

W. KRUK
1 8 4 0

DENICLER
MILANO

WÓLCZANKA

BYTOM
SZTUKA KRAWIECTWA OD 1945

VISTULA



VRG
VISTULA RETAIL GROUP

VRG GROUP INVESTMENT STORY

JUNE 2022

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01

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VRG GROUP



VRG
VISTULA RETAIL GROUP

A DIVERSIFIED RETAIL GROUP

52,325 m²
FLOORSPACE

550
STORES

18.2%
ON-LINE IN REVENUES

5
BRANDS

PLN 884m
MARKET CAPITALISATION

PLN 1,070m
REVENUES

106
CITIES IN POLAND



TWO KEY SEGMENTS

APPAREL



FORMAL

SMART
CASUAL

CASUAL

PREMIUM
CLOTHING

JEWELLERY



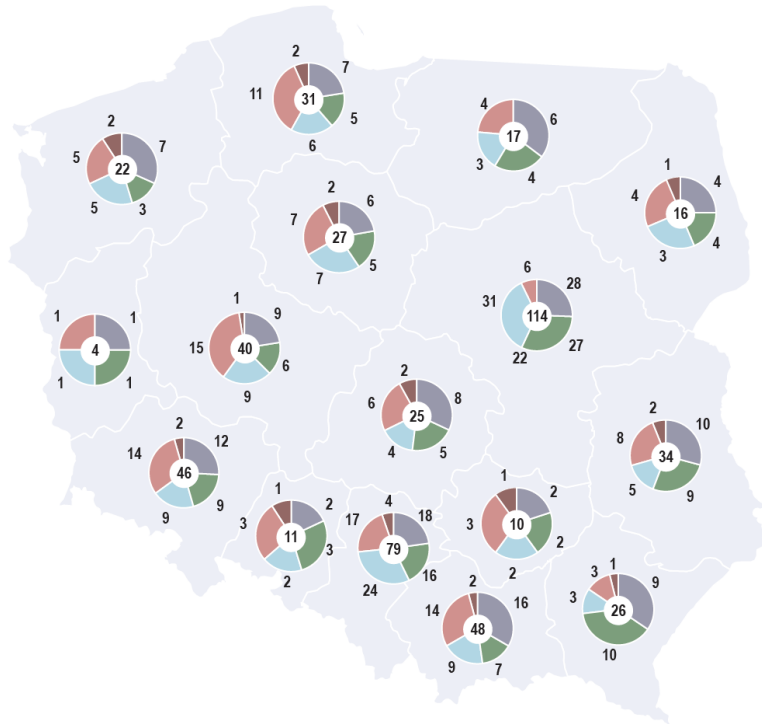
JEWELLERY

WATCHES

ACCESSORIES

Data as at the end of 2021.

PRESENCE ALL OVER POLAND



NUMBER OF STORES EOP 2021

VISTULA	145
BYTOM <small>SZTUKA KRAWIECTWA OD 1945</small>	114
WÓLCZANKA	116
DENI CLER <small>MILANO</small>	29
W.KRUK <small>1840</small>	146
VRG <small>VISTULA RETAIL GROUP</small>	550

A COMPREHENSIVE PORTFOLIO OF BRANDS

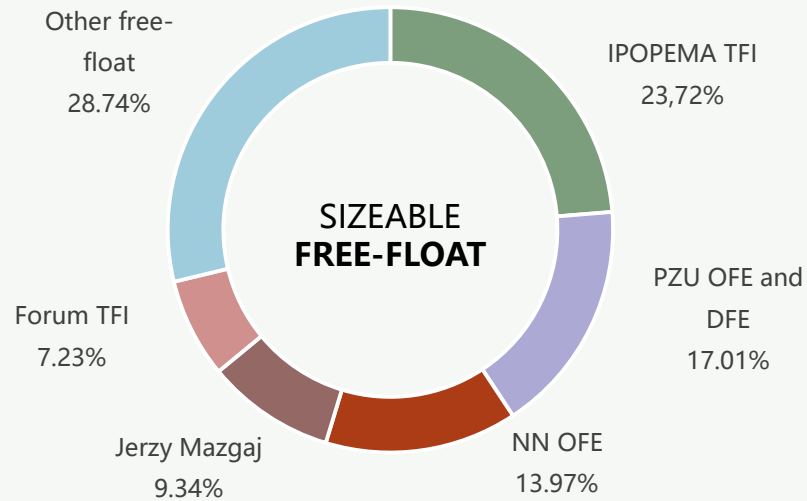
Brands offering formal and casual clothing,

following the latest trends.

	VISTULA	BYTOM <small>SZTUKA KRAWIECTWA OD 1945</small>	WÓLCZANKA	DENI CLER <small>MILANO</small>	W.KRUK <small>1 8 4 0</small>
BRAND DESCRIPTION	formal and casual clothing	formal and casual clothing	formal and casual clothing	business and casual clothing	jewellery, watches, accessories
TARGET GROUP	men, women	men	women, men	women	women, men, children
YEAR OF LAUNCH	1967	1945	1948	1972	1840
NUMBER OF STORES	145	114	116	29	146
FLOORSPACE M2	18,531	15,166	4,399	2,835	11,394
AVERAGE STORE SIZE (M2)	128	133	38	98	78
PRICE RANGE	medium-priced	medium-priced	medium-priced	upper-priced	medium/ upper-priced/ luxury

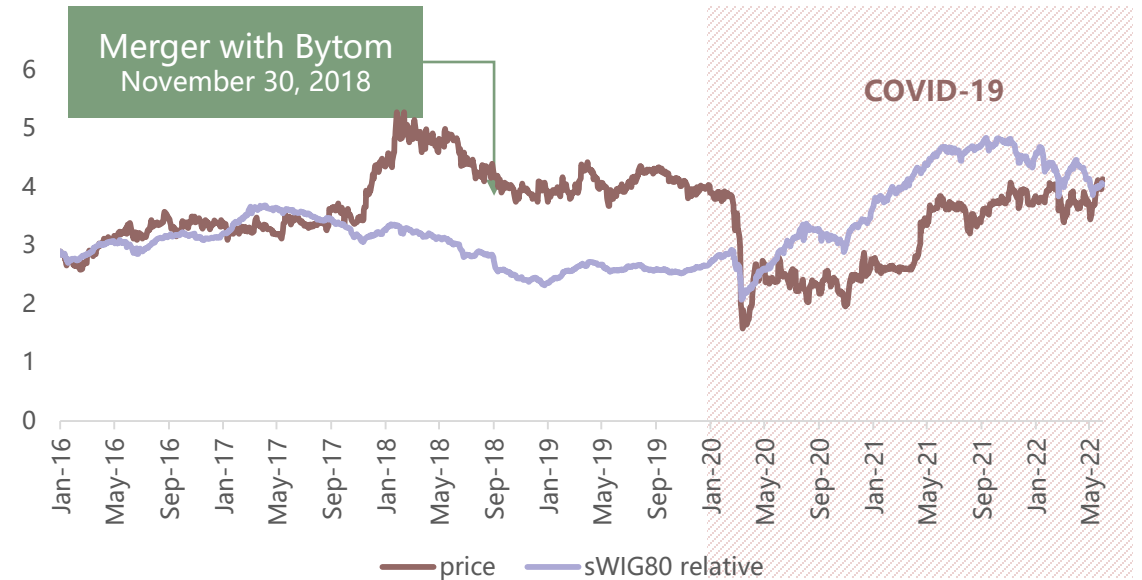
SWIG20 COMPANY WITH A SIZEABLE FREE-FLOAT

SHAREHOLDER STRUCTURE



The percentage share of Ipopema TFI includes shares held by Ipopema 2 Closed-end Investment Fund of Non-Public Assets (8.65%) and Ipopema 21 Closed-end Investment Fund of Non-Public Assets (15.1%). The percentage share of Forum TFI includes shares owned by Forum X Closed-end Investment Fund (2.97%) and Forum XXIII Closed-end Investment Fund (4.26%). The shareholding structure shown as at May 18, 2022.

VRG S.A. SHARE PRICE VERSUS sWIG80



COMPANY

LISTED
ON WSE

IN
sWIG80
INDEX

VISTULA

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WÓLCZANKA

DENICLER

WKRUK

SZTUKA KRAMIĘCTWA OD 1945

MILANO

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02

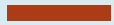
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KEY INVESTMENT THESIS



KEY INVESTMENT THESIS OF VRG GROUP

Optimal retail network following the latest trends



Group's aim is to grow revenues with a stable floorspace in 2022

01

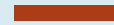
Growth off-line and on-line



2022 target: Double-digit YoY revenue growth. Increase both in off-line and on-line

02

Significant profitability improvement



2022 target: Sizeably better YoY financial results

03

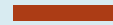
A strong financial standing



Low indebtedness, dividend policy

04

Increasingly sustainable



Implementation of Sustainable Development Strategy for 2020-22

05



OPTIMAL RETAIL NETWORK FOLLOWING THE LATEST TRENDS

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I LONG-TERM TARGET: DEVELOPMENT

The aim of the Group is to build value via growth in scale of the business



MISSION

VRG mission is to creatively pursue perfection by offering its Customers high quality products and services with a special emphasis on their uniqueness and aesthetics.

VISION

VRG vision is creation of House of Brands and assuring development of each of our brands by respecting their identity and independence and building value added.

GROUP FOLLOWING THE TRENDS

KEY TRENDS

THAT WILL INFLUENCE VRG S.A. GROUP RESULTS

FORMAL

ADDING



CASUAL/SMART
CASUAL

MENSWEAR

ADDING



COLLECTIONS
FOR MEN AND
WOMEN

OFF-LINE
SEPARATE FROM
ON-LINE

MOVE TOWARDS



OMNICHANNEL



POTENTIAL TO DEVELOP DOMESTICALLY

VRG apparel brands have
c. 1.8% share
in apparel market in Poland
in 2020

Sources of growth of the apparel segment:

Strengthening the leading position
on the elegant market

Development of casual and smart
casual offering

A stronger entry into women
fashion



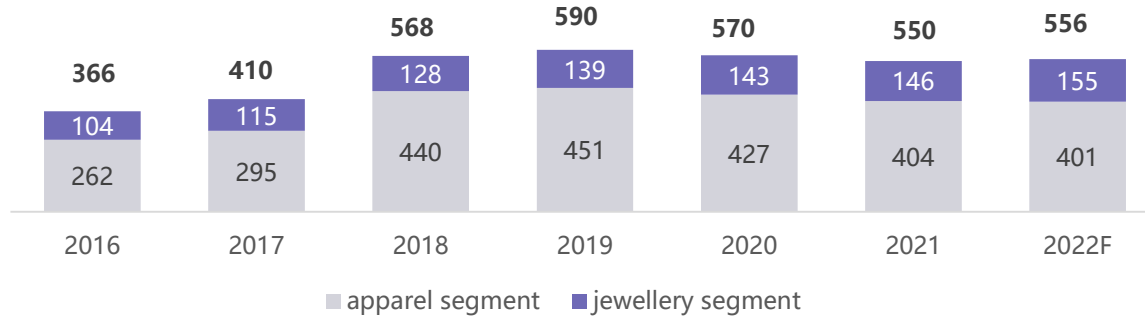
W.KRUK brand constituted
c. 14% share
of jewellery market
in Poland in 2020

Three branded players own
c. 50% market share

Some **36% of the jewellery
market in Poland** does not
belong to large players

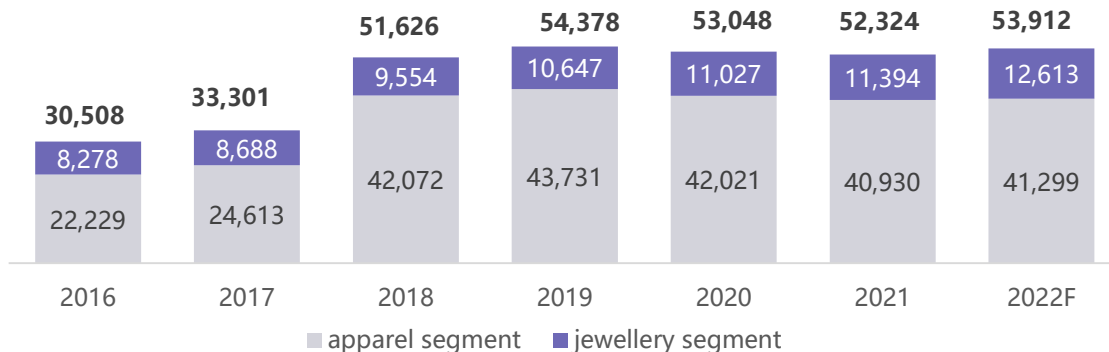
JEWELLERY NETWORK AS A SOURCE OF GROWTHS IN 2020-22

Number of stores by segments



- Both the apparel and jewellery segment were the source of growing number of stores in 2016-19. Since the end of 2018 the Group consolidates the Bytom brand.
- Closing of unprofitable stores, mainly in the apparel segment, in 2019-22F.
- Continuation of development of the number of stores in the jewellery segment - development of own and franchise stores in 2016-2022F.

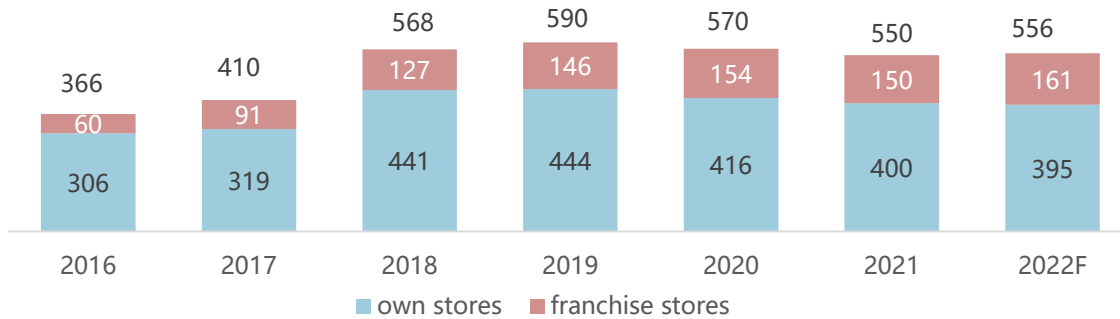
Floorspace by segments (m2)



- Sources of floorspace changes in 2022:
 - opening of Vistula and Wólczanka stores with larger floorspace, allowing to present a broader collection of the brands' offer,
 - relative stabilisation of Bytom's floorspace (only menswear), in terms of Deni Cler Milano (only women's fashion) also through multibrands,
 - development of the jewellery brand floorspace.

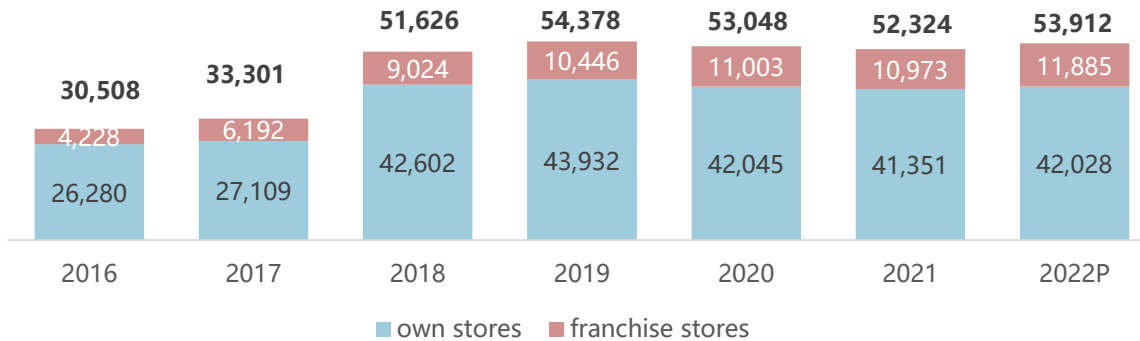
A FAVOURABLE MIX OF OWN AND FRANCHISE STORES

Number of stores by type



- In 2016-21 network development took place via own and franchise stores. All brands currently have both own and franchise stores.
- Dynamic development of franchise stores (for which percentage of turnover is paid) contributed to Group's geographic expansion in Poland in 2016-20.
- In 2022, return to growth in number of franchise stores.

Floorspace by type (m2)



- Advantages of franchise network as a source of growth:
 - obtaining retail margin – franchise stores are equipped with VRG cash registers and retail margin belongs to the Group,
 - variable costs – franchise stores' settlements with VRG Group are based on a fixed percentage of revenues; they are always profitable,
 - no capex – franchisees of Group's brands bear the costs of opening and modernising stores.

NEW PRODUCTS IN OFFERING SUPPORT REVENUES

DEVELOPMENT OF JEWELLERY AND WATCHES OFFERING

New W.KRUK ambassador collections: cooperation with Magda Mołek on the Mea collection and with Natalia Kukulska on the Mother's and Children's Day collections.

The brand continues development of the watches offering. It is a sole distributor of Patek Philippe and Rolex in Poland.



STRONGER EMPHASIS ON WOMEN COLLECTION BALANCE BETWEEN CASUAL AND FORMAL

VISTULA WOMAN is the first full women's collection.

A varied offer, both formal and casual.

V I S T U L A

The main line of the collection is a tradition of classic tailoring..

A wide range of casual items: sweaters, sweatshirts, T-shirts, jackets.

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Broadening of the women's collection with a new range of assortment for both Spring/ Summer (dresses, trousers) as well as Autumn/ Winter (warm coats, sweaters).

WÓLCZANKA



GROWTH OFF-LINE AND ON-LINE

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ACTIONS TOWARDS OMNICHANNEL IN 2022

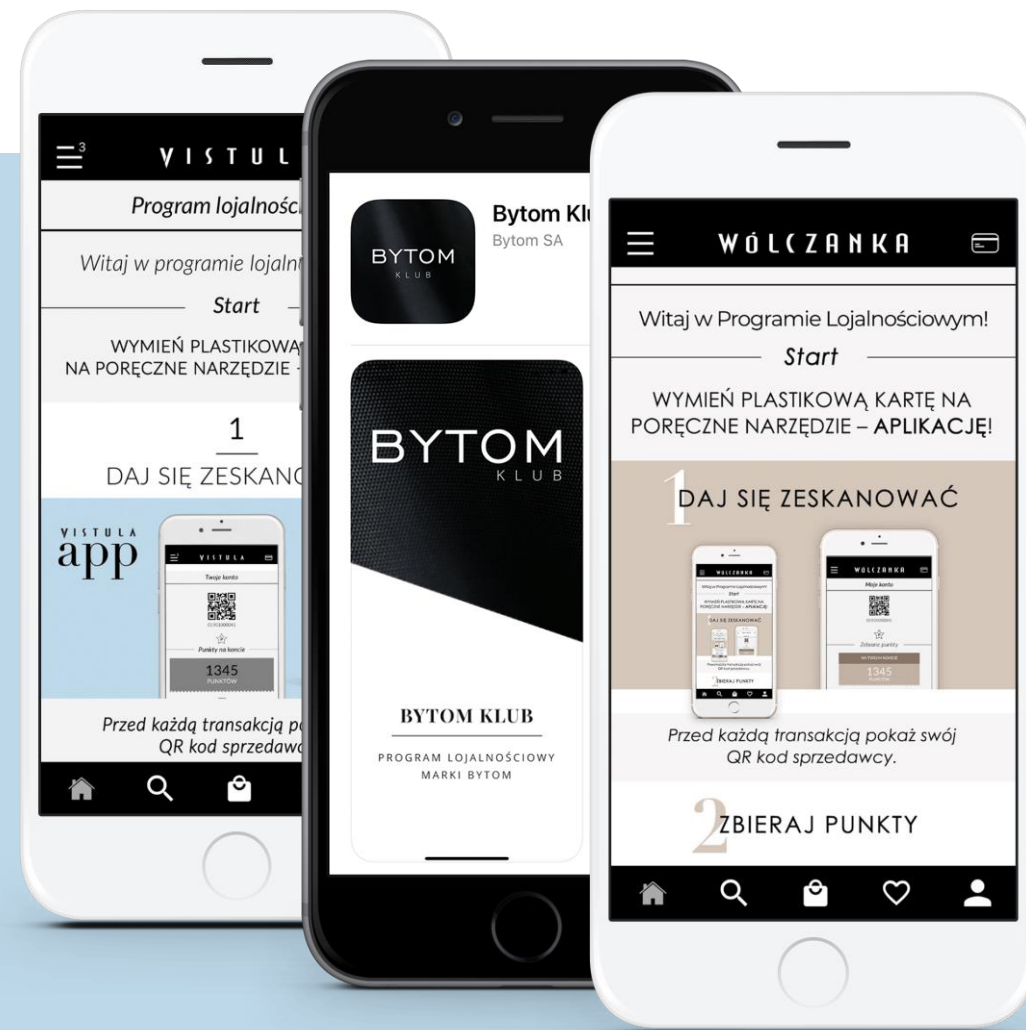
Activities focused on the customer and his/her comfort - building a close relationship with the customer, different from fast fashion.

New concepts of traditional stores, allowing to present the client with an extended brand offer.

Wide possibilities of collecting and returning parcels, also in traditional stores.

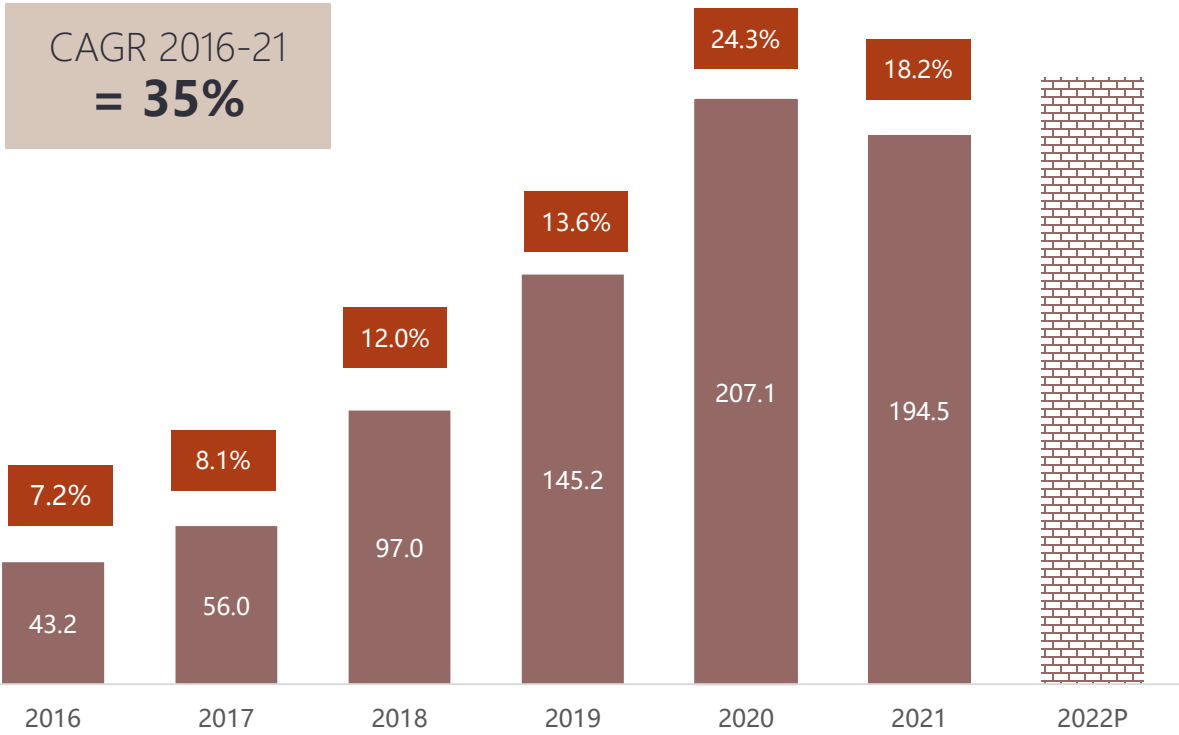
Own e-stores of all brands.

Continuation of cooperation with Zalando.



GROWTH IN ON-LINE SALES

**ON-LINE SALES
AND SHARE OF ON-LINE IN GROUP REVENUES**



SOURCES OF GROWTH **2022+**

changes in customers' shopping habits

thoughtful selection of technologies and digital solutions; aim: shopping convenience

wide possibilities of collecting and returning parcels

all VRG brands with sales applications

| CONTINUATION OF REBOUND IN OFF-LINE SALES

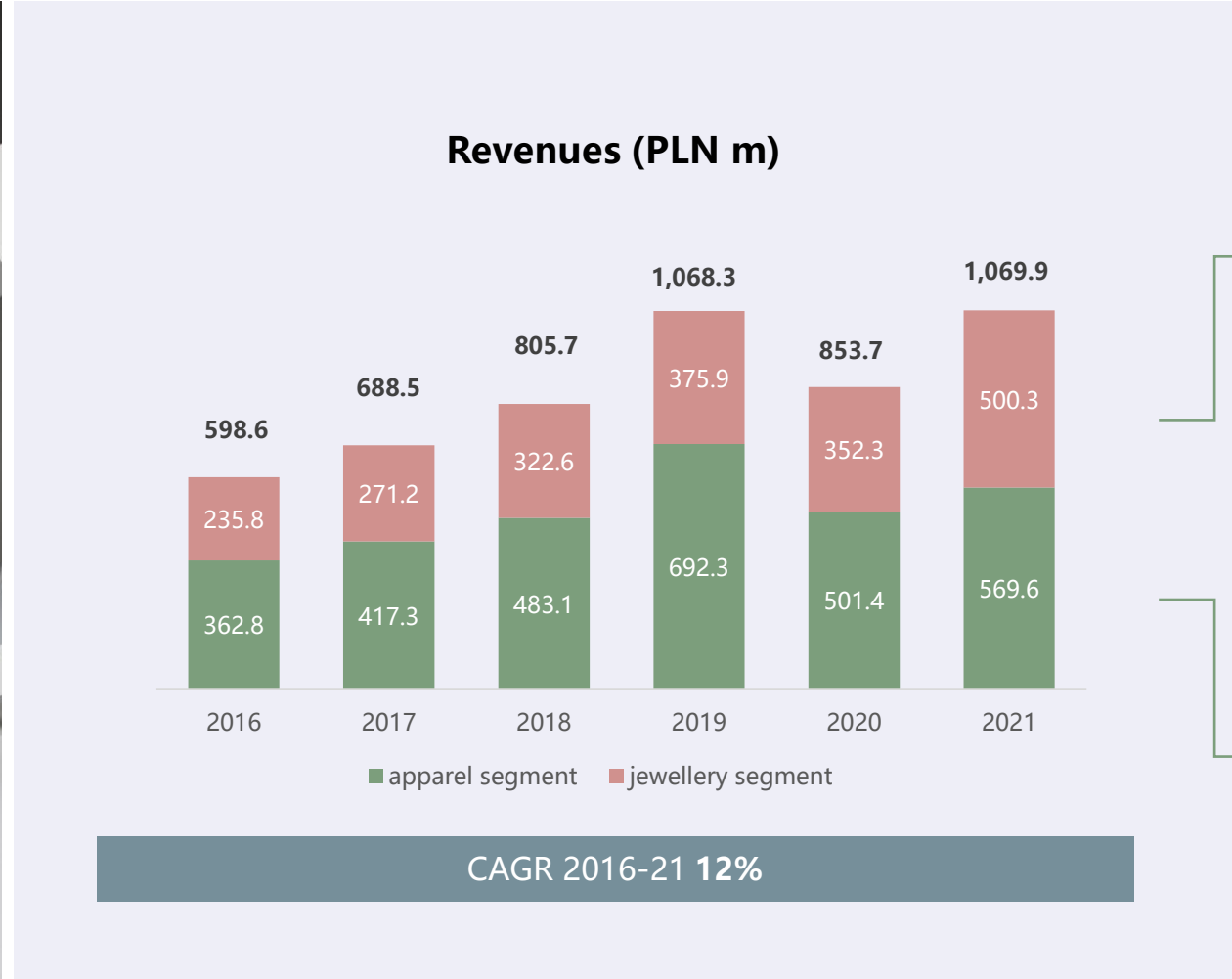
systematic return of customers to purchases in traditional stores

return to celebrations is favourable for purchasing jewellery and formal collections - customers prefer to buy more expensive collections in stores



TRADITIONAL STORES ARE AN INTEGRAL PART OF OMNICHANNEL

GROWTH IN REVENUES OF BOTH SEGMENTS IN 2022+



Key factors affecting the jewellery segment:

- floorspace and on-line sales development,
- broad offering of watches,
- star collections in jewellery offering

Key factors affecting the apparel segment:

- stable floorspace and growth in on-line sales,
- expanding the customer group - introducing women's clothing in Vistula brand and broadening the offer of Wólczanka brand,
- more casual on offer



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SIGNIFICANT PROFITABILITY IMPROVEMENT

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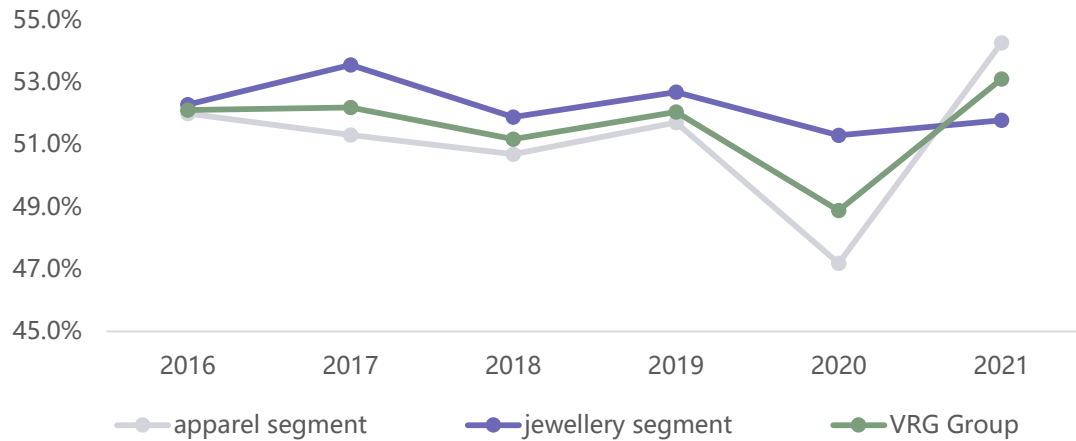
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TARGET: FURTHER GROWTH IN GROSS PROFIT MARGIN

Gross profit margin on sales



Impact on 2022+ apparel segment gross profit margin:

- two strong pillars of sales: casual and rebound in formal,
- rational pricing policy both on-line and off-line,
- optimisation of inventory level.

Group gross profit margin will be the result of margins in the apparel and jewellery segments and their relative share. 2022 target: higher YoY gross profit margin.

Gross profit margin on sales

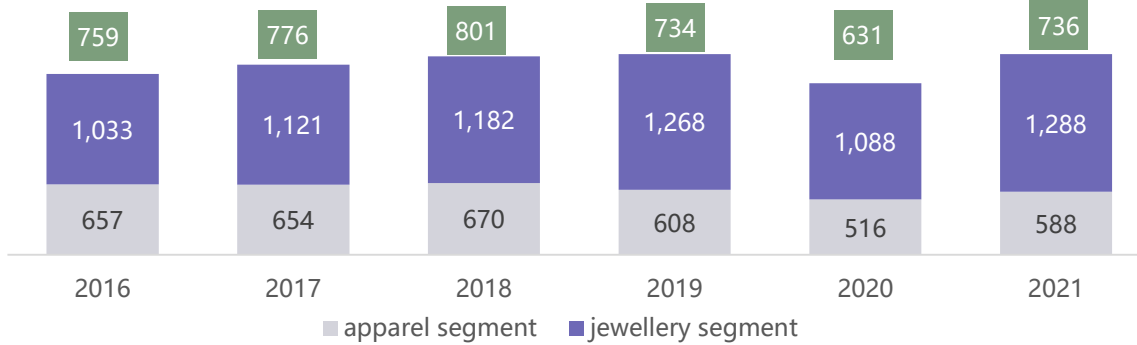
	2016	2017	2018	2019	2020	2021
Apparel segment	52.0%	51.3%	50.7%	51.7%	47.2%	54.3%
Jewellery segment	52.3%	53.6%	51.9%	52.7%	51.3%	51.8%
VRG Group	52.1%	52.2%	51.2%	52.1%	48.9%	53.1%

Impact on 2022+ jewellery segment gross profit margin:

- sales structure - higher gross profit margin on jewellery than watches,
- jewellery sales structure - higher margin on silver than gold jewellery,
- fixed margin policy - limited impact of precious metal prices on gross profit margin on sales.

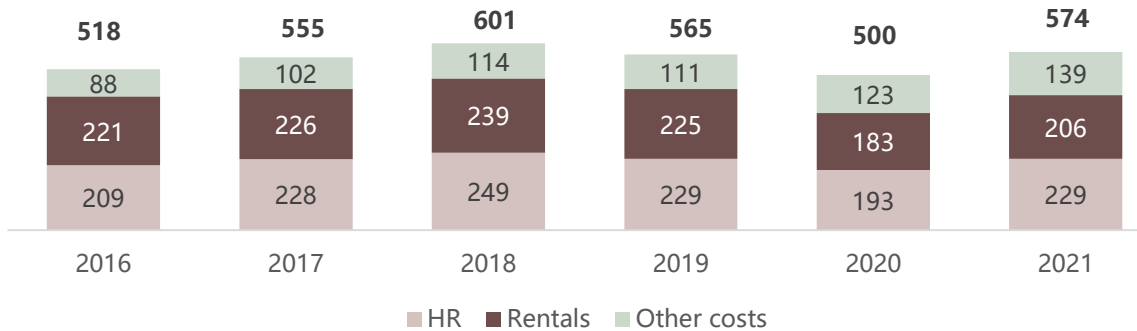
OPERATING COSTS UNDER CONTROL

SG&A costs/m2 by segments (excl. IFRS16)



- Our goal is to keep SG&A/ m2 cost growth below sales growth in upcoming years.
 - A key element of SG&A costs are costs of stores and headquarters.
 - Despite significant share of fixed costs in cost structure, the Management Board's goal is to adjust the level of costs to revenues generated.
 - Some quarter of the Group's SG&A costs (excl. IFRS16) are incurred in a foreign currency (mainly euro).

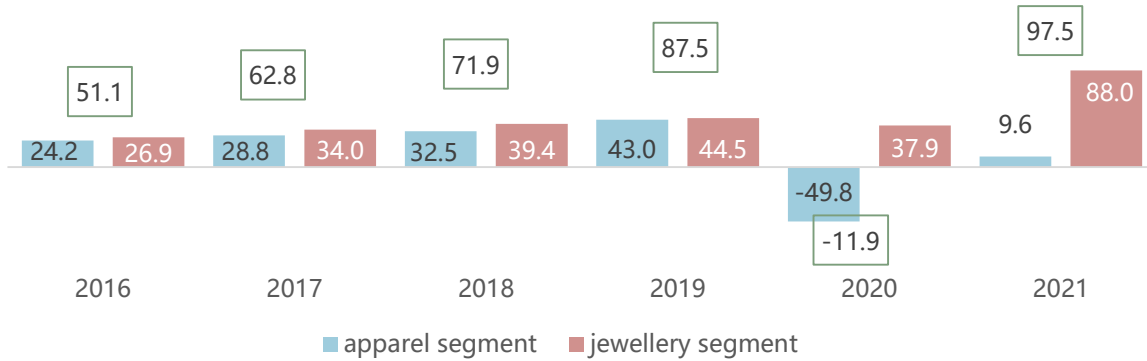
Costs of own stores/ m2 (excl. IFRS16)



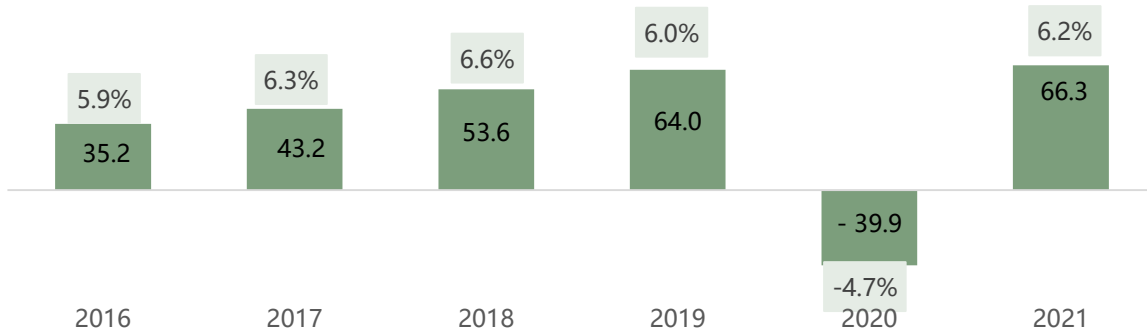
- Trends in costs of own stores (excl. IFRS16) for 2022:
 - HR costs are salaries paid to employees in stores; their level depends partly on sales; pick-up in 2022 possible due to rebound in sales;
 - rental costs (excl. IFRS16 application; under IFRS16 replaced by amortization of right of use asset): no rents during lock-downs, reductions and renegotiations;
 - other costs mostly consist of logistics between stores, POS marketing and depreciation.

TARGET: FURTHER PROFITABILITY IMPROVEMENT IN 2022

EBIT (PLN M, IFRS16 since 2019)



Net profit (PLN m) versus net margin (%)



RESULTS

2022 TARGET: Sizeable YoY results improvement.

RISKS

Slowdown in private consumption growth, high inflation.

OPPORTUNITIES

Further development of the Group's offer, end of pandemic restrictions.



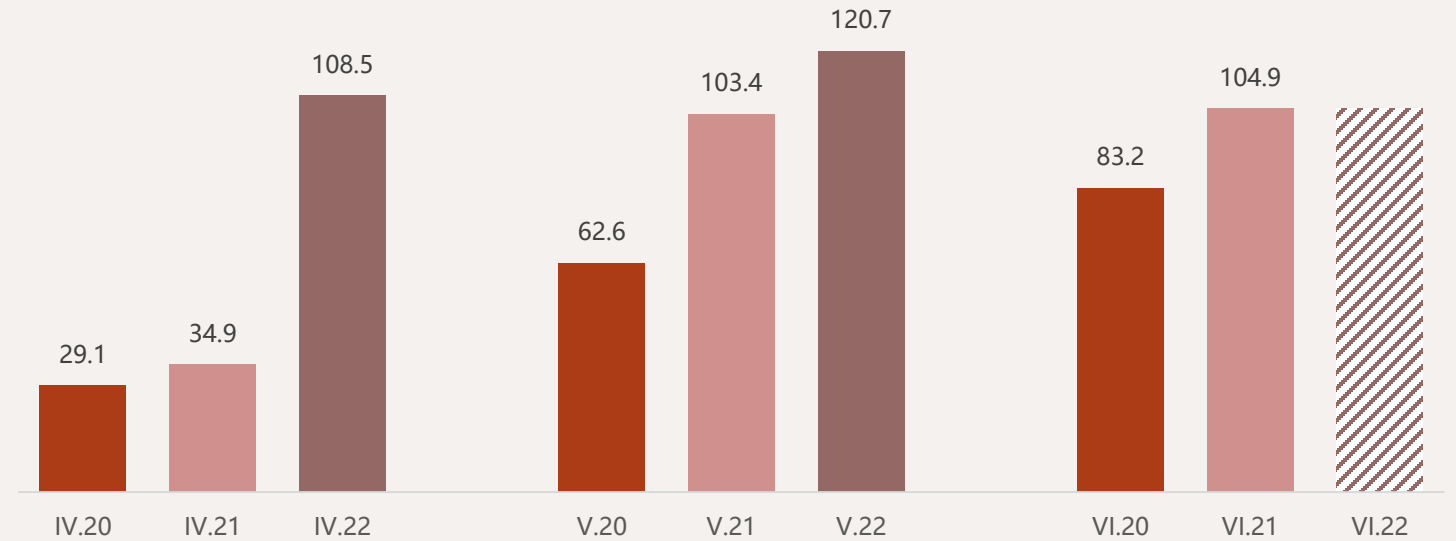
| SIGNIFICANT YOY IMPROVEMENT IN 1Q22 RESULTS



IFRS16	1Q21	1Q22	YoY
SALES	PLN 172.1m	PLN 243.8m	+ 41.6%
GROSS PROFIT MARGIN ON SALES	47.5%	50.5%	+ 3.1 pp.
EBIT	PLN (15.8)m	PLN 5.0m	↑
NET PROFIT (LOSS)	PLN (18.6)m	PLN (2.9)m	↑

The first quarter is seasonally the weakest in the whole year.

| 2Q22 SHOULD BE A SEASONALY STRONG QUARTER



Assuming a very conservative scenario that revenues in June 2022 would be equal to the results for 2021, the results for 2Q22 should be strong due to growing gross margin.



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A STRONG FINANCIAL STANDING

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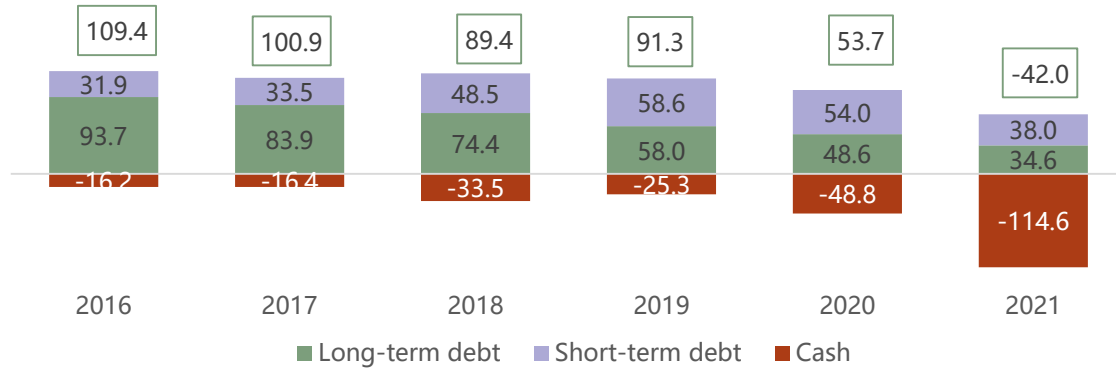
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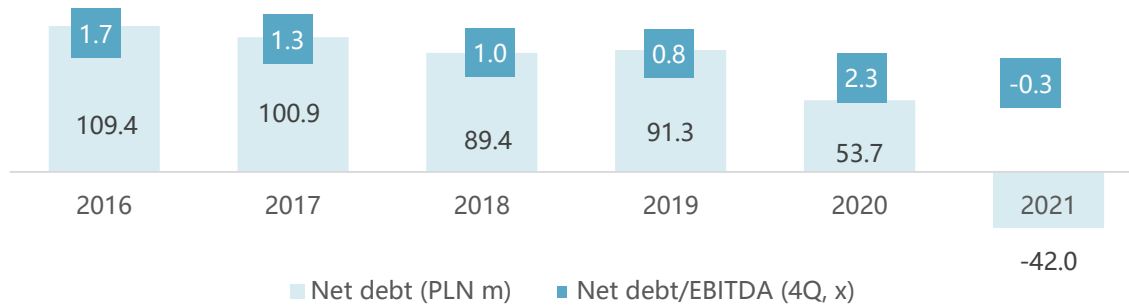
NET CASH ON THE BALANCE SHEET

Net debt/ (net cash)
(PLN m, excl. IFRS16, incl. reverse factoring)



- Long-term and short-term indebtedness shown together with reverse factoring and finance leases, yet excluding the leases from IFRS16. Finance leases under IFRS16 at PLN 332.9m in 2021.
- The Group's short-term and long-term debt has been consistently reduced in recent years.
- Group's net cash under IAS17 came in at PLN 42.0m at the end of 2021, sizeable YoY improvement versus PLN 53.7m net debt at the end of 2020.

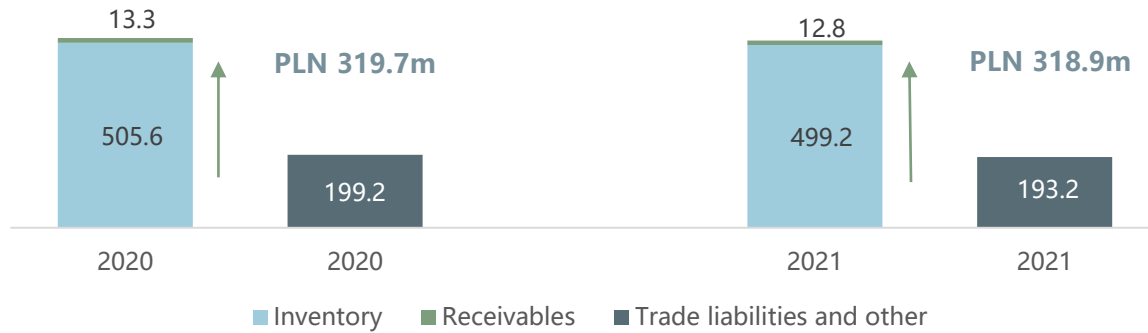
Net debt (net cash) versus net debt/EBITDA (excl. IFRS16)



- The net debt/ EBITDA ratio (for 4 quarters, IAS17) is at a safe level of -0.3x.
- The lowest level of the ratio in recent years due to rebound in 2021 results and consistent work on reducing working capital and debt.

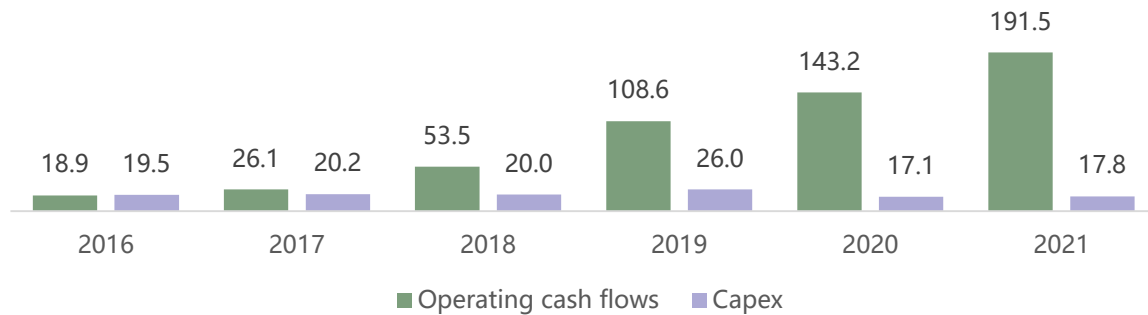
STRONG OPERATING CASH FLOWS

Working capital (PLN m)



- The Group conducts activities aimed at improving the working capital.
- Working capital burden differs between segments: inventory turnover cycle is shorter in the apparel segment than in the jewellery segment, which is less sensitive to fashion trends.
- The Group's goal is to increase the extent to which inventories are financed by trade liabilities.

Cash flows (IFRS16 since 2019, PLN m)



- A consistent increase in operating flows, among others due to rising profits.
- Stable level of capital expenditure in 2016-2018 despite growing network due to development of floorspace through franchise stores. Stable YoY level of capital expenditure in 2021 due to reduced investments during the COVID-19 pandemic.
- Operating cash flow significantly above capex in 2018-2021.

VALUE GENERATION

PLN m, excl. IFRS16	2016	2017	2018	2019	2020	2021
EBIT	51.1	62.8	71.9	87.5	0.5	99.1
Taxes	9.3	11.8	12.2	15.4	5.1	17.3
NOPAT	41.8	51.1	59.8	72.2	-4.6	81.8
Amortisation	14.2	15.5	17.3	23.6	23.0	21.3
Capex	-19.5	-20.2	-20.0	-26.0	-17.1	-17.8
NWC	-33.0	-39.2	-21.1	-75.3	88.4	9.9
FCFF	3.6	7.2	36.0	-5.5	89.7	95.2

FCFF (free cash flows to firm) **positive in almost each of the years even during pandemics.**

2022+: Focus on profitable growth of revenues and gross margin on sales. The goal is to increase costs/ m2 below revenue/ m2 growth.

2022: Capital expenditures for the modernization of stores, network development - in particular W.KRUK and IT should amount to PLN 34m.

2022: Potential to increase efficiency and shorten the cash cycle.

| DIVIDEND POLICY

The Management Board of VRG has adopted a dividend policy to share the profit with shareholders in line with it

- The Management Board intends to recommend annually to the General Meeting payment between 20% to 70% of consolidated net profit presented in the audited consolidated financial statements of VRG S.A., assuming the net debt/EBITDA ratio stays below 2.5x at the end of the financial year.
- Before each recommendation, the Management Board will take into account: 1) financial situation of the Company and the Capital Group, 2) investment needs, 3) liquidity situation, 4) the Group's development prospects in a given market and macroeconomic situation, 5) acquisition plans, 6) bank covenants.

In line with the dividend policy, the Management Board recommended the General Meeting to pay out

PLN 39.9m,

i.e. 60% of consolidated net profit for 2021.





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**INCREASINGLY
SUSTAINABLE**

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| MORE RESPONSIBLE



Code of Conduct for Suppliers and Contractors

In 2020, we introduced the Code for Suppliers and Contractors, which obliges them not only to comply with local regulations, but also VRG Code. Our Code is based on standards of the International Labor Organization (ILO) conventions, UN guidelines and the OECD Guidelines for Responsible Supply Chains in the Textile, Clothing and Footwear Sector. In 2021, 81% of VRG suppliers and 66% of W.KRUK suppliers signed under the Code.

Responsible collections

Bearing in mind environmental issues and ethics in fashion, growing awareness of the protection of animal rights and customer expectations, all the Group's brands have joined the information campaign conducted by the Open Cages Association from the Spring/Summer 2020 collection. The Group produces in Poland. Local suppliers are responsible for 35% of goods sold by the apparel segment and 25% by the jewellery segment.

Measuring our climate and environment impact

Since 2019, we measure our impact on environment and climate (in the form of CO2 equivalent emissions, Scope 1 and 2). We expand Scope 3 calculations. We have moved the production site of Manufaktura W.KRUK to a more ecological one. Already 82% of own stores have LED lighting, and 50% of rental agreements for own stores include environmental clauses.

| 2020-22 CSR STRATEGY

PRODUCTS

OUR PRODUCTS

We want our products to be safe, eco-friendly and ethical. We promote responsible consumption.

Permanent ecological lines in the offer of all brands.

Emphasis on the use of modern and eco fabrics or raw materials, which should represent some 10% of clothing collections.

Implementation of the Supplier Code of Conduct and stronger control over the supply chain. Emphasis on environmental matters.

PEOPLE

OUR EMPLOYEES

We want to provide our employees with the best workplace in which they can develop.

More training opportunities for employees, in particular on responsible design and ethics.

Greater work flexibility, easier remote working.

New perspectives for young people - wider cooperation with universities and vocational colleges.

PLACES

OUR PLACES

We want our stores to be more and more ecological and our activities have a positive impact on the local community.

Introduction of new greener concepts for stores of all brands.

Promotion of eco-friendly attitudes among employees.

Reducing environmental impact in key places of the group (Cracow, Poznań, Warsaw, Ostrowiec Świętokrzyski).

| GLOSSARY

APPAREL SEGMENT

Revenues from brands: Vistula, Wólczanka, Bytom (from XII 2018), Deni Cler and wholesale segment, B2B and processing.

REVENUES (PLN/M2 PER MONTH)

Annual revenues of segment or brand (stores and internet)/ average working floorspace / 12. In terms of Deni Cler brand it includes multibrand store revenues yet not their floorspace.

FORMAL

Revenues from sale of formalwear, including suits and shirts

JEWELLERY SEGMENT

Retail revenues of W.KRUK brand and other revenues (including B2B).

COSTS OF STORES (IAS17)

Operating costs of stores including among others rental expenses, HR costs, depreciation, commissions for franchise stores and logistics.

OPERATING COSTS (SG&A)/M2 (PLN PER MONTH)

Annual group SG&A/ average total working floorspace/ 12.

CASUAL

Revenues including the following assortment: jackets, trousers, coats, knitwear.

COSTS OF (OWN) STORES/ M2 (PLN PER MONTH)

Annual costs of stores (own stores)/ average working floorspace (of own stores)/ 12.

EBITDA

Operating profit plus depreciation and amortisation from cash flow statement.



CONTACT DETAILS

Michał Zimnicki

Executive Vice-President of the Management Board, CFO

Michal.Zimnicki@vrg.pl

Investor relations

relacjeinwestorskie@vrg.pl

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