

Transcript of the recording: LPP Group 3Q2025 results conference

[00:00]

[Monika Wszeborowska]: Good morning, welcome to the LPP Group results conference. Today's meeting will be chaired by Marcin Bójko, Vice-President of the Management Board, CFO.

[Marcin Bójko]: Good morning.

[Monika Wszeborowska]: ...and Magdalena Kopaczewska, Director of Investor Relations.

[Magdalena Kopaczewska]: Good morning.

[Monika Wszeborowska]: Ladies and gentlemen, today's meeting will be devoted to summarising the LPP Group's results for 3Q of this year. In our case, these are the months of August, September and October. And this is where we will start today's meeting. During the conference, we will also talk about our immediate and long-term plans, and we will conclude today's meeting with a question and answer session. You can ask questions via the chat window, which is visible on your screens and will remain active throughout today's meeting. If you still have any questions or issues to clarify after the meeting, please feel free to contact our investor relations department. The address is: LPP.investor.relations@lpp.com. We encourage media representatives to contact our press office at media@lpp.com. Today's meeting is scheduled to last approximately one hour, so we will aim to finish at 7 p.m. and will try to keep to the schedule. Ladies and gentlemen, let us now move on to the summary of the results for 3Q of this year.

[01:18]

[Marcin Bójko]: Yes, sir. Without further ado, there is a lot of material, so let's move on to the summary of 3Q 2025. The most important information: like-for-like stores, i.e. those stores that have been operating in our chain for more than 12 months – 4.3% growth in comparable sales. We will look at the details in a moment, but it is a very good result. However, stores that have been with us for a long time are not the only part of our business. We are growing steadily. In recent months, you have certainly noticed very quickly – 232 new openings, including 200 under Sinsay brand.

[02:05]

[Marcin Bójko]: But we are also growing rapidly in our second leg, i.e. in the online channel, in e-commerce. PLN 1.7 billion in sales, 22% growth in constant currencies, also compared to such a broad market, very good, high dynamics. And what always makes us happy – the payment of the second tranche of dividends. A total of PLN 660 million for the year, over PLN 1.2 billion. We have been a dividend-paying company for several years. Recently, the dividend yield has been ca. 4%, which is in line with our plans, so we are always happy to share this positive information with you. These are the operating results.

[02:55]

[Marcin Bójko]: When it comes to strictly financial results, we have four main ratios here. Sales in 3Q amounted to PLN 6.1 billion, representing a 22% increase. EBITDA was PLN 1.7 billion, EBIT was PLN 1.2 billion, and net profit was PLN 800 million. These are very large, impressive figures for 3Q, but they are even more encouraging when we look at the YoY growth. At every level: EBITDA up 48% YoY, EBIT up 61% and net profit up 39%. These increases are also well above sales growth. This naturally translates into higher profitability, which we will look at in detail in a moment. But these business results, which we saw on the previous slide, also translate nicely into financial results.

[03:50]

[Marcin Bójko]: And here, too, we should start with an important disclaimer, an important comment. The results we are looking at in terms of profits are adjusted results. What do we mean by that? These are strictly business results. I am sure that everyone here with us today follows our current reports. Two weeks ago, we published a current report in which, following an analysis of the market situation, the Management Board decided to write off ca. PLN 800 million from the result. The write-off was strictly due to the situation of a Russian company, a Russian investor, which took over the business in 2022 after divestment. Well, the situation there... we kept you informed on an ongoing basis, and in September we devoted a large section to this topic, but the situation on this market is dynamic, and after receiving new information, which was presented in the current report, we had to reassess the situation. And this is strictly a business result.

[05:00]

[Marcin Bójko]: Also, just to remind you, the write-off is non-cash and does not entail any cash outflows for the company. The company's situation is very comfortable. I think that after today's results, this is clearly visible. We have sufficient funds for development, for investment, including logistics CAPEX. And as we have commented elsewhere, this will of course be based on an analysis of the current situation, but we see no reason for any change in our dividend policy. We are simply focusing on pure business now, and the results you see on this slide, as well as on the following ones, are strictly focused on pure business.

[05:50]

[Marcin Bójko]: The year 2025 will also see an acceleration in our growth. And here we have the traditional status: 232 stores opened in 3Q. Nearly double the acceleration YoY. 200 stores under Sinsay brand, over 30, exactly 32 stores under RCHM, i.e. Reserved, Cropp, House, Mohito. And we are ending 3Q with a network of nearly 3,500 stores.

[06:25]

[Marcin Bójko]: Moving on to the details of the financial results, here we will look at the individual ratios in a little more detail. Like-for-like sales, which is where we started at the beginning. And here we see the 4.3% generated in the last quarter in a broader context. 7.5% in 3Q of last year, so the base was high in terms of like-for-like, in fact the highest in the period we see on the slide. So the base was demanding, which is why the 4.3% is all the more pleasing. And when we take these dynamics in comparable stores, add new sales and e-commerce sales to that, we see that in 3Q, sales growth was 22%. 22% in stores and nearly 21% in e-commerce. However, after nine months, the entire

business is growing by 20%. And here is some additional information: the impact of currencies during this period was minus one and a half percentage points. So if we adjusted these dynamics on the left for this so-called macro impact, they would be higher by one and a half points.

[07:45]

[Marcin Bójko]: Sales are our primary lever for generating results. The second is gross profit margin. During the last Q&A session in September, we indicated that there is significant, even mathematical, mathematically logical potential for an increase in margins. 2H is definitely better. We contracted the collection at a better FX rate and we already signalled this at the time. Now I am happy to say that nothing negative has happened, in fact we can see that everything went according to plan and we can report a very nice, high margin. And again, as with likes, on the scale we see in the chart, it is basically the highest margin in the recent period. And here, the strong Polish zloty in recent years has definitely helped a lot.

[08:45]

[Marcin Bójko]: Sales, gross profit margin and the third lever of our business, i.e. operating costs. And this is the area we are most satisfied with. Everything here is in our hands, and as we commented at the end of last year, we are building this scale and momentum, these costs were increased, some of the logistics locations were just starting up and were only just becoming efficient. However, since 1Q this year, costs have been behaving as we would like them to. We are efficient in the so-called back office, where we have already mastered development, we know that the teams we have are sufficient for us and we can grow with them.

[09:30]

[Marcin Bójko]: However, the two biggest levers behind this cost reduction are, of course, logistics and marketing. Because apart from traditional stores, the costs of logistics in the broad sense are the largest group. And thanks to our investment in this area, we are able to optimise costs. The second is performance marketing. And here are the exact figures: this year, we spent an average of 8%, just under 8% in relation to revenue from the e-commerce channel. Last year, it was ca. 9%, so for such a large group, this one percentage point is a significant lever.

[10:15]

[Marcin Bójko]: And overall, when we put these three elements together: sales, gross profit margin and OPEX, we get really nice profitability. We saw the exact figures at the beginning. We are really happy with these increases, because at this time last year there was a lot of uncertainty. Of course, we believe in our strategy, it is well thought out and now we are reaping the rewards of the hard work we have done over the last few months. After all, profitability increases of ca. five percentage points at the EBITDA or EBIT level are really very good results in 3Q. In terms of net profit, it is ca. 2.5, but again, to give a broader context: this year, we have accelerated our investment significantly and used up a lot of our current bank limits.

[11:05]

[Marcin Bójko]: However, as we announced at the end of November, this is a great success for the entire organisation, but also for the large team engaged in the project. We have completed the project, a comprehensive structure for refinancing our debt. We also have financial stability for the next three to five years, depending on the area of financing. And from now on, from 4Q and in subsequent periods, these financial costs will be more optimised. So everything is really moving in a positive direction. And these nine months, because we have been accelerating with each subsequent quarter, also show this. When we look at the dynamics, an average of plus or minus, say, 30% growth at each level, remembering that sales after nine months grew by 20%, this automatically translates into increased profitability at each level.

[11:50]

[Marcin Bójko]: And now we can smoothly move on to the operating ratios. Inventory. The picture is very nice. The last bar is below 2Q, and the line showing the value of our inventory per square metre has fallen quite sharply. Here, during the first half of the year, we observed... we entered the first half of the year with a higher inventory overall. As you surely remember, we reduced our guidance in June. We are actively working with this inventory, we delayed what we could in terms of deliveries, and we reduced the purchasing budgets for the other batches for the following periods in order to make room for this inventory. And this is the result, so somewhere around this level, a little more growth, because before the new season there will be stocking up and somewhere around there this level will probably jump a little. However, we are unlikely to get close to 1,900 or even 2,000.

[12:55]

[Marcin Bójko]: I remember what I said in September, when we commented on behalf of the company – certainly in the first half of the year, in 1Q, we will be working with this stock, with this inventory that we are carrying over from these periods. So, especially in Sinsay brand, this margin will probably still be under a little pressure. But we can see, for example, from 3Q, that despite this strictly business challenge, we are able to generate really good results.

[13:30]

[Marcin Bójko]: Inventories are, of course, naturally linked to working capital. Here is a rather boring slide, but in a positive way. For many quarters now, we have been able to generate this negative working capital, i.e. we finance ourselves with liabilities. New refinancing also gives us even greater comfort in terms of reverse factoring. So, another area where, as Warren Buffett once said, banking should be boring, we are happy that it is a bit boring in the area of finance, because we have really nice comfort. Logistics is marked by high CAPEX. And here, our CAPEX is also quite predictable. Starting from the bottom, the blue bars represent outflows on stores. This is a natural result of the number of stores opened and our average CAPEX. As a reminder, it is EUR 450 per square metre for Sinsay brand and ca EUR 800 for other brands.

[14:40]

[Marcin Bójko]: And when it comes to logistics, there is the middle bar. This is the area that we have already accelerated significantly in 2025. Over one billion spent this year.

However, in the following slides, we will see that we are still spending a lot next year, but less than this year. And in 2027, it will be a little less, but as we saw in the OPEX section, these investments are high quality and allow us to generate nice savings and operational leverage. What makes us happy again is that we are implementing all these outflows, our ambitious and rapid development, with a very good level of financial leverage. Well, 1Q and 2Q were slightly higher, but then 1.3 debt to EBITDA was a really very comfortable level. Now it's 1.1, so the situation here is very safe and I think no comment is needed.

[15:45]

[Marcin Bójko]: And so smoothly, that was the summary of 3Q and nine months. However, we are already in December, which means that 4Q is underway, and we will take a look at what we have been observing on the market in recent weeks. And here I give the floor to Magda.

[16:02]

[Magdalena Kopaczewska]: Thank you. Before we talk about our plans and targets for 2025 and beyond for 2026, let's say a few words about 4Q itself. November is Black Friday, Black Week, which is basically the promotional season in stores. Although today this holiday does not arouse as much excitement among customers as it used to, outflows during this period are still significantly higher than on the weekends before and after. And for us, this year, the period began on 26 November, i.e. Wednesday, and ended on 1 December, i.e. Cyber Monday.

[16:48]

[Magdalena Kopaczewska]: And to sum up Black Week, we are very pleased with this year's season. In terms of numbers, this is a 32% increase in Omnichannel. Dividing this into two channels: 40% growth online and 25% growth offline. Now, looking at the fourth quarter, from 1 November to 9 December, we can say that the fourth quarter started a little below our expectations. However, since the long weekend in Poland, sales have started to improve significantly. This was probably influenced by a strong October, when most customers made their autumn collection purchases and then waited for the Christmas shopping season. This is illustrated by the table on our slide.

[17:48]

[Magdalena Kopaczewska]: We are looking at 4Q positively, as trade in December this year may also be supported by the calendar effect. This year, for the first time, Christmas Eve will be a public holiday, but in return we will have three trading Sundays instead of the previous two. And the data shows that the average Sunday in December sees higher sales than Christmas Eve. To conclude the topic of 4Q, I would just like to mention that we are planning to open 350 to 400 stores of all our brands in the fourth quarter, with Sinsay brand having the most stores, of course. And now we can move on to the detailed plans for 2025 and 2026.

[18:40]

[Marcin Bójko]: Exactly, thank you. Yes, so if we take nine very good months, add the rather optimistic outlook that Magda presented, and we see this improving momentum... We can now confirm what we signalled during the Q&A session in September, namely

that the market and earnings prospects we saw back then were realised in 3Q. We still have a few weeks left this year, but on average we can raise our guidance, i.e. our new expectations for this year.

[19:15]

[Marcin Bójko]: Still a minimum of PLN 23 billion in sales. Approximately 20% ca in both channels, which is unchanged from the previous guidance. However, what we are raising in terms of quality is a significantly higher gross profit margin – in the range of 54.5% to 55%. And also OPEX in relation to sales, i.e. 40.5% to 41% – these are the new levels we expect. And, of course, if there is a cascade effect, whether it is EBITDA, EBIT or net profit margin, then naturally it also increases compared to previous expectations. CAPEX – a slight reduction, but there is a little more cash that will remain with us. And this CAPEX is only due to fewer openings. Net debt, as I mentioned earlier, is at a very comfortable level of 1.1.

[20:10]

[Marcin Bójko]: And now, this updated guidance for 2025 is our new basis for setting targets for next year. Because we are in December, we will report our financial year traditionally in the second half of March. But in order to part ways with you this calendar year with full knowledge, we are providing guidance for 2026. And now, on the left, we have the 2025 column, which is the higher, updated, revised forecast for this year. And we are bouncing off it, so to speak. What do we expect next year, on an annual basis? A minimum of PLN 28 billion in revenue.

[20:55]

[Marcin Bójko]: A minimum of 20% growth in both channels, with offline showing potential to even reach 25%. And here, after nine months and the last few weeks of 4Q, we also see that the gross profit margin is falling slightly compared to this year. However, this is only due to the natural dilution of the , resulting from the share of Sinsay brand. It is known that the gross profit margin in this brand is lower, so with a larger share and further development, it will naturally dilute. As for OPEX operating costs to sales, here we are... we can see that these levers and CAPEX, especially logistics, still give us room to generate this positive operating leverage. So the range is 40-41.

[21:45]

[Marcin Bójko]: And when we look at the margin, whether it's EBITDA or net profit, here we expect results similar to this year in terms of net profit, and EBITDA in the range of 22 to 23 per cent. CAPEX – 300 million less YoY. Again, this is due to lower logistics expenses, because this year was a cumulative one. In 2026, we will mainly spend on further robotisation and we are still completing an investment in one warehouse in Brześć. Net debt and floorspace growth are very comparable, so nothing is happening here either, I would say it's positive boredom.

[22:25]

[Marcin Bójko]: This section concludes the summary of the results for 3Q and nine months. However, since spring, we have obviously been in a three-year medium-term strategy period. So we are also accounting for this, updating it on an ongoing basis and showing the status of where we are on this path to 2027. And after this first year of strong

acceleration at LPP, we have a few observations. We are not changing direction, but certain things needed to be updated, and we will go through them now.

[23:00]

[Marcin Bójko]: The direction is absolutely unchanged, which means that we believe the chosen path is absolutely the right one. So Sinsay is the driving force behind LPP's development. The brand will be developed through openings in smaller towns. Mature brands, such as Reserved, Cropp, House and Mohito, will naturally not open as many locations, but this is how they generate such a large cash flow. We can reinvest this, and the brands themselves have ambitious targets of achieving medium to high single-digit like-for-like growth to ensure that they cover the inflationary increase in costs. And, of course, the overarching target for the Group is growth while maintaining profitability.

[23:45]

[Marcin Bójko]: And now, again in June, we presented this update. We are refreshing the data. Why is Sinsay the driving force behind LPP, why do we continue to focus on it, and why is this path proving successful? First of all, we can see this in the results for the first nine months. However, when we look at the more operational and financial details of Sinsay, the stores network has achieved 30% EBITDA profitability after nine months. Very nice, and again, I would like to remind you that we have some challenges with inventory management, so even with such a normal business challenge, we are able to generate a nice result. 98% of stores have a positive EBITDA contribution and, as we can see from the history, whether it is 2024 or 2023, we are maintaining this share and even improving it slightly.

[24:35]

[Marcin Bójko]: When we dive into the details, we can see a chart on the left with a breakdown of profitability by store size. The mini format is the smallest, and as you surely remember, those of you who follow us regularly, in June we put the development of this format on hold. You can see that profitability is still below YoY, and that was the main reason. Testing is ongoing, the initial conclusions are promising, but we want to be sure that when we unfreeze this pipeline, if we unfreeze it, these stores will be permanently profitable, we will have the know-how to operate there, what mix of offers to offer there. So until we have complete certainty here, this format will remain, let's say, in the proverbial freezer. However, we can see that the other store sizes are maintaining good profitability, and the largest ones are even improving YoY. And this naturally translates into maintaining a good average return period of 16 months, which is ca. a one-month deterioration, but again, if we take into account a year where we have some challenges with the brand, then periods of 12-13 months in Poland and Eastern Europe are very good results, excellent results. We are also happy with this, and that is why we are moving forward with Sinsay.

[26:00]

I think that from your perspective, the important information is the updated opening target. For this year – 910. Here, we were guiding more towards a ca. 1,000-store target, but we can see that 4Q will definitely be the most intense in terms of openings, but some things will be postponed to next year. And the second thing is that we are seeing a certain

slowdown at the macro level in certain regions, whether it is Slovakia, the Czech Republic or Hungary, these are the main regions, so we have consciously decided that we do not currently see any significant interest in these floorspaces on the market. So here, too, everyone is probably looking a little more cautiously, and we are putting these regions on hold for a while.

[26:50]

[Marcin Bójko]: And the second thing is mini formats, which, as I mentioned a moment ago, until we have such hard conclusions and complete comfort, we are analysing them for now, we have a large group, the data is coming in nicely, so when we are sure, we will definitely come back to it quickly, but again, we have to be sure. And then there is Ukraine in the East. We had some specific challenges here, even in terms of the quality of the data, so to speak, because we entered towns with a population of 15-20 ths, and after a few months of operating the store, it turned out that the town was actually a bit smaller. And here, too, we made a conscious decision not to enter towns smaller than, say, ca. 30-40 ths, and this naturally limited our pool a little. However, at the end of the day, when we take all three inflows into account, it means that we simply care about profitability, and this updated forecast for the coming years is the result of that, i.e. we are maintaining this very high margin in the coming years. But in 2026 and 2027, we see potential for gradual acceleration here.

[28:05]

[Marcin Bójko]: Of course, the development of the stores network is one leg, not only Sinsay, but as we said, our mature brands also have ambitious like-for-like targets. However, the other business leg, i.e. e-commerce, is also where we want to grow ambitiously, at least 20% YoY. And here we have a lot of leverage that others probably don't have, namely a large pool of new markets, including Central Asia. Our mobile app is steadily expanding its reach – over 80% of online purchases are made strictly through the Sinsay app. And here we are expanding our offer, mainly in the non-garment segment, i.e. outside the clothing segment. In the coming months and periods, we will probably be working more intensively on optimising our offer, but again, we can see that we have good sales, we probably still need to work on margins, but we have done a lot, and now we will be refining this department.

[29:15]

[Marcin Bójko]: That's it for sales. Equity allocation, again, positive boredom, i.e. starting from the bottom, 1,600 - 1,700 million, or 1.6-1.7 billion Polish zlotys. A simple resultant number of openings times estimated CAPEX. And then there's the middle column, which is logistics expenditure. We've seen that leverage works well in this area, these investments pay for themselves very quickly, so next year it will be 700 million. Here, we are continuing with robotisation in the main locations and we are closing one location in Brześć in terms of the building. And 2027 is again about equipment, robotisation and perhaps one more new warehouse location for e-commerce, but we are still analysing that. So, those 500 million in two years' time is probably the upper limit that should be assumed.

[30:15]

[Marcin Bójko]: And when we summarise this, in 2027, which is the last year of our three-year perspective, we reduce the top line a little, i.e. the growth in terms of revenue, to a minimum of PLN 33 billion in 2027. A growth rate of 1.7 compared to 2024. However, the next two lines: gross profit margin and SG&A costs in relation to sales, here we are definitely improving the quality. And you can see that the operating leverage is working, with EBITDA growth of 1.8, which is higher and faster than revenue. And maintaining, or even improving, profitability versus 2024. So, systematic profit growth is our priority. And, of course, systematic profit growth also means systematic dividend growth. As I said at the beginning, we have been a dividend-paying company for several years, the dividend yield is growing steadily, and we really have no reason to change this trajectory. And just as we began our discussion of the results on a positive note, we can end on a positive note as well. So, good results after nine months, an updated strategy, but we are staying on the same path, which means we know where we are going, we are just getting there a little differently. And this prospect of growing profits remains unchanged, which means we will share them with our shareholders, including you, of course. So, I think we can move smoothly on to the question and answer session.

[32:00]

[Monika Wszedorowska]: Let's begin. The first question concerns insurance related to the fire in Romania. The request is to specify the status of insurance receivables, the current balance sheet value, how much has already been received from the insurer and in which quarter it was recorded.

[Marcin Bójko]: Recalling the main figures and events, in 2Q we recorded a write-off of PLN 351 million, which was a loss on goods and our assets, which... because the warehouse was rented, while the robotic equipment was ours. At the same time, there were strong indications for recording revenue, as agreed with the auditor, so the corresponding base was recorded in other operating income. And that was 2Q. And now for a current update. About two weeks ago, we received an advance payment of exactly PLN 20 million. Yesterday or the day before yesterday, and this is really the latest information, we received another decision that another PLN 200 million will be credited to our account for the liquidation of this damage to our assets. So you can see that there is good progress here. From a formal point of view, there are the documents that we have to provide, but our accounting teams are working on this regularly and we can see that things are moving in the right direction. These are also the bases that will be recorded in 4Q. We are continuing to work systematically here, so these further bases will continue to flow in. However, the second part of the insurance, business interruption, i.e. loss of margin and additional operating costs, this period ends after nine months, so only at the end of March, i.e. in the spring, will we start to summarise this and then we will talk about payments, so any inflows from this should be expected no earlier than somewhere in the second or 3Q.

[34:10]

[Monika Wszedorowska]: Now a question about inventories. Inventories fell by over PLN 400 million quarter-on-quarter. Please explain.

[Marcin Bójko]: Well, as I said here, we started... we were simply overstocked, that's it in a nutshell. However, to elaborate a little and remind you again, the original plan was

for 1,500 stores, but we now see that we will open 910 this year – we are talking about Sinsay brand. We started with a high inventory level, so this decline... even after 1Q, where the likes were positive, we investigated a little to find out what was causing it. We didn't pull the anecdotal handbrake, so to speak. However, as the months went by, we saw that we had to do something about it. And the effects of that appeared in 3Q. So there is no secret knowledge here, it is simply the hard work of our procurement teams and our designers. We also looked to the future, this SS will be SS26, meaning that the spring-summer season, which we are slowly entering, will have a slightly higher share of these goods ordered earlier. However, we can see that we will cope with this in the first half of next year, so again, this is a normal business challenge that we are managing on an ongoing basis.

[35:25]

[Monika Wszeborowska]: Staying on the subject of inventories, the next question concerns the optimal inventory level for the coming year. At what level do we want it to remain?

[Marcin Bójko]: Between PLN 1,700 and PLN 1,800 per metre.

[Monika Wszeborowska]: Do you see an opportunity to improve LFL at Sinsay? What would contribute to this?

[Marcin Bójko]: Yes, that's a very good question. Again, it's a broader context, when we look at the slide from our presentation, the broader one with like-for-likes. Of course, we had higher expectations. However, this is the market. We do our best, our teams do their best, and we always offer the best collections. However, the customer voted with their feet, that's one thing. We have conclusions, we are entering SS with our homework done. The fact that we can do this is evident in 2023, when we actually had a lot of inventory and margins and likes were what they were, but we quickly got out of it. Reserved, another brand, was in a similar situation in 1H – minus 5% on likes in 1H, plus 7 in 2H. So we have the know-how, we know how to do our homework, and the work has been done. However, from a numerical point of view, I would also appeal to look at 2024, when Sinsay was growing. There were quarterly dynamics of 11-20% like-for-like, so naturally, this averages out over a longer period. And probably the two-year view is not as pessimistic as this reading for the last quarter would suggest.

[Magdalena Kopaczewska]: Perhaps we should add here regarding the structure of likes at Sinsay that the women's collections have very good likes, while another group has weaker likes, because questions are often asked about the competition, or whether the women's collection at Sinsay has weak likes.

[37:30]

[Monika Wszeborowska]: Speaking of competition, how do you assess the risk of an aggressive strategy by Chinese platforms on LPP's business and how do you intend to compete with these platforms?

[Marcin Bójko]: I think our business model is the best response to this competition. We are present in two channels, online and offline. The customer always has a choice, the option to come to us, see and not buy a proverbial pig in a poke. We focus on quality, we focus on safety. As we can see, our app has really been the most popular in the

fashion category in recent quarters... last, second to last, and third to last. In the previous quarter, it was probably in the top 2, so these results are steadily improving and it is clear that it is gaining recognition. We also offer good collections, delivery times are very fast, so I think that's our answer. And secondly, what I mentioned about costs, this is the third largest cost group in LPP, i.e. performance marketing for online advertising. We are spending less YoY, and to be honest, compared to our internal budget, we are spending even less. We also have a large provision here, so we have many tools to compete. We always accept competition and observe it with humility, but it also forces us to be better, and we can see that we have these tools and they already allow us to compete effectively.

[39:00]

[Monika Wszaborowska]: What specifically do you expect from the completed refinancing in terms of savings?

[Marcin Bójko]: Here, I can say that with our scale and the oversubscription we mentioned, which is close to 50% margin, these margins are definitely better than they were, and even when monitoring the current reports of other players on the Polish market, these margins are really attractive. As for the exact estimate of how much the savings are, we will leave that aside, because the use will simply be different. No two years are comparable. We can see that the Sinsay model works, so the funds are flowing nicely. However, what is most important for us is that in this new structure, we have three years of comfort in terms of these current limits, which we can also flexibly extend. And CAPEX, i.e. investment financing, is a five-year perspective, so this really gives us the comfort that we can focus on business development in our strategy. We have secured financial backing, we can pay dividends, and the interest of many institutions, 21 financial institutions, shows that the financial market in the broad sense also believes in our model, because this base and time show the scale of this engagement and faith in us, in the development of the LPP group.

[40:40]

[Monika Wszaborowska]: What is the current situation on the German, British and Ukrainian markets?

[Marcin Bójko]: The German and British markets are very good. I think that's the shortest way to answer that. These likes are definitely improving. In the UK, since 2023, since the autumn, when we added new Reserved locations there – we are talking about Reserved brands in the UK – stores have been growing steadily. I won't hide the fact that EBIT is not yet positive there, but in fact, every quarter or every season, we are doing better and better there.

[Magdalena Kopaczewska]: Since the beginning of the year, there have been double-digit likes.

[Marcin Bójko]: Exactly. The situation is similar in Germany, which is also a really cool market for e-commerce. I think we have 18 stores there after opening a new Reserved store in Oberhausen. Again, this is only the Reserved brand. Of course, others, including: markets, are offered in e-commerce. Again, very good growth, very high profitability. After COVID, we managed to negotiate good terms, and last year the

German company celebrated its tenth anniversary, and we are happy that on this milestone anniversary, it showed very good profitability, high double digits, and continues to do so. And the third country was Ukraine. And here, too, it may be interesting to refer to the question about likes, because Ukraine... those who follow us and our detailed data, Excel files, I encourage you to visit the investor relations website, because there is a lot of interesting and very accurate data there. We are systematically developing this market, so it carries a lot of weight, especially in Sinsay. And as I mentioned about a certain normalisation YoY, i.e. very high likes last year and now a natural decline, Ukraine is the largest market where this normalisation is very high. After the war started, there was a slump, followed by a very high rebound. Last year, likes in Ukraine were probably around 40-50% (%), and now we have a double-digit decline there. So again, this is somewhat natural, , but when we look at profitability, these eastern markets are still the most profitable markets in the group. That is why we are systematically investing there. Of course, as I discussed with regard to the number of openings, for example, we are looking more at profitability, we are learning. So this was the first year of real acceleration in our development, but we are constantly drawing conclusions, and June showed that we are not afraid to stop or take a step back in order to take two steps forward later. We focus on profitability, so this is also a normal process and this is how the market works.

[43:10]

[Monika Wszeborowska]: For some time now, negative LFLs have been noticeable for Sinsay brand. What is your diagnosis of this situation and what actions do you plan to take to improve it?

[Marcin Bójko]: I think a similar question was asked a moment ago, so again, natural likes are like a high base, so we look at it from a numerical perspective. However, of course, appetites are greater, we also draw conclusions from history, we look, we learn from each other. A new project, a new season, new hope. We can do our best work, the customer will vote, but we also talk internally that good likes delivered systematically will also be the basis for some kind of incentive programme for our teams, but I think they don't need this additional motivation. We simply want to deliver the best collections for our customers, so this natural motivation is primarily the main factor that makes us believe, and history shows that we can do it.

[44:15]

[Monika Wszeborowska]: The next question concerns expansion. Uzbekistan and Kazakhstan are new markets where you have recently entered with your stores. Should we assume that you will continue to appear in new countries in Central Asia, or are you thinking about something else?

[Marcin Bójko]: Central Asia... I think we have already entered all the markets there. I don't want to give too much away here, but we have also re-entered Moldova, sorry, because the end of the year is very intense in terms of finances, so we have also made our debut in Moldova. We have already opened everywhere in that region. We have also communicated that this year is a record year in terms of opening new markets. And I think that for now, we have exhausted our strategic pool in terms of entries. Now we will simply focus on building scale in individual countries. So we are not planning to enter any new markets next year. However, it is indeed a slowdown, as I mentioned in the

context of the Czech Republic and Slovakia, where we are naturally directing some of our energy and attention to these new markets, and we will be looking for more potential there in order to achieve our target of 950 Sinsay stores in the new year.

[45:30]

In your opinion, how will the high temperatures in December affect sales in 4Q?

[Marcin Bójko]: I think it's more the calendar, we're looking into it and we want to be fair and transparent, as we're probably the last ones to look for excuses when it comes to the temperature. And in fact, I remember two occasions during my tenure when we had a very difficult September, with unnaturally high temperatures, and demand actually shifted to October. I think it was September 2023 or 2024. However, May this year was the second case, where it was clearly the coldest May ever. The first week of June was difficult, so these were indeed objective reasons. Now, as far as warmer temperatures are concerned, we don't see them. We are seeing good sales in recent days, as Magda presented, and these dynamics are improving. There was a long weekend, and customers were probably waiting for Black Week, so that is our diagnosis. The most important thing for us is that the trend is improving, the likes are also going from negative in November to very positive in December, so the direction is good, and I think we also have too small a sample, so maybe let's not talk about temperatures for now. We still have two shopping Sundays in Poland, some time until Christmas, and then New Year's Eve, so let's wait for the final figures.

[47:00]

[Monika Wszeborska]: What are the current plans for Marketplace?

[Marcin Bójko]: Naturally, we are analysing all the possibilities in e-commerce, and I mentioned that the app is doing very well in terms of reach, the Sinsay app is attracting a lot of customers, and with this scale of e-commerce, it's ca. 30% of the business, so here, with this really powerful e-commerce tool, the marketplace is a natural step. However, it is probably too early, we are analysing it internally, it will take us a few more months, so as soon as we have any details, specifics, we will come back here as always and in our regular quarterly meetings, as well as in our current information.

[47:45]

[Monika Wszeborska]: What level of marketing to online revenue has been adopted in the guidance for 2026/2027?

[Marcin Bójko]: Up to 9%.

[Monika Wszeborska]: Looking at the guidance for 2026-2027, you are assuming a slight improvement in operating efficiency in the coming years. In which areas is this improvement in efficiency expected, and is it the result of new stores warming up?

That's a very good question with a partial answer. Yes, there is a natural impact from the slightly larger share of Sinsay, so as I mentioned, the gross profit margin will naturally decline. However, Sinsay is a cheaper concept, it was designed that way, it was also thought out in terms of CAPEX and OPEX, so this larger share improves our leverage a little. However, the biggest area where we see this positive impact looking at the next two years is logistics. So these further investments, and we can really see from this

sample, for example in Bydgoszcz – our largest e-commerce warehouse at present, covering 100,000 ths square metres – that it really works on a large scale. Again, I would like to remind you that the costs of logistics in the broad sense are the second largest cost group in the LPP group after the costs of stores, so even a small change for the better really generates great potential, and that is what is behind this assumption.

[49:15]

[Monika Wszeborowska]: Can you reveal at what level of LFL sales the guidance for 2026 was set, both for the group as a whole and for Sinsay brand?

[Marcin Bójko]: Internally, we set very ambitious targets, but based on our model, let's say they are in the single digits, but probably more in the lower half of the single digits.

[Monika Wszeborowska]: You mentioned that you decided not to enter towns with fewer than 30-40 ths inhabitants. Does this apply to openings in all markets, including the Polish market?

[Marcin Bójko]: No, that was strictly a comment about Ukraine, and it really stems from a simple logical approach. As I mentioned, the data for smaller towns is, of course, difficult after the war started, and the data is what it is, which is natural. At this level, we can see that even if there is a negative deviation in the population of such a town, for example, we will still be on the safe side, i.e. we want to grow, but do so profitably, and this is a cautious step.

[50:30]

Looking at the long term, the company wants to grow by ca. 20% YoY. In that case, shouldn't we expect a positive operating leverage effect? Or is it simply that Sinsay as a segment is less profitable than the other brands, so it's a bit of a side effect of the growth of that part of the business?

[Marcin Bójko]: That's a good question. However, we have internal targets and we also have guidance. This year has probably taught us a little humility in terms of working with expectations. We think this is a safe level that we are really able to deliver. Internally, we have greater ambitions, that much is clear. The leverage is probably at around one, as we can calculate here at the EBIT level, so it's around 0 plus. However, we believe that it will appear somewhere. That is why I am saying that we are operating within certain ranges, and if we assume the lower cost range, the upper margin range and good revenues, then this leverage will probably be more noticeable. However, again, we are operating on a two-year perspective, we will monitor and report on it on an ongoing basis, and then everyone will be able to assess and probably update their models according to the latest information.

[Monika Wszeborowska]: Are further write-offs related to the Russian business possible?

[Marcin Bójko]: No, the write-off announced two weeks ago, the ca. 800 million, is also detailed in the presentation, so I encourage you to familiarise yourself with the supporting slides. This is a comprehensive write-off, so as a company we are not writing off this debt, we will fight for it. As the Management Board, we are also in constant contact and will try to recover as much of this money as possible, but for now, to make our discussion a little easier and focus on the business, so that we don't have to come back to this every quarter. This write-off is comprehensive, so nothing will appear in this

regard in the coming quarters. If anything appears, it can only be a plus, if this Russian investor repays anything, but for now we wanted to address this issue unequivocally and talk about likes, improvement, development, investment and new markets.

[Monika Wszeborska]: Which markets do you think are performing the weakest after 3Q and in 4Q?

[Marcin Bójko]: I will repeat what has probably already been said a few times during our meeting: the Czech Republic, Slovakia, Hungary and, of course, Ukraine. We can assess this from the perspective of likes, and these are the countries with the weakest dynamics. Ukraine, of course, when air raids and bombings intensify, we also see a certain decline in traffic. And Estonia, I know it's a small market, and those who listen to us regularly probably remember me mentioning this, but we also see it in like-for-likes, there is simply a government priority to increase fiscalisation, tax burdens and generate investment in defence, which we also see in consumption.

[Monika Wszeborska]: How are you addressing the risk of further potential attacks on your facilities and warehouses that you use in Ukraine?

[Marcin Bójko]: We are not able to predict this, but we are learning a lot so that we are aware of the operational situation of goods being delivered from Poland, so it is not the case that we have one large location, for example in Poland, where we keep our goods. We also keep goods in several locations, and we have increased this diversification somewhat after recent events, so we can manage this from a business perspective.

[Monika Wszeborska]: Does the financing allow you to make acquisitions, and does the Management Board intend to go in this direction, changing its approach in this area?

[Marcin Bójko]: This new financing and its scale probably allows us to do a lot, but for now, in terms of equity allocation, as we discussed in the CAPEX slide, there are capital expenditures, logistics, stores, mainly the Sinsay brand, plus sharing dividends with shareholders, and at the moment we do not have any M&A ideas. We really have a lot on our plate with Sinsay, we can see that 2025 shows that we have... a lot of this data, we have to react flexibly and on an ongoing basis, we are doing this successfully and this is what we are focusing on, and here, to add a little more, perhaps a more casual, anecdotal comment, we receive a lot of such M&A and acquisition proposals, but when we look at revenue, well, as LPP, we probably generate more revenue in a single weekend, so this is not added value for us, nor is it the scale we are looking for, so we are simply focusing on organic growth.

[Monika Wszeborska]: The next two questions concern the prospects for Western Europe (WE) and markets such as Germany and the United Kingdom. In your opinion, is it possible to expand Sinsay brand in these markets, and secondly, do you anticipate faster growth for Reserved brand in these markets?

[Marcin Bójko]: To answer the first part of the question, when it comes to Sinsay in the West, in short: no. And it's not because we're closing ourselves off to any options there, but because we always focus on quality. We are observing the market, and we also have a history here, as CEO Marek always says: we are a bit like fast second, and we are also learning and drawing conclusions. Other companies went there, made mistakes, some got burned, had to close their businesses, go bankrupt, so the Sinsay model is

also designed to be effective in terms of OPEX and costs. In the West, it's probably difficult to find this cost efficiency, for example, cheap labour and low CAPEX. So we are really focusing on Central Europe, Eastern Europe, Central Asia, Southern Europe, as shown on the slide, and these are the regions we are concentrating on. We can see that we have good payback periods, 12, 13, 16, 18 months, which is well below our two-year thresholds, so definitely faster. And that's what we're focusing on, so Sinsay and Western Europe (WE) are not the direction we want to go in at the moment. As for Reserved and other brands, commenting more broadly here, as we have repeated in our strategy, Reserved needs a minimum of 1,600 square metres of retail space, which is really difficult to find in the region. In Western Europe (WE), as was asked earlier about the United Kingdom or Germany. In Germany, it took us 10 years, in the United Kingdom we are steadily reaching profitability, but the key word is: we are still reaching it. So, if an opportunistic investment situation arises, we will act selectively, but that's all there is to it, and if a good location comes up, we will definitely consider it, as evidenced by the latest opening in Oberhausen, but is it on that scale... and this is really based on simple market logic, as we don't see the potential in terms of space.

[Magdalena Kopaczewska]: And here we are focusing on the development of Reserved online, where we see great potential for this brand.

[Monika Wszeborowska]: What are the payback periods for investments in robotisation?

[Marcin Bójko]: Up to two years, a little over two, but not quite three.

[51:45]

[Monika Wszeborowska]: And the last question, although we have already answered it, but I think it would be good to reiterate it: will the write-off in Russia affect the amount of dividends for this year?

[Marcin Bójko]: That is a very good question, and indeed we started with dividends and ended the presentation with dividends. I understand that this is the last question in the Q&A session, so we will also end the question and answer session with dividends. No, it will not affect it. As we have communicated, we have the funds. However, this will, of course, be a recommendation of the management board and a resolution will, of course, be adopted in the future. From a business perspective, this write-off was non-cash. We will also adjust the reported profit for this impact, which is reported in the backup, including: others, including: so everyone can review the details. And this clean net profit will be the basis for determining the dividend. In recent years, the dividend has been at the maximum level according to our policy, i.e. 70% of net profit. Nothing is changing in this respect. We will determine this. We have the funds, we are in a comfortable situation, with leverage of 1.1 at a very safe level. So, to reiterate, as Monika said, this does not in any way affect the potential for dividend paid and sharing this year's profit with you. And we have seen that after nine months, the outlook is really good.

[53:10]

[Monika Wszeborowska]: And on that optimistic note, ladies and gentlemen, we conclude today's meeting. As this is the last conference of the year, on behalf of the entire LPP group, we would like to wish you, above all, a healthy, happy and peaceful Christmas. May it be a time of rest and respite from everyday life. For next year, we wish

you every success and the fulfilment of your targets, both in your professional and private lives. Thank you once again for today and see you at the next results conference, which we are planning for the spring. Thank you very much, goodbye, good night.

[Marcin Bójko, Magdalena Kopaczewska]: Thank you.