

Communication of the key terms and conditions and the structure of the transaction involving the sale by the Company of 100% of shares in Re Trading OOO, as agreed by the parties to the negotiations concluded on 10 May 2022

On 24 February 2025, LPP SA (hereinafter: the “**Issuer**”, the “**Company**”, “**LPP**”) filed an application with the Polish Financial Supervision Authority (hereinafter: “**FSA**”) for a decision concerning the possibility of entering into a composition agreement on the terms of extraordinary leniency in the proceedings concerning the failure to promptly disclose to the public confidential information on the key terms and conditions and the structure of the transaction involving the sale by the Company of 100% of shares in Re Trading OOO (the “**Transaction**”), as agreed by the parties to the negotiations concluded on 10 May 2022.

The Issuer's intention is to conclude a composition agreement and to complete the administrative proceedings initiated by the FSA in its decision of 3 October 2024. The publication of this report is part of the efforts to enable the conclusion of the composition agreement.

The Issuer notes that the information presented in this report is up to date as at the date of completion of the negotiations as to the terms and conditions of the Transaction, i.e. 10 May 2022.

Consequently, this report does not cover any events that took place between 10 May 2022 and the date of publication of the report.

Therefore, not all the information contained in this report is up to date as at the date of its publication. Investors should read the information contained in this report in conjunction with other information published by the Issuer concerning the Issuer's exit from Russia, including in particular the information contained in Current Report No. 19/2022 of 19 May 2022, the consolidated report for H1 2022/23 (as adjusted), Current Report No. 32/2024 of 13 December 2024 as well as taking into account the contents of the investor presentations: “*Presentation on the current situation in the Company*” of 18 March 2024 and “*Hypotheses vs Facts*” of 27 March 2024.

I. SCHEDULE AND STRUCTURE OF THE TRANSACTION

The Issuer announces that on 18 April 2022 it received a letter from Ms Anna Pilyugina, the CEO of Re Trading at that time, indicating her interest in acquiring 100% of the shares in Re Trading from the Issuer.

On 20-30 April 2022, representatives of the Issuer held preliminary telephone discussions with Ms Anna Pilyugina regarding the possible shape of the transaction.

On 8-10 May 2022, negotiations took place in Dubai between the representatives of the Issuer and Ms Anna Pilyugina representing potential investors (Far East Services - FZCO, with its registered office in Dubai, hereinafter collectively referred to as the “**Investors**” with Anna Pilyugina) interested in acquiring Re Trading. In the course of negotiations, it was agreed that the parties would proceed immediately to draft the agreement for the sale of 100% of Re Trading's shares. The agreement shall be governed by English law (the “**Share Purchase Agreement**”).

The parties stipulated that for the effectiveness of the Transaction, it will also be necessary to:

- conclude share transfer agreements under the Russian law;

- identify and perform any administrative obligations related to the transfer of shares to the buyers, as required by the Russian law.

At the same time, the Issuer indicates that the negotiations were concluded with an arrangement on the boundary conditions, without the detailed provisions of the agreements (legal relationships) regarding the sale and other aspects of the Transaction, subject to further arrangements. In particular, at this stage of the discussions, no agreement was reached on the content or conclusion of agreements committing to the transfer of Re Trading shares or determining of other detailed terms of the Transaction.

Investors expect the transaction to take the form of a management buyout (MBO).

The Issuer has accepted this structure of the Transaction, which provides the opportunity for a fast sale of Re Trading and allows for the termination of operations in Russia. At the same time, it must be borne in mind that in such a transaction model, the flows from the Re Trading business are intended to ensure that the price of shares is financed and that the Issuer recovers its receivables for the goods located in Russia and contracted for this market.

II. BUYERS OF SHARES IN RE TRADING - PARTIES TO THE NEGOTIATIONS

The buyers of Re Trading shares shall include:

- 1) the Far East Services company - FZCO, with its registered office in Dubai; and
- 2) Ms Anna Pilyugina, who simultaneously acted in the capacity of the Managing Director of Re Trading upon concluding the Transaction.

The investors do not have and did not have any capital or personal relationship with the Issuer or the major shareholders of the Company.

Ms Anna Pilyugina acts as the Managing Director of Re Trading, a subsidiary of the Issuer as at 10 May 2022.

III. SELLING PRICE OF THE SHARES

The agreed selling price for Re Trading shares amounts to USD 135.5 million.

The price shall be paid in instalments in accordance with the following schedule:

- (i) 10% of the price payable by 25 December 2023;
- (ii) 20% of the price payable by 25 December 2024;
- (iii) 35% of the price payable by 25 December 2025; and
- (iv) 35% of the price payable by 25 December 2026.

Payment of individual price instalments should be made in US dollars (USD).

IV. RE TRADING LIABILITIES TOWARDS THE ISSUER

Irrespective of the price for the Re Trading shares, which the Investors will be obliged to pay, Re Trading has liabilities towards the Issuer. Their existence and performance shall not be the subject of the Share Purchase Agreement.

Firstly, Re Trading's liabilities towards the Issuer in respect of payment for the goods delivered (purchased prior to the outbreak of Russia's full-scale aggression against Ukraine) amounted to approximately PLN 1,057 million as at Q1 2022.

Secondly, at the request of BNP Paribas Bank JSC, on 27 April 2022, the Issuer repaid Re Trading's debt towards that bank under the revolving overdraft agreement. The Issuer made repayment by exercising its obligation under the guarantee agreement towards BNP Paribas Bank JSC.

Accordingly, as at 10 May 2022, Re Trading is obliged to repay the amount of EUR 26,507,620.94 to the Issuer in respect of the payment by the Issuer of Re Trading's liabilities under the indicated loan.

For the avoidance of doubt, the aforementioned liabilities of Re Trading towards the Issuer are independent of the obligation of the Investors to pay the price for the Shares and were not negotiated as to the terms and conditions of the Transaction.

V. TRANSITIONAL PERIOD

As part of the negotiations regarding the terms and conditions of the Transaction, it was agreed that an element of the Transaction would be the establishment of a transitional period in which the Company would transfer the business processes that, until the Russian attack on Ukraine, the Company was conducting towards Re Trading as its subsidiary.

As at 10 May 2022, the extent of support provided by the Issuer to Re Trading was not determined. The schedule for the transfer of business functions from the Issuer to Re Trading to ensure that Re Trading can operate as an independent entity was also not determined.

Providing the support in the transition period was a requirement of the Investors. Such a condition arises from the fact that the sale of Re Trading takes place without prior preparation of this company for the transaction (due to the sudden nature of the circumstances that affected the decision to sell). The support in the transition period is intended to enable Re Trading to become independent and to generate sufficient revenue to allow, among other things, the payment of the price for the shares in Re Trading.

As part of their support in the transition period, Investors may require the Issuer to support Re Trading in particular in the process of ordering, purchasing and logistics in relation to the designated for the Russian market. The Investors may also require the Issuer to sell Re Trading goods indirectly (e.g. through purchasing agents) for the Russian market.

The Issuer assumes that, as competence is built up on the Re Trading side, this company will gradually take over further business processes from the Issuer.

The Issuer assumes that the transition period will last no longer than until the price for the shares in Re Trading is paid in full, i.e. no later than 25 December 2026.

The issuer indicates that it was further agreed that in the transition period Re Trading in particular:

- a) will not be authorised to use the LPP trademarks;
- b) will run business under its own brand;
- c) will be obliged to change the branding of the stores;
- d) will be authorised to sell LPP inventory in the transition period.

Consequently, Re Trading will be authorised to sell on the Russian market only those goods bearing LPP trademarks which, upon conclusion of the Share Purchase Agreement, will be the property of Re Trading (have already been stored in Re Trading's warehouses), will be in the process of delivery to Re Trading, or goods already ordered for the Russian market but not yet delivered.

VI. PUT OPTION

The Investors requested that an element of the Transaction should be the inclusion of the *put option* in the Share Purchase Agreement.

The *put option* should include the Investors' right to withdraw from the Share Purchase Agreement in the event of:

- a) RE Trading's failure to generate revenue sufficient to pay the relevant tranche of the share price; or
- b) unsatisfactory performance of Re Trading.

The Issuer assesses the risk of Investors' exercising such a *put option* as low.

Firstly, given Re Trading's past financial performance over the ten years preceding 2022 and the level of margins in the Russian market, the Issuer is ascertained that Re Trading will generate sufficient revenues to provide funds for the payment of the price for the shares by the Investors and the repayment of Re Trading's receivables to the Issuer.

Secondly, the war between Russia and Ukraine is escalating, which, with the progressive support of NATO members in favour of Ukraine, indicates a high probability of further sanctions (both on the side of the European Union and reciprocally on the side of Russia), which may legally or actually hinder or prevent a hypothetical reverse transfer of shares in Re Trading to the Issuer by exercising the *put option*. Under these circumstances, the Issuer assesses that there is a very low probability that, even in the case of the Investors' willingness to exercise the *put option*, the Russian administration would approve the direct or indirect acquisition of shares by a Polish entity (i.e. the Issuer).