION OF SOURCING

# SOURCING COUNTRIES

# RESPONSIBLE PRODUCTION

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

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

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

**998**
human rights audits made in 2023 by us

# 5.3. LOGISTICS

Once the goods are produced, they need to be delivered to us. We have two kind of logistics centres where our collections are stored: Distribution Centres (DCs) – responsible for the traditional stores and Fulfillment Centres (FCs) – dedicated e-commerce stores. The suppliers ship them (majority of goods; journey takes between 30 to 40 days) or use road or air transport. The goods are sent directly to our Distribution Centres in Poland (located in Pruszcz Gdański, Gdańsk, Brześć Kujawski) and in Romania (located near Bucharest). On average the goods spent some two weeks in Distribution Centre where they are repacked and sent to stores or Fulfillment Centre (FC).

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

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

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

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

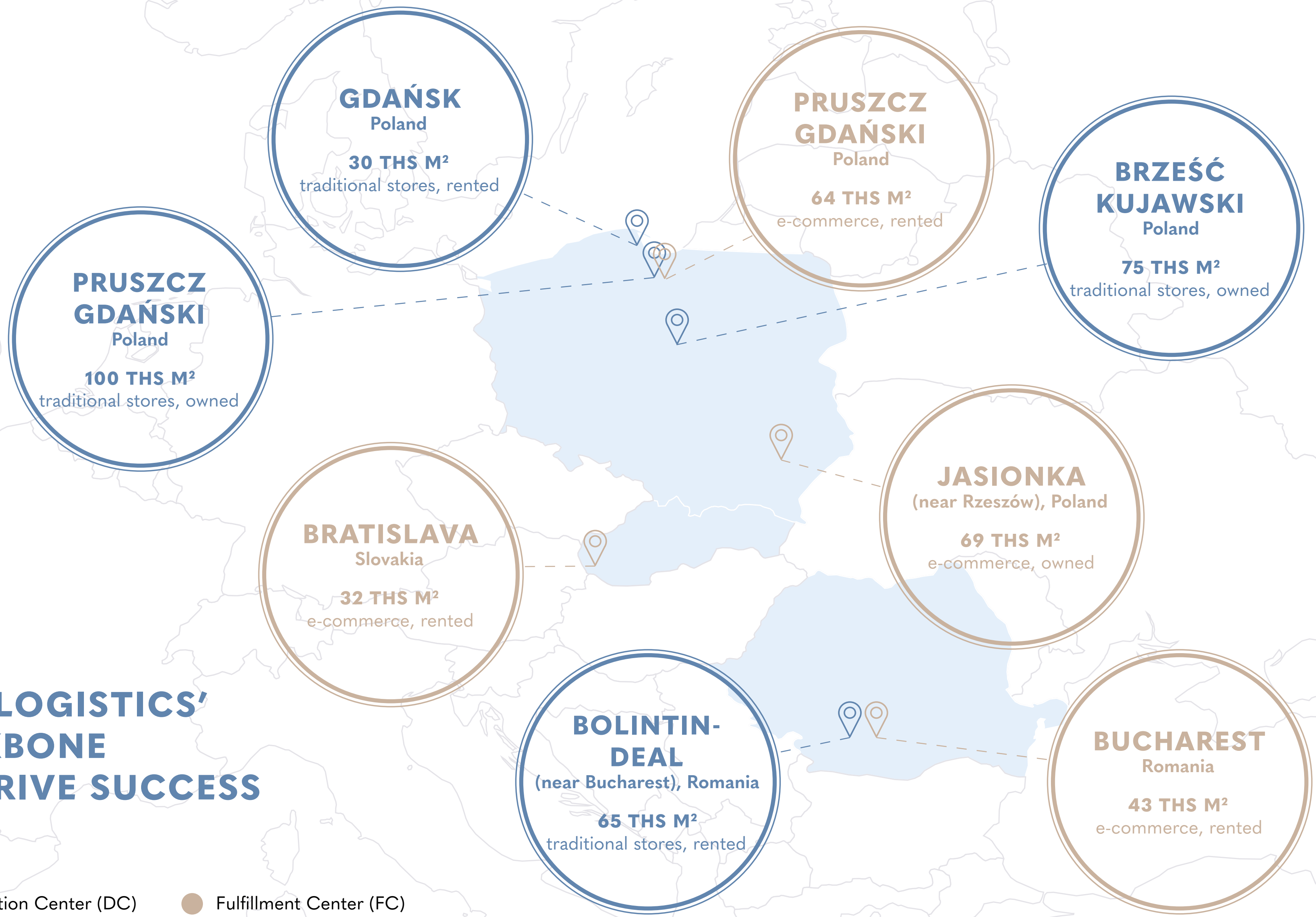
Deliveries to stores take place every day, yet a store obtains new goods on average every 2 to 3 days. We do not own transportation vehicles. The logistics process is outsourced to couriers.

To majority countries the goods are delivered from DCs Pruszcz Gdański, Gdańsk or Brześć Kujawski. To countries of SEE region the goods are delivered from DC located in Romania.

DC in Pruszcz Gdański is owned and is located on a plot of land owned by LPP. The location in Gdańsk proximity is highly convenient for the marine transportation used. The centre's size was expanded in 2015 and in 2020. When built in 2007, the centre had 30.5 ths m$^2$, its expansion added 35.5 ths m$^2$, while after its second expansion its floorspace amounts to 100 ths m$^2$. Next our Distribution Centre (in Brześć Kujawski) was launched in 2022. At the same time we signed contract for the lease of the first Distribution Centre abroad i.e. in Romania (near Bucharest).

LPP

# OUR LOGISTICS' BACKBONE TO DRIVE SUCCESS




Distribution Center (DC) Fulfillment Center (FC)

# SHARE OF DIFFERENT MODES OF TRANSPORTATION IN 2023

(by the number of items shipped)


# 5.4. SELLING

## STORES

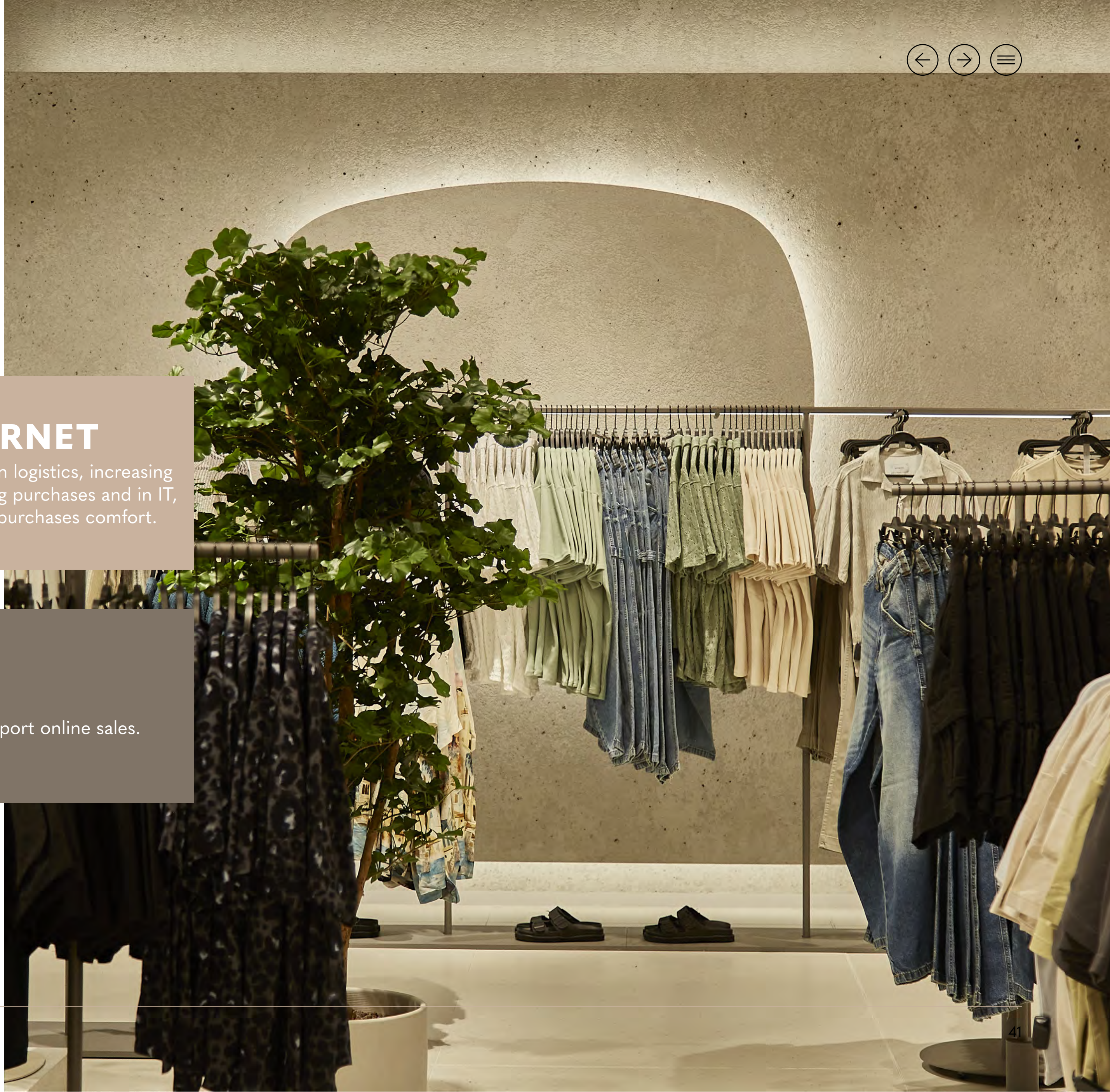
We invest in modern stores, inviting customers to enter them.

## INTERNET

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

## OMNICHANNEL

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





## WE FOCUS ON MODERN STORE CONCEPT


DENIM
CROPP


House


MOHITO

# RESERVED IN FASHION CITIES





Using digitalisation:
**ADVANCE SYSTEMS LIKE RFID AS BASE.**

Stores in the
**BEST SHOPPING MALLS AND HIGHSTREETS.**

Cities where Reserved takes inspiration from:
**SEOUL, TOKYO, NEW YORK AND PARIS.**

Fashion brand in
**BIG CITIES**
with more demanding customers.


# SINSAY IN SMALL TOWNS

Brand in
**RETAIL PARKS, SMALLER TOWNS.**

Flexible approach to store size (floorspace between **550 M² AND 1,200 M²**).

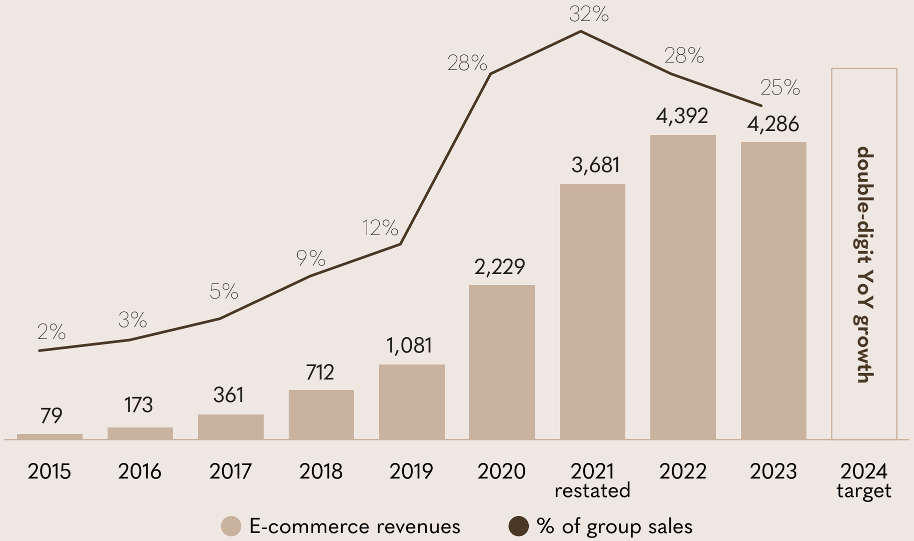
Value for money segment,
**PRICE IS THE MAIN DRIVER.**

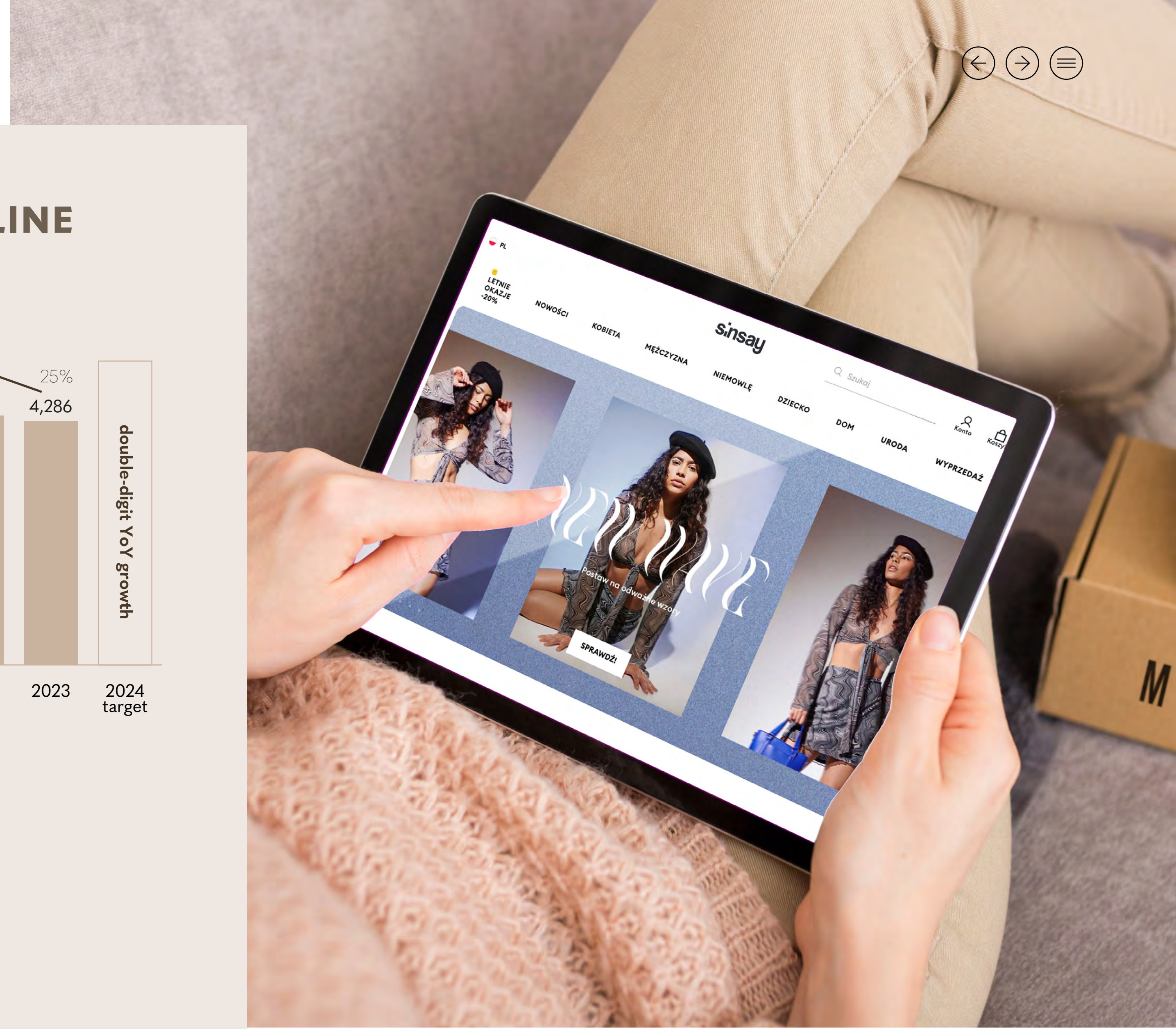
From teenager-oriented brand to
**FAMILY-ONE.**

**OVER 1,500 SINSAY STORES**
by the end of 2024.

# ALMOST 1/3 OF REVENUES ONLINE

## E-COMMERCE REVENUES (PLN M)




### DEVELOPMENT THROUGH OWN E-STORES GIVES US

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


## APPS SUPPORT ONLINE

At the end of June 2024, apps were available for:

**RESERVED**
- Poland
- Germany
- Romania
- Czech Republic
- Slovakia
- Hungary
- Ukraine

**sinsay**
- Poland
- Romania
- Czech Republic
- Slovakia
- Hungary
- Bulgaria
- Croatia
- Ukraine

**MOHITO**
- Poland
- Romania

**IN POLAND, THOSE APPLICATIONS GENERATED CA 60% OF ONLINE SALES IN 2024 YTD.**

## 5.5. ADVERTISING

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

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

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

### INTERNET AND SOCIAL MEDIA

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

### STAR COLLECTIONS

designed by international or local celebrities. Reserved collections were advertised by Kate Moss, Kendall Jenner, Cindy Crawford (top model and global influencer).

### SPONSORSHIP

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

### FASHION INFLUENCERS

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

# LPP'S SELECTED FASHION CAMPAIGNS

Star collection with
**Paprocki & Brzozowski**
**SS08**

Star collection with
**Gosia Baczyńska**
**AW08/09**


**Anna Jagodzińska**
**Karmen Pedaru**
**AW10/11**


**Magdalena Frąckowiak**
**Sasha Pivovarowa**
**SS11/AW11/12**

**Anna Vialicyna**
**Julia Stegner**
**SS12/AW12/13**


**Cara Delevingne**
**Freja Beha Erichsen**
**SS13/AW13/14**

**Frida Gustavsson**
**SS14**


**Georgia May Jagger**
**Anja Rubik**
**AW14/15**

**Georgia May Jagger**
star collection with
**Elizabeth Jagger, Jerry Hall, Brooklyn Beckham**
**SS15**

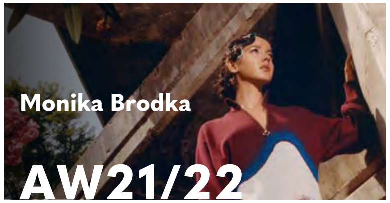

**Georgia May Jagger**
**Zuzanna Bijoch**
**AW15/16**

**Anna Jagodzińska**
**Magdalena Frąckowiak**
**SS16/AW16/17**


**Kate Moss**
**Irina Shayk**
**AW17/18**


**Cindy Crawford**
**Joanna Kulig**
**SS18/AW18/19**


**Kendall Jenner**
**AW19/20**


**Monika Brodka**
**AW21/22**

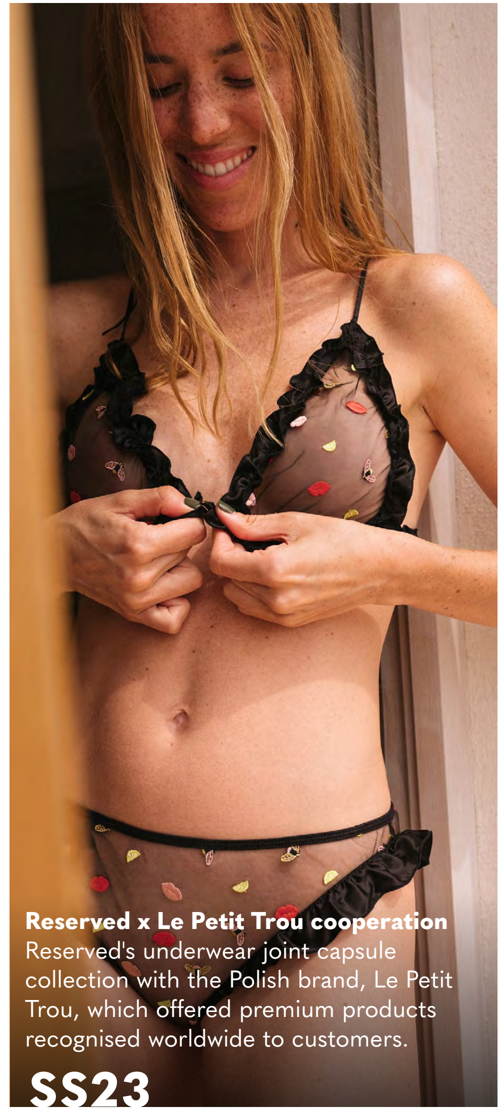
# MARKETING CHANGES ALONG WITH OUR CUSTOMERS

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

**SS22**

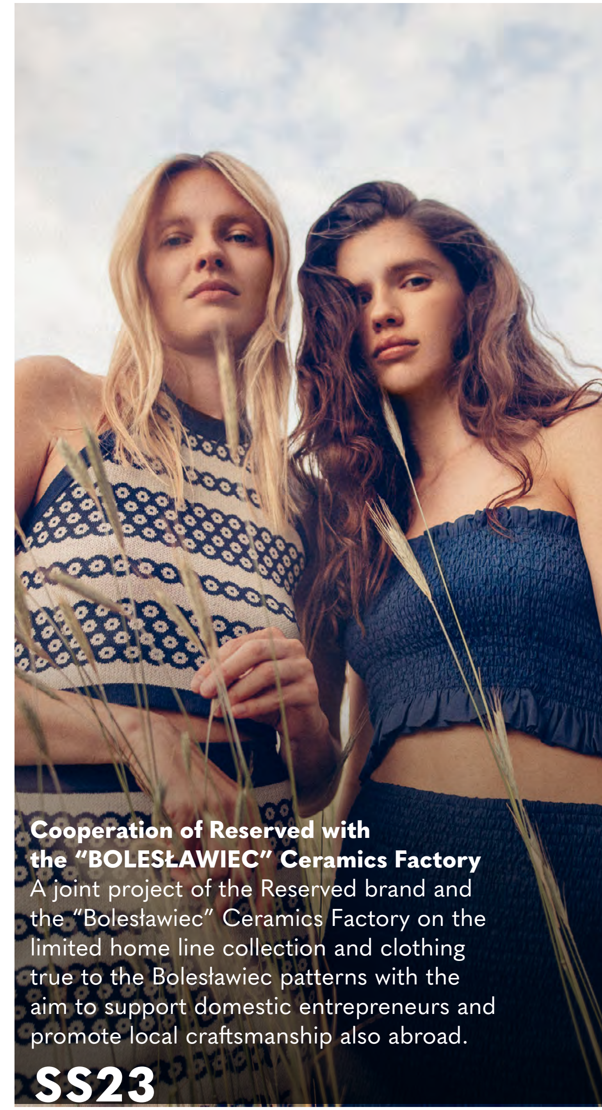
**Magda Mołek x Reserved**
Reserved invited Magda Mołek, a journalist and Youtuber, to work on a capsule collection together. The collection was created with the pre-Christmas, Christmas and carnival season in mind.

**AW22/23**



**Reserved x Le Petit Trou cooperation**
Reserved's underwear joint capsule collection with the Polish brand, Le Petit Trou, which offered premium products recognised worldwide to customers.

**SS23**



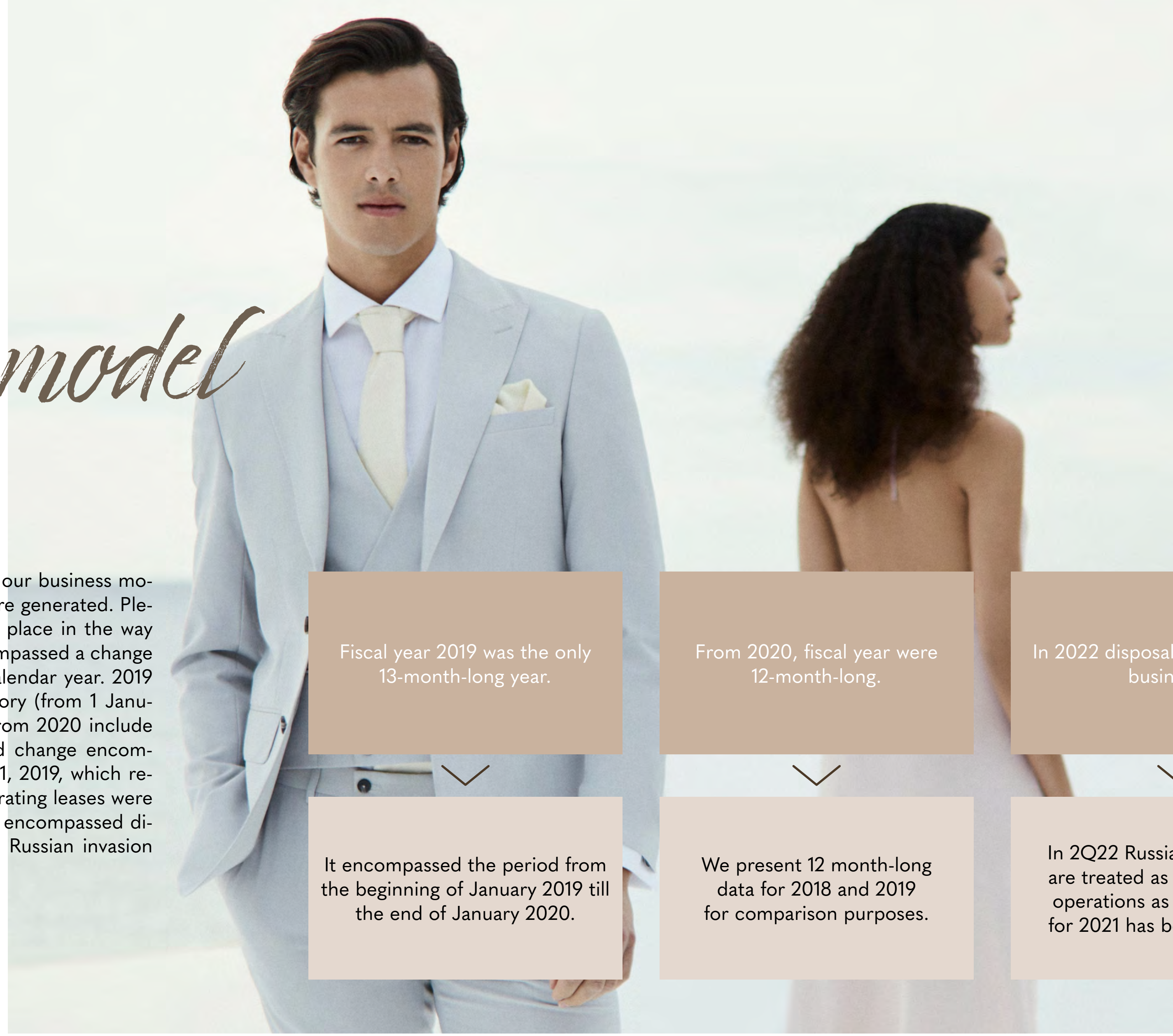
**Cooperation of Reserved with the "BOLESŁAWIEC" Ceramics Factory**
A joint project of the Reserved brand and the "Bolesławiec" Ceramics Factory on the limited home line collection and clothing true to the Bolesławiec patterns with the aim to support domestic entrepreneurs and promote local craftsmanship also abroad.

**SS23**

06

# Business model

Below we present an in-depth description of our business model and details on how our financial results are generated. Please note that three important changes took place in the way we present our financials. The first one encompassed a change in our fiscal year which moved away from calendar year. 2019 was the only 13-month-long year in our history (from 1 January 2019 to 31 January 2020). Data shown from 2020 include 12-months of audited financials. The second change encompassed introduction of IFRS16 from January 1, 2019, which replaced IAS17. As a result, majority of our operating leases were reclasified into finance leases. The third one encompassed divesting the Russian operations following the Russian invasion on Ukraine.



Fiscal year 2019 was the only 13-month-long year.

It encompassed the period from the beginning of January 2019 till the end of January 2020.

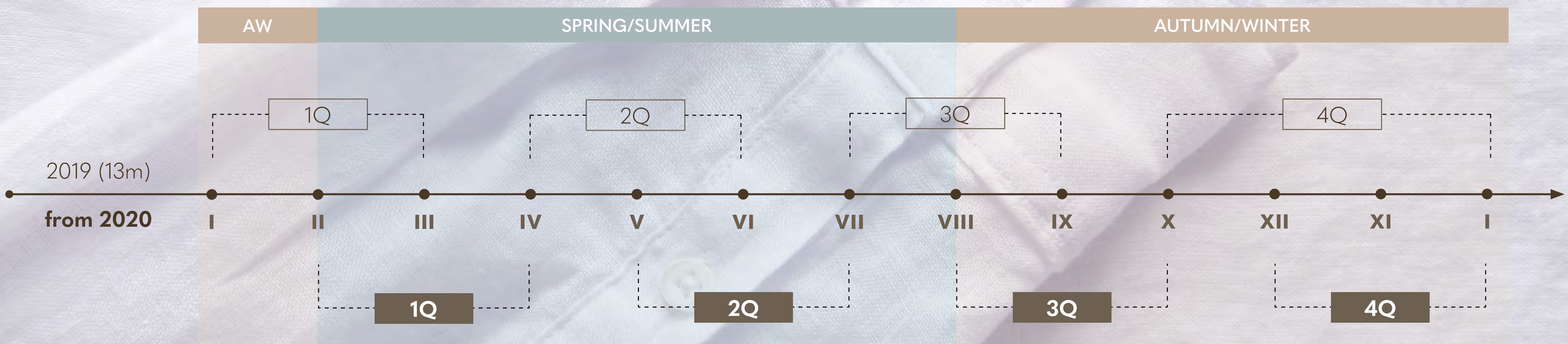
From 2020, fiscal year were 12-month-long.

We present 12 month-long data for 2018 and 2019 for comparison purposes.

In 2022 disposal of the Russian business.

In 2Q22 Russian operations are treated as discontinued operations as a result data for 2021 has been restated.

# CHANGE IN THE FISCAL YEAR FROM 2019




The aim behind the fiscal year change was to align the fiscal year with fashion seasons (collection assessment, lower seasonality).

The fiscal year in 2019 was 13-month-long and 4Q19 was 4-month-long. These were marked as 2019 (13m) and 4Q19 (4m).

The first 12-month financial year after the fiscal year change started February 1, 2020.

# 6.1. REVENUES

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

## 6.1.1. STORE REVENUES

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

### NETWORK SIZE

The network size is a derivate of number of stores and their average floorspace. For forecasting purposes the scale of the network is better to be looked at from the perspective of square meters of floorspace than number of stores, as the square meters decide on the level of selected costs of stores. The network size is generated by multiplying the number of stores by average store size. We look at our floorspace through the perspective of brands possessed, as these differ in terms of store size. The network of Sinsay and Reserved dominate in terms of scale.

### SALES PER SQM

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

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

### GROUP REVENUES

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues (PLN m)** | **4,769** | **5,130** | **6,019** | **7,029** | **8,047** | **8,756** | **9,899** | **7,848** | **14,030** | **11,339** | **15,927** | **17,406** |
| *YoY growth* | *16%* | *8%* | *17%* | *17%* | *14%* | - | *13%* | *-21%* | *79%* | *44%* | *40%* | *9%* |
| **Revenues/ $m^2$ monthly (PLN)** | **589** | **536** | **575** | **628** | **662** | **657** | **671** | **500** | **715** | **758** | **809** | **737** |
| *YoY growth* | *-11%* | *-9%* | *7%* | *9%* | *5%* | - | *2%* | *-25%* | *43%* | *52%* | *7%* | *-9%* |
| Store revenues | 4,560 | 4,937 | 5,703 | 6,571 | 7,235 | 7,776 | 8,569 | 5,531 | 9,977 | 7,587 | 10,131 | 11,741 |
| *YoY growth* | *16%* | *8%* | *16%* | *15%* | *10%* | - | *10%* | *-35%* | *80%* | *37%* | *34%* | *16%* |
| E-commerce | 65 | 79 | 173 | 361 | 712 | 802 | 1,174 | 2,229 | 3,961 | 3,681 | 4,392 | 4,286 |
| *YoY growth* | *143%* | *22%* | *118%* | *108%* | *97%* | - | *46%* | *90%* | *78%* | *65%* | *19%* | *-2%* |
| Wholesale revenues | 145 | 114 | 143 | 97 | 100 | 178 | 156 | 88 | 92 | 72 | 1,403 | 1,380 |
| *YoY growth* | *-14%* | *-22%* | *26%* | *-32%* | *2%* | - | *-12%* | *-43%* | *4%* | *-18%* | *1,849%* | *-2%* |

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

## 6.1.2. E-COMMERCE

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

## 6.1.3. WHOLESALE

Our revenues not only comprise of retail but also from wholesale. The two most important sources of wholesale revenues are: (1) franchise revenues – sales to our Middle East franchisees; from 2017 this number also encompasses sales to Belarus (only until end of 2019, we replaced franchised stores with own ones) and from 2018 Israel and (2) Promostars – offer for business customers with promotional clothes (includes T-shirts, sweaters, trousers, jackets, hats etc). The latter has been separated to a different entity, as its operations substantially differed from other our businesses. From 2022 we have also third source of wholesale revenues – revenue from trade agents. This is connected with disposal Russian business.

### GROUP LFLS

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LFLs | -2.5% | 0.6% | 6.4% | 10.1% | 7.2% | 7.8% | 3.6% | -38.0% | 55.8% | 17.0% | 1.1% |

# 6.2. GROSS PROFIT ON SALES MARGIN

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

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

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

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

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

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

The gross profit margin is affected not only by the US$/PLN relationship, but also by competitive pressure (the decisions of competitors), the affluence of customers and their propensity to consume, by the collections (whether or not they meet the needs of the customers) as well as a growing share

### 2023 CUSTOMS DUTIES BY COUNTRIES

| | | | |
|---|---|---|---|
| Bangladesh | 0% | Myanmar | 0% |
| Cambodia | 12% | Pakistan | 0% |
| China | 12% | Thailand | 12% |
| India | 9.6% | Vietnam | 10% |
| Indonesia | 9.6% | Turkey | 0% |

of Sinsay in revenues (the brand bears lower margins than other brands).

The gross profit margin varies between calendar quarters. We used to have high margins in the second and the fourth quarter when we sell our collections in full prices. That has now changed with the shifted fiscal year. In 2H16 we introduced a new inventory management policy. As a result, we tend to minimise the number and scale of sell-offs after the arrival of new collections, but tend to maximise the amount of goods sold during the sell-off months. Post-season inventory is sold to third parties and does not return to our stores. In December 2016 we sold off obsolete inventory to improve our cash flows and lower inventory levels. Without this transaction, 2016 gross profit margin would come in at 50.8%. In 2017 our gross profit margin increased to 53.0% along with successful Reserved brand restructuring, while in 2018 it reached the level of 54.7%. In 2019 gross profit margin came in at 52.0%, down 0.9 pp. YoY. Decrease in gross margin despite good acceptance of the SS19 and AW19 collections, was due to negative impact of weather in May and December 2019, high US$ as well as a higher Sinsay share in revenues (gross margin lower than at other brands). 2020 gross profit margin has been affected by pandemics, while in 2021 we have recorded sizeable gross profit margin growth due to, among others, delayed demand and favourable purchase prices. 2022 gross profit margin decreased YoY due to the incapacity to sell goods in Russia and limited sales in Ukraine (markets with relatively higher trade margins). Having already purchased collections, the Group had to organize larger Spring/Summer promotion actions for all brands. This action affected the gross margin on sales, which, in 2022, reached 51.1%, i.e. 6.2 pp. lower than a year ago (on continuing operations). Additionally, the decrease in the gross margin YoY was affected by a larger share of the Sinsay brand diluting the margin, higher freight costs (in 1H) and the high 2021 base.

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 pp. higher than in the previous year. Higher margin 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.

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

## GROSS PROFIT MARGIN

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross profit (PLN m) | 2,793 | 2,743 | 2,934 | 3,727 | 4,401 | 4,628 | 5,146 | 4,084 | 8,107 | 6,491 | 6,491 | 8,131 | 8,013 | 8,967 |
| *YoY growth* | *15.9%* | *-1.8%* | *7.0%* | *27.0%* | *18.1%* | - | *11.2%* | *-20.6%* | *98.5%* | *58.9%* | *58.9%* | *25.3%* | *23.5%* | *11.9%* |
| Gross profit/ $m^2$ monthly (PLN) | 356 | 293 | 280 | 333 | 358 | 347 | 349 | 260 | 413 | 434 | 434 | 442 | 437 | 407 |
| *YoY growth* | *-12%* | *-18%* | *-4%* | *19%* | *8%* | - | *0%* | *-26%* | *58.5%* | *66.9%* | *66.9%* | *1.8%* | *0.7%* | *-6.9%* |
| *Gross profit margin* | *58.6%* | *53.5%* | *48.7%* | *53.0%* | *54.7%* | *52.9%* | *52.0%* | *52.0%* | *57.8%* | *57.2%* | *57.2%* | *51.1%* | *50.3%* | *51.5%* |
| US$/PLN average rate | 3.15 | 3.77 | 3.94 | 3.78 | 3.61 | 3.62 | 3.84 | 3.89 | 3.89 | 3.89 | 3.89 | 4.49 | 4.49 | 4.17 |

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

# 6.3. SG&A COSTS

Apart from COGS our costs also comprise of SG&A costs (selling and general administration costs). However, we believe that our business model is easier to understand if we split the operating costs into costs of stores and costs of headquarters. For managerial purposes we look at costs at the per sqm basis and suggest a similar approach while analysing and forecasting our results. We are constantly working on improving the SG&A/ m² ratio on a monthly basis. These have reached PLN 274 in 2014 and PLN 368 in 2022, due to inflation and growing salaries. For years costs of stores dominate over costs of headquarters, while in 2022 SG&A costs were divided into 50% costs of stores and 50% of HQ.

One of the characteristics of our business is a high operating leverage. 33% of our SG&A costs are variable while as much as 67% are fixed (IAS17), i.e. this portion of operating costs does not change along with changes in revenues. The high operating leverage is favourable for us in moments of positive LFLs and growing sales, as the positive effect on EBIT is more than proportional. However, in times of slowdown and falling LFLs the operating leverage is working against us, requiring cost reductions to maintain EBIT levels. Still, due to growing share of online in our revenues we gradually switch from SG&A/ m² approach to calculating SG&A as percentage of revenues. It is our ambitious aim to keep this ratio max 40%.

### COSTS OF STORES

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

### RENTAL COSTS

(36% in 2023 costs of own stores) are typically denominated in EUR (86%), however other currencies also appear: 4% in PLN and 10% in other currencies. The rental formulas tend to be complex and include a fixed and a floating element. The contracts we sign tend to have a fixed floor value which is paid until a certain level of store revenue is reached. Once the stipulated threshold is crossed, a certain percentage of turnover is paid to the landlord. As a result, we share to a larger extent with our landlord in times of economic prosperity, yet we have to cope with fixed cost in times of slowdown. We continuously work on more favourable rental levels, both domestically and abroad. Additionally, Sinsay brand, due to openings in smaller towns (mainly retail parks), has the lowest rental costs compared to other brands. Increasing its share in the brand portfolio results in lower rental costs for the Group.

### HR COSTS

(32% in 2023 costs of own stores) are costs of employees working in our stores, both

### SG&A COSTS

| | | | | | | | IFRS16 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2022 | 2023 |
| SG&A costs (PLN m) | 2,148 | 2,192 | 2,609 | 3,100 | 3,532 | 3,822 | 4,213 | 3,848 | 5,961 | 5,058 | 6,702 | 6,565 |
| *YoY growth* | *22%* | *2%* | *19%* | *19%* | *14%* | - | *10%* | *-2%* | *55%* | *31%* | *33%* | *-2%* |
| SG&A/ m² monthly (PLN) | 274 | 234 | 237 | 280 | 291 | 287 | 289 | 247 | 305 | 341 | 368 | 300 |
| *YoY growth* | *-8%* | *-14%* | *1%* | *11%* | *4%* | - | *1%* | *-15%* | *23%* | *38%* | *8%* | *-18%* |
| *% of sales* | *45%* | *43%* | *43%* | *44%* | *44%* | *44%* | *43%* | *42%* | *42%* | *45%* | *42%* | *38%* |
| Costs of stores (PLN m) | 1,731 | 1,780 | 2,080 | 2,377 | 2,555 | 2,751 | 2,959 | 2,355 | 3,158 | 2,503 | 3,371 | 3,748 |
| *YoY growth* | *22%* | *2%* | *17%* | *14%* | *7%* | - | *8%* | *25%* | *34%* | *6%* | *35%* | *11%* |
| Costs of headquarters (PLN m) | 417 | 411 | 528 | 723 | 977 | 1,071 | 1,254 | 1,492 | 2,803 | 2,555 | 3,331 | 2,817 |
| *YoY growth* | *24%* | *2%* | *28%* | *37%* | *35%* | - | *17%* | *-14%* | *88%* | *71%* | *30%* | *-15%* |

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

### OTHER COSTS OF STORES

(32% in 2023) include many items like costs of media and electricity, security of the stores, materials (security clips, labels RFID, hungers), payment card commission, depreciation (the largest part). Capex for the stores is depreciated over time of lease agreement (max 10-year period).

### COSTS OF HEADQUARTERS

are all other costs not related directly to costs of stores. These include distribution and overheads costs. Distribution costs comprised the costs of logistics and e-commerce, i.e. the cost of shipping the goods from the distribution centres to stores. Overheads costs include costs of marketing (majority digital marketing), back-office as well as the sales and product departments i.e. the costs of the head office in Gdańsk, offices in Cracow and Warsaw and offices of foreign subsidiaries.

While showing the number of group employees, we take into account: 1) employees of the Gdańsk headquarters, Pruszcz Gdański Distribution Centre and Cracow and Warsaw offices, 2) employees of our foreign subsidiaries (foreign offices including Shanghai and foreign stores personnel) and 3) the personnel of Polish stores. Due to further expansion, we experienced YoY growth in HQs costs.

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

### EMPLOYESS DATA

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| No. of group employees | 19,970 | 21,563 | 25,106 | 25,635 | 25,174 | 24,588 | 24,447 | 21,977 | 31,808 | 29,930 | 33,556 |
| Employees in Poland | 12,767 | 13,894 | 16,239 | 14,736 | 14,294 | 13,827 | 14,061 | 11,578 | 15,144 | 16,686 | 17,428 |
| - office & warehouse | 2,039 | 2,200 | 2,708 | 3,320 | 3,347 | 3,414 | 3,776 | 3,486 | 3,101 | 4,363 | 4,469 |
| - stores | 10,728 | 11,694 | 13,531 | 11,416 | 10,947 | 10,413 | 10,285 | 8,092 | 12,043 | 12,323 | 12,959 |
| Employees abroad | 7,203 | 7,669 | 8,867 | 10,899 | 10,880 | 10,761 | 10,386 | 10,399 | 16,664 | 13,244 | 16,128 |

## 6.4. EBIT

EBIT is generated by the difference between gross profit per sqm and SG&A costs per sqm. Thus, maximization of this amount is our key focus. We do it by: 1) aiming to maximize gross profit on sales per sqm and 2) minimizing costs per sqm. However, the operating profit also needs to be adjusted for the other opera ting line, which has been and is going to rema-in a negative contributor. The key reason behi-nd the negative result are the inventory losses (thefts and damages of goods in the stores). Until 2017 annual numbers, the other opera-ting line included write-offs for unsold inven-tory, yet these have been moved to the gross profit line.

## 6.5. NET FINANCIALS LINE

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

### 6.5.1. INTEREST PAYMENTS

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

### 6.5.2. FX DIFFERENCES

We calculate FX differences at each balance sheet date, i.e. their level changes every qu-arter. There are two areas of FX differences in our net financial line: (1) FX differences re-sulting from balance sheet items (mostly lia-bilities which constitute payments for goods ordered) and (2) receivables from subsidia-ries to be paid to the parent company (a way of financing foreign subsidiaries). Historically, we did not hedge, yet we changed our approach from 2H17 and introduced hedging of invoices from our suppliers. This lowered the variability of the net financials line. We hedge the invoice value the moment it is sent to us by our sup-plier. We use delivery forwards. As the tran-sactions do not constitute hedge accounting, the impact is visible in the net financials line only. The situation changed in 2019 along with introduction of IFRS16. As the majority of our rental agreements and thus liabilities are in foreign currencies, we have a sizeable FX exposure due to translation risk. This sizeable liability is recalculated to PLN at each balance sheet date resulting in a large scale of FX gains or losses.

**EBIT**

| | | | | | | | IFRS16 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
| **EBIT (PLN m)** | **609** | **503** | **226** | **578** | **757** | **688** | **806** | **153** | **1,479** | **1,128** | **1,403** | **1,460** | **1,184** | **2,284** |
| *YoY growth* | *-1%* | *-17%* | *-55%* | *155%* | *31%* | - | *17%* | *-83%* | *866%* | *637%* | *817%* | *29%* | *-16%* | *93%* |
| EBIT margin | 13% | 10% | 4% | 8% | 9% | 8% | 8% | 2% | 11% | 10% | 12% | 9% | 7% | 13% |

**NET FINANCIALS**

| | | | | | | | IFRS16 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2022 | 2013 |
| **Net financials (PLN m)** | **-149** | **-88** | **-32** | **-15** | **-33** | **-31** | **-140** | **-270** | **-247** | **-190** | **-97** | **-236** |
| Financial income | 3 | 2 | 1 | 5 | 8 | 9 | 11 | 72 | 26 | 26 | 127 | 98 |
| Financial costs | 152 | 90 | 34 | 20 | 41 | 41 | 151 | 341 | 273 | 216 | 224 | 334 |

# 6.6. TAXES

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

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

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

On 25 October 2023, LPP 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. The agreement will allow the Company to increase business and tax transparency and reduce the risk of business activities in terms of taxes, by agreeing business changes and operations with the tax authorities in advance.

## 2023 TAX RATES BY COUNTRIES

| | |
|---|---|
| Poland | 19% |
| Czech Rep. | 19% |
| Slovakia | 21% |
| Hungary | 9% |
| Bulgaria | 10% |
| Romania | 16% |
| Serbia | 15% |
| Croatia | 18% |
| Slovenia | 15% |
| B&H | 10% |
| Greece | 22% |
| Lithuania | 15% |
| Latvia | 0% |
| Estonia | 0% |
| Ukraine | 18% |
| Belarus | 18% |
| Kazakhstan | 20% |
| Finland | 20% |
| Germany | 32% |
| UK | 16% |
| Italy | 24% |
| Spain | 25% |

## TAXES

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Taxes** | **-22** | **63** | **19** | **123** | **219** | **214** | **244** | **74** | **278** | **212** | **212** | **219** | **219** | **435** |
| Current taxation | 95 | 56 | 27 | 135 | 231 | 235 | 212 | 121 | 518 | 447 | 447 | 248 | 248 | 403 |
| Deferred taxation | -117 | 7 | -7 | -12 | -12 | -21 | 32 | -47 | -240 | -235 | -235 | -30 | -30 | 32 |
| *Effective tax rate* | *-5%* | *15%* | *10%* | *22%* | *30%* | *33%* | *37%* | *-63%* | *23%* | *23%* | *18%* | *16%* | *20%* | *21%* |

## 6.7. NET PROFIT

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

## 6.8. CASH CYCLE

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

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

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

Inventory consists of three elements: (1) goods in transit – from factories to the final port (FOB, i.e. Free on Board, method used), (2) goods in the warehouse, (3) goods in stores. The nominal level of inventory has been growing and may continue to do so. This results from ongoing network expansion – each new store increases the demand for working capital as more goods need to be ordered.

Thus, it is more practical to look at inventory from a per square meter perspective, though at the end of 2022 of revenues came from online and fast growing internet operations are blurring the per sqm picture. For analysis we use end-of-period group floorspace with exception of the ME and Belarus franchise stores (Belarus until the end of 2019).

Appreciating US$ versus zloty puts a pressure on working capital and increases the value of inventory held and inventory ratios.

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

### NET INCOME

| | | | | | | | IFRS16 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
| **Total net income** | **480** | **351** | **175** | **441** | **505** | **442** | **421** | **-190** | **954** | **954** | **1,562** | **1,094** | **485** | **1,612** |
| Result from discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 228 | 561 | -51 | -384 | - |
| Net income on continuing operations (PLN m) | 480 | 351 | 175 | 441 | 505 | 442 | 421 | -190 | 954 | 725 | 1,001 | 1,144 | 869 | 1,612 |
| *YoY growth* | *11%* | *-27%* | *-50%* | *152%* | *15%* | - | *-5%* | *N/M* | *N/M* | *N/M* | *N/M* | *58%* | *-13%* | *86%* |
| *Net margin on continuing operations* | *10%* | *7%* | *3%* | *6%* | *6%* | *5%* | *4%* | *-2%* | *7%* | *6%* | *9%* | *7%* | *5%* | *9%* |

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

## SUPPLY CHAIN FINANCE - SCF (SUPPLIER FINANCING PROGRAMME)

**BENEFITS FOR LPP**

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

**BENEFITS FOR LPP**

**BENEFITS FOR SUPPLIERS**

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

**PLN 2.1 BN UTILIZATION AT THE END OF 2023**

## CASH CYCLE

| | | | | | | | IFRS16 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
| **Net working capital (PLN m)** | **538** | **713** | **448** | **350** | **155** | **-27** | **-36** | **-605** | **-958** | **-840** | **1,133** | **1,133** | **-138** |
| Receivables | 177 | 115 | 165 | 200 | 122 | 104 | 144 | 158 | 246 | 246 | 944 | 944 | 810 |
| Inventory | 979 | 1,320 | 1,164 | 1,473 | 1,590 | 1,210 | 1,921 | 2,074 | 3,864 | 3,982 | 3,353 | 3,353 | 3,040 |
| Liabilities | 619 | 721 | 881 | 1,323 | 1,557 | 1,341 | 2,101 | 2,837 | 5,068 | 5,068 | 3,164 | 3,164 | 3,988 |

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 | 2020 | 2021 | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash cycle (days)** | **70** | **84** | **61** | **33** | **16** | **11** | **-1** | **-34** | **-56** | **-63** | **-10** | **-7** | **-5** |
| Receivables (days) | 13 | 10 | 9 | 9 | 7 | 7 | 5 | 7 | 5 | 7 | 14 | 14 | 18 |
| Inventory (days) | 165 | 176 | 147 | 145 | 153 | 129 | 146 | 194 | 183 | 228 | 169 | 169 | 138 |
| Liabilities (days) | 108 | 102 | 95 | 122 | 144 | 125 | 152 | 235 | 244 | 298 | 193 | 190 | 161 |

*Note: In calculations we use a 365 day year and average values of inventory, trade receivables and liabilities.*

# 6.9. CAPEX

## SPLIT OF CAPEX

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

**CAPEX ON STORES:** Outlays include costs of setting up new stores in shopping malls, retail parks and high streets as well as costs of refurbishing and upgrades. The majority of outlays is conducted for new stores. Maintenance capex (understood as rebuilts and extentions) constitutes c. 10% of all store capex spending. Our capex spending is reduced by fit-outs from shopping mall developers. Our target capex is now PLN 2,000/m$^2$ for Sinsay and PLN 3,700/m$^2$ for other our brands. It should also be noted that capex per sqm meter is calculated not on net additions (difference in end-of-period values) but on gross floorspace additions (not made public).

**CAPEX ON LOGISTICS:** Historically, this capex line was oriented on the Pruszcz Gdański Distribution Centre. There were two waves of the outlays. The first when the new Distribution Centre was built. The second one, when the distribution centre was expanded (finished in 2Q15). Construction cost PLN 120m, while expansion PLN 177m. The DC was also expanded in 2019. We have decided to locate the next distribution centre in Brześć Kujawski and fulfilment centre near Rzeszów, which are now operational. The construction of DC lasted from March till November 2021, adding to capex PLN 240m and the construction of FC from 3Q21 till 4Q22, adding to capex PLN 250m.

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

## FIT-OUTS

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

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

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

## HEADQUARTERS

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

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

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

## CAPEX

| | | | | | | | IFRS16 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2022 | 2023 |
| Capex (PLN m) | 551 | 491 | 272 | 442 | 799 | 932 | 1,004 | 825 | 1,325 | 960 | 1,157 | 1,090 |
| Stores | 386 | 392 | 230 | 376 | 489 | 620 | 729 | 622 | 912 | 547 | 736 | 930 |
| Logistics | 100 | 31 | 5 | 5 | 181 | 180 | 133 | 71 | 275 | 275 | 268 | 25 |
| Other | 65 | 67 | 37 | 61 | 129 | 132 | 142 | 132 | 138 | 138 | 153 | 135 |
| YoY growth | 2% | -11% | -45% | 62% | 81% | - | 8% | -13% | 61% | 16% | 21% | -6% |
| % of sales | 12% | 10% | 5% | 6% | 10% | 11% | 10% | 9% | 9% | 8% | 7% | 6% |

**INFRASTRUCTURE SPENDING** ► **CAPEX**

| PLN m | 2024 |
|---|---|
| Stores | 1,200 |
| Offices | 10 |
| Logistics | 200 |
| IT & Other | 50 |
| **TOTAL** | **1,460** |

# 6.10. NET DEBT VERSUS DIVIDEND

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

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

Annual General Meeting of Shareholders adopted Dividend Policy for the following years 2023, 2024, 2025.

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

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

## NET DEBT

| | IAS17 | | | | | | IFRS16 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **IAS17/IFRS16** | **2014** | **2015** | **2016** | **2017** | **2018** | **2018 (13m)** | **2019 (13m)** | **2020** | **2021** | **2022** | **2023** |
| Net debt (PLN m) | 399 | 621 | 144 | -316 | -753 | -841 | 2,459 | 2,906 | 3,796 | 4,849 | 3,680 |
| Cash and equivalents | 184 | 224 | 366 | 515 | 1,045 | 1,070 | 1,361 | 1,278 | 1,355 | 465 | 1,077 |
| Long-term debt | 204 | 284 | 195 | 142 | 89 | 84 | 463 | 485 | 439 | 845 | 490 |
| Short-term debt | 378 | 561 | 315 | 56 | 203 | 145 | 109 | 521 | 535 | 806 | 359 |
| Finance leases | | | | | | | 3,248 | 3,248 | 4,177 | 3,663 | 3,908 |
| Net debt/ EBITDA (x) | 0.5 | 0.9 | 0.3 | -0.4 | -0.7 | -0.7 | 1.3 | 2.4 | 1.4 | 1.9 | 1.0 |
| Dividends (PLN m) | 170 | 58 | 60 | 66 | 73 | 73 | 110 | - | 834 | 649 | 798 |
| *YoY growth* | *10%* | *-66%* | *3%* | *9%* | *12%* | - | - | *N/M* | *N/M* | *-22%* | *23%* |

*Note: Dividends are shown under the year paid.*

# 6.11. GOODWILL

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

## GOODWILL

| | | | | | | | IFRS16 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PLN m** | **2014** | **2015** | **2016** | **2017** | **2018** | **2018 (13m)** | **2019 (13m)** | **2020** | **2021** | **2021 restated PFSA** | **2022** | **2023** |
| Intangible assets | 29 | 37 | 44 | 64 | 90 | 93 | 126 | 136 | 144 | 144 | 186 | 272 |
| Goodwill | 210 | 210 | 210 | 210 | 210 | 210 | 210 | 183 | 183 | 183 | 183 | 183 |
| Trademark | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 |
| Equity | 1,638 | 1,890 | 2,135 | 2,443 | 2,861 | 2,816 | 3,247 | 3,068 | 3,272 | 3,881 | 3,984 | 4,717 |
| Tangible equity | 1,323 | 1,565 | 1,804 | 2,092 | 2,484 | 2,436 | 2,834 | 2,671 | 2,867 | 3,475 | 3,538 | 4,185 |
| Assets | 2,934 | 3,565 | 3,678 | 4,207 | 5,381 | 7,906 | 9,606 | 10,354 | 14,135 | 14,744 | 12,921 | 13,802 |

*Note: Tangible equity is calculated as total consolidated equity minus all intangibles.*

# Financials

## CONSOLIDATED INCOME STATEMENT

| | | | | | | | IFRS16 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
| Revenues | 4,769 | 5,130 | 6,019 | 7,029 | 8,047 | 8,756 | 9,899 | 7,848 | 14,030 | 11,339 | 11,339 | 15,927 | 15,927 | 17,406 |
| COGS | 1,977 | 2,388 | 3,085 | 3,302 | 3,645 | 4,128 | 4,754 | 3,764 | 5,922 | 4,848 | 4,848 | 7,796 | 7,913 | 8,440 |
| **Gross profit** | **2,793** | **2,743** | **2,934** | **3,727** | **4,401** | **4,628** | **5,146** | **4,084** | **8,107** | **6,491** | **6,491** | **8,131** | **8,013** | **8,967** |
| SG&A costs | 2,148 | 2,192 | 2,609 | 3,100 | 3,532 | 3,822 | 4,213 | 3,848 | 5,961 | 5,058 | 5,058 | 6,702 | 6,702 | 6,565 |
| Other operating line | -35 | -48 | -99 | -42 | -113 | -118 | -127 | -83 | -667 | -305 | -29 | 31 | -126 | -118 |
| **EBIT** | **609** | **503** | **226** | **578** | **757** | **688** | **806** | **153** | **1,479** | **1,128** | **1,403** | **1,460** | **1,184** | **2,284** |
| Net financials | -149 | -88 | -32 | -15 | -33 | -31 | -140 | -270 | -247 | -190 | -190 | -97 | -97 | -236 |
| Taxes | -22 | 63 | 19 | 123 | 219 | 214 | 244 | 74 | 278 | 212 | 212 | 219 | 219 | 435 |
| Minorities | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2 | -2 | 5 |
| **Net income on continuing operations** | **480** | **351** | **175** | **441** | **505** | **442** | **421** | **-190** | **954** | **725** | **1,001** | **1,144** | **869** | **1,612** |
| Result from discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 228 | 561 | -51 | -384 | 0 |
| **Total net income** | **480** | **351** | **175** | **441** | **505** | **442** | **421** | **-190** | **954** | **954** | **1,562** | **1,094** | **485** | **1,612** |
| Amortisation & depreciation | 194 | 224 | 267 | 293 | 349 | 427 | 1,094 | 1,073 | 1,148 | 943 | 943 | 1,129 | 1,129 | 1,383 |
| **EBITDA** | **803** | **726** | **494** | **872** | **1,106** | **1,115** | **1,899** | **1,171** | **2,627** | **2,072** | **2,347** | **2,589** | **2,314** | **3,666** |

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

## CONSOLIDATED INCOME STATEMENT, YOY DYNAMICS

| | | | | | | | IFRS16 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
| Revenues | 16% | 8% | 17% | 17% | 14% | - | 13% | -21% | 79% | 44% | 44% | 40% | 40% | 9% |
| COGS | 16% | 21% | 29% | 7% | 10% | - | 15% | -21% | 57% | 29% | 29% | 61% | 63% | 7% |
| **Gross profit** | **16%** | **-2%** | **7%** | **27%** | **18%** | **-** | **11%** | **N/M** | **99%** | **59%** | **59%** | **25%** | **23%** | **12%** |
| SG&A costs | 22% | 2% | 19% | 19% | 14% | - | 10% | -2% | 55% | 31% | 31% | 33% | 33% | -2% |
| Costs of sales | 21% | 4% | 20% | 14% | 11% | - | 8% | -34% | 701% | N/M | N/M | N/M | N/M | N/M |
| **EBIT** | **-1%** | **-17%** | **-55%** | **155%** | **31%** | **-** | **17%** | **-83%** | **866%** | **637%** | **817%** | **29%** | **-16%** | **93%** |
| Net financials | 63% | -41% | -63% | -54% | 123% | - | 347% | 92% | -8% | N/M | N/M | N/M | N/M | N/M |
| Taxes | -124% | -387% | -69% | 537% | 78% | - | 14% | -70% | 278% | 189% | 189% | 3% | 3% | 99% |
| Minorities | 22% | -100% | - | - | - | - | - | - | - | - | - | N/M | N/M | N/M |
| **Net income on continuing operations** | **11%** | **-27%** | **-50%** | **152%** | **15%** | **-** | **-5%** | **N/M** | **N/M** | **N/M** | **N/M** | **58%** | **-13%** | **86%** |
| Result from discontinued operations | 0% | 0% | 0% | 0% | 0% | - | 0% | 0% | 0% | N/M | N/M | N/M | N/M | N/M |
| **Net income** | **11%** | **-27%** | **-50%** | **152%** | **15%** | **-** | **-5%** | **N/M** | **N/M** | **N/M** | **N/M** | **15%** | **-69%** | **232%** |
| Amortisation & depreciation | 31% | 15% | 20% | 10% | 19% | - | 156% | -7% | 13% | -12% | 12% | 20% | 20% | 22% |
| **EBITDA** | **5%** | **-10%** | **-32%** | **77%** | **27%** | **-** | **70%** | **-38%** | **124%** | **69%** | **91%** | **25%** | **-1%** | **58%** |

## CONSOLIDATED BALANCE SHEET

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (IFRS16) | 2020 (IFRS16) | 2021 (IFRS16) | 2021 restated PFSA (IFRS16) | 2022 (IFRS16) | 2023 (IFRS16) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | **1,516** | **1,797** | **1,839** | **1,920** | **2,418** | **5,280** | **5,871** | **5,621** | **7,028** | **7,518** | **7,352** | **7,973** |
| Tangible fixed assets | 1,039 | 1,259 | 1,291 | 1,348 | 1,818 | 1,821 | 2,312 | 2,440 | 2,760 | 3,251 | 3,336 | 3,643 |
| Right-of-use assets | 0 | 0 | 0 | 0 | 0 | 2,894 | 3,000 | 2,589 | 3,412 | 3,412 | 2,888 | 3,245 |
| Intangible assets | 29 | 37 | 44 | 64 | 90 | 93 | 126 | 136 | 144 | 144 | 186 | 272 |
| Goodwill | 210 | 210 | 210 | 210 | 210 | 210 | 210 | 183 | 183 | 183 | 183 | 183 |
| Trademark | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 | 78 |
| Other investments | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables and loans | 6 | 6 | 6 | 5 | 8 | 8 | 8 | 14 | 19 | 19 | 8 | 9 |
| Long-term receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 315 | 229 |
| Deferred tax assets | 144 | 139 | 144 | 159 | 164 | 173 | 135 | 179 | 425 | 425 | 351 | 306 |
| Pre-payments | 9 | 67 | 67 | 57 | 51 | 4 | 2 | 2 | 6 | 6 | 8 | 9 |
| **Current assets** | **1,417** | **1,768** | **1,839** | **2,287** | **2,963** | **2,627** | **3,735** | **4,733** | **7,108** | **7,225** | **5,569** | **5,829** |
| Inventory | 979 | 1,320 | 1,164 | 1,473 | 1,590 | 1,210 | 1,921 | 2,074 | 3,864 | 3,982 | 3,353 | 3,040 |
| Trade receivables | 177 | 115 | 165 | 200 | 122 | 104 | 144 | 158 | 246 | 246 | 944 | 810 |
| Receivables from income tax | 11 | 47 | 75 | 6 | 0 | 1 | 8 | 103 | 34 | 34 | 8 | 36 |
| Other receivables | 46 | 35 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 50 | 90 |
| Other non-financial assets | 0 | 0 | 29 | 48 | 38 | 45 | 53 | 64 | 196 | 196 | 53 | 66 |
| Pre-payments | 20 | 27 | 38 | 44 | 33 | 26 | 37 | 32 | 49 | 49 | 79 | 82 |
| Other financial assets | 0 | 0 | 0 | 2 | 100 | 170 | 114 | 71 | 61 | 61 | 59 | 68 |
| Deposits and investment funds | 0 | 0 | 0 | 0 | 0 | 0 | 97 | 953 | 1,303 | 1,303 | 557 | 561 |
| Cash and cash equivalents | 184 | 224 | 366 | 515 | 1,045 | 1,070 | 1,361 | 1,278 | 1,355 | 1,355 | 465 | 1,077 |
| **Total assets** | **2,934** | **3,565** | **3,678** | **4,207** | **5,381** | **7,906** | **9,606** | **10,354** | **14,135** | **14,744** | **12,921** | **13,802** |

## CONSOLIDATED BALANCE SHEET

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (IFRS16) | 2020 (IFRS16) | 2021 (IFRS16) | 2021 restated PFSA (IFRS16) | 2022 (IFRS16) | 2023 (IFRS16) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity** | **1,638** | **1,890** | **2,135** | **2,443** | **2,861** | **2,816** | **3,247** | **3,068** | **3,272** | **3,881** | **3,984** | **4,717** |
| Share capital | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Treasury shares | -43 | -43 | -43 | -43 | -43 | -43 | -41 | 0 | 0 | 0 | 0 | 0 |
| Additional paid-in capital | 235 | 235 | 251 | 278 | 279 | 279 | 285 | 364 | 364 | 364 | 364 | 364 |
| Other capital | 1,092 | 1,324 | 1,608 | 1,823 | 2,252 | 2,252 | 2,733 | 3,155 | 2,345 | 2,345 | 2,720 | 2,466 |
| Foreign exchange differences from subsidiaries | -184 | -229 | -115 | -208 | -232 | -214 | -163 | -265 | -205 | -205 | 58 | -33 |
| Retained earnings | 532 | 599 | 430 | 590 | 601 | 539 | 430 | -190 | 764 | 1,372 | 840 | 1,913 |
| Profit (loss) from previous years | 52 | 248 | 255 | 149 | 96 | 96 | 9 | 0 | -190 | -190 | -254 | 301 |
| Net profit (loss) for the current period | 480 | 351 | 175 | 441 | 505 | 442 | 421 | -190 | 954 | 1,562 | 1,094 | 1,612 |
| Minority interest | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2 | 3 |
| **Long-term liabilities** | **211** | **344** | **267** | **233** | **346** | **2,634** | **3,159** | **3,114** | **3,983** | **3,983** | **3,723** | **3,431** |
| Bank loans | 204 | 284 | 195 | 142 | 89 | 84 | 171 | 191 | 144 | 144 | 538 | 490 |
| Other financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 292 | 294 | 295 | 295 | 307 | 0 |
| Finance lease (IFRS16) | 0 | 0 | 0 | 0 | 0 | 2,439 | 2,568 | 2,524 | 3,428 | 3,428 | 2,760 | 2,892 |
| Provisions for employee benefits | 2 | 2 | 3 | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 2 | 2 |
| Provision for deferred income tax | 5 | 7 | 4 | 7 | 1 | 0 | 0 | 0 | 1 | 1 | 2 | 2 |
| Other long-term liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accruals | 0 | 51 | 66 | 83 | 256 | 109 | 127 | 104 | 114 | 114 | 114 | 46 |
| **Short-term liabilities** | **1,085** | **1,331** | **1,276** | **1,530** | **2,174** | **2,456** | **3,199** | **4,171** | **6,880** | **6,880** | **5,214** | **5,654** |
| Trade and other liabilities | 619 | 721 | 881 | 1,323 | 1,557 | 1,341 | 2,101 | 2,837 | 5,068 | 5,068 | 3,164 | 4,298 |
| Income tax liabilities | 38 | 3 | 7 | 53 | 234 | 236 | 174 | 68 | 311 | 311 | 155 | 53 |
| Bank loans | 378 | 561 | 315 | 56 | 203 | 145 | 109 | 521 | 535 | 535 | 806 | 49 |
| Other financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Finance lease (IFRS16) | 0 | 0 | 0 | 0 | 0 | 566 | 680 | 654 | 749 | 749 | 902 | 1,016 |
| Provisions | 20 | 18 | 38 | 54 | 107 | 132 | 90 | 35 | 160 | 160 | 153 | 188 |
| Special funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accruals | 29 | 28 | 34 | 44 | 72 | 36 | 45 | 56 | 57 | 57 | 33 | 51 |
| **Total liabilities** | **2,934** | **3,565** | **3,678** | **4,207** | **5,381** | **7,906** | **9,606** | **10,354** | **14,135** | **14,744** | **12,921** | **13,802** |

## CONSOLIDATED CASH FLOW STATEMENT

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | IFRS16 | | | | | | | |
| **Pre-tax profit (loss)** | **460** | **414** | **194** | **564** | **724** | **657** | **665** | **-117** | **1,232** | **938** | **1,213** | **1,363** | **1,087** | **2,047** |
| Total adjustments | 33 | -160 | 524 | 330 | 488 | 943 | 1,183 | 1,191 | 1,772 | 1,277 | 1,001 | -740 | -465 | 2,296 |
| Amortisation and depreciation | 194 | 224 | 267 | 293 | 349 | 427 | 1,094 | 1,073 | 1,148 | 943 | 943 | 1,129 | 1,129 | 1,383 |
| Income tax paid | -91 | -128 | -59 | -92 | -42 | -45 | -296 | -327 | -320 | -220 | -220 | -402 | -402 | -532 |
| Net working capital | -127 | -223 | 256 | 101 | 125 | 469 | 269 | 113 | 145 | 253 | 136 | -2,293 | -2,175 | 1,238 |
| - Change in inventories | -259 | -382 | 212 | -354 | -133 | 330 | -315 | -218 | -1,998 | -1,404 | -1,521 | 698 | 816 | 239 |
| - Change in receivables | 52 | 7 | -36 | -39 | 4 | 52 | -66 | -579 | -661 | -426 | -426 | 387 | 387 | 272 |
| - Change in liabilities | 80 | 152 | 80 | 494 | 254 | 87 | 650 | 911 | 2,804 | 2,083 | 2,083 | -3,378 | -3,378 | 726 |
| Change in provisions | 0 | -1 | 16 | 15 | 61 | 78 | -22 | -53 | 87 | 80 | 80 | -21 | -22 | 24 |
| Other adjustments | 58 | -31 | 44 | 12 | -4 | 14 | 139 | 384 | 712 | 219 | 62 | 847 | 1,004 | 184 |
| **Net operating cash flow** | **493** | **254** | **718** | **893** | **1,212** | **1,600** | **1,848** | **1,075** | **3,004** | **2,214** | **2,214** | **622** | **622** | **4,343** |
| Investing inflows | 88 | 75 | 91 | 58 | 635 | 639 | 480 | 374 | 287 | 279 | 279 | 279 | 279 | 127 |
| Capex | -551 | -491 | -272 | -442 | -799 | -932 | -1,004 | -825 | -1,325 | -960 | -960 | -1,157 | -1,157 | -1,090 |
| Other investing outflows | -13 | 0 | 0 | 0 | -540 | -640 | -338 | -556 | -290 | -290 | -290 | -19 | -19 | -20 |
| **Investing cash flow** | **-476** | **-416** | **-181** | **-384** | **-704** | **-933** | **-861** | **-1,007** | **-1,328** | **-971** | **-971** | **-897** | **-897** | **-984** |
| Financing inflows | 283 | 365 | 16 | 26 | 369 | 390 | 949 | 1,325 | 7 | 318 | 318 | 1,243 | 1,243 | 0 |
| Interest bearing debt | 283 | 365 | 16 | 26 | 369 | 390 | 949 | 1,213 | 7 | 318 | 318 | 1,243 | 1,243 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 112 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing outflows | -265 | -164 | -410 | -386 | -348 | -497 | -1,632 | 1,465 | 1,642 | 1,692 | 1,692 | 1,852 | 1,852 | 2,750 |
| Treasury shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends | -170 | -58 | -60 | -66 | -73 | -73 | -110 | 0 | -834 | -834 | -834 | -648 | -648 | -798 |
| Interest bearing debt | -79 | -87 | -329 | -309 | -261 | -349 | -664 | 768 | 56 | 238 | 238 | 296 | 296 | 806 |
| Interest and finance lease | -17 | -19 | -22 | -17 | -14 | -75 | -858 | 696 | 753 | 621 | 621 | 908 | 908 | 1,146 |
| **Financing cash flow** | **17** | **201** | **-394** | **-360** | **21** | **-106** | **-682** | **-140** | **-1,635** | **-1,374** | **-1,374** | **-609** | **-609** | **-2,750** |

## CONSOLIDATED RATIOS

| | IFRS17 | | | | | | IFRS16 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2021 restated | 2021 restated PFSA | 2022 | 2022 restated PFSA | 2023 |
| Gross profit margin | 58.6% | 53.5% | 48.7% | 53.0% | 54.7% | 52.9% | 52.0% | 52.0% | 57.8% | 57.2% | 57.2% | 51.1% | 50.3% | 51.5% |
| EBITDA margin | 16.8% | 14.2% | 8.2% | 12.4% | 13.7% | 12.7% | 19.2% | 14.9% | 18.7% | 18.3% | 20.7% | 16.3% | 14.5% | 21.1% |
| EBIT margin | 12.8% | 9.8% | 3.8% | 8.2% | 9.4% | 7.9% | 8.1% | 1.9% | 10.5% | 9.9% | 12.4% | 9.2% | 7.4% | 13.1% |
| Net income margin on continuing operations | 10.1% | 6.8% | 2.9% | 6.3% | 6.3% | 5.1% | 4.3% | -2.4% | 6.8% | 6.4% | 8.8% | 7.2% | 5.5% | 9.3% |
| ROE | 29.3% | 30.6% | 19.9% | 8.7% | 19.3% | 16.8% | 13.9% | -6.0% | 30.1% | 22.9% | 31.6% | 31.5% | 23.9% | 37.1% |
| Cash cycle (days) | 70 | 84 | 61 | 33 | 16 | 11 | -1 | -34 | -56 | -68 | -63 | -10 | -7 | -5 |
| - receivables | 13 | 10 | 9 | 9 | 7 | 7 | 5 | 7 | 5 | 7 | 7 | 14 | 14 | 18 |
| - inventory | 165 | 176 | 147 | 145 | 153 | 129 | 146 | 194 | 183 | 224 | 228 | 169 | 169 | 138 |
| - liabilities | 108 | 102 | 95 | 122 | 144 | 125 | 152 | 235 | 244 | 298 | 298 | 193 | 190 | 161 |
| Net debt/ EBITDA (IAS17/ IFRS16) | 0.5 | 0.9 | 0.3 | -0.4 | -0.7 | -0.7 | 1.3 | 2.4 | 1.4 | 1.3 | 1.3 | 1.9 | 1.9 | 1.0 |
| Net debt/ equity (IAS17/ IFRS16) | 0.2 | 0.3 | 0.1 | -0.1 | -0.3 | -0,3 | 0.8 | 0.9 | 1.2 | 1.2 | 1.0 | 1.2 | 1.2 | 0.8 |

# 08 Outlook

The year 2023 was a time when we have successfully achieved the objectives set for the period. The most important goal was to sustain LPP's growth and high profitability while maintaining expansion cost discipline. Now our development is focused, first of all, on strengthening the position of our brands on current markets and expanding our business in Southern and Central Europe. 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. Our development is oriented on omnichannel: i.e. merging of offline with online operations.

In terms of traditional network, we plan to have 2,500 ths $m^2$ of floorspace at the end of 2024, 25% higher YoY. It is our aim to grow 20% p.a. in floorspace in the next years (2025, 2026), prioritising the development of the Sinsay brand floorspace.

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

# FLOORSPACE DEVELOPMENT TARGETS

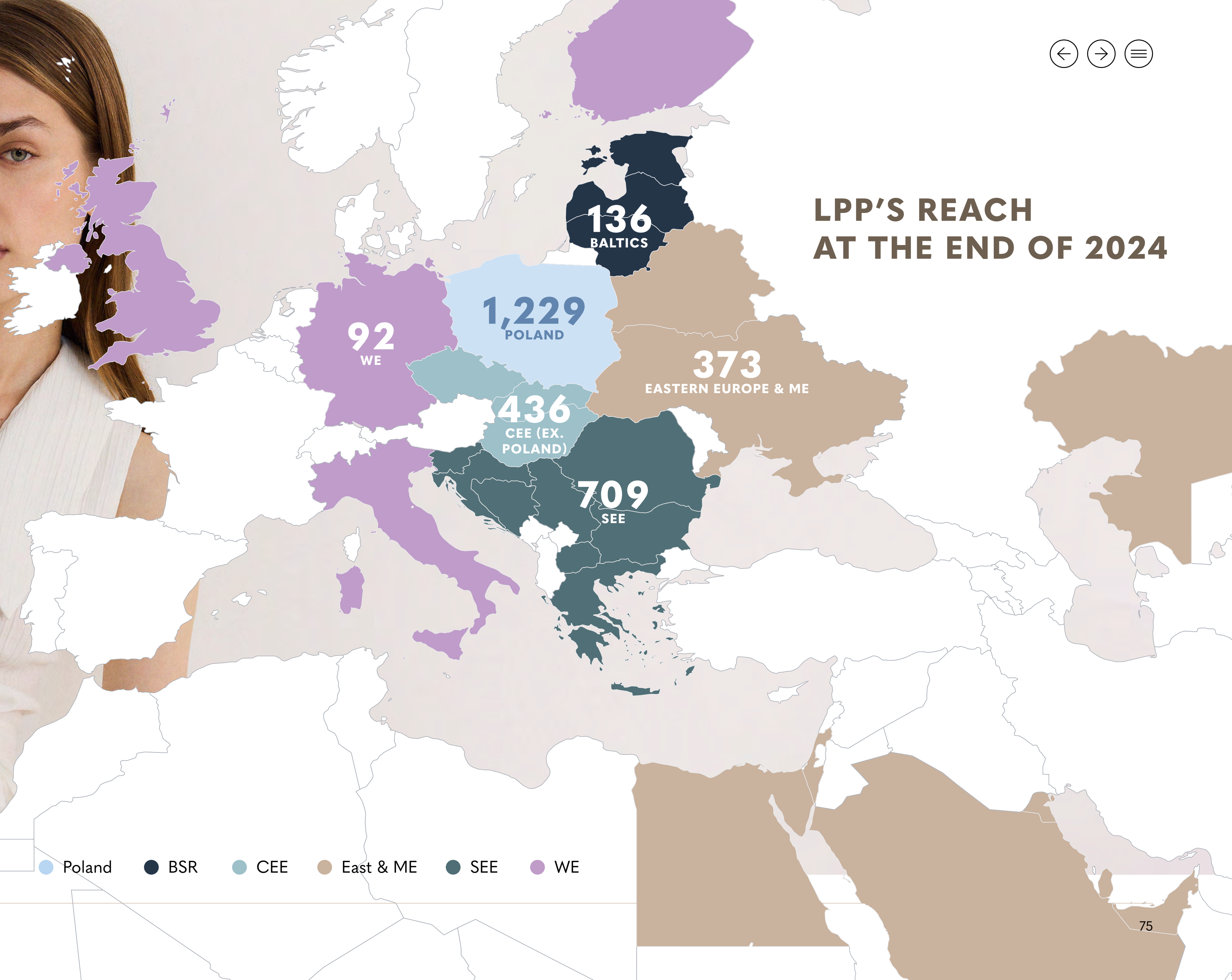
## BY BRANDS

| Floorspace (ths m²) | I.2024 | I.2025 target | YoY |
|---|---|---|---|
| Sinsay | 954.6 | 1,394.1 | 46% |
| Reserved | 594.5 | 628.8 | 6% |
| Cropp | 172.3 | 187.5 | 9% |
| House | 171.3 | 184.0 | 7% |
| Mohito | 100.9 | 105.5 | 5% |

## BY REGIONS

| Floorspace (ths m²) | I.2024 | I.2025 target | YoY |
|---|---|---|---|
| Poland | 846.6 | 950.0 | 12% |
| Europe | 949.2 | 1,235.0 | 30% |
| Other regions | 197.9 | 315.0 | 59% |
| **TOTAL** | **1,993.7** | **2,500.0** | **25%** |

## LPP'S REACH AT THE END OF 2024



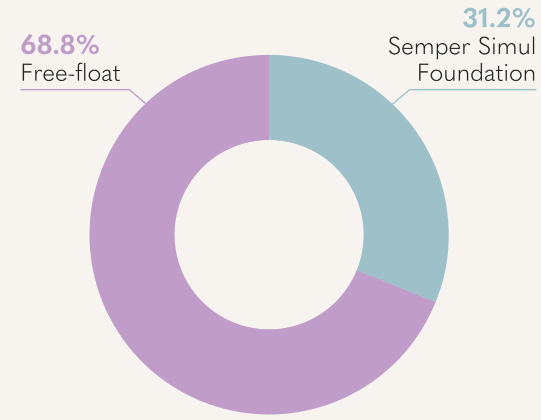
# Presence on Warsaw Stock Exchange

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

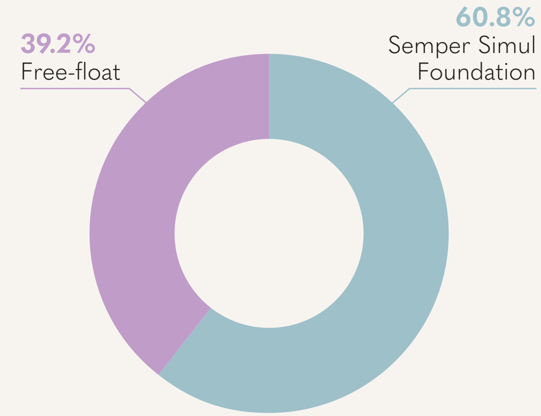
## 9.1. SHAREHOLDER STRUCTURE

LPP's shareholder structure underwent sizeable changes in the past years. The founders Marek Piechocki and Jerzy Lubianiec have transferred their shares to foundations in order to: protect the company against fragmentation of capital in the future, ensure the family status of the company and maintain the current culture and longevity of the company. The CEO, Marek Piechocki, transferred shares to the Semper Simul Foundation, which currently holds 31.2% of equity and 60.8% of votes. Both ordinary and privileged shares (1 to 5 in votes) are deposited in this foundation. Co-founder, Jerzy Lubianiec, transferred his shares to the Sky Foundation and then in 2023 reduced exposure below the threshold of 5% of the total number of votes at the General Meeting of Shareholders. LPP has a sizeable 68.8% free-float. The company no longer holds treasury shares. These were sold to the market in December 2020.

### SHAREHOLDERS BY EQUITY – JULY 2024




### SHAREHOLDERS BY VOTES – JULY 2024

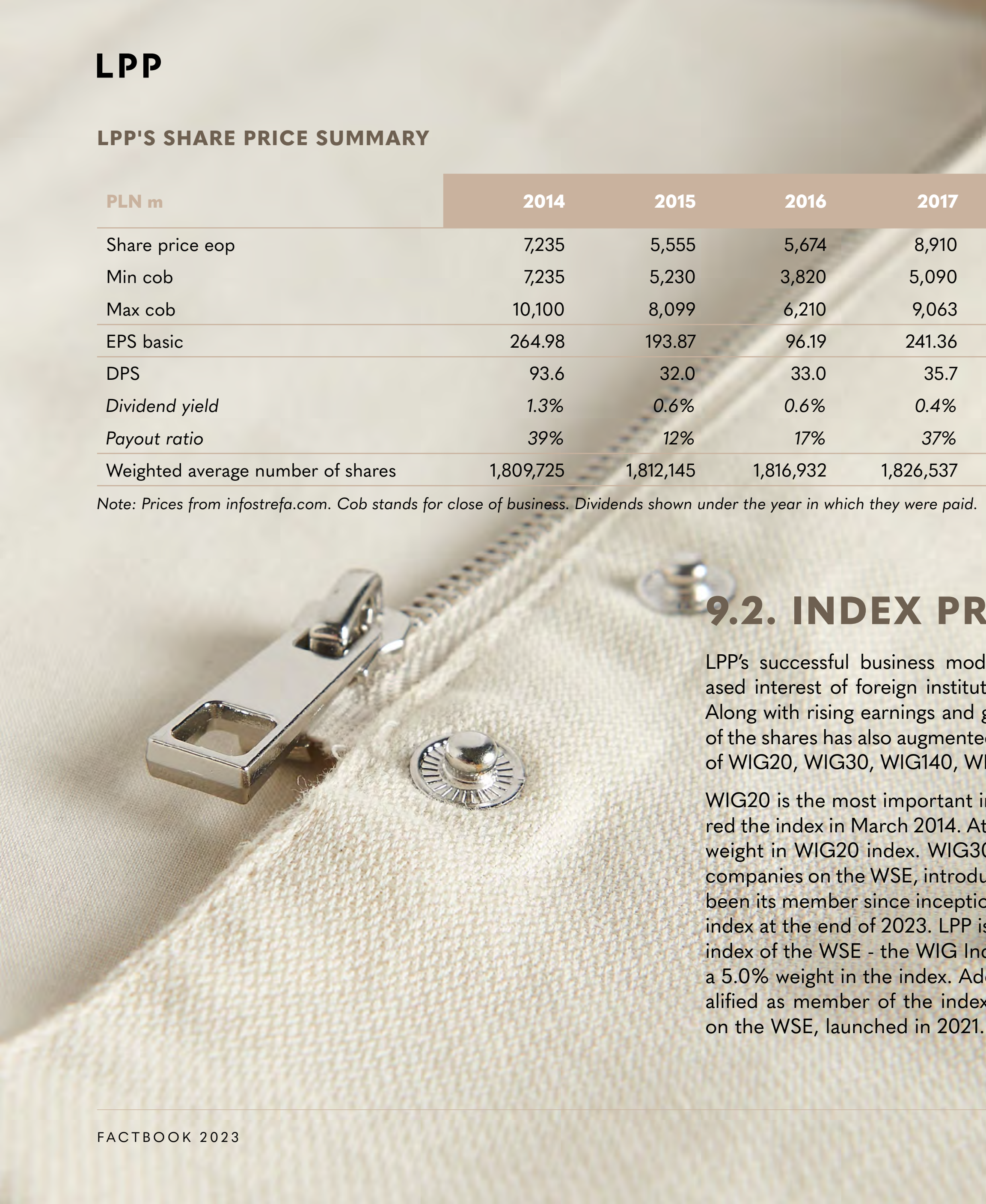


LPP's stock performance shows the success story of the company since its debut on the Warsaw Stock Exchange (WSE).

In 2001 a successful IPO of G series shares took place. New investors subscribed for 300,000 shares, each for PLN 48 issue price. In 2003 the company issued new H series shares. The investors subscribed for 190,000 shares at issuing price of PLN 265. The funds gathered from both issuances were used to develop the network of Reserved stores and investments in IT systems. The highest LPP share price on WSE was PLN 18,900 in February 2024.

| TICKERS | | PERFORMANCE AS OF 31.01.2024 | |
|---|---|---|---|
| WSE | LPP | 1Y | +54% |
| BLOOMBERG | LPP PW | 3Y | +102% |
| REUTERS | LPPP.WA | 5Y | +86% |

## LPP'S SHARE PRICE: FROM IPO UNTIL 31.01.2024



## LPP'S SHARE PRICE SUMMARY

| PLN m | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 (13m) | 2019 (13m) | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Share price eop | 7,235 | 5,555 | 5,674 | 8,910 | 7,850 | 8,370 | 8,465 | 7,690 | 15,890 | 10,120 | 15,570 |
| Min cob | 7,235 | 5,230 | 3,820 | 5,090 | 7,535 | 7,535 | 6,945 | 4,450 | 7,680 | 7,360 | 9,145 |
| Max cob | 10,100 | 8,099 | 6,210 | 9,063 | 10,170 | 10,170 | 9,125 | 8,680 | 18,770 | 16,000 | 16,730 |
| EPS basic | 264.98 | 193.87 | 96.19 | 241.36 | 275.53 | 241.34 | 229.55 | -103.44 | 518.76 | 590.79 | 866.27 |
| DPS | 93.6 | 32.0 | 33.0 | 35.7 | 40.0 | 40.0 | 60.0 | 0.0 | 350.0 | 430.0 | 610.0 |
| *Dividend yield* | *1.3%* | *0.6%* | *0.6%* | *0.4%* | *0.5%* | *0.5%* | *0.7%* | *0.0%* | *2.2%* | *4.2%* | *3.9%* |
| *Payout ratio* | *39%* | *12%* | *17%* | *37%* | *22%* | - | *22%* | *0%* | *172%* | *68.1%* | *73.0%* |
| Weighted average number of shares | 1,809,725 | 1,812,145 | 1,816,932 | 1,826,537 | 1,833,483 | 1,833,489 | 1,834,192 | 1,838,066 | 1,838,066 | 1,853,738 | 1,855,190 |

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

# 9.2. INDEX PRESENCE

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

WIG20 is the most important index on the WSE. LPP has entered the index in March 2014. At the end of 2023 LPP had a 7.0% weight in WIG20 index. WIG30 is the index of the most liquid companies on the WSE, introduced in September 2013. LPP has been its member since inception and held a 6.8% weight in this index at the end of 2023. LPP is also a member of the broadest index of the WSE - the WIG Index. At the end of 2023 LPP had a 5.0% weight in the index. Additionally, the Company was qualified as member of the index of family-run companies listed on the WSE, launched in 2021.

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

## POLISH INDICES

### WIG20

- The most important index of the WSE
- Member since March 2014
- c. 7.0% LPP's weight

### WIG

- The broadest index of the WSE
- c. 5.0% LPP's weight
- One of the largest clothing retailers in the index

### WIG30

- WIG30 index of the 30 most liquid companies on the WSE, launched September 2013
- Member since index inception
- c. 6.8% LPP's weight

### WIG ESG

- The index comprises of WIG20 and mWIG40 companies, published since September 2019
- Weight in the index is among others based on ESG standing
- c. 5.2% LPP's weight

### WIG140

- WIG140 index of the 140 most liquid companies on the WSE, launched December 2021
- Member since index inception
- c. 5.2% LPP's weight

## INTERNATIONAL INDICES

### MSCI POLAND

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

### FTSE RUSSEL INDEX

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

### CECE

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

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

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

# 10 Governance

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

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

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

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

**APPOINTS**

**GENERAL SHAREHOLDER MEETING**

- appoints Supervisory and Management Board members
- approves annual financial statements
- grants discharge to the Management and Supervisory Board members

**SUPERVISORY BOARD**

- consists of 5 to 6 members
- appointed for a 5 year term

**AUDIT COMMITTEE**

- review of the financial statements
- assessment of the financial standing
- control and assessment of the internal audit reports
- assesment of risk management and internal audit

**MANAGEMENT BOARD**

- consists of 2 to 6 members
- appointed for a 5 year term
- CEO can represent the company by himself
- additionally two management board members as well as management board member and legal representative can sign binding agreements

# 10.1. SUPERVISORY BOARD

### MIŁOSZ WIŚNIEWSKI
**Independent the Chair of the Supervisory Board**
- a graduate of the Mikołaj Kopernik University in Toruń and Executive M.B.A. École Nationale des Ponts et Chaussées in Paris
- experience in finance and management

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

### JAGODA PIECHOCKA
**Member of the Supervisory Board**
- a graduate of the Warsaw University of Technology and HEC Paris in Paris
- experienced in the IT sector
- connected with Semper Simul Foundation, as a beneficiary of the foundation

### GRZEGORZ MARIA SŁUPSKI
**Independent Member of the Supervisory Board**
- an entrepreneur and a manager
- experienced at a housing cooperative, including multiple years as a leader or of Management Board and as a Chair of the Supervisory board

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

## LPP'S SUPERVISORY BOARD

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

SUPERVISORY BOARD AS AT THE DATE OF PUBLICATION.

# 10.2. MANAGEMENT BOARD

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

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

### SŁAWOMIR ŁOBODA
**Management Board Member**
- Co-operated with LPP since 1997.
- Appointed: 14 October 2015.
- Responsible for legal issues, new retail space and store expansion.

### MARCIN PIECHOCKI
**Management Board Member**
- Co-operated with LPP since 2017.
- Appointed: 29 June 2021.
- Responsible for Mohito and Sinsay brands, internal communication and external relations.

### MIKOŁAJ WEZDECKI
**Management Board Member**
- Co-operated with LPP since 2022.
- Appointed: 17 November 2023.
- Responsible for contact center, data science, IT operations, IT core, business value services IT.

## MEMBERS OF THE MANAGEMENT BOARD, INCLUDING THEIR AREAS OF RESPONSIBILITY

**MAREK PIECHOCKI**
**CEO & Founder**
- Reserved, Cropp, House - omnichannel development and sales
- HR
- Purchasing and ESG
- Sales operations
- Logistics
- Investments
- Administration

**PRZEMYSŁAW LUTKIEWICZ**
**Management Board Member, CFO**
- Reporting
- Controlling
- Human Resources, payroll and accounting
- Investor relations
- Management of foreign subsidiaries
- Internal control and risk management
- Central procurement
- Treasury

**SŁAWOMIR ŁOBODA**
**Management Board Member**
- Reserved, Cropp, House, Mohito - rental and expansion
- Legal service
- Market analyses

**MARCIN PIECHOCKI**
**Management Board Member**
- Mohito, Sinsay - brand development and omnichannel sales
- Sinsay - rental and expansion
- Internal communication
- Social Media
- Employer Branding
- External relations
- Sustainability reporting
- Diversity, Equity, Inclusion
- Relationship with the social environment

**MIKOŁAJ WEZDECKI**
**Management Board Member**
- Contact Center
- Data Science
- IT Operations
- IT Core
- Business Value IT Services

# 10.3. RISK MANAGEMENT

In the Group, enterprise risk management (ERM), i.e. day-to-day risk identification and mitigation, is the responsibility of Internal Control & Risk Management Department. Risk management in the Company is supervised by the Management Board of LPP, whereas the Supervisory Board of LPP exercises control over the above-mentioned Department. Internal Control & Risk Management Department is the author of the Risk Management Procedure which incorporates a detailed description of the risk management process, specifies a desirable risk culture, stages of the risk management process and its participants. Furthermore, the procedure in question defines the scope of responsibility and tools to be used.

Along with the Procedure, the Risk Log was created, dividing risks into the following main categories:

- strategic;
- operational;
- regulatory and compliance;
- financial;
- reputational.

Parallel to the enterprise risk management, the Group manages climate risks. 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.

LPP

## KEY RISKS FOR LPP AND ACTIONS MITIGATING THEM

| 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.<br><br>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. | The Group mitigates the risk in several ways:<br>• **Sale of goods:**<br>  • presence in multiple European markets - diversification of risk across a number of countries with a diverse macroeconomic situation,<br>  • sale of goods under several brands addressed to various groups of customers in order to spread the risk into several age groups,<br>  • offering goods at a wide range of prices - from cheap and easily accessible to more expensive ones.<br>• **Purchase of goods:**<br>  • outsourcing the production of goods to multiple manufacturers in more than a dozen countries,<br>  • long-term cooperation with selected suppliers, which allows the negotiation of advantageous product prices.<br>• **Operating costs:**<br>  • strict control of the company's operating costs (cost budgeting, analysis of work processes and their optimisation). |
| **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 mismatch 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.<br>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-called 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.<br><br>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.<br><br>At the same time, the VM and Omnichanel departments continuously monitor changing fashion trends, shopping trends and the pricing policies of major competitors.<br><br>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). |

| RISK | RISK MITIGATION MEASURES |
|---|---|
| **COMPETITION RISK** | |
| Many players are active in the clothing market in Poland and in the European countries, including the world's leading companies from this sector. The share of competitors 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. | The Company's employees attend fashion fairs and shows and have access to publications and websites 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 applications, 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. |
| **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.<br><br>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. | 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.<br><br>The Group takes proactive measures to mitigate the following risks:<br>• 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);<br>• 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);<br>• 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;<br>• 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;<br>• selling goods through two independent distribution challenges, such as traditional stores and online sales. |

| RISK | RISK MITIGATION MEASURES |
|---|---|
| **RISK OF OBTAINING AND RETAINING TALENTED 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. |

# 11 Towards sustainable fashion

**2011**
- Joining the ACCORD alliance

**2014**
- Establishing of factory audit division
- Resignation from angora

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

**2016**
- Resignation from natural furs

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

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

## 2019

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

## 2020

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

## 2021

- Joining the Canopy
- Joining Cotton made in Africa

## 2022

- Joining amfori BSCI
- Submitting to SBTi the Target Submission Form

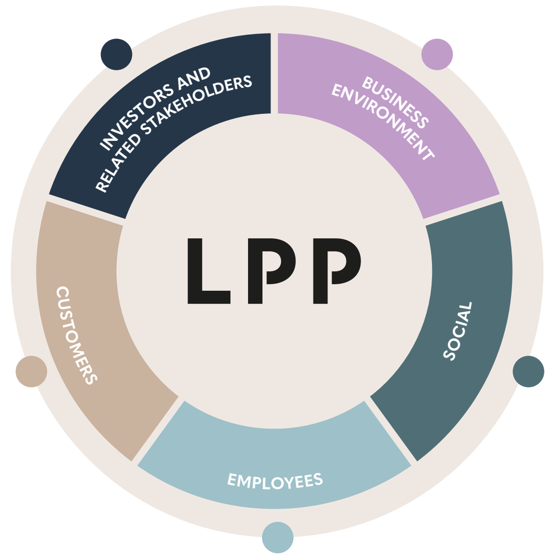
## 2023

- **Joining ACCORD Pakistan**
- **Membership of Euro Cham Myanmar**
- **Collaboration with BRAC (international NGO in Bangladesh) working for labour market**
- **Decarbonisation targets validated by SBTi**

# 11.1. OUR STAKEHOLDER RELATIONS

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

## STAKEHOLDER MAP




### INVESTORS AND RELATED STAKEHOLDERS

- Polish and international investors
- The most relevant Polish and international analysts – ca. 200 people who take part in the earnings calls
- Warsaw Stock Exchange
- Polish Association of Listed Companies
- Polish Financial Supervision Authority

### BUSINESS ENVIRONMENT

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

### CUSTOMERS

- In-store customers
- E-commerce customers

### EMPLOYEES

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

### SOCIAL ENVIRONMENT

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

# SELECTED COMMUNICATION CHANNELS


### INVESTORS AND RELATED STAKEHOLDERS

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

### BUSINESS ENVIRONMENT

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

### CUSTOMERS

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

### EMPLOYEES

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

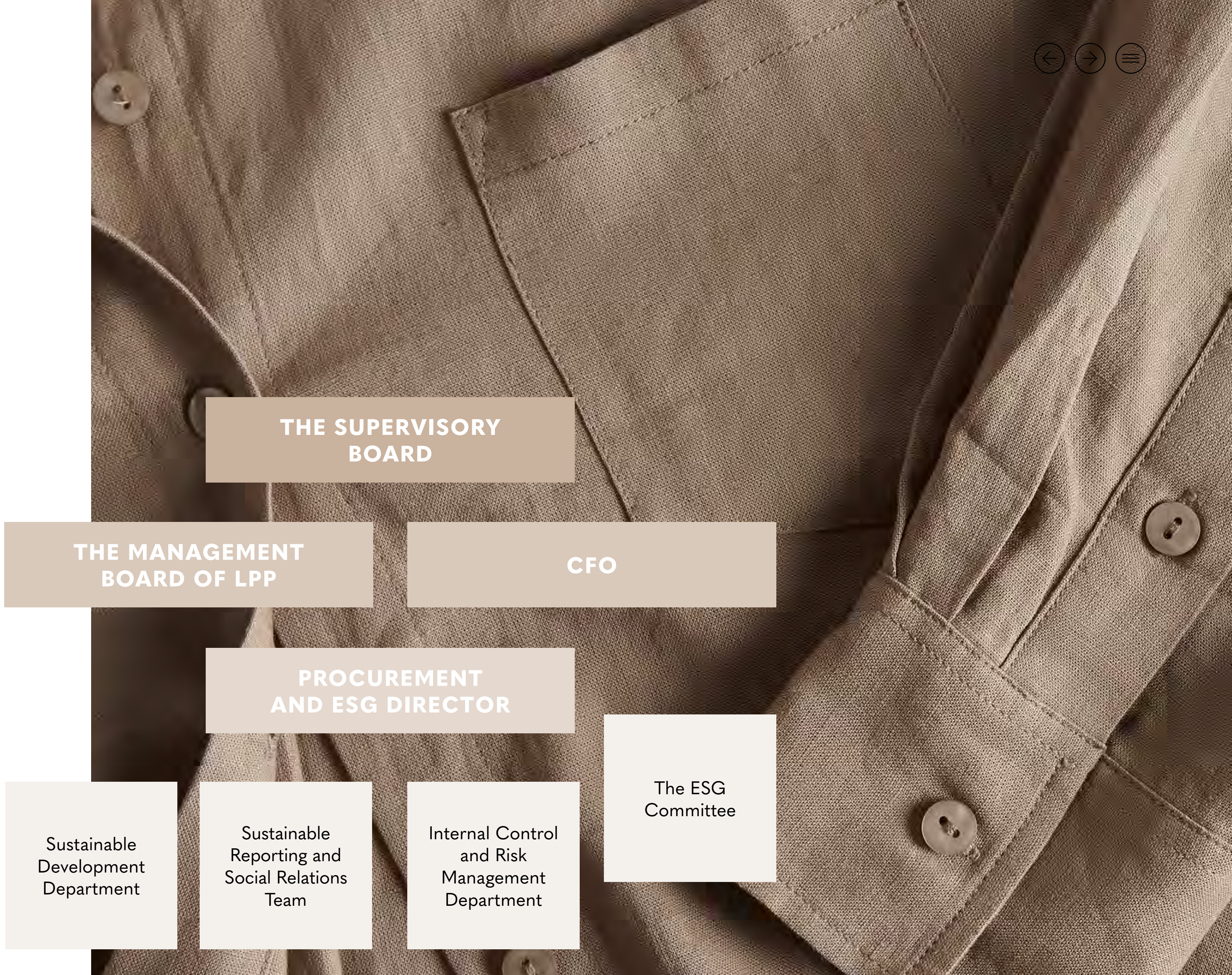
### SOCIAL ENVIRONMENT

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

## 11.2. ESG IS HIGH ON OUR AGENDA

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

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

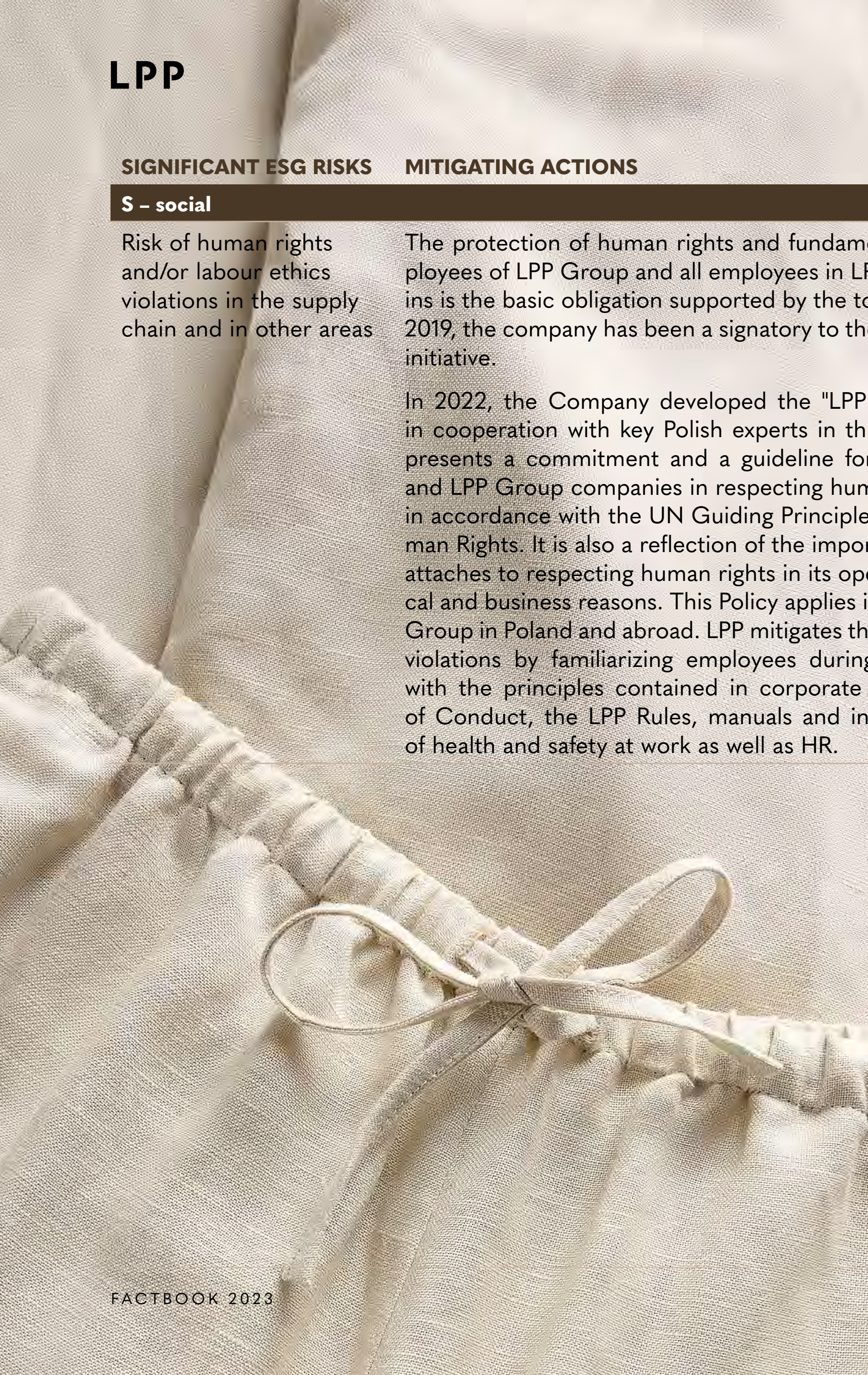


| | Description of responsibility for climate issues |
|---|---|
| **Management Board of LPP** | The role of the Management Board is to implement the business strategy, in which sustainable development is one of the three pillars. The scope of duties also includes the long-term shaping of LPP Group's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

# 11.3. SIGNIFICANT ESG RISKS AND MITIGATING ACTIONS

Along with enterprise risk management, the Group manages ESG risks. In terms of merits, this process is fully integrated with the course of the enterprise risk management procedure. Both ESG risks and those identified as part of the ERM process are analysed in terms of their impact on the execution of the strategy of the LPP Group.

| SIGNIFICANT ESG RISKS | MITIGATING ACTIONS |
|---|---|
| **E – environmental** | |
| Risk of disruption to production processes due to extreme weather events | LPP Group has a temperature and weather analysis system coupled with processes planning deliveries to various markets. Additionally, if faster delivery of the assortment is necessary, it is possible to change the transport method from sea to air, and the portfolio of so-called suppliers near shore (not far distance from LPP distribution centers) is constantly being expanded. |
| Risk of limited availability and increase in prices of sustainably produced or recycled materials | In order to reduce the risk, LPP Group takes actions aimed at increasing product prices or reducing the number of models using yarn from sustainable sources. LPP also focuses on increasing investments in activities aimed at developing the market for materials originating from sustainable production and recycling, including cooperation with the start-up that recycles polyester. |
| Risk of limited availability of raw materials for the production of materials and their increasing price as a consequence of ongoing climate change and loss of biodiversity | LPP Group constantly monitors the prices of raw materials critical to the production of its collections and adjusts sales prices to raw material prices. Additionally, it constantly increases the range of sustainable raw material sources used, including Cotton made in Africa and Lenzing. |



| SIGNIFICANT ESG RISKS | MITIGATING ACTIONS |
|---|---|
| **S – social** | |
| Risk of human rights and/or labour ethics violations in the supply chain and in other areas | The protection of human rights and fundamental freedoms of employees of LPP Group and all employees in LPP 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 initiative.<br><br>In 2022, the Company developed the "LPP Human rights policy" in cooperation with key Polish experts in this area. The policy represents a commitment and a guideline for the activities of LPP and LPP Group companies in respecting human rights, understood in accordance with the UN Guiding Principles on Business and Human Rights. It is also a reflection of the importance that LPP Group attaches to respecting human rights in its operations, for both ethical and business reasons. This Policy applies in all companies of LPP Group in Poland and abroad. LPP mitigates the risks of human rights violations by familiarizing employees during onboarding process with the principles contained in corporate documents i.a. Code of Conduct, the LPP Rules, manuals and instructions in the area of health and safety at work as well as HR. |

| | |
|---|---|
| **G – governance** | |
| Risk of failure to meet regulatory requirements related to sustainable development | LPP Group is aware of the relevance of the regulations being introduced and the need to adapt its operations to them. The dynamics of the changes taking place in the ESG field have led to a strengthening of the team involved in work in this area, as well as an intensification of the work itself. In order to protect against the risk of non-compliance resulting from a lack of awareness of legislative changes, LPP Group provides its entities with regulatory intelligence services through its head office and support centers in the regions where LPP Group operates. LPP continuously monitors the legislative progress of the new regulations, cooperates with external consultancies and adapts its procedures and operational activities to the new requirements. |
| Cybersecurity risk | LPP Group, striving to ensure an effective and appropriate level of information protection, has implemented and is constantly developing technical and organizational solutions, based on leading standards in the areas of security information and personal data protection. LPP ensures that these solutions are adequate to the scale, profile of the business and identified risks. LPP Group has specialized responsible organizational units for management and supervision of the information security area, including protection personal data (appointed CISO function with a team, Security Inspector Data). Designated departments strive to ensure the LPP Group and national compliance and community regulations, including GDPR6, as well as standards resulting from international standards, among others ISO 27001 or the PCI DSS standard. LPP Group has implemented and continuously optimizes procedures in security areas information and personal data protection and security solutions IT. The effectiveness of the implemented processes, procedures and solutions is confirmed by organizing periodic tests and security audits in cooperation with specialized external companies. LPP has certificate of compliance with the PCI DSS standard confirming credibility and reliability of the Company as well as care for security, confidentiality and protection of information related to customer transactions made with payment cards. LPP Group implements planned initiatives in the area of security and continuously improves processes, procedures and tools. |

# 11.4. DIVERSITY, EQUALITY AND INCLUSION

Our company is a multinational, multilingual and multireligious community. Our community members differ in terms of skin colour, gender, age, psychosexual orientation and gender identity. They are in different life roles, have different communication styles, and live in different time zones.

They have different values, culture, individual sensitivity, physical and mental health. LPP does not tolerate any form of discrimination against gender, ethnical or national origin, religion, disability, age, psychosexual orientation, gender identity or invisible features. We aim at providing the atmosphere of acceptance, where diversity is a value on its own as a factor favouring development and cooperation.

Since 2019 we have been a signatory of the Diversity Charter. In 2022 we have implemented the "LPP Diversity, equity and inclusion policy" (DE&I Policy).

By implementing the principles of the DE&I Policy, we appreciate diversity of our team and commit ourselves to create a friendly workplace that is free of discrimination and ensures equal treatment.

The DE&I Policy is our commitment to obey human rights and our clear declaration against any signs of the violation of those rights or discrimination. It lays down the most important directions of our company's development in the management of diversity. It applies to all Polish and foreign subsidiaries, including their employees, members, stakeholders, business partners, and customers. It is consistent with other regulations being in force in LPP Group, including, without limitation, the “LPP Rules” (Code of ethics) and the "LPP Human rights policy". All members of LPP Group must obey this Policy.

## PREVENTING DISCRIMINATION

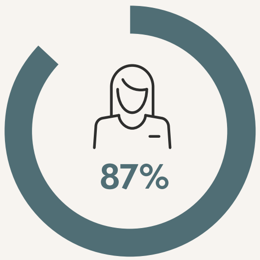
LPP does not tolerate any forms of discrimination and mobbing. All incidents can be safely and anonymously reported and the reporting persons will not be exposed to any negative professional consequences or retaliation. If discrimination is confirmed or there are any doubts, we implement corrective action plans. Our corrective actions are adjusted to a specific case and needs of the aggrieved people. They include a number of actions aimed at repairing the damages, as well as preventing similar incidents in future.

## WAGES

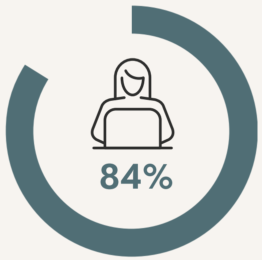
We are committed to transparent and fair remuneration rules. Each employee must be sure that they are treated fairly. Wages should be dependent on skills, experience and performance and not on gender or other personal features. We exclude discrimination. We aim at eliminating all differences in wages of women and men performing the same job.

In 2023 the female-to-male ratio for base salary and total compensation was 98% in both LPP SA and the entire LPP Group in Poland, both in managerial and other positions.

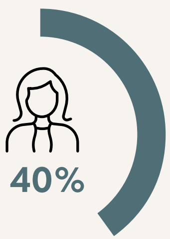
## SELECTED ISSUES OF DE&I POLICY




of employees at LPP Group are **women**




of employees among managers at LPP Group are **women**




of the Supervisory Board members are **women**

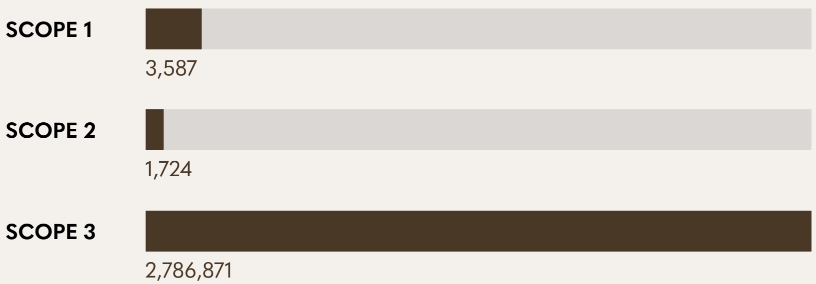

of the Management Board members are **men**

# 11.5. WE MEASURE OUR CARBON FOOTPRINT

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

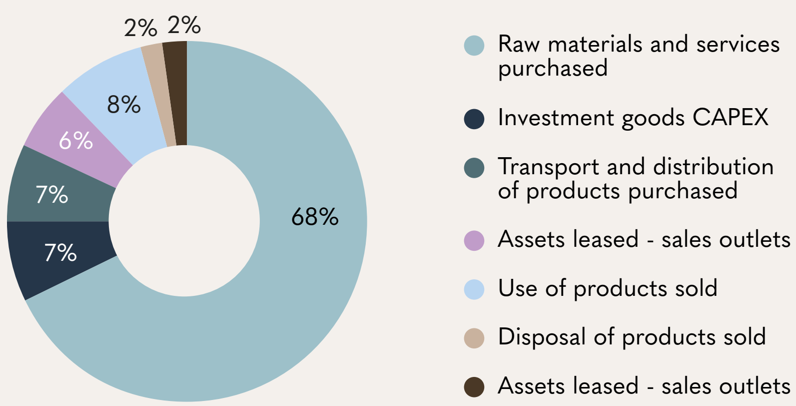
**GHG CALCULATIONS CONDUCTED IN LINE WITH INTERNATIONALLY RECOGNISED GHG PROTOCOL.**

## LPP GROUP GHG EMISSIONS IN TONNES OF $CO_2$E, 2023




In 2023, the GHG emissions intensity of LPP Group in scope 1&2 in terms of revenue was 0.31 [T $CO_2$E/PLN 1m].

## SCOPE 3 GHG EMISSIONS OF LPP GROUP BY SOURCES




## 11.6. SBTI

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

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

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

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

**2019**
adopting a sustainable development strategy

**2021**
first independent calculation of the total carbon footprint

**2023**
approval of the decarbonisation plan by SBTi

**2030**
**achievement of the targets set**

**2025 - COMMITMENT TO REVIEW THE TARGETS**


# 11.7. SUSTAINABLE DEVELOPMENT STRATEGY

### DESIGNING AND MANUFACTURING

we design products with a longer life cycle to reduce the quantity of textile waste and we carry out more sustainable production, guided by the principle of minimising environmental impact.

### CHEMICAL SAFETY IN MANUFACTURING

refers to commitments and activities relating to managing the impacts of chemicals used in production processes on the environment, human health and the entire supply chain.

### PLASTICS UNDER CONTROL

means our commitment to eliminate plastic packaging that is not reusable, recyclable or compostable from both our production processes and the products we offer.

### SUSTAINABLE DEVELOPMENT IN THE BUILDINGS OF HEADQUARTERS AND SALES NETWORK

refers to the measures we take to minimize the environmental impact of our infrastructure, simultaneously caring for buildings' energy efficiency, employee comfort and introducing innovative solutions in the scope of sustainable construction.

## WE REPORT USING INTERNATIONAL STANDARDS AND FRAMEWORKS

GRI Empowering Sustainable Decisions

GREENHOUSE GAS PROTOCOL

SUSTAINABLE DEVELOPMENT GOALS

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

NFRD

UN GLOBAL COMPACT

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## WE ARE PART OF ESG INDICES

WIG ESG

MSCI

## OUR DECARBONISATION PLAN APPROVED BY:

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## WE ARE RATED BY:

SUSTAINALYTICS

S&P Global Ratings

CDP

FTSE Russell

CHRB Corporate Human Rights Benchmark

## WE ARE MEMBER:

canopy

ROADMAP TO ZERO

amfori Trade with purpose

COTTON MADE IN AFRICA

International ACCORD for Health and Safety in the Textile and Garment Industry

# Glossary

| | |
|---|---|
| **Poland** | Retail sales in Poland and other sales of LPP SA. |
| **CEE** | Region including: Czech Republic, Slovakia, Hungary and Poland (if not stated otherwise). |
| **Baltic** | Region including: Lithuania, Latvia, Estonia. |
| **East** | Region including: Ukraine, Belarus and Kazakhstan. |
| **SEE** | Region including: Bulgaria, Romania, Croatia, Serbia (from 2017), Slovenia (from 2018), Bosnia & Herzegovina (from 2019), North Macedonia (from 2021) and Greece (from 2022). |
| **WE** | Region including Germany, the UK (from 2017), Finland (from 2019) and Italy (from 2022). |
| **ME** | Region including: Egypt, Qatar, Kuwait, UAE and Israel (from 2018). Until mid-2017 the region included also Saudi Arabia. |
| **Europe** | Region including: CEE, Baltic, SEE and WE. |
| **EBITDA** | EBIT + depreciation from cash flow statement. |
| **Average monthly revenues/ $m^2$** | Revenues of segment or brand/ average working total floorspace/ 12. |
| **Average monthly costs of own stores/ $m^2$** | Costs of own stores/ average working floorspace of own stores (ie. excluding all franchise stores which represent c. 2.5% of the working floorspace) / 12. |
| **Average monthly SG&A PLN/ $m^2$** | SG&A costs/ average working total floorspace excluding stores located in ME and Belarus (until 2020) / 12. |
| **Inventory/ $m^2$** | End of period group inventory/ total floorspace without franchise stores in ME and Belarus (until 2020). |
| **Inventory days** | Average inventory/ group COGS * 365 days. |
| **Receivables days** | Average receivables/ group revenues * 365 days. |
| **Liabilities days** | Average short-term liabilities/ group COGS * 365 days. |
| **Cash conversion cycle** | Inventory days + receivables days – liabilities days. |
| **PFSA** | The Polish Financial Supervision Authority. |

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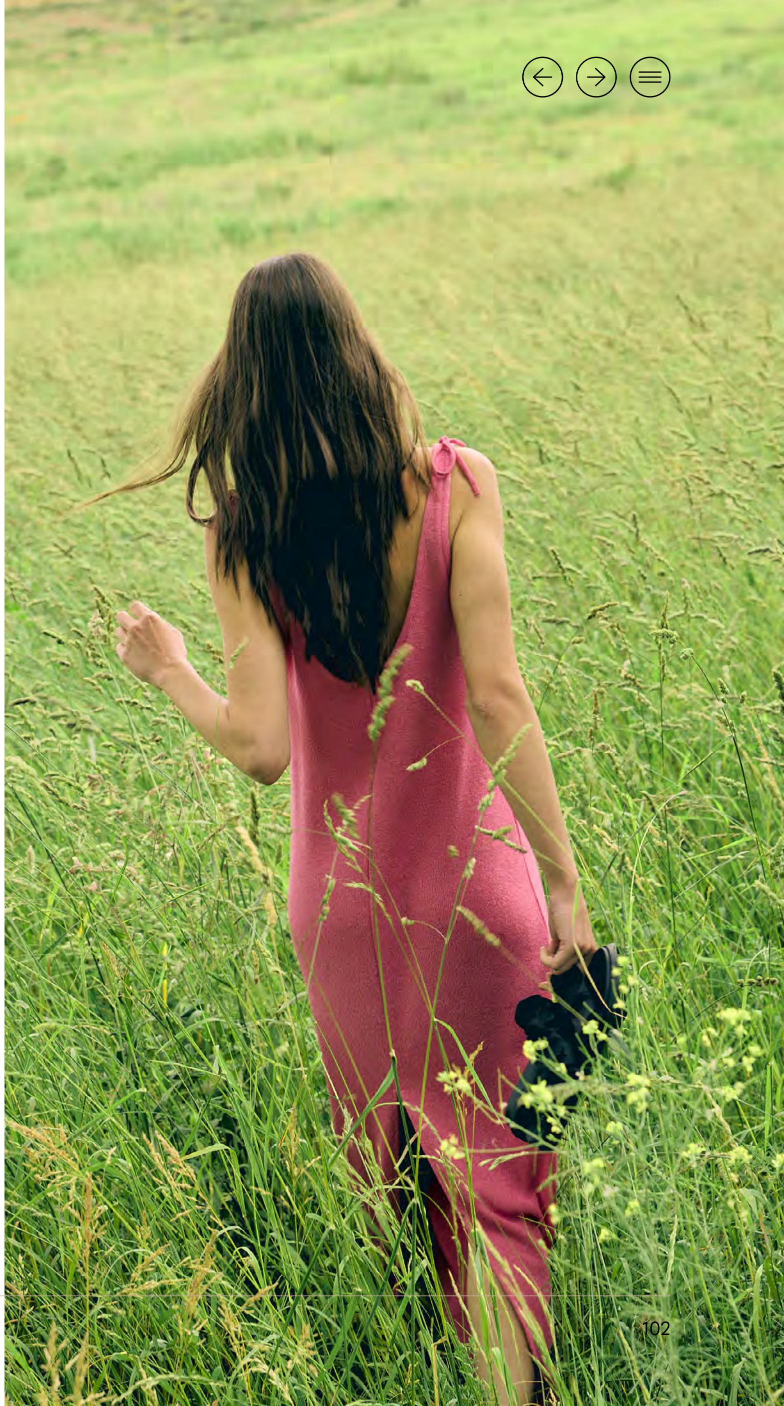

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