



LPP

LPP SA GROUP

CONSOLIDATED CONDENSED
INTERIM REPORT
FOR H1 2021/22

RESERVED

CROPP

 **house**

MOHITO

sinsay

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01

**CONSOLIDATED INTERIM REPORT ON
THE OPERATIONS OF THE LPP SA GROUP**

ABOUT US

WHO WE ARE

LPP is a Polish family-run company engaged in the design, manufacturing and distribution of clothing. We have almost 30-year experience in the clothing sector. Our sales network covers entire Poland, the countries of Central, Eastern and Western Europe, the Balkans and the Middle East. Customers visiting our traditional stores and shopping online are offered apparel, accessories and footwear under our five brands: Reserved, Cropp, House, Mohito and Sinsay. Each of those brands, differing in character, is targeted at a different customer group.

Although we operate on 38 markets, our brand concepts are developed, all our collections are created and all strategic decisions are made in Poland. The heart of our organisation is the head office in Gdańsk, where the Company's history has begun. Our offices are located also in Cracow, Warsaw, Shanghai and Dhaka.

Our staff consists in total of approx. 22 thousand people employed in our offices as well as sales and distribution units in Poland as well as European and Asian countries. The cornerstones of LPP's culture are openness, diversity, responsibility for common development and mutual respect.

HOW WE OPERATE AS A GROUP

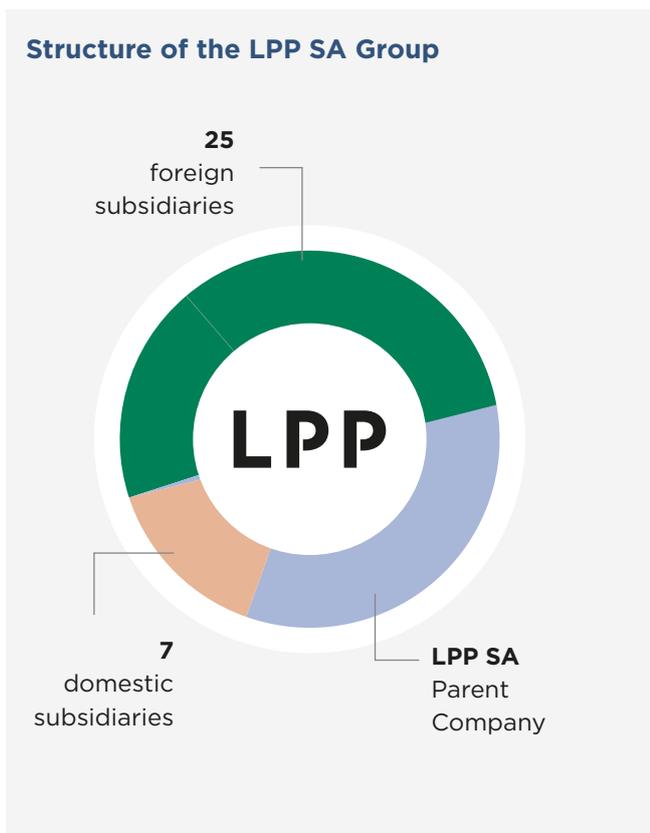
The LPP SA Group is composed of the Parent Company with its registered office in Poland, 7 domestic companies and 25 foreign companies. The Group's foreign subsidiaries are, to a major extent, engaged in the distribution of products of our brands outside Poland.

Polish subsidiaries are engaged in the following activities: store operation services in the territory of Poland (LPP Retail Sp. z o.o.), sale of promotional clothing (Printable Sp. z o.o.), logistics services (LPP Logistics Sp. z o.o.), management of IT projects for the Group (Silky Coders Sp. z o.o. and Dock IT Sp. z o.o.) and activities involving rental of real property in Poland, where our brand stores are located (DP&SL Sp. z o.o., IL&DL Sp. z o.o.).

During 6 months ended 31 July 2021, there were the following changes in the Group's structure:

- the cross-border merger of LPP SA with Gothals Ltd by transferring to LPP SA, as the sole shareholder, all assets of Gothals Ltd and its dissolution with no liquidation procedure;
- establishment of two Polish companies: Silky Coders Sp. z o.o. and Dock IT Sp. z o.o. with their registered offices in Gdańsk;
- establishment of the foreign subsidiary Reserved Fashion BIS, Modne Znamke Doo in Slovenia.

These consolidated financial statements of the Group, covering the period from 1 February 2021 and 31 July 2021, include the separate results of LPP SA as well as the results of foreign subsidiaries and five Polish subsidiaries. The remaining two Polish subsidiaries (engaged in the lease of real properties where our brand stores are operated in Poland) were not consolidated due to irrelevance of data.



OUR SHAREHOLDERS

Shares in LPP SA have been quoted on the main market of the Warsaw Stock Exchange (WSE) since 2001 as part of domestic indices such as WIG, WIG Poland, WIG20, WIG30, WIG Clothes, WIG ESG) and foreign ones including MSCI Poland Index, CECE Index and FTSE Russell Index. Additionally, the Company has been qualified as member of the segment of family-run companies quoted on the WSE, launched in 2021.

On the debut date, the price of the Company's shares was PLN 48.00. The highest value was recorded on 23 September 2021: PLN 15,680.00.

The table below presents shareholders holding, as at the date of publishing this report, directly or indirectly, at least 5% of the general number of votes at the GM of LPP. In the period following the publishing of the previous report (for Q1 2021/22), there were changes in the major LPP shareholdings, resulting from the purchase of shares by the Semper Simul Foundation (CR 25/2021, CR 26/2021, CR 27/2021, CR 28/2021) and the sale of shares by the Sky Foundation.

Shareholder	Number of shares held	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.3%	1,978,889	60.8%	1,157,778
Sky Foundation**	227,898	12.3%	227,898	7.0%	455,796
Other shareholders	1,045,636	56.4%	1,045,636	32.2%	2,091,272
Total	1,852,423	100.0%	3,252,423	100.0%	3,704,846

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

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



OUR MANAGEMENT AND SUPERVISORY BOARDS

AS AT 31 JULY 2021, THE MANAGEMENT BOARD OF LPP WAS COMPOSED OF:

- Marek Piechocki - President of LPP's Management Board
- Jacek Kujawa - Vice-President of LPP's Management Board
- Przemysław Lutkiewicz - Vice-President of LPP's Management Board
- Sławomir Łoboda - Vice-President of LPP's Management Board
- Marcin Piechocki - Vice-President of LPP's Management Board, elected by the LPP GM on 29 June 2021

AS AT 31 JULY 2021, THE SUPERVISORY BOARD OF LPP WAS COMPOSED OF:

- Miłosz Wiśniewski - independent Chairman of LPP's Supervisory Board
- Wojciech Olejniczak - Vice-Chairman of LPP's Supervisory Board
- Piotr Piechocki - Member of LPP's Supervisory Board
- Magdalena Sekuła - independent Member of LPP's Supervisory Board
- Grzegorz Maria Słupski - independent Member of LPP's Supervisory Board, elected by the LPP GM on 29 June 2021

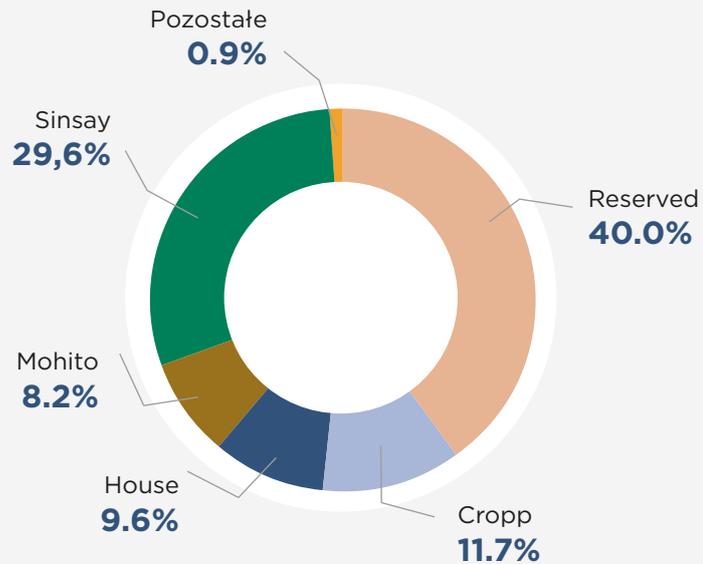
The table below presents the LPP shareholdings of management officers as at the date of publishing this report. In the period following the publishing of the previous report (for Q1 2021/22), there were the following changes in the LPP shareholdings of management and supervisory officers, resulting from changes in the composition of both governing bodies of the Company. The Management Board was joined by Mr Marcin Piechocki, holding 77 shares in LPP. Simultaneously, Mr Antoni Tymiński, holding 11 shares in the Company, left the Supervisory Board.

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
Marcin Piechocki - Vice-President of the Management Board	77	77

OUR PORTFOLIO

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

Percentage share in sales of specific brands in H1 2021/22



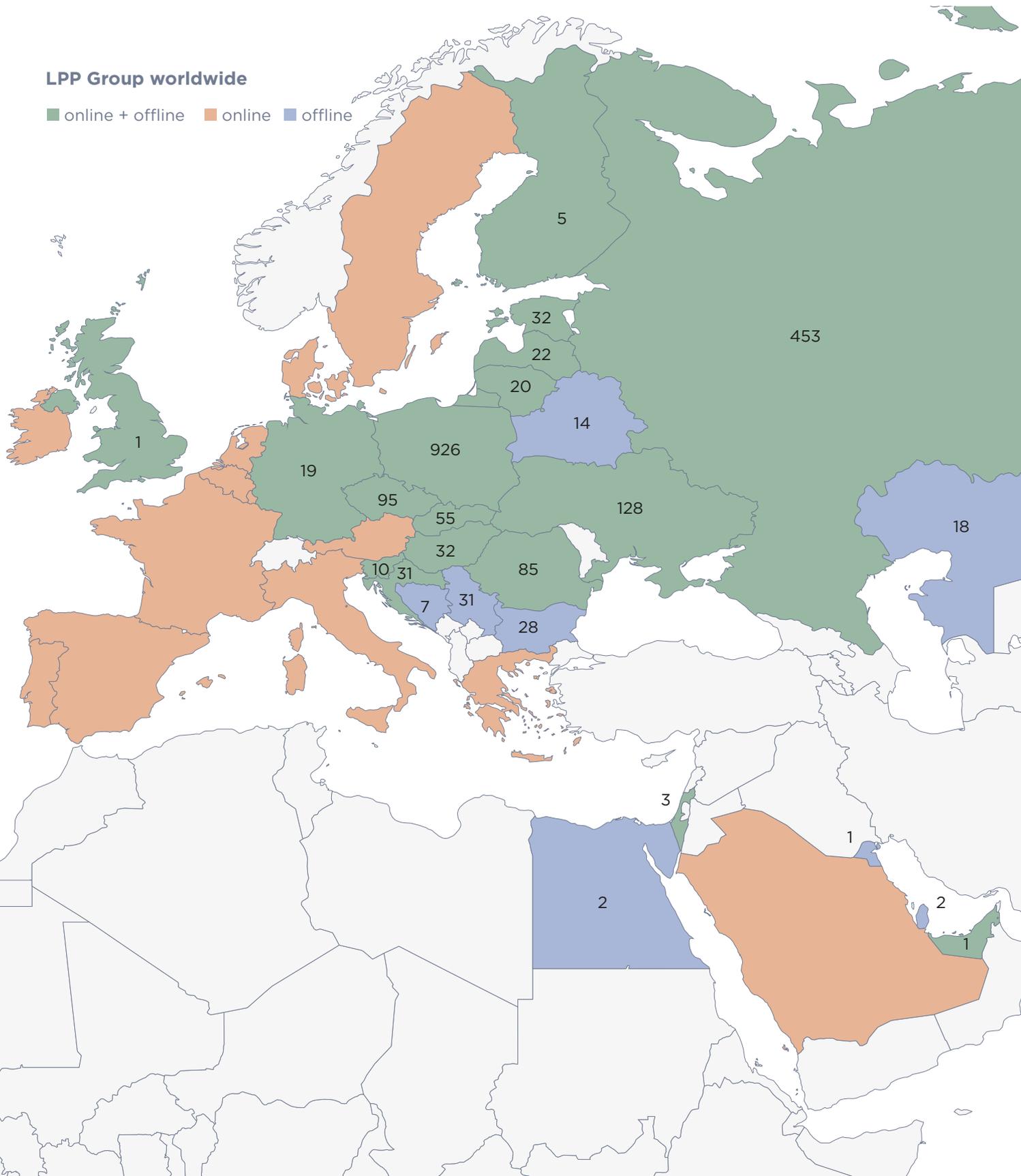


OUR MARKET PRESENCE

We offer our products to customers in on-site and online stores jointly in 38 countries on 3 continents.

Our on-site store chain comprises 2,021 stores of the total area of 1,616.5 thousand m² in 25 countries.

We are present online on 28 markets.



BASIC FIGURES PRESENTING THE EFFECTS OF THE LPP SA GROUP'S OPERATIONS FROM 1.02.2021 TO 31.07.2021

1. NUMBER OF STORES

As at 31.07.2021	Number of stores
Reserved	440
Cropp	386
House	354
Mohito	281
Sinsay	558
Outlet	2
LPP Group in total	2,021

2. SALES BROKEN DOWN BY BRAND

In PLN mln	Sales in H1 2021/22	Sales in H1 2020/21
Reserved	2,396	1,493
Cropp	700	391
House	578	356
Mohito	491	308
Sinsay	1,773	709
Other	55	52
Total	5,993	3,308

In PLN mln	Sales in Q2 2021/22	Sales in Q2 2020/21
Reserved	1,440	939
Cropp	448	257
House	382	237
Mohito	312	182
Sinsay	1,034	478
Other	27	38
Total	3,643	2,129

3. ONLINE SALES

In PLN mln	Q1 2021/22	Q1 2020/21	Q2 2021/22	Q2 2020/21
Sales in PLN mln	1,781	1,005	793	621

4. REVENUE BROKEN DOWN BY REGION

in PLN mln	H1 2021/22	H1 2020/21	Q2 2021/22	Q2 2020/21
Poland	2,397	1,498	1,487	962
Other European countries	1,860	1,084	1,165	737
CIS	1,726	719	988	428
Middle East*	10	6	4	2
Total	5,993	3,308	3,643	2,129

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

5. OPERATING EXPENSES

	H1 2021/22 (IFRS16)	H1 2020/21 (IFRS16)	Q2 2021/22 (IFRS16)	Q2 2020/21 (IFRS16)
Operating expenses (in PLN mln)	2,573	1,783	1,372	967
Operating expenses per m2/month	284	240	293	257

6. CAPITAL EXPENDITURES

In H1 2021/22, capital expenditures (CAPEX) amounted to PLN 537 mln, i.e. approx. 52% more compared to H1 of the preceding year.

7. INVENTORY

	31.07.2021	31.07.2020
Inventory (PLN mln)	2,311	1,642
Inventory per m2 in PLN	1,439	1,266

8. DEBT

LPP SA had credit lines in 5 banks, in the total amount of PLN 1.1 bln (as at 31 July 2021), utilised for bank guarantees, letters of credit or a revolving loan.

Additionally, the Company signed an agreement with PKO BP, involving a revolving loan for financing current economic activity, for the amount of PLN 250 mln (without interest).

LPP uses also a supplier financing programme (reversed factoring). At the end of H1 2021/22, the limit was utilised in the amount of PLN 2.0 bln. To secure the funding limit in Santander, LPP signed an agreement with BGK for the amount of PLN 250 mln (BGK secures 80% of the funding limit in Santander).

Apart from the above-mentioned bank loans extended to LPP (the Parent Company), three subsidiaries, i.e. the Russian, Ukrainian and Kazakh companies, utilise credit lines extended by local banks, which, at the end of July 2021, were utilised in the total amount of PLN 235.5 mln.

Furthermore, LPP SA has taken up investment credit facilities for the extension of Distribution Centre and the head office in Gdańsk. At the end of H1 2021/22, the total value of such credit facilities was PLN 218.4 mln.

To diversify sources of funds, in 2019, LPP issued 300 thousand unsecured ordinary 5-year bearer A series bonds. Bonds of the nominal value of PLN 1 thousand each, of the total value of PLN 300 mln, charged with WIBOR 6M increased with the margin of 1.1%, have a maturity date falling on 12 December 2024. Bonds were issued through non-public subscription addressed to specified qualified investors.

Bonds have no paper form and are registered in the securities depository kept by Krajowy Depozyt Papierów Wartościowych SA and were introduced to trading in the Catalyst Alternative Trading System operated by Giełda Papierów Wartościowych w Warszawie SA (Warsaw Stock Exchange).

At the end of H1 2021/22, the Group held cash of PLN 1,595 mln and, consequently, showed net cash of PLN 580 mln compared to PLN 736 mln a year ago.

The table below shows the level of net debt (cash) in PLN thousand.

Data (without IFRS16)	As at 31.07.2021	As at 31.07.2020
Short-term loans	554,591	520,708
Long-term loans	166,336	215,082
Bonds	294,409	291,699
Cash	1,594,893	1,763,509
Net debt (net cash)	-579,557	-736,020

9. FACTORS AND EVENTS, INCLUDING THOSE OF EXTRAORDINARY NATURE, SIGNIFICANTLY AFFECTING THE CONDENSED FINANCIAL STATEMENTS

In H1 2021/22, the Group's revenue reached almost PLN 6 bln compared to a slightly more than PLN 3 bln earned in the same period a year ago. Revenue higher by over 80% y/y was generated owing to several factors: customers revisiting on-site stores after the lockdown, the so-called postponed demand effect, the preserved tendency to shop online, successful collections of all brands, expansion of the Group's retail space and adjustment of logistics to the model of omnichannel organisation.

Owing to the sales of collections at original prices, the Group reached a gross margin of 55.5% i.e. by 7.7 p.p. higher than a year ago. The said increase in margin was possible owing to exceptionally low costs of purchasing the spring collection. Goods were ordered at the height of the pandemic crisis, when manufacturers were more inclined to negotiate prices, being concerned for the economic future. As shown by orders placed in subsequent months, such low purchase prices of the spring collection were a one-off exception.

In H1 2021, the Group's operating expenses were higher by 48.7% y/y owing to the development of the on-site store chain and the online channel. At the same time, the increase in operating expenses was lower than the increase in sales due to cost savings made during the pandemic.

Additionally, the Group's other operating income and expenses were affected by factors of extraordinary nature i.e. revaluation write-offs on the value of stores as well as subsidies and additional financing for payroll purposes. Simultaneously, owing to lower foreign exchange fluctuations, the Group recorded a more advantageous effect of net financial activity.

As a result of the said factors, which had mostly been advantageous throughout the reporting period, the LPP Group recorded a profit of PLN 481 mln versus a loss of PLN 393 mln, generated a year ago. At the same time, in anticipation of increases in transportation costs, manufacturing prices as well as the costs of payroll, materials and services, the Company expects that those factors will have a less advantageous future impact. Consequently, the results generated in H1 2021/22 should not be recognised as basis for projecting the Group's results in subsequent quarters.

Basic figures reflecting the Group's performance and margins gained in H1 and Q2 2021/22 are given in tables below.

	H1 2021/22	H1 2020/21	Change y/y (%)	Q2 2021/22	Q2 2020/21	Change y/y (%)
Revenue	5,993,480	3,307,944	81.2%	3,643,141	2,129,297	71.1%
Gross sales profit	3,325,195	1,581,153	110.3%	2,019,893	1,013,336	99.3%
Costs of stores and distribution and general costs	2,573,029	1,782,642	44.3%	1,372,309	966,858	41.9%
EBITDA	1,208,110	325,710	270.9%	863,756	308,126	180.3%
Operating profit (loss)	682,202	-228,221	n/m	595,010	32,301	1742.1%
Net profit (loss)	480,643	-392,629	n/m	459,095	-30,639	n/m

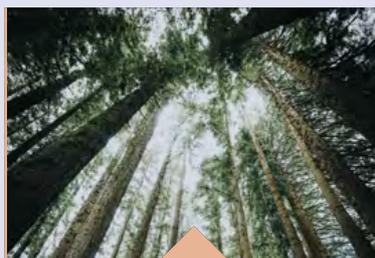
Margin (%)	H1 2021/22	H1 2020/21	Change y/y (p.p.)	Q2 2021/22	Q2 2020/21	Change y/y (p.p.)
Gross sales margin	55.5%	47.8%	7.7	55.4%	47.6%	7.8
EBITDA	20.2%	9.8%	10.4	23.7%	14.5%	9.2
Operating	11.4%	-6.9%	18.3	16.3%	1.5%	14.8
Net	8.0%	-11.9%	19.9	12.6%	-1.4%	14.0

**10. OTHER MAJOR EVENTS IN
H1 2021/22 AND IN THE PERIOD
PRECEDING PUBLICATION OF THIS
REPORT**



MARCH

**LAUNCHING ANOTHER
E-COMMERCE
WAREHOUSE IN RUSSIA**



MAY

**PARTNERSHIP WITH
CANOPY**



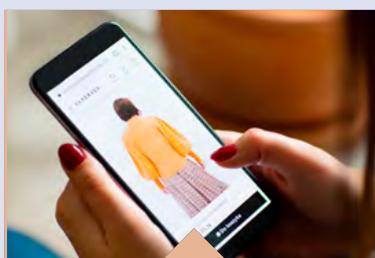
SEPTEMBER

**LETTER OF INTENT WITH
FIGENE ON RES ENERGY
SUPPLIES**



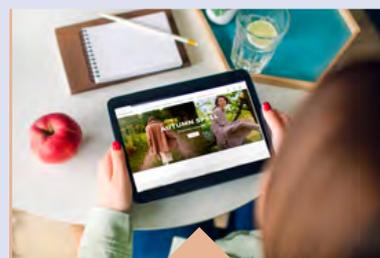
MARCH - SEPTEMBER

**CONSTRUCTION OF A
DISTRIBUTION CENTER IN
BRZEŚĆ KUJAWSKI**



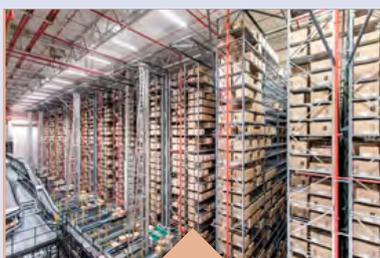
JUNE - SEPTEMBER

RESERVED APPLICATION



SEPTEMBER

**DEBUT OF AN ONLINE
STORE ON THE
BULGARIAN MARKET**



MARCH

**DOUBLING WAREHOUSE
SPACE IN ROMANIA**



JUNE

**DECISIONS OF THE LPP
GM:**

- appointment of new members of the Management and Supervisory Boards
- adoption of a dividend payment resolution



SEPTEMBER

**ENTERING THE
MACEDONIAN MARKET**

BASIC THREATS AND RISKS PERTAINING TO THE REMAINING MONTHS OF THE FINANCIAL YEAR

The achievement by the LPP Group of its strategic tasks and goals will be affected by numerous internal and external factors representing opportunities, yet also risks and threats.

BUSINESS MODEL RISK

Risk: The Group's business model involves the outsourcing of manufacturing activities to professional entities, without own manufacturing capacities. It involves the risk of choosing inadequate suppliers and is closely related to the economic and political environment in suppliers' countries.

Actions minimising this risk: The Group puts emphasis on the diversification of suppliers and manufacturing countries. It chooses partners not only in terms of price but also their offer range, modern machinery and the standards of ethical treatment of workers. Additionally, on a regular basis, the Group evaluates its suppliers and audits the supply chain.

<p>COLLECTION-RELATED RISK</p>	<p>Risk: The clothing market is characterised by a wide variety of customer expectations and is closely correlated with changes in fashion trends and changeable customer preferences. A key factor in a clothing company's success and, simultaneously, a risk area, is the sensing of changes in fashion trends and adjusting collections to customer preferences. A quick reaction to such changes and needs also plays an important role.</p> <p>Actions minimising this risk: In our Group, each brand has a separate team of designers following fashion trends in the brand's dedicated customer group. The work of designer teams is organised so as to minimise the impact of a single designer on the collection as a whole. Designers and persons engaged in the process of collection creation participate in fashion events worldwide, keep track of street fashion in the most popular fashion capitals, the Internet and social media, reflecting their inspirations in the collection creation process on a daily basis.</p>
<p>PRICING POLICY RISK</p>	<p>Risk: High competitiveness on the clothing market requires an adequate pricing policy.</p> <p>Actions minimising this risk: As envisaged by the Group, prices are maintained at levels corresponding to those of popular clothing companies with middle price brackets and the value-for-money segment. On a regular basis, the Company monitors and analyses prices of competitive products. During clearance sales, it sells out products from the passing season's collections, applying price incentives. At the same time, being supported with technological and IT tools, LPP is able to optimise the clearance sales area i.e. forecast clearance sales, simultaneously applying the optimum price reductions.</p>
<p>SINGLE SEGMENT CONCENTRATION RISK</p>	<p>Risk: Concentration on a single market segment in geographical terms, with simultaneous absence on other markets, may have an adverse effect should any disadvantageous factors occur in a given business region. Additionally, if the company concentrates its operations in a single sales channel, the risk in question may occur if customers change their shopping model e.g. the increasing popularity of online shopping compared to traditional purchases.</p> <p>Actions minimising this risk. The Group offers products under several brands addressed to numerous age groups, thus diversifying the recipient segment. Owing to its presence in numerous countries and regions, it minimises the risk of adverse effects of legal, economic and social changes occurring in a single country. Being a multichannel organisation, the Group gives its customers the possibility of shopping both in on-site and online stores, thus minimising the risk arising from concentration on a single sales channel.</p>
<p>RISK OF POOR STORE LOCATION</p>	<p>Risk: The Group's development strategy provides for the expansion of the sales network. The opening of new stores involves the risk that specific locations may prove to be unfortunate. This may result in a stores' failure to reach expected revenue performance, which, in consequence, may adversely affect our Group's financial results.</p> <p>Actions minimising this risk. The Group analyses each new prospective location in detail. Additionally, by concluding current lease agreements for shorter periods, the Group minimises the location risk over time. Simultaneously, the Group's policy of optimising the development of the sales network, involving the closure of brand stores with unsatisfactory sales performance upon agreement expiry and their expansion in successful locations, makes it possible to minimise the said risk.</p>

<p>RISK OF INEFFECTIVE LOGISTICS</p>	<p>Risk: The task of logistics is to quickly complete and deliver a relevant number of clothing dispatches to on-site stores and, directly, to customers making online orders. High-standard logistics services are required to be provided due to the following factors: an increase in the Group's retail space, dynamic development of online sales, changes in customers' shopping habits and their expectations as well as a shorter delivery process.</p> <p>Actions minimising this risk. Along with the increasing demand, the Group regularly expands its logistics facilities both domestically and abroad. In logistics, it implements modern solutions and IT technologies, including those based on AI, which facilitate the processes of order completion and distribution.</p>
<p>RISK OF SALES MIGRATION FROM ON-SITE TO ONLINE STORES</p>	<p>Risk: The COVID-19 pandemic has accelerated the global trend reflecting sales migration from traditional to online stores. This tendency puts pressure on sales in traditional stores, the majority of which generate fixed costs, and, consequently, affect the Group's profitability.</p> <p>Actions minimising this risk: A solution minimising the risk of sales migration from traditional stores to the Internet is the Group's adjustment to the current trend of increasing popularity of the Internet shopping and integration of these two channels, which the Group has successfully achieved. At the same time, it has been undertaking actions aimed at further development of both sales channels. The Group has been consistently developing the online channel on new markets. It improves mobile sales platforms, develops sales applications as well as settlement methods and delivery logistics. Furthermore, to encourage customers to visit on-site stores, the Group constantly adjusts them to customers' changing needs and expectations as well as current trends. It develops and implements new store concepts, levels technological differences between on-site and online stores being considered complementary i.e. supportive and not competitive. Consequently, the risk in question is minimised.</p>
<p>EMPLOYMENT RISK</p>	<p>Risk: This risk involves the threat of losing officers with unique qualifications, excessive staff rotation or difficulties in recruiting new staff.</p> <p>Actions minimising this risk: The Company has implemented share-based incentive schemes for key management officers. It offers clearly defined career pathways and numerous training opportunities. To minimise the risk of having difficulty finding some employees, the Group has been investing in automation and artificial intelligence. Simultaneously, to attract new talented people, the Group actively works, on a constant basis, on employer branding by taking different actions in this respect.</p>
<p>MACROECONOMIC RISK</p>	<p>Risk: The macroeconomic situation and unexpected events in countries where the Group sells its products and where suppliers' factories are located are crucial for the Group. The Group's revenues and margins depend on the economic situation of households and their consumption inclinations. An economic growth or decline in countries where brand stores are located may translate into an increase or decrease in consumer spending, including clothing expenses. Similarly, an economic growth or decline in countries where the manufacturing of goods is located may translate into an increase of, or decrease in, manufacturing costs.</p> <p>Actions minimising that risk: Being present on numerous markets, the Group diversifies that risk into many countries with a diverse macroeconomic situation. It sells products of five different brands thus splitting the risk into several age groups. Sales channels are also diversified (on-site and online stores). As regards stock purchases, its production is outsourced to numerous manufacturers in several countries.</p>

EPIDEMIC AND PANDEMIC RISK	<p>Risk: The outbreak of an epidemic on markets where the Group has its collections manufactured and where it sells its products may substantially affect the situation in those countries and, in consequence, affect the Group's results. The epidemic spreading in countries where suppliers' manufacturing plants are located may cause disturbances in the continuity of the supply chain i.e. delays in, or lack of, raw materials or textile supplies or, eventually, even collections, which, in consequence, may adversely affect the product offer and its availability.</p> <p>At the same time, the outbreak of an epidemic in countries where the Group sells its collections may have a negative impact on customer demand. Restricted mobility may cause a decrease in shopping or even putting a halt on purchases in the event of closure of on-site stores.</p> <p>Furthermore, an epidemic may bring about an economic crisis in countries of its occurrence. The Group's revenues and margins depend on the economic situation of households and their consumption inclinations, therefore, the economic crisis may translate into a decrease in consumer spending, including clothing purchases.</p> <p>Actions minimising that risk: Being present on numerous markets, the Group diversifies that risk into many countries. The Company offers products falling within the middle price range thus being more easily available to customers at times of economic crisis. The Group is developing e-commerce being the alternative shopping channel for customers should on-site stores be closed. If need be, as in the case of the outbreak of the COVID-19 pandemic, the Company will quickly react by making decisions aimed at maintaining the Group's liquidity position by e.g. reducing operating costs or capital expenditures.</p>
FOREIGN EXCHANGE RISK	<p>Risk: Considering the fact that over 50% of the Group's revenue are denominated in foreign currencies (mainly EUR and local currencies), stock purchase costs – mainly in USD and operating costs – in over 50% in foreign currencies (mainly EUR), it is exposed to the risk of adverse foreign exchange fluctuations. The Group faces the highest FX to USD and EUR. The USD exposure is related to the location of goods production and purchases (mainly Asian countries), while the EUR exposure is related to rent payments for stores. Due to the fact that Russia ranks second in terms of the Group's revenue, it faces also substantial RUB exposure. LPP reports financial results in PLN. Consequently, the strong position of PLN against USD and EUR has a positive impact on our Group's margins, while its weak position against key currencies reduces our profitability.</p> <p>Actions minimising that risk: To level foreign exchange differences in financial operations, the Company hedges USD/PLN exchange rate by entering into forward contracts for USD payments to suppliers.</p>
RISK OF LAW AMENDMENTS	<p>Risk: Amendments of tax and customs laws or regulations implemented in countries where the Group places manufacturing orders or in which it is present may, in consequence, result in incurring additional costs or reducing revenue.</p> <p>Actions minimising that risk: The Company's registered office and the majority of its brand stores are located in the European Union which pursues a stable customs policy. If there is a risk of law amendments arising from both domestic and EU laws, the Management Board of LPP will focus its activities, on a day-to-day basis, on minimising their impact on the Group's operations.</p>

<p>RISK OF INTENSIFIED COMPETITION</p>	<p>Risk: The clothing market is characterised by low entry barriers, which increases the number of market players and intensifies competition. Furthermore, increased competitiveness in the clothing industry results from the dynamic development of online sales as products become more accessible to customers, often on a global scale.</p> <p>Actions minimising that risk: The Group focuses its activities on offering products best reflecting current trends and meeting customer expectations at affordable prices. Owing to investments in state-of-the-art technologies, it increasingly gains customer satisfaction being one of the factors of competitiveness. Simultaneously, not forgetting about its competitors, the Group analyses their operations, monitors their financial results and the development of their sales networks as well as their product offers and price levels.</p>
<p>RISK OF TECHNOLOGICAL ADVANCEMENT AND INNOVATIONS</p>	<p>Risk: New technologies enormously affect the clothing sector as, among others, they enable shaping online customer experience, using individualised communication or effective management of logistics and the supply chain. The implementation of new technologies impacts the company's competitiveness and, ultimately, its financial performance.</p> <p>Actions minimising that risk: Although it operates on the fashion market, the Company is also a technological company. It invests in Fashion Tech, including its key investment i.e. the implementation of electronic tags (RFID). It has a team of 400 IT specialists, equalling with the largest IT companies in Poland. It implements in-house technological solutions adjusted to the Group's needs. It builds technically highly advanced on-site stores and invests in modern distribution centres using state-of-the-art technology and artificial intelligence.</p>
<p>CLIMATE RISK</p>	<p>Risk: Climate changes triggering violent weather phenomena (fires, droughts, floods, global warming) have become a key challenge for each company regardless of the business sector and markets on which it operates.</p> <p>Actions minimising that risk: In 2019, LPP adopted a sustainable development strategy limiting its environmental impact. The Company has set ambitious measurable targets to be achieved by 2025, including the implementation of a cooperation scheme for manufacturing plants in the area of water management, energy sourcing or reduction of carbon footprint. The Company undertook to eliminate circulating plastics which may not be reused, recycled or composted. It also aims at chemical safety of production.</p>



FACTORS WHICH MAY AFFECT RESULTS GAINED BY THE LPP GROUP WITHIN AT LEAST H2 2021/22

In the next several quarters, the Group's financial results may be affected by the following:

- Situation resulting from the COVID-19 pandemic and the prospective next pandemic wave.
- Economic and political situation in Poland and countries where the Group's stores are operated.
- Fashion trends, attractiveness of collections offered by the Company and consumer behaviour model.
- PLN/USD, PLN/EUR and PLN/RUB exchange rates.
- Increased transportation costs and prospective delays in supplies from Asia, resulting from the situation on the maritime and railway transport services market.
- Elevated purchase prices of goods due to increases made by manufacturers.
- Inflation of costs of materials and services.
- Increased payroll costs.
- Planned tax changes following implementation of the New Polish Order Scheme.
- Control of the Group's operating expenses (SG&A).
- Dynamic e-commerce development.
- Development of the Group's on-site store chain.
- Development of the logistics network.
- Development of the organisation's omnichannel model.
- The Group's CAPEX (PLN 1.2 bln in 2021/22).

In the financial year 2021/22, the Groups expects to yield a two-digit growth in revenue y/y, improve its operating margin y/y, maintain a safe liquidity position and a dynamic online growth and continue a two-digit space growth.

SUPPLEMENTARY INFORMATION

The Company is not a party to any significant court or administrative proceedings.

In the reporting period, there were no transactions with associates other than those specified in point 17 of the consolidated financial statements and point 19 of the separate financial statements for H1 2021/22.

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

The Management Board takes no standing on performance forecasts to be met for a given year based on results given in this report as the Company has no practice of publishing any such forecasts.

This report contains basic information essential for evaluating the standing of the LPP Group. In the opinion of the Management Board, currently, the execution of the obligations of the LPP Group remains unthreatened.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki

President of the Management Board

Przemysław Lutkiewicz

Vice-President of the Management Board

Jacek Kujawa

Vice-President of the Management Board

Sławomir Łoboda

Vice-President of the Management Board

Marcin Piechocki

Vice-President of the Management Board



02

**SELECTED CONSOLIDATED INTERIM
FINANCIAL DATA**

SELECTED CONSOLIDATED INTERIM FINANCIAL DATA

for 6 months ended 31 July 2021

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	Cumulatively			
	2021/22	2020/21	2021/22	2020/21
	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07
Revenue	5,993,480	3,307,944	1,319,162	741,858
Operating profit (loss)	682,202	-228,221	150,152	-51,182
Pre-tax profit (loss)	618,150	-353,025	136,054	-79,171
Net profit (loss)	480,643	-392,629	105,789	-88,053
Weighted average number of shares	1,838,066	1,834,417	1,838,066	1,834,417
Profit (loss) per share	261.49	-214.03	57.55	-48.00
Net cash flows from operating activities	1,782,777	472,784	392,388	106,029
Net cash flows from investing activities	-465,423	-221,808	-102,439	-49,744
Net cash flows from financing activities	-992,344	193,603	-218,414	43,418
Total net cash flows	325,010	444,579	71,535	99,704

Selected consolidated financial data	in PLN thousand		in EUR thousand	
	2021/22	2020/21	2021/22	2020/21
	31.07.2021	31.01.2021	31.07.2021	31.01.2021
Total assets	11,470,531	10,353,768	2,508,262	2,281,319
Long-term liabilities	3,232,601	3,114,193	706,873	686,172
Short-term liabilities	5,452,707	4,171,199	1,192,344	919,070
Equity	2,785,238	3,068,391	609,048	676,080
Share capital	3,705	3,705	810	816
Weighted average number of shares	1,838,066	1,838,066	1,838,066	1,838,066
Book value per share	1,515.31	1,669.36	331.35	367.82
Declared or paid dividend per share	450.00	0.00	98.40	0.00



03

CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS

INTRODUCTION

We hereby approve the consolidated condensed interim financial statements of the LPP SA Group for the period of 6 months ended 31 July 2021, comprising the consolidated condensed interim statement of comprehensive income, with comprehensive income totalling PLN 540,494 thousand, the consolidated condensed interim statement of financial position, with assets and liabilities totalling PLN 11,470,531 thousand, the consolidated condensed interim statement of cash flows, showing an increase in net cash by PLN 325,010 thousand, the consolidated condensed interim statement of changes in equity, showing a decrease in equity by PLN 283,153 thousand, as well as notes describing significant accounting principles and other explanatory data.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Vice-President of the Management Board

Jacek Kujawa
Vice-President of the Management Board

Sławomir Łoboda
Vice-President of the Management Board

Marcin Piechocki
Vice-President of the Management Board

GDAŃSK, 5 October 2021

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for 6 months ended 31 July 2021

Comprehensive income statement (in PLN thousand)	Notes	H1		Q2	
		2021	2020	2021	2020
		01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Continuing operations					
Revenue	6	5,993,480	3,307,944	3,643,141	2,129,297
Cost of goods sold		2,668,285	1,726,791	1,623,248	1,115,961
Gross profit (loss) on sales		3,325,195	1,581,153	2,019,893	1,013,336
Costs of stores and distribution		2,286,096	1,537,265	1,226,160	830,267
General costs		286,933	245,377	146,149	136,591
Other operating income	7	45,602	66,019	27,166	56,943
Other operating expenses	7	115,566	92,751	79,740	71,120
Operating profit (loss)		682,202	-228,221	595,010	32,301
Financial income	8	18,719	69,373	7,756	65,977
Financial expenses	8	82,771	194,177	33,722	32,266
Pre-tax profit (loss)		618,150	-353,025	569,044	66,012
Income tax	9	137,507	39,604	109,949	96,651
Net profit (loss) on continuing operations		480,643	-392,629	459,095	-30,639
Net profit attributable to:					
Shareholders of the parent company		480,643	-392,629	459,095	-30,639
Non-controlling interests		0	0	0	0
Other comprehensive income					
Items transferred to profit or loss					
Currency translation on foreign operations		59,851	-98,099	46,659	-88,425
Total comprehensive income		540,494	-490,728	505,754	-119,064
Attributable to:					
Shareholders of the parent company		540,494	-490,728	505,754	-119,064
Non-controlling interests		0	0	0	0
Weighted average number of shares		1,838,066	1,834,417	1,838,066	1,834,417
Diluted number of shares		1,839,884	1,834,417	1,839,884	1,834,417
Profit (loss) per share		261.49	-214.03	249.77	-16.70
Diluted profit (loss) per share		261.24	-214.03	249.52	-16.70

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 July 2021

Statement of financial position (in PLN thousand)	Notes	31.07.2021	31.01.2021	31.07.2020
ASSETS				
Non-current assets		6,147,480	5,620,568	5,663,959
1. Property, plant and equipment	10	2,754,075	2,439,778	2,294,660
2. Intangible assets		140,727	136,453	130,003
3. Right-of-use assets		2,732,314	2,589,063	2,808,242
4. Goodwill		183,203	183,203	209,598
5. Trademark		77,508	77,508	77,508
6. Deferred tax assets		239,990	178,864	130,086
7. Prepayments		3,091	2,187	1,746
8. Other financial assets	13	16,572	13,512	12,116
Current assets		5,323,051	4,733,200	3,744,055
1. Inventories	11	2,310,985	2,074,447	1,641,734
2. Trade receivables		162,339	158,055	155,162
3. Income tax receivables		104,308	102,726	63,956
4. Other non-financial assets		89,901	63,722	55,214
5. Prepayments		37,629	32,249	19,293
6. Other financial assets	13	70,610	71,131	45,187
7. Deposits and investment funds	12	952,386	953,016	0
8. Cash and cash equivalents		1,594,893	1,277,854	1,763,509
TOTAL assets		11,470,531	10,353,768	9,408,014

Statement of financial position (in PLN thousand)	Notes	31.07.2021	31.01.2021	31.07.2020
EQUITY AND LIABILITIES				
Equity		2,785,238	3,068,391	2,757,857
1. Share capital	14	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		2,333,647	3,155,123	2,735,253
5. Currency translation on foreign operations		-205,387	-265,238	-260,902
6. Retained earnings		288,958	-189,514	36,039
Non-controlling interest capital		-15	-15	-15
Non-current liabilities		3,232,601	3,114,193	3,095,797
1. Bank loans and borrowings	15	166,336	190,596	215,082
2. Lease liabilities		2,663,200	2,523,669	2,476,313
3. Other financial liabilities (bonds)		294,409	294,104	291,699
4. Employee liabilities		1,819	1,818	1,462
5. Deferred tax liabilities		134	22	647
6. Accruals		106,703	103,984	108,097
7. Other long-term liabilities		0	0	2,497
Current liabilities		5,452,707	4,171,199	3,554,375
1. Trade and other liabilities	15	3,450,723	2,775,815	2,195,053
2. Dividend liabilities		416,795	0	0
3. Contract liabilities		12,461	18,566	15,606
4. Refund liabilities		48,225	42,711	36,174
5. Bank loans and borrowings	15	554,591	521,097	520,708
6. Lease liabilities		716,464	654,010	700,528
7. Employee liabilities		67,218	33,676	35,217
8. Income tax liabilities		119,370	67,664	7,973
9. Provisions		14,287	1,384	2,377
10. Accruals		52,573	56,276	40,739
TOTAL equity and liabilities		11,470,531	10,353,768	9,408,014

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

for 6 months ended 31 July 2021

Cash flow statement (in PLN thousand)	Notes	H1		Q2	
		2021	2020	2021	2020
		01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
A. Cash flows from operating activities - indirect method					
I. Pre-tax profit (loss)		618,150	-353,025	569,044	66,012
II. Total adjustments		1,164,627	825,809	809,479	689,749
1. Amortisation and depreciation		525,908	553,931	268,746	275,825
2. Foreign exchange (gains) losses		-8,560	48,659	-7,124	89,068
3. Interest and dividends		65,143	77,596	25,876	36,156
4. (Profit) loss on investing activities		75,260	39,685	79,949	44,886
5. Income tax paid		-140,383	-213,409	-86,989	-147,238
6. Change in provisions and employee benefits		45,580	-50,485	-6,601	-21,138
7. Change in inventory		-203,582	218,654	-47,323	303,328
8. Change in receivables and other assets		-280,256	-11,760	-157,319	24,373
9. Change in current liabilities, excluding bank loans and borrowings		747,991	192,557	400,575	97,522
10. Change in prepayments and accruals		-19,508	-17,508	-16,268	9,395
11. Other adjustments		357,034	-12,111	355,957	-22,428
III. Net cash flows from operating activities		1,782,777	472,784	1,378,523	755,761
B. Cash flows from investing activities					
I. Inflows		132,824	241,553	37,662	43,929
1. Disposal of intangible and PPE assets		51,355	34,762	22,971	15,986
2. Repayment of loans granted		94	27	47	27
3. Interest and other inflows from financial assets	13	204	1,308	3	45
4. Other investing inflows (investment funds)	13	81,171	205,456	14,641	27,871
II. Outflows		598,247	463,361	296,908	161,621
1. Purchase of intangible and PPE assets		536,873	353,345	285,413	161,621
2. Loans granted		300	16	0	0
3. Other investing outflows (investment funds)	13	61,074	110,000	11,495	0

III. Net cash flows from investing activities	-465,423	-221,808	-259,246	-117,692
C. Cash flows from financing activities				
I. Inflows	220,645	668,378	18,236	72,848
1. Proceeds from issuance of shares	0	0	0	0
2. Loans and borrowings	220,645	668,378	18,236	72,848
3. Other financial inflows	0	0	0	0
II. Outflows	1,212,989	474,775	786,448	501,992
1. Dividends and other payments to owners	416,795	0	416,795	0
2. Repayment of loans and borrowings	468,465	188,721	216,248	383,297
3. Lease liabilities paid	253,518	208,283	116,978	78,838
4. Interest	74,211	77,648	36,427	39,857
5. Other financial outflows	0	123	0	0
III. Net cash flows from financing activities	-992,344	193,603	-768,212	-429,144
D. Total net cash flows	325,010	444,579	351,065	208,925
E. Balance sheet change in cash, including:	317,039	402,034	351,641	124,303
- change in cash due to foreign currency translation	-7,971	-42,545	576	-84,622
F. Opening balance of cash	1,276,243	1,348,311	1,250,188	1,583,965
G. Closing balance of cash	1,601,253	1,792,890	1,601,253	1,792,890

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for 6 months ended 31 July 2021

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium
Balance as at 1 February 2021	3,705	0	364,315
Distribution of profit for 12 months ended 31.01.2021	0	0	0
Dividend paid	0	0	0
Remuneration paid in shares	0	0	0
Transactions with owners	0	0	0
Net profit for H1 2021 ended 31 July 2021	0	0	0
Currency translation on foreign operations	0	0	0
Total comprehensive income	0	0	0
Balance as at 31 July 2021	3,705	0	364,315
Balance as at 1 February 2020	3,705	-41,115	284,877
Distribution of profit for 2019	0	0	0
Remuneration paid in shares	0	0	0
Transactions with owners	0	0	0
Net loss for H1 2021 ended 31 July 2020	0	0	0
Currency translation on foreign operations	0	0	0
Total comprehensive income	0	0	0
Balance as at 31 July 2020	3,705	-41,115	284,877

Other reserves	Currency translation on foreign operations	Retained earnings	Equity attributable to the parent company	Non-controlling interests	TOTAL equity
3,155,123	-265,238	-189,514	3,068,391	-15	3,068,376
2,171	0	-2,171	0	0	0
-833,590	0	0	-833,590	0	-833,590
9,943	0	0	9,943	0	9,943
-821,476	0	-2,171	-823,647	0	-823,647
0	0	480,643	480,643	0	480,643
0	59,851	0	59,851	0	59,851
0	59,851	480,643	540,494	0	540,494
2,333,647	-205,387	288,958	2,785,238	-15	2,785,223
2,733,227	-162,803	429,600	3,247,491	-15	3,247,476
932	0	-932	0	0	0
1,094	0	0	1,094	0	1,094
2,026	0	-932	1,094	0	1,094
0	0	-392,629	-392,629	0	-392,629
0	-98,099	0	-98,099	0	-98,099
0	-98,099	-392,629	-490,728	0	-490,728
2,735,253	-260,902	36,039	2,757,857	-15	2,757,842



**ADDITIONAL INFORMATION ON,
AND NOTES TO, THE CONSOLIDATED
CONDENSED INTERIM FINANCIAL
STATEMENTS**

FOR THE PERIOD FROM 01.02.2021 TO 31.07.2021

1. OVERVIEW

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

The Group’s consolidated condensed interim financial statements cover the period of 6 months ended 31 July 2021 and comprise comparative data for the period of 6 months ended 31 July 2020 and as at 31 January 2021. The comprehensive income statement and notes thereto comprise also data for Q2 i.e. for 3 months ended 31 July 2021 and comparative data for the period of 3 months ended 31 July 2020 – this data has neither been reviewed nor audited by a statutory auditor.

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.

These consolidated condensed interim financial statements of the Group for the period of 6 months ended 31 July 2021 were approved by the Management Board of LPP SA for publishing on 5 October 2021.

2. CHANGES IN THE COMPOSITION OF THE GROUP

During 6 months ended 31 July 2021, the Group’s composition changed as compared to 31 January 2021 as follows:

- merger of LPP SA with Gothals Ltd in Cyprus;
- establishment of two Polish companies: Silky Coders Sp. z o.o. and Dock IT Sp. z o.o. with their registered offices in Gdańsk;
- establishment of Reserved Fashion BIS, Modne Znamke Doo in Slovenia.

On 1 July 2021, there was a cross-border merger of LPP SA with its registered office in Gdańsk and Gothals Ltd. with its registered office in Nicosia. The said cross-border merger was effected by transferring to LPP SA, as the company’s sole shareholder, all assets of Gothals Ltd. and its dissolu-

tion without a liquidation procedure.

Newly established companies i.e. Silky Coders Sp. z o.o. and Dock IT Sp. z o.o. have been formed to duly manage IT projects for the entire LPP SA Group.

Reserved Fashion BIS, Modne Znamke DOO has been formed to distribute goods in the territory of Slovenia.

3. BASIS FOR PREPARATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND KEY ACCOUNTING PRINCIPLES

3.1. BASIS FOR PREPARATION

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, unless provided otherwise, all amounts are expressed in PLN thousand.

Data presented in these financial statements for the period of 6 months ended 31 July 2021 have been reviewed semi-annually by a statutory auditor. The consolidated comprehensive income statement and notes thereto comprise also data for Q2 i.e. for the period of 3 months ended 31 July 2021 and comparative data for 3 months ended 31 July 2020 – this data has neither been reviewed nor audited by a statutory auditor.

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

- exchange rate as at the last day of the reporting period: 31.07.2021 – PLN/EUR 4,5731, 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.-31.07.2021 – PLN/EUR 4,5434, 01.02.-31.07.2020 – PLN/EUR 4,4590.

These consolidated condensed interim financial statements were prepared based on the assumption that the Group would remain a going concern in the foreseeable future despite occurrence of the following circumstances affecting the Company's remaining a going concern in the nearest future.

In H1 2021, due to the COVID-19 pandemic, in many countries including Poland, retail and service facilities were closed following decisions of administrative authorities. However, In each country where the Group has its companies, the situation looked differently: in February, the lockdown was implemented in 14% of stores in 6 countries, in March – in 62% of stores in 13 countries, in April – in 59% of stores in 12 countries and in May - 13% of stores in 3 countries. In June and July, all stores were open.

Owing to actions taken in 2020 i.e. the increase of online sales, cost reduction, optimisation of logistics solutions and focusing on ensuring financial liquidity, the Group generates positive cash flows and should remain a going concern in foreseeable future.

Consequently, the enclosed consolidated condensed interim financial statements have been prepared based on the assumption that the Group remains a going concern and do not incorporate any adjustments concerning various methods of valuation and classification of assets and liabilities, which would be deemed required if the Group was unable to continue its operations in foreseeable future.

3.2. CHANGES IN ESTIMATES AND ASSUMPTIONS

In the current reporting period, there were no changes in estimates or assumptions compared to those adopted and disclosed in the separate financial statements for the financial year ended 31 January 2021, approved on 27 April 2021.

3.3. ACCOUNTING PRINCIPLES

These consolidated condensed interim financial statements were prepared in accordance with the accounting principles presented in the last consolidated financial statements of LPP SA for the year ended 31 January 2021, except for new or amended standards and interpretations applicable to annual periods beginning on or after 1 February 2021.

The Company made no decision on early application of any other standard, interpretation or amendment published under the EU provisions yet not in force.

IFRS 14 Regulatory Deferral Accounts

Published on 30 January 2014 – applicable to annual periods beginning on or after 1 January 2016 – not approved by the EU by the date of approval of these financial statements.

Amendments to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate/joint venture

Published on 11 September 2014 – the date of entry into force postponed by the IASB indefinitely – works aimed at approving these amendments by the EU have been deferred indefinitely.

IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts

Published on 18 May 2017, including Amendments to IFRS 17 published on 25 June 2020 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current and Non-Current – Deferral of Effective Date

Published on 23 January 2020 and 15 July 2020, respectively – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 16 *Property, plant and equipment – Proceeds before Intended Use*

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Annual Improvements to IFRS 2018-2020

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*

Published on 12 February 2021 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amendments to IAS 8: *Definition of Accounting Estimates*

Published on 12 February 2021 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Published on 6 May 2021 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amended standards and interpretations effective for the first time in 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest rate Benchmark Reform – Phase 2*

The proposed amendments provide temporary exemptions addressing the effects of replacing an interbank offer rate (“IBOR”) with an alternative risk-free rate (“RFR”) and the impact on financial reporting. The amendments include the following practical expedients:

- the practical expedient requiring that contractual amendments or cash flow changes, resulting directly from the interest rate benchmark

reform, be considered as changes in variable interest rate, which is equivalent with a change in a market interest rate,

- a permission to adjust hedge accounting documentation in terms of determining and documenting hedging relationships without their discontinuation if such changes result directly from the IBOR reform,
- extending a temporary relief from satisfying the criterion of separate identification if the RFR instrument is designated to hedge a risk component.

These amendments do not substantially affect the interim financial statements of LPP SA.

Amendments to IFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*

These amendments update the requirement to apply the practical expedient regarding Covid-19-related rent concessions to rent payments originally due on or before 30 June 2021 to on or before 30 June 2022.

The Company started to apply this approach last year.

3.4. ERROR CORRECTIONS AND CHANGE IN ACCOUNTING PRINCIPLES

3.4. Error corrections and change in accounting principles

4. SEASONALITY OF OPERATIONS

Seasonality in sales is a characteristic feature of the entire clothing market both in Poland and abroad. Typically, the gross margin achieved in periods of selling new collections at regular prices is higher than the one recorded during clearance sales. This results in disproportions in the value of margins generated in individual calendar quarters (with the highest margins in Q2 and Q4 and the lowest in Q1 and Q3). To avoid significant differences in margins between calendar quarters, the Company changed the financial year by adjusting it to the collection calendar and, therefore, alleviated the impact of clearance sales and seasonality on margins of individual calendar quarters.

5. OPERATING SEGMENTS

The LPP SA Group conducts one type of activity (one business segment considered as basic). A division into two geographical segments was applied: activity within and outside the European Union. The division into geographical segments was based on the criterion of location of the Group's assets.

Revenues and financial results regarding geographical segments for the period from 1 February 2021 to 31 July 2021 and for a comparable period are given in tables below.

01.02 - 31.07.2021 (in PLN thousand)	European Union co- untries	Other co- untries	Consolida- tion adjust- ments	Values not attributed to seg- ments	Total
External sales	4,325,102	1,668,378	0	0	5,993,480
Intersegment sales	1,001,952	0	-1,001,952	0	0
Other operating income	23,936	21,666	0	0	45,602
Total revenue	5,350,990	1,690,044	-1,001,952	0	6,039,082
Total operating expenses, including	4,434,475	1,360,565	-840,659	286,933	5,241,314
Cost of sale of goods between segments	849,644	0	-849,644	0	0
Other operating expenses	65,823	49,743	0	0	115,566
Operating profit (loss)	850,692	279,736	-161,293	-286,933	682,202
Financial income	0	0	0	0	18,719
Financial expenses	0	0	0	0	82,771
Pre-tax profit (loss)	0	0	0	0	618,150
Income tax	0	0	0	0	137,507
Net profit on continuing operations	0	0	0	0	480,643

01.02 - 31.07.2020 (in PLN thousand)	European Union countries	Other countries	Consolidation adjustments	Values not attributed to segments	Total
External sales	2,572,254	735,690	0	0	3,307,944
Intersegment sales	481,881	0	-481,881	0	0
Other operating income	61,173	4,846	0	0	66,019
Total revenue	3,115,308	740,536	-481,881	0	3,373,963
Total operating expenses, including	2,972,850	776,774	-485,568	245,377	3,509,433
Cost of sale of goods between segments	344,325	0	-344,325	0	0
Other operating expenses	69,294	23,457	0	0	92,751
Operating profit (loss)	73,164	-59,695	3,687	-245,377	-228,221
Financial income	0	0	0	0	69,373
Financial expenses	0	0	0	0	194,177
Pre-tax profit (loss)	0	0	0	0	-353,025
Income tax	0	0	0	0	39,604
Net profit on continuing operations	0	0	0	0	-392,629

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

(in PLN thousand)	2021	2020	2021	2020
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Type of sale				
Sale of goods, including:	5,993,300	3,306,985	3,643,043	2,128,702
<i>E-commerce</i>	1,781,477	1,005,243	793,197	621,206
Sale of services	180	959	98	595
Total	5,993,480	3,307,944	3,643,141	2,129,297
Brand				
Reserved	2,395,974	1,493,077	1,439,565	938,889
Cropp	700,106	391,162	448,408	256,620
House	577,962	355,579	381,846	236,537
Mohito	490,560	307,551	312,292	181,923
Sinsay	1,773,476	708,726	1,033,924	477,563
Other	55,402	51,849	27,106	37,765
Total	5,993,480	3,307,944	3,643,141	2,129,297

Trade and other receivables

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

Revaluation write-offs

During 6 months ended 31 July 2021, the Group recognised changes in revaluation write-offs on receivables in respect of all receivables or assets under consumer contracts.

Changes made both in the current period and the comparative one are given in the table below.

Revaluation write-offs on receivables (in PLN thousand)	2021	2020
	01.02 - 31.07	01.02 - 31.07
Opening balance	38,334	38,309
Write-offs made in the period	5,385	13,770
Write-offs reversed in the period	13,522	10,620
Currency translation differences	223	177
Closing balance	30,420	41,636

7. OTHER OPERATING INCOME AND EXPENSES

In other operating income and expenses, the Group shows, among others: PLN 33,977 thousand – subsidies obtained in the reporting period as additional financing of payroll and social security contributions (in 6 months ended 31 July 2020: PLN 54,791 thousand) and PLN 5,279 thousand – earnings on the annulment of contracts under IFSR 16 (in 6 months ended 31 July 2020: PLN 6,468 thousand).

In other operating expenses, the largest values are losses in non-current and current assets, totalling PLN 50,279 thousand, and a surplus balance between the write-offs established and their reversed value for unprofitable stores, in the amount of PLN 54,031 thousand.

8. FINANCIAL INCOME AND EXPENSES

Financial income (in PLN thousand)	H1		Q2	
	2021	2020	2021	2020
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Interest	2,089	4,015	1,711	637
Measurement of participation units in funds	156	-115	112	-439
Dividends	6	0	6	0
Other financial income, including:	16,468	65,473	5,927	65,779
- currency translation balance	0	0	0	0
- adjustment of lease liability	16,468	65,453	5,927	65,453
Total financial income	18,719	69,373	7,756	65,977

During 6 months ended 31 July 2021, the Group renegotiated retail space lease agreements. Rent discounts obtained for the period from February to July 2021 were recognised by the Group as an adjustment of the lease liability, adjusting correspondingly financial income, as shown in the table above, in item “adjustment of lease liability”.

	H1		Q2	
	2021	2020	2021	2020
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Financial expenses (in PLN thousand)				
Interest expenses – bank loans	9,478	10,161	4,194	4,358
Interest expenses – bonds	2,019	4,347	2,019	2,124
Interest expenses – budgetary and other	-112	57	-304	49
Interest expenses – lease liabilities	65,710	67,148	33,311	34,875
Bank commissions	1,563	3,399	830	2,115
Other financial expenses, including:	4,113	109,065	-6,328	-11,255
– currency translation balance	3,945	109,065	-6,496	-11,255
Total financial expenses	82,771	194,177	33,722	32,266

9. INCOME TAX

The main components of the Group’s income tax liability for the period from 1 February 2021 to 31 July 2021 and for a comparative period are given in the table below.

	H1		Q2	
	2021	2020	2021	2020
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Income tax (in PLN thousand)				
Current income tax	162,661	18,612	130,916	18,338
Taxation of foreign controlled companies	28,268	21,591	28,268	21,591
Deferred income tax	-53,422	-599	-49,235	56,722
Total	137,507	39,604	109,949	96,651

10. PROPERTY, PLANT AND EQUIPMENT

PURCHASE AND SALE

During 6 months ended 31 July 2021, the Group purchased PPE totalling PLN 547,264 thousand (during 6 months ended 31 July 2020: PLN 354,665 thousand). Those were mainly investments related to the development of new stores and the construction of the logistics centre in Pruszcz Gdański and offices in Gdańsk.

During 6 months ended 31 July 2021, the Group sold PPE of a net value of PLN 1,080 thousand (during 6 months ended 31 July 2020: PLN 440 thousand), reaching a net loss on sales of PLN 639 thousand (2020: profit totalling PLN 73 thousand).

IMPAIRMENT WRITE-OFFS

In the period ended 31 July 2021, the Group recognised an additional impairment write-off on fixed assets, totalling PLN 55,802 thousand (in the period of 6 months ended 31 July 2020: PLN 40,720 thousand). At the same time, in 2021, the impairment write-off was reversed through its partial use of PLN 2,268 thousand and reversed in the amount of PLN 1,746 thousand due to the absence of relevant prerequisites (in the period of 6 months ended 31 July 2020, the said write-off was also reversed through its use in the amount of PLN 951 thousand and reversed in the amount of PLN 1,725 thousand due the absence of relevant prerequisites). In the statement of comprehensive income, the surplus of write-offs established over their reversed value is shown in other operating expenses, in the amount of PLN 54,031 thousand.

CONTRACTUAL OBLIGATIONS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

As at the balance sheet date, the Group had contractual obligations to purchase PPE totalling PLN 261,101 thousand.

The said amount comprised the following:

- obligations related to the development of LPP stores – PLN 73,268 thousand,
- obligations under contracts on the expansion of logistics centers – PLN 166,066 thousand,
- obligations under contracts on the construction of office buildings – PLN 21,767 thousand.

In comparative periods, this value was as follows:

- 31.07.2020 – PLN 97,314 thousand,
- 31.01.2021 – PLN 187,634 thousand.

11. INVENTORY

During 6 months ended 31 July 2021, the Group made revaluation write-offs on inventories, in the amount of PLN 149,691 thousand (during 6 months ended 31 July 2020: a reversal was made in the amount of PLN 1,380 thousand). The said amount was recognised in item “Cost of goods sold”. The value of 2021 write-offs resulted primarily from pandemic-related delays due to which the significant part of inventories will be sold below the purchase price.

The key item in inventories is trade commodities. A detailed inventory structure is given in the table below:

Inventories – balance-sheet value (in PLN thousand)	31.07.2021	31.01.2021
Materials	32,061	22,958
Goods	2,253,654	2,031,337
Product return assets	25,270	20,152
Total	2,310,985	2,074,447

12. DEPOSITS

Deposits and investment funds (in PLN thousand)	31.07.2021	31.01.2021
Participation units in funds	429,795	440,919
Security deposits	100,000	100,000
Collateral	422,591	412,097
Deposits and investment funds	952,386	953,016

In the reporting period, the Group amortised all participation units in money market funds. In the cash flow statement, in investing activities, the Company reports the acquisition in the amount of PLN 61,074 thousand and the amortisation of funds in the amount of PLN 81,171 thousand. The value of profit earned from amortised units amounted to PLN 199 thousand and was reported in investing activities, in interest and other inflows from financial assets. The measurement of the above-mentioned instruments is at level 2 of the fair value hierarchy in respect of participation units in unquoted funds.

With reference to factoring contracts described in detail in note 15, LPP SA paid a security deposit of PLN 100 mln to secure the factor's claims and deposited a collateral of PLN 423 mln.

13. OTHER FINANCIAL ASSETS

In PLN thousand	31.07.2021	31.01.2021
Non-current assets		
Other receivables	16,316	13,446
Loans granted	256	66
Other non-current financial assets	16,572	13,512
Current assets		
Other receivables	0	1,137
Receivables payable by payment card operators	62,022	32,909
Loans granted	159	85
Forward contract valuation	8,429	0
Foreign currency sold	0	37,000
Other current financial assets	70,610	71,131
Other financial assets in total	87,182	84,643

The measurement of the above-mentioned instruments is at level 2 of the fair value hierarchy.

14. SHARE CAPITAL

The Group's share capital is the share capital of the Parent Company.

As at 31 July 2021, the share capital amounted to PLN 3,705 thousand, with no change compared to 31 January 2021. It was divided into 1,852,423 shares of the nominal value of PLN 2 per share.

The shareholding structure of the Parent Company as at 31 July 2021 is given in the table below.

Shareholder	Number of shares held	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.3%	1,978,889	60.8%	1,157,778
Sky Foundation**	227,898	12.3%	227,898	7.0%	455,796
Other shareholders	1,045,636	56.4%	1,045,636	32.2%	2,091,272
Total	1,852,423	100.0%	3,252,423	100.0%	3,704,846

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

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

15. BANK LOANS

In the balance sheet period, neither LPP SA nor its subsidiaries launched any new investment credit facilities or revolving loans.

As at the balance sheet date i.e. 31 July 2021, the Group's liabilities totalled PLN 3,450,723 thousand, including commercial ones, having increased by 24% compared to the balance as at 31 January 2021. The said increase results from increased purchases of goods due to higher sales after the pandemic both in online and on-site stores and the required replenishment for new stores. As at 31 July 2021, the Group had commercial liabilities (denominated both in PLN and foreign currencies, mainly USD) totalling PLN 2,004,075 thousand, owed to HSBC Polska SA, Santander Polska SA and BNP Paribas under the supplier financing scheme i.e. reversed factoring. As part of reversed factoring, after presenting a purchase invoice, the bank factor pays liabilities owed to the supplier in line with a previously agreed time schedule. The Group's total reversed factoring limits in the above-mentioned banks amount to PLN 1 bln and USD 405 mln (established indefinitely) and USD 27 mln (established by 30.06.2022). Due to the increase in factoring limits in 2020, LPP SA paid a security deposit of PLN 100 mln to secure the claims

of one factor and deposited a collateral of PLN 423 mln on another factor's bank account. Any prospective release from, or a reduction of, the collateral or the security deposit will be equivalent to a decrease in the limit set forth in the reversed factoring agreement and the requirement to pay liabilities in the same amount.

16. DIVIDENDS PAID AND OFFERED FOR PAYMENT

On 29 June 2021, by resolution no 17, the General Meeting of LPP SA decided to allocate part of profit from previous years for dividend payment in the amount of PLN 833,590,350. The dividend date was set for 6 July 2021, with payment to be made in two instalments: on 20 July 2021 and 6 October 2021. The dividend per share was PLN 450.00.

In the comparative period, on 18 September 2020, the General Meeting of LPP SA adopted a resolution on non-payment of a dividend from profit earned in 13 months, i.e. from 1 January 2019 to 31 January 2020.

17. CONTINGENT ASSETS AND LIABILITIES

In H1 2021, the LPP SA Group companies utilised bank guarantees to secure payment of rent for the leased premises designated for brand stores, offices and warehouse space.

As at 31 July 2021, the total value of bank guarantees issued upon request and at the responsibility of LPP SA amounted to approx. PLN 273,146 thousand, of which:

- guarantees issued to secure agreements concluded by LPP SA amounted to PLN 86,938 thousand,
- guarantees issued to secure agreements concluded by consolidated associates amounted to PLN 177,007 thousand,
- guarantees issued to secure warehouse and office space lease agreements concluded by LPP SA amounted to PLN 9,201 thousand

In H1 2021, the Company also received guarantees as collateral for payments from a contracting party. As at 31 July 2021, the value of the said guarantees was PLN 12,291 thousand. On 31 July 2021, the value of sureties granted by the Parent Company was PLN 188,207 thousand. In the opinion of the Management Board, any outflow of funds recognised in off-balance sheet/contingent liabilities is very unlikely. The majority of these liabilities involve guarantees securing payment of rent by the LPP SA Group companies. In the reporting period, neither Issuer nor its subsidiary granted any sureties for bank loans or credits or any guarantees, jointly to a single entity or such entity's subsidiary, of a value exceeding 10.0% of the Issuer's equity.

18. TRANSACTIONS WITH ASSOCIATES

The Group's associates include:

- key management officers of the LPP SA Group and their close family members,
- entities controlled or significantly influenced by key management officers or their close family members within the meaning provided for in IAS 24.

18.1. REMUNERATIONS OF KEY MANAGEMENT OFFICERS OF LPP SA

The Company recognises members of the Parent Company's Management Board and the Supervisory Board as key management officers.

In the period from 1 February to 31 July 2021, short-term benefits of members of the Parent Company's Management Board amounted to PLN 2,438 thousand (in 6 months ended 31 July 2020: PLN 1,193 thousand).

In the period from 1 February to 31 July 2021, short-term benefits of members of the Parent Company's Supervisory Board amounted to PLN 88 thousand (in 6 months ended 31 July 2020: PLN 31 July 2020: PLN 0).

19. LITIGATION

LPP SA is not a party to any court, arbitration or administrative proceedings involving any obligations or liabilities exceeding, in total, jointly or separately, 10% of equity of LPP SA.

20. EVENTS AFTER THE BALANCE SHEET DATE

By the date of publishing the enclosed financial statements, there were no events after the balance sheet date, requiring any additional disclosures.

21. APPROVAL FOR PUBLISHING

These consolidated condensed interim financial statements prepared for 6 months ended 31 July 2021 (with comparative data) were approved for publishing by the Management Board of LPP SA on 5 October 2021.



05

**SELECTED SEPARATE CONDENSED
INTERIM FINANCIAL DATA**

SELECTED SEPARATE CONDENSED INTERIM FINANCIAL DATA

for 6 months ended 31 July 2021

	PLN		EUR	
	Cumulatively			
	2021/22	2020/21	2021/22	2020/21
	01.02-31.07	01.02 - 31.07	01.02-31.07	01.02 - 31.07
Selected separate financial data (in PLN thousand)				
Revenue	4,411,389	2,638,748	970,944	591,780
Operating profit (loss)	201,101	104,440	44,262	23,422
Pre-tax profit (loss)	174,522	-55,801	38,412	-12,514
Net profit (loss)	113,937	-86,719	25,077	-19,448
Weighted average number of shares	1,838,066	1,834,417	1,838,066	1,834,417
Profit (loss) per share	61.99	-47.27	13.64	-10.60
Net cash flows from operating activities	702,897	1,837	154,707	412
Net cash flows from investing activities	-174,340	-185,684	-38,372	-41,643
Net cash flows from financing activities	-664,026	247,194	-146,152	55,437
Total net cash flows	-135,469	63,347	-29,817	14,207

	PLN		EUR	
	2021/22	2020/21	2021/22	2020/21
	31.07.2021	31.01.2021	31.07.2021	31.01.2021
Selected separate financial data (in PLN thousand)				
Total assets	8,477,567	8,325,804	1,853,790	1,834,484
Non-current liabilities	1,486,303	1,561,418	325,010	344,038
Current liabilities	4,260,208	3,323,620	931,580	732,317
Equity	2,731,056	3,440,766	597,200	758,128
Share capital	3,705	3,705	810	816
Weighted average number of shares	1,838,066	1,838,066	1,838,066	1,838,066
Book value per share	1,485.83	1,871.95	324.91	412.46
Declared or paid dividend per share	450	0	98	0



06

**SEPARATE CONDENSED INTERIM
FINANCIAL STATEMENTS**

INTRODUCTION

We hereby approve the separate condensed interim financial statements of the LPP SA for the period of 6 months ended 31 July 2021, comprising the separate condensed interim statement of comprehensive income, with comprehensive income totalling PLN 113,937 thousand, the separate condensed interim statement of financial position, with assets and liabilities totalling PLN 8,477,567 thousand, the separate condensed interim statement of cash flows, showing a decrease in net cash by PLN 135,469 thousand, the separate condensed interim statement of changes in equity, showing a decrease in equity by PLN 709,710 thousand, as well as notes describing significant accounting principles and other explanatory data.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki
President of the Management Board

Przemysław Lutkiewicz
Vice-President of the Management Board

Jacek Kujawa
Vice-President of the Management Board

Sławomir Łoboda
Vice-President of the Management Board

Marcin Piechocki
Vice-President of the Management Board

GDAŃSK, 5 October 2021

SEPARATE CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for 6 months ended 31 July 2021

Comprehensive income statement (in PLN thousand)	Notes	H1		Q2	
		2021	2020	2021	2020
		01.02 - 31.07	01.02 - 31.07 transformed	01.05 - 31.07 transformed	01.05 - 31.07 transformed
Continuing operations					
Revenue	5	4,411,389	2,638,748	2,617,899	1,625,569
Cost of goods sold		2,749,737	1,617,049	1,582,426	958,126
Gross profit (loss) on sales		1,661,652	1,021,699	1,035,473	667,443
Costs of stores and distribution		1,228,593	736,389	635,365	392,495
General costs		229,384	174,940	119,904	108,794
Other operating income		7,413	23,755	3,115	19,964
Other operating expenses		9,987	29,685	5,041	16,788
Operating profit (loss)		201,101	104,440	278,278	169,330
Financial income	6	22,436	37,194	21,052	34,285
Financial expenses	6	49,015	197,435	21,809	109,216
Pre-tax profit (loss)		174,522	-55,801	277,521	94,399
Income tax	7	60,585	30,918	79,500	63,831
Net profit (loss)		113,937	-86,719	198,021	30,568
Total comprehensive income		113,937	-86,719	198,021	30,568
Other comprehensive income		0	0	0	0
Total comprehensive income		113,937	-86,719	198,021	30,568
Weighted average number of shares		1,838,066	1,834,417	1,838,066	1,834,417
Diluted number of shares		1,839,884	1,834,417	1,839,884	1,834,417
Profit (loss) per share		61.99	-47.27	107.73	16.66
Diluted net profit (loss) per share		61.93	-47.27	107.63	16.66

SEPARATE CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 July 2021

Statement of financial position (in PLN thousand)	Notes	31.07.2021	31.01.2021 transformed	31.07.2020 transformed
ASSETS				
Non-current assets		4,813,896	4,701,540	4,458,997
1. Property, plant and equipment	8	1,444,564	1,403,167	1,361,700
2. Intangible assets		137,424	135,611	129,066
3. Right-of-use assets		918,664	965,038	883,043
4. Goodwill		179,618	179,618	179,618
5. Trademark		77,508	77,508	77,508
6. Investments in subsidiaries	9	1,942,672	1,739,999	1,771,568
7. Deferred tax assets		95,723	66,166	48,732
8. Prepayments		332	265	443
9. Other financial assets	12	17,391	134,168	7,319
Current assets		3,663,671	3,624,264	2,827,324
1. Inventories	10	1,595,929	1,590,682	1,220,470
2. Trade receivables		407,205	204,953	481,180
3. Income tax receivables		94,750	98,962	50,743
4. Other non-financial assets		4,756	19,760	473
5. Prepayments		15,600	19,372	10,171
6. Other financial assets	12	42,123	43,380	20,824
7. Deposits and investment funds	11	935,889	936,296	0
8. Cash and cash equivalents		567,419	710,859	1,043,463
TOTAL assets		8,477,567	8,325,804	7,286,321

Statement of financial position (in PLN thousand)	Notes	31.07.2021	31.01.2021 transformed	31.07.2020 transformed
EQUITY AND LIABILITIES				
Equity		2,731,056	3,440,766	3,395,426
1. Share capital	14	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		2,323,269	3,146,916	2,733,424
5. Retained earnings		39,767	-74,170	414,535
Non-current liabilities		1,486,303	1,561,418	1,356,376
1. Bank loans and borrowings	15	166,336	190,596	215,082
2. Lease liabilities		978,606	1,024,526	801,731
3. Other financial liabilities (bonds)		294,409	294,104	291,699
4. Employee liabilities		1,592	1,592	1,289
5. Accruals		45,360	50,600	46,575
Current liabilities		4,260,208	3,323,620	2,534,519
1. Trade and other liabilities		3,064,456	2,522,363	1,809,645
2. Dividend liabilities		416,795	0	0
3. Contract liabilities		9,635	14,214	12,072
4. Refund liabilities		20,583	17,106	21,272
5. Bank loans and borrowings	15	326,652	421,252	382,446
6. Lease liabilities		286,064	267,796	269,422
7. Employee liabilities		28,927	10,565	12,619
8. Deferred tax liabilities		77,111	49,633	4,525
9. Provisions		10,000	29	13
10. Accruals		19,985	20,662	22,505
TOTAL equity and liabilities		8,477,567	8,325,804	7,286,321

SEPARATE CONDENSED INTERIM STATEMENT OF CASH FLOWS

for 6 months ended 31 July 2021

Cash flow statement (in PLN thousand)	Notes	H1		Q2	
		2021	2020	2021	2020
		01.02 - 31.07	01.02 - 31.07 transformed	01.05 - 31.07 transformed	01.05 - 31.07 transformed
A. Cash flows from operating activities – indirect method					
I. Pre-tax profit (loss)		174,522	-55,801	277,521	94,399
II. Total adjustments		528,375	57,638	304,694	317,502
1. Amortisation and depreciation		206,173	227,321	105,389	113,857
2. Foreign exchange losses (gains)		-8,359	42,564	-7,168	83,773
3. Interest and dividends		2,448	25,681	-9,940	11,608
4. (Profit) loss on investing activities		12,646	104,931	18,369	111,463
5. Income tax paid		-57,710	-200,402	-27,105	-146,156
6. Change in provisions and employee benefits		28,361	-48,089	-22,650	-26,777
7. Change in inventories		-4,866	145,894	-42,252	150,308
8. Change in receivables and other assets		-127,357	-200,403	-11,333	59,014
9. Change in current liabilities, excluding bank loans and borrowings		469,323	-50,639	294,406	-75,681
10. Change in prepayments and accruals		-2,227	9,686	-2,965	36,093
11. Other adjustments		9,943	1,094	9,943	0
III. Net cash flows from operating activities		702,897	1,837	582,215	411,901
B. Cash flows from investing activities					
I. Inflows		234,324	231,883	39,427	38,569
1. Disposal of intangible and PPE assets		29,733	17,655	13,140	10,625
2. From financial assets, including:		154,790	8,772	26,287	72
a) in associates		154,506	7,437	26,244	0
– dividends		8,919	7,437	8,919	0
– repayment of loans granted		130,885	0	4,780	0
– interest		2,421	0	264	0
– other (refund of additional contributions)		12,281	0	12,281	0
b) in other entities		284	1,335	43	72
– - repayment of loans granted		80	27	40	14

- interest and other inflows from financial assets	12	204	1,308	3	58
3. Other investing inflows	12	49,801	205,456	0	27,872
II. Outflows		408,664	417,567	176,858	82,311
1. Purchase of intangible and PPE assets		155,484	163,275	76,858	79,980
2. For financial assets, including:		223,180	144,292	100,000	2,331
a) in associates		222,880	144,276	100,000	2,331
- purchase of shares		214,954	141,945	100,000	0
- loans granted		7,926	2,331	0	2,331
b) in other entities		300	16	0	0
- loans granted		300	16	0	0
3. Other investing outflows	12	30,000	110,000	0	0
III. Net cash flows from investing activities		-174,340	-185,684	-137,431	-43,742
C. Cash flows from financing activities					
I. Inflows		0	378,624	0	0
1. Proceeds from issuance of shares		0	0	0	0
2. Loans and borrowings		0	378,624	0	0
3. Other financial inflows		0	0	0	0
II. Outflows		664,026	131,430	460,542	352,833
1. Dividends and other payments to owners		416,795	0	416,795	0
2. Repayment of loans and borrowings		118,910	12,161	-15,148	294,923
3. Lease liabilities paid		105,755	93,413	49,385	42,600
4. Interest		22,566	25,733	9,510	15,310
5. Other financial outflows		0	123	0	0
III. Net cash flows from financing activities		-664,026	247,194	-460,542	-352,833
D. Total net cash flows		-135,469	63,347	-15,758	15,326
E. Balance sheet change in cash, including:		-143,440	20,802	-15,182	-69,296
- change in cash due to foreign currency translation		-7,971	-42,545	576	-84,622
F. Opening balance of cash		709,247	1,009,497	589,536	1,057,518
G. Closing balance of cash		573,778	1,072,844	573,778	1,072,844



SEPARATE CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for 6 months ended 31 July 2021

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares
Balance as at 1 February 2021 (transformed)	3,705	0
Remuneration paid in shares	0	0
Dividend payment	0	0
Transactions with owners	0	0
Net profit for 6 months ended 31 July 2021	0	0
Total comprehensive income	0	0
Balance as at 31 July 2021	3,705	0
Balance as at 1 February 2020 (transformed)	3,705	-41,115
Remuneration paid in shares	0	0
Transactions with owners	0	0
Net loss for 6 months ended 31 July 2020	0	0
Total comprehensive income	0	0
Balance as at 31 July 2020 (transformed)	3,705	-41,115

Share premium	Other reserves	Retained earnings	TOTAL equity
364,315	3,146,916	-74,170	3,440,766
0	9,943	0	9,943
0	-833,590	0	-833,590
0	-823,647	0	-823,647
0	0	113,937	113,937
0	0	113,937	113,937
364,315	2,323,269	39,767	2,731,056
284,877	2,732,330	501,254	3,481,051
0	1,094	0	1,094
0	1,094	0	1,094
0	0	-86,719	-86,719
0	0	-86,719	-86,719
284,877	2,733,424	414,535	3,395,426



**ADDITIONAL INFORMATION ON, AND
NOTES TO, THE SEPARATE CONDENSED
INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD FROM 01.02.2021 TO 31.07.2021

1. OVERVIEW

LPP SA (further referred to as “LPP”, “Company”) is a joint-stock company with publicly traded shares.

The Company is recorded in the register of entrepreneurs of the National Court Register in the District Court for Gdańsk-North in Gdańsk, 7th Economic Division, under number KRS 0000000778. The Parent Company holds REGON statistical identification number 190852164.

The Company’s registered office is located at ul. Łąkowa 39/44 in Gdańsk (80-769).

LPP SA is a company involved in the designing and distribution of clothing in Poland, the countries of Central, Eastern and Western Europe and in the Middle East. The Group’s basic products are sold under the following trademarks: Reserved, Cropp, House, Mohito and Sinsay.

These separate condensed interim financial statements of the Company for 6 months ended 31 July 2021 were approved by the Management Board for publishing on 5 October 2021.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AND KEY ACCOUNTING PRINCIPLES

2.1. BASIS FOR PREPARATION

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

These separate condensed interim financial statements of LPP SA do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s separate financial statements for the year ended 31 January 2021, approved for publishing on 27 April 2021.

The currency of these separate condensed interim financial statements is Polish Zloty and, unless provided otherwise, all amounts are expressed in PLN thousand.

Data presented in these financial statements for the period of 6 months ended 31 July 2021 have been reviewed semi-annually by a statutory auditor. The comprehensive income statement and notes thereto comprise also data for Q2 i.e. for the period of 3 months ended 31 July 2021 and comparative data for 3 months ended 31 July 2020 – this data has neither been reviewed nor audited by a statutory auditor.

In the periods covered by these separate condensed interim 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: 31.07.2021 – PLN/EUR 4,5731, 31.01.2020 – 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: 01.02-31.07.2021 – PLN/EUR 4,5434, 01.02-31.07.2020 – PLN/EUR 4,4590.

These separate condensed interim financial statements were prepared based on the assumption that the Company would remain a going concern in the foreseeable future despite occurrence of the following circumstances affecting the Company’s remaining a going concern in the nearest future.

In H1 2021, in Poland, due to the COVID-19 pandemic, retail and service facilities were closed for several weeks following decisions of administrative authorities.

Owing to actions taken in 2020 i.e. the increase of online sales, cost reduction, optimisation of logistics solutions and focusing on ensuring financial liquidity, the Group generates positive cash flows and should remain a going concern in foreseeable future.

2.2. CHANGES IN ESTIMATES AND ASSUMPTIONS

In the current reporting period, there were no changes in estimates or assumptions compared to those adopted and disclosed in the separate financial statements for the financial year ended 31 January 2021, approved on 27 April 2021

2.3. ACCOUNTING PRINCIPLES

These consolidated condensed interim financial statements were prepared in accordance with the accounting principles presented in the last consolidated financial statements of LPP SA for the year ended 31 January 2021, except for new or amended standards and interpretations applicable to annual periods beginning on or after 1 February 2021.

The Company made no decision on early application of any other standard, interpretation or amendment published under the EU provisions yet not in force.

IFRS 14 Regulatory Deferral Accounts

Published on 30 January 2014 – applicable to annual periods beginning on or after 1 January 2016 – not approved by the EU by the date of approval of these financial statements.

Amendments to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate/joint venture

Published on 11 September 2014 – the date of entry into force postponed by the IASB indefinitely – works aimed at approving these amendments by the EU have been deferred indefinitely.

IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts

Published on 18 May 2017, including Amendments to IFRS 17 published on 25 June 2020 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current and Non-Current – Deferral of Effective Date

Published on 23 January 2020 and 15 July 2020, respectively – applicable to annual periods beginning on or after 1 January 2023 – not approved by

the EU by the date of approval of these financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 16 Property, plant and equipment – Proceeds before Intended Use

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Annual Improvements to IFRS 2018-2020

Published on 14 May 2020 – applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

Published on 12 February 2021 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amendments to IAS 8: Definition of Accounting Estimates

Published on 12 February 2021 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Published on 6 May 2021 – applicable to annual periods beginning on or after 1 January 2023 – not approved by the EU by the date of approval of these financial statements.

Amended standards and interpretations effective for the first time in 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate Benchmark Reform – Phase 2

The proposed amendments provide temporary exemptions addressing the effects of replacing an interbank offer rate (“IBOR”) with an alternative risk-free rate (“RFR”) and the impact on financial reporting. The amendments include the following practical expedients:

- the practical expedient requiring that contractual amendments or cash flow changes, resulting directly from the interest rate benchmark reform, be considered as changes in variable interest rate, which is equivalent with a change in a market interest rate,
- a permission to adjust hedge accounting documentation in terms of determining and documenting hedging relationships without their discontinuation if such changes result directly from the IBOR reform,
- extending a temporary relief from satisfying the criterion of separate identification if the RFR instrument is designated to hedge a risk component.

These amendments do not substantially affect the interim financial statements of LPP SA.

Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

These amendments update the requirement to apply the practical expedient regarding Covid-19-related rent concessions to rent payments originally due on or before 30 June 2021 to on or before 30 June 2022.

The Company started to apply this approach last year.

3. ERROR CORRECTIONS AND CHANGE IN ACCOUNTING PRINCIPLES

The separate condensed interim financial statements comprise neither corrections of errors from previous years nor changes in accounting principles.

On 1 July 2021, there was a cross-border merger of LPP SA with its registered office in Gdańsk and its subsidiary Gothals Ltd. with its registered office in Nicosia, in which LPP SA held 100% of shares. The companies merged by transferring to LPP SA, as the company’s sole shareholder, all assets of

Gothals Ltd. and dissolving it without a liquidation procedure. The merger was settled using the method of pooling shares along with an adjustment of comparative data.

A merger effected by pooling shares consists in the summing up of individual items of respective assets and liabilities as well as income and expenses of the merged companies as at the merger date, having calculated their values based on uniform measurement methods and having made adequate exclusions. The value excluded is that of the share capital of the company the assets of which are transferred to another company or of companies deleted from the register following the merger. After the said exclusion is made, respective items of the equity of the company to which assets of merging companies are transferred or a newly established company are adjusted with a difference in the sum of assets and liabilities. Other values excluded are as follows: mutual receivables and liabilities and other accounts of similar nature of the merging companies; income and costs deriving from economic operations made in a given financial year between the merging companies before the merger; profits or losses on economic operations made between the merging companies before the merger, comprised in the values of assets and liabilities subject to the merger.

Following the merger, changes were made in the financial statements for 6 months ended 31 July 2021 and as at that date as well as for comparative periods due to settling the merger using the share pooling method.

Changes in the statements of comprehensive income for 6 months ended 31 July 2021 and for a comparative period ended 31 July 2020 are given in the tables below.

Comprehensive income statement (in PLN thousand)	LPP SA	Gothals Ltd.	Transformation adjustments	Total after merger
	2021	2021	2021	2021
	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07
<i>Continuing operations</i>				
Revenue	4,410,750	149,322	(148,683)	4,411,389
Cost of goods sold	2,749,737	0	0	2,749,737
Gross profit (loss) on sales	1,661,013	149,322	(148,683)	1,661,652
Costs of stores and distribution	1,228,593	0	0	1,228,593
General costs	375,635	542	(146,793)	229,384
Other operating income	7,413	0	0	7,413
Other operating expenses	9,877	10	100	9,987
Operating profit (loss)	54,321	148,770	(1,990)	201,101
Financial income	22,436	0	0	22,436
Financial expenses	49,069	(54)	0	49,015
Pre-tax profit (loss)	27,688	148,824	(1,990)	174,522
Income tax	60,463	2,390	(2,268)	60,585
Net profit (loss)	(32,775)	146,434	278	113,937
Total comprehensive income	(32,775)	146,434	278	113,937

Comprehensive income statement (in PLN thousand)	LPP SA	Gothals Ltd.	Transformation adjustments	Total after merger
	2020	2020	2020	2020
	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07	01.02 - 31.07
<i>Continuing operations</i>				
Revenue	2,638,131	114,438	(113,821)	2,638,748
Cost of goods sold	1,617,049	0	0	1,617,049
Gross profit (loss) on sales	1,021,082	114,438	(113,821)	1,021,699
Costs of stores and distribution	736,389	0	0	736,389
General costs	287,958	803	(113,821)	174,940
Other operating income	23,754	1	0	23,755
Other operating expenses	29,685	0	0	29,685
Operating profit (loss)	(9,196)	113,636	0	104,440
Financial income	37,194	0	0	37,194
Financial expenses	196,918	517	0	197,435
Pre-tax profit (loss)	(168,920)	113,119	0	(55,801)
Income tax	30,830	2,809	(2,721)	30,918
Net profit (loss)	(199,750)	110,310	2,721	(86,719)
Total comprehensive income	(199,750)	110,310	2,721	(86,719)

Changes in the financial position as at 31.07.2021 and comparative dates are given in the table below.

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.07.2021	31.07.2021	31.07.2021	31.07.2021
ASSETS				
Non-current assets	4,816,141	4,354,112	(4,356,357)	4,813,896
1. Property, plant and equipment	1,444,564	0	0	1,444,564
2. Intangible assets	137,424	4,354,112	-4,354,112	137,424
3. Right-of-use assets	918,664	0	0	918,664
4. Goodwill	179,618	0	0	179,618
5. Trademark	0	0	77,508	77,508
6. Investments in subsidiaries	2,022,425	0	-79,753	1,942,672
7. Deferred tax assets	95,723,	0	0	95,723
8. Prepayments	332	0	0	332
9. Other financial assets	17,391	0	0	17,391
Current assets	3,640,119	493,394	(469,842)	3,663,671
1. Inventories	1,595,929	0	0	1,595,929
2. Trade receivables	407,205	469,842	(469,842)	407,205
3. Income tax receivables	94,750	0	0	94,750
4. Other non-financial assets	4,717	39	0	4,756
5. Prepayments	15,600	0	0	15,600
6. Other financial assets	42,123	0	0	42,123
7. Deposits and investment funds	935,889	0	0	935,889
8. Cash and cash equivalents	543,906	23,513	0	567,419
TOTAL assets	8,456,260	4,847,506	(4,826,199)	8,477,567

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.07.2021	31.07.2021	31.07.2021	31.07.2021
EQUITY AND LIABILITIES				
Equity	2,240,934	4,811,200	(4,321,078)	2,731,056
1. Share capital	3,705	722	(722)	3,705
2. Treasury shares	0	0	0	0
3. Share premium	364,315	0	0	364,315
4. Other reserves	2,315,662	1,070,781	(1,063,174)	2,323,269
5. Retained earnings	(442,748)	3,739,697	(3,257,182)	39,767
Non-current liabilities	1,486,303	35,377	(35,377)	1,486,303
1. Bank loans and borrowings	166,336	0	0	166,336
2. Lease liabilities	978,606	0	0	978,606
3. Other financial liabilities (bonds)	294,409	0	0	294,409
4. Employee liabilities	1,592	0	0	1,592
5. Accruals	45,360	35,377	(35,377)	45,360
Current liabilities	4,729,023	929	(469,744)	4,260,208
1. Trade and other liabilities	3,534,083	117	(469,744)	3,064,456

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.07.2021	31.07.2021	31.07.2021	31.07.2021
2. Dividend liabilities	416,795	0	0	416,795
3. Contract liabilities	9,635	0	0	9,635
4. Refund liabilities	20,583	0	0	20,583
5. Bank loans and borrowings	326,652	0	0	326,652
6. Lease liabilities	286,064	0	0	286,064
7. Employee liabilities	28,927	0	0	28,927
8. Income tax liabilities	76,299	812	0	77,111
9. Provisions	10,000	0	0	10,000
10. Accruals	19,985	0	0	19,985
TOTAL equity and liabilities	8,456,260	4,847,506	(4,826,199)	8,477,567

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.01.2021	31.01.2021	31.01.2021	31.01.2021
ASSETS				
Non-current assets	4,701,883	4,354,123	(4,354,466)	4,701,540
1. Property, plant and equipment	1,403,156	11	0	1,403,167
2. Intangible assets	133,720	4,354,112	(4,352,221)	135,611
3. Right-of-use assets	965,038	0	0	965,038
4. Goodwill	179,618	0	0	179,618
5. Trademark	0	0	77,508	77,508
6. Investments in subsidiaries	1,819,752	0	-79,753	1,739,999
7. Deferred tax assets	66,166	0	0	66,166
8. Prepayments	265	0	0	265
9. Other financial assets	134,168	0	0	134,168
Current assets	3,598,717	344,574	(319,027)	3,624,264
1. Inventories	1,590,682	0	0	1,590,682
2. Trade receivables	203,126	320,854	(319,027)	204,953
3. Income tax receivables	98,962	0	0	98,962
4. Other non-financial assets	19,714	46	0	19,760
5. Prepayments	19,358	14	0	19,372
6. Other financial assets	43,380	0	0	43,380
7. Deposits and investment funds	936,296	0	0	936,296
8. Cash and cash equivalents	687,199	23,660	0	710,859
TOTAL assets	8,300,600	4,698,697	(4,673,493)	8,325,804

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.01.2021	31.01.2021	31.01.2021	31.01.2021
EQUITY AND LIABILITIES				
Equity	3,097,356	4,664,767	(4,321,357)	3,440,766
1. Share capital	3,705	722	(722)	3,705
2. Treasury shares	0	0	0	0
3. Share premium	364,315	0	0	364,315
4. Other reserves	3,139,309	1,070,781	(1,063,174)	3,146,916
5. Retained earnings	(409,973)	3,593,264	(3,257,461)	(74,170)
Non-current liabilities	1,561,418	33,109	(33,109)	1,561,418
1. Bank loans and borrowings	190,596	0	0	190,596
2. Lease liabilities	1,024,526	0	0	1,024,526
3. Other financial liabilities (bonds)	294,104	0	0	294,104
4. Employee liabilities	1,592	0	0	1,592
5. Accruals	50,600	33,109	(33,109)	50,600
Current liabilities	3,641,826	821	(319,027)	3,323,620
1. Trade and other liabilities	2,841,349	41	(319,027)	2,522,363
2. Contract liabilities	14,214	0	0	14,214
3. Refund liabilities	17,106	0	0	17,106
4. Bank loans and borrowings	421,252	0	0	421,252
5. Lease liabilities	267,796	0	0	267,796
6. Employee liabilities	10,565	0	0	10,565
7. Income tax liabilities	48,882	751	0	49,633
8. Provisions	0	29	0	29
9. Accruals	20,662	0	0	20,662
TOTAL equity and liabilities	8,300,600	4,698,697	(4,673,493)	8,325,804

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.07.2020	31.07.2020	31.07.2020	31.07.2020
ASSETS				
Non-current assets	4,459,298	4,354,125	(4,354,426)	4,458,997
1. Property, plant and equipment	1,361,687	13	0	1,361,700
2. Intangible assets	127,135	4,354,112	(4,352,181)	129,066
3. Right-of-use assets	883,043	0	0	883,043
4. Goodwill	179,618	0	0	179,618
5. Trademark	0	0	77,508	77,508
6. Investments in subsidiaries	1,851,321	0	-79,753	1,771,568
7. Deferred tax assets	48,732	0	0	48,732
8. Prepayments	443	0	0	443
9. Other financial assets	7,319	0	0	7,319
Current assets	2,797,719	205,063	(175,458)	2,827,324
1. Inventories	1,220,470	0	0	1,220,470
2. Trade receivables	475,515	181,123	(175,458)	481,180
3. Income tax receivables	50,743	0	0	50,743
4. Other non-financial assets	473	0	0	473
5. Prepayments	10,163	8	0	10,171
6. Other financial assets	20,824	0	0	20,824
7. Deposits and investment funds	0	0	0	0
8. Cash and cash equivalents	1,019,531	23,932	0	1,043,463
TOTAL assets	7,257,017	4,559,188	(4,529,804)	7,286,321

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.07.2020	31.07.2020	31.07.2020	31.07.2020
EQUITY AND LIABILITIES				
Equity	3,195,231	4,524,233	(4,324,038)	3,395,426
1. Share capital	3,705	722	(722)	3,705
2. Treasury shares	(41,115)	0	0	(41,115)
3. Share premium	284,877	0	0	284,877
4. Other reserves	2,725,817	1,070,781	(1,063,174)	2,733,424
5. Retained earnings	221,947	3,452,730	(3,260,142)	414,535
Non-current liabilities	1,356,376	30,388	(30,388)	1,356,376
1. Bank loans and borrowings	215,082	0	0	215,082
2. Lease liabilities	801,731	0	0	801,731
3. Other financial liabilities (bonds)	291,699	0	0	291,699
4. Employee liabilities	1,289	0	0	1,289
5. Accruals	46,575	30,388	(30,388)	46,575
Current liabilities	2,705,410	4,567	(175,458)	2,534,519
1. Trade and other liabilities	1,985,074	29	(175,458)	1,809,645

Statement of financial position (in PLN thousand)	LPP SA	Gothals Ltd	Transformation adjustments	Total after merger
	31.07.2020	31.07.2020	31.07.2020	31.07.2020
2. Contract liabilities	12,072	0	0	12,072
3. Refund liabilities	21,272	0	0	21,272
4. Bank loans and borrowings	382,446	0	0	382,446
5. Lease liabilities	269,422	0	0	269,422
6. Employee liabilities	12,619	0	0	12,619
7. Income tax liabilities	0	4,525	0	4,525
8. Provisions	0	13	0	13
9. Accruals	22,505	0	0	22,505
TOTAL equity and liabilities	7,257,017	4,559,188	(4,529,804)	7,286,321

4. SEASONALITY OF OPERATIONS

Seasonality in sales is a characteristic feature of the entire clothing market both in Poland and abroad. Typically, the gross margin achieved in periods of selling new collections at regular prices is higher than the one recorded during clearance sales. This results in disproportions in the value of margins generated in individual calendar quarters (with the highest margins in Q2 and Q4 and the lowest in Q1 and Q3). To avoid significant differences in margins between calendar quarters, the Company changed the financial year by adjusting it to the collection calendar and, therefore, alleviated the impact of clearance sales and seasonality on margins of individual calendar quarters.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

In PLN thousand	2021	2020
	01.02 - 31.07	01.02 - 31.07 (transformed)
Type of sale		
Sale of goods, including:	4,408,361	2,635,093
<i>E-commerce</i>	998,716	617,364
Sale of services	3,028	3,655
Total	4,411,389	2,638,748
Brand		
Reserved	1,695,486	1,127,693
Cropp	462,499	302,297
House	468,982	299,973
Mohito	381,877	250,110
Sinsay	1,399,250	654,571
Other	3,295	4,104
Total	4,411,389	2,638,748

The only contracting party exceeding more than 10% of total revenue is “Re Trading”, the Russian subsidiary.6. Przychody i koszty finansowe

6. FINANCIAL INCOME AND EXPENSES

Financial income (in PLN thousand)	2021	2020	2021	2020
	01.02 - 31.07	01.02 - 31.07	01.05 - 31.07	01.05 - 31.07
Interest	2,723	3,427	1,590	842
Measurement of participation units in funds	142	-115	104	-439
Dividends	19,305	0	19,305	0
Other financial income, including:	266	33,882	53	33,882
- currency translation balance	0	0	0	0
- adjustment of lease liability	266	33,882	53	33,882
Total financial income	22,436	37,194	21,052	34,285

Financial expenses (in PLN thousand)	2021	2020	2021	2020
	01.02 - 31.07	01.02 - 31.07 transformed	01.05 - 31.07 transformed	01.05 - 31.07 transformed
Interest expenses – bank loans	4,979	6,653	1,275	3,431
Interest expenses – bonds	2,019	4,347	2,019	2,124
Interest expenses – budgetary and other	590	57	444	49
Interest expenses – lease liabilities	17,842	15,157	8,655	7,682
Revaluation of investments	0	105,030	0	105,030
Bank commissions	1,563	3,349	828	2,414
Other financial expenses, including:	22,022	62,842	8,588	-11,514
– currency translation balance	22,022	62,842	8,588	-11,514
Total financial expenses	49,015	197,435	21,809	109,216

During 6 months ended 31 July 2021, as provided for in note 2.1 to the separate condensed interim financial statements, the Company renegotiated retail space lease agreements. Rent discounts obtained for the period from February 2021 to July 2021 were recognised by the Company as adjustment of the lease liability, adjusting financial income accordingly.

7. INCOME TAX

The main components of the income tax liability of LPP SA for the period from 1 February 2021 to 31 July 2021 and for a comparative period are given in the table below.

Income tax (in PLN thousand)	2021	2020
	01.02 - 31.07	01.02 - 31.07 transformed
Current income tax	61,873	12,459
Taxation of foreign controlled companies	28,268	21,591
Deferred income tax	-29,556	-3,132
Total	60,585	30,918

8. PROPERTY, PLANT AND EQUIPMENT

PURCHASE AND SALE

During 6 months ended 31 July 2021, the Company purchased PPE of PLN 131,838 thousand (during 6 months ended 31 July 2020: PLN 113,610 thousand). Those were mainly investments related to the development of new stores and the construction of a new part of the logistics centre in Pruszcz Gdański and offices in Gdańsk.

During 6 months ended 31 July 2021, the Company sold PPE of a net value of PLN 966 thousand (during 6 months ended 31 July 2020: PLN 130 thousand), reaching a net sales profit of PLN 298 thousand (2020: a net loss of PLN 32 thousand).

IMPAIRMENT WRITE-OFFS

In the period ended 31 July 2021, LPP SA recognised an additional impairment write-off on fixed assets, totalling PLN 211 thousand due to non-profitability and early closure of stores (in the period of 6 months ended 31 July 2020: PLN 1,467 thousand). At the same time, in 2021, the impair-

ment write-off was reversed in the amount of PLN 859 thousand (in the period of 6 months ended 31 July 2020: PLN 647 thousand). In the statement of comprehensive income, the establishment of the revaluation write-off was shown in other operating expenses, in the amount of PLN 211 thousand.

CONTRACTUAL OBLIGATIONS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

As at the balance sheet date, LPP SA had contractual obligations to purchase PPE totalling PLN 199,792 thousand.

The said amount comprised the following:

- obligations related to the development of LPP stores - PLN 11,959 thousand,
- obligations under contracts on the expansion of logistics centers - PLN 166,066 thousand,
- obligations under contracts on the construction of office buildings - PLN 21,767 thousand.

In comparative periods, this value was as follows:

- 31.07.2020 - PLN 69,688 thousand,
- 31.01.2021 - PLN 155,357 thousand.

9. INVESTMENTS IN SUBSIDIARIES

The value of shares in subsidiaries and additional contributions to their share capitals, shown based on the purchase price, as well as changes in specific periods are given in the table below.

Investments in subsidiaries (in PLN thousand)	Shares	Additional contributions
Balance as at 1 February 2021 (transformed)	663,389	1,254,899
- increase	104,034	113,920
- decrease	0	12,281
Balance as at 31 July 2020	767,423	1,356,538
Balance as at 1 February 2020 (transformed)	615,948	1,155,899
- increase	42,945	99,000
- decrease	0	0
Balance as at 31 July 2020 (transformed)	658,893	1,254,899

In the current reporting period, the value of shares in subsidiaries increased due to the establishment of new subsidiaries in Poland and Slovenia and the provision of additional contributions to a Polish company. Due to the cross-border merger of LPP SA and Gothals Ltd., the value of shares held by LPP SA decreased. In the same period, additional contributions were made in Polish companies and the Russian subsidiary, while the Hungarian company repaid the additional contribution.

The value of revaluation write-offs on shares and additional contributions in subsidiaries, including their changes in individual periods, were as follows.

Revaluation write-off (in PLN thousand)	Revaluation write-off on shares	Revaluation write-off on additional contributions
Balance as at 1 February 2021	166,516	11,773
- increase	3,000	0
- decrease	0	0
Balance as at 31 July 2021	169,516	11,773
Balance as at 1 February 2020	37,195	0
- increase	93,256	11,773
- decrease	0	0
Balance as at 31 July 2020	130,451	11,773

10. INVENTORIES

In the period of 6 months ended 31 July 2021, the Company made inventory write-offs to a recoverable value of PLN 90,845 thousand (during 6 months ended 31 July 2020: a reversal by PLN 14,123 thousand). This amount was recognised in the cost of goods sold.

The key item in inventories is trade commodities. A detailed structure of inventories is given in the table below.

Inventories - balance sheet value (in PLN thousand)	31.07.2021	31.01.2021
Materials	10,460	10,516
Goods	1,575,282	1,571,720
Product return assets	10,187	8,446
Total	1,595,929	1,590,682

11. DEPOSITS

Deposits and investment funds (in PLN thousand)	31.07.2021	31.01.2021
Participation units	413,298	424,199
Security deposits	100,000	100,000
Collateral	422,591	412,097
Deposits and investment funds	935,889	936,296

In the reporting period, the Company acquired participation units in money market funds. As at 31 July 2021, in the cash flow statement, in investing activities, the Company reports the acquisition in the amount of PLN 30,000 thousand and redemption of funds in the amount of PLN 49,801 thousand. The value of profit earned from amortised units amounted to PLN 199 thousand and was reported in investing activities, in interest and other inflows from financial assets. As regards participation units in unquoted funds, the measurement of the above-mentioned instruments is at level 2 of the fair value hierarchy.

With reference to factoring contracts described in detail in point 16, the Company paid a security deposit of PLN 100 mln to secure the factor's claims and deposited a collateral of PLN 423 mln.

12. OTHER FINANCIAL ASSETS

Other financial assets (in PLN thousand)	31.07.2021	31.01.2021
Non-current assets		
Other receivables	1,397	4,421
Loans granted	15,994	129,747
Other non-current financial assets	17,391	134,168
Current assets		
Other receivables	0	1,086
Receivables payable by payment card operators	23,174	1,646
Loans granted	168	3,648
Forward contract valuation	8,430	0
Foreign currency sold	0	37,000
Dividend receivables	10,351	0
Other current financial assets	42,123	43,380
Other financial assets in total	59,514	177,548

The measurement of the above-mentioned instruments is at level 2 of the fair value hierarchy.

13. REVALUATION WRITE-OFFS ON OTHER ASSETS

Revaluation write-offs on fixed assets (in PLN thousand)	2021	2020
	01.02-31.07	01.02-31.07
Opening balance	24,333	9,479
Write-offs recognised as cost in the period	211	1,467
Write-offs used in the period	859	647
Closing balance	23,685	10,299

Revaluation write-offs on receivables (in PLN thousand)	2021	2020
	01.02-31.07	01.02-31.07
Opening balance	23,666	29,166
Write-offs recognised as cost in the period	5,042	13,843
Write-offs reversed in the period	6,122	10,159
Closing balance	22,586	32,850

14. SHARE CAPITAL

As at 31 July 2021, the Company's share capital amounted to PLN 3,705 thousand, with no change compared to 31 January 2021. It was divided into 1,852,423 shares of a nominal value of PLN 2 per share.

The shareholding structure in the Parent Company as at 31 July 2021 is given in the table below.

Shareholder	Number of shares held	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Nominal value of shares
Semper Simul Foundation*	578,889	31.3%	1,978,889	60.8%	1,157,778
Sky Foundation**	227,898	12.3%	227,898	7.0%	455,796
Other shareholders	1,045,636	56.4%	1,045,636	32.2%	2,091,272
Total	1,852,423	100.0%	3,252,423	100.0%	3,704,846

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

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

15. BANK LOANS AND BORROWINGS

In the balance sheet period, LPP SA launched no new investment or revolving loans.

As at the balance sheet date i.e. 31 July 2021, the value of liabilities, including commercial ones, was PLN 3,064,456 thousand, including commercial ones, having increased by 21% compared to the balance as at 31 January 2021. The said increase results from increased purchases of goods due to higher sales after the pandemic both in online and on-site stores and the required replenishment for new stores. As at 31 July 2021, the LPP SA had commercial liabilities (denominated both in PLN and foreign currencies, mainly USD) totalling PLN 2,004,075 thousand, owed to HSBC Polska SA, Santander Polska SA and BNP Paribas under the supplier financing scheme i.e. reversed factoring. As part of reversed factoring, after presenting a purchase invoice, the bank factor pays liabilities owed to the supplier in line with a previously agreed time schedule. The Company's total reversed factoring limits in the above-mentioned banks amount to PLN 1 bln and USD 405 mln (established indefinitely) and USD 27 mln (established by 30.06.2022). Due to the increase in factoring limits in 2020, LPP SA paid a security deposit of PLN 100 mln to secure the claims of one factor and deposited a collateral of PLN 423 mln on another factor's bank account. Any prospective release from, or a reduction of, the collateral or the security deposit will be equivalent to a decrease in the limit set forth in the reversed factoring agreement and the requirement to pay liabilities in the same amount.

16. CONTINGENT ASSETS AND LIABILITIES

In H1 2021, the LPP SA Group companies utilised bank guarantees to secure payment of rent for the leased premises designated for brand stores, offices and a warehouse.

As at 31 July 2021, the total value of bank guarantees issued upon request and at the responsibility of LPP SA amounted to approx. PLN 273,146 thousand, of which:

- guarantees issued to secure agreements concluded by LPP SA amounted to PLN 86,938 thousand,
- guarantees issued to secure agreements concluded by consolidated associates amounted to PLN 177,007 thousand,

- guarantees issued to secure warehouse and office space lease agreements concluded by LPP SA amounted to PLN 9,201 thousand.

In H1 2021, the Company received also guarantees as collateral for payments from a contracting party. As at 31 July 2021, their value was PLN 12,291 thousand. On 31 July 2021, the value of sureties granted by the Parent Company was PLN 188,207 thousand. In the opinion of the Management Board, any outflow of funds recognised in off-balance sheet/contingent liabilities is very unlikely. The majority of these liabilities are related to guarantees securing payment of rent by the LPP SA Group companies. In the reporting period, neither the Issuer nor its subsidiary granted any sureties for bank loans or credits or any guarantees – jointly to a single entity or such entity's subsidiary, of a value exceeding 10.0% of the Issuer's equity.

17. DIVIDENDS PAID AND OFFERED FOR PAYMENT

On 29 June 2021, the General Meeting of LPP SA adopted Resolution no 17 on the allocation of part of the profit gained from previous years for payment of a dividend totalling PLN 833,590,350. The dividend date was set for 6 July 2021, while the dividend was agreed to be paid in two instalments: on 20 July 2021 and 6 October 2021. The value of dividend per share was PLN 450.00.

In the comparative period, on 18 September 2020, the General Meeting of LPP SA adopted a resolution on non-payment of a dividend from the profit earned in 13 months, i.e. from 1 January 2019 to 31 January 2020.

18. TRANSACTIONS WITH ASSOCIATES

The Company's associates include:

- Polish and foreign companies controlled by LPP SA companies based on direct shareholdings,
- key management officers of LPP SA and their close family members,
- entities controlled or significantly influenced by key management officers or their close family members

18.1. REMUNERATIONS OF KEY MANAGEMENT OFFICERS OF LPP SA

The Company recognises members of the Parent Company's Management Board and the Supervisory Board as key management officers.

In the period from 1 February to 31 July 2021, short-term benefits of members of the Parent Company's Management Board amounted to PLN 2,438 thousand (in 6 months ended 31 July 2020: PLN 1,193 thousand).

In the period from 1 February to 31 July 2021, short-term benefits of members of the Parent Company's Supervisory Board amounted to PLN 88 thousand (in 6 months ended 31 July 2020: PLN 0).

19. TRANSACTIONS WITH ASSOCIATES

Associates (in PLN thousand)	Liabilities as at 31.07.2021	Receivables as at 31.07.2021	Revenue for 01.02- 31.07.2021	Purchases for 01.02-31.07.2021
Domestic subsidiaries	49,664	50,908	3,029	182,255
Foreign subsidiaries	24,947	300,191	1,828,853	685
Total	74,611	351,099	1,831,882	182,940

Associates (in PLN thousand)	Liabilities as at 31.07.2020	Receivables as at 31.07.2020	Revenue for 01.02- 31.07.2020	Purchases for 01.02-31.07.2020
Domestic subsidiaries	17,804	2,443	3,038	97,357
Foreign subsidiaries	16,744	395,713	1,094,205	563
Total	34,548	398,156	1,097,243	97,920

The figures given in the tables above present only mutual transactions between LPP SA and its associates, being shown from the Parent Company's perspective.

Data presented as liabilities of LPP SA are receivables in associates, and purchases are revenues of given companies.

All the transactions with associates are concluded on market terms.

Revenues generated by domestic subsidiaries derive from the rental of office space for the purpose of their business operations and business-related services, while revenues gained by foreign subsi-

diaries arise from the sale of goods and services.

Purchases from domestic subsidiaries involve the rental of real properties for operating Cropp, Reserved, Mohito and House stores and business-related services. Purchases from foreign subsidiaries involve the costs of trademark use only.

20. LITIGATION

LPP SA is not a party to any court, arbitration or administrative proceedings involving any obligations or liabilities exceeding, in total, jointly or separately, 10% of equity of LPP SA.

21. Events after the balance sheet date

By the date of publishing these financial statements there were no events after the balance sheet date requiring any additional disclosures apart from those given above.

22. APPROVAL FOR PUBLISHING

These separate condensed interim financial statements drawn up for 6 months ended 31 July 2021 (with comparative data) were approved for publishing by the Management Board of LPP SA on 5 October 2021.





08

**STATEMENT OF THE MANAGEMENT
BOARD**

STATEMENT OF THE MANAGEMENT BOARD

In line with the Regulation of the Minister of Finance of 29 March 2018 on current and interim information provided by issuers of securities and on the conditions for recognising information required under the law of a non-member state as equivalent, the Management Board of LPP SA declares that:

- to the best of its knowledge, the interim consolidated report of the Management Board on the operations of the Issuer's Group presents a true view of the development, achievements and position of the LPP SA Group, including a description of basic risks and threats.
- to the best of its knowledge, the consolidated condensed interim financial statements and comparative data have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and position of the LPP SA Group and its financial result,
- to the best of its knowledge, the separate condensed interim financial statements and comparative data have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and position of LPP SA and its financial result.

MANAGEMENT BOARD OF LPP SA:

Marek Piechocki

President of the Management Board

Przemysław Lutkiewicz

Vice-President of the Management Board

Jacek Kujawa

Vice-President of the Management Board

Sławomir Łoboda

Vice-President of the Management Board

Marcin Piechocki

Vice-President of the Management Board

GDAŃSK, 5 October 2021



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