

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OF VRG S.A. CAPITAL GROUP

FOR 6 MONTHS ENDING JUNE 30, 2022

PREPARED IN ACCORDANCE WITH IFRS APPROVED BY THE EUROPEAN UNION

Cracow, August 25, 2022



VISTULA

BYTOM  
SZTUKA KRAWIECTWA OD 1945

WÓLCZANKA

DENI CLER  
MILANO

W.KRUK  
1 8 4 0

# TABLE OF CONTENTS

SELECTED FINANCIAL DATA TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	7
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	8
SUPPLEMENTARY INFORMATION TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	9
<b>1. GENERAL INFORMATION.....</b>	<b>9</b>
1.1. Name, registered office, business activity .....	9
1.2. Structure of VRG S.A. Capital Group .....	10
1.3. Composition of the Management and Supervisory Boards .....	10
1.4. Approval of the financial statements.....	11
1.5. Going concern.....	11
<b>2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS .....</b>	<b>13</b>
<b>3. ACCOUNTING PRINCIPLES.....</b>	<b>13</b>
<b>4. FX RATES USED FOR VALUATION OF ASSETS AND LIABILITIES.....</b>	<b>13</b>
<b>5. IMPORTANT ESTIMATES AND MANAGEMENT JUDGEMENT .....</b>	<b>14</b>
<b>6. CHANGES IN ACCOUNTING STANDARDS.....</b>	<b>14</b>
<b>7. SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>15</b>
Note 1 Revenues .....	15
Note 2 Operating segments by type and geographical breakdown .....	16
Note 3 Operating costs.....	21
Note 4 Koszty wynagrodzeń.....	21
Note 5 Other operating income .....	21
Note 5a Other operating costs.....	22
Note 6 Financial income.....	22
Note 6a Financial costs .....	23
Note 7 Income tax.....	23
Note 8 Deferred tax .....	24
Note 9 Earnings per share.....	24
Note 10 Goodwill .....	25
Note 11 Other intangible assets .....	26
Note 12 Property, plant, equipment.....	28
Note 12a Right-of-use assets .....	29
Note 12b Assets held for sale.....	30
Note 13 Inventory .....	31
Note 14 Trade and other receivables .....	31
Note 15 Cash and equivalents .....	32
Note 15a Statement of cash flows – other adjustments.....	32
Note 16 Bank loans and borrowings .....	32
Note 17 Fair value of financial instruments .....	36
Note 17a Financial instruments by class.....	36
Note 17b Financial instruments – income and costs, gains and losses from change in value.....	37
Note 18 Finance lease liabilities .....	38
Note 19 Trade and other liabilities.....	40
Note 19a Finance liabilities by maturity.....	41
Note 20 Provisions.....	41
Note 21 Change in write-downs of short-term receivables, value of inventories and for impairment of fixed assets .....	42
Note 22 Share capital.....	43
Note 23 Reserve capital .....	44
Note 24 Retained earnings .....	44
Note 25 Contingent receivables and liabilities.....	45
Note 26 Information on significant changes in estimated values.....	45
Note 27 Share-based payments.....	45
<b>8. OTHER SUPPLEMENTARY NOTES .....</b>	<b>47</b>
8.1. Significant events in 1H22 .....	47
8.2. Significant events after the balance sheet date.....	48
8.3. Seasonality and cyclicity of activities .....	48
8.4. Related party transactions .....	48
8.5. Issuance, purchase and repayment of debt and equity securities .....	49
8.6. Information on material purchase and sale transactions of property, plant and equipment .....	49
8.7. Information about significant obligation to purchase rock fixed assets .....	49
8.8. Dividends paid and declared .....	49
8.9. Proceedings before a court or public administration body .....	50
8.10. Information about the issuer or a related entity providing guarantees for a bank loan or loan or guarantees to an entity or a related entity if the total value of guarantees is material.....	50
8.11. Wynagrodzenia Zarządu i Rady Nadzorczej za okres I półrocza 2022 roku .....	50
8.12. Indication of factors which, in the issuer's assessment, will affect the results achieved by the Capital Group in the perspective of at least the next half-year .....	51
8.13. Other information material to assessment of VRG S.A. Capital Group standing.....	51
8.14. Factors and events, including of extraordinary nature, which have a significant impact on the Interim Condensed Consolidated Financial Statements.....	60
<b>9. STATEMENT OF THE MANAGEMENT BOARD.....</b>	<b>60</b>

## SELECTED FINANCIAL DATA TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 6 months ended June 30, 2022

	PLN ths		EUR ths	
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021
Revenues	585,537	416,114	126,121	91,511
Profit (loss) from operations	65,198	895	14,043	197
EBITDA	119,611	54,233	25,763	11,927
Pre-tax profit (loss)	46,250	4,211	9,962	926
Net profit (loss)	36,418	2,848	7,844	626
Net cash flows from operating activities	43,624	26,235	9,396	5,770
Net cash flows from investing activities	-8,217	-4,837	-1,770	-1,064
Net cash flows from financing activities	-60,965	-55,494	-13,131	-12,204
Total net cash flows	-25,558	-34,096	-5,505	-7,498
	<b>30.06.2022</b>	<b>31.12.2021</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Total assets	1,484,987	1,494,392	317,264	324,910
Liabilities and provisions	598,762	604,728	127,924	131,480
Long-term liabilities	244,495	271,044	52,236	58,930
Short-term liabilities	339,610	318,316	72,557	69,208
Total equity	886,225	889,664	189,340	193,430
Share capital	49,122	49,122	10,495	10,680
Shares outstanding (units)	234,455,840	234,455,840	234,455,840	234,455,840
Diluted number of shares (units)	235,630,831	241,505,840	235,630,831	241,505,840
Earnings (loss) per ordinary share (in PLN/EUR)	0.16	0.01	0.03	0.00
Diluted earnings (loss) per share (in PLN/EUR)	0.15	0.01	0.03	0.00
Book value per share (in PLN/EUR)	3.78	3.79	0.81	0.83
Diluted book value per share (in PLN/EUR)	3.76	3.68	0.80	0.80
Declared or paid dividend per share (in PLN/EUR)	0.17	-	0.04	-

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for 6 months ended June 30, 2022

	PLN ths				
	Note	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
<b>Revenues</b>	1,2	<b>585,537</b>	<b>416,114</b>	<b>341,758</b>	<b>244,013</b>
Cost of sales	3	269,143	203,287	148,570	112,869
<b>Gross profit on sales</b>		<b>316,394</b>	<b>212,827</b>	<b>193,188</b>	<b>131,144</b>
Selling costs	3	208,476	169,065	110,906	90,972
Administrative expenses	3	41,647	36,786	21,867	18,759
Other operating income	5	4,291	9,315	3,226	9,108
Profit from sale of non-financial non-current assets		291	18	191	35
Other operating costs	5a	5,655	15,414	3,647	13,841
Loss from sale of non-financial non-current assets		-	-	-	-
<b>Profit (loss) from operations</b>		<b>65,198</b>	<b>895</b>	<b>60,185</b>	<b>16,715</b>
Financial income	6	550	8,823	349	13,506
<i>incl.: financial income from IFRS16 on store and office floorspace</i>		-	7,558	-	10,779
Financial costs	6a	19,498	5,507	10,549	3,448
<i>incl.: financial income from IFRS16 on store and office floorspace</i>		8,137	2,753	2,966	1,317
<b>Pre-tax profit (loss)</b>		<b>46,250</b>	<b>4,211</b>	<b>49,985</b>	<b>26,773</b>
Income tax	7	9,832	1,363	10,654	5,344
<b>Net profit (loss) for the period</b>		<b>36,418</b>	<b>2,848</b>	<b>39,331</b>	<b>21,429</b>
Attributed to dominating entity		36,418	2,848	39,331	21,429
Attributed to non-controlling interest		-	-	-	-
Earnings (loss) per share:					
- basic	9	0.16	0.01	0.17	0.09
- diluted	9	0.15	0.01	0.17	0.09

\*-unaudited data

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 6 months ended June 30, 2022

	PLN ths				
	Note	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
<b>Net profit for the period</b>		<b>36,418</b>	<b>2,848</b>	<b>39,331</b>	<b>21,429</b>
Other comprehensive income, including:		-	-	-	-
Income that can be recycled		-	-	-	-
Income that cannot be recycled		-	-	-	-
<b>Total comprehensive income</b>		<b>36,418</b>	<b>2,848</b>	<b>39,331</b>	<b>21,429</b>
Attributed to dominating entity		36,418	2,848	39,331	21,429
Attributed to non-controlling interest		-	-	-	-

\*- unaudited data

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30, 2022

	PLN ths			
	Note	30.06.2022	31.12.2021	30.06.2021
<b>Non-current assets</b>		<b>847,949</b>	<b>867,808</b>	<b>888,844</b>
Goodwill	10	302,748	302,748	302,748
Other intangible assets	11	197,633	197,711	196,688
Fixed assets	12	53,753	55,704	53,421
Investment property		874	874	295
Assets held for sale	12b	-	-	-
Right-of-use assets (IFRS16)	12a	268,047	284,386	307,159
Long-term receivables		289	239	275
Shares and stakes		27	27	27
Other long-term investments		4	4	4
Deferred tax assets	8	24,574	26,115	28,227
<b>Current assets</b>		<b>637,038</b>	<b>626,584</b>	<b>544,699</b>
Inventory	13	527,943	499,173	515,790
Trade and other receivables	14	20,065	12,839	13,744

	PLN ths			
	Note	30.06.2022	31.12.2021	30.06.2021
Corporate income tax receivables		17	-	-
Cash and cash equivalents	15	89,013	114,572	14,748
Other current assets		-	-	417
<b>Total assets</b>		<b>1,484,987</b>	<b>1,494,392</b>	<b>1,433,543</b>

	PLN ths			
	Note	30.06.2022	31.12.2021	30.06.2021
<b>Dominating entity's equity</b>		<b>886,225</b>	<b>889,664</b>	<b>826,202</b>
Share capital	22	49,122	49,122	49,122
Other reserves	23	14,333	14,333	14,333
Retained earnings	24	822,770	826,209	762,747
<b>Long-term liabilities and provisions</b>		<b>245,616</b>	<b>272,165</b>	<b>292,946</b>
Liabilities due to deposits		469	429	391
Lease liabilities	18	215,311	236,957	250,183
<i>incl.: IFRS16 on store and office floorspace</i>		<i>214,394</i>	<i>236,017</i>	<i>248,758</i>
Loans and borrowings	16	28,715	33,658	41,134
Long-term provisions	20	1,121	1,121	1,238
<b>Short-term liabilities and provisions</b>		<b>353,146</b>	<b>332,563</b>	<b>314,395</b>
Lease liabilities	18	101,029	97,566	97,388
<i>incl.: IFRS16 on store and office floorspace</i>		<i>100,439</i>	<i>96,861</i>	<i>96,328</i>
Trade and other liabilities	19	212,981	193,162	181,608
Corporate income tax liabilities		1,420	6,984	4,336
Loans and borrowings and short-term part of long-term loans and borrowings	16	24,180	20,604	20,771
Short-term provisions	20	13,536	14,247	10,292
<b>Total liabilities and provisions</b>		<b>598,762</b>	<b>604,728</b>	<b>607,341</b>
<b>Total equity and liabilities</b>		<b>1,484,987</b>	<b>1,494,392</b>	<b>1,433,543</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 6 months ended June 30, 2022

	PLN ths			
	Share capital	Capital reserves	Retained earnings	Total equity
<b>Balance at 01.01.2021</b>	<b>49,122</b>	<b>14,333</b>	<b>759,899</b>	<b>823,354</b>
Net profit (loss) for the period	-	-	2,848	2,848
Stock-option program valuation	-	-	-	-
Dividends	-	-	-	-
Share issuance	-	-	-	-
<b>Balance at 30.06.2021</b>	<b>49,122</b>	<b>14,333</b>	<b>762,747</b>	<b>826,202</b>
<b>Balance at 01.01.2021</b>	<b>49,122</b>	<b>14,333</b>	<b>759,899</b>	<b>823,354</b>
Net profit (loss) for the period	-	-	66,310	66,310
Stock-option program valuation	-	-	-	-
Dividends	-	-	-	-
Share issuance	-	-	-	-
<b>Balance at 31.12.2021</b>	<b>49,122</b>	<b>14,333</b>	<b>826,209</b>	<b>889,664</b>
<b>Balance at 01.01.2022</b>	<b>49,122</b>	<b>14,333</b>	<b>826,209</b>	<b>889,664</b>
Net profit (loss) for the period	-	-	36,418	36,418
Stock-option program valuation	-	-	-	-
Dividends	-	-	-39,857	-39,857
Share issuance	-	-	-	-
<b>Balance at 30.06.2022</b>	<b>49,122</b>	<b>14,333</b>	<b>822,770</b>	<b>886,225</b>

Information and explanations regarding the interim consolidated statement of changes in equity are presented in notes 22, 23 and 24.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for 6 months ended June 30, 2022

	Note	PLN ths	
		I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021
<b>Cash flows from operating activities</b>			
Pre-tax profit (loss)		46,250	4,211
Amortization and depreciation	3	54,413	53,338
Profit (loss) on investing activities		-291	-18
Income tax paid		-13,853	-4,070
Interest costs		4,102	3,691
Change in provisions		-712	435
Change in inventories		-28,771	-10,206
Change in receivables		-7,291	-392
Change in short-term liabilities, excluding bank loans and borrowings		-11,959	-22,417
Other adjustments	15a	1,736	1,663
<b>Net cash flows from operating activities</b>		<b>43,624</b>	<b>26,235</b>
<b>Net cash flows from investing activities</b>			
Interest received		411	-
Disposal of fixed assets and assets held for sale		2,618	526
Purchase of intangible assets		-341	- 899
Purchase of fixed assets		-10,905	-4,464
<b>Net cash flows from investing activities</b>		<b>-8,217</b>	<b>-4,837</b>
<b>Net cash flows from financing activity</b>			
Inflows from loans and borrowings		2,383	517
Repayment of bank loans and borrowings		-6,120	-10,625
Other lease payments		-443	-736
Other interest paid		-1,581	-938
Interest paid on IFRS16 on store and office floorspace		-2,521	-2,753
Lease payments on IFRS16 on store and office floorspace		-52,683	-40,959
<b>Net cash flows from financing activity</b>		<b>-60,965</b>	<b>-55,494</b>
<b>Increase (decrease) in cash and cash equivalents in the balance sheet</b>		<b>-25,558</b>	<b>-34,096</b>
<b>Opening balance of cash and cash equivalents</b>		<b>114,571</b>	<b>48,844</b>
Change in cash due to foreign currency translation		-	-
<b>Closing balance of cash and equivalents</b>	15	<b>89,013</b>	<b>14,748</b>



## SUPPLEMENTARY INFORMATION TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

#### 1.1. NAME, REGISTERED OFFICE, BUSINESS ACTIVITY

**VRG Spółka Akcyjna** (also as "Parent 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.

The Company's key corporate milestones.

#### 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	Przekształcenie w jednoosobową spółkę Skarbu Państwa pod firmą: 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. subsidiary

The lifespan of the Issuer is indefinite.

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

As at the end of 1H22 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 in 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%

The consolidated financial statements for 1H22 include data of the Parent Company and subsidiaries: W.KRUK S.A., DCG S.A., WSM Factory Sp. z o.o. (former name: Wólczanka Shirts Manufacturing Sp. z o.o.) and VG Property Sp. z o.o.

### CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP IN 1H22:

There were no changes in VRG S.A. Capital Group structures in 1H22.

## 1.3. COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

### MANAGEMENT BOARD

As at June 30, 2022, the composition of the Management Board of VRG S.A. was the following:

Management Board	<b>Janusz Płocica</b> President of the Management Board	<b>Marta Fryzowska</b> Executive Vice-President of the Management Board	<b>Michał Zimnicki</b> Executive Vice-President of the Management Board
------------------	--	--	--

In the first half of 2022, the following changes were made to the composition of the parent company's Management Board:

- 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 parent company and performing the function of Executive Vice-President of the Management Board of the Company,

- on February 18, 2022, the Supervisory Board of the parent company adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Parent 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 parent company adopted a resolution pursuant to Art. 383 par. 1 of the Code of Commercial Companies on delegating the Deputy Chairman of the Supervisory Board of the parent company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The posting took place for the period from March 12, 2022 to May 31, 2022,

- on April 1, 2022, the Supervisory Board of the parent company adopted a resolution on changing the resolution of the parent company's Supervisory Board of February 18, 2022 on appointing Mr. Janusz Płocica to the Management Board of the parent company and entrusting him with the function of the President of the Management Board of the parent company in such a way that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the parent company as the President of the Management Board, with effect from April 19, 2022 instead of the current date 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, returned to perform duties related to the function of a member of the Supervisory Board of the Company as of April 19, 2022.

In the period from the balance sheet date, i.e. June 30, 2022 to the date of signing this report, the composition of the Management Board of the parent company changed as follows:

- on July 7, 2022, the Supervisory Board of the parent company adopted a resolution to appoint Mr. Łukasz Bernacki to the Management Board of the parent company, entrusting him with the position of the Vice-President of the Management Board for the jewellery segment. Mr. Łukasz Bernacki is also the President of the Management Board of W.KRUK S.A. with its registered office in Cracow, which is a subsidiary of the Issuer managing the W.KRUK brand.

As at the date of the interim consolidated financial statements for the year, the composition of the Management Board of VRG S.A. was as follows:

<b>Management Board</b>	<b>Janusz Płocica</b> President of the Management Board	<b>Marta Fryzowska</b> Executive Vice-President of the Management Board	<b>Łukasz Bernacki</b> Executive Vice-President of the Management Board	<b>Michał Zimnicki</b> Executive Vice-President of the Management Board
-------------------------	--	--	--	--

## SUPERVISORY BOARD

As at June 30, 2022, the composition of the Supervisory Board of VRG S.A. was as follows:

<b>Supervisory Board</b>	<b>Mateusz Kolański</b> Chair of the Supervisory Board	<b>Jan Pilch</b> Deputy-Chair of the Supervisory Board	<b>Marcin Gomola</b> Member of the Supervisory Board	<b>Wacław Szary</b> Member of the Supervisory Board
		<b>Piotr Kaczmarek</b> Member of the Supervisory Board	<b>Piotr Stępnik</b> Member of the Supervisory Board	<b>Andrzej Szumański</b> Member of the Supervisory Board

In the period from the balance sheet date, i.e. June 30, 2022 to the date of signing this report, the composition of the Supervisory Board of the parent company did not change.

## 1.4. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved for publication and signed by the Management Board of the parent company on August 25, 2022.

## 1.5. GOING CONCERN

Interim condensed consolidated financial statements of the VRG S.A. Capital Group (hereinafter also referred to as the "Capital Group" or "VRG Group") have been prepared on the assumption that the Group companies 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. June 30, 2022 year. In the opinion

of the Management Board of the parent company, as at the date of approval of these interim consolidated financial statements, there are no premises or circumstances that would indicate a threat to the continued operations of the Group companies in the foreseeable future.

From 2020, the Management Board of the parent company took steps to limit the impact of the epidemic on the financial situation of the Capital Group's companies. In 2021, which, like 2020, was burdened with closures of shopping centers, measures were taken to secure the Group's liquidity situation.

The first quarter of 2022 was influenced by the uncertainty related to the COVID-19 situation.

In the second quarter, we observed the return of customers to traditional stores, which, despite the unfavourable macroeconomic situation (including high inflation), resulted in an increase in sales, and thus an improvement in results compared to the second quarter of the previous year.

The report includes the most important, in the opinion of the Management Board, factors, risks and uncertainties affecting the assessment of the going concern assumption. When making this assessment, the Management Board also took into account the existing and anticipated risks resulting from internal and external factors, including such as the war in Ukraine.

On February 24, 2022, Russia's armed conflict with Ukraine began. Military activities in a country neighbouring the Republic of Poland introduced a high degree of uncertainty as to the shaping of processes in the political, social and economic spheres. As at the date of preparation of the financial statements, the Management Board of the parent company is not able to accurately estimate the scale of the deterioration of financial results, because 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 constituting material uncertainty that threatens the Group's ability to continue as a going concern.

The Management Board of the parent company notes that:

- revenues increased YoY,
- the Group closed the half-year with a profit of PLN 36,418 ths PLN,
- cash as at the balance sheet date amounted to PLN 89,013 ths PLN,
- cash flows from operating activities showed a positive balance,
- the financial indebtedness of the Capital Group is at a safe level, loans are repaid on time,

Additionally, important information on the Group's events is presented in section 8.1 and in the management report on operations.

## 2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements for the first half of 2022 have been prepared in accordance with the International Accounting Standard No. 34 "Interim Financial Reporting" approved by the EU ("IAS 34"). The interim condensed consolidated financial statements present the financial position of the Group as at June 30, 2022 and December 31, 2021 and June 30, 2021, the results of its operations for the 6 and 3 months ended June 30, 2022 and June 30, 2021, and cash flows for the 6-month period ended June 30, 2022 and June 30, 2021.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the Group's consolidated financial statements for the year ended December 31, 2021 approved for publication on April 8, 2022.

In addition, the basis for the preparation of these interim condensed consolidated financial statements is the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Official Journal of Laws No. of 2018, item 757).

## 3. ACCOUNTING PRINCIPLES

In the period from January 1, 2022 to June 30, 2022, the adopted accounting principles and methods of preparing financial statements have not changed in the Capital Group. The accounting principles adopted by the Capital Group were applied in a continuous manner to the periods presented in the financial statements.

The accounting principles used to prepare the condensed consolidated interim financial statements are consistent with those applied to the preparation of the annual financial statements of the Group for the financial year ended December 31, 2021.

The reporting currency of the interim condensed consolidated financial statements is Polish zloty, all amounts are expressed in thousands of Polish zlotys, unless otherwise stated.

The entity authorized to review the financial statements in the scope of the separate and consolidated financial statements of the parent company for the first half of 2022 was Grant Thornton Polska Spółka z o.o. A limited partnership with which an agreement was concluded on July 26, 2021 for the review of the separate and consolidated interim financial statements of the Company and the Group and for the audit of separate and consolidated annual financial statements of the Company and the Group for the period 2021-2023.

## 4. FX RATES USED FOR VALUATION OF ASSETS AND LIABILITIES

Individual items of assets and liabilities were converted into EUR at the average exchange rate of June 30, 2022 announced by the National Bank of Poland, which was 4.6806 PLN /EUR. Individual items of the profit and loss account were converted into EUR at the rate of PLN/EUR 4.6427, 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: 31.01.22 - 4.5982 PLN/EUR, 28.02.22 - 4.6909 PLN/EUR, 31.03.22 - 4.6525 PLN/EUR, 30.04.22 - 4.6582 PLN / EUR, 31.05.22 - 4.5756 PLN / EUR, 30.06.22 - 4.6806 PLN / EUR.

Comparable data for individual assets and liabilities were converted into EUR according to the average exchange rate announced by the National Bank of Poland, applicable on the last day of the reporting periods, i.e. on 31.12.2021, which amounted to 4.5994 PLN / EUR and on 30.06.2021, which was 4.5208 PLN / EURO. Comparable data for individual items of the profit and loss account were converted into EUR according to the exchange rates constituting the arithmetic mean of the average EUR exchange rates set by the National Bank of Poland on the last day of each completed month of the comparative period, i.e. from 01/01/2021 to 30/06/2021, which was 4.5472 PLN / EURO.

## 5. IMPORTANT ESTIMATES AND MANAGEMENT JUDGEMENT

Preparation of financial statements in accordance with IFRS requires the Management Board of the parent company to make estimates, 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. Information on the estimates is presented in Note 20.

## 6. CHANGES IN ACCOUNTING STANDARDS

### STANDARDS AND INTERPRETATIONS THAT HAVE ALREADY BEEN PUBLISHED AND APPROVED BY THE EU AND EFFECTIVE FROM OR AFTER JANUARY 1, 2022

#### AMENDMENT TO IAS 16 "PROPERTY, PLANT AND EQUIPMENT"

It was specified that the production carried out as part of the tests of the fixed asset before the fixed asset is put into service 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). Testing of an asset is part of its cost. The change is effective for annual periods beginning on or after January 1, 2022.

#### AMENDMENT TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS"

It has been clarified that the costs of fulfilling onerous contracts include incremental costs (e.g. labor 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 TO IFRS 3 "BUSINESS COMBINATIONS"

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

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

IFRS 9: (1) when testing the 10% of whether a modification should disqualify a liability, only fees that are exchanged between the obligor and the creditor should be included; (2) it was clarified that the fees incurred in the event of the liability being derecognised are recognized in the result, and if the liability is not derecognised, they should be referred to the value of the liability;

IFRS 16: in example 13, the issue of lessor's incentive to cover fit-out costs incurred by the lessee, which raised interpretation doubts, was removed;

IAS 41: the prohibition on recognizing tax flows in the measurement of biological assets was 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).

#### AMENDMENTS TO IAS 12 "INCOME TAX"

The principle was introduced that if a transaction results in both positive and negative temporary differences in the same amount, assets and a provision for deferred income tax should be recognized even if the transaction does not result from a merger and does not affect the accounting or tax result. This means that assets and a provision for deferred tax have to be recognized, for example when temporary differences exist in equal amounts in the case of a lease (a separate temporary difference from the liability and the right-of-use assets) or in the case of restoration liabilities. The principle that deferred income tax assets and liabilities are compensated if current tax assets and liabilities are compensated has not been changed. The change applies to annual periods beginning on January 1, 2023.

The above changes have not affected these interim condensed consolidated financial statements.

## NEW STANDARDS AND INTERPRETATIONS AND CHANGES TO THEM THAT HAVE BEEN PUBLISHED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) BUT HAVE NOT BEEN APPROVED BY THE EUROPEAN UNION

### AMENDMENT TO IFRS 17 "INSURANCE CONTRACTS"

The Board has established comparative 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.

### AMENDMENT TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

The IASB clarified the rules for classifying liabilities to long- or short-term primarily 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 acceleration or delay of payment of liability are not taken into account.

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

The Group is currently analysing the impact of the above-mentioned standards, interpretations and amendments to the standards.

## 7. SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 REVENUES

Analysis of the Group's revenues	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Revenues from sale of products, goods and materials	585,515	416,062	341,747	244,005
Revenue from property lease	22	52	11	8
Revenue from leases of other fixed assets	-	-	-	-
<b>Total revenue</b>	<b>585,537</b>	<b>416,114</b>	<b>341,758</b>	<b>244,013</b>
Gain on sale of fixed assets	291	18	191	35
Other operating revenues	4,291	9,315	3,226	9,108
Financial income	550	8,823	349	13,506
<b>Total</b>	<b>590,669</b>	<b>434,270</b>	<b>345,524</b>	<b>266,662</b>

\*-unaudited data

Increase in the level of revenues is related to lifting of the epidemic and thus most of the restrictions related to COVID-19. In the period from January 1 to January 31, 2021 and from March 27 to May 3, 2021, shopping centers with the Group's traditional stores were closed, adversely affecting sales. In the first quarter of 2022, a negative impact on the level of sales was recorded due to the outbreak of the war in Ukraine.

In the second quarter, we observed the return of customers to traditional stores, which, despite unfavourable macroeconomic situation (including high inflation), resulted in an increase in sales, and thus an improvement in results compared to the second quarter of the previous year.

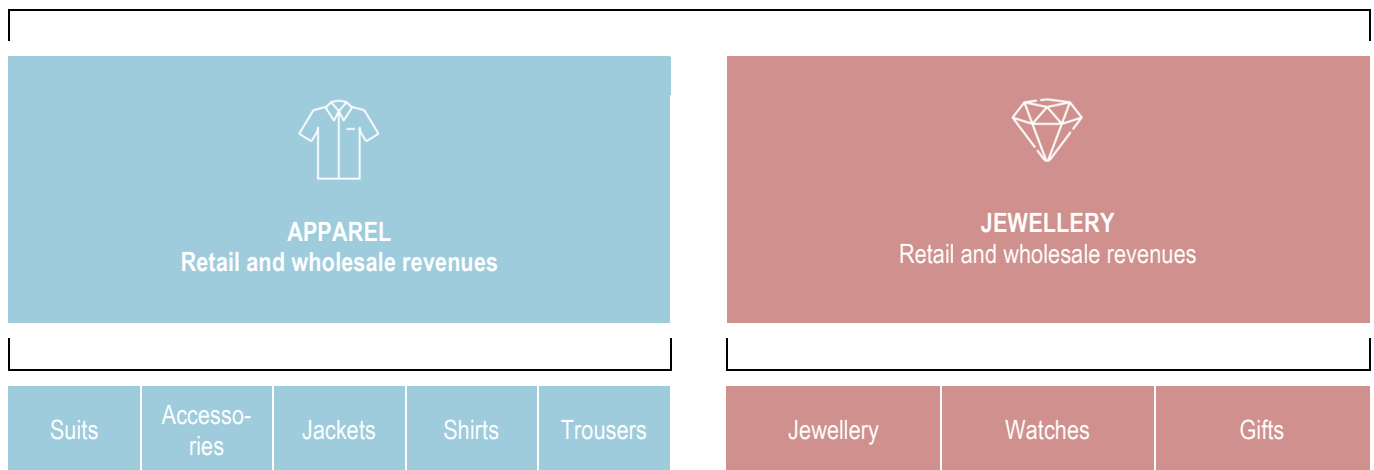
Due to the nature of the main type of activity conducted by the Group (retail trade), there is no concentration of sales to customers whose share in the total value of sales revenues would exceed 10%.

## NOTE 2 OPERATING SEGMENTS BY TYPE AND GEOGRAPHICAL BREAKDOWN

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, Bytom, Wólczanka, Deni Cler (via a subsidiary and W.KRUK (via a subsidiary). From the second quarter of 2015, following a divestiture 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



### LEADING BRANDS OF THE VISTULA BUSINESS LINE:

VISTULA			
<b>VISTULA</b>	<b>VISTULA</b> <i>Lantier</i>	<b>VISTULA</b> RED	<b>VISTULA</b> 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 nature 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	
<b>BYTOM</b>	
<p>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.</p> <p>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.</p>	

**LEADING BRANDS OF THE WÓLCZANKA BUSINESS LINE:**

WÓLCZANKA	
<b>WÓLCZANKA</b>	<b>LAMBERT</b> <small>LONDON STYLE SHIRTING</small>
<p>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 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.</p>	<p>It is a brand of shirts and accessories, referring 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.</p>

**OTHER OWN BRANDS IN THE APPAREL SEGMENT:**

APPAREL SEGMENT	
<b>DENI CLER</b> <small>MILANO</small>	
<p>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.</p> <p>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.</p> <p>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.</p>	

**OWN BRANDS IN JEWELLERY SEGMENT:**

JEWELLERY SEGMENT	
<b>W.KRUK</b> <small>1 8 4 0</small>	<b>WATCHES</b>
<p>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 precious metals.</p>	<p>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</p>

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 studios 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 lab-grown diamonds to the offer in its stores under the name New Diamond by W.KRUK. These 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 called Perfect®, earrings and pendants with lab-grown diamonds in the colours: white and, for the first time on the Polish market, pink and blue. Since 2016, the brand's range 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.

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 in 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 WSM Factory Sp. z o.o. (former 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.

The Group's activities can be divided into two operating segments. These segments are the basis for the preparation of the Group's reports.

Key types of activity:

- Retail and wholesale of apparel products
- Retail and wholesale of jewellery and watches

Information on the business segments is presented below:

	PLN ths		
	Apparel segment	Jewellery segment	Total
<b>I half of 2022 period from 01-01-2022 to 30-06-2022</b>			
<b>External sales</b>	<b>307,481</b>	<b>278,056</b>	<b>585,537</b>
<b>Gross profit on sales</b>	<b>172,696</b>	<b>143,698</b>	<b>316,394</b>
Segmental operating costs	159,910	90,213	250,123
<i>of which depreciation</i>	<i>32,959</i>	<i>21,454</i>	<i>54,413</i>
Other operating income and costs	-1,108	35	-1,073
Financial income and costs	-10,951	-7,997	-18,948
Income tax	848	8,984	9,832
<b>Net profit</b>	<b>-121</b>	<b>36,539</b>	<b>36,418</b>

I half 2021 period from 01-01-2021 to 30-06-2021	PLN ths		
	Apparel segment	Jewellery segment	Total
<b>External sales</b>	<b>226,442</b>	<b>189,672</b>	<b>416,114</b>
<b>Gross profit on sales</b>	<b>116,573</b>	<b>96,254</b>	<b>212,827</b>
Segmental operating costs	134,112	71,739	205,851
<i>of which depreciation</i>	33,357	19,981	53,338
Other operating income and costs	- 6,954	873	- 6,081
Financial income and costs	2,287	1,029	3,316
Income tax	- 3,821	5,184	1,363
<b>Net profit</b>	<b>- 18,385</b>	<b>21,233</b>	<b>2,848</b>

2 quarter 2022 period from 01-04-2022 to 30-06-2022*	PLN ths		
	Apparel segment	Jewellery segment	Total
<b>External sales</b>	<b>192,140</b>	<b>149,618</b>	<b>341,758</b>
<b>Gross profit on sales</b>	<b>114,443</b>	<b>78,745</b>	<b>193,188</b>
Segmental operating costs	85,091	47,682	132,773
<i>of which depreciation</i>	43,832	10,581	54,413
Other operating income and costs	145	-375	-230
Financial income and costs	-5,564	-4,636	-10,200
Income tax	5,058	5,596	10,654
<b>Net profit</b>	<b>18,875</b>	<b>20,456</b>	<b>39,331</b>

\*-unaudited data

2 quarter 2021 period from 01-04-2021 to 30-06-2021*	PLN ths		
	Apparel segment	Jewellery segment	Total
<b>External sales</b>	<b>140,385</b>	<b>103 628</b>	<b>244 013</b>
<b>Gross profit on sales</b>	<b>78,121</b>	<b>53 023</b>	<b>131 144</b>
Segmental operating costs	72,555	37 176	109 731
<i>of which depreciation</i>	16,754	10 041	26 795
Other operating income and costs	- 5,664	966	- 4 698
Financial income and costs	6,849	3 209	10 058
Income tax	1 489	3 855	5 344
<b>Net profit</b>	<b>5 262</b>	<b>16 167</b>	<b>21 429</b>

\*- unaudited data

Financial revenues and costs of both reporting segments include mainly FX differences, which amounted to, respectively:

- in the first half of 2022, for the apparel segment, they amounted to PLN 6,963 thousand zloty, surplus of negative over positive (and for the first half of 2021 PLN 5,596 thousand a surplus of positive over negative),
- in the first half of 2022 for the jewellery segment, they amounted to PLN 4,748 thousand zloty, surplus of negative over positive (and for the first half of 2021 PLN 3,200 thousand a surplus of positive over negative).

In the first half of 2022, financial income and costs from leases relating to commercial premises and office space contracts include interest and FX rate differences (surplus of negative over positive), which amounted to:

- for the apparel segment, the interest amounted to PLN 1,463 thousand. zloty. (PLN 1,669 thousand for the first half of 2021), and foreign exchange differences (surplus of negative over positive) amounted to PLN 3,232 thousand. PLN, (surplus of positive over negative PLN 4,567 thousand for the first half of 2021),
- for the jewellery segment, the interest amounted to PLN 1,021 thousand. zloty. (PLN 1,084 thousand for the first half of 2021), and foreign exchange differences (surplus of negative over positive) amounted to PLN 2,422 thousand. zloty. (surplus of positive over negative PLN 2 991 thousand for the first half of 2021),

while interest costs on bank loans, factoring and other, which amounted to, respectively:

- for the apparel segment, 925 thousand PLN for the first half of 2022 (PLN 532 thousand for the first half of 2021),
- for the jewellery segment, PLN 826 thousand PLN for the first half of 2022 (PLN 405 thousand for the first half of 2021).

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.

#### GEOGRAPHICAL SEGMENTS OF ACTIVITY:

Regarding geographical segments, all of the Group's operations are carried out in the Republic of Poland, some revenues are derived from sending goods abroad.

Revenues from various markets in terms of geographical location	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Poland	578,768	408,088	338,125	240,313
EURO zone	6,532	7,859	3,630	3,700
US\$ zone	145	19	3	-
DKK zone	-	148	-	-
CHF zone	92	-	-	-
<b>Total</b>	<b>585,537</b>	<b>416,114</b>	<b>341,758</b>	<b>244,013</b>

\*-unaudited data

Segmental assets and liabilities as at June 30, 2022 are as follows:

I half of 2022	PLN ths		
	Apparel segment	Jewellery segment	Total
Assets	727,253	757,734	1,484,987
Liabilities and provisions total	352,198	246,564	598,762

Segmental assets and liabilities as at June 30, 2021 are as follows:

I half of 2021	PLN ths		
	Apparel segment	Jewellery segment	Total
Assets	747,502	686,041	1,433,543
Liabilities and provisions total	353,472	253,869	607,341

Detailed information on the division of sales into channels and brands and the reasons for YoY changes are presented in the Management Board Report on Operations.

## NOTE 3 OPERATING COSTS

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Depreciation	54,413	53,338	26,864	26,795
Materials and energy	40,763	32,024	18,721	16,184
Costs of goods sold	256,493	191,553	141,549	106,985
Change in products and work in progress	-49,091	-37,786	-19,769	-14,320
Inventory write-offs	699	9,435	683	9,418
Remuneration and employee benefits	83,389	68,444	43,991	35,663
Other costs by type	25,869	20,539	14,163	10,623
Third party costs	107,429	81,026	55,824	40,670
Other operating costs	4,957	5,979	2,964	4,423
<b>Total costs of products sold, goods and materials, distribution, general and administrative expenses and other operating costs</b>	<b>524,921</b>	<b>424,552</b>	<b>284,990</b>	<b>236,441</b>

\*-unaudited data

## NOTE 4 KOSZTY WYNAGRODZEŃ

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Remuneration broken into salaries, insurance and other:				
<b>Total remuneration, including:</b>	<b>83,389</b>	<b>68,444</b>	<b>43,991</b>	<b>35,663</b>
Salaries	69,116	57,244	36,512	30,063
Social security and other benefits	14,089	11,200	7,351	5,600

\*- unaudited data

In the reporting period, severance payments in the amount of PLN 1,000 thousand were paid. The Group presents severance payments in other operating expenses.

## NOTE 5 OTHER OPERATING INCOME

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Other operating income				
Gain on sale of nonfinancial fixed assets	291	18	191	35
FGŚF subsidies to salaries	-	4,503	-	4,503
Exemption from social security contributions	-	3,366	-	3,366
Other operating income, including:	4,291	1,446	3,226	1,239

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
<b>Other operating income</b>				
<i>due to reversal of write-offs for goods/materials</i>	1 932	-	1 932	-
<i>due to closing agreements valued according to IFRS16</i>	786	304	39	239
<b>Total</b>	<b>4 582</b>	<b>9 333</b>	<b>3 417</b>	<b>9 143</b>

\*-unaudited data

## NOTE 5A OTHER OPERATING COSTS

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
<b>Pozostałe koszty operacyjne</b>				
Loss on sale of nonfinancial fixed assets	-	-	-	-
Fixed assets write-offs	-	1,931	-	1,931
Write-offs for materials	231	427	231	427
Write-offs of goods	468	9,007	452	8,990
Donations granted	784	128	182	46
Other operating costs, including: <i>severance pay</i>	4,172 1,000	3,921 105	2,782 916	2,447 49
<b>Total</b>	<b>5,655</b>	<b>15,414</b>	<b>3,647</b>	<b>13,841</b>

\*- unaudited data

## NOTE 6 FINANCIAL INCOME

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
<b>Financial income</b>				
Interest on bank deposits and loans granted	411	-	308	-
FX gains	121	8,796	24	13,482
<i>Incl. leases for store and office floorspace</i>	-	7,558	-	10,779
Other	18	27	17	24
<b>Total</b>	<b>550</b>	<b>8,823</b>	<b>349</b>	<b>13,506</b>

\*- unaudited data

## NOTE 6A FINANCIAL COSTS

Financial costs	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Interest on overdrafts and bank loans	1,567	779	954	416
Factoring interest	132	122	69	56
Interest on other than finance lease liabilities	52	36	33	16
Interest on leases for store and office floorspace	2,484	2,753	1,218	1,317
Fees on loans and guarantees	1,140	1,194	612	721
FX losses	11,711	-	5,288	-
<i>Incl. leases for store and office floorspace</i>	5,653	-	1,748	-
Bank loan amortised cost valuation	2,368	445	2,368	445
Forwards valuation	-	32	-	389
Other	44	146	7	88
<b>Total</b>	<b>19,498</b>	<b>5,507</b>	<b>10,549</b>	<b>3,448</b>

\*- unaudited data

## NOTE 7 INCOME TAX

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Current income tax	<b>9,832</b>	<b>1,363</b>	<b>10,654</b>	<b>5,344</b>
Current tax	8,222	5,069	4,979	5,661
Deferred tax (note 8)	1,610	-3,706	5,675	-317

\*- unaudited data

Reconciliation of tax base and pre-tax profit shown in the profit or loss statement	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Profit before tax	46,250	4,211	49,985	26,773
Hypothetical tax according to the statutory rate 19%	8,788	800	9,497	5,087
Non-taxable income	-9,738	-25,803	-5,809	-15,559
Costs not constituting tax deductible costs	13,258	27,793	9,327	16,731
Tax loss carryforward	-	-	-	-
Usage of tax loss from earlier periods	1,978	975	2,571	179
<b>Tax base</b>	<b>51,748</b>	<b>7,176</b>	<b>56,074</b>	<b>28,124</b>
<b>Current income tax</b>	<b>9,832</b>	<b>1,363</b>	<b>10,654</b>	<b>5,344</b>
Effective tax rate	21.26%	32.37%	21.31%	19.96%

\*- unaudited data

## NOTE 8 DEFERRED TAX

	PLN ths				
	statement of financial position			profit or loss	
	30.06.2022	31.12.2021	30.06.2021	30.06.2022	30.06.2021
<b>Deferred tax asset provision</b>	<b>87</b>	<b>100</b>	<b>659</b>	<b>-13</b>	<b>-162</b>
Balance sheet valuation – FX gains	1	22	55	-21	-71
Net advances paid	55	55	72	-	-
Bank loan valuation at amortised cost	-	-	360	-	-86
Derivatives valuation	-	-	79	-	-7
Leased fixed assets	31	-	83	8	-
Other	-	23	10	-	2
<b>Transferred to financial result</b>	<b>87</b>	<b>100</b>	<b>659</b>	<b>-13</b>	<b>-162</b>
<b>Transferred to equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>24,661</b>	<b>26,215</b>	<b>28,886</b>	<b>-1,623</b>	<b>3,544</b>
Accelerated balance sheet depreciation	2,305	2,263	2,348	43	44
Severance pay	26	27	24	-	-
Write-offs	4,418	4,877	5,748	-463	-
Provisions, salaries and social security	1,365	2,331	2,015	-102	2,022
Remuneration, unpaid Social Security contributions	803	-	-	6	-271
Balance sheet valuation – FX losses	393	71	101	322	-89
Tax loss carryforward	2,995	3,352	7,407	-357	1,773
Write-down of receivables from recipients	-	-	675	-	78
Provision for future liabilities	924	1,929	2,356	-1,139	787
Provision for customer returns	993	1,034	459	-41	-
Loyalty programme valuation	764	764	315	-	-
Bank loans and bonds valuation according to amortised cost	489	39	-	450	-
Lease liabilities for store and office floorspace	9,186	9,528	7,438	-342	-800
<b>Transferred to financial result</b>	<b>24,661</b>	<b>26,215</b>	<b>28,886</b>	<b>-1,623</b>	<b>3,544</b>
<b>Transferred to equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTE 9 EARNINGS PER SHARE

	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
<b>Continued operations</b>				
Net profit attributable to the shareholders of the dominating entity	36,418	2,848	39,331	21,429
Profits from continuing operations for the purpose of calculating earnings per share after excluding discontinued operations	36,418	2,848	39,331	21,429
Weighted average number of ordinary shares	234,455,840	234,455,840	234,455,840	234,455,840



Continued operations	PLN ths			
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021	2 quarter 2022* period from 01-04-2022 to 30-06-2022	2 quarter 2021* period from 01-04-2021 to 30-06-2021
Diluted weighted average number of ordinary shares	235,630,831	241,505,840	235,630,831	241,505,840
Earnings per share				
- basic	0.16	0.01	0.17	0.09
- diluted	0.15	0.01	0.17	0.09

\*- unaudited data

Calculation of the weighted average number of shares	PLN ths	
	I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021
Number of shares as at 01.01.2022	234,455,840	234,455,840
Change during 1H22 (issuance)		
Number of shares as at 30.06.2022	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)	1,174,991	7,050,000
Diluted weighted average number of ordinary shares	235,630,831	241,505,840

## NOTE 10 GOODWILL

	PLN ths
<b>PURCHASE PRICE OR FAIR VALUE</b>	
Balance at January 1, 2021	302,748
Adjustment: disclosure at the time of acquisition	-
Derecognition at the moment of disposal	-
Balance at June 30, 2021	302,748
Balance at January 1, 2021	302,748
Disclosure adjustment at the time of the acquisition of Bytom	-
Derecognition at the moment of disposal	-
Balance at December 31, 2021	302,748
Balance at January 1, 2022	302,748
Disclosure adjustment at the time of the acquisition of Bytom	-
Balance at June 30, 2022, 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
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>	
Balance at January 1, 2021	-

	PLN ths
Losses due to impairment in the current year	-
Derecognition at the moment of disposal	-
Balance at June 30, 2021	-
Balance at January 1, 2021	-
Losses due to impairment in the current year	-
Derecognition at the moment of disposal	-
Balance at December 31, 2021	-
Balance at 1 stycznia 2022	-
Losses due to impairment in the current year	-
Derecognition at the moment of disposal	-
Balance at June 30, 2022	-
<b>BOOK VALUE</b>	
As at June 30, 2021	302,748
As at December 31, 2021	302,748
As at June 30, 2022	302,748

As at June 30, 2022, based on the assessment of indications of impairment in relation to intangible assets with an indefinite useful life, it was not necessary to conduct an impairment test for intangible assets with an indefinite useful life, including goodwill. In the period for which the interim financial statements were prepared, no revaluation write-offs were made for intangible assets, including goodwill.

The last impairment test for intangible assets with an indefinite useful life was carried out on December 31, 2021. The test did not show the need to make write-downs.

## NOTE 11 OTHER INTANGIBLE ASSETS

	PLN ths			
	Costs of devel- opment works	Trademarks	Patents and licenses	Total
<b>GROSS VALUE</b>				
Balance at January 1, 2021	1,219	194,116	25,019	220,354
Additions	-	-	912	912
Decreases	-	-	- 955	- 955
Balance at June 30, 2021	1,219	194,116	24,976	220,311
Balance at January 1, 2021	1,219	194,116	25,019	220,354
Additions	-	-	2,564	2,564
Decreases	-	-	-195	-195
Balance at December 31, 2021	1,219	194,116	27,388	222,723
Balance at January 1, 2022	1,219	194,116	27,388	222,723
Additions	-	-	597	597
Decreases	-	-	-46	-46
Presentation adjustment	-	-	50	50
Balance at June 30, 2022	1,219	194,116	27,989	223,324
<b>AMORTISATION</b>				
Balance at January 1, 2021	1,219	23	19,723	20,965

	PLN ths			
	Costs of development works	Trademarks	Patents and licenses	Total
Amortization for the period	-	-	459	459
Disposal	-	-	- 948	- 948
Balance at June 30, 2021	1,219	23	19,234	20,476
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
Balance at January 1, 2022	1,219	23	20,620	21,862
Amortization for the period	-	-	662	662
Disposal	-	-	-	-
Presentation adjustment	-	-	17	17
Balance at June 30, 2022	1,219	23	21,299	22,541
<b>IMPAIRMENT</b>				
Balance at January 1, 2021	-	-	3,147	3,147
Additions	-	-	-	-
Decreases	-	-	-	-
Balance at June 30, 2021	-	-	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
Balance at January 1, 2022	-	-	3,150	3,150
Additions	-	-	-	-
Decreases	-	-	-	-
Balance at June 30, 2022	-	-	3,150	3,150
<b>BOOK VALUE</b>				
As at June 30, 2021	-	194,093	2,595	196,688
As at December 31, 2021	-	194,093	3,618	197,711
As at June 30, 2022	-	194,093	3,540	197,633

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

Write-offs were booked in other operating costs, and write-offs reversals were booked other operating revenues.

Amortization of intangible assets was recognized in the cost of sales, general administrative expenses or cost of sales of the statement of comprehensive income, respectively.

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 16.

As at June 30, 2022, based on the assessment of the indications of impairment of intangible assets with an indefinite useful life, it was not necessary to conduct an impairment test for intangible assets with an indefinite useful life, including trademarks. In the period for which the interim financial statements were prepared, no write-downs of intangible assets, including trademarks, were created.

The last impairment test for intangible assets with an indefinite useful life was carried out on December 31, 2021. The test did not show the need to make write-downs.

As at June 30, 2021, there were no contractual obligations regarding the purchase of intangible assets.

## NOTE 12 PROPERTY, PLANT, EQUIPMENT

	PLN ths			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
<b>PURCHASE PRICE OR FAIR VALUE</b>				
Balance at January 1, 2021	117,420	3,284	119,728	240,432
Additions	941	5,434	3,000	9,375
Disposal	-235	-5,618	-2,823	-8,676
Balance at June 30, 2021	118,126	3,100	119,905	241,131
Balance at January 1, 2021	117,420	3,284	119,728	240,432
Additions	3,232	18,825	10,418	32,475
Disposal	-9,338	-16,335	-14,758	-40,431
Balance at December 31, 2021	111,314	5,774	115,388	232,476
Balance at January 1, 2022	111,314	5,774	115,388	232,476
Additions	3,685	10,483	7,974	22,142
Disposal	-2,915	-12,122	-1,810	-16,847
Presentation adjustment	96	-	-872	-776
Reclassification	-4,471	-33	-	-4,504
Balance at June 30, 2022, including:	107,709	4,102	120,680	232,491
Shown in purchase price/cost of sales	107,709	4,102	120,680	232,491
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
Balance at January 1, 2021	88,953	-	88,782	177,735
Depreciation for the period	3,928	-	5,510	9,438
Disposal	-169	-	-2,704	-2,873
Balance at June 30, 2021	92,712	-	91,588	184,300
Balance at January 1, 2021	88,953	-	88,782	177,735
Depreciation for the period	7,578	-	11,542	19,120
Disposal	-9,005	-	-14,284	-23,289
Balance at December 31, 2021	87,526	-	86,040	173,566
Balance at January 1, 2022	87,526	-	86,040	173,566
Depreciation for the period	3,560	-	6,311	9,871
Disposal	-2,328	-	-1,716	-4,044
Presentation adjustment	-52	-	-724	-776
Reclassification	-1,883	-	0	-1,883
Balance at June 30, 2022	86,823	-	89,911	176,734
<b>IMPAIRMENT</b>				
Balance at January 1, 2021	183	1,693	195	2,071
Additions	1,352	-	-	1,352
Disposal	-	-	-13	-13
Balance at June 30, 2021	1,535	1,693	182	3,410
Balance at January 1, 2021	183	1,693	195	2,071
Additions	1,963	-	293	2,256
Disposal	-980	-	-141	-1,121

	PLN ths			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
Balance at December 31, 2021	1,166	1,693	347	3,206
Balance at January 1, 2022	1,166	1,693	347	3,206
Additions	-	-	-	-
Disposal	-104	-	-58	-162
Reclassification	-1,040	-	-	-1,040
Balance at June 30, 2022	22	1,693	289	2,004
<b>BOOK VALUE</b>				
As at June 30, 2021	23,879	1,407	28,135	53,421
As at December 31, 2021	22,622	4,081	29,001	55,704
As at June 30, 2022	20,864	2,409	30,480	53,753

## NOTE 12A RIGHT-OF-USE ASSETS

Right-of-use assets	PLN ths		
	Right-of-use assets to store and office floorspace	Other right-of-use assets	Total
<b>Gross value 01.01.2021</b>	<b>475,853</b>	<b>10,427</b>	<b>486,280</b>
<b>Accumulated depreciation 01.01.2021</b>	<b>-166,158</b>	<b>-7,428</b>	<b>-173,586</b>
<b>Net value 01.01.2021</b>	<b>309,695</b>	<b>2,999</b>	<b>312,694</b>
New agreements	3,694	535	4,229
Changes due to leases modifications	42,703	-	42,703
Changes resulting from modifications in the scope of the contract – shortening of the period - gross value	-13,980	-503	-14,483
Gross value 30.06.2021	508,270	10,459	518,729
Changes resulting from modification of the scope of the contract - shortening the period - depreciation	4,508	434	4,942
Depreciation for the period	-42,280	-646	-42,926
<b>Accumulated depreciation 30.06.2021</b>	<b>-203,930</b>	<b>-7,640</b>	<b>-211,570</b>
<b>Net value 30.06.2021</b>	<b>304,340</b>	<b>2,819</b>	<b>307,159</b>
<b>Gross value 01.01.2021</b>	<b>475,853</b>	<b>10,427</b>	<b>486,280</b>
<b>Accumulated depreciation 01.01.2021</b>	<b>-166,158</b>	<b>-7,428</b>	<b>-173,586</b>
<b>Net value 01.01.2021</b>	<b>309,695</b>	<b>2,999</b>	<b>312,694</b>
New agreements	7,509	95	7,604
Changes due to leases modifications	66,165	-	66,165
Changes resulting from modifications in the scope of the contract – shortening of the period - gross value	-26,752	-5,710	-32,462
<b>Gross value 31.12.2021</b>	<b>522,775</b>	<b>4,812</b>	<b>527,587</b>
Changes resulting from modification of the scope of the contract - shortening the period - depreciation	8,794	5,465	14,259
Depreciation for the period	-82,679	-1,195	-83,874
<b>Accumulated depreciation 31.12.2021</b>	<b>-240,043</b>	<b>-3,158</b>	<b>-243,201</b>
<b>Net value 31.12.2021</b>	<b>282,732</b>	<b>1,654</b>	<b>284,386</b>

Right-of-use assets	PLN ths		
	Right-of-use assets to store and office floorspace	Other right-of-use assets	Total
<b>Gross value 01.01.2022</b>	522,775	4,812	527,587
<b>Accumulated depreciation 01.01.2022</b>	-240,043	-3,158	-243,201
<b>Net value 01.01.2022</b>	282,732	1,654	284,386
New agreements	16,168	305	16,473
Changes due to leases modifications	17,858	-	17,858
Changes resulting from modifications in the scope of the contract – shortening of the period - gross value	-17,332	-495	-17,827
<b>Gross value 30.06.2022</b>	539,469	4,622	544,091
Changes resulting from modification of the scope of the contract - shortening the period - depreciation	10,542	495	11,037
Depreciation for the period	-43,489	-391	-43,880
<b>Accumulated depreciation 30.06.2022</b>	-272,990	-3,054	-276,044
<b>Net value 30.06.2022</b>	266,479	1,568	268,047

## NOTE 12B ASSETS HELD FOR SALE

	PLN ths			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
<b>PURCHASE PRICE OR FAIR VALUE</b>				
Balance at January 1, 2022	-	-	-	-
Additions	-	-	-	-
Disposal	-	-	-	-
Reclassification	-	-	-	-
Balance at June 30, 2022	-	-	-	-
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
Balance at January 1, 2022	-	-	-	-
Depreciation for the period	-	-	-	-
Disposal	-1,883	-	-	-1,883
Reclassification	1,883	-	-	1,883
Balance at June 30, 2022	-	-	-	-
<b>IMPAIRMENT</b>				
Balance at January 1, 2022	-	-	-	-
Additions	-	-	-	-
Disposal	-1,040	-	-	-1,040
Reclassification	1,040	-	-	1,040
Balance at June 30, 2022	-	-	-	-
<b>BOOK VALUE</b>				
As at June 30, 2021	-	-	-	-
As at December 31, 2021	-	-	-	-
As at June 30, 2022	-	-	-	-

## NOTE 13 INVENTORY

	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
Materials (at purchase price)	28,977	27,404	27,885
Work in progress (at production cost)	7,922	7,014	10,603
Finished products (at production cost)	56,242	52,542	60,049
Trade goods (at purchase price)	456,335	434,979	443,998
<b>Total inventory, at the lower of two values: purchase price (production cost) and net realizable value</b>	<b>549,476</b>	<b>521,939</b>	<b>542,535</b>
Inventory write-offs	-21,533	-22,766	-26,745
<b>Total</b>	<b>527,943</b>	<b>499,173</b>	<b>515,790</b>

Created write-downs in the amount of PLN 699 thousand zloty were charged to other operating expenses while reversed write-downs in the amount of PLN 1,932 thousand zloty were charged to other operating income. The release of write-downs for inventories is related to sale of inventories covered by write-off or their physical liquidation.

Inventories were pledged by a registered pledge as security for loan agreements presented in note 16.

## NOTE 14 TRADE AND OTHER RECEIVABLES

Trade and other receivables	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
<b>Trade receivables from third parties (gross)</b>	<b>5,314</b>	<b>7,648</b>	<b>14,120</b>
minus: write-off of trade receivables from third parties	-254	-420	-8,629
<b>Trade receivables from third parties (net)</b>	<b>5,060</b>	<b>7,228</b>	<b>5,491</b>
<b>Receivables from taxes, subsidies, customs, social security and other benefits</b>	<b>1,140</b>	<b>347</b>	<b>729</b>
<b>Other receivables from third parties (gross)</b>	<b>13,014</b>	<b>3,959</b>	<b>47,262</b>
minus: write-off of other trade receivables from third parties	-1,253	-1,325	-42,859
<b>Other receivables from third parties (net)</b>	<b>11,761</b>	<b>2,634</b>	<b>4,403</b>
<b>Other current assets</b>	<b>2,104</b>	<b>2,629</b>	<b>3,121</b>
<b>Short-term receivables, total (gross)</b>	<b>21,572</b>	<b>14,583</b>	<b>65,232</b>
minus: total receivables write-offs	-1,507	-1,745	-51,488
<b>Short-term receivables, total (net)</b>	<b>20,065</b>	<b>12,838</b>	<b>13,744</b>

Payment terms for receivables range from 7-120 days.

Change in short-term receivables write-offs	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
<b>Beginning of period values</b>	<b>1,745</b>	<b>51,056</b>	<b>51,056</b>
<b>a) additions (due to)</b>	<b>132</b>	<b>2,631</b>	<b>868</b>
– write-offs creation	101	2,338	868
– foreign exchange rate differences	31	293	-
<b>b) decreases (due to)</b>	<b>370</b>	<b>51,942</b>	<b>436</b>
– receipt of payment for receivables	208	5,181	309
– the Management's decision to write-off a provision into losses	162	46,761	-
– foreign exchange rate differences	-	-	127
<b>Balance of short-term receivables and write-offs at the end of period</b>	<b>1,507</b>	<b>1,745</b>	<b>51,488</b>

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

Short-term receivables gross (currency structure)	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
a) PLN	6,046	10,741	50,947
b) in foreign currencies (by currency and after conversion into PLN)	15,526	3,842	14,285
b1. in EURO thousands	951	320	2,012
PLN thousands	4,442	1,573	9,100
b2. in USD thousands	1,639	478	1,291
PLN thousands	7,568	1,939	4,904
b3. in CHF thousands	750	74	68
PLN thousands	3,515	330	281
<b>Short-term receivables, total (gross)</b>	<b>21,572</b>	<b>14,583</b>	<b>65,232</b>

## NOTE 15 CASH AND EQUIVALENTS

Środki pieniężne i ich ekwiwalenty stanowią: gotówka będąca w posiadaniu Grupy oraz krótkoterminowe depozyty bankowe z terminem zapadalności do 3 miesięcy. Wartość księgową tych aktywów odpowiada wartości godziwej.

	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
Cash and bank accounts	42,372	29,723	14,282
Short-term deposits	46,641	84,849	466
<b>Total</b>	<b>89,013</b>	<b>114,572</b>	<b>14,748</b>

## NOTE 15A STATEMENT OF CASH FLOWS – OTHER ADJUSTMENTS

The value shown under "Other adjustments" consists of:	Note	PLN ths	
		I half of 2022 period from 01-01-2022 to 30-06-2022	I half of 2021 period from 01-01-2021 to 30-06-2021
- fixed assets – write-offs - liquidation		-221	1,663
- interest received		-411	-
- bank loan valuation		2,368	-
<b>Total</b>		<b>1,736</b>	<b>1,663</b>

## NOTE 16 BANK LOANS AND BORROWINGS

	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
<b>Overdrafts</b>	<b>8,379</b>	<b>5,996</b>	<b>7,344</b>



	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
<b>Bank loans</b>	<b>44,516</b>	<b>48,266</b>	<b>54,561</b>
Amounts payable according to bank loan agreements			
On demand or up to 1 year	15,801	14,608	13,427
From 2 to 5 years	28,715	33,658	41,134
Over five years	-	-	-
<b>Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
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 in PLN	PLN	€	\$
<b>June 30, 2022</b>	<b>52,895</b>	<b>52,895</b>	-	-
Overdrafts	8,379	8,379	-	-
Bank loans	44,516	44,516	-	-
Loans	-	-	-	-
<b>December 31, 2021</b>	<b>54,262</b>	<b>54,262</b>	-	-
Overdrafts	5,996	5,996	-	-
Bank loans	48,266	48,266	-	-
Loans	-	-	-	-
<b>June 30, 2021</b>	<b>61,905</b>	<b>61,905</b>	-	-
Overdrafts	7,344	7,344	-	-
Bank loans	54,561	54,561	-	-
Loans	-	-	-	-

**BANK LOAN LIABILITIES AS AT 30.06. 2022 (DATA IN PLN)**

LP	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 to be repaid measured at amortized cost	Description	Interest conditions	Maturity
			Amount	Amount	Amount			
1	Bank PKO BP S.A.	Warsaw	92,000,000	-	-	Limit enabling the use of overdraft facility and execution of guarantees and letters of credit	wibor + margin	June 27, 2024
			47,600,000	16,560,000	17,656,641	Investment loan	wibor + margin	December 31, 2024
2	ING Bank Śląski S.A.	Katowice	55 000 000	-	-	Limit for the use of an overdraft facility and execution of orders in the field of guarantees, letters of credit and purchase of receivables	wibor + margin	April 20, 2023

LP	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 to be repaid measured at amortized cost	Description	Interest conditions	Maturity
			Amount	Amount	Amount			
3	mBank S.A.	Warsaw	19,000,000	-	-	Limit enabling the use of an overdraft facility and the execution of orders related to guarantees, letters of credit	wibor + margin	April 18, 2023
			11,500,000	-	-	Reverse factoring limit	-	July 15, 2022
4	Bank PKO BP S.A.	Warsaw	52,000,000	-	-	Overdraft limit	-	July 6, 2022
			33,000,000	-	-	Limit for the execution of orders in the field of guarantees and letters of credit	-	July 6, 2022
			71,400,000	24,840,000	26,318,445	Investment loan	-	December 31, 2024
5	Bank PKO BP S.A.	Warsaw	11,500,000	8,379,159	8,379,159	Overdraft limit	-	July 14, 2022
			6,500,000	-	-	Limit for the execution of orders in the field of guarantees and letters of credit	-	-
6	Bank PKO BP S.A.	Warsaw	4,021,500	539,984	539,984	Investment loan	-	March 31, 2023

LP	Name of the entity	Collateral
1	Bank PKO BP S.A.	<ol style="list-style-type: none"> <li>1. Declaration on submission to enforcement</li> <li>2. Fixed charge on inventories of Vistula and Wólczanka brands</li> <li>3. Fixed charge on trademarks "Vistula" and "Wólczanka"</li> <li>4. Registered pledge on shares of W.Kruk S.A.</li> <li>5. Trilateral agreement on card transactions payments</li> <li>6. Assignment of rights under the insurance policy</li> <li>7. Civil law surety of the subsidiary W.KRUK S.A. (multi-purpose credit limit agreement)</li> </ol>
2	ING Bank Śląski S.A.	<ol style="list-style-type: none"> <li>1. Cession of receivables,</li> <li>2. Proceeds to the bank account,</li> <li>3. Fixed charge on Bytom and Intermoda trademarks,</li> <li>4. Fixed charge on selected locations of the Bytom brand,</li> <li>5. Assignment of rights under the insurance policy,</li> <li>6. Statement on submission to enforcement</li> <li>7. BGK guarantee.</li> </ol>
3	mBank S.A.	<ol style="list-style-type: none"> <li>1. Assignment of receivables,</li> <li>2. Five blank promissory notes</li> <li>3. Fixed charge on selected locations under the Bytom brand</li> <li>4. BGK guarantee (applies to the factoring limit).</li> </ol>
4	Bank PKO BP S.A.	<ol style="list-style-type: none"> <li>1. Blank promissory note with declaration</li> <li>2. Statement on submission to enforcement</li> <li>3. Contractual right to set off claims</li> <li>4. Fixed charge on the W.KRUK trademark</li> <li>5. Floating charge on W.KRUK inventory</li> <li>6. Trilateral agreement on card transactions payments</li> <li>7. Assignment of rights under the insurance policy</li> <li>8. Surety granted by VRG S.A. (multi-purpose credit limit agreement)</li> <li>9. BGK guarantee.</li> </ol>
5	Bank PKO BP S.A.	<ol style="list-style-type: none"> <li>1. Mortgage</li> <li>2. Floating charge on inventories</li> <li>3. Assignment of rights under the insurance policy</li> </ol>

LP	Name of the entity	Collateral
		4. Statement on submission to enforcement 5. Surety granted by VRG S.A. (multi-purpose credit limit agreement) 6. BGK guarantee
6	Bank PKO BP S.A.	1. Surety granted by VRG S.A 2. Contractual right to set off claims 3. Mortgage 4. Assignment of rights under the insurance policy and real estate rental and machinery lease agreements.

#### THE GROUP HAS THE FOLLOWING LIMITS AND BANK LOANS AS AT 30.06.2022:

- Multi-purpose credit limit agreement in the 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 35,000 thousand and letters of credit up to the amount of PLN 35,000 thousand. The annex amending the multi-purpose credit limit agreement, containing the above-mentioned sub-limits, was signed on June 28, 2022. The limit was granted until June 27, 2024.
- investment loan in the amount of PLN 47,600 thousand. The contract was signed on March 9, 2015. The agreement will expire on December 31, 2024.
- multi-purpose credit line in the amount of PLN 55,000 thousand for the period until November 29, 2022, and later on with its reduction by PLN 2,000,000 in each dates: from November 30, 2022, December 31, 2022, January 31, 2023, February 28, 2023 March 31, 2023 with the deadline until April 20, 2023, under the Multi-product Agreement at ING Bank Śląski S.A. The Company may use the following products: an overdraft up to the amount of PLN 23,000,000 until November 29, 2022, and then it is reduced by PLN 2,000,000 each time. PLN 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 13,000 thousand, lines for letters of credit up to the amount of PLN 15,000,000, lines for bank guarantees up to the amount of PLN 6,000,000, discount transactions in the form of reverse debt repurchase in the amount of EUR 8,000,000, with the total amount of debt resulting from the use of the limit in the form of the aforementioned 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 PLN 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.
- multi-purpose credit line at mBank S.A. entitling to use an overdraft facility, execution of orders in the field 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 credit line is granted until April 18, 2023. The Company does not use the Factoring Liability Limit Agreement, which expires on July 15, 2022.
- agreements with PKO BP SA for a total amount of PLN 85 million, of which one agreement authorises 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 execution of orders in the field 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.
- 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.
- 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 execution of orders for guarantees and letters of credit up to the amount of PLN 6,500 thousand. The repayment will be made on July 14, 2022.
- 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.

As at June 30, 2022, the Capital Group has been timely settling all loans taken and interest on loans.

On July 4, 2022, the subsidiary W.KRUK S.A. signed an annex to the multi-purpose credit limit agreement setting the limit in the amount of PLN 90,000 thousand, entitling to use an overdraft up to the amount of PLN 52,000 thousand and execution of orders for bank guarantees up to the amount of PLN 40,000,000 and letters of credit up to the amount of PLN 10,000 thousand. The limit was granted until July 3, 2024. The contract is secured by a declaration of submission to enforcement, a floating charge on W.KRUK brand inventory, a fixed charge on the "W.KRUK" trademark, a trilateral agreement for payment of transactions with payment cards, assignment of rights under the policy insurance.

On July 12, 2022, the subsidiary DCG S.A. signed an annex to the multi-purpose credit limit agreement setting the limit in the amount of PLN 18,000 thousand, entitling to use an overdraft up to the amount of PLN 11,500,000 and execution of orders for bank guarantees up to the amount of PLN 6,500 thousand and letters of credit up to the amount of PLN 6,500 thousand. The limit was granted until July 11, 2024. The

contract is secured with a civil surety up to the amount of PLN 27,000 thousand granted by VRG S.A., declaration of submission to enforcement, floating charge on inventories, assignment of rights under the insurance policy. The current agreement no longer contains BGK guarantees as collateral.

## NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms, traded in active, liquid markets, is determined by reference to stock exchange prices;
- the 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;
- the 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 period of validity of the instrument for non-optional instruments and option pricing models for optional instruments.

In the period from January 1, 2022 to June 30, 2022, there was no transfer between levels in the fair value hierarchy used in the fair value measurement, and there was no change in 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 Group has forward contracts for the purchase of currency as hedging transactions. Derivatives are denominated in USD and EURO. As at 30.06.2022, the balance of the nominal value is US\$ 0 thousand, translated at the transaction rate of PLN 0 thousand.

The valuation of derivative instruments belongs to the second level hierarchy, i.e. the valuation is based on market assumptions.

## NOTE 17A FINANCIAL INSTRUMENTS BY CLASS

Balance sheet items	PLN ths					
	30.06.2022		31.12.2021		30.06.2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Loans granted	-	-	-	-	-	-
Trade and other receivables as well as other current assets	20,354	-	13,078	-	14,019	-
Cash and cash equivalents	89,013	-	114,572	-	14,748	-
Long-term loan and lease liabilities	-	244,026	-	270,615	-	291,317
incl.:leases on store and office floorspace	-	214,394	-	236,017	-	248,758
Short-term loan and lease liabilities	-	125,209	-	118,170	-	118,159
incl.:leases on store and office floorspace	-	100,439	-	96,861	-	96,328
Trade and other liabilities	-	213,450	-	193,591	-	181,999
<b>Total</b>	<b>109,367</b>	<b>582,685</b>	<b>127,650</b>	<b>582,376</b>	<b>28,767</b>	<b>591,475</b>

The above-mentioned financial assets and liabilities were measured at amortized cost.

Financial instruments at fair value through profit or loss amounted to PLN 0 thousand in 2022 (in 2021 they amounted to PLN 417 thousand and were recognized in financial income).

The Group performed 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 at a floating rate.

## NOTE 17B FINANCIAL INSTRUMENTS – INCOME AND COSTS, GAINS AND LOSSES FROM CHANGE IN VALUE

Balance sheet items	PLN ths					
	2021 / period from 01-01-2021 to 30-06-2021					
	Interest income	Interest expense	Gains/losses from amortised cost recognition	Write-offs	Write-offs reversal	Profits / losses on exchange differences
Loans granted	-	-	-	-	-	-
Trade and other receivables	18	-	-	132	370	1
Cash and cash equivalents	411	-	-	-	-	-16
Other current assets – Forward transactions	-	-	-	-	-	-
Loan and lease liabilities	-	1,619	2,368	-	-	-
Lease liabilities on store and office floor-space	-	2,484	-	-	-	-5,653
Trade and other liabilities	-	44	-	-	-	-6,043
<b>Total</b>	<b>429</b>	<b>4,147</b>	<b>2,368</b>	<b>132</b>	<b>370</b>	<b>-11,711</b>

Balance sheet items	PLN ths					
	2021 / period from 01-01-2021 to 30-06-2021					
	Interest income	Interest expense	Gains/losses from amortised cost recognition	Write-offs	Write-offs reversal	Profits / losses on exchange differences
Loans granted	-	-	-	-	-	1
Trade and other receivables	27	-	-	868	436	- 19
Cash and cash equivalents	-	-	-	-	-	- 16
Other current assets – Forward transactions	-	-	- 32	-	-	-
Loan and lease liabilities	-	937	- 445	-	-	-
Lease liabilities on store and office floor-space	-	2,753	-	-	-	7,558
Trade and other liabilities	-	146	-	-	-	1,272
<b>Total</b>	<b>27</b>	<b>3,836</b>	<b>- 477</b>	<b>868</b>	<b>436</b>	<b>8,796</b>

On February 24, 2022, Russia's armed conflict with Ukraine began. Military activities in a country neighbouring the Republic of Poland introduced a high degree of uncertainty as to the shaping of processes in the political, social and economic spheres. As at the date of preparation of the financial statements, the Management Board of the parent company is not able to precisely estimate the scale of deterioration of financial results, because 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 that may affect the fair value of the Group's financial assets and financial liabilities.

The Group uses external financing with 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, consequently, a reduction in the Group's profitability. In the consolidated financial statements, in the table below, the list of risks presents the sensitivity analysis of the financial result. Thus, the Group recognizes a possible impact on the fair value of financial assets and financial liabilities.

## NOTE 18 FINANCE LEASE LIABILITIES

Leases	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
<b>Amounts payable in accordance with lease agreements regarding commercial premises and office space agreements, including:</b>	<b>314,833</b>	<b>332,878</b>	<b>345,086</b>
within 1 year	100,439	96,861	96,328
between 2 to 5 years	201,351	219,480	228,364
above 5 years	13,043	16,537	20,394
<b>Amounts payable in accordance with lease agreements regarding other agreements:</b>	<b>1,507</b>	<b>1,645</b>	<b>2,485</b>
within 1 year	590	705	1,060
between 2 to 5 years	917	940	1,425
above 5 years	-	-	-
<b>Discounted value of lease agreements</b>	<b>316,340</b>	<b>334,523</b>	<b>347,571</b>
Amount due for settlement within 12 months (shown as short-term liabilities)	101,029	97,566	97,388
<i>including: leasing related to contracts of commercial premises and office space</i>	<i>100,439</i>	<i>96,861</i>	<i>96,328</i>
Amount of the required repayment after 12 months (shown as long-term liabilities)	215,311	23,957	250,183
<i>including: leasing related to contracts of commercial premises and office space</i>	<i>214,394</i>	<i>236,017</i>	<i>248,758</i>

All liabilities under the lease of passenger cars are denominated in PLN, while the lease of commercial premises and office space are denominated in EUR and PLN.

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

Leasing fees not included in the valuation	PLN ths	
	30.06.2022	31.12.2021
<b>Liabilities under lease agreements relating to commercial premises and office space:</b>	<b>1,859</b>	<b>6,624</b>
short-term leases	138	310
low-value assets leases	-	-
variable lease payments not included in lease liabilities	1,721	6,314

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 under low-value leases.

Costs related to short-term leases in accordance with IFRS 16 par. 6, recognised linearly during the period, amounted to PLN 138 thousand.

Interest costs related to leases are presented in note 6a.

Total expenses for lease contracts were:

Expenses for lease agreements for commercial premises and office space:	PLN ths	
	30.06.2022	31.12.2021
Amounts payable in accordance with finance lease agreements relating to commercial premises and office space, including:	52,683	80,385
Interest paid under finance lease agreements for commercial premises and office space	2,484	5,478
short-term leases	138	310
low-value assets leases	-	-
variable lease payments not included in lease liabilities	1,721	6,314
<b>Total lease payments</b>	<b>57,026</b>	<b>92,487</b>

The table below shows the impact on the Group's result in the reporting period for the first half of 2022, i.e. 01.01.2022 to 30.06.2022, 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		
	1H22 according to IAS 17	Lease recognition effect regarding agreements of commercial premises and office space	1H22 published data
<b>Gross profit on sales</b>	<b>316,394</b>	-	<b>316,394</b>
Selling costs and general and administrative costs	259,293	-9,170	250,123
Other operating costs	3,505	786	4,291
Gain on sale of non-financial fixed assets	5,628	27	5,655
Other operating costs	291	-	291
<i>EBITDA</i>	<i>66,194</i>	<i>53,417</i>	<i>119,611</i>
<b>Operating profit</b>	<b>55,269</b>	<b>9,929</b>	<b>65,198</b>
Financial income	550	-	550
Financial costs	11,361	8,137	19,498
<b>Pre-tax profit (loss)</b>	<b>44,458</b>	<b>1,792</b>	<b>46,250</b>
Income tax	9,492	340	9,832
<b>Net profit</b>	<b>34,966</b>	<b>1,452</b>	<b>36,418</b>

In the first half of 2022, depreciation for leases related to contracts for commercial premises and office space amounted to PLN 43,488 thousand.

The table below shows the impact on the Capital Group's result in the reporting period in Q2 2022, i.e. 01.04.2022 to 30.06.2022 between recognition of commercial premises and office space lease contracts in accordance with IFRS16 (implemented on January 1, 2019) and in accordance with IAS17 (effective until December 31, 2018).

Item	PLN ths		
	2Q22 according to IAS 17	Lease recognition effect regarding agreements of commercial premises and office space	2Q22 published data
<b>Gross profit on sales</b>	<b>193,188</b>	-	<b>193,188</b>
Selling costs and general and administrative costs	137,495	-4,722	132,773
Other operating costs	3,187	39	3,226
Gain on sale of non-financial fixed assets	3,620	27	3,647
Other operating costs	191	-	191
<i>EBITDA</i>	<i>60,706</i>	<i>26,343</i>	<i>87,049</i>
<b>Operating profit</b>	<b>55,451</b>	<b>4,734</b>	<b>60,185</b>
Financial income	349	-	349
Financial costs	7,582	2,967	10,549
<b>Pre-tax profit (loss)</b>	<b>48,218</b>	<b>1,767</b>	<b>49,985</b>
Income tax	10,319	335	10,654
<b>Net profit</b>	<b>37,899</b>	<b>1,432</b>	<b>39,331</b>

In the second quarter of 2021, depreciation for leases related to commercial premises and office space contracts amounted to PLN 21,609 thousand.

## NOTE 19 TRADE AND OTHER LIABILITIES

Trade and other liabilities result mainly from commercial purchases and costs related to the current activity. The average trade credit term used for commercial purchases is 45 days.

Trade and other liabilities	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
Trade liabilities from third parties	96,592	104,974	103,802
Tax, subsidies, customs, social security and other benefits liabilities	18,011	37,588	21,763
Financial liabilities – factoring	19,023	16,704	24,545
Deferred income liabilities	17,741	19,400	14,278
Other	61,614*	14,496	17,220
<b>Total short-term liabilities</b>	<b>212,981</b>	<b>193,162</b>	<b>181,608</b>

\*) Liability from dividend in the amount of PLN 39 857 thousand at the end of the first half of 2022. No such obligation at the end of 2021 and at the end of the first half of 2021.

Zobowiązania krótkoterminowe (struktura walutowa)	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
a) PLN	152,196	154,580	132,943
b) in foreign currencies (by currency and after conversion into PLN)	60,785	38,582	48,665
b1. in EURO thousands	4,464	3,669	4,389
PLN thousands	20,892	16,828	19,828
b2. in US\$ thousands	5,246	2,828	6,316
PLN thousands	23,516	11,685	23,998
b3. in CHF thousands	3,484	2,264	1,176
PLN thousands	16,343	10,069	4,839
B4. In GBP thousands	6	-	-
PLN thousands	34	-	-
<b>Total short-term liabilities</b>	<b>212,981</b>	<b>193,162</b>	<b>181,608</b>

Deferred income liabilities include loyalty program valuation. The value of future revenues is determined taking into account conversion of the value of the awarded points and the probability of receiving the award. The amount of deferred income related to the loyalty program presented in the balance sheet as at 30.06.2022 amounts to PLN 4,023 thousand (as at December 31, 2021, PLN 4,023 thousand, as at June 30, 2021, PLN 1,654 thousand).

The time of 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, customs, social and health insurance are fulfilled within the time limits resulting from 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 work was performed and other liabilities within a period not exceeding 30 days.



## NOTE 19A FINANCE LIABILITIES BY MATURITY

Finance liabilities by maturity	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
<b>Amounts payable in accordance with finance lease agreements relating to commercial premises and office space, including:</b>	<b>323,761</b>	<b>343,448</b>	<b>362,595</b>
Up to 1 year	101,127	97,518	112,262
From year 2 to year 5	208,350	227,690	227,853
Above 5 years	14,284	18,240	22,480
<b>Amounts payable in accordance with finance lease agreements relating to other contracts</b>	<b>1,675</b>	<b>1,716</b>	<b>2,615</b>
Up to 1 year	666	742	1,129
From year 2 to year 5	1,009	974	1,486
Above 5 years	-	-	-
<b>Amounts payable according to bank loan agreements</b>	<b>55,730</b>	<b>50,876</b>	<b>64,221</b>
Up to 1 year	25,790	15,632	20,346
From year 2 to year 5	29,940	35,244	43,875
Above 5 years	-	-	-
<b>Amount payable from trade and other liabilities according to maturity</b>	<b>194,970</b>	<b>155,574</b>	<b>159,845</b>
Up to 1 year	194,970	155,574	159,845
From year 2 to year 5	-	-	-
Above 5 years	-	-	-

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

## NOTE 20 PROVISIONS

	Provision for employment costs	Provision for future liabilities	Provision for work in progress	Returns from customers	Other	Total
<b>Balance as at January 1, 2021</b>	<b>6,655</b>	<b>2,612</b>	<b>925</b>	<b>893</b>	<b>10</b>	<b>11,095</b>
provisions created during the financial year	-	-	1,607	-	33	1,640
release / use of provisions	-1,200	-	-	-	-5	-1,205
<b>Balance as at June 30, 2021</b>	<b>5,455</b>	<b>2,612</b>	<b>2,532</b>	<b>893</b>	<b>38</b>	<b>11,530</b>
allocated to short-term liabilities	4,217	2,612	2,532	893	38	10,292
allocated to long-term liabilities	1,238	-	-	-	-	1,238
<b>Balance as at January 1, 2021</b>	<b>6,655</b>	<b>2,612</b>	<b>925</b>	<b>893</b>	<b>10</b>	<b>11,095</b>
provisions created during the financial year	2,946	615	827	1,309	2	5,699
release / use of provisions	-1,397	-29	-	-	-	-1,426
<b>Balance as at December 31, 2021</b>	<b>8,204</b>	<b>3,198</b>	<b>1,752</b>	<b>2,202</b>	<b>12</b>	<b>15,368</b>
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
<b>Balance as at January 1, 2022</b>	<b>8,204</b>	<b>3,198</b>	<b>1,752</b>	<b>2,202</b>	<b>12</b>	<b>15,368</b>
provisions created during the financial year	841	571	-	205	8	1,625
release / use of provisions	-1,382	-	-99	-845	-10	-2,336
<b>Balance as at June 30, 2022</b>	<b>7,663</b>	<b>3,769</b>	<b>1,653</b>	<b>1,562</b>	<b>10</b>	<b>14,657</b>
allocated to short-term liabilities	6,542	3,769	1,653	1,562	10	13,536
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 30.06.2022 consists of:

long-term provision for retirement benefits	PLN 1,121 ths	Total PLN 14,657 thousand.
short-term provision for retirement benefits	PLN 155 ths	
short-term provision for unused holidays	PLN 4,447 ths	
short-term provision for unpaid bonuses	PLN 1,940 ths	
short-term provision for sewing services	PLN 1,653 ths	
provision for future liabilities	PLN 3,779 ths	
provision for returns from customers	PLN 1,562 ths	

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%, the probability of departing employees on the basis of historical data on employment turnover in the Capital Group at 3%.

Sensitivity analysis prepared by the actuary has not shown significant deviations of the value of the provision between each of the considered scenarios. The value of the provision will be updated based on independent actuary calculations for December 31, 2021.

## NOTE 21 CHANGE IN WRITE-DOWNS OF SHORT-TERM RECEIVABLES, VALUE OF INVENTORIES AND FOR IMPAIRMENT OF FIXED ASSETS

Write-offs	PLN ths				
	Balance as at 01.01.2022	Creation	Release/ usage	Reclassification	Balance as at 30.06.2022
Write-offs for intangible assets	3,150	-	-	-	3,150
Fixed assets write-offs	3,206	-	162	1,040	2,004
Write-offs for assets held for sale	-	-	1,040	-1,040	-
Inventory write-offs	22,766	699	1,932	-	21,533
Receivable write-offs	1,745	132	370	-	1,507
Write-offs for loans granted	-	-	-	-	-
<b>Total write-offs</b>	<b>30,867</b>	<b>831</b>	<b>3,504</b>	<b>-</b>	<b>28,194</b>

## NOTE 22 SHARE CAPITAL

Series / issue	PLN							
	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 redemption				-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			2016-05-31	
Issue „N”	common	ordinary bearer		1,980,000			2016-05-31	
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	
<b>Total number of shares</b>				<b>234,455,840</b>				
<b>Total issued capital</b>					<b>49,122,108.00</b>			
<b>The nominal value of one share (PLN) = 0.20.</b>								

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

As at June 30, 2022, all shares issued were fully paid up.

Equity	PLN ths		
	30.06.2022	31.12.2021	30.06.2022
Registered: 234,455,840 common shares PLN 0.20 each (year 2019:234,455,840 common shares PLN 0.20 each; 1H20 234,455,840 common shares PLN 0.20 each)	49,122	49,122	49,122
Issued: 234,455,840 common shares PLN 0.20 each (year 2019:234,455,840 common shares PLN 0.20 each; 1H19: 234,455,840 common shares PLN 0.20 each)	49,122	49,122	49,122

## NOTE 23 RESERVE CAPITAL

	PLN ths
<b>Balance at January 1, 2021</b>	<b>14,333</b>
Increases due to the valuation of the option program	
Reductions	-
<b>Balance at June 30, 2021</b>	<b>14,333</b>
<b>Balance at January 1, 2021</b>	<b>14,333</b>
Increases due to the valuation of the option program	-
Reductions	-
<b>Balance at December 31, 2021</b>	<b>14,333</b>
<b>Balance at January 1, 2022</b>	<b>14,333</b>
Increases due to the valuation of the option program	-
Reductions	-
<b>Balance at June 30, 2022</b>	<b>14,333</b>

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

## NOTE 24 RETAINED EARNINGS

	PLN ths
<b>Balance at January 1, 2021</b>	<b>759,899</b>
Surplus from sale of shares above their nominal value (agio)	-
Net profit for the current year	2,848
<b>Balance at June 30, 2021</b>	<b>762,747</b>
<b>Balance at January 1, 2021</b>	<b>759,899</b>
Surplus from sale of shares above their nominal value (agio)	-
Net profit for the current year	66,310
<b>Balance at December 31, 2021</b>	<b>826,209</b>
<b>Balance at January 1, 2022</b>	<b>826,209</b>
Surplus from sale of shares above their nominal value (agio)	
Net profit for the current year	36,418
Dividend	- 39,857
<b>Balance at June 30, 2022</b>	<b>822,770</b>

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

Retained earnings include all supplementary capital, undistributed results from previous years of the parent company and subsidiaries.

Pursuant to the requirements of the Code of Commercial Companies, the parent company is required to create reserve capital to cover losses. At least 8% of the profit for the financial year shown in the separate financial statements of the parent company is transferred to this category of capital, until this capital reaches at least one third of the share capital of the parent company. The General Meeting decides about the use of the reserve capital and other reserves, however, a part of the reserve capital in the amount of one third of the share capital may only be used to cover the loss shown in the separate financial statements of the parent company and is not subject to distribution for other purposes. In the first half of 2022, the capital requirements were met.

## NOTE 25 CONTINGENT RECEIVABLES AND LIABILITIES

Off-balance sheet items	PLN ths		
	30.06.2022	31.12.2021	30.06.2021
bank guarantees for store rental payments	57,633	58,755	50,041
open letters of credit	24,601	23,441	32,736
promissory notes to secure lease liabilities	378	410	467
<b>Total contingent liabilities</b>	<b>82,612</b>	<b>82,606</b>	<b>83,244</b>

## NOTE 26 INFORMATION ON SIGNIFICANT CHANGES IN ESTIMATED VALUES

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

Note	10	Goodwill impairment
Note	11	Other intangible assets (useful lives)
Note	12	Property, plant, equipment (useful lives)
Note	12a	Right-of-use assets
Note	21,13	Inventory write-offs
Note	21,14	Receivables write-offs
Note	8	Deferred tax asset and liability
Note	19	Loyalty program liabilities
Note	20	Provisions for liabilities
Note	27	Share-based payments

## NOTE 27 SHARE-BASED PAYMENTS

On June 27, 2018, the Ordinary General Meeting of Shareholders adopted an incentive program for members of the Company's Management Board, key managers or other persons significant for the Company (and companies from its capital group) based on payment in the form of the Company's shares. Detailed conditions of the incentive program (providing for the full allocation of 7,050,000 subscription warrants) are included in Current Report No. 33/2018 of June 27, 2018. The value of the incentive program estimated using the Monte Carlo model in combination 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 probability of meeting non-market conditions. The amount is calculated with the probability of 100%.

The expected volatility was established on the basis of a historical judgment supported by an analysis of the volatility of rates of return from closing prices for the company's shares listed on the WSE.

The expected life of the option was determined based on the maximum period specified in the adopted resolution. The issue price of the N series shares was PLN 4.22.

Series F subscription warrants were allocated to program participants in 2019.

Granting of tranches of subscription warrants was completed in 2020.

Data necessary for stock option program valuation:

	30.06.2022	31.12.2021	30.06.2021	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
risk free rate	-	-	-	1.7%
expected dividend yield	-	-	-	0.00%

In 1H22, the amount of PLN 0 thousand was charged to overheads (in 2020: PLN 0 thousand; in 1H21 PLN 0 thousand).

## 8. OTHER SUPPLEMENTARY NOTES

### 8.1. SIGNIFICANT EVENTS IN 1H22

In the first half of the year, many internal and external events took place in the Group's environment that had an impact on VRG's business.

**Development of traditional network:** We started the year with the opening of a new Wólczanka store in Silesia City Center. It was created in line with the new format, which enables the presentation of the wide range of the brand. In the first quarter of this year, similar Wólczanka stores also debuted in Warsaw's Arkadia, CH Focus in Zielona Góra and City Center in Rzeszów.

- **Continuation of the pandemic:** Beginning of 2022 brought a wave of increased COVID-19 infections. Although we did not deal with the administrative lockdowns that marked the first quarter of 2021, the temporary withdrawal from social life of a large part of Poles and the return to remote work of companies resulted in a reduction in traffic in shopping centers and, consequently, in the Group's stores in January and at the beginning February. In the following months of the first half of the year, along with the revival of social and economic life, we observed a gradual return of consumers to traditional stores, which was accompanied by a decline in traffic in the e-commerce segment. It is worth noting, however, that despite the declines, the on-line channel has a stable audience base that offers growth potential in the coming years.
- **Outbreak of the armed conflict:** The first quarter, February in particular, is also a period of increasing geopolitical tension in the region, culminating in Russia's aggression against Ukraine on February 24. These events had a significant impact on Polish society, including the consumer mood. In the first weeks of the war, we saw a sudden drop in sales, which began to recover only from mid-March. The months at the turn of Spring and Summer are historically a good period for the group due to special events, which are often accompanied by our products. At that time, the company recorded an increase in sales and good monthly results. Despite the apparent decline in the impact of the war on consumer behaviour, the deepening economic downturn it caused may still affect the mood of our customers. The Group does not sell products or employ any employees in Ukraine or Russia. Therefore, the events beyond our eastern border have not affected the company's operational continuity. In response to them, we undertook a number of aid activities for people directly affected by the war, including our employees in Poland who are citizens of Ukraine. VRG brands donated PLN 200,000 to Polska Akcja Humanitarna (PLN 100,000 from VRG and another 100,000 from W.KRUK). Individual brands also regularly provide clothing for refugees who find shelter in our country.
- **Commercial offer:** New collections of VRG and Deni Cler brands for spring and summer 2022 were presented during the period of increasing infections and the beginning of the armed conflict in Ukraine. Prepared with the post-pandemic recovery in mind, the offer of the apparel segment focused on collections combining classic forms with comfortable casual elements. The common denominator of the Group's brand offer is the commitment to quality and timeless elegance. W.KRUK proposed an original jewellery collection and spring accessories. Traditionally, in the season full of family celebrations, both in the apparel and jewellery segment, consumers were presented with occasional collections: wedding, First Communion and (in jewellery) for Mother's Day. The ambassador of the latter was the famous singer Natalia Kukulska and her daughter Ania Dąbrówka. In the Spring of W.KRUK there were also, among others, new models of luxury watches, the sale of which has historically proved to be extremely resistant to economic turmoil.
- **Changes in the authorities:** The current composition of the Management Board of the VRG Group was shaped in the first half of the year. On the last day of January, the Supervisory Board decided to dismiss Radosław Jakociuk, the Executive Vice President of the Management Board of VRG, who was responsible for the operating activities of the company. On February 18, the Supervisory Board completed the process of appointing the President of the Group's Management Board, appointing Janusz Płocica to this position. He began performing his duties on April 19. Thus, for most of the second quarter, the Company was managed by a team composed of: Janusz Płocica as President of the Management Board, Marta Fryzowska as Executive Vice President of the Management Board responsible for the fashion segment and Michał Zimnicki, acting as Executive Vice President of the Management Board and CFO of the Company. In the first week of July, the Supervisory Board of the Company decided to appoint Łukasz Bernacki to the position of Executive Vice President of the Management Board of VRG. Mr. Łukasz Bernacki who also acts as the President of the Management Boards of W.KRUK in the Management Board of the Group he will be responsible for the jewellery segment. Thus, at the time of publishing this report, VRG is managed by a four-person Management Board with a balanced composition of persons supervising all key areas of its activity.
- **Dividend policy:** One of the goals of the Group's Management Board is to share the generated profit with shareholders. On May 18, the Management Board decided to adopt a dividend policy, with a recommendation to the Company's General Meeting of Shareholders to pay dividends in the range between 20% and 70% of the Company's consolidated net profit. On June 21, the General Meeting of Shareholders, in line with the recommendation of the Management Board, adopted a resolution on the payment of dividends in the amount of PLN 0.17 per share to the shareholders entitled to dividends in the total amount of PLN 39,857,492.80. The shareholders of the Company were

entitled to the dividend as at July 15, 2022 (dividend date), and the dividend payment date was July 29, 2022. The management board plans to recommend payouts in line with the adopted policy also in the coming years.

## 8.2. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

### **Appointment of the Executive Vice President of the Management Board:**

On July 7, 2022, the Supervisory Board of the Company adopted a resolution to appoint Mr. Łukasz Bernacki to the Management Board of the Company, entrusting him with the position of Executive Vice-President of the Management Board for the jewellery segment. Mr. Łukasz Bernacki is also the President of the Management Board of W.KRUK S.A. with its registered office in Cracow, which is a subsidiary of the Issuer managing the W.KRUK brand.

### **Dividend payment:**

The dividend was paid on July 29, 2022.

### **Significant changes in the shareholder structure:**

On August 19, 2022, Mr. Jerzy Mazgaj, as a shareholder of the Company, acting on the basis of the Act of July 29, 2005 on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading, and on Public Companies ("Offer Act" ) notified the Company that as a result of the purchase transaction of 20,344,464 shares of the Company concluded on August 17, 2022 outside the regulated market, he reached and exceeded the share of 15% in the total number of votes in the Company. Before the above-mentioned transaction, Mr Jerzy Mazgaj owned 17,988,168 shares of the Company, which constituted 7.67% of the share capital of the Company and entitled to exercise 7.67% of the total number of votes in the Company. After the above-mentioned transaction, Mr. Jerzy Mazgaj holds 38,332,632 shares of the Company, which constitutes 16.35% of the share capital of the Company and entitles to exercising 16.35% of the total number of votes in the Company.

Also on August 19, 2022, the Company received from IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("Mutual Fund"), pursuant to the Act on Public Offering, the information that as a result of the sale by the IPOPEMA 2 FIZ Fund of Non-public Assets (the "Fund"), managed by Mutual Fund, in the transaction carried out outside the regulated market on August 17, 2022, the Fund's share in the total number of votes in the Company decreased below the 5% threshold in the total number of votes in the Company, as well as the total share of funds managed by the Mutual Fund in the total number of votes in the Company decreased below the 20% threshold. Before the above-mentioned event, the Fund owned 20,344,464 shares of the Company, which constituted 8.68% of the share capital of the Company and entitled to exercise 8.68% of the total number of votes in the Company. After the above-mentioned event, the Fund does not hold any shares of the Company. Before the aforementioned event, all funds managed by the Mutual Fund held a total of 56,382,601 shares of the Company, which constituted 24.05% of the share capital of the Company and entitled to exercise 24.05% of the total number of votes in the Company. After the above-mentioned event, all funds managed by the Mutual Fund hold a total of 36,038,137 shares of the Company, which constitute 15.37% of the share capital of the Company and entitle to exercise 15.37% of the total number of votes in the Company.

## 8.3. SEASONALITY AND CYCLICALITY OF ACTIVITIES

Retail trade, both in the fashion sector and in the jewellery industry, is 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 second and fourth quarter, while in the jewellery industry it is the period of the fourth quarter (especially December).

## 8.4. RELATED PARTY TRANSACTIONS

### **ENTITIES AND PERSONS RELATED TO KEY MANAGEMENT PERSONNEL OF THE COMPANY AS AT JUNE 30, 2022 WITH WHICH TRANSACTIONS WERE COMPLETED IN THE REPORTING PERIOD**

- 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 the first half of 2022, the Company concluded transactions with entities that are significantly influenced or have 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 the first half of 2021, the total gross turnover amounted to PLN 396 thousand.

Key personnel is described in point 8.11.

## **8.5. ISSUANCE, PURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

In the period of 6 months ended June 30, 2022, the parent company has not issued, redeemed or repaid any equity securities.

## **8.6. INFORMATION ON MATERIAL PURCHASE AND SALE TRANSACTIONS OF PROPERTY, PLANT AND EQUIPMENT**

The total amount of capital expenditure in the consolidated statement of cash flows disclosed in the reporting period was PLN 10,905,000. PLN.

No significant disposals. The total amount of proceeds from sales is PLN 2,618 thousand, including from real estate PLN 1,722 thousand.

## **8.7. INFORMATION ABOUT SIGNIFICANT OBLIGATION TO PURCHASE ROCK FIXED ASSETS**

Not applicable.

## **8.8. DIVIDENDS PAID AND DECLARED**

The Capital Group has a dividend policy adopted by the Management Board of the parent company on May 18, 2022, with the following wording:

VRG S.A. dividend policy based in Cracow.

One of the main goals of the Management Board of VRG S.A. with its seat in Cracow ("the Company") is to share the profit with shareholders through the payment of dividends. The Management Board of the Company intends to recommend to shareholders the payment of dividends in accordance with this dividend policy.

The Management Board of the Company intends to recommend annually to the General Shareholder Meeting of the Company a dividend payment in the range between 20% and 70% of the value of the consolidated net profit resulting from the audited consolidated financial statements of the Company, assuming that the net debt / EBITDA ratio at the end of the financial year will be less than 2.5x.

Each time before presenting a recommendation to the Company's General Shareholder Meeting, the Management Board of the Company will take into account the following factors:

- the financial situation of the Company and its capital group,
- investment needs,
- liquidity situation,
- development prospects of the Company's capital group in a given market and macroeconomic situation,
- acquisition plans,
- banking covenants.

On June 21, 2022, the Ordinary General Shareholder Meeting of the Company adopted a resolution on the payment of dividends in the amount of PLN 0.17 per share in the total amount of PLN 39,857,492.80. It was decided that the shareholders of the Company as of July 15, 2022 (dividend day) will be entitled to the dividend. The dividend was paid on July 29, 2022.

## 8.9. PROCEEDINGS BEFORE A COURT OR PUBLIC ADMINISTRATION BODY

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, the value of which would materially affect the assessment of the Group's standing.

## 8.10. INFORMATION ABOUT THE ISSUER OR A RELATED ENTITY PROVIDING GUARANTEES FOR A BANK LOAN OR LOAN OR GUARANTEES TO AN ENTITY OR A RELATED ENTITY IF THE TOTAL VALUE OF GUARANTEES IS MATERIAL

As at June 30, 2022, there were no other sureties or guarantees than those granted to related entities, described in section 8.4.

## 8.11. WYNAGRODZENIA ZARZĄDU I RADY NADZORCZEJ ZA OKRES I PÓŁROCZA 2022 ROKU

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 18.04.2022/	162
Janusz Plocica	President of the Management Board / since 19.04.2022 /	208
Radosław Jakociuk	Executive Vice-President of the Management Board / from 31.01.2022/	1,170
Michał Zimnicki	Executive Vice-President of the Management Board	270
Marta Fryzowska	Executive Vice-President of the Management Board	345
<b>Total</b>		<b>2,155</b>

Remuneration of Mr. Radosław Jakociuk, stated in the table above, includes severance pay, in addition to the basic salary.

Supervisory Boards		PLN ths
Mateusz Kolański	Chair of the Supervisory Board	178
Jan Pilch	Deputy-Chair of the Supervisory Board	48
Piotr Kaczmarek	Member of the Supervisory Board	110
Piotr Stępnik	Member of the Supervisory Board	95
Wacław Szary	Member of the Supervisory Board	110
Andrzej Szumański	Member of the Supervisory Board	95
Marcin Gomoła	Member of the Supervisory Board	98
<b>Total</b>		<b>734</b>

Managing and supervising persons received remuneration for performing functions in the governing bodies of subsidiaries. These salaries in total for the first half of 2022 amounted to:

		PLN ths
Piotr Kaczmarek	Member of the Supervisory Board	40
Piotr Stępnik	Member of the Supervisory Board	58
Andrzej Szumański	Member of the Supervisory Board	40
Jan Pilch	Chair of the Supervisory Board	30
Michał Zimnicki	Member of the Supervisory Board	20
<b>Total</b>		<b>188</b>

Managing persons are entitled to benefits specified in employment or appointment contracts.

Apart from the benefits listed above, there were no other benefits for managing and supervising persons, including post-employment benefits, termination benefits, other long-term benefits.

## 8.12. INDICATION OF FACTORS WHICH, IN THE ISSUER'S ASSESSMENT, WILL AFFECT THE RESULTS ACHIEVED BY THE CAPITAL GROUP IN THE PERSPECTIVE OF AT LEAST THE NEXT HALF-YEAR

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 standing of the Capital Group.

The Group's financial results in the next few quarters may be affected by:

- Inflation and rising prices.
- Limiting consumption, cuts in spending on durable goods of households due to rising inflation.
- Armed conflict in Ukraine.
- Disruptions in the supply chain related to the Asian market.
- Economic and social situation in Poland.
- Further development of the Group's offer.
- Changing YoY restrictions related to COVID-19.
- PLN exchange rate in relation to USD, EUR.
- On-line channel development, omnichannel-oriented activities.

## 8.13. OTHER INFORMATION MATERIAL TO ASSESSMENT OF VRG S.A. CAPITAL GROUP STANDING

In the period of 6 months ended June 30, 2022 there were no other events than those described in this report, and in particular those described in Note 1.5. Going concern, circumstances that may have a significant impact on the deterioration of the personnel, property, financial situation and the financial result of the Group, which could threaten its ability to meet its obligations.

### EXTERNAL RISK FACTORS

<b>Economic risk related to the macroeconomic situation</b>	<p>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.</p> <p>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.</p> <p><b>Actions:</b> 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.</p>
<b>Risk related to the instability of the Polish legal system, including tax system</b>	<p>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</p>

	<p>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.</p> <p>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.</p> <p>The factors described above may have a significant negative impact on the Group's development prospects, results and financial standing.</p> <p><b>Actions:</b> The Group analyses 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.</p>
<p>Risk related to increased competition</p>	<p>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.</p> <p><b>Actions:</b> 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.</p>
<p>Foreign exchange risk and risk related to hedging policy</p>	<p>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.</p> <p>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 (jewellery raw materials), jewellery and watches in the jewellery segment and (c) arising from commercial space lease agreements.</p> <p>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.</p> <p>The table below the list of risks 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.</p> <p><b>Actions:</b> 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 .</p>
<p>Interest rate risk</p>	<p>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. The table below the list of risks presents the sensitivity analysis of the financial result (and thus equity) with regard to the potential fluctuation of the average annual interest rate by +/- 500 basis points (i.e. by 5 percentage points respectively).</p>

	<p><b>Actions:</b> 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.</p>
<p>Risk related to effects related to the coronavirus epidemic</p>	<p>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.</p> <p>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 m<sup>2</sup>, where over 95% of Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK stores are located.</p> <p>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.</p> <p><b>Actions:</b> 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.</p>
<p>Risk related to armed conflict in Ukraine</p>	<p>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 showrooms 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.</p>

## INTERNAL RISK FACTORS

<p><b>Risk associated with adopting the wrong strategy</b></p>	<p>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.</p> <p><b>Activities:</b> 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.</p>
<p><b>Risk of changing the tastes and behaviours of buyers</b></p>	<p>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.</p> <p>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.</p> <p><b>Actions:</b> 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.</p>
<p><b>Risk related to lease agreements</b></p>	<p>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.</p> <p>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.</p> <p><b>Activities:</b> 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.</p>

<p><b>Risk related to inventory management</b></p>	<p>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).</p> <p>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.</p> <p><b>Actions:</b> 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.</p>
<p><b>Risk of higher prices of raw materials and production costs of suppliers</b></p>	<p>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.</p> <p><b>Activities:</b> The Group, bearing in mind the required quality, actively seeks the most optimal service providers and suppliers and negotiates price conditions.</p>
<p><b>Risk of cost of external services</b></p>	<p>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.).</p> <p>One cannot exclude the risk of worsening the commercial conditions of one or more external services purchased by the Company, in particular rental costs.</p> <p><b>Actions:</b> Constant monitoring of concluded contracts is carried out and their comparison with current market conditions.</p>
<p><b>Risk of termination of bank loan agreement</b></p>	<p>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.</p> <p><b>Actions:</b> 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.</p>
<p><b>Risk of losing financial liquidity</b></p>	<p>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.</p> <p>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.</p>



	<p><b>Actions:</b> The Group constantly monitors its liquidity position by analyzing the volume of sales proceeds and the required liabilities. It 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.</p> <p>In the first half of 2022, the parent company extended the contract with PKO BP and mBank for subsequent years.</p> <p>The Group will continue to 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.</p> <p>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.</p>
<p>Risk of collateral and loss of collateral assets</p>	<p>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.</p> <p>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.</p> <p><b>Actions:</b> The Group minimizes the risk by timely fulfillment of obligations towards banks.</p>
<p>Risk of transactions with related parties</p>	<p>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.</p> <p><b>Actions:</b> The parent company concludes transactions with related entities on an arm's length basis and analyzes their marketability.</p>
<p>Risk related to the shareholder structure</p>	<p>The parent company is characterized by a dispersed shareholding structure, with the largest shareholders being funds managed by PZU S.A. which hold 17.62% 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.</p> <p>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.</p>
<p>Risk related to granting guarantees to subsidiaries</p>	<p>Due to the separation of an organized part of the enterprise in the form of jewellery assets and their transfer to the subsidiary W.KRUK SA, the company carried out a simultaneous financial restructuring. As part of this process, W.KRUK SA obtained new financing from PKO BP, and the company guaranteed the liabilities of its subsidiary. In Q2 2015, the subsidiary DCG SA obtained refinancing from PKO BP Bank, and in Q3 2016, the subsidiary VG</p>



	<p>Property Sp. z o.o. obtained an investment loan from PKO BP. The obligations of the subsidiaries of DCG S.A. and VG Property Sp. z o.o. have been guaranteed by the Company.</p> <p>In the event of a sudden economic downturn and cessation of debt servicing by W.KRUK SA or DCG SA and VG Property Sp. z o.o. On the basis of the granted surety, the parent company may be obliged to settle the outstanding liabilities of the subsidiaries, which could result in the loss of financial liquidity of the entire Company.</p> <p>In connection with the extension of Multi-product Agreements of subsidiaries with Bank PKO BP, the subsidiary W.KRUK S.A. granted a surety to the parent company VRG S.A. for PLN 55 million, and the parent company VRG S.A. grants a surety to DCG S.A. for the amount of PLN 27 million.</p> <p><b>Activities:</b> The Group monitors the financial situation of its subsidiaries on an ongoing basis and the fulfillment of their obligations towards the banks financing their activities.</p>
<p>Risk related to disruptions in the functioning of information systems</p>	<p>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).</p> <p><b>Actions:</b> 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.</p>
<p>Risk related to the EU GDPR Directive</p>	<p>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.</p> <p><b>Actions:</b> In connection with the above, the Company carried out works aimed at:</p> <ul style="list-style-type: none"> <li>- 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,</li> <li>- development of a new Information Security Policy;</li> <li>- developing a new Instruction for managing information systems used for data processing;</li> <li>- preparing and implementing changes in solutions of organizational and technical nature;</li> <li>- development of threats and risk analysis in the processing of personal data.</li> </ul> <p>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.</p>
<p>Risks related to smooth cooperation with an external logistics operator</p>	<p>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:</p> <ul style="list-style-type: none"> <li>- disruptions in the flow of warehouse processes (admission / release);</li> <li>- delays and errors in deliveries to traditional stores in the period of increased needs - change in collections;</li> </ul>

- 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 the 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 coordination 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.

**TABLE OF SENSITIVITY OF THE FINANCIAL RESULT TO CHANGES IN THE INTEREST RATE:**

PLN m	Interest rate volatility	Impact on the financial result:
<b>Balance as at 30.06.2022</b>		
Increase in interest rates	+500pb	-1,0
Fall in interest rates	-500pb	1,0
<b>Balance as at 30.06.2021</b>		
Increase in interest rates	+500pb	-2,3
Fall in interest rates	-500pb	2,3

**TABLE OF SENSITIVITY OF THE FINANCIAL RESULT TO CHANGES IN AVERAGE CURRENCY RATES:**

PLN m	FX rate volatility	Impact on the financial result:		
		EUR	USD	CHF
<b>Balance as at 30.06.2022</b>				
Increase in the exchange rate	+5%	-17.2	-3.1	-1.6
Fall in the exchange rate	-5%	17.2	3.1	1.6
<b>Balance as at 30.06.2021</b>				
Increase in the exchange rate	+5%	-17.2	-2.4	-1.3
Fall in the exchange rate	-5%	17.2	2.4	1.3

**SENSITIVITY TABLE OF THE FINANCIAL RESULT TO CHANGES IN FOREIGN EXCHANGE RATE FOR BALANCE SHEET ITEMS:**

PLN m	FX rate volatility	Impact on the financial result:		
		EUR	US\$	CHF
<b>Balance as at 30.06.2022</b>				
Increase in the exchange rate	+5%	-16.3	-0.8	-0.6
Fall in the exchange rate	-5%	16.3	0.8	0.6
<b>Balance as at 30.06.2021</b>				
Increase in the exchange rate	+5%	-17.5	-1.0	-0.1
Fall in the exchange rate	-5%	17.5	1.0	0.1

## 8.14. FACTORS AND EVENTS, INCLUDING OF EXTRAORDINARY NATURE, WHICH HAVE A SIGNIFICANT IMPACT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In the reporting period, there were no extraordinary items that would have a significant impact on assets, liabilities, equity, net profit or cash flows that would not be described in this report.

## 9. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of the parent company declares that to the best of its knowledge, the semi-annual condensed consolidated financial statements and comparable data have been prepared in accordance with the applicable accounting principles and that they reflect in a true, fair and clear manner the financial situation of the Issuer and its financial result, and that the report on activities includes a true picture of the development and situation as well as achievements of the Issuer, including a description of the basic risks and threats.

**Janusz Płocica**

.....  
President of the Management  
Board

**Marta Fryzowska**

.....  
Executive Vice-President of the  
Management Board

**Łukasz Bernacki**

.....  
Executive Vice-President of the  
Management Board

**Michał Zimnicki**

.....  
Executive Vice-President of the  
Management Board

*Signature of the person entrusted with bookkeeping*

**Ewa Bosak**

.....  
Chief Accountant

Cracow, August 25, 2022

**VISTULA**

**BYTOM**

SZTUKA KRAWIECTWA OD 1945

**WÓLCZANKA**

**DENICLER**  
MILANO

**W.KRUK**  
1 8 4 0

**VRG**

VISTULA RETAIL GROUP



# REPORT OF THE MANAGEMENT BOARD ON OPERATIONS

OF VRG S.A. CAPITAL GROUP  
FOR FOR 6 MONTHS ENDING JUNE 30, 2022

Cracow, August 25, 2022



VISTULA

BYTOM  
SZTUKA KRAWIECTWA OD 1945

WÓLCZANKA

DENI CLER  
MILANO

W.KRUK  
1 8 4 0



## 1. GENERAL INFORMATION

### 1.1. NAME, REGISTERED OFFICE, BUSINESS ACTIVITY

**VRG Spółka Akcyjna** (also as "Parent 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 000047082.

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.

#### 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	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. subsidiary

The lifespan of the Issuer is indefinite.

As at the end of 1H22 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, Wistula 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%

The consolidated financial statements for 1H22 include data of the Parent Company and subsidiaries: W.KRUK S.A., DCG S.A., WSM Factory Sp. z o.o. (former name: Wólczanka Shirts Manufacturing Sp. z o.o.) and VG Property Sp. z o.o.

#### CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP IN 1H22:

There were no changes in VRG S.A. Capital Group structures in 1H22.

## 1.2. COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS OF VRG S.A.

### MANAGEMENT BOARD

As at June 30, 2022, the composition of the Management Board of VRG S.A. was the following:

<b>Management Board</b>	<b>Janusz Płocica</b> President of the Management Board	<b>Marta Fryzowska</b> Executive Vice-President of the Management Board	<b>Michał Zimnicki</b> Executive Vice-President of the Management Board
-------------------------	--	--	--

In the first half of 2022, the following changes were made to the composition of the parent company's Management Board:

- 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 parent company and performing the function of Executive Vice-President of the Management Board of the Company,
- on February 18, 2022, the Supervisory Board of the parent company adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Parent 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 parent company adopted a resolution pursuant to Art. 383 par. 1 of the Code of Commercial Companies on delegating the Deputy Chairman of the Supervisory Board of the parent company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The posting took place for the period from March 12, 2022 to May 31, 2022,
- on April 1, 2022, the Supervisory Board of the parent company adopted a resolution on changing the resolution of the parent company's Supervisory Board of February 18, 2022 on appointing Mr. Janusz Płocica to the Management Board of the parent company and entrusting him with the function of the President of the Management Board of the parent company in such a way that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the parent company as the President of the Management Board, with effect from April 19, 2022 instead of the current date 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, returned to perform duties related to the function of a member of the Supervisory Board of the Company as of April 19, 2022.



In the period from the balance sheet date, i.e. June 30, 2022 to the date of signing this report, the composition of the Management Board of the parent company changed as follows:

- on July 7, 2022, the Supervisory Board of the parent company adopted a resolution to appoint Mr. Łukasz Bernacki to the Management Board of the parent company, entrusting him with the position of the Vice-President of the Management Board for the jewellery segment. Mr Łukasz Bernacki is also the President of the Management Board of W.KRUK S.A. with its registered office in Cracow, which is a subsidiary of the Issuer managing the W.KRUK brand.

As at the date of the interim consolidated financial statements for the year, the composition of the Management Board of VRG S.A. was as follows:

<b>Management Board</b>	<b>Janusz Płocica</b> President of the Management Board	<b>Marta Fryzowska</b> Executive Vice-President of the Management Board	<b>Łukasz Bernacki</b> Executive Vice-President of the Management Board	<b>Michał Zimnicki</b> Executive Vice-President of the Management Board
-------------------------	--	--	--	--

## SUPERVISORY BOARD

As at June 30, 2022, the composition of the Supervisory Board of VRG S.A. was as follows:

<b>Supervisory Board</b>	<b>Mateusz Kolański</b> Chair of the Supervisory Board	<b>Jan Pilch</b> Deputy-Chair of the Supervisory Board	<b>Marcin Gomola</b> Member of the Supervisory Board	<b>Wacław Szary</b> Member of the Supervisory Board
		<b>Piotr Kaczmarek</b> Member of the Supervisory Board	<b>Piotr Stępnik</b> Member of the Supervisory Board	<b>Andrzej Szumański</b> Member of the Supervisory Board

In the period from January 1, 2022 to June 30, 2022, the above composition of the Supervisory Board of the parent company did not change.

In the period from the balance sheet date, ie June 30, 2022 to the date of signing this report, the above composition of the parent company's Supervisory Board has not changed.

### 1.3. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved for publication and signed by the Management Board of the parent company on August 25, 2022.

### 1.4. GOING CONCERN

Interim condensed consolidated financial statements of the VRG S.A. Capital Group (hereinafter also referred to as the "Capital Group" or "VRG Group") have been prepared on the assumption that the Group companies 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. June 30, 2022 year. In the opinion of the Management Board of the parent company, as at the date of approval of these interim consolidated financial statements, there are no premises or circumstances that would indicate a threat to the continued operations of the Group companies in the foreseeable future.

From 2020, the Management Board of the parent company took steps to limit the impact of the epidemic on the financial situation of the Capital Group's companies. In 2021, which, like 2020, was burdened with closures of shopping centers, measures were taken to secure the Group's liquidity situation. The first quarter of 2022 was influenced by the uncertainty related to the COVID-19 situation. In the second quarter, we observed the return of customers to traditional stores, which, despite the unfavourable macroeconomic situation (including high inflation), resulted in an increase in sales, and thus an improvement in results compared to the second quarter of the previous year.

The report includes the most important, in the opinion of the Management Board, factors, risks and uncertainties affecting the assessment of the going concern assumption. When making this assessment, the Management Board also took into account the existing and anticipated risks resulting from internal and external factors, including such as the war in Ukraine.

On February 24, 2022, Russia's armed conflict with Ukraine began. Military activities in a country neighbouring the Republic of Poland introduced a high degree of uncertainty as to the shaping of processes in the political, social and economic spheres. As at the date of preparation of the financial statements, the Management Board of the parent company is not able to accurately estimate the scale of the deterioration of financial results, because 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 constituting material uncertainty that threatens the Group's ability to continue as a going concern.

The Management Board of the parent company notes that:

- revenues increased YoY,
- the Group closed the half-year with a profit of PLN 36,418 ths PLN,
- cash as at the balance sheet date amounted to PLN 89,013 ths PLN,
- cash flows from operating activities showed a positive balance,
- the financial indebtedness of the Capital Group is at a safe level, loans are repaid on time,

Additionally, important information on the Group's events is presented in section 8.1 of interim condensed consolidated financial statements.

## 2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements for the first half of 2022 have been prepared in accordance with the International Accounting Standard No. 34 "Interim Financial Reporting" approved by the EU ("IAS 34"). The interim condensed consolidated financial statements present the financial position of the Group as at June 30, 2022 and December 31, 2021 and June 30, 2021, the results of its operations for the 6 and 3 months ended June 30, 2022 and June 30, 2021, and cash flows for the 6-month period ended June 30, 2022 and June 30, 2021.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the Group's consolidated financial statements for the year ended December 31, 2021 approved for publication on April 8, 2022.

In addition, the basis for the preparation of these interim condensed consolidated financial statements is the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Official Journal of Laws No. of 2018, item 757).

## 3. ACCOUNTING PRINCIPLES

In the period from January 1, 2022 to June 30, 2022, the adopted accounting principles and methods of preparing financial statements have not changed in the Capital Group. The accounting principles adopted by the Capital Group were applied in a continuous manner to the periods presented in the financial statements.

The accounting principles used to prepare the condensed consolidated interim financial statements are consistent with those applied to the preparation of the annual financial statements of the Group for the financial year ended December 31, 2021.

The reporting currency of the interim condensed consolidated financial statements is Polish zloty, all amounts are expressed in thousands of Polish zlotys, unless otherwise stated.

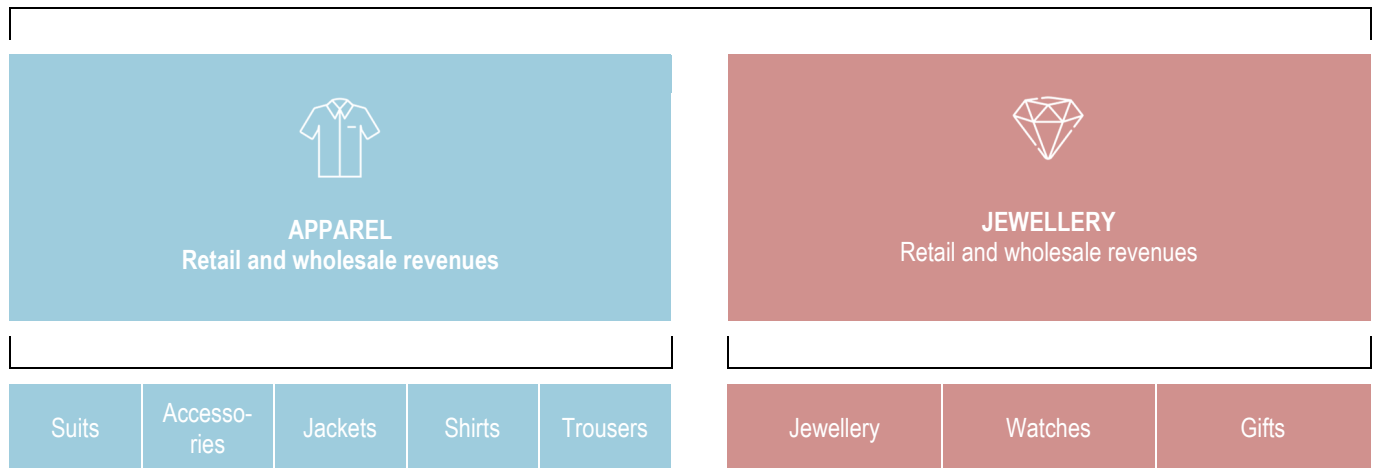
The entity authorized to review the financial statements in the scope of the separate and consolidated financial statements of the parent company for the first half of 2022 was Grant Thornton Polska Spółka z o.o. A limited partnership with which an agreement was concluded on July 26, 2021 for the review of the separate and consolidated interim financial statements of the Company and the Group and for the audit of separate and consolidated annual financial statements of the Company and the Group for the period 2021-2023.

## 4. OPERATING SEGMENTS

### 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, Bytom, Wólczanka, Deni Cler (via a subsidiary and W.KRUK (via a subsidiary). From the second quarter of 2015, following a divestiture 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:



### LEADING BRANDS OF THE VISTULA BUSINESS LINE:

VISTULA			
VISTULA	VISTULA <i>Lantier</i>	VISTULA <small>RED</small>	VISTULA <small>WOMAN</small>
<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Women's brand introduced in 2021. The collection was created for women who appreciate quality, comfort and the timeless nature 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).</p>

**LEADING BRANDS OF THE BYTOM BUSINESS LINE:**

BYTOM
<b>BYTOM</b>
<p>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.</p> <p>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.</p>

**LEADING BRANDS OF THE WÓLCZANKA BUSINESS LINE:**


WÓLCZANKA	
<b>WÓLCZANKA</b>	<b>LAMBERT</b> <small>LONDON STYLE SHIRTING</small>
<p>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 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.</p>	<p>It is a brand of shirts and accessories, referring 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.</p>

**OTHER OWN BRANDS IN THE APPAREL SEGMENT:**

APPAREL SEGMENT
<b>DENI CLER</b> <small>MILANO</small>
<p>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.</p> <p>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.</p> <p>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.</p>

The VRG Group is systematically expanding the range of complementary products in its showrooms, including, inter alia, the offer of smart casual products, exclusive leather goods and footwear. The offered accessories are currently one of the fastest growing product categories and at the same time are characterized by a high trade margin.

**OWN BRANDS IN JEWELLERY SEGMENT:**

JEWELLERY SEGMENT	
	<p><b>WATCHES</b></p>
<p>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 precious 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 studios 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 lab-grown diamonds to the offer in its stores under the name New Diamond by W.KRUK. These 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 called Perfect®, earrings and pendants with lab-grown diamonds in the colours: white and, for the first time on the Polish market, pink and blue. Since 2016, the brand's range 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.</p>	<p>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 in W.KRUK stores occupy a strong position on the Polish market, and the value of their sales is systematically increasing.</p>

**MANUFACTURING OPERATIONS:**

Own production activity in the apparel segment was located in a 100% owned subsidiary of the parent company, operating under the name WSM Factory Sp. z o.o. (former 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 ACTIVITIES**

Retail trade, both in the fashion sector and in the jewelry industry, is characterized by significant seasonality of sales. For the clothing market, the most favorable period from the point of view of the generated financial result is the second and fourth quarter, while in the jewelry industry it is the period of the fourth quarter (especially December).

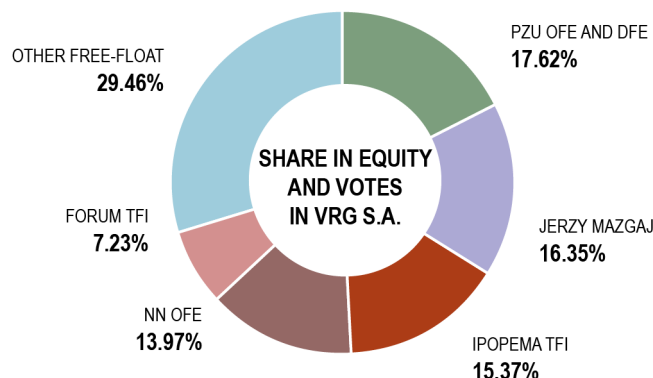
In terms of geographical segments, the entirety of the Capital Group's operations is carried out in the Republic of Poland.

## 5. SHARE CAPITAL AND SHAREHOLDERS

**SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS OF VRG S.A. AS AT THE DATE OF THE CONSOLIDATED SEMI-ANNUAL REPORT AND INDICATION OF CHANGES IN THE OWNERSHIP STRUCTURE OF SIGNIFICANT BLOCKS OF VRG S.A. SHARES IN THE PERIOD FROM THE SUBMISSION OF THE LAST CONSOLIDATED QUARTERLY REPORT.**

**OWNERSHIP STRUCTURE OF THE SHARE CAPITAL, IN ACCORDANCE WITH THE INFORMATION HELD BY THE COMPANY AS AT THE DATE OF THE CONSOLIDATED SEMI-ANNUAL REPORT FOR THE FIRST HALF OF 2022**

As at the date of the consolidated semi-annual report for the first half of 2022, the share capital of VRG S.A. is divided into 234,455,840 ordinary bearer shares, which gives a total of 234,455,840 votes at the General Meeting of Shareholders of VRG S.A. ("parent company").



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.

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 %)
PZU „Złota Jesień” Open Pension Fund and PZU Voluntary Pension Fund <sup>1</sup>	41,314,600	17.62	41,314,600	17.62
Jerzy Mazgaj <sup>2</sup>	38,332,632	16.35	38,332,632	16.35
IPOPEMA TFI <sup>3</sup>	36,038,137	15.37	36,038,137	15.37
Nationale-Nederlanden Open Pension Fund <sup>4</sup>	32,750,487	13.97	32,750,487	13.97
Forum TFI S.A. <sup>5</sup>	16,946,800	7.23	16,946,800	7.23

<sup>1</sup> information applies to the Company's shares held jointly by the Open Pension Fund PZU "Złota Jesień" and the PZU Voluntary Pension Fund managed by Powszechnie Towarzystwo Emerytalne PZU S.A. According to the information possessed by the company, Open Pension Fund PZU "Złota Jesień" at the Ordinary General Shareholder Meeting on June 21, 2022, held independently 40,362,600 shares of the Company, which constituted 17.22% of the share capital of the Company and entitled to 40,362,600 votes, representing 17.22% of the total number of votes at the General Meeting of the Company. According to the information possessed by the Company, Voluntary Pension Fund PZU at the Ordinary General Shareholder Meeting on June 21, 2022 held individually 952,000 shares of the Company, which constituted 0.41% of the share capital of the Company and entitled to 952,000 votes, constituting 0.41% of the total number of votes at the General Meeting of the Company.

<sup>2</sup> information provided on the basis of the notification received by the Company 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.

<sup>3</sup> information provided on the basis of the notification received by the Company pursuant to Art. 69 sec. 1 point 2 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, and 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 Ipopema 21 FIZ Non-Public Assets managed by IPOPEMA TFI S.A. at the Ordinary General Shareholder Meeting on June 21, 2022, he held 35,431,872 shares of the Company, which constituted 15.11% of the share capital of the Company and entitled to 35,431,872 votes constituting 15.11% of the total number of votes at the General Meeting of the Company.

<sup>4</sup> information provided on the basis of the number of shares held by Nationale-Nederlanden Open Pension Fund at the Ordinary General Meeting on June 21, 2022.

<sup>5</sup> information provided on the basis of the number of shares held jointly by the funds of Forum X Closed-end Investment Fund and Forum XXIII Closed-end Fund, managed by Forum TFI S.A. at the Ordinary General Shareholder Meeting on June 21, 2022. According to the information held by Forum X Fundusz Inwestycyjny Zamknięty at the Ordinary General Meeting on June 21, 2022, he held 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. According to the information in the possession of Forum XXIII Closed-end Investment Fund, at the Ordinary General Meeting on June 21, 2022, it 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.

#### CHANGES IN THE OWNERSHIP STRUCTURE OF SIGNIFICANT STOCKS OF THE COMPANY'S SHARES FROM THE DATE OF SUBMITTING THE LAST CONSOLIDATED QUARTERLY REPORT FOR THE FIRST QUARTER OF 2022 (MAY 18, 2022)

To the best of the Company's knowledge, the following changes in the ownership structure of significant blocks of the Company's shares took place since the date of publication of the last consolidated quarterly report for the first quarter of 2022 (May 18, 2022):

Open Pension Fund PZU „Złota Jesień” and Voluntary Pension Fund PZU	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 %)
Balance as at 18.05.2022	39,870,193	17.005	39,870,193	17.005
Balance as at 25.08.2022	41,314,600	17.62	41,314,600	17.62

Jerzy Mazgaj	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 %)
Balance as at 18.05.2022	21,900,000	9.34	21,900,000	9.34
Balance as at 25.08.2022	38,332,632	16.35	38,332,632	16.35

IPOPEMA TFI S.A.	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 %)
Balance as at 18.05.2022	55,601,846	23.72	55,601,846	23.72
Balance as at 25.08.2022	36,038,137	15.37	36,038,137	15.37

#### CHANGES IN OWNERSHIP OF VRG S.A. SHARES AND RIGHTS TO THEM BY MANAGEMENT AND SUPERVISORY PERSONS

- changes in the ownership of the Company's shares by managing persons

Management Board	Number of shares held at the date of publication of 1H22 report	Number of shares held at the date of publication of 1Q22 report
Michał Zimnicki – Executive Vice-President of the Management Board	4,000	4,000
Łukasz Bernacki – Executive Vice-President of the Management Board	100,381	n.d.

- changes in possession by the managing persons of series F subscription warrants of the first tranche entitling them to take up new issuance P-series shares, issued in connection with implementation of the incentive program in 2018 pursuant to Resolution No. 17/06/2018 of the Annual General Meeting of VRG SA of June 27, 2018 on adopting the assumptions of the incentive program for members of the Company's Management Board, key managers or other persons significant for the Company (and companies from its capital group), issuance of subscription warrants with the exclusion of subscription rights, conditional share capital increase by issuing new shares, excluding preemptive rights, amending the Company's Articles of Association, authorizing the Management Board of the Company to conclude an agreement for the registration of new issuance shares with the National Depository for Securities and authorizing the Management Board of the Company to take all appropriate steps to admit the new issuance shares to trading on the regulated market ("Resolution").



Management Board	Number of series F subscription warrants on the date of publication of consolidated report for the first half of 2022	Number of series F subscription warrants on the date of publication of consolidated report for 1Q22
Łukasz Bernacki – Executive Vice-President of the Management Board	128,504	n.d.

– changes in the ownership of the Company's shares by supervising persons

Rada Nadzorcza Spółki	Number of shares on the date of publication of consolidated report for the first half of 2022	Number of shares on the date of publication of consolidated report for 1Q22
Jan Pilch – Deputy-Chair of the Supervisory Board	186,000	186,000
Wacław Szary – Member of the Supervisory Board	10,000	20,000

## 6. REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD FOR 1H22

Management Board		PLN ths
Jan Pilch	Deputy-Chair of the Supervisory Board delegated to temporarily perform the function of the President of the Management Board / until 18.04.2022/	162
Janusz Płocica	President of the Management Board / from 19.04.2022 /	208
Radosław Jakociuk	Executive Vice-President of the Management Board / from 31.01.2022 /	1,170
Michał Zimnicki	Executive Vice-President of the Management Board	270
Marta Fryzowska	Executive Vice-President of the Management Board	345
<b>Total</b>		<b>2,155</b>

The amount of remuneration of Mr. Radosław Jakociuk presented in the table above includes, severance pay in addition to basic salary.

Supervisory Board		PLN ths
Mateusz Kolański	Chair of the Supervisory Board	178
Jan Pilch	Deputy-Chair of the Supervisory Board	48
Piotr Kaczmarek	Member of the Supervisory Board	110
Piotr Stępnik	Member of the Supervisory Board	95
Wacław Szary	Member of the Supervisory Board	110
Andrzej Szumański	Member of the Supervisory Board	95
Marcin Gomola	Member of the Supervisory Board	98
<b>Total</b>		<b>734</b>

Managing and supervising persons received remuneration for performing functions in the governing bodies of subsidiaries. These salaries in total for the first half of 2022 amounted to:

		PLN ths
Piotr Kaczmarek	Member of the Supervisory Board	40
Piotr Stępnik	Member of the Supervisory Board	58
Andrzej Szumański	Member of the Supervisory Board	40
Jan Pilch	Chair of the Supervisory Board	30
Michał Zimnicki	Member of the Supervisory Board	20
<b>Total</b>		<b>188</b>



Managing persons are entitled to benefits specified in employment or appointment contracts.

Apart from the benefits listed above, there were no other benefits for managing and supervising persons, including post-employment benefits, termination benefits, other long-term benefits.

## 7. SIGNIFICANT EVENTS IN 1H22 AND AFTER THE BALANCE SHEET DATE

In the first half of the year, many internal and external events took place in the Group's environment that had an impact on VRG's business.

**Development of traditional network:** We started the year with the opening of a new Wólczanka store in Silesia City Center. It was created in line with the new format, which enables the presentation of the wide range of the brand. In the first quarter of this year, similar Wólczanka stores also debuted in Warsaw's Arkadia, CH Focus in Zielona Góra and City Center in Rzeszów.

**Continuation of the pandemic:** Beginning of 2022 brought a wave of increased COVID-19 infections. Although we did not deal with the administrative lockdowns that marked the first quarter of 2021, the temporary withdrawal from social life of a large part of Poles and the return to remote work of companies resulted in a reduction in traffic in shopping centers and, consequently, in the Group's stores in January and at the beginning February. In the following months of the first half of the year, along with the revival of social and economic life, we observed a gradual return of consumers to traditional stores, which was accompanied by a decline in traffic in the e-commerce segment. It is worth noting, however, that despite the declines, the on-line channel has a stable audience base that offers growth potential in the coming years.

**Outbreak of the armed conflict:** The first quarter, February in particular, is also a period of increasing geopolitical tension in the region, culminating in Russia's aggression against Ukraine on February 24. These events had a significant impact on Polish society, including the consumer mood. In the first weeks of the war, we saw a sudden drop in sales, which began to recover only from mid-March. The months at the turn of Spring and Summer are historically a good period for the group due to special events, which are often accompanied by our products. At that time, the company recorded an increase in sales and good monthly results. Despite the apparent decline in the impact of the war on consumer behaviour, the deepening economic downturn it caused may still affect the mood of our customers. The Group does not sell products or employ any employees in Ukraine or Russia. Therefore, the events beyond our eastern border have not affected the company's operational continuity. In response to them, we undertook a number of aid activities for people directly affected by the war, including our employees in Poland who are citizens of Ukraine. VRG brands donated PLN 200,000 to Polska Akcja Humanitarna (PLN 100,000 from VRG and another 100,000 from W.KRUK). Individual brands also regularly provide clothing for refugees who find shelter in our country.

**Commercial offer:** New collections of VRG and Deni Cler brands for spring and summer 2022 were presented during the period of increasing infections and the beginning of the armed conflict in Ukraine. Prepared with the post-pandemic recovery in mind, the offer of the apparel segment focused on collections combining classic forms with comfortable casual elements. The common denominator of the Group's brand offer is the commitment to quality and timeless elegance. W.KRUK proposed an original jewellery collection and spring accessories. Traditionally, in the season full of family celebrations, both in the apparel and jewellery segment, consumers were presented with occasional collections: wedding, First Communion and (in jewellery) for Mother's Day. The ambassador of the latter was the famous singer Natalia Kukulska and her daughter Ania Dąbrówka. In the Spring of W.KRUK there were also, among others, new models of luxury watches, the sale of which has historically proved to be extremely resistant to economic turmoil.

**Changes in the management board:** The current composition of the Management Board of the VRG Group was shaped in the first half of the year. On the last day of January, the Supervisory Board decided to dismiss Radosław Jakociuk, the Executive Vice President of the Management Board of VRG, who was responsible for the operating activities of the company. On February 18, the Supervisory Board completed the process of appointing the President of the Group's Management Board, appointing Janusz Płocica to this position. He began performing his duties on April 19. Thus, for most of the second quarter, the Company was managed by a team composed of: Janusz Płocica as President of the Management Board, Marta Fryzowska as Executive Vice President of the Management Board responsible for the fashion segment and Michał Zimnicki, acting as Executive Vice President of the Management Board and CFO of the Company. In the first week of July, the Supervisory Board of the Company decided to appoint Łukasz Bernacki to the position of Executive Vice President of the Management Board of VRG. Mr. Łukasz Bernacki who also acts as the President of the Management Boards of W.KRUK in the Management Board of the Group he will be responsible for the jewellery segment. Thus, at the time of publishing this report, VRG is managed by a four-person Management Board with a balanced composition of persons supervising all key areas of its activity.

**Dividend policy:** One of the goals of the Group's Management Board is to share the generated profit with shareholders. On May 18, the Management Board decided to adopt a dividend policy, with a recommendation to the Company's General Meeting of Shareholders to pay dividends in the range between 20% and 70% of the Company's consolidated net profit. On June 21, the General Meeting of Shareholders, in

line with the recommendation of the Management Board, adopted a resolution on the payment of dividends in the amount of PLN 0.17 per share to the shareholders entitled to dividends in the total amount of PLN 39,857,492.80. The shareholders of the Company were entitled to the dividend as at July 15, 2022 (dividend date), and the dividend payment date was July 29, 2022. The management board plans to recommend payouts in line with the adopted policy also in the coming years.

**Significant changes in the shareholding structure:** On August 19, 2022, Mr. Jerzy Mazgaj, as a shareholder of the Company, acting pursuant to the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies ("Act on Public Offering") notified the Company that as a result of the purchase transaction of 20,344,464 shares of the Company concluded on August 17, 2022 outside the regulated market, it reached and exceeded the share of 15% in the total number of votes in the Company. Before the above-mentioned transaction, Jerzy Mazgaj owned 17,988,168 shares of the Company, which constituted 7.67% of the share capital of the Company and entitled to exercise 7.67% of the total number of votes in the Company. After the above-mentioned transaction, Mr. Jerzy Mazgaj holds 38,332,632 shares of the Company, which constitutes 16.35% of the share capital of the Company and entitles to exercise 16.35% of the total number of votes in the Company.

Also on August 19, 2022, the Company received from IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("Mutual Fund"), pursuant to the Act on Public Offering, the information that as a result of the sale by the IPOPEMA 2 FIZ Fund of Non-public Assets ("Fund"), managed by Society of the Company's shares, in the transaction carried out outside the regulated market on August 17, 2022, the Fund's share in the total number of votes in the Company decreased below the 5% threshold in the total number of votes in the Company, as well as the total share of funds managed by the Mutual Fund in the total number of votes in the Company decreased below the 20% threshold. Before the above-mentioned event, the Fund owned 20,344,464 shares of the Company, which constituted 8.68% of the share capital of the Company and entitled to exercise 8.68% of the total number of votes in the Company. After the above-mentioned event, the Fund does not hold any shares of the Company. Before the aforementioned event, all funds managed by the Mutual Fund held a total of 56,382,601 shares of the Company, which constituted 24.05% of the share capital of the Company and entitled to exercise 24.05% of the total number of votes in the Company. After the above-mentioned event, all funds managed by the Mutual Fund hold a total of 36,038,137 shares of the Company, which constitute 15.37% of the share capital of the Company and entitle to exercise 15.37% of the total number of votes in the Company.

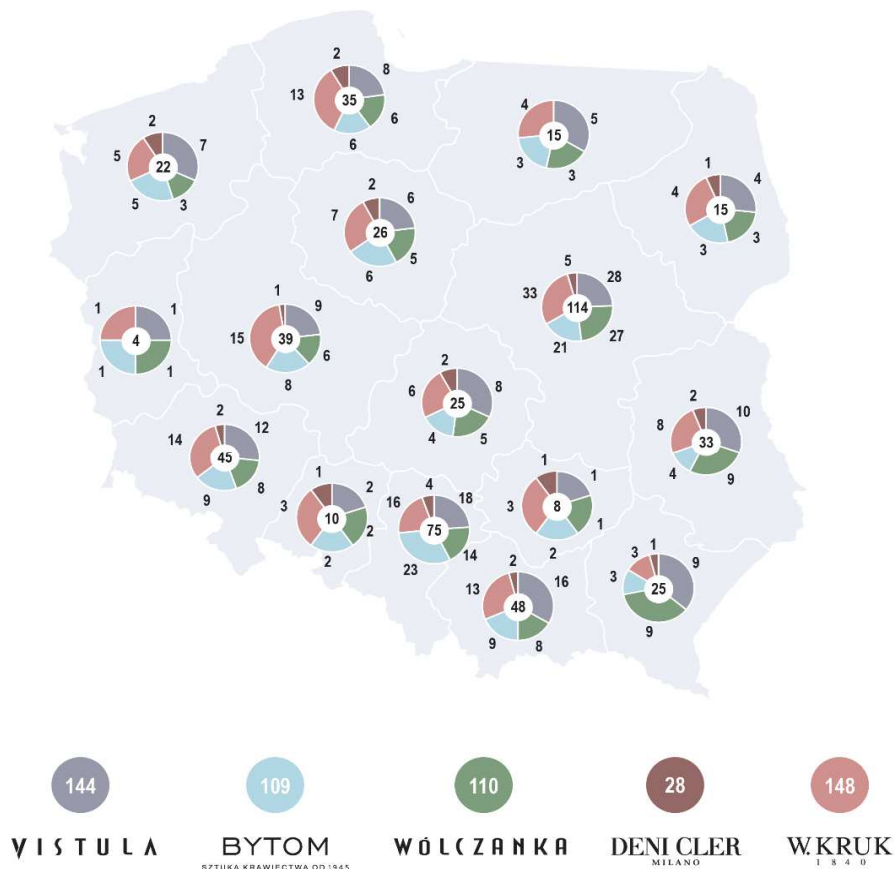
## 8. FINANCIAL RESULTS OF VRG CAPITAL GROUP IN 1H22

At the end of the first half of 2022, compared to the same period of the previous year, the Group's floorspace decreased to 52.0 thousand m<sup>2</sup>, i.e. by 0.7% YoY. Fall in floorspace in the apparel segment was 2.3%, while in the jewellery segment, the floorspace increased 5.2%.

Retail floorspace (end of period):	ths m <sup>2</sup>	
	30.06.2022	30.06.2021
Apparel segment	40.4	41.3
Jewellery segment	11.6	11.1
Total floorspace	52.0	52.4

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 539 locations, including franchise stores of Vistula, Wólczanka, Bytom, Deni Cler and W.KRUK brands. Out of the operating stores, the Group only owns 1 location. 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 1H22 by individual brands.



SELECTED FINANCIAL DATA OF VRG GROUP

	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
Revenues	585,537	416,114	341,758	244,013
EBITDA	119,611	54,233	87,049	43,510
EBIT	65,198	895	60,185	16,715
<b>Net result</b>	<b>36,418</b>	<b>2,848</b>	<b>39,331</b>	<b>21,429</b>

IAS17*	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
Revenues	585,537	416,114	341,758	244,013
EBITDA	66,194	12,198	60,706	19,179
EBIT	55,269	1,656	55,451	13,957
<b>Net result</b>	<b>34,966</b>	<b>-397</b>	<b>37,899</b>	<b>11,531</b>

\*The table above presents the key financial items of the Group, showing the impact of IAS17 as the previously applicable standard

The difference between the operating result (EBIT) under IAS 17 and the operating result according to the applicable standards in the first half of 2022 was due to the fact that rentals under IAS17, recognized in the amounts of net payments, were higher than the depreciation of assets due to the right to use commercial premises, recognized on a straight-line basis over the term of the contract in force.

Revenues of the Capital Group in the first half of 2022 amounted to PLN 585.5 million and were PLN 169.4 million (40.7%) higher than the revenues achieved in the corresponding period of the previous year.

Consolidated EBITDA in the first half of 2022 amounted to PLN 119.6 million and was higher by some 121% than in the previous year. EBITDA calculated excluding the impact of IFRS 16 amounted to PLN 66.2 million.

In the first half of 2022, the Capital Group generated a net profit of PLN 36.4 million compared to a net profit of PLN 2.8 million in the same period of the previous year. Net profit, excluding the impact of IFRS 16, amounted to PLN 35.0 million.

The Group's financial results in the first half of 2022 were the result of, inter alia, increase in sales revenues compared to the corresponding period of the previous year, resulting from the continuation of positive trends in sales and the absence of trade restrictions related to the COVID-19 pandemic (as was the case in the first half of 2021). In addition, the Group improved the gross margin on sales by limiting promotional campaigns and increasing the share of offline channels characterized by higher margins, and improved the profitability of stores by maintaining cost effectiveness. On the other hand, the factor limiting the improvement of the financial result was the reduced demand for the Group's goods in the first weeks of the war in Ukraine, but it was rebuilt at the end of the first quarter and in the second quarter of 2022.

## APPAREL SEGMENT

Apparel segment	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
<b>Revenues</b>	<b>307,481</b>	<b>226,442</b>	<b>192,140</b>	<b>140 385</b>
Cost of sales	134,785	109,869	77,697	62 264
<b>Gross profit on sales</b>	<b>172,696</b>	<b>116,573</b>	<b>114,443</b>	<b>78 121</b>
Selling costs	133,641	110,554	71,458	60,330
Administrative expenses	26,269	23,558	13,633	12,225
Other operating income	3,774	7,511	2,980	7,320
Gain from sale of non-financial non-current assets	23	22	119	11
Other operating costs	4,905	14,487	2,954	12,995
Loss from sale of non-financial non-current assets	0	0	0	0
<b>Profit (loss) from operations</b>	<b>11,678</b>	<b>-24,493</b>	<b>29,497</b>	<b>-98</b>
Financial income / costs	-10,951	2,287	-5,564	6,849
Pre-tax profit (loss)	727	-22,206	23,933	6,751
Income tax	848	-3,821	5,058	1,489
<b>Net profit (loss) for the period</b>	<b>-121</b>	<b>-18,385</b>	<b>18,875</b>	<b>5,262</b>

IAS 17* Apparel segment	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
<b>Revenues</b>	<b>307,481</b>	<b>226,442</b>	<b>192,140</b>	<b>140,385</b>
Cost of sales	134,785	109,869	77,697	62,264
<b>Gross profit on sales</b>	<b>172,696</b>	<b>116,573</b>	<b>114,443</b>	<b>78,121</b>
Selling costs	139,856	109,436	74,624	61,664
Administrative expenses	26,451	23,720	13,724	12,306
Other operating income	3,143	7,339	2,980	7,208

IAS 17* Apparel segment	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
Gain from sale of non-financial non-current assets	23	22	119	11
Other operating costs	4,905	14,467	2,954	12,993
Loss from sale of non-financial non-current assets	0	0	0	0
<b>Profit (loss) from operations</b>	<b>4,650</b>	<b>-23,689</b>	<b>26,240</b>	<b>-1,623</b>
Financial income / costs	-6,256	-611	-3,847	1,133
Pre-tax profit (loss)	-1,606	-24,300	22,393	-490
Income tax	405	-4,249	4,766	113
<b>Net profit (loss) for the period</b>	<b>-2,011</b>	<b>-20,051</b>	<b>17,627</b>	<b>- 602</b>

\* The table above presents the key financial items of the Group, showing the impact of IAS17 as the previously applicable standard

## REVENUES

Revenues of the apparel segment in the first half of 2022 amounted to PLN 307.5 million and were PLN 81.0 million (i.e. 36%) higher than the revenues achieved in the corresponding period of 2021.

Revenues of the apparel segment in the second quarter of 2022 amounted to PLN 192.1 million and were by PLN 51.8 million (i.e. 37%) higher than the revenues achieved in the corresponding period of 2021.

Apparel segment	mIn PLN			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
<b>Revenue</b>	<b>307.5</b>	<b>226.4</b>	<b>192.1</b>	<b>140.4</b>
Retail sales	296.1	213.6	185.9	133.7
Processing	9.4	9.5	4.9	4.7
B2B	2.0	3.3	1.3	2.0

In 1H22, the Group recorded the following results in the following retail channels:

VISTULA ↑ PLN 124.5m (45% YoY)	BYTOM ↑ PLN 88.6m (44% YoY)	WÓLCZANKA ↑ PLN 58.9m (24% YoY)	DENI CLER MILANO ↑ 24,0 mln PLN (29% r/r)
--------------------------------------	-----------------------------------	---------------------------------------	---

Increase in sales was the result of, among others no trade restrictions caused by the COVID-19 pandemic in the first half of 2022 and continuation of positive trends in sales.

In the first half of 2022, there was an increase in off-line sales by 65.8% and a decrease in on-line sales by 9% compared to the same period last year. The share of on-line sales in the revenues of the apparel segment was 23% in the first half of 2022, compared to 34% of on-line sales in the corresponding period of the previous year.

In the second quarter of 2022, there was an increase in off-line sales by 53%, with similar on-line sales (an increase by 1% compared to the same period last year). The share of on-line sales in revenues of the apparel segment was 19% in the second quarter of 2022, compared to the 25% share of on-line sales in the same period of the previous year.

Fall in share of on-line sales in the first half of 2022 (compared to the corresponding periods of the previous year) was a consequence of the lack of restrictions in traditional sales and, as a result, an increase in the share in revenues (at the expense of the share of sales in on-line stores), as well as the overall decrease in sales on-line in the first quarter of 2022 (compared to the corresponding period of the previous year).

**In the second quarter of 2022, the Group recorded the following results in the following retail channels**

<b>VISTULA</b> ↑ PLN 80.5m (41% YoY)	<b>BYTOM</b> ↑ PLN 57.4m (47% YoY)	<b>WÓLCZANKA</b> ↑ PLN 35.0m (26% YoY)	<b>DENI CLER MILANO</b> ↑ PLN 13.0m (32% YoY)
--	--	--	---

## GROSS PROFIT ON SALES

Gross profit on sales in the clothing segment in the first half of 2022 amounted to PLN 172.7 million and was 48% higher than that generated in the corresponding period of the previous year. The gross profit margin amounted to 56.2% in the first half of 2022, which means an increase by 4.7 pp. compared to the same period of the previous year.

**Changes in the margins of individual brands in the first half of 2022:**

<b>VISTULA</b> ↑ 59.1% (margin up 4.8 pp.)	<b>BYTOM</b> ↑ 58.5% (margin up 7.1 pp.)	<b>WÓLCZANKA</b> ↑ 56.3% (margin up 3.5 pp.)	<b>DENI CLER MILANO</b> ↑ 62.5% (margin up 5.0 pp.)
--	--	--	---

Gross profit on sales in the apparel segment in the second quarter of 2022 amounted to PLN 114.4 million and was 46% higher than that generated in the corresponding period of the previous year. The gross profit margin in the second quarter of 2022 amounted to 59.6%, which means an increase by 3.9 pp. compared to the same period of the previous year.

**Changes in the margins of individual brands in the second quarter of 2022:**

<b>VISTULA</b> ↑ 62.2% (margin up 4.1 pp.)	<b>BYTOM</b> ↑ 61.1% (margin up 4.9 pp.)	<b>WÓLCZANKA</b> ↑ 58.9% (margin up 2.4 pp.)	<b>DENI CLER MILANO</b> ↑ 66.6% (margin up 4.3 pp.)
--	--	--	---

Both in the first half of the year and in the second quarter of 2022, the increase in the margin (compared to the corresponding periods of the previous year) resulted from the reduction of promotions and the increase in the share of off-line channels in the sales structure, characterized by higher margins.

## SELLING COSTS

Selling costs in the first half of 2022 amounted to PLN 133.6 million and were higher by PLN 23.1 million (21%) compared to the costs incurred in the corresponding period of the previous year. The share of selling costs in revenues in the first half of 2022 was 43.5% compared to 48.8% in the corresponding period of the previous year.

Selling costs in the second quarter of 2022 amounted to PLN 71.5 million and were higher by PLN 11.1 million (18%) compared to the corresponding period of 2021. The share of selling costs in the revenues of the clothing segment in the second quarter of 2022 amounted to 37.2% and was lower by 5.8 pp. compared to the same period of the previous year.

Increase in selling costs was caused, inter alia, by an increase in basic salaries (growth in the minimum wage, no reduction in salaries for closed commercial premises in periods of the so-called lockdowns), an increase in sales-related costs, i.e. employee bonuses, commissions for franchisees, logistics costs and marketing costs. On the other hand, the decrease in the share of selling costs in revenues resulted from an increase in the revenue base (no trade restrictions, limited promotional campaigns, positive trends in sales).

## G&A COSTS

General and administrative expenses in the first half of 2022 amounted to PLN 26.3 million compared to PLN 23.6 million in the corresponding period of the previous year, which means an increase in costs by PLN 2.7 million (12%). At the same time, the share of general management costs in sales revenues decreased to 8.5% compared to 10.4% in the same period of the previous year.



General and administrative expenses in the second quarter of 2022 amounted to PLN 13.6 million compared to PLN 12.2 million in the corresponding period of the previous year, which means an increase by PLN 1.4 million (12%). At the same time, the share of general management costs in sales revenues decreased to the level of 7.1% compared to 8.7% in the same period of the previous year.

Increase in general and administrative expenses was due to, inter alia, from growth in remuneration costs, resulting from lack of reduction of remuneration due to the closing down of commercial premises in the periods of the so-called lockdowns (as was the case in the first and second quarter of 2021). On the other hand, the decrease in the share of general and administrative expenses in revenues, as in the case of selling costs, resulted from an increase in the revenue base.

## OPERATING PROFIT IN THE APPAREL SEGMENT

In the first half of 2022, an operating profit of PLN 11.7 million was generated compared to the loss incurred in the same period of the previous year (PLN 36.2 million). In Q2 2022, an operating profit of PLN 29.5 million was generated, compared to a slight loss of PLN 0.1 million in the corresponding period of the previous year (improvement of the result by PLN 29.6 million).

Increase in operating profit resulted from 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. Moreover, in the second quarter of 2022, the Group made a partial reversal of the write-down on inventories (PLN 1.2 million), which compared to the same period of the previous year (the write-off PLN 9.4 million) positively influenced both the first half of the year and the second quarter of 2022 (a difference of PLN -10.7 million).

The operating profitability of the apparel segment in the first half of 2022 amounted to 3.8% and was higher by 14.6 pp. in relation to the corresponding period of the previous year. However, in the second quarter of 2022 it amounted to 15.4% and was higher by 15.4 pp. compared to the same period of the previous year. Improvement in operating profitability was the result of the factors indicated in the previous paragraph.

## FINANCIAL INCOME AND COSTS

Net financial result in the apparel segment amounted to PLN -10.95 million in the first half of 2022 compared to PLN 2.29 million in the corresponding period of the previous year. However, in the second quarter of 2022, the balance of the result on financial activities amounted to PLN -5.56 million compared to PLN 6.85 million in the corresponding period of the previous year.

IFRS16 had a negative impact on net financial activity of the apparel segment in the first half of 2022, as it increased net financial costs by PLN 4.7 million (in the same period of the previous year, the impact was positive and amounted to PLN 2.9 million). Similarly, in the second quarter of 2022, the impact of IFRS16 on the balance of financial activities was negative and caused an increase in financial costs by PLN 1.7 million (in the same period of the previous year, the impact was positive and amounted to PLN 5.7 million).

Apparel segment	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
Financial costs net	-2,633	-1,655	-1,913	-1,409
FX differences net (excl. IFRS16)	-3,623	1,044	-1,935	2,542
IFRS 16 impact	-4,695	2,898	-1,716	5,716
‘- incl. FX differences	-3,232	4,567	-1,005	6,510
‘- incl. interest	-1,463	-1,669	-711	-794
<b>Financial income/ costs</b>	<b>-10,951</b>	<b>2,287</b>	<b>-5,564</b>	<b>6,849</b>

## NET RESULT IN THE APPAREL SEGMENT

In the apparel segment, the Group posted a slight net loss of PLN 0.1 million in the first half of 2022 compared to a net loss of PLN 18.4 million in the corresponding period of the previous year (improvement by PLN 18.3 million). In Q2 2022, the apparel segment of the Group posted a net profit of PLN 18.9 million compared to a net profit of PLN 5.3 million in the corresponding period of the previous year (improvement of the result by PLN 13.6 million).

Improvement in the net result both in the first half of the year and in the second quarter of 2022 was a consequence of a higher increase in gross profit on sales (increase in revenues and percentage gross margin) than in selling costs and general and administrative expenses and

the positive impact of lower other net operating expenses (i.e. reduced o other operating income). However, this effect was limited by a significant increase in net financial costs (i.e. net of financial revenues), in particular FX losses (both relating to IFRS 16 and resulting from trading activities).

## JEWELLERY SEGMENT

Jewellery segment	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
<b>Revenues</b>	<b>278,056</b>	<b>189,672</b>	<b>149,618</b>	<b>103,628</b>
Cost of sales	134,358	93,418	70,873	50,605
<b>Gross profit on sales</b>	<b>143,698</b>	<b>96,254</b>	<b>78,745</b>	<b>53,023</b>
Selling costs	74,835	58,511	39,448	30,642
Administrative expenses	15,378	13,228	8,234	6,534
Other operating income	517	1,804	246	1,788
Gain from sale of non-financial non-current assets	268	0	72	24
Other operating costs	750	927	693	846
Loss from sale of non-financial non-current assets	0	4	0	0
<b>Profit (loss) from operations</b>	<b>53,520</b>	<b>25,388</b>	<b>30,688</b>	<b>16,813</b>
Financial income / costs	-7,997	1,029	-4,636	3,209
Pre-tax profit (loss)	45,523	26,417	26,052	20,022
Income tax	8,984	5,184	5,596	3,855
<b>Net profit (loss) for the period</b>	<b>36,539</b>	<b>21,233</b>	<b>20,456</b>	<b>16,167</b>

IAS 17* Jewellery segment	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
<b>Revenues</b>	<b>278,056</b>	<b>189,672</b>	<b>149,618</b>	<b>103,628</b>
Cost of sales	134,358	93,418	70,873	50,605
<b>Gross profit on sales</b>	<b>143,698</b>	<b>96,254</b>	<b>78,745</b>	<b>53,023</b>
Selling costs	77,318	58,182	40,767	31,611
Administrative expenses	15,668	13,466	8,380	6,670
Other operating income	362	1,671	207	1,659
Gain from sale of non-financial non-current assets	268	0	72	24
Other operating costs	723	927	666	846
Loss from sale of non-financial non-current assets	0	4	0	0
<b>Profit (loss) from operations</b>	<b>50,619</b>	<b>25,346</b>	<b>29,211</b>	<b>15,580</b>
Financial income / costs	-4,555	-879	-3,386	-537
Pre-tax profit (loss)	46,064	24,467	25,825	15,043
Income tax	9,087	4,813	5,553	2,909
<b>Net profit (loss) for the period</b>	<b>36,977</b>	<b>19,653</b>	<b>20,272</b>	<b>12,134</b>

\*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 jewellery segment in the first half of 2022 amounted to PLN 278.1 million and were higher by PLN 88.4 million compared to the corresponding period of the previous year (increase by 47%). However, in the second quarter of 2022, the revenues of the jewellery segment amounted to PLN 149.6 million and were higher by PLN 46 million compared to the revenues in the corresponding period of the previous year (increase by 44%). Increase in sales was the result of maintaining the positive trend in the sale of gold and silver jewellery and luxury watches, as well as the lack of trade restrictions caused by the COVID-19 pandemic.

## GROSS PROFIT ON SALES

Gross profit on sales in the jewellery segment in the first half of 2022 amounted to PLN 143.7 million and was higher by PLN 47.4 million compared to the profit in the corresponding period of the previous year (increase by 49%). In the second quarter of 2022, the gross profit on sales amounted to PLN 78.7 million and was higher by PLN 25.7 million compared to the profit in the corresponding period of the previous year (an increase by 49%).

In addition, in the first half of 2022, there was an increase in the percentage gross margin by 1 pp. to 51.7% from 50.7% in the same period of the previous year. Similarly, in the second quarter of 2022, there was an increase in the percentage gross margin by 1.4 pp. to 52.6% from 51.2% in the same period of the previous year.

Increase in gross profit on sales in the first half of the year and in the second quarter of 2022 was the result of the overall increase in sales revenues, as well as the increase in the percentage gross margin, resulting from a more dynamic increase in the sales of jewellery in regular stationary stores, characterized by a higher percentage gross margin than other assortments and sales in other distribution channels.

## SELLING COSTS

In the first half of 2022, selling costs amounted to PLN 74.8 million and were higher by PLN 16.3 million compared to the corresponding period of the previous year (an increase by 28%). On the other hand, share of selling costs in total sales of the jewellery segment decreased to the level of 26.9% compared to the level of 30.8% in the corresponding period of the previous year.

In the second quarter of 2022, selling costs amounted to PLN 39.5 million and were higher by PLN 8.8 million compared to the corresponding period of the previous year (increase by 29%). At the same time, the share of selling costs in total sales of the jewellery segment decreased to the level of 26.4% compared to the level of 29.6% in the same period of the previous year.

Increase in selling costs was caused, inter alia, by higher basic salaries (increase in the minimum wage, no reduction in salaries for closed commercial premises in periods of the so-called lockdowns), an increase in sales-related costs, i.e. commissions for franchisees and bonuses for employees, higher marketing expenses. On the other hand, fall in share of selling costs in revenues resulted from higher revenue base (no trade restrictions, increased demand for the segment's assortment).

## G&A COSTS

In the first half of 2022, general and administrative costs amounted to PLN 15.4 million and were higher by PLN 2.2 million (16%) compared to the corresponding period of the previous year. Share of general administrative costs in revenues amounted to 5.5% and was lower by 1.5 pp. compared to the same period of the previous year.

In the second quarter of 2022, general and administrative costs amounted to PLN 8.2 million and were higher by PLN 1.7 million (26%) compared to the corresponding period of the previous year. Share of general management costs in revenues amounted to 5.5% and was lower by 0.8 pp. compared to the same period of the previous year.

## OPERATING PROFIT IN THE JEWELLERY SEGMENT

In the jewellery segment, the Group recorded an operating profit of PLN 53.5 million in the first half of 2022, which means an increase in operating profit by PLN 28.1 million (111%) compared to the corresponding period of the previous year. However, in the second quarter of 2022, the operating profit of the jewellery segment amounted to PLN 30.7 million and was higher by PLN 13.9 million (83%) compared to the same period of the previous year.

Increase in the operating result in the first half of 2022 and in the second quarter of 2022 was a consequence of a significantly higher increase in gross profit on sales (resulting both from higher revenues and the percentage gross margin) than in selling costs and general and administrative expenses, with a slight change in other items in compared to the corresponding periods of the previous year.

Operating profitability in the first half of 2022 amounted to 19.2% and was higher by 5.9 pp. compared to the same period of the previous year. On the other hand, in the second quarter of 2022, operating profitability amounted to 20.5% and was higher by 4.3 pp. compared to the same period of the previous year.

Significant increase in operating profitability was a consequence of some two-fold increase in operating profit both in the first half of the year and in the second quarter of 2022 (growth by 111% and 83%, respectively) compared to the corresponding periods of the previous year, with an increase of nearly half of the segment's revenues in the first half of the year and in the second quarter of 2022 (increase by 47% and 44%, respectively) compared to the corresponding periods of the previous year (higher dynamics of operating profit than sales revenues).

## FINANCIAL INCOME AND COSTS

Net financial result in the jewellery segment amounted to PLN -8 million in the first half of 2022 compared to PLN 1.0 million in the corresponding period of the previous year. However, in the second quarter of 2022, the balance of the result on financial activities amounted to PLN -4.6 million compared to PLN 3.2 million in the same period of the previous year.

IFRS16 standard had a negative impact on the balance of the financial activity of the jewellery segment in the first half of 2022, as it caused an increase in net financial costs by PLN 3.4 million (in the same period of the previous year, the impact was positive and amounted to PLN 1.9 million). Similarly, in the second quarter of 2022, the impact of IFRS16 on the balance of financial activities was negative and caused an increase in financial costs by PLN 1.3 million (in the same period of the previous year, the impact was positive and amounted to PLN 3.7 million).

Jewellery segment	PLN ths			
	I half of 2022 from 01-01-2022 to 30-06-2022	I half of 2021 from 01-01-2021 to 30-06-2021	2 quarter 2022 from 01-04-2022 to 30-06-2022	2 quarter 2021 from 01-04-2021 to 30-06-2021
Financial costs net	-2,228	-1,087	-1,832	-737
FX differences net (excl. IFRS16)	-2,327	209	-1,554	200
IFRS 16 impact	-3,442	1,908	-1,250	3,746
<i>' incl. FX differences</i>	-2,421	2,991	-743	4,269
<i>' incl. interest</i>	-1,021	-1,084	-507	-523
<b>Financial income/ costs</b>	<b>-7,997</b>	<b>1,029</b>	<b>-4,636</b>	<b>3,209</b>

## NET RESULT IN THE JEWELLERY SEGMENT

Net profit of the jewellery segment in the first half of 2022 amounted to PLN 36.5 million and increased by PLN 15.3 million (72%) compared to the corresponding period of the previous year. In the second quarter of 2022, it amounted to PLN 20.5 million and increased by PLN 4.3 million (27%) compared to the corresponding period of the previous year.

Net profit growth in H1 and Q2 of 2022 (compared to the corresponding periods of the previous year) was the result of further sales growth (positive sales trends, no trade restrictions) and an improvement in the percentage gross margin, and consequently an increase in gross profit on sales, with a simultaneous lower increase in selling costs and general and administrative expenses. The above positive factors, influencing the increase in operating profit, were, however, limited by the negative impact of the increase in net financial costs (i.e. including financial revenues), resulting from the negative exchange rate differences and the increase in debt servicing costs (increase in interest rates on the interbank market).

## STRUCTURE AND CHARACTERISTICS OF STATEMENT OF FINANCIAL POSITION

Consolidated balance sheet	30.06.2022		30.06.2021	
	Value (PLN ths)	Share (%)	Value (PLN ths)	Share (%)
<b>Non-current assets, including:</b>	<b>847,949</b>	<b>57.1%</b>	<b>888,844</b>	<b>62.0%</b>
Intangible assets	500,381	33.7%	499,436	34.8%
Fixed assets	53,753	3.6%	53,421	3.7%
Right-of-use asset (IFRS16)	268,047	18.1%	307,159	21.4%
<b>Current assets, including:</b>	<b>637,038</b>	<b>42.9%</b>	<b>544,699</b>	<b>38.0%</b>
Inventory	527,943	35.6%	515,790	36.0%
Receivables	20,065	1.4%	13,744	1.0%
Cash and cash equivalents	89,013	6.0%	14,748	1.0%
<b>Total assets</b>	<b>1,484,987</b>	<b>57.1%</b>	<b>1,433,543</b>	
Equity attributable to dominating entity, including:	886,225	59.7%	826,202	57.6%
Share capital	49,122	3.3%	49,122	3.4%
Net profit (loss) for the current period	36,418	2.5%	2,848	0.2%
<b>Long-term liabilities and provisions:</b>	<b>245,616</b>	<b>16.5%</b>	<b>292,946</b>	<b>20.4%</b>
Long-term loans and borrowings	28,715	1.9%	41,134	2.9%
Lease liabilities	215,311	14.5%	250,183	17.5%
' incl. leases in shopping malls and office floorspace	214,394	14.4%	248,758	17.4%
<b>Short-term liabilities and provisions, including:</b>	<b>353,146</b>	<b>23.8%</b>	<b>314,395</b>	<b>22.0%</b>
Trade liabilities	212,981	14.3%	181,608	12.7%
Short-term loans and borrowings	24,180	1.6%	20,771	1.4%
Lease liabilities	101,029	6.8%	97,388	6.8%
' incl. leases in shopping malls and office floorspace	100,439	6.8%	96,328	6.7%
<b>Total equity and liabilities</b>	<b>1,484,987</b>		<b>1,433,543</b>	

### ASSETS

Value of assets at the end of June 2022 slightly increased compared to the end of June 2021.

### RIGHT-OF-USE ASSETS

In the reporting period, the value of the accrued depreciation exceeded the value of changes resulting from modifications to lease agreements (renewal, relocation or negotiations), thus there was a decrease in the value of right-to-use assets.

## INVENTORY

Inventory value as at June 30, 2022 amounted to PLN 527.9 million, which means an increase compared to June 30, 2021 by 2.4% compared to last year. In the apparel segment, inventories decreased by 10.5% YoY (due to good revenues in Q2 2022 and no lock-downs), and in the jewellery segment, it increased by 15.3% YoY due to opening of new stores and their replenishment, as well as an increase in raw material prices.

The Group's inventories per m2 amounted to PLN 10,150, which means an increase by 3% YoY:

Inventory / [PLN/m <sup>2</sup> ]	1H22	1H21	YoY
VRG	10,150	9,844	+3%
Apparel segment	5,730	6,257	-8%
Jewellery segment	25,495	23,248	+10%

## EQUITY AND LIABILITIES

### EQUITY

In the first half of 2022, changes in equity mainly resulted from net profit achieved in the amount of PLN 36,418 thousand and implementation by the parent company VRG S.A. resolution of the Ordinary General Shareholder Meeting adopted on June 21, 2022 on payment of dividends in the total amount of PLN 39,857,492.80. The shareholders of the parent company VRG S.A. were entitled to dividend on July 15, 2022 (dividend day) and the dividend payment date was July 29, 2022.

### LONG-TERM AND SHORT-TERM DEBT

The debt under long-term loans as at June 30, 2022 amounted to PLN 28.7 million compared to PLN 41.1 million at the end of June 2021, which means a decrease by PLN 12.4 million. Leasing liabilities under the lease of commercial premises and office space total PLN 314.8 million, of which PLN 214.3 million is the long-term part and PLN 100.4 million is the short-term part.

The table below presents financial liabilities as at June 30, 2022 and June 30, 2021, 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 (both under IAS 17 and IFRS 16) decreased compared to last year. The net debt / EBITDA ratio (under IFRS 16) is at a relatively low level of 1.1, while under IFRS 17, the Group reported net cash at the end of June 2022, which means that these ratios are significantly below the levels defined in the loan agreements concluded by the companies of the Capital Group.

Net debt	30.06.2022	30.06.2021
<b>Long-term debt</b>	<b>244,026</b>	<b>291,317</b>
Long-term loans and borrowings	28,715	41,134
Finance lease liabilities	215,311	250,183
<i>'incl. leases in shopping malls and office floorspace</i>	214,394	248,758
<b>Short-term debt</b>	<b>144,232</b>	<b>142,704</b>
Loans and borrowings and short-term part of long-term loans	24,180	20,771
Reverse factoring	19,023	24,545
Finance lease liabilities	101,029	97,388
<i>'incl. leases in shopping malls and office floorspace</i>	100,439	96,328
<b>Cash</b>	<b>89,013</b>	<b>14,748</b>

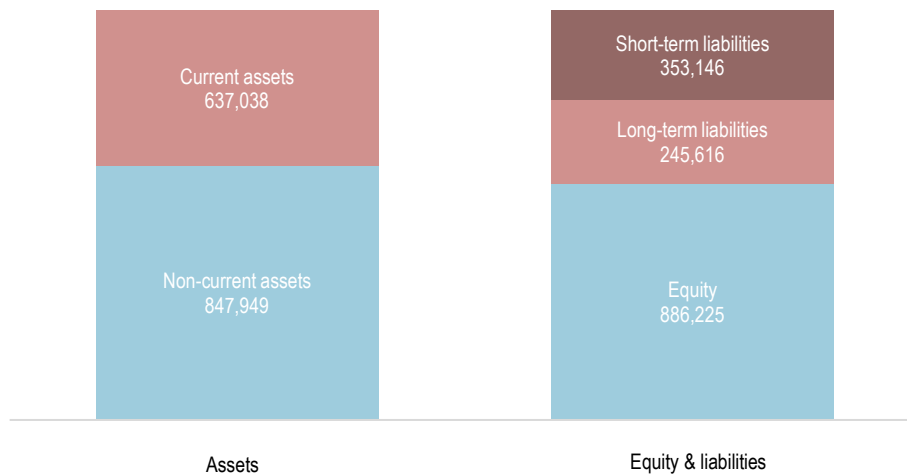
Net debt	30.06.2022	30.06.2021
<b>Net debt</b>	<b>299,245</b>	<b>419,273</b>
EBITDA annualised	266,993	116,843
<b>Net debt/EBITDA</b>	<b>1.1</b>	<b>3.6</b>

Net debt IAS 17*	30.06.2022	30.06.2021
<b>Long-term debt</b>	<b>29,632</b>	<b>42,559</b>
Long-term loans and borrowings	28,715	41,134
Finance lease liabilities	917	1,425
<b>Short-term debt</b>	<b>43,793</b>	<b>46,376</b>
Loans and borrowings and short-term part of long-term loans	24,180	20,771
Reverse factoring	19,023	24,545
Finance lease liabilities	590	1,060
<b>Cash</b>	<b>89,013</b>	<b>14,748</b>
<b>Net debt</b>	<b>-15,588</b>	<b>74,187</b>
EBITDA annualised	174,458	47,502
<b>Net debt/EBITDA</b>	<b>-0.1</b>	<b>1.6</b>

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

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

### Balance sheet analysis at the end of 2Q 2022



## SIGNIFICANT OFF-BALANCE SHEET ITEMS

Significant off-balance sheet items are indicated in Note 25 to the interim condensed 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

<b>Economic risk related to the macroeconomic situation</b>	<p>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.</p> <p>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.</p> <p><b>Actions:</b> 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.</p>
<b>Risk related to the instability of the Polish legal system, including tax system</b>	<p>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.</p> <p>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.</p> <p>The factors described above may have a significant negative impact on the Group's development prospects, results and financial standing.</p> <p><b>Actions:</b> The Group analyses 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.</p>
<b>Risk related to increased competition</b>	<p>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 our marketing and promotion expenditure to reach your target customer.</p> <p><b>Actions:</b> 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.</p>

<p><b>Foreign exchange risk and risk related to hedging policy</b></p>	<p>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.</p> <p>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 (jewellery raw materials), jewellery and watches in the jewellery segment and (c) arising from commercial space lease agreements.</p> <p>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.</p> <p>The table below the list of risks 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.</p> <p><b>Actions:</b> 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 .</p>
<p><b>Interest rate risk</b></p>	<p>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. The table below the list of risks presents the sensitivity analysis of the financial result (and thus equity) with regard to the potential fluctuation of the average annual interest rate by +/- 500 basis points (i.e. by 5 percentage points respectively).</p> <p><b>Actions:</b> 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.</p>
<p><b>Risk related to effects related to the coronavirus epidemic</b></p>	<p>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.</p> <p>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 m<sup>2</sup>, where over 95% of Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK stores are located.</p> <p>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.</p> <p><b>Actions:</b> 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.</p>
<p><b>Risk related to armed conflict in Ukraine</b></p>	<p>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</p>



disrupting the supply chain. The Group does not have its own or partner showrooms 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.

## 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



	<p>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.</p> <p><b>Activities:</b> 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.</p>
<p><b>Risk related to inventory management</b></p>	<p>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).</p> <p>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.</p> <p><b>Actions:</b> 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.</p>
<p><b>Risk of higher prices of raw materials and production costs of suppliers</b></p>	<p>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.</p> <p><b>Activities:</b> The Group, bearing in mind the required quality, actively seeks the most optimal service providers and suppliers and negotiates price conditions.</p>
<p><b>Risk of cost of external services</b></p>	<p>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.).</p> <p>One cannot exclude the risk of worsening the commercial conditions of one or more external services purchased by the Company, in particular rental costs.</p> <p><b>Actions:</b> Constant monitoring of concluded contracts is carried out and their comparison with current market conditions.</p>
<p><b>Risk of termination of bank loan agreement</b></p>	<p>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.</p> <p><b>Actions:</b> 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.</p>

<p><b>Risk of losing financial liquidity</b></p>	<p>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.</p> <p>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.</p> <p><b>Actions:</b> The Group constantly monitors its liquidity position by analyzing the volume of sales proceeds and the required liabilities. It 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.</p> <p>In the first half of 2022, the parent company extended the contract with PKO BP and mBank for subsequent years.</p> <p>The Group will continue to 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.</p> <p>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.</p>
<p><b>Risk of collateral and loss of collateral assets</b></p>	<p>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.</p> <p>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.</p> <p><b>Actions:</b> The Group minimizes the risk by timely fulfillment of obligations towards banks.</p>
<p><b>Risk of transactions with related parties</b></p>	<p>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.</p> <p><b>Actions:</b> The parent company concludes transactions with related entities on an arm's length basis and analyzes their marketability.</p>
<p><b>Risk related to the shareholder structure</b></p>	<p>The parent company is characterized by a dispersed shareholding structure, with the largest shareholders being funds managed by PZU S.A. which hold 17.62% 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.</p> <p>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.</p>

<p><b>Risk related to granting guarantees to subsidiaries</b></p>	<p>Due to the separation of an organized part of the enterprise in the form of jewellery assets and their transfer to the subsidiary W.KRUK SA, the company carried out a simultaneous financial restructuring. As part of this process, W.KRUK SA obtained new financing from PKO BP, and the company guaranteed the liabilities of its subsidiary. In Q2 2015, the subsidiary DCG SA obtained refinancing from PKO BP Bank, and in Q3 2016, the subsidiary VG Property Sp. z o.o. obtained an investment loan from PKO BP. The obligations of the subsidiaries of DCG S.A. and VG Property Sp. z o.o. have been guaranteed by the Company.</p> <p>In the event of a sudden economic downturn and cessation of debt servicing by W.KRUK SA or DCG SA and VG Property Sp. z o.o. On the basis of the granted surety, the parent company may be obliged to settle the outstanding liabilities of the subsidiaries, which could result in the loss of financial liquidity of the entire Company.</p> <p>In connection with the extension of Multi-product Agreements of subsidiaries with Bank PKO BP, the subsidiary W.KRUK S.A. granted a surety to the parent company VRG S.A. for PLN 55 million, and the parent company VRG S.A. grants a surety to DCG S.A. for the amount of PLN 27 million.</p> <p><b>Activities:</b> The Group monitors the financial situation of its subsidiaries on an ongoing basis and the fulfillment of their obligations towards the banks financing their activities.</p>
<p><b>Risk related to disruptions in the functioning of information systems</b></p>	<p>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).</p> <p><b>Actions:</b> 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.</p>
<p><b>Risk related to the EU GDPR Directive</b></p>	<p>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.</p> <p><b>Actions:</b> In connection with the above, the Company carried out works aimed at:</p> <ul style="list-style-type: none"> <li>- 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,</li> <li>- development of a new Information Security Policy;</li> <li>- developing a new Instruction for managing information systems used for data processing;</li> <li>- preparing and implementing changes in solutions of organizational and technical nature;</li> <li>- development of threats and risk analysis in the processing of personal data.</li> </ul> <p>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.</p>
<p><b>Risks related to smooth cooperation with an external logistics operator</b></p>	<p>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</p>

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 the 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 coordination 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.

	<p><b>Actions:</b> 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.</p>
<p>Risk related to disruptions in supply chains</p>	<p>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.</p> <p><b>Activities:</b> 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.</p>

## 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 1H22, 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.

## ORGANIZATIONAL OR CAPITAL RELATIONS

Organizational or capital relations are presented in point 1.2 supplementary information and explanations to the consolidated financial statements.

## TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are presented in point 8.4 to the interim condensed consolidated financial statements.

## BANK LOANS

Information on bank loans is included in Note No. 16 to the interim condensed 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 8.9 of the supplementary information and explanations to the interim condensed consolidated financial statements.

## GUARANTEES FOR LOANS OR BANK LOANS AND GUARANTEES GRANTED

Information on bank loan or loan guarantees and guarantees granted is included in note 8.10 of the supplementary information and explanations to the interim condensed 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.

## FULFILLMENT OF PUBLISHED FORECASTS

VRG S.A. it did not publish the forecast of financial results for 2022.

## 9. PLANNED DEVELOPMENT ACTIVITIES

In the opinion of the Management Board, the Group's development prospects in 2022 will be largely determined by external circumstances: the effects of the ending coronavirus pandemic, the war in Ukraine and the macroeconomic situation. The lifting from March 28, 2022, of most restrictions related to COVID-19, including the obligation to wear protective masks in public spaces, had a positive impact on growing traffic in shopping centers and return of customers to traditional stores. This translated into a significant increase in revenues in the second quarter of 2022 compared to the corresponding period of the previous year, both in the jewellery and apparel segment. The factor which, in the opinion of the Management Board, will affect the behaviour of consumers and their propensity to make purchases in the coming quarters, will be primarily the macro-economic situation and related high level of inflation. In the opinion of the Management Board, revenues in 2022 should be double-digit higher than those achieved in 2021. The Management Board also assumes further improvement of the gross percentage margin in 2022 compared to 2021 due to the ongoing optimization of promotional activities.

The Group is well prepared for the Autumn/Winter 2022 season. It has an attractive and stylistically diverse assortment of all the Group's brands, reflecting the prevailing trends and customer expectations. Casual and smart casual will play a significant role in the offer of apparel brands, which is a response to customer demand and the market situation. We will continue changes introduced in the previous season in the Wólczanka brand collection, which will include new assortments for both men and women creating a "total look", and share of casual products has increased. Vistula brand will present a new collection in five versions under the slogan of the VISTULA ON THE GO campaign. The collection based on the latest fashion trends will be aimed at both male and female customers. In Bytom brand, offering men's formal fashion and a range of smart casual and casual types, the autumn collection will be kept in the Retro Future convention, combining vintage style with modern forms, and the brand's new promotional campaign will be conducted under the slogan of Woven stories. For the Autumn/Winter season, Deni Cler Milano brand has prepared a collection called "Viaggio in citta", inspired by a journey through various capitals of the world. W.KRUK will present new products in the offer of original jewellery and accessories collections, including a new ambassadorial collection.

As regards the opening plans, the Group does not anticipate any significant changes in its net floorspace compared to the end of 2021 (decrease by 1% YoY). In the apparel segment, there will be further optimization of the network (space reduction by 3%) and development in the jewellery segment (space increase by 7% YoY). The capital expenditure planned for the current year in the amount of PLN 31 million will be mainly 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 further development of the e-commerce channel will concern, inter alia, increase in costs of acquiring on-line traffic, launching intuitive and easy-to-use sales applications for each brand, improving the service of salonet IT system and further development of functionality and logistics, as well as consistent marketing and online and off-line promotions.

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 well-thought-out investment policy and keeping 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 on-line channel YoY; omnichannel-oriented activities, i.e. joint management of the channel of traditional stores and e-commerce;
- improvement of the gross percentage margin thanks to the significant share of Asian sourcing and the reduction of promotions;
- further optimization of the existing 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, adapting 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.

## 10. MANAGEMENT STATEMENT

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, fair and clear manner the property and financial position of the issuer and its financial result, and that the financial statements contain a true picture of the development and the situation and achievements of the issuer, including a description of the basic risks and threats.

The Management Board declares that the entity authorized to audit financial statements that reviewed the financial statements was selected in accordance with the provisions of law, and that this entity and the statutory auditors who carried out this review met the conditions for expressing an impartial and independent report on the review in accordance with applicable regulations and professional standards. .

**Janusz Płocica**

**Marta Fryzowska**

**Łukasz Bernacki**

**Michał Zimnicki**

.....  
President of the  
Management Board

.....  
Executive Vice-President of the  
Management Board

.....  
Executive Vice-President of the  
Management Board

.....  
Executive Vice-President of the  
Management Board

Cracow, August 25, 2022



**VISTULA**

**BYTOM**  
SZTUKA KRAWIECTWA OD 1945

**WÓLCZANKA**

**DENICLER**  
MILANO

**W.KRUK**  
1 8 4 0

**VRG**  
VISTULA RETAIL GROUP





### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* published in the form of European Commission regulations.

Renata Art-Franke

Statutory Auditor No. 10320  
Key Audit Partner performing the review on behalf of  
Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,  
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, August 25, 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.

# Report on Review of the Condensed Interim Consolidated Financial Statements

---

**Grant Thornton Polska**  
Sp. z o.o. sp. k.  
ul. Abpa Antoniego Baraniaka 88 E  
61-131 Poznań  
Polska

T +48 61 62 51 100  
F +48 61 62 51 101  
www.GrantThornton.pl

For the Shareholders of VRG Spółka Akcyjna

## *Introduction*

We have reviewed the accompanying condensed interim consolidated financial statements of a Group (the Group), in which the parent entity is VRG Spółka Akcyjna (the Parent) with its registered office in Krakow, 10 Pilotów Street, which comprise the condensed consolidated statement of financial position as of June 30, 2022, the condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the period from January 1, 2022 to June 30, 2022 and selected explanatory notes.

The Management Board of the Parent is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* published in the form of European Commission regulations.

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

## *Scope of Review*

We conducted our review in accordance with National Standard on Review Engagements 2410 consistent with International Standard on Review Engagements 2410 *Review of Interim Information Performed by the Independent Auditor of the Entity* adopted by the National Council of Statutory Auditors' resolution No. 3436/52e/2019 of April 8, 2019, as amended. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with National Standards on Auditing consistent with International Standards on Auditing adopted by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019 (as amended), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.