[Monika Wszeborowska]: Good evening, Monika Wszeborowska here. A warm welcome to you all at the LPP Group's results conference. We do apologise for the brief delay, but unfortunately technical glitches are always impossible to predict. We hope that everything will go smoothly from now on. Ladies and gentlemen, today's meeting will be chaired by Marcin Bójko, Management Board Member responsible for finance, and Magdalena Kopaczewska, Director of Investor Relations. Ladies and gentlemen, we will begin today's meeting with a summary of the results for 2Q of this year and the cumulative results for 1H of the year. We would then like to move on to summarising and presenting to you the results of the operational changes we have introduced to the Sinsay brand. We announced these three months ago during our last results conference, which took place in June.

[Monika Wszeborowska]: These are changes we have introduced to increase the brand's sales potential. The first effects of these changes are already visible, and this is precisely what we would also like to discuss with you at today's meeting. We will also discuss our updated financial targets for the current year, and we will conclude today's meeting with a Q&A session. You may ask questions via the chat box. It is already active and will remain available to you until the end of today's meeting. I would also strongly encourage you to participate actively. Of course, as always, we remain at your disposal via the press office email address media@lpp.com and the investor relations department at lpp.investor.relations@lpp.com. That's all from me, ladies and gentlemen; let us now move on to a summary of the 2Q results.

[Marcin Bójko]: Thank you. Good evening. Without further ado, let's move straight on to discussing the results. A summary of 2Q. In 2Q, we opened 230 stores, whilst in 2H there were 351 store openings across all brands, including 314 under Sinsay brand. Here, too, we are proceeding in line with the recently revised and announced plan. This means that at the end of the first half of the year, we had over 4,000 stores across the entire network, including: nearly 2,700 Sinsay stores. And so we are proceeding according to plan and are well on the way to seeing a '3' at the front by the end of this year; in other words, by the end of the year we expect to have over 3,000 stores under our newest brand, Sinsay.

[Marcin Bójko]: The expansion of our stores network isn't the only initiative we're pursuing, of course. Our marketplace officially launched in full at the start of September, including under the Sinsay brand. For now, the platform operates only in Poland. It is still at an early stage; we are, of course, developing it, and at this early stage, the most important thing for us is to ensure that this development is of high quality and well-thought-out, so that the products we offer are synergistic – that is, they complement what we already offer under the Sinsay brand. And so we'll be proceeding in this way over the coming months, and we believe – as we can also see from the initial results – that the further into the future we go, the more this platform will grow.

[Marcin Bójko]: Overall, in 2Q, over half a billion was spent on investments, specifically under Capex. And here, as is traditional, the majority of this is, of course, capital expenditure related to the opening of new store locations. However, as in 2025, a significant portion is also allocated to the logistics programme. In 2Q, this amounted to 150 million. And here's an important operational update. Towards the end of last year, we launched a Fulfillment Center in Romania. In July, we launched a Distribution Center in Romania, meaning we are now fully operational in terms of our assets in Romania following the fire, as these two sites have replaced the warehouses that burnt down over a year ago in the Romanian city of . So we have these assets in place. We are now gradually improving our operations, shifting them from Poland to Romania.

[Marcin Bójko]: The first shipments are already heading for the port of Constanța, so we're also reducing sea transport times – goods no longer go to Gdańsk, but directly to Romania. From there, they go to the newly opened distribution centre, and selected southern markets are now being supplied from this direction. Lead times are also improving; we're back to normal. Those extended delivery times to customers have definitely been reduced. And this is positive news: operational efficiency and business efficiency are contributing positively to our growth. However, even more encouraging are the profits we're seeing in 2Q. 1.7 billion at the EBITDA level, 1.1 billion at the EBIT level, and nearly 800 million in net profit. A 40 to 50% increase at every level – so a very good quarter indeed. Of course, the macroeconomic environment and the strong PLN have helped us, but one must also know how to capitalise on these conditions.

[Marcin Bójko]: When we factor in our growth, our effective management of prices and margins across all our brands, we see precisely these excellent results. And today we can boast a fifth consecutive quarter of improved profitability. A few more details on how we achieved these results. And we'll start with sales, as usual. In 2Q, we saw an 18% increase in revenue, nearly 19% in our main channel – that is, in traditional stores – and over 16% growth in online sales. And online sales in particular, following a difficult 1Q marked by poor weather – the coldest April on record, just to remind you – rebounded very nicely, going from +1 in 1Q to +16 in 2Q. This is already a healthy level that we'd like to maintain going forward. As for the regions, online sales grew everywhere at a similar, equally strong pace.

[Marcin Bójko]: As for traditional stores, LFL also rebounded quarter-on-quarter – that is, compared to 1Q, which was difficult – and was positive virtually everywhere. One caveat here. Southern Europe has also improved; whilst in 1Q it was down 5.5%, it is now down 4.5%, so it is clear that this negative trend is the only one persisting in the region. We're pleased to see it improving. Romania is also improving, though the environment there remains challenging. We're simply focusing on being the best in these challenging market conditions. We're actively working on our product range and logistics, amongst other things, and this will certainly pay off in time. Looking strictly at like-for-like figures – and here's another piece of positive news – after two weaker quarters and negative LFLs, we've seen a 1.8% increase at group level, marking a return to positive growth.

[Marcin Bójko]: How did this break down by brand? Sinsay was down 1.2%. I think this is probably the first time we can honestly say that this 1.2% decline is perhaps not comparable to the previous 1.7% or 1.6% declines, as we did indeed face certain challenges there in terms of our product range. However, we've now started our sell-offs earlier; we wanted to make room for the autumn collection, armed with the knowledge we have now about how sales in August and September are shaping up – we'll see that shortly. This -1.2% was in line with our expectations, given how we'd been managing goods this quarter. A very good margin – we've also been focusing on this a bit following a stronger start to the sell-offs – so everything is heading in the right direction. As for the other brands, it's up 5.4%. And then there's Reserved, our second-largest brand, which has recorded very strong, positive LFL growth for eight consecutive quarters.

[Marcin Bójko]: And what we're also very pleased about are the two smaller brands, namely House and Cropp. For four consecutive quarters, they've shown positive LFL growth, and Cropp has even been achieving high single-digit to low double-digit growth in the last quarter, so it's already at a really good, solid level. Another factor shaping our results is the gross profit margin, which, as mentioned, is 3.7 percentage points above last year. The positive trend from 1Q has been maintained; as a reminder, it stood at 4.5 points then. And, of course, the bulk of this effect is down to the strong PLN; we can see this in the commentary: 3.60 versus PLN 4.00 at this time last year. However, macroeconomic factors aren't the whole story; around half a percentage point of this effect came from our efficiency – specifically, our management of prices and margins, particularly during the sales period.

[Marcin Bójko]: And whilst we have no control over macroeconomic factors – the entire market is at the mercy of FX rates – when it comes to OPEX and operating costs, the ball is in our court. Here we have 100% control, and the hard work put in by the whole of LPP and all our teams in 2025 is now paying off. We have a very lean, streamlined and agile operational base. And once again, we can report a reduction in costs both per square metre and as a proportion of revenue. The biggest factors are precisely the logistics Capex I mentioned at the start. It's performing very well in terms of OPEX – we're streamlining, improving efficiency, enhancing the quality of our operations, and these payback periods really are within a few months. We can see this in the OPEX figures.

[Marcin Bójko]: And the second major driver is the growing share of the Sinsay brand. Naturally, when it comes to stores – and store costs are our largest cost category in terms of P&L – this concept is cheaper, so the more Sinsay stores we have, the lower the costs per square metre. It's probably worth pausing here to discuss what Monika mentioned at the start – namely, we have a number of initiatives; we mapped them out in June, and we'll go through their status in a moment. However, regarding these costs – because performance marketing, that is, buying online advertising, is also a significant cost category – and given our healthy gains and lean cost base, we can see that now is a good time to spend a little more on performance marketing.

[Marcin Bójko]: The changes introduced at European Union level in July regarding surcharges for Asian platforms, set at 3 euros per product line. At the start of July, we hadn't yet seen the effects of this, though we had, in fact, expected as much. Last May, when similar regulations came into force in the US, it also took a couple of weeks for the shift to take place and for the full effect to be felt. However, to be honest, we have been seeing the effects in our e-commerce growth since around August. We can see that this is a good time to boost performance marketing; consequently, for the Sinsay brand, the percentage point of OPEX outflows relative to revenue is higher. At group level, this amounts to ca half a percentage point; so here too, let's say, we're investing in costs from our existing base, whilst in the coming periods we're definitely seeing positive effects on customer traffic and sales, and this will certainly pay off in the coming quarters.

[Marcin Bójko]: When we put all three elements together, we get exactly what we see in the headline: very dynamic growth in profits and profitability. After six months, over 3 billion at the EBITDA level, over 1.8 billion at the EBIT level, and over 1.2 billion at the net profit level – all absolutely record levels, with a significant improvement in profitability. We've built a very strong foundation after 1H, so we're now in a comfortable position financially as we head into the autumn/winter season; we can focus on business initiatives, delivering excellent collections, and further improving our efficiency. We're using these record gains to fund our investments. As for Capex, after six months it stands at over PLN one billion; as I mentioned, over half a billion of that is for stores in the first six months, and over 420 million is for logistics.

[Marcin Bójko]: And now, on a full-year basis, Capex spent on stores will be a direct function of the number of openings. As for logistics, we expect to spend roughly the same amount again – perhaps slightly less – over the full year; therefore, the guidance for this year of 2.5 billion in Capex for 2026 remains unchanged. As for the balance sheet and inventory levels, at 1,633 PLN per square metre, this reflects a seasonal increase; as we're entering the autumn/winter season, we naturally had to stock up. In July, August and up to mid-September, levels will be roughly at this level, perhaps slightly higher. However, from mid- to late September and into October, these levels will return to normal. Anticipating a possible question, 1,500–1,600 is the inventory level per square metre that we intend to operate with in future periods.

[Marcin Bójko]: Well, of course, we're also keeping a close eye on inventory turnover. In 2Q, there was an improvement of over 20 days to 157 days, so this area is definitely well looked after; we've learnt our lessons from last year and the situation here looks very good and very comfortable across all brands. Good profits and good inventory management also translate into strong financial and cash flow ratios in terms of liquidity. Working capital has improved YoY; net debt – that is, EBITDA – and the net debt to EBITDA ratio, which represents our leverage ratio, stands at one – again, an improvement YoY – so this is a very, very comfortable and secure level. And the chart that I'm probably most pleased with when looking at our results is the improving operating cash flow. However, we're spending a lot on Capex – a record-breaking figure of over 3 billion last year, and ca 2.5 billion this year – so by the end of this year we'll be wrapping up this record-breaking Capex period, this major investment programme.

[Marcin Bójko]: At the same time, we are paying a dividend, and we are also operating within the maximum payout range. At the same time, we are able to operate on a very stable financial footing; operating cash flows are improving, and as we get closer to the end of the year and into 2027, we expect to see sustained cash surpluses and, shall we say, the pleasant 'headache' of deciding where to invest those surpluses. So, to sum up the first six months: good profits, a comfortable position in terms of inventory levels and working capital management, and a very healthy liquidity position, which is improving slowly but steadily. So much for the first six months; however, it is now mid-September, halfway through 3Q, so, as is customary, we'll also take a look at what the data is telling us right now. And the start of the autumn/winter season is traditionally the 'back to school' period. I'll now ask Magda to go through the details of how this period has played out for us.

[Magdalena Kopaczewska]: A few key points regarding this 'back-to-school' period. Firstly, despite last year's high base, we're very pleased with this year's 'back-to-school' period – it was strong. What was evident was that it was stronger online, across virtually all brands. We've prepared a few figures here. It's worth noting that the period analysed runs from 17 August – as this is when parents and young people start thinking about school – to 6 September, as this is precisely the time when school-related shopping is still taking place. We've divided this into two groups. One group relates to purchases at Reserved – specifically Reserved Kids – and at Sinsay.

[Magdalena Kopaczewska]: There, we can see that in omnichannel there was a 23 YoY increase, in offline 19%, and online, as I mentioned, as much as 30%. The second group we analysed, in terms of this back-to-school period, comprised brands aimed at teenagers – namely Cropp and House – and there we observed a 20 YoY increase in omnichannel sales, 18 YoY in offline sales, and 42 YoY in online sales. Finally, I'd like to add two interesting observations. At Sinsay, we observed during this period that there was greater interest in products from the higher price range – that is, with higher price- points – whilst at Cropp and House, we noticed that young people were more interested in viral products.

[Magdalena Kopaczewska]: So that's it in a nutshell as far as 'back to school' is concerned.

[Marcin Bójko]: Thanks. So that's what's been happening in recent weeks, during the 'back to school' period. However, as Monika has already mentioned, in June we presented our initiatives aimed at boosting sales momentum for the Sinsay brand. We've grouped these into five areas. I've already touched on some of them here, so I won't go through everything, but I'll comment on the areas we haven't covered yet. As far as collections are concerned, we can see here that our 'back to fashion' or 'smart value' approach is proving successful at the start of autumn – that is, focusing on the mid-price range whilst incorporating a greater element of trendiness and fashionability is working well. We're seeing good margins, good customer engagement and good sales here, so this was definitely a step in the right direction.

[Marcin Bójko]: As for the shopping experience, perhaps these initiatives aren't quite as high-profile in terms of media or PR, and they don't make the front pages or headlines. However, this is strictly retail work; it adds value at the store level, so here too, what we've already done previously—enhancing customer service — is key. Meanwhile, we're continuing to replace our display furniture; nearly 30% of the chain already has new furniture. We're showcasing our collections in a more attractive way. Of course, we've also improved our collections – we can see this from the preliminary results – so we'll continue to work on this systematically. And then there's a small — perhaps a minor — change, but one with a big impact: over 500 stores are now equipped with self-service checkouts. In fact, I was shopping at Reserved here in Gdańsk on Monday. Apart from me, four other people served themselves, whilst a colleague from our store service team was able to attend to the sell-off corner.

[Marcin Bójko]: He happened to be working on that at the time, so that also really shows how it frees up time and allows staff to focus on better displaying the collection. We've already discussed performance marketing. As for the 'Home' section, we're constantly working on optimising the range – we're phasing out slow-moving products and those with the lowest margins. At store level, we're carrying out mini-refits: we're reducing the homeware area slightly, introducing different furniture there, and thereby expanding the clothing section; and overall, following such a mini-refit, the store's results compared to the benchmark group are performing very, very well. And here in the home department, in terms of the figures, there's some positive news: as the only department within the Sinsay brand, we've seen positive growth virtually every month of the SS26 season. Of course, one could argue that perhaps the baseline wasn't particularly high to begin with.

[Marcin Bójko]: That said, this bodes well for the future, and we can see that we're heading in the right direction. As far as logistics are concerned – that is, optimising our network and ensuring our assets are already in the optimal configuration, whilst now adapting our operations and product flows to this – this is already happening. The closer we get to the end of the year, the closer we'll be to that optimum. And over time, we simply need to get customers used to the idea – we have good collections, our logistics will be in place very soon, and they're already improving. And now it's a matter of getting customers used to the fact that the goods – which, following the fire, they actually had to wait quite a long time for – will now reach them within the timeframe we were still offering a year ago or in the first half of 2025. How does this look in terms of figures – that is, the last few months, the first half… sorry, the whole of August and the first half of September.

[Marcin Bójko]: A 20% increase in omnichannel sales; a similar trend online; and positive LFLs of 4%. And here's a point from my side: this trend is definitely positive and improving. In the first half of August, we had fewer summer items in our range and were focusing more on margins, so those likes and sales were slightly below the averages shown in the table. The second half of August was definitely better, and the first half of September is essentially the best period. We're pleased with this, and whilst we're keeping an eye on things, it's already looking really good over this one-and-a-half-month period. At the same time, we've seen a good gross profit margin, above last year's level. As for our opening plans for 2H, they remain unchanged and are in line with the target we set ourselves in June. And then there's the dividend paid in the second tranche.

[Marcin Bójko]: As I mentioned, the situation is very comfortable. We're sharing our gains with you, and at the end of October we'll pay out the second tranche of PLN 500 per share. The date for dividend is 9 October, if I remember correctly, so there is still time to buy shares, which we encourage you to do. Summing up the last six months, the last month and a half – that is, the second half of 3Q – and our initiatives, what we see for the year as a whole is that our guidance for this year remains largely unchanged. The only upward revision is to the gross profit margin. We can see that, following the 2Q results and what we've been observing up to mid-September, we are able to raise our estimate specifically for the gross profit margin. Previously 56%, now in the range of 56.5% to 57%. And, naturally, this feeds down the line, meaning a higher EBITDA margin and a higher profit margin.

[Marcin Bójko]: The other items remain largely unchanged. Perhaps just for the sake of completeness, we also expect a slight improvement in net debt and EBITDA compared to previous estimates. So, on that very positive note, we'll conclude our discussion of the results and move seamlessly on to the Q&A session.

[Magdalena Kopaczewska]: The first question concerns LFLs. What is the total number of LFLs for the group in the first half of 2026?

[Marcin Bójko]: Just a moment, I'm sorry, let me just open the data. First, we'll display the correct slide, and then we'll move on to the answer. The first half of 2026: minus 0.3.

[Magdalena Kopaczewska]: The next question concerns the impact of FX rates, specifically the US$ and the PLN. Recently, we've seen a reversal in the trend, with the PLN losing ground against the US$. How is the company preparing for such a situation? If the US$ were to cost around PLN 4, could this have a material impact on the company's margin in the future?

[Marcin Bójko]: Yes, that's a very good question. I think we saw this in the margin slide – that is, from 3.7, let's say, in 2Q; even in the commentary it seems to be working out well, because we've currently contracted SS26 at 3.60, a year ago SS was purchased at FX 4 PLN, and as I mentioned, out of that 3.7 percentage points, let's say, a stronger PLN at the same purchase prices amounts to nearly three percentage points, so that's the impact. For now, what we're seeing is more like 3.71 or 3.75, so if this impact were to materialise next year, it would be somewhere in the middle.

[Magdalena Kopaczewska]: What exactly was the cost of the share scheme that was charged to 1Q and 2Q? Where was it recognised in the functional breakdown, and what costs do you anticipate for 2H of 2026 and 2027?

[Marcin Bójko]: These costs are provided for in the form of provisions. Most of it was recognised in July, as is traditional for 2Q; however, as for the exact figures, I'd rather not comment on that here. However, the scheme is structured exactly the same way as before in terms of performance ratios and bonus targets for our teams. Now there is simply this option to convert into shares, so as far as the costs themselves, the approach or the calculations are concerned, nothing changes – business objectives remain the most important, and the share scheme is awarded for achieving them. Naturally, with results like these, the bases involved are substantial and favourable, but at the end of the day they motivate our staff to work hard, and we share LPP SA's success with them too.

[Magdalena Kopaczewska]: My question concerns insurance, or rather compensations. How much compensation was actually received in 2Q and 1H? What amount remains to be recovered, and what additional operating costs related to the fire are still being charged to 2Q? When do you expect these to be fully settled? What is the value of these receivables as at 26 July within trade receivables?

[Marcin Bójko]: I'll give you a rough figure, as this is probably the most important and very precise question, but we have already recovered over PLN 250 million in compensations. As for the additional costs affecting 2Q, they are now minimal, because, as I mentioned, we were already getting closer and closer to an optimal network configuration, so let's say that in 2Q this amounted to no more than 4, or at most 5 million PLN, but for now it has essentially been written off. In the P&L – or in the profit and loss account – we have just under 350 million recorded; that is the amount shown in the accounts, plus the BI; the liquidation process is also ongoing. So far, 200, over 250 million has been recovered, whilst we're still in discussions with the consortium and the claims adjuster; so when we finalise the matter, we'll certainly let you know.

[Magdalena Kopaczewska]: Could you tell us a bit more about the LFLs group's 4% growth since August, broken down by brand? Has Sinsay returned to positive growth yet, and what was the figure?

[Marcin Bójko]: Yes, Sinsay has returned to positive growth. As I mentioned, it has been improving with each successive two-week period. In mid-August it was still negative; in the second half of August it was around zero plus; whilst in the first half of September it is at a high, let's say, single-digit positive level. What's even more encouraging is that Sinsay's LFL growth rate is finally very, in fact very close to that of Reserved during this period. We're pleased about this too, because in previous quarters the gap was indeed wider, whereas now the growth rate has caught up to that level. It's the middle of the quarter, the start of autumn, and the result is indeed very, very promising.

[Magdalena Kopaczewska]: My question concerns the gross profit margin. The gross profit margin stood at 57.7% in 2Q and, so far in 3Q, remains above last year's level. Can you say how much of this improvement is due to FX, sourcing and freight, and how much is due to better management of markdowns and pricing? And what is behind the projected decline in the gross profit margin to 55%–56% for 2027?

[Marcin Bójko]: Good question, perhaps more so from a 2027 perspective. I did indeed focus on 2026 when discussing the results, but I'm glad this question has been raised. Let's take it step by step: the first part of the question concerns the margin. As I mentioned, of that 3.7 percentage point YoY improvement, half a point is, let's say, down to our efficiency, and ca 0.2 points are attributable to other factors, including logistics. The remainder is due to a stronger PLN, with sourcing costs remaining similar. And now, when we look at this in the context of the next half year, it's also clear that macroeconomic factors are definitely helping. In 2H of this year – and this is already evident in September – the margin is above last year; this is down to our efficiency, particularly in the smaller brands, such as Reserved, but also in Sinsay. However, the FX impact is already levelling off, as in the second half of last year we were already purchasing collections at a rate of 3.70 plus.

[Marcin Bójko]: We're at roughly the same level now, so you can see that it's levelling out. And now the second part of question 2027. Naturally, I think this was also the second question in the Q&A session – we're factoring in a weakening of the PLN in our plans. We're seeing this on the market too, so let's say ca. one and a half percentage points – that's the impact of the weaker PLN. The next one to one and a half percentage points is down to higher purchase prices. As for what's happening on the oil market, I think everyone is keeping an eye on it: a big spike in the spring of this year, followed by a slight easing, and now a return above 100 US$ a barrel. Well, this translates into purchasing pressure from Asian suppliers. Polyester also accounts for a significant proportion of our production, so this naturally contributes to that pressure, and we're factoring this in somewhere within our margin.

[Marcin Bójko]: However, we'll partly offset this through price rises in, shall we say, the premium-price brands – namely RCMH – and partly through our efficiency, because if we look, for example, at 2025 or 2026, well, there were periods – particularly in the first half of this year – where, even judging by the 'likes', the Sinsay collection was drifting a bit away from the market, so we had to operate with a lower margin. So if we factor in these efficiency gains, that explains the range for next year. And it may only appear lower against the backdrop of a very strong 2026. However, if we look back to 2025, 2024 or 2023, we really do believe that this level is sustainable in the long term – that 55% plus – and it's comfortable for us at the moment.

[Magdalena Kopaczewska]: Could the current situation in the Red Sea have a negative impact on the timeliness of deliveries, and what percentage of products comes via the Red Sea, and what percentage via the route around Africa?

[Marcin Bójko]: Before the conference, we even checked the status of this with our logistics team. We can't see any delays. So that's the good news, and even following the turmoil and the outbreak of war in Iran this year, punctuality has never been an issue. We learnt this lesson from the first crisis in the Red Sea, so we plan shipments and orders well in advance, and lead times are good on this route. However, as regards returning to the Suez Canal, most of our shipowners are still sailing round Africa – in fact, I'm not sure if it isn't all of them. There are isolated voices suggesting that we are, as it were, returning to the Suez Canal; this would, of course, shorten the sailing time, but the situation remains so unstable that these have been merely initial suggestions for the time being. Shipowners are exploring this option. In November, we'll be sitting down to negotiate freight rates for next year, and I think everything will become clear then.

[Magdalena Kopaczewska]: There are reports in the media about gas shortages in Bangladesh and India. These shortages are causing production stoppages in factories. Could this have a negative impact on your production?

[Marcin Bójko]: We have no such information at present. We are already monitoring orders for the SS27 season, that is, the first half of next year. Orders have been placed, and we have no cause for concern. The only thing, perhaps, is what I mentioned earlier – the expectation of higher prices, which we have already factored into our guidance for next year.

[Magdalena Kopaczewska]: My question concerns Sinsay's LFLs. Could you please provide a breakdown by country regarding Sinsay's LFLs?

[Marcin Bójko]: Yes, we'll give you the exact figures in a moment, to be precise. As for the entire SS26 season, well, here—sorry, let me check—ah, yes, because that was at group level, so at Sinsay level it was down 3.8% in the first half of 2026. And basically, all regions were, shall we say, below par. The only positive exception was Eastern Europe – that is, Kazakhstan and Ukraine, for example – which saw a rebound into positive territory following a weaker year last year. And then there's Southern Europe, including Romania, which is the largest market there and accounts for the biggest share; well, that 'like' was below, below that average of minus 3.8.

[Magdalena Kopaczewska]: And here's the second part of that question. Is the negative 'like' score at Sinsay the result of growing competition, the product range, or perhaps other factors, and what is the situation regarding the 'like' score at Sinsay in 3Q?

[Marcin Bójko]: As for the reasons, I think there are many factors. We've tried to address them through the initiatives we've outlined for you, and whose status we've reported on today. I think it's down to the collection; logistics didn't help us, along with slightly different price points and customer expectations. Performance is certainly a factor; we operate on an omnichannel model, which is our strength, so perhaps a slight shift in focus towards profitability rather than online customer traffic – these are interconnected – also played a part here. So there are many, many factors, including the weather. We're growing at a very fast pace; no one else in the region is doing this, so the natural level of cannibalisation we're seeing is already emerging – it's probably around two percentage points at this stage – and that's also bringing our growth rate down, so there are many factors at play.

[Marcin Bójko]: That said, these initiatives are working. We still have a lot of work ahead of us, because right up until the end of the year, logistics alone will be a challenge; we'll continue to optimise our ordering process, the display of collections in stores, and our work on the Home range. However, in 3Q – after a month and a half or halfway through – we can see that things are really holding up well. The 'like' rate is above the line, but if we take August out of the equation – where we focused more on margins and had more autumn than summer goods, so the first half of August was a bit of a write-off – then the 'like' rates are already at a really good level. Well, I don't want to give a specific figure here, as we still have the second half of 3Q ahead of us, but as I mentioned, in September we're already reaching very high single-digit levels. There are days when the 'like' rate is even as high as 10–12%.

[Magdalena Kopaczewska]: My next question concerns the competition. Does the company see the 'Off-Price' concept, which is being developed on the Polish market by the Modivo group, as a threat?

[Marcin Bójko]: We see this as a natural, slightly different segment. Marcin Piechocki mentioned this right at the start of last year, when the entire Management Board was at the stock exchange. The market is large and has plenty of room for growth; this is a different segment, more brand-oriented, so I think there is room for them to grow as well as for us – whether it's Sinsay or our other brands such as Reserved – and House has been demonstrating for a year now that it is possible to grow very quickly, whilst for the last two quarters or so, Cropp has also shown that it is possible to achieve very strong growth within our model.

[Magdalena Kopaczewska]: You have raised your guidance for 2026, but at the same time kept it unchanged for 2027. Is this a conservative approach due to the distant timeframe and the related uncertainty, or because certain benefits have been exhausted?

[Marcin Bójko]: The approach is purely business-based, mathematical and economic. The entire upward revision of the guidance this year, of course, reflects some of our efficiency gains, so we're probably leaving ourselves a bit of room in this area, perhaps to be on the safe side. However, as I mentioned, this macro effect – which is still holding up, particularly in 3Q – is, as it were, the main driver or the main reason for raising the guidance; so, again, we have a higher macro environment. Previously, we estimated a level of 55–56% based on a certain macro level; now it has risen. However, if we strip out the macro factor entirely and factor in our efficiency, at the end of the day we end up at the same level. So I think we'll continue to emphasise that, in the long term, 55–56% is a safe, repeatable range; this is important to us because this year has shown that it's an exceptionally good one, and we've been able to capitalise on it in 2026 in terms of margin.

[Marcin Bójko]: However, in the long term, our main targets and focus are to achieve stronger sales growth and maintain consistently positive LFLs – albeit, perhaps, with a slightly lower margin, as this represents a more balanced top line.

[Magdalena Kopaczewska]: What is the situation with demand in Ukraine and the Baltic states, and is there less competition in Romania – is demand there stabilising?

[Marcin Bójko]: Demand in Romania is stabilising, perhaps starting from the bottom. We can see this in the LFLs. According to macro data, retail consumption there is still well below historical levels, even compared to last year. However, the latest forecasts suggest that this is set to happen towards the end of the year or in the first half of next year, so we hope that these 'likes' will follow suit. Historically, that's how it's behaved. As I mentioned, the market is equally challenging for everyone; it's demanding. We simply have to be the best in this difficult market, and that's what we're doing – we're doing everything we can to ensure that's the case. As for the other countries, that's actually a very good question, because looking strictly at the Sinsay brand, I can see the 'likes'. The Baltic states and the East – whether in 2Q or at present – are precisely the markets with very good 'likes' at a very high level; Ukraine, too, carries a lot of weight – it's already the second-largest market in our Group.

[Marcin Bójko]: Following a very strong 2024, there was a full normalisation, and as we recall, Ukraine alone accounted for about one and a half percentage points of our Sinsay growth. Now there has been a reversal of the situation; there's been some normalisation in the figures, and these growth rates are, shall we say, on average in the single digits, and positive.

[Magdalena Kopaczewska]: A question about performance marketing. Has the cost of performance marketing changed following the introduction of tariffs – in other words, is there less pressure from Chinese players?

[Marcin Bójko]: In terms of cost – say, per click – there is a slight positive effect; however, the whole market is likely to benefit from this as well, because, as I mentioned, these regulations have been in force since July, whilst we noticed sometime in early August that the Sinsay brand was already more popular in search engines – in this particular case, it was Temu. We were, of course, keeping an eye on the whole market, but we also decided that yes, this was the moment to ramp up our performance marketing spend, increase our budget, and we're treating this as an investment in acquiring new customers and retaining existing ones. We know that a newly acquired customer has a certain lifespan, so this is also an investment – as I'm saying, it may not strictly be Capex, but for the next three years, to some extent, we've already acquired those customers, so now we're just focusing on improving conversion rates.

[Magdalena Kopaczewska]: A question about inventory turnover. What is the difference in clothing turnover between Reserved and Sinsay?

[Marcin Bójko]: These turnover cycles are quite similar. At Sinsay, due to the volume and lower price point, it's, let's say, two weeks faster.

[Magdalena Kopaczewska]: A question regarding the Home category – although we've already touched on this somewhat. It concerns which categories in the Home collection are generally the strongest, which are the weakest, and how the Home collection is currently selling at Sinsay?

[Marcin Bójko]: The Home collection, as I mentioned, is the only – or rather, was the only – department at Sinsay to record positive sales figures every month in 1H of this year. Perhaps I'd rather not reveal which product groups are the best, the worst and which ones we're working on, as this does constitute market intelligence. I think the point I can reiterate is that we're simply focusing on optimising the breadth of our range – in other words, we're reducing the breadth whilst increasing the depth, meaning that for the best-performing products, we'll simply have a slightly wider selection.

[Magdalena Kopaczewska]: When can we expect to see the first results from the marketplace that was recently launched? Will the figures be included in the 3Q report?

[Marcin Bójko]: We're considering how to report this, but even by reporting and accounting standards, the scale is still really negligible. In terms of GMV, we're currently talking about hundreds of thousands of PLN a month, not millions or billions. So, as I mentioned, this is a very early stage; we're focusing on qualitative growth. We want to choose categories wisely so that they fit in well with what Sinsay already offers, and we can see that it's already working – that is, quite a few customers are coming to us via the marketplace, and whilst they may not buy anything on the marketplace itself, but a significant percentage – I won't say exactly how much – do buy something from Sinsay, so it's clear that this synergistic effect, which we set out as one of the marketplace's objectives, is already working. However, the scale is still small. Let this concept grow at its own pace; let this platform grow.

[Marcin Bójko]: But what are our ambitions? We've stated in our materials an EBITDA of 40–50 million for next year. 50 would mean it's performing well above our expectations. We'd be very pleased with 40, whilst whether it turns out to be 25 or 30 would, at this stage, probably mean we're proceeding according to plan.

[Magdalena Kopaczewska]: Could you please say a few words about the situation in Bangladesh and the diversification of production markets?

[Marcin Bójko]: Perhaps to summarise the situation in Bangladesh once more, the whole situation is, let's say, a consequence of the end of the transition period; that is, the transition period ended in January 2025, and since then the company that acquired the Russian part of LPP's business has been operating independently. LPP paid its invoices, though I think we all remember that it was a difficult decision, but a necessary one. LPP had to write off over PLN 800 million at the end of last year. Previously, during sales, we wrote off just under 300 million, meaning LPP lost 1.1 billion in this area. And that's precisely over 800 million strictly from outstanding payments. Some suppliers in Bangladesh found themselves in a similar situation and, for unknown reasons – because everything was clear and had been communicated – attempts were made to pin these receivables locally on LPP.

[Marcin Bójko]: We'd actually known about this beforehand; there were no factual grounds for it, but somewhere in the local market in Bangladesh it turned into quite a media storm including: the local market. Our employees also began to face difficulties from the authorities, so at the end of the day, – we always stand firmly behind our employees; we cannot allow this to happen, particularly in a situation where everything was clear, and that is why we took the drastic decision to suspend orders for two weeks. In fact, during that period, a number of communication channels opened up; we clarified a lot of issues with the local authorities and issued a joint statement with the largest organisation in the garment industry. Our positive narrative also came through – highlighting the scale of the LPP Group's orders in Bangladesh – and, well, we've been growing alongside Bangladesh in recent years and want to continue growing there.

[Marcin Bójko]: At the end of the day, common sense prevailed, and now everything is back to normal. We'll exceed our previous level; our order volume this year will be slightly higher than last year's, so we consider this situation resolved. We are, of course, still in contact with Bangladesh. As for diversification, well, naturally, this situation has forced us to look for sources more actively. Moving forward, these will likely be neighbouring markets, somewhere in the Asian region, but we're also entering new markets in Central Asia. I won't go into specifics just yet, but we're seeing positive interest there and are examining in more detail the possibilities for operationalising and finalising these offers, and I think that, well, we have a very broad group of suppliers here, and we'll keep you updated, but the situation has been addressed, so we can focus once again on design and 2027, and on delivering good collections.

[Magdalena Kopaczewska]: My question concerns Sinsay. What return on investment is the Sinsay store generating for you, what is your policy on closing unprofitable stores, and how long do you give them?

[Marcin Bójko]: As we've repeatedly stated and communicated – and indeed, we regularly disclose the payback periods we're achieving with this concept – the current figure is ca. 17 months. We're aiming for a payback period of under 24 months and an EBITDA margin of, say, at least 25%. These are our baseline targets. However, of course, we have a safety margin and allow ourselves a bit more leeway. As for closures, well, anything that is consistently unprofitable in terms of cash flow is analysed on an ongoing basis and will be cut at the first, at the first possible opportunity. That is, when the first, let's say, lease term expires, we simply do not renew the contract, and we will continue to optimise this on an ongoing basis. As for Sinsay at the moment – and as we've also analysed the coming years – let me remind you that in June, when we announced the 1Q results, we also set out our expectations for the outlook beyond 2027.

[Marcin Bójko]: We've been looking at this, and for now the quality of the Sinsay network is good enough, the results are good, and we've ensured the quality of our store openings, hence these cuts to our opening plans – however painful they may be, but which we see as necessary and, at the end of the day, yielding good results – mean that these openings will not take place; closures, I apologise, will definitely not be any more frequent; so this is simply our leasing team monitoring the results on an ongoing basis, and we are taking action where a store is actually permanently unprofitable.

[Magdalena Kopaczewska]: Allegro has opened an office in China. Is LPP also planning such a move? If so, what is the thinking behind it?

[Marcin Bójko]: We've had a very large office in China for many years now, and we have a large office in Bangladesh. These are our two main markets in terms of sourcing; they make a very significant contribution to optimising orders for our online offering. So we're already there, we're operating, and we don't plan to change that – in fact, we're simply optimising our operations there, i.e. looking at how we can derive even more value for the customer from our presence there. And, of course, the teams based there are constantly monitoring and auditing factories, so this collaboration must be maintained at the appropriate level and in line with our standards.

[Magdalena Kopaczewska]: None of the customs duties on products from India from the start of 2027. Has the impact on margins already been calculated? Will production be relocated to India?

[Marcin Bójko]: We will be calculating this and communicating it on an ongoing basis. However, we are already seeing the effects; we have already estimated the initial margins for the first half of 2027, which are also included in the guidance, so for now my answer is yes, and we will continue to monitor how the situation develops.

[Magdalena Kopaczewska]: And that was the last question from our list for today.s

[Monika Wszeborowska]: Ladies and gentlemen, we would like to thank you very much for your time and for your engagement in the Q&A session. We hope we have addressed all the issues that were on your minds. At the same time, we would like to draw your attention to 3 December. This is the date on which we are planning our next results conference, during which we will summarise 3Q for you, so we strongly encourage you to save this date in your diaries. In the meantime, thank you once again for joining us today, and we look forward to seeing you in December.

[Marcin Bójko]: Thank you, see you soon, and we’ll be in touch.

[Magdalena Kopaczewska]: Thank you.