LPP SA GROUP

INTERIM FINANCIAL STATEMENTS
FOR Q1 2021/22

Contents

01

Selected Consolidated Interim Financial Data

for 3 months ended 30 April 2021

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	Cumulatively			
	2021/22	2020/21	2021/22	2020/21
	01.02 - 30.04	01.02 - 30.04	01.02 - 30.04	01.02 - 30.04
Revenue	2,350,339	1,178,647	515,199	263,285
Operating profit (loss)	87,192	-260,522	19,113	-58,195
Pre-tax profit (loss)	49,106	-419,037	10,764	-93,604
Net profit (loss)	21,548	-361,990	4,723	-80,861
Weighted average number of shares	1,838,066	1,834,417	1,838,066	1,834,417
Profit (loss) per share	11.72	-197.33	2.57	-44.08
Net cash flows from operating activities	404,254	-282,977	88,613	-63,211
Net cash flows from investing activities	-206,177	-104,116	-45,194	-23,257
Net cash flows from financing activities	-224,132	622,747	-49,130	139,108
Total net cash flows	-26,055	235,654	-5,711	52,640

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	2021/22	2020/21	2021/22	2020/21
	30.04.2021	31.01.2021	30.04.2021	31.01.2021
Total assets	10,735,866	10,353,768	2,351,572	2,281,319
Long-term liabilities	3,133,964	3,114,193	686,460	686,172
Short-term liabilities	4,498,786	4,171,199	985,409	919,070
Equity	3,103,131	3,068,391	679,706	676,080
Share capital	3,705	3,705	812	816
Weighted average number of shares	1,838,066	1,838,066	1,838,066	1,838,066
Book value per share	1,688.26	1,669.36	369.79	367.82
Declared or paid dividend per share	450.00	0.00	98.57	0.00

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Consolidated Condensed Interim Statement of Comprehensive Income

for 3 months ended 30 April 2021

Statement of comprehensive income (in PLN thousand)	2021	2020
	01.02 - 30.04	01.02 - 30.04
Continuing operations		
Revenue	2,350,339	1,178,647
Cost of goods sold	1,045,037	610,830
Gross profit (loss) on sales	**1,305,302**	**567,817**
Costs of stores and distribution	1,059,936	706,998
General costs	140,784	108,786
Other operating income	18,436	9,076
Other operating costs	35,826	21,631
Operating profit (loss)	**87,192**	**-260,522**
Financial income	10,963	3,396
Financial costs	49,049	161,911
Pre-tax profit (loss)	**49,106**	**-419,037**
Income tax	27,558	-57,047
Net profit (loss) on continuing operations	**21,548**	**-361,990**
Net profit attributable to:		
Shareholders of the parent company	21,548	-361,990
Non-controlling interests	0	0
Other comprehensive income		
Items transferred to profit or loss		
Currency translation on foreign operations	13,192	-9,674
Total comprehensive income	**34,740**	**-371,664**
Attributable to:		
Shareholders of the parent company	34,740	-371,664
Non-controlling interests	0	0

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Consolidated Condensed Interim Statement of Financial Position

as at 30 April 2021

Statement of financial position (in PLN thousand)	As at		
	30.04.2021	31.01.2021	30.04.2020
ASSETS			
Non-current assets	**5,783,130**	**5,620,568**	**5,961,102**
1. Fixed assets	2,573,352	2,439,778	2,379,744
2. Intangible assets	139,098	136,453	130,498
3. Right of usufruct	2,608,620	2,589,063	2,960,697
4. Goodwill	183,203	183,203	209,598
5. Trademark	77,508	77,508	77,508
6. Deferred tax assets	184,291	178,864	193,163
7. Prepayments	3,275	2,187	2,188
8. Other financial assets	13,783	13,512	7,706
Current assets	**4,952,736**	**4,733,200**	**4,064,998**
1. Inventory	2,239,336	2,074,447	1,992,377
2. Trade receivables	203,517	158,055	155,650
3. Income tax receivables	133,776	102,726	15,993
4. Other non-financial assets	98,764	63,722	62,593
5. Accruals	28,429	32,249	19,437
6. Other financial assets	63,829	71,131	151,375
7. Deposits and investment funds	941,833	953,016	28,368
8. Cash and cash equivalents	1,243,252	1,277,854	1,639,205
TOTAL assets	10,735,866	10,353,768	10,026,100

Statement of financial position (in PLN thousand)	As at		
	30.04.2021	31.01.2021	30.04.2020
EQUITY AND LIABILITIES			
Equity	**3,103,131**	**3,068,391**	**2,876,921**
1. Share capital	3,705	3,705	3,705
2. Treasury shares	0	0	-41,115
3. Share premium	364,315	364,315	284,877
4. Other reserves	3,156,886	3,155,123	2,735,152
5. Currency translation on foreign operations	-252,046	-265,238	-172,477
6. Retained earnings	-169,729	-189,514	66,779
Non-controlling interest capital	**-15**	**-15**	**-15**
Long-term liabilities	**3,133,964**	**3,114,193**	**3,188,982**
1. Bank loans and borrowings	178,485	190,596	160,976
2. Lease liabilities	2,543,760	2,523,669	2,596,662
3. Other financial liabilities (bonds)	299,458	294,104	293,765
4. Employee liabilities	1,818	1,818	1,464
5. Deferred tax liabilities	22	22	688
6. Accruals	110,421	103,984	135,427
Short-term liabilities	**4,498,786**	**4,171,199**	**3,960,212**
1. Trade and other liabilities	3,051,630	2,775,815	2,117,397
2. Contract liabilities	15,557	18,566	16,388
3. Customer refund liabilities	44,676	42,711	32,422
4. Bank loans and borrowings	484,841	521,097	907,155
5. Lease liabilities	690,889	654,010	715,756
6. Employee liabilities	62,194	33,676	52,757
7. Income tax liabilities	77,654	67,664	67,968
8. Provisions	25,467	1,384	7,042
9. Accruals	45,878	56,276	43,327
TOTAL equity and liabilities	10,735,866	10,353,768	10,026,100


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Consolidated Condensed Interim Cash Flow Statement

for 3 months ended 30 April 2021

Cash flow statement (in PLN thousand)	01.02 - 30.04.2021	01.02 - 30.04.2020
A. Cash flows from operating activities		
I. Pre-tax profit (loss)	49,106	-419,037
II. Total adjustments	355,148	136,060
1. Amortisation and depreciation	257,162	278,106
2. Foreign exchange (gains) losses	-1,436	-40,409
3. Interest and dividends	39,267	41,440
4. (Profit) loss on investing activities	-4,689	-5,201
5. Income tax paid	-53,394	-66,171
6. Change in provisions and employee benefits	52,181	-29,347
7. Change in inventories	-156,259	-84,674
8. Change in receivables and other assets	-122,937	-36,133
9. Change in short-term liabilities, excluding bank loans and borrowings	347,416	95,035
10. Change in prepayments and accruals	-3,240	-26,903
11. Other adjustments	1,077	10,317
III. Net cash flows from operating activities	**404,254**	**-282,977**
B. Cash flows from investing activities		
I. Inflows	95,162	197,624
1. Disposal of intangible and fixed assets	28,384	18,776
2. Repayment of loans granted	47	0
3. Interest and other inflows from financial assets	201	1,263
4. Other investing inflows (investment funds)	66,530	177,585
II. Outflows	301,339	301,740
1. Purchase of intangible and fixed assets	251,460	191,724
2. Loans granted	300	16
3. Other investing outflows (investment funds)	49,579	110,000
III. Net cash flows from investing activities	**-206,177**	**-104,116**

Cash flow statement (in PLN thousand)	01.02 - 30.04.2021	01.02 - 30.04.2020
C. Cash flows from financing activities		
I. Inflows	202,409	890,453
1. Proceeds from issuance of shares	0	0
2. Bank loans and borrowings	202,409	890,453
3. Other financial inflows	0	0
II. Outflows	426,541	267,706
1. Dividends and other payments to owners	0	0
2. Repayment of bank loans and borrowings	252,217	100,347
3. Financial lease liabilities paid	136,540	129,445
4. Interest	37,784	37,791
5. Other financial outflows	0	123
III. Net cash flows from financing activities	**-224,132**	**622,747**
D. Total net cash flows	-26,055	235,654
E. Balance sheet change in cash, including:	-34,602	277,731
- change in cash due to foreign currency translation	-8,547	42,077
F. Opening balance of cash	1,276,243	1,348,311
G. Closing balance of cash	1,250,188	1,583,965

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Consolidated Condensed Interim Statement of Changes in Equity

for 3 months ended 30 April 2021

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Currency translation on foreign operations	Retained earnings	Equity attributable to the parent company	Minority interests	TOTAL equity
Balance as at 1 February 2021	**3,705**	**0**	**364,315**	**3,155,123**	**-265,238**	**-189,514**	**3,068,391**	**-15**	**3,068,376**
Division of profit for 12 months ended 31 January 2021	0	0	0	1,763	0	-1,763	0	0	0
Transactions with owners	**0**	**0**	**0**	**1,763**	**0**	**-1,763**	**0**	**0**	**0**
Net profit for Q1 2021	0	0	0	0	0	21,548	21,548	0	21,548
Currency translation on foreign operations	0	0	0	0	13,192	0	13,192	0	13,192
Total comprehensive income	**0**	**0**	**0**	**0**	**13,192**	**21,548**	**34,740**	**0**	**34,740**
Balance as at 30 April 2021	**3,705**	**0**	**364,315**	**3,156,886**	**-252,046**	**-169,729**	**3,103,131**	**-15**	**3,103,116**

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Currency translation on foreign operations	Retained earnings	Equity attributable to the parent company	Minority interests	TOTAL equity
Balance as at 1 February 2020	**3,705**	**-41,115**	**284,877**	**2,733,227**	**-162,803**	**429,600**	**3,247,491**	**-15**	**3,247,476**
Division of profit for 13 months ended 31 January 2020	0	0	0	831	0	-831	0	0	0
Remuneration paid in shares	0	0	0	1,094	0	0	1,094	0	1,094
Transaction with owners	**0**	**0**	**0**	**1,925**	**0**	**-831**	**1,094**	**0**	**1,094**
Net loss for Q1 2020	0	0	0	0	0	-361,990	-361,990	0	-361,990
Currency translation on foreign operations	0	0	0	0	-9,674	0	-9,674	0	-9,674
Total comprehensive income					**-9,674**	**-361,990**	**-371,664**		**-371,664**
Balance as at 30 April 2020	**3,705**	**-41,115**	**284,877**	**2,735,152**	**-172,477**	**66,779**	**2,876,921**	**-15**	**2,876,906**

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Selected Separate Interim Financial Data

for 3 months ended 30 April 2021

Selected separate financial data	in PLN thousand		in EUR thousand	
	Narastająco			
	2021/22	2020/21	2021/22	2020/21
	01.02 - 30.04	01.02 - 30.04	01.02 - 30.04	01.02 - 30.04
Revenue	1,793,144	1,012,885	393,061	226,257
Operating profit (loss)	-151,919	-107,528	-33,301	-24,019
Pre-tax profit (loss)	-177,772	-192,759	-38,968	-43,058
Net profit (loss)	-158,790	-159,809	-34,807	-35,698
Weighted average number of shares	1,838,066	1,834,417	1,838,066	1,834,417
Profit (loss) per share	-86.39	-87.12	-18.94	-19.46
Net cash flows from operating activities	120,682	-410,064	26,454	-91,600
Net cash flows from investing activities	-36,909	-141,942	-8,091	-31,707
Net cash flows from financing activities	-203,484	600,027	-44,604	134,033
Total net cash flows	-119,711	48,021	-26,241	10,727

Selected separate financial data	in PLN thousand		in EUR thousand	
	2021/22	2020/21	2021/22	2020/21
	30.04.2021	31.01.2021	30.04.2021	31.01.2021
Total assets	8,274,185	8,300,600	1,812,368	1,828,930
Long-term liabilities	1,521,470	1,561,418	333,261	344,038
Short-term liabilities	3,814,149	3,641,826	835,447	802,429
Equity	2,938,566	3,097,356	643,660	682,462
Share capital	3,705	3,705	812	816
Weighted average number of shares	1,838,066	1,838,066	1,838,066	1,838,066
Book value per share	1,598.73	1,685.12	350.18	371.29
Declared or paid dividend per share	450.00	0.00	98.57	0.00

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Separate Condensed Interim Statement of Comprehensive Income

for 3 months ended 30 April 2021

Statement of comprehensive income (in PLN thousand)	2021	2020
	01.02 - 30.04	01.02 - 30.04
Continuing operations		
Revenue	1,793,144	1,012,885
Cost of goods sold	1,167,311	658,923
Gross profit (loss) on sales	**625,833**	**353,962**
Costs of stores and distribution	593,228	343,894
General costs	183,876	108,489
Other operating income	4,298	3,790
Other operating costs	4,946	12,897
Operating profit (loss)	**-151,919**	**-107,528**
Financial income	1,384	2,909
Financial costs	27,237	88,140
Pre-tax profit (loss)	**-177,772**	**-192,759**
Income tax	-18,982	-32,950
Net profit (loss) on continuing operations	**-158,790**	**-159,809**
Other comprehensive income		
Total comprehensive income	-158,790	-159,809
Weighted average number of shares	1,838,066	1,834,417
Net profit (loss) per share	**-86.39**	**-87.12**
Diluted net profit (loss) per share		

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Separate Condensed Interim Statement of Financial Position

as at 30 April 2021

Statement of financial position (in PLN thousand)	As at		
	30.04.2021	31.01.2021	30.04.2020
ASSETS			
Non-current assets	**4,710,054**	**4,701,883**	**4,608,431**
1. Fixed assets	1,418,781	1,403,156	1,351,400
2. Intangible assets	134,980	133,720	127,543
3. Right of usufruct	934,384	965,038	910,911
4. Goodwill	179,618	179,618	179,618
5. Investments in subsidiaries	1,934,706	1,819,752	1,956,350
6. Deferred tax assets	85,186	66,166	78,784
7. Prepayments	375	265	660
8. Other financial assets	22,024	134,168	3,165
Current assets	**3,564,131**	**3,598,717**	**3,106,748**
1. Inventory	1,553,369	1,590,682	1,370,241
2. Trade receivables	364,817	203,126	476,165
3. Income tax receivables	129,669	98,962	0
4. Other non-financial assets	3,974	19,714	370
5. Prepayments	18,500	19,358	13,069
6. Other financial assets	12,618	43,380	129,709
7. Deposits and investment funds	922,243	936,296	28,368
8. Cash and cash equivalents	558,941	687,199	1,088,826
TOTAL assets	8,274,185	8,300,600	7,715,179

Statement of financial position (in PLN thousand)	As at		
	30.04.2021	31.01.2021	30.04.2020
EQUITY AND LIABILITIES			
Equity	**2,938,566**	**3,097,356**	**3,235,172**
1. Share capital	3,705	3,705	3,705
2. Treasury shares	0	0	-41,115
3. Share premium	364,315	364,315	284,877
4. Other reserves	3,139,309	3,139,309	2,725,817
5. Retained earnings	-568,763	-409,973	261,888
Long-term liabilities	**1,521,470**	**1,561,418**	**1,351,153**
1. Bank loans and borrowings	178,485	190,596	160,976
2. Lease liabilities	994,471	1,024,526	833,426
3. Other financial liabilities (bonds)	299,458	294,104	293,766
4. Employee liabilities	1,592	1,592	1,289
5. Accruals	47,464	50,600	61,696
6. Other long-term liabilities	0	0	0
Short-term liabilities	**3,814,149**	**3,641,826**	**3,128,854**
1. Trade and other liabilities	3,076,240	2,841,349	1,976,619
2. Contract liabilities	11,279	14,214	14,757
3. Customer refund liabilities	12,603	17,106	15,814
4. Bank loans and borrowings	299,471	421,252	734,481
5. Lease liabilities	284,269	267,796	262,000
6. Employee liabilities	36,576	10,565	32,397
7. Income tax liabilities	49,392	48,882	63,525
8. Provisions	25,000	0	7,000
9. Accruals	19,319	20,662	22,261
TOTAL equity and liabilities	8,274,185	8,300,600	7,715,179


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Separate Condensed Interim Cash Flow Statement

for 3 months ended 30 April 2021

Cash flow statement (in PLN thousand)	01.02 - 30.04.2021	01.02 - 30.04.2020
A. Cash flows from operating activities		
I. Pre-tax profit (loss)	-177,772	-192,759
II. Total adjustments	298,454	-217,305
1. Amortisation and depreciation	100,784	113,464
2. Foreign exchange (gains) losses	-1,191	-41,209
3. Interest and dividends	12,388	14,073
4. (Profit) loss on investing activities	-5,723	-6,532
5. Income tax paid	-30,605	-54,246
6. Change in provisions and employee benefits	51,011	-21,312
7. Change in inventories	37,386	-4,414
8. Change in receivables and other assets	-116,024	-259,417
9. Change in short-term liabilities, excluding bank loans and borrowings	249,690	67,601
10. Change in prepayments and accruals	738	-26,407
11. Other adjustments	0	1,094
III. Net cash flows from operating activities	**120,682**	**-410,064**
B. Cash flows from investing activities		
I. Inflows	194,897	193,314
1. Disposal of intangible and fixed assets	16,593	7,030
2. From financial assets, including:	128,503	8,700
a) in associates	128,262	7,437
- dividends	0	7,437
- repayment of loans granted	126,105	0
- interest	2,157	0
b) in other entities	241	1,263
- repayment of loans	40	13
- interest and other inflows from financial assets	201	1,250
3. Other investing outflows	49,801	177,584
II. Outflows	231,806	335,256
1. Purchase of intangible and fixed assets	78,626	83,295
2. For financial assets, including:	123,180	141,961
a) in associates	122,880	141,945
- purchase of shares	114,954	141,945
- loans granted	7,926	0
b) in other entities	300	16
- loans granted	300	16
3. Other investing outflows (investment funds)	30,000	110,000
III. Net cash flows from investing activities	**-36,909**	**-141,942**

Cash flow statement (in PLN thousand)	01.02 - 30.04.2021	01.02 - 30.04.2020
C. Cash flows from financing activities		
I. Inflows	0	673,547
1. Proceeds from issuance of shares	0	0
2. Bank loans and borrowings	0	673,547
3. Issuance of bonds	0	0
II. Outflows	203,484	73,520
1. Cost of maintenance of treasury shares	0	0
2. Dividends and other payments to owners	0	0
3. Repayment of bank loans and borrowings	134,058	12,161
4. Financial lease liabilities paid	56,370	50,813
5. Interest	3,869	10,423
6. Other financial outflows	9,187	123
III. Net cash flows from financing activities	**-203,484**	**600,027**
D. Total net cash flows	-119,711	48,021
E. Balance sheet change in cash, including:	-128,258	90,098
- change in cash due to foreign currency translation	-8,547	42,077
F. Opening balance of cash	685,587	985,565
G. Closing balance of cash	565,876	1,033,586


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Separate Condensed Interim Statement of Changes in Equity

for 3 months ended 30 April 2021

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	TOTAL equity
Balance as at 1 February 2021	**3,705**	**0**	**364,315**	**3,139,309**	**-409,973**	**3,097,356**
Net loss for Q1 2021	0	0	0	0	-158,790	-158,790
Total comprehensive income	**0**	**0**	**0**	**0**	**-158,790**	**-158,790**
Balance as at 30 April 2021	**3,705**	**0**	**364,315**	**3,139,309**	**-568,763**	**2,938,566**

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	TOTAL equity
Balance as at 1 February 2020	**3,705**	**-41,115**	**284,877**	**2,724,723**	**421,697**	**3,393,887**
Remuneration paid in shares	0	0	0	1,094	0	1,094
Transactions with owners	**0**	**0**	**0**	**1,094**	**0**	**1,094**
Net loss for Q1 2020	0	0	0	0	-159,809	-159,809
Total comprehensive income	**0**	**0**	**0**	**0**	**-159,809**	**-159,809**
Balance as at 30 April 2020	**3,705**	**-41,115**	**284,877**	**2,725,817**	**261,888**	**3,235,172**

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Additional Information on the Consolidated Condensed Interim Financial Statements

1. Overview of the LPP SA Group

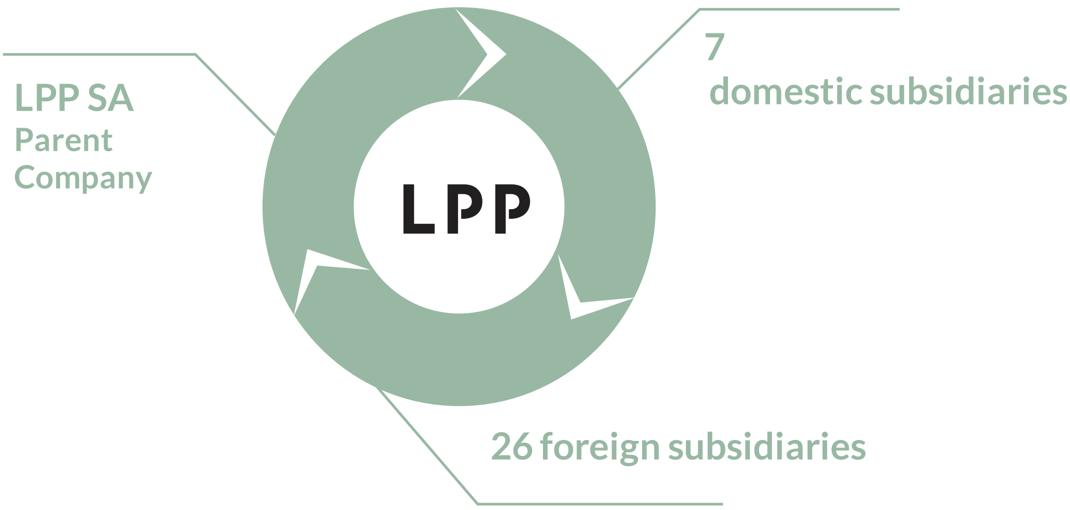
The LPP SA Group (further referred to as the “Group”) is composed of LPP SA (“Parent Company”, “Company”) and its subsidiaries.

The Parent Company is recorded in the register of entrepreneurs of the National Court Register kept by the District Court for Gdańsk-North in Gdańsk, 7th Economic Division of the National Court Register, under number KRS 0000000778.

The Parent Company and the Group companies have been established for an unlimited period of time.

The Group’s basic scope of business is:
- retail sale of clothing;
- wholesale of clothing.

During 3 months ended 30 April 2021, there were several changes in the composition of the Group compared to 31 January 2021. Namely, two domestic companies were formed: Dock IT Sp. z o.o. and Silky Coders Sp. z o.o. and one foreign company: Reserved Fashion BIS Modne Znamke DOO in Slovenia. Domestic companies will be engaged in the provision of IT services to LPP SA and other subsidiaries while the Slovenian company will handle the on-site sales of clothing in the territory of Slovenia.



2. Achievements of the LPP SA Group in the reporting period Basis for preparation of the consolidated condensed interim financial statements and information on changes in applied accounting principles

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"), approved by the European Union.

The consolidated condensed interim financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 January 2021, approved for publishing on 27 April 2021.

The currency of these consolidated condensed interim financial statements is Polish Zloty and all amounts are denominated in PLN thousand unless given otherwise.

In the periods covered by these consolidated condensed financial statements, the following PLN/EUR exchange rates fixed by the National Bank of Poland were applied to convert selected financial data:

- exchange rate as at the last day of the reporting period: 30.04.2021 – to PLN/EUR 4.5654, 31.01.2021 - PLN/EUR 4.5385,
- average exchange rate for the period, calculated as an arithmetic average of the rates as at the last day of each month in a given period: 01.02-30.04.2021 – PLN 4.5620, 01.02.-30.04.2020 - PLN/EUR 4.4767.

The accounting policy applied for preparing these financial statements complies in all material respects with the accounting policy adopted for preparing the annual consolidated financial statements of the LPP SA Group for the financial year 2020/21, in accordance with International Financial Reporting Standards.

These consolidated condensed interim financial statements have been drawn up based on the assumption that the Group's consolidated companies remain a going concern in the foreseeable future despite occurrence of circumstances arising from the COVID-19 coronavirus pandemic, affecting the continuation of the Group's operations in the nearest future.

From February to April 2021, due to Covid-19, many countries were still applying restrictions affecting on-site trade. A large group of stores in which the LPP SA pursues its business, remained closed in April 2021 (approx. 1,000 in 12 countries). Owing to the implemented public Covid-19 vaccination scheme as well as social distancing and adherence to WHO recommendations, the number of infections decreased, which allowed the reopening of shopping centres. All the said activities give the Group hope that it will operate normally starting from Q2 2021.

3. Achievements of the LPP SA Group in the reporting period

Key achievements of the Group in Q1 2021/22

1. Number of stores and retail space

At the end of Q1 2021/22, the LPP SA Group had 1,917 traditional stores in 25 countries, of the total area of 1,511.7 thousand m2. Abroad, we operated 1,036 stores (927.4 thousand m2).
Compared with Q1 2020/21, the total retail space increased by 21.6% mainly due to stores opened abroad.

The largest nominal increase in space was recorded by Sinsay (196.2 thousand m2). Furthermore, in the said period, this brand recorded the highest dynamics in retail space development (103.1 % y/y).

As at 30.04.2021	Number of stores	Change y/y	Q1 2021/22	Q1 2020/21	Change y/y (%)
			Area in thousand m2	Area in thousand m2	
Reserved	440	-1	683.1	657.1	4.0%
Cropp	373	17	170.8	149.2	14.5%
House	340	24	151.9	129.8	17.1%
Mohito	278	2	116.4	110.5	5.3%
Sinsay	483	148	386.7	190.4	103.1%
Outlet	3	-4	2.8	5.8	-50.7%
Total LPP Group	**1,917**	**186**	**1,511.7**	**1,242.7**	**21.6%**

2. Sales by brand in on-site and online stores

In Q1 2021/22, the total sales of all brands in both channels, i.e. in traditional and online stores, was PLN 2,350 mln. Revenue was higher by 99.4 %, compared to the same period last year. This result was generated owing to the dynamic growth in online sales and a bounce in traditional sales as well as different timing of lockdowns in various countries where the Group operates its on-site stores.

In the reporting period, the highest revenue growths were recorded by Sinsay owing to the consistent development of its sales network and growing brand recognition abroad.

At the same time, it should be noted that all brands generated in the said period more revenue abroad than domestically, which means that they are recognised more and more globally.

Sales in individual brands in both channels, i.e. in traditional and online stores, in Q1 2021/22, is given in the table below.

	in PLN mln		
	Sales in Q1 2021/22	Sales in Q1 2020/21	Change y/y (%)
Reserved	956	554	72.6%
Cropp	252	135	87.1%
House	196	119	64.7%
Mohito	178	126	41.9%
Sinsay	740	231	219.9%
Other	28	14	100.9%
Total	**2,350**	**1,179**	**99.4%**

3. Sales in LFL stores

In Q1 2021/22, revenue in like-for-like (LFL) stores (calculated in local currencies by 2019/20) decreased by 41.8%. In that period, the said decrease in LFL sales was caused by the COVID-19 pandemic and changes in shopping preferences of customers who more often chose the online channel when making their shopping decisions.

A decrease in LFL sales was recorded by all of the Group's brands and, geographically, by almost all countries except for Russia, Kazakhstan and Slovenia.

At the same time, revenue on sales in LFL stores in local currencies calculated by 2020/21 increased by 74.5%.

4. Online sales

In Q1 2021/22, from online sales, the LPP SA Group generated revenue of PLN 988.3 mln i.e. 157.3% more than a year ago. High three-digit growths in online sales resulted from changes in customers' habits, namely their migration to the online channel. Having regard of restrictions implemented as well as the convenience and safety of online shopping, new trends accelerating from the beginning of the COVID-19 pandemic became permanent both in time and geographically. Despite the opening of on-site stores in specific months of Q1, the popularity of online shopping remained the same and, in consequence, it accounted for approx. 42.0% of all revenues of the Group in Q1 2021/22. It should be noted that the e-commerce customer base expands to include customers previously preferring traditional purchases while the structure of e-commerce sales has been changing due to the increased demand for products which were previously more popular in the Group's traditional sales channel. At the same time, attention should be brought to the popularity of mobile devices in the shopping process - 84% of visits and 68% of purchases in the Group's online stores were made via mobile devices.

To adjust to the new situation, already in preceding quarters, the Group focused its intense activities on developing online sales both in terms of technology (IT solutions) and logistics.

At the same time, owing to the development of online sales abroad, an increasing part of the Group's revenue is generated in that channel outside Poland. In Q1 2021/22, domestic online sales reached only approx. 41% of entire sales in that channel. Apart from Poland, the highest nominal growths in revenue generated for the Group online were recorded in Ukraine, the Czech Republic, Slovakia, Romania and Germany.

	in PLN mln		
	Q1 2021/22	Q1 2020/21	Change y/y (%)
Sales in PLN mln	988.3	384.0	157.3%

5. Revenue broken down by region

In Q1 2021/22, the LPP Group recorded sales growths y/y in all countries where it operates except for Great Britain.

The highest nominal sales growths y/y were recorded by the Group in Poland, Russia, Ukraine and Romania. Simultaneously, the highest percentage dynamics y/y were recorded in countries of the European online store, Slovenia, Kazakhstan as well as Bosnia and Hercegovina.

Simultaneously, in Q1 2021/22, sales abroad was higher than domestic sales, having already reached 61.3% of the Group's sales, with domestic sales totalling 38.7%.

Revenue from traditional and online sales, generated by the Group's companies operating in specific regions, is given in table below (with the exclusion of intra-Group sales).

Country/Region	Q1 2021/22	Q1 2020/21	Change y/y (%)
Poland	910,283	536,051	69.8%
Other European countries	694,867	347,063	100.2%
CIS	738,723	291,835	153.1%
Middle East*	6,465	3,698	74.8%
Total	**2,350,339**	**1,178,647**	**99.4%**

* Revenues from the Middle East countries are generated by franchise stores.

6. Operating costs

The Group's operating costs include costs of own and franchise stores in Poland, distribution costs and general costs. Costs of own stores comprise rental, payroll and other costs while distribution costs comprise the costs of logistics and e-commerce. General costs include marketing costs, back-office costs as well as costs of the sales and product departments.

In Q1 2021/22, the Group recorded an increase in operating costs by 47.2% mainly due to growing costs of logistics and e-commerce.

	Q1 2021/22 (IFRS 16)	Q1 2020/21 (IFRS 16)	Change y/y (%)
Operating costs (in PLN mln)	1,201	816	47.2%
Operating costs per m2/month	275	223	23.2%

7. Capital expenditures

Investments of the LPP Group are made in several areas and involve the following:
- construction and modernisation of traditional stores (in Poland and abroad),
- construction of distribution centres,
- expansion and modernisation of offices and
- e-commerce and IT expenditures.

In Q1 2021/22, CAPEX amounted to PLN 251.5 mln i.e. by 31.2% more compared to Q1 of the preceding year. Increased expenditures y/y were caused by larger investments in the development of the sales network and the relaunching of logistics projects.

8. Inventory

The Group's inventory consists of goods in stores, goods in warehouses and merchandise in transit - from the manufacturer to a logistics centre. The LPP Group strives at minimising inventory and, at the same time, maintaining a sufficient product volume to maximise sales. The inventory level and its optimisation are important elements of working capital management – it is important to observe inventory per m2 over time.

In Q1 2021/22, the inventory level was higher by 12.4% y/y, with inventory level per m2 being lower by 7.7% y/y. The reasons for higher inventory level y/y were the growing demand for collections following an increase in retail space and the development of the online network. The y/y decrease in inventory per m2 was caused by the increase in retail space.

	30.04.2021	30.04.2020	Change y/y (%)
Inventory (PLN mln)	2,239	1,992	12.4%
Inventory per m2 in PLN	1,490	1,614	-7.7%

9. Debt

LPP has multi-purpose credit lines in 6 banks in the total amount of PLN 1.2 billion, utilised for bank guarantees, letters of credit for trade financing or as a revolving loan. As at the end of Q1 2021/22, LPP utilised specific credit line products as follows: PLN 117.3 mln - guarantees, PLN 205.6 mln – letters of credit, with no overdrafts.

At the same time, two subsidiaries, i.e. the Russian and Ukrainian companies, utilise credit lines extended by local banks, which, as at the end of Q1, were utilised in the amount of PLN 159.9 mln and PLN 13.7 mln respectively (the Ukrainian company utilises a relevant guarantee limit and an overdraft).

Additionally, LPP SA has a short-term debt arising from revolving loans, totalling PLN 250.0 mln, and a debt stemming from investment loans, allocated for the projects encompassing the construction and expansion of distribution centres and the head office. As at the end of Q1 2021/22, the value of investment loans was PLN 228.8 mln.

Furthermore, LPP uses a supplier financing programme (reversed factoring). As at the end of Q1 2021/22, the limit was utilised in the amount of PLN 1,937 mln (trade and other liabilities).

To diversify the sources of financing, in 2019, the Company issued 5-year bonds of the total value of PLN 300 mln.

As at the end of Q1 2021/22, the Group held PLN 1,243 mln in cash and, having deducted its debt, showed net cash of PLN 280 mln (according to IAS 17) compared to PLN 277 mln a year ago.

The following table shows the level of net debt (cash) in PLN thousand (calculated under IAS 17) as at 30 April 2021.

Debt	As at 30.04.2021	As at 30.04.2020	Change y/y (%)
Short-term loans	484,841	907,155	-46.6%
Long-term loans	178,485	160,976	10.9%
Bonds	299,458	293,765	1.9%
Cash	1,243,252	1,639,205	-24.2%
Net debt (net cash)	**-280,468**	**-277,309**	**1.1%**

Other major events in Q1 2021/22 and in the period preceding the publication of this report

MAY 2021

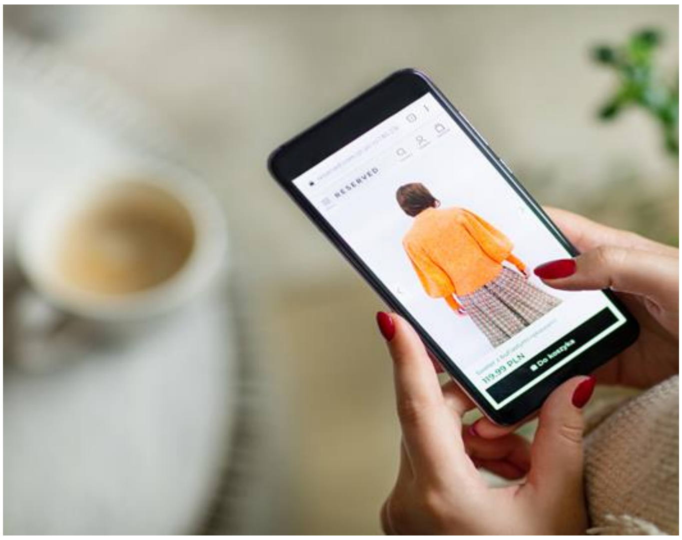
PARTNERSHIP WITH CANOPY

As the first Polish company, LPP entered into partnership with Canopy, an organisation dedicated to developing among entrepreneurs business practices aimed at sustainable use of forest resources worldwide by implementing changes in purchases of paper, packaging and cellulose-based textiles.

MAY 2021

STANDARDISED PACKAGING

In logistics, following the implementation of a project i.e. a platform facilitating the supply chain management, we were able, among others, to standardise cardboard boxes and utilise them more effectively. Therefore, LPP recovers 40% of collective cardboard boxes delivered from suppliers to the warehouse, optimises loading space in transport and alleviates its environmental impact.



JUNE 2021

RESERVED APPLICATION

LPP launched a Reserved application. Currently, works are carried out to prepare applications for other brands.

4. Factors and events, including those of extraordinary nature, significantly affecting condensed financial statements

Although the COVID-19 pandemic started in Q1 of the preceding year, its effects had a bearing also on the results generated by the Group in Q1 of this financial year.

In this period, revenue increased by 99.4% compared to the same period a year ago. Doubled sales despite restrictions stricter y/y result from the dynamic development by the Company of the online channel and logistics having regard of changes in customers' shopping customs.

The Group recorded a gross margin higher by 7.4 p.p. compared to Q1 of the preceding year owing to the following factors: a low inventory level which made it possible to avoid larger clearance sales y/y and an advantageous PLN/USD exchange rate.

Following cost savings made by the Company, an increase in operating costs was substantially lower that an increase in sales. At the same time, despite higher operating costs y/y, resulting mainly from the growing costs of logistics and e-commerce, the Group improved its operating margin which, in Q1 2021/22, was 3.7%. Operating activities were affected also by one-off events in other operating activities i.e. profit of PLN 2.1 mln gained following the annulment of contracts under IFRS 16 and a payroll subsidy of PLN 12.4 mln.

In Q1 2021/22, the Group recorded also a more advantageous effect of net financial activities due to substantially lower foreign exchange losses y/y mostly under IFRS 16.

Consequently, the LPP Group recorded a net profit of PLN 21.5 mln versus a net loss of PLN 362 mln, generated a year ago.

Basic figures reflecting the Group's performance as well as margins gained in Q1 2021/22 are given in tables below.

	Q1 2021/22	Q1 2020/21	Change y/y (%)
Revenue	2,350,339	1,178,647	99.4%
Gross sales profit	1,305,302	567,817	129.9%
Costs of stores and distribution and general costs	1,200,720	815,784	47.2%
EBITDA	344,354	17,584	1 858.3%
Operating profit (loss)	87,192	-260,522	n/m
Net profit (loss)	21,548	-361,990	n/m

Margin (%)	Q1 2021/22	Q1 2020/21	Change y/y (p.p.)
Gross sales margin	55.5%	48.2%	7.4
EBITDA	14.7%	1.5%	13.2
Operating	3.7%	-22.1%	25.8
Net	0.9%	-30.7%	n/m

5. Explanations of the seasonal or cyclical nature of the LPP SA Group in the reporting period

The seasonal nature of sales is a feature of the entire clothing market both in Poland and abroad. Usually, the gross margin obtained in the period of sales of a new collection at regular prices is higher than the one recorded during clearance sales. The above affects disproportions in the value of margins in specific calendar quarters (the highest in the second and fourth quarters, the lowest in the first and third quarters). To avoid large differences in margins between specific quarters, the Group has changed its financial year to adjust it to the collection calendar, thus levelling the impact of clearance sales and seasonality on margins applied in specific calendar quarters.

6. Information on revaluation write-offs on inventories to a net realisable value and their reversal

Detailed information is provided for in Note 35.3.

7. Information on impairment losses on financial assets, fixed and intangible assets or other assets and their reversal

Detailed information is provided for in Note 35.3.

8. Information on the creation, increase, utilisation and reversal of provisions

Relevant information is provided for in Note 35.6.

9. Information on deferred income tax assets and liabilities

Detailed information is provided for in Note 35.8.

10. Information on material transactions involving the purchase and sale of tangible fixed assets

In the reporting period, there were no such events.

11. Information on a material liability arising from the purchase of tangible fixed assets

In the reporting period, there was no such event.

12. Information on material litigation-related settlements

In the reporting period, there were no such events.

13. Specification of adjusted errors from previous periods

In the reporting period, there were no such events.

14. Information on changes in economic and business conditions substantially affecting the fair value of the Company's financial assets and liabilities

In the reporting period, there were no such events.

15. Information on non-repayment of loans or borrowings or a breach of any material provisions of credit facility or loan agreements

In the reporting period, there were no such events.

16. Information on one or more transactions effected by the Issuer or its subsidiary with associates if executed on terms other than at arm's length basis, with their value specified

In the reporting period, there were no such events.

17. Changes in the structure of the Issuer's Capital Group, including those resulting from a merger of entities, acquisition or sale of subsidiaries, long-term investments, division, restructuring or discontinued operations

There were no such events.

18. For financial instruments measured at fair value – information on the change of the method of determining such value

Not applicable.

19. Information on changes in the classification of financial assets due to their changed purpose or utilisation

Not applicable.

20. Division into operating segments – revenue and results attributable to individual segments

The LPP Group pursues one type of business activity (a single branch-specific segment considered basic). Business activity is carried out in two geographical segments: in and outside the European Union. The division into geographical segments is based on the criterion of location of the Group's assets.

Revenue and results attributable to individual segments in Q1 2021/22 and a comparable period are given in Note 35.12.

21. Information on the issuance, redemption and repayment of debt and equity securities

In Q1 2021/22, there were no such events.

22. Information on the dividend paid (or declared), in total and per share, broken down by ordinary and other shares

In the reporting period, the Company paid no dividend. Simultaneously, on 25 May 2021, the Management Board of LPP decided to submit to the Supervisory Board of LPP and the Annual General Meeting of Shareholders of LPP a motion for payment of a dividend of PLN 450 per share by way of transferring funds from the supplementary capital created from previous years' profit. The said motion was approved by the Supervisory Board of LPP and will be submitted for approval to the Annual General Meeting of Shareholders of LPP to be held on 29 June 2021.

23. Date of approval of the financial statements for publishing

These financial statements were approved for publishing by the Management Board of the Parent Company on 23 June 2021.

24. Events occurring after the balance sheet date, not disclosed in the financial statements, which may significantly affect future financial results of the LPP SA Group

There were no such events.

25. Changes in contingent liabilities or assets, subsequent to the end of the previous financial year

In Q1 2021/22, companies of the LPP SA Group utilised bank guarantees to secure payment of rent for the leased space for brand stores, offices and a warehouse.

As at 30 April 2021, the total value of bank guarantees granted upon request and under responsibility of LPP SA amounted to PLN 264,123 thousand, allocated as follows:

- guarantees granted to secure agreements concluded by LPP SA: PLN 88,232 thousand;
- guarantees granted to secure agreements concluded by consolidated associates: PLN 173,715 thousand;
- guarantees granted to secure lease agreements concluded by LPP SA for warehouse and office space: PLN 2,176 thousand.

In Q1 2021/22, the Company also received guarantees. These guarantees secured payments by a contracting party, and their value as at 30 April 2021 amounted to PLN 12,079 thousand.

26. Estimates concerning future liabilities under lease agreements concluded

The Group companies are parties to agreements on the lease of store, office and warehouse space as well as a car fleet.
Before adoption of IFRS 16, the Group (as lessee) classified each lease on the date of commencement of the lease term as finance or operating lease. The lease was classified as finance lease if, principally, the entire risk and benefits arising from the possession of a leased object were transferred to the Group. Otherwise, the lease was classified as operating lease. The finance lease was recognised at fair value of the leased object, determined as at the date of commencement of the lease term or in amounts equalling the current value of the minimum lease payments if it was lower than fair value. Lease payments were distributed as interest (recognised as financial costs) and a decrease in the lease liability. In the operating lease, the leased object was not activated, and lease payments were recognised as lease costs in the statement of comprehensive income, using the straight-line method for the lease term.
Following adoption of IFRS 16 (from 1 January 2019), the Group applied a single approach in recognition and measurement of all lease agreements in which it is a lessee, except for short-term and low-value leases. The Group has recognised lease liabilities and assets involving the right of use of an underlying asset.

As at 30 April 2021, the Group recognised the following:
- right-of-use assets in the amount of PLN 2,608,620 thousand;
- lease liabilities in the amount of PLN 3,234,649 thousand.

During 3 months ended 30 April 2021, the right-of use asset was depreciated in the amount of PLN 139,681 thousand, with lease interest totalling PLN 32,399 thousand.

27. Position of the Management Board on the feasibility of forecasts of annual consolidated results

The Company published no annual result forecasts.

28. Shareholders holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of LPP SA as at the date of report submission, along with the number of shares held by those entities, their percentage share in the share capital, the number of votes attached, and their percentage share in total votes at the General Meeting of Shareholders, and changes in the structure of major shareholdings in LPP SA following submission of the previous periodical report

The shareholding structure of the Parent Company as at the date of submission of the report for Q1 2021/22 is given in the table below.

Shareholder	Number of shares held	Interest in the share capital	Number of votes at the GM	Share in total votes at the GM
Semper Simul Foundation*	536,599	29.0%	1,936,599	59.5%
Sky Foundation**	261,338	14.1%	261,338	8.0%
Other shareholders	1,054,486	56.9%	1,054,486	32.5%
Total	**1,852,423**	**100.0%**	**3,252,423**	**100.0%**

* The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(d) MAR).
** The Sky Foundation is associated with Mr Jerzy Lubianiec (Article 3(1)(26)(d) MAR and Article 4(15) of the Public Offering Act).

In the period following submission of the previous periodical report (the one for 2020/21), there were no changes in major shareholdings in LPP SA.

29. Structure of shareholdings in LPP SA or rights attached to shares, held by the Issuer's management and supervisory officers as at the date of submission of a quarterly report, including changes in the shareholding structure following submission of the previous periodical report, broken down by person

The shareholdings in LPP SA of key management and supervisory officers as at the date of submission of the report for Q1 2021/22 are given in the table below.

Shareholder	Number of shares held	Number of votes at the GM
Marek Piechocki – President of the Management Board	664	664
Przemysław Lutkiewicz - Vice-President of the Management Board	415	415
Jacek Kujawa - Vice-President of the Management Board	618	618
Sławomir Łoboda - Vice-President of the Management Board	507	507
Antoni Tymiński - Member of the Supervisory Board	11	11

After submission of the last periodical report (the one for 2020/21), there was a change in shareholdings in LPP SA of key management officers. Namely, Jacek Kujawa, Vice-President of the Management Board of LPP, acquired 50 shares in the Company (CR 06/2021).

30. Significant proceedings pending before courts and arbitration or public administration authorities in respect of liabilities or receivables of the Issuer or its subsidiary, with the specification of the subject matter of the proceedings, value of the object in dispute, date of commencement of the proceedings, parties thereto and the Issuer's standpoint

In the reporting period, there were no significant proceedings pending before any court or public administration authority in respect of any liabilities or receivables of the Company or its subsidiary.

31. Transactions with associates

31.1. Key management officers

The Group recognises members of the Management and Supervisory Boards as key management and supervisory officers of the Parent Company.

The value of short-term benefits of members of the Management Board of the Parent Company, received between 1 February and 30 April 2021, amounted to PLN 1,174 thousand.

The value of short-term benefits of members of the Supervisory Board of the Parent Company, received between 1 February and 30 April 2021, amounted to PLN 62 thousand.

32. Information on the granting by the Issuer or its subsidiary of credit or loan sureties or guarantees – jointly to a single entity or its subsidiary if the total value of existing sureties or guarantees is significant

In the reporting period, neither the Issuer nor any of its subsidiaries granted any substantial credit or loan sureties or guarantees to a single entity or its subsidiary.

Detailed information on conditional liabilities are provided for in Note 25.

33. Other information which may significantly affect the evaluation of the staffing, property and financial standing and the financial result of the LPP SA Group as well as information relevant for evaluating the capacity of the Issuer's Group to perform its liabilities

This report contains basic information essential for evaluating the standing of the LPP Group. In the opinion of the Management Board, currently, the performance of the Group's liabilities remains unthreatened.

34. Factors which, according to LPP SA, will affect results gained by the LPP SA Group within at least the next quarter

As assessed by the Company, the following factors will affect results to be achieved by the LPP SA Group in the calendar quarters to come:

a) Situation resulting from the COVID-19 pandemic

The potential another strong wave of the COVID-19 pandemic after summer could affect the results generated by the Group. A lockdown, if any, implemented by governmental authorities in countries where the Group sells apparel in on-site stores in order to minimise another outspread of the pandemic may result in a decrease in on-site shopping or in a shopping halt should commercial centres be closed again.

Another pandemic spreading in countries where manufacturing plants of LPP's suppliers are located could cause disturbances in the continuity of the supply chain and, in consequence, delays in supplies of collections or, in the extreme, the absence of such supplies in the event of another closure of sewing plants. Additionally, during the pandemic, there may be logistics problems involving transportation and warehousing of goods. All these elements could adversely affect the Group's product offer and its availability and, consequently, the Group's financial results.

A chance to minimise that risk is nationwide vaccinations against COVID-19 introduced in numerous countries. Nonetheless, the LPP Group makes constant efforts to minimise the adverse effect of the pandemic in several ways. As regards the purchase of goods, the Group increases its flexibility in terms of searching for new sources of supplies (both in the countries of the Far East as well as European and African countries) and using different modes of transport (e.g. rail transport).

As the Group operates not only in the traditional sales channel but also develops online sales, it will be able to adjust to restrictions in shopping centres, if any.

b) Economic and political situation in Poland and countries where the stores of the LPP SA Group are operated

The COVID-19 pandemic may cause an economic crisis or economic hardship in countries affected. Due to the fact that the Group's revenue and margins depend on the economic situation of households and their consumption inclinations and since the economic crisis or economic hardship may result in a decrease of consumer spending, including outlays for clothing, the Group's results may be affected respectively.
At the same time, considering the fact that the Group manages five brands falling within a moderate price range, the adverse effect of economic slowdown on the demand for products offered by the Group is being minimised. Additionally, adjusting to the current situation, the Group has successfully developed the concept of the Sinsay brand with the lowest prices in the entire portfolio. Sinsay collections have been supplemented with female, male and children's lines as well as interior decoration products.

c) Fashion trends, attractiveness of collections, consumer behaviour model

The precarious economic situation, a decline in social moods, including consumer attitudes, and a changed lifestyle in the post-pandemic reality may have a bearing on the new consumer behaviour model, a change in preferences as to how people dress and on changes in fashion trends.
Due to financial uncertainty, there may be consumers seldom purchasing clothes and thus putting emphasis on timeless classic models of better quality. However, there may be customers for whom low prices will be a priority. Additionally, due to increasing consumer awareness, there may be more consumers for whom ecological motivation will have decisive importance.

Simultaneously, as a result of lifestyle and mode-of-work changes, dressing principles as well as casual and work style will change. Formal clothes will be in defence while home wear and casual will be more and more popular.

The Group's results will be decisively affected by the way in which collections of five brands will be adjusted to currently changing trends. Therefore, the Group puts special emphasis on fashion issues. Design teams of each brand keep abreast with fashion trends which are often related to macroeconomic and community trends. Designers and persons engaged in the process of preparing collections for the brands of the LPP Group take part in fashion events e.g. fashion shows which, at the time of the pandemic, owing to digital advancement, may be attended online. Owing to technological development and smartphone prevalence, LPP designers get currently inspired by the Internet and social media, being therefore able to quickly react to changing trends.

d) PLN/USD, PLN/EUR and PLN/RUB exchange rates

Due to the fact that approx. 60% of the Group's revenues are denominated in foreign currencies (with costs of purchases of goods being denominated in approx. 90% in USD, and operating costs in approx. 30% in EUR), the USD/PLN and EUR/PLN exchange rates will affect the Group's results. USD exposure is related to the venue of manufacturing and purchasing goods (mainly Asian countries), while EUR exposure is related to payments of rent in brand stores. Considering the fact that Russia is responsible for approx. 23% of the Group's sales, the Company is substantially exposed also to Russian rubble. The LPP Group reports its financial results in PLN. Consequently, the strengthening of PLN versus USD and EUR positively affects our margins, while the weakening of PLN versus key currencies decreases the Group's profitability. At the same time, the model of continuous product supplies reduces the risk of purchasing entire collections at exchange rate peaks.
Another factor affecting the Group's financial result will be IFRS 16 implemented in 2019, relating to the conversion of lease liabilities (mainly in EUR) based on the current exchange rate.

e) Control of operating costs (SG&A)

In the nearest future, the control of operating costs will affect the Group's financial results. The operating costs of the Group include the costs of own stores and franchise stores in Poland as well as distribution and general costs. The costs of own stores comprise mainly rent and payroll costs, while distribution costs include the costs of logistics and e-commerce. General costs comprise the costs of marketing, back-office as well as sales and products departments.
The Management Board of LPP decided to implement a savings scheme. One of the elements of the said savings scheme is adjusting the value of rent for the lease of retail space to the turnover generated in stores. Although negotiations held with owners of shopping centres after the first lockdown are completed, the Group took up another round of negotiations due to implementation of new restrictions. The outcome of such negotiations may have a bearing on the value of the Group's operating costs and, ultimately, on the Group's financial results.

f) Dynamic e-commerce development

Steadily growing importance of e-commerce reported even before the pandemic has definitely accelerated, changing the balance of powers between the two sales channels i.e. the traditional channel (on-site stores) and the online one. Most probably, the change of customers' shopping habits, i.e. the transfer of shopping processes to the online channel, will last. Adjusting to the current trend, the Group has taken action aimed at further expansion of the said sales channel. The Group plans to develop e-commerce by entering new markets and implementing in this sales channel state-of-the-art technological solutions, including artificial intelligence, and by introducing further improvements in logistics. The emphasis put on the development of the said channel as part of the Group's strategy will have a bearing on results yielded. The Group plans that, owing to these activities, in 2021/22, its revenue on online sales will reach over PLN 2.8 bln.

g) Development of the chain of traditional stores

Results generated by the Group will be affected by the development of the chain of traditional stores, which is part of the omnichannel model along with e-commerce. Currently, the Group focuses specifically on developing the chain of traditional stores of Sinsay, House and Cropp brands in smaller towns, opening new brand stores in Poland as before, accelerating its development in Europe and on further two-digit expansion in the CIS region. Simultaneously, the Group's continuous goal is to optimise retail space i.e. closing of unprofitable stores and expanding profitable ones.
The Group plans to end the year 2021/22 with an increase of 25% y/y in retail space and the entry on the new market i.e. North Macedonia.

h) Logistics development

Considering the fact that retail trade will be transferred, to the growing extent, to the Internet, and, as regards online orders, speedy deliveries, safety and flexibility will be of key importance apart from collection attractiveness, the Group will be required to adjust logistics currently focused on handling traditional sales to online sales purposes. Owing to recently made investments in logistics and IT, the Group will be able to quickly adjust to new conditions and customer expectations. Consequently, the investments in question may have a positive impact on the Group's results.

i) Situation on the transport market

Results generated by the Group may be affected by the situation on the maritime transport market. The outbreak of the pandemic, initiated in China, caused disturbances on the said market in 2020. Due to the closure of the Chinese economy at the time of the COVID-19 spreading and inability to deliver freight to the port, shipowners decided to suspend part of connections, limiting the number of services.

At the same time, the lack of employees for port handling of ships in China and other Asian countries, strategic from the point of view of European importers, disturbed the balance of container turnover. Additionally, containers available in Europe were used for current shipments, and the market of maritime transport services was destabilised due to the lack of import possibilities (supplying the market with empty containers). As a result, the lack of empty containers and the problem of lacking slots (space on the ship for a container), made the transport more difficult and, consequently, influenced the increase of freight rates, the level of which systematically shows an upward trend. Currently forecasted sea freight rates reach levels several times higher than before the pandemic. At the same time, container rail transport has seen an increase in interest, which has caused this market to face similar problems as the maritime transport market.

Due to the fact that the LPP Group delivers its orders in approx. 86% by sea and approx. 2% by rail, it is exposed to the increase in costs of these transport branches. So far, despite the increase in freight rates on the market, thanks to long-term contracts with shipping partners, these costs have remained stable for the Company. However, starting from the second half of the year, they may increase and cause an increase in the costs of goods purchase and, ultimately, affect the result of the Group's trade margin.

j) Omnichannel

The creation of the omnichannel system will affect results generated by the Group. Owing to the omnichannel system, customers will be able to freely purchase goods in both permeating channels. Traditional stores support online sales and, therefore, it is necessary to invest in modern stores encouraging customers to pay a visit. Building the omnichannel system, the LPP Group currently invests in the development of modern stores, logistics and state-of-the-art technology. Investments in such solutions will determine the possibility of adjusting the business model to the new reality, simultaneously enabling the Group to operate in upcoming economic conditions with a potential higher than that of its competitors.

k) CAPEX

The Group's results will be affected by capital expenditures. Capital expenditures planned in 2021/22 will amount to PLN 1,210 mln, comprising the following expenditures: on-site stores - PLN 950 mln, offices – PLN 50 mln, logistics - PLN 150 mln and IT – PLN 60 mln. Furthermore, capital expenditures planned for 2022/23 amount to PLN 1,000 mln (including the following expenditures: on-site stores - PLN 850 mln, offices – PLN 50 mln, logistics - PLN 40 mln and IT – PLN 60 mln).

All the above-mentioned factors may affect financial results generated by the Group in upcoming calendar quarters. The Group expects that, in the financial year 2021/22, it will reach a two-digit increase in revenue y/y, improve its operating margin compared to 2019/20 and maintain a safe liquidity position.

35. Explanatory notes to the consolidated condensed interim financial statements

35.1. Deposits and investment funds

Deposits and investment funds (in PLN thousand)	30.04.2021	31.01.2021
Participation units in funds	426,545	440,919
Security deposits	100,000	100,000
Margin	415,288	412,097
Deposits and investment funds	**941,833**	**953,016**

In the reporting period, the Group acquired participation units in money market funds. The value of such units as at 30 April 2021 amounted to PLN 426,545 thousand, comprising the value of acquired units as at the purchase date i.e. PLN 423,828 thousand and its measurement of PLN 2,717 thousand. In the cash flow statement, in investing activities, the Group shows the acquisition of participation units in the amount of PLN 49,579 thousand and their redemption in the amount of PLN 66,530 thousand. The valuation of PLN 2,717 thousand is shown in the operating part, in interest and dividends. The value of profit earned from redeemed participation units was PLN 199 thousand and was shown in the investing part, in other inflows from financial assets. The valuation of the above-mentioned instruments is at level 1 of the fair value hierarchy as regards participation units in funds quoted on the regulated market and at level 2 of the fair value hierarchy as regards unquoted funds.

In connection with factoring contracts signed, the Group paid a security deposit of PLN 100 mln to secure the factor's claims and secured a margin of PLN 415 mln.

35.2. Other financial assets

In PLN thousand	30.04.2021	31.01.2021
Non-current assets		
Other receivables	13,504	13,446
Loans granted	279	66
Other long-term financial assets	**13,783**	**13,512**
Current assets		
Other receivables	3,547	1,137
Receivables from payment card providers	56,723	32,909
Loans granted	177	85
Measurement of forward contracts	3,382	0
Foreign currencies sold	0	37,000
Other short-term financial assets	**63,829**	**71,131**
Other financial assets in total	77,612	84,643

35.3. Revaluation write-offs on assets

Values of specific assets, presented in the consolidated financial statements drawn up as at 30 April 2021, were adjusted with revaluation write-offs. Detailed information on revaluation write-offs shown as at the last day of the reporting period and changes in the period are given in the table below.

	in PLN thousand		
Revaluation write-offs	Fixed and intangible assets	Inventory	Receivables, loans and shares
Balance as at 1 February 2021	**112,278**	**128,528**	**38,363**
Increase	0	0	2,713
Decrease	1,823	0	6,966
Balance as at 30 April 2021	**110,455**	**128,528**	**34,110**

35.4. Cash

For the purpose of preparing the cash flow statement, the Group classifies cash in the manner adopted for the presentation of financial position. The difference in the value of cash shown in the statement of financial position and the cash flow statement is affected by:

in PLN thousand	30.04.2021	30.04.2020
Cash and cash equivalents recognised in the statement of financial position at hand and in bank:	1,243,252	1,639,205
Adjustments:		
Currency translation from balance sheet valuation of cash in foreign currency	6,936	-55,240
Cash and cash equivalents recognised in the consolidated cash flow statement	**1,250,188**	**1,583,965**

35.5. Employee benefits

The value of employee benefits shown in the consolidated condensed financial statements and their changes in the reporting period are as follows.

	in PLN thousand		
	Retirement benefits	Unpaid remuneration	Unused holiday leave
Balance as at 1 February 2021	**1,818**	**0**	**33,676**
- provision made	0	25,000	3,518
- provision used	0	0	0
- provision reversed	0	0	0
Balance as at 30 April 2021	**1,818**	**25,000**	**37,194**

35.6. Provisions

The value of provisions recognised in the consolidated condensed financial statements and their changes in the reporting period were as follows.

	in PLN thousand	
	Provision for early contract termination	Other provisions
Balance as at 1 February 2021	**0**	**1,384**
- provision made	0	24,083
- provision used	0	0
- provision reversed	0	0
Balance as at 30 April 2021	**0**	**25,467**

35.7. Income tax

The main components of the Group's income tax for the period from 1 February to 30 April 2021 and for a comparative period are given in the table below.

	in PLN thousand	
	01.02 - 30.04.2021	01.02 - 30.04.2020
Current income tax	31,745	274
Deferred income tax	-4,187	-57,321
Total	**27,558**	**-57,047**

35.8. Deferred income tax assets and liabilities

As at the end of the reporting period, consolidated financial statements show values of both deferred income tax assets in the amount of PLN 184,291 thousand and deferred income tax liabilities amounting to PLN 22 thousand.

35.9. Other operating income and costs

Other operating income and costs are given in tables below.

Other operating income (in PLN thousand)	01.02 - 30.04. 2021 2021	01.02 - 30.04.2020 2020
Profit on sales of non-financial fixed assets	313	41
Subsidies	12,405	4,954
Other operating income, including:	5,718	4,081
- profit on the annulment of contracts measured under IFRS 16	2,089	1,369
- compensations	343	436
- reversal of revaluation write-offs on net fixed assets	848	0
- reversal of revaluation write-offs on net receivables	0	0
Other operating income in total	**18,436**	**9,076**

Other operating costs (in PLN thousand)	01.02 - 30.04. 2021 2021	01.02 - 30.04.2020 2020
Loss on the sale of non-financial fixed assets	0	0
Revaluation of non-financial assets, including:	2,056	3,540
- revaluation write-offs on net fixed assets	0	165
- revaluation write-offs on net receivables	2,056	3,375
Other operating costs, including	33,770	18,091
- losses on current and non-current assets	31,373	13,585
Other operating costs in total	**35,826**	**21,631**

35.10. Financial income and costs

Financial income and costs are given in tables below.

Financial income (in PLN thousand)	01.02 - 30.04. 2021 2021	01.02 - 30.04.2020 2020
Interest	378	3,054
Measurement of participation units in funds	44	324
Dividends	0	0
Other financial income, including:	10,541	18
- currency translation balance	0	0
- adjustment of lease liability	10,541	0
Total financial income	**10,963**	**3,396**

Financial costs (in PLN thousand)	01.02 - 30.04. 2021 2021	01.02 - 30.04. 2020 2020
Interest costs – bank loans	5,284	5,803
Interest costs – bonds	0	2,223
Interest costs – budget and other	192	8
Interest costs – lease liabilities	32,399	32,273
Bank commissions	733	1,284
Other financial costs, including:	10,441	120,320
- currency translation balance	10,441	120,320
Total financial costs	**49,049**	**161,911**

35.11. Foreign exchange differences

In the consolidated statement of comprehensive income, prepared as at 30 April 2021, the value of foreign exchange losses exceeds the value of foreign exchange gains by PLN 10,441 thousand.

35.12. Operating segments

Revenues and financial results relating to geographical segments for the period from 1 February 2021 to 30 April 2021 and for a comparative period are given in tables below.

30 April 2021 (in PLN thousand)	EU Member States	Other countries	Consolidation adjustments	Values not attributed to segments	Total
	in PLN thousand				
External sales	1,656,840	693,499	0	0	2,350,339
Inter-segment sales	447,514	0	-447,514	0	0
Other operating income	15,007	3,429	0	0	18,436
Total income	**2,119,361**	**696,928**	**-447,514**	**0**	**2,368,775**
Total operating costs, including	1,936,813	569,734	-401,574	140,784	2,245,757
Costs of inter-segment sales	395,174	0	-395,174	0	0
Other operating costs	25,532	10,294	0	0	35,826
Segment result	**157,016**	**116,900**	**-45,940**	**-140,784**	**87,192**
Financial income	0	0	0	10,963	10,963
Financial costs	0	0	0	49,049	49,049
Profit/loss before taxation					**49,106**
Income tax					27,558
Non-controlling interests					0
Net profit/loss attributable to Shareholders of the Parent Company					**21,548**

30 April 2020 (in PLN thousand)	EU Member States	Other countries	Consolidation adjustments	Values not attributed to segments	Total
	in PLN thousand				
External sales	887,908	290,739	0	0	1,178,647
Inter-segment sales	258,085	5,101	-263,186	0	0
Other operating income	8,437	639	0	0	9,076
Total income	**1,154,430**	**296,479**	**-263,186**	**0**	**1,187,723**
Total operating costs, including	1,215,101	321,487	-218,760	108,786	1,426,614
Costs of inter-segment sales	172,972	5,082	-178,054	0	0
Other operating costs	14,693	6,938	0	0	21,631
Segment result	**-75,364**	**-31,946**	**-44,426**	**-108,786**	**-260,522**
Financial income	0	0	0	3,396	3,396
Financial costs	0	0	0	161,911	161,911
Profit/loss before taxation					**-419,037**
Income tax					-57,047
Non-controlling interests					0
Net profit/loss attributable to Shareholders of the Parent Company					**-361,990**

Management Board of LPP SA:

Marek Piechocki	Przemysław Lutkiewicz	Jacek Kujawa	Sławomir Łoboda
President of the Management	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board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