CONSOLIDATED FINANCIAL STATEMENTS

OF VRG S.A. CAPITAL GROUP AND VRG S.A. FOR 12 MONTHS ENDING DECEMBER 31, 2021

Cracow, April 8, 2022


VRG
VISTULA RETAIL GROUP



VISTULA BYTOM SZTUKA KRAWIECTWA OD 1945 WÓLCZANKA DENI CLER MILANO W.KRUK 1840

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for 12 months ending December 31, 2021

SELECTED FINANCIAL DATA TO CONSOLIDATED FINANCIAL STATMENTS

	PLN ths		EUR ths	
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**2021** from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020
Revenues	1,069,927	853,714	233,736	190,810
Profit (loss) from operations	97,529	- 11,923	21,306	- 2,665
EBITDA	201,615	98,422	44,045	21,327
Pre-tax profit (loss)	83,590	- 48,074	18,261	- 10,745
Net profit (loss)	66,310	-39,932	14,486	-8,925
Net cash flows from operating activities	191,524	143,207	41,840	32,008
Net cash flows from investing activities	-16,543	- 16,143	-3,614	- 3,608
Net cash flows from financing activities	-109,253	- 103,505	-23,867	- 23,134
Total net cash flows	65,728	23,559	14,359	5,266
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Total assets	1,494,392	1 466 233	324 910	317 724
Liabilities and provisions	604,728	642 879	131 480	139 308
Long-term liabilities	271,044	305 988	58 930	66 306
Short-term liabilities	318,316	325 796	69 208	70 598
Total equity	889,664	823 354	193 430	178 416
Share capital	49,122	49 122	10 680	10 644
Shares outstanding	234,455,840	234,455,840	234,455,840	234,455,840
Diluted number of shares	241,505,840	241,505,840	241,505,840	241,505,840
Earnings (loss) per ordinary share (in PLN/EUR)	0.28	- 0.17	0.06	- 0.05
Diluted earnings (loss) per share (in PLN/EUR)	0.27	- 0.17	0.06	- 0.04
Book value per share (in PLN/EUR)	3.79	3.51	0.82	0.76
Diluted book value per share (in PLN/EUR)	3.68	3.51	0.80	0.74
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

CONSOLIDATED STATMENT OF COMPREHENSIVE INCOME

for 12 months ending December 31, 2021

	Note	PLN ths			
		2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Revenues	1, 2	**1,069,927**	**853,714**	**348,795**	**232,004**
Cost of sales	3	501,739	436,370	156,768	113,114
Gross profit (loss) on sales		**568,188**	**417,344**	**192,027**	**118,890**
Selling costs	3	382,631	339,794	115,281	101,659
Administrative expenses	3	81,802	77,046	24,111	20,227
Other operating income	1	13,754	15,456	3,055	6,945
Other operating costs	3	19,902	27,209	1,877	6,489
Loss from sale of non-financial non-current assets		78	674	201	353
Profit (loss) from operations		**97,529**	**- 11,923**	**53,612**	**- 2,893**
Financial income	1, 5	46	2,060	521	7
Financial costs	6	13,985	38,211	4,541	13,834
Pre-tax profit (loss)		83,590	- 48,074	49,592	- 16,720
Income tax	7	17,280	-8,142	9,804	-2,821
Net profit (loss) for the period		**66,310**	**-39,932**	**39,788**	**-13,899**
Attributed to dominating entity		66,310	-39,932	39,788	-13,899
Attributed to non-controlling interest		-	-	-	-
Earnings (loss) per share:					
- basic		0.28	- 0.17	0.17	- 0.06
- diluted		0.27	- 0.17	0.16	- 0.06

**-unaudited data*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 12 months ending December 31, 2021

	Note	PLN ths			
		2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Net profit for the period		**66,310**	**-39,932**	**39,788**	**-13,899**
Other comprehensive income, including:		-	-	-	-
Income that can be reclassified		-	-	-	-
Income that cannot be reclassified		-	-	-	-
Total comprehensive income		**66,310**	**-39,932**	**39,788**	**-13,899**
Attributed to dominating entity		66,310	-39,932	39,788	-13,899
Attributed to non-controlling interest		-	-	-	-

**-unaudited data*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2021

	Note	PLN ths	
		31.12.2021	**31.12.2020**
ASSETS			
Non-current assets		**867,808**	**898,027**
Goodwill	9	302,748	302,748
Other intangible assets	10	197,711	196,242
Fixed assets	11	55,704	60,626
Investment property	12	874	874
Right-of-use assets (IFRS16)	11a	284,386	312,690
Long-term receivables	16	239	295
Shares and stakes	13	27	27
Other long-term investments	14	4	4
Deferred tax assets	22	26,115	24,521
Current assets		**626,584**	**568,206**
Inventory	15	499,173	505,584
Trade and other receivables	17,21	12,839	13,332
Cash and cash equivalents	18	114,572	48,839
Other short-term assets		-	451
Total assets		**1,494,392**	**1,466,233**

	Note	PLN ths	
		31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Dominating entity's equity		**889,664**	**823,354**
Share capital	26	49,122	49,122
Other reserves	27	14,333	14,333
Retained earnings	28	826,209	759,899
Non-controlling interest		-	-
Long-term liabilities and provisions		**272,165**	**307,227**
Liabilities due to security deposits		429	438
Lease liabilities	23	236,957	258,354
incl. lease liabilities related to retail and office space		*236,017*	*256,974*
Loans and borrowings	19	33,658	47,196
Long-term provisions	25	1,121	1,239
Short-term liabilities and provisions		**332,563**	**335,652**
Lease liabilities	23	97,566	98,839
incl. lease liabilities related to retail and office space		*96,861*	*97,510*
Trade and other liabilities	24	193,162	199,240
Corporate income tax liabilities		6,984	3,345
Loans and borrowings and short-term part of long-term loans and borrowings	19	20,604	24,372
Short-term provisions	25	14,247	9,856
Total liabilities and provisions		**604,728**	**642,879**
Total equity and liabilities		1,494,392	1,466,233

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 12 months ending December 31, 2021

	PLN ths			
	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 01.01.2020	49,122	14,333	799,831	863,286
Changes in equity in 2020				
Net profit (loss) for the period	-	-	-39,932	-39,932
Balance at 31.12.2020	49,122	14,333	759,899	823,354
Balance at 01.01.2021	49,122	14,333	759,899	823,354
Changes in equity in 2021				
Net profit (loss) for the period	-	-	66,310	66,310
Balance at 31.12.2021	49,122	14,333	826,209	889,664

Information and explanations regarding the consolidated statement of changes in equity are included in notes 26, 27 and 28.

CONSOLIDATED STATEMENT OF CASH FLOWS

for 12 months ending December 31, 2021

	Note	PLN ths	
		2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020
Cash flows from operating activities			
Pre-tax profit (loss)		83,590	- 48,074
Adjustments:			
Amortization and depreciation		104,086	110,345
Profit (loss) on investing activities		193	645
Income tax paid		-18,678	- 14,505
Interest costs		7,296	8,201
Change in provisions		4,274	- 1,121
Change in inventories		6,411	29,955
Change in receivables		549	10,496
Change in short-term liabilities, excluding bank loans and borrowings		2,939	47,962
Other adjustments	18a	864	- 697
Net cash flows from operating activities		**191,524**	**143,207**
Cash flows from investing activities			
Interest received		4	18
Disposal of fixed assets		1,235	937
Disposal of intangibles		-2,557	- 168
Purchase of fixed assets		-15,225	- 16,930
Net cash flows from investing activities		**-16,543**	**- 16,143**
Cash flows from financing activities			
Proceeds from issuance of shares and other capital instruments and additional payments to capital		-	3,671
Repayment of bank loans and borrowings		-19,856	- 22,251
Finance lease payments		-1,716	- 2,004
Interest paid, other		-1,818	- 2,966
Interest paid due to lease liabilities related to retail and office space		-5,478	- 5,235
Lease payments due to lease liabilities related to retail and office space		-80,385	- 74,720
Net cash flows from financing activity		**-109,253**	**- 103,505**
Change in cash and cash equivalents in the balance sheet		**65,728**	**23,559**
Opening balance of cash		**48,844**	**25,280**
change in cash due to foreign currency translation		-	-
Closing balance of cash	**18**	**114,572**	**48,839**

SUPPLEMENTARY INFORMATION TO CONSOLIDATED FINANCIAL STATMENTS

1. GENERAL INFORMATION

1.1. NAME, REGISTERED OFFICE, BUSINESS ACTIVITY

VRG Spółka Akcyjna (also as "**Parent Company**" or "**Company**" or "**Issuer**"") based in Cracow, Pilotów 10 St., post code: 31-462.

The company was registered in the Cracow Śródmieście District Court, XI Commercial Division of the National Court Register (KRS) under number KRS 0000047082.

The predominant activity of the Company according to the Polish Classification of Activities (PKD) is the retail sale of clothing in specialized stores (PKD 47.71.Z).

For the date of the creation of an independent enterprise, the legal successor of which is VRG S.A., one can acknowledge October 10, 1948 - the date of issuance of the Minister of Industry and Trade ordinance on the creation a state-owned enterprise named "Krakowskie Zakłady Przemysłu Odzieżowego" (Cracow Clothing Production Industry). On April 30, 1991, the District Court for Cracow Śródmieście in Cracow, V Commercial Division, registered the transformation from a state-owned enterprise into a sole-shareholder company of the State Treasury.

The company is one of the first companies that were listed on the Warsaw Stock Exchange S.A. First listing of VRG S.A. took place on September 30, 1993.

COMPANY'S KEY CORPORATE MILESTONES

1948	Ordinance of the Minister of Industry and Trade on creation of a state-owned enterprise under the name "Krakowskie Zakłady Przemysłu Odzieżowego" (Cracow Clothing Production Facility)
1991	Transformation into a sole-shareholder company of the State Treasury under the business name: Zakłady Przemysłu Odzieżowego "Vistula" Spółka Akcyjna
1993	Issuer's debut on the Warsaw Stock Exchange S.A.
2001	Registration of a new company name: Vistula Spółka Akcyjna
2005	Beginning of the process of intensive expansion of the store network and renewal of the positive image of the Vistula brand
2006	Merger with Wólczanka S.A. (change of the company name to Vistula & Wólczanka S.A.)
2008	Taking over control and merger with W.KRUK S.A in Poznań (change of the company name to Vistula Group S.A.)
2015	Transfer of jewellery business conducted under the W.KRUK brand to W.KRUK S.A. subsidiary
2018	Merger with Bytom S.A. (change of the company name to VRG S.A.)
2019	Merger with subsidiary BTM 2 Sp. z o.o.

The lifespan of the Issuer is indefinite.

1.2. STRUCTURE OF THE VRG S.A. CAPITAL GROUP

As at the end of 2021 VRG S.A. Capital Group consisted of the following entities:

VRG S.A. - Parent Company
W.KRUK S.A. based in Cracow, Pilotów 10 St.; post code 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000500269.

The company specialises is design, manufacturing and retail sales of brand luxury products such as jewellery, watches and accessories.
Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

DCG S.A. based in Warsaw, Bystrzycka 81a St., post code 04-907. The company was registered in the District Court for Warsaw, the XXI Commercial Division of the National Court Register (KRS) under number KRS 0000285675.

The company specialises in retail sale of clothing.
Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

WSM Factory Sp. z o.o. (former name Wólczanka Shirts Manufacturing Sp. z o.o.) based in Cracow, Pilotów 10 St., post code: 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000538836.

The company specialises in confectioning of clothing at the request of the parent company, in particular including shirts branded Wólczanka, Lambert, Vistula and Lantier. The company also conducts confectioning of women's shirts and blouses under export contracts concluded by VRG S.A.
Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

VG Property Sp. z o.o. based in Cracow, Pilotów 10 St., post code: 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000505973.

The company specialises in renting and managing of own or leased real estate.
Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

Consolidated financial statements for 2021 include data of the Parent Company and subsidiaries: W.KRUK S.A., DCG S.A., WSM Factory Sp. z o.o. (formerly: Wólczanka Shirts Manufacturing), VG Property Sp. z o.o..

CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP IN 2021

There were no changes in VRG S.A. Capital Group structures in 2021.

1.3. COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARD OF THE COMPANY

MANAGEMENT BOARD

As at 31 December 2021, the composition of the Management Board of VRG S.A. was the following:

Management Board	**Jan Pilch** Deputy Chair of the Supervisory Board delegated to temporarily perform activities President of the Management Board	**Radosław Jakociuk** Executive Vice-President of the Management Board	**Michał Zimnicki** Executive Vice-President of the Management Board	**Marta Fryzowska** Executive Vice-President of the Management Board

In the period from January 1, 2021 to December 31, 2021, the following changes were made to the composition of the Parent Company's Management Board:

- on January 11, 2021, Mr. Erwin Bakalarz resigned from the position of a Member of the Parent Company's Management Board, effective January 11, 2021.

- On January 11, 2021, the Supervisory Board of the parent company appointed two members of the Management Board of the Company for the current joint term in office. In accordance with the adopted resolutions of the Supervisory Board, the following were appointed to the Management Board of the Company:

- Ernest Podgórski, PhD for the position of the Member of the Management Board responsible for IT and e-commerce;
- Olga Lipińska-Długosz, PhD for the position of a Member of the Management Board.

- on May 19, 2021, Ernest Podgórski, PhD resigned from the position of a Member of the Management Board of the Company, effective as of the date of the Ordinary General Shareholder Meeting of VRG S.A. approving the Company's financial statements for 2020. In connection with the above, the resignation of Ernest Podgórski, PhD entered into force with effect on the date of the Ordinary General Shareholder Meeting of VRG S.A. on June 28, 2021
- on July 22, 2021, Olga Lipińska-Długosz, PhD resigned from the position of a Member of the Management Board of the Company, effective August 31, 2021.
- on September 10, 2021, the Supervisory Board of the parent company adopted a resolution on dismissing Andrzej Jaworski, President of the Management Board, from the Management Board of the Company.
- on September 10, 2021, the Supervisory Board of the parent company adopted a resolution to appoint Ms. Marta Fryzowska to the Management Board of the Company as of January 1, 2022, entrusting her with the position of the Executive Vice-President of the Management Board.
- on September 10, 2021, the Supervisory Board of the Company, pursuant to Art. 383 par. 1 of the Code Commercial Companies, adopted a resolution on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was effective until 10 December 2021.
- on November 4, 2021, the Supervisory Board of the parent company adopted a resolution on changing the date of appointment of Ms. Marta Fryzowska to the Management Board of the Company and entrusting her with the function of the Executive Vice-President of the Management Board of the Company, with effect from December 1, 2021, instead of the previous date January 1, 2022.
- on December 2, 2021, the Supervisory Board of the Company, pursuant to Art. 383 par. 1 of the Code of Commercial Companies, adopted a resolution on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was performed for the period from December 11, 2021 to March 11, 2022.

In the period from the balance sheet date, i.e. December 31, 2021 to the date of signing this report, the composition of the Management Board of the parent company changed as follows:
- on January 31, 2022, the Supervisory Board of the parent company adopted a resolution to recall Mr. Radosław Jakociuk from the composition of the Management Board of the Company and the function of Executive Vice-President of the Management Board.
- on February 18, 2022, the Supervisory Board of the Company adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Company as of June 1, 2022, entrusting him with the position of the President of the Management Board.
- on March 7, 2022, the Supervisory Board of the Company adopted a resolution pursuant to Art. 383 par. 1 of the Code of Commercial Companies on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was performed for the period from March 12, 2022 to May 31, 2022.
- on April 1, 2022, the Supervisory Board of the Company adopted a resolution on amending the resolution of the Supervisory Board of the Company of February 18, 2022 on appointing Mr. Janusz Płocica to the Management Board of the Company and entrusting him with the function of the President of the Management Board of the Company in this manner, that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the Company and perform the function of the President of the Management Board, with effect from April 19, 2022, instead of the current date of June 1, 2022.
- on April 4, 2022, Mr. Jan Pilch, Deputy Chairman of the Supervisory Board, resigned from the function of delegation to temporarily perform the duties of the President of the Management Board, with effect on April 18, 2022.
In connection with the submitted statement, Mr. Jan Pilch returns to the performance of his duties as a member of the Supervisory Board of the Company as of April 19, 2022.

As at the date of signing these financial statements, the composition of the Management Board of the parent company was as follows:

Management Board	**Jan Pilch** Deputy Chair of the Supervisory Board delegated to temporarily perform activities President of the Management Board	**Michał Zimnicki** Executive Vice-President of the Management Board	**Marta Fryzowska** Executive Vice-President of the Management Board

SUPERVISORY BOARD

As at December 31, 2021, the composition of the Supervisory Board of VRG S.A. was as follows:

Supervisory Board	**Mateusz Kolański** Chair of the Supervisory Board	**Jan Pilch** Deputy Chair of the Supervisory Board	**Marcin Gomoła** Member of the Supervisory Board	**Wacław Szary** Member of the Supervisory Board
		Piotr Kaczmarek Member of the Supervisory Board	**Piotr Stępniak** Member of the Supervisory Board	**Andrzej Szumański** Member of the Supervisory Board

In the period from January 1, 2021 to December 31, 2021, the composition of the Company's Supervisory Board changed as follows:

- on January 11, 2021, Ernest Podgórski, PhD resigned from the position of a Member of the Supervisory Board of the Company with effect on January 11, 2021.

- on January 19, 2021, the Supervisory Board of the Company adopted a resolution on supplementing the composition of the Supervisory Board by co-option provided for in paragraph 22 sec. 3 of the Company's Articles of Association. Mr. Mateusz Kolański was appointed to the Supervisory Board of the parent company of the previous term of office. Mr. Mateusz Kolański was appointed Deputy Chair of the Supervisory Board of the previous term with effect from February 17, 2021. Extraordinary General Shareholder Meeting of the parent company on March 17, 2021, acting pursuant to paragraph 22 sec. 3 of the Company's Articles of Association, approved the above-mentioned co-option of Mr. Mateusz Kolański to the Supervisory Board of the Company, in connection with the resignation submitted by Mr. Ernest Podgórski.

- On June 28, the Ordinary General Shareholder Meeting of the Company adopted resolutions according to which the following were appointed to the composition of the 7-person Supervisory Board of the parent company for the new term of office:

- Prof. Andrzej Szumański
- Mr. Piotr Kaczmarek
- Mr. Piotr Stępniak
- Mr. Mateusz Kolański
- Mr. Jan Pilch
- Mr. Wacław Gray
- Mr. Marcin Gomoła.

At the meeting on July 13, 2021, the Supervisory Board of the new term of office in the above composition, appointed Mr. Mateusz Kolański as the Chair of the Supervisory Board and appointed Mr. Jan Pilch as the Deputy Chair of the Supervisory Board.

In the period from the balance sheet date, i.e. December 31, 2021 to the date of signing this report, the composition of the Company's Supervisory Board has not changed.

1.4. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved for publication and signed by the Management Board of the Parent Company on April 8, 2021.

1.5. GOING CONCERN

Consolidated financial statements of the VRG S.A. Capital Group (hereinafter also referred to as the "Capital Group" or "Group") have been prepared on the assumption that the companies of the Capital Group will continue as a going concern in an unchanged form and scope for a period of at least 12 months from the date on which the financial statements were prepared, i.e. December 31 2021. In the opinion of the parent company's Management Board, as at the date of approval of these separate financial statements, there are no premises or circumstances that would indicate a threat to the continuation of the Group's operations in the foreseeable future.

From 2020, the Management Board of the parent company took steps to limit the impact of the pandemic on the financial situation. In 2021, which, like 2020, was burdened with shopping centers being closed down, measures were taken to secure the liquidity situation of the Capital Group. The Capital Group received PLN 5.2 million salaries subsidy and also applied for an exemption from paying social security contributions, which was granted in the amount of PLN 3.6 million in the second quarter of 2021. In addition, the optimisation of the Capital Group's working capital continued.

On February 24, 2022, Russia's armed conflict with Ukraine began. Military activities in a country neighboring the Republic of Poland introduce a high degree of uncertainty as to the shaping of processes in the political, social and economic spheres. The feeling of threat and loss of stabilization may have a negative impact on the future economic situation, which may translate into the future financial results of the Capital Group. As at the date of preparation of the financial statements, the parent company's Management Board is not able to precisely estimate the scale of the deterioration of financial results, as a number of factors remain beyond its influence and control, however, to the best of its knowledge as at the date of preparation of the consolidated financial statements, it does not perceive war as a premise for -making significant uncertainty that threatens the Group's ability to continue as a going concern.

It should be emphasized that there are practically no direct economic ties between the entities of the Capital Group and Russia and Ukraine: The Group does not operate in these countries, and does not make purchases there.

Additional information on this subject is included in note 31a "Events after the balance sheet date" and in the risk description of these financial statements.

2. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for 2021 have been prepared in accordance with the principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and to the extent not regulated by the above standards in accordance with the requirements of the Accounting Act of September 29, 1994 (Official Journal of Laws from 2019, item 351, as amended) and executive regulations issued based on it, and presents the financial position of the VRG S.A. Capital Group as of December 31, 2021 and December 31, 2020, the results of its operations for the 12 months ended December 31, 2021 and December 31, 2020 and cash flows for the 12 months ended December 31, 2021 and December 31, 2020.

These consolidated financial statements have been prepared on the basis of the cost concept.

Consolidated financial statements for 2021 have been prepared in Polish zloty with rounding off to the nearest thousand (PLN '000).

Consolidated financial statements are presented for the period from 1 January to 31 December 2021 and as at 31 December 2021. The financial year is the calendar year. Comparable financial data are presented for the period from January 1 to December 31 , 2020 and as at December 31, 2020.

The presented financial data of the Parent Company and subsidiaries W.KRUK S.A. based in Cracow and DCG S.A. with its registered office in Warsaw as at December 31, 2021 and for the twelve-month period ended on that date, were audited by a certified auditor. The independent auditor's report on the audit of the annual consolidated financial statements is attached to this report. Comparable financial data as at December 31, 2020 included in these financial statements were audited by an auditor, and the independent auditor's report on the audit of these financial statements is included in the report for 2020.

The entity authorized to audit the Group's financial statements for 2021 was Grant Thornton Polska Spółka z o.o. Spółka komandytowa, with which on July 27, 2021 an agreement was concluded for the review of the interim separate financial statements, review of the interim condensed consolidated financial statements, audit of separate annual financial statements, audit of consolidated financial statements and evaluation of the remuneration report. The entity authorized to audit the Company's financial statements for 2020 was Mazars Audyt Sp. z o.o., with which an agreement was concluded on June 19, 2017, amended by Annex No. 1 of June 19, 2018 and Annex No. 2 of August 7, 2019 for the review of the interim financial statements and interim consolidated financial statements, separate annual audit financial statements, audit of the consolidated financial statements and evaluation of the remuneration report. The total remuneration under the concluded contract for the review and audit of financial statements for 2021 was PLN 218.6 thousand and for 2020 it was PLN 163.1 thousand.

Consolidated financial statements for 2021 and the comparable data for the previous year include data on the parent company and subsidiaries as entities that prepare separate statements. Neither the Company nor the subsidiaries covered by the consolidation include organizational units that prepare their own financial statements.

Preparation of the statement in accordance with IFRS requires the Management Board of the parent company to make judgements, assessments and adopt assumptions that affect the applied accounting principles and the presented amounts of assets and liabilities as well as costs and revenues. Estimates and assumptions are made on the basis of available historical data as well as other factors considered appropriate in the given conditions. The results of these activities form the basis for making estimates of the carrying amounts of assets and liabilities that cannot be unequivocally determined on the basis of other sources. The validity of the above estimates and assumptions is verified on an ongoing basis.

Adjustments to estimates are recognized in the period in which the estimates were changed, provided that the adjustment applies only to that period or in the period in which the changes were made and in subsequent periods (prospectively), if the adjustment applies to both the current and other periods. the next.

List of major estimates and judgments for individual items in the statement of financial position:

Note	9	Goodwill impairment test
Note	10	Other intangible assets (useful lives)
Note	11	Fixed assets (useful lives)
Note	11a	Right of use assets
Note	15	Inventory write-offs
Note	17	Receivables write-offs
Note	22	Deferred tax assets and liabilities
Note	24	Liabilities resultant from loyalty program
Note	25	Provisions for liabilities
Note	30	Share-based compensation

Consolidated financial statements are prepared for the period of 2021, in which no merger took place.

Accounting principles (policy) adopted in these consolidated financial statements have been applied on a continuous basis and are consistent with the accounting principles applied in the last annual consolidated financial statements.

Pursuant to the provisions of IAS 8 "Accounting principles, changes in accounting estimates and error corrections", the Group retrospectively restated the data relating to previous periods (correcting comparative data from previous years). Retrospective conversion of the data was made in connection with the correction of an error in the statement of financial position. For information on the impact of the adjustments on individual items in the statement of financial position and in the statement of cash flows, see Note 33 to these consolidated financial statements.

BASIS FOR PREPARING THE FINANCIAL STATEMENTS

These consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU"), effective as at the balance sheet date of these financial statements.

CHANGES IN STANDARDS OR INTERPRETATIONS BINDING AND APPLIED BY THE GROUP FROM 2021

New or revised standards and interpretations effective from January 1, 2021 and their impact on the Group's financial statements:

CHANGE IN IFRS 16 „LEASES”

In connection with the COVID-19 pandemic, the IASB introduced a simplification that allows not to assess whether the changed future flows resulting from concessions received from lessors that meet the conditions set out in the standard are a "lease change" under IFRS 16. Conditions that must be met by the relief received, so that a simplification can be applied to it:
- the total future remuneration for the lease after the relief is granted must be substantially the same or lower than before the relief was granted,
- the discount must apply to payments that were due before June 30, 2021 (although the increased fees may be payable after that date),
- there are no other fundamental changes to the terms of the contract.
In addition, in 2021, the IASB changed one of the above amended conditions by changing the deadline of June 30, 2021 to June 30, 2022. This change has been in force since 2022.

CHANGES TO IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16

In connection with the reform of reference interest rates (WIBOR, LIBOR, etc.), the IASB introduced further changes to the accounting principles of financial instruments:
- in the case of measurement at amortized cost, changes in estimated cash flows resulting directly from the IBOR reform are treated as a change in a floating interest rate, i.e. without recognizing the result,
- there is no need to terminate the hedging relationship if the only change is the effects of the IBOR reform and the other criteria for applying hedge accounting are met; the amendment regulates how to account for an alternative rate in a hedging relationship,
- the entity is required to disclose information about the risks arising from the reform and how it manages the transition to alternative reference rates.

The change applies to annual periods beginning on or after 1 January 2021

Standards and interpretations in force in the version published by the IASB, but not approved by the European Union, are listed below in the section on standards and interpretations that have not come into force.

Application of a standard or interpretation before its effective date.

Voluntary early application of a standard or an interpretation has not been used in these separate financial statements.

PUBLISHED STANDARDS AND INTERPRETATIONS THAT HAVE NOT COME INTO EFFECT FOR THE PERIODS BEGINNING ON JANUARY 1, 2021 AND THEIR IMPACT ON THE COMPANY'S REPORT

By the date of preparation of these consolidated financial statements, new or revised standards and interpretations have been published, applicable to the annual periods after 2021. The list also includes changes, standards and interpretations published but not yet approved by the European Union.

NEW IFRS 17 "INSURANCE CONTRACTS"

A new standard regulating the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces the existing IFRS 4. The standard is effective for annual periods beginning on or after January 1, 2023 or later.

AMENDMENT OF IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

The IASB clarified the principles of classification of liabilities to long- or short-term, mainly in two aspects:

- clarified that the classification depends on the rights held by the entity as at the balance sheet date,

- the intentions of management with regard to accelerating or delaying the payment of the liability are not taken into account.

The changes are effective for annual periods beginning on or after January 1, 2023.

AMENDMENTS TO IFRS 1, IFRS 9, EXAMPLES TO IFRS 16, IAS 41 UNDER ANNUAL IMPROVEMENTS 2018 - 2020:

IFRS 1: additional exemption for determining cumulative exchange rate differences from consolidation;
IFRS 9: (1) along with the 10% test conducted to determine whether a modification should derecognise a liability, only fees that are exchanged between the debtor and the creditor should be included; (2) it was clarified that the fees incurred in the event of the liability being derecognised are shown in financial income, and if the liability is not derecognised, these should affect the value of the liability;
IFRS 16: in example 13, an incentive from the lessor in the form of fit-out costs incurred by the lessee, which raised interpretation doubts, was removed;

IAS 41: the prohibition of recognizing tax flows in the measurement of biological assets is removed.
The amendments are effective for annual periods beginning on or after January 1, 2022 (except for the amendment to the example to IFRS 16, which is effective from the date of publication).

AMENDMENT TO IAS 16 "PROPERTY, PLANT AND EQUIPMENT"

It was specified that the production performed as part of the tests of the fixed asset prior to commencement of the use of the fixed asset should be recognized as (1) inventory in accordance with IAS 2 and (2) revenue when it is sold (and not affect the value of the fixed asset). The testing of an asset is part of its cost. The change is effective for annual periods beginning on or after January 1, 2022.

AMENDMENT OF IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS"

It is clarified that the costs of fulfilling onerous contracts include incremental costs (e.g. labour costs) and the allocated part of other costs directly related to the filling cost, e.g. depreciation. The change is effective for annual periods beginning on or after January 1, 2022.

AMENDMENT OF IFRS 3 "BUSINESS COMBINATIONS"

The references to definition of liabilities included in the conceptual framework and definition of contingent liabilities in IAS 37 have been clarified. The amendment is effective for annual periods beginning on or after January 1, 2022 or later.

AMENDMENT TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

IASB clarified which information about the accounting policy applied by the entity is relevant and requires disclosure in the financial statements. The principles focus on tailoring disclosures to the individual circumstances of the entity. The Board advises against the use of standardized provisions copied from IFRS and expects that the basis of measurement of financial instruments is significant information. The change is effective for annual periods beginning on or after January 1, 2023.

CHANGE OF IAS 8 "ACCOUNTING PRINCIPLES (POLICY), CHANGES IN ESTIMATES AND CORRECTION OF ERRORS"

IASB introduced the definition of an accounting estimate to the standard: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The change is effective for annual periods beginning on or after January 1, 2023.

AMENDMENT TO IFRS 16 "LEASES"

In 2020, IASB published simplifications for lessees receiving reliefs due to the COVID-19 pandemic. One of the conditions was that the discounts would apply only to payments maturing by the end of June 2021. Now this date has been postponed to June 2022. The change is effective for annual periods beginning on or after April 1, 2021, with earlier application permitted.

AMENDMENT TO IAS 12 "INCOME TAX"

IASB introduced a rule that if a transaction results in both positive and negative temporary differences in the same amount, deferred tax asset and liability should be recognized even if the transaction does not result from a merger and does not affect pre-tax and tax base. This means that deferred tax asset and liability have to be recognized, e.g. when temporary differences exist in equal amounts in the case of leases (a separate temporary difference from liability and right of use asset) or in the case of recultivation provisions. The principle stating that deferred income tax asset and liabilities are compensated if the current income tax assets and liabilities are compensated. The change is effective for annual periods beginning on or after January 1, 2023.

AMENDMENT TO IFRS 17 "INSURANCE CONTRACTS"

IASB has established transitional provisions for entities that simultaneously implement IFRS 17 and IFRS 9 to mitigate potential accounting mismatches resulting from differences between these standards. The change is effective for annual periods beginning on or after January 1, 2023.

The Group intends to implement the above regulations within the time limits provided for by standards or interpretations.

The Group is currently analyzing the impact of the above-mentioned standards, interpretations and amendments to the standards. According to the Group's current estimates, they will not have a significant impact on the consolidated financial statements in the period of their first application.

3. ACCOUNTING PRINCIPLES

3.1. CONSOLIDATION

SUBSIDIARIES

Subsidiaries are entities controlled by the Parent Company.

Control is exercised when the parent company simultaneously:

- exercises power over the entity in which the investment has been made,

- it is exposed to or is entitled to variable returns because of its involvement with that entity, and

- has the ability to use the power exercised over an entity to influence the amount of its financial results.

Subsidiaries are consolidated using the full method, starting from the date of taking control over the entity to the date on which the parent company starts to exercise this control. The full consolidation method consists of combining the financial statements of the parent company and its subsidiaries by summing up, in full value, individual items of assets, liabilities, equity, revenues and costs. In order to present the Capital Group as if it were a single economic entity, the following exclusions are made:

- goodwill or profit is recognized in accordance with IFRS 3 at the time of acquiring control,
- non-controlling interests are identified and presented separately,
- balances of settlements between companies of the Capital Group and transactions (revenues, costs, dividends) are excluded in full,
- profits and losses from transactions concluded within the Capital Group, which are included in the balance sheet value of assets such as inventories and fixed assets, are excluded. Losses from intra-Group transactions are analyzed in terms of asset impairment from the Group's perspective,
- deferred tax is recognized due to temporary differences resulting from the exclusion of profits and losses on transactions concluded within the Capital Group (in accordance with IAS 12).

Financial statements of subsidiaries are prepared for the same period as the financial statements of the parent company. Accounting principles applied by subsidiaries have been changed where necessary to ensure compliance with the accounting principles of the Capital Group.

Taking control over an entity is accounted for using the acquisition method. At the acquisition date, the acquirer recognizes the identifiable assets acquired and the liabilities assumed and measures them at their fair values. The excess of the sum of the payment for the acquisition, the amount of any non-controlling interests in the acquiree and the fair value as at the acquisition date of the previously held interest in the acquiree over the net amount determined as at the acquisition date of the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed is goodwill. If the aforementioned difference is negative, the Group re-assesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities of the acquiree as well as the fair value of the payment and immediately recognizes any surplus remaining after re-assessment in the statement of comprehensive income (profit from a bargain purchase).

If the acquired assets do not constitute a business unit within the meaning of IFRS 3 Business Combinations, the Group accounts for the transactions as the acquisition of assets.

CONSOLIDATION EXCLUSIONS

Balances of internal settlements between the Group's entities, transactions concluded within the Group and any unrealized profits of the Group resulting from these, are excluded in full when preparing the consolidated financial statements.

3.2. TRANSACTIONS IN FOREIGN CURRENCIES

During the year, a foreign currency transaction is initially recognized in Polish zloty by applying average exchange rate of the National Bank of Poland as at the date of the transaction to the foreign currency amount the, recognizing it as an immediate exchange rate.

At each balance sheet date, monetary items in foreign currency are converted using the average exchange rate of the National Bank of Poland as at the balance sheet date, recognizing it as the closing rate. Non-monetary items measured at historical cost expressed in a foreign currency are translated using the exchange rate as at the transaction date and non-monetary items measured at fair value expressed in a foreign currency are translated using the exchange rates that were in force at the date at which the fair value was determined.

Foreign exchange differences arising from the recognition of monetary items or from the translation of monetary items at rates other than those at which they were converted at the moment of their initial recognition in a given period or in previous financial statements, are recognized in profit or loss in the period in which they arise, as financial income or costs. Foreign exchange differences arising on borrowing costs are recognized in the value of assets if the borrowing costs on which they arise are also capitalized.

However, if the transaction is settled in the next financial period, exchange differences recognized in each of the following periods, until the transaction is settled, are determined based on changes in exchange rates that have occurred in each subsequent period.

In the event that gains or losses on non-monetary items are recognized directly in equity, all elements of these gains or losses related to exchange differences are recognized directly in equity.

In the event that gains or losses from non-monetary items are recognized in profit or loss, all elements of these gains or losses relating to exchange differences are recognized in profit or loss.

3.3. FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Classification of financial instruments is based on the business model of managing groups of financial assets and the characteristics of contractual cash flows for a given financial asset and financial liability.

Classification is made at the moment of initial recognition. The classification of derivative instruments depends on their intended use and compliance with the requirements contained in IFRS 9.

Financial assets and liabilities are valued based on principles listed below.

Financial instruments are classified into the following categories:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income.

These categories define the principles of valuation as at the balance sheet date and the recognition of profits or losses from that valuation in financial result or in other comprehensive income. The Group classifies financial assets into categories on the basis of the business model operating in the Company in the field of financial asset management.

- Financial liabilities measured at amortized cost (ZZK)
- Financial liabilities at fair value through profit or loss.

In accordance with IFRS 9, trade receivables, upon initial recognition, an entity measures a financial asset at its fair value, which, in the case of financial assets not measured at fair value through profit or loss, is increased by transaction costs that can be directly attributed to the acquisition of these financial assets.

After initial recognition, the entity measures a financial asset at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. An entity classifies a financial asset based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset (the so-called "SPPI criterion").

FINANCIAL ASSETS

FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A financial asset is measured at amortized cost if both of the following conditions are met (and were not designated upon initial recognition for measurement at fair value through profit or loss):

- the financial asset is held in accordance with a business model whose objective is to hold financial assets to obtain the contractual cash flows,

- the terms of the contract for the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the outstanding nominal amount.

According to the Group's accounting policy financial assets measured at amortized cost include:

- loans,
- trade and other receivables (excluding those for which the principles of IFRS 9 do not apply),
- cash and cash equivalents.

The above-mentioned classes of financial assets are presented in the statement of financial position broken down into long-term and short-term assets.

Loans and long-term receivables are carried at amortized cost as at the balance sheet date. Receivables with a maturity period not exceeding 12 months from the balance sheet date, classified as current assets are valued at nominal value, net of expected credit losses due to the insignificant discount effect.

Due to the insignificant amounts, the Group does not separate interest income as a separate item, but recognizes it in financial income.

Gains and losses on financial assets recognized in profit or loss, including foreign exchange differences, are presented as financial income or costs.

Loans and trade receivables and other receivables are measured at the amortized cost using the effective interest rate.

Financial assets measured at amortized cost are measured taking into account expected credit losses.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset is measured at fair value through profit or loss if it does not meet the criteria for measurement at amortized cost or fair value through other comprehensive income and is not an equity instrument designated at initial recognition for measurement at fair value through other comprehensive income. In addition, this category includes financial assets designated upon initial recognition to be measured at fair value through profit or loss due to meeting the criteria set out in IFRS 9.

This category includes:

- all derivative instruments disclosed in the statement of financial position under a separate item "Derivative financial instruments", except for derivative hedging instruments recognized in accordance with hedge accounting,
- stocks and shares of companies other than subsidiaries and associates.

Instruments in this category are measured at fair value, and the results of the measurement are recognized in the result in "Financial income" or "Financial costs", respectively. Profits and losses from the valuation of financial assets are determined by the change in fair value determined on the basis of prices current on the balance sheet date from an active market or on the basis of valuation techniques, if there is no active market.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held according to a business model that aims to both receive contractual cash flows and sell the financial assets.

- the terms of the contract for the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the outstanding nominal amount.

Interest income, impairment gains and losses and foreign exchange differences related to these assets are calculated and recognized in profit or loss in the same way as in the case of financial assets measured at amortized cost. Other changes in the fair value of these assets are recognized in other comprehensive income. When a financial asset at fair value through other comprehensive income is derecognised, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

In the reporting period, the Group did not have any financial assets qualifying for this measurement category.

Equity instruments measured at fair value through other comprehensive income include investments in equity instruments that are not financial assets held for trading or contingent consideration as part of a business combination, for which, upon initial recognition, the Group made an irrevocable choice to present subsequent changes in value in other comprehensive income further changes in fair value of these instruments. The designation is made by the Group individually and separately for individual capital instruments.

In this category, the Group includes stocks and shares of companies other than subsidiaries or associates, shown in the statement of financial position under "Financial assets".

Cumulative gains or losses on fair value measurement previously recognized in other comprehensive income are not reclassified to profit or loss under any circumstances, including the derecognition of these assets. Dividends on equity instruments measured at fair value through other comprehensive income are recognized as income in profit or loss. Interest income from investments in debt instruments is recognized in profit or loss. At the moment of disposal of investments in debt instruments, the accumulated gains / losses are recognized in financial result.

FINANCIAL LIABILITIES

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

Financial liabilities are disclosed under the following items in the statement of financial position:

- Bank credits and loans,
- Other financial liabilities,
- Trade and other payables,
- Derivative financial instruments.

As at the acquisition date, the Group measures financial liabilities at fair value, i.e. usually at the fair value of the amount received. Transaction costs are included by the Group in the initial value of all financial liabilities, except for the category of liabilities measured at fair value through profit or loss.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated as measured at fair value through profit or loss. The Group includes derivatives other than hedging instruments in the category of financial liabilities at fair value through profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The Group determines write-downs in accordance with the model of expected credit losses for items subject to IFRS 9 in the scope of write-downs.

In case of trade receivables, the Group uses a simplified approach to determining the allowance and determines the allowance for expected credit losses in the amount equal to the expected credit losses over the lifetime of the receivable. To estimate the value of an impairment charge for trade receivables, the Group uses a provisions matrix developed on the basis of historical data on the repayments of receivables by contractors, adjusted, where appropriate, for the impact of information relating to the future. An impairment loss is analysed at each reporting date. An impairment loss is recognized in the profit and loss account.

For other financial assets, the Group measures the allowance for expected credit losses at an amount equal to 12-month expected credit losses, unless there has been a significant deterioration in credit risk or default. If the credit risk associated with a given financial instrument has significantly increased since the initial recognition, the Group measures the allowance for expected credit losses on the financial instrument in the amount equal to the lifetime expected credit losses. At each reporting date, the Group analyses whether there are any premises indicating a significant increase in the credit risk of the financial assets held.

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Management Board makes a judgment by selecting the appropriate method of valuation of financial instruments not quoted on an active market. The valuation methods commonly used by market practitioners are applied. For financial derivative instruments, assumptions are based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are measured using discounted cash flows based on assumptions confirmed, as far as possible, by observable prices or market rates.

3.4. NON-CURRENT ASSETS AVAILABLE FOR SALE

Non-current assets available for sale are assets or groups of assets classified in this category are recognized in the financial statements at an amount lower of their carrying amount or fair value less costs to sell.

A condition for including assets in this group is an active search for a buyer and a high probability of selling these assets within one year from the date of their qualification as well as availability of these assets for immediate sale.

3.5. INVESTMENT PROPERTY

Property kept by the Company to benefit from rental income, rents or increase in their value are valued at the acquisition date at their purchase price (production cost), at the balance sheet date they are valued at their purchase price or production cost less accumulated depreciation and accumulated impairments.

Depreciation and impairment losses policies relating to investment properties are similar to those applied to property, plant and equipment.

3.6. FIXED ASSETS

Tangible fixed assets constitute buildings, machines and devices used for production, product delivery and provision of services or for management purposes, were valued as of the day of initial recognition at purchase price or production cost.

As at the balance sheet date, property, plant and equipment are valued at the purchase price or manufacturing cost less accumulated depreciation and impairment losses.

Fixed assets are depreciated using the straight-line method, according to the estimated useful life of particular groups of fixed assets. The depreciation method and rate are subject to verification as at each balance sheet date. Land is not depreciated.

For individual groups of fixed assets the following ranges of useful lives were adopted:

Buildings and structures	Machines and devices	Other fixed assets
2,5%	10-14%	20%
40 years	8.5 years	5 years

Depreciation begins when the fixed asset is ready for use. The basis for calculating amortization charges is the purchase price less its residual value. Amortization ceases when a fixed asset is classified as available for sale or when it is removed from the balance sheet due to liquidation, sale or withdrawal (whichever occurs first).

The carrying amount of a fixed asset is subject to impairment to its recoverable amount if the carrying amount of a given asset exceeds its estimated recoverable amount.

At the later time, expenditure on property, plant and equipment is included in the carrying amount of a given fixed asset only if it is probable that the item will receive economic benefits and the cost of the item can be reliably assessed.

Costs incurred after the date of putting the fixed asset into use, such as maintenance and repair costs, are charged to the costs of the period in which they were incurred.

The right of use is initially measured at cost, consisting of the initial value of the lease liability, initial direct costs and lease payments paid on or before the commencement date, less any lease incentives.

The Group amortizes the right of use using the straight-line method from the commencement date to the end of the useful life of the right of use or to the end of the lease term, whichever is earlier.

As at the commencement date, the Group measures the lease liability at the present value of the outstanding lease payments using the lease interest rate if it can be easily determined. Otherwise, the lessee's incremental borrowing rate is used.

3.7. GOODWILL

Goodwill means an asset that represents the future economic benefits arising from assets acquired in a business combination that cannot be identified or recognized individually.

Goodwill (profit) is calculated as the difference of two values:
- the sum of the payment transferred for control, non-controlling interests (measured in proportion to the acquired net assets) and the fair value of blocks of shares (shares) held in the acquiree prior to the acquisition date, and
- the fair value of the identifiable acquired net assets of the entity.

Goodwill is tested for impairment annually and is disclosed in the balance sheet at the initial value less any accumulated impairment losses. Impairment identified as a result of the tests performed is recognized immediately in the profit and loss account and is not subject to subsequent adjustment.

3.8. OTHER INTANGIBLE ASSETS

Other intangible assets acquired as part of a separate transaction are capitalized at purchase price or manufacturing cost. Intangible assets acquired as part of a business combination or takeover transaction are recognized as assets separately from goodwill, if their fair value can be determined reliably at the initial recognition.

As at the balance sheet date, intangible assets are measured at the purchase price less the accumulated depreciation and accumulated amount of impairment losses.

Intangible assets with a definite useful life are amortized using the straight-line method. The depreciation method and rate are subject to verification as at each balance sheet date. Intangible assets with an indefinite useful life (trademarks) are not subject to amortization. The value of components with an indefinite useful life is tested for permanent impairment for each balance sheet date.

Intangible assets with a definite useful life are depreciated using the straight-line method for the period of their estimated useful life, which is 5 years on average.

3.9. SHARES AND STAKES IN CONTROLLED ENTITIES

Shares and stocks in controlled entities (subsidiaries, joint ventures and associates) are valued at their purchase price less write-offs for permanent impairment.

3.10. IMPAIRMENT OF NON-FINANCIAL ASSETS

In the event of indications of possible impairment of property, plant and equipment, intangible assets and goodwill, an impairment test is performed and the amount of revaluation write-offs reduces the carrying amount of the asset to which it relates and are recognized in the profit or loss account.

The amount of the write-downs is determined as the surplus of the balance sheet value of these components over their recoverable value. The recoverable amount is the higher of fair value or value in use.

Non-financial assets (except for goodwill), for which write-downs were previously made, are tested on each balance sheet day for any premises indicating the possibility of reversing the write-off previously made. The effects of reversing the revaluation write-offs are charged to the profit and loss account.

3.11. INVENTORY

Inventories include raw materials, materials, work in progress, finished goods and trade goods.

The costs incurred to bring each of the components of the inventory to its current location are valued as follows:
- raw materials, materials and trade goods - purchase price
- semi-finished products, work in progress and finished products - actual production cost.

Determination of value of sold inventories is accounted as follows:

- raw materials, materials and goods - "first in - first out”
- semi-finished products, work in progress and finished products - according to the actual production cost.

Inventories are valued as at the balance sheet date according to the purchase price or production cost, however, at a level not higher than the realizable value.

If the purchase price of goods or the technical cost of manufacturing finished goods is higher than the expected sale price, the entity makes write-offs, which adjust the other operating costs. The sale price is the selling price in the ordinary course of business, less the estimated costs of completion of production and the costs necessary to make the sale.

3.12. TRADE AND OTHER RECEIVABLES

At the moment of the initial recognition of trade receivables, the maturity of which is usually from 7 to 120 days, they are recognized at the transaction price (amount payable). As at the balance sheet date, receivables are measured at their initial value, taking into account impairment write-offs. Write-downs are made at the level of expected credit losses.

The amounts of created write-downs updating the value of receivables are charged to the profit and loss account in selling costs. The amounts of the reversed write-downs for receivables correct the selling costs.

Trade receivables with maturities over 12 months from the balance sheet date are classified as current assets. Current assets include receivables with a maturity period of up to 12 months and over 12 months from the balance sheet date.

3.13. CASH AND EQUIVALENTS

Cash and cash equivalents include cash at bank and cash and short-term deposits with an initial maturity of up to three months.

The balance of cash in the cash flow statement consists of cash and cash equivalents specified above, less any unpaid loans in current accounts.

3.14. EQUITY

Share capital	The share capital is shown in the amount specified in the Articles of Association and registered by the court.
Capital reserves	The value presented in the capital reserves consists of: share premium from issuance of shares at a price that exceeds their nominal value, reduced by issue costs, amounts of profits from previous years, classified on the basis of decisions of the General Shareholders Meetings.
Revaluation reserve	The revaluation reserve was created from the surplus achieved with the revaluation of tangible fixed assets as at January 1, 1995.
Retained earnings	This item presents the net financial result of the previous financial years until the decision on its distribution (or other usage) has been made, as well as the adjustment of the financial result from previous years, resulting from errors in previous years or changes in accounting principles.
Capital management	The Group's capital management is aimed at maintaining the ability to continue operations, with consideration of planned investments, so that the Capital Group could generate returns and economic benefits for shareholders/investors in the future. The use of capital is monitored on an ongoing basis by analysing indicators and comparing the situation of the Capital Group against the industry in which the Capital Group operates. The Capital Group does not have externally imposed capital restrictions. In relation to the previous reporting period there were no changes in terms of rules and processes for capital management.

The table below presents the long-term debt to equity ratio.

Debt ratio	PLN ths	
	31.12.2021	**31.12.2020**
Equity	889,664	823,354
Long-term debt	48,266	60,279
Long-term debt and borrowings	*33,658*	*47,196*
Short-term part of long-term debt and borrowings	*14,608*	*13,083*
Long-term debt / Equity	**5.4%**	**7.3%**

The lower and therefore safer debt ratio of the Group is consistent with the actions taken by the Group. The ratio is at the level expected by the Management Board of the parent company.

3.15. LIABILITIES

Liabilities include: loans liabilities, borrowings and finance leases, trade payables, other financial liabilities and other non-financial liabilities.

Financial liabilities subject to IFRS 9 (including liabilities due to credits, loans, see also for supplies and services) and included in the measurement at amortized cost are initially recognized at fair value, taking into account any possible transaction costs. As at the reporting date, such liabilities are measured at amortized cost.

Financial liabilities classified according to IFRS 9 as measured at fair value through profit or loss (including derivative instruments) are initially recognized at fair value, and as at the reporting date, they are revalued to fair value.

3.16. PROVISIONS

Provisions are created when the Capital Group is under an existing obligation (legal or contractual) resulting from past events and when it is probable that fulfilment of this obligation will result in a necessary outflow of resources and when a reliable estimate of the liability's amount can be made.

Provisions reflect the best possible estimate of outlays necessary to fulfil the current obligation at the balance sheet date. In case of a significant time value of money, the amount of the provision corresponds to the present value of expenditures necessary to fulfil the obligation.

Adequacy of provisions is assessed at each balance sheet date.

3.17. LEASES

At the conclusion of each new contract, the Group assesses whether the contract is a lease or whether it contains a lease. Leasing is defined as an agreement under which the right to control the use of an identified asset is transferred for a given period in return for consideration. In order to identify a lease, contracts are assessed against 3 criteria:

- whether the contract relates to an identified asset that is clearly stated in the contract or that can be implicitly identified at the time the asset is made available for use.
- whether the entity is entitled to obtain substantially all of the economic benefits from using the identified asset for the useful life of the asset under an applicable contract.
- whether the entity has the right to direct the use of the identified asset throughout its useful life.

At the commencement date, the Group recognizes an asset under the right of use and a lease liability. The right-of-use is valued at the start date at cost including the amount of the initial valuation of the lease liability, all lease payments paid at the commencement date, initial direct costs, estimated costs anticipated in connection with dismantling and removal of the underlying asset and lease payments paid on or before the start date.

The right of use assets are depreciated using the straight-line method from the start date to the end of the useful life of the right-of-use asset or until the end of the lease, whichever is earlier. The rights to use are tested for impairment in accordance with IAS 36, if there are any reasons for impairment.

At the commencement date, the Group measures a lease liability in the amount of the present value of the lease payments remaining to be paid at that date. Lease payments are discounted using the lease interest rate, if this rate can be easily determined. Otherwise, the lessee applies the lessee's marginal interest rate.

At the commencement date, the lease payments included in the valuation of the lease liabilities include fixed lease payments less all due leasing incentives, variable lease payments depending on indices or rates, amounts expected to be paid under the guaranteed residual value and payments for the exercise of call options if it can be assumed with sufficient certainty that the lessee will use this option.

In subsequent periods, the lease liability is increased by accrued interest on the lease liability and reduced by lease payments.

The valuation of the lease liability is updated when there are changes in the lease contracts regarding the lease period, the option to buy the underlying asset, the guaranteed end value, changes in fees arising from changes in indices or rates.

The revaluation of the liability is recognized as an adjustment to the right-of-use assets.

The Group applies acceptable by the standard practical solutions for short-term and low value leases. For such contracts, lease payments are recognized in the financial result on a straight-line basis over the duration of the lease.

Fixed assets used based on financial lease contracts are depreciated according to the rules applicable to own assets. If there is no reliable certainty that after the end of the lease agreement the Group will receive ownership, the assets are depreciated over a shorter period from the period of the lease and the period of economic usefulness.

3.18. PROVISIONS

OPERATING REVENUES

Principles for recognizing operating income are set out in IFRS 15 "Revenue".

Revenue is measured at the transaction price, i.e. the amount of remuneration which it is expected to be entitled to in exchange for transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the contract with client may include fixed amounts, variable amounts or both. The amount of the remuneration is usually reflected by the amount received or due, less expected rebates, customer returns and similar reductions, including value added tax and other sales taxes except for excise duty and contractual penalties.

The Group recognizes contract with the customer only if all the following criteria are met: the parties to the contract have concluded a contract (in writing, oral or otherwise) and are required to perform their duties; the Group is able to recognize the rights of each party regarding the goods or services to be transferred; the Group is able to identify the payment terms for the goods or services to be transferred; the contract has economic content and it is likely that the Group will receive remuneration that it will be entitled to in exchange for goods or services that will be transferred to the customer.

At the time of contract conclusion, the Group assesses the promised goods or services in the contract with the client and recognizes as an obligation to perform the service any promise to provide the client with a good or service that can be distinguished.

In order to determine the transaction price, the Group takes into account the terms of the contract and its usual commercial practices.

he Group recognizes revenues in accordance with IFRS 15, i.e. when the obligation to perform the service is met by transferring the promised good or service to the customer. An asset is transferred when the customer gains control over that asset.

OTHER REVENUES INCLUDING FINANCIAL INCOME

INTEREST	DIVIDENDS	RENTAL INCOME
Revenue from interest is recognised on an accrual basis using the effective interest rate method.	Dividends are recognized when the right to receive them is granted.	Revenue from lease of investment property is recognized on a straight-line basis over the lease period in relation to ongoing contracts.

3.19. COSTS

Costs are recognized in the profit or loss statement if there is a probable reduction in future economic benefits associated with a decrease in assets or an increase in liabilities whose size can be measured reliably.

Costs are recognized in the profit or loss statement on the basis of a direct relationship between the incurred costs and the achievement of specific revenues, i.e. using the principle of commensurability.

Operating expenses include the costs of stores (own and franchise stores in Poland), distribution costs and overheads.

If economic benefits are expected to be obtained over several financial periods, and their relationship with revenues can be determined only generally and indirectly, the costs are recognized in the profit and loss account by systematically and rationally spreading it over time.

COSTS OF EXTERNAL FINANCING

Costs of external financing (interest and other costs related to the financing obtained) are recognised in costs of the period to which they relate.

Borrowing costs include interest calculated using the effective interest rate method and foreign exchange differences arising from external financing.

3.19A. COSTS OF EMPLOYEE BENEFITS

Remeasurement of retirement benefits provision takes place at the end of each reporting period based on valuation prepared by an actuary, while the provision for unused holidays is created based on number of unused days and average salary. Costs are recognized in the profit or loss statement in the reporting period.

3.20. INCOME TAX

Income tax recognized in the profit or loss statement includes current and deferred income tax.

Current income tax is the expected tax liability due to taxation of income for a given fiscal year, calculated using tax rates applicable at a given balance sheet date, and possible adjustments of income tax relating to previous years. The current income tax liability is calculated in accordance with tax regulations.

Deferred tax is recognized in the profit or loss statement for a given period, except for items settled directly with equity. In such a situation, the deferred tax is also recognised in the appropriate value in equity.

Deferred income tax is determined using the balance sheet method, based on temporary differences between the value of assets and liabilities shown in the accounting books and their taxable value. The amount of the deferred income tax recognised takes into account the planned manner of implementation of temporary differences, using income tax rates that will apply when the differences are realized, based on tax rates that were legally valid or were generally adopted as at the balance sheet date.

Deferred tax assets are determined in the amount anticipated to be deducted from income tax in future, due to negative temporary differences that will cause a reduction in the basis for calculating income tax in the future. The carrying amount of the deferred tax asset is verified at each balance sheet date and is subject to write-off in the event that there is doubt about the Company's economic benefits related to the use of deferred tax assets.

The provision for deferred income tax is created from positive temporary differences between the taxable value of assets and liabilities and their carrying amounts in financial statements.

3.21. SHARE-BASED PAYMENTS (STOCK OPTIONS)

The share options (warrants) granted to members of the Management Board and key managers are transactions settled in equity instruments. The cost of equity-settled transactions is measured in reference to fair value at the grant date. The valuation does not include any conditions regarding the effectiveness of results, except for those related to share price.

Transaction costs settled in equity instruments is recognized along with the corresponding increase in the equity in the period to which the vesting conditions regarding the effectiveness of results refer, ending on the day when Management Board members and key managers acquire full entitlement to benefits (vesting date). The cumulated cost recognised for equity-settled transactions at each balance sheet date until the date of the vesting date of rights reflects the degree of expiration of the vesting period and the number of options to which the rights will eventually be acquired.

The fair value of the options granted is recognized in the profit or loss statement in correspondence with reserve capital. The options fair value is measured as of the grant date and is recognized in the vesting period. This value is measured based on Monte Carlo valuation model, which is an extension of Black - Scholes valuation model, including the terms and conditions for granting stock options.

The diluting effect of issued options is taken into account when determining the amount of profit per share as an additional dilution of shares.

3.22. OPERATING SEGMENTS

The VRG Group specialises in design and retail sales of branded clothing for men and women in the medium segment and up-market as well as luxury jewellery and watches. Currently, it is building its revenue base on following brands: Vistula, Lantier, Vistula Red, Wólczanka, Lambert, Bytom, W.KRUK (via a subsidiary) and Deni Cler (via a subsidiary). From the second quarter of 2015, following a divesture of an organised business unit related to W.KRUK brand, the jewellery activities are carried out by Issuer's a subsidiary, i.e. W.KRUK S.A. based in Cracow. From November 30, 2018, the Group also possesses the Bytom brand.

The diagram below shows the division of the Group's operations by business segments:

VRG
VISTULA RETAIL GROUP

APPAREL Retail and wholesale	JEWELLERY Retail and wholesale
Suits, Accessories, Jackets, Shirts, Trousers	Jewellery, Watches, Accessories

LEADING BRANDS OF THE VISTULA BUSINESS LINE:

VISTULA			
VISTULA	VISTULA Lantier	VISTULA RED	VISTULA WOMAN
Operating on the Polish market since 1967, Vistula is the basic line of men formalwear. The brand offers a wide range of suits, jackets, trousers, shirts and other complementary accessories.	The brand was launched in 1998. Its signature products are associated with apparel of French origins. Introduction of the Lantier brand was aimed at broadening the Company's offer to include products aimed at the most demanding customers, using the latest global fashion trends and the highest quality fabrics. Apart from classic suits, Lantier collections, similarly to Vistula brand collections, also include knitwear, shirts, jackets, coats and	A brand introduced in 2009, which offers fashionable and smart casual products. The Vistula Red branded products are characterized by high quality and design consistent with global fashion trends. The brand is addressed at younger customers looking for bolder and more casual outfits.	Women's brand introduced in 2021. The collection was created for women who appreciate quality, comfort and the timeless of products. VISTULA WOMAN, refined in details, surprises with classic cuts and fashionable patterns. It includes products for many occasions - outerwear (classic coats, casual down and leather jackets), jackets and elegant trousers, skirts, dresses, shirts, as well as jeans, sweaters and t-shirts and an offer

	a wide range of complementary items.		of accessories (shoes, belts, caps and gloves).

LEADING BRANDS OF THE BYTOM BUSINESS LINE:

BYTOM
BYTOM
BYTOM is a Polish brand with a history dating back to 1945, in which tradition meets the modern vision of tailoring and men's fashion. Basing on a dozen of years long heritage, the brand offers men formalwear with a flagship product in the form of suits, made from finest Italian fabrics in Polish sewing facilities. BYTOM is not just the art of tailoring. The brand refers to the Polish cultural heritage by creating limited collections inspired by the work of outstanding personalities, inviting people with a significant influence on the development of Polish culture and art.

LEADING BRANDS OF THE WÓLCZANKA BUSINESS LINE:

WÓLCZANKA	
WÓLCZANKA	LAMBERT LONDON STYLE SHIRTING
It is a brand that has existed since 1948. The brand's offer includes men's shirts, and from the Autumn/Winter 2014 season also women's shirts, both formal and casual. Tradition and many years of experience in designing shirts and accessories have made the brand an expert in its field and a leader on the Polish market. From 2019, the offer of the Wólczanka brand is gradually expanded with new assortments, including various types of trousers, skirts, dresses, jackets, coats, jackets and denim clothing - new assortments allow you to complete ready-made stylizations for various occasions.	It is a brand of shirts and accessories that refer in their form and design to the principles of traditional tailoring and made of the highest quality fabrics. Lambert offers classic shirts and business accessories, ideal for women and men who observe the formal dress code at work, as well as who like to feel elegant, regardless of the occasion, who value comfort and the highest quality of the product.

OTHER OWN BRANDS IN THE APPAREL SEGMENT:

APPAREL SEGMENT
DENI CLER MILANO
The brand's clothing is dedicated to the upper segment of the women fashion. The brand's products were introduced to the Polish market in the early 90's. Deni Cler offering is sewn from Italian fabrics, with the majority of accessories used being of Italian origins as well. Fabrics used to make branded clothes are mostly cashmere and wool with silk. The brand's assortment includes mostly: skirts, jackets, pants, blouses, coats and dresses. The owner of the Deni Cler brand originating in Milan is DCG S.A. based in Warsaw (the Company's subsidiary). The main activity of DCG S.A. focuses on the design, production and distribution of exclusive women's clothing.

The VRG Group systematically expands the range of complementary items in its brand stores, including, among other things, the offer of smart casual products, exclusive leather goods and footwear. Offered accessories are currently one of the fastest growing product categories and, at the same time, have a high gross margin.

OWN BRANDS IN JEWELLERY SEGMENT:

JEWELLERY SEGMENT	
W.KRUK 1840	ZEGARKI
W.KRUK is the oldest jewellery brand in Poland with over 180 years of tradition. W.KRUK's offer includes gold and platinum jewellery, in particular jewellery with diamonds and precious stones. W.KRUK also creates the highest quality collections made of silver and other metals. W.KRUK offers many original jewellery lines with a unique character. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by ambassadors (including the Freedom collection by Martyna Wojciechowska) and an expert and innovative approach to jewellery. A significant part of the collections presented every year is made in the Manufaktura of the brand near Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, the W.KRUK brand was the first in Poland to introduce a new category of man-made diamonds in laboratory conditions to the offer in its chain of stores under the name New Diamond by W.KRUK. They have parameters identical to diamonds mined with traditional methods and are classified according to the same parameters, using the same standards of expert assessment. The collection decorated with New Diamond by W.KRUK includes rings under the name Perfect®, earrings and pendants with lab-grown diamonds in the following colours: white and for the first time on the Polish market, pink and blue. Since 2016, the range of the brand has been complemented by a selection of W.KRUK branded accessories, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men.	.W.KRUK offers watches of luxury Swiss brands such as Rolex (as the only distributor of this brand in Poland), Cartier, Jaeger-LeCoultre, Hublot, Panerai, Chopard, Girard-Perregaux, Omega, Tudor, Tag Heuer, Longines, Rado, Frédérique Constant, Tissot, Certina, Doxa, Gucci, Swatch and many more. At the end of 2020, the Patek Philippe brand, considered the most prestigious in the world, was added to the offer. Watches of renowned brands sold at W.KRUK stores occupy a strong position on the Polish market, and the value of their sales is systematically increasing.

MANUFACTURING OPERATIONS

Own production activity in the apparel segment was located in a 100% owned subsidiary of the parent company, operating under the name Wólczanka Shirts Manufacturing Sp. z o.o. In addition to its own manufacturing facilities, the parent company cooperates with reliable independent producers who guarantee sewing and confectioning services at the highest level and offer competitive pricing conditions.

SEASONALITY AND CYCLICALITY OF OPERATIONS

Retail sales both in the fashion sector and in the jewellery industry are characterized by significant seasonality of sales. For the apparel market, the most favourable period from the point of view of the generated financial result is the period of the second and fourth quarter, while in the jewellery segment, the period of the fourth quarter (especially the month of December).

In the area of geographical segments, all of the Capital Group's operations are carried out in the Republic of Poland.

3.23. EXCHANGE RATES

Individual items of assets and liabilities were converted into EUR at the average exchange rate as of December 31, 2021 announced by the National Bank of Poland, which was 4.5994 PLN/EUR. Individual items of the profit and loss account were converted into EUR at the exchange rate of 4.5775 PLN/ EUR, which is the arithmetic mean of average EUR exchange rates set by the National Bank of Poland on the last day of each completed month covered by the report.

To calculate the average exchange rate, the following EURO exchange rates were adopted as of: 29.01.21 - 4.5385 PLN/EUR, 26.02.21 - 4.5175 PLN/EUR, 31.03.21 - 4.6603 PLN/EUR, 30.04.21 - 4, 5654 PLN/EUR, 31.05.21 - 4.4805 PLN/EUR, 30.06.21 - 4.5208 PLN/EUR, 30.07.21 - 4.5731 PLN/EUR, 31.08.21 - 4.5374 PLN/EUR, 30.09.21 - 4.6329 PLN/EUR, 29.10.21 - 4.6208 PLN/EUR, 30.11.21 - 4.6834 PLN/EUR, 31.12.21 - 4.5994 PLN/EUR.

The comparable data for individual assets and liabilities were converted into EUR at the average exchange rate announced by the National Bank of Poland, applicable on the last day of the reporting periods, i.e. on 31.12.2020, which amounted to 4.6148 PLN/EUR. Comparable data for individual items of the profit and loss account have been converted into EUR at the rates constituting the arithmetic mean of the average EUR rates set by the National Bank of Poland on the last day of each completed month of the comparative period, i.e. from 01/01/2020 to 31/12/2020, which amounted to 4.4742 PLN/EUR.

The lowest exchange rate in the reporting period was PLN/EUR 4.4541.

The highest exchange rate in the reporting period was PLN/EUR 4.7210.

4. SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

NOTE 1. REVENUES FROM CONTINUING OPERATIONS

Analysis of the Group's revenues	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Revenues from the sale of products, goods and materials	1,069,847	853,591	348,780	231,983
Revenue from property lease	80	123	15	21
Revenue from lease of other fixed assets	-	-	-	-
Total revenue	**1,069,927**	**853,714**	**348,795**	**232,004**
Result on the sale of fixed assets	-	-	-	-
Other operating income, including:	13,754	15,456	3,055	6,945
- reversal of provisions	*30*	*4,363*	*30*	*4,275*
Financial income	46	2,060	521	7
Total	**1,083,727**	**871,230**	**352,371**	**238,956**

**-unaudited data*

The main item of other operating income is the subsidy received by the Group from the Guaranteed Employee Benefit Fund in connection with COVID-19 for the period of 3 months (February, March and April 2021) in the amount of PLN 5,256 thousand and exemption from paying social security contributions in the amount of PLN 3,561 thousand - decision dated as of April 30, 2021.

Due to the nature of the main type of activity conducted by the Group (retail trade), there is no concentration of sales to customers whose share in the total value of revenues would exceed 10%.

Positive trends in sales were the result of, inter alia, reconstruction of demand (after restrictions in trade and the organization of mass events in 2020) for formal clothing, caused by an increased number of family (weddings, communion) and business (banquets, conferences) celebrations and a partial return to offices and business trips. Significant increase in revenues was achieved in large part thanks to significantly higher YoY sales in the jewellery segment.

NOTE 2. SEGMENTS BY TYPE OF ACTIVITY AND GEOGRAPHICAL BREAKDOWN

The Group's operations can be divided into two operating segments. These segments are the basis for preparing the Group's reports. The criteria for determining the reporting segments of the Group is the type of goods sold.

Basic activities:
- Retail and wholesale sale of apparel
- Retail and wholesale sale of jewellery and watches

Information about business segments is presented below:

2021 / period from 01-01-2021 to 31-12-2021	PLN ths		
	Apparel segment	**Jewellery segment**	**Total**
External sales	569,602	500,325	1,069,927
Gross profit on sales	309,098	259,090	568,188
Segmental operating costs	292,604	171,829	464,433

2021 / period from 01-01-2021 to 31-12-2021	PLN ths		
	Apparel segment	Jewellery segment	Total
of which depreciation	63,950	40,136	*104,086*
Other operating income and costs	*-6,922*	*696*	-6,226
Financial income and costs	-7,698	-6,241	-13,939
of which interest income and costs	-3,696	-3,576	*-7,272*
Income tax	*1,488*	*15,792*	17,280
Net profit	**386**	**65,924**	**66,310**

2020 / period from 01-01-2020 to 31-12-2020	PLN ths		
	Apparel segment	Jewellery segment	Total
External sales	501,378	352,336	853,714
Gross profit on sales	236,599	180,745	417,344
Segmental operating costs	272,596	144,244	416,840
of which depreciation	*70,578*	*39,767*	*110,345*
Other operating income and costs	- 13,807	1,380	- 12,427
Financial income and costs	- 21,926	- 14,225	- 36,151
of which interest income and costs	*- 4,627*	*- 3,576*	*- 8,203*
Income tax	-12,954	4,812	-8,142
Net profit	**-58,776**	**18,844**	**-39,932**

4Q 2021 / period from 01-10-2021 to 31-12-2021*	PLN ths		
	Apparel segment	Jewellery segment	Total
External sales	174,605	174,190	348,795
Gross profit on sales	100,218	91,809	192,027
Segmental operating costs	80,785	58,607	139,392
of which depreciation	15,967	10,104	*26,071*
Other operating income and costs	1,144	-167	977
Financial income and costs	-1,855	-2,165	-4,020
of which interest income and costs	-683	-1,092	*-1,775*
Income tax	3,892	5,912	9,804
Net profit	**14,830**	**24,958**	**39,788**

**-unaudited data*

4Q 2020/ period from 01-10-2020 to 31-12-2020*	PLN ths		
	Apparel segment	Jewellery segment	Total
External sales	117,752	114,252	232,004
Gross profit on sales	58,103	60,787	118,890
Segmental operating costs	77,279	44,607	121,886
of which depreciation	*15,858*	*9,840*	*25,698*

4Q 2020/ period from 01-10-2020 to 31-12-2020*	PLN ths		
	Apparel segment	Jewellery segment	Total
Other operating income and costs	526	- 423	103
Financial income and costs	- 8,417	- 5,410	- 13,827
of which interest income and costs	*- 1,586*	*- 1,092*	*- 2,678*
Income tax	-4,881	2,060	-2,821
Net profit	**-22,186**	**8,287**	**-13,899**

**- unaudited data*

The value of financial income and costs of both reporting segments includes mainly costs of interest on bank loans, which amounted to, respectively:
- for the apparel segment, PLN 716 thousand for 2021 (PLN 1,106 thousand for 2020),
- for the jewellery segment, PLN 753 thousand for 2021 (PLN 1,525 thousand for 2020).

Financial income and costs also include interest and exchange rate differences (surplus of positive to negative / surplus of negative over positive) due to leases related to commercial premises and office space, which amounted to:
- for the apparel segment, the interest amounted to PLN 3 288 thousand for 2021 (PLN 3,219 thousand for 2020), and exchange rate differences (surplus of positive over negative) amounted to PLN 1,049 thousand for 2021 (surplus of negative over positive PLN 15,273 thousand for 2020),
- for the jewellery segment, the interest amounted to PLN 2,190 thousand for 2021 (PLN 2 016 thousand for 2020), and exchange rate differences (surplus of positive over negative) amounted to PLN 597 thousand for 2021 (surplus of negative over positive PLN 9 943 thousand for 2020).

Transactions between the operating segments are based on the accounting principles applied by the Capital Group. Compared to the last annual financial statements, there were no differences in the basis of segment separation or determination of segment results.

Due to the fact that both in 2021 and in the comparative period, the values of recognised or reversed losses from impairment of fixed and current assets were not significant, the Group did not present them by operating segments.

GEOGRAPHICAL SEGMENTS OF ACTIVITY:

Regarding geographical segments, all of the Group's operations are carried out in the Republic of Poland, part of revenues is sent abroad.

Sales revenue in various markets by geographic location	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Poland	1,068,110	851,878	348,203	231,199
EURO zone	1,669	1,449	592	544
CHF zone	148	387	-	261
Total	**1,069,927**	**853,714**	**348,795**	**232,004**

**-unaudited data*

Segmental assets and liabilities as at December 31, 2021 are as follows:

Current year 2021	PLN ths		
	Apparel segment	Jewellery segment	Total
Assets	746,296	748,096	1,494,392
Liabilities	331,214	273,514	604,728

Previous year 2020	PLN ths		
	Apparel segment	Jewellery segment	Total
Assets	792,972	673,261	1,466,233
Liabilities	375,791	267,088	642,879

NOTE 3. OPERATING EXPENSES AND OTHER OPERATING COSTS

Costs of continuing operations	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Depreciation of fixed assets	104,086	110,345	26,071	25,698
Materials and energy	71,304	65,199	19,445	15,941
Costs of goods sold	477,313	412,119	149,726	108,128
Change in products and work in progress	-79,467	- 77,434	-16,626	- 17,239
Inventory write-offs	6,974	12,863	-3,169	- 1,616
Remuneration and employee benefits	149,351	131,758	42,138	32,889
Other costs by type	55,174	38,492	22,177	10,762
Third party costs	188,411	172,731	53,229	58,821
Other operating costs	13,006	15,020	5,247	8,458
Total costs of products sold, goods and materials, distribution, general and administrative expenses and other operating costs	**986,152**	**881,093**	**298,238**	**241,842**

** unaudited data*

NOTE 4. REMUNERATION AND EMPLOYEE BENEFITS

The average number of employees in persons (including the management)	In persons			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Employees in persons by categories:	**2,333**	**2,453**	**2,341**	**2,405**
White-collar employees	2,172	2,278	2,178	2,229
Blue-collar employees	161	175	163	176

General remuneration divided into wages, insurance and other (value):	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Total remuneration, including:	**149,351**	**131,758**	**42,138**	**32,889**
Salaries	125,565	110,505	35,559	27,647
Social security and other benefits	23,786	21,253	6,579	5,242

**-unaudited data*

NOTE 5. FINANCIAL INCOME

Continued operations	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Interest on bank deposits and loans granted	7	19	6	-
Result on forward transactions	-	543	-	-
FX gains	-	-	513	-
incl. leases of retail and office floorspace	-	-	2,397	-
Valuation of loans at amortized cost	-	1,271	-	-
Other	39	227	2	7
Total	**46**	**2,060**	**521**	**7**

-unaudited data

NOTE 6. FINANCIAL COSTS

Continued operations	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021*** from 01-10-2021 to 31-12-2021	**4 Q 2020*** from 01-10-2020 to 31-12-2020
Interest on overdrafts and bank loans	1,469	2,631	394	500
Interest on factoring	250	221	68	71
Interest on finance lease liabilities	82	135	28	24
Interest on leases of retail and office floorspace	5,478	5,235	1,291	2,083
Fees on bank loans and guarantees, letters of credit and factoring	2,406	2,049	466	536
Loss on foreign exchange rate differences	893	26,988	-	10,059
incl. leases of retail and office floorspace	*-1,648*	*25,216*	-	*10,757*
Valuation of forward transactions	451	-	-	87
Valuation of loans at amortized cost	2,549	-	2,105	451
Other	407	952	189	23
Total	**13,985**	**38,211**	**4,541**	**13,834**

-unaudited data

NOTE 7. INCOME TAX

Continued operations	PLN ths 2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021* from 01-10-2021 to 31-12-2021	4 Q 2020* from 01-10-2020 to 31-12-2020
Corporate income tax	17,280	-8,142	9,804	-2,821
Deferred income tax (note 22)	-1,594	-16,814	1,586	-7,959
Current year	18,874	8,672	8,218	5,138

**-unaudited data*

Reconciliation of tax base and pre-tax profit shown in the profit or loss statement	PLN ths 2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021* from 01-10-2021 to 31-12-2021	4 Q 2020* from 01-10-2020 to 31-12-2020
Profit before tax	83,590	- 48,074	49,592	- 16,720
According to the statutory rate 19% (since 2008: 19%)	15,882	- 9,134	9,422	- 3,177
Non-taxable income	-37,989	- 32,057	-9,287	- 22,533
Costs not constituting tax deductible costs	33,330	110,294	5,991	44,893
Research and development relief	-	-	-	-
Tax loss to be settled in future periods	-	- 29,656	-	- 744
Tax loss carryforward	12,013	-	5,303	4,936
Tax base	**90,944**	**507**	**51,598**	**11,320**
Income tax charge	**17,280**	**96**	**9,804**	**2,150**
Effective tax rate	20.67%	- 0.20%	19.77%	- 12.86%

**-unaudited data*

The income tax charge in 2021 in the amount of PLN 17,280 thousand mainly consists of:

- income tax expense in the parent company in the amount of (+) PLN 1,629 thousand, which includes the value of the current income tax in the amount of PLN 1,448 thousand and a change in deferred tax in the amount of (+) PLN 181 thousand,

- income tax charge in the subsidiary W.KRUK S.A. in the amount of (+) PLN 15,792 thousand, which includes the value of the current income tax in the amount of PLN 17,363 thousand and change in deferred tax in the amount of (-) PLN 1,571 thousand.

The difference between the effective tax rate (20.67%) and the nominal tax rate (19%) is mainly due to permanent differences as in the case of PFRON.

NOTE 8. EARNINGS PER SHARE

Continued operations	PLN ths 2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021* from 01-10-2021 to 31-12-2021	4 Q 2020* from 01-10-2020 to 31-12-2020
Net profit attributable to the shareholders of the dominating entity	66,310	-39,932	39,788	-13,899
Profits from continuing operations for the purpose of calculating earnings per share after excluding discontinued operations	66,310	-39,932	39,788	-13,899
Weighted average number of ordinary shares	234,455,840	234,455,840	234,455,840	234,455,840

Continued operations	PLN ths 2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021* from 01-10-2021 to 31-12-2021	4 Q 2020* from 01-10-2020 to 31-12-2020
Diluted weighted average number of ordinary shares	241,505,840	241,505,840	234,455,840	241,505,840
Earnings per share				
basic	0.28	- 0.17	0.17	- 0.06
diluted	0.27	- 0.17	0.16	- 0.06

**-unaudited data*

Calculation of the weighted average number of shares	2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020
Number of shares as at 01.01.2021	234,455,840	234,455,840
Change during the year (issuance)	-	-
Number of shares as at 31.12.2021	234,455,840	234,455,840
Number of days with increased equity	-	-
Ratio (number of days with increased equity / number of days in the period)	-	-
Weighted average number of shares	234,455,840	234,455,840
Scale of potential dilution (ordinary shares)	7,050,000	7,050,000
Diluted weighted average number of ordinary shares	241,505,840	241,505,840

Explanatory information regarding potential dilution in ordinary shares is included in the note 30.

NOTE 9. GOODWILL

	PLN ths
PURCHASE PRICE OR FAIR VALUE	
Balance as at January 1, 2020	302,748
Adjustment – disclosure as at the date of purchase of Bytom	-
Balance as at December 31, 2020	**302,748**
Balance at January 1, 2021	302,748
Adjustment – disclosure as at the date of purchase	-
Balance at December 31, 2021, including:	**302,748**
Generated from acquisition of Wólczanka S.A.	60,697
Generated from acquisition of W. KRUK S.A.	181,893
Generated from acquisition of Bytom S.A.	60,158
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Balance at January 1, 2020	-
Losses due to impairment in the current year	-
Derecognition at the moment of disposal	-
Balance at December 31, 2020	**-**
Balance at January 1, 2021	-
Losses due to impairment in the current year	-
Derecognition at the moment of disposal	-
Balance at December 31, 2021	**-**

	PLN ths
BOOK VALUE	
At December 31, 2020	**302,748**
At December 31, 2021	**302,748**

As at December 31, 2021 impairment test was carried out for intangible assets with an indefinite useful life, i.e. goodwill.

The value of Wólczanka was assigned to a group of cash generating units in the form of Wólczanka sales network. The following assets of the acquired entity were assigned to the group of cash generating units of Wólczanka sales network:

- Wólczanka brand
- Fixed assets related to the operations of Wólczanka store network (including goodwill).

The value of Bytom was assigned to a group of cash generating units in the form of Bytom sales network. The following assets of the acquired entity were assigned to the group of cash generating units of Bytom sales network:

- Bytom brand
- Fixed assets related to the operations of Bytom store network (including goodwill).

Goodwill of W.KRUK was assigned to a group of cash generating units in the form of W.KRUK sales network. The following assets of the acquired entity were assigned to the group of cash generating units of W.KRUK sales network:

- W.KRUK brand
- Fixed assets related to the operation of the W.KRUK store network (including goodwill).

Due to lack of indications to determine the fair value of cash generating units (which results mostly from lack of an active market), the recoverable amount was determined at the level of the value in use of the cash generating units.

The conducted test for the aforementioned brands was based on forecasted cash flows for the next five years and the residual value, for which the calculation assumed the growth rate at the level of "0%" (for network development after a five-year period).

The WACC discount rate adopted for the above tests came in at 9.7% for Wólczanka and Bytom and 9.7% for W.KRUK, respectively. An increase in the adopted discount rate does not require asset impairments.

In order to determine cash flows and the discount rate in line with traditional accounting practice, the approach was to use a single sequence of estimated cash flows and one discount rate.

As a result of the test, no impairment of intangible assets with an indefinite useful life, i.e. goodwill, was identified. In connection with the above, in the period for which the financial report was prepared, no impairment losses were recognised for intangible assets with an indefinite useful life, i.e. goodwill.

NOTE 10. OTHER INTANGIBLE ASSETS

	PLN ths			
	Costs of development works	**Trademarks**	**Patents and licenses**	**Total**
GROSS VALUE				
Balance at January 1, 2020	1,219	194,116	24,851	220,186
Additions			168	168
Decreases				-
Balance at December 31, 2020	**1,219**	**194,116**	**25,019**	**220,354**
Balance at January 1, 2021	1,219	194,116	25,019	220,354
Additions			2,564	2,564
Decreases			-195	-195

	PLN ths			
	Costs of develop-ment works	Trademarks	Patents and licenses	Total
Balance at December 31, 2021	**1,219**	**194,116**	**27,388**	**222,723**
AMORTISATION				
Balance at January 1, 2020	1,219	23	18,841	20,083
Amortization for the period			882	882
Disposal				-
Balance at December 31, 2020	**1,219**	**23**	**19,723**	**20,965**
Balance at January 1, 2021	1,219	23	19,723	20,965
Amortization for the period			1,092	1,092
Disposal			-195	-195
Balance at December 31, 2021	**1,219**	**23**	**20,620**	**21,862**
IMPAIRMENT				
Balance at January 1, 2020			3,147	3,147
Additions				-
Decreases				-
Balance at December 31, 2020			**3,147**	**3,147**
Balance at January 1, 2021			3,147	3,147
Additions			3	3
Decreases				-
Balance at December 31, 2021			**3,150**	**3,150**
BOOK VALUE				
Balance at December 31, 2020	**-**	**194,093**	**2,149**	**196,242**
Balance at December 31, 2021	**-**	**194,093**	**3,618**	**197,711**

Patents and licenses are amortised over their useful life, which is 5 years on average, trademarks are not subject to amortisation because they have an indefinite useful life.

In 2021, no new write-offs were created and there were no indications to reverse the write-offs created so far.

Amortization of intangible assets was charged respectively to selling costs, general administrative expenses or the cost of sales in the statement of comprehensive income.

Trademarks Wólczanka, W.KRUK, Bytom and Intermoda for the total value of PLN 194,093 ths are the subject of collateral under loan agreements shown in note 19.

As at December 31, 2021, an impairment test was carried out for intangible assets with an indefinite useful life, i.e. trademarks. As a result of this test, no impairment of intangible assets with an indefinite useful life, i.e. trademarks, was identified. Therefore, in the period for which the financial statements were prepared, no impairment losses were recognised for intangible assets with an indefinite useful life, i.e. trademarks.

Assumptions for the impairment test for intangible assets with an indefinite useful life, i.e. trademarks, are the same as in the note 9.

As at December 31, 2021, there were no contractual obligations regarding the purchase of intangible assets.

NOTE 11. FIXED ASSETS

	PLN ths			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
PURCHASE PRICE OR FAIR VALUE				
Balance at January 1, 2020	118,985	3,600	118,252	240,837
Additions	5,261	15,570	9,461	30,292
Disposal	- 6,826	- 15,886	- 7,889	- 30,601
Balance at December 31, 2020	**117,420**	**3,284**	**119,824**	**240,528**
Balance at January 1, 2021	117,420	3,284	119,824	240,528
Additions	3,232	18,825	10,418	32,475
Disposal	-9,338	-16,335	-14,758	-40,431
Balance at December 31, 2021, including :	**111,314**	**5,774**	**115,484**	**232,572**
at purchase price/production cost	*111,314*	*5,774*	*115,484*	*232,572*
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at January 1, 2020	86,769	-	84,755	171,524
Depreciation for the period	8,676		11,844	20,520
Disposal	- 6,492		- 7,721	- 14,213
Balance at December 31, 2020	**88,953**	**-**	**88,878**	**177,831**
Balance at January 1, 2021	88,953	-	88,878	177,831
Depreciation for the period	7,578		11,542	19,120
Disposal	-9,005		-14,284	-23,289
Balance at December 31, 2021	**87,526**	**-**	**86,136**	**86,136**
IMPAIRMENT				
Balance at January 1, 2020	-	1,636	195	1,831
Additions	183	57		240
Decreases				-
Balance at December 31, 2020	**183**	**1,693**	**195**	**2,071**
Balance at January 1, 2021	183	1,693	195	2,071
Additions	1,963	-	293	2,256
Decreases	-980	-	-141	-1,121
Balance at December 31, 2021	**1,166**	**1,693**	**347**	**3,206**
BOOK VALUE				
Balance at December 31, 2020	**28,284**	**1,591**	**30,751**	**60,626**
Balance at December 31, 2021	**22,622**	**4,081**	**29,001**	**55,704**

The Group does not have off-balance sheet fixed assets.

In 2021, PLN 2,256 thousand of new write-offs were created and PLN 1,121 thousand were released.

Land and buildings that are the subject of collateral under loan agreements shown in note 19.

As at 31 December 2021, there were no contractual obligations regarding the purchase of fixed assets.

NOTE 11A RIGHT OF USE ASSETS

Right of use assets	PLN ths		
	Assets due to right of use of retail and office floorspace	Other right of use assets	Total
GROSS VALUE			
Balance at January 1, 2020	353,806	10,106	363,912
Additions	136,174	633	136,807
Decreases	- 13,879	- 217	- 14,096
Balance at December 31, 2020	**476,101**	**10,522**	**486,623**
Balance at January 1, 2021	476,101	10,522	486,623
Additions	74,969	96	75,065
Decreases	- 28,296	-5,710	-34,006
Balance at December 31, 2021	**522,775**	**4,908**	**527,682**
AMORTIZATION			
Balance at January 1, 2020	87,401	5,965	93,366
Additions	87,382	1,561	88,943
Decreases	- 8,376	-	- 8,376
Balance at December 31, 2020	**166,407**	**7,526**	**173,933**
Balance at January 1, 2021	166,407	7,526	173,933
Additions	82,679	1,195	83,874
Decreases	-9,043	-5,468	-14,511
Balance at December 31, 2021	**240,043**	**3,253**	**243,296**
BALANCE SHEET VALUE			
Balance at December 31, 2020	**309,694**	**2,996**	**312,690**
Balance at December 31, 2021	**282,731**	**1,655**	**284,386**

The majority of the increase in the right of use asset in 2021 concerns the renegotiated lease agreements for retail premises.

The Group is a party to lease agreements under which it uses the space used to run a network of company stores and office space.

The leasing period is, for stores - from 2 to 10 years with the possibility of extension, for office space - from 2 to 5 years.

Some lease contracts include an extension or termination option.

The Group also has lease agreements for store spaces with a lease term of up to 12 months.

NOTE 12. INVESTMENT PROPERTY

	PLN ths
PURCHASE PRICE OR FAIR VALUE	
Balance at January 1, 2020	874
Additions	-
Decreases	-
Balance at December 31, 2020	**874**

	PLN ths
Balance at January 1, 2021	874
Additions	-
Decreases	-
Balance at December 31, 2021 including:	**874**
- at purchase price/manufacturing cost	874
- at revalued amount	-
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Balance at January 1, 2020	-
Depreciation for the period	-
Disposals	-
Balance at December 31, 2020	**-**
Balance at January 1, 2021	-
Depreciation for the period	-
Disposals	-
Balance at December 31, 2021	**-**
BALANCE SHEET VALUE	
Balance at December 31, 2020	**874**
Balance at December 31, 2021	**874**

The real estate is not subject to collateral.

NOTE 13. SHARES AND STAKES

List of subsidiaries in which the Group held shares / stakes as at December 31, 2021.

Name of entity	Valuation method	Registrar	% of owned shares	% of votes held	Value of shares at purchase price	Valuation adjustments	Book value
Chara Sp. z o.o.	Purchase price		19	19	17	-	17
Other	Purchase price				10	-	10
Total					**27**		**27**

Subsidiaries are characterized in point 1 of the consolidated financial statements.

The value of the shares has not changed compared to the previous year.

NOTE 14. OTHER LONG-TERM INVESTMENTS

	PLN ths	
	31.12.2021	**31.12.2020**
Other	4	4
Total	**4**	**4**

NOTE 15. INVENTORY

	PLN ths	
	31.12.2021	31.12.2020
Materials (at purchase price)	27,404	25,751
Work in progress (at production cost)	7,014	7,048
Finished products (at production cost)	52,542	54,965
Trade goods (at purchase price)	434,979	435,851
Total inventory, at the lower of two values: purchase price (production cost) and net realizable value	521,939	523,615
Inventory write-offs	-22,766	- 18,031
Total	**499,173**	**505,584**

Created write-downs in the amount of PLN 12 738 thousand were charged to other operating expenses, and the reversed revaluation write-offs in the amount of PLN 765 thousand were charged to the cost of sales and the amount of PLN 7,239 thousand into other operating income in connection with their sale or utilization.

Inventories were pledged by a registered pledge as security for loan agreements presented in note 19.

NOTE 16. LONG-TERM RECEIVABLES

	PLN ths	
	31.12.2021	31.12.2020
– receivables from deposits paid for store leases	239	295
Total	**239**	**295**

NOTE 17. TRADE AND OTHER RECEIVABLES

Trade and other receivables	PLN ths	
	31.12.2021	31.12.2020
Trade receivables from third parties (gross)	7,648	15,562
minus: write-off of trade receivables from third parties	-420	- 8,216
Trade receivables from third parties (net)	7,228	7,346
Trade receivables from related parties (gross)-(note 32)	-	2,030
minus: write-off of trade receivables from related parties	-	- 2,020
Trade receivables from related parties (net)	-	-
Receivables from taxes, subsidies, customs, social security and other benefits	347	1,294
Other receivables from third parties (gross)	3,959	45,043
minus: write-off of other trade receivables from third parties	-1,325	- 42,840
Other receivables from third parties (net)	2,634	2,203
Other receivables from related parties (gross)	-	4,300
minus: write-off of other trade receivables from related parties	-	- 4,300

Trade and other receivables	PLN ths	
	31.12.2021	31.12.2020
Other receivables from related parties (net)	-	-
Other current assets	2,630	2,489
Total short-term receivables (gross)	**14,584**	**70,718**
minus: total write-off of receivables	-1,745	- 57,386
Total short-term receivables (net)	**12,839**	**13,332**

Analysis of other current assets can be found in Note 21a.

Payment terms for receivables range from 7-120 days. After the payment deadline expires, interest is charged.

Split of overdue trade receivables (gross)	PLN ths	
	31.12.2021	31.12.2020
a) up to 1 month	563	372
b) above 1 month up to 3 months	613	161
c) above 3 months up to 6 months	260	76
d) above 6 months up to 1 year	741	131
e) above 1 year	550	11,310
Total overdue trade receivables (gross)	**2,727**	**12,050**
f) total write-off of overdue receivables	-1,641	- 10,243
Total overdue trade receivables (net)	**1,086**	**1,807**

Most of the remaining receivables have been written down, the net value of other receivables are current receivables.

Change in short-term receivables write-offs	PLN ths	
	31.12.2021	31.12.2020
Balance at the beginning of period	57,386	57,288
a) increases (due to)	2,631	1,204
deconsolidation of related parties	-	-
write-offs creation	2,338	1,204
foreign exchange rate differences	293	-
b) decreases (due to)	5,272	1,106
receipt of payment	5,181	423
receivables write-off	53,091	159
cessation of the reason behind the write-off	-	-
foreign exchange rate differences	-	524
Balance of short-term receivables write-offs at the end of period	**1,745**	**57,386**

Amounts of receivables write-offs (created and reversed) are recognised in selling costs. The value of the write-offs was estimated based on credit risk analysis in accordance with IFRS 9 and based on Group's past experiences.

Short-term receivables gross (currency structure)	PLN ths	
	31.12.2021	31.12.2020
a) PLN	10,711	58,148
b) in foreign currencies (by currency and after conversion into PLN)	3,872	12,570
b1. in EURO thousands	320	1,845

Short-term receivables gross (currency structure)	PLN ths	
	31.12.2021	31.12.2020
PLN thousands	1,573	8,518
b2. in USD thousands	478	839
PLN thousands	1,939	3,155
b3. in CHF thousands	74	102
PLN thousands	330	434
Other currencies in PLN thousands	30	463
Total short-term receivables (gross)	**14,583**	**70,718**

Receivables from loans granted	PLN ths	
	31.12.2021	31.12.2020
Loan receivables from third parties (gross)	-	1,952
minus: write-off of loan receivables from third parties	-	- 1,952
Loan receivables from third parties (net)	-	-
Loan receivables from third parties (gross)	773	227
minus: write-off of loan receivables from related entities	-	- 227
Loan receivables from related entities (net)	773	-
Total loan receivables (gross)	**773**	**2,179**
minus: total write-off of loan receivables	-	- 2,179
Total loan receivables (net)	**773**	**-**

The Group has receivables due to loans granted in the amount of PLN 773 thousand (including: subsidiaries PLN 773 thousand).

Change in short-term loan receivables write-offs	PLN ths	
	31.12.2021	31.12.2020
Balance at the beginning of period	2,179	2,180
a) increases (due to)	-	-
write-offs created	-	-
foreign exchange rate differences	-	-
b) decreases (due to)	2,179	1
receipt of payment	-	-
decision of the management board to recognize as a loss	2,179	
foreign exchange rate differences	-	1
Balance of short-term receivables write-offs at the end of period	**-**	**2,179**

NOTE 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include: cash held by the Group and short-term bank deposits with maturities of up to 3 months. The book value of these assets corresponds to their fair value.

The balance of cash and cash equivalents disclosed in the cash flow statement consists of the following items:

	PLN ths	
	31.12.2021	31.12.2020
cash and bank accounts	29,723	41,313

	PLN ths	
	31.12.2021	**31.12.2020**
short-term deposits	84,849	7,526
Total	**114,572**	**48,839**

Cash flows are prepared using the indirect method.

NOTE 18A. CASH FLOW STATEMENT – OTHER ADJUSTMENTS

The amounts shown under "Other adjustments" consist of:	PLN ths	
	31.12.2021	**31.12.2020**
- increasing the reserve capital - valuation of options	-	-
- fixed assets - write-down - liquidations	868	- 679
- interest received	-4	- 18
Total	**864**	**- 697**

NOTE 19. LOANS AND BORROWINGS

	PLN ths	
	31.12.2021	**31.12.2020**
Overdrafts	5,996	11,289
Bank loans	**48,266**	**60,279**
Amounts payable according to bank loan agreements		
On demand or up to 1 year	14,608	13,083
From 2 to 5 years	33,658	47,196
Over five years	-	-
Loans	**-**	**-**
Amounts payable according to bank loan agreements		
On demand or up to 1 year	-	-
From 2 to 5 years	-	-
Over five years	-	-

Loans currency structure	PLN ths			
	Total	**PLN**	**€**	**$**
December 31, 2021	**54,262**	**54,262**	**-**	**-**
Overdrafts	5,996	5,996	-	-
Bank loans	48,266	48,266	-	-
Loans	-	-	-	-
December 31, 2020	**71,568**	**71,568**	**-**	**-**
Overdrafts	11,289	11,289	-	-
Bank loans	60,279	60,279	-	-
Loans	-	-	-	-

BANK LOANS

BANK LOAN LIABILITIES:

Name of the entity	Headquarters	Value of bank loan / according to the contract		The loan amount to be repaid at face value		The loan amount measured at amortized cost	Interest conditions	Effective interest rate	Maturity	Collateral
		PLN	currency	PLN	currency	PLN				
Bank PKO BP S.A.	Warsaw	37,000,000	PLN	-	PLN	-	Limit enabling the use of overdraft facility	N/D	July 1, 2022	1. . Blank promissory note with declaration 2. Declaration of submission to enforcement 3. Contractual right to deduct receivables 4. Floating charge on inventories of Vistula and Wólczanka brands 5. Fixed charge on "Vistula" and "Wólczanka" trademarks 6. . Registered pledge on shares of W.KRUK SA and DCG SA 7. Fixed charge on shares of WSM Factory Sp. z o.o. (Formerly Wólczanka Shirts Manufaturing Sp. z o.o.) and VG Property Sp. z o.o. 8. Trilateral agreement on card transactions payments 9. Transfer of rights from insurance policy 10. BGK guarantee 11. Civil law surety of the subsidiary W.KRUK S.A.
		55,000,000	PLN	-	PLN	-	Limit enabling the execution of guarantees and letters of credit	N/D	July 1, 2022	
		47,600,000	PLN	19,320,000	PLN	19,429,164	Investment loan	2.34%	31 grudnia 2024	
mBank S.A.	Warsaw	19,000,000	PLN	-	PLN	-	Limit enabling the use of overdraft facility and execution of guarantees and letters of credit	N/D	April 18, 2022	1. Assignment of receivables, 2. Five blank promissory notes, 3. Fixed charge on selected locations under Bytom brand 4. BGK guarantee (relates to reverse factoring)) 5. Assignment of rights under an insurance policy
		11,500,000	PLN	-	PLN	-	Limit for reverse factoring	N/D	July 15, 2022	
ING Bank Śląski S.A.	Katowice	55,000,000	PLN	-	PLN	-	Limit enabling the use of overdraft facility and execution of guarantees	N/D	20 kwietnia 2023	1.Assignment of receivables,

Name of the entity	Headquarters	Value of bank loan / according to the contract		The loan amount to be repaid at face value		The loan amount measured at amortized cost	Interest conditions	Effective interest rate	Maturity	Collateral
		PLN	currency	PLN	currency	PLN				
							and letters of credit and reverse factoring			2. Fixed charge on Bytom and Intermoda trademarks, 3. Fixed charge on Bytom and Intermoda trademarks, 4. Assignment of rights under the insurance policy, 5. Declaration on submission to enforcement 6. BGK guarantee
Bank PKO BP S.A.	Warsaw	52,000,000	PLN	-	PLN	-	Limit enabling the use of overdraft facility	N/D	July 6, 2022	1. Blank promissory note, along with a promissory note declaration 2. Declaration of submission to enforcement 3. Fixed charge on "W.KRUK" trademark" 4. Floating charge on Company's inventory. 5. Guarantee of VRG SA 6. Trilateral agreement on credit card payments 7. Assignment of rights from the insurance policy 8. Declaration of submission to enforcement 9. BGK guarantees 10. Civil law surety of VRG SA for an overdraft
		33,000,000	PLN	-	PLN	-	Limit enabling the use of guarantees and letters of credit	N/D	July 6, 2022	
		71,400,000	PLN	27, 840,000	PLN	27,937,062	Investment loan	2.07%	December 31, 2024	
Bank PKO BP S.A.	Warsaw	11,500,000	PLN	5,995, 826	PLN	5,995,826	Limit enabling the use of overdraft facility	1.82%	July 14, 2022	1. Guarantee granted by VRG SA 2. Mortgage 3. Floating charge on inventory 4. Transfer of rights from insurance policy 5. BGK guarantee 6. Declaration of submission to enforcement
Bank PKO BP S.A.	Warsaw	4,500,000	PLN	-	PLN	-	Limit enabling the use of guarantees and letters of credit	N/D	July 14, 2022	
Bank PKO BP S.A.	Warsaw	4,021,500	PLN	899,736	PLN	899,736	Overdraft	5.95%	March 31, 2023	1. Guarantee granted by VRG SA 2. Mortgage 3. Contractual right to deduct receivables 4. Assignment of rights under the insurance policy and lease agreements for real estate and equipment lease

THE GROUP HAS THE FOLLOWING BANK LOANS:

Credit agreements with PKO BP SA in the total amount of PLN 92,000 thousand, entitling to use an overdraft up to the amount of 37,000 thousand and execution of orders for bank guarantees up to the amount of PLN 25,000 thousand and letters of credit up to the amount of PLN 35,000 thousand. On July 2, 2020, an overdraft agreement was signed up to the amount of PLN 37,000.00 thousand. The multi-purpose agreement was signed on March 9, 2015, as amended, amended by the annex of July 2, 2020 excluding the overdraft facility from the agreement and the annex of May 14, 2021 increasing the sublimit for letters of credit. The agreements will expire on July 1, 2022. The agreements are secured with a blank promissory note with a declaration of submission to enforcement, contractual right to set off receivables, floating charge on inventory of Vistula and Wólczanka brands, and a fixed charge on "Vistula", "Wólczanka" trademarks, a fixed charge on W.KRUK SA and DCG SA shares, a fixed charge on WSM Factory Sp. z o.o. (former name Wólczanka Shirts Manufacturing Sp.z o.o.) and VG Property Sp. z o.o. shares, assignment of contractual claims, assignment of rights under the insurance policy, and the liquidity guarantee of Bank Gospodarstwa Krajowego for an overdraft facility and a civil law surety of a subsidiary of the Company, i.e. W.KRUK S.A. for a multi-purpose loan.
investment loan at PKO BP SA in the amount of PLN 47,600 thousand. The agreement was signed on March 9, 2015. The agreement will expire on December 31, 2024. The agreement is secured with a blank promissory note, a fixed charge on W.KRUK SA and DCG SA shares, and a fixed charge on WSM Factory Sp. z o.o. (former name Wólczanka Shirts Manufacturing Sp. z o.o.) and VG Property Sp. z o.o. shares, a declaration of submission to enforcement, assignment of contractual receivables and assignment of rights under the insurance policy.
multi-purpose credit line at ING Bank Śląski SA in the amount of PLN 55,000 thousand for the period until November 29, 2022, and then with its reduction by 2,000,000 each time PLN in period: from November 30, 2022, December 31, 2022, January 31, 2023, February 28, 2023, March 31, 2023 with the end date until April 20, 2023, under the Multi-product Agreement at ING Bank Śląski S.A. The Group may use the following products: an overdraft up to PLN 23,000,000, a letter of credit line up to PLN 15,000,000, a bank guarantee line up to PLN 6,000,000, discount transactions in the form of reverse debt repurchase in the amount of EUR 8,000,000, but the total amount of debt resulting from the use of the limit in the form of the above-mentioned credit products may not exceed the limit amount, i.e. the amount of PLN 55,000 thousand for the period until November 29, 2022, and then its reduction by 2,000,000 each time in the following periods: from November 30, 2022, December 31, 2022, January 31, 2023, February 28, 2023 until March 31, 2023 - April 20, 2023, may not exceed the amount of PLN 45,000 thousand. The collaterals for the limit granted to the Company under the Agreement are: assignment of receivables, fixed charge on the Bytom and Intermoda trademarks, floating charge on selected Bytom brand locations, assignment of rights under the insurance policy, declaration of submission to enforcement and BGK guarantee.
multi-purpose credit line at mBank S.A. entitling to use an overdraft facility, the use of bank guarantees and letters of credit, where the total amount of debt resulting from the use of the limit in the form of the above-mentioned credit products may not exceed PLN 19,000,000.00. The multi-purpose agreement was signed for the period from April 23, 2019 to April 18, 2022 (with the annex of March 31, 2021, the contract period was extended to July 15, 2022), the limit of factoring liabilities may not exceed PLN 11,500,000. The agreement is secured with a blank promissory note, a pledge on inventories in selected locations of the Bytom brand, an assignment of receivables, an assignment of rights under an insurance policy and, additionally, with a liquidity guarantee of Bank Gospodarstwa Krajowego in terms of the factoring limit.
Total agreements with PKO BP SA for the amount of PLN 85 million, of which one contract authorizing the use of an overdraft facility up to the amount of PLN 52,000 thousand and the second agreement in the form of a multi-purpose limit for the use of bank guarantees up to the amount of PLN 25,000,000 and letters of credit up to the amount of PLN 8,000 thousand. The multi-purpose agreement was signed on March 9, 2015. The agreement will expire on July 6, 2022. The agreement is secured with a blank promissory note with a promissory note declaration, a fixed charge on the trademark "W.KRUK" and floating charge on company's inventory, a surety granted by VRG SA, a tripartite agreement regarding payment by credit card transactions, assignment of rights under the insurance policy, declaration of submission to enforcement and contractual right to set off receivables, and the liquidity guarantee of Bank Gospodarstwa Krajowego for an overdraft and a civil law surety of VRG S.A. for a multi-purpose loan.
investment loan in PKO BP SA in the amount of PLN 71,400 thousand. The agreement was signed on March 9, 2015. The agreement will expire on December 31, 2024. The agreement is secured with a blank promissory note with a promissory note declaration, a fixed charge on the trademark "W.KRUK" and the company's inventory, a surety granted by VRG SA, a tripartite agreement regarding payment by credit card transactions, assignment of rights under the insurance policy, declaration of submission to enforcement and the bank's power of attorney to the bank account, as well as other securities that can be determined at a later time.

Two agreements with PKO BP SA in the total amount of PLN 16,000 thousand, including an agreement entitling to use an overdraft up to the amount of PLN 11,500,000 and a multi-purpose limit for the use of guarantees and letters of credit up to the amount of PLN 4,500,000. The repayment will take place on July 14, 2022. The loan is secured with a capped mortgage, a floating charge on inventory, assignment of rights under the insurance policy and a guarantee by VRG S.A. (Limit enabling the execution of orders in the scope of guarantees and letters of credit). Investment loan in PKO BP SA in the amount of PLN 4,022 thousand. The agreement was signed on June 30, 2016. The agreement will expire on March 31, 2023. The loan was secured by VG's surety, a capped mortgage and a contractual right to set off receivables, as well as an assignment of rights under the insurance policy and real estate rental and lease agreements.

As at December 31, 2021, the Capital Group fulfilled the repayment of all received loans and interest on loans.

The effective interest rate is the ratio of the sum of interest paid in the financial year to the balance of liabilities due to loans at the end of the financial year.

NOTE 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:
- fair value of financial assets and financial liabilities with standard terms, traded in active, liquid markets, is determined by reference to stock exchange prices;
- fair value of other financial assets and financial liabilities (except for derivatives) is determined in accordance with generally accepted valuation models based on discounted cash flow analysis, using prices from observable current market transactions and dealer quotes for similar instruments;
- fair value of derivative instruments is calculated using the stock exchange prices. If these prices are not available, discounted cash flow analysis is applied using an appropriate yield curve for the duration of the instrument for non-optional instruments and option pricing models for optional instruments.

In the period from January 1, 2021 to December 31, 2021, there was no transfer between the levels in the fair value hierarchy used in the fair value measurement, and there was no change in the classification of financial assets due to a change in the purpose or method of using these assets.
Currency derivatives.

The Group uses currency derivatives to hedge its future cash flows against foreign exchange risk. The company has forward contracts for the purchase of currency as hedging transactions. Derivatives are denominated in USD and EUR. As at December 31, 2021, the balance of the nominal value is USD 0 thousand, converted at the transaction rate of PLN 0 thousand. As at the balance sheet date, the Company measures the transactions held at fair value, the difference in the valuation is charged to financial income/costs and other short-term financial assets/ liabilities, respectively. The valuation of derivative instruments belongs to the second level hierarchy, i.e. the valuation is based on market assumptions.

NOTE 20A. FINANCIAL INSTRUMENTS BY TYPE

Balance sheet items at amortised cost	PLN ths			
	31.12.2021		31.12.2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Loans granted	-	-	-	-
Trade and other receivables	13,078		13,627	
Cash and cash equivalents	114,572		48,839	
Long-term loan and lease liabilities		270,615		305,550
incl.:leases for retail and office floorspace		*236,017*		*256,974*
Short-term loan and lease liabilities		118,170		123,211
incl.:leases for retail and office floorspace		*96,861*		*97,510*
Trade and other liabilities		193,591		199,678
Corporate income tax liabilities			451	
Razem	**127,650**	**582,376**	**62,917**	**628,439**

Financial instruments at fair value through profit or loss in 2021 amounted to PLN 0 thousand (in 2020, they amounted to PLN 451 thousand and were recognized in financial income).

The Group carried out an analysis which found that the value of financial instruments disclosed in the statement of financial position does not differ significantly from their fair value due to the fact that most of these instruments bear interest based on a floating rate.

NOTE 20B FINANCIAL INSTRUMENTS – GAINS AND LOSSES FROM CHANGE IN VALUE

Balance sheet items	PLN ths					
	2021 / period from 01-01-2021 to 31-12-2021					
	Interest income	Interest expense	Profit / loss from valuation at amortized cost	Write-offs	Write-offs reversal	Profits / losses on exchange differences
Loans granted						
Trade and other receivables	39			2,631	58,272	612
Cash and cash equivalents	7					149
Forward transactions		1,801				
Loan and lease liabilities		5,478				1,534
Lease liabilities to retail and office floorspace		407				-3,188
Trade and other liabilities	**46**	**7,686**	**-**	**2,631**	**58,272**	**-893**

Balance sheet items	PLN ths					
	2020 / period from 01-01-2020 to 31-12-2020					
	Interest income	Interest expense	Profit / loss from valuation at amortized cost	Write-offs	Write-offs reversal	Profits / losses on exchange differences
Loans granted						- 1
Trade and other receivables	227			1,204	1,106	32
Cash and cash equivalents	19					- 12
Forward transactions		2,987	1,271			
Loan and lease liabilities		5,235				- 25,216
Lease liabilities to retail and office floorspace		952				- 1,791
Trade and other liabilities	**246**	**9,174**	**1,271**	**1,204**	**1,106**	**- 26,988**

NOTE 21. OTHER NON-CURRENT ASSETS

	PLN ths	
	31.12.2021	31.12.2020
Insurance	180	168
Fees and rental payments	830	586
Licenses	44	56
Marketing	868	894
BGK guarantee	668	758
Consulting services	-	-
Other	39	27

	PLN ths	
	31.12.2021	**31.12.2020**
Total	**2,629**	**2,489**

NOTE 22. DEFERRED INCOME TAX

The following items are the main items of deferred tax assets and liabilities recognised by the Group and their changes in the current and previous reporting period:

Balance sheet items	PLN ths			
	Balance sheet		Profit or loss statement	
	31.12.2021	**31.12.2020**	**2021** from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020
Deferred tax liabilities	**100**	**821**	**-721**	**292**
Balance sheet valuation - positive exchange rate differences	22	126	-104	- 17
Interest accrued on receivables	-	-		- 7
Property valuation	-	-		-
Net advances paid	55	72	-17	-
Valuation of loans at amortized cost	-	446	-446	242
Valuation of Forward transactions	-	86	-86	86
Accelerated tax depreciation	-	-		-
Fixed assets in lease	-	83	-83	- 17
Other	23	8	15	**5**
Allocated to financial result	**100**	**821**	**-721**	**292**
Allocated to goodwill		**-**		**-**
Deferred tax assets	**26,215**	**25,342**	**873**	**17 106**
Accelerated balance sheet depreciation	2,263	2,305	-42	67
Post-employment benefits (severance pay)	27	24	3	- 1
Write-offs	4,877	3,724	1,155	1,989
Provisions, wages and social security	2,331	2,287	42	422
Balance sheet valuation - negative exchange differences	71	190	-119	172
Losses carryforward	3,352	5,634	-2,282	5,634
Write-off of receivables from customers	-	597	-597	- 11
Provision for future liabilities	1,929	1,569	360	600
Provision for future returns	1,034	459	575	102
Forward transaction valuation	-	-	-	- 18
Valuation of the loyalty program	764	315	449	- 88
Valuation of loans at amortised cost	39		39	
Finance lease from retail and office space	9,528	8,238	1,290	8,238
Allocated to the financial result	**26,215**	**25,342**	**873**	**17,106**
Allocated directly to equity	**-**	**-**	**-**	**-**

The creation of a deferred tax asset results from the assessment of the probability that future tax revenues will be achieved and the tax base allowing for the deduction of negative temporary differences and tax losses, which justifies the creation of deferred tax assets as at December 31, 2021. The analysis of tax revenues achieved so far and the use of tax losses in 2021 shows that there is no risk of not using the remaining tax losses in the following years.

NOTE 23. FINANCE LEASE LIABILITIES

Lease liabilities by maturity	PLN ths	
	31.12.2021	31.12.2020
Amounts payable in accordance with leases agreements regarding commercial premises and office space agreements, including:	332,878	354,484
Up to 1 year	96,861	97,510
From year 2 to year 5	219,480	238,042
Above 5 years	16,537	18,932
Amounts payable in accordance with finance lease agreements relating to other contracts	1,645	2,709
Up to 1 year	705	1,329
From year 2 to year 5	940	1,380
Above 5 years	-	-
Discounted value of finance lease liabilities	**334,523**	**357,193**
The amounts due for settlement within 12 months (shown as short-term liabilities)	97,566	98,839
incl.: leases of retail and office floorspace	*96,861*	*97,510*
The value of payments after 12 months (shown under long-term liabilities)	236,957	258,354
incl.: leases of retail and office floorspace	*236,017*	*256,974*

All finance lease liabilities related to business cars are denominated in PLN, while leases related to commercial premises and office space are denominated in EURO and PLN.

The fair value of the Group's lease liabilities corresponds to its book value.

Leases not included in valuation	PLN ths	
	31.12.2021	31.12.2020
Liabilities under lease agreements relating to commercial premises and office space:	6,624	2,982
short-term leases	310	656
leasing of low-value assets	-	-
variable lease payments not included in lease liabilities	6,314	2,326

The Group took advantage of the exemption from applying the standard requirements with regard to short-term leases (up to 12 months) and leases of low-value assets. As at the balance sheet date, the Group did not have any significant items of low-value leases.

Costs related to short-term leases in accordance with IFRS 16 par. 6, linearly during the period, they amounted to PLN 310 thousand.

Interest costs related to leasing are presented in note 6.

Total expenses for the lease agreements were:

Expenses for lease agreements for commercial premises and office space:	PLN ths	
	31.12.2021	31.12.2020
Payment of liabilities under financial lease agreements relating to commercial premises and office space	80,385	74,720
Interest paid under finance lease agreements relating to commercial premises and office space	5,478	5,235

Expenses for lease agreements for commercial premises and office space:	PLN ths	
	31.12.2021	31.12.2020
short-term leases	310	656
low-value leases	-	-
variable lease payments not included in lease liabilities	6,314	2,326
Total payment lease liabilities	**92,487**	**82,937**

The table below shows the impact on the Capital Group's result in the reporting period for 2021, i.e. 01.01.2021 to 31.12.2021, between the recognition of commercial premises and office lease agreements in accordance with IFRS16 (implemented on January 1, 2019) and in accordance with IAS17 (valid until December 31, 2018).

Item	PLN ths		
	2021 / period from 01-01-2021 to 31-12-2021 according to IAS 17	Effect of finance lease liabilities relating to commercial premises and office space	2021 / period from 01-01-2021 to 31-12-2021 published data
Gross profit on sales	568,188	-	568,188
Selling costs and general administrative costs	462,139	2,294	464,433
Other operating revenues	12,956	798	13,754
Other operating costs	19,872	30	19,902
Loss on sale of non-financial assets	*78*	*-*	*78*
EBITDA	*120,462*	*81,153*	*201,615*
Operating profit	99,055	-1,526	97,529
Financial income	46	-	46
Financial costs	10,156	3,829	13,985
Pre-tax profit	**88,945**	**-5,355**	**83,590**
Income tax	18,570	-1,290	17,280
Net profit	**70,375**	**-4,065**	**66,310**

In 2021, depreciation for leases related to contracts of commercial premises and office space amounted to PLN 82,679 thousand.

The table below presents the impact on the Capital Group's result in the reporting period in the 4th quarter of 2021, i.e. 01.10.2021 to 31.12.2021, between the recognition of commercial premises and office lease agreements in accordance with IFRS16 (implemented on January 1, 2019).) and in accordance with IAS17 (effective until December 31, 2018).

Item	PLN ths		
	4Q 2021* / period from 01-10-2021 to 31-12-2021 according to IAS 17	Effect of finance lease liabilities relating to commercial premises and office space	4Q 2021* / period from 01-10-2021 to 31-12-2021 published data
Gross profit on sales	192,027	-	192,027
Selling costs and general administrative costs	143,595	-4,203	139,392
Other operating revenues	2,609	446	3,055
Other operating costs	1,871	6	1,877
Loss on sale of non-financial assets	201	-	201
EBITDA	*54,429*	*25,254*	*79,683*
Operating profit	48,969	4,643	53,612

Item	PLN ths		
	4Q 2021* / period from 01-10-2021 to 31-12-2021 according to IAS 17	Effect of finance lease liabilities relating to commercial premises and office space	4Q 2021* / period from 01-10-2021 to 31-12-2021 published data
Financial income	521		521
Financial costs	5,355	-1,107	4,541
Pre-tax profit	**43,842**	**5,750**	**49,592**
Income tax	9,126	678	9,804
Net profit	**34,716**	**5,072**	**39,788**

**-unaudited data*

In the fourth quarter of 2021, depreciation for leases related to contracts of commercial premises and office space amounted to PLN 20,611 thousand.

NOTE 24. TRADE AND OTHER LIABILITIES

Trade and other liabilities arise mainly from commercial purchases and costs of ongoing business operations.

Trade and other liabilities	PLN ths	
	31.12.2021	**31.12.2020**
Trade liabilities	104,974	123,902
Liabilities due to taxes, subsidies, purpose, social and health insurance and other benefits	37,588	18,099
Financial liabilities (reverse factoring)	16,704	28,285
Deferred income liabilities	19,400	12,458
Other	14,496	16,496
Short-term liabilities, total	**193,162**	**199,240**

Short-term liabilities (currency structure)	PLN ths	
	31.12.2021	**31.12.2020**
a) PLN	154,271	148,935
b) in foreign currencies (by currency and after conversion into PLN)	38,891	50,305
b1. in EURO thousands	3,669	4,233
PLN thousands	16,828	19,532
b2. in USD thousands	2,828	6,636
PLN thousands	11,685	24,940
b3. in CHF thousands	2,264	1,087
PLN thousands	10,069	4,636
Other currencies in PLN thousands	309	1,197
Total short-term liabilities	**193,162**	**199,240**

Deferred income liabilities include the valuation of the loyalty program. The value of future revenues is determined taking into account the conversion of the value of the awarded points and the probability of the award being awarded. The amount of deferred income related to the loyalty program presented in the balance sheet as at December 31, 2021 was PLN 4,023 thousand (as at December 31, 2020, PLN 1,654 thousand).

The time for the fulfillment of obligations for the supply of raw materials, materials and goods is 30-150 days, and 10-21 days for the supply of services.

Liabilities due to taxes, duties, social and health insurance are fulfilled within the time limits provided for in the income tax and social insurance acts, respectively, and do not exceed 30 days.

Liabilities to employees due to remuneration are realized within 10 days from the end of the month in which the work was performed and other liabilities within a period not exceeding 30 days.

NOTE 24A. FINANCE LIABILITIES BY MATURITY

Finance liabilities by maturity	PLN ths	
	31.12.2021	31.12.2020
Amounts payable in accordance with finance lease agreements relating to commercial premises and office space, including:	343,448	366,229
Up to 1 year	97,518	98,181
From year 2 to year 5	227,690	247,133
Above 5 years	18,240	20,915
Amounts payable in accordance with finance lease agreements relating to other contracts	1,716	2,889
Up to 1 year	742	1,419
From year 2 to year 5	974	1,470
Above 5 years	-	-
Amounts payable according to bank loan agreements	50,876	76,588
Up to 1 year	15,632	26,351
From year 2 to year 5	35,244	50,237
Above 5 years	-	-
Amount payable from trade and other liabilities according to maturity	155,574	181,141
Up to 1 year	155,574	181,141
From year 2 to year 5	-	-
Above 5 years	-	-

There are no other financial liabilities with a maturity period of over 12 months.

NOTE 25. PROVISIONS

	PLN ths					
	Provision for employment costs	Provision for legal disputes	Provision for work in progress (services of subcontractors)	Returns from customers	Other	Total
Balance at January 1, 2020	**6,247**	**3,877**	**1,557**	**516**	**19**	**12,216**
provisions created during the financial year	2,861	2,582	-	893	10	6,346
release / use of provisions	- 2,453	- 3,847	- 632	-516	- 19	- 7,467
Balance at December 31, 2020	**6,655**	**2,612**	**925**	**893**	**10**	**11,095**
allocated to short-term liabilities	5,416	2,612	925	893	10	9,856
allocated to long-term liabilities	1,239	-	-	-	-	1,239
Balance at January 1, 2021	**6,655**	**2,612**	**925**	**893**	**10**	**11,095**
provisions created during the financial year	2,946	615	827	1,309	2	5,699
release / use of provisions	-1,397	-29	-	-	-	1,426
Balance at December 31, 2021	**8,204**	**3,198**	**1,752**	**2,202**	**12**	**15,368**
allocated to short-term liabilities	7,083	3,198	1,752	2,202	12	14,247
allocated to long-term liabilities	1,121	-	-	-	-	1,121

Provisions created were charged respectively to general administrative expenses, selling costs or other operating costs, and provisions released were allocated respectively as a reduction in general administrative expenses and selling costs or to other operating revenues.

The balance of provisions as at 31.12.2021 consists of:

long-term provision for retirement benefits	PLN 1,121 thousand	**Total PLN 15,368 thousand**
short-term provision for retirement benefits	PLN 155 thousand	
short-term provision for unused holidays	PLN 4,446 thousand	
provision for bonuses	PLN 2,482 thousand	
provision for returns from customers	PLN 2,202 thousand	
short-term provision for sewing services	PLN 1,752 thousand	
provision for legal disputes	PLN 3,198 thousand	
other provisions	PLN 12 thousand	

Provisions for retirement benefits are calculated by an independent actuary. The main actuarial assumptions that were used for calculations were: the discount rate of 3.6%, the long-term annual growth rate of remuneration 10.0% w 2022 and further 3%, the probability of departing employees on the basis of historical data on employment turnover in the Capital Group.

Sensitivity analysis prepared by the actuary did not show significant deviations of the value of the provision between each of the considered scenarios.

NOTE 26. SHARE CAPITAL

	PLN ths							
Series / issue	Type of share	Type of share preference	Type of share rights restriction	Number of shares	Issue value by nominal value	The method of capital payment	Registration date	The right to dividends (from date)
Issue "A"	common	ordinary bearer		1,000,000			1991-04-30	
Share split (1 : 5)	common	ordinary bearer		5,000,000			1994-01-28	
Issue "B"	common	ordinary bearer		1,000,000			1995-01-05	
Share re-demption				-1,115,470				
Issue „D”	common	ordinary bearer		2,281,125			2006-08-31	
Issue „F”	common	ordinary bearer		716,564			2006-11-30	
Issue „C”	common	ordinary bearer		140,000			2007-01-22	
Share split (1 : 10)	common	ordinary bearer		80,222,190			2007-09-06	
Issue „G”	common	ordinary bearer		8,021,810			2008-10-06	
Issue „H”	common	ordinary bearer		15,059,932			2008-12-31	
Issue „I”	common	ordinary bearer		8,247,423			2009-12-17	
Issue „K”	common	ordinary bearer		22,310,270			2012-09-12	
Issue „M”	common	ordinary bearer		40,000,000			2013-09-16	
Issue „L”	common	ordinary bearer		859,366			2015-06-19	
Issue „L”	common	ordinary bearer		473,973			2016-10-11	
Issue „N”	common	ordinary bearer		1,980,000			2016-10-11	
Issue „N”	common	ordinary bearer		2,020,000			2017-07-07	
Issue „N”	common	ordinary bearer		2,000,000			2018-06-29	
Issue „O”	common	ordinary bearer		53,260,879			2018-12-28	
Total number of shares					**234,455,840**			
Total issued capital								
Nominal value of one share (PLN) = 0.20.								

The Group has one type of ordinary shares without the right to permanent income.

As at December 31, 2021, all shares issued were fully paid up.

Share capital	PLN ths	
	31.12.2021	31.12.2020
Registered:		
234,455,840 common shares PLN 0.20 each (year 2017: 179,194,964 common shares PLN 0.20 each)	49,122	49,122
Issued:		
234,455,840 common shares PLN 0.20 each (year 2017: 179,194,964 common shares PLN 0.20 each)	49,122	49,122

In accordance with the requirements of the Code of Commercial Companies, the dominating entity is obliged to create capital reserves to cover losses. At least 8% of the profit for a given financial year reported in the separate financial statements of the dominating entity is transferred to this capital category until this capital reaches at least one third of the dominating entity's share capital. The General Shareholder Meeting decides on the use of reserve capital and other capital reserves, however, part of the capital reserves in the amount of one third of the share capital may be used only to cover the loss disclosed in the dominating entity's separate financial statements and is not subject to any other purposes. Capital requirements were met in 2021.

NOTE 27. RESERVE CAPITAL

	PLN ths
Balance at January 1, 2020	**14,333**
Increases due to stock option program valuation	-
Balance at December 31, 2020	**14,333**
Balance at January 1, 2021	14,333
Increases due to stock option program valuation	-
Balance at December 31, 2021	**14,333**

Reserve capital is created from the valuation of the stock option incentive program in proportion to the duration of the program.

The nominal value of series P shares that the Parent Company may issue as part of the authorised capital for the purposes of stock option program is PLN 1,410 thousand (7,050,000 shares at PLN 0.20 each).

NOTE 28. RETAINED EARNINGS (UNDISTRIBURED NET PROFIT)

	PLN ths
Balance at January 1, 2020	**799,831**
Net profit for the current year	-39,932
Balance at December 31, 2020	**759,899**
Balance at January 1, 2021	**759,899**
Net profit for the current year	66,310
Balance at December 31, 2021	**826,209**

This line presents the net financial result of previous financial years as well as adjustments to the financial result for previous years, and those resulting from errors in previous years or changes in accounting principles.

Retained earnings include all the reserves, retained earnings from previous years of the dominating entity and its subsidiaries.

NOTE 29. CONTINGENT RECEIVABLES AND LIABILITIES

Off-balance sheet items	PLN ths	
	31.12.2021	31.12.2020
Issued bank guarantees for rents for the rental of shop premises and guarantees of timely payment of commercial liabilities	58,755	56,292
open letters of credit	23,441	23,310
promissory notes to secure lease liabilities	410	609
Total contingent liabilities	**82,606**	**80,552**

There are no contingent receivables in the Group.

NOTE 30. SHARE-BASED PAYMENTS

The Company's Ordinary Shareholder Meeting on June 27, 2018 adopted Resolution No. 17/06/2018 regarding the terms of the stock option program for members of the Company's Management Board, key managers or other persons of significant importance to the Company (and companies from its Capital Group), issuance of subscription warrants excluding pre-emptive rights, conditional increase of the Company's share capital by issuing new shares excluding pre-emptive rights, amending the Company's Articles of Association, authorizing the Company's Management Board to conclude an agreement for registration of new issued shares in KDPW S.A. and authorizing the Management Board of the Company to take all appropriate actions to allow new issued shares to be traded on a regulated market (the "Resolution"). According to the Resolution, a new stock option program for 2018-2020 was introduced at the Company. The General Shareholder Meeting agreed for issuance of 7,050,000 F-series subscription warrants in three tranches settled independently for 2018, 2019 and 2020 on the basis of the criteria defined in the Resolution for the annual average change in the Company's share price, consolidated net profit and consolidated EBITDA, convertible into P-series bearer shares of Vistula Group S.A. with a nominal value of PLN 0.20 each. All P-series shares will be subscribed in exchange for cash contributions. The issuance price of P-series shares will be equal to the average closing prices of the Company's shares on the Warsaw Stock Exchange for the last month preceding the day of adopting the Resolution reduced by 5% for one P-series share. Each F-series subscription warrant entitles a person named by the warrant to subscribe for one ordinary bearer series P-share of Vistula Group S.A. The right to subscribe for F-series subscription warrants is held by the members of the Vistula Group S.A. Management Board and persons who as of the day of offering E-series subscription warrants will belong to the key management and persons of significant importance to Vistula Group S.A. and companies from its capital group, regardless of the form and legal basis for performing duties at the above mentioned positions.

Registration of the nominal value of the conditional share capital increase in the amount of PLN 5,565,400.00 was conducted on 06.08.2018.

The value of the stock option program was estimated using the Monte Carlo model amounted to PLN 2,675,618.31, i.e. PLN 0.48 per share, and is accounted for proportionally to the duration of the program, taking into account the likelihood of non-market conditions being met. Amount calculated with a 100% probability.

F-series subscription warrants were allocated to participants of the program in 2019.

The allocated tranches of subscription warrants were completed in 2020.

Data necessary for stock option program valuation

„Dane potrzebne do wyceny programu motywacyjnego".

	31.12.2021	31.12.2020
share price at grant date	-	4.48
exercise price	-	4.22
expected volatility	-	25%
expected life of the option (in months)	-	36

	31.12.2021	31.12.2020
risk free rate	-	1.7%
expected dividend yield	-	0.00%

In 2021, the amount of PLN 0 thousand was recognized in the general and administrative costs of the valuation of the incentive program. zloty. (PLN 0 thousand in 2020;).

NOTE 31. SIGNIFICANT EVENTS IN 2021

2021 was another year of results for the Group under the influence of the pandemic, however, a significant improvement in financial results is noticeable. A summary of the most important current reports on changes in the Management Board, Supervisory Board or shareholding structure of the parent company is presented in the Report of the Management Board of the Capital Group.

NOTE 31A. EVENTS AFTER THE BALANCE SHEET DATE

21.01.2022

Notification on a significant block of shares

In the current report No. 4/2022 of January 21, 2022, the Company informed that on January 21, 2022 it received from Powszechne Towarzystwo Emertytalne PZU S.A. with its registred office in Warsaw representing and managing the Open Pension Fund PZU "Złota Jesień" ("OFE PZU") and Voluntary Pension Fund PZU ("DFE PZU") notification pursuant to Art. 87 sec. 1 point 2b of the Act of July 29, 2005 on public offering and the conditions for introducing financial instruments to the organized trading system and on public companies, that as a result of the purchase transaction of 10,000 (say: ten thousand) shares of the Company, concluded by OFE PZU on the regulated market on the WSE in Warsaw on January 18, 2022, with the settlement date of January 20, the total share of OFE PZU and DFE PZU in the total number of votes in the Company increased by more than 2% in votes in relation to the last notification of OFE PZU. The notification referred to above was attached to this report. In accordance with the above-mentioned notification after the conclusion and settlement of the transaction, OFE PZU independently held 38,918,084 shares of the Company, which constituted 16.599% of the share capital of the Company and entitled to 38,918,084 votes, constituting 16.599% of the total number of votes at the General Shareholder Meeting of the Company. In accordance with the above-mentioned notification after the conclusion and settlement of the transaction, DFE PZU independently owned 952,109 shares of the Company, which constituted 0.406% of the share capital of the Company and entitled to 952,109 votes, representing 0.406% of the total number of votes at the General Shareholder Meeting of the Company.

27.01.2022

Notification on a significant block of shares

In the current report No. 5/2022 of January 27, 2022, the Company informed that on January 27, 2022 it received from IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw ("Fund Management Company"), pursuant to Art. 69 sec. 2 point 1 lit. a of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (the "Act"), the information that as a result of the acquisition by the fund IPOPEMA 21 FIZ Non-Public Assets managed by the Fund Management Company ("Fund"), of the Company's shares in the transaction carried out on the regulated market on January 21, 2022, settled on January 25, 2022, the Fund's share in the total number of votes in the Company increased by more than 2% in the total number of votes in the Company. Before the above-mentioned event, the Fund owned 33,464,137 shares of the Company, which constituted 14.27% of the share capital of the Company and gave 33,464,137 votes, which constituted 14.27% of the total number of votes at the General Shareholder Meeting of the Company. In the event mentioned above, the Fund owned 33,514,137 shares of the Company, which constituted 14.29% of the share capital of the Company and gave 33,514,137 votes and constituted 14.29% of the total number of votes at the General Shareholder Meeting of the Company. At the same time, the Society informed that the funds managed by the Society did not have the financial instruments referred to in Art. 69b paragraph. 1 of the Act.

31.01.2022

Changes in composition of the Management Board and Supervisory Board of the Company

	In the current report no. 6/2022 of January 31, 2022, the Company informed that the Supervisory Board of the Company on January 31, 2022 adopted a resolution to dismiss Mr. Radosław Jakociuk from the composition of the Management Board and perform the function of Executive Vice-President of the Management Board.
18.02.2022	**Appointment of the President of the Management Board** In the current report No. 8/2022 of February 18, 2022, the Management Board of the Company informed that the Supervisory Board of the Company on February 18, 2022 adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Company, entrusting him with the function of the President of the Management Board.
07.03.2022	**Delegating a member of the Supervisory Board to perform the function of the President of the Management Board of the Company** In the current report No. 11/2022 of March 7, 2022, the Management Board of the Company informed that the Supervisory Board of the Company on March 7, 2022, pursuant to Art. 383 §. 1 of the Code of Commercial Companies, having regard to the content of report No. 8/2022 of February 18, 2022 on the appointment of the President of the Management Board as of June 1, 2022, adopted a resolution on delegating the Deputy-Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation took place for the period from March 12, 2022 to May 31, 2022.
01.04.2022	**Change of the date of taking up the position in the Management Board of the Company by the President of the Management Board of the Company** In the current report No. 12/2022 of April 1, 2022, the Management Board of the Company informed that the Supervisory Board of the Company on April 1, 2022 adopted a resolution on changing the resolution of the Supervisory Board of the Company of February 18, 2022 regarding the appointment of Mr. Janusz Płocica to the composition of the Management Board of the Company and entrusting him with the function of the President of the Management Board of the Company, about which the Company informed in the current report No. 8/2022. Pursuant to the resolution of the Supervisory Board of the Company of April 1, 2022, the above-mentioned resolution of the Supervisory Board was amended in such a way that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the Company and to act as the President of the Management Board, with effect from April 19 2022 instead of the current date of June 1, 2022.
04.04.2022	**Resignation from the delegation to temporarily perform the duties of the President of the Management Board** In the current report No. 13/2022 of April 4, 2022, the Management Board of the Company informed that on April 4, 2022, it received a declaration from Mr. Jan Pilch, Deputy Chair of the Supervisory Board of the Company, about his resignation with effect on April 18, 2022 delegation to temporarily perform the duties of the President of the Management Board. The Company informed about the posting in the current report no. 11/2022. In connection with the submitted statement, Mr. Jan Pilch returns to perform his duties related to the function of a member of the Supervisory Board of the Company as of April 19, 2022.

The uncertain political and economic situation related to the armed conflict in Ukraine may adversely affect the Company's operations in the area of domestic consumer demand, exchange rates and supply as a result of the risk of disrupting the supply chain. The Group does not have its own or partner stores in the areas covered by military operations in Ukraine and Russia, and there is no sale through other channels (online store, wholesale). Due to the fact that the Group does not import goods or raw materials from Ukraine and Russia, the Management Board of the Parent Company considers the risk related to the possible negative impact of the armed conflict in Ukraine on the current stock of brick-and-mortar stores and the availability of the offer in online stores as low.

NOTE 32. RELATED PARTY TRANSACTIONS – ADJUSTMENTS TO RETAINED EARNINGS AND PRESENTATION ADJUSTMENTS

Based on the provisions of IAS 8 "Accounting principles, changes in estimated values and correction of errors", in the financial statements for the first half of 2021, the Company created deferred tax for leases of commercial premises and office space, therefore it corrects the comparable data for 2020 and in 2020 statement of financial position.

The impact of the adjustments is presented below.

The impact of adjustments on the balance sheet items for 2020	PLN ths		
	Data based on 2020 statements	Adjustments in the result from previous years and presentation adjustments	Comparable data for 2020 based on 2021 statements
Deferred tax assets	16,283	8,238	24,521
Total fixed assets	889,789	8,238	898,027
Total current assets	568,206	-	568,206
Total assets	1,457,995	8,238	1,466,233
Total liabilities and provisions	**642,879**	**-**	**642,879**
Share capital	49,122	-	49,122
Other reserves	14,333	-	14,333
Retained earnings	751,661	8,238	759,899
Total equity	**815,116**	**8,238**	**823,354**
Total equity and liabilities	**1,457,995**	**8,238**	**1,466,233**

The impact of adjustments on financial result items for 2020	PLN ths		
	Data based on 2020 statements	Adjustments in the result from previous years and presentation adjustments	Comparable data for 2020 based on 2021 statements
Revenues	853,714	-	853,714
Cost of sales	436,370	-	436,370
Gross profit on sales	417,344	-	417,344
Other operating income	15,456	-	15,456
Selling costs	339,794	-	339,794
Administrative expenses	77,046	-	77,046
Other operating costs	27,209	-	27,209
Loss from sale of non-financial non-current assets	674	-	674
Profit (loss) from operations	-11,923	-	-11,923
Financial income	2,060	-	2,060
Financial costs	38,211	-	38,211
Pre-tax profit (loss)	-48,074	-	-48,074
Income tax	96	-8,238	-8,142
Net profit (loss) for the period	**-48,170**	**8,238**	**-39,932**
Equity	49,122	**-**	49,122
Other reserved	14,333	**-**	14,333
Retained earnings	751,661	8,238	759,899
Total equity	**815,116**	**8,238**	**823,354**

The adjustment of the previous years' result affects the Statement of cash flows under the Income tax item.

NOTE 33. ACCOUNTING POLICY ASSUMPTIONS

The presented financial statements have been prepared in accordance with IFRS. The principles of drawing up the financial statements are described in the general information for this report.

5. ISSUANCE, REDEMPTION AND REPAYMENT OF DEBT AND CAPITAL SECURITIES

In 2021, the Parent Group did not issue, redeem or repay any equity securities.

6. PAID AND DECLARED DIVIDENDS

In 2021, the Group did not pay or declare dividend payment. There is no preference for shares regarding dividend payments.

7. PENDING COURT AND ADMINISTRATION PROCEEDINGS

There are no proceedings pending before a court, a body competent for arbitration proceedings or a public administration body relating to the Group's liabilities or receivables whose value would have a material impact on the Group's financial standing.

8. CREDIT OR LOAN GUARANTEES GRANTED

As at 31.12.2021, there were no other guarantees apart from these indicated in Note 19.

9. REMUNERATION OF PARENT COMPANY MANAGEMENT AND SUPERVISORY BOARD FOR 2021 AND RELATED PARTY TRANSACTIONS

MANAGEMENT BOARD

		PLN ths
Jan Pilch	Deputy-Chair of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board /from 10.09.2021/	167
Radosław Jakociuk	Executive Vice-President of the Management Board	936
Michał Zimnicki	Executive Vice-President of the Management Board	540
Marta Fryzowska	Executive Vice-President of the Management Board / from 01.12.2021/	58
Andrzej Jaworski	President of the Management Board /from 10.09.2021/	1,606
Ernest Podgórski	Management Board Member /11.01.2021 to 28.06.2021/	229
Olga Lipińska-Długosz	Management Board Member /11.01.2021 to 31.08.2021	359
Erwin Bakalarz	Management Board Member /from 11.01.2021/	23
Total		**3,918**

The amount of remuneration given in the table above of Mr. Andrzej Jaworski and Ms. Olga Lipińska-Długosz includes, in addition to the basic salary, the value of the severance pay.

SUPERVISORY BOARD

		PLN ths
Jerzy Mazgaj	Chair of the Supervisory Board /from 28.06.2021/	159
Mateusz Kolański	Member of the Supervisory Board / Chair of Supervisory Board /from July 13, 2021/	227
Jan Pilch	Member of the Supervisory Board / Deputy-Chair of Supervisory Board from July 13, 2021/	137
Piotr Kaczmarek	Member of the Supervisory Board	184
Ernest Podgórski	Member of the Supervisory Board	5
Piotr Stępniak	Member of the Supervisory Board	185
Wacław Szary	Member of the Supervisory Board	191
Andrzej Szumański	Member of the Supervisory Board	170
Marcin Gomoła	Member of the Supervisory Board	87
Total		**1,345**

Managing and supervising persons received remuneration for performing functions in the governing bodies of subsidiaries. These salaries in total for 2021 amounted to:

		w tys. zł.
Jerzy Mazgaj	Chair of the Supervisory Board	80
Andrzej Jaworski	Member of the Supervisory Board	73
Ernest Podgórski	Member of the Supervisory Board	40
Jan Pilch	Member of the Supervisory Board	92
Piotr Stępniak	Member of the Supervisory Board	46
Piotr Kaczmarek	Member of the Supervisory Board	31
Andrzej Szumański	Member of the Supervisory Board	31
Michał Zimnicki	Member of the Supervisory Board	15
Erwin Bakalarz	President of the Management Board	1
Total		**409**

ENTITIES AND PERSONS RELATED TO KEY MANAGEMENT PERSONNEL OF THE COMPANY AS AT DECEMBER 31, 2021

- Doksa Sp. z o.o. - related to the Member of the Supervisory Board, Mr. Jan Pilch; entity leasing office space for VRG S.A.

In 2021, the Group entered into transactions with entities that are significantly influenced or held by a significant number of votes, directly or indirectly by a person who is a member of the Company's key management personnel.

- Doksa Sp. z o.o., in 2021, the total gross turnover amounted to 606 thousand. zloty.

In addition to related entities as at December 31, 2021, during 2021, entities related to the key management personnel of the Company were:

- Premium Cigars Sp. z o.o. - related to the President of the company W.KRUK S.A. Mr. Łukasz Bernacki acting as a Member of the Supervisory Board at Premium Cigars Sp. z o.o. until October 11, 2021 (connection through Mr. Jerzy Mazgaj, who was a Member of the Supervisory Board of VRG S.A. until June 28, 2022).
- Cliffsidebrokers S.A. - related to the Member of the Supervisory Board, Mr. Jerzy Mazgaj; an entity providing brokerage services for VRG S.A., W. Kruk and DCG. (Mr. Jerzy Mazgaj was a Member of the Supervisory Board of VRG S.A. until June 28, 2022).

10. SIGNIFICANT RISK FACTORS

Below is a summary of the most important risk factors that may affect the results and economic and financial situation of the Group. The factors listed below may have a significant negative impact on the development prospects, the achieved results and the financial situation of the Capital Group.

Risk related to the consequences of the coronavirus outbreak	In extraordinary situations, such as pandemic, there may be state orders regarding the functioning of economic entities, as well as changes in the behaviour and preferences of consumers. In order to counteract the effects of such phenomena, measures may be taken by the government administration, local governments or other social groups that will have an impact on the Company's operations. Based on the experience of the last several dozen months, the Group estimates that the effects of the coronavirus epidemic and potential restrictions may have a negative impact on the Group's future financial results. It may be caused by restrictions introduced by the Minister of Health in the operation of commercial facilities with a sales area of more than 2,000 m2, where over 95% of Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK brand stores are located. The impact of the spread of the coronovirus in the conditions of an epidemic on the financial results depends on a number of factors that are beyond the direct influence and control of the Group. However, possibly introduced restrictions on the opening of stores in shopping centers undoubtedly translate into lower sales revenues and deterioration of the financial situation of the Group. **Actions**: In this situation, the Group will continue to take steps to improve the Group's working capital and maintain a stable level of the Group's net debt. The terms of credit agreements are fulfilled in a timely manner. In the first half of 2021, the parent company extended the contract with ING Bank Śląski SA for another two years. The possibility of selling through the Internet channel as an independent way of reaching the customer is also developing. In the opinion of the Management Board, the current situation is sufficiently monitored and controlled. The Management Board of the Company, taking into account the actions taken, is convinced of the positive results of the above-mentioned actions beyond the direct influence and control of the Issuer. However, any protracted restrictions on the opening of stores in shopping centers will undoubtedly translate into lower sales revenues and deterioration of the Group's financial situation. However, in such a situation, measures are prepared to limit the liquidity risk. The Management Board does not see (at the time of drawing up the financial statements) any threat to the continuation of operations in the foreseeable future, not shorter than 12 months after the balance sheet date.
Foreign exchange risk and risk related to the hedging policy	The Group earns revenues mainly in PLN, while incurring significant costs in EUR, USD and CHF, which exposes the financial result to foreign exchange risk. In periods of depreciation of the PLN in relation to the main settlement currencies, the Group incurs higher costs of booking differences in exchange rates. In currencies other than PLN, the Group incurs the costs of (a) purchase of materials for production (fabrics, accessories) and supplementary assortments in the apparel segment (shoes, knitwear, leather accessories and other), (b) purchase of materials for production (raw materials jewellery), jewellery and watches in the jewellery segment and (c) resulting from commercial space lease agreements. In the event of a significant and long-term weakening of the Polish currency against the euro, US dollar and Swiss franc, there is a risk of a significant deterioration of the financial results achieved by the Group. The table below the list of risks presents an analysis of the sensitivity of the financial result (and therefore equity) to the average annual change in exchange rates by +/- 5% in relation to the average rate or the closing rate (where appropriate). **Actions**: The parent company undertakes actions aimed at limiting the impact of the increase in the exchange rate on the level of the achieved "in take" margin, mainly in the scope of the USD/PLN exchange rate ratio by concluding forward and spot contracts. The transactions are related to individual deliveries of goods, especially in the fashion area, and do not relate to the neutralization of the possible risk related to the increase in rental rates due to the change in the EUR / PLN exchange rate. The impact of forward transactions will be visible in the valuation of currency liabilities related to the concluded forward transactions (the analysis of sensitivity to exchange rate risk was performed in the annual and semi-annual financial statements.
Interest rate risk	The Group uses external financing bearing a variable interest rate in the form of an investment loan and working capital loan as well as reverse factoring. Therefore, the Group is exposed to the interest rate risk in the form of a

	possible increase in financing costs and, as a consequence, a decrease in the Group's profitability. The table below, the list of risks presents sensitivity analysis of the financial result (and therefore equity) in relation to the potential fluctuation of the average annual interest rate up by 500 basis points and down by 100 basis points (i.e. by 5 and 1 percentage point, respectively). **Actions**: having relatively low debt, the Issuer currently considers this risk to be low (despite the rapid increase in interest rates). The Company constantly monitors the market situation, but currently does not take any additional measures to hedge the interest rate risk.
Liquidity risk	The Group has liabilities under credit agreements. As a consequence, collateral covering a significant part of the property was established. The above-mentioned liabilities are serviced mainly with the use of current operating proceeds. In the extreme case of a sudden, simultaneous decrease in demand and an increase in costs (especially in the event of a deep weakening of the Polish zloty) or temporary loss of revenues as a result of extraordinary events (limited operation of showrooms for epidemiological reasons), the Group may face difficulties in maintaining financial liquidity. **Activities**: The Group constantly monitors its liquidity position by analyzing the volume of sales proceeds and the required liabilities. The Group has carried out activities to extend payment terms for the purchased goods and actively adjusts the value of the collection to the demand, which will positively affect the Group's financial flows. In the first half of 2021, the parent company extended the agreement with ING bank for subsequent years. As part of the anti-crisis shield solutions, the parent company received co-financing for wages from the Guaranteed Employee Benefits Fund, and was also temporarily exempted from Social Security (ZUS) contributions. The parent company will work to further improve the efficiency of working capital use, which is to be achieved through a further decrease in the level of inventories year on year and maintaining longer payment terms. In the opinion of the Management Board of the parent company, the current situation is sufficiently monitored and controlled. The Management Board of the parent company, having in mind the actions taken, is convinced of the positive results of the above-mentioned actions. Information on due liabilities and their maturity dates is presented in note 19a of the Consolidated Financial Statements. Information on credit lines with which these liabilities will be settled is described in note 19 Loans and bank loans.
Risk of termination of a loan agreement	The Group concluded loan agreements with the PKO BP, SA, ING Bank Śląski SA and mBank SA banks. These agreements contain a number of conditions and covenants the implementation of which the Group is committed to. In the event of an economic downturn, weakening demand for the Group's products, the implementation of the covenants may be jeopardized, which entails the risk of termination of contracts by financing banks. Due to the large amount of financing, it may turn out that the Group will not be able to obtain refinancing in a short time. **Actions**: The Group minimizes the risk by timely fulfilment of obligations towards banks and monitoring of compliance with the covenants. The Group provides the financing banks with information about its situation on an ongoing basis, resulting from the terms of the agreements or the interests of the financing banks themselves, thanks to which the related risk is minimized and, if necessary, refinancing, the Group would be able to obtain it on a timely basis that would not disturb the liquidity financial.

Table of sensitivity of the financial result to changes in interest rates:

PLN m	Interest rate fluctuations	Impact on the financial result:
Balance at 31.12.2021		
Increase in interest rates	+500pb	-6.7
Fall in interest rates	-100pb	0.7
Balance at 31.12.2020		
Increase in interest rates	+500pb	-12.7

PLN m	Interest rate fluctuations	Impact on the financial result:
Fall in interest rates	-100pb	1.3

Table of sensitivity of the financial result to changes in average annual exchange rates:

PLN m	FX rate fluctuations	Impact on the financial result:		
		EUR	USD	CHF
Balance at 31.12.2021				
Increase in FX rate	+5%	-20.5	-6.0	-3.2
Decrease in FX rate	-5%	20.5	6.0	3.2
Balance at 31.12.2020				
Increase in FX rate	+5%	-20.8	-6.0	-1.9
Decrease in FX rate	-5%	20.8	6.0	1.9

Table of sensitivity of the financial result to changes in exchange rates of balance sheet items:

mln PLN	FX rate fluctuations	Impact on the financial result:		
		EUR	USD	CHF
Stan na 31.12.2021				
Increase in FX rate	+5%	-17.6	-0.7	-0.5
Decrease in FX rate	-5%	17.6	0.7	0.5
Stan na 31.12.2020				
Increase in FX rate	+5%	-19.1	-1.4	-0.3
Decrease in FX rate	-5%	19.1	1.4	0.3

11. OTHER INFORMATION RELEVANT TO ASSESSMENT OF GROUP'S SITUATION

In 2021, there were no events other than those described in this report, and in particular those described in Note 1.5. Going concern, that may significantly affect the personnel, property, financial standing and financial result of the Group and which could threaten its ability to meet its obligations.

Jan Pilch	Marta Fryzowska	Michał Zimnicki
....	....	....
Deputy-Chair of the Supervisory Board temporary delegated to perform the function of President of the Management Board	Executive Vice-President of the Management Board	Executive Vice-President of the Management Board

Signature of a person entrusted with bookkeeping

Dagmara Szczupak

…....................

Finance Director

Cracow, April 8, 2022

VISTULA

BYTOM
SZTUKA KRAWIECTWA OD 1945

WÓLCZANKA

DENI CLER
MILANO

W.KRUK
1840

VRG
VISTULA RETAIL GROUP

REPORT OF THE MANAGEMENT BOARD ON OPERATIONS

OF VRG S.A. AND VRG S.A. CAPITAL GROUP FOR 2021

Cracow, April 8, 2022

VRG
VISTULA RETAIL GROUP

VISTULA BYTOM SZTUKA KRAWIECTWA OD 1945 WÓLCZANKA DENI CLER MILANO W.KRUK 1840

1. GENERAL INFORMATION

1.1. NAME, REGISTERED OFFICE, BUSINESS ACTIVITY

VRG Spółka Akcyjna (also as "Parent Company", "Company" or "Issuer") based in Cracow, Pilotów 10 St, post code: 31-462.

The Company was registered in the Cracow Śródmieście District Court, XI Commercial Division of the National Court Register (KRS) under number KRS 0000047082.

The predominant activity of the Company according to the Polish Classification of Activities (PKD) is the retail sale of clothing in specialized stores (PKD 47.71.Z).

For the date of the creation of an independent enterprise, the legal successor of which is VRG S.A., one can acknowledge October 10, 1948 - the date of issuance of the Minister of Industry and Trade Ordinance on the creation a state-owned enterprise named "Krakowskie Zakłady Przemysłu Odzieżowego" (Cracow Clothing Production Facility). On April 30, 1991, the District Court for Cracow Śródmieście in Cracow, V Commercial Division, registered the transformation from a state-owned enterprise into a sole-shareholder company of the State Treasury.

The Company is one of the first companies that were listed on the Warsaw Stock Exchange S.A. First listing of VRG S.A. took place on September 30, 1993.

THE COMPANY'S KEY CORPORATE MILESTONES

1948	Ordinance of the Minister of Industry and Trade on creation of a state-owned enterprise under the name "Krakowskie Zakłady Przemysłu Odzieżowego" (Cracow Clothing Production Facility)
1991	Transformation into a sole-shareholder company of the State Treasury under the business name: Zakłady Przemysłu Odzieżowego "Vistula" Spółka Akcyjna
1993	The Issuer's debut on the Warsaw Stock Exchange S.A.
2001	Registration of a new company name: Vistula Spółka Akcyjna
2005	The beginning of the process of intensive expansion of the store network and renewal of the positive image of the Vistula brand
2006	Merger with Wólczanka S.A. (change of the company name to Vistula & Wólczanka S.A.)
2008	Taking over control and merger with W.KRUK S.A in Poznań (change of the company name to Vistula Group S.A.)
2015	Transfer of jewellery business conducted under the W.KRUK brand to W.KRUK S.A. subsidiary
2018	Merger with Bytom S.A. (change of the company name to VRG S.A.)
2019	Merger with BTM 2 Sp. z o.o.

The lifespan of the Issuer is indefinite.

1.2. VRG S.A. CAPITAL GROUP STRUCTURE

As at the end of 2021 VRG S.A. Capital Group consisted of the following entities:

- **VRG S.A.** - Parent Company
- **W.KRUK S.A.** based in Cracow, Pilotów 10 St.; post code 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000500269.
  The company specialises is design, manufacturing and retail sales of brand luxury products such as jewellery, watches and accessories.
  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%
- **DCG S.A.** based in Warsaw, Bystrzycka 81a St., post code 04-907. The company was registered in the District Court for Warsaw, the XXI Commercial Division of the National Court Register (KRS) under number KRS 0000285675.
  The company specialises in retail sale of clothing.
  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%
- **WSM Factory Sp. z o.o. (former name Wólczanka Shirts Manufacturing Sp. z o.o.)** based in Cracow, Pilotów 10 St., post code: 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000538836.

  The company specialises in confectioning of clothing at the request of the parent company, in particular including shirts branded Wólczanka, Lambert, Vistula and Lantier. The company also conducts confectioning of women's shirts and blouses under export contracts concluded by VRG S.A.

  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%
- **VG Property Sp. z o.o.** based in Cracow, Pilotów 10 St., post code: 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000505973.

  The company specialises in renting and managing of own or leased real estate.
  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

Consolidated financial statements for 2021 include data of the Parent Company and subsidiaries: W.KRUK S.A., DCG S.A., WSM Factory Sp. z o.o. (formerly: Wólczanka Shirts Manufacturing), VG Property Sp. z o.o..

CHANGES IN CAPITAL GROUP STRUCTURE IN 2021.

There were no changes in VRG S.A. Capital Group structures in 2021.

1.3. COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARD OF VRG S.A.

MANAGEMENT BOARD

As at 31 December 2021, the composition of the Management Board of VRG S.A. was the following:

Management Board	**Jan Pilch** Deputy Chair of the Supervisory Board delegated to temporarily perform activities President of the Management Board	**Radosław Jakociuk** Executive Vice-President of the Management Board	**Michał Zimnicki** Executive Vice-President of the Management Board	**Marta Fryzowska** Executive Vice-President of the Management Board

In the period from January 1, 2021 to December 31, 2021, the following changes were made to the composition of the Parent Company's Management Board:

- on January 11, 2021, Mr. Erwin Bakalarz resigned from the position of a Member of the Parent Company's Management Board, effective January 11, 2021.

- On January 11, 2021, the Supervisory Board of the parent company appointed two members of the Management Board of the Company for the current joint term in office. In accordance with the adopted resolutions of the Supervisory Board, the following were appointed to the Management Board of the Company:

- Ernest Podgórski, PhD for the position of the Member of the Management Board responsible for IT and e-commerce;
- Olga Lipińska-Długosz, PhD for the position of a Member of the Management Board.

– - on May 19, 2021, Ernest Podgórski, PhD resigned from the position of a Member of the Management Board of the Company, effective as of the date of the Ordinary General Shareholder Meeting of VRG S.A. approving the Company's financial statements for 2020. In connection with the above, the resignation of Ernest Podgórski, PhD entered into force with effect on the date of the Ordinary General Shareholder Meeting of VRG S.A. on June 28, 2021
– - on July 22, 2021, Olga Lipińska-Długosz, PhD resigned from the position of a Member of the Management Board of the Company, effective August 31, 2021.
– - on September 10, 2021, the Supervisory Board of the parent company adopted a resolution on dismissing Andrzej Jaworski, President of the Management Board, from the Management Board of the Company.
– - on September 10, 2021, the Supervisory Board of the parent company adopted a resolution to appoint Ms. Marta Fryzowska to the Management Board of the Company as of January 1, 2022, entrusting her with the position of the Executive Vice-President of the Management Board. - on September 10, 2021, the Supervisory Board of the Company, pursuant to Art. 383 par. 1 of the Code Commercial Companies, adopted a resolution on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was effective until 10 December 2021.
– - on November 4, 2021, the Supervisory Board of the parent company adopted a resolution on changing the date of appointment of Ms. Marta Fryzowska to the Management Board of the Company and entrusting her with the function of the Executive Vice-President of the Management Board of the Company, with effect from December 1, 2021, instead of the previous date January 1, 2022.
– - on December 2, 2021, the Supervisory Board of the Company, pursuant to Art. 383 par. 1 of the Code of Commercial Companies, adopted a resolution on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was performed for the period from December 11, 2021 to March 11, 2022.

In the period from the balance sheet date, i.e. December 31, 2021 to the date of signing this report, the composition of the Management Board of the parent company changed as follows:

– - on January 31, 2022, the Supervisory Board of the parent company adopted a resolution to recall Mr. Radosław Jakociuk from the composition of the Management Board of the Company and the function of Executive Vice-President of the Management Board.
– - on February 18, 2022, the Supervisory Board of the Company adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Company as of June 1, 2022, entrusting him with the position of the President of the Management Board.
– - on March 7, 2022, the Supervisory Board of the Company adopted a resolution pursuant to Art. 383 par. 1 of the Code of Commercial Companies on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was performed for the period from March 12, 2022 to May 31, 2022.
– - on April 1, 2022, the Supervisory Board of the Company adopted a resolution on amending the resolution of the Supervisory Board of the Company of February 18, 2022 on appointing Mr. Janusz Płocica to the Management Board of the Company and entrusting him with the function of the President of the Management Board of the Company in this manner, that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the Company and perform the function of the President of the Management Board, with effect from April 19, 2022, instead of the current date of June 1, 2022.
– - on April 4, 2022, Mr. Jan Pilch, Deputy Chairman of the Supervisory Board, resigned from the function of delegation to temporarily perform the duties of the President of the Management Board, with effect on April 18, 2022.
– In connection with the submitted statement, Mr. Jan Pilch returns to the performance of his duties as a member of the Supervisory Board of the Company as of April 19, 2022.

As at the date of signing these financial statements, the composition of the Management Board of the parent company was as follows:

Management Board	**Jan Pilch** Deputy Chair of the Supervisory Board delegated to temporarily perform activities President of the Management Board	**Michał Zimnicki** Executive Vice-President of the Management Board	**Marta Fryzowska** Executive Vice-President of the Management Board

SUPERVISORY BOARD

As at December 31, 2021, the composition of the Supervisory Board of VRG S.A. was as follows:

<table>
<tr><td rowspan="2">Supervisory Board</td><td rowspan="2">Mateusz Kolański
Chair of the Supervisory Board</td><td>Jan Pilch
Deputy Chair of the Supervisory Board</td><td>Marcin Gomoła
Member of the Supervisory Board</td><td>Wacław Szary
Member of the Supervisory Board</td></tr>
<tr><td>Piotr Kaczmarek
Member of the Supervisory Board</td><td>Piotr Stępniak
Member of the Supervisory Board</td><td>Andrzej Szumański
Member of the Supervisory Board</td></tr>
</table>

In the period from January 1, 2021 to December 31, 2021, the composition of the Company's Supervisory Board changed as follows:

- on January 11, 2021, Ernest Podgórski, PhD resigned from the position of a Member of the Supervisory Board of the Company with effect on January 11, 2021.

- on January 19, 2021, the Supervisory Board of the Company adopted a resolution on supplementing the composition of the Supervisory Board by co-option provided for in paragraph 22 sec. 3 of the Company's Articles of Association. Mr. Mateusz Kolański was appointed to the Supervisory Board of the parent company of the previous term of office. Mr. Mateusz Kolański was appointed Deputy Chair of the Supervisory Board of the previous term with effect from February 17, 2021. Extraordinary General Shareholder Meeting of the parent company on March 17, 2021, acting pursuant to paragraph 22 sec. 3 of the Company's Articles of Association, approved the above-mentioned co-option of Mr. Mateusz Kolański to the Supervisory Board of the Company, in connection with the resignation submitted by Mr. Ernest Podgórski.

- On June 28, the Ordinary General Shareholder Meeting of the Company adopted resolutions according to which the following were appointed to the composition of the 7-person Supervisory Board of the parent company for the new term of office:

- Prof. Andrzej Szumański
- Mr. Piotr Kaczmarek
- Mr. Piotr Stępniak
- Mr. Mateusz Kolański
- Mr. Jan Pilch
- Mr. Wacław Gray
- Mr. Marcin Gomoła.

At the meeting on July 13, 2021, the Supervisory Board of the new term of office in the above composition, appointed Mr. Mateusz Kolański as the Chair of the Supervisory Board and appointed Mr. Jan Pilch as the Deputy Chair of the Supervisory Board.

In the period from the balance sheet date, i.e. December 31, 2021 to the date of signing this report, the composition of the Company's Supervisory Board has not changed.

As at the date of signing these financial statements, the composition of the Supervisory Board of the Parent Company was as follows:

<table>
<tr><td rowspan="2">Supervisory Board</td><td rowspan="2">Mateusz Kolański
Chair of the Supervisory Board</td><td>Jan Pilch
Deputy Chair of the Supervisory Board</td><td>Marcin Gomoła
Member of the Supervisory Board</td><td>Wacław Szary
Member of the Supervisory Board</td></tr>
<tr><td>Piotr Kaczmarek
Member of the Supervisory Board</td><td>Piotr Stępniak
Member of the Supervisory Board</td><td>Andrzej Szumański
Member of the Supervisory Board</td></tr>
</table>

1.4. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for publication and signed by the Management Board of the Parent Company on April 8, 2021.

1.5. GOING CONCERN

Consolidated financial statements of the VRG S.A. Capital Group (hereinafter also referred to as the "**Capital Group**" or "**Group**") have been prepared on the assumption that the companies of the Capital Group will continue as a going concern in an unchanged form and scope for a period of at least 12 months from the date on which the financial statements were prepared, i.e. December 31 2021. In the opinion of the parent company's Management Board, as at the date of approval of these separate financial statements, there are no premises or circumstances that would indicate a threat to the continuation of the Group's operations in the foreseeable future.

From 2020, the Management Board of the parent company took steps to limit the impact of the pandemic on the financial situation. In 2021, which, like 2020, was burdened with shopping centers being closed down, measures were taken to secure the liquidity situation of the Capital Group. The Capital Group received PLN 5.2 million salaries subsidy and also applied for an exemption from paying social security contributions, which was granted in the amount of PLN 3.6 million in the second quarter of 2021. In addition, the optimisation of the Capital Group's working capital continued.

On February 24, 2022, Russia's armed conflict with Ukraine began. Military activities in a country neighboring the Republic of Poland introduce a high degree of uncertainty as to the shaping of processes in the political, social and economic spheres. The feeling of threat and loss of stabilization may have a negative impact on the future economic situation, which may translate into the future financial results of the Capital Group. As at the date of preparation of the financial statements, the parent company's Management Board is not able to precisely estimate the scale of the deterioration of financial results, as a number of factors remain beyond its influence and control, however, to the best of its knowledge as at the date of preparation of the consolidated financial statements, it does not perceive war as a premise for -making significant uncertainty that threatens the Group's ability to continue as a going concern.

It should be emphasized that there are practically no direct economic ties between the entities of the Capital Group and Russia and Ukraine: The Group does not operate in these countries, and does not make purchases there.

2. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for 2021 have been prepared in accordance with the principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and to the extent not regulated by the above standards in accordance with the requirements of the Accounting Act of September 29, 1994 (Official Journal of Laws from 2019, item 351, as amended) and executive regulations issued based on it, and presents the financial position of the VRG S.A. Capital Group as of December 31, 2021 and December 31, 2020, the results of its operations for the 12 months ended December 31, 2021 and December 31, 2020 and cash flows for the 12 months ended December 31, 2021 and December 31, 2020.

Principles for creating financial statements are described in point 2 of the Consolidated Financial Statements of the VRG S.A. Capital Group. for 2021.

In 2021, there were no significant changes in the basic principles of managing the Issuer's enterprise and its Capital Group.

The entity authorized to audit the Group's financial statements for 2021 was Grant Thornton Polska Spółka z o. o. Spółka komandytowa, with which on July 27, 2021 an agreement was concluded for the review of the interim separate financial statements, the review of the interim condensed consolidated financial statements, audit of separate financial statements, audit of the consolidated financial statements and evaluation of the remuneration report for the years 2021-2023. The remuneration under the contract for 2021 was: PLN 62.9 thousand for the review of interim financial statements, PLN 150.7 thousand for the audit of financial statements, and PLN 5 thousand for the evaluation of the remuneration report. The entity authorized to audit the Company's financial statements for 2020 was Mazars Audyt Sp. z o.o., with which a contract was concluded on June 19, 2017, amended by Annex 1 of June 19, 2018 and Annex No 2 of August 7, 2019 for the review of the interim financial statements and the interim consolidated financial statements, audit of separate annual financial statements, audit of consolidated financial statements and evaluation of the remuneration report. The remuneration under the agreement for 2020 was: PLN 57.5 thousand for the review of the interim financial statements, PLN 97.6 thousand for the audit of the financial statements, and PLN 8 thousand for the evaluation of the remuneration report.

OPERATING SEGMENTS

VRG Group specialises in design and retail sales of branded clothing for men and women in the medium segment and up-market as well as luxury jewellery and watches. Currently, it is building its revenue base on following brands: Vistula, Lantier, Vistula Red, Wólczanka, Lambert, Bytom, W.KRUK (via a subsidiary) and Deni Cler (via a subsidiary). From the second quarter of 2015, following a divesture of an organised business unit related to W.KRUK brand, the jewellery activities are carried out by Issuer's a subsidiary, i.e. W.KRUK S.A. based in Cracow. From November 30, 2018, the Group also possesses the Bytom brand.

The diagram below shows the division of the Group's operations by business segments:

VRG
VISTULA RETAIL GROUP

APPAREL
Retail and wholesale

Suits | Accessories | Jackets | Shirts | Trousers

JEWELLERY
Retail and wholesale

Jewellery | Watches | Accessories

LEADING BRANDS OF THE VISTULA BUSINESS LINE:

VISTULA			
VISTULA	VISTULA Lantier	VISTULA RED	VISTULA WOMAN
Operating on the Polish market since 1967, Vistula is the basic line of men formalwear. The brand offers a wide range of suits, jackets, trousers, shirts and other complementary accessories.	The brand was launched in 1998. Its signature products are associated with apparel of French origins. Introduction of the Lantier brand was aimed at broadening the Company's offer to include products aimed at the most demanding customers, using the latest global fashion trends and the highest quality fabrics. Apart from classic suits, Lantier collections, similarly to Vistula brand collections, also include knitwear, shirts, jackets, coats and a wide range of complementary items.	A brand introduced in 2009, which offers fashionable and smart casual products. The Vistula Red branded products are characterized by high quality and design consistent with global fashion trends. The brand is addressed at younger customers looking for bolder and more casual outfits.	Women's brand introduced in 2021. The collection was created for women who appreciate quality, comfort and the timeless of products. VISTULA WOMAN, refined in details, surprises with classic cuts and fashionable patterns. It includes products for many occasions - outerwear (classic coats, casual down and leather jackets), jackets and elegant trousers, skirts, dresses, shirts, as well as jeans, sweaters and t-shirts and an offer of accessories (shoes, belts, caps and gloves).

LEADING BRANDS OF THE BYTOM BUSINESS LINE:

BYTOM
BYTOM
BYTOM is a Polish brand with a history dating back to 1945, in which tradition meets the modern vision of tailoring and men's fashion. Basing on a dozen of years long heritage, the brand offers men formalwear with a flagship product in the form of suits, made from finest Italian fabrics in Polish sewing facilities. BYTOM is not just the art of tailoring. The brand refers to the Polish cultural heritage by creating limited collections inspired by the work of outstanding personalities, inviting people with a significant influence on the development of Polish culture and art.

LEADING BRANDS OF THE WÓLCZANKA BUSINESS LINE:

WÓLCZANKA	
WÓLCZANKA	LAMBERT LONDON STYLE SHIRTING
It is a brand that has existed since 1948. The brand's offer includes men's shirts, and from the Autumn/Winter 2014 season also women's shirts, both formal and casual. Tradition and many years of experience in designing shirts and accessories have made the brand an expert in its field and a leader on the Polish market. From 2019, the offer of the Wólczanka brand is gradually expanded with new assortments, including various types of trousers, skirts, dresses, jackets, coats, jackets and denim clothing - new assortments allow you to complete ready-made stylizations for various occasions.	It is a brand of shirts and accessories that refer in their form and design to the principles of traditional tailoring and made of the highest quality fabrics. Lambert offers classic shirts and business accessories, ideal for women and men who observe the formal dress code at work, as well as who like to feel elegant, regardless of the occasion, who value comfort and the highest quality of the product.

OTHER OWN BRANDS IN THE APPAREL SEGMENT:

APPAREL SEGMENT
DENI CLER MILANO
The brand's clothing is dedicated to the upper segment of the women fashion. The brand's products were introduced to the Polish market in the early 90's. Deni Cler offering is sewn from Italian fabrics, with the majority of accessories used being of Italian origins as well. Fabrics used to make branded clothes are mostly cashmere and wool with silk. The brand's assortment includes mostly: skirts, jackets, pants, blouses, coats and dresses. The owner of the Deni Cler brand originating in Milan is DCG S.A. based in Warsaw (the Company's subsidiary). The main activity of DCG S.A. focuses on the design, production and distribution of exclusive women's clothing.

VRG Group systematically expands the range of complementary items in its brand stores, including, among other things, the offer of smart casual products, exclusive leather goods and footwear. Offered accessories are currently one of the fastest growing product categories and, at the same time, have a high gross margin.

OWN BRANDS IN JEWELLERY SEGMENT:

JEWELLERY SEGMENT	
W.KRUK 1840	ZEGARKI
W.KRUK is the oldest jewellery brand in Poland with over 180 years of tradition. W.KRUK's offer includes gold and platinum jewellery, in particular jewellery with diamonds and precious stones. W.KRUK also creates the highest quality collections made of silver and other metals. W.KRUK offers many original jewellery lines with a unique character. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by ambassadors (including the Freedom collection by Martyna Wojciechowska) and an expert and innovative approach to jewellery. A significant part of the collections presented every year is made in the Manufaktura of the brand near Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, the W.KRUK brand was the first in Poland to introduce a new category of man-made diamonds in laboratory conditions to the offer in its chain of stores under the name New Diamond by W.KRUK. They have parameters identical to diamonds mined with traditional methods and are classified according to the same parameters, using the same standards of expert assessment. The collection decorated with New Diamond by W.KRUK includes rings under the name Perfect®, earrings and pendants with lab-grown diamonds in the following colours: white and for the first time on the Polish market, pink and blue. Since 2016, the range of the brand has been complemented by a selection of W.KRUK branded accessories, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men.	.W.KRUK offers watches of luxury Swiss brands such as Rolex (as the only distributor of this brand in Poland), Cartier, Jaeger-LeCoultre, Hublot, Panerai, Chopard, Girard-Perregaux, Omega, Tudor, Tag Heuer, Longines, Rado, Frédérique Constant, Tissot, Certina, Doxa, Gucci, Swatch and many more. At the end of 2020, the Patek Philippe brand, considered the most prestigious in the world, was added to the offer. Watches of renowned brands sold at W.KRUK stores occupy a strong position on the Polish market, and the value of their sales is systematically increasing.

MANUFACTURING OPERATIONS

Own production activity in the apparel segment was located in a 100% owned subsidiary of the parent company, operating under the name Wólczanka Shirts Manufacturing Sp. z o.o. In addition to its own manufacturing facilities, the parent company cooperates with reliable independent producers who guarantee sewing and confectioning services at the highest level and offer competitive pricing conditions.

SEASONALITY AND CYCLICALITY OF OPERATIONS

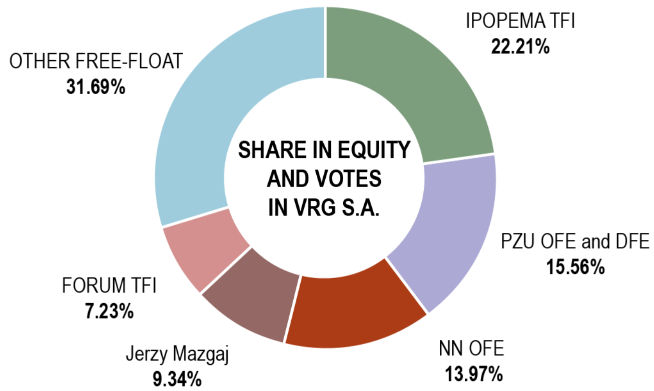
Retail sales both in the fashion sector and in the jewellery industry are characterized by significant seasonality of sales. For the apparel market, the most favourable period from the point of view of the generated financial result is the period of the second and fourth quarter, while in the jewellery segment, the period of the fourth quarter (especially the month of December).

In the area of geographical segments, all of the Capital Group's operations are carried out in the Republic of Poland.

3. SHARE CAPITAL AND SHAREHOLDERS

Shareholders owning directly or indirectly at least 5% of the total number of votes at the General Shareholder Meeting of VRG S.A. on the last day of financial year 2021 and as at the date of approval of the annual report for the financial year 2021.

3.1. SHAREHOLDER STRUCTURE AS AT 31.12.2021



As at 31.12.2021, the share capital of the Company was divided into 234,455,840 ordinary bearer shares, which gave a total of 234,455,840 votes at the General Meeting of the Company.

The table below contains information on Shareholders who, to the knowledge of the Company, held, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders.

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
1	IPOPEMA TFI S.A.[1]	52,066,678	22.21	52,066,678	22.21
2	PZU „Złota Jesień" Open Pension Fund and Voluntary Pension Fund[2]	36,470,100	15.56	36,470,100	15.56
3	Nationale-Nederlanden Open Pension Fund[3]	32,750,487	13.97	32,750,487	13.97
4	Jerzy Mazgaj[4]	21,900,000	9.34	21,900,000	9.34
5	Forum TFI S.A.[5]	16,946,800	7.23	16,946,800	7.23

[1] information provided in accordance with the notification received by the Company pursuant to Art. 69 sec. 2 point 1 lit. a and art. 87 sec. 1 point 2 lit. a of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, applies to the Company's shares held jointly by all funds managed by IPOPEMA TFI S.A. According to information in the possession of the Company, the Ipopema 2 FIZ Non-Public Assets fund managed by IPOPEMA TFI S.A. at the Ordinary General Meeting on June 28, 2021, he held 20,289,000 shares of the Company, which constituted 8.65% of the share capital of the Company and entitled to 20,289,000 votes representing 8.65% of the total number of votes at the General Shareholder Meeting of the Company. According to the information possessed by the Company, the Ipopema 21 FIZ Fund of Non-public Assets, managed by IPOPEMA TFI S.A., holds 31,658,785 shares of the Company, which constitutes 13.50% of the share capital of the Company and entitles to 31,658,785 votes, constituting 13.50% of the total number of votes at the General Meeting of the Company.

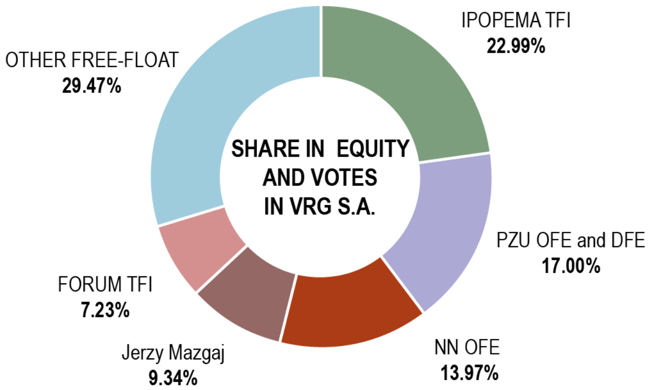
[2] information provided on the basis of the number of shares registered jointly by the Open Pension Fund PZU "Złota Jesień" and the PZU Voluntary Pension Fund at the Ordinary General Meeting on 28.06.2021. Open Pension Fund PZU "Złota Jesień" at the Ordinary General Meeting on 28.06. In 2021, he independently owned 35,603,400 shares of the Company, which constituted 15.19% of the share capital of the Company and entitled to 35,603,400 votes, representing 15.19% of the total number of votes at the General Meeting of the Company.

[3] information provided on the basis of the number of shares registered by Nationale-Nederlanden Open Pension Fund at the Ordinary General Shareholder Meeting on June 28, 2021. Nationale-Nederlanden Open Pension Fund at the Ordinary General Shareholder Meeting on June 28, 2021 held 32,750,487 shares of the Company, which constituted 13.97% of the share capital of the Company and entitled to 32,750,487 votes, constituting 13.97% of the total number of votes at the General Meeting of the Company.

[4] information provided on the basis of the current report of Krakchemia S.A. No. 10/2021 of October 26, 2021 and the number of shares registered by Mr. Jerzy Mazgaj at the Ordinary General Meeting on June 28, 2021. Mr. Jerzy Mazgaj at the Ordinary General Meeting on June 28, 2021 independently held 21,900,000 shares Of the Company, which constituted 9.34% of the share capital of the Company and entitled to 21,900,000 votes, constituting 9.34% of the total number of votes at the General Meeting of the Company.

5 information provided on the basis of the number of shares registered jointly by the fund Forum X Closed Investment Fund and Forum XXIII Closed Investment Fund managed by Forum TFI S.A. at the Ordinary General Meeting on June 28, 2021.Forum X Closed Investment Fund at the Ordinary General Meeting on June 28, 2021, he owned 6,951,760 shares of the Company, which constituted 2.97% of the share capital of the Company and entitled to 6,951,760 votes constituting 2.97% of the total number of votes at the General Meeting of the Company. Fund Forum XXIII Closed-end Investment Fund at the Ordinary General Meeting on June 28, 2021, held 9,995,040 shares of the Company, which constituted 4.26% of the share capital of the Company and entitled to 9,995,040 votes, representing 4.26% of the total number of votes at the General Meeting of the Company.

3.2. SHAREHOLDER STRUCTURE ACCORDING TO THE COMPANY'S BEST KNOWLEDGE AT THE DATE OF SIGNING THE ANNUAL REPORT FOR 2021



As of 08.04.2022, the share capital of the Company is divided into 234,455,840 ordinary bearer shares, which gives a total of 234,455,840 votes at the General Shareholder Meeting of the Company.

The table below contains information on Shareholders who, to the knowledge of the Company, hold, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Shareholder Meeting.

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
1	IPOPEMA TFI S.A.[1]	53,922,030	22.99	53,922,030	22.99
2	PZU „Złota Jesień" Open Pension Fund and Voluntary Pension Fund[2]	39,870,193	17.005	39,870,193	17.005
3	Nationale-Nederlanden Open Pension Fund[3]	32,750,487	13.97	32,750,487	13.97
4	Jerzy Mazgaj[4]	21,900,000	9.34	21,900,000	9.34
5	Forum TFI S.A. [5]	16,946,800	7.23	16,946,800	7.23

[1] informacja podana zgodnie z zawiadomieniami otrzymanymi przez Spółkę na podstawie art. 69 ust. 2 pkt 1 lit. a oraz art. 87 ust. 1 pkt 2 lit. a Ustawy z dnia 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych, dotyczy akcji Spółki posiadanych łącznie przez wszystkie fundusze zarządzane przez IPOPEMA TFI S.A. Zgodnie z informacjami posiadanymi przez Spółkę fundusz Ipopema 2 FIZ Aktywów Niepublicznych zarządzany przez IPOPEMA TFI S.A. na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. posiadał 20.289.000 akcji Spółki, co stanowiło 8,65% kapitału zakładowego Spółki i uprawniało do 20.289.000 głosów stanowiących 8,65% w ogólnej liczbie głosów na Walnym Zgromadzeniu Spółki. Zgodnie z informacjami posiadanymi przez Spółkę fundusz Ipopema 21 FIZ Aktywów Niepublicznych, zarządzany przez IPOPEMA TFI S.A., posiada 33.514.137 akcji Spółki, co stanowi 14,29% kapitału zakładowego Spółki i uprawnia do 33.514.137 głosów, stanowiących 14,29% w ogólnej liczbie głosów na Walnym Zgromadzeniu Spółki.

[2] informacja podana zgodnie z zawiadomieniem otrzymanym przez Spółkę na podstawie art. 87 ust. 1 pkt 2b Ustawy z dnia 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych, dotyczy akcji Spółki posiadanych łącznie przez Otwarty Fundusz Emerytalny PZU „Złota Jesień" oraz Dobrowolny Fundusz Emerytalny PZU. Zgodnie z ww. zawiadomieniem Otwarty Fundusz Emerytalny PZU „Złota Jesień" posiada samodzielnie 38.918.084 akcji Spółki, co stanowi 16,599% kapitału zakładowego Spółki i uprawnia do 38.918.084 głosów, stanowiących 16,599% w ogólnej liczbie głosów na Walnym Zgromadzeniu Spółki.

[3] informacja podana na podstawie liczby akcji zarejestrowanych przez Nationale-Nederlanden Otwarty Fundusz Emerytalny na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. Nationale-Nederlanden Otwarty Fundusz Emerytalny na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. posiadał 32.750.487 akcji Spółki, co stanowiło 13,97% kapitału zakładowego Spółki i uprawniało do 32.750.487 głosów, stanowiących 13,97% w ogólnej liczbie głosów na Walnym Zgromadzeniu Spółki.

[4] informacja podana na podstawie raportu bieżącego spółki Krakchemia S.A. nr 10/2021 z dnia 26.10.2021 r. oraz liczby akcji zarejestrowanych przez Pana Jerzego Mazgaja na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. Pan Jerzy Mazgaj na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. posiadał samodzielnie 21.900.000 akcji Spółki, co stanowiło 9,34% kapitału zakładowego Spółki i uprawniało do 21.900.000 głosów, stanowiących 9,34% w ogólnej liczbie głosów na Walnym Zgromadzeniu Spółki.

[5] informacja podana na podstawie liczby akcji zarejestrowanych łącznie przez fundusz Forum X Fundusz Inwestycyjny Zamknięty oraz Forum XXIII Fundusz Inwestycyjny Zamknięty zarządzane przez Forum TFI S.A na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. Fundusz Forum X Fundusz Inwestycyjny Zamknięty na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. posiadał 6.951.760 akcji Spółki, co stanowiło 2,97% kapitału zakładowego Spółki i uprawniało do 6.951.760 głosów stanowiących 2,97% w ogólnej liczbie głosów na Walnym Zgromadzeniu Spółki. Fundusz Forum XXIII Fundusz Inwestycyjny Zamknięty na Zwyczajnym Walnym Zgromadzeniu w dniu 28.06.2021 r. posiadał 9.995.040 akcji Spółki, co stanowiło 4,26% kapitału zakładowego Spółki i uprawniało do 9.995.040 głosów, stanowiących 4,26% w ogólnej liczbie głosów na Walnym Zgromadzeniu Spółki.

3.3. INFORMATION ABOUT THE TOTAL NUMBER AND VALUE OF SHARES OF VRG S.A. HELD BY SUPERVISORY AND MANAGEMENT BOARD MEMBERS

As at April 8, 2022, the following numbers of VRG S.A. shares were in the possession of the managing persons.

Management Board	Number of shares held	The number of votes at the General Shareholder Meeting	The nominal value of shares (in PLN)
Jan Pilch – acting President of the Management Board	186,000	186,000	37,200
Michał Zimnicki – Executive Vice-President of the Management Board	4,000	4,000	800

According to the information in the possession of the Company as of April 8, 2022, the managing persons do not hold any stocks or shares in related parties.

As at April 8, 2022, the following numbers of VRG S.A. shares were directly in the possession of supervisory personnel.

Supervisory Board	Number of shares held	The number of votes at the General Shareholder Meeting	The nominal value of shares (in PLN)
Jan Pilch – Deputy-Chair of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board	186,000	186,000	37,200
Wacław Szary – Member of the Supervisory Board	20,000	20,000	4,000

As of April 8, 2022, the Company is not aware of any contracts, including those concluded after the balance sheet date, which may result in future changes in the proportions of shares held by the existing shareholders and bondholders.

In the Parent Company, there is an incentive program based on subscription warrants entitling to subscribe for the Company's shares, detailed information on the program and its terms is provided in Note 30 to the consolidated financial statements.

3.4. REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD FOR 2021

Management Board		PLN ths
Jan Pilch	Deputy-Chair of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board /from 10.09.2021/	167
Radosław Jakociuk	Executive Vice-President of the Management Board	936
Michał Zimnicki	Executive Vice-President of the Management Board	540
Marta Fryzowska	Executive Vice-President of the Management Board / from 01.12.2021/	58
Andrzej Jaworski	President of the Management Board /from 10.09.2021/	1 606
Ernest Podgórski	Management Board Member /11.01.2021 to 28.06.2021/	229
Olga Lipińska-Długosz	Management Board Member /11.01.2021 to 31.08.2021	359
Erwin Bakalarz	Management Board Member /from 11.01.2021/	23
Total		**3,918**

The amount of remuneration given in the table above of Mr. Andrzej Jaworski and Ms. Olga Lipińska-Długosz includes, in addition to the basic salary, the value of the severance pay.

Supervisory Board		PLN ths
Jerzy Mazgaj	Chair of the Supervisory Board /from 28.06.2021/	159
Mateusz Kolański	Member of the Supervisory Board / Chair of Supervisory Board /from July 13, 2021/	227
Jan Pilch	Member of the Supervisory Board / Deputy-Chair of Supervisory Board from July 13, 2021/	137
Piotr Kaczmarek	Member of the Supervisory Board	184
Ernest Podgórski	Member of the Supervisory Board	5
Piotr Stępniak	Member of the Supervisory Board	185

Supervisory Board		PLN ths
Wacław Szary	Member of the Supervisory Board	191
Andrzej Szumański	Member of the Supervisory Board	170
Marcin Gomoła	Member of the Supervisory Board	87
Total		**1,345**

Managing and supervising persons received remuneration for performing functions in the governing bodies of subsidiaries.

These salaries in total for 2021 amounted to:

		PLN ths
Jerzy Mazgaj	Chair of the Supervisory Board	80
Andrzej Jaworski	Member of the Supervisory Board	73
Ernest Podgórski	Member of the Supervisory Board	40
Jan Pilch	Member of the Supervisory Board	92
Piotr Stępniak	Member of the Supervisory Board	46
Piotr Kaczmarek	Member of the Supervisory Board	31
Andrzej Szumański	Member of the Supervisory Board	31
Michał Zimnicki	Member of the Supervisory Board	15
Erwin Bakalarz	President of the Management Board	1
Total		**409**

Mr. Erwin Bakalarz, as a Member of the Management Board of the Company, until January 11, 2021, received remuneration in 2021 for performing the function of the President of the Management Board in a subsidiary.

The Company has an incentive program based on options based on subscription warrants entitling to take up the Company's shares, detailed information on the program and its terms is provided in Note 30 to the consolidated financial statements. Managing members are entitled to benefits specified in employment contracts or by appointment.

3.5. KEY CORPORATE EVENTS IN 2021 AND AFTER THE BALANCE SHEET DATE

19.01.2021

Appointment to the Supervisory Board of VRG S.A. member of the Supervisory Board by co-option
In the current report No. 7/2021 of January 19, 2021, the Management Board of VRG S.A. informed that on January 19, 2021, the Supervisory Board of the Company adopted a resolution to supplement the composition of the Supervisory Board by co-option provided for in paragraph 22 sec. 3 of the Company's Articles of Association. The Supervisory Board appointed Mr. Mateusz Karol Kolański to the Supervisory Board of the current joint term of office.

19.01.2021

Withdrawal of a shareholder's request to convene an Extraordinary General Meeting of VRG S.A. and announcement on the cancellation of the Extraordinary General Meeting of VRG S.A. convened on March 1, 2021.

In the current report No. 8/2021 of January 19, 2021, the Management Board of VRG S.A. informed that on January 19, 2021, it received a letter from the shareholder of IPOPEMA 21 Closed-end Fund of Non-Public Assets with its seat in Warsaw ("Fund") about the withdrawal of the request submitted by the Fund on October 28, 2020 to convene an Extraordinary General Meeting of the Company, about which the Company informed in the current report No. 69/2020. In connection with the receipt by the Company of the letter of the Fund referred to in point 1 above, the Management Board of the Company announced that pursuant to the resolution of the Management Board adopted on January 19, 2021, the Extraordinary General Meeting of the Company convened for March 1, 2021 is canceled.

03.02.2021	**Notification on a significant block of shares** In the current report No. 11/2021 of February 3, 2021, the Company announced that it had received from IPOPEMA Mutual Fund with its seat in Warsaw ("the Fund"), the information sent pursuant to Art. 69 sec. 2 point 1 lit. a of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (the "Act"), that as a result of the acquisition by the IPOPEMA 21 Closed-end Fund of Non-Public Assets managed by the Fund ("Closed-end Fund"), the Company's shares in transaction carried out on the regulated market on January 28, 2021, settled on February 1, 2021, the share of the Fund in the total number of votes in the Company increased by more than 2% in the total number of votes in the Company. Before the above-mentioned event, the Fund owned 28,492,901 shares of the Company, which constituted 12.15% of the share capital of the Company and gave 28,492,901 votes, which constituted 12.15% of the total number of votes at the General Meeting of the Company. After the above-mentioned event, the Fund owned 28,793,943 shares of the Company, which constituted 12.28% of the share capital of the Company and gave 28,793,943 votes and constituted 12.28% of the total number of votes at the General Meeting of the Company. At the same time, the Fund informed that the funds managed by the Society did not have the financial instruments referred to in Art. 69b paragraph. 1 of the Act.
17.02.2021	**Convening of the Extraordinary General Meeting of the Company convened for March 17, 2021** In the current report No. 12/2021 of February 17, 2021, the Management Board of VRG S.A. announced the convening of the Extraordinary General Meeting of the Company on March 17, 2021 at 12.00 in Cracow in the conference room in the building MKS Cracovia SSA,. Józefa Kałuży 1 St., 30-111 Cracow, with the agenda including: 1. Opening of the General Meeting. 2. Election of the Chair of the General Meeting. 3. Confirmation that the General Meeting has been properly convened and is capable of adopting resolutions. 4. Adoption of a resolution on the approval of the co-option to the Supervisory Board of Mr. Mateusz Kolański in accordance with the resolution of the Supervisory Board of January 19, 2021. 5. Changes in the composition of the Supervisory Board of the Company. 6. Adoption of a resolution on changing the Remuneration Policy for Members of the Management Board and Supervisory Board of VRG S.A. based in Cracow. 7. Closing of the General Meeting. The full text of the announcement on convening the Extraordinary General Meeting of the Company together with draft resolutions were, respectively, Appendix No. 1 and No. 2 to the current report No. 12/2021.
25.02.2021	**Shareholder's request to include certain matters on the agenda of the Extraordinary General Meeting of the Company convened for March 17, 2021, supplementing the agenda of the Extraordinary General Meeting of the Company convened for March 17, 2021 and draft resolutions in connection with supplementing the agenda** In the current report No. 13/2021 of February 25, 2021, the Management Board of VRG SA informed that on February 24, 2021, the shareholder IPOPEMA 21 FIZAN, representing not less than 1/20 of the Company's share capital, had received an application based on art. 401 par. 1 of the Commercial Companies Code to include on the agenda of the Extraordinary General Meeting of the Company convened on March 17, 2021 at 12:00 (hereinafter: the "General Meeting") the following matter: changes in the Company's Articles of Association and extension of the agenda of the General Meeting by the following items: 1. Adoption of a resolution on amendments to the Articles of Association with regard to the resolution appointing a member of the Supervisory Board. 2. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the obligation to convene a meeting of the Company's Supervisory Board. 3. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the lack of return of the vote by a member of the Company's Supervisory Board in a ordered vote. 4. Adoption of a resolution on amendments to the Company's Articles of Association with regard to voting using means of direct remote communication. 5. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the adoption of the regulations of the Supervisory Board of the Company. 6. Adoption of a resolution on amendments to the Company's Articles of Association in the scope of extending the catalogue of activities for which the consent of the Company's Supervisory Board is required. 7. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the management of the budget specified by the General Meeting. 8. Adoption of a resolution to amend the Articles of Association in the scope of extending the competences of the General Meeting of Shareholders.

	9. Adoption of a resolution authorizing the Supervisory Board to adopt the consolidated text of the Company's Articles of Association. Taking into account the shareholder's request pursuant to Art. 401 par. 2 of the Code of Commercial Companies, the Management Board of the Company decided to extend the agenda of the General Meeting to include items included in the shareholder's request. In connection with the above, the Management Board of the Company announced an extended agenda for the General Shareholder Meeting. 1. Opening of the General Shareholder Meeting. 2. Election of the Chairman of the General Shareholder Meeting. 3. Confirmation that the General Shareholder Meeting has been properly convened and is capable of adopting resolutions. 4. Adoption of a resolution on the approval of the co-option to the Supervisory Board of Mr. Mateusz Kolański in accordance with the resolution of the Supervisory Board of January 19, 2021. 5. Changes in the composition of the Supervisory Board of the Company. 6. Adoption of a resolution on changing the Remuneration Policy for Members of the Management Board and Supervisory Board of VRG S.A. based in Cracow. 7. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the resolution appointing a member of the Supervisory Board. 8. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the obligation to convene a meeting of the Company's Supervisory Board. 9. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the lack of return of the vote by a member of the Company's Supervisory Board in a ordered vote. 10. Adoption of a resolution on amending the Company's Articles of Association with regard to voting using means of direct remote communication. 11. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the adoption of the Company's Supervisory Board regulations. 12. Adoption of a resolution on amending the Articles of Association in the scope of extending the catalogue of activities for which the consent of the Company's Supervisory Board is required. 13. Adoption of a resolution on amendments to the Company's Articles of Association with regard to the management of the budget specified by the General Shareholder Meeting. 14. Adoption of a resolution to amend the Articles of Association in the scope of extending the competences of the General Shareholder Meeting. 15. Adoption of a resolution authorizing the Supervisory Board to adopt the uniform text of the Company's Articles of Association. 16. Closing of the General Shareholder Meeting. The current report no. 13/2021 and appendix no. 1 hereto present amendments to the Articles of Association of the Company along with draft resolutions proposed by the shareholder.
10.03.2021	**Submission by a shareholder of draft resolutions for the Extraordinary General Meeting of the Company convened for March 17, 2021 pursuant to Art. 401 par. 4 of the Code of Commercial Companies.** In the current report No. 15/2021 of March 10, 2021, the Management Board of VRG S.A. informed that on March 10, 2021, the shareholder Jerzy Mazgaj had received a notification of draft resolutions for the Extraordinary General Meeting of the Company convened for March 17, 2021. at 12:00 to points 8, 9, 12 and 14 of the extended agenda on February 25, 2021, about which the Company informed in the current report No. 13/2021 of February 25, 2021. Draft resolutions proposed by the shareholder were presented in Appendix No. 1 to the current report No. 15/2021.
17.03.2021	**Resolutions adopted by the Extraordinary General Meeting of the Company on March 17, 2021** In the current report no. 16/2021 of March 17, 2021, the Company informed about the content of the resolutions of the Extraordinary General Meeting of the Company on March 17, 2021 regarding amendments to the Company's Articles of Association regarding § 20 sec. 3, §20 section 5, §21 section 3, §21 section 4, §22 section 6, §30 section 1. Detailed information on the above-mentioned changes to the Company's Articles of Association is presented in the appendix to the current report no. 16/2021.
07.04.2021	**Notification on a significant block of shares** In the current report no. 21/2021 of April 7, 2021, the Company informed that on April 7, 2021, it had received from Open Pension Fund PZU S.A. with its seat in Warsaw ("Mutual Fund") acting on behalf of the Open Pension Fund PZU "Złota Jesień" (hereinafter: "OFE PZU") notifications pursuant to Art. 69 sec. 1 point 1 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, that as a result of a purchase transaction of 30,000 shares of

	the Company, concluded on the regulated market on the Warsaw Stock Exchange on April 1 2021, as of the settlement date of April 7 this year, OFE PZU achieved and exceeded the share of 15% of the total number of votes in the Company. Before the above-mentioned event, OFE PZU owned 35,145,632 shares of the Company, which constituted 14.999% of the share capital of the Company and gave 35,145,632 votes, which constituted 14.990% of the total number of votes at the General Meeting of the Company. After the above-mentioned event, OFE PZU z owned 35,175,632 shares of the Company, which constituted 15.003% of the share capital of the Company and gave 35,175,632 votes and constituted 15.003% of the total number of votes at the General Meeting of the Company. At the same time, the Pension Fund informed that OFE PZU did not have any subsidiaries holding the Company's shares, the situation indicated in Art. 69 sec. 4 point 6 of the above-mentioned of the Act, also does not have the financial instruments referred to in Art. 69b paragraph. 1 point 1) and point 2) of the above-mentioned the law.
27.04.2021	**Registration in the register of entrepreneurs of the National Court Register of amendments to the Company's Articles of Association** In the current report No. 25/2021 of April 27, 2021, the Company informed that on April 27, 2021, the District Court for Cracow-Śródmieście in Cracow, 11th Commercial Division of the National Court Register, entered in the register of entrepreneurs amendments to the Company's Articles of Association resulting from the provisions of resolutions adopted during the Extraordinary General Meeting of VRG SA of March 17, 2021 on amendments to the Company's Articles of Association. Description of changes in the Company's Articles of Association resulting from the above resolutions of the Extraordinary General Meeting of VRG S.A. of March 17, 2021, along with the uniform text of the Company's Articles of Association, are included in the current report No. 25/2021.
29.04.2021	**Conclusion of a loan agreement** In the current report No. 26/20201, the Company announced that it had received, on April 29, 2021, an annex to the multi-product agreement with ING Bank Śląski S.A. signed on April 28, 2021. based in Katowice (hereinafter: the "Bank") regarding the renewal and increase of the credit limit for the multi-product line, including: working capital loans in bank accounts and other services including: bank guarantees, letters of credit and discount transactions (redemption of receivables reverse) up to the total limit of PLN 55,000 thousand the period until November 29, 2022, and then with its reduction by PLN 2,000 thousand each time from November 30, 2022, December 31, 2022, January 31, 2023, February 28, 2023, March 31, 2023 with the final deadline until April 20, 2023. The collateral for the above-mentioned limit is: a guarantee of Bank Gospodarstwa Krajowego up to 80% of the granted loan amount, a declaration of submission to enforcement in the form of a notarial deed pursuant to Art. 777 of the Code of Civil Procedure, registered pledge on the BYTOM (word and word and figurative) trademarks, INTERMODA word and figurative trademark, registered pledges on the BYTOM brand inventories together with the assignment of insurance policies for these inventories and the assignment of proceeds from payment cards servicing BYTOM stores. In addition, a working capital loan in the form of a revolving line up to 110% of the credit limit is used as security for servicing the repayment of the Company's liabilities under the products available under the multi-product line. The financing documents provide for information obligations towards the Bank, as well as the obligation to maintain certain financial ratios and other obligations. The terms of the financing documents do not differ from those commonly used for this type of agreement.
19.05.2021	**Resignation of a member of the Management Board of the Company** In the current report No. 28/2021 of May 19, 2021, the Company informed that on May 19, 2021, Mr. Ernest Podgórski resigned from the position of a Member of the Management Board of the Company, effective as of the date of the Ordinary General Meeting of VRG S.A. based in Cracow approving the Company's financial statements for 2020.
31.05.2021	**Selection of an audit firm for the purpose of carrying out the statutory audit of VRG S.A.'s financial statements and the VRG S.A. Capital Group in 2021, 2022 and 2023** In the current report No. 36/2021 of May 31, 2021, the Company informed that on May 31, 2021, the Supervisory Board of the Company, after becoming acquainted with the recommendation of the Company's Audit Committee, adopted a resolution on the selection of an audit firm for the purpose of conducting statutory audit of VRG SA financial statements and the VRG S.A.Capital Group in 2021, 2022 and 2023. Pursuant to the above resolution, the Supervisory Board of the Company selected the auditing company Grant Thornton Polska Sp. z o.o. sp.k. with its registered office in Poznań, entered into the list of auditing companies kept by the Polish Audit Oversight Agency under No. 4055 for the statutory audit of the separate annual financial statements of the Company and the consolidated annual financial statements of the Company's Capital Group for the years 2021-2023 and the review of the individual half-yearly the Company's financial statements and the consolidated semi-annual financial statements of the Company's Capital Group for the first half of the years 2021-2023.

28.06.2021	**Resolutions adopted at the Ordinary General Meeting of VRG S.A. on June 28, 2021; Appointment of the Supervisory Board for a new term** In the current report No. 43/2021 of June 28, 2021, the Management Board of the Company informed that the Ordinary General Meeting of VRG S.A. on June 28, 2021, adopted the resolutions indicated in Appendix No. 1 to the current report. Annex 1 also contained draft resolutions submitted to voting and not adopted by the Ordinary General Meeting of VRG S.A. At the same time, the Management Board of the Company announced that the 7-person Supervisory Board of VRG S.A. of the new term of office were appointed: 1. Prof. Andrzej Szumański - biographical note and information specified in § 10. point 4-6 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state, "Regulation" - were published in the current report No. 31 / 2021 of May 26, 2021. 2. Piotr Kaczmarek - biographical note and information specified in § 10. point 4-6 of the Regulations were published in the current report No. 32/2021 of May 27, 2021. 3. Piotr Stępniak - biographical note and information specified in § 10. point 4-6 of the Regulations were published in the current report No. 33/2021 of May 27, 2021. 4. Mateusz Kolański - biographical note and information specified in § 10. point 4-6 of the Regulations were published in the current report No. 33/2021 of May 27, 2021. 5. Jan Pilch - biographical note and information indicated in § 10. point 4-6 of the Regulations were published in the current report No. 34/2021 of May 27, 2021. 6. Wacław Gray - biographical note and information specified in § 10. point 4-6 of the Regulations were published in the current report No. 41/2021 of June 22, 2021. 7. Marcin Gomoła - biographical note and information specified in § 10. point 4-6 of the Regulations were published in the current report No. 41/2021 of June 22, 2021.
08.07.2021	**Notification on a significant block of shares** In the current report No. 47/2021 of July 8, 2021, the Company informed that it had received from IPOPEMA Investment Management Company with its registered office in Warsaw "Company" information dated July 8, 2021, pursuant to art. 69 section 2 point 1 letter a and art. 87 section 1 point 2 letter a of the Act of July 29, 2005 on the offer the public and the conditions for introducing financial instruments to the organized trading system and on public companies "The Act" that as a result of the purchase by the IPOPEMA 21 FIZ Non-Public Assets Fund managed by the Investment Management Firm, the Company's shares in a transaction carried out on the regulated market on 6 July 2021, settled on July 8, 2021, the share of the Funds managed by the Investment Management Firm in the total number of votes in the Company increased by more than 2% in the total number of votes in the Company. Before the above-mentioned event, the Funds held 51,726,678 shares of the Company, which constituted 22.06% of the share capital of the Company and gave 51,726,678 votes, which constituted 22.06% of the total number of votes at the general meeting of the Company. After the above-mentioned event, the Funds hold 52,066,678 shares of the Company, which constitutes 22.21% of the share capital of the Company and gives 52,066,678 votes and constitutes 22.21% of the total number of votes at the general meeting of the Company. At the same time, the Investment Management Company informed that the Funds managed by the Company did not have the financial instruments referred to in Art. 69b paragraph. 1 of the Act.
22.07.2021	**Resignation of a member of the Management Board of the Company** In the current report No. 48/2021 of July 22, 2021, the Management Board of the Company informed that on July 22, 2021, Ms. Olga Lipińska-Długosz resigned from the position of a Member of the Management Board of the Company with effect on August 31, 2021.
03.08.2021	**Information on making a write-off** In the current report No. 50/2021 dated August 3, 2021, the Management Board of the Company announced that on August 3, 2021, a decision was made to make an impairment loss in the amount of PLN 9,211,596.00. The decision was made after analyzing and reviewing and recognizing the impairment of inventories covering: inventories of raw materials for the production of clothing products, inventories of clothing products intended for sale in the wholesale channel, and inventories of commercial goods and finished goods. The impairment loss was recognized in the Company's financial statements for the first half of 2021.

10.09.2021

Changes in the composition of the Management Board of the Company
In current reports No. 53/2021, No. 54/2021 of September 10, 2021, the Management Board of the Company informed that the Super-visory Board of the Company on September 10, 2021 adopted resolutions regarding changes in the composition of the Company's Management Board, including:
a) a resolution to recall, effective from September 10, 2021, the President of the Management Board, Mr. Andrzej Jaworski, from the composition of the Management Board of the Company;
b) a resolution on appointing Ms. Marta Fryzowska to the Management Board of the Company as of 1 January 2022 and entrusting her with the function of the Vice President of the Management Board.

10.09.2021

Delegating a member of the Supervisory Board to perform the function of the President of the Management Board of the Company
In the current report No. 55/2021 of September 10, 2021, the Management Board of the Company informed that the Super-visory Board of the Company on September 10, 2021, pursuant to Art. 383 par. 1 of the Commercial Companies Code, adopted a resolution on delegating the Deputy Chairman of the Supervisory Board of the Company, Mr. Jan Pilch, to tem-porarily perform the duties of the President of the Management Board. The posting took place until December 10, 2021.

04.11.2021

Change of the date of taking up the position in the Management Board of the Company by the Executive Vice Pres-ident of the Management Board of the Company
In the current report No. 58/2021 of November 4, 2021, the Management Board of the company informed that the Supervisory Board of the Company on November 4, 2021 adopted a resolution on changing the resolution of the Supervisory Board of the Company of September 10, 2021 regarding the appointment of Mrs. Marta Fryzowska to the composition of the Management Board of the Company and entrusting her with the function of the Vice-President of the Management Board of the Company, about which the Company informed in the current report No. 54/2021. Pursuant to the resolution of the Supervisory Board of the Company of November 4, 2021, the above-mentioned resolution of the Supervisory Board was amended in such a way that the Supervisory Board decided to appoint Mrs. Marta Fryzowska to the Management Board of the Company, entrusting her with the function of Vice President of the Management Board, with effect from December 1, 2021 instead of the current date January 1, 2022.

02.12.2021

Delegating a member of the Supervisory Board to perform the function of the President of the Management Board of the Company.
In the current report No. 59/2021 of December 2, 2021, the Management Board of the Company informed that the Supervisory Board of the Company on December 2, 2021, pursuant to Art. 383 par. 1 of the Commercial Companies Code, adopted a resolution on delegating the Deputy Chairman of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The posting took place for the period from December 11, 2021 to March 11, 2022.

21.01.2022

Notification on a significant block of shares

In the current report No. 4/2022 of January 21, 2022, the Company informed that on January 21, 2022 it received from Powszechne Towarzystwo Emertytalne PZU S.A. with its registred office in Warsaw representing and managing the Open Pension Fund PZU "Złota Jesień" ("OFE PZU") and Voluntary Pension Fund PZU ("DFE PZU") notification pursuant to Art. 87 sec. 1 point 2b of the Act of July 29, 2005 on public offering and the conditions for introducing financial instruments to the organized trading system and on public companies, that as a result of the purchase transaction of 10,000 (say: ten thousand) shares of the Company, concluded by OFE PZU on the regulated market on the WSE in Warsaw on January 18, 2022, with the settlement date of January 20, the total share of OFE PZU and DFE PZU in the total number of votes in the Company increased by more than 2% in votes in relation to the last notification of OFE PZU. The notification referred to above was attached to this report. In accordance with the above-mentioned notification after the conclusion and settlement of the transaction, OFE PZU independently held 38,918,084 shares of the Company, which constituted 16.599% of the share capital of the Company and entitled to 38,918,084 votes, constituting 16.599% of the total number of votes at the General Shareholder Meeting of the Company. In accordance with the above-mentioned notification after the conclusion and set-tlement of the transaction, DFE PZU independently owned 952,109 shares of the Company, which constituted 0.406% of the share capital of the Company and entitled to 952,109 votes, representing 0.406% of the total number of votes at the General Shareholder Meeting of the Company.

27.01.2022

Notification on a significant block of shares

In the current report No. 5/2022 of January 27, 2022, the Company informed that on January 27, 2022 it received from IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw ("Fund Management Company"), pursuant to Art. 69 sec. 2 point 1 lit. a of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (the "Act"), the information that as a result of the acquisition by the fund IPOPEMA 21 FIZ Non-Public Assets managed by the Fund Management Company ("Fund"), of the Company's shares in the transaction carried out on the regulated market on January 21, 2022, settled on January 25, 2022, the Fund's share in the total number of votes in the Company increased by more than 2% in the total number of votes in the Company. Before the above-mentioned event, the Fund owned 33,464,137 shares of the Company, which constituted 14.27% of the share capital of the Company and gave 33,464,137 votes, which constituted 14.27% of the total number of votes at the General Shareholder Meeting of the Company. In the event mentioned above, the Fund owned 33,514,137 shares of the Company, which constituted 14.29% of the share capital of the Company and gave 33,514,137 votes and constituted 14.29% of the total number of votes at the General Shareholder Meeting of the Company. At the same time, the Society informed that the funds managed by the Society did not have the financial instruments referred to in Art. 69b paragraph. 1 of the Act.

31.01.2022

Changes in composition of the Management Board and Supervisory Board of the Company

In the current report no. 6/2022 of January 31, 2022, the Company informed that the Supervisory Board of the Company on January 31, 2022 adopted a resolution to dismiss Mr. Radosław Jakociuk from the composition of the Management Board and perform the function of Executive Vice-President of the Management Board.

18.02.2022

Appointment of the President of the Management Board

In the current report No. 8/2022 of February 18, 2022, the Management Board of the Company informed that the Supervisory Board of the Company on February 18, 2022 adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Company, entrusting him with the function of the President of the Management Board.

07.03.2022

Delegating a member of the Supervisory Board to perform the function of the President of the Management Board of the Company

In the current report No. 11/2022 of March 7, 2022, the Management Board of the Company informed that the Supervisory Board of the Company on March 7, 2022, pursuant to Art. 383 §. 1 of the Code of Commercial Companies, having regard to the content of report No. 8/2022 of February 18, 2022 on the appointment of the President of the Management Board as of June 1, 2022, adopted a resolution on delegating the Deputy-Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation took place for the period from March 12, 2022 to May 31, 2022.

01.04.2022

Change of the date of taking up the position in the Management Board of the Company by the President of the Management Board of the Company

In the current report No. 12/2022 of April 1, 2022, the Management Board of the Company informed that the Supervisory Board of the Company on April 1, 2022 adopted a resolution on changing the resolution of the Supervisory Board of the Company of February 18, 2022 regarding the appointment of Mr. Janusz Płocica to the composition of the Management Board of the Company and entrusting him with the function of the President of the Management Board of the Company, about which the Company informed in the current report No. 8/2022. Pursuant to the resolution of the Supervisory Board of the Company of April 1, 2022, the above-mentioned resolution of the Supervisory Board was amended in such a way that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the Company and to act as the President of the Management Board, with effect from April 19 2022 instead of the current date of June 1, 2022.

04.04.2022

Resignation from the delegation to temporarily perform the duties of the President of the Management Board

In the current report No. 13/2022 of April 4, 2022, the Management Board of the Company informed that on April 4, 2022, it received a declaration from Mr. Jan Pilch, Deputy Chair of the Supervisory Board of the Company, about his resignation with effect on April 18, 2022 delegation to temporarily perform the duties of the President of the Management Board. The Company informed about the posting in the current report no. 11/2022. In connection with the submitted statement, Mr. Jan Pilch returns to perform his duties related to the function of a member of the Supervisory Board of the Company as of April 19, 2022.

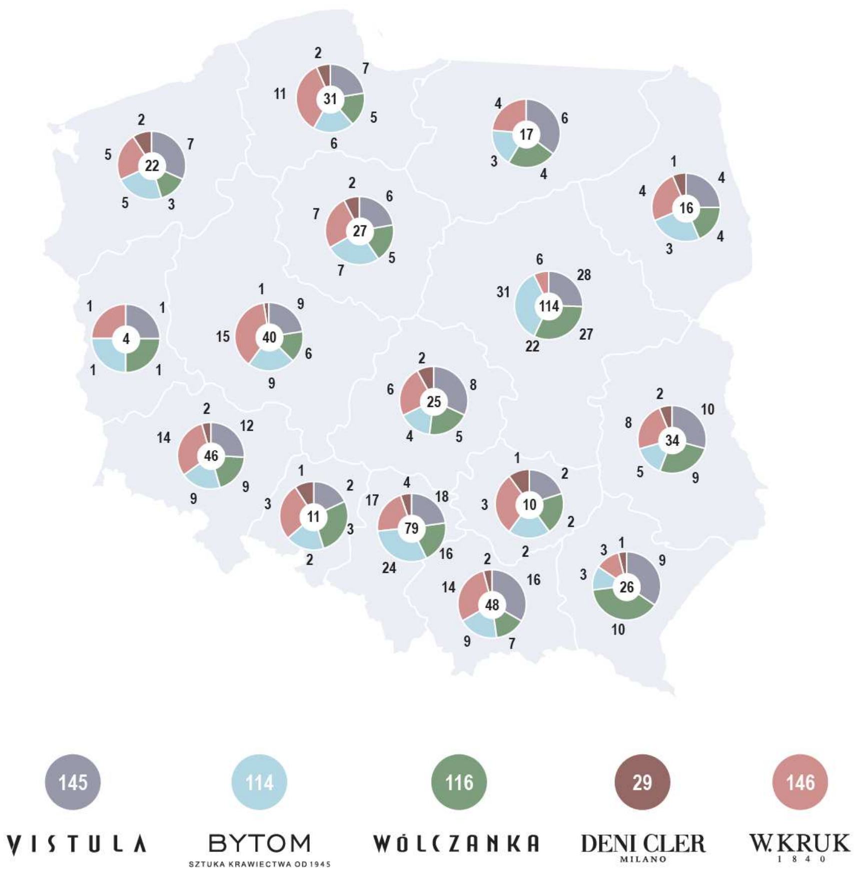
3.6. FINANCIAL RESULTS OF VRG CAPITAL GROUP IN 2021

At the end of 2021, compared to the corresponding period of 2020, Group's floorspace decreased to 52.3 thousand m2, i.e. by 1.4% YoY. The decline in floorspace in the apparel segment amounted to 2.6%, while in the jewellery segment, floorspace increased by 3.3%.

Retail floorspace (end of period):	ths m2	
	31.12.2021	31.12.2020
Apparel segment	40.9	42.0
Jewellery segment	11.4	11.0
Total floorspace	52.3	53.0

As at the date of this report, the majority of revenues came from a network of retail stores of individual brands belonging to the Capital Group. As at the date of this report, the Capital Group retail network encompasses 550 locations, including franchise stores of Vistula, Wólczanka, Bytom, Deni Cler and W.KRUK brands. Out of the operating stores, the Group only owns 2 locations. The Group uses the remaining locations on the basis of medium / long-term leases for a period of mostly 5 years, a small part of leases is concluded for an indefinite period. The majority of the stores are located in modern shopping malls.

Below we present distribution and number of branded stores of the Capital Group at the end of 1H21 by individual brands.



SELECTED FINANCIAL DATA OF VRG GROUP

	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021** from 01-10-2021 to 31-12-2021	**4 Q 2020** from 01-10-2020 to 31-12-2020
Revenues	1,069,927	853,714	348,795	232,004
EBITDA	201,615	98,422	79,683	22,805
EBIT	97,529	-11,923	53,612	-2,893
Net result	**66,310**	**-39,932**	**39,788**	**-13,899**

	PLN ths			
IAS17*	**2021** from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021** from 01-10-2021 to 31-12-2021	**4 Q 2020** from 01-10-2020 to 31-12-2020
Revenues	1,069,927	853,714	348,795	232,004
EBITDA	120,462	23,444	54,429	16,393
EBIT	99,055	481	48,969	10,825
Net result	**70,375**	**-5,314**	**34,716**	**7,689**

**The table above presents the main financial items of the Group, showing the impact of IAS17 as the previous standard*

Comparable financial data for 2020 (according to the applicable standards) include the recognized deferred income tax on net assets from the right of use of commercial premises and office space, in the part relating to 2020 (impact on the net financial result + PLN 8.2 million). The above-mentioned adjustment is described in note 32 to the consolidated financial statements.

The difference between the operating result (EBIT) under IAS17 and the operating result according to the applicable standards in 2021 resulted, inter alia, due to the fact that rentals under IAS17 were recognized at a lower amount due to the reductions obtained for the lockdown periods. On the other hand, according to the applicable standards, the right-of-use assets are depreciated on a straight-line basis over the period of the contract in force (irrespective of the payment installments).

The sales revenues of the Capital Group in 2021 amounted to PLN 1,069.9 million and were by PLN 216 million (25.3%) higher than the revenues achieved in the corresponding period of the previous year.

Consolidated EBITDA in 2021 amounted to PLN 201.6 million and was higher by approx. 105% than in the previous year. EBITDA, excluding the impact of IFRS 16, amounted to PLN 120.5 million.

In the current year, the Capital Group achieved a net profit of PLN 66.3 million compared to a net loss of PLN -39.9 million in 2020. Net profit, excluding the impact of IFRS 16, amounted to PLN 70.4 million.

The Group's financial numbers in 2021 were the result of achieving the level of revenues at the level of PLN 1,069.9 million, i.e. similar to 2019, when the revenues amounted to PLN 1,068.3 million. This increase was achieved thanks to positive trends in sales, especially in the jewellery segment. In addition, the Group improved the gross margin on sales by limiting promotional campaigns and increasing the share of offline channels with higher margins, and improved the profitability of stores by maintaining cost effectiveness. The above financial results were achieved by the Group despite the restrictions in trade in the first half of 2021 related to the announcement in Poland, under the Regulation of the Minister of Health of March 13, 2020, of an epidemic threat. On the other hand, the restrictions introduced in 2020 had a more significant impact on the Group's sales, which translated into lower financial results in 2020.

APPAREL SEGMENT

Apparel segment	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021** from 01-10-2021 to 31-12-2021	**4 Q 2020** from 01-10-2020 to 31-12-2020
Revenues	**569,602**	**501,378**	**174,605**	**117,752**
Cost of sales	260,504	264,779	74,387	59,649
Gross profit on sales	309,098	236,599	100,218	58,103
Other operating income	11,280	10,194	2,426	5,344
Profit from sale of non-financial non-current assets	-	-	-	-
Selling costs	241,777	225,452	66,809	65,216
Administrative expenses	50,827	47,144	13,976	12,063
Other operating costs	17,938	23,382	1,001	4,420
Loss from sale of non-financial non-current assets	264	619	281	398
Profit (loss) from operations	**9,572**	**-49,804**	**20,577**	**-18,650**
Financial income / costs	-7,698	-21,926	-1,855	-8,417
Pre-tax profit (loss)	1,874	-71,730	18,722	-27,067
Income tax	1,488	-12,954	3,892	-4,881
Net profit (loss) for the period	**386**	**-58,776**	**14,830**	**-22,186**

IAS 17* Apparel segment	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021** from 01-10-2021 to 31-12-2021	**4 Q 2020** from 01-10-2020 to 31-12-2020
Revenues	**569,602**	**501,378**	**174,605**	**117,752**
Cost of sales	260,504	264,779	74,387	59,649
Gross profit on sales	309,098	236,599	100,218	58,103
Other operating income	10,700	9,939	2,065	5,193
Profit from sale of non-financial non-current assets	-	-	-	-
Selling costs	239,530	216,620	69,576	55,471
Administrative expenses	51,159	46,655	14,066	11,705
Other operating costs	17,908	23,266	995	4,304
Loss from sale of non-financial non-current assets	264	619	281	398
Profit (loss) from operations	**10,938**	**-40,621**	**17,365**	**-8,582**
Financial income / costs	-5,459	-3,434	-2,505	-405
Pre-tax profit (loss)	5,479	-44,055	14,860	-8,986
Income tax	2,446	-7,762	3,572	-1,521
Net profit (loss) for the period	**3,033**	**-36,293**	**11,288**	**-7,465**

**The table above presents the basic financial items of the Group's clothing segment, showing the impact of IAS17 as the previously applicable standard*

REVENUES

Revenues of the apparel segment in 2021 amounted to PLN 569.6 million and were by PLN 68.2 million (i.e. 14%) higher than the revenues achieved in 2020.

Revenues of the apparel segment in the fourth quarter of 2021 amounted to PLN 174.6 million and were by PLN 56.9 million (i.e. 48%) higher than the revenues achieved in the corresponding period of 2020.

Apparel segment	PLN m			
	2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021 from 01-10-2021 to 31-12-2021	4 Q 2020 from 01-10-2020 to 31-12-2020
Revenue	**569.6**	**501.4**	**174.6**	**117.8**
Retail sales	543.4	480.2	167.2	113.6
Processing	19.8	16.8	6.1	3.2
B2B	6.4	4.4	1.3	0.9

In 2021, the Group recorded the following results in the following retail channels:

VISTULA ↑	BYTOM ↑	WÓLCZANKA ↑	DENI CLER MILANO ↑
PLN 221.8m	PLN 160.6m	PLN 115.7 m	PLN 45.3m
(13% YoY)	(9% YoY)	(17% YoY)	(21% YoY)

Positive trends in sales were the result of, inter alia, demand rebuilding (after restrictions in trade and organization of mass events in 2020) for formal clothing, caused by an increased number of family (weddings, communion) and business celebrations (banquets, conferences) and a partial return to offices and business trips. Moreover, increase in sales was the result of an higher sales of casual clothing, in particular as part of the women's offer. At the same time, the reduction of promotional campaigns had a positive impact.

In 2021, there was an increase in offline sales by 23% and a decrease in online sales by 7% compared to the same period last year. Share of online sales in revenues of the apparel segment was 26% in 2021 compared to 32% of online sales in 2020.

In the fourth quarter of 2021, there was an increase in offline sales by 82% and a decrease in online sales by 10% compared to the same period last year. Share of online sales in revenues of the apparel segment was 22% in the fourth quarter of 2021 compared to the 36% share of online sales in the fourth quarter of 2020.

The last quarter of the year is a key period for retail trade, whose value share in sales in 2021 amounted to 31%. On the other hand, in 2020, due to the reduction in the number of trading days caused by the limitation of trade in shopping malls, the value share of sales in the fourth quarter in 2020 amounted to 23%.

In the fourth quarter of 2021, the Group recorded the following results in the following retail channels

VISTULA ↑	BYTOM ↑	WÓLCZANKA ↑	DENI CLER MILANO ↑
PLN 65.4m	PLN 51.0m	PLN 37.1m	PLN 13.7m
(51% YoY)	(48% YoY)	(40% YoY)	(48% YoY)

GROSS PROFIT ON SALES

Gross profit on sales in the apparel segment in 2021 amounted to PLN 309.1 million and was 31% higher than that generated in the corresponding period of the previous year. The gross margin was 54.3% in 2021, an increase of 7.1 pp. compared to 2020.

Changes in individual brands' margins in 2021:

VISTULA ↑	BYTOM ↑	WÓLCZANKA ↑	DENI CLER MILANO ↑
56.8 %	55.8 %	56.1 %	58.7 %
(margin up by 7.3 pp.)	(margin up by 7.9 pp.)	(margin up by 7.5 pp.)	(margin up by 5.4 pp.)

Gross profit on sales of the apparel segment in the fourth quarter of 2021 amounted to PLN 100.2 million and was 72% higher than that generated in the fourth quarter of 2020. Gross margin in the fourth quarter of 2021 amounted to 57.4% (Q4 2020.: 49.3%). Increase in gross profit margin resulted from reduction of promotions and higher share of offline channels in sales, which are characterized by higher margins.

Changes in individual brands' margins in Q4 2021:

VISTULA ↑	BYTOM ↑	WÓLCZANKA ↑	DENI CLER MILANO ↑
60.1 %	60.8 %	61.0 %	64.5 %
(margin up by 9.2 pp.)	(margin up by 10.4 pp.)	(margin up by 8.8 pp.)	(margin up by o 1.9 pp.)

SELLING COSTS

Selling costs in 2021 amounted to PLN 241.8 million and were higher by PLN 16.3 million (7%) compared to the costs incurred in the corresponding period of 2020. Share of selling costs in revenues in 2021 was 42.4% compared to 45% in 2020.

Selling costs in the fourth quarter of 2021 amounted to PLN 66.8 million and were higher by PLN 1.6 million (2%) compared to the corresponding period of 2020. Share of selling costs in revenues of the apparel segment in the fourth quarter of 2021 amounted to 38.3% and was lower by 17.1 pp. compared to the fourth quarter of 2020.

Decrease in share of selling costs in revenues in the fourth quarter of 2021 compared to the fourth quarter of 2020 was due to the lack of temporary closings of traditional stores in shopping malls due to the Covid-19 pandemic (in 2020, stores were closed between November 7-27 and December 28-31). Increase in selling costs was caused, inter alia, by an higher costs related to sales, i.e. commission for franchisees, retail tax and employee bonuses, as well as a lower reduction in salaries for closed commercial premises in the periods of the so-called lock-downs.

G&A COSTS

General and administrative expenses in 2021 amounted to PLN 50.8 million compared to PLN 47.1 million in 2020, which means an increase in costs by PLN 3.7 million (8%). At the same time, share of general and administrative expenses in revenues decreased to the level of 8.9% compared to 9.4% in 2020.

General and administrative expenses in the fourth quarter of 2021 amounted to PLN 14.0 million compared to PLN 12.1 million in the fourth quarter of 2020, which means an increase by PLN 1.9 million (16%). At the same time, share of general and administrative expenses in sales revenues decreased to 8.0% compared to 10.2% in 2020.

Increase in general and administrative expenses was due to a lower reduction in remuneration for closing commercial premises in the so-called lock-downs and in 2020 the companies of the Group's apparel segment benefited from the government program of assistance for employers related to preventing, counteracting and combating Covid-19.

OPERATING PROFIT IN THE APPAREL SEGMENT

In 2021, an operating profit of PLN 9.6 million was generated, which means an increase in the operating result by PLN 59.4 million compared to 2020.

Increase in the operating result was the result of both higher revenues and higher percentage gross margin on sales, and, consequently, higher gross profit on sales, with a simultaneous lower increase in selling costs and general and administrative expenses. In addition, in 2021, the Group made smaller write-downs of inventories relating mainly to wholesale goods and older collections compared to 2020 (a decrease by PLN 5.9 million).

In the fourth quarter, the Group generated an operating profit of PLN 20.6 million in the apparel segment, compared to operating loss in 2020 of PLN 18.7 million. A significant increase in the operating result was related to the lack of restrictions on trade in shopping malls in the fourth quarter of 2021 compared to the fourth quarter of 2020 (i.e. restrictions on November 7-27 and December 28-31, 2020).

FINANCIAL INCOME AND COSTS

Net financial result in the apparel segment amounted to PLN -7.7 million in 2021 compared to PLN -21.9 million in 2020. The IFRS16 standard had a negative impact on the balance of the financial activity of the apparel segment in 2021, as it caused an increase in net financial costs of 2021 by PLN 2.2 million compared to PLN 18.5 million in 2020 (in Q4 2021 the impact of IFRS 16 was favourable and added PLN 0.7m compared to PLN 8.0m of negative impact in Q4 2020).

Apparel segment	PLN ths 2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021 from 01-10-2021 to 31-12-2021	4 Q 2020 from 01-10-2020 to 31-12-2020
Financial costs net	-4,269	-1,850	-1,401	-786
FX differences net (excl. IFRS 16)	-1,191	-1,584	-1,104	381
IFRS 16 impact	-2,238	-18,492	650	-8,012
'- incl. FX differences	1,050	*-15,273*	1,416	*-6,701*
'- incl. interest	-3,288	*-3,219*	-766	*-1,311*
Financial income/ costs	**-7,698**	**-21,926**	**-1,855**	**-8,417**

NET RESULT IN THE APPAREL SEGMENT

In the apparel segment, the Group posted a net profit of PLN 0.4 million in 2021, compared to a net loss of PLN 58.8 million in 2020. Improvement in the financial result was caused by greater increase in gross profit on sales than in sales costs and general and administrative costs, and lower inventory write-downs. As a consequence, the apparel segment reached the break-even point at the level of the net result. However, excluding the negative impact of IFRS16, the Group's financial result would have reached the level of PLN 3.0 million.

In the fourth quarter of 2021, the Group reported a net profit of PLN 14.8 million in the apparel segment, compared to a net loss of PLN 22.2 million in the fourth quarter of 2020. The positive financial result in the fourth quarter of 2021 was caused, inter alia, by with no restrictions on trade in shopping malls compared to the fourth quarter of 2020, a smaller scale of negative exchange rate differences, as well as other factors influencing the result for the entire 2021.

JEWELLERY SEGMENT

Jewellery segment	PLN ths 2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021 from 01-10-2021 to 31-12-2021	4 Q 2020 from 01-10-2020 to 31-12-2020
Revenues	**500,325**	**352,336**	**174,190**	**114,252**
Cost of sales	241,235	171,591	82,381	53,465
Gross profit on sales	259,090	180,745	91,809	60,787
Selling costs	2,474	5,262	629	1,601
Administrative expenses	186	-	80	45
Other operating income	140,854	114,342	48,472	36,443
Gain from sale of non-fixed assets	30,975	29,902	10,135	8,164
Other operating costs	1,964	3,827	876	2,069
Loss from sale of non-financial non-current assets	0	55	-	-
Profit (loss) from operations	**87,957**	**37,881**	**33,035**	**15,757**
Financial income / costs	-6,241	-14,225	-2,165	-5,410
Pre-tax profit (loss)	81,716	23,656	30,870	10,347
Income tax	15,792	4,812	5,912	2,060
Net profit (loss) for the period	**65,924**	**18,844**	**24,958**	**8,287**

IAS 17* Jewellery segment	PLN ths 2021 from 01-01-2021 to 31-12-2021	2020 from 01-01-2020 to 31-12-2020	4 Q 2021 from 01-10-2021 to 31-12-2021	4 Q 2020 from 01-10-2020 to 31-12-2020
Revenues	**500,325**	**352,336**	**174,190**	**114,252**
Cost of sales	241,235	171,591	82,381	53,465
Gross profit on sales	259,090	180,745	91,809	60,787
Selling costs	2,256	5,075	544	1,556
Administrative expenses	186	-	80	45
Other operating income	139,963	111,746	49,674	33,273
Gain from sale of non-fixed assets	31,488	29,156	10,279	7,706
Other operating costs	1,964	3,760	876	2,002
Loss from sale of non-financial non-current assets	0	55	0	-
Profit (loss) from operations	**88,117**	**41,103**	**31,605**	**19,407**
Financial income / costs	-4,649	-2,266	-2,622	-582
Pre-tax profit (loss)	83,468	38,837	28,983	18,825
Income tax	16,125	7,858	5,553	3,671
Net profit (loss) for the period	**67,343**	**30,979**	**23,429**	**15,154**

**The table above presents the basic financial items of the Group's clothing segment, showing the impact of IAS17 as the previously applicable standard*

REVENUES

Revenues in the Capital Group in 2021 in the jewellery segment amounted to PLN 500.3 million and were higher than the segment's results in 2020 by PLN 148 million (42%). Increase in sales was the result of a significant increase in sales of luxury watches, as well as gold and silver jewellery.

In the fourth quarter of 2021, revenues in this segment amounted to PLN 174.2 million and were higher than those achieved in the fourth quarter of 2020 by PLN 59.9 million (52%). Significant increase in sales was related to the lack of restrictions on trade in shopping malls in the fourth quarter of 2021 compared to the fourth quarter of 2020 (i.e. restrictions occurring on November 7-27 and December 28-31, 2020) and the general increase in demand for the segment's assortment of jewellery throughout 2021.

GROSS PROFIT ON SALES

Gross profit on sales in the jewellery segment in 2021 amounted to PLN 259.1 million and was 43% higher than that generated in the corresponding period of the previous year, which was a consequence of the increase in sales. In addition, in 2021, gross margin increased by 0.5 pp. to 51.8% compared to 51.3% in 2020, resulting from an increase in the percentage gross margin in all distribution channels.

Gross margin in the fourth quarter of 2021 was 52.7%, which means a margin decrease by 0.5 pp. compared to the fourth quarter of 2020. The lower margin is the result of changes in the sales structure of products.

SELLING COSTS

Selling costs in 2021 amounted to PLN 140.9 million compared to PLN 114.3 million in the previous year, which means an increase in selling costs by PLN 26.5 million (23%). In the jewellery segment, share of selling costs in total sales decreased from 32.5% in 2020 to 28.2% in 2021.

Increase in selling costs in 2021 (compared to 2020) was caused, inter alia, by an increase in sales-related costs, i.e. turnover rents, employee bonuses, commissions for franchisees and retail tax; lockdowns, as well as higher marketing expenses.

Decrease in the share of selling costs in revenues in the fourth quarter of 2021 compared to the fourth quarter of 2020 was due to the lack of temporary closings of traditional stores in shopping malls due to the Covid-19 pandemic (in 2020, stores were closed between November 7-27 and December 28-31).

Selling costs in the fourth quarter of 2021 amounted to PLN 48.5 million, which means an increase compared to the fourth quarter of 2020 by PLN 12.0 million (33%). Their share in revenues amounted to 27.8% in the fourth quarter of 2021, compared to 31.9% in the fourth quarter of 2020. Increase in selling costs in the fourth quarter of 2021 was the result of factors affecting the entire 2021 (increase in sales), as well as lack of temporary closing downs of traditional stores in shopping malls due to the Covid-19 pandemic (in 2020, stores were closed in the period November 7-27 and December 28-31).

G&A COSTS

In 2021, general and administrative costs were higher by PLN 1.1 million (4%) compared to 2020. Share of general and administrative costs in sales amounted to 6.2% and was lower by 2.3 pp. compared to 2020.

In the fourth quarter of 2021, these costs amounted to PLN 10.1 million, which means an increase of PLN 2.0 million compared to the fourth quarter of 2020. Their share in sales in the fourth quarter of 2021 was 5.8% compared to 7.1% in the fourth quarter of 2020.

OPERATING PROFIT IN THE JEWELLERY SEGMENT

In the jewellery segment, the Group recorded an operating profit of approximately PLN 88 million in 2021, which means an increase in operating profit in 2021 by PLN 50.1 million (132%) compared to 2020. The YoY increase in the operating result was a consequence of a significantly higher increase in revenues (with a similar percentage gross margin) than sales costs, with a slight change in other items compared to 2020. The operating profit margin in 2021 was 17.6% and was higher by 6.8 pp. compared to 2020.

In the fourth quarter of 2021, the Group in this segment recorded operating profit in the amount of PLN 33.0 million compared to PLN 15.8 million in the fourth quarter of 2020. Operating profit margin increased from 13.8% in the fourth quarter of 2020 to 19.0% in the fourth quarter of 2021. Increase in profitability was the result of, inter alia, increase in sales and the lack of temporary closings of regular stores in shopping malls caused by the Covid-19 pandemic compared to the fourth quarter of 2020.

FINANCIAL INCOME AND COSTS

Net financial activity in the jewellery segment amounted to PLN -6.2 million in 2021.

Recognition of the IFRS16 standard for financial reporting had a negative effect on the balance of the financial activities of the jewellery segment in 2021, as it resulted in an increase in financial costs by PLN 1.6 million. Nevertheless, the negative impact was lower than in 2020, where the introduction of IFRS16 had a negative impact on the balance of financial activities in the amount of PLN 12 million.

Jewellery segment	PLN ths			
	2021 from 01-01-2021 to 31-12-2021	**2020** from 01-01-2020 to 31-12-2020	**4 Q 2021** from 01-10-2021 to 31-12-2021	**4 Q 2020** from 01-10-2020 to 31-12-2020
Financial costs net	-3,281	-2,173	-1,814	-1,007
FX differences net (excl. IFRS16)	-1,368	-93	-808	426
IFRS 16 impact	-1,592	-11,959	457	-4,828
'- incl. FX differences	598	*-9,943*	981	*-4,057*
'- incl. interest	-2,190	*-2,016*	-524	*-771*
Financial income/ costs	**-6,241**	**-14,225**	**-2,165**	**-5,410**

NET PROFIT IN THE JEWELLERY SEGMENT

Net profit of the jewellery segment in 2021 amounted to PLN 65.9 million compared to PLN 18.8 million in 2020, which means an increase in profit by 250% YoY.

Net profit of the jewellery segment in the fourth quarter of 2021 amounted to PLN 25.0 million compared to PLN 8.3 million in the fourth quarter of 2020, which means an increase in net profit by 201%.

Increase in net profit in 2021 was the result of a significant increase in sales and an improvement in the percentage gross margin, and, as a consequence, an increase in gross profit on sales, with a simultaneous lower increase in selling costs and general and administrative expenses. The indicated factors also had a positive impact on the net result in the fourth quarter of 2021, and in this period there were no temporary closures of traditional stores in shopping malls due to the Covid-19 pandemic (as was the case in the fourth quarter of 2020).

Additionally, the financial result was burdened with the unfavourable influence of IFRS16. In 2021, application of IFRS16 reduced the net profit by PLN 1.4 million. Nevertheless, this impact was lower than in 2020, where the negative impact of applying IFRS16 amounted to PLN 12.1 million.

Impact of IFRS16 improved the financial result by PLN 1.5 million in the fourth quarter of 2021 compared to the negative impact on the financial result of PLN 6.9 million in the fourth quarter of 2020.

STRUCTURE AND CHARACTERISTICS OF STATEMENT OF FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET	31.12.2021		31.12.2020	
	value (PLN ths)	share (%)	value (PLN ths)	share (%)
Non-current assets, including:	**867,808**	**58.1%**	**898,027**	**61.2%**
Intangible assets	500,459	33.5%	498,990	34.0%
Fixed assets	55,704	3.7%	60,626	4.1%
Right-of-use asset (IFRS16)	284,386	19.0%	312,690	21.3%
Current assets, including:	**626,584**	**41.9%**	**568,206**	**38.8%**
Inventory	499,173	33.4%	505,584	34.5%
Receivables	12,839	0.9%	10,843	0.7%
Cash and cash equivalents	114,572	7.7%	48,839	3.3%
Total assets	**1,494,392**		**1,466,233**	
Equity attributable to dominating entity, including:	**889,664**	**59.5%**	**823,354**	**56.2%**
Share capital	49,122	3.3%	49,122	3.4%
Net profit (loss) for the current period	66,310	4.4%	-39,932	-2.7%
Long-term liabilities and provisions:	**272,165**	**18.2%**	**307,227**	**21.0%**
Long-term loans and borrowings	33,658	2.3%	47,196	3.4%
Lease liabilities	236,957	15.9%	258,354	17.6%
' incl. leases in shopping malls and office floorspace	*236,017*	*15.8%*	*256,974*	*17.5%*
Short-term liabilities and provisions, including:	**332,563**	**22.3%**	**335,652**	**22.9%**
Trade liabilities	193,162	12.9%	199,240	13.6%
Short-term loans and borrowings	20,604	1.4%	24,372	1.7%
Lease liabilities	97,566	6.5%	98,839	6.7%
' incl. leases in shopping malls and office floorspace	*96,861*	*6.5%*	*97,510*	*6.7%*
Total equity and liabilities	**1,494,392**		**1,466,233**	

ASSETS

Value of assets at the end of 2021 slightly increased compared to the end of 2020.

PROPERTY, PLANT, EQUIPMENT

Decrease in tangible fixed assets is mainly the result of the calculation of depreciation in 2021 and the lack of significant investments (new openings of own stores) in the reporting period.

RIGHT OF USE ASSETS

Decrease in the right of use asset results from accrual of depreciation for 2021 and the extension or negotiation of lease agreements (details are presented in note 11a to the consolidated financial statements).

INVENTORY

Value of inventories as at December 31, 2021 amounted to PLN 499.2 million, which means a decrease by 1.3% compared to December 31, 2020. In the apparel segment, value of inventories decreased by 3.7% YoY (the effect of optimizing the level of inventories, reducing orders for 2021 and increasing impairment losses by PLN 5 million), and in the jewellery segment, it increased by 1.2%. Stable level of the Group's inventories is the result of the optimization of the level of orders in the clothing segment and very good results in the jewellery segment.

The Group's inventories per m2 amounted to PLN 9 540, which means an increase by 0.1% YoY:

INVENTORY / [PLN/m2]	4Q21	4Q20	YoY
VRG	9,540	9,531	0.1%
Apparel segment	5,998	6,067	-1.1%
Jewellery segment	22,263	22,731	-2.1%

EQUITY AND LIABILITIES

EQUITY

Changes in equity by PLN 66.3 million are the result of generating a profit for 2021 of PLN 66.3 million.

LONG-TERM AND SHORT-TERM DEBT

Debt under long-term loans as at December 31, 2021 amounted to PLN 33.7 million compared to PLN 47.2 million at the end of December 2020, which means a decrease by PLN 13.5 million. Lease liabilities under the lease of commercial premises and office space total PLN 332.9 million, of which PLN 236 million is the long-term part and PLN 96.9 million the short-term part.

Table below presents financial liabilities as at December 31, 2021 and December 31, 2020, as well as net debt. Moreover, data on net debt are presented, also without the impact of IFRS 16, which significantly changes its value.

Net debt decreased compared to last year as a result of an increase in revenues and a reduction in debt due to long-term loans and liabilities. The net debt / EBITDA ratio (under IAS 17) is negative due to the surplus of cash over financial liabilities and is significantly below the levels defined in loan agreements concluded by the Capital Group companies.

Net debt	31.12.2021	31.12.2020
Long-term debt	**270,615**	**305,550**
Long-term loans and borrowings	33,658	47,196
Finance lease liabilities	236,957	258,354
'-incl. leases in shopping malls and office floorspace	*236,017*	*256,974*
Short-term debt	**134,874**	**151,496**
Loans and borrowings	5,996	11,289
Short-term part of long-term loans	14,608	13,083
Reverse factoring	16,704	28,285
Finance lease liabilities	97,566	98,839
- incl. leases in shopping malls and office floorspace	*96,861*	*97,510*

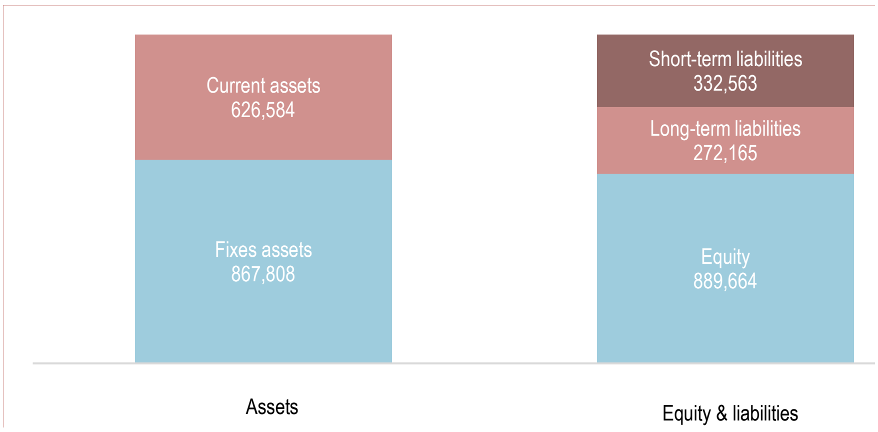
Net debt	31.12.2021	31.12.2020
Cash	114,572	48,839
Net debt	**290,917**	**408,207**
EBITDA annualised	201,615	98,422
Net debt/EBITDA	**1.4**	**4.2**

Net debt IAS 17*	31.12.2021	31.12.2020
Long-term debt	**34,598**	**48,576**
Long-term loans and borrowings	33,658	47,196
Finance lease liabilities	940	1,380
Short-term debt	***38,013***	**53,986**
Loans and borrowings	5,996	11,289
Short-term part of long-term loans	14,608	13,083
Reverse factoring	16,704	28,285
Finance lease liabilities	705	1,329
Cash	114,572	48,839
Net debt	***-41,961***	**53,723**
EBITDA annualised	120,462	23,444
Net debt/EBITDA	**-0.3**	**2.3**

** The table above shows the net debt calculation showing the impact of IAS17 as the previous standard*

The diagram below presents the structure of the balance sheet, taking into account the most important components of assets and liabilities.

Balance sheet analysis at the end 2021



SIGNIFICANT OFF-BALANCE SHEET ITEMS

Significant off-balance sheet items are described in Notes No. 29 to the consolidated financial statements.

SIGNIFICANT RISK FACTORS

The following is a summary of the key risk factors that may affect the Company's results and economic and financial situation. The following factors may have a material adverse effect on the Group's development prospects, results and financial position.

EXTERNAL RISK FACTORS

Economic risk related to the macroeconomic situation	Level of the Group's revenues depends on the economic situation, including: dynamics of economic growth, level of unemployment, level of household income and indebtedness, individual consumption, consumer optimism indicators, level of the euro against the Polish zloty exchange rate, interest rates and the state fiscal policy. There is a risk that if the economic situation weakens or deteriorates again, there will be fluctuations in the demand for products offered by the Group, which will adversely affect the results and financial position. **Actions**: Each of the brands owned by VRG is targeted at a wide range of consumers. The Group offers very good quality products at attractive prices. In the event of a downturn or demand, the Group will reduce costs to maintain profitability.
Risk related to the instability of the Polish legal system, including tax system	A potential risk for the Group's operations, as for all entities operating in the course of business, may be the volatility of legal regulations and their interpretations. Changes in commercial law, tax regulations, labour and social security law and other regulations governing the activities of enterprises, in particular in the Group's industry, entail a serious risk in running a business and may hinder or prevent the implementation of planned operating activities and financial forecasts. Subsequently, changes to the law may lead to the deterioration of the condition and financial results of the Group. New legal regulations may potentially pose a certain risk related to interpretation problems, lack of judicial practice, unfavourable interpretations adopted by courts or public administration bodies, etc. Tax law, the regulations of which are frequently changed, many times to the detriment of taxpayers, is characterized by instability. Changes in taxation of business activities in the field of income tax, tax on goods and services or other taxes may have a negative impact on the activities and income levels of the Issuer. The interpretations of the tax authorities also change, are replaced by others, or contradict each other. This results in uncertainty as to the method of application of the law by tax authorities in various, often complicated, factual situations occurring in economic transactions. The Group is also exposed to the risk related to the possibility of changes in interpretations of tax law regulations issued by tax authorities. The factors described above may have a significant negative impact on the Group's development prospects, results and financial standing. **Actions**: The Group analyzes the changing regulations on an ongoing basis, including tax regulations. In the event of legal changes, the Management Board will focus its actions on minimizing their impact on the Group's financial results.
Risk related to increased competition	The Capital Group operates in a highly competitive market environment. The apparel and jewellery segment of the market is highly fragmented: on the one hand, we are dealing with brands recognized on the Polish market, such as Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK, and on the other, with global brands that are aggressively entering the Polish market. The apparel segment of the market is characterized by relatively low entry barriers. We are also dealing with the emergence of competition from emerging brands. The Group may be forced to look for new supply markets in order to maintain the competitiveness of the offer. In addition, it may be possible to increase your marketing and promotion expenditure to reach your target customer. **Actions**: In order to reduce the risk, the Management Board monitors the competitors' activities on an ongoing basis in terms of the development of the sales network, offered products and the price level.
Foreign exchange risk and risk related to hedging policy	The Group generates revenues mainly in PLN, but incurs significant costs in EUR, US dollar and CHF, which results in the financial result being exposed to exchange rate risk. In periods of weakening of PLN in relation to the main settlement currencies, the Company incurs higher costs due to exchange differences. In currencies other than PLN, the Group bears the costs of (a) purchasing production materials (fabrics, accessories) and supplementary assortments in the apparel segment (shoes, knitwear, leather and other accessories), (b) purchase of materials for production (jewelery raw materials), jewelery and watches in the jewelery segment and (c) arising from commercial space lease agreements.

	In the event of a significant and long-term weakening of the Polish currency against the euro, US dollar and Swiss franc, there is a risk of a significant deterioration of the financial results achieved by the Group. In point 10 Significant risk factors in the Consolidated Financial Statements of the VRG S.A. Capital Group for 2021, the table presents an analysis of the sensitivity of the financial result (and thus equity) to the average annual change in exchange rates by +/- 5% in relation to the average rate or the closing rate. **Actions**: The parent company undertakes actions aimed at limiting the impact of the increase in the exchange rate on the level of the achieved "in take" margin, mainly in the scope of the USD/PLN exchange rate ratio by concluding forward and spot contracts. Transactions are related to individual deliveries of goods, especially in the fashion area, and do not relate to the neutralization of the possible risk related to the increase in rental rates due to the change in the EUR/PLN exchange rate. The impact of forward transactions will be visible in the valuation of currency liabilities related to the concluded forward transactions (the sensitivity analysis to exchange rate risk was carried out in the Consolidated Financial Statement of the VRG S.A. Capital Group.
Interest rate risk	The Group uses external financing bearing a variable interest rate in the form of an investment loan and working capital loan as well as reverse factoring. Therefore, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and, as a consequence, a decrease in the Group's profitability. In point 10 Significant risk factors in the Consolidated Financial Statements of the VRG S.A. Capital Group for 2021, the table presents the sensitivity analysis of the financial result (and thus equity) in relation to the potential fluctuation of the average annual interest rate up by 500 basis points and down by 100 basis points (i.e. by 5 and 1 percentage point, respectively). **Actions**: having relatively low debt, the Group currently considers this risk to be low (despite the rapid increase in interest rates). He constantly monitors the market situation, but currently does not take any additional measures to hedge the interest rate risk.
Risk related to effects related to the coronavirus epidemic	In emergency situations, such as an epidemic, there may be state ordinances regarding the functioning of economic entities, as well as changes in consumer behavior and preferences. In order to counteract the effects of such phenomena, actions may be taken on the part of government administration, local governments or other social groups that will affect the operations of the Company. According to the current assessment, the Issuer expects that the effects of the coronavirus epidemic and potential restrictions may have a negative impact on the Issuer's future financial results. It may be caused by restrictions introduced by the Minister of Health in the operation of commercial facilities with a sales area of more than 2,000 m2, where over 95% of Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK stores are located. The above assessment results from the Issuer's best knowledge as at the date of this report. The impact of coronavirus spread in epidemic conditions on financial results depends on a number of factors that are beyond the direct influence and control of the Issuer. However, any protracted restrictions on the operation of stores in shopping centers, including functioning under the sanitary regime, will undoubtedly translate into a decrease in revenues and deterioration of the financial position of the Group. **Actions**: In this situation, the Group will continue to take steps to improve the Group's working capital and maintain a stable level of the Group's net debt. The terms of credit agreements are fulfilled in a timely manner. In the first half of 2021, the parent company extended the contract with ING Bank Śląski SA for another two years. The possibility of selling through the Internet channel as an independent way of reaching the customer is also being developed.

INTERNAL RISK FACTORS

Risk associated with adopting the wrong strategy	There is a risk that the adopted development strategy of the Group, the basic assumptions of which have been presented in point "Planned development activities" of the Management Board's comment on financial information, will turn out to be inadequate to changing customer expectations or market conditions. There is a risk that the

	implementation of the strategy will be delayed or some elements will not be implemented or will not give the expected results. There is, among others, the risk that the Company will not be able to launch the planned new sales area, the launch will be delayed or the new locations will not achieve the assumed sales results. Activities: Management boards analyse the effects of implemented activities as part of the adopted development strategy on an ongoing basis. Data on available new locations is obtained, as well as the currently possessed evaluation. Optimization measures are taken and customer behaviour is observed to minimize the risk of adopting an incorrect strategy and its impact on the Group's operations.
Risk of changing the tastes and behaviours of buyers	An important factor in the success of an apparel company is the sense of changes in fashion trends and current consumer preferences. There is a risk that individual collections or part of the Company's offer, despite the efforts made, will differ from the expectations of customers in a given season, which may cause problems with sales, the need to reduce sales prices or to write off the value of part of the inventory. To reduce this risk, the design department analyses the changing trends and needs of customers so that we still offer the desired products at a good price-to-quality ratio. In addition, an analysis of the sales of individual assortments is carried out in order to select appropriate products in subsequent collections of brands owned by the Company. Over the recent years, as a result of development of new communication technologies, a change in the behaviour of the modern customer is noticeable, i.e. the use of the Internet and mobile devices in the process of purchasing clothes. Thanks to the use of Internet in the purchasing process, the consumer has access to a wide range of brands, often on a global scale. The consumer has the ability to quickly compare products offered in terms of quality and price. He/she pays attention to the delivery time as well as the manufacturing process and country of origin of the product. Knowledge about behaviour of today's consumers and the way of thinking about the purchase of clothing is an important factor affecting the success of apparel companies. **Actions**: VRG S.A. Group is aware of the changes taking place and undertakes a number of activities aimed at meeting the requirements of today's customers of the clothing market. These activities include: developing an on-line sales channel, customizing the websites of on-line stores to the expectations of the customers, applying solutions dedicated to mobile devices, shortening the time of the delivery.
Risk related to lease agreements	The Group's operations are mainly based on retail sales of goods through its own chain of stores. The risk of losing one or more locations cannot be ruled out, e.g. due to the intention to modernize the entire shopping center or a change in the landlord's pricing policy. The risk of termination of the lease agreement cannot be ruled out if the Group breaches the provisions of the lease agreement or fails to extend the lease agreement in locations showing the highest profitability for the Group or bringing satisfactory financial results. There is a risk that the lease terms proposed to the Group for the next period may differ unfavourable from the terms and conditions in a given location. The loss of existing locations may result in the necessity to temporarily limit activities in a given area or the acquisition of attractive locations will be associated with increased costs. In the face of the recent events related to the coronavirus epidemic, which led to the temporary closure of shopping centers, and thus the Group's ability to sell the leased space, there is a risk that, in the absence of the possibility of a reduction in rents due for the leased space proportionally to the loss of revenues (without additional contract extensions) lease, which results in the expiry of rental obligations for the period of closing stores in shopping centers), the obligations contained in the lease agreements will become an additional cost burden for the Group, and as a consequence may have a significant negative impact on its financial results. **Activities**: constant monitoring of owned and potential locations is carried out in order to achieve an optimal portfolio in line with the Group's expectations. At the same time, during the lockdown period, the Group took steps to avoid charging rent for the period when shopping centers were closed.
Risk related to inventory management	The management of finished products and trade goods is one of material factors affecting the sales results in the Company's industry. On one hand, the level of inventory should make it easier to make a purchasing decision when offering a given seasonal collection, which leads to an increase in inventory at each point of sale. On the other hand - a higher level of inventories generates additional need for working capital and may lead to accumulation of difficult to sell inventory (seasonal products, "fashion", unsuccessful collections).

	Inappropriate inventory management constitutes a risk for prices, margins and the necessary level of working capital, which may adversely affect the development prospects, results and financial position of the Company. **Actions**: A quantitative and qualitative analysis of stocks is carried out periodically. On its basis, the Group decides on rebate, the amount of sell-offs, as well as any inventory write-offs. In addition, based on analysis of inventory on-hand and resale of current collections, decisions are made as to the level of purchases for subsequent sales periods.
Risk of higher prices of raw materials and production costs of suppliers	The Group purchases imported materials for production, in particular high-quality fabrics and sewing accessories. The cost of the above-mentioned raw materials is a significant factor influencing the cost of production of individual products in the Group's offer. Moreover, the Company purchase clothing accessories. There is a significant risk that with a further increase in the prices of raw materials or production costs at suppliers / service providers, with little possibility of price changes, it will not be possible to maintain margins appropriate for a given type of assortment. **Activities**: The Group, bearing in mind the required quality, actively seeks the most optimal service providers and suppliers and negotiates price conditions.
Risk of cost of external services	External services have a significant share in operating costs. These services consist primarily of rents and other fees for lease of commercial space, costs related to sewing services and costs related to transportation and logistics. The Company also purchases a number of standard services (e.g. advertising, telecommunications, legal, consulting, etc.). One cannot exclude the risk of worsening the commercial conditions of one or more external services purchased by the Company, in particular rental costs. **Actions**: Constant monitoring of concluded contracts is carried out and their comparison with current market conditions.
Risk of termination of bank loan agreement	The Group concluded loan agreements with the banks PKO BP, SA, ING Bank Śląski SA and mBank SA. These agreements contain a number of conditions and covenants the implementation of which is committed to. In the event of an economic downturn, weakening demand for the Group's products, the implementation of the covenants may be jeopardized, which entails the risk of termination of contracts by financing banks. Due to the large amount of financing, it may turn out that the Group will not be able to obtain refinancing in a short time. **Actions**: The Group minimizes the risk by timely fulfilment of obligations towards banks and monitoring of compliance with the covenants. The Group provides the financing banks with information about its situation on an ongoing basis, resulting from the terms of the agreements or the interests of the financing banks themselves, thanks to which the related risk is minimized and, if necessary, refinancing, the Group would be able to obtain it on a timely basis that would not disturb the liquidity financial.
Risk of losing financial liquidity	The Group has liabilities under credit agreements. As a consequence, collateral covering a significant part of the property was established. The above-mentioned liabilities are serviced mainly with the use of current operating proceeds. In the extreme case of a sudden, simultaneous decrease in demand and an increase in costs (especially in the event of a deep weakening of the Polish zloty) or temporary loss of revenues as a result of extraordinary events (limited operation of showrooms for epidemiological reasons), the Group may face difficulties in maintaining financial liquidity. **Activities**: The Group constantly monitors its liquidity position by analyzing sales proceeds and the required liabilities. The Group has carried out activities to extend payment terms for the purchased goods and actively adjusts the value of the collection to the demand, which will positively affect the Group's financial flows. In the first half of 2021, the parent company extended the agreement with ING bank for subsequent years. As part of the anti-crisis shield solutions, the parent company received co-financing for wages from the Guaranteed Employee Benefits Fund, and was also temporarily exempted from social security (ZUS) contributions. The company will work to further improve the efficiency of working capital use, which is to be achieved through a further decline in inventories year on year and maintaining longer payment terms. In the opinion of the Management Board of the parent company, the current

	situation is sufficiently monitored and controlled. The Management Board of the parent company, having in mind the actions taken, is convinced of the positive results of the above-mentioned actions.
Risk of collateral and loss of collateral assets	In connection with loan and other agreements concluded with many entities, the Group has established numerous collaterals on all its property, both on real estate and movables, inventories and trademarks. The sum of collaterals exceeds the carrying amount of the Group's assets. There is a risk of failure to meet deadlines or other terms of contracts. Delays in the performance of the above obligations may result in the immediate termination of all or part of the financing, and then the acquisition of the Group's assets by the creditor in order to satisfy himself from the collateral. The loss of significant assets may lead to significant difficulties in the conduct of the Group's business activities or even to the complete blocking of the possibility of running a business, generating revenues and profits. **Actions**: The Group minimizes the risk by timely fulfillment of obligations towards banks.
Risk of transactions with related parties	The companies of the Group conclude and will continue to conclude transactions with related entities. In particular, the Issuer concludes such transactions with a production company and a company responsible for the jewellery segment. Transactions with related entities may be the subject of examination by tax authorities in order to determine whether they were concluded on an arm's length basis and whether the entity correctly established its tax liabilities. In the opinion of the Management Board of the parent company, transactions with related entities are and will be concluded on an arm's length basis. There is a risk that the tax authorities will question the marketability of the terms of the selected transaction with a related entity, which could result in the necessity to pay additional tax together with default interest. **Actions**: The parent company concludes transactions with related entities on an arm's length basis and analyzes their marketability.
Risk related to the shareholder structure	The parent company is characterized by a dispersed shareholding structure, with the largest shareholders being funds managed by IPOPEMA TFI S.A. which hold 22.99% of votes at the General Shareholder Meeting, and five significant shareholders hold a total of 70.54% of votes at the General Shareholder Meeting. Most of the above-mentioned shareholders have held shares of the parent company for many years, and they participate in shaping the Company's operations through representatives on the Supervisory Board. However, it cannot be ruled out that a risk that one or more significant shareholders will reduce the ownership of their shares or terminate their investment in the Company's shares cannot be excluded. It cannot be ruled out that making decisions that are important from the Group's point of view regarding its strategy and operating activities will be delayed or even blocked. It cannot be ruled out that despite the cooperation to date, the interests of significant shareholders will be divergent / contradictory. The above-mentioned factors may have a significant negative impact on the Group's development prospects, results and financial standing.
Risks related to transfer of an organized jewellery business unit of the Company (W.KRUK Unit) in the form of an in-kind contribution to W.KRUK S.A. subsidiary based in Cracow	Since August 1, 2014, in the organizational structure of the Company, a business unit of W.KRUK was separated. This is a part of the Company's operations related to jewellery industry conducted under the W.KRUK brand, which constitutes an organizationally and financially separate unit of tangible and intangible assets in the Company, including commitments intended to perform specific economic tasks in the jewellery segment of the Company ("W.KRUK Unit"). On March 31, 2015, the W.KRUK Unit was sold as an organized business unit of the Company in the form of an organizationally separated set of tangible and intangible assets, by contributing the organized business unit of the Company in-kind to the Subsidiary. The Company acted on the basis of an interpretation received from the Tax Office, however, it cannot be ruled out that the transaction may involve risk of different interpretations of its effects by tax administration in the light of the applicable PCC, CIT and regulations, which may mean additional financial consequences for the Company.
Risk related to guarantees granted to subsidiaries	In relation with the separation of the organized business unit in the form of jewellery assets and transferring them to the subsidiary W.KRUK SA, the Company carried out a simultaneous financial restructuring. As part of this process, W.KRUK S.A. obtained new financing from PKO BP Bank and the Company guarantied for the debts of the subsidiary. In the second quarter of 2015, the subsidiary DCG S.A. received refinancing from the PKO BP Bank, and during the third quarter of 2016, the subsidiary VG Property Sp. z o.o. obtained an investment loan from PKO

	BP Bank. The above liabilities of subsidiaries of DCG S.A. and VG Property Sp. z o.o. have been guaranteed by the Company. In the event of a sharp deterioration of economic situation and cessation of debt servicing by W.KRUK S.A. or DCG S.A. and VG Property Sp. z o.o. on the basis of the guarantee granted, the Company may be obliged to settle outstanding liabilities of subsidiaries which could result in loss of financial liquidity of the Company. In connection with the extension of the Multi-product Agreements of the subsidiaries with Bank PKO BP, the parent company granted an additional surety to the subsidiary W.KRUK S.A. for the amount of PLN 33 million, and the subsidiary W.KRUK S.A. granted a surety to the parent company VRG S.A. for the amount of PLN 55 million. **Activities**: The Group regularly monitors the financial standing of subsidiaries and the fulfilment of their obligations towards banks financing their activities.
Risk related to disruptions in the functioning of information systems	The Group uses a number of IT systems, software and programs to provide the appropriate level of communication within the organizational structures of the companies comprising the Group, registering and processing information on economic events in all areas of its operations. The risk of IT disruptions cannot be ruled out in the following areas: (i) Infrastructure (e.g. failures of servers, workstations, network devices, lack of connection to external networks), (ii) software (e.g. malfunction, unauthorized removal, impact of computer viruses, (iii) data resources (loss or destruction of data, unauthorized access to data, unauthorized reproduction of data, unauthorized modification of data). **Actions**: As part of the procedures and IT tools used, the Group strives to minimize the possibility of occurrence of the above-described events, but it is not possible to completely exclude the probability of their occurrence, and consequently their negative impact on security and credibility of information and database resources and on security and continuity of service provision.
Risk related to the EU GDPR Directive	Since May 25, 2018, the Regulation of the European Parliament and the EU Council 2016/67 of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on free movement of such data and the repeal of Directive 95/46/WE became applicable in the Polish legal order (GDPR), which applies to all entities processing personal data in their business activities. The GDPR introduces a number of changes and extends the responsibilities of administrators and data processors. An important issue is the determination of the maximum level of penalties for infringements of the provisions of the GDPR Directive. The maximum levels were set at EUR 20,000,000 or 4% of the total annual turnover of the enterprise from the pre-infringement financial year. **Actions**: In connection with the above, the Company carried out works aimed at: ▪ adapting its activities to the requirements of GDPR, which include: organizing training for employees, whose activities the provisions of the GDP will affect, primarily employees of the marketing, sales and HR departments, loyalty programs service department, ▪ development of a new Information Security Policy; ▪ developing a new Instruction for managing information systems used for data processing; ▪ preparing and implementing changes in solutions of organizational and technical nature; ▪ development of threats and risk analysis in the processing of personal data. However, the risk of occurrence of incidents related to breaching of GDPR provisions may not be completely excluded, which could cause additional negative financial consequences for the Company.
Risks related to the smooth cooperation with an external logistics operator	Smoothness and punctuality of deliveries of goods to the network of traditional stores and deliveries of goods purchased by customers of on-line stores of VRG S.A. is based on outsourcing of logistics services to an external operator. There is a risk that disruptions in the organization of the external work of the logistic operator related, for example, to the problems of staffing and the availability of appropriate storage areas may cause disruption of the following logistics processes: ▪ disruptions in the flow of warehouse processes (admission / release); ▪ delays and errors in deliveries to traditional stores in the period of increased needs - change in collections;

	▪ delays and errors in shipments to customers of on-line stores in the period of increased needs - intense sell-offs. Actions taken by VRG S.A. aimed at limiting the above risks relate respectively to: ▪ introduction of a procedure for regular audits of logistics structures and systems made available for the needs of VRG S.A. by th external operator; ▪ improvement of the admission and release plan from the external operator's warehouse and precise pre-selection of the necessary storage space; ▪ introduction of a system of planning releases of goods in weekly cycles and a system of transferring information to the logistics operator on the quantity and dates of planned releases of goods; ▪ introduction of planning the number of e-commerce orders on a monthly basis - based on analytical data from on-line stores; ▪ negotiations on increasing the available storage space at an external operator, regarding guaranteeing the possibility of implementing daily minimum goods releases for traditional stores and daily minimum deliveries to customers of on-line stores. However, it is not possible to completely exclude the risk of incidents related to disruption of the aforementioned logistics processes, which could cause the Company additional negative consequences related to fall in sales as a result of late replenishment of a network of traditional stores or loss of some on-line store customers as a result of delays in paid deliveries. One cannot completely rule out the negative effects of deterioration of the image of the Company's brands as a result of the appearance on the Internet and social media of critical comments from customers of on-line stores who do not receive the purchased goods within the required period.
Risk related to the quality of customer service in individual stores	The characteristics of the market in which the Company operates require appropriate level of services quality and customer care in the branded stores of Vistula, Bytom and Wólczanka. The company implements a training system for employees, develops customer service standards and a system of control of introduced standards. There is a risk that if the customer service system is not implemented correctly, the level of services provided in individual stores may be equally good. This may translate into a loss of clients' trust in the brands owned by the Company and deterioration of the Company's image, and it may consequently result in a decrease in the results achieved in individual stores and by the Company in general. **Activities**: training store employees, developing customer service standards and monitoring its implementation.
Risk related to merger of the Company with Bytom S.A.	The Company’s Management Board sees a number of synergies related to the merger with Bytom S.A. Thanks to a leap in the scale of operations of the Capital Group, its negotiating position with suppliers of both fabrics and accessories will increase, whereas unification of purchasing policy will enable reduction of delivery costs, and co-ordination and consolidation of purchases. The Capital Group will also be a significant tenant of retail space and a significant advertiser. It will be possible to reduce the network operational management costs and logistics costs resulting from identical locations in shopping malls of individual brand stores. Also, the combination of departments serving both companies and not directly linked to revenues (e.g. accounting, IT) and more effective human resources management should enable the lowering of costs. However, there is a risk that the expectations of the Company’s Management Board as to synergies achieved as a result of the merger will not be met in full or be lower than assumed. Additionally, it cannot be excluded that there will be a cannibalization of brands or the resignation of some customers from the offer of the Capital Group. In connection with the principle of general succession resulting from art. 494 of the Code of Commercial Companies, as at the date of the merger, the Company has assumed all the rights and obligations of Bytom S.A. Therefore, there is a risk of transferring responsibility to the Company for liabilities of Bytom S.A. **Actions**: The Management Board monitors synergies and opportunities in this area on a regular basis after the merger of both Companies. The sales results of individual brands, their market positioning and the results of the adopted sales strategies are also observed to maximize the Group's benefits resulting from the merger.

Risk related to disruptions in supply chains	The Issuer's Capital Group purchases products and goods from suppliers from Europe and Asia. Purchase logistics uses various forms of transport offered by proven logistics companies. However, there is a risk that as a result of limitations related to epidemiological situations or other factors affecting the activities of logistics companies (e.g. strikes, difficulties on transport routes), there may be delays in delivery dates and their cost will be higher. Activities: The Capital Group uses the services of large, professional forwarding companies that provide comprehensive services. The amount of costs is constantly monitored and subject to comparative assessment.

The uncertain political and economic situation related to the armed conflict in Ukraine may adversely affect the Group's operations in the area of domestic consumer stay, exchange rates and supply as a result of the risk of disrupting the supply chain. The Group does not have its own or partner stores in the areas covered by military operations in Ukraine and Russia, and there is no sale through other channels (online store, wholesale). Due to the fact that the Group does not import goods or raw materials from Ukraine and Russia, the Management Board of the Parent Company considers the risk related to the possible negative impact of the armed conflict in Ukraine on the current stocking of traditional stores and the availability of the offer in online stores as low.

MARKETS

The Group offers its products mainly to retail customers through a network of branded stores. The dominant market for companies from the Group is the domestic market.

SOURCING

For production on the domestic market in 2021, the Company used mainly raw materials of foreign origin. Domestic sources of raw materials used for the production of products constituted a minority. Supply sources for fabrics, jewellery and accessories were diversified - none of the suppliers exceeded the threshold of 10% share in total purchases.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are presented in Note No. 9 to the consolidated financial statements.

BANK LOANS

Information on bank loans is included in Note No. 19 to the consolidated financial statements.

LOANS GRANTED

Information on loans granted was included in Note No. 17 to the consolidated financial statements.

PROCEEDINGS PENDING IN A COURT OR A PUBLIC ADMINISTRATION AUTHORITY

Information on proceedings pending in a court or a public administration authority is included in point 7 of the information and explanations to the consolidated financial statements.

GUARANTEES FOR CREDIT OR LOANS AND GUARANTEES GRANTED

Information on loan or credit sureties granted and guarantees granted is included in note 19 of the supplementary information and explanations to the consolidated financial statements.

FINANCIAL RESOURCES MANAGEMENT

As a result of budgetary management of financial resources, the Group has the ability to meet its obligations. In the opinion of the Management Board of the Parent Company, there are no threats as regards servicing and repayment of liabilities.

USE OF PROCEEDS FROM ISSUANCE

In 2018, the parent company issued N-series shares as part of a conditional share capital increase.

On 11.04.2018, in the current report No. 16/2018 the Company, taking into account the content of § 5 par. 1 point 9 and § 34 of the Ordinance of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and conditions for recognizing information required under the law of non-member countries as equivalent, informed that on April 11, 2018 it received from Dom Maklerski Banku Ochrony Środowiska S.A. based in Warsaw, as an entity acting as a settlement agent, notification of registration on April 11, 2018 by the National Depository for Securities S.A.. 2,000,000 N-series shares of the Company with a nominal value of PLN 0.20. The registration of the aforementioned N-series shares in the National Depository for Securities (subscription and registration of shares on securities accounts of persons entitled to subscribe them) took place on the basis of the settlement instructions referred to in § 13 par. 3 of the Detailed Rules of Operation of the National Depository for Securities, in accordance with resolution No. 342/16 of the Management Board of the National Depository for Securities S.A. from May 27, 2016, about which the Company informed in the current report No. 28/2016.

At the same time, the Company informs that on April 11, 2018, pursuant to § 38 par. 1 and 3 of the Stock Exchange Regulations, in accordance with resolution No. 528/2016 of the Management Board of the Warsaw Stock Exchange S.A. of May 27, 2016, about which the Company informed in the current report No. 29/2016, 2,000,000 N-series shares with a nominal value of PLN 0.20 each for stock were introduced to trading on the main market of WSE under the code "PLVSTLA00011". The first listing date of 2,000,000 N-series shares will be April 12, 2018.

The above N series shares were taken up by participants of the stock option program for members of the Company's Management Board, key managers or other persons of significant importance to the Company (and companies from its Capital Group) ("Stock Option Scheme"), established by resolution No. 21/04/2015 of the Ordinary General Shareholder Meeting of the Company of April 15, 2015, about which the Company informed in current report No. 25/2015, who exercised the right of their respective E-series subscription warrants. The above shares were taken up and paid on April 11, 2018 at the price of PLN 2.00 per share, for a total amount of PLN 4,000,000.00.

According to art. 451 § 2 and art. 452 § 1 of the Code of Commercial Companies, the acquisition of rights from N-series shares and the increase in the share capital of the Company took place upon the registration of N-series shares on the securities account of the Entitled Persons, i.e. on April 11, 2018.

In connection with the above, the share capital of the Company increased from the amount of capital PLN 38,069,932.80 divided into 179,194,964 shares with a nominal value of PLN 0.20 (representing 179,194,964 votes at the General Shareholder Meeting of the Company) to the capital amount of PLN 38,469,992.80 divided into 181,194,964 shares with a nominal value of PLN 0.20 (representing 181,119,964 votes at the General Shareholder Meeting of the Company).

The Company informed in a separate current report on the registration of the above-mentioned increase in the share capital of the Company resulting from the issuance of N-series shares in the registrar of entrepreneurs of the National Court Register, the entry in the register is declaratory.

In addition, as a result of the merger with Bytom S.A., in 2018 the Parent Company issued new O-series shares. In current report No. 72/2018, the Company informed that on December 18, 2018 the Management Board of the National Deposit of Securities of S.A. accepted a resolution No. 754/2018 of 17.12. 2018 regarding the conditional registration in the securities depository of 53,2660,876 O-series merger shares issued by VRG S.A. in connection with the merger of VRG S.A. and Bytom S.A. made by replacing the shares of Bytom S.A. for the share of VRG S.A. In addition, the resolution referred to above indicated 18.12.2018 as the reference day referred to in § 219 of the Detailed Rules of Operation of the National Depository for Securities. The condition for the registration of the O-series shares was the introduction of these shares to trading on the regulated market, on which other shares of the Company were traded and marked with the ISIN code PLVSTLA00011. The registration took place as a result of the allocation of shares of VRG S.A. pursuant to § 217 of the Detailed Rules of Operation of the National Depository for Securities, by replacing the shares of the BYTOM S.A. for shares of VRG S.A. in a ratio of 1: 0.72, in connection with the merger of these companies pursuant to art. 492 § 1 point 1 of the Code of Commercial Companies, through the acquisition of BYTOM S.A. by VRG S.A. The registration was to take place within 3 days of receipt by the National Depository of a decision on the introduction of the above-mentioned shares for trading on the regulated market, on which other shares of the Company were marked with the abovementioned ISIN code, but not earlier than on the day indicated in this decision as the day of introducing these shares to trading on this regulated market. In the mentioned resolution, the Management Board of the National Depository stated that with the allocation of O-series shares of VRG S.A. shares of the BYTOM S.A. are withdrawn from the National Depository for Securities and the participation of BYTOM SA in the National Depository for Securities in the Issuer type ceases. In its current report No. 74/2018, the Company informed that it received information on the adoption of resolution No. 1295/2018 of the Stock Exchange Management Board in Warsaw S.A. from 21.12.2018 concerning the admission and introduction to trading on the main market of WSE O-series bearer ordinary shares of the VRG S.A., in which the Stock Exchange Management Board stated that in accordance with § 19 par. 1 and 2 of the Exchange Rules, there 53,260,876 ordinary bearer O-series shares of VRG S.A. with a nominal value of PLN 0.20 each are admitted to trading on the main market. On the basis of § 36, § 37 and § 38 par. 1 and 3 of the Exchange Rules, in connection with § 3a par. 1, 2 and 3 of the Stock Exchange Regulations, the Exchange Management Board decided to introduce, as of December 28, 2018, the ordinary O-series bearer shares of VRG SA on the main market on the exchange market subject to the condition that the National Depository for Securities S.A., will register these shares and mark them with the code "PLVSTLA00011" on December 28, 2018.

In the current report No. 76/2018, the Company informed on the basis of a communication from the National Depository for Securities S.A. of December 27, 2018 that on December 28, 2018 on the basis of resolution No. 754/2018 of the Management Board of the National Depository for Securities S.A. of December 17, 2018, 53,260,876 ordinary bearer O-series shares issued by VRG S.A. in connection with the merger of VRG S.A. and Bytom S.A. conducted by replacing the shares of Bytom S.A. for shares of VRG S.A. will be registered in the National Depository for Securities under ISIN PLVSTLA00011.

There was no issuance in 2021.

DELIVERY OF PUBLISHED FORECASTS

VRG S.A. did not make public any forecast of financial results for 2021.

3.7. PLANNED DEVELOPMENT ACTIVITIES

The Group's development prospects in 2022 will be largely determined by external circumstances: the effects of the diminishing coronavirus pandemic and the war in Ukraine. Both of these events influence the purchasing decisions of customers who, faced with a state of uncertainty, are less inclined to make purchases. This is especially true of the apparel segment. A chance to rebuild customer behaviour is the lifting of most restrictions related to COVID-19 from March 28, 2022, including the obligation to wear protective masks in public spaces. In the opinion of the Management Board, this should lead to a gradual increase in traffic in shopping centers, which should have a positive impact on the Group's revenues in 2022. In the Management Board's opinion, these should be double-digit higher than those achieved in 2021. The Management Board also assumes further improvement of the gross percentage margin in the year 2022 compared to 2021 due to the ongoing optimization of promotional activities.

The Group is well prepared for the Spring/Summer 2022 season. It has an attractive and stylistically varied assortment of all the Group's brands, reflecting the prevailing trends and customer expectations. Casual and smart casual will have a greater share in the offer of apparel brands, which is a response to customer demand and the market situation. Significant changes are noticeable in the Wólczanka brand collection, which includes new assortments for both men and women creating a "total look", as well as the share of casual products has increased. The Vistula brand will present the next edition of the collection aimed at both male and female customers, based on the latest fashion trends. In the Bytom brand, offering men's formal fashion and a range of smart casual and casual types, in the Spring edition of the collection one can find t-shirts and sweatshirts with the works of the creators of the Polish Poster School. The Deni Cler Milano brand has prepared the "Manifesto del Colore", or "Color Manifesto" collection for the Spring and Summer season. This season, the brand focuses on eclectic combinations, strong colours are ubiquitous in the collection. W.KRUK has prepared a new version of the Preludium collection - Butterfly. It is a combination of jewellery craftsmanship with the latest trends.

As regards the opening plans, the Group does not anticipate any significant changes in its net retail floorspace compared to the end of 2021 (a 3% YoY increase). In the apparel segment, the floorspace should remain stable YoY (floorspace increase by 1%) and development in the jewellery segment (floorspace increase by 11% YoY) is expected. In the case of the Wólczanka brand, the opening of larger stores with an area of some 150 m2 will be continued, that will allow to present the extended range of this brand. The capital expenditure planned for the current year in the amount of PLN 34 million will be largely allocated to the opening of new stores, primarily W.KRUK brand, and the development of infrastructure and IT systems.

The Group focuses on further development of sales in the on-line channel. Ongoing support for the further development of the e-commerce channel will concern, inter alia, increase in outlays on gaining on-line traffic, launching intuitive and easy-to-use sales applications for each of the brands, improving the service of stores and further development of functionality and logistics, as well as coherent marketing and promotions on-line and off-line.

In addition to further optimizing the operating activities and protecting the liquidity of the Group's companies, the Management Board will focus on building an attractive product offer within its brand portfolio, which should support the goal of obtaining higher revenues of the Group with a simultaneous increase in profitability. Despite the fact that the Group is currently in a safe liquidity situation, there will still be activities aimed at improving the use of working capital, as well as a prudent investment policy and keeping the current operating costs under control.

The main goal for 2022 is to achieve better financial results than in 2021, incl. through the following activities:

- maximization of sales activities (including in the e-commerce channel) by adapting the offer to the current market trends and customer expectations;

- increase in sales in the online channel YoY; omnichannel-oriented activities, i.e. joint management of the channel of traditional stores and e-commerce;

- improvement of the gross percentage margin due to a significant share of Asian sourcing and the reduction of promotions;

- further optimization of the owned retail network, including closing unprofitable stores;

- an increase in the operating margin due to the beneficial effect of operating leverage;

- further improvement in the efficiency of working capital use, which we intend to achieve by reducing the level of inventories year on year, adjusting the level of inventories to the changing situation and further work on financing purchases (extending cooperation with suppliers offering longer payment terms);

- maintaining a safe financial situation.

3.8. STATEMENT OF THE MANAGEMENT BOARD

The Management Board declares that, to the best of its knowledge, the financial statements and comparable data have been prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear manner the financial position of the issuer and its financial result and that the financial statements present a true picture of the development and the situation, and the Company's achievements, including a description of basic risks and threats.

The Management Board declares that the entity authorized to audit financial statements, who audited the financial statements, was lawfully selected and that the entity and the auditors conducting the audit met the conditions for expressing an impartial and independent opinion on the audited annual financial statements, in accordance with applicable regulations and professional standards.

The Company informs that a separate report has been prepared on non-financial information (in accordance with Article 49b par. 9 of the Accounting Act) regarding the Company, as well as the Company's Capital Group. Information on diversity policy has been included in the Statement on the application of corporate governance principles, which forms part of the Report of the Management Board on the operations of the Capital Group.

3.9. STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES IN 2021

The Management of VRG S.A. based in Cracow (hereinafter „the Company") presents its statement on application of corporate governance rules created according to the Ordinance of Minister of Finance from March 29, 2018 on current and periodical reports provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Official Journal of Laws of 2018, item 757).

This statement constitutes a separate part of the Company's Report on Operations and is part of the Company's annual report for 2021.

This statement consists of the following parts:

I. Corporate governance rules to which the Company is subject to
II. Description of main features of the Company's internal control and risk management system relating to the process applied to preparation of separate and consolidated financial statements
III. Indication of the Company's shareholders holding directly or indirectly significant blocks of shares with information on number of shares held by these entities, their percentage stake in equity, number of votes resulting therefrom and their percentage share in the total number of votes at the General Shareholder Meeting

IV. Indication of holders of any securities that give special control rights, along with a description of these rights
V. Indication of any restrictions on the exercise of voting rights, such as limitation of the exercise of voting rights by the holders of a given part or number of votes, and time limitations regarding the exercise of voting rights or clauses, in which, with the cooperation of the Company, rights related to securities are separated from possession of those securities
VI. Indication of any restrictions on the transfer of ownership of the Company's securities
VII. Description of the rules for altering the Company's Articles of Association
VIII. Description of the way General Shareholder Meeting functions and its basic powers together with a description of shareholders' rights and how they are exercised
IX. Composition and changes that have occurred during the last financial year, and a description of the activities of the management and supervisory bodies of the Company and their committees
X. Description of rules regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issuance or buyback of shares
XI. Description of diversity policy applied to the administrative, managing and supervising authorities with respect to aspects such as e.g. age, sex or education and professional experience, the objectives of this diversity policy, how it is implemented and the effects in the reporting period

I. CORPORATE GOVERNANCE PRINCIPLES THE COMPANY IS SUBJECT TO

In 2021, the Company was subject to corporate governance:

1. In the period from January 1, 2021 to June 30, 2021, the rules resulting from the set of corporate governance rules contained in the document "Best Practice of WSE Listed Companies 2016" attached to the Resolution of the Stock Exchange Council No. 26/1413/2015 of 13 October 2015

2. In the period from July 1, 2021 to December 31, 2021, the principles resulting from the set of corporate governance rules contained in the document "Best Practice of WSE Listed Companies 2021" constituting an appendix to Resolution No. 14/1834/2021 Of the Stock Exchange Supervisory Board of March 29, 2021

SUMMARY OF CORPORATE GOVERNANCE PRINCIPLES OF THE COMPANY IN THE FINANCIAL YEAR 2021 FROM JANUARY 1 TO JUNE 30, 2021

The set of corporate governance principles to which the Company was subject in the financial year 2021 until June 30, 2021 is included in the document "Best Practice of WSE Listed Companies 2016" constituting an appendix to the Resolution of the Stock Exchange Council No. 26/1413/2015 of October 13, 2015 on the adoption of the "Best Practice of WSE Listed Companies 2016". On the basis of par. 29 sec. 3 of the Regulations of the Warsaw Stock Exchange S.A. On January 12, 2016, the Company published the EIB report 1/2016 on the failure to apply the detailed rules contained in the "Best Practice of WSE Listed Companies 2016" through the Electronic Information Base (EIB). Information on the failure of the Company to apply individual recommendations contained in the document "Best Practice of WSE Listed Companies 2016" has been included in this statement of the Company, which is part of the annual report for 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES CONTAINED IN THE DOCUMENT "BEST PRACTICE OF COMPANIES LISTED ON THE WARSAW STOCK EXCHANGE 2016"

The Management Board of the parent company declares that in the first half of 2021, the Company and its governing bodies complied with all recommendations (subject to the exclusions described below as regards detailed rules) and detailed corporate governance rules contained in the document "Best Practice of Listed Companies on the WSE 2016 ", in the wording established by the Resolution of the Stock Exchange Council no. 26/1413/2015 of October 13, 2015 with the following inclusions:

DISCLOSURE POLICY, INVESTOR COMMUNICATION

I.Z.1.16. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

The principle is not applied.

The reason for resignation from application of the above principle in the Company are too high costs of providing adequate equipment and technical capabilities that would allow for the implementation of resultant tasks, not commensurate with the potential benefits arising for shareholders. In connection with the above, the record of the course of the General Shareholder Meeting in the form of audio or video will not be posted on the Company's corporate website in the near future. Other rules regarding the organization and course of the General Shareholder Meeting are applicable. The company adheres to the applicable law in this area and strives to implement the proper information policy.

I.Z.1.20. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation an audio or video recording of a general meeting;

The principle is not applied.

The reasons for the Company's resignation from the application of the above are presented in the explanation of non-application of the principle I.Z.1.16.

MANAGEMENT BOARD, SUPERVISORY BOARD

II.Z.2. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied.

The above principle is not applied in the Company. The Company's internal regulations as well as agreements with members of the Management Board, do not impose such restrictions. The Company complies with applicable law, i.e. art. 380 of the Code of Commercial Companies, according to which a member of the management board may not deal with competing interests or participate in a competitive company without the consent of the Company. In case of the intention to undertake such activities, a member of the Management Board is required to obtain consent of the Supervisory Board of the Company.

GENERAL MEETING, SHAREHOLDER RELATIONS

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not applied.

The reasons for the Company's non-compliance with the above principle are given in the explanation of non-application of the principle I.Z.1.16. In addition, the Company explains that currently in the Company's Articles of Association there are no provisions that would allow shareholders to participate in the Company's General Shareholder Meeting using electronic means of communication. Due to the wording of art. 406 (5) of the Code of Commercial Companies, which permits the introduction of electronic communication within the framework of the General Shareholder Meeting only when the Article of Association allow for it, the Company currently cannot provide shareholders with participation in the General Shareholder Meeting using electronic means of communication in real time.

IV.Z.9. Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

The principle is not applied.

The above rule was applied in part by the Company, which should be understood that the Company was making efforts to provide shareholders with justifications, in particular, to draft resolutions on issues that are material or likely to raise doubts about atypical or rare issues in the Company. In the Company's opinion, justification for each resolution of the General Meeting, including resolutions that are taken as standard under the provisions of the Code of Commercial Companies, is not necessary for the proper decision-making process of the General Meeting.

CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The principle is not applied.

Decisions of the Company's bodies are made in accordance with law, in particular the Code of Commercial Companies, and therefore the Company will not define the criteria and circumstances in which the Company may encounter a conflict of interest.

REMUNERATION

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle is not applied.

The above principle is not currently applied in the Company. Motivational programs currently operating in the Company based on subscription warrants authorizing to take up shares of the Company, introduced on the basis of resolutions of the General Shareholder Meeting, do not meet the requirements indicated in the above principle.

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

1) general information about the company's remuneration system;
2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
3) information about non-financial remuneration components due to each management board member and key manager;
4) significant amendments of the remuneration policy in the last financial year or information about their absence;
5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

The principle is not applied.

SUMMARY OF CORPORATE GOVERNANCE PRINCIPLES OF THE COMPANY IN THE 2021 FINANCIAL YEAR IN THE PERIOD FROM 1 JULY TO 31 DECEMBER 2021

Set of corporate governance principles to which the Company was subject in the financial year 2021 from July 1, 2021 to December 31, 2021 is included in the document "Best Practice of WSE Listed Companies 2021" constituting an appendix to Resolution No. 14/1834/2021 of the Council Stock exchanges of 29 March 2021 on the basis of par. 29 sec. 3 of the Regulations of the Warsaw Stock Exchange S.A. On July 29, 2021, the Company published, via the Electronic Information Base (EIB), the EBI report 1/2021 on the non-application of detailed rules contained in the "Best Practices of WSE Listed Companies 2021". Information on the failure by the Company to apply individual rules contained in the document "Best Practice of WSE Listed Companies 2021" is included in this statement of the Company, which is part of the annual report for 2021.

The Company made a declaration that reads as follows:

DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

1.1. Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.

The principle is applied.

1.2. Companies make available their financial results compiled in periodic reports as soon as possible after the end of each reporting period; should that not be feasible for substantial reasons, companies publish at least preliminary financial estimates as soon as possible

The principle is applied.

1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

The principle is not applied.

The Company does not apply the above principle. Currently, the Company is in the process of preparing a strategy for the years 2021 - 2025. The developed strategy will take into account the ESG subject matter in this respect.

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The principle is not applied.

The Company does not apply the above principle. Currently, the Company is in the process of preparing a strategy for the years 2021 - 2025. The developed strategy will take into account the ESG subject matter in this respect.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

The principle is not applied.

Currently, the Company is in the process of preparing a strategy for 2021-2025. The principles of communication with stakeholders will be developed after the adoption of the strategy.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

The principle is not applied.

Currently, the Company is in the process of preparing a strategy for 2021-2025. The principles of communication with stakeholders will be developed after the adoption of the strategy.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target

The principle is not applied.

Currently, the Company is in the process of preparing a strategy for 2021-2025. The principles of communication with stakeholders will be developed after the adoption of the strategy.

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

The principle is applied.

1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

The principle is applied.

1.7. If an investor requests any information about a company, the company replies immediately and in any case no later than within 14 days.

The principle is applied.

MANAGEMENT BOARD, SUPERVISORY BOARD

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not applied.

The Company will consult the company's authorities and major shareholders in order to assess the possibility of introducing the above regulation. Currently, the election of members of the Management Board and Supervisory Board is carried out in the manner provided for by the Code of Commercial Companies and other applicable laws and the Company's Articles of Association.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not applied.

The Company will consult the company's authorities and major shareholders in order to assess the possibility of introducing the above regulation. Currently, the election of members of the Management Board and Supervisory Board is carried out in the manner provided for by the Code of Commercial Companies and other applicable laws and the Company's Articles of Association.

2.3. At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

The principle is applied.

2.4. The supervisory board and the management board vote in an open ballot unless otherwise required by law.

The principle is applied.

2.5. Members of the supervisory board and members of the management board who vote against a resolution may have their dissenting vote recorded in the minutes.

The principle is applied.

2.6. Functions on the management board of a company are the main area of the professional activity of management board members. Management board members should not engage in additional professional activities if the time devoted to such activities prevents their proper performance in the company

The principle is applied.

2.7. A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.

The principle is applied.

2.8. Supervisory board members should be able to devote the time necessary to perform their duties

The principle is applied.

2.9. The chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board

The principle is applied.

2.10. Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.

The principle is applied.

2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.1. information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;

The principle is applied.

2.11.2. summary of the activity of the supervisory board and its committees;

The principle is applied.

2.11.3. assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls

The principle is applied.

2.11.4. assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;

The principle is applied.

2.11.5. assessment of the rationality of expenses referred to in principle 1.5;

The principle is applied.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

The principle is not applied.

The explanation in this respect is consistent with the explanation regarding the principle from point 2.1.

INTERNAL SYSTEMS AND FUNCTIONS

3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.

The principle is applied.

3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.

The principle is applied.

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

The principle is not applied.

There is a separate unit in the Company - the internal audit department under the direction of the director of the internal audit department, however, in order to ensure compliance with the generally recognized International Standards of the Professional Practice of Internal Audit, it is necessary to implement a Quality Assurance and Improvement Program aimed at continuous improvement and improvement in quality of the activities of the internal audit department.

3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.

The principle is applied.

3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.

The principle is applied.

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee

The principle is applied.

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

Does not apply.

3.8. The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report

The principle is applied.

3.9. The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is applied.

3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

The principle is applied.

GENERAL MEETING, SHAREHOLDER RELATIONS

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is applied.

4.2. Companies set the place and date and the form of a general meeting so as to enable the participation of the highest possible number of shareholders. For that purpose, companies strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings take place only if justified and do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is applied.

4.3. Companies provide a public real-life broadcast of the general meeting.

The principle is applied.

4.4. Presence of representatives of the media is allowed at general meetings.

The principle is applied.

4.5. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board immediately takes steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code

The principle is applied.

4.6. To help shareholders participating in a general meeting to vote on resolutions with adequate understanding, draft resolutions of the general meeting concerning matters and decisions other than points of order should contain a justification, unless it follows from documentation tabled to the general meeting. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board requests presentation of the justification of the proposed resolution, unless previously presented by such shareholder or shareholders.

The principle is applied.

4.7. The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.

The principle is applied.

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

The principle is not applied.

The Company does not apply this principle due to the lack of compliance with Art. 401 § 5 of the Code of Commercial Companies, and also due to the lack of influence of the Company on the compliance of individual shareholders with such obligation.

4.9. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:

4.9.1. candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;

The principle is applied.

4.9.2. candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company

The principle is applied.

4.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

The principle is applied.

4.11. Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.

The principle is applied.

4.12. Resolutions of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent body to set the price prior to the subscription right record date within a timeframe necessary for investors to make decisions.

The principle is applied.

4.13. Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:

a) the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;

b) the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;

c) the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in book-building on the market

The principle is applied.

4.14. Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:

a) the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;

b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses;

c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;

d) the company generates insufficient cash flows to pay out dividends;

e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;

f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.

The principle is applied.

CONFLIKT OF INTEREST, RELATED PARTY TRANSACTIONS

5.1. Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.

The principle is applied.

5.2. Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion

The principle is applied.

5.3. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.

The principle is applied.

5.4. Companies may buy back their own shares only in a procedure which respects the rights of all shareholders.

The principle is applied.

5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact

The principle is applied.

5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.

The principle is applied.

5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.

The principle is applied.

REMUNERATION

6.1. The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability

The principle is applied.

6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

The principle is not applied.

The company does not apply this principle with regard to incentive programs, in particular those relating to variable remuneration. The rules for determining the variable remuneration of management board members are governed by the remuneration policy adopted by the company's general shareholder meeting. The principles of awarding bonuses to key managers are based on the results achieved by the company during the financial year, as well as on the fulfilment of non-financial criteria.

6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of predefined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved

The principle is not applied.

The existing management option incentive programs do not meet these requirements. If decisions are made in the future regarding the adoption of a management stock option program, the parameters of such a program will require a decision by the general meeting.

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is applied.

6.5. The level of remuneration of supervisory board members should not depend on the company's short-term results.

The principle is applied.

II. DESCRIPTION OF MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO THE PROCESS APPLIED TO PREPARATION OF SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Company's financial statements are prepared in a systematic manner based on the organizational structure applicable in the Company. The management accounting tools and IT systems used in the Company to record business events in the accounting books provide the basis for assessing that the Company's financial statements are prepared in a reliable manner and contain all relevant data necessary to determine the financial standing of the Company and its assets.

Substantive supervision over the process of preparation of financial statements and periodic reports of the Company, as well as consolidated financial reports is exercised by the Vice President of the Management Board responsible for financial matters.

The Accounting Department in Finance Division is responsible for the organization of work related to the preparation of financial statements and reports directly to the Vice President of the Management Board of the Company for financial matters.

The Management Board is responsible for the internal control system in the Company and its effectiveness in the process of preparing financial statements and periodical reports prepared and published in accordance with the rules of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by law of a non-member state as equivalent (Official Journal of Laws of 2018, item 757).

The Company's financial results are also monitored on an ongoing basis during the financial year and are subject to periodic review by the Supervisory Board. At each Supervisory Board meeting, the Company's Management Board presents information on the current financial situation of the Company.

The effective internal control system and risk management in the financial reporting process is ensured by:

- preparation of procedures specifying the rules and division of responsibility for drawing up financial statements;
- determination of the reporting scope based on applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS);
- development, implementation and exercise of supervision over consistency of accounting principles used by companies from VRG SA Capital Group, and
- semi-annual reviews and annual audits of the published financial statements of the Company and VRG S.A. Capital Group by an independent auditor.

The risk management system used in the Company is aimed at identifying and preventing or limiting to the greatest possible extent possible adverse effects of risks related to the Company's operating activities. The Management Board of the Company is responsible for the effective management of these risks, and the Supervisory Board, through the Audit Committee, exercises constant supervision over the activities of the Management Board in terms of the potential impact of the risks taken on the results of the Company's business. In 2021, the key internal document to ensure risk monitoring, along with a record of key mitigating and limiting measures to mitigate their impact on the Company's operations, introduced on the basis of the recommendations of the Audit Committee, is the "Risk Management Regulations at VRG S.A. in Cracow".

Annual and semi-annual financial statements are subject to an independent audit and review by an auditing company, which expresses an opinion on the reliability, correctness and clarity of these statements and the correctness of the accounting books underlying their preparation. The audit firm is selected by the Supervisory Board at the request of the Management Board, taking into account the recommendations of the Audit Committee from among renowned auditing companies, guaranteeing high standards of service and the required independence. The tests are carried out in accordance with the provisions of:

- chapter 7 of the Accounting Act of September 29, 1994 (consolidated text, Journal of Laws of 2021, item 217, as amended) (hereinafter: the "Accounting Act"),

- standards for the performance of the profession of statutory auditor, issued by the National Council of Statutory Auditors.

In particular, the audit includes checking the correctness of the accounting principles and significant estimates applied by the Company, examining - on a random basis - evidence and accounting entries that result in the numbers and disclosures in the financial statements, as well as the overall assessment of the financial statements.

The task of the Company is to prepare such financial statements, including figures and verbal explanations, which:

- present true and fair view of all information relevant for the assessment of the Company's financial and asset situation as at that date, as well as its financial result for a given period,
- have been prepared, in all material respects, properly, that is, in accordance with the accounting principles of International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of ordinances of the European Commission, and in areas not regulated in these standards - pursuant to requirements of the Accounting Act and executive ordinances issued on its basis and on the basis of correctly kept accounting books,
- are consistent with the provisions of law affecting the content of the financial statements and the provisions of the Company's Articles of Association.

The Company has documentation describing the accounting principles adopted by it, as specified in art. 10 of the Accounting Act. The applied principles of cost accounting, valuation of assets and liabilities and determining the financial result are compliant with International Accounting Standards and the provisions of the Accounting Act.

Responsibility for the correctness of the Company's accounts lies with the Management Board.

The accounting records are kept using computer software with application of programs for which the Company has obtained a license. The accounting books are kept at the registered office of the Company. Records kept enable to determine the financial result, VAT and other budgetary commitments. The accounting register ensures correctness and completeness of entries.

The chronology of economic events is respected.

Entries in the accounting books reflect the actual state, data is entered in full and correctly, on the basis of accounting documents qualified for booking. Continuity of records and correctness of applied procedures are ensured.

Accounting documents meet the requirements of the Accounting Act.

Only selected employees have access to data entry into the computer system. Access control is carried out at every stage of preparation of financial statements, starting from entering source data, through data processing, to generating information output.

III. INDICATION OF THE COMPANY'S SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY SIGNIFICANT BLOCKS OF SHARES WITH INFORMATION ON NUMBER OF SHARES HELD BY THESE ENTITIES, THEIR PERCENTAGE STAKE IN EQUITY, NUMBER OF VOTES RESULTING THEREFROM AND THEIR PERCENTAGE SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL SHAREHOLDER MEETING

1. SHAREHOLDER STRUCTURE OF THE COMPANY'S EQUITY IN ACCORDANCE WITH THE INFORMATION AVAILABLE TO THE COMPANY AS AT DECEMBER 31, 2021

As at 31.12.2021, the share capital of VRG S.A. was divided into 234,455,840 ordinary bearer shares, which entitled to a total of 234,455,840 votes at the Company's General Shareholder Meeting.

The table below presents information on shareholders who, to the best of the Company's knowledge, held, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Shareholder Meeting.

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
1	IPOPEMA TFI S.A.I[1]	52,066,678	22.21	52,066,678	22.21
2	Open Pension Fund PZU „Złota Jesień" and Voluntary Pension Fund PZU[2]	36,470,100	15.56	36,470,100	15.56
3	Nationale-Nederlanden Open Pension Fund[3]	32,750,487	13.97	32,750,487	13.97
4	Jerzy Mazgaj[4]	21,900,000	9.34	21,900,000	9.34
5	Forum TFI S.A.[5]	16,946,800	7.23	16,946,800	7.23

[1] *information provided in accordance with the notification received by the Company pursuant to Art. 69 sec. 2 point 1 lit. a and art. 87 sec. 1 point 2 lit. a of the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to an organized trading system and on public companies, applies to the Company's shares held jointly by all funds managed by IPOPEMA TFI S.A. According to the information in the possession of the Company, the Ipopema 2 FIZ Non-Public Assets Fund managed by IPOPEMA TFI S.A. at the Ordinary General Shareholder Meeting on June 28, 2021, he held 20,289,000 shares of the Company, which constituted 8.65% of the share capital of the Company and entitled to 20,289,000 votes representing 8.65% of the total number of votes at the General Shareholder Meeting of the Company. According to the information possessed by the Company, the Ipopema 21 FIZ Non-public Assets Fund, managed by IPOPEMA TFI S.A., holds 31,658,785 shares of the Company, which constitutes 13.50% of the share capital of the Company and entitles to 31,658,785 votes, constituting 13.50% of the total number of votes at the General Shareholder Meeting of the Company.*

[2] *information provided on the basis of the number of shares registered jointly by the Open Pension Fund PZU "Złota Jesień" and the PZU Voluntary Pension Fund at the Ordinary General Shareholder Meeting on June 28, 2021. Open Pension Fund PZU "Złota Jesień" at the Ordinary General Shareholder Meeting on June 28, 2021 r. independently held 35,603,400 shares of the Company, which constituted 15.19% of the share capital of the Company and entitled to 35,603,400 votes, constituting 15.19% of the total number of votes at the General Shareholder Meeting of the Company.*

[3] *information based on the number of shares registered by Nationale-Nederlanden Open Pension Fund at the Ordinary General Shareholder Meeting on June 28, 2021. Nationale-Nederlanden Open Pension Fund at the Ordinary General Shareholder Meeting of June 28, 2021 held 32,750,487 shares of the Company, which constituted 13.97% of the share capital of the Company and entitled to 32,750,487 votes, constituting 13.97% of the total number of votes at the General Shareholder Meeting of the Company.*

[4] *information provided on the basis of the current report of Krakchemia S.A. No. 10/2021 of October 26, 2021 and the number of shares registered by Mr. Jerzy Mazgaj at the Ordinary General Shareholder Meeting on June 28, 2021. Mr. Jerzy Mazgaj at the Ordinary General Shareholder Meeting on June 28, 2021 independently held 21,900,000 shares Of the Company, which constituted 9.34% of the share capital of the Company and entitled to 21,900,000 votes, constituting 9.34% of the total number of votes at the General Shareholder Meeting of the Company.*

[5] *information provided on the basis of the number of shares registered jointly by the Forum X Closed Investment Fund and Forum XXIII Closed Investment Fund managed by Forum TFI S.A. at the Ordinary General Meeting on June 28, 2021.Forum X Closed-end Investment Fund at the Ordinary General Shareholder Meeting on June 28 .2021 he owned 6,951,760 shares of the Company, which constituted 2.97% of the share capital of the Company and entitled to 6,951,760 votes constituting 2.97% of the total number of votes at the General Shareholder Meeting of the Company. Fund Forum XXIII Closed-end Investment Fund at the Ordinary General Shareholder Meeting on June 28, 2021, held 9,995,040 shares of the Company, which constituted 4.26% of the share capital of the Company and entitled to 9,995,040 votes, representing 4.26% of the total number of votes at the General Shareholder Meeting of the Company.*

2. SHAREHOLDER STRUCTURE OF THE COMPANY'S EQUITY IN ACCORDANCE WITH THE INFORMATION HELD BY THE COMPANY AS AT THE DATE OF PREPARATION OF THE ANNUAL REPORT FOR THE FINANCIAL YEAR 2021

The table below contains information on shareholders who, as at the date of the annual report for the financial year 2021, had at least 5% of the total number of votes at the General Shareholder Meeting, according to the information possessed by the Company.

As of April 8, 2022, the share capital of the Company is divided into 234,455,840 ordinary bearer shares, which gives a total of 234,455,840 votes at the General Shareholder Meeting.

The table below contains information on shareholders who, to the knowledge of the Company, hold, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Shareholder Meeting.

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
1	IPOPEMA TFI S.A.I[1]	53,922,030	22.99	53,922,030	22.99
2	Open Pension Fund PZU „Złota Jesień" and Voluntary Pension Fund PZU[2]	39,870,193	17.005	39,870,193	17.005
3	Nationale-Nederlanden Open Pension Fund[3]	32,750,487	13.97	32,750,487	13.97
4	Jerzy Mazgaj[4]	21,900,000	9.34	21,900,000	9.34
5	Forum TFI S.A.[5]	16,946,800	7.23	16,946,800	7.23

[1] information provided in accordance with the notifications received by the Company pursuant to Art. 69 sec. 2 point 1 lit. a and art. 87 sec. 1 point 2 lit. a of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, applies to the Company's shares held jointly by all funds managed by IPOPEMA TFI S.A. According to the information in the possession of the Company, the Ipopema 2 FIZ Non-Public Assets fund managed by IPOPEMA TFI S.A. at the Ordinary General Shareholder Meeting on June 28, 2021, he held 20,289,000 shares of the Company, which constituted 8.65% of the share capital of the Company and entitled to 20,289,000 votes representing 8.65% of the total number of votes at the General Meeting of the Company. According to the information possessed by the Company, the Ipopema 21 Closed-end Fund of Non-public Assets, managed by IPOPEMA TFI S.A., holds 33,514,137 shares of the Company, which constitutes 14.29% of the share capital of the Company and entitles to 33,514,137 votes, constituting 14.29% of the total number of votes at the General Shareholder Meeting of the Company.

[2] information provided in accordance with the notification received by the Company pursuant to Art. 87 sec. 1 point 2b of the Act of 29 July 2005 on public offering and conditions for introducing financial instruments to an organized trading system and on public companies, applies to the Company's shares held jointly by the Open Pension Fund PZU "Złota Jesień" and the PZU Voluntary Pension Fund. In accordance with the above-mentioned By the notification, Open Pension Fund PZU "Złota Jesień" independently holds 38,918,084 shares of the Company, which constitutes 16.599% of the share capital of the Company and entitles to 38,918,084 votes, constituting 16.599% of the total number of votes at the General Shareholder Meeting of the Company.

[3] information based on the number of shares registered by Nationale-Nederlanden Open Pension Fund at the Ordinary General Shareholder Meeting on June 28, 2021. Nationale-Nederlanden Open Pension Fund at the Ordinary General Shareholder Meeting of June 28, 2021 held 32,750,487 shares of the Company, which constituted 13.97% of the share capital of the Company and entitled to 32,750,487 votes, constituting 13.97% of the total number of votes at the General Shareholder Meeting of the Company.

[4] information provided on the basis of the current report of Krakchemia S.A. No. 10/2021 of October 26, 2021 and the number of shares registered by Mr. Jerzy Mazgaj at the Ordinary General Shareholder Meeting on June 28, 2021. Mr. Jerzy Mazgaj at the Ordinary General Shareholder Meeting on June 28, 2021 independently held 21,900,000 shares Of the Company, which constituted 9.34% of the share capital of the Company and entitled to 21,900,000 votes, constituting 9.34% of the total number of votes at the General Shareholder Meeting of the Company.

[5] information provided on the basis of the number of shares registered jointly by the Forum X Closed-end Investment Fund and Forum XXIII Closed-end Investment Fund managed by Forum TFI S.A. at the Ordinary General Shareholder Meeting on June 28, 2021.Forum X Closed Investment Fund at the Ordinary General Meeting on June 28 .2021 he owned 6,951,760 shares of the Company, which constituted 2.97% of the share capital of the Company and entitled to 6,951,760 votes constituting 2.97% of the total number of votes at the General Meeting of the Company. Fund Forum XXIII Closed-end Investment Fund at the Ordinary General Shareholder Meeting on June 28, 2021, held 9,995,040 shares of the Company, which constituted 4.26% of the share capital of the Company and entitled to 9,995,040 votes, representing 4.26% of the total number of votes at the General Shareholder Meeting of the Company.

IV. INDICATION OF HOLDERS OF ANY SECURITIES THAT GIVE SPECIAL CONTROL RIGHTS, ALONG WITH A DESCRIPTION OF THESE RIGHTS

All the Company's shares are ordinary bearer shares with which no preference is associated, particularly with regard to special control rights.

V. INDICATION OF ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS LIMITATION OF THE EXERCISE OF VOTING RIGHTS BY THE HOLDERS OF A GIVEN PART OR NUMBER OF VOTES, AND TIME LIMITATIONS REGARDING THE EXERCISE OF VOTING RIGHTS OR CLAUSES, IN WHICH, WITH THE COOPERATION OF THE COMPANY, RIGHTS RELATED TO SECURITIES ARE SEPARATED FROM POSSESSION OF THOSE SECURITIES

According to the Company's Articles of Association, there are no limitations in the exercise of voting rights, such as limitation of the right to vote by the holders of a certain part or number of votes, time limits regarding the exercise of voting rights or clauses, under which, with the cooperation of the Company, capital rights related to securities are separated from the possession of securities.

VI. INDICATION OF ANY RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF THE COMPANY'S SECURITIES

Pursuant to the Company's Articles of Association, restrictions on the transfer of ownership of the Company's securities do not occur.

VII. DESCRIPTION OF THE RULES FOR ALTERING THE COMPANY'S ARTICLES OF ASSOCIATION

According to the wording of art. 430 § 1 of the Code of Commercial Companies, amendment to Articles of Association requires a resolution of the General Shareholder Meeting and entry in the registrar.

According to art. 402 § 2 of the Code of Commercial Companies, in the announcement on convening the General Shareholder Meeting, whose agenda includes the intended change to the Articles of Association, it is necessary to present the existing provisions as well as the content of the proposed changes. If it is justified by a significant scope of intended changes, the announcement may contain a draft of a new uniform text of the Articles of Association together with enumeration of the new or amended clauses of the Articles of Association.

In accordance with the Company's Articles of Association, any amendments to the Articles of Association belong to the exclusive competence of the General Shareholder Meeting, which takes decisions in this matter in the form of resolutions. Competences resulting from exclusive entitlements to make amendments to the Articles of Association of the Company, the General Shareholder Meeting conducts on the request of the Company's Management Board submitted together with a written opinion of the Supervisory Board. Shareholders' request in these matters should have an opinion of the Company's Management and Supervisory Board.

According to art. 415 of the Code of Commercial Companies, the resolution regarding the amendment of Articles of Association is passed by a three-fourths majority, however, a resolution to amend the Articles of Association increasing the benefits of shareholders or reducing the rights granted personally to individual shareholders requires the consent of all concerned shareholders.

VIII. DESCRIPTION OF THE WAY GENERAL SHAREHOLDER MEETING FUNCTIONS AND ITS BASIC POWERS TOGETHER WITH A DESCRIPTION OF SHAREHOLDERS' RIGHTS AND HOW THEY ARE EXERCISED

1. DESCRIPTION OF THE FUNCTIONING OF THE GENERAL SHAREHOLDER MEETING AND ITS BASIC POWERS:

The General Shareholder Meeting of the Company is the body deciding on basic matters relevant to the functioning of the Company.

The General Meeting of the Company operates on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association, in accordance with the permanent Regulations of the General Shareholder Meeting adopted by the resolution no. 2 of the Ordinary General Shareholder Meeting of the Company of June 30, 2004, amended by the resolution of the General Shareholder Meeting of the Company of June 29, 2009 and the Regulations of participation in the General Meeting of VRG SA with its registered office in Cracow, using electronic means of communication adopted by the Supervisory Board of the Company by a resolution of December 18, 2020.

The full text of the Company's Articles of Association, specifying in detail the competences of the General Shareholder Meeting, is available at the Company's registered office and at the Company's website at www.vrg.pl.

On March 17, 2021, the Extraordinary General Shareholder Meeting of the Company introduced a number of amendments to the Company's Articles of Association. Until the date of this report, these changes have not been registered in the National Court Register. The changes were presented in the current report No. 16/2021 of March 17, 2021.

The following general principles apply to the General Shareholder Meeting of the Company in relation to the rules of convening the General Shareholder Meeting.

The General Meeting may be ordinary or extraordinary.

The General Shareholder Meetings of the Company are held at the registered office of the Company or in other places permitted by generally applicable regulations.

In the light of the provisions of § 30 para. 1 of the Company's Articles of Association the competences of the General Shareholder Meeting include:

1) consideration and approval of the Management Board's report on the Company's operations and financial statements for the previous financial year,
2) adopting a resolution on the distribution of profit or coverage of losses,
3) accepting Supervisory Board budget,
4) granting discharge to members of the Company's governing bodies for the performance of their duties,
5) change of the subject of the Company's activity,
6) change of the Company Articles of Association,
7) increasing or decreasing the share capital,
8) merger of the Company, division of the Company, transformation of the Company,

9) dissolution and liquidation of the Company,
10) issuance of convertible bonds or bonds with pre-emptive rights and issuance of subscription warrants referred to in art. 453 § 2 of the Code of Commercial Companies,
11) all provisions regarding claims for damages caused when establishing the Company or exercising management or supervision,
12) redemption of shares,
13) granting consent to dispose of the Company's shares or stocks with a value exceeding PLN 25,000,000, including by pledging them or establishing other limited property rights, with the exception of disposing to companies belonging to the Capital Group and with the exception of pledges and other limited rights tangible assets established for the benefit of banks or institutions financing the Company or companies belonging to the Capital Group or in the case of securing bonds issued by the Company or companies belonging to the Capital Group.

In addition to the abovementioned matters, resolutions of the General Shareholder Meeting are required for matters specified in the Code of Commercial Companies.

Competences mentioned in point 2), 4), 5), 6), 7), 9) above, the General Shareholder Meeting executes at the request of the Company's Management Board together with a written opinion of the Supervisory Board. The shareholders' request in these matters should be reviewed by the Company's Management and the Supervisory Board.

Ordinary General Shareholder Meeting is convened by the Management Board of the Company and should take place within 6 months after the end of the Company's financial year. The Ordinary General Shareholder Meeting may also be convened by the Supervisory Board if the Management Board fails to convene it on that date.

Extraordinary General Shareholder Meeting is convened by the Management Board of the Company on its own initiative or on the initiative of shareholders representing at least 1/20 (one twentieth) of the share capital of the Company. The Extraordinary General Shareholder Meeting should be convened within 2 (two) weeks from the moment the motion cation is submitted by authorized entities.

Extraordinary General Shareholder Meeting may also be convened by the Supervisory Board, anytime it deems the convocation necessary.

Extraordinary General Shareholder Meeting may be convened by shareholders representing at least half of the share capital or at least a half of all votes in the Company. Shareholders appoint the chairman of this Meeting.

A General Shareholder Meeting of a public company is convened through an announcement made on the Company's website and in a manner specified for the provision of current reports in accordance with the provisions of the Act on Public Offerings and Conditions for Introducing Financial Instruments to Organized Trading and Public Companies. The announcement should be made at least twenty-six days before the date of the General Shareholder Meeting.

The announcement about the General Shareholder Meeting of a public company should contain at least:

1) the date, time and place of the General Shareholder Meeting and the detailed agenda,
2) a detailed description of the procedures for participating in the General Shareholder Meeting and exercising the voting rights, in particular information on:
    a) the shareholder's right to demand putting certain issues on the agenda of the General Shareholder Meeting,
    b) the right of the shareholder to submit draft resolutions regarding matters added to the agenda of the General Shareholder Meeting or matters that are to be included in the agenda before the date of the General Shareholder Meeting,
    c) the right of the shareholder to submit draft resolutions regarding matters added to the agenda during the General Shareholder Meeting,
    d) the manner of exercising the right to vote through a proxy, in particular about the forms used during the proxy voting, and the method of notifying the Company by means of electronic communication on appointment of a proxy,
    e) the possibilities and manner of participation in the General Shareholder Meeting by means of electronic communication,
    f) the manner of speaking during the General Shareholder Meeting by means of electronic communication,
    g) the manner of exercising the right to vote by correspondence or by means of electronic communication,

3) the day of registration to participate in the General Shareholder Meeting referred to in art. 4061 of the Code of Commercial Companies,

4) information that the right to participate in the General Shareholder Meeting is only available to persons who are shareholders of the Company on the day of registration of participation in the General Shareholder Meeting,

5) an indication of where and how a person entitled to participate in the General Shareholder Meeting may obtain the full text of the documentation to be presented to the General Shareholder Meeting and draft resolutions or, if no resolutions are envisaged, comments of the Management Board or the Supervisory Board regarding matters put on the agenda of the General Shareholder Meeting or matters to be included in the agenda before the date of the General Shareholder Meeting,

6) indication of the address of the website on which information on the General Shareholder Meeting will be made available.

A shareholder or shareholders representing at least 1/20 of the Company's share capital may request that particular matters be placed on the agenda of the General Shareholder Meeting, which they request to be convened pursuant to Art. 400 § 1 of the Code of Commercial Companies and also on the agenda of the next General Shareholder Meeting.

In the case of election of Supervisory Board members by group voting, the Chairman of the General Meeting shall call on shareholders or their representatives participating in the General Shareholder Meeting to form a separate group or groups to elect one or several members of the Supervisory Board; these persons, however, do not take part in the selection of other members of the Supervisory Board.

If at least one group capable of electing a member of the Supervisory Board is not appointed, the Chairman of the General Shareholder Meeting states that the General Shareholder Meeting does not elect the members of the Supervisory Board.

After the election of the members of the Supervisory Board by the created group or groups, the General Shareholder Meeting shall elect the remaining members of the Supervisory Board by voting in which all shareholders or their representatives participate, whose votes have not been cast in the selection of members of the Supervisory Board elected by voting in separate groups.

The General Shareholder Meeting is opened by the Chairman of the Supervisory Board or another person in accordance with art. 409 § 1 of the Code of Commercial Companies, who then manages the election of the Chairman of the General Shareholder Meeting. The person opening the General Shareholder Meeting should refrain from any other substantive or formal decisions.

Chair of the General Shareholder Meeting prepares and signs the attendance list containing the list of participants of the General Shareholder Meeting with the number of shares that each of them represents and the votes they are entitled to. The list, after being signed by the Chairman of the General Shareholder Meeting, is displayed during the General Shareholder Meeting.

Chair of the General Shareholder Meeting is obliged to ensure the proper conduct of the proceedings and voting. The Chairman of the General Shareholder Meeting gives the floor to the participants of the meeting. The Chairman of the General Shareholder Meeting may present to the General Shareholder Meeting the rules of voting and adopting resolutions. He may also, in justified cases, announce short breaks in the proceedings.

However, the Chair of the General Shareholder Meeting is not entitled, without the consent of the General Shareholder Meeting, to delete or change the order of matters included in the agenda.

The Scrutiny Committee is appointed only if an electronic system of counting votes is not provided or if the appointment of such a committee is demanded by a shareholder and the General Shareholder Meeting will adopt an appropriate resolution on this matter. In this case, a two-person committee is elected by the General Shareholder Meeting.

At the shareholder's request, the General Shareholder Meeting may appoint a Resolutions and Motions Committee. In this case, a two-person committee is elected by the General Shareholder Meeting.

At the request of a shareholder, the General Shareholder Meeting may establish a Scrutiny Committee combined with Resolutions and Motions Committee - performing the functions of both the Returning Committee and the Resolution and Motion Commission referred to in § 6 and 7 of the Regulations of the General Shareholder Meeting.

The General Shareholder Meeting may order breaks in the session by a two-thirds majority of votes. In total, the breaks cannot last longer than 30 days.

In the light of the provisions of § 26 para. 1 of the Company’s Articles of Association, the General Shareholder Meeting may adopt resolutions regardless of the number of shareholders present and shares represented, unless the provisions of the Code of Commercial Companies state otherwise.

Unless the Company's Articles of Association or the Code of Commercial Companies provide otherwise, each share gives the right to one vote at the General Shareholder Meeting.

Pursuant to the provisions of § 28 of the Company's Articles of Association, voting during the General Shareholder Meeting is public. Secret voting is ordered at elections and on motions to dismiss members of the authorities or receivers of the Company, or to hold them liable, as well as in personal matters. In addition, a secret ballot shall be arranged at the request of at least one of those present entitled to vote.

Resolutions of the General Shareholder Meeting are adopted by a simple majority of votes cast, unless the provisions of the Code of Commercial Companies or the Company Articles of Association provide otherwise.

Resolutions on a significant change in the subject of the Company's operations are passed by a two-thirds majority of votes by open and registered vote. Such resolutions require an announcement.

Resolutions of the General Shareholder Meeting shall be included in the minutes drawn up by a notary public. The minutes should state the correctness of convening of the General Shareholder Meeting and its ability to adopt resolutions, state the resolutions and on each resolution indicate: the number of shares from which valid votes were cast, the percentage of these shares in the share capital, the total number of valid votes, the number of votes "in favour", "against" and "abstaining" and objections raised. An attendance list with signatures of the participants of the General Shareholder Meeting and a list of shareholders voting by correspondence or otherwise using the electronic communication means shall be attached to the minutes. The Management Board attaches the evidence of convening the General Shareholder Meeting to the book of minutes.

The minutes also include resolutions that were not adopted by the General Shareholder Meeting.

The excerpt from the minutes along with the evidence of convening the General Shareholder Meeting and the powers of attorney granted by the shareholders are attached to the book of minutes by the Management Board.

Shareholders may review the book of minutes and request the issuance of resolutions certified by the Management Board.

Other rules regarding the course of the General Shareholder Meeting are regulated by the Code of Commercial Companies.

2. DESCRIPTION OF SHAREHOLDERS' RIGHTS AND THE MANNER OF EXERCISING THEM:

The Company's shares are bearer shares with which no preference is associated. Each shareholder of the Company has the right to vote, which is exercised through the presence at the General Shareholder Meeting of the Company.

The property and corporate rights of the Company's shareholders are described below. Since all shares issued by the Company are dematerialized, only the regulations regarding the rights of shareholders entitled to dematerialized shares are discussed below.

The following rights are associated with the possession of the Company's shares:

1. Property rights resulting from shares:

– **Right to dividend**

The right to dividend is defined as the right to participate in the Company's profits.

This right is absolute, which means that a shareholder cannot be deprived of it by means of provisions in the Company's Articles of Association or a resolution of the General Shareholder Meeting.

However, in order to benefit from the right to dividend, certain conditions must be met, the most important of which is the Company's profit.

The amount to be distributed among shareholders may not exceed the profit for the last financial year, increased by undistributed profits from previous years, and the amounts transferred from the reserve capital and other capital reserves created from profit, which may be allocated for the payment of dividends. This amount should be reduced by uncovered losses, treasury shares and amounts that, according to the law or Articles of Association, should be allocated from the profit for the last financial year to reserve capital or other capital reserves (Article 348 § 1 of the Code of Commercial Companies).

The entitlement to participate in the profit results from the fact of being a shareholder (holding shares) and is a property right inextricably linked to the shares.

Profit which is the base for dividend payment must be disclosed in the financial statements audited by the auditor; this profit should be simultaneously allocated by the General Shareholder Meeting for pay out to shareholders.

The rules for appointing those entitled to dividend for a given financial year are specified in the Code of Commercial Companies, Detailed Operating Principles of the National Depository for Securities ("KDPW") and the Regulations of the Warsaw Stock Exchange S.A.

Dividend payment takes place via KDPW. KDPW, after receiving financial resources from the Company, then transfers the amounts due from the dividend to the securities accounts of the shareholders entitled to the dividend in accordance with the resolution of the General Shareholder Meeting. A claim for payment of a dividend becomes due as of the date indicated in the resolution of the General Shareholder Meeting and is subject to statute of limitations on general terms.

The Company's Articles of Association do not authorize the Management Board to pay shareholders an advance on the anticipated dividend (i.e. interim dividend).

– **Pre-emptive right**

The shareholder has the right of priority to subscribe for new shares in relation to the number of shares held (pre-emptive right) while maintaining the requirements referred to in art. 433 of the Code of Commercial Companies.

A shareholder may be deprived of pre-emptive rights in part or in full in the interest of the Company. The Management Board presents the General Shareholder Meeting with a written opinion justifying the reasons for deprivation of the pre-emptive right.

Deprivation of the pre-emptive right requires a resolution of the General Shareholder Meeting adopted by a majority of four fifths of votes. However, the provision on the necessity to obtain a majority of at least 4/5 votes does not apply if the resolution on the share capital increase states that new shares are to be taken up entirely by a financial institution (underwriter), with the obligation to offer them subsequently to shareholders enabling them to exercise pre-emptive rights on the terms specified in the resolution and if the resolution states that new shares are to be taken up by the underwriter, if the shareholders to whom the pre-emptive rights are vested, do not take part or all of the shares offered to them.

Depriving shareholders of pre-emptive right of shares may take place only if it has been announced in the agenda of the General Shareholder Meeting.

Pre-emptive right is a security within the meaning of art. 3 point 1 of the Act of July 29, 2005 on Trading in Financial Instruments (consolidated text, Official Journal of Laws of 2019, item 89, as amended) (hereinafter: "Act on Trading in Financial Instruments"), thus it may be subject of listing on the regulated market. Pre-emptive right is associated with shares already issued. The condition for the creation of this right is the adoption of a resolution by the General Shareholder Meeting on the issuance of new shares by the Company. A resolution to increase the share capital (unless shareholder have been deprived of pre-emptive rights) should indicate the pre-emptive right day, according to which the shareholders who are entitled to the right to collect new shares are determined. The pre-emptive rights day cannot be determined later than within three months from the day the resolution on the increase of the share capital is taken, and in the case of a public company - six months from the day of adopting the resolution.

– **Right to transfer shares**

One of the basic principles contained in the Code of Commercial Companies is the right to sell shares by the shareholder. The sale takes place under the rules set out in the Civil Code.

Disposal means the legal act of transferring the ownership of the securities from the seller to the buyer. The sale may take the form of pecuniary (sale) or unpaid activities (donation). The provisions of the Company's Articles of Association do not contain any restrictions relating to the acquisition or sale of shares in the Company.

Upon the registration of the Company's shares by KDPW, the shares of the Company were dematerialized. At the time of dematerialisation, the rules regarding the acquisition of securities changed, as disposing effect in the form of disposal of shares takes place at the moment of registration the Company's shares on the buyer's account.

In case of dematerialized shares, a special procedure for the sale of shares applies:

rights from such securities arise when the securities are first recorded on the securities account and are held by the person who is the holder of the account. The contract obliging to transfer dematerialized securities transfers these securities to the buyer upon making the appropriate entry on the securities account. If the determination of the right to benefit from these securities took place on the day on which the transaction was settled at KDPW, or later, and these securities are still recorded in the account of the seller, the benefits accrue to the buyer at the time of subscription on his securities account.

– **The right to establish a pledge or usufruct on shares**

Establishing a pledge on shares

A shareholder may establish a pledge on his/her shares in the Company.

The Company's Articles of Association do not provide for any restrictions in this regard.

The right to set a pledge on shares results for the entitled person from art. 337 of the Code of Commercial Companies, in which it refers to the disposition of shares, and thus also to perform activities related to the establishment of a pledge or usufruct on shares of the Company.

The subject of the pledge on shares is not the share itself, but the rights incorporated in the shares. For this reason, the provisions of the Civil Code on pledge on rights - regulated in art. 327 - 335 of the Civil Code apply.

In the light of art. 329 § 1 sentence 1 of the Civil Code, to establish a pledge on a right, the provisions on the disposal of this right shall apply. Establishment of a pledge will require the conclusion of an agreement between a shareholder acting as a pledger and his creditor acting as a pledgee, and then transferring the ownership of shares to the pledgee.

The legal status of the pledgee of shares is regulated, inter alia, in the provisions of: art. 340 § 1 and 3, art. 341, art. 362 § 3, art. 588 of the Code of Commercial Companies.

The establishment of a pledge on shares of companies whose shares are admitted to public trading is covered by a separate legal regime.

In connection with the conclusion of the pledge agreement, the pledgee will in principle be entitled to property rights, which are referred to as the benefits of the law (Article 54 of the Civil Code). These rights include: voting rights, the right to dividend, the right to participate in the liquidation mass.

With regard to the voting right, it should be mentioned that pursuant to art. 340 § 3 of the Code of Commercial Companies, in the period when the shares of a public company on which the pledge was established or used are recorded in securities accounts maintained by an authorized entity in accordance with the provisions on trading in financial instruments, the shareholder has the right to vote.

Establishing a usufruct on shares

A shareholder may establish usufruct on his/her shares of the Company.

The Company's Articles of Association do not provide for any restrictions in this regard.

The legal admissibility of establishing usufruct on shares results from art. 265 of the Civil Code stating that the rights may also be subject to usufruct. The establishment of usufruct on shares will relate to rights related with those shares. The legal status of the beneficiary of the person signing the usufruct on the shares (user) is regulated by the provisions of art. 4 § 1 points 4 a), art. 340, 341 § 2, art. 343 § 2 and 406 § 1 of the Code of Commercial Companies.

Establishment of usufruct on shares requires the conclusion of an agreement with the participation of a shareholder and a third party for whom the right of usufruct is established (user).

One should also indicate to a regulation contained in art. 340 § 3 of the Code of Commercial Companies, according to which in the period when the shares of a public company on which the pledge or usufruct was established are recorded in securities accounts maintained by an authorized entity in accordance with the provisions on trading in financial instruments, voting rights from such shares is entitled to a shareholder.

2. Corporate shareholder rights

– **The right of a shareholder to elect the members of the Company's Supervisory Board**

The Supervisory Board of the Company consists of 5 - 7 members. The number of members of the Supervisory Board is determined by the General Shareholder Meeting.

Members of the Supervisory Board are appointed and dismissed by the General Shareholder Meeting for the joint term in office.

If the election is made via the General Shareholder Meeting at the request of shareholders representing at least one fifth of the share capital, the election of the Supervisory Board may be made by voting in separate groups.

The Regulations of the General Shareholder Meeting in force at the Company provide for rules of conduct in the event of election of members of the Supervisory Board by voting in separate groups.

Persons representing at the General Shareholder Meeting this portion of shares, which falls due after division of the total number of represented shares by the number of Supervisory Board members, may form a separate group to elect one member of the Supervisory Board, without taking part in the selection of other members of the Supervisory Board.

The election of the Supervisory Board by groups prefers minority shareholders. Thanks to the possibility of creating separate groups, they can introduce their representatives to the Supervisory Board. The selection of groups takes place at the request of shareholders even when the Company's Articles of Association provide for a different manner of appointing the Supervisory Board. The selection of groups applies to all members of the Supervisory Board. The only exception is when the Supervisory Board consists of a person appointed by an entity authorized to choose independently on the basis of separate legal provisions. Only the other members of the Supervisory Board are subject to election.

If the Supervisory Board was elected by voting in separate groups, each group has the right to delegate one of the Supervisory Board members elected by it to permanent individual performance of supervisory activities. These members have the right to participate in meetings of the Management Board in an advisory capacity. The Management Board is obliged to notify them in advance about each of their meetings.

Members of the Supervisory Board, delegated to permanent individual performance of supervision, receive a separate remuneration, the amount of which is determined by the General Shareholder Meeting. The General Shareholder Meeting may entrust this right to the Supervisory Board. These persons are obliged with the competition ban referred to in art. 380 of the Code of Commercial Companies.

– **The right to convene and request the convening of an Extraordinary General Shareholder Meeting or placing certain matters on the agenda of the General Shareholder Meeting**

Shareholders or a shareholder of the Company representing at least one twentieth of the Company's share capital have the right to request that an Extraordinary General Shareholder Meeting be convened and that specific matters be placed on the agenda of the Meeting. The request to convene an Extraordinary General Shareholder Meeting should be submitted to the Management Board in writing or in electronic form.

If, within two weeks from the date of submitting the request to the Management Board, the Extraordinary General Shareholder Meeting is not convened, a registry court may authorize the shareholders that demand the meeting to convene the Extraordinary General Shareholder Meeting. The court appoints the chairman of this Meeting. The Meeting referred to shall adopt a resolution deciding whether the costs of convening and holding the Meeting shall be borne by the Company. Shareholders, on whose request the Meeting has been convened, may apply to the registry court for exemption from the obligation to cover the costs imposed by the resolution of the General Shareholder Meeting. In the notification of convening the Extraordinary General Shareholder Meeting referred to in this paragraph, reference should be made to the decision of the registry court.

In addition, a shareholder or shareholders representing at least one twentieth of the share capital may request that certain matters be placed on the agenda of the next General Shareholder Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the Meeting. The request should contain justification or a draft resolution regarding the proposed agenda item. The request may be submitted in electronic form. The Management Board is obliged to announce immediately, but no later than eighteen days prior to the scheduled date of the General Shareholder Meeting, changes to the agenda, introduced at the request of shareholders. The announcement is made in a manner appropriate for convening the General Shareholder Meeting.

In addition, the right to convene an Extraordinary General Shareholder Meeting was granted to shareholders representing at least half of the share capital or at least half of the total votes in the Company. Shareholders appoint the chairman of this Meeting (Article 399 § 3 of the Code of Commercial Companies).

The above-described rights are governed by the provisions of the Code of Commercial Companies, whereas the Company's Articles of Association do not contain any restrictions or privileges for the Company's shareholders in this regard. Moreover, no personal rights connected with convening General Shareholder Meetings were granted in the Company's Articles of Association.

– **The right to participate in the General Shareholder Meeting and the right to request copies of motions on issues included in the agenda of the General Shareholder Meeting**

The shareholder's right to participate in the General Shareholder Meeting is one of the fundamental absolute rights of a shareholder, i.e. rights which the shareholder cannot be deprived of. The implementation of this right is guaranteed by of art. 412 of the Code of Commercial Companies.

According to art. 406(1) § 1 of the Code of Commercial Companies, persons who are shareholders on the day of registration, i.e. sixteen days before the date of the General Shareholder Meeting, have the right to participate in the General Shareholder Meeting of the Company.

To participate in the General Shareholder Meeting of the Company, entitled from dematerialised bearer shares shareholder, should apply to the entity maintaining the securities account not earlier than after the announcement of convening the General Shareholder Meeting and no later than the first weekday after the registration of participation in the General Shareholder Meeting to obtain a personal certificate of the right to participate in the General Shareholder Meeting (Article 406(3) § 2 of the Code of Commercial Companies in connection with Article 406(3) § 6 and § 7 of the Code of Commercial Companies).

The Company establishes a list of persons entitled to participate in the General Shareholder Meeting based on the list prepared by the entity keeping the securities deposit in accordance with the provisions on trading in financial instruments. The Management Board presents a list for information at the Company's headquarters for 3 (three) business days prior to the date of the General Shareholder Meeting.

Shareholders may participate in the General Shareholder Meeting and exercise their voting rights in person or by proxy.

The Company's Articles of Association do not allow shareholders to participate in the General Shareholder Meeting by means of electronic communication.

The power of attorney to participate in the General Shareholder Meeting of a public company or to exercise the voting right must be granted in writing or in electronic form without the requirement to use a secure signature verified by means of a valid qualified certificate.

On 29 June 2009, the General Shareholder Meeting of the Company, by virtue of resolution No. 29/06/2009, changed the Regulations of the General Shareholder Meeting regarding the procedure of notifying the Company of the power of attorney in electronic form via electronic means of communication.

A shareholder is entitled to notify the Company of the power of attorney to participate in the General Shareholder Meeting of the Company or to exercise the right to vote in electronic form without the requirement to use a secure signature of such power of attorney in accordance with the rules set out below.

Before the date of the General Shareholder Meeting, the Company makes available on the website www.vrg.pl a form for a power of attorney, which after filling in, the shareholder may send to the Company via the Company's website.

A shareholder who wishes to grant a power of attorney in the aforementioned form, asks in person or in writing for the Company to issue a login and password, which allows the shareholder to carry out the verification and proxy procedure in an electronic form. The shareholder undertakes to keep the assigned login and password confidential to him. The login and password are sent to the shareholder by letter or courier to the address provided by him in the request. A shareholder may change the password independently via the Company's website.

Before granting a power of attorney in electronic form, each shareholder should assess the risk related to notifying the Company of granting a power of attorney by means of electronic communication without using a secure signature.

Detailed rules for the implementation of the above procedure are determined by the Management Board of the Company. The Management Board of the Company may introduce additional security at its own discretion.

Both a member of the Management Board and an employee of the Company may be appointed proxies to represent the shareholder at the General Shareholder Meeting. However, if the proxy at the General Shareholder Meeting of a public company is a member of the management board, a member of the supervisory board, a liquidator, an employee of a public company or a member of bodies or an employee of a company or cooperative dependent on that company, the power of attorney for such a person may authorize representation only at one General Shareholder Meeting. Meeting. The proxy is obliged to disclose to the shareholder the circumstances indicating the existence or the possibility of a conflict of interest. In the cases referred to in this paragraph, further power of attorney may not be granted and the proxy shall vote in accordance with the instructions given by the shareholder.

A shareholder of a public company holding shares registered on more than one securities account may appoint separate proxies to exercise the rights attached to shares registered on each account.

According to art. 407 § 2 of the Code of Commercial Companies, a shareholder has the right to request copies of motions on matters included on the agenda within one week prior to the General Shareholder Meeting. Making copies of these applications takes place at the Company's expense.

In addition, pursuant to art. 407 § 1 of the Code of Commercial Companies, a shareholder may review the list of shareholders entitled to participate in the General Shareholder Meeting, which should be displayed on the Management Board's premises three business days prior to the General Shareholder Meeting and request a copy of the list with reimbursement of costs for copying. A shareholder of a public company may also request that the list of shareholders be sent to him free of charge by e-mail, giving the address to which the list should be sent.

– **The right to submit draft resolutions for the General Shareholder Meeting**

In accordance with art. 401 § 5 of the Code of Commercial Companies, each shareholder may submit draft resolutions regarding matters included in the agenda during the General Shareholder Meeting.

In addition, pursuant to art. 401 § 4 of the Code of Commercial Companies, shareholders or shareholders representing at least one twentieth of the Company's share capital have been granted the right to notify the Company before the date of the General Shareholder Meeting in writing or using electronic communication means of draft resolutions regarding matters included in the agenda of the General Shareholder Meeting or matters to be included in the agenda. The company immediately publishes draft resolutions on the website.

– **The right to adopt resolutions at the General Shareholder Meeting**

Shareholders present at the General Shareholder Meeting adopt resolutions provided for in the agenda. In cases not covered by the agenda, no resolution may be passed, unless the entire share capital is represented at the General Shareholder Meeting and none of those present objected to the adoption of the resolution.

The Code of Commercial Companies grants each share the right to one vote at the General Shareholder Meeting (Article 411 § 1 of the Code of Commercial Companies). The Company's Articles of Association do not contain any provisions to this effect. The provisions of the Company's Articles of Association also do not contain any restrictions on the exercise of voting rights by shareholders.

The Company's shareholders may vote differently from each of the shares held (Article 4113 of the Code of Commercial Companies).

The Regulations of the Company’s General Shareholder Meeting do not provide for the possibility of voting (adopting resolutions) in correspondence.

The voting right vested to a shareholder is limited if the subject matter of the resolution is the extent of liability of that shareholder to the Company for any reason, including granting him discharge, waiving the liability towards the Company and a dispute between him and the Company (Article 413 of the Code of Commercial Companies)); in this case, the shareholder is excluded from the vote.

Voting during the General Shareholder Meeting may take place using the electronic vote counting system.

– **The right to request a list of shareholders present at the General Shareholder Meeting**

The right to request verification of the attendance list of shareholders present at the General Shareholder Meeting is vested to shareholders representing jointly at least 1/10 of the share capital at this General Shareholder Meeting. According to art. 410 § 2 of the Code of Commercial Companies, the attendance list should be checked by a commission elected for this purpose, composed of at least three persons. Applicants have the right to choose one member of the commission.

– **The right to a registered share certificate**

According to art. 328 § 6 of the Code of Commercial Companies, the Company's shareholder holding dematerialized shares has the right to a registered share certificate issued by the entity keeping the securities account in accordance with the provisions on trading in financial instruments. The certificate confirms the legitimacy to exercise the rights arising from the securities indicated in its content, which are not or cannot be exercised solely on the basis of entries on the securities account, excluding the right to participate in the General Shareholder Meeting.

The share certificate contains:

1) the company (name), registered office and address of the issuer and the number of the certificate;
2) number of securities;
3) the type and code of the security;
4) company (name), registered office and address of the Company;
5) the nominal value of the security;

6) name and surname or name (company) and registered office and address of the securities account holder;
7) information on the existing restrictions on the transfer of securities or the charges imposed on them;
8) date and place of issuance of the certificate;
9) the purpose of issuing the certificate;
10) the period of validity of the certificate;
11) in the event that a previously issued certificate concerning the same securities was invalid or destroyed or lost before its expiration date - indicating that it is a new certificate document;
12) signature of the person authorized to be issue on behalf of the issuing certificate, bearing the stamp of the issuer.

– **The right to a registered certificate of the right to participate in the General Shareholder Meeting**

According to art. 328 § 6 of the Code of Commercial Companies, a shareholder of the Company holding dematerialized shares has the right to demand from the entity maintaining the securities account issuance of a personal certificate of the right to participate in the General Shareholder Meeting. The request should be submitted not earlier than after the announcement of convening the General Shareholder Meeting and no later than the first weekday after the date of registration of participation in the General Shareholder Meeting (Article 4063 § 2 of the Code of Commercial Companies). Acknowledgment includes:

1) the company (name), registered office, address and stamp of the issuer and the number of the certificate,
2) the number of shares,
3) type and code of shares,
4) the company (name), registered office and address of the public company that issued the shares,
5) the nominal value of the shares,
6) name and surname or company (name) of the holder of the shares,
7) registered office (place of residence) and address of the holder of the shares,
8) the purpose of issuance of the certificate,
9) date and place of issuance of the certificate,
10) signature of the person authorized to issue a certificate.

At the request of the holder of the certificate entitled to dematerialized bearer shares, a part or all of the shares registered on his securities account should be indicated in the contents of the certificate.

– **The shareholder's right to challenge resolutions of the General Shareholder Meeting**

A shareholder right to appeal the resolutions of a General Shareholder Meeting is one of these rights that require an active participation on the side of the shareholder. This right consists of the possibility of a shareholder filing a lawsuit against the Company to revoke or cancel the resolution adopted by the General Shareholder Meeting. The competent court for this type of case is the commercial court.

The subject of appeal may be resolutions of the General Shareholder Meeting that are in contradiction with the Company's Articles of Association or best practices, as well as harming the Company's interest or aimed at harming the shareholder. The resolution may be appealed against by way of an action brought against the Company.

The annulment of a resolution of the General Shareholder Meeting concerns resolutions contrary to the Act. The resolution may be appealed against by way of an action brought against the Company.

The right to bring an action to revoke a resolution or annul the resolution of the General Shareholder Meeting is entitled to, inter alia:

- the shareholder who voted against the resolution, and after it had passed, he/she demanded for his objection to be protocolled,

- a shareholder who was unjustifiably not admitted to participate in the General Shareholder Meeting,

- shareholders who were not present at the General Shareholder Meeting, but only in the case of a faulty convening of the General Shareholder Meeting or the adoption of a resolution regarding a matter not covered by the agenda.

In the case of a public company, the time limit for bringing an action to repeal a resolution is one month from the date of receipt of information about the resolution, however not later than three months from the date of adoption of the resolution.

An action for annulment of a resolution of the General Shareholder Meeting of a public company should be brought within thirty days from the date of its publication, but no later than one year from the date of adoption of the resolution.

– **The right to bring the Company to court**

A shareholder has the right to file a claim for compensation for damage caused to the Company if the Company does not bring to court the case to repair the damage caused to it within one year from the date of disclosure of the act causing the damage.

This right is governed by the provisions of the Code of Commercial Companies, in particular art. 486 of the Code of Commercial Companies.

3. Shareholder right to information:

– **The right to request information from the Company's Management Board regarding the Company at the General Shareholder Meeting and in writing outside the General Shareholder Meeting**

As a rule, shareholders of a joint-stock company are entitled to request information about the Company at the General Shareholder Meeting, if it is justified to assess the issue covered by the agenda and provide information about the Company in writing outside the General Meeting pursuant to art. 428 of the Code of Commercial Companies.

The answer is considered to have been given if the relevant information is available on the Company's website in a separate place for asking questions and providing answers to them.

When the request for information has been submitted at the General Shareholder Meeting, the Management Board may provide information in writing outside the General Shareholder Meeting only if there are good reasons to do so. In such a case, the Management Board is obliged to provide information not later than within two weeks from the date of request at the General Shareholder Meeting. Such information together with the date of their publication and the person to whom the information was provided should be disclosed by the Management Board in writing in materials submitted to the nearest General Shareholder Meeting. The materials may not include information provided to the public and granted during the General Shareholder Meeting.

In addition, pursuant to the Code of Commercial Companies, the Management Board provides in writing information about the Company to the shareholder, also when such a request has been submitted outside the General Shareholder Meeting.

In both cases, the Management Board may refuse to provide information regarding the Company for the reasons set out below.

The Management Board refuses to provide information if it could cause damage to the Company, its related company or a subsidiary or cooperative, in particular by disclosing technical, commercial or organizational secrets of the Company.

In addition, in the case of public companies, it should be recognized that this right to information is subject to a certain limitation. The reason is the special mode of performing information obligations on the regulated market.

The Company, like any public company, is required to perform information obligations in the manner and scope provided for in the Act of July 29, 2005 on public offerings and conditions for introducing financial instruments to organized trading and on public companies (consolidated text Official Journal of Laws of 2019 item 623) (hereinafter: "Act on the offer").

In practice, this means sending information as part of current and periodic reports to the extent envisaged by implementing acts to the Act on Trading in Financial Instruments. The data is sent by the ESPI system to the Polish Financial Supervision Authority, and then, after 20 minutes, they are made public by providing them by one of the national information agencies. Information provided by public companies until the time it is made public is confidential, and its submission in a manner different from the one indicated in the Act on the offer, is related to the administrative responsibility provided for in the said Act.

Bearing in mind the above, the Management Board of the Company has the right to refuse to provide information to a shareholder who had asked such a question on the basis of art. 428 of the Code of Commercial Companies. A refusal, however, may only apply to information that constitutes confidential information, or information that has been published as part of its notification duties. In the case of refusal to provide information already published, the Management Board has the right to invoke the principle of equal access to information and the fact that the mode of informing the shareholder of a public company is carried out within the ESPI system guaranteeing equal access to information.

So the application of art. 428 of the Code of Commercial Companies to a public company concerns, in principle, situation when the question asked by a shareholder concerns matters that need not be disclosed as part of reports sent to the Polish Financial Supervision Authority. Then, the provisions provided for in the abovementioned article apply.

A shareholder who was refused disclosure of the information requested during the General Shareholder Meeting and who raised objections to the minutes may submit on the basis of art. 429 of the Code of Commercial Companies, an application to the registry court to oblige the Management Board to provide information. The application should be submitted within one week from the end of the General Shareholder

Meeting at which the information was refused. A shareholder may also submit an application to the registry court for obliging the Company to publish information given to another shareholder outside the General Shareholder Meeting.

The right to receive information only applies to the Management Board. Thus, formally, the Supervisory Board may refuse to answer a question asked by the shareholder or evade the answer.

The right to information belongs only to the shareholder, and thus the Management Board is not formally obliged to answer the question of the pledgee or user authorized to exercise the voting right at the General Shareholder Meeting. The Management Board's obligation to provide information arises only when it is justified for the assessment of a matter covered by the agenda. Therefore, the Management Board is not obliged to provide information on matters other than those on the agenda.

3. Rights of shareholders arising from acts regulating the capital market in Poland:

– **Shareholder's right to information**

From among the rights granted to shareholders by the Act on the offer, the broadly understood right of the shareholder to the information is considered the most important from the point of view of the proper functioning of the market.

The right to information is the basic right under the Act on the offer, although none of the provisions of the Act on the offer expressly refer to it. It results from all rights and obligations imposed on investors and issuers.

The most important is that each shareholder of a public company should have access to the same information at the same time as all other shareholders. In other words, the most important is to provide equal opportunities in access to information. This is a basic task, implemented by the provisions of the Act on the offer. Each shareholder should have access to information related to the condition of the Company, the way it operates, and the planned direction of its development.

In the case of the Company, information about the Company is disclosed to the public in the form of current and periodic reports via the ESPI system.

Failure to provide this information or providing untrue information may lead to the investor making an incorrect investment decision and suffering damage. If this occurs, the shareholder / investor who has suffered damage as a result of failure by the Company to disclose information about such events or circumstances that could significantly affect the assessment of the security, has the right to demand its remedying in court.

– **Other shareholder rights arising from acts regulating the securities market**

In order to implement the principles of compliance with the rules of fair trading and competition and the principle of ensuring universal access to reliable information, the Act on offer imposes numerous obligations on issuers, shareholders and investors who are not shareholders but plan to acquire shares in public companies. Fulfilment of these obligations is usually directly related to the creation of specific rights for shareholders: the right to information about the Company and its shareholders, the right to sell the Company's shares in response to a tender, which allows the Company's "withdrawal" at the right time to obtain a fair share price, the right to claim compensation in the event of damage due to false information in the prospectus.

In addition, the Act on the offer grants shareholders special rights, not related to the performance of any obligations, but related to activity of the investor / shareholder in the Company's structures. These include: the right to request the appointment of an auditor for special matters and the rights arising from the possession of a share certificate.

– **Shareholders' right to appoint an auditor for special matters**

The right to control the affairs of the Company, implemented by initiating an examination of a particular case by the auditor for special matters, was granted to a shareholder or group of shareholders who hold at least 5% of the total number of votes at the General Shareholder Meeting. This right applies to both shareholders of a public company who hold shares in a public company not admitted to trading on a regulated market, as well as those who hold shares already admitted to trading on a regulated market.

The auditor for special matters may be an entity that has the expertise and qualifications necessary to investigate a particular matter. Depending on the case type, such qualifications may have, for example, persons holding the rights of a certified auditor, persons entered in the list of court experts or other persons possessing knowledge due to acquired professional experience.

There are two modes of appointing the auditor for special matters:

- appointing, through a resolution adopted by the General Shareholder Meeting, and
- appointment by way of a decision issued by the registry court.

IX. COMPOSITION AND CHANGES THAT HAVE OCCURRED DURING THE LAST FINANCIAL YEAR, AND A DESCRIPTION OF THE ACTIVITIES OF THE MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY AND THEIR COMMITTEES

1. MANAGEMENT BOARD

Composition of the Management Board:

At the balance sheet date of 31.12.2021 the Management Board composed of:

- Mr Jan Pilch – member of the Supervisory Board delegated to temporarily perform the functions of the President of the Management Board,
- Mr Radosław Jakociuk – Executive Vice-President of the Management Board
- Mr Michał Zimnicki – Executive Vice-President of the Management Board
- Ms Marta Fryzowska – Executive Vice-President of the Management Board

In 2021, the following changes took place in the composition of the Management Board of the parent company:

- on January 11, 2021, Mr. Erwin Bakalarz resigned from the position of a Member of the Parent Company's Management Board, effective January 11, 2021.

- On January 11, 2021, the Supervisory Board of the parent company appointed two members of the Management Board of the Company for the current joint term in office. In accordance with the adopted resolutions of the Supervisory Board, the following were appointed to the Management Board of the Company:
  - Ernest Podgórski, PhD for the position of the Member of the Management Board responsible for IT and e-commerce;
  - Olga Lipińska-Długosz, PhD for the position of a Member of the Management Board.

- on May 19, 2021, Ernest Podgórski, PhD resigned from the position of a Member of the Management Board of the Company, effective as of the date of the Ordinary General Shareholder Meeting of VRG S.A. approving the Company's financial statements for 2020. In connection with the above, the resignation of Ernest Podgórski, PhD entered into force with effect on the date of the Ordinary General Shareholder Meeting of VRG S.A. on June 28, 2021

- on July 22, 2021, Olga Lipińska-Długosz, PhD resigned from the position of a Member of the Management Board of the Company, effective August 31, 2021.

- on September 10, 2021, the Supervisory Board of the parent company adopted a resolution on dismissing Andrzej Jaworski, President of the Management Board, from the Management Board of the Company.

- on September 10, 2021, the Supervisory Board of the parent company adopted a resolution to appoint Ms. Marta Fryzowska to the Management Board of the Company as of January 1, 2022, entrusting her with the position of the Executive Vice-President of the Management Board. - on September 10, 2021, the Supervisory Board of the Company, pursuant to Art. 383 par. 1 of the Code Commercial Companies, adopted a resolution on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was effective until 10 December 2021.

- on November 4, 2021, the Supervisory Board of the parent company adopted a resolution on changing the date of appointment of Ms. Marta Fryzowska to the Management Board of the Company and entrusting her with the function of the Executive Vice-President of the Management Board of the Company, with effect from December 1, 2021, instead of the previous date January 1, 2022.

- on December 2, 2021, the Supervisory Board of the Company, pursuant to Art. 383 par. 1 of the Code of Commercial Companies, adopted a resolution on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was performed for the period from December 11, 2021 to March 11, 2022.

In the period from the balance sheet date, i.e. December 31, 2021 to the date of signing this report, the composition of the Management Board of the parent company changed as follows:

- on January 31, 2022, the Supervisory Board of the parent company adopted a resolution to recall Mr. Radosław Jakociuk from the composition of the Management Board of the Company and the function of Executive Vice-President of the Management Board.

- on February 18, 2022, the Supervisory Board of the Company adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Company as of June 1, 2022, entrusting him with the position of the President of the Management Board.
- on March 7, 2022, the Supervisory Board of the Company adopted a resolution pursuant to Art. 383 par. 1 of the Code of Commercial Companies on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation was performed for the period from March 12, 2022 to May 31, 2022.
- on April 1, 2022, the Supervisory Board of the Company adopted a resolution on amending the resolution of the Supervisory Board of the Company of February 18, 2022 on appointing Mr. Janusz Płocica to the Management Board of the Company and entrusting him with the function of the President of the Management Board of the Company in this manner, that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the Company and perform the function of the President of the Management Board, with effect from April 19, 2022, instead of the current date of June 1, 2022.
- on April 4, 2022, Mr. Jan Pilch, Deputy Chairman of the Supervisory Board, resigned from the function of delegation to temporarily perform the duties of the President of the Management Board, with effect on April 18, 2022.
- In connection with the submitted statement, Mr. Jan Pilch returns to the performance of his duties as a member of the Supervisory Board of the Company as of April 19, 2022.

As at the date of signing these financial statements, the composition of the Management Board of the parent company was as follows:

- Mr Jan Pilch – member of the Supervisory Board delegated to temporarily perform the functions of the President of the Management Board,
- Mr Michał Zimnicki – Executive Vice-President of the Management Board
- Ms Marta Fryzowska – Executive Vice-President of the Management Board

Rules of Management Board operations:

The Management Board of the Company is appointed by law to conduct the affairs of the Company and to represent it. The Management Board of the Company operates based on the provisions of applicable law, including, in particular, the Code of Commercial Companies and the Accounting Act, as well as in accordance with the provisions of the Company's Articles of Association. The implementation of the competences of the Company's Management Board is carried out with respect for the binding corporate governance rules.

The manner of operation of the Company's Management Board is determined by the provisions of the Articles of Association and the Regulations of the Management Board. Both documents are available on the Company's website at www.vrg.pl.

The Management Board of the Company consists of 3-6 people. The term of the Management Board lasts for three consecutive years. The number of Management Board members is determined by the Supervisory Board. The Supervisory Board appoints the Management Board. Members of the Management Board are appointed for a joint term in office. The President, Vice-President, Member of the Management Board or the entire Management Board may be dismissed by the Supervisory Board before the end of the term.

The Management Board of the Company, chaired by the President, manages the Company and represents it. All matters related to the running of the Company not reserved by law or the Articles of Association to the competence of the General Shareholder Meeting or the Supervisory Board belong to the scope of the Board's activities.

The Management Board Regulations specify in detail the mode of operation of the Management Board. Regulations are adopted by the Management Board and approved by the Supervisory Board.

Two members of the Management Board or one member of the Management Board together with a proxy are required to make statements on behalf of the Company.

Resolutions of the Management Board are adopted by an absolute majority of votes.

In the contract between the Company and a member of the Management Board, as well as in a dispute with him, the Company is represented by the Supervisory Board or a proxy appointed by resolution of the General Shareholder Meeting.

The Company adopted Regulations of the Management Board. The provisions of the Regulations will be described below.

The Management Board consists of 3-6 members appointed by the Supervisory Board for a period of three years. The Supervisory Board appoints members of the Management Board for a joint term in office.

Members of the Board perform their duties in person. The Management Board may be composed of persons from or outside of the shareholders.

The mandates of the Management Board members expire at the latest on the date of the General Shareholder Meeting of the Company approving the financial statements for the last full financial year of serving as a member of the Management Board. After the mandates have expired, the members of the Management Board may be re-appointed to the Management Board. Members of the Management Board may be dismissed at any time by the Supervisory Board before the end of the term in office.

Contracts of employment and other contracts with the Members of the Management Board of the Company may be concluded on behalf of the Company by the Supervisory Board or a proxy appointed by resolution of the General Shareholder Meeting. The same procedure applies to other legal transactions between the Company and Members of the Management Board.

The Management Board meets at least once a month. The President of the Management Board may set permanent dates of meetings of the Management Board.

The meeting of the Management Board is convened by the President, or during his absence by the member of the Management Board indicated by him.

At the duly justified request of a member of the Management Board, the meeting should be held no later than within 14 days from the date of the request.

Each member of the Management Board is required to present to the Management Board a matter requiring the adoption of a resolution of the Management Board.

In the notifications of meetings of the Management Board, the agenda should be given and the materials regarding matters covered by the agenda should be delivered.

If the President establishes fixed dates of meetings of the Management Board, the order of meetings is determined at the previous meeting of the Management Board, and materials regarding matters included in the agenda should be delivered on the date set by the President of the Management Board.

In case matters not included in the agenda, the Management Board may adopt a resolution if all members of the Management Board agree to vote on the resolution.

A meeting of the Management Board may also be held without being formally convened, provided that all members of the Management Board consent to the meeting and the agenda of such meeting.

Management Board members may also invite the meetings of the Management Board persons, in particular substantive employees of the Company or experts. Invitations are issued by the President of the Management Board on his/her own initiative or at the request of another member of the Management Board. Each member of the Management Board has the right to raise objections against participation in the meeting of persons from outside the Management Board, then the matter is decided by the Management Board in the form of a resolution.

For the resolutions of the Management Board to be valid, all members of the Management Board must be notified of the meeting. If the President sets fixed dates for meetings of the Management Board, they do not require separate convening and notifying members of the Management Board.

A Management Board member should be able to participate in each meeting using means of direct remote communication.

The resolutions of the Management Board of the Company are adopted by an absolute majority of votes cast by the members of the Management Board present at the meeting or with their participation in the case of resolutions adopted in writing or by means of direct remote communication. The absolute majority of votes means more votes "for" adopting a given resolution than votes "against" and "abstaining".

Each member of the Management Board is entitled to one vote.

The order of voting on individual draft resolutions submitted for a given item on the agenda is determined by the President of the Management Board.

The Management Board may adopt resolutions outside the meeting in writing or by using means of direct remote communication or in mixed mode.

It allows for voting and adopting resolutions in the following modes:

a) in writing, consisting in voting in writing by each member of the Management Board by signing the text of the draft resolution, with the indication for adopting the resolution, against the resolution or confirming abstention from voting; Written voting is ordered by the President of the Management Board, indicating the date of voting;

b) using means of direct remote communication (e.g. videoconference, telephone, participation using online communication platforms); voting in this mode is ordered by the President of the Management Board;

c) in mixed mode, by voting of the members of the Management Board present at the meeting and applying by some members of the Management Board the procedure specified in point (a). (b) above.

Members of the Management Board may participate in adopting resolutions by casting their vote in writing through another member of the Management Board.

In the event of a conflict of interests of the Company with the interests of a member of the Management Board, his spouse, relatives and relatives up to the second degree and persons with whom he is personally related, the member of the Management Board should disclose the conflict of interests and refrain from participating in resolving such matters and may request that it be marked in the minutes .

The scope of activities of the Management Board includes managing the entirety of the Company's operations, representing it outside, managing all the Company's affairs and managing its assets.

The Management Board is authorized to make decisions in all matters not reserved for the competence of other bodies of the Company.

A prior resolution of the Management Board is required to conduct the Company's affairs exceeding the scope of ordinary activities. Such matters include, among others:

1) convening General Shareholder Meetings, changes in the agendas of previously convened General Shareholder Meetings and cancelling General Shareholder Meetings;
2) submitting motions to the General Shareholder Meeting or the Supervisory Board, in particular in matters specified in § 17 or § 18 of the Regulations;
3) submitting a request to convene a meeting of the Supervisory Board;
4) adopting a strategy for the Company or the Company's capital group;
5) approval of the annual budget of the Company and changes in the already adopted budget of the Company above 10% of the value of the Company's budget;
6) approval of purchasing budgets for collections for individual brands of the Company and significant changes in the already adopted budget above 10% of its value;
7) adopting the Regulations of the Management Board and presenting them for approval by the Supervisory Board of the Company;
8) approval of the Organizational Regulations of the Company;
9) adopting the organizational structure of the Company;
10) adopting a resolution on the internal division of powers between members of the Management Board;
11) adopting the Work Regulations, Remuneration Regulations, Regulations of the Company Social Benefits Fund;
12) granting a procuration;
13) taking up or acquiring stocks or shares or other titles in profits in other companies;
14) creating or joining other entities;
15) disposal or encumbrance of stocks or shares or all rights and obligations in other companies owned by the Company;
16) purchase, sale or encumbrance of real estate, perpetual usufruct or a share in the real estate of the Company;
17) sale or encumbrance of the Company's trademarks;
18) conclusion of a credit, loan, surety or guarantee agreement for the liabilities of third parties and changes resulting in an increase in the amount of the liability or collateral;
19) establishing security on the Company's property components;
20) incurring a performance obligation or disposing of a law with a value in excess of PLN 350,000 (three hundred and fifty thousand) net (without VAT), the value of which is determined for fixed-term contracts for the entire period of their validity, while for contracts for a period of time indefinite for a twelve-month period;
21) approval of applications for the management of redundant fixed assets with a non-depreciated value above PLN 50,000 (fifty thousand) net (without VAT) or inventories in the part not covered by a write-down with a value of more than PLN 50,000 (fifty thousand) net (without VAT), including requests for copies of goods or materials lost, damaged or destroyed;

22) matters before being dealt with by at least one member of the Management Board objected.

The following actions by the Company require the consent of the Supervisory Board expressed in the form of a resolution:

a) purchase and sale of real estate, perpetual usufruct or an interest in real estate;

b) approval of the draft budget of the Company and significant changes in the already adopted budget of the Company above 10% of the value of the Company's budget;

c) concluding credit or loan agreements, except for loans in the capital group to which the Company belongs;

d) taking up, acquiring and selling stocks or shares of other companies.

Taking the above actions does not require a resolution of the General Shareholder Meeting.

The exercise by the Company of voting rights when adopting resolutions of the shareholders' meeting or resolutions of the General Shareholder Meeting of other commercial companies in which the Company participates as a partner or shareholder requires the consent of the Supervisory Board in the form of a resolution on the following matters:

a) examining and approving individual and consolidated financial statements as well as management reports on the activities of the company and its capital group for the previous financial year;

b) adopting resolutions on profit distribution or loss coverage;

c) acknowledging the fulfilment of duties by members of the company's governing bodies;

d) appointing and dismissing members of the company's governing bodies and determining the number of members of these governing bodies;

e) adopting resolutions on the issue of bonds, including convertible bonds and bonds with priority rights, and subscription warrants referred to in Art. 453 § 2 of the Commercial Companies Code;

f) adopting resolutions to amend the articles of association or articles of association, including changes to the subject of the company's activities and the increase or decrease of the share capital;

g) adopting resolutions on the redemption of shares and the terms of such redemption;

h) adopting resolutions on the sale or lease of the company's enterprise or an organized part thereof and the establishment of a limited property right thereon;

i) adopting resolutions on the sale or purchase of real estate, the right of perpetual usufruct or a share in the company's real estate;

j) establishing and changing the principles of remuneration or the amount of remuneration for members of the company's governing bodies;

k) merger, division or transformation;

l) liquidation of the Company.

Due to the competence of the Supervisory Board to approve the Company's budget, which should take place by December 31, before the beginning of the next financial year, the Management Board presents the Supervisory Board with the draft budget of the Company not later than by November 30, before the beginning of the next financial year. If the Company's budget is not approved by the indicated date, the Management Board acts on the basis of the Company's draft budget submitted to the Supervisory Board. The Supervisory Board has the right to submit comments to the presented budget of the Company, which should be considered by the Management Board within 14 days from the date of their submission to the Management Board, and within this period the revised budget draft should be re-presented to the Supervisory Board for approval.

In addition to other competences reserved by the Commercial Companies Code or the Company's Articles of Association to the General Meeting of Shareholders, taking the following action by the Company requires the consent of the General Meeting of Shareholders expressed in the form of a resolution:

granting consent to dispose of the Company's shares or stocks with a value in excess of PLN 25,000,000, including by pledging them or establishing other limited property rights, except for disposing to companies belonging to the Capital Group and with the exception of pledges and other limited property rights established for banks or institutions financing the Company or companies belonging to the Capital Group or in the case of securing bonds issued by the Company or companies belonging to the Capital Group.

The internal division of work of the members of the Management Board is determined by a resolution of the Management Board. On its basis, members of the Management Board supervise the work of their organizational units.

The President of the Management Board manages the work of the Management Board, chairs the meetings of the Management Board and coordinates the work of other members of the Management Board.

In the event of a temporary inability to perform the duties of the President of the Management Board, he is replaced by a member of the Management Board indicated by him. In the event that the President of the Management Board does not designate such a member of the Management Board, his powers in the field of organizing the work of the Management Board are performed by the Executive Vice-President who is directly responsible to the Financial Division, then the Executive Vice-President - to whom the Sales Division reports directly.

Amendments to the Regulations require a resolution of the Management Board approved by the Supervisory Board.

The Regulations were adopted by a Resolution of the Management Board of VRG S.A. No. 05/04/2021 of April 13, 2021 and approved by a resolution of the Supervisory Board of VRG S.A. 2 of June 22, 2021

2. SUPERVISORY BOARD

Composition of the Supervisory Board:

The Supervisory Board of the Company, in the light of the provisions of the Articles of Association of the Company and the Code of Commercial Companies, is the body supervising the activities of the Company.

At the balance sheet date of 31.12.2021 the Supervisory Board consisted of:

- Mr Mateusz Kolański – Chair of the Supervisory Board
- Mr Jan Pilch – Deputy-Chair of the Supervisory Board
- Mr Marcin Gomoła - Member of the Supervisory Board
- Mr Piotr Kaczmarek - Member of the Supervisory Board
- Mr Piotr Stępniak - Member of the Supervisory Board
- Mr Wacław Szary - Member of the Supervisory Board
- Mr Andrzej Szumański, Prof. - Member of the Supervisory Board

In 2021, the composition of the Company's Supervisory Board changed as follows:

– between January 1, 2021 and January 11, 2021 the composition of the Supervisory Board of the former term consisted of:
  - Mr Jerzy Mazgaj - Chair of the Supervisory Board,
  - Mr Piotr Kaczmarek- Member of the Supervisory Board,
  - Mr Piotr Stępniak- Member of the Supervisory Board,
  - Mr Jan Pilch – Member of the Supervisory Board,
  - Mr Ernest Podgórski, PhD - Member of the Supervisory Board
  - Mr Wacław Szary- Member of the Supervisory Board,
  - Mr Andrzej Szumański, Prof. - Member of the Supervisory Board;

- on January 11, 2021, Ernest Podgórski, PhD resigned from the position of a Member of the Supervisory Board of the Company with effect on January 11, 2021.

- on January 19, 2021, the Supervisory Board of the Company adopted a resolution on supplementing the composition of the Supervisory Board by co-option provided for in paragraph 22 sec. 3 of the Company's Articles of Association. Mr. Mateusz Kolański was appointed to the Supervisory Board of the parent company of the previous term of office. Mr. Mateusz Kolański was appointed Deputy Chair of the Supervisory Board of the previous term with effect from February 17, 2021. Extraordinary General Shareholder Meeting of the parent company on March 17, 2021, acting pursuant to paragraph 22 sec. 3 of the Company's Articles of Association, approved the above-mentioned co-option of Mr. Mateusz Kolański to the Supervisory Board of the Company, in connection with the resignation submitted by Mr. Ernest Podgórski.

- On June 28, the Ordinary General Shareholder Meeting of the Company adopted resolutions according to which the following were appointed to the composition of the 7-person Supervisory Board of the parent company for the new term of office:

  - Mr Andrzej Szumański, Prof.
  - Mr. Piotr Kaczmarek

- Mr. Piotr Stępniak
- Mr. Mateusz Kolański
- Mr. Jan Pilch
- Mr. Wacław Gray
- Mr. Marcin Gomoła.

At the meeting on July 13, 2021, the Supervisory Board of the new term of office in the above composition, appointed Mr. Mateusz Kolański as the Chair of the Supervisory Board and appointed Mr. Jan Pilch as the Deputy Chair of the Supervisory Board.

In the period from the balance sheet date, i.e. December 31, 2021 to the date of signing this report, the composition of the Company's Supervisory Board has not changed.

As at the date of signing these financial statements, the composition of the Supervisory Board of the Parent Company was as follows:

- Pan Mateusz Kolański - Chair of the Supervisory Board
- Pan Jan Pilch – Deputy-Chair of the Supervisory Board
- Pan Piotr Kaczmarek - Member of the Supervisory Board
- Pan Marcin Gomoła - Member of the Supervisory Board
- Pan Piotr Stępniak - Member of the Supervisory Board
- Pan Wacław Szary - Member of the Supervisory Board
- Pan Prof. Andrzej Szumański - Member of the Supervisory Board.

Rules of Supervisory Board operations:

The Supervisory Board is appointed by law to exercise supervision in all aspects of the Company's operations. The Supervisory Board of the Company conducts its activity based on the provisions of applicable law, in particular the Code of Commercial Companies, as well as in accordance with the provisions of the Company's Articles of Association. Implementation of the Supervisory Board's competences also takes place with respect to the binding corporate governance rules.

The manner of operation of the Company's Supervisory Board was determined by the provisions of the Articles of Association and the Regulations of the Supervisory Board. Both documents were placed on the Company's website at www.vrg.pl.

The Supervisory Board consists of 5 - 7 members. The term of office of the Supervisory Board lasts three years. The number of members of the Supervisory Board shall be determined by the General Meeting. Members of the Supervisory Board are appointed and recalled, subject to the provisions of § 22 para. 3 and 4 of the Company’s Articles of Association, by the General Shareholder Meeting for a joint term in office.

The Supervisory Board elects the Chair of the Supervisory Board and his Deputy from among its members, and, as the need arises, also the Secretary of the Supervisory Board. The Chair of the Supervisory Board convenes meetings of the Supervisory Board and chairs them. The Chair of the Supervisory Board of the previous term convenes and opens the first meeting of the newly elected Supervisory Board and chairs it until the Chairman is elected. The Supervisory Board may dismiss the Chair, his Deputy and the Secretary of the Supervisory Board.

The Supervisory Board holds meetings at least once a quarter. The Chairman of the Supervisory Board or his Deputy is also obliged to convene a meeting of the Supervisory Board within two weeks from the date of receipt of a written request to convene a meeting of the Supervisory Board included in the motion of the Management Board or a member of the Supervisory Board.

The Supervisory Board may adopt resolutions:

- at meetings,
- in writing,
- using means of direct remote communication,
- in writing or by means of direct remote communication.

Adoption of a resolution in writing or with the use of means of direct remote communication is ordered by the Chairman of the Supervisory Board.

A member of the Supervisory Board may participate in the adoption of resolutions of the Supervisory Board by casting his/her vote in writing via another member of the Supervisory Board.

A resolution of the Supervisory Board may be adopted in writing by signing a draft resolution by the each member of the Supervisory Board, indicating the date of voting and determining whether they vote for the resolution, against the resolution or abstain. Failure by a member of the

Supervisory Board to sign a draft resolution and to send it signed in the above manner within 5 days from the date of sending the draft to the address provided by the Member of the Supervisory Board shall be deemed to be abstention.

For the validity of resolutions of the Supervisory Board, it is required to invite all members of the Supervisory Board to the meeting, and in the case of resolutions adopted in writing or using means of direct remote communication - notifying all members of the Supervisory Board about the contents of the draft resolution.

It is possible to hold a meeting of the Supervisory Board:

(i) by teleconference in such a way that all participants may communicate with one another by means of telecommunications; or

(ii) in mixed mode, in such a way that some members of the Supervisory Board are present at the meeting and some participate in it by teleconference in such a way that all participants can communicate with each other using telecommunications means.

The minutes of such a meeting are signed by the Chairman of the Supervisory Board, and in the case of mixed mode, also by members of the Supervisory Board who are present at the meeting.

Voting on the resolutions of the Supervisory Board may take place with the use of the electronic system of casting and counting votes.

The Supervisory Board may hold a meeting without being formally convened, if all members of the body are present and no one objects to holding the meeting in this manner.

The Supervisory Board adopts resolutions by an absolute majority of votes, in the presence or (in the case of resolutions adopted in writing or using means of direct remote communication) with the participation of at least half of the members of the Supervisory Board. In the event of an equal number of votes for and against a resolution of the Supervisory Board - the casting vote is that of the Chair of the Supervisory Board.

Unless the content of the resolution provides otherwise, the resolution of the Supervisory Board shall enter into force on the date of its adoption. Adoption of a resolution in writing by signing the draft resolution by individual members of the Supervisory Board indicating the date of voting and specifying whether they vote for the resolution, against the resolution or abstain from voting upon its signing by all members of the Supervisory Board or after 10 days from the date of sending the draft resolution to the members of the Supervisory Board.

The Supervisory Board may adopt, amend or repeal its regulations specifying the mode of its operation.

The Supervisory Board exercises permanent supervision over the activities of the Company.

Special powers of the Supervisory Board include:

a) examination and evaluation of the financial statements for the previous financial year,

b) examination and evaluation of the Management Board's report on the Company's operations and the Management Board's motions regarding the distribution of profit or loss coverage,

c) submitting to the General Shareholder Meeting an annual written report on the results of the evaluation referred to in the previous items 1 and 2,

d) submitting to the General Shareholder Meeting a concise written assessment of the Company's standing, attached to the annual report which is made public;

e) suspending the Management Board member or the entire Management Board for important reasons,

f) delegating a member of the Supervisory Board, provided that this does not violate the provisions of § 17 section 1 of the Statute of the Company, to temporarily perform the functions of members of the Management Board unable to perform their duties,

g) approving the regulations of the Management Board of the Company,

h) determining remuneration for Members of the Management Board,

i) selection of an auditor who audits the financial statements,

j) issuing opinions on applications for the redemption of the Company's shares;

k) expressing consent to the purchase and sale by the Company of real estate or an interest in real estate;

l) adopting in the form of a resolution for the internal purposes of the Company the uniform text of the Articles of Association prepared by the Management Board of the Company;

m) adopting, amending and revoking the regulations of the Supervisory Board specifying the detailed mode of its operation;

n) preparing and presenting once a year to the Ordinary General Shareholder Meeting of the Company a concise evaluation of the situation of the Company, taking into account the evaluation of the internal control system and the significant risk management system;

o) making and presenting to the Annual General Shareholder Meeting once a year an assessment of the work of the Supervisory Board;

p) considering and giving opinions on matters to be the subject of resolutions of the General Shareholder Meeting;

q) expressing consent to the conclusion by the Company of a significant transaction/agreement with a related party. The above obligation does not apply to typical transactions concluded on an arm's length basis as part of the operating activities conducted by the Company with a subsidiary in which the company holds a majority shareholding. A related party is an entity that meets the definition of a related party within the meaning of the accounting regulations applicable to the Company;

r) periodic assessment of transactions concluded on market terms as part of the Company's ordinary activities in accordance with the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies;

s) assessing whether it is necessary to first consult an external entity that will carry out the valuation of the transaction with a related party and analyze its economic effects, if the transaction made by the Company with a related party requires the consent of the Supervisory Board;

t) expressing an opinion on the legitimacy of concluding a transaction with a related entity and the need to first consult an external entity that will evaluate this transaction and analyze its economic effects, if the conclusion of a transaction by the Company with a related entity requires the consent of the General Meeting;

u) other competences delegated by the Company's Articles of Association or a resolution of the General Shareholder Meeting of the Company;

v) giving opinions on draft resolutions put on the agenda of the General Shareholder Meeting by the Management Board.

The following activities require the consent of the Supervisory Board expressed in the form of a resolution:

a) purchase and sale of real estate, perpetual usufruct or an interest in real estate;

b) approval of the draft budget of the Company and significant changes in the already adopted budget of the Company above 10% of the value of the Company's budget;

c) concluding credit or loan agreements, except for loans in the capital group to which the Company belongs;

d) taking up, acquiring and selling stocks or shares of other companies.

Taking the above actions does not require a resolution of the General Shareholder Meeting.

Exercise by the Company of voting rights when adopting resolutions of the shareholders' meeting or resolutions of the General Meeting of other commercial companies in which the Company participates as a partner or shareholder requires the consent of the Supervisory Board in the form of a resolution on the following matters:

a) examining and approving individual and consolidated financial statements as well as management reports on the activities of the company and its capital group for the previous financial year;

b) adopting resolutions on profit distribution or loss coverage;

c) acknowledging the fulfillment of duties by members of the company's governing bodies;

d) appointing and dismissing members of the company's governing bodies and determining the number of members of these governing bodies;

e) adopting resolutions on the issue of bonds, including convertible bonds and bonds with priority rights, and subscription warrants referred to in Art. 453 § 2 of the Code of Commercial Companies;

f) adopting resolutions to amend the Articles of Association, including changes to the subject of the company's operations and the increase or decrease of the share capital;

g) adopting resolutions on the redemption of shares and the terms of such redemption;

h) adopting resolutions on the sale or lease of the company's enterprise or an organized part thereof and the establishment of a limited property right thereon;

i) adopting resolutions on the sale or purchase of real estate, the right of perpetual usufruct or a share in the company's real estate;

j) establishing and changing the principles of remuneration or the amount of remuneration for members of the company's governing bodies;

k) merger, division or transformation;

l) liquidation of the Company.

The Supervisory Board should approve the Company's budget by December 31, before the beginning of the next financial year. The Management Board presents the Supervisory Board with the draft budget of the Company no later than by November 30, before the beginning of the next financial year. If the Company's budget is not approved by the indicated date, the Management Board acts on the basis of the Company's draft budget submitted to the Supervisory Board. The Supervisory Board has the right to submit comments to the presented budget of the Company, which should be considered by the Management Board within 14 days from the date of their submission to the Management Board, and within this period the revised budget draft should be re-presented to the Supervisory Board for approval. The Supervisory Board may dispose of the budget specified by the General Meeting, within which legal services should be provided.

The purchase and sale of real estate, perpetual usufruct or an interest in real estate requires the consent of the Supervisory Board. Taking the above-mentioned actions does not require a resolution of the General Shareholder Meeting.

Members of the Supervisory Board exercise their rights and obligations in person.

The rules and amount of remuneration for members of the Supervisory Board are determined by the General Shareholder Meeting, with the provision that the remuneration of members of the Supervisory Board delegated to temporarily perform the duties of members of the Management Board is determined by a resolution of the Supervisory Board.

In the event of resignation or death of a Supervisory Board member, the Supervisory Board may supplement its composition by co-opting a new member for the period until the end of its joint term of office.

The resolution of the Supervisory Board on co-opting is subject to approval by the next General Shareholder Meeting.

Remuneration of members of the Supervisory Board delegated to temporarily perform the duties of members of the Management Board is determined by a resolution of the Supervisory Board.

The Company has adopted the Regulations of the Supervisory Board. The provisions of these Regulations are described below.

The number of members of the Supervisory Board is determined by the General Shareholder Meeting. Members of the Supervisory Board may not be members of the Management Board of the Company, employees of the Company holding the position of an accountant, legal advisor and other employees reporting directly to a member of the Management Board, proxies, as well as the Company's liquidator or liquidators. Also, members of the Management Board and liquidators of subsidiaries of the Company cannot be members of the Supervisory Board.

A member of the Supervisory Board should have appropriate knowledge and experience and be able to devote the necessary amount of time to the performance of his/her duties. A member of the Supervisory Board should take appropriate steps to ensure that the Supervisory Board receives information on important matters relating to the Company.

Members of the Supervisory Board in the scope of their functions and duties in the Supervisory Board are guided in their actions, including decision-making, independence of their own opinions and judgments, acting in the interest of the Company, in particular:

1.not accept unjustified benefits that could adversely affect the assessment of the independence of his opinions and judgments,

2. expressly raise objection and separate opinion if it is found that the decision of the Supervisory Board is contrary to the interest of the Company and demand that it be included in the minutes of the meeting.

Each member of the Supervisory Board provides the Management Board with information on any relationship with a shareholder holding at least 5% of the total number of votes in the Company. "Relationships" are understood as economic, family or other relationships that may affect the position of the Supervisory Board member in a matter resolved by the Supervisory Board.

A Supervisory Board member should avoid taking up professional or non-professional activity that could lead to a conflict of interest or adversely affect his reputation as a member of the Company's governing body, and should disclose it immediately in the event of a conflict of interest.

A member of the Supervisory Board informs the Supervisory Board of any conflict of interest that has arisen or the possibility of its emergence, and is not involved in considering any matter in which a conflict of interest may arise in relation to his person. Each member of the Supervisory Board is obliged to notify the Supervisory Board in advance of their intention to: (i) submit an offer to the Company, (ii) enter into proceedings related to the conclusion of any contract or (iii) conclude an agreement with the Company by a member of the Supervisory Board or an entity related to member of the Supervisory Board. After receiving the above notification, the Supervisory Board takes the necessary steps to avoid a conflict of interest.

If during the term of office the personal composition of the Supervisory Board is reduced due to the death or resignation of a Supervisory Board member, the Supervisory Board, acting in accordance with the provisions of § 22 sec. 3 of the Articles of Association of the Company, may supplement its composition by co-opting a new member for the period until the end of its joint term of office. The resolution of the Supervisory Board on co-opting is subject to approval by the next General Shareholder Meeting. If during the term of office the personal composition of the Supervisory Board is reduced and the Supervisory Board does not exercise the right referred to in § 22 sec. 3 of the Articles of Association, the Chair of the Supervisory Board submits a request to the Management Board of the Company to immediately convene the General Shareholder Meeting of the Company with the agenda including adopting a resolution of the General Shareholder Meeting on supplementing the composition of the Supervisory Board. A member of the Supervisory Board should not resign from his function if this could adversely affect the ability of the Supervisory Board to act, including adopting resolutions.

The Supervisory Board elects from among its members the Chair, the Deputy-Chair and, if necessary, also the Secretary. The term of office of the persons performing the above-mentioned functions ends on the day of the end of the term of office of the outgoing Supervisory Board, however, the Chair of the outgoing Supervisory Board convenes the first meeting of the newly elected Supervisory Board and chairs the meeting until the Chair is elected. The Chair, Deputy-Chair and the Secretary may be dismissed before the end of the term of office.

The Supervisory Board exercises permanent supervision over the activities of the Company. The Supervisory Board performs its tasks:

a) at meetings of the Supervisory Board,

b) through current and ad hoc supervisory and control activities, in the performance of which it may:

- review each department of the Company's activities,
- demand reports and explanations from the Management Board and employees of the Company,
- audit the state of the Company's assets,
- perform financial control of the Company,
- check books and documents,
- oblige the Management Board to commission experts to prepare expert opinions and opinions for the use of the Supervisory Board, if a given problem requires special knowledge, qualifications, specialized activities or the assessment of an independent expert.

The Supervisory Board ensures that the applicable regulations related to the rotation of the auditing company and the key statutory auditor as well as obligatory grace periods are complied with in the Company.

Members of the Supervisory Board should participate in the sessions of the General Shareholder Meeting in a composition enabling them to provide substantive answers to questions asked during the General Shareholder Meeting.

Notification of the planned meeting of the Supervisory Board should be sent by registered mail, by fax or by e-mail to the addresses, fax numbers or e-mail addresses of the Supervisory Board members indicated by them as appropriate for the delivery of any materials to the meetings of the Supervisory Board, at least seven days before its due date. For important reasons, the Chair of the Supervisory Board may shorten this period. The notification should specify the date, place and agenda of the meeting. If all members of the Supervisory Board are present at a given meeting, an effective way of notification is also the oral notification by the Chair of the Supervisory Board of the date, place and agenda of the next meeting, recorded in the minutes of the Supervisory Board meeting, at which the notification in the above form was issued.

The agenda during the meeting to which it relates may be changed or supplemented only in cases when all members of the Supervisory Board are present and consent to it, or when it is necessary to protect the Company from damage or when the subject of the resolution is be to assess whether there is a conflict of interest between the members of the Supervisory Board and the Company.

For the resolutions of the Supervisory Board to be valid, all members of the Supervisory Board must be invited.

The meetings of the Supervisory Board are convened by the Chair or his Deputy. Meetings of the Supervisory Board are also convened at the request of the Management Board or a member of the Supervisory Board. A request to convene a meeting of the Supervisory Board should be presented with the proposed agenda as well as indication of members of the Management Board and other persons whose participation in the meeting is justified due to the issues to be considered by the Supervisory Board.

The Deputy Chair may convene Supervisory Board meetings only in a situation where the Chair cannot exercise this right due to random events directly related to him/her, preventing the performance of the activities of convening the Supervisory Board meeting, and only with the prior written consent of all other Supervisory Board members (including in including the Deputy Chair). The meeting should be held within two weeks from the date of submitting the request. If the meeting is called by the Chair, the Deputy Chair is not entitled to convene the Supervisory Board meeting, and the previously convened Supervisory Board meeting by the Deputy Chairman is canceled.

Meetings of the Supervisory Board should be held at least once a quarter. The session is chaired by the Chair, and in his absence, by the Deputy Chair. Meetings of the Supervisory Board are held at the registered office of the Company or at any other place indicated in the notification of convening the meeting of the Supervisory Board.

The meetings of the Supervisory Board may be attended by members of the Management Board and relevant employees of the Company and other persons, if invited.

The votes of the Supervisory Board are open, unless the law stipulates otherwise.

The meetings of the Supervisory Board are minuted. The protocol should include:

a) date and place of the meeting,

b) name list of members of the Supervisory Board and other persons present at the meeting,

c) adopted agenda,

d) content of the adopted resolutions together with the number of votes cast for individual resolutions, content of separate opinions or objections raised to the resolutions or voting provisions.

At the meetings of the Supervisory Board, decisions are made in the form of:

a) resolutions,
b) motions and opinions for the General Shareholder Meeting,
c) post-inspection recommendations,
d) conclusions and recommendations to the Management Board of the Company.

Supervisory Board resolutions are numbered consecutively as part of a given Supervisory Board meeting. Resolutions are signed by all members of the Supervisory Board participating in the meeting.

The minutes are signed by all members of the Supervisory Board participating in the meeting and the secretary or the Chair of the Supervisory Board and the secretary, attaching the attendance list.

The minutes of the meeting by teleconference are signed by the Chair of the Supervisory Board, and in the case of mixed mode, also by members of the Supervisory Board who are present at the meeting.

Original copies of the minutes of the Supervisory Board meeting along with attachments are kept in the book of minutes of the Supervisory Board. The book of minutes is kept at the registered office of the Company. At the request of a member of the Supervisory Board, the Company issues copies of the minutes and individual resolutions.

The Supervisory Board may appoint permanent or ad hoc committees, acting as collective advisory and opinion-making bodies of the Supervisory Board, including the Audit Committee and the Nomination and Remuneration Committee.

The Committee is appointed by the Supervisory Board by a resolution from among its members, and in the case of the Audit Committee, the majority of its members must meet the independence criteria referred to in Art. 129 sec. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight, and moreover, at least one member of the Audit Committee must have knowledge and skills in the field of accounting or auditing of financial statements. Members of the Audit Committee should also have knowledge and skills in the industry in which the Company operates, and this condition is deemed to be met if at least one member of the Audit Committee has knowledge and skills in this industry or individual members in certain areas have knowledge and skills. in the field of this industry.

The committees elect the Chair of the committee from among their members, and in the case of the Audit Committee, its Chair must meet the independence criteria referred to in Art. 129 sec. 3 of the Act on statutory auditors, audit firms and public supervision.

The committee is composed of three to five members.

The Chair of the committee manages the work of the committee. He/she also supervises the preparation of the agenda. Committee meetings are convened by the Committee Chair, who invites members of the committee to meetings and notifies all other Supervisory Board members about the meeting. All members of the Supervisory Board have the right to participate in committee meetings. The Chair of the committee may invite members of the Management Board, employees of the Company and other persons whose participation in the meeting is useful for the performance of the committee's tasks to its meetings. The notification about convening a committee meeting should be delivered to the members of the committee and other members of the Supervisory Board no later than 7 days before the committee meeting, and in urgent matters no later than 1 day before the committee meeting. The Committee may hold a meeting without formal notification, provided that all members of the Committee consent to the meeting and the proposed agenda. The meetings of the Committee are opened and chaired by its Chair, and in his absence, by another member of the Committee indicated by the Chair. Committee members may vote on the adoption of resolutions in person, by taking part in a committee meeting, or by using means of remote communication. The resolutions of the Committee may also be adopted by circulation, with the use of means of direct remote communication. Resolutions adopted in this manner are valid if all members of the Committee have been notified of the content of the draft resolution. Committee resolutions are adopted by a simple majority of votes cast. In the event of a vote with an equal number of votes "for" and "against", the Chair of the committee has the casting vote. The committees submit a report on their activities to the Supervisory Board at least once a year, on the date of approval of the annual reports.

The obligation of the Audit Committee to operate applies to the Supervisory Board, which includes six members of the Supervisory Board. If the Supervisory Board is composed of five members, the tasks of the Audit Committee may be performed by the entire Supervisory Board.

The Supervisory Board may decide to appoint a standing Nomination and Remuneration Committee. The Nomination and Remuneration Committee advises the Supervisory Board on the appropriate development of the Company's policy in the field of employment and remuneration of members of the Company's Management Board.

Currently, a permanent Audit Committee and a permanent Nomination and Remuneration Committee operate within the Supervisory Board. The operating costs of the Supervisory Board are covered by the Company.

The Supervisory Board uses the Company's office premises, equipment and materials. The administrative and technical support for the Supervisory Board is provided by the Company's Management Board Office.

Members of the Supervisory Board receive remuneration determined by the General Shareholder Meeting.

Members of the Supervisory Board are obliged to familiarize themselves with the principles of corporate governance resulting from the adopted by the Supervisory Board of the Warsaw Stock Exchange. Resolution No. 13/1834/2021 of March 29, 2021 "Best Practices of WSE Listed Companies 2021".

Members of the Supervisory Board exercise their rights and obligations in person and are obliged to participate in the meetings of the Supervisory Board. The Supervisory Board may delegate its members to individually perform specific supervisory activities, including participation, depending on the needs, in the meetings and works of the Management Board.

3. AUDIT COMMITTEE ACTING WITHIN THE SUPERVISORY BOARD

Composition of the Audit Committee:

As part of the Supervisory Board of the Company in the financial year 2021, the Audit Committee operated as a permanent collegial and advisory body of the Supervisory Board. The Audit Committee was appointed by way of a resolution of the Company's Supervisory Board of May 14, 2012, pursuant to art. 86 of the Act of May 7, 2009 on statutory auditors and their self-government, entities authorized to audit financial statements and on public supervision.

At the balance sheet date of December 31, 2021 the Audit Committee composed of.

- Mr Marcin Gomoła – Chair of the Audit Committee
- Mr Piotr Kaczmarek – Member of the Audit Committee
- Mr Jan Pilch – Member of the Audit Committee
- Mr Piotr Stępniak – Member of the Audit Committee
- Mr Wacław Szary – Member of the Audit Committee.

The composition of the Audit Committee in 2021 was subject to the changes described below. In the period from January 1, 2021 to January 11, 2021, the Audit Committee was composed of.

- Mr Wacław Szary – Chair of the Audit Committee
- Mr Piotr Kaczmarek – Member of the Audit Committee
- Mr Jan Pilch – Member of the Audit Committee
- Mr Ernest Podgórski, PhD – Member of the Audit Committee

- Mr Piotr Stępniak – Member of the Audit Committee.

In connection with the resignation of Mr Ernest Podgórski, PhD from the position of a Member of the Supervisory Board of the Company, submitted on January 11, 2021, which resulted in the termination of his membership in the Audit Committee, in the period from January 11, 2021 to July 13, 2021, The Audit Committee consisted of:

- Mr Wacław Szary – Chair of the Audit Committee
- Mr Piotr Kaczmarek – Member of the Audit Committee
- Mr Jan Pilch – Member of the Audit Committee
- Mr Piotr Stępniak – Member of the Audit Committee.

Then, at the meeting on July 13, 2021, the Supervisory Board of the new term of office, in the composition determined on the basis of the resolutions of the Ordinary General Shareholder Meeting of June 28, 2021, elected the Audit Committee in the following composition:

- Mr Marcin Gomoła – Member of the Audit Committee.
- Mr Piotr Kaczmarek - Member of the Audit Committee.
- Mr Jan Pilch - Member of the Audit Committee.
- Mr Piotr Stępniak - Member of the Audit Committee.
- Mr Wacław Szary - Member of the Audit Committee.

At its first meeting on July 13, 2021, the Audit Committee appointed Mr. Marcin Gomoła to the position of the Chair of the Audit Committee. Therefore, from July 13, 2021 to the balance sheet date of December 31, 2021, the Audit Committee operated in the following composition:

- Mr Marcin Gomoła – Chair of the Audit Committee
- Mr Piotr Kaczmarek - Member of the Audit Committee.
- Mr Jan Pilch - Member of the Audit Committee.
- Mr Piotr Stępniak - Member of the Audit Committee.
- Mr Wacław Szary - Member of the Audit Committee.

In the period from the balance sheet date, 31 December 2021 to the date of approval of these financial statements, the above composition of the Audit Committee did not change.

Rules of Audit Committee operations:

Rules of operation of the Audit Committee (hereinafter: "the Committee") are determined by the provisions of § 15, 16, 17, 18 and 19 of the Regulations of the Supervisory Board, which is available on the Company's website at www.vrg.pl.

The Audit Committee advises the Supervisory Board on the proper implementation of principles of budgetary and financial reporting, internal control of the Company and matters related to cooperation with auditing companies and the Company's auditors.

In particular, the Committee's tasks include:

a) monitoring of:
    1. financial reporting process,
    2. the effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting,
    3. performing financial auditing activities, in particular conducting an audit by the audit company, including all applications and findings of the Audit Oversight Commission resulting from audits carried out in the auditing company;
b) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the audit firm provides services other than audit to the public interest entity
c) informing the Supervisory Board about the results of the audit and explaining how this research contributed to the reliability of financial reporting in the public interest unit, and what was the role of the audit committee in the audit process;
d) assessing the independence of the auditor and consenting to the provision of permitted non-audit services to the public interest entity;
e) developing a policy for selecting an audit firm to conduct the audit and submitting it to the Supervisory Board for approval;
f) development of a policy by the audit firm conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services;
g) determining the procedure for the selection of an audit firm by a public interest entity;

h) presenting recommendations to the Supervisory Board regarding the selection of the audit firm referred to in art. 16 sec. 2 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on detailed requirements regarding statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909 / EC, in accordance with the policies referred to in in point d) and point e);
i) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the public interest entity.

In justified cases, the Committee may use the assistance of experts. Meetings of the Committee should be held at least once every three months, before the Company publishes its financial statements.

The President of the Management Board, high-level employees responsible for particular functions, the chief accountant and the auditor who has recently examined the financial report or the auditor currently examining the Company's financial statements may take part in the Audit Committee's meetings.

The Audit Committee should submit to the Supervisory Board a report on its activities at least once a year, by the date of approving the annual reports. The Audit Committee may request that the key statutory auditor discuss with the Audit Committee, the management board or the Supervisory Board, or the key statutory auditor may request the discussion with the Audit Committee, the Management Board or the Supervisory Board of key audit issues that were mentioned in the additional report referred to in in art. 11 of Regulation No. 537/2014. Additional report of the audit firm or statutory auditor for the Audit Committee referred to in art. 11 of Regulation No. 537/2014, is submitted to the Supervisory Board and the management board. The Audit Committee may provide an additional report to the Audit Committee to the General Shareholder Meeting.

The Supervisory Board is obliged to ensure, if such a need arises, to immediately complete the composition of the Committee to the one set forth in § 16 para. 4 of the Regulations of the Supervisory Board as a minimum. The Audit Committee may, without mediation of the Supervisory Board, request information, explanations and transfer of documents necessary to perform its tasks.

The Committee should be informed on the written request of the program of work of the certified auditor who audits the Company's financial statements and receive a report from that expert, including a description of all relations between the expert and the Company or its group. The Committee should receive information in a timely manner regarding issues arising from the audit.

In the case of the Audit Committee, the majority of its members, including the chair, must meet the independence criteria referred to in art. 129 par. 3 of the Act on certified auditors, and at least one member of the Audit Committee must have knowledge and skills in the field of accounting or auditing of financial statements. The members of the Audit Committee should also have knowledge and skills in the industry in which the Company operates, and this condition is deemed met if at least one member of the Audit Committee has knowledge and skills in this industry or individual members in certain areas have the knowledge and skills in this industry.

The following members of the Audit Committee met or continue to meet the independence criteria as defined in Art. 129 sec. 3 of the Act on Statutory Auditors: Mr. Marcin Gomoła, Mr. Piotr Kaczmarek, Mr. Jan Pilch (in the period until September 9, 2021), Mr. Ernest Podgórski, PhD, Mr. Piotr Stępniak, Mr. Wacław Gray. Knowledge and skills in the field of accounting were possessed, in particular, by the members of the Audit Committee in the following persons: Mr. Marcin Gomoła, Mr. Piotr Kaczmarek, Mr. Ernest Podgórski, PhD, Mr. Piotr Stępniak and Mr. Wacław Gray. The members of the Audit Committee acquired the knowledge and skills in the above scope by obtaining education in the field of economics and related sciences as part of higher education, postgraduate studies, specialized courses and training, and through professional experience related to performing functions in management and supervisory bodies of companies (including performing the function of a member of the Audit Committee of these bodies). Information on the education and professional experience of these members of the Audit Committee was published in current reports:

- Mr Marcin Gomoła – current report No 41/2021 dated June 22, 2021;
- Mr Ernest Podgórski, PhD - current report No 33/2020 dated June 29, 2020 and current report No 5/2021 dated January 11, 2021;
- Mr Piotr Kaczmarek – current report No 32/2019 dated June 10, 2019 and current report No 32/2021 dated May 27, 2021;
- Mr Piotr Stępniak – current report No 8/2020 dated February 14, 2020, current report No 10/2020 dated February 18, 2020 and current report No 33/2021 dated May 27, 2021;
- Mr Wacław Szary – current report No 33/2020 dated June 29, 2020 and current report No 41/2021 dated June 22, 2021.

The knowledge and skills in the industry in which the Company operates were possessed or are held, respectively, by the members of the Supervisory Board in the persons of Mr. Jan Pilch and Mr. Piotr Kaczmarek. Mr. Jan Pilch gained knowledge in the field of the industry, among others as the founder and long-term Executive Vice President of the Management Board of Artman S.A. based in Cracow, listed on the Warsaw Stock Exchange in 2004-2009, where he was responsible for areas related to strategic management. In the years 1991-2004 he worked at Artman Spółka Akcyjna (until 2003 Artman Sp.z o.o.) as Executive Vice President of the Management Board, in the years 2004-2009 as

Executive Vice President of the Management Board. In addition, Mr. Jan Pilch in the past performed, among others, the functions of the Chair of the Supervisory Board of Simple Creative Products, the Chair of the Supervisory Board of Gino Rossi S.A. Moreover, Mr. Jan Pilch was the Chair of the Supervisory Board of Bytom S.A. from December 2010 to November 2018, Mr. Piotr Kaczmarek gained knowledge of the industry by continuously serving as a member of the Supervisory Board of the Company from June 2019.

In 2021, the Audit Committee held 14 meetings, the main topics of which were: the scope, course and methodology of the auditor's work related to the review and audit of the Company's separate and consolidated financial statements and the audit of the financial statements of W.KRUK S.A. and DCG S.A. subsidiaries, reviews of the internal control and risk management system in terms of ensuring that the main strategic, operational and financial risks are properly identified and managed, monitoring and assessment of the activities of the internal audit unit operating within the organizational structure of the Company, detailed analysis of individual projects and consolidated financial statements included in the published periodic reports of the Company, obtaining additional information and explanations about them from the Management Board of the Company and indicating the need to introduce any corrections, additional explanations or comments, assessment of the independence of the audit firm and members of the team performing the review and audit of the unit and consolidated financial statements of the Company for 2020, conducting an audit of the report of the Management Board of VRG S.A. on the Company's activities in 2020, the Company's separate financial statements for 2020, the Company's Management Board's report on the activities of the Company's Capital Group in 2020 and the Company's consolidated financial statements for 2020, and on the basis of its results, the Company's Supervisory Board adopting a positive recommendation and assessment of the examination of the above-mentioned reports and recommendations regarding the motion of the Supervisory Board to the Ordinary General Shareholder Meeting of the Company for their approval, examination of the costs of representation and business travel costs of members of corporate bodies from the VRG S.A. Capital Group, examination of reported cases of violations under the anonymous whistleblowing procedure in the Company's Capital Group, monitoring the implementation of audit tasks by the Company's internal audit department under the adopted internal audit plan in the Company's Capital Group for 2021; analysis of the compliance function in the Company, supervision of the method of managing the inventory of clothing goods, analysis of the adequacy of purchasing procedures for the needs of the proper implementation of purchasing budgets in the Company and analysis of the application of the rules of making write-downs adopted in the Company based on the statistical model adopted by the Management Board. Apart from the plenary sessions, the Committee also adopted resolutions by written voting in the scope of the above-mentioned topics.

The Audit Committee developed and adopted in the form of a resolution the amended procedure for selecting an audit firm to audit financial statements. After conducting, in accordance with the above-mentioned procedure, the procedure for selecting an audit company, in the form of a resolution, the Audit Committee presented the Supervisory Board of VRG SA with a recommendation to select the audit company Grant Thornton Polska Spółka z o. o. limited partnership for the purpose of carrying out the statutory audit of VRG S.A. financial statements. and the VRG S.A. Capital Group in 2021, 2022 and 2023.

The main points of the policy of selecting an audit firm to audit financial statements developed by the Audit Committee and adopted for application in the Company include the following principles and provisions:

1) The Company, in accordance with applicable law, submits its individual and consolidated financial statements to a review and examination carried out by an auditing company.

2) The selection of an entity authorized to audit the Company's financial statements should be carried out on the basis of the following principles:

1. The audit firm authorized to audit and review the separate and consolidated financial statements of the Company and the Capital Group of the Company is selected by the Supervisory Board of the Company after presenting the recommendations of the audit committee. The decision to select an audit firm is made in the form of a resolution of the Supervisory Board.

2. When selecting an audit firm, the Supervisory Board of the Company pays attention to:

i. The number of statutory auditors employed by the audit firm and their professional qualifications, experience and skills, in particular the statutory auditor who is to perform the function of the key statutory auditor and the audit team;

ii. Experience of an audit company - taking into account the revenues obtained in the last 3 years from auditing public interest entities;

iii. Experience of an audit company in the scope of auditing financial statements of companies listed on the regulated market of the Warsaw Stock Exchange;

iv. Scope of the offered liability for damage incurred due to improper performance of the agreement for auditing the reports of the Company and the Capital Group of the Company;

v. Possibility to carry out the review and audit on the dates specified by the Company (availability);

vi. Industry specialization of an auditing company - experience in the areas of retail operations, risk management, internal control and corporate governance;

vii. Results of audit inspections of the audit firm and updated public transparency report;

viii. Access by the auditing company to experts in the field of taxes, corporate finance, IT systems and internal control, the assistance of which it will be able to use, if necessary, in the course of auditing the Company;

ix. The method of conducting the audit: nature, scope, frequency of contacts with the Audit Committee, the Supervisory Board and the Management Board of the Company;

x. A cost criterion which is not decisive in selecting an audit firm (the amount of remuneration for the audit of financial statements - individual and consolidated);

xi. The geographic scope of the operation, i.e. the ability to audit the financial statements of consolidated entities located outside the Republic of Poland, if applicable to the Company; viii. Other criteria that may be established by the Audit Committee, taking into account the need to ensure independence and impartiality.

3) The selection is made taking into account the principles of impartiality and independence of the auditing company and the analysis of works carried out by it for the Company, which go beyond the scope of auditing financial statements in order to avoid a conflict of interest (maintaining impartiality and independence).

4) The basis for the audit and review conducted by the auditing company are the applicable legal regulations, in particular the Accounting Act, the International Financial Reporting Standards and the requirements of the Warsaw Stock Exchange S.A.

5) The Supervisory Board of the Company follows the principle of rotation of the audit firm in accordance with the Act and Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on detailed requirements for statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909 / EC ("the Regulation").

6) The audit firm commences the audit or review after signing the contract with the Company. The contract with the auditing company is concluded for periods and on terms consistent with the Act and the Regulation.

The main assumptions of the policy developed by the Audit Committee and adopted for the application of the Company by the audit firm conducting the audit, by entities related to this audit firm and by a member of the audit firm's network (hereinafter: "Entities Covered by the Procedure") of permitted non-audit services (services additional) include:

1) The Company, in accordance with applicable law, submits its individual and consolidated financial statements to a review and tests carried out by an auditing company.

2) The provision of permitted non-audit services (additional services) by the Entity Covered by the Procedure should be performed pursuant to the provisions of the Act on statutory auditors and other legal provisions, professional standards of a statutory auditor and should take into account the following principles:

1. The Subjects of the Procedure may not provide, directly or indirectly, to the Company or its affiliates any prohibited services other than an audit of financial statements or financial audit activities (hereinafter: "Prohibited Services").
2. Forbidden services that are not an audit of financial statements are the services indicated in art. 5 sec. 1 of the Regulation,
3. The services specified in Art. 136 paragraph. 2 of the Act on statutory auditors are not prohibited,
4. The Company may commission the provision of services specified in Art. 136 paragraph. 2 of the Act on Statutory Auditors, Entities Covered by the Procedure only in the scope unrelated to the tax policy of the Company, after the Audit Committee has carried out an assessment of threats and safeguards for independence referred to in Art. 69-73 of the Act on statutory auditors,
5. Before commissioning the Entities Covered by the Procedure for the Provision of Permitted Services, the Company asks the statutory auditor or the audit firm whether they are Prohibited Services within the meaning of the Act on Auditors;
6. The Audit Committee assesses the threats and safeguards to the independence referred to in Art. 69-73 of the Act on Statutory Auditors at the request of the Management Board of the Company, containing: an indication of additional services to be provided, as

well as information on whether the statutory auditor or audit firm has confirmed that the indicated additional service is not a Prohibited Service.

The recommendation of the Audit Committee regarding the selection of an audit firm to audit financial statements met the applicable conditions

4. REMUNERATION AND NOMINATION COMMITTEE ACTING WITHIN THE SUPERVISORY BOARD

As part of the Company's Supervisory Board, in the fiscal year 2021, the Nomination and Remuneration Committee operated as a permanent collective and advisory body to the Supervisory Board. The Nomination and Remuneration Committee was appointed for the first time in the Company by the resolution of the Company's Supervisory Board of June 12, 2019, pursuant to § 20. par. 1 of the Regulations of the Supervisory Board and having regard to the provisions of recommendation VI.R.3. and rules II.Z.7. of the document "Best Practice of WSE Listed Companies 2016".

As at the balance sheet date, 31 December 2021, the Nomination and Remuneration Committee was composed of the following persons:

- Mr Mateusz Kolański – Chair of the Nomination and Remuneration Committee
- Pan Piotr Kaczmarek – Member of the Nomination and Remuneration Committee
- Pan Jan Pilch – Member of the Nomination and Remuneration Committee
- Pan prof. Andrzej Szumański – Member of the Nomination and Remuneration Committee
- Pan Wacław Szary – Member of the Nomination and Remuneration Committee

In 2021 the composition of the Nomination and Remuneration Committee underwent the following changes:

In the period between January 1, 2020 until February 27, 2020 the four-person-strong Nomination and Remuneration Committee included the following Supervisory Board members:

- Mr Jerzy Mazgaj – Chair of the Nomination and Remuneration Committee
- Mr Jan Pilch – Member of the Nomination and Remuneration Committee
- Mr Wacław Szary – Member of the Nomination and Remuneration Committee
- Mr Piotr Stępniak – Member of the Nomination and Remuneration Committee
- Mr Andrzej Szumański, prof. – Member of the Nomination and Remuneration Committee

On February 17, 2021, Mr. Wacław Szary resigned from the position of a member of the Nomination and Remuneration Committee.

On February 17, 2021, Mr. Mateusz Kolański was appointed a member of the Nomination and Remuneration Committee.

Between February 17, 2021 and June 28, 2021 the composition of the Nomination and Remuneration Committee was the following:

- Mr Jerzy Mazgaj – Chair of the Nomination and Remuneration Committee
- Mr Mateusz Kolański – Member of the Nomination and Remuneration Committee
- Mr Jan Pilch – Member of the Nomination and Remuneration Committee
- Mr Piotr Stępniak – Member of the Nomination and Remuneration Committee
- Mr Andrzej Szumański, prof. – Member of the Nomination and Remuneration Committee.

Then, at the meeting on July 13, 2021, the Supervisory Board of the new term of office of the parent company, in the composition determined on the basis of the resolutions of the Ordinary General Shareholder Meeting of June 28, 2021, elected the Nomination and Remuneration Committee in the following composition:

- Mr Mateusz Kolański – Member of the Nomination and Remuneration Committee,
- Mr Piotr Kaczmarek - Member of the Nomination and Remuneration Committee,
- Mr Jan Pilch - Member of the Nomination and Remuneration Committee,
- Mr Wacław Szary - Member of the Nomination and Remuneration Committee,
- Mr Andrzej Szumański, prof. - Member of the Nomination and Remuneration Committee.

At its first meeting on July 13, 2021, the Nomination and Remuneration Committee appointed Mr. Mateusz Kolański to the position of the Chair of the Nomination and Remuneration Committee.

Therefore, from July 13, 2021 to the balance sheet date, December 31, 2021, the Nomination and Remuneration Committee operated in the following composition:

- Mr Mateusz Kolański – Chair of the Nomination and Remuneration Committee,
- Mr Piotr Kaczmarek - Member of the Nomination and Remuneration Committee,
- Mr Jan Pilch - Member of the Nomination and Remuneration Committee,
- Mr Wacław Szary - Member of the Nomination and Remuneration Committee,
- Mr Andrzej Szumański, prof. - Member of the Nomination and Remuneration Committee.

In the period from the balance sheet date, 31 December 2021 to the date of approval of these financial statements, the above composition of the Nomination and Remuneration Committee did not change.

The Nomination and Remuneration Committee advises the Supervisory Board on the appropriate development of the Company's policy in the field of employment and remuneration of members of the Company's Management Board. In particular, the tasks of the Nomination and Remuneration Committee include the following activities in relation to the Company and companies belonging to the Company's capital group:

1) planning the remuneration policy for members of the Management Board, in particular in terms of the interests of the Company and its financial results,
2) conducting analyses of remuneration and other benefits and payments to members of the Company's governing bodies and the terms of the contracts concluded with them in order to recommend the Supervisory Board decisions to conclude these contracts,
3) presenting proposals, for the approval of the Supervisory Board, regarding the principles of remuneration for members of the Management Board,
4) preparation of reports containing assessment and analysis on the payment of remuneration for members of the Company's bodies submitted to the Supervisory Board before adopting resolutions required by law, the Articles of Association and the Company's internal regulations,
5) supervising the policy regarding the applicable remuneration system, including monitoring the remuneration and bonus policy in the light of market conditions,
6) presenting to the Supervisory Board proposals regarding appropriate forms and content of agreements with members of the Management Board,
7) issuing general recommendations to executive or managing directors regarding the level and structure of remuneration for key personnel,
8) monitoring the level and structure of remuneration for key personnel based on relevant information provided by members of the Management Board,
9) discussing the general principles for implementing share-based incentive systems, in particular share options, and presenting proposals to the Supervisory Board in this respect,
10) reviewing information on incentive systems included in the annual report and presented at the General Meeting, as appropriate,
11) substantive assessment of candidates for the positions of members of the Company's Management Board and presentation of an opinion on this matter to the Supervisory Board,
12) substantive assessment of a motion to call off a Management Board member from the post and presentation of an opinion on this matter to the Supervisory Board,
13) determining and recommending candidates for members of the Company's Management Board for approval by the Supervisory Board; to this end, the Committee assesses the balance of skills, knowledge and experience of the Management Board candidates, prepares a description of the role and competences required of the candidate and estimates the expected working time,
14) periodically assessing the structure, headcount, composition and results of Management Board members and recommending changes to the Supervisory Board,
15) periodically assessing the skills, knowledge and experience of individual Board Members and presenting the results of the assessment to the Supervisory Board,
16) reviewing management policy regarding the selection and appointment of key personnel.

X. DESCRIPTION OF RULES REGARDING THE APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND THEIR RIGHTS, IN PARTICULAR THE RIGHT TO DECIDE ON THE ISSUANCE OR BUYBACK OF SHARES

The rules regarding appointment and dismissal of managing persons in the Company and their rights are described in part IX point 1) of this statement regarding the principles of operation of the Company's Management Board.

The Management Board of the Company is not entitled to make an independent decision regarding the issuance of shares. In accordance with the Company's Articles of Association, the Company's share issuance and share capital increase require an appropriate resolution of the General Shareholder Meeting.

The Management Board of the Company has the right to purchase shares of the Company on the terms set out in the provisions of the Code of Commercial Companies regarding the purchase of own shares.

XI. DESCRIPTION OF DIVERSITY POLICY APPLIED TO THE ADMINISTRATIVE, MANAGING AND SUPERVISING AUTHORITIES WITH RESPECT TO ASPECTS SUCH AS E.G. AGE, SEX OR EDUCATION AND PROFESSIONAL EXPERIENCE, THE OBJECTIVES OF THIS DIVERSITY POLICY, HOW IT IS IMPLEMENTED AND THE EFFECTS IN THE REPORTING PERIOD

The company informs that it has no regulations describing the diversity policy applied by the Company with respect to the Company's governing bodies and its key managers, taking into account such elements of diversity policy as gender, education, age, and professional experience. In accordance with the principle of law equality in force in Poland, the Company recognizes that everyone has the right to equal treatment and that no one may be discriminated against in political, social or economic life from any reason, including employment. The Company follows this principle in its recruitment processes. At the same time, in relation to the members of the Company's bodies, the selection of persons holding the functions of Members of the Management Board and the Supervisory Board is made by the General Shareholder Meeting and the Supervisory Board, guided by relevant and corporate decisions and professional principles. In relation to key managers, the Company makes decisions on establishing cooperation with candidates, assessing their professional experience, seniority, and education in accordance with the scope of tasks for a given position. The Company employs both women and men in various age groups, having regard to the substantive criteria and fully observing the principles that it is unacceptable to limit the freedom and rights of a person and a citizen solely on the basis of race, sex, language, religion or lack thereof, social origin, birth and property.

Within the Group, both among the members of the Company's management and supervisory bodies as well as among all employees it is recognised that availability of a wide talent pool helps in development and implementation of the objectives of the organization as a whole. For this reason, differences and diversity are valued and desirable as important components of human capital to support creativity and openness to new ways of coping with new challenges associated with the transition process of economic, social and cultural affecting business conditions of the Company and its Group. It is the effect of the accumulation and cooperation of various experiences and competences that allows for the continuous development of the organization. The development of the Company and its Capital Group as well as the implementation of business objectives will be more effective if one notices and benefits from various experiences and needs occurring in the organization and its environment. As part of the Capital Group the Company respects employees regardless of age, sex, religion, differences of opinion, cultural differences or sexual orientation. The Capital Group assures that none of the internal documents contradicts the principle of gender equality and diversity. There are no regulations and practices within the Group companies that could indicate that either gender or group of employees should have a difficult or easier access to knowledge, benefits, privileges or would be in a special way charged with duties.

Jan Pilch	**Marta Fryzowska**	**Michał Zimnicki**
....	....	....
Deputy-Chair of the Supervisory Board delegated to temporarily perform the function of the President of the Management Board	Executive Vice-President of the Management Board	Executive Vice-President of the Management Board

Cracow, April 8, 2022

VISTULA

BYTOM
SZTUKA KRAWIECTWA OD 1945

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DENI CLER
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1840

VRG
VISTULA RETAIL GROUP

Assurance and Related Services, adopted by resolution of the National Council of Statutory Auditors No 2040/37a/2018 of March 3, 2018, as amended (NQCS).

In accordance with the NQCS requirements, the audit firm maintains a comprehensive quality control system that includes documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion on the compliance with the requirements of ESEF Regulation

The statutory auditor's opinion is based on the matters described above, therefore, the opinion should be read in consideration of these matters.

In our opinion, the consolidated financial statements in the ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Statement on non-audit services

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014.

Appointment of the Audit Firm

We were appointed to audit the annual consolidated financial statements of the Group for the years 2021-2023 by the Parent's Supervisory Board's resolution of May 31, 2021. The consolidated financial statements for the year 2021 are the first annual consolidated financial statements of the Parent that we audit.

Renata Art-Franke

Statutory Auditor No. 10320
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, April 8, 2022.

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.

17, 2021 (NSAE 3001PL) and, where relevant, in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3000 (R) in the wording of International Standard on Assurance Engagements (ISAE) 3000 (revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which was adopted by resolution of the National Council of Statutory Auditors No. 3436/52e/2019 of 8 April 8, 2019, as amended (NSAE 3000 (R)).

The standard imposes on a statutory auditor an obligation to plan and perform procedures in such a manner as to obtain reasonable assurance that consolidated financial statements in the ESEF format have been prepared in accordance with the specified criteria. Reasonable assurance means a high level of assurance, but it does not guarantee that an engagement performed in accordance with NSAE 3001PL and, where relevant, in accordance with NSAE 3000 (R), would always detect an existing material misstatement.

The selection of the procedure depends on the statutory auditor's judgement, including their estimation of the risks of material misstatement, whether due to fraud or error. When assessing the risk, the statutory auditor considers internal control associated with the preparation of consolidated financial statements in the ESEF format in order to plan the relevant procedures which are to provide the auditor with sufficient and appropriate evidence. The assessment of the functioning of the internal control system was not conducted for the purpose of expressing an opinion on the effectiveness of its functioning.

Summary of the work performed

The procedures planned and performed by us included, among others:

- obtaining an understanding of the process of preparation of consolidated financial statements in the ESEF format, covering the process of the Parent's Management Board's selection and application of XBRL markups and ensuring compliance with the ESEF Regulation, including understanding of the internal control system mechanisms related to the process;
- reconciliation of the marked up information contained in the consolidated financial statements in the ESEF format with the audited annual consolidated financial statements;
- assessment of compliance with technical standards on the specification of a single electronic reporting format, including the application of the XHTML format, using specialist IT tools;
- assessment of the completeness of marking of information in the consolidated financial statements in the ESEF format with XBRL markups;
- assessment whether the XBRL markups from the taxonomy defined in the ESEF Regulation have been properly applied and whether extension taxonomies have been used in situations where the core taxonomy specified in the ESEF Regulation has not identified the relevant elements;
- assessment whether the applied extension taxonomies have been properly anchored in the core taxonomy defined in the ESEF Regulation.

We believe that the evidence we have obtained provides sufficient and appropriate basis for us to express an opinion on the compliance of marking up with the requirements of ESEF Regulation.

Ethical requirements, including independence

In performing the engagement, the statutory auditor and the audit firm complied with the independence requirements and other ethical requirements set out in the IESBA Code. The IESBA Code is based on fundamental principles relating to integrity, objectivity, professional competencies and due diligence, confidentiality and professional conduct. We also complied with other independence and ethics requirements that apply to this assurance engagement in Poland.

Quality control requirements

The audit firm applies national quality control standards in the wording of the International Quality Control Standard 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other*

Information on the preparation of the separate Statement on non-financial information

As required by the Act on Statutory Auditors, we report that the Parent informed in its Report on the Group's operations that it prepared the separate Statement on non-financial information specified in Article 55 clause 2c of the Accounting Act, and that the Parent prepared such a separate statement.

Report on Other Legal and Regulatory Requirements

Opinion on the compliance of marking up of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format

In connection with the audit of the annual consolidated financial statements, we have been engaged to perform a reasonable assurance engagement to express an opinion on whether the annual consolidated financial statements of the Group as at and for the year ended December 31, 2021, prepared in a single electronic reporting format contained in the file named *GK_VRG_2021-12-31_pl.zip* (consolidated financial statements in the ESEF format) have been marked up in accordance with the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation).

Identification of the criteria and description of the subject matter of the engagement

The consolidated financial statements in the ESEF format were prepared by the Management Board of the Parent in order to meet the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation.

The subject matter of our assurance engagement is to verify the compliance of marking up of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and we believe that the requirements set out in the regulations form appropriate criteria for expressing our opinion.

Responsibility of the Parent's Management Board and Supervisory Board

The preparation of consolidated financial statements in the ESEF format in accordance with the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation, is the responsibility of the Parent's Management Board. The responsibility includes the selection and application of appropriate XBRL markups with the use of the taxonomy defined in those regulations.

The responsibility of the Parent's Management Board also includes the design, implementation and maintenance of an internal control system to ensure the preparation of consolidated financial statements in the ESEF format free from material non-conformities with the requirements of the ESEF Regulation.

Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in accordance with the format resulting from applicable laws.

Auditor's Responsibility

Our objective was to express an opinion, on the basis of a reasonable assurance engagement, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.

We performed the engagement in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3001PL *Audit of Financial Statements Prepared in a Single Electronic Reporting Format*, which was adopted by resolution of the National Council of Statutory Auditors No. 1975/32a/2021 of December the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information including the Report on the Group's operations

The other information comprises the Report on the Group's operations for the financial year ended December 31, 2021, the Corporate Governance Statement and the Statement on non-financial information specified in Article 55 clause 2b of the Accounting Act which are a separate parts of the Report on the Group's operations and the Annual Report for the year ended December 31, 2021 (but does not include the consolidated financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board of the Parent

The Management Board of the Parent is responsible for the preparation of the other information in accordance with the Accounting Act and other legal regulations. The Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the Report on the Group's operations with the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on the annual consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Group's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, we are obliged to report on whether the Parent prepared the Statement on non-financial information and to express an opinion on whether the Parent included the required information in the Corporate Governance Statement.

Opinion on the Report on the Group's operations

In our opinion, the Report on the Group's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 55 clause 2a of the Accounting Act and Paragraph 71 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group's operations.

Opinion on the Corporate Governance Statement

In our opinion, the Corporate Governance Statement includes the information required by Paragraph 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in Paragraph 70 clause 6 point 5 letters c-f, h and i of the Regulation on current and periodic information included in the Corporate Governance Statement complies with applicable regulations and is consistent with the information included in the annual consolidated financial statements.

Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual consolidated financial statements.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent.
- Conclude on the appropriateness of the Management Board of the Parent's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board of the Parent with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the Supervisory Board of the Parent, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore

RISK OF MATERIAL MISSTATEMENT DUE TO FRAUD OR ERROR IN REVENUE RECOGNITION

Description

In the consolidated profit and loss account for the financial year ended December 31, 2021, the Capital Group reported revenues from sales in the amount of PLN 1,069,927 thousand. Due to the importance of correct revenue recognition for the consolidated financial statements and the fact that the risk of material misstatement of the financial statements may arise from both fraud and error in the process of sales revenue recognition in an incorrect period, we have identified the issue of revenue recognition as a key audit matter.

Auditor's response

As part of our audit, we documented our understanding of the revenue recognition process and identified key elements of internal control as part of the process.

Audit procedures performed in this area included, among others:

- analysis of the accounting policy with regard to the moment of revenue recognition and the application of IFRS 15,
- performing detailed tests on a sample of revenues generated during the year in order to confirm the correctness of their recognition,
- analysis of unusual transactions and revenue adjustments made after the balance sheet date,
- verification for a selected sample of documents from the turn of the year, whether the sale was recognized in the appropriate reporting period in accordance with the moment of risk transfer to the customer resulting from the delivery terms,
- analytical review of the margins achieved and explanation of the differences with the appropriate team on the client's side,
- assessing the correctness and completeness of disclosures.

Responsibilities of Management Board and Supervisory Board of the Parent for the Annual Consolidated Financial Statements

The Management Board of the Parent is responsible for the preparation of these annual consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Parent's articles of association. The Management Board of the Parent is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual consolidated financial statements, the Management Board of the Parent is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent either intends to liquidate the Group or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2021, item 217, as amended) (the Accounting Act), the Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the annual consolidated financial statements with the requirements of the Accounting Act. The Supervisory Board of the Parent is responsible for overseeing the Group's financial reporting process.

Disclosures concerning inventories are included in note 15 of information and explanations to the consolidated financial statements.

Auditor's response

Audit procedures carried out in this area included, among others:.

- analysis of the accounting policy in terms of the principles of inventory valuation and the methodology of creating write-offs:
- verification of the initial inventory valuation by performing detailed substantive tests,
- verification of compliance of the write-off calculation with the adopted methodology, including the completeness and correctness of calculations,
- assessing the scope and adequacy of disclosures related to this issue in the consolidated financial statements.

TRADEMARKS AND GOODWILL IMPAIRMENT

Description

As at December 31, 2021, the value of the trademarks in the consolidated statement of financial position amounted to PLN 194,093 thousand and goodwill amounted to PLN 302,748 thousand.

In accordance with the judgment of the Management Board of the Parent, the trademarks have an indefinite useful life and are not amortized. Pursuant to IAS 36, intangible assets with an indefinite useful life and goodwill are subject to annual impairment tests.

Due to the significant value of trademarks and goodwill, and the fact that impairment tests are based on assumptions, judgments and estimates made by the Management Board, we concluded that this is a key audit matter.

Disclosures regarding goodwill and trademarks are included in note 9 and in note 10 of additional explanatory notes to the consolidated financial statements.

Auditor's response

Audit procedures performed in this area included, among others:

- verification of the validity of the adopted methodology for preparing the impairment test, including key assumptions regarding market parameters such as the adopted discount rates, risk factors, long-term growth rates,
- assessment of the rationality of the financial assumptions and forecasts adopted by the Management Board of the Parent,
- verification of the correctness of the calculations made,
- assessing the scope and adequacy of disclosures related to this issue in the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with:

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2020, item 1415, as amended) (the Act on Statutory Auditors),
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April,16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements* section of our report.

We are independent of the entities comprising the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual consolidated financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

RISK OF OVERSTATING VALUATION OF INVENTORIES

Description

As at December 31, 2021, the net value of inventories disclosed in the consolidated statement of financial position amounted to PLN 499,173 thousand. Inventory valuation analysis was the key issue of the audit due to the value of the inventory, which is significant for the consolidated financial statements.

As at the balance sheet date, inventories are valued at purchase price or production cost, however, at a level not higher than the sale price possible to obtain. The calculation of the sale price possible to be obtained is made on the basis of estimates that require taking into account the nature of the inventory, assessment of the retention and aging of individual assortment groups.

Independent Auditor's Report on Annual Consolidated Financial Statements

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For the Shareholders of VRG Spółka Akcyjna

Report on the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the Group (the Group), in which the parent entity is VRG Spółka Akcyjna (the Parent) with its registered office in Kraków, 10 Pilotów Street, which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the financial position of the Group as of December 31, 2021 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- comply with the laws affecting the content and form of the annual consolidated financial statements and the provisions of the Parent's articles of association.

The audit opinion is consistent with the additional report to the Audit Committee submitted on the same day as this audit report.

Appendix 1 to Resolution No. 4 of the Supervisory Board of VRG S.A. with its seat in Cracow of April 8, 2022 regarding the assessment of the Supervisory Board of VRG S.A. regarding the Management Board's report on the activities of VRG S.A. Capital Group and consolidated financial statements of VRG S.A. for 2021 required under § 70 section 1 point 14) and § 71 subpara. 1 point 12) Ordinance of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state ("Ordinance of the Minister of Finance").

Assessment regarding the report on the operations of the Capital Group of VRG S.A. Capital Group and consolidated financial statements of the VRG S.A. Capital Group for 2021 in terms of their compliance with the books, documents and the actual state

Assessment regarding the report on the operations of the VRG S.A. Capital Group with its registered office in Cracow (the "**Company**") and the consolidated financial statements of the Capital Group of the Company for 2021 in terms of their compliance with accounting books, documents and the actual state of affairs was prepared on the basis of art. 382 § 2 of the Code of Commercial Companies, in connection with art. 395 § 5 Code of Commercial Companies, art. 63c para. 4 of the Accounting Act of September 29, 1994 and § 71 para. 1 point 12) Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state ("**Ordinance**").

The subject of this assessment is:

1. the Management Board's report on operations of the Company’s Capital Group for 2021;
2. consolidated financial statement of the Company’s Capital Group for 2021.

<u>Assessment of the Management Board's report on operations of the Company’s Capital Group for 2021:</u>

The Supervisory Board assessed the Management Board's report on the operations of the Company's Capital Group for 2021 and got acquainted with the information presented by the audit company Grant Thornton Polska Sp. z o.o. sp. k. with its registered office in Poznań (hereinafter: "**Grant Thornton**") with the results of the audit included in the report of the independent statutory auditor on the audit of the annual consolidated financial statements of the Company's Capital Group for the Shareholders and the Supervisory Board of the parent company VRG S.A. for the financial year from January 1 to December 31, 2021, including also Grant Thornton's opinion on the Management Board's report on the operations of the Company's Capital Group for 2021, and familiarized itself with the recommendation of the Audit Committee regarding the Management Board's report on the operations of the Company's Capital Group for 2021 and states that the Management Board's report on the operations of the Company's Capital Group for 2021:

1. has been prepared in accordance with § 71 of the Ordinance;
2. is consistent with the information contained in the consolidated financial statements of the Capital Group of the Company for 2021.

The Supervisory Board states that the report on operations of the Capital Group of the Company in 2021 is consistent with the accounting books and documents as well as with the actual state.

In relation to the above, the Supervisory Board positively assesses the Management Board's report on operations of the Capital Group of the Company for 2021.

<u>Assessment of the consolidated financial statements of the Company's Capital Group for 2021:</u>

The Supervisory Board assessed the consolidated financial statements of the Capital Group for 2021 comprising:

a) consolidated statement of financial position prepared as at 31 December 2021,
b) consolidated statement of profit or loss for the fiscal year from January 1, 2021 to December 31, 2021;
c) consolidated statement of comprehensive income for the fiscal year from January 1, 2021 to December 31, 2021;
d) consolidated statement of cash flows for the fiscal year from January 1, 2021 to December 31, 2021;
e) consolidated statement of changes in equity for the fiscal year from January 1, 2021 to December 31, 2021,
f) supplementary information and explanations to the consolidated financial statements,

got acquainted with the results of the audit presented by Grant Thornton included in the independent auditor's report on the audit of the annual consolidated financial statements of the Company's Capital Group for the Shareholders and the Supervisory Board of the parent company VRG S.A. for the financial year from January 1 to December 31, 2021, and read the recommendation of the Audit Committee regarding the consolidated financial statements of the Company's Capital Group for 2021 and states that the consolidated financial statements of the Company's Capital Group for 2021 were prepared in all material respects in accordance with the International Financial Reporting Standards and is consistent with the books and documents as well as with the actual state of affairs. Therefore, the Supervisory Board positively assesses the consolidated financial statements of the Company's Capital Group for 2021.

In relation to the above, the Supervisory Board positively assesses the consolidated financial statements of the Capital Group of the Company for 2021.

Taking into account the above assessment regarding the report on operations of the Capital Group in 202` and the consolidated financial statements of the Capital Group for 202` in terms of their compliance with accounting books, documents and facts, the Supervisory Board of the Company recommends their approval to the Ordinary General Shareholder Meeting.

Cracow, April 8, 2022

The Supervisory Board of VRG S.A.

Letter of the President of the Management Board of VRG S.A.

Ladies and Gentlemen,

I am pleased to announce that VRG Group has achieved its goals for 2021: successfully rebuilt revenues, significantly improved profitability and at the same time enhanced its financial liquidity. Promises given were fulfilled despite the fact that in 2021 VRG Group and the entire Polish economy faced negative effects of the global COVID-19 pandemic which started a year earlier.

Consolidated revenues of VRG Group in 2021 amounted to PLN 1.07 billion and were significantly, by as much as 25.3%, higher than in 2020. Thus, VRG Group exceeded the level of revenues from the historically record-breaking 2019 year. Achieving VRG Group target for 2021 in the form of over PLN 1 billion revenues took place due to favourable trends both in traditional and on-line sales. Growth in revenues from traditional stores was positively influenced by rebuilding of consumer demand accompanied by growing level of vaccination in Poland. After the administrative closing down of traditional stores in January and from March 20 to May 4, we observed a more dynamic than a year before return to social and economic life, which had a positive impact on traffic in our stores. Dynamic increases in traditional sales took place despite floorspace optimization. VRG Group closed 2021 with a network of 550 stores in 106 cities throughout Poland, operating on 52.3 thousand m2 of floorspace. At the same time, after the record-breaking 2020, internet sales were also performing well, with the share of on-line in sales reaching 18.2% in 2021.

Strong sales trends were noticeable in both segments of VRG Group: apparel and jewellery. Revenues of the apparel segment amounted to PLN 569.6 million, growing by 14% year-on-year. Collections of apparel brands, both Spring/Summer and Autumn/Winter, were well received by customers. They appreciated the wider smart casual offer in Bytom brand, development of the women's collection in Vistula and its offer of formal men's clothing, expansion of Wólczanka's range in line with the idea of "total look" and fashion freshness of Deni Cler style. Double-digit sales increases took place despite the continued optimization of traditional stores' network (their area decreased by 2.6% year on year), showing validity of the omnichannel concept. An important element in the evolution of traditional stores network was the new format of Wólczanka brand stores, which had its premiere in May 2021, and Vistula brand, which was launched in December 2021. Both concepts are characterized by a significantly larger selling area, enabling an attractive display of the entire current brand collection, they use pro-ecological solutions in interior design and lighting, as well as modern solutions supporting sales (e.g. large screens in windows, enabling the presentation of brand marketing campaigns).

The jewellery segment, whose revenues in 2021 amounted to PLN 500.3 million, up 42% of the year-on-year, showed its strength and resistance to the pandemic reality in 2021. W.KRUK brand, which represents the jewellery segment, has developed such high dynamics due to a wide offer of both jewellery and watches. The brand noted favourable trends both in sale of gold and silver jewellery. Last year's flagship original collection of MEA jewellery and accessories, created in cooperation with the brand's new ambassador - Magda Mołek, was very well received. At the same time, sales were supported by a strong demand for watches, in particular the luxury brands Rolex and Patek Philippe, for which VRG Group has exclusivity. Sales were also positively influenced by floorspace development (over 3% year-on-year growth), supported by openings of franchise stores.

It is worth emphasizing that dynamic increases in revenues of VRG Group were achieved with a higher gross profit margin on sales, improvement of which was one of the Management Board's goals for 2021.

The gross profit margin on sales of the Group in 2021 came in at 53.1%, growing by as much as 4.2 pp. year-on-year. Such a good result was achieved due to optimization of discounts policy in both business segments. Work on profitability was also accompanied by maintaining cost effectiveness. In 2021, selling, general and administrative costs accounted for 43.4% of VRG Group's revenues, dropping by as much as 5.4 pp. As a result, VRG Group recorded an operating profit of PLN 97.5 million in 2021 compared to a loss of PLN 11.9 million in the comparable period. Net profit of VRG Group in 2021 amounted to PLN 66.3 million, recording a significant increase in relation to PLN 39.9 million loss in 2020. Work on profitability was also accompanied by measures to improve efficiency of working capital use. As a result, at the end of 2021, at the level of VRG Group cash exceeded interest bearing debt by PLN 42.0 million, constituting a very good basis for further development in 2022.

After a very good 2021, the goal of the Management Board is to continue positive activities in 2022. Although the pandemic challenges may be lesser this year, the Management Board will monitor the impact of the armed conflict in Ukraine on consumer demand in the country on an ongoing basis and flexibly adjust its actions. At the beginning of the conflict, VRG Group did not run any operations (both traditional and on-line stores) either in Russia or in Ukraine. VRG Group actively supports citizens of Ukraine, cooperating with charity organizations, providing them with financial and material assistance.

The goal of the Management Board for 2022 is a further double-digit increase in revenues of VRG Group based on omnichannel strategy. We plan a 3% increase in traditional floorspace, which by the end of this year should approach 54,000 m2. On-line sales should be supported by sales applications of three VRG brands as well as virtual fitting rooms, extended collection & return options for our goods. Work will also be continued to further improve gross profit margin on sales, in particular in the apparel segment. The Management Board also expects a positive effect of the operating leverage, and as a result, operating and net profit should grow faster than sales. These favorable trends should help to maintain a safe liquidity position of the VRG Group.

Jan Pilch, acting President of the Management Board

Cracow, April 8, 2022

NON-FINANCIAL REPORT

of VRG S.A. and VRG S.A. Capital Group
for 2021

Cracow, April 8, 2022

VRG
VISTULA RETAIL GROUP

VISTULA BYTOM SZTUKA KRAWIECTWA OD 1945 WÓLCZANKA DENI CLER MILANO W.KRUK 1840

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1. Introduction

ESG issues, i.e. environmental, social and corporate governance, are important for VRG S.A. Capital Group. and VRG S.A. and its stakeholders. VRG S.A. Capital Group is one of the largest non-food retail groups listed on the Warsaw Stock Exchange, managing five recognizable in Poland brands, both in apparel and jewellery segment. Both the VRG S.A. Capital Group and VRG S.A. are aware of their impact on the environment and the importance of activities carried out on the possibilities of present and future generations to achieve their goals. While running the business, VRG S.A. and VRG S.A. Capital Group use financial as well as natural, manufacturing, intellectual, human and social capital. For this reason, the Management Board continues its commitment to activities aimed at deepening the understanding of the expectations of not only its shareholders, but all stakeholders. Meeting these expectations, the Management Board of VRG S.A. presents the Non-financial Report of the VRG S.A. and VRG S.A. Capital Group covering the period from January 1, 2021 to December 31, 2021 as well as comparable data.

This Report has been prepared in accordance with the provisions of the Accounting Act, in particular Article 49b para. 1 and Article 55 para. 2b. In 2021 and in 2020, the Capital Group employed over 500 people on average in full-time jobs per year and exceeded PLN 102 million in the case of the total assets of the balance sheet at the end of the financial year and PLN 204 million in the case of net revenues from the sale of goods and products for the financial year (before consolidation exclusions). In 2021 and 2020, VRG S.A. employed over 500 people on average in full-time jobs per year and exceeded PLN 85 million in the case of total assets in the balance sheet at the end of the financial year and PLN 170 million in the case of net revenues from the sale of goods and products for the financial year.

2021 and 2020 were marked by a pandemic that had a significant impact not only on the Company and the Capital Group, but also on the entire retail sector and the economies of all countries in the world. During the pandemic, the Management Board focused on optimizing the traditional sales network, increasing the efficiency and scalability of on-line sales, rationalizing the order policy and inventory sales, keeping operating costs under control and a safe liquidity situation. In terms of the structure of the Capital Group and the Company, the last two years have brought no changes, and the financial and operating data are comparable YoY.

As in the previous year, in 2021 the basis for the preparation of the Report were the practices and policies of the parent company VRG S.A. (for which the relevant descriptions are presented in the apparel segment) and its subsidiaries together making up the Capital Group. Despite the unpredictable circumstances related to the pandemic, over the last year VRG S.A. and VRG S.A. Capital Group continued activities included in the Sustainable Development Strategy for 2020-22 and increased the scale of disclosure of non-financial data, including o disclosures related to the EU Sustainable Development Taxonomy. As in the previous two years, the Report describes selected climate issues in line with the non-binding Guidelines on Reporting Non-Financial Information: Supplement on Climate-Related Information Reporting (2019/C 209/01) issued by the European Commission in June 2019 .

Preparation of the content of this Non-Financial Report was carried out in five stages. The first stage was confirmation of important issues for different stakeholder groups and the description of their relationship with the external environment. The second step was to confirm the important issues for each of the reporting areas. Due to the fact that the stakeholder survey took place a year ago, after the analysis, the Management Board concluded that the survey and the conclusions drawn from it remain valid. The third stage consisted of updating the data and non-financial information provided in previous years, along with an analysis of relationships and trends. The fourth stage was supplementing the non-financial information with new elements subject to reporting, both legally required and voluntary. The fifth stage was the compilation of this Non-financial Report.

When preparing this report, the Group and the Company used their own methodology developed in previous years. Although the Company and the Capital Group have not used international and domestic methodologies, while preparing this material, they took into account the GRI Standards and SIN. Information presented in this report covers most of the topics that were considered significant in the SIN materiality matrix for the retail segment. When preparing this document, the Management Board took into account the Guidelines on non-financial reporting: methodology for reporting non-financial information (2017/C215/01) issued by the European Commission in 2017, in order to include information to the extent necessary for stakeholders to understand development, results and the situation of the Company and the Capital Group. The data presented in this Report, as in the previous years, was not subject to independent verification. In 2021, as in 2020, the Company and the Group decided to publish non-financial information in the form of a separate report.

KEY NON-FINANCIAL INDICATORS OF VRG S.A. CAPITAL GROUP FOR 2021

2,312
employees

4.0 mln
loyal customers

88%
women as employees

52,324m²
floorspace

22%
franchise in total m²

18.2%
internet in revenues

5
brands

550
stores

725
suppliers

106
towns

2. Business model

2.1. Capital Group business model overview

VRG S.A. Capital Group specialises in designing and selling of high quality clothes for men and women and in jewellery and watches. The Group owns five highly recognised brands such as Vistula, Wólczanka, Bytom, Deni Cler Milano (the apparel segment) and W.KRUK (the jewellery segment). The brands offer different lines and sub-brands. The Group concentrates on brand management, designing clothes and jewellery as well as development of own retail network in two key segments: apparel and jewellery. The Group's offer is targeted at both: women and men.

VRG
VISTULA RETAIL GROUP

Companies that form the basis for consolidated financial and non-financial reports

VRG S.A.
Vistula, Wólczanka, Bytom brands

DCG S.A.
Deni Cler Milano brand

WSM Factory Sp. z o.o.
Production

W.KRUK S.A.
Jewellery, watches, accessories

VG Property Sp. z o.o.
Real estate

APPAREL SEGMENT

JEWELLERY SEGMENT

OTHER OPERATIONS

The Company's origins date back to October 10, 1948 when VRG S.A. legal predecessor was created via Minister of Industry and Trade ordinance on the creation a state-owned enterprise named "Krakowskie Zakłady Przemysłu Odzieżowego" (Cracow Clothing Production Industry). On April 30, 1991, the District Court for Cracow Śródmieście in Cracow, registered the transformation from a state-owned enterprise into a sole-shareholder company of the State Treasury. The Company was one of the first firms that were listed on the Warsaw Stock Exchange. VRG S.A. had its debute on September 30, 1993. In 2008, W.Kruk was taken over and merged into the Capital Group. In 2018 the Group expanded by taking over Bytom S.A. VRG S.A. shares are listed on the main market and belong, among others, to the following indices: WIG140, sWIG80, sWIG80TR, WIG-ODZIEŻ, WIG-Poland, InvestorMS and WIG.

The Capital Group's position in the apparel segment is based on designing and selling elegant formal men and women clothing as well as smart casual and casual garments. Group's strong competences within production and design of mens' formalwear have long-lasting tradition of design, tailoring and selling dating back to 1948 in terms of Vistula brand and 1945 in terms of Bytom brand. The success of the jewellery segment is based on the oldest Polish jewellery company, whose origins date back to a family workshop established in 1840 in Poznań.

Both the Company and the Capital Group operate mostly within Poland. At Pilotów 10 Street in Cracow there are headquarters of not only VRG S.A. (the parent company) but also its subsidiaries, like W.KRUK S.A., VG Property Sp. z o.o. and Wólczanka Shirts Manufacturing Sp. z o.o. It is the place where the Management resides, where the managements of the subsidiaries reside as well as where designers, the development and investment division, the purchasing department, HR and IT departments are located. Additionally, the Group also has offices in Warsaw, where among others, the marking department is located. The capital city is also home to Deni Cler (subsidiary) registered office and W.KRUK offices. Apart from offices, the Capital Group also has production facilities. A shirt manufacturing facility in Ostrowiec Świętokrzyski produces women and men shirts for Wólczanka and Vistula brands as well as foreign customers, while a manufacturing workshop in Poznań, Manufaktura W.KRUK part of W.KRUK S.A., manufactures selected jewellery collections and conducts jewellery repairs. Following merger with Bytom S.A. a fifth key venue was added – Tarnowskie Góry. Though the production facility specialising in suits no longer belongs to the Company and the Group, it hosts offices for Bytom brand purchasing and production divisions.

APPAREL SEGMENT

VISTULA

life-stylish men's fashion, also including the classic Lantier tailoring collection and the sub-brand collection Vistula Red, which is a reflection of the latest fashion trends.

VISTULA	VISTULA Lantier	VISTULA RED	VISTULA WOMAN
The basic formal line of men's fashion, on the Polish market since 1967. The Vistula brand has a wide range of suits, jackets, trousers, shirts and accessories that allow to complete men's clothing, also the more casual one.	The products of the brand, present on the market since 1998, are aimed at the most demanding customers, use the latest world fashion trends and the best quality materials. In addition to classic suits, the brand's collections also include knitted fabrics, shirts, jackets, coats and a wide range of complementary items.	A brand introduced in 2009 for fashion & smart casual products. Vistula Red products are characterized by high quality and design in line with world fashion trends. A brand aimed at younger customers looking for bolder and more casual stylizations.	Women's brand introduced in 2021. The collection was created for women who appreciate quality, comfort and the timeless nature of products. It includes products for many occasions - outerwear, jackets and elegant pants, skirts, dresses, shirts, as well as jeans, sweaters and t-shirts, and an offer of accessories.

Number of stores	Floorspace (m2)	Average store size (m2)
2020: 149 2021: 145	2020: 18,695 2021: 18,531	2020: 125 2021: 128

WÓLCZANKA

the brand is in existence since 1948 and appears on the market as a boutique one with an offer of men's and women's shirts, including the exclusive line of the Lambert sub-brand, and with an ever wider range of knitted fabrics.

WÓLCZANKA	LAMBERT LONDON STYLE SHIRTING
The brand's offer includes men's shirts, and from the Fall-Winter 2014 season also women's shirts, both formal and casual. From 2019, the offer of the Wólczanka brand is successively expanded with new assortments, including various types of trousers, skirts, dresses, coats, jackets and denim clothing.	It is a brand of shirts and accessories which refer in their form and design to the principles of traditional tailoring and clothes made of the highest quality fabrics. Lambert offers classic shirts and business accessories, perfect for women and men who observe the formal dress code at work, as well as who like to feel elegant, regardless of the occasion, who value comfort and the highest quality of the product

Number of stores	Floorspace (m²)	Average store size (m²)
2020: 129 2021: 116	2020: 4,658 2021: 4,399	2020: 36 2021: 38

BYTOM is a Polish brand with a history dating back to 1945, when the State Confectionery Factory in Bytom was established. Based on 77 years of heritage, the brand offers collections where tradition meets the contemporary vision of country and men's fashion.	DENI CLER MILANO is a brand derived from Milan, offering luxury clothing for women.
BYTOM	DENI CLER MILANO
A collection of men's fashion, with a wide range of suits, trousers, shirts, coats, jackets and accessories that allow to complete the men's wardrobe. The flagship product of Bytom are suits, made of fine Italian fabrics and sewn in Polish sewing rooms.	The brand dresses women who are aware of their own femininity, and thus also of their values and strength. In 1991, the brand appeared on the Polish market, introducing a new quality to the domestic world of fashion. The brand is faithful to the classic Italian style and the highest quality fabrics and workmanship.
Number of stores	
2020: 117 2021: 114	2020: 32 2021: 29
Floorspace (m²)	
2020: 15,604 2021: 15,166	2020: 3,064 2021: 2,835
Average store size (m²)	
2020: 133 2021: 133	2020: 96 2021: 98

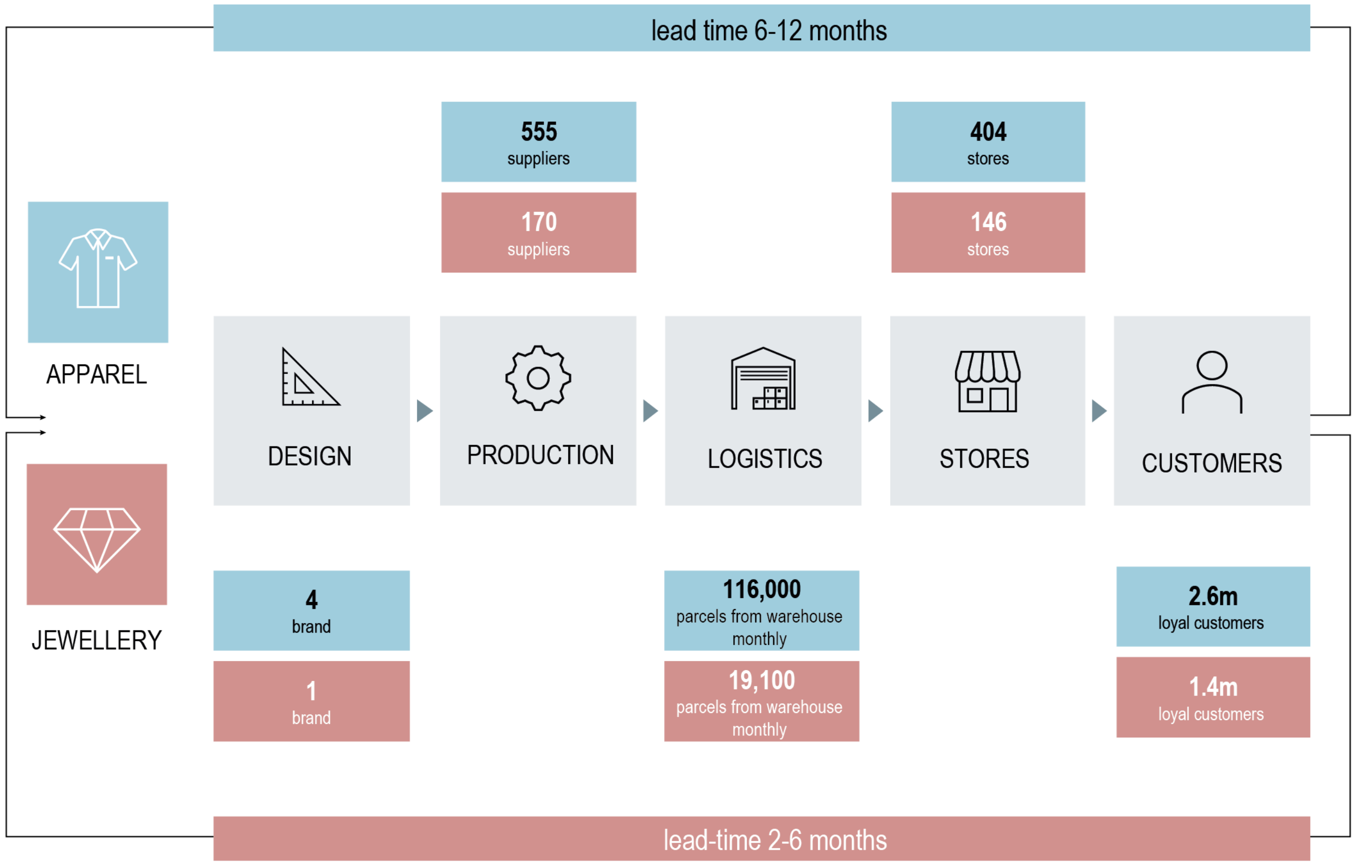
JEWELLERY SEGMENT

W.KRUK the oldest jewellery brand in Poland with origins dating back to 1840. Expert in diamonds, gems and jewellery production, offering also watches of the best Swiss manufacturers		
W.KRUK 1840		**WATCHES**
W.KRUK offers many original jewellery lines with a unique character. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by ambassadors and an expert and innovative approach to jewellery. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, W.KRUK brand was the first in Poland to introduce a new category of lab-grown diamonds to its traditional stores' offer under the name New Diamond by W.KRUK. Since 2016, the range of the brand has been complemented by a selection of W.KRUK-branded accessories, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men.		W.KRUK offers watches of luxury Swiss brands such as Rolex (as the only distributor of this brand in Poland), Cartier, Jaeger-LeCoultre, Hublot, Panerai, Chopard, Omega, Tudor, Tag Heuer, Longines, Rado, Frédérique Constant, Tissot, Certina, Doxa, Gucci, Swatch and many more. At the end of 2020, the Patek Philippe brand, considered the most prestigious in the world, was added to the offer.
Number of stores	**Floorspace (m²)**	**Average store size (m²)**
2020: 143 2021: 146	2020: 11,027 2020: 11,394	2020: 77 2021: 78

2.2. Value chain

2.2.1. Value chain description

The Company's and Group's value chain encompasses five key elements: (1) ideas for apparel and jewellery created by designers and employees, (2) production of goods, (3) logistics, i.e. delivery of products from producers to stores, (4) display of these products and their sale in stores as well as (5) customers. The value chain differs between the apparel and jewellery segment. The lead time i.e. time from the idea generation to the moment the product hits the stores reaches 6-12 months for the apparel segment and 2-6 months for the jewellery segment. Customer is in the centre of attention, he/she starts the value chain (we create products for our customers) and finishes the circle by purchasing our clothes and jewellery.



DESIGN

Companies from the Capital Group employ a diligently chosen team of specialists, whose aim is to create clothing and jewellery collections which will be eagerly worn by conscious and demanding customers and to care for the Group's image and its brands.

Apparel segment

Both in women and menswear the design process starts with the customer, identification of his/ her lifestyle, needs and aesthetics. Works on the apparel collection start in the design department usually 12 months before the season begins. Designers are responsible for creation and documentation of designs, preparation of key trends and colours proposals for the season as well as assortment analysis and tracking changes in consumer behaviour. Designers look for inspiration on fabrics and fashion trends. Emphasis is put on selection of fabrics, not only based on their colour and print but also their innovativeness and finishing. To deliver our customers the best possible product, fabric and knitwear manufacturers prepare special materials for the Group, e.g. with a designated weave and colour. Quality and customer satisfaction are our priority. Designers and supported by clothing constructors, who are responsible for preparation of the right designs, which is especially important in case of suits, shirts, jackets, coats and trousers. The design department uses proven models, introduces upgrades to existing models, and creates new solutions. When all designs are ready and sewn, the best proposals are chosen and additional colour versions are created. In case of complementary clothing, i.e. smart-casual and casual the Group cooperates with producers on design of these products. The design department prepares two main collections: Spring/Summer and Autumn/Winter, which are split into sub-collections and special lines. The final element is work with a ready design – every product chosen to be part of the collection is tested for its quality.

Jewellery segment

The jewellery designing process starts with the customer, his/her needs and demands. The process encompasses both main collections as well as star and occasional collections. Introduction of new collections starts with analysis of the design strategy, trends, customer behaviour and assortment sold. Based on these, designers prepare jewellery designs. Designers are supported by managers of selected product categories and experts in jewellery production. Since 2016 W.KRUK offers also accessories designed by its creative department, leather and silk accessories manufactured in Polish manufactories as well as perfumes. Sunglasses are imported from Italy. Twice a year, W.KRUK S.A. presents new arrivals within accessories, meeting the latest trends. In the case of watches, W.KRUK brand experts choose the most interesting and desirable models proposed by the best and most popular brands with which W.KRUK S.A. cooperates. In 2019 W.KRUK presented a line of signature perfumes for men and women.

PRODUCTION

Production is an important element of the Company's and the Capital Group's value chain. Thus, the Management emphasises its quality and transparency. Both in the apparel and jewellery segment the Group has own production facilities as well as proven external suppliers.

The Capital Group focuses on long-term relationships with suppliers and long-term cooperation based on mutual trust. The Capital Group cares about suppliers who have appropriate experience in production and know-how, pay attention to the quality of finish of products, but also have the potential to develop cooperation in the long term. The Group has been cooperating with many suppliers for several or even several dozen years. When selecting suppliers, apart from the quality offered, the following factors are also taken into account: competitive prices, acceptable order fulfilment dates and compliance with the principles of confidentiality in the design and production process.

Start of cooperation with a new producer needs a sizeable engagement from both parties. New sourcing partners were previously found mainly on dedicated fairs, which took place in Europe and the Far East as well as via business relations with trading partners. In 2020 and 2021 due to COVID-19 pandemics, establishing new contacts mostly took place via e-mail and in the form of on-line meetings. Return to fairs' visits in Europe and meetings with suppliers in the offices took place in the second half of the year. Potential new business partners are verified based on their production possibilities, experience, quality and technological standards, required certificates as well as pricing and other elements of their offering. The Group cooperates with a diverse range of suppliers in terms of size. These are large international corporations as well as small family companies. It is dependent on the sourcing country, assortment and its specifics. The majority of the production facilities are located in Poland and the Group mostly cooperates with small and medium sized enterprises. Foreign producers are represented by medium- and larger size enterprises, which employ between hundreds to thousands of people, but also small enterprises, including family companies.

Apparel segment

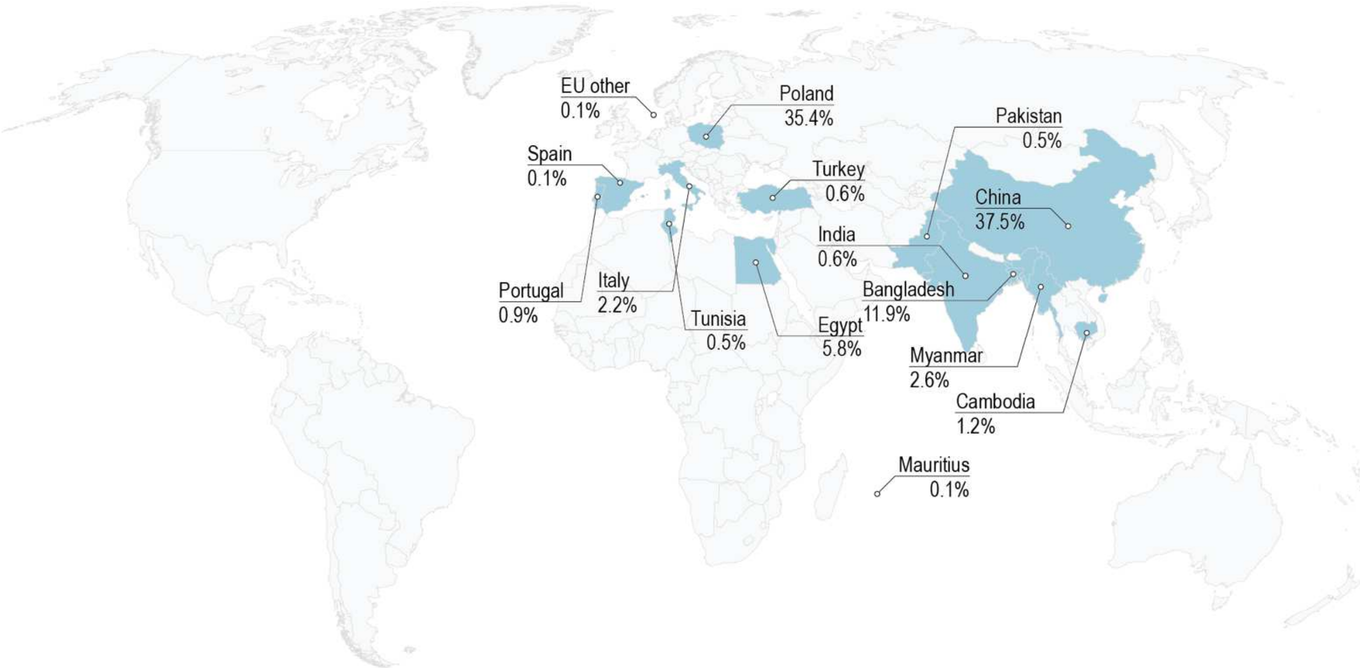
Companies from the apparel segment source the production of their collections from trusted domestic and foreign suppliers, providing high-quality sewing and packaging services. VRG S.A. is responsible for selection and purchase of fabrics (mainly Italian) and any sewing accessories, as well as preparation of designs and technical documentation for specific clothing. The Company purchases a supplementary assortment: knitwear, jackets, trousers, shirts, shoes, ties, leather accessories and other accessories from reliable external suppliers, producing from their own materials, mostly according to its own designs. Clothing and accessories purchased by VRG S.A. are produced in many countries in Europe, Asia and North Africa, depending on the assortment and specificity of the product. Nevertheless, Poland is still a very important production and purchasing market, and among other European countries where the Company carries out its production, Italy, Portugal and Slovenia should be mentioned. Along with the growing popularity of casual and smart-casual products, manufactured mainly in Asia, the number of orders for this type of products also increased, as a result of which almost half of the purchases were made on Asian markets. In Asia, the Company mainly uses suppliers from China, Bangladesh, Myanmar and Cambodia, and to a lesser extent from India and Mauritius. The countries of the Mediterranean basin are becoming an important place of production, especially Egypt, and to a lesser extent Tunisia and Turkey. As with finished products, fabrics are sourced from different countries depending on expected properties, end use, quality and cost criteria. The vast majority of fabrics come from Europe - mainly from Italy - from well-known Italian weaving mills that offer the highest quality wool and cotton. Some of the fabrics are purchased by the Company from China and Egypt, and to a lesser extent from India and Turkey. The remaining raw materials (mainly additives) are mostly purchased in Poland, Italy and Germany. Some of the Polish contractors are representatives of international concerns, and their production is located in various countries in Europe and Asia. In the Company in 2021, c. 29% of suppliers in the production area were suppliers with whom the Vistula, Wólczanka and Bytom brands have been cooperating for over 10 years,

c. 40% are suppliers with a history of cooperation for 5-10 years, and the remaining 31% were suppliers we have been working with for less than 5 years. At Deni Cler Milano, the production process itself is similar. However, the key sources of purchases are different - the main countries of production of clothes and footwear are: Poland, Italy, China, Portugal, while jewellery for the collection is purchased in Poland, France, China, South Korea and Great Britain.

In the apparel segment, the Capital Group also has its own production plant, located in Ostrowiec Świętokrzyski, managed by a subsidiary WSM Factory Sp. z o.o. It specializes in the production of men's shirts, but its offer also includes women's shirts, blouses and dresses. In 2021, the plant also produced women's and men's nightwear. Its production capacity is currently around 300,000 shirts per year, and during the pandemic, the plant also sewed protective masks. The plant carries out orders for both Wólczanka and Vistula brands, as well as foreign entities as part of processing exports. The share of shirts sewn for VRG increased from 15% in 2020 to 25% in 2021. The pandemic situation had an impact on the change in the production structure.

The number of suppliers cooperating with VRG in 2021 increased YoY mainly due to development of the women's collection in the offer of the Wólczanka and Vistula brands and broadening the casual products offer, and thus - search for new suppliers both in terms of purchase of fabrics (markets European) and finished products (mainly on Asian markets). The effects of pandemic were still felt, resulting in less need for formal clothing. The Company also continued the change in cooperation with sewing factories - production plants, adopted a year earlier. Purchases of raw materials for production have been shifted to sewing factories, which are obliged to realize them directly from producers. Thus, some of our suppliers invoice their purchases for production plants instead of VRG S.A.

Sources for the apparel segment by country are presented in the graph below:

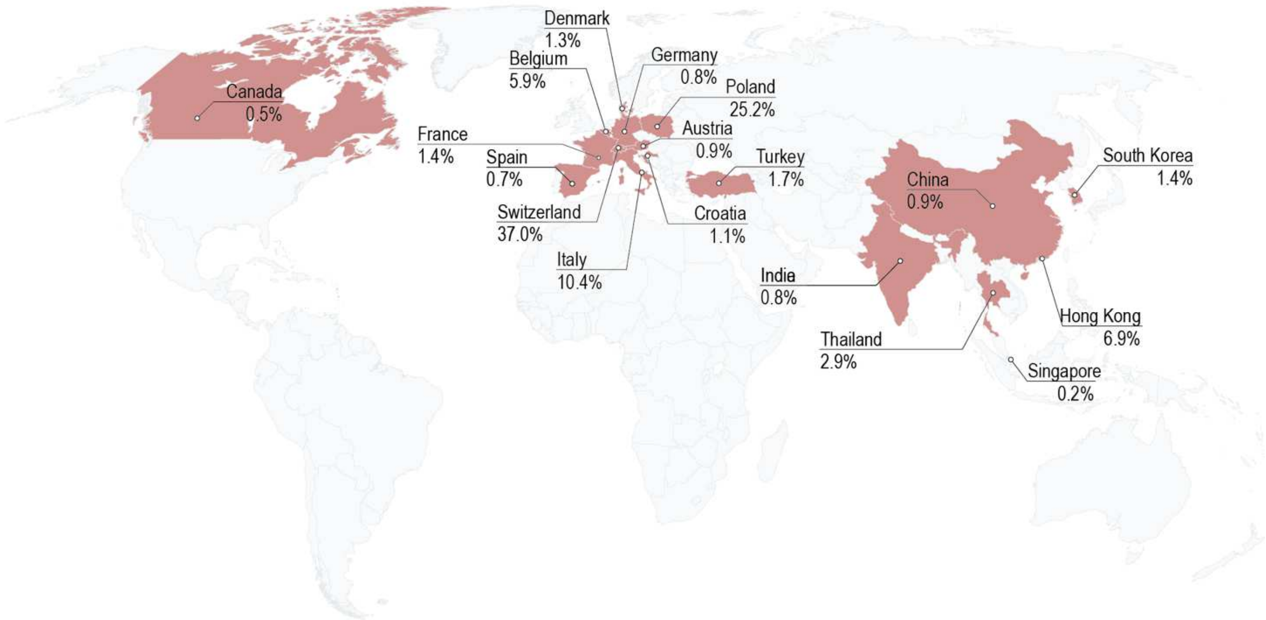


Jewellery segment

Jewellery is made by reliable domestic and foreign suppliers, while a significant part of the jewellery, including most of the original collections, is produced in Manufaktura W.KRUK in Komorniki near Poznań and in other Polish studios. W.KRUK cooperates with reliable jewellery suppliers. The main suppliers, none of which exceed the materiality level, are jewellers from Poland, Italy, other European countries (including Spain, France, Belgium and Germany) and the Far East (including China, India, Thailand, South Korea and Turkey). In the watch segment, suppliers are directly owners, operators or Polish representatives of operators of particular brands, mainly from Switzerland. The choice of a jewellery supplier depends on the specificity of the product. Suppliers most often specialize in the production of a specific type of jewellery. The main breakdown is between suppliers that produce gold or silver. In addition, W.KRUK suppliers are specialized depending on what gemstones they use for production. The division of cooperation with suppliers is different than in the apparel segment. For the purposes of the calculations, both suppliers of precious stones, jewellery and finished products offered under private labels, of which W.KRUK is the distributor of the so-called external brands. C. 43% of jewellery suppliers are suppliers with whom W.KRUK has been cooperating for less than 5 years, c. 31% are suppliers with whom cooperation has lasted between 5 and 10 years, while c. 26% are companies with which W.KRUK has been cooperating for over 10 years. The high share of suppliers with fewer than 5 years of service results from the strategy of modifying the supplier portfolio and striving to cooperate with suppliers with new technical possibilities and the growing share of purchases of the so-called external brands.

W.KRUK collects statements from its suppliers of gold and precious stones jewellery confirming that gold and platinum as well as the gemstones used in the jewellery are natural, obtained from legal sources. In addition, the authenticity of the components is also confirmed at the quality control stage by W.KRUK experts. The company also keeps a register of certificates and similar documents held by contractors and which guarantee the reliability and transparency of their services.

The sources of supply for the jewellery segment are presented in the graph below:



LOGISTICS

Capital Group's logistics encompasses delivery of products from producers to distribution centres and through them to stores or to on-line customers. The Group invests in development of faster and more economically effective deliveries. Sending the products to and from the distribution centre takes place via third party operators and couriers.

Apparel segment

Goods are shipped by suppliers by sea, air, rail and road. It is picked up at the central warehouse of an external logistics operator - with an area of over 32,000 m2. For the off-line sales channel, the goods are picked by the logistics operator and sent to own and franchise stores through transport (hanging and lying clothes). In the on-line channel, goods are sent to individual customers via courier companies. The goods may also be returned to the warehouse from stores or may be moved between stores only through courier companies or a logistics operator. Orders are picked by an external logistics operator on-line and off-line. In the central warehouse, an order picking automation system for the off-line channel (sorter) and automation for the quality control of goods (understood as their suitability for resale) withdrawn from the traditional sales channel, and ultimately directed to the Internet channel, are implemented. In 2020, the automation of accepting returns from on-line customers for the Wólczanka brand was implemented, in 2021 a similar processes' improvement took place for the Vistula and Bytom brands. Shipment of goods purchased in on-line stores of brands has also been optimized by improving the complementation processes. As a result, the time of delivery of e-commerce orders to customers has been significantly reduced (to a maximum of 48 hours), while availability of products in e-stores was accelerated and increased. Thanks to system changes, in 2021, the "Click & Collect" service was also implemented for all three brands (Vistula, Wólczanka, Bytom), i.e. the automation of the process of receiving e-commerce orders by customers in off-line stores. At Deni Cler Milano, deliveries to stores are made with our own transport.

Jewellery segment

In the jewellery segment, goods from suppliers, after being checked, are taken to their own jewellery and watches warehouse. Goods are then sent in the required part (from 1g in gold and platinum and 5g in silver) to the Assay Office for admission to trading, then after marking it is collected from the Assay Office. After receiving the products, a detailed quality control takes place. In the next step, a label is attached to the product, which completes the acceptance process and makes the product ready for distribution to own stores or shipment directly to the customer. Warehouse operations for jewellery and watches are carried out by W.KRUK S.A.'s own resources, and for the transport of goods to stores or transfers between W.KRUK S.A. stores convoy transport and a courier company is used. For the on-line sales channel, goods are sent from an on-line warehouse and delivered to the customer after completion.

STORES

The Capital Group's stores are the place of contact with the customer, where we can display our offer, both for off-line (traditional stores) and on-line customers (monobrand e-stores of our brands). The Group has a network of company-owned and franchise stores. Our stores are located mostly in modern shopping malls, but also on high-streets of the largest cities (e.g. the European Hotel in Warsaw) and Warsaw's international Chopin Airport. The Group also has outlets where unsold garments and jewellery are sent post season sell-offs.

In 2021, due to the continuation of the COVID-19 pandemic and related lock-down as well as temporary closing down of traditional stores, the Company and the Capital Group focused on optimizing the sales network and closing unprofitable stores. The brands of both the Company and the Capital Group have their own and franchise stores. Additionally, the concept of multi-brand stores was developed by Deni Cler Milano brand. Despite reduction in floorspace, selective openings of stores took place in 2021, in particular of W.KRUK brand. The Group focuses on long-term relationships with proven partners, whom it acquires at franchise fairs, through its own contacts and applications that are sent to the Company and the Group via the website. Franchisees run stores on behalf of the Group companies, for which they receive commission. By following the procedures and guidelines in place, the Company and the Group make sure that all franchise stores (even though they are not operated directly by it) meet the established standards. As a result, the number of cities where the Group's stores are located remained stable at 106 in 2021. At the end of 2021, the Group's network included 550 stores (compared to 570 at the end of 2020). Capital Group floorspace came in at 52,325 m² (compared to 53,048 m² at the end of 2020, a decrease by 1% YoY).

Lease agreements are negotiated by the investment department, which has long-term relationships with the largest operators of shopping malls in the country. Locations are selected after careful analysis of the city, district and, in the case of existing traffic centers, proposed floors. Agreements are negotiated taking into account development plans of the entire Capital Group. The length of the lease contract varies, the shortest contract is four months, the longest is 15 years, and a small part is signed for an indefinite period. Usually, lease agreements are signed for 5 years. The average length of the lease agreement in 2021 at the Capital Group level is 6.71 years compared to 6.15 in 2020 (for own stores). At the level of VRG S.A. the corresponding values are 6.46 for 2021 and 5.97 for 2020. These increases result from negotiations conducted in 2021 as well as the anti-crisis act of March 2020, as amended, under which the pandemic rent exemption was in force in exchange for extension of rental contracts.

On-line stores are an increasingly important distribution channel for the Capital Group. The Capital Group runs e-stores for all five retail brands. The share of the Internet in sales of individual brands varies due to their specificity - the highest share is recorded for the Wólczanka brand, and the lowest for the W.KRUK brand.

% of franchise network in floorspace	2020	2021
VRG S.A. Capital Group	**21%**	**21%**
Apparel segment	24%	23%
Jewellery segment	10%	13%
VRG S.A.	**24%**	**25%**

Share of internet in sales	2020	2021
VRG S.A. Capital Group	**24.3%**	**18.2%**
Apparel segment	31.9%	26.1%
Jewellery segment	13.4%	9.1%
VRG S.A.	**33.8%**	**27.1%**

CUSTOMERS

Customers are the most important part of the value chain. These are people who identify themselves with the brands owned by the Capital Group, who visit stores and on-line stores of these brands, and buy and use products offered by these brands. Due to the favourable positioning of brands and skilful marketing, the Capital Group has consistently noted significant increases in customer interest in its brands each year until the pandemic occurs. In 2020, due to COVID-19 pandemic, the Group's stores were visited by c. 13.9 million people. Some of the clients moved to the on-line channel, which resulted in a dynamic development of sales in this channel. In 2021, 15.5 million people visited the brands' stores of the VRG S.A. Capital Group i.e. 11% more YoY, as some people returned to shopping centers.

The attractiveness of brands in the eyes of customers is also increased by well-profiled loyalty programs. Until September 2020, Vistula and Wólczanka brands had a joint loyalty program, The Men's World Club. Currently, the programs have been separated. Vistula brand loyalty program is called VISTULA Community, and Wólczanka loyalty program is called "My Wólczanka". By joining each of these programs, the customer registers via Vistula or Wólczanka mobile application, thanks to which he/she can collect points and exchange them for discounts when shopping at the stores of these brands. Loyal customers receive priority in sell-offs, special promotional and discount campaigns, and current information about collections. At the end of 2021, the programs of the Vistula and Wólczanka brands in total had approximately 1.83 million participants (at the end of 2020: 1.76 million), which meant an increase of 4% YoY. Bytom brand has a dedicated Bytom Klub loyalty program, in which at the end of 2021 there were about 0.72 million loyal customers registered (at the end of 2020, about 0.7 million, an increase by 4% YoY). Deni Cler Milano brand has a separate loyalty program. Deni Club offers discounts and gifts as well as access to a unique range of products and services intended for participants. The brand's program gathered c. 61 thousand participants at the end of 2021. The loyalty program of W.KRUK brand - W.KRUK Friends Club is also very popular. At the end of 2021, it had over 1.42 million participants (at the end of 2020: 1.37 million participants, an increase of 4% YoY). By joining the loyalty program, in return for the purchases made, customer obtains points that give the option of a discount when making purchases and repairs of jewellery. In total, at the level of the Capital Group, the number of loyal customers amounted to 4.04 million people at the end of 2021, an increase by 4% YoY (at the end of 2020: 3.88 million).

2.2.2. Dependencies and usage of capitals

In its value chain both the Company and the Capital Group use several types of capitals and affect these. Key dependencies have been presented on the following graph.

What we put into VRG S.A. and VRG S.A. Capital Group	VRG S.A. Capital Group and VRG S.A.	What VRG S.A. and VRG S.A. Capital Group give the surroundings
Financial capital Sources of Group financing in the form of own equity, generated cash flows, bank loans	Processes: ideas for new collections in the apparel and Jewellery segments, brand creation, ordering goods, delivery of goods to stores, everyday contact with customers in stores,	**Financial capital** Generating cash flows, which can be reinvested into the Company and the Group
Manufactured capital Group production facility and the facilities of its suppliers, inventory in stock		**Manufactured capital** Supporting our suppliers, as a result maintaining and supporting creation of new jobs and products; introduction of Code of Conduct for Suppliers

Intellectual capital Group's brands and their trademarks, recognisable all over Poland, possessed procedures and systems	contacts with suppliers, relations with employees, back-office maintenance (finance and administration)	**Intellectual capital** Development of Group's brands, attractive collections, ethical marketing
Human capital Group employees both in HQs and in stores and production, their knowledge and experience		**Human capital** Development of employees through trainings, implementation of Diversity Policy, Code of Ethics together with Group values
Social capital Group's brands reputation, Group's relations with the outside world		**Social capital** Strengthening relations with customers, support for local societies
Natural capital Natural resources used to obtain fabrics and precious metals for jewellery		**Natural capital** Actions aiming at minimising the Group's impact on environment, Sustainable Development Strategy

2.3. Group's strategy and its results

2.3.1. Mission and Vision of the Capital Group

The Group operates according to its mission, vision and strategy. Mission is the universal aim of our actions, defining the meaning of the Capital Group's existence and actions. Vision is the visualisation of our actions and motivates us to act towards its fulfilment.

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.

2.3.2. Strategy of the Capital Group

Strategy is the plan that brings us closer to our vision. The key aim is to increase the value of the Company and the Capital Group. The priority for the Management is sustainable organic growth, both in the apparel and the jewellery division. Organic growth is built on four pillars: (1) Capital Group's floorspace growth, (2) development of internet sales, (3) continued products improvements and following the customers' preferences as well as (4) effective marketing increasing brand awareness.

CAPITAL GROUP STRATEGY

VALUE CREATION		
ORGANIC GROWTH		**ACQUISITIVE GROWTH**
Off-line	On-line	Broader brand portfolio
Products	Marketing	

The Capital Group plans to continue medium-term network development domestically by adding new locations for own stores of key brands as well as development of franchise floorspace. It will be possible once the situation related to coronavirus stabilises. The Capital Group's aim is to continue to benefit from internet sales popularisation. The Group's target remains to maintain cost discipline in both segments (and in short-term minimisation of fixed costs).

THE GROUP'S AIM IS TO CREATE A

HOUSE OF BRANDS

STRATEGIC TARGET:

gathering under the Group's auspices several related retail brands, which are strong on their local markets.

KEY ADVANTAGE OF ITS STRATEGY:

transfer of strategy successfully conducted in Poland on foreign markets, usage of local brands' strength and combined synergies.

Before the pandemic, the Capital Group pursued the House of Brands strategy. The goal was to obtain, also through acquisitions, a portfolio of brands that would be strong in their local markets. This strategy made it possible to accelerate the growth of the Capital Group. The implementation of this strategy was the successful merger with Bytom S.A., which ended on November 30, 2018. As a result, the VRG S.A. Capital Group was established, having five brands with a strong position on the Polish apparel market. Return to the House of Marek strategy will be possible after the pandemic situation has stabilized.

Combining tradition with modernity in all its brands will remain an important distinguishing feature of the Capital Group's activities. In men's fashion, this means a contemporary vision of tailoring, in women's fashion - adherence to the classics in a modern edition, and in jewellery, preserving the craft tradition combined with innovative manufacturing technologies.

	Creation	Tradition
APPAREL 74 years	Innovative fabrics Modern technologies in the production process Suits dynamised via sports	Natural fabrics Cultivation and prestige of clothing tailoring and constructor jobs Traditional tailoring, classical and timeless patterns
JEWELLERY 182 years	Unique design alluding to global trends Jewellery collections with a personalised message from their ambassadors	Traditional manufacturing techniques and human labour combined with modern technology

2.3.3. Sustainable Development Strategy of the Capital Group

In order to meet the expectations of its stakeholders, the Management Board of the VRG Group in 2020 adopted the Sustainable Development Strategy for 2020-2022. This three-year strategy is the first such strategy created by VRG S.A. Capital Group. Its purpose is to signal the importance of sustainability issues to both external and internal stakeholders. It is important both for the Group and the Company that future generations, which will represent both its customers, employees and suppliers, be able to pursue their dreams, goals and needs. This strategy is not an environmental or climate strategy. In 2021, the Group and the Company continued collecting data and activities that will allow for the formulation of such a strategy in the future.

Both the first and second year of the Strategy's operation coincided with the COVID-19 pandemic, which left its mark on the implementation of some of its goals. Estimation of the advancement scale of the Strategy implementation for its individual points is presented in the graphs below. With regard to product-related issues, it should be emphasized that the majority of our products in the apparel segment are made of natural raw materials (including wool, cotton, linen, silk, viscose) and not artificial or synthetic raw materials, so they are more easily biodegradable and recycled. In our collections, we gradually introduce modern and ecological fabrics and other raw materials in apparel brands. The jewellery brand W.KRUK uses diamonds produced in laboratories, a modern alternative to diamonds extracted from the earth's mantle (traditional method) and vegetable tanned leather in the case of some accessories. In the second year of the Strategy implementation, progress has also been made in obtaining signed declarations on compliance with the Code for Suppliers and Contractors of the Company. With regard to VRG, already 81% (in 2020: 53%) of fabric and product suppliers have signed the Code. They are responsible for 92% (in 2020: over 70%) of purchases by value. The Code was also implemented in VRG's subsidiaries - at W.KRUK, as at the date of publication of the report, 66% of suppliers signed the Code.

In 2020 and 2021, during the intensification of successive waves of the pandemic, work, where it was possible due to the specificity of the functioning of the department, was divided into shifts consisting of interweaving remote work and work in the office to reduce the likelihood of infection. Compared to previous years, the possibilities of hybrid work at the headquarters have significantly increased, as well as cooperation with universities (in particular at W.KRUK). In 2021, work on reducing the environmental impact was continued in key locations where the Group has its operations (for details, see the section on environmental and climate impact). During the pandemic, activities related to promotion of ecological attitudes among employees were replaced by promotion of pro-health activities, and the return to pro-ecological activities took place in 2022 (waste segregation in the office, mineral water dispensers instead of disposable bottles). The approach to stores in shopping malls has also changed - optimization of the sales network, not development, was a priority both in 2020 and 2021.

Product **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 apparel collections.		✓
Implementation of the Code of Conduct for Suppliers and Contractors 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).		✓

advanced *medium-advanced* *beginning*

2.3.4. UN sustainable development goals

Even though the key operational activities of VRG S.A. and the VRG S.A. Capital Group were limited to Poland in 2020 and 2021, the Management Board is not indifferent to global challenges regarding sustainable development. VRG Capital Group and VRG S.A. with their activities described in this Report contribute to the implementation of the UN Sustainable Development Goals for 2015-2030. Implementation of the Capital Group Sustainable Development Strategy should additionally contribute to the conduct of the UN objectives described below

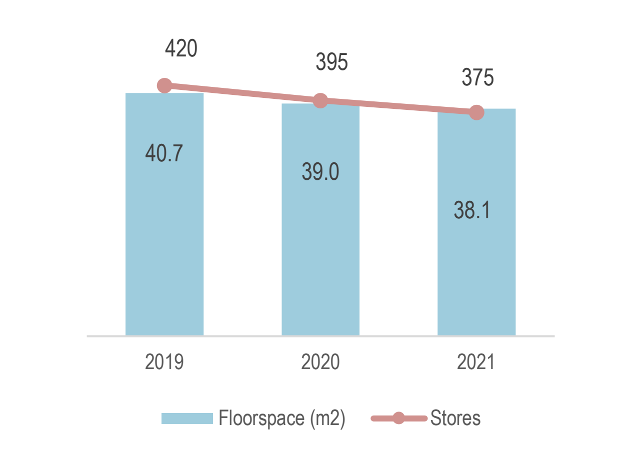
UN Sustainable Development Goals	Actions of VRG S.A. and VRG S.A. Capital Group
	– Support for the country's economic development due to comprehensive operations (from production to sales, store network all over the country, e-stores of all brands). – Emphasis on decent and fair treatment of employees and dignified treatment of workers of subcontractors implementation of Code of Conduct for Suppliers and Contractors). – Favourable employment terms all over the Group, despite pandemics.
	– Usage of the latest production methods, both in Poland as well as at foreign subcontractors. – Offer including innovative solutions both in terms of fabrics in the apparel segment and in terms of ores in the jewellery segment (e.g. lab-grown diamonds).
	– Promotion of responsible consumption – sale of high-quality clothing and jewellery for years. – Eco-friendly materials and collections in offer. – None of the brands uses natural furs since Spring/Summer 2020.
	– Led lightning in an increasing number of stores. – Rental agreements with environmental clauses. – New more ecological location of W.KRUK manufacturing capacity, e-commerce warehouse. – More disclosures related to environment and climate.

2.3.5. Financial results of the Company and Group

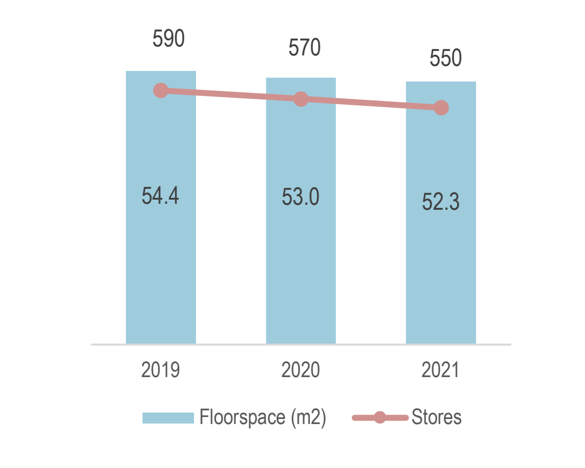
The financial results up to and including 2019 showed that the strategy chosen earlier by the Management Board is correct. The years 2020 and 2021 brought many external challenges related to the pandemic. Both the Company and the Capital Group maintained a stable and safe liquidity situation. The administrative closing down of stores in shopping centers, lasting many weeks, made it impossible to achieve growing results in 2020. However, the rebound in the results took place in 2021 due to faster return of customers to traditional stores after the period of their administrative closing down.

Number of stores (rhs) and floorspace (lhs) (ths m²)

VRG S.A.



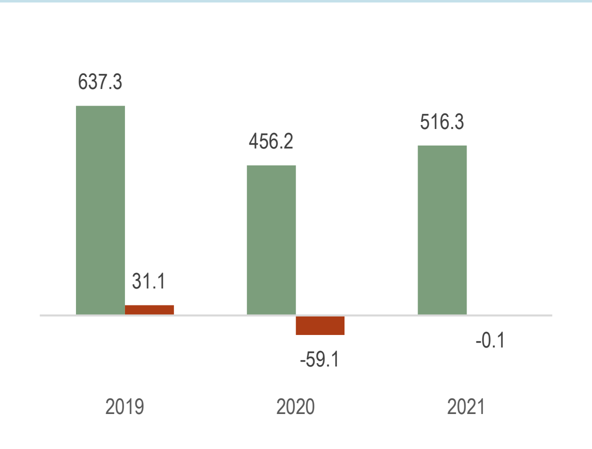
VRG S.A. Capital Group



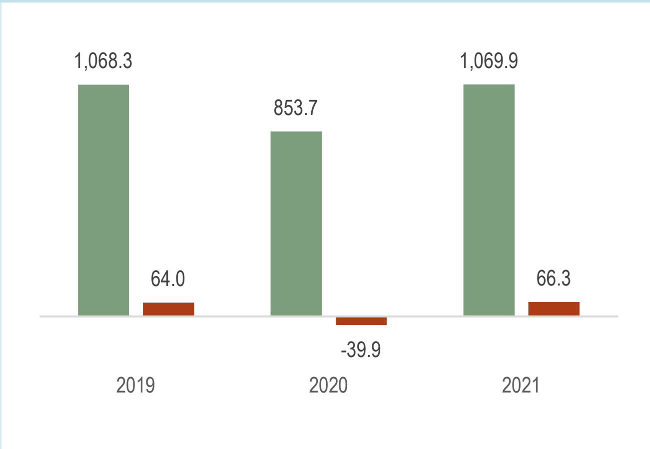
Continuation of decline in number of traditional stores in 2020 and 2021 and a slight YoY reduction in floorspace along with optimization of traditional stores' floorspace due to negative impact of the COVID-19 pandemic and a stronger customers' shift to on-line.

Revenues and earnings (PLN m)

VRG S.A.



VRG S.A. Capital Group



Due to COVID-19 pandemic, it was not possible to improve the results YoY in 2020. After implementation of remedial actions, the results of both the Company and the Capital Group improved significantly in 2021.

2.4. Awards and achievements

The Group's brands have obtained several awards and designations from their customers. Below are selected ones achieved in 2020 and 2021:

- In 2020, Wólczanka brand took the third place in the Top Avanti 2019 Plebiscite in the Clothing category for the limited Collection inspired by Japan - Honorable award in the Women's 2019 Super Product competition in the Clothing category.
- For 2020, Deni Cler Milano brand received the title of Fashion Excellence by Twój Styl monthly in the Foreign exclusive brand category for the Modern Art Autumn/Winter 2020/21 collection.
- Deni Cler Milano brand was awarded with the Fashion Excellence 2021 title of the Twój Styl monthly in the Jubilee category for activities related to the double jubilee: 50 years of the brand and 30 years of presence on the Polish market.
- In 2020, W.KRUK brand was awarded the Fashion Perfection of Twój Styl 2020 award in the premium jewellery category for the "BLASK" jubilee collection.
- In 2021, W.KRUK brand received the DOSKONAŁOŚĆ MODY award, awarded by Twój Styl monthly, in the Cooperation of the Year category for: W.KRUK's cooperation with Magda Mołek and the MEA collection.

– In 2021, W.KRUK brand also received the EFFIE AWARDS award, granted by the SAR Marketing Communication Association, in the contest for the most effective advertising campaigns, in the COMMERCE category, for the anti-crisis economy. The brand received the award together with its partner, the Performics agency.

2.5. Organisations and societies

VRG S.A. Capital Group via its parent company is a member and supports actions of several important organisations. These are:

– SEG – Polish Association of Listed Companies – organisation established in 1993 supporting the development of Polish capital market and representing the interests of companies listed on the WSE. Being an expert organization, SEG aims to spread and exchange knowledge enabling the development of the capital market and modern market economy in Poland.
– PIOT – Association of Employers from the Clothing and Textile Industry is an organisation with over 70 years of tradition in work for development of the clothing and textile industry, gathering several companies from the industry. PIOT actively acts on the international and local level, creating a positive image of Polish sector and creating opportunities to increase competitiveness both locally and abroad. The Association represents Polish producers versus public and government institutions domestically and versus international agencies such as EURATEX (The European Apparel and Textile Confederation) in Brussels, and European Technology Platform. PIOT also cooperates with scientific institutes related to apparel-textile industry among others in frames of R&D projects. It also supports many other international undertakings as a leader or partner.
– Chamber of Cotton in Gdynia - associated with the cotton industry since 1935 the Chamber of Cotton in Gdynia is an international professional association, not-for-profit, not conducting commercial activity, with membership amounting to almost 100 companies and organizations from 11 countries from around the world. The mission of the Chamber of Cotton in Gdynia is to create an economically and organisationally strong cotton sector in Poland and internationally by supporting the activities of its members and institutions, authorities and organizations interested in cotton and other fibres.
– The Chamber of Commerce and Industry in Cracow, which represents the economic interests of member companies towards public administration and European Union bodies, and supports them in raising their competitiveness, innovation and promotion of economic activity in the country and abroad.
– Association of Polish Trade and Service Employers - an association of Polish companies from the retail sector established in 2020 due to the negative impact of the coronavirus epidemic on the results of Polish clothing, footwear and accessory brands. The goal is to undertake joint activities that will support these companies in the difficult period of closed shopping malls. The union has made its demands regarding state support to state administration bodies.

3. Corporate governance

VRG S.A. and VRG S.A. Capital Group place great emphasis on corporate governance. As an entity listed on the Warsaw Stock Exchange, the Group runs an open communication with capital market participants. It also applies the Best Practice for WSE Listed Companies 2021 principles.

GENERAL SHAREHOLDER MEETING	SUPERVISORY BOARD	MANAGEMENT BOARD
Ordinary General Shareholder Meeting takes place once a year Extraordinary General Shareholder Meeting takes place in special situations GM can be convened by the Management from its own initiative, initiative of the Supervisory Board or shareholders with 1/20 of equity appoints Supervisory Board, grants discharge to Supervisory and Management Boards, approves financial statements and profit distribution	consists of 5 to 7 members 3 year term supervises the operations of the Company and the Group appoints the Management Board and approves selected most important decisions meets at least once a quarter the Audit Committee consists of independent members there is also a Remuneration and Nomination Committee	consists of 3 to 6 people 3 year term represents the Company and the Capital Group takes the most important decisions prepares organic growth strategy, is responsible for M&A documents need signature of 2 members

COMPOSITION

Ipopema TFI	22.99%
PZU OFE i DFE	17.005%
NN OFE	13.97%
Jerzy Mazgaj	9.34%
Forum TFI	7.23%
Pozostały free-float	29.465%

Mateusz Kolański, Chair of the Supervisory Board
Jan Pilch, Deputy-Chair of the Supervisory Board
Marcin Gomoła
Piotr Kaczmarek
Piotr Stępniak
Wacław Szary
Andrzej Szumański

Jan Pilch Supervisory Board member delegated to temporarily perform the duties of the President of the Management Board
Marta Fryzowska Executive Vice-President of the Management Board
Michał Zimnicki Executive Vice-President of the Management Board

2 Committees in the Supervisory Board

86% of Supervisory Board are independent members

There are 17 directors under the Management Board. 9 of them are women.

Shareholders i.e. owners of the Company exert control over the Company and the Capital Group via General Shareholder Meetings. An Ordinary General Shareholder Meeting takes place up to 6 months after the end of fiscal year, while an Extraordinary General Shareholder Meeting takes place in special situations. An Ordinary General Shareholder Meeting approves financial statements for the prior year as well as the Management's report on operations of the Company and the Capital Group, decides on profit distribution or covering of a loss, appoints or changes Supervisory Board as well as grants discharge to Management Board and Supervisory Board members for their actions in the past year. General Shareholder Meeting can also alter the scope of the Company's operations, change the Articles of Association, increase or decrease statutory equity, decide on a merger, division or transformation of the Company. An Extraordinary General Shareholder Meeting can be convened by the Management based on own initiative or based on initiative of shareholders representing at least 1/20 (one twentieth) of the Company's equity. An Extraordinary General Shareholder Meeting should be convened within 2 weeks since filling of the motion by authorised parties. The Company's and Group's shareholder structure is a dispersed one – the largest shareholders which are funds managed by IPOPEMA TFI c. 23% of votes on the General Shareholder Meeting while the four largest shareholders possess a combined 70.5% stake in votes. The majority of shareholders have been with the Company for at least a couple of years and they participate in shaping of the Company's and Capital Group's actions via their representatives in the Supervisory Board. The Company has a sizeable free-float, with majority of shareholders being financial institutions.

The General Shareholder Meeting appoints Supervisory Board which oversees the Company and the Management Board's actions in the name of shareholders. According to the Company's Articles of Association, the Supervisory Board consists of between 5 to 7 persons with a 3-year term. The current Supervisory Board consists of 7 people based on the decision of the Extraordinary General Shareholder Meeting on October 31, 2018, which enlarged the composition of the Supervisory Board due to merger with Bytom S.A. Due to a sizeable presence of financial investors, 4 out of 7 Supervisory Board members are independent. The Supervisory Board is a diverse one in terms of business experiences of its representatives. Supervisory Board meetings take place at least once per quarter. Supervisory Board competences include, among others, examination and analysis of the financial statements and Management Discussion and Analysis of the Company and the Group as well as choosing the auditor. There is an Audit Committee within the Supervisory Board, operating on a permanent basis. Also, since June 2019 there is a Nomination and Remuneration Committee within the Supervisory Board. The Supervisory Board also appoints the Management, whose role is to run the Company and the Capital Group. Additionally, the Supervisory Board approves the Rules of the Management Board operations and sets the Management Board remuneration. The Management Board consists of between 3 to 6 persons while its term last 3 years (just like the Supervisory Board). The remuneration of the Management Board consists of two elements: cash remuneration (basic remuneration and possible variable remuneration (bonuses) depending on the results of the Capital Group and the implementation of its development strategy and social goals) and remuneration in the form of subscription warrants entitling to take up VRG S.A. shares. as part of the incentive program (based on the results of the Capital Group and the share price), which makes the goal of the Management Board consistent with the goal of shareholders, which is to build value. The rules governing the amount of fixed remuneration, variable remuneration (bonuses) and other benefits for members of the Management Board of the Company are set out in the Remuneration Policy for members of the Management Board and Supervisory Board of VRG S.A. adopted by the Ordinary General Shareholder Meeting of the Company on June 29, 2020, amended by the resolution of the Extraordinary General Shareholder Meeting of the Company of March 17, 2021.

	Mateusz Kolański (P)	Jan Pilch	Marcin Gomoła
Independent	✓ (C)		✓
Audit Committee		✓	✓ (C)
Nomination and Remuneration Committee	✓ (C)	✓	

	Piotr Kaczmarek	Piotr Stępniak	Wacław Szary	Andrzej Szumański
Independent	✓	✓	✓	✓
Audit Committee	✓	✓	✓	
Nomination and Remuneration Committee	✓	✓	✓	✓

C – Chair

4. Stakeholders

For the purpose of Non-financial Report for 2021 the Management Board re-analysed stakeholders based on the ways: (1) stakeholders impact the Company and the Capital Group and selected elements of the value chain, (2) the Company's and the Capital Group's impact on selected stakeholder groups, (3) interest shown in the actions of the Company and the Capital Group as well as (4) frequency of the contact. Based on this analysis, it has been confirmed, that the earlier identified seven stakeholder groups are still valid. These are: (1) shareholders and financing institutions, (2) suppliers, (3) customers, (4) business partners, (5) employees, (6) public institutions and (7) local society. Except for the Company's and Capital Group's employees, remaining stakeholders are external ones.

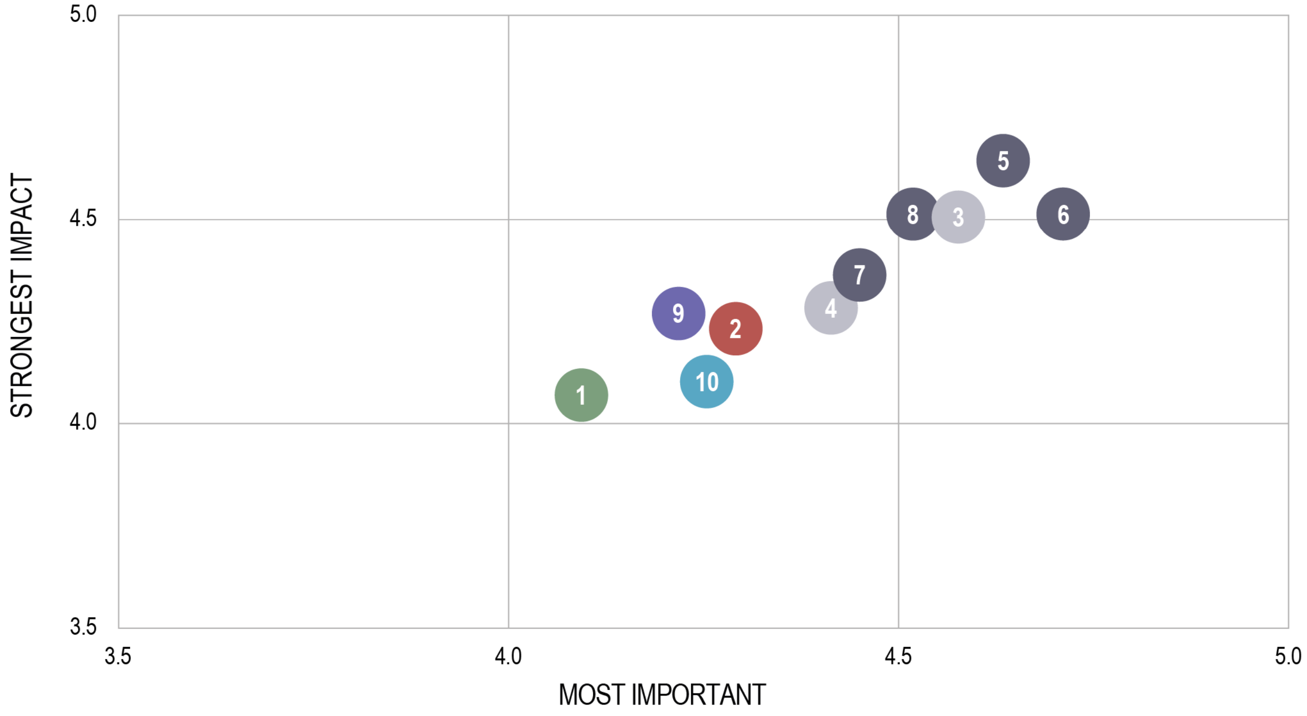
While the key stakeholder groups have not changed, the COVID-19 pandemic has altered the way we contact most of them, from face-to-face to on-line contact. As the impact of the pandemic remains significant on every element of everyday and business life, for the purposes of the 2020 Report, the Management Board decided to renew the stakeholder survey that took place between February 3, 2021 and March 1, 2021 in a form available to the public on VRG S.A. websites. on-line surveys (in Polish and English). The survey conducted in 2021 focused on six key areas, i.e. 1) environmental and climate issues, 2) issues related to products and the so-called customer experience, 3) employee and social issues, 4) legal and ethical issues, 5) financial issues and risk management, and 6) issues related to the local community. In each of these areas, key elements were selected on which stakeholders could comment on a scale from 0 (zero, least) to 5 (five, most) how important these topics are for them, and therefore should be reported on , and what impact they will have on the VRG S.A. Group in a three-year perspective. In total, 639 stakeholders participated in the survey.

For the purposes of the Report for 2021, the Management Board confirmed that there are no premises to change stakeholder materiality indicated in the survey a year earlier. Out of the six areas surveyed for the purposes of the 2020 Report, issues related to law and ethics were rated as the most material for stakeholders, and environmental and climate issues - the lowest. The elements that were considered the most important by the stakeholders include: respecting human rights in the entire value chain, compliance with the law, cybersecurity and personal data protection, decent employment conditions for employees in the entire supply chain, development of human capital among others through training and a transparent career path, sources of supply and transparent information about the place of production. As for the impact of individual areas on the VRG S.A. Group in the next three years, stakeholders also rated legal and ethical issues the highest and environmental and climate issues the lowest. The topics were considered to be the elements that will have the highest impact on the business model of VRG S.A. Group over the next three years were very similar to those considered significant. The results of the stakeholder analysis as well as the materiality matrix are used by the Management Board to further improve policies, activities and reporting aimed at meeting stakeholder expectations as much as possible. The elements considered by the stakeholders as significant and with significant influence are the subject of reporting by VRG S.A. and VRG S.A. Capital Group.

VRG S.A. AND VRG S.A. CAPITAL GROUP STAKEHOLDERS

	Who are they?	Why are they important to us?	How we engage?
Shareholders and financing institutions	Our shareholders are a diverse group encompassing private individuals, institutional investors (mutual and pension funds), research analysts and other listed companies. Financing institutions include banks.	Shareholders are the owners of the Company, while thanks to financing institutions we have means for development. Analysts value our shares, issue reports and recommendations, which help in decision making.	Value generation is our priority both in terms of organic growth (concentration on growing revenues and earnings) as well as with M&As (broadening the brand portfolio on favourable terms). The Management emphasises the quality and transparency of published operational and financial data. Apart from current and periodical reports the Group prepares presentations and excel files, supplementing the quarterly numbers. Those materials are available on our webpage. The Management focuses on dialog, regular meetings with shareholders (institutional and individual) on quarterly conferences and videoconferences for listed companies. The Management runs and open dialogue also with financing institutions.
Suppliers	Suppliers are entities that: (1) deliver us fabric and accessories for clothing production, (2) produce clothes that we order, and (3) from which we purchase jewellery or finished products. These encompass domestic and foreign players.	Suppliers are an important part of our value chain. They deliver goods and products that we resell in our stores.	The Group emphasises long-term relations with suppliers based on mutual respect and trust. To meet the needs of our partners, we try to plan the production process in advance (especially in the apparel segment), allowing our suppliers to plan production calendars. Additionally, the Group takes also payments into account while managing relations. Average payment term of invoices obtained by the Group has been relatively stable (65 days in 2021; 57 days in 2020), despite pandemics.
Customers	People who identify themselves with our brands, visit their stores and e-stores as well as purchase and use products sold by Group's brands.	Understanding and meeting the needs of our customers is Group's priority. Customers are the most important part of the value chain, we create our products and open our stores for them. We strive to keep them satisfied.	The Group's goal is the best possible customer experience. Vistula, Wólczanka and Bytom brands focus on modern design, a very good tailoring workshop and adaptation to the changing lifestyle of customers. The first two brands are also developing women's collections. Deni Cler Milano focuses on high-quality fabrics, collections combining classic with modernity, and modern stores. W.KRUK brand places emphasis on a variety of jewellery, occasional collections and a wide range of watches. Additionally, the Group invests in improving the operation of on-line stores. The management also listens to customers, monitoring satisfaction indicators, gathering their opinions in stores, communicating with them through, inter alia, newsletters, social media or brand websites.
Business partners	Business partners other than suppliers, e.g.: (1) shopping mall operators, where Group's stores are located, (2) franchisees, who run stores of all Group's brands, as well as (3) logistics operators.	Thanks to its business partners the Group can reach its customers and offer them products in traditional and e-stores.	The Group maintains long-term relations with all key shopping mall operators. Due to individual meetings and engagement, the Group obtains new locations on terms favourable for both sides or renegotiates changes/ closing down of selected locations due to a network optimisation process, especially in the apparel segment. The brands' strong recognitions allows us to obtain new franchisees, thanks to which we can develop our network and open stores in new smaller towns. The Group also cultivates relations with logistics operators, which support the Group in off-line and on-line operations.
Employees	Our employees are a diverse group. These include not only employees of stores but also HQs and production. Internal stakeholders also encompass Bytom's managers and their employees though these are not employees according to Labour Law.	Employees are our most important internal stakeholders. They are the driving force of the Group – they manage and develop it as well as communicate with customers.	Managers runs an open dialogue with the employees e.g. by organising cyclical meetings between Management, managers and employees. Store employees have regular meetings with regional managers. The Group offers stable employment with the possibility to develop. Managers monitor the level of remuneration versus the competition, while the Group offers employees non-financial support in the form of trainings, supplementation to Multisport card and private healthcare system.
Public institutions	Central and local administration is also an important Group's stakeholder. The Group cooperates with public institutions on various levels, ranging from tax offices to customs offices. Polish SEC (KNF) is also an important public stakeholder.	Both the Company and the Group are entities registered in Poland, conducting their business and paying taxes in Poland. We want to be perceived as a transparent entity whose taxes are used to benefit the country's development.	The Group delivers financial statements and tax fillings in a timely manner, pays social security and tax liabilities. Group's representatives participate in a dialogue with public institutions on various levels.
Local community	Local communities are located in cities, in which Group conducts its operations. These are: Cracow (HQs of the Company and subsidiaries), Ostrowiec Świętokrzyski (production facility) but also Poznań (manufacturing), Warsaw (offices) and Tarnowskie Góry (offices).	People living and working in those regions and cities, in which the Group conducts or develops its operations, as well as families of Group's employees.	The Group assures stable and favourable employment terms to its employees and thus positively affects their families and local societies. The Group is an important employer in Cracow and Ostrowiec Świętokrzyski. The Group also cooperates with local schools (e.g. Cracow Art School in a major of Artistic Clothing Design), supports students in preparation of their masters' thesis and offers trainings. At the same time, the Group endeavours so that its production facilities affect the environment to the lowest possible extent.

MATERIALITY MATRIX OF VRG S.A. AND VRG S.A. CAPITAL GROUP



Environmental and climate issues

1 Scale of waste generated and its management

Product and customer experience

2 Sources of suppliers and transparent information about sources of production

Employee and social issues

3 Decent employment conditions for employees throughout the value chain

4 Development of human capital among others through trainings and transparent career path

Ethical and legal issues

5 Abiding the law

6 Respect for human rights within supply chain

7 Ethical and responsible communication with stakeholders

8 Cybersecurity, data protection

Financial issues and risk management

9 Financial risk management

Issues related with local communities

10 Actions to protect the environment and climate

5. Social and employee matters

5.1. Policies

Social and employee issues are important for the Company and the Capital Group, as they affect internal stakeholders, i.e. employees, as well as external stakeholders, i.e. employees' families, local communities and customers. In employee relations, the Group focuses on diversity, development opportunities, training, a transparent career path and market remuneration. In social relations, the Group is involved in the promotion of sport, as well as valuable social campaigns.

At the end of 2021, the Capital Group employed 2,312 people, 2.6% fewer YoY. Employment contracts were the primary way of hiring employees. In 2021, they accounted for 92% (2020: 91%) of all employment contracts at the Capital Group level. The remaining contracts are mandate contracts or other civil contracts. Additionally, elected members of the Management Board performed their functions by appointment. The parent company VRG S.A. remained the largest employer within the Capital Group (Company), which employed 1,031 people at the end of 2021, a 3.9% YoY decrease. In 2021, the Capital Group employed 526 people, a 3% YoY decrease. In 2021, the Company hired 267 people, 22% more YoY. In 2021, 583 people left the Capital Group, a decrease by 18% YoY. Most of the people who left the stores were under 30 years of age. In 2021, 311 people left the Company, 6% fewer YoY. Due to temporarily lower demand for staff in traditional stores, the Company and the Group decided not to extend the contracts for a specified period.

EOP employment (people)	2020	2021
VRG S.A. Capital Group	**2,374**	**2,312**
Apparel segment	1,414	1,353
Jewellery segment	960	959
VRG S.A.	**1,073**	**1,031**

We point out to the differences between the operation of stores and the number of employees of individual brands. In Vistula, Wólczanka, Deni Cler Milano and W.KRUK stores, employees of the stores are employed under an employment contract. Bytom brand stores are run by entrepreneurs who cooperate with the Company on the basis of civil law contracts. Employment of store employees is the responsibility of entrepreneurs who run stores on the basis of cooperation agreements, whose task is to hire store employees under employment contracts. The presented data for the Bytom brand (currently part of VRG S.A.) includes only data of the headquarters, i.e. administrative employees employed under an employment contract. They do not include store managers and store staff employed by managers. The number of employees at the end of the period is given in persons, without taking into account people on educational leaves.

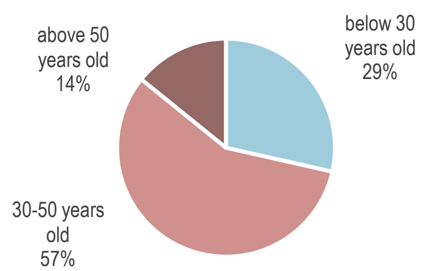
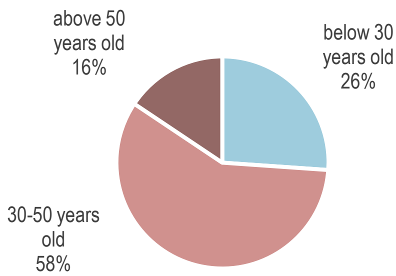
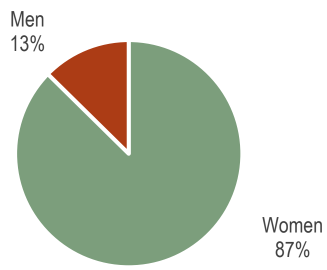
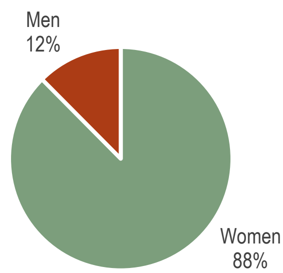
The HR management policy is based on the structure of directors, managers and middle managers. These structures differ depending on the place of employment (administration/headquarters, stores or production). Employee issues and occupational health and safety are regulated in the Capital Group in accordance with Polish law. The most important universally binding normative act regulating the employee area is the Labour Code. A number of regulations concerning the employee area have been implemented in the Company and the Capital Group, including: Work Regulations, Remuneration Regulations, Regulations of the Company Social Benefits Fund, Code of Ethics, Anticorruption Procedure, Procedure for anonymous reporting of violations. Within the Company and the Capital Group the regulations govern the organisation and order of work (including working hours), and related employee's rights and obligations, taking holidays, information about sick leaves, manner and time of remuneration payment, as well as guidance related to protection of employees' lives and health. The regulations of the Company Social Benefits Fund define the principles of allocating funds from the Company Social Benefits Fund for individual purposes and types of social activity as well as the rules and conditions for using these benefits. The funds from the Company Social Benefits Fund are allocated to co-finance holidays of employees and their families and to provide financial aid granted in the event of random accidents, e.g. loss of health, difficult family, life or material situation. At the same time, both the Company and the Capital Group allow employees to form trade unions. At the end of 2021, there were no trade unions in the Company (no YoY change), because in 2020 the trade union ceased its activity on the basis of an application. At the end of 2021, 2 unions were operating in the Capital Group (stable YoY, both at WSM Factory Sp.z o.o.). Thus, at the end of 2021, the Company had no employees who would form a trade union. At the level of the Capital Group, at the end of 2021, 148 employees were concentrated in trade unions (stable YoY). Both in 2021 and in 2020, there were no collective disputes with employees, either at the level of the Company or the Capital Group.

WE VALUE DIVERSITY AND EQUAL CHANCES

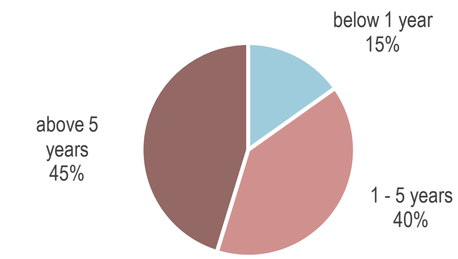
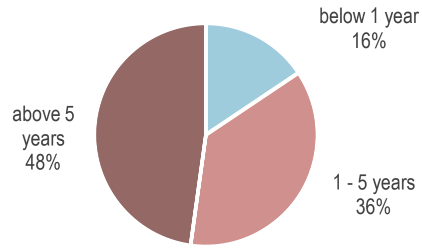
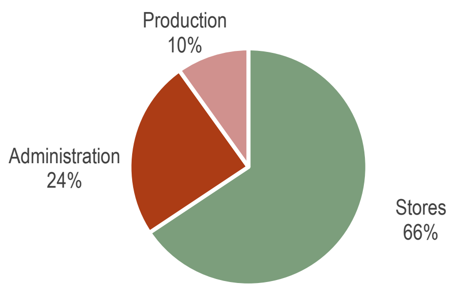
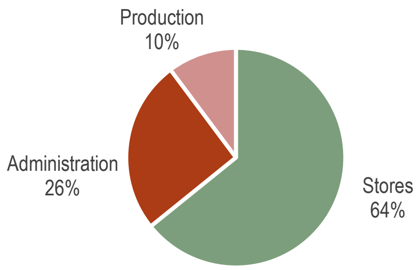
The Capital Group believes that access to a diverse pool of talents helps the organisation as a whole to develop. As a result, differentiation and diversity are valued among employees. It is the effect of accumulation and cooperation of varied experiences and competences that allows the organisation for a continuous development. The Management believes that the Company's and the Capital Group's development and fulfilment of business targets will be more effective if different experiences and needs are noticed and used within the organisation and its surroundings. The Group respects its employees regardless of their age, gender, religion, different believes, cultural differences sexual orientation. The Group pays attention so that no internal document contradicts gender equality and diversity. Within our internal regulations there is no mentioning of any gender or group having a hindered or preferential access to know-how, benefits, privileges or would have a disproportional burden of work. This approach is promoted by our Diversity Policy and reflected in non-financial indicators. At the Capital Group level: (1) we have employees in different age (58% of employees are between 30 to 50 years old), (2) we take actions to balance employment by gender (women constitute 88% of employees), (3) we have employees with different seniority (36% of employees have been with the Group between 1 to 5 years). The Capital Group also employs disabled persons. In 2021 there were 77 disabled employees, up 3% YoY, while 7 at the Company level at the end of 2021, down 13% YoY.

In 2021, there were slight changes in the structure of employee experience, both at the level of the Company and the Capital Group. The greater share of employees with seniority (over 5 years) was due to the fact that during the pandemic, both the Company and its subsidiaries, instead of dismissing employees, made decisions not to extend contracts that were ending. Therefore, automatically, the termination of cooperation most often concerned people with the shortest seniority (long-term employees have contracts for an indefinite period). At the end of 2021, number of women on maternity / parental leave was 92, 19% fewer YoY, at the Capital Group level (43, -28% YoY for the Company). At the same time, 91 women (7% more YoY) returned from maternity / parental leave in 2021 at the Capital Group level, and 47 at the Company level, 12% more YoY. In 2021, 28 women returning from maternity leave worked more than 12 months - in 2020 it related to 57 women. At the Company's level, in 2021 it was 13 women, 61% fewer YoY. In 2021, 4 men in the Company decided to take paternity leave, and in Group 8, compared to 5 men at the Group level in 2020.

VRG S.A. Capital Group – split of employees by:

	2020	2021
AGE		
GENDER		

VRG S.A. Capital Group – split of employees by:

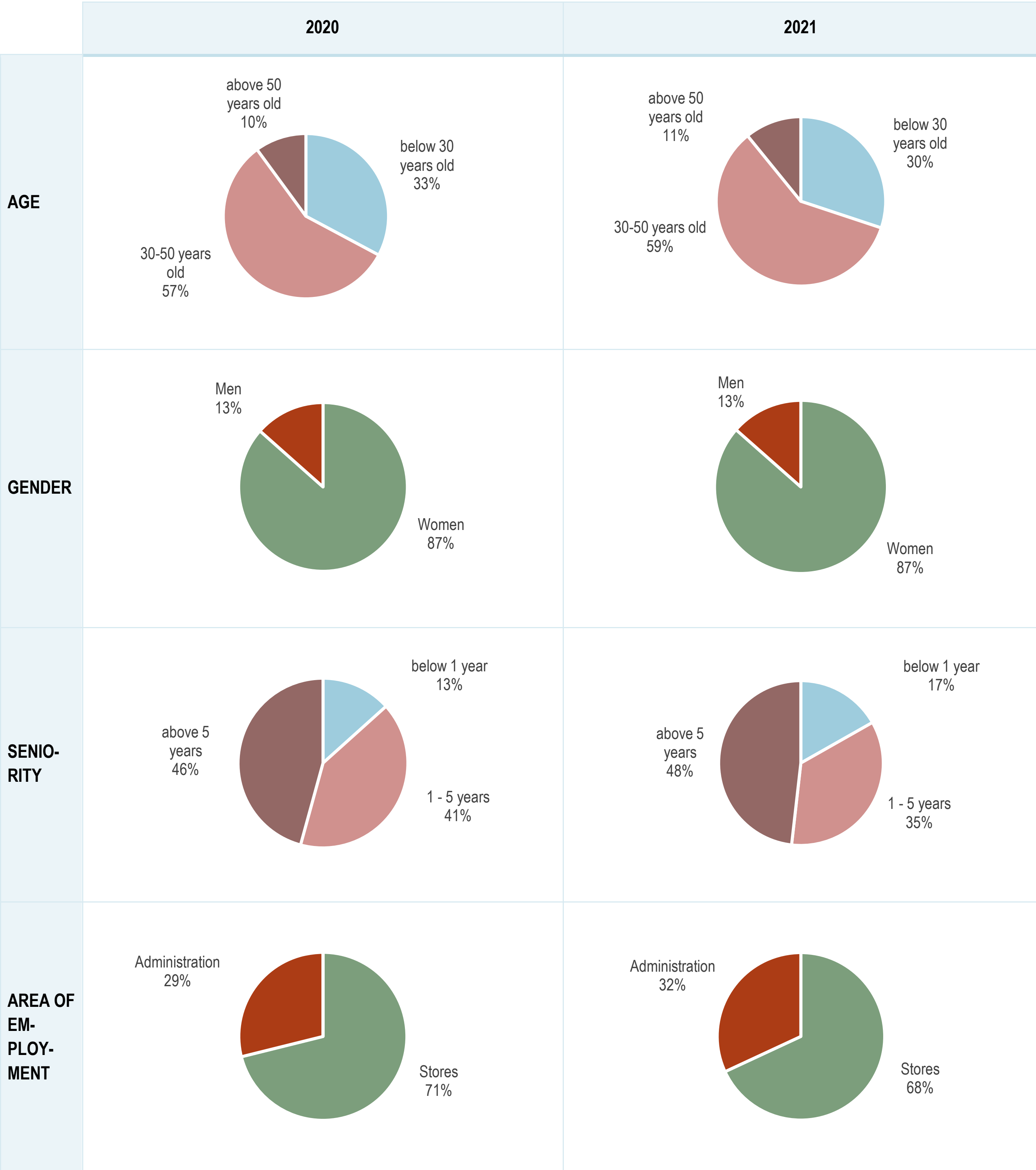
	2020	2021
SENIORITY		
AREA OF EMPLOYMENT		

The aim behind creation and implementation of our Group Diversity Policy is creation of such a place and working environment where each employee feels respected, accepted and appreciated in which he/she can realise his/her full potential, develop and as a result contribute to the success of the organisation as a whole. Diversity Policy also aims to build trust and favourable working environment and counteract in case of potential discrimination. Actions undertaken and promoted by the Capital Group include among others: (1) building of teams diverse in terms of gender and age; lack of preferences in these areas allows to obtain a broader perspective in problem solving, allows for a better work atmosphere, inspires creativity and essential knowledge transfer, (2) support in combining professional and private roles via: possibility to work from home, possibility to leave work in emergency family situations, granting holidays in urgent cases, conduct of professional task in a flexible way taking family obligations into account, flexible working hours; and (3) creation of culture which promotes dialogue, openness, tolerance and teamwork, as well as an approach minimising risks related to loosing key personnel, assuring equal access to benefits offered.

WE OFFER DEVELOPMENT OPPORTUNITIES

Career paths within the Company and the Capital Group are related directly to the division, in which a career is started. Due to high numbers, the longest career paths are offered in the trading division i.e. Group stores. One can become a store manager, a regional manager or a visual merchandiser. HQs and administrative personnel can develop within expert fields which offer more development opportunities than vertical promotions (due to a low number of such openings). Every employee has equal chances for promotion. The Capital Group maximise the number of internal promotions, especially in stores. This allows to grow people and guarantees continuation of knowledge of store sales standards as well as increases the engagement of employees and brand awareness. Only if internal recruitment does not bear the expected fruit do we engage in external hiring. In case of positions in headquarters, typically internal recruitment (publication on corporate webpage, available for everyone) is launched on par with external one (publication of offering on job portals) as these posts require specialists knowledge confined to a small group of experts. If the employee is interested in the published vacancy, he/she participates in the recruitment process on an equal basis as the external candidates after having received the consent of his/her manager for such a step.

VRG S.A. (Company) – employees by split:



Employee development opportunities are not limited to promotions. The Capital Group and the Company also offer employees access to training. The Group offers on-the-job training, including those related to the duties performed, development training and managerial training. Before the pandemic, language training was also available, but due to COVID-19, it was suspended. Employees are delegated to specific training units together with the entire team of employees, individually or the employee takes the initiative to participate in the training, which may be approved after justifying its usefulness for the development of employee competences. In particular, for employees of the sales division, the Capital Group organizes cyclical product and sales training, which enable them to acquire competences of a customer advisor. In turn, those who start working in the Capital Group take part in a specially prepared adaptation process to work in stores and in the industry. The

Group also offers special training for headquarters employees. These are training related to raising qualifications for a specific position (in the complaint department, purchasing department, production preparation, customer service for online stores, in the product department) as well as training for finance and reporting departments. These trainings are covered by the employee loyalty system. In 2020, virtually all of these trainings moved to the on-line sphere. At the same time, while offering employees development, the Capital Group does not forget about employee assessment, feedback and market remuneration, the level of which is monitored by access to payroll reports. Due to the pandemic in 2021, the assessment did not cover all employees of the Capital Group. Below we present data on employee training (all except occupational health and safety training). In 2020, the number of trained employees amounted to 2,331 people at the Capital Group level. In 2021, there was a 51% YoY decrease in the number of trainings. At the level of the Company, the number of trained people amounted to 371 in 2021, falling by 72% YoY. The number of training days at the Capital Group level in 2021 increased by 53% YoY. At the Company's level, increase in the number of training days was stronger and amounted to 75% YoY. Both the Company and the Capital Group focused on implementing advanced training programs, usually lasting several days, which translated into a reduction in the number of trained people with a simultaneous increase in the number of training days. The differences in the dynamics presented between the apparel and jewellery segments also result from increase of the training team at W.KRUK S.A. in the form of a second internal trainer from 3Q21.

Number of employees and co-workers who participated in trainings	2020	2021
VRG S.A. Capital Group	**2,331**	**1,149**
Apparel segment	1,601	439
Jewellery segment	730	710
VRG S.A.	**1,336**	**371**

Number of training days	2020	2021
VRG S.A. Capital Group	**943**	**1,446**
Apparel segment	293	595
Jewellery segment	650	851
VRG S.A.	**256**	**448**

WE PROMOTE SPORTS AND HEALTHY LIFESTYLE

The Company and the Capital Group engage in campaigns and initiatives that they believe are valuable for their stakeholders and consistent with the brands' images and values of the Capital Group. VRG S.A. especially engages in sports promotion, while being a partner of well-known and valued Polish sportsmen from various sport fields. On one hand, the marketing communication related to sports refreshes and dynamises the image of the brand by linking it to sport disciplines that match the profile and interests of the brand's customers. On the other hand, it promotes positive attitudes like perseverance and success.

In 2021, the Company continued its cooperation with athletes. After cooperating in previous years with Robert Lewandowski, Kamil Stoch, Piotr Żyła and Dawid Kubacki, the brand is still committed to promoting a healthy lifestyle and valuable attitudes of men involved in various sports. Continuously since 2016, Vistula has been the Official Partner of the Polish Football Association, dressing the Polish national team in formal outfits during the Football World Cup or the European Championship. Vistula through the project "Vistula with Passion" also draws attention to niche sports, including motocross or freerunning. Taking into account not only physical activity, but personal development and self-fulfillment, Vistula brand has also chosen men who represent its values as its ambassadors. Since 2018, Vistula has been running the already mentioned ambassadorial program "Vistula with Passion". It was created for inspiring men for whom passion is their life. The project aims to present the profiles of the heroes who, by taking part in a photo session and a video, talk about themselves, their passions and interests. Each of the men represents different areas of life. There are sportsmen, musicians and food enthusiasts among them. So far, the project has been attended by, among others: Jakub Przygoński (renowned rally and drifting driver, who took 4th place in the Dakar 2019 Rally), Robert Karaś (world champion with a triple Ironman distance), Paweł Tarnacki (Polish champion and the world in sailing), Paweł Kaczmarczyk (jazz musician), David Gaboriaud (cook and culinary trainer), Bartłomiej Mirecki (rally driver), Robert Tarnowski (windsurfer), Arnold Rutkowski (opera singer), Karol Kłos (one of the best Polish volleyball players, player of the Polish national volleyball team), Przemysław Świercz (captain of the Polish national team in AMP Futbol - a kind of football played by players after unilateral amputation of the lower limb), Maciej Dreszer (racing driver), Maciej Synówka (tennis coach), Krzysztof Starnawski (extreme cave diver, TOPR rescuer), Bartek Królik (musician and composer), Mikołaj Tempka (freestyle motocross competitor), Krystian Kowalewski (freerunner) and Lech Bator (painter, visual artist). Vistula brand would like to point out that it is worth developing your passions and interests in life, which has a sizeable impact on other spheres of life.

Initiatives related to the promotion of Polish athletes are not the only area related to the promotion of an active lifestyle. In 2017, the Company decided to get involved in the project of supporting the initiative of the charity run Poland Business Run - the Company financed and thus enabled two teams to participate in the project and at the same time helped financially support people with amputations or disabilities of the lower limbs. The initiative was aimed not only at supporting people with disabilities, but also at promoting an active lifestyle and integrating the local community with business. It allowed the Company's employees to show their sports talents and encouraged others to start similar activities. Due to the positive response of the campaign among employees, VRG teams have been successively supporting this campaign with their sports presence. In 2020, despite difficulties arising from the pandemic, five teams took part in the action by participating in a remotely organized run, again taking high places in the classification, in 2021 there were six teams.

In 2020, in the face of new challenges posed by the pandemic, the Company enabled employees to participate in remote training, including: time management or the ability to reconcile work and private life. Almost 100% of these trainings were carried out remotely. In addition to the aforementioned commitment of the Company, the Capital Group also offered health-related training for its employees at this difficult time. Topics of the trainings were diverse, ranging from behaviours helping to take care of the spine in the workplace, through sharing information about healthy eating and its impact on human health, to instruction on how to deal with burnout in the workplace. These trainings were free of charge and available to all employees. The Group co-finances the employees Multisport cards at three different levels of intensity of its use, and some employees are covered by the health care program (all employees at the headquarters of VRG S.A. and all employees of the stores employed under an employment contract after the trial period) and life insurance.

Flexible working hours apply at the headquarters of the Capital Group. In the Company, in selected departments, an employee may start work between 7 and 9 am. Work regulations have been introduced in W.KRUK, which in selected cases allow employees of the headquarters to perform their duties at the place of residence. Store employees work in the so-called equivalent working time system. When arranging working time schedules, store managers take into account the needs of employees regarding the time to start work, days off, so as to secure the full-time staff of the stores and comply with applicable regulations. The year 2020 introduced sizeable changes in the field of remote work. From March 2020, it was possible to work from home due to the epidemiological threat. Both the Group and its employees adapted very well to the above-mentioned situation, which, due to the pandemic, was also continued in 2021, and the possibility of at least partial remote work will become a permanent part of the company's operations.

Change in the style of work also affected the number of reported overtime. In total, the Company showed 261 overtime hours in 2021, a decrease by 75% YoY. It was the second consecutive year of a double-digit decrease in overtime after the high base of 2019, when the merger works of VRG S.A. with Bytom S.A. took place. In 2021, employees of the Capital Group worked 3,043 overtime hours, a decrease by 57% YoY. Smaller decrease at the level of the Capital Group than at the level of the Company results from a smaller decrease in overtime in WSM Factory Sp. z o.o. (due to changes in the product mix, sewing masks) and at DCG S.A. (mainly due to the need to replace quarantined employees). Lower number of overtime hours in non-production companies than in the previous years resulted from the fact that in 2020 and 2021 during part of the year stores in shopping malls were closed, which means that employees employed there (the vast majority of employees), and professionally linked to stores could not automatically generate overtime. Moreover, some office workers could work remotely, which could have had a negative impact on the number of overtime hours reported.

WE CULTIVATE CRAFTS AND TRADITIONAL PROFESSIONS

Tradition, attachment to high-quality workmanship and handcraft remain important values for the Capital Group. Using modern materials, techniques and design, the Capital Group cultivates traditional trades such as tailoring and jewellery. In the apparel segment VRG S.A. conducts activities supporting the process of building the perception of Vistula brand as the "National Tailor", a brand that continues the tradition of Polish tailoring, taking care of the elegant appearance of Poles in official and causal situations. The Capital Group and the Company regularly dress leading Polish actors and artists for the most important cultural events. This mission also includes cooperation with state institutions of culture and art. VRG S.A. sponsors costumes for selected theatrical plays, dressed employees of the National Museum in Cracow, and as part of cooperation, dressed employees of Łazienki Królewskie in Warsaw. In 2020, Vistula established cooperation with Och Teatr, as part of which it donated clothing to actors for the play "Cheaters". Once again, Vistula brand has dressed leading Polish artists for the Eagles 2020 Polish Film Awards ceremony.

In addition, the Company, through the Bytom brand, promotes Polish culture and the vision of modern tailoring, presenting in its collections and marketing messages, creativity and outstanding figures of Polish art, i.e. Zbigniew Rogalski, Tomasz Musiał, actors (Jacek Koman and Maciej Musiałowski, campaign ambassadors in the Spring/Summer 2020 season; Jan Frycz and Kamil Nożyński, campaign ambassadors in the Autumn/Winter 2019/20 season), photographers, musicians and writers (Szczepan Twardoch, ambassador of the Autumn/Winter 2019/2020 evening collection). For many years, the brand has also presented icons of Polish culture in its collections - a limited series of products with the figure of Chopin (Winter 2020), a limited collection of Polish Poster School with graphics by Polish poster artists (Spring/Summer and Autumn/Winter 2021) and with prints of Zdzisław Beksiński paintings, created in cooperation with the Historical Museum in Sanok (Autumn 2021). Bytom brand promotes art also through cooperation with various institutions - photos for the Autumn/Winter 2020 campaign were shot at the National Museum in Warsaw, the brand became a Supporting Partner of the 14th Mastercard Off Camera International Competition of Independent Cinema, and was also a partner of the 1st Concert of Laureates of the 18th International Piano Competition of Fryderyk Chopin, which took place at the National Theater - Polish National Opera in Warsaw and a partner of the Jazz festival.

Wólczanka brand, part of the VRG, fosters the memory of traditional production methods and supports local craftsmen through its collections and marketing communication. In Autumn/Winter 2021/2022 season, the brand invited Góralski Przystanek from Nowy Targ, bringing together handicraftsmen from Podhale, with whom it created the Eco Rękodzieło collection. The assortment available on the offer includes woolen hats, gloves and socks, knitted or crocheted by a group of hand-made ladies. An additional element of the collection was the wool used to create Eko Rękodzieło products, which came from, among others, from private breeders of craftswomen.

VRG S.A. cooperates with career offices of selected universities, and some employees cooperate with vocational universities sharing their knowledge about the art of tailoring and design with students. In addition, various departments within the Group's organizational structure assist students in creating selected Master's theses by providing data and explanations as well as offering internships. In 2020, the Company hosted students from the final classes of the Clothing Technical College in Cracow at the headquarters - as part of cooperation with EASME (Executive Agency for Small and Medium Enterprises), showing them the practical side of the work of a clothing designer and constructor. Unfortunately, the pandemic prevented continuation of similar meetings at the Company. At the Capital Group level, this activity is enriched by the jewellery segment. W.KRUK, as the oldest jewellery brand in Poland, with over 180 years of tradition in jewellery manufacturing, is committed to cultivating the goldsmith's craft. Since 2021, Manufaktura W.KRUK has been cooperating with the Complex of Construction Schools No. 1 in Poznań and the parents of the students. W.KRUK is the patron of the goldsmith's class, which provides its students with equipped workshops for practical apprenticeship in Manufaktura. In addition, under the patronage, the company funded a starter kit of tools, which is the equipment of the workplace, supports the school in the purchase and selection of other materials and tools, pays and organizes students' journeys to classes, provides clothing and footwear. Two teachers in the goldsmith's class are employees of Manufaktura.

In 2021, Bytom brand started cooperation with the Wawel Royal Castle - State Art Collection, and thus became a partner of the exhibition “All the King's Tapestries. Returns 2021-1961-1921", held from March to October 2021. Thanks to cooperation with the Historical Museum in Sanok and creation of the" BYTOM x Beksiński "collection, Bytom brand was also a partner of the temporary exhibition of paintings by Zdzisław Beksiński -" Beksiński in Warsaw " which took place at the Koneser Praga Center in June-September 2021.

W.KRUK brand invariably directs its communication mainly to women. In marketing activities, the brand speaks a language close to values of contemporary Polish women. For several years, the brand has been presenting its own jewellery collections designed in cooperation with famous and influential women every year. These collections are inspired by values such as friendship or freedom (in fulfilment of dreams) and symbolize messages such as, for example, motivation to persistently pursue personal goals. In marketing activities, W.KRUK devotes a lot of space to content and activities related to the above-mentioned values and signals, the unique symbol of which is the brand's jewellery. The oldest Polish jewellery company has also been a partner of the Silver Apples PANI plebiscite for many years. As a timeless brand focused on emotions such as love, W.KRUK supports the activity of PANI editorial team in rewarding unique love stories described every year in the magazine. Among W.KRUK ambassadors who created their own jewellery collection are Magda Mołek, Martyna Wojciechowska, Ewa Chodakowska, Magdalena Cielecka, Maja Ostaszewska, Alicja Bachleda-Curuś, Kinga Rusin and Anna Maria Jopek.

Project conducted in cooperation with **PIOT**	The Sector Council for Fashion and Innovative Textile Competence was established in October 2016 as an initiative arising from the industry's needs to adapt knowledge, skills and competences to the requirements of a changing market. It is a project financed from the Operational Program Knowledge Education Development Priority Axis II - Effective public policies for the labour market, economy and education. The project leader is the Association of Entrepreneurs of the Fashion Industry LEWIATAN and the partner of the project, which is to last in the years 2016-2023 is PIOT. In 2021, among others, the following activities took place with the participation of VRG S.A.: - 2 educational and information films were produced for dedicated Internet channels on the topics of succession and the role of the sector in protection of life and health at work, sports and medical protection in the time of a pandemic,

- 4 sponsored articles were published illustrating development of competences in the sector and activities promoting the sector as an attractive place for career development,
- subsequent research was carried out in the field of employment needs and the sought-after competences of employees in the sector as well as the demand for staff training,
- 2 studies were carried out on a group of over 500 enterprises in connection with COVID-19 pandemic, dealing with aspects of enterprise operations, mainly the problem of employment and production;
- the Council's Recommendations to PARP were updated, a training program for sectoral staff in the areas of acquiring new market qualifications was launched,
- recommendation was updated on the current changes in the area of the sector and in the field of applied law.

VRG participated in all the above activities as a sector employer, sector consultant or consultant of documents prepared by experts.

In 2021, at the request of PARP, the Industry Balance of Human Capital - the fashion and innovative textiles industry was carried out. The final report will be published in April 2022. The report was prepared with participation of VRG as a sector consultant and expert in the field of business models.

The report defined the challenges faced by the sector: social and environmental, economic challenges, technological challenges, legal challenges, such as intellectual property law. The main business processes in the industry were described and parameterized. The report contains recommendations for employers in the form of:

involving employers in the process of preparing students for professional work with the use of the possessed machinery. This will enable the acquisition of skills to operate modern machines by former employees, e.g. as part of apprenticeships;
development of cooperation between employers and schools, also in the field of involving specialists in the teaching process (e.g. in the form of study visits, demonstration lessons), which will enable students and teachers to be provided with up-to-date knowledge and information about the needs and trends in the fashion and textile industry;
cooperation with schools, universities, educational units preparing employees for business and legal processes, collection planning, communication, in the field of sustainable development (processes that make up the company's business strategy);
supporting employees in the process of competence development (e.g. by financing / co-financing postgraduate studies) to the extent required by changing market needs, e.g. ecological design, using environmentally friendly materials;
conducting systematic monitoring of employees' competences, which will enable adjusting development activities to the actual competency deficits of the staff of a given enterprise;
implementing a flexible approach to the way of working in positions where work does not require physical presence at the company's premises (stationary, hybrid, remote work), which enables cost optimization in the period of economic slowdown;
involving employees who end their professional careers in the process of preparing junior staff by taking the role of mentors. This process should be a planned activity inscribed in the company's personnel management system.

The proposed recommendations relate to activities that should be carried out continuously, without a specific time perspective for completing the activities. Implementation of recommended actions should start as soon as possible. The report also includes recommendations for employees, public administration, industry organizations, educational institutions and other organizations involved in the creation of the Integrated Qualifications System.

In international sectoral cooperation, VRG S.A. in 2021, made a significant contribution as a sector expert and a leading national brand in the shape of two documents developed by the Member States of the European Union under EURATEX - the European Confederation of the Clothing and Textile Industry.

(1) The European Development Strategy for the TCLF Sector (Textile, Clothing, Leather and Footwear), the strategy was adopted by the EC in October 2021. The main assumption of the strategy - Promoting a competitive and sustainable European industry:

1. To be a world leader in sustainable textiles by: adopting consistent and harmonized standards and requirements for sustainable textile products; developing realistic business models for sustainable development; creating appropriate recycling opportunities in Europe; decision makers choosing sustainable textiles (green public procurement); consumers choosing sustainable textiles (stimulating consumer behavior).

2. Strengthening the efficiency of the European textile industry by: investing in digitization of the supply chain of goods and services, developing new ecological and digital skills; enhancing innovation in textiles and supporting research

	through EU programs; supporting newly established companies in the T&C (textile and clothing) industry; reducing dependence on raw materials from outside the EU and improving energy efficiency. 3. Increasing our share of the global market by: introducing more effective market surveillance; developing multilateral rules to ensure a level playing field and a strategic regional agenda: USA, Mercosur, Africa, promoting the return of production to the home country and the development of the supply chain in the PEM region (Pan-Euro-Mediterranean Convention) and supporting SMEs from the T&C sector in accessing new markets (economic diplomacy). (2) PACT FOR SKILLS: The aim of the TCLF Skills Pact is to increase the competitiveness of the TCLF industry and its workforce by improving the skills of the existing workforce, minimizing skills gaps and attracting well-qualified young workers and professionals. by supporting the transformation of the vocational education and training sector and training infrastructure. These goals respond to the need to adapt industries to rapidly changing production and end-market requirements (such as resource-efficient production, digitization and green solutions). Key priorities for action under the TCLF Skills Pact: Supporting enterprises, especially SMEs, to upskill and retrain the workforce, with a focus on green skills, digitization, product services and internationalization; support for workplace learning and transfer of generation skills through mentoring and coaching programs enabling experienced / retiring employees to transfer technical knowledge and best business practices, support for apprenticeship and mentoring programs established and implemented throughout Europe, development of permanent competences and structures for monitoring -on and support for sectoral skills policies and programs at regional or national level; developing a skills policy in strategic smart specializations and targeting investments accordingly; facilitating the mobility of learners and trainers across the EU through partnerships and exchange programs supported by the EU platform for cooperation between training providers and industry. The current state of work is the following: model assumptions for competence centers have been developed, training and mobility programs have been prepared, model rules for cooperation between industry and formal education have been prepared, the budget, lines of support and implementation schedule until 2027 have been defined.

WE CARE FOR A SAFE WORK ENVIRONMENT

Safety of employees and co-workers is a priority for the Management Board of the Company and the Capital Group. The Group has implemented health and safety regulations (so called Health and Safety Service) as well as guidelines regarding fire safety. Dedicated personnel (health and safety service employees) is also employed with the task to assure that all regulations are applied in practice. VRG S.A. together with companies from the Capital Group, have a Work Safety Policy that defines long-term goals and principles that the Management Board follows while implementing tasks in the field of occupational health and safety and fire safety. The goal is to provide the safest working conditions possible, followed by minimization of occupational risk and creation of habits among employees aiming at maximum risk reduction in performed tasks. Effectiveness of work safety management results from a precise specification of who is responsible for what tasks and how to cooperate while conducting tasks. Thus, the system includes the Management Board (which is responsible for all issues related to health and safety and fire protection), directors and managers (responsible, inter alia, for development and implementation of instructions, organization of workplaces, enforcement of compliance with rules by employees) and employees (whose duty is, among others, to know health and safety rules and take part in trainings, inform supervisors about dangers and risks, perform work in a manner consistent with safety regulations and rules).

The Health and Safety Service fulfils the provisions of the Council of Ministers Ordinance of September 2, 1997 regarding health and safety at work, as amended. Our policy specifies the tasks and responsibilities of employees and managers. It puts emphasis on appropriate identification of occupational risk (i.e. the probability of occurrence of undesirable events related to work performed causing losses, in particular occurrence of adverse health effects among employees as a result of occupational hazards occurring in the work environment or the way work is performed). Analysis of occupational risk is carried out by appointed teams in cooperation with the health and safety service. It is updated: obligatory once every two years, due to changes in technology, in case of detecting excess of harmful and dangerous factors in the work environment or at the request of authorized external institutions. All this contributes to a low number of accidents both in the Company as well as in the Capital Group. Both in VRG S.A. as in the Capital Group there were no serious and fatal accidents at work in the analysed years. Basic statistics are presented below. YoY falls in the number of accidents take place both at the level of the Company and the Capital Group. They result from the greater use of remote work and fewer days during which shopping malls were open - both elements are related to the COVID-19 pandemic.

Number of accidents at work	2020	2021
VRG S.A. Capital Group	**6**	**10**
Apparel segment	5	6
Jewellery segment	1	4
VRG S.A.	**2**	**2**

Accident frequency indicator	2020	2021
VRG S.A. Capital Group	**2.5**	**4.3**
Apparel segment	3.5	4.4
Jewellery segment	1.0	4.2
VRG S.A.	**1.9**	**1.9**

Number of days with inability to work	2020	2021
VRG S.A. Capital Group	**85**	**168**
Apparel segment	82	77
Jewellery segment	3	91
VRG S.A.	**31**	**4**

Accidents severity indicator	2020	2021
VRG S.A. Capital Group	**14.2**	**16.8**
Apparel segment	16.4	12.8
Jewellery segment	3.0	22.8
VRG S.A.	**15.5**	**2.0**

The low accident rate and severity ratio are also the result of regular and meticulous health and safety training. The low (although growing YoY) number of days with incapacity for work and, as a result, a relatively low accident severity rate in 2021 were also associated with the pandemic and a lower number of working days. Training in the field of occupational health and safety is also regulated by the regulation of VRG S.A. and in the Capital Group. Internal guidelines in this regard provide training participants with: (1) familiarization with factors of the working environment that may cause threats to the safety and health of employees at work, and with appropriate preventive measures and actions, (2) familiarization with provisions and principles of safety and hygiene work, fire protection, to the extent necessary to perform work in the workplace and at a specific position, as well as work-related duties and responsibilities in the field of occupational health and safety, fire protection and (3) acquiring the ability to perform work in a manner that is safe for oneself and others, to proceed in emergency situations and to provide assistance to a person who has suffered an accident. In order to properly transfer knowledge and skills to employees, programs are developed for specific groups of positions. Initial training and periodic training programs, defining detailed subject matter, forms of implementation and duration of training, are developed by the occupational health and safety service for each group of positions. In 2021, VRG S.A. trained a total of 473 people in occupational health and safety (+ 14% YoY), and the Capital Group 1,063 (+ 32% YoY). Increase in the total number of people trained is due to the increase in initial trainings.

Number of trained employees in the initial work health and safety trainings	2020	2021
VRG S.A. Capital Group	**386**	**532**
Apparel segment	226	298
Jewellery segment	160	234
VRG S.A.	**194**	**267**

Number of trained employees in periodical work health and safety trainings	2020	2021
VRG S.A. Capital Group	**416**	**531**
Apparel segment	284	232
Jewellery segment	132	299
VRG S.A.	**220**	**206**

Overall number of trained employees in work health and safety trainings	2020	2021
VRG S.A. Capital Group	**802**	**1,063**
Apparel segment	510	530
Jewellery segment	292	533
VRG S.A.	**414**	**473**

A separate ordinance regulates the activities of the Occupational Health and Safety Commission, which includes persons selected from employees. The Commission's task is to review working conditions, assess occupational safety and health, provide opinions on measures taken by the Company's Management Board to prevent accidents at work and occupational diseases, formulate proposals for improving working conditions and cooperate with the Management Board on implementation of safety responsibilities and hygiene at work.

WE SUPPORT IMPORTANT SOCIAL ACTIONS

The Capital Group and the Company engage in a number of socially significant activities for employees, local communities and their customers. They depend on the current situation in the country. In 2020, they were pandemic-oriented. All brands of the VRG S.A. Capital Group undertook activities supporting other entities. Vistula brand organized a campaign to sell specially designed T-shirts "donuts", 100% of which was donated to the University Hospital in Cracow. In March 2020, Bytom brand launched a pro-social campaign, under which it launched the "MISSION: HELP" T-shirts, 100% of which was donated to the Provincial Specialist Hospital in Tychy Megrez Sp. z o.o. to fight COVID-19. As part of the #MyWólczankaPomagamy campaign, Wólczanka donated to the Wł. Bieganski Hospital in Łódź financial support collected as part of the sale of a collection of shirts and T-shirts from a dedicated mini collection. Deni Cler brand carried out a charity campaign Pomagam z Deni. 100% of the revenue from the sale of items marked with #PomagamzDeniCler was donated to the Siepomaga.pl foundation to support the Polish health service in the fight against COVID-19. W.KRUK, on the other hand, introduced the charity campaign #Blask from helping. The brand supported the Supreme Chamber of Nurses and Midwives in order to equip them with the necessary protective products. In 2021, W.KRUK continued the campaign to support medical forces - on May 12, on the International Day of Nurses and Midwives, the brand thanked the nurses for their work in the national press and in the Internet media and declared that income from sale of the collection on Mother's Day and special coupons sold in wkruk.pl on-line store, will be transferred to the Supreme Chamber of Nurses and Midwives.

From 2020, W.KRUK offers a specially designed and covered with orange enamel pendant-beads, which is a symbol of the Martyna Wojciechowska foundation, UNAWEZA. This organization, in Poland and worldwide, supports women by providing equal economic, social and legal opportunities. W.KRUK supports activities of UNAWEZA and allocates 20% of total net revenue from 2020, and from the third quarter of 2021, total income from sale of Freedom UNLIMITED UNAWEZA beads for its statutory purposes. Also in 2021, the brand together with Ambassador Magda Mołek decided to create a unique pair of earrings from the MEA jewellery collection (result of mutual cooperation) for the auction of Wielka Orkiestra Świątecznej Pomocy. The auction was announced in 2022, on the occasion of the 30th Finale of the Great Orchestra of Christmas Charity, and then also communicated.

In 2021, Wólczanka brand again became involved in charity campaigns, taking part in the Charitable Package campaign, as part of which it prepared help for three families suffering from poverty. During the final of the campaign on December 12 and 13, 2021, the brand donated food, cleaning products, shoes, warm clothes, small household appliances and fuel for winter to families in need. In January 2022, Wólczanka supported the action of Wielka Orkiestra Świątecznej Pomocy by organizing a fundraiser at the headquarters of VRG S.A. and by organizing an auction for a professional photo session organized by the brand. Bytom brand, through its projects, spread the knowledge of art and reminded about the works of outstanding artists as well as outstanding personalities, incl. Fryderyk Chopin. W.KRUK has been involved as a partner in a number of events for years as an expert in the field of top quality design and production of jewellery and accessories (including design and production of unique statuettes and awards in projects, for example for the Silver Apples Plebiscite of the PANI magazine, distinguishing famous couples who told stories of their love in a given year in the PANI magazine).

WE PRODUCE AND SELL RESPONSIBLY

At the end of 2019, VRG S.A. joined the Open Cages program and thus resigned from the use of natural fur in its collections from the Spring/Summer 2020 season. This is part of the activities undertaken by the Group as part of the Sustainable Development Strategy. Bearing in mind environmental issues and ethics in fashion, as well as growing awareness of animal rights protection and customer expectations, all brands belonging to the Group decided to join the information campaign conducted by the Open Cages Association. The adopted fur-free policy confirms involvement of VRG S.A. and the Group to work to offer ethical solutions and products that are made with respect for animals and the natural environment. Wólczanka brand also promotes the protection of Polish nature, in the Spring/Summer 2021 season, presenting a limited series of women's T-shirts, sweatshirts and bags made of organic cotton, with realistic prints of plants and herbs known from Polish meadows and gardens. The Polish Flowers collection was created in cooperation with the Institute of Nature Conservation of the Polish Academy of Sciences, and part of the proceeds from the sale was donated to the protection of Polish flora.

5.2. Risks

The most important social and employee-related risks identified by the Group and the Company are:

- employees rotation,
- inability to attract suitable employees,
- expected wage pressure.

Risk related to the social and employee area is significant for both the Company and the Capital Group. High employee turnover means growing costs (handling the recruitment process, employment, training and remuneration) and entails the possibility of deteriorating the quality of service. Inability to attract talent to exposes VRG and the Capital Group to the risk that its projects and activities will be less innovative and less effective than its competitors. Both these risk factors, combined with a significant pressure on wages, may have a negative impact on the financial results of the Company and the Capital Group, which would weaken its competitive position. The so-called Of the Polish Order, which may turn out to be unfavourable to some employees, who may expect to be compensated for their higher taxation.

The Management Board and the management team attach great importance to the comfort, working conditions and safety of employees at every career level. Employees receive equal opportunities, market-based remuneration and development opportunities along with a transparent career path. Most of the employees are employed under an employment contract, and overtime work is not promoted. At the same time, the Management Board of the Company and the Capital Group tries to meet the expectations of employees by offering also non-wage benefits, i.e. surcharges for Multisport cards, free access to specialist doctors as part of the company's entire medical package, the possibility of training, further development and involvement in important social campaigns, adjusting the benefits to the possibility of their use during the COVID-19 pandemic.

6. Respect for human rights

6.1. Policies

Human rights and related issues are important for Capital Group. These materialise in the value chain, starting from employees, through suppliers and business partners and ending on customers.

Policies respecting human rights		
Respect for employees' rights	Respect for business partner employees' rights	Respect for customers' rights
Labour Code, Code of Ethics	Long-term suppliers with suitable certificates	Ethical communication, GDPR implementation

RESPECT FOR EMPLOYEES' RIGHTS

The Company and the Capital Group have a labour code that respects the Conventions of the International Labour Organization. The Code applies to all employees, regardless of their position, function, gender and age, and the Management Board and the management team strive to ensure that it operates in practice. The Group pays special attention to gender equality. The vast majority of job advertisements are insensitive to gender of the candidate, and employment decisions rely solely on assessment of candidates' competences. An exception is the recruitment for the position of a technical model responsible for fitting clothes from Vistula brand collection, where only men are admitted. The business profile of the Capital Group also reflects the public's interest in the retail industry. Therefore, recruitment process is dominated by women (81% of applications to VRG SA headquarters in 2021 came from women (74% in 2020), at W.KRUK S.A. this indicator is 85% (83% in 2020)). Virtually at every level in the Capital Group there are men and women, this applies to stores, production and management team (currently the only exceptions to this rule are the management and supervisory board of W.KRUK S.A. and VRG S.A. Supervisory Board nominated by shareholders). The Group focuses on competences and skills of employees, taking on employees of different ages, regardless of their gender, religion or nationality. The franchise agreement signed with franchisees contains a clause referring to mandatory employment of employees under a contract of employment and the need to approve bonus systems. In the event of violation of any of these points, penalties may be imposed on the franchisee. In Bytom brand persons working in stores are employed based on a contract of employment by store managers and not by the Company.

In 2019, the Capital Group implemented the Code of Ethics on the basis of well-established practices and many years of customs occurring in the parent company and its subsidiaries. Details of the code are presented in the table below. It deals with key topics for the Group and presents the four values of the Capital Group: cooperation, professionalism, respect and transparency. The Capital Group implemented a new version of the Code of Ethics in 2021, all employees were required to read its content (the key elements of the Code are presented below).

RESPECT FOR OUR BUSINESS PARTNERS EMPLOYEES' RIGHTS

The Company and the Capital Group bear in mind not only the good of their employees, but also employees of their business partners, suppliers or subcontractors. The Capital Group maintains long-term relationships with suppliers based on respect and trust. As a result, Capital Group participates in activities aimed at respecting human rights. In August 2017, VRG S.A. joined the partnership for translation of OECD Guidelines on due diligence in the supply chain's responsibility in the textile, clothing and leather sectors. The initiative was initiated by the Ministry of Development. The Capital Group, in cooperation with other partners, has translated and developed expert opinions that will help Polish enterprises create responsible supply chains. OECD guidelines for multinational enterprises regarding due diligence in the area of supply chain liability in the textile, clothing and footwear sector are intended to help companies implement due diligence recommendations throughout the supply chain of the clothing and footwear industry. The aim is to prevent and counter the potential negative effects of the activities of enterprises and their supply chains, and to strengthen mutual trust between enterprises and the societies in which they operate.

In order to formalize the requirements for its suppliers and contractors, exert more influence on them and transfer the values of VRG Group, in 2020 the Management Board created the Code of Conduct for Suppliers and Contractors of the VRG S.A. (hereinafter: the Code), which defines the requirements of the Group towards its suppliers, their sub-suppliers and other contractors, both domestic and foreign. While creating the Code, the Capital Group used, inter alia, OECD guidelines for the clothing segment and RJC (Responsible Jewellery Council) requirements in the jewellery segment, as well as UNGC (United Nations Global Compact) rules for both segments. Its basic goal is to ensure safety in production plants, the best possible working conditions and the most comprehensive protection of natural environment. The Code was implemented in the Company and the Capital Group in March 2020. The Code is being implemented successively at suppliers. The key elements of the Code are presented in the table below.

Code of Ethics of VRG S.A. Capital Group

The Code includes 4 key values of the Capital Group
The purpose of the Code is to promote preferred attitudes of all employees of the Capital Group and to spread the norms and values of the Capital Group. The Code is publicly available, posted on the website of VRG S.A. It covers not only the parent company but also all subsidiaries. Anonymity is offered to anyone reporting violations of the Code together with legal advice.
COOPERATION Cooperation on the basis of balance, mutual respect and taking into account the needs of the other party, as well as striving for a compromise, shapes not only the relations of the Capital Group with external entities, but above all within itself, at the level of relations between colleagues.
PROFESSIONALISM Continuous improvement of qualifications combined with a reliable approach to tasks entrusted allows effective implementation of tasks, for the benefit of the Group and its business partners, positively affecting the Group's image and reputation in the eyes of third parties, especially customers.
RESPECT Respect for both co-workers and third parties, respect for their dignity and taking into account their needs is one of the basic principles defining the direction of the Group's activities. The Group emphasizes that equality is associated with diversity of its employees. All forms of discrimination, regardless of nationality, age, sex, race, fitness, sexual orientation, religion or political beliefs, deserve only condemnation.
TRANSPARENCY The Group cannot function without a bright and clear definition of requirements and rights. Informing employees about their statues, responsibilities and decisions taken in relation to them is done in a manner understandable to employees. The same idea guides the Group in its relations with third parties, where transparency is necessary to avoid misunderstandings and disputes.
The Code addresses such important issues as avoiding a conflict of interest, indicates the desired actions of employees and shapes relations with third parties (business partners, clients, competitive environment). The Code also addresses the importance of local communities for the Group, involvement in local initiatives, as well as environmental awareness and promoting active attitudes to achieve sustainable growth.

Most European and Far East suppliers are large companies that have been operating in the international environment for many years and produce goods for many well-known European and world brands. Many of them are audited by their clients and independent institutions. Reports on these audits are made available to the Company. The vast majority of suppliers in the apparel segment, both Polish and foreign, have OEKOTEX Standard 100 certification for textile products (fabrics and accessories) and meet the REACH standards applicable to manufacturers from the European Union. The relevant certificates are verified by the Company. Certificates are collected on an ongoing basis, at the time of sending inquiries and placing orders. They are usually sent by suppliers electronically or made available on their websites. In addition, some raw materials, especially fabrics, are randomly checked by the Company for the presence of chemicals and other hazardous compounds in certified research laboratories. So far, the test results have never been outside the acceptable standards.

In previous years, the Company did not include in its contracts for purchases in the apparel segment obligations relating to the observance of human rights and not to employ or use child labour, but it required its suppliers to respect these rights in their production plants and to have appropriate certificates (e.g. BSCI, SMETA / SEDEX) and readiness to present them at the request of VRG S.A. Appropriate certificates are held by all major suppliers for VRG brands. They are also required for all new suppliers and are the criterion for starting cooperation. As the Company focuses primarily on the quality of products, and not only on their price, it uses more specialized producers, not focused mainly on large volumes and low costs. Additionally, a significant share of production of basic products sold by VRG S.A. takes place from Polish suppliers that comply with the national labour code. In addition, production in the country takes place in Poland on the basis of entrusted own fabrics and accessories, under the supervision of technologists. There is a production plant within the Capital Group, and VRG S.A. it also cooperates with plants that have historically been part of it.

In the jewellery segment, W.KRUK jewellery producers take the ethical dimension of their business into account - around 50% of foreign suppliers have international certificates or belong to organizations associating responsible entrepreneurs. Selected suppliers regulate the issues of standards internally, creating Code of Conduct documents, specifying the requirements in terms of standards and working conditions. Leading contractors belong to RJC (Responsible Jewellery Council, extended name: Council for Responsible Jewellery Practices Ltd.) - an international non-profit organization that sets ethical standards in the jewellery industry and certifies companies that meet the highest criteria. The organization is primarily interested in marketing precious metals and stones that have a certificate confirming that they have been obtained in a responsible manner and that the working conditions are complied with. Many suppliers meet ISO standards: ISO 14001, ISO 9000 and ISO 9001, some belong to Sedex, and as a result are subject to the SMETA (Sedex Members Ethical Trade Audit) procedure.

RESPECT FOR CUSTOMERS' RIGHTS

The entire value chain of the Capital Group is based on the client for whom ideas and projects are created. For this reason, the Group strives to ensure that products are created under fair ethical conditions, so that communication with the client is based on mutual respect, that the entity whose products are bought operates on the principle of fair competition as well as that the acquired personal data of customers are duly and safely processed.

Guarding the image of its brands, the Capital Group places particular emphasis on ethics of operations, creating marketing communication based on the highest standards. Marketing teams of individual brands in their daily work use the procedures and set of good practices developed by the Group. Depending on the scale of activities, ideas are consulted at various organizational levels of the Company and the Group. Strategic projects are consulted with the Management Board of the Company. Before the message or creation is made public, each time they are subject to substantive and visual verification by the team of a given brand. Any doubts, remarks and opinions that arise are subject to discussion, thanks to which the preparation of an inappropriate marketing message is minimized.

The Capital Group respects free and fair competition as a basic element of the customer's right to a wide selection of goods in each of the segments in which it operates. In 2021, the Group was not involved in any proceedings that would violate the competition rules.

Code of Conduct for Suppliers and Subcontractors of VRG and VRG Capital Group – below we present selected elements from the Code. Full version is available on the webpage www.vrg.pl

1

Legal requirements

Apart from following local regulations, a Group supplier is also obliged to comply with all other industry norms and standards, as well as relevant conventions of the International Labour Organization (ILO), the United Nations (UN) and the provisions of the Universal Declaration of Human Rights, as well as OECD Guidance on due diligence in responsible supply chains in the textile and clothing and footwear sector.

2

Employment conditions, voluntary and working conditions, underage workers

A zero-tolerance policy for all forms of forced labour. The Group does not tolerate hiring children. As a result, suppliers and contractors should treat all their employees with due respect and observe their dignity. It is unacceptable for suppliers and subcontractors or other contractors of the Group to apply discriminatory practices to recruited persons, applying for promotion, employed by a given employer and they should not be a reason for terminating the employment contract. It is not allowed to employ employees in the absence of sufficiently clear conditions that would specify the remuneration and the rules for its granting, the foreseen duration of the contract, the scope of performed duties and working time.

3

Employees' rights, freedom of association

Suppliers and other contractors are required to comply with all labour laws. Suppliers are obliged to recognize and respect employees 'rights to conclude collective labour agreements and free membership in organizations such as works councils, trade unions or associations whose purpose is to represent employees' interests.

4

Occupational health and safety

Care for the employees' safety should be a priority for every employer, which is why suppliers cooperating with the Group are obliged to maintain the utmost diligence in order to provide employees with safe and hygienic conditions of the work they perform.

5

Natural environment

The Group expects suppliers and contractors to comply with legal provisions regarding the impact of their business on the environment. They should also assess their business in terms of the risk of negative impact on the environment, measure their impact on the environment and strive to prevent this risk.

6

Production sites; Subcontracting production

The Group's goal is to ensure compliance with the Code and legal provisions not only by the Group's direct suppliers and contractors, but also by subcontractors. Therefore, a Group Supplier should provide full information about the actual place of manufacture of the products for the Group, especially when acting as an agent or purchasing office. The Code applies to both the contractor and supplier of the Group, as well as their subcontractors actually carrying out manufacturing.

7

Special rules for suppliers of W.KRUK jewellery segment

Jewellery suppliers of W. KRUK S.A. should also comply with principles that relate to the industry's ethical practices as expressed in the Code of Practices formulated by RJC.

8

Anti-Corruption Policy

The Group does not accept any form of corruption. Group employees do not grant, accept or promise any personal or financial gains in connection with or in the course of their duties. These rules apply to relations with suppliers, subcontractors and other contractors. The Group expects suppliers, subcontractors and other contractors to implement effective mechanisms to counteract all forms of corruption.

9

Compliance with international standards

The Group does not stop in its policy towards suppliers at merely respecting basic legal regulations regarding employment, manufacture processes and environmental protection. Group suppliers are required to carry out and share due diligence processes in the clothing, footwear and jewellery segment, which includes procedures allowing enterprises to identify, prevent, minimize, as well as determine how to respond to actual and potential negative effects of their business.

10

Implementation of the Code by suppliers and contractors

The Group expects suppliers and contractors to exercise due diligence in complying with the provisions of the Code in their business, as well as to implement management systems that facilitate compliance with applicable regulations and support making improvements in relation to the expectations set out in this Code.

11

Control of compliance with the provisions of the Code and corrective measures

As part of the responsibility for the supply chain, the Group reserves the right to carry out unannounced visits to the factories and facilities of major suppliers at least once a year. The Group expects its suppliers and contractors to respect the standards contained in the Code and strives to cooperate on transparent principles, and the information and data provided by the suppliers shall not be intentionally changed and shall be honestly disclosed to the bodies of the Group companies and its auditors.

12	**Final provisions** The current rules applicable to the Group's suppliers and business partners remain in force, provided they do not conflict with the provisions hereof.

The Capital Group also performs due diligence in the context of storing and processing data of its clients. Transmission of customer data is encrypted, and the servers on which the data is stored are located in the Capital Group or its reliable suppliers. Currently, store customers can enter and edit their data in the mobile system. This applies to all brands, including Bytom. The only exception is the Deni Cler Milano brand. In Deni Cler Milano stores, the paper form of customer registration is still in force. Vistula and Wólczanka mobile application were implemented in 2017, W.KRUK application was implemented in 2018. In 2020, the mobile system was implemented in Bytom stores. In 2020, a new functionality was implemented in Wólczanka application, allowing customers to purchase directly from a mobile device. In March 2021, Vistula sales application was implemented, and implementation for Bytom brand was postponed to 2022. In 2022, the Capital Group plans to review the procedures regarding the personal data protection policy in connection with the entry into force on May 25, 2018 of the Regulation of the European Parliament and of the Council (EU) 2016/679 of April 27, 2016 on the protection of persons individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation). In 2022, the Group will conduct an audit by the internal audit department in terms of compliance with the regulations on the protection of personal data. The company is in the process of implementing an e-learning platform for training current and new employees in the scope of GDPR regulations. The platform was enriched with training in the area of sales and successfully passed the tests at the end of 2021. 10 training courses on personal data protection are planned in 2022. They will cover successively all groups of employees of the Capital Group. In 2022, single incidents in the field of personal data protection were recorded in the Group.

Within the jewellery segment, W.KRUK S.A. in order to protect the image of W.KRUK brand and the interests of customers, monitors the jewellery market on an ongoing basis and, in the event that it is found that third parties offer the sale of counterfeit products to products from W.KRUK brand collection, calls on such entities to stop the infringement. If unauthorized activities are not stopped by such entities, the Company reports to law enforcement authorities cases of selling counterfeit products of the Company. From 2020, W.KRUK reported one infringement of intellectual property rights to jewellery designs from the Freedom collection, created together with Martyna Wojciechowska. The proceeding, initiated by W.KRUK, concerns three sellers and is currently in 2021 and 2022 pending.

The Company and the Capital Group also care about ethical contact with customers. In stores, customers are assisted in choosing products by store employees, whose task is to take care of customers' feelings and provide professional knowledge about products and support in decision making. Store employees are required to read the regulations and internal procedures, the so-called store work standards. They also participate in trainings. The test for the Group's relationship with customers are complaints that each brand of the Capital Group carries out in accordance with Polish law, providing customers with the widest possible access to reporting and contact options.

6.2. Risks

The key risks identified by the Company and the Capital Group include:

- lack of respect for the rights of employees,
- lack of respect for human rights at suppliers and business partners,
- lack of respect for the rights of clients.

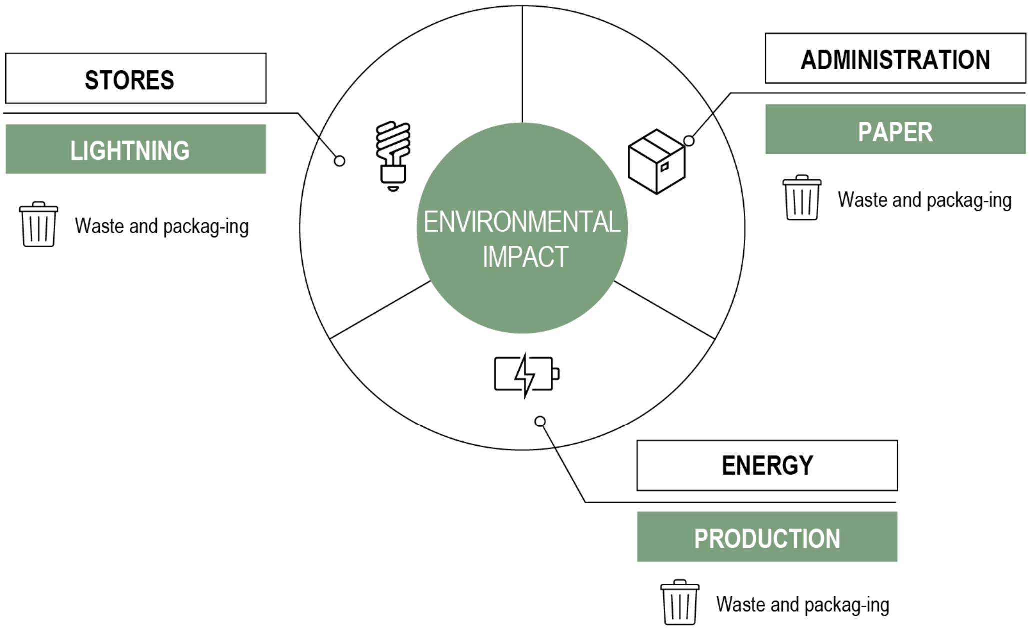
Risk of violation of human rights is a wide-ranging risk for both the Company and the Capital Group, as it affects such a key issue as reputation of the Company and the Capital Group. Although VRG S.A. and VRG S.A. Capital Group operate mainly in Poland, a country that is a member of the EU, where human rights are regulated by both national codes and international conventions, the products sold, as well as fabrics or raw materials from which they are made, are partially purchased in countries where human rights may not be fully respected. In addition, there is a risk that we may violate our customers 'or employees' rights to ethical treatment or privacy.

VRG S.A. and VRG S.A. Capital Group they take human rights issues very seriously. The Management Board places emphasis on long-term relationships with its suppliers and business partners, putting the quality of finishing and business partners' conditions above cost. In addition, the Group is a distributor of products from global brands for which corporate social responsibility is also important. The Management Board of the Company and the Capital Group also pay attention to the ethics of operation, both in relation to brand customers and its competitors, putting the reputation of the Group and individual brands in the first place. Implementation of Code for Suppliers and Contractors contributes to minimization of this risk for business partners. The Company and the Capital Group implement internal processes aimed at maximizing the security of customers and employees and their personal data. An important element is also the Code of Ethics implemented in the Company and in the Capital Group, which contains guidelines and values. Each employee of the Group is responsible for knowing the principles of the Code and complying with them in all of their activities and business relationships.

7. Environment and climate matters

7.1. Policies

Environmental and climate protection is an important topic for the Company and the Capital Group, which strive for sustainable development. The goal of both the Company and the Capital Group is organic and acquisitive growth with gradual reduction of its impact on the environment and climate. The Group began work on reducing its impact on the environment and climate from a thorough analysis of the current state. In 2021, the Capital Group conducted energy audits at VRG S.A., W.KRUK S.A. and WSM Factory Sp. z o.o. DCG S.A. was not obliged to carry out an energy audit due to the low number of employees. Previous audits took place in 2017. The purpose of the external audit was to determine how and in what quantity it is possible to obtain profitable energy savings and what further actions the Capital Group can take to reduce its impact on the environment and climate. Due to the profile of the business and its impact on the environment and climate, the Capital Group distinguishes three places of exposure to the natural environment: stores, administration and production, with different operating and energy consumption characteristics, as well as the scale and type of generated waste and packaging.



CAPITAL GROUP STORES

Majority of the Group's stores are located in shopping centers. Their greatest impact on the environment is the electricity consumed, due to the need to properly illuminate the stores during working hours. The Capital Group systematically undertakes new activities related to electricity consumption in order to rationalize the impact of the growing number of stores on the environment and climate. First of all, since mid-2013, the Group has been using LED lighting in company stores. This applies to both new premises and renovated / modernized premises. In 2020, due to the pandemic, investments in LED lighting were not a priority, just like renovations - apart from closing shopping centers, the Company and the Group also limited investments in order to maintain financial stability. At the end of 2020, 213 stores of the Company had LED lighting, which translates into a 79% share in the number of own stores. At the Capital Group level, this number was 341 stores, 82% of own stores at the end of 2020. At the end of 2021, 211 VRG stores were equipped with LED lighting. They accounted for 83% of the number of own stores. At the Capital Group level, this number amounted to 329 stores, 82% of own stores at the end of 2021.

The second area of minimizing the impact of stores on the environment are provisions in contracts with shopping centers. Since 2015, the Capital Group includes clauses regarding respect for the environment in agreements concluded with shopping centers. Depending on the contracts, environmental protection is the same as the list of service charges that the Capital Group is obliged to pay and listed as one of the components of the fees or is included as part of detailed guidelines. Such guidelines relate to: reducing consumption or more efficient use of energy consumed, selecting alternative energy sources, reducing the amount or more efficient use of water or wastewater, reducing the amount of waste generated and sorting it, as well as increasing or improving the efficiency of re-use of waste or raw materials and also contractual obligations within specified time frames to replace obsolete lighting sources. The contractual declarations contain mutual obligations to share information, undertake joint initiatives in determining environmental goals or organize meetings to exchange information between the landlord and tenant, and to work out common positions for the future, which are to lead to even more effective behaviour in respect of the environment. At the end of 2020, at VRG S.A. the percentage of contracts with environmental provisions was c. 48% both at the level of the Company and the Capital Group. In 2021, these ratios improved further - amounting to c. 51% at the level of the Company and 50% at the level of the Capital Group.

Apart from the two most important initiatives, the Capital Group also carries out a number of other activities aimed at reducing the environmental impact. automatic temperature sensors are used in air-conditioning systems in salons, thanks to which energy consumption is minimized. automatic water saving systems are installed in selected premises. The logistics process is connected with stores. Due to the planned development, W.KRUK changed the location of its distribution warehouse at the beginning of 2020. The current warehouse is more functional and meets the criteria of a modern distribution point. It was arranged according to the current needs of W.KRUK. Modern lighting, ventilation and air-conditioning systems have been installed.

ADMINISTRATION

Capital Group's administration is the second area that has an impact on natural environment. Activities undertaken in the field of quantification of the environment impact are focused on three areas: business cars, business trips and usage of office materials, particularly paper. Some of the policies are written down, some of them remain a customary issue. As part of their professional duties, employees coordinating operations outside of HQs use mostly business cars. When selecting corporate cars, the Capital Group focuses on leasing as the most cost-effective form.

In terms of company cars, both the Company and the Group allow for three ways of their operation: ownership, leasing and rental. Company cars are awarded to a few people in the organization. At the end of 2021, there were 78 of them at the level of the VRG S.A. Capital Group. (+1 YoY) and 43 at the level of VRG S.A. (stable YoY). At the level of the Capital Group, 5 cars at the end of 2021 were hybrid cars (no such cars at the end of 2020). A 13% YoY increase in the number of kilometres travelled at the Group level and a 21% increase at the Company's level are due to the increased use of corporate cars despite continuation of COVID-19 pandemic. The Company and the Group also have the Instructions on the use of company cars.

Business cars	2020	2021
VRG S.A. Capital Group	**77**	**78**
Apparel segment	55	54
Jewellery segment	22	24
VRG S.A.	**43**	**43**

Number of kms driven	2020	2021
VRG S.A. Capital Group	**1,766,013**	**1,994,768**
Apparel segment	1,368,710	1,597,736
Jewellery segment	397,303	397,032

VRG S.A.	**908,105**	**1,102,034**

Although the Group does not have a written policy regarding business travel, the preferred means of transport is rail. The Company and the Group have a Procedure for settling domestic and foreign business trips. The number of trips is minimized by the use of modern tools at various levels and in many fields. The year 2020 also forced very quick changes in this area by introducing remote talks and videoconferences to the organization as a company-wide standard. First, recruitment is conducted at least partially (taking into account the pandemic conditions) with the use of modern technologies, thus reducing the need for travel, both for the recruiter and the recruited person. This applies both to recruitment projects geographically distant from the headquarters of the Capital Group in Cracow, and to all positions in the Company's headquarters, in particular at the first stage, but often also comprehensively - up to the decision on employment. Secondly, the IT department in the field of IT support provided to the employees of the Capital Group uses software enabling remote access to computers, eliminating the need for business trips related to hardware and software maintenance. Thirdly, to the extent possible, the Group currently uses conversations via IT tools and videoconferences to communicate with suppliers.

Data on business trips understood as a business trip of an employee of the Company or the Capital Group are presented below. One delegation corresponds to a minimum of two journeys or flights, i.e. moving from the place of departure to the destination and back. Data on the Capital Group include all companies from the Group, i.e. VRG S.A., DCG S.A., WSM Factory Sp. z o.o. (apparel segment) and W.KRUK S.A. The data shows a YoY decrease in the number of business trips in the Company in 2021 and a YoY increase at the Capital Group due to the jewellery segment. The scale of travels was still influenced by the pandemic and the limitations of travel to many foreign countries. Railways (PKP) remained the most popular means of transport, followed by car journeys (shown as the sum of journeys by company and private cars).

Number of delegations	2020	2021
VRG S.A. Capital Group	**1,366**	**1,568**
Apparel segment	934	875
Jewellery segment	432	693
VRG S.A.	**777**	**722**

Number of delegations by means of transportation	2020	2021
VRG S.A. Capital Group	**1,366**	**1,568**
PKP (rail)	652	778
PKS (bus)	172	127
Airplane	31	45
Car	511	618
VRG S.A.	**777**	**722**
PKP (rail)	400	264
PKS (bus)	66	39
Airplane	23	33
Car	288	386

Number of kilometres travelled is shown as the sum of kilometres travelled in all business trips (from the workplace to the destination and back). The structure of the division of kilometres driven by means of transport differs from the number of delegations. Even though most kilometres are travelled by rail, air travels over significant distances are in third place.

Number of km driven	2020	2021
VRG S.A. Capital Group	**771,055**	**910,447**
Apparel segment	584,810	561,157
Jewellery segment	186,245	349,290
VRG S.A.	**502,634**	**498,636**

Number of km driven by means of transportation	2020	2021
Grupa Kapitałowa VRG S.A.	**771,055**	**910,447**
PKP (rail)	328,361	378,276
PKS (bus)	40,153	31,279
Airplane	172,558	203,004
Car	229,983	297,888
VRG S.A.	**502,634**	**498,636**
PKP (rail)	215,856	122,778
PKS (bus)	20,362	13,211
Airplane	142,436	160,967
Car	123,980	201,680

In terms of the administration's impact on the environment, the Capital Group supervises orders for paper, which means that its consumption is monitored. The basic determinant is the purchase cost. The multifunctional devices used in the Company are configured by default for monochrome printing with the option of double-sided printing. A system for electronic document circulation has been implemented in the companies of the Capital Group. In 2021, the Company used 14.2 tons of paper (stable YoY), and W.KRUK used 8.4 tons (a decrease by 9% YoY). In order to ensure equal access for every employee, in 2019 the Company and the Group also implemented a platform on which all policies are available. Policies regulating the use of work equipment by employees. With regard to administrative matters, the Group additionally has: Regulations on the use of business mobile phones, which regulate the hours in which business phones should be kept active, the Company's coverage of telephone costs and quarterly cost limits.

PRODUCTION

There are two production plants within the Capital Group, the first one is WSM Factory Sp. z o.o. and the other one is Manufaktura (a facility owned by W.KRUK), whose energy and water consumption profile differs from that of stores and administration. WSM Factory Sp. z o.o. carries out a number of activities related to reduction of its impact on the environment. They include the following areas: (1) reduction of electricity consumption (including implementation of LED lighting, energy-saving drives in all new machines and some older ones), (2) ongoing control of operation of the compressor, steam generators, and heat substation; thanks to such actions, it is possible to react quickly in the event of any failure, e.g. unwanted water leakage at the place of origin, (3) reduction of water consumption by installing aerators in taps, (4) reduction of water consumption and energy consumption by conducting training and making employees aware of the need to save energy and water, e.g. turning off the machines, lighting after leaving the room or when it is not needed, not using water in excess, being allergic to checking the actual condition of taps in the tap, (5) waste segregation and disposal by appropriate companies (all types of waste are subject to segregation and are recorded in the Database on Products and Packaging and Waste Management so called BDO); (6) measuring noise and dust in production halls (noise and dust levels do not exceed NDN, NDS), (7) increasing the flow of information in the form of e-mails, and thus reducing the amount of paper, (8) reducing business trips by replacing them with, for example, tele- and videoconferences, (9) monitoring the company's impact on the environment by conducting energy audits (the last energy audit carried out in 2021). Additionally, in 2020 WSM Factory Sp. z o.o. joined the ENTeR program piloted by the Association of Employers of the Clothing and Textile Industry PIOT. The ENTeR project focuses on preparation and implementation of a tool - the M3P platform - for waste reduction in the textile industry. The project covers Central European countries. In addition, in 2021, an environmental policy was implemented and communicated to employees, which describes the activities of WSM Factory Sp. z o.o. aimed at reducing the negative impact on the environment. The main environmental goal of the company is to reduce the negative impact of its operations on the environment and to shape pro-ecological attitudes among employees. As part of the environmental policy, the top management is committed to continuous improvement of processes in order to systematically reduce the negative impact on the surrounding environment.

Monitoring of the environmental impact also takes place at the W.KRUK jewellery workshop. Manufaktura carries out the following activities: (1) examines its energy balance, conducts internal environmental audit (by commissioning cyclical tests of lighting, dust, noise, concentrations of harmful substances), testing sewage and emissions, and environmental measurements (by commissioning cyclical tests to an external business partner in terms of safety and environmental protection), (2) reduces water consumption through a system of training and procedures (sensitization to checking the actual condition of valves, not using water excessively, procedures for turning off the water circuit before the end of work), (3) uses temporary switches for machines using only their active working time, (4) collects grinding waste (in the filters of hoisting machines and in tanks at grinding plants), which are sent for refining / recovery / utilization by external companies (which purify the accumulated waste in an organized manner) recyclable metal material and waste), (5) reduces consumption of chemical preparations by adjusting the size of the working vessels to production volume and improving work efficiency (less polluted work environment and more precise regeneration), as well as (6) reduces heat consumption - an air supply and exhaust device has been installed in the plant equipped with an air recuperation module and heat pump. The installed air exchanger is characterized by high heat recovery efficiency, thus reducing the amount of energy needed to heat the building; (7) in accordance with the water law, a sewage pre-treatment plant is installed, where the sewage from the electroplating plant is monitored and treated to the appropriate parameters; (8) applies the principles of closed circulation of raw materials by refining post-production and scrap waste; (9) monitors water consumption in terms of consumption per piece.

In 2019, Manufaktura W.KRUK production plant was moved from Poznań to Komorniki near Poznań. The two elements that decided about the change were: 1) urbanization issues - with development of the city of Poznań, previous location of the plant was replaced by residential buildings and 2) ecological inefficiency of the previous building, in particular when it came to energy used to insulate the building due to its obsolete structure (no facade insulation, thermal bridges, non-insulated roof). In the new location, LED lights are installed throughout the building. It also purchased devices that use energy more efficiently (the metal melting furnace with 30 kW of rated power was changed to 10 kW, and the chamber for soaking semi-finished products was changed from 20 kW of rated power to 2.4 kW). All these activities, more than a year after the move, have their real dimension.

WASTE AND PACKAGING

The Company and the Capital Group fulfil their current obligations in the field of environmental protection in matters relating to waste. Pursuant to the Act on waste currently in force, all entrepreneurs who produce, collect, process or transport waste, place products, packaging on the market, introduce electrical and electronic equipment, vehicles, batteries, and accumulators to the market are obliged to keep records of waste and are obliged to register in the Database on Products and Packaging and Waste Management (BDO). The legal provisions resulting from the amendment to the Act on waste oblige to keep records of waste and issue waste transfer cards (KPO) only through the BDO system. The Company and the Capital Group, managing waste in accordance with applicable regulations, keep a record of waste through an individual account in the electronic BDO system. All waste transfer cards are issued in real time and stored on servers. VRG S.A. Capital Group submits timely (by 15 March each year) annual reports on products, packaging and waste management. The report is also prepared via an individual account in the Database on products and packaging and waste management and then sent electronically to the local authorities. Generated waste (chemicals, textile scrap, paper, cardboard, metal waste, electric and electronic scrap - ZEiE, toners) are stored selectively, in compliance with the applicable environmental protection requirements, and then, depending on their type, are transferred to other entities that have appropriate permits for further waste management. The place where the waste is stored and the containers are properly labelled. Waste generated, after it has been handed over to authorized external entities, is subjected to recycling or disposal processes as needed. The plant in Komorniki conducts cyclical examination of composition and condition of industrial wastewater - discharged in accordance with the water permit. Generated post-production waste (chemicals, textile cuttings, paper, cardboard, metal waste, electric and electronic scrap - ZEiE, toners) are stored selectively and then transferred only to proven, licensed waste collection companies. The Company and the Capital Group make every effort to best fulfil their legal obligations. In connection with the Regulation of the Minister of Climate which came into force September 11, 2020 on detailed requirements for waste storage, the Company and the Group have adapted to the new statutory obligations in this area, in particular:

- adjusted the labelling of hazardous waste storage sites to the statutory provisions, including the labelling of hazardous waste storage facilities;
- adjusted the containers for the storage of hazardous waste to the applicable regulations;
- take into account the storage of flammable waste (paper, cardboard, textile scraps) in accordance with conditions specified in the fire regulations, ensuring their safe storage for human life, health and the environment.

In order to minimize costs associated with waste management, in addition to methods of preventing their formation presented above, monitoring of the waste industry is carried out on an ongoing basis, including monitoring of rates for services rendered by entities dealing with collection, recycling and disposal of waste. The amount of waste generated in recent years is presented in the table below:

Amount of waste generated (tons)	2020	2021
VRG S.A. Capital Group	**43.3**	**56.4**
Apparel segment	42.7	56.1
Jewellery segment	0.5	0.3
VRG S.A.	**13.6**	**26.3**

In 2021, there was an increase in the amount of waste generated, both at the level of Capital Group and the Company. In relation to the Company, the YoY increase resulted from falling utilization period of the old stockpile. The apparel segment was also influenced by growing amount of waste generated by WSM Factory Sp. z o.o. Different trends were visible at the level of W.KRUK S.A., where the low level of waste resulted from change of production location - transfer of Manufaktura to a new, more ecological location from the center of Poznań to Komorników near Poznań.

Another area of monitoring the environmental impact is the amount of packaging placed on the market. The Company and VRG S.A. Capital Group when placing products in packages on the market, in accordance with the provisions of the Act on the management of packaging and packaging waste, it is obliged to recover it, including packaging waste recycling. The above obligation is fulfilled on the basis of relevant agreements concluded with packaging recycling companies, which implement the obligation to recover and recycle on behalf of the Group through cooperation with waste owners dealing with waste recycling, as well as by carrying out public educational campaigns on behalf of the Company and the Group (the so-called PKE).

Mass of packaging introduced on the Polish market (kgs)	2020	2021
VRG S.A. Capital Group	**1,152,303**	**363,011**
Apparel segment	918,092	183,441
Jewellery segment	234,211	179,570
VRG S.A.	**912,272**	**176,591**

In 2021, there was a decrease in the mass of packaging introduced to the Polish market, which resulted from loosening of restrictions related to COVID-19 pandemics and return to sale in traditional stores, partly at the expense of on-line sales. In 2021, the Company and the Capital Group introduced lighter unit packaging and payable packaging (paper bags) in sales outlets, which also contributed to the YoY decline in the amount of packaging introduced to the market. In 2020, there was a significant change in the type of packaging introduced to the Polish market. Both the Company and the Capital Group eliminated plastic carrier bags (at the end of 2020, they were not present in any brand). In 2020 and 2021, 100% of the packaging used by VRG for e-commerce shipments (Vistula, Wólczanka, Bytom) was recycled / FSC certified. At the Capital Group level (including W.KRUK and Deni Cler), 100% of the cardboard boxes in the Capital Group were FSC certified. In 2021, both in VRG and W.KRUK, a project of ecofoliopacks used in online orders was launched.

Mass of packaging introduced onto Polish market by type (kgs)	2020	2021
VRG S.A. Capital Group	**1,152,303**	**363,011**
Paper and cardboard packaging	1,131,995	333,700
Plastic packaging	20,058	25,301
Wooden packaging	250	433
VRG S.A.	**912,272**	**176,591**
Paper and cardboard packaging	900,406	152,190
Plastic packaging	11,866	22,679
Wooden packaging	0	82

The Company and the Capital Group conduct a rational and economical material management. In the first place, waste generated is recycled or recovered (waste is taken over by companies authorized to carry out recycling or recovery processes), but if for technological reasons such processes are impossible or unjustified for ecological or economic reasons, this waste is subject to neutralization process in a manner consistent with environmental protection requirements (processing of waste by companies authorized to neutralize waste of a given type). In order to prevent waste generation and reduce its quantity and eliminate the negative environmental impact of waste generated by the Company and the Group, additional measures have been taken, such as training employees on the correct handling of all types of waste that arise in connection with conducted activity, in particular regarding segregation and selective storage. The purpose of segregating the generated waste is to transfer it to other recipients for use as secondary raw materials.

Recovery and recycling of packaging waste introduced to the Polish market (in kg)	2020	2021
VRG S.A. Capital Group	**638,758**	**193,039**
Paper and cardboard packaging for recycling	633,917	186,872
Plastic packaging for recycling	4,714	5,946
Wooden packaging for recycling	128	221

COMBINED IMPACT ON ENVIRONEMNT AND CLIMATE

From 2019, the Company and the Group started analyzing their impact on the environment and climate in the form of estimates of the consumption of electricity, natural gas, heat, water and greenhouse gas emissions (in the form of CO2 equivalent). In calculations and estimates presented below, all subsidiaries have been taken into account, as in the case of other non-financial data. Data collected shows an increase in electricity and heat consumption as well as water consumption, which results from the lower use of remote work in 2021, despite the continuation of the pandemic.

Consumption in 2020	Electricity (MWh)	Natural gas (GJ)	Thermal energy (GJ)	Water (m3)
VRG S.A. Capital Group	**7,990**	**921**	**4,151**	**4,507**
Apparel segment	5,698	635	3,909	3,192
Jewellery segment	2,292	287	242	1,315
VRG S.A.	**4,830**	**0**	**1,032**	**891**

Consumption in 2021	Electricity (MWh)	Natural gas (GJ)	Thermal energy (GJ)	Water (m3)
VRG S.A. Capital Group	**9,097**	**1,340**	**4,532**	**5,251**
Apparel segment	6,474	1,054	4,290	3,185
Jewellery segment	2,623	287	242	2,066
VRG S.A.	**5,713**	**0**	**1,414**	**1,274**

Analysis and estimates of greenhouse gas emissions were carried out on the basis of GHG Protocol a Corporate Accounting and Reporting Standard. This standard divides emissions into Scope 1 (direct), Scope 2 (indirect, but within corporate boundaries) and Scope 3 (indirect, value chain). Analysis of activities of the Company and the Group showed that the range of Scope 1 includes company cars and energy produced in the Group's production plant (Manufaktura W.KRUK). Scope 2 emissions are emissions related to energy consumption in places under the control of the Company and the Group, including leased administrative areas, warehouses and stores. Both the Company and the Capital Group did not have the full amounts of electricity consumed in their stores. Estimates for each of the networks were made on the basis of a representative sample of stores of each brand. Scope 2 emissions were calculated in accordance with the so-called location-method. The Company and the Group each year increase the breadth of disclosures in relation to Scope 3. For 2019, the Company and the Group showed only data on business trips of employees (without taking into account company cars, which are included in Scope 1). Data for 2020 has been extended to include emission estimates related to the impact of employee commuting. In 2021, emissions from supply of goods have also been added. Data covers all supplies in the jewellery segment and vast majority in the apparel segment. Depending on the scope for which emissions of CO2 equivalents were calculated, the emission indicators publicly available on the websites of KOBiZE, ERO, GHG Protocol and IPCC were used. The applied GWP (global warmining potential) factors were derived from materials publicly available on the GHG Protocol website. Biogenic emissions have not been calculated.

GHG emissions (CO_2e) in tonnes 2019	VRG S.A. Capital Group	VRG S.A.
Scope 1	497.2	217.4
Scope 2	8,850.2	5,068.0
Scope 3 (only delegations)	223.9	87.5
GHG emissions (CO_2e) in tonnes 2020	**VRG S.A. Capital Group**	**VRG S.A.**
Scope 1	362.2	165.6
Scope 2	6,529.0	3,767.0
Scope 3 (delegations)	61.8	42.7
Scope 3 (employee commuting)	1,647.7	1,257.8
GHG emissions (CO_2e) in tonnes 2021	**Grupa Kapitałowa VRG S.A.**	**VRG S.A.**
Scope 1	395.7	198.1
Scope 2	6,927.3	3,553.0
Scope 3 (delegations)	65.4	45.4
Scope 3 (employee commuting)	7,743.8	1,244.2
Scope 3 (supplies)	109,168.4	37,615.6

In 2020, the pandemic had a positive effect on greenhouse gas emissions in carbon dioxide equivalents in Scope 1 and 2, both at the level of the Company and the Capital Group. It resulted from lower number of kilometres travelled by corporate cars (Scope 1) as well as lower energy consumption by the Group's brand stores due to temporary closing downs due to lock-down (Scope 2). In 2021, despite lock-downs, higher sales levels, especially at the Capital Group level, resulted in higher emissions. In Scope 3, there was also a certain increase in emissions related to the greater number of delegations and kilometres travelled.

Due to significant changes in the external circumstances, it is worth analysing emissions not only in nominal terms, but also per item sold. For comparison, we use Scope 1 and 2 emissions - Scope 3 emissions were calculated in the report for 2021 in a broader scope than in the report for 2020 and for 2019. Thus, the results would not be comparable. Scope 1 and 2 emissions have been normalized by the number of products sold. A 6% increase in emissions and a 13% decrease in the number of items of clothing sold translated into a 22% increase in emissions per item, which amounted to 0.98 kg CO2e in 2021 compared to 0.8 kg CO2e in 2020. However, they were lower than 1.1 kg CO2e in 2019. In addition, we would like to point out that the structure of products sold has changed - in 2020 there was a significant increase in production at WSM Factory Sp. z o.o. due to the production of protective masks. After excluding the influence of WSM Factory Sp. z o.o. from the number of items, we get a 6% increase in emissions per item of products sold in 2021.

Normalised greenhouse gas emission of the Capital Group	2019	2020	2021
Scope 1&2 emissions (CO2e tonnes)	9,347.4	6,891.2	7,323.0
Number of sold items	8,464,126	8,615,513	7,494,636
Scope 1&2 emissions per item (CO2e kg)	1.10	0.80	0.98
Number of items sold excl. WSM Factory Sp. z o.o.	8,149,564	7,375,863	7,426,703
Scope 1&2 emissions per item excl. WSM (CO2e kg)	1.15	0.93	0.99

Both the Company and the Group will work in the coming years to expand and detail the process and method of calculating greenhouse gas emissions.

TAXONOMY

With the 2021 Non-Financial Report, VRG and the VRG Group begin publishing information on the European Union Taxonomy for Sustainable Development. These disclosures have been prepared based on:

- Regulation of the European Parliament and the EU Council 2020/852 of 18 June 2020 on establishing a framework to facilitate sustainable investment (Regulation 2020/852), in particular Article 8,
- EU Commission Delegated Regulation 2021/2139 of 4 June 2021 establishing technical qualification criteria for determining the conditions under which a given economic activity qualifies as making a significant contribution to climate change mitigation or adaptation to climate change, as well as whether this economic activity causes serious damage to any of the other environmental objectives (Technical eligibility criteria),
- EU Commission Delegated Regulation 2021/2178 of 6 July 2021 supplementing Regulation 2020/852 by clarifying the content of the presentation of information on environmentally sustainable economic activities to be disclosed by companies subject to Article 19a or 29a of Directive 2013/34 / EU, and specifying methods to comply with this disclosure obligation (Disclosure Regulation).

On the basis of the above-mentioned legal acts, VRG and the VRG Capital Group present for 2021 the percentage share of taxonomy-eligible economic activities and taxonomy non-eligible economic activities in total revenues, capital expenditures and operating expenses, as well as the required qualitative information. In accordance with the legal requirements, the above-mentioned ratios were calculated both at the level of the Company and the Capital Group.

With regard to the data shown in the numerator, the analysis of the eligibility of the Company's and VRG Capital Group's operations to the Sustainable Development Taxonomy was carried out by a team consisting of representatives of various departments. Based on the analysis of Appendix 1 and Appendix 2 to the Technical Classification Criteria, it was concluded that neither the Company nor the Group have any revenues that would be taxonomy eligible. At the same time, it was identified that at the level of both the Company and the Capital Group there are both eligible capital expenditures and operating costs. These include: construction of new buildings (7.1), renovation of existing buildings (7.2), installation, maintenance and repair of energy efficiency equipment (7.3), installation, maintenance and repair of renewable energy technology systems (7.6) as well as data processing, website management (hosting) and similar activities (8.1).

For the calculation of values presented in the denominators of these ratios, the definitions of revenues, capital expenditures and operating costs were used in accordance with Delegated Regulation 2021/2178, which in relation to capital expenditures and operating costs differ from the values provided in the Consolidated and Separate Financial Statements. The analysis showed that most of the capital expenditures of VRG and VRG Capital Group do not qualify for the Taxonomy (as well as all revenues). This does not mean that the activities of the Company and the Capital Group do not contribute to mitigating and adapting to climate change. The retail companies sector itself was not explicitly included in the 13 sectors described in the Taxonomy, which focused on the sectors most affecting the climate change. At the same time, due to the narrow definition of operating costs used in the Delegated Regulation, about half of the costs identified in this way are eligible in the Sustainable Development Taxonomy.

Taxonomy eligible activities	Activities of VRG and VRG Capital Group
7.1 Construction of new buildings	VRG and VRG Capital Group capex
7.2 Renovation of existing buildings	VRG and VRG Capital Group capex and opex
7.3 Installation, maintenance and repair of energy efficiency equipment	VRG and VRG Capital Group capex and opex
7.6 Installation, maintenance and repair of renewable energy technology systems	VRG and VRG Capital Group opex
8.1 Data processing, website management (hosting) and similar activities	VRG and VRG Capital Group capex

VRG Capital Group	Revenues	Capital expenditures	Operating costs
Numerator – value of financial positions Taxonomy eligible	0.0	3.7	1.9
Denominator - values of financial items in accordance with the Delegated Regulation	1,069.9	93.8	4.2
Indicator of specified financial taxonomy-eligible values	0%	4%	44%
Indicator of specified financial taxonomy non-eligible values	100%	96%	56%

VRG	Revenues	Capital expenditures	Operating costs
Numerator – value of financial positions Taxonomy eligible	0.0	2.4	1.3
Denominator - values of financial items in accordance with the Delegated Regulation	516.3	50.4	2.2
Indicator of specified financial taxonomy-eligible values	0%	5%	60%
Indicator of specified financial taxonomy non-eligible values	100%	95%	40%

7.2. Risks

Below we present the most important according to the Management risks related to environment and climate matters:

- issues related with production,
- energy and raw material consumption,
- impact of everyday activities on environment.

Environmental risk includes several areas in which the activities of the Company and the Capital Group may affect the environment. Production of both apparel and jewellery, as well as its delivery to stores or directly to the customer, consume raw materials and electric energy. There is also a risk that environmental standards will not be respected in some of the cooperating plants. In addition, with the growing scale of the Company and the Capital Group, everyday activities can burden the environment more.

The Company and the Capital Group manage environmental risk by focusing on: reducing the consumption of raw materials and energy by stores of all brands (energy-saving light bulbs, emphasis on paper rather than plastic packaging). In addition, the Company and the Capital Group monitor the consumption of paper and fuel in administration. The Company and the Capital Group also focus on implementation of selected efficiency measures suggested by the energy audit.

In connection with non-binding Guidelines for reporting in the field of non-financial information: Supplement for reporting climate-related information (2019/C209/01) issued by the European Commission in June 2019, the Management Board presents an analysis of dependencies, possibilities and risks of the business model of the Company and the Group in relation to selected climate issues. Due to the variety of factors and dependencies that affect the apparel and jewellery segment, they are presented separately, when material. The following tables show not only the impact of possible climate changes on natural, social and human capital, but also actions the Management Board intends to take to minimize the impact of possible transition and physical risks. The Management Board believes that market and reputational risks are the most important from the group of transition risks. In terms of physical risks, the Management Board considers chronic risks as material.

At the same time, the Management Board also presents an analysis of two climate scenarios and the resilience of the business model (broken down into the apparel and jewellery segments) to climate change. The scenarios come from publicly available and internationally recognized materials of the IPCC AR6 (Assesment Report) - so there has been a change compared to the information presented for 2020 and 2019, when the IPCC AR5 scenarios were used. The SSP1-2.6 scenario, i.e. scenario with low greenhouse gas emissions, in which exceeding the global warming threshold by 2°C versus the pre-industrial era is unlikely, and the SSP3-7.0 scenario, i.e. scenario of high greenhouse gas emissions, in which exceeding the 2°C in relation to the pre-industrial era is likely. The scenario analysis was performed qualitatively rather than quantitatively. The Management Board will continue and extend the following analyzes regarding the resilience of the business model to climate change in the coming quarters and years. The Management Board will also react to climate changes and adapt both the strategy as well as tactical and operational activities to ensure sustainable development of the Company and the Capital Group in all conditions.

Opportunities related to climate change

Both VRG Group and VRG S.A. will offer customers new materials, raw materials and products that will be more ecological and adapted to changing weather conditions. The identified climate opportunities are not as significant as transition and physical risks.

Risk related with negative impact on climate

VRG Group and VRG S.A. take action to count and reduce their impact on the environment and climate. The way climate risk and opportunities are managed is described in the table below.

VRG Group and VRG

Climate

Transition risks these are the risks for the Company resulting from the transition to a low-carbon and climate-resilient economy. Risks identified cover both the apparel and jewellery segment of VRG S.A. Group and VRG S.A. and are the following:

Risks related with policies are the risks arising from growing energy efficiency requirements that can affect the profitability of products manufactured by the Group and VRG S.A. and affect the cost of goods purchased by the Group and the Company from external suppliers.

Legal risks are risks related to regulation at the central level rather than at the client level. It cannot be ruled out that states will impose penalties on companies that do not show pro-environmental activities.

Technology risks results from changing technologies that will be moving towards less emission intensive ones in the future. They may apply to suppliers of the Group and the Company, who may be forced to purchase more innovative machines, and this may require the purchase of more expensive purchases. The introduction of more stringent requirements may also mean closing down of some suppliers and thus higher prices. Introduction of more stringent requirements may also mean the closure of some suppliers and thus higher prices.

Market risk is the risk resulting from changes in customer purchases. According to the Management Board, consumers wanting to minimize their carbon footprint may, for example, reduce the amount of apparel and jewellery purchased, or choose products that have the lowest impact on the climate.

The risk of loss of reputation may occur if, due to too slow actions related to adaptation to climate change, the Group and the Company have problems not only in attracting and retaining customers, but also employees, business partners and investors.

According to the Management Board, among physical risks the chronic ones will be more important than the acute ones for the Company and the Capital Group..

Acute risks - that is risk of an impact on the Group's and Company's operations of such sudden weather phenomena as storms, floods, fires or heat waves. Although such phenomena may destroy production areas (e.g. cotton) or production plants, their impact on the disruption of the value chain should be limited by diversification of the Company's and the Group's suppliers (in particular geographical). However, it cannot be ruled out that e.g. flood or fire in a region important for production will delay delivery of a collection or result in failure to deliver some of goods ordered. Weather disasters can have a direct impact on means of transport and logistics. Shortages of water used in the production of clothing and mining of raw materials may have an adverse effect on the prices of raw materials, metals and precious stones.

Chronic risks - resulting from long-term climate changes, such as temperature changes, rising sea levels, limited water availability, loss of biodiversity, and changes in land and soil productivity may have a more significant impact on the operations of the Company and the Group. Prolonged drought or loss of land for production of fabrics (e.g. cotton) can lead to a shortage of raw materials and, consequently, a significant increase in their price. They can also cause that the cost of mining metals and precious stones will increase significantly. In addition, climate change in the retail segment may mean a smaller share of the more valuable and higher margin Autumn / Winter collections, through lower demand for coats and jackets. Climate warming is also likely to affect the type of materials used to make suits or jackets and further changes towards more casual fashion. Progressing droughts, fires or floods can increase the prices of food and services, reducing the disposable income of consumers.

	Area of climate changes impact	Risks and possible range of climate change impacts	Impact on various types of capitals	Actions undertaken by the Company and the Group
Apparel segment	Availability and cost of raw materials and fabrics	There is a risk that, due to environmental protection, restrictive legal regulations will be introduced for manufacturers of clothing and accessories, which may apply to both the production of raw materials and their processing, as well as overall increase in the accountability of their business and implementation of sustainable development principles. Potentially higher requirements, new, more restrictive certificates, as well as their enforcement may not contribute to the growing production costs, and thus the prices of the products they offer. As a result, clothing segment companies may be forced to purchase materials and goods at higher prices, which may increase the prices of clothing offered and may not be acceptable to all customers. Increased costs of goods and materials can also be affected by adverse weather phenomena, both short- and long-term.	**Natural capital**: The use of technologies that are less harmful to the environment by our suppliers should have a positive impact on natural capital. Climate change alone can potentially lead to a decline in biodiversity and a lack of water in some areas, which can contribute to a reduction in the surface area of raw materials for crops. Climate change can lower soil fertility, promote pest resistance and lead to increased consumption of raw materials, e.g. cotton. Droughts, fires and floods can threaten plantations, and thus can increase prices and reduce the availability of raw materials for fabrics.	Constant search for new suppliers that meet the criteria of the Code of Conduct for Suppliers and Contractors, producing responsibly and offering modern and ecological products. The Management Board will continue to work on geographical diversification of supplies.
	Changes in customer behaviour	There is a risk that the trend of responsible buying will intensify, causing customers to make more informed purchases. They can prefer the purchase of products that have a transparent supply chain and provide information on the origin of the material, place of production, or certificates possessed by the manufacturer and materials. In addition, customers can start to choose brands that are more environmentally friendly, declare significant reductions in their carbon footprint, or even have a climate neutral goal. This can also translate into customer preferences regarding clothing made from recycled materials or more natural materials that allow customers to "breathe" during high temperatures. In addition, increasing awareness of the carbon footprint can have a negative impact on on-line sales, which is associated with more deliveries than to stores. There is a risk that customers will use their clothes longer and be less susceptible to fashion trends, which may have a negative impact on the sale of the Company and the Group.	**Human and social capital:** As customers become more aware of climate change, they can start looking for goods in terms of their quality, not quantity, and in terms of the environmental qualities of materials. With increase in consumer awareness, the need for knowledge and information about products offered by brands may also increase. The Company and the Group, in order not to lose social capital in the form of clients and their trust, and human capital in the form of employees and their ideas, may be forced to meet these expectations. Increasing pressure from various stakeholders can be placed on taking measurable activities, and not just a marketing message.	All brands of the Group have also joined the fur-free campaign and will not offer clothing made of natural fur. As part of the Sustainable Development Strategy, the Management Board undertook that at least 10% of the collections of each clothing brand will be made of ecological and modern fabrics. The Management Board continues activities aimed at the broadest possible measurement of the carbon footprint of the Company and the Group, which will be developed in the following quarters and years.
	Changes in seasons and collections	The possible further blurring of the seasons and the severity of unpredictable weather anomalies may affect the changes in the structure of the collection, increasing the demand for all-season, casual and inter-seasonal clothes. Typical winter offer e.g. warm jackets may be less and less popular, and its ordering may be include and increasingly high risk of not being sold at the first price. Climate change, and in particular climate warming, can affect not only the structure of goods ordered, but also the stocking cycle of stores. Clothing made of natural fibres, which in the era of climate change give a greater sense of comfort, can be more and more popular.	**Financial capital:** The Autumn/Winter collection is more important in the apparel segment than Spring/Summer. In addition, jackets and coats are an important assortment of the Autumn / Winter collection for the Vistula and Bytom brands. The narrowing of the differences between the seasons may result in lower demand for this category, and thus a possible negative impact on sales and profits (these are product categories with high unit prices). The increase in demand for cotton may cause an increase in the purchase prices of this raw material, and thus clothing companies are faced with the decision to increase their selling prices or reduce their margins.	VRG with each season Autumn / Winter is rational about ordering clothes that can only be sold this season. The Company monitors demand every year and, if needed modifies orders from the previous years. The Management Board will also strive for the Company and the Group to offer a new range that follows the tastes and expectations of customers.

	Area of climate changes impact	Risks and possible range of climate change impacts	Impact on various types of capitals	Actions undertaken by the Company and the Group
Jewellery segment	Availability and cost of raw materials	Because diamond and precious metal mines are located in a certain areas for a long time, mainly due to the time it takes to explore, design, issue permits, construction, production and mine life cycle after closure, climate change can have a significant impact on mines. Rainwater, sewage treatment and collection systems, as well as buildings and infrastructure as well as biodiversity - all these elements are geared to the impact of extreme weather conditions caused by climate change. One of the risks for the jewellery segment may be rising prices of ores used in industry as part of environmental protection activities. The growing demand for selected ores in completely different industries affects the prices of ores in all markets. This applies to palladium (used in the automotive industry, for catalysts in gasoline cars) and platinum (used in catalysts for diesel cars).	**Natural capital**: Possible problems with e.g. water resources may affect the process of mining metals and precious stones in terms of the efficiency of mining machinery or transport infrastructure, as well as the inability to obtain ores (e.g. due to flooded mines, changing conditions preventing mining, typhoons preventing diamonds from grinding or their distribution). However, global warming may open up areas for mining that could not be exploited until now, giving the jewellery segment a chance for further development.	W.KRUK, as the first jewellery company in Poland, introduced to the market on a large scale (full jewellery collection) lab-grown diamonds. This novelty complements the diamond offer of the brand and an alternative for customers looking for stones not obtained directly from the earth. The Management Board will continue to diversify its offer in the jewellery segment.
	Changes in customer behaviour	Due to the growing awareness of consumers, there is a risk that also in the jewellery segment consumers will be increasingly aware and sensitive to the issue of ecology and will want to support producers who respond to the problem of climate change. Customers may be willing to pay more for environmentally friendly items. Future sales results may also be affected by the trend of reducing consumption or looking for alternatives to buy new jewellery or watches on the secondary market.	**Human and social capital**: Possible greater legal requirements or social pressure (increasingly aware consumers and investors) may contribute to the necessity of introducing new technologies having less harmful impact on the environment. The consequence for companies from the jewellery industry may be the high costs of implementing changes. The time needed to replace existing technologies can also contribute to this. The time to learn how to use them, train employees and the period of reaching full potential will generate additional costs. A pro-environmental approach may be required not only by partners but also by W.KRUK employees.	In the field of obtaining diamonds used for production, W.KRUK cooperates with suppliers who are members of RJC, subject to the same rigorous audits. The Responsible Jewellery Council essentially gathers companies that comply with the Code of Conduct running a business with a responsible and morally faultless model. W.KRUK offers timeless and durable products that thanks to their quality will last for generations.
			Financial capital: The risk of reducing jewellery purchases in conjunction with higher jewellery prices (if the increase in costs would be passed on to the customer) may negatively impact the profitability of the jewellery segment.	Searching for new sources of income and emphasizing the quality of W.KRUK products and their longevity, as well as the importance as a means of storing value.

Scenario description	Business model resilience analysis
SSP1-2.6 scenario, i.e. a scenario with low greenhouse gas emissions in which exceeding the global warming threshold by 2 ° C in relation to the pre-industrial era is unlikely	**Apparel segment:** It is possible that the necessity to significantly reduce greenhouse gas emissions in the next dozen or so years would entail significant changes in the business model of the Company and the Group, in particular on the part of suppliers. It could mean the necessity to select only those suppliers who meet high environmental and climatic requirements, and it would change the offer of the Company and the Group, forcing the use of only such fabrics and materials that come from organic farming. Therefore, there is a risk of growing prices of raw materials and products. In addition, in order for suppliers to be able to meet the requirements in a relatively short time, they would probably need to receive funding from their governments or international institutions. Another issue is transportation. There is a risk that in order to reduce greenhouse gas emissions as quickly as possible, selected governments would impose a tax on the greenhouse gases emitted, which could raise fuel prices and thus the cost of sourcing goods from producers. Thus, there is a possibility that in this scenario the Company and the Group would have to reduce the use of Asian suppliers and move production either to the country or to neighbouring countries (currently part of the production of the apparel segment takes place in Poland). Another element is the possible reaction of consumers. Assuming that the multitude of activities aimed at reducing greenhouse gas emissions in many aspects could lead to a reduction in disposable income, and thus the purchase of clothes. Probably in this scenario, customers would look for things that would be more ecological and durable, maybe also preowned. VRG and Deni Cler offer high-quality products, the durability of which can be counted over the years. It seems that in this scenario, companies from the apparel segment would have to accelerate the implementation of the ecological offer and change the communication regarding the quality of their products and the offer regarding the recycling of their products. If this scenario is realized, the Management Board will take all necessary steps to ensure the development and positive financial results of companies from the apparel segment.
	Jewellery segment: The need to quickly implement changes to reduce emissions of the sector would probably require changes at W.KRUK suppliers. The use of more eco-friendly fuel for mining machinery and less chemicals in the extraction would increase the need to invest in new machinery and technologies. This could increase the cost of raw materials, which could additionally become more expensive due to their use in other segments of the industry. Similarly, higher transport costs would probably have to be reflected by W.KRUK in higher prices for customers. As in the case of the apparel segment, decreasing disposable income could negatively affect jewellery purchases (especially impulsive ones). The company will continue its marketing message based on the longevity of its products, and may also further diversify its offer in the future.
SSP3-7.0 scenario, i.e. a scenario of high greenhouse gas emissions where exceeding 2 ° C in the pre-industrial era is likely	**Apparel segment:** The scenario assumes that no significant measures will be taken to reduce greenhouse gas emissions in the next dozen or so years. This does not mean that climate issues will not be of concern to consumers. The issues of slow fashion and sustainable development may become more and more important, especially for the younger generations. In this scenario, those are the customers and their choices that will continue to force changes on producers and suppliers, and the apparel segment will move towards greener raw materials and less chemicals. In this scenario, companies from the apparel segment will continue their activities aimed at extending the ecological offer and adjusting, in particular, the offer of autumn and winter collections to the changing climate conditions. Failure to take quick measures to reduce greenhouse gas emissions, however, would lead to a significant intensification of unfavourable weather changes within a dozen or so years and a faster increase in temperature, especially after 2035, which could adversely affect both the cost of raw materials and the demand. In the following years, it would be possible to aggravate physical risks in this scenario.
	Jewellery segment: A similar situation would take place in the jewellery segment. Climate change along with the growing awareness of the society would probably cause gradual changes in the consumers' approach to buying jewellery and watches. Also, on the part of suppliers, adjustments to the changing environment would probably begin. However, the lack of quick measures to reduce greenhouse gas emissions would lead to a significant intensification of unfavourable weather changes within a dozen or so years and a faster increase in temperature, especially after 2035, which could adversely affect both the availability of metals and precious stones. High temperatures or floods could endanger the areas where these resources are extracted. The management board will react and adjust its offer and sources of supply.

8. Anti-bribery and anti-corruption measures

8.1. Policies

The Company and the Capital Group oppose corruption and bribery. Such actions are prohibited acts in Polish law. Unlawful activities are not tolerated at any of the levels of management, both within the structures of the Capital Group and in contacts with the outside world. This applies in particular to: taking or giving financial benefits, exercising favours in exchange for cash benefits, using their functions or position or bribery. The Company and the Capital Group implemented an Anticorruption Procedure, details of which are described in the table below. Both the document and the Code of Ethics introduced the Capital Group's values and procedures, aligning the policies of counteracting irregularities at the level of the whole Capital Group. These documents constitute guidelines for all employees of the Capital Group and increase the transparency of the Group in the eyes of not only internal but also external stakeholders.

In addition, favourable changes also took place in the area of compliance, which will support the Group in its activities against corruption and bribery. In October 2020, a compliance and risk management position was established in the Company, and in 2021, the Compliance and Risk Management Department was created. The main task of the Compliance and Risk Management Department is to actively support the Management Board of the Company in ensuring compliance and effective risk management as well as taking actions aimed at risk mitigation and ensuring compliance in the Company and the Group. Compliance should be understood as ensuring compliance with the law, regulatory requirements, internal regulations, generally accepted good practices and ethical standards in business operations. Along with development of the scale of the Capital Group and its complexity, and meeting the recommendations of the Best Practices of Listed Companies 2016 (currently Best Practices of Listed Companies 2021), the Internal Audit Department operates in the Capital Group. The Internal Audit Department is responsible for the assessment of internal control system and advisory activities. The person holding the position of Internal Audit Director / Chief Auditor is responsible for verifying the procedures and effectiveness of both the Company and the Capital Group companies in terms of business, law and risk. Internal Audit Director / Chief Auditor holds an independent position and reports directly to the Management Boards of the companies and the Audit Committee. As a result, employees may report issues related to irregularities to the Legal Department, their immediate superior or senior manager, a member of the Management Board responsible for a given area, compliance positions or an internal auditor.

Anticorruption Procedure of the Capital Group - the aim of the procedure is to counteract corruption and reduce the risk of its occurrence in the Capital Group by creating rules and procedures for employee liability in areas threatened by corruption, determining the manner of reporting, registering and resolving any corruption problems, as well as building awareness of corruption threats.

The management of the Capital Group undertakes to inform or train employees to increase awareness of corruption activities and eliminate corruption activities; raising employee awareness in the field of corruption; encouraging employees to report corruption actions; notifying law enforcement agencies about violations of criminal law, in particular of a corrupt nature; counteracting corruption and other economic abuses by encouraging and promoting anti-corruption attitudes and behaviours among parties with whom the Group cooperates.

Every employee of the Group, irrespective of the position held, is obliged to: prevent and report incidents of corruption; avoid actions that may lead to suspicion of corruption; participate in anti-corruption training or information campaigns organized by the Group; immediately inform about any noticed behaviour raising justified suspicions of corruption; prevent conflicts of interest by following the guidelines set out in the procedure and the provisions of the VRG S.A. Code of Ethics.

The employees of the Group are required to keep comprehensive documentation covering regarding all relationships maintained with contractors, covering the purpose and details of such transactions. The procedure also formalizes the process of reporting and explaining fraud.

To the e-mail address przeciwdziałania-korupcji@vrg.pl (counteracting corruption) operating as part of the anti-corruption procedure in the VRG S.A. Capital Group no applications were received in 2021. In 2021, in the subsidiary W.KRUK S.A. one anti-corruption report was received via the form available on the website at https://wkruk.pl/zawiadomienie-o-naruszeniu, which resulted in the termination of the contract with the person whom the report concerned.

8.2. Risks

The most important areas of risks in this field identified by the Company and the Group include:

- obtaining job for an advantage,
- unfair wining of tender,

– dishonest choice of supplier or business partner.

Risks occur on the purchasing side and in relations between the employees of the Company and the Capital Group, e.g. when filling new positions, when selecting business partners. The Management Board is aware of the importance of counteracting corruption and bribery, as both the Company and the Group operate in an increasingly competitive environment with ever larger entities, which increases the pressure on the quality and transparency of business relationships. On the purchasing side, cooperation with suppliers is based on long-term relationships. The risk is minimized by implementing the Anticorruption Procedure, which defines undesirable actions and emphasizes the lack of acceptance for undesirable actions by the Management Board.

9. Risk management

Risk management is one of the important internal processes at VRG S.A. and the VRG Capital Group. It supports the implementation of the Group's strategy and is aimed at ensuring an appropriate level of security of business operations and financial reporting. The Capital Group strives to early identify and manage risks related to activities of the Group's companies. The risk management process and methods are adequate to the scale of the Group's operations and adjusted to the level of a given risk. The risk management process is a systematic and subject to improvement process - it is adapted to new risk factors and sources, as well as to the changing legal and economic environment. The risk management methods are periodically verified. The risk management system covers all areas of the Group's operations, supporting the activities carried out.

The Management Board is responsible for effective risk management. Supervisory Board of VRG S.A. exercises permanent supervision over the activities of the Management Board of VRG S.A. Additionally, as part of the Supervisory Board of VRG S.A. an internal Audit Committee has been operating since May 2012. The Audit Committee, as a permanent collective body of the Supervisory Board, exercises permanent supervision over the activities of the Management Board in the field of risk management. Risk management also applies to every employee of the Group companies. Employees take an active part in identifying threats and communicate them to their superiors.

Risk management process is carried out based on the Risk Management Policy in the VRG Capital Group, which in February 2022 replaced the existing Risk Management Regulations. The Group distinguishes the following main risk categories:

• Strategic - the risk related to taking unfavourable or wrong strategic decisions, the lack of or incorrect implementation of the adopted strategy, as well as changes in the external environment and an inappropriate reaction to these changes.
• Operational - risk resulting from inadequate or failed internal procedures, human and system errors or from external events, also includes legal risk.
• Financial - has a direct impact on the financial result of the Company/Group, is associated with unexpected changes in cash flows conditioned by activity on financial markets or operating activities; it has its source in the choice of types and structures of funding sources; it occurs especially in the case of financing activities by means of undertaken commitments; it comes from fluctuations in interest rates, foreign exchange rates, or the market valuation of the asset.

The table below presents selected examples of the above risks - two examples from each category. The full list is available in the Management Board's Report on the Capital Group's operations for 2021.

RISK MANAGEMENT PROCESS

Risk Scope, context, criteria	→	Risk identification	→	Risk assessment, including estimating the probability, estimating the effect, determining the level of risk	→	Reaction to risk	→	Monitoring and reporting

Risk type	Risk management
	Strategic risks
Risk related to adopting an incorrect strategy	There is a risk that the adopted development strategy of the Group, the basic assumptions of which are presented in the section "Planned development activities" of the Report of the Management Board on the activities of the Capital Group, will not be adjusted to the changing expectations of customers or market conditions. There is a risk that implementation of the strategy will be delayed or some elements will not be implemented or will not give the assumed results. There is, among other things, risk that the Group will not be able to launch the planned new sales space, the launch will be delayed or that the new locations will not achieve the planned sales results. **Actions**: The management boards analyse the effects of the implemented actions on an ongoing basis as part of the adopted development strategy. Data on available new locations is collected, as well as the current ones are assessed. Optimizing actions are taken, and customer behaviour is monitored to minimize the risk of adopting a wrong strategy and its impact on the Group's operations.
The risk related to the intensification of competition	The Capital Group operates in a highly competitive market environment. The apparel and jewellery segment of the market is highly fragmented: on the one hand, we are dealing with brands recognized on the Polish market, such as Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK, and on the other, with global brands that are aggressively entering the Polish market. The apparel segment of the market is characterized by relatively low entry barriers. We are also dealing with the emergence of competition from emerging brands. The Group may be forced to look for new supply markets in order to maintain the competitiveness of the offer. In addition, you may need to spend more on marketing and promotion to reach your target audience. **Actions**: In order to reduce the risk, the Group constantly monitors the competitors' activities in terms of the development of the sales network, offered products and the price level.
	Operating risks
Risks related with inventory management	Managing the inventory of finished goods and merchandise is one of the important factors affecting the sales results in the Group's industry. On the one hand, the stock level should facilitate the purchasing decision when offering a given seasonal collection, which leads to an increase in stock at each point of sale. On the other hand, a higher level of inventories generates an additional demand for working capital and may lead to the accumulation of hard-to-sell inventories (seasonal, "fashion" products, missed collections). Improper inventory management poses a risk to prices, margins and the necessary level of working capital, which may have a negative impact on the Group's development prospects, results and financial standing. **Activities**: Periodic quantitative and qualitative analysis of the stocks held. On its basis, the Group decides on rebate actions, the amount of sales, and possible write-downs. Moreover, based on the analysis of the stock held and the resale of current collections, decisions are made as to the level of purchases for subsequent sales periods.
Risk related to concluded lease agreements	The Group's operations are mainly based on retail sales of goods through its own chain of stores. The risk of losing one or more locations cannot be ruled out, e.g. due to the intention to modernize the entire shopping center or a change in the landlord's pricing policy. The risk of termination of a lease agreement cannot be ruled out if the Group breaches the provisions of the lease agreement or if the lease agreement is not extended in locations showing the highest profitability for the Group or bringing satisfactory financial results. There is a risk that the lease terms proposed to the Group for the next period may differ unfavourably from the existing terms in a given location. The loss of existing locations may result in the necessity to temporarily limit the activity in a given area or the acquisition of attractive locations will be associated with increased costs. In the face of the recent events related to the coronavirus epidemic, which led to the temporary closing down of shopping centers, and thus the Group's ability to sell the leased space, there is a risk that, in the absence of the possibility of a reduction in rents proportionally to the loss of revenues (without additional contract extensions) lease, which results in the expiry of rent obligations for the period when stores in shopping centers are closed), the obligations contained in the lease agreements will become an additional cost burden for the Group and, consequently, may have a significant negative impact on its financial results. **Activities**: constant monitoring of owned and potential locations is carried out in order to achieve an optimal portfolio in line with the Group's expectations. At the same time, during the lockdown period, the Group took steps to avoid charging rent for the period when shopping centers were closed.

	Financial risks
Foreign exchange risk and risk related to the hedging policy	The Group earns revenues mainly in PLN, while incurring significant costs in EUR, USD and CHF, which exposes the financial result to foreign exchange risk. In periods of depreciation of the PLN in relation to the main settlement currencies, the Group incurs higher due to exchange rate differences. In currencies other than PLN, the Group incurs costs of (a) purchase of materials for production (fabrics, accessories) and supplementary assortments in the apparel segment (shoes, knitwear, leather accessories and other), (b) purchase of materials for production (jewellery raw materials), jewellery and watches in the jewellery segment, and (c) resulting from commercial floorspace lease agreements. In the event of a significant and long-term weakening of the Polish currency against the euro, US dollar and Swiss franc, there is a risk of a significant deterioration of the financial results achieved by the Group. In point 10 Significant risk factors in the Consolidated Financial Statements of the VRG S.A. Capital Group for 2021, the table presents an analysis of the sensitivity of the financial result (and thus equity) to the average annual change in exchange rates by +/- 5% in relation to the average rate or the closing rate. **Actions**: The parent company undertakes actions aimed at limiting the impact of increase in the exchange rate on the level of the achieved "in take" margin, mainly in the scope of the USD/PLN exchange rate by concluding forward and spot contracts. The transactions are related to individual deliveries of goods, especially in the fashion area, and do not relate to the neutralization of possible risk related to increase in rental rates due to changes in EUR/PLN exchange rate. Impact of forward transactions will be visible in the valuation of currency liabilities related to the concluded forward transactions (the analysis of sensitivity to exchange rate risk was carried out in the Consolidated Financial Statement of the VRG S.A. Capital Group).
Interest rate risk	The Group uses external financing bearing a variable interest rate in the form of an investment loan and working capital loan as well as reverse factoring. Therefore, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and, as a consequence, a decrease in the Group's profitability. In point 10 Significant risk factors in the Consolidated Financial Statements of the VRG S.A. Capital Group for 2021, the table presents the sensitivity analysis of the financial result (and thus equity) in relation to the potential fluctuation of average annual interest rate up by 500 basis points and down by 100 basis points (i.e. by 5 and 1 percentage point respectively). **Actions**: having relatively low debt, the Group currently considers this risk to be low (despite the rapid increase in interest rates). He constantly monitors the market situation, but currently does not take any additional measures to hedge the interest rate risk.

10. Non-financial indicators

The Management Board of the Company and the Capital Group has defined a list of key non-financial ratios that are presented in this report. The indicators were selected in terms of their relevance to stakeholders and in order to create the most complete picture of non-financial policies. The ratios are presented at the level of the Company, i.e. the parent company of VRG S.A. and at the Capital Group level. Additionally, in order to better illustrate the nature of individual segments and to help stakeholders to relate non-financial data to financial information contained in the Consolidated Financial Statements and the Report on the Activities of the Capital Group, at the Capital Group level, selected indicators and non-financial data have been presented by the apparel segment and jewellery segment. The tables below illustrate: compliance of the Report with the Accounting Act and the most important non-financial ratios along with the methodology adopted for the calculations.

Elements required by the Accounting Act	Page number
Business model	4-19
Key efficiency indicators	Table with KPIs is presented below
Risks and risk management description	36, 42, 53-61
Main policies and procedures of VRG S.A. and VRG S.A. Capital Group and the results of their implementation	
- employee matters	25-36
- social matters	
- environment matters	42-58
- respect for human rights	37-42
- anti-bribery and anti-corruption	58

Non-financial indicator	Methodology	Page number
Retail network	Number of stores and floorspace in m2 of all brands (both franchise and own stores)	4,6,7,8,12,13
Average store size	Floorspace divided by number of stores end of period	6,7
Number of cities	Number of cities in which the brands' stores are located	4,12
Number of suppliers	Number of suppliers with annual turnover exceeding PLN 10 ths	8
Number of loyal suppliers	Split of suppliers based on length of cooperation	10, 11
Payment terms	Average payment period for suppliers in days	23
Number of shipments	Number of shipments sent on average per month from the central warehouse in the off-line and on-line segments	8
Number of customers	Traffic in stores i.e. total number of people entering stores in a calendar year	13
Number of loyal customers	Customers who participate in one of the loyalty programs offered by Capital Group's brands	4,8,13
Average lease length	Average lease length for own stores	12
Share of franchise in floorspace	Area of franchise stores of a given segment / entity divided by floorspace of the segment / entity	4,13

Non-financial indicator	Methodology	Page number
Share of internet in revenues	Sales of e-stores in proportion to the total sales of the Company / Capital Group	4,13
Number of employees	The number of people employed under a contract of employment, excluding persons on maternity leave	4, 25
Number of departing employees/ newcomers	Number of employees who have left or were dismissed / accepted to work in a given calendar year (full-time equivalent, FTE)	25
Number of disabled people	Number of persons employed with a recognized degree of disability	26
Diversity factors	Employees split by gender, age, seniority, place of work	4, 26-28
Overtime	Number of hours worked over the standard working time by employees of the Company and the Capital Group in a given year	30
Trade unions	Number of trade unions and number of people who belong to them	25
Number of women / men on maternity / parental leaves	Number of women and men on maternity and parental leaves, number of women returning from maternity leave and staying in the Company / Group for more than 12 months	26
The number of trained people	Number of employees who underwent training, split for work health and safety (initial and periodic) and development training. Other training than health and safety was also given the number of days they were concerned.	28-29, 33-34
Number of accidents	Number of accidents among group employees and employees of subcontractors working on the premises.	34
Accident frequency indicator	Number of accidents at work per 1,000 employees	34
Days of incapacity for work	Total number of days of incapacity for work caused by accidents	34
Accident severity indicator	Number of days of inability to work / number of accidents	34
Suppliers' certification	Percentage of suppliers that signed the Supplier Code of Conduct and the percentage of having the relevant certificates	16, 39, 41
Percentage of stores with led lighting	Percentage of stores with led lighting	43
Percentage of stores with an environmental clause	Number of stores for which an environmental contract is signed in relation to number of own outlets	43
Business cars	Number of cars rented, leased or owned by the Company / Capital Group	44
Number of kilometres driven	Number of kilometres driven by rented, leased and owned vehicles in a given calendar year	44
Delegations	Number of delegations (business trips)	45
Number of kilometres driven	Number of kilometres driven by rented, leased and owned vehicles in a given calendar year	46
Energy and water consumption	Data on electricity, natural gas, thermal energy and water consumption	49-50
Waste	Amount of waste generated (tons)	48-49
Packaging	Kilograms of packaging introduced to the Polish market and recycled	48-49
Emissions	CO_2 equivalent emissions in Scope 1, Scope 2 and selected Scope 3 elements and normalised values	50, 51
Reported irregularities	Number of cases reported for inboxes related to corruption and irregularities	58

Non-financial indicator	Methodology	Page number
Taxonomy	Percentage of eligible revenues, capex and opex	52-53

Jan Pilch	Marta Fryzowska	Michał Zimnicki
Supervisory Board Member delegated to temporarily perform the functions of the President of the Management Board	Executive Vice-President of the Management Board	Executive Vice-President of the Management Board

Cracow, April 8, 2022

VISTULA

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VRG
VISTULA RETAIL GROUP

Information of the Management Board of VRG S.A. in Cracow (the "Company") referred to in § 71 para. 1 point 7 of the Ordinance of the Minister of Finance dated March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state as equivalent

The Management Board of the Company informs on the basis of the statement contained in the Resolution No. 2 of the Supervisory Board of the Company of April 8, 2021 regarding the statements of the Supervisory Board referred to in § 71 para. 1 point 7 and point 8 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent ("the **Ordinance**") to the extent applicable to information required in the consolidated annual report of the Company for the fiscal year 2021, that:

a) the audit company Grant Thornton Polska Sp. z o.o. with its registered office in Poznań (further: "**Grant Thornton**") that audited the annual consolidated financial statements of the Company for the fiscal year 2021, has been selected in accordance with the regulations, including the selection and procedure of selecting an audit firm,
b) the audit company Grant Thornton with its registered office in Poznań and members of the team performing the audit met the conditions for preparing an impartial and independent audit report on the annual consolidated financial statements of the Company for the fiscal year 2021 in accordance with applicable regulations, professional standards and professional ethics,
c) the Company complies with the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods,
d) the Company has a policy regarding the selection of an audit firm and a policy for provision of services for the Company by an auditor, a party related to the audit company or a member of its network of additional non-audit services, including conditionally exempt services to be provided by the audit company.

Cracow, April 8, 2022

VRG S.A. Management Board

Statement of the Supervisory Board of VRG SA, referred to § 71 para. 1 point 8 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent ("the Ordinance") to the extent that information required in consolidated annual report of VRG S.A. for the financial year 2021 (extract from Resolution No. 2 of the Supervisory Board of VRG S.A. in Cracow of April 8, 2022)

The Supervisory Board of VRG S.A. based in Cracow (the "**Company**"), acting pursuant to § 71 para. 1 point 8 of the Ordinance, taking into account the recommendation of the Audit Committee in the following scope, hereby declares that:

a) the Company complies with the provisions regarding the appointment, composition and functioning of the audit committee, including the fulfilment by its members of independence criteria and requirements regarding knowledge and skills in the industry in which the issuer operates, and in the field of accounting or auditing of financial statements .

b) the Audit Committee operating at the Company performed tasks provided for in the applicable regulations.

Cracow, April 8, 2022

The Supervisory Board of VRG S.A.