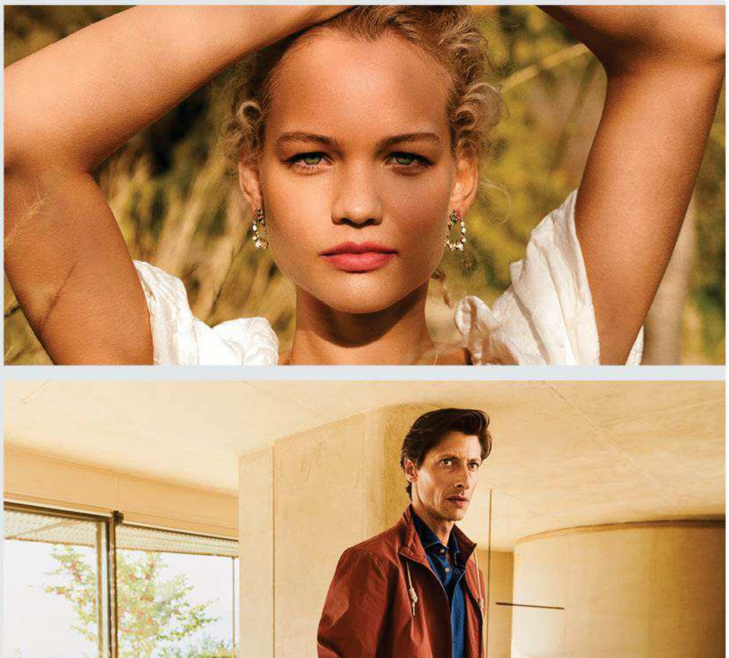
CONSOLIDATED FINANCIAL STATEMENTS

OF VRG S.A. CAPITAL GROUP AND VRG S.A. FOR 2022

Cracow, April 4, 2023


VRG
VISTULA RETAIL GROUP


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

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SELECTED FINANCIAL DATA TO CONSOLIDATED FINANCIAL STATMENTS

for 12 months ending December 31, 2022

	PLN ths		EUR ths	
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**2022** from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021
Revenues	1,273,952	1,069,927	271,731	233,736
Profit (loss) from operations	140,607	97,529	29,991	21,306
EBITDA	250,348	201,615	53,399	44,045
Pre-tax profit (loss)	117,638	83,590	25,092	18,261
Net profit (loss)	92,958	66,310	19,828	14,486
Net cash flows from operating activities	174,960	191,524	37,319	41,840
Net cash flows from investing activities	-24,537	-16,543	-5,234	-3,614
Net cash flows from financing activities	-169,096	-109,253	-36,068	-23,867
Total net cash flows	-18,673	65,728	-3,983	14,359
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
Total assets	1,511,656	1,494,392	322,321	324,910
Liabilities and provisions	568,891	604,728	121,301	131,480
Long-term liabilities	223,280	271,044	47,609	58,930
Short-term liabilities	329,004	318,316	70,152	69,208
Total equity	942,765	889,664	201,020	193,430
Share capital	49,122	49,122	10,474	10,680
Shares outstanding	234,455,840	234,455,840	234,455,840	234,455,840
Diluted number of shares	235,630,831	241,505,840	235,630,831	241,505,840
Earnings (loss) per ordinary share (in PLN/EUR)	0.40	0.28	0.08	0.06
Diluted earnings (loss) per share (in PLN/EUR)	0.39	0.27	0.08	0.06
Book value per share (in PLN/EUR)	4.02	3.79	0.86	0.83
Diluted book value per share (in PLN/EUR)	4.00	3.68	0.85	0.80
Declared or paid dividend per share (in PLN/EUR)	0.17	0.00	0.04	0.00

CONSOLIDATED STATMENT OF COMPREHENSIVE INCOME

for 12 months ending December 31, 2022

	Note	PLN ths			
		2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Revenues	2	**1,273,952**	**1,069,927**	**369,002**	**348,795**
Cost of sales	3	590,820	501,739	167,736	156,768
Gross profit (loss) on sales		**683,132**	**568,188**	**201,266**	**192,027**
Selling costs	3	449,357	382,631	130,290	115,281
Administrative expenses	3	90,548	81,802	26,843	24,111
Other operating income	5	10,306	13,754	3,256	3,055
Other operating costs	3,5a	12,608	19,902	5,043	1,877
Loss from sale of non-financial non-current assets		318	78	281	201
Profit (loss) from operations		**140,607**	**97,529**	**42,065**	**53,612**
Financial income	6	2,131	46	21,126	521
Financial costs	6a	25,100	13,985	3,513	4,541
Pre-tax profit (loss)		**117,638**	**83,590**	**59,678**	**49,592**
Income tax	7,8	24,680	17,280	12,333	9,804
Net profit (loss) for the period		**92,958**	**66,310**	**47,345**	**39,788**
Attributed to dominating entity		92,958	66,310	47,345	39,788
Attributed to non-controlling interest		0	0	0	0
Earnings (loss) per share:					
- basic		0.40	0.28	0.20	0.17
- diluted		0.39	0.27	0.20	0.16

*-unaudited data

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 12 months ending December 31, 2022

	Note	PLN ths			
		2022 from 01-01-2022 to 31-12-2022	**Rok 2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Net profit for the period		**92,958**	**66,310**	**47,345**	**39,788**
Other comprehensive income, including:		0	0	0	0
Income that can be reclassified		0	0	0	0
Income that cannot be reclassified		0	0	0	0
Total comprehensive income		**92,958**	**66,310**	**47,345**	**39,788**

	Note	PLN ths			
		2022 from 01-01-2022 to 31-12-2022	Rok 2021 from 01-01-2021 to 31-12-2021	4 Q 2022* from 01-10-2022 to 31-12-2022	4 Q 2021* from 01-10-2021 to 31-12-2021
Attributed to dominating entity		92,958	66,310	47,345	39,788
Attributed to non-controlling interest		0	0	0	0

*-unaudited data

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2021

	Note	PLN ths	
		31.12.2022	31.12.2021
ASSETS			
Non-current assets		**848,122**	**867,808**
Goodwill	10	302,748	302,748
Other intangible assets	11	199,384	197,711
Fixed assets	12	60,401	55,704
Investment property	13	874	874
Right-of-use assets (IFRS16)	12a	262,422	284,386
Long-term receivables	17	151	239
Shares and stakes	14,14a	27	27
Other long-term investments	15	0	4
Deferred tax assets	8	22,115	26,115
Current assets		**663,534**	**626,584**
Inventory	16	553,258	499,173
Short-term deposit receivables	17a	73	0
Trade and other receivables	18	14,295	12,839
Cash and cash equivalents		9	0
Other short-term assets	21	95,899	114,572
Total assets		**1,511,656**	**1,494,392**
EQUITY AND LIABILITIES			
Dominating entity's equity		**942,765**	**889,664**
Share capital	26	49,122	49,122
Other reserves	27	14,333	14,333
Retained earnings	28	879,310	826,209
Non-controlling interest		**0**	**0**
Long-term liabilities and provisions		**224,309**	**272,165**
Liabilities due to security deposits		2,162	429
Lease liabilities	23	201,658	236,957
incl. lease liabilities related to retail and office space		*200,438*	236,017
Loans and borrowings	22	19,460	33,658
Long-term provisions	25	1,029	1,121

	Note	PLN ths	
		31.12.2022	31.12.2021
Short-term liabilities and provisions		**344,582**	**332,563**
Lease liabilities	23	102,228	97,566
incl. lease liabilities related to retail and office space		*101,610*	96,861
Trade and other liabilities	*24*	198,218	193,162
Corporate income tax liabilities		5,772	6,984
Loans and borrowings and short-term part of long-term loans and borrowings	*22*	22,786	20,604
Short-term provisions	*25*	15,578	14,247
Total liabilities and provisions		**568,891**	**604,728**
Total equity and liabilities		**1,511,656**	**1,494,392**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 12 months ending December 31, 2022

	PLN ths			
	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 01.01.2021	**49,122**	**14,333**	**759,899**	**823,354**
Changes in equity in 2021				
Net profit (loss) for the period	0	0	66,310	66,310
Balance at 31.12.2021	**49,122**	**14,333**	**826,209**	**889,664**
Balance at 01.01.2022	**49,122**	**14,333**	**826,209**	**889,664**
Changes in equity in 2022				
Net profit (loss) for the period	0	0	92,958	92,958
Dividends	0	0	- 39,857	- 39,857
Balance at 31.12.2022	**49,122**	**14,333**	**879,310**	**942,765**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for 12 months ending December 31, 2022

	Note	PLN ths	
		2022 from 01-01-2022 to 31-12-2022	2021 from 01-01-2021 to 31-12-2021
Cash flows from operating activities			
Pre-tax profit (loss)		117,638	83,590
Adjustments:			
Amortization and depreciation		109,741	104,086
Profit (loss) on investing activities		318	193
Income tax paid		-21,901	-18,678
Interest costs		9,963	7,296
Change in provisions		1,239	4,274
Change in inventories		-54,087	6,411
Change in receivables		-1,439	549
Change in short-term liabilities, excluding bank loans and borrowings		16,104	2,939
Other adjustments	21a	-2,616	864
Net cash flows from operating activities		**174,960**	**191,524**
Interest received		1,622	4
Disposal of fixed assets		3,631	1,235
Disposal of intangibles		-2,818	-2,557
Purchase of fixed assets		-26,972	-15,225
Net cash flows from investing activities		**-24,537**	**-16,543**
Proceeds from bank loans and loans		2,929	0
Repayment of bank loans and borrowings		-14,460	-19,856
Finance lease payments from other leases		-816	-1,716
Interest paid, other		-4,893	-1,818
Interest paid due to lease liabilities		-5,068	-5,478
Lease payments due to lease liabilities related to retail and office space		-106,931	-80,385
Dividends paid		-39,857	0
Net cash flows from financing activity		**-169,096**	**-109,253**
Change in cash and cash equivalents in the balance sheet		**-18,673**	**65,728**
Opening balance of cash		**114,572**	**48,844**
change in cash due to foreign currency translation		0	0
Closing balance of cash	**21**	**95,899**	**114,572**

SUPPLEMENTARY INFORMATION TO CONSOLIDATED FINANCIAL STATMENTS

1. GENERAL INFORMATION

1.1. NAME, REGISTERED OFFICE, BUSINESS ACTIVITY

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

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

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

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

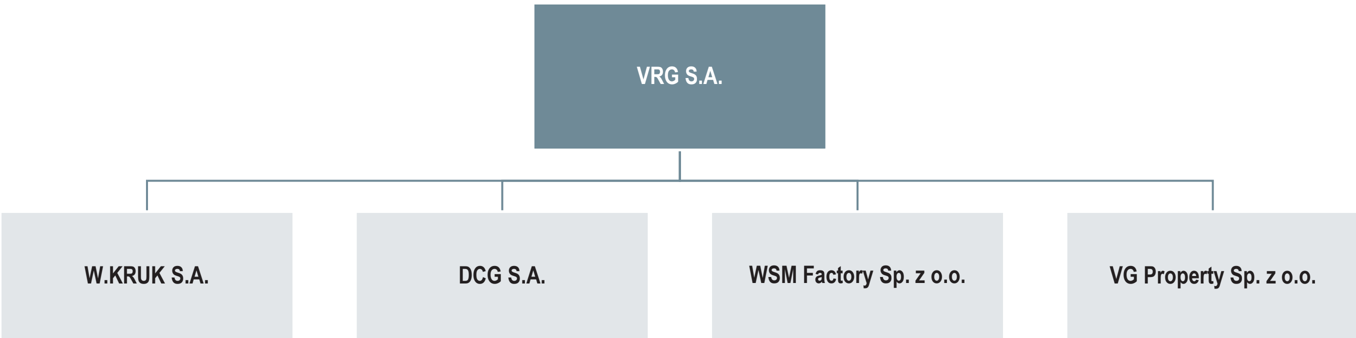
The company is one of the first companies that were listed on the Warsaw Stock Exchange S.A. First listing of VRG S.A. took place on September 30, 1993.

COMPANY'S KEY CORPORATE MILESTONES

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

The lifespan of the Issuer is indefinite.

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



As at the end of 2022 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 Commer-cial 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.** 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 Commer-cial Division of the National Court Register (KRS) under number KRS 0000505973.
  The company specialises in renting and managing of own or leased real estate.
  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

Consolidated financial statements for 2022 include data of the Parent Company and subsidiaries: W.KRUK S.A., DCG S.A., WSM Factory Sp. z o.o., VG Property Sp. z o.o..

CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP IN 2022

There were no changes in VRG S.A. Capital Group structures in 2022.

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

MANAGEMENT BOARD

As at 31 December 2022, the composition of the Management Board of VRG S.A. was the following:

Management Board	**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

During the period from January 1, 2022 to December 31, 2022, the following changes took place in the composition of the Parent Company's Management Board:
- on January 31, 2022, the Supervisory Board of the Parent Company adopted a resolution to dismiss Mr Radosław Jakociuk from the composition of the Parent Company's Management Board and from the position of Executive Vice-President of the Company's Management Board,
- on February 18, 2022 the Supervisory Board of the Parent Company adopted a resolution on appointing Mr Janusz Płocica to the Management Board of the Parent Company as of June 1, 2022, entrusting him with the function of 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 Chair of the Supervisory Board of the Parent Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation took place for the period from March 12, 2022 to May 31, 2022,
- on April 1, 2022 the Supervisory Board of the Parent Company adopted a resolution on amending the resolution of the Supervisory Board of the Parent Company of February 18, 2022 on the appointment of Mr Janusz Płocica to the Management Board of the Parent Company and entrusting him with the function of 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 to perform the function of President of the Management Board, effective as of April 19, 2022, instead of the previous date of June 1, 2022,
- on April 4, 2022, Mr Jan Pilch, Deputy Chair of the Supervisory Board, tendered his resignation from the function to temporarily perform the function of Chair of the Management Board, effective April 18, 2022; in connection with the declaration, Mr Jan Pilch, resumed his duties related to the function of member of the Supervisory Board of the Company as of April 19, 2022.
- 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 function of Executive Vice President of the Management Board for the jewellery segment. Mr Łukasz Bernacki is also President of the Management Board of W.KRUK S.A. of Cracow, a subsidiary of the Issuer, which manages the W.KRUK brand.

In the period from the balance-sheet date, i.e. December 31, 2022, to the date of signing this report, the above composition of the Parent's Management Board did not change.

SUPERVISORY BOARD

As at December 31, 2022, the composition of the Supervisory Board of VRG S.A. was as follows:

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

In the period from the balance sheet date, i.e. December 31, 2022, to the date of signing of this report, the composition of the Supervisory Board of the Parent Company did not change.

1.4. GOING CONCERN

The consolidated financial statements of the VRG Group S.A. (hereinafter also referred to as the "Capital Group" or "VRG Group") have been prepared on the assumption that the companies of the Capital Group will continue their business activities in an unchanged form and scope for a period of at least 12 months from the date on which the financial statements are prepared, i.e. December 31, 2022. In the opinion of the Management Board of the Parent Company, as at the date of approval of these consolidated financial statements, there are no indications or circumstances that would indicate a threat to the continuation of operations of the Group Companies in the foreseeable future.

2. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and present the financial position of VRG S.A. Capital Group as at December 31, 2022 and December 31, 2021, its results of operations for the 12 months ended December 31, 2022 and December 31, 2021 and its cash flows for the 12 months ended December 31, 2022 and December 31, 2021.

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

The consolidated financial statements for 2022 have been prepared in Polish zloty with rounding to the nearest thousand (PLN '000). The functional currency of the Group is the Polish zloty.

The consolidated financial statements are presented for the period from January 1 to December 31, 2022 and as at December 31, 2022. The financial year is the calendar year. Comparable financial data are presented for the period from January 1 to December 31, 2021 and as at December 31, 2021.

The consolidated financial statements for 2022 as well as the comparative figures for the previous year include data for the parent company and the subsidiaries as self-reporting entities. The Company and consolidated subsidiaries do not include any organisational units preparing independent financial statements.

Furthermore, the basis for the preparation of these consolidated financial statements is the Ordinance of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws 2018, item 757).

3. ACCOUNTING PRINCIPLES

There were no changes to the accounting policies adopted or the methods of preparing the financial statements in the Group between January 1, 2022 and December 31, 2022. The accounting policies adopted by the Group have been applied consistently to the periods presented in the financial statements.

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the financial year ended December 31, 2021.

The reporting currency of the consolidated financial statements is the Polish zloty; all amounts are expressed in thousands of Polish zloty unless otherwise stated. The functional currency of the Group is also the Polish zloty.

3.1. CONSOLIDATION

SUBSIDIARIES

Subsidiaries are entities controlled by the parent company.

Control is exercised when the parent company simultaneously:

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

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

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

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

- goodwill or profit is recognized in accordance with IFRS 3 at the time of acquiring control,

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

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

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

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

CONSOLIDATION EXCLUSIONS

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

3.2. TRANSACTIONS IN FOREIGN CURRENCIES

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

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

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

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

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

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

3.3. FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

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

Financial instruments are classified into the following categories:

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

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

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

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

After initial recognition, an entity measures a financial asset at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The entity classifies the financial asset based on the entity's business model for managing financial assets and the characteristics of the contractual cash flows for the financial asset (the 'SPPI criterion').

FINANCIAL ASSETS

FINANCIAL ASSETS MEASURED AT AMORTIZED COST

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

This category includes:

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

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

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

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

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

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

FINANCIAL LIABILITIES

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

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

- Bank credits and loans,

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

3.4. NON-CURRENT ASSETS AVAILABLE FOR SALE

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

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

3.5. INVESTMENT PROPERTY

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

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

3.6. FIXED ASSETS

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

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

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

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

Buildings and structures	Machines and devices	Other fixed assets
3-40 years	3-15 years	5-10 years

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

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

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

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

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

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

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

3.7. GOODWILL

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

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

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

3.8. OTHER INTANGIBLE ASSETS

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

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

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

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

3.9. SHARES AND STAKES

Shares and stakes in other entities are valued at their purchase price less write-offs for permanent impairment.

3.10. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

3.11. INVENTORY

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

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

Determination of value of sold inventories is accounted as follows:

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

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

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

3.12. TRADE AND OTHER RECEIVABLES

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

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

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

3.13. CASH AND EQUIVALENTS

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

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

3.14. EQUITY

Share capital	The share capital is shown in the amount specified in the Articles of Association and registered by the court.
Capital reserves	The value presented in the capital reserves consists of: share premium from issuance of shares at a price that exceeds their nominal value, reduced by issue costs, amounts of profits from previous years, classified on the basis of decisions of the General Shareholders Meetings.
Other reserves	The reserve is created from the valuation of the share option incentive scheme in proportion to the duration of the scheme.
Retained earnings	This item presents the net financial result of the previous financial years until the decision on its distribution (or other usage) has been made, as well as the adjustment of the financial result from previous years, resulting from errors in previous years or changes in accounting principles.

3.15. LIABILITIES

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

Financial liabilities that are subject to IFRS 9 (e.g. loans, borrowings, trade payables) and classified as amortised cost are initially recognised at fair value including any transaction costs. At the reporting date, such liabilities are measured at amortised cost.

Financial liabilities classified at fair value through profit or loss in accordance with IFRS 9 (inter alia, derivatives) are recognised initially at fair value and are remeasured to fair value at the reporting date.

Non-financial liabilities (e.g. tax liabilities, prepayments, advances) are measured at the amount required to be paid.

3.16. PROVISIONS

Provisions are created when the Capital Group is under an existing obligation (legal or contractual) resulting from past events and when it is probable that fulfilment of this obligation will result in a necessary outflow of resources and when a reliable estimate of the liability's amount can be made.
Provisions reflect the best possible estimate of outlays necessary to fulfil the current obligation at the balance sheet date. In case of a significant time value of money, the amount of the provision corresponds to the present value of expenditures necessary to fulfil the obligation.
Adequacy of provisions is assessed at each balance sheet date.

3.17. LEASES

At the conclusion of each new contract, the Group assesses whether the contract is a lease or whether it contains a lease. Leasing is defined as an agreement under which the right to control the use of an identified asset is transferred for a given period in return for consideration. In order to identify a lease, contracts are assessed against 3 criteria:
- whether the contract relates to an identified asset that is clearly stated in the contract or that can be implicitly identified at the time the asset is made available for use.
- whether the entity is entitled to obtain substantially all of the economic benefits from using the identified asset for the useful life of the asset under an applicable contract.
- whether the entity has the right to direct the use of the identified asset throughout its useful life.

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

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

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

At the commencement date, lease payments included in the measurement of the lease liability comprise fixed lease payments less any lease incentive payable, variable index or rate-based lease payments, amounts expected to be paid under the guaranteed residual value and payments on exercise of the call option if it can be assumed with reasonable certainty that the lessee will exercise the option.

In subsequent periods, the lease liability is increased by accrued interest on the lease liability and decreased by lease payments made.
The measurement of the lease liability is updated in the event of changes in the lease agreements relating to the lease term, the occurrence of an option to purchase the underlying asset, the guaranteed residual value, the occurrence of changes in payments due to changes in indices or rates.
The revaluation of the liability is recognised as an adjustment to the value of the right-of-use asset.
The Group applies the practical expedients permitted by the standard to short-term leases and leases of small value. For such leases, lease payments are recognised in profit or loss on a straight-line basis over the lease term.
For such leases, lease payments are recognised in profit or loss on a straight-line basis over the lease term.

3.18. REVENUES

OPERATING REVENUES

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

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

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

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

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

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

OTHER REVENUES INCLUDING FINANCIAL INCOME

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

LOYALTY PROGRAMME

The Group operates loyalty programmes offering numerous benefits and privileges to regular customers of the following brands: VISTULA, BYTOM, WÓLCZANKA, W.KRUK and DENI CLER. All loyalty programme participants, in accordance with the regulations, can count on special discounts, information about promotions, special collections and additional services available only to card holders.

The customers' right to an additional discount is treated as a performance obligation separate from the obligation to deliver the goods. Consequently, an allocation of the transaction price is made by way of estimation. The value of customers' rights to an additional discount results from the value of one right, the number of rights at the end of the reporting period recorded in customers' accounts and the probability of its realisation estimated on the basis of historical realisations.

3.19. COSTS

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

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

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

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

COSTS OF EXTERNAL FINANCING

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

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

3.19A. COSTS OF EMPLOYEE BENEFITS

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

3.20. INCOME TAX

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

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

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

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

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

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

3.21. SHARE-BASED PAYMENTS (STOCK OPTIONS)

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

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

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

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

4. FX RATES USED TO VALUE ASSETS AND LIABILITIES

Individual items of assets and liabilities were translated into EURO at the average exchange rate as at December 31, 2022 announced by the NBP (Central Bank), which was PLN 4.6899/EUR. Individual items in the income statement were translated into EURO at an exchange rate of PLN 4.6883/EUR, which is the arithmetic mean of the average EURO exchange rates set by the NBP on the last day of each completed month covered by the report.

The following EURO exchange rates of the day were used to calculate the average rate: 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, 29.07.22 - 4.7399, 31.08.22 - 4.7265, 30.09.22 - 4.8698, 31.10.22 - 4.7089, 30.11.22 - 4.6684, 31.12.22 - 4.6899.

Comparable data for individual items of assets and liabilities were converted into EUR using the average exchange rate announced by the National Bank of Poland (NBP), valid as at the last day of the reporting periods, i.e. 31.12.2021, which amounted to 4.5994 PLN/EUR. Comparable data for the individual items of the income statement were converted into EURO at rates representing the arithmetic mean of the average EURO rates determined 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 31.12.2021, which amounted to PLN 4.5775/EURO.

5. MAJOR ESTIMATES AND JUDGEMENT

Preparation of the statements in accordance with IFRS requires the parent company's Management Board to make estimates, judgements and assumptions that affect the accounting policies applied and the amounts of assets and liabilities, expenses and income presented. Estimates and assumptions are made on the basis of available historical data and also on the basis of other factors considered appropriate in the given circumstances. The results of these activities form the basis for making estimates of the carrying amounts of assets and liabilities that cannot be clearly determined from other sources. The reasonableness of these estimates and assumptions is verified on an ongoing basis.

Revisions to estimates are recognised in the period in which the estimates are revised, provided that the revision affects only that period, or in the period of revision and subsequent periods (prospective recognition) if the revision affects both the current and subsequent periods. Information on estimates is presented in Note 31.

6. CHANGES IN ACCOUNTING STANRDS

STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED AND ENDORSED BY THE EU AND EFFECTIVE ON OR AFTER JANUARY 1, 2022

AMENDMENT TO IAS 16 'PROPERTY, PLANT AND EQUIPMENT'

It has been clarified that production carried out as part of the testing of a fixed asset before the asset is put into use should be recognised as (1) inventory in accordance with IAS 2 and (2) revenue when it is sold (rather than affecting the value of the fixed asset). Testing of a fixed asset is part of its cost. The amendment is effective for annual periods beginning on or after 1 January 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. labour costs) and an allocated portion of other costs directly related to the cost of fulfilment, such as depreciation and amortisation. The amendment is effective for annual periods beginning on or after January 1, 2022.

AMENDMENT TO IFRS 3 'BUSINESS COMBINATIONS'

References to the definitions of liabilities in the Conceptual Framework and the definition of contingent liabilities in IAS 37 have been clarified. The amendment is effective for annual periods beginning on or after 1 January 2022.

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

IFRS 9: (1) only fees that are exchanged between the debtor and the creditor should be included in the 10% test for determining whether a modification should result in the derecognition of a liability; (2) it is clarified that fees incurred when a liability is derecognised are included in the result and, if the liability is not derecognised, they should be charged to the liability;

IFRS 16: removed from Example 13 the lessor's incentive to cover fit-out costs incurred by the lessee, which had raised interpretive concerns;

IAS 41: the prohibition on the recognition of tax flows in the measurement of biological assets was deleted.

The amendments are effective for annual periods beginning on or after 1 January 2022 (except for the example amendment to IFRS 16, which is effective upon publication).

These amendments had no impact on these financial statements.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASR) AND ENDORSED BY THE EUROPEAN UNION WHICH ARE NOT EFFECTIVE FOR PERIODS BEGINNING ON 1 JANUARY 2022

AMENDMENT TO IFRS 17 'INSURANCE CONTRACTS'

The Board established transitional provisions on comparative information for entities that simultaneously implement IFRS 17 and IFRS 9 to reduce potential accounting mismatches arising from differences between the standards. The amendment is effective for annual periods beginning on or after January 1, 2023.

AMENDMENT TO IAS 1 'PRESENTATION OF FINANCIAL STATEMENTS'

The IASB clarified the classification of liabilities into long- or short-term primarily in two respects:

it has been clarified that the classification depends on the rights the entity has at the balance sheet date,

management's intention to accelerate or delay payment of the liability is not taken into account.

The IASB has clarified which information about an entity's accounting policies is material and requires disclosure in the financial statements. The principles focus on tailoring disclosures to an entity's individual circumstances. The Board cautions against the use of standardised notations copied from IFRS and expects the measurement basis of financial instruments to be considered as material information. The amendment is effective for annual periods beginning on or after January 1, 2023.

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

AMENDMENTS TO IAS 12 "INCOME TAXES"

A principle was introduced that if a transaction results in simultaneous taxable and deductible temporary differences of the same amount, a deferred tax asset and deferred tax liability should be recognised even if the transaction neither results from a combination nor affects the accounting or tax result. This means that deferred tax assets and liabilities must be recognised, e.g. when temporary differences of equal amounts occur in the case of leases (separate temporary difference from the liability and from the right of use) or in the case of rehabilitation liabilities. The rule that deferred tax assets and liabilities are offset if current tax assets and liabilities are offset has not been changed. The amendment is effective for annual periods beginning on January 1, 2023.

AMENDMENT TO IAS 8 'ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS'

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

AMENDMENT TO IFRS 16 'LEASES'

The amendment clarifies the requirements in relation to the measurement of the lease liability arising from sale and leaseback transactions. It is intended to prevent inaccurate recognition of the profit or loss on a transaction for the retained right-of-use portion when the lease payments are variable and do not depend on an index or rate. The amendment is effective for annual periods beginning on or after 1 January 2024.

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

7. SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

NOTE 1 REVENUES

	PLN ths			
Analysis of the Company's revenues	**2022** from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Revenues from the sale of products, goods and materials	1,273,619	1,069,847	368,792	348,780
Revenue from lease of other fixed assets	333	80	210	15
Total revenue	**1,273,952**	**1,069,927**	**369,002**	**348,795**
Gain on sale of non-fixed assets	0	0	0	0
Other operating income	10,306	13,754	3,256	3,055
Financial income	2,131	46	21,126	521
Total	**1,286,389**	**1,083,727**	**393,384**	**352,371**

*- *unaudited data*

Due to the nature of the Group's main type of business (retail), there is no concentration of sales to customers whose share of total sales revenue would exceed 10%.

The increase in sales was a result of, among other things, the absence of trade restrictions caused by the COVID-19 pandemic in 2022 and the continuation of positive sales trends, which were limited by macroeconomic changes, as seen in the second half of the year.

In addition, in the jewellery segment, the increase in sales was due to the continuation of the positive sales trend for gold and silver jewellery and luxury watches.

NOTE 2 OPERATING SEGMENTS BY ACTIVITY AND GEOGRAPHY

The Group specialises in the design and retail sale of branded men's and women's clothing positioned in the mid to higher end of the market, as well as luxury jewellery and watches. It is currently building revenues based on the brands Vistula, Bytom, Wólczanka, Deni Cler (through a subsidiary), W.KRUK (through a subsidiary). Since Q2 2015, as a result of the disposal of an organised part of the enterprise related to the W.KRUK brand, the jewellery business has been conducted at the Issuer's subsidiary, i.e. W.KRUK S.A. with its registered office in Cracow. On November 30, 2018, the merger with Bytom S.A. took place, as a result of which the Group became the owner of the Bytom brand.

Diagram below shows the breakdown of the Group's operations by business segment:

APPAREL Retail and wholesale revenues					JEWELLERY Retail and wholesale revenues		
Suits	Accesso-ries	Jackets	Shirts	Trousers	Jewellery	Watches	Gifts

VISTULA BRAND:

VISTULA	
VISTULA	VISTULA WOMAN
Operating on the Polish market since 1967, Vistula is the basic line of men formalwear. The brand offers a wide range of suits, jackets, trousers, shirts and other complementary accessories.	Women's brand introduced in 2021. The collection was created for women who appreciate quality, comfort and the timeless of products. VISTULA WOMAN, refined in details, surprises with classic cuts and fashionable patterns. It includes products for many occasions - outerwear (classic coats, casual down and leather jackets), jackets and elegant trousers, skirts, dresses, shirts, as well as jeans, sweaters and t-shirts and an offer of accessories (shoes, belts, caps and gloves).

BYTOM BRAND:

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

WÓLCZANKA BRAND:

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

DENI CLER BRAND:

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

BRANDS IN JEWELLERY SEGMENT:

JEWELLERY SEGMENT	
W.KRUK 1840	**WATCHES**
W.KRUK is the oldest jewellery brand in Poland with over 180 years of tradition. W.KRUK's offer includes gold and platinum jewellery, in particular jewellery with diamonds and precious stones. W.KRUK also creates the highest quality collections made of silver and other metals. W.KRUK offers many original jewellery lines with a unique character. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by ambassadors (including the Freedom collection by Martyna Wojciechowska) and an expert and innovative approach to jewellery. A significant part of the collections presented every year is made in the Manufaktura of the brand near Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, the W.KRUK brand was the first in Poland to introduce a new category of man-made diamonds in laboratory conditions to the offer in its chain of stores under the name New Diamond by W.KRUK. They have parameters identical to diamonds mined with traditional methods and are classified according to the same parameters, using the same standards of expert assessment. The collection decorated with New Diamond by W.KRUK includes rings under the name Perfect®, earrings and pendants	W.KRUK offers watches of the most prestigious Swiss brands such as Rolex and Patek Philippe (W.KRUK S.A. is the exclusive distributor of these manufacturers in Poland) and renowned manufactures and watch brands such as Cartier, Chopard, Hublot, Panerai, Jagger Le Coutre, Omega, Tudor, Tag Heuer, Longines, Rado, Tissot, Frederique Constant, Citizen, Doxa, Certina, Seiko, Epos, Balticus, Victorinox, as well as fashion brands: Swatch, Gucci, Emporio Armani, Michael Kors, Fossil, Timex, Skagen, Armani Exchange, Tommy Hilfiger, Guess, Hugo Boss. Watches of renowned brands sold in W.KRUK stores hold a strong position on the Polish market, and the value of their sales is steadily increasing. Apart from its own original and classic jewellery collections, W.KRUK's portfolio also includes products of prestigious jewellery manufactures from all over the world (the so-called external brands). W.KRUK selects for its offer brands with which it is linked by long-standing achievements, reputation and jewellery designed and made by talented designers and goldsmith masters. Thus, the designs of eminent jewellers from all over the world and the diamond collections of the oldest Polish jewellery brand to-

with lab-grown diamonds in the following colours: white and for the first time on the Polish market, pink and blue. Since 2016, the range of the brand has been complemented by a selection of W.KRUK branded accessories, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men.	gether create a unique selection of the most precious jewellery. In selected stores, W.KRUK offers products by such brands as BIRKS Bijoux, Nanis, Marco Bicego, Pasquale Bruni, Hulchi Belluni and Recarlo.

MANUFACTURING OPERATIONS

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

SEASONALITY AND CYCLICALITY OF OPERATIONS

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

We can divide the Group's activities into two operating segments. These segments are the basis for the Group's reporting.

Core activities:

Retail and wholesale of apparel products

Retail and wholesale of jewellery and watches

Information on the business segments is presented below:

2022 / period from 01-01-2022 to 31-12-2022	PLN ths		
	Apparel segment	Jewellery segment	Total
External sales	648,238	625,714	1,273,952
Gross profit on sales	359,117	324,015	683,132
Segmental operating costs	331,015	208,890	539,905
of which depreciation	*66,284*	*43,457*	*109,741*
Other operating income and costs	-1,798	-822	-2,620
Financial income and costs	-12,805	-10,164	-22,969
of which interest income and costs	*-4,142*	*-4,164*	*-8,306*
Income tax	4,260	20,420	24,680
Net profit	**9,239**	**83,719**	**92,958**

2021 / period from 01-01-2021 to 31-12-2021	PLN ths		
	Apparel segment	Jewellery segment	Total
External sales	569,602	500,325	1,069,927
Gross profit on sales	309,098	259,090	568,188
Segmental operating costs	292,604	171,829	464,433
of which depreciation	*63,950*	*40,136*	*104,086*
Other operating income and costs	*-6,922*	*696*	-6,226
Financial income and costs	-7,698	-6,241	-13,939
of which interest income and costs	-3,696	-3,576	*-7,272*

2021 / period from 01-01-2021 to 31-12-2021	PLN ths		
	Apparel segment	**Jewellery segment**	**Total**
Income tax	*1,488*	*15,792*	17,280
Net profit	**386**	**65,924**	**66,310**

4Q 2022 / period from 01-10-2022 to 31-12-2022*	PLN ths		
	Apparel segment	**Jewellery segment**	**Total**
External sales	174,072	194,930	369,002
Gross profit on sales	100,483	100,783	201,266
Segmental operating costs	87,172	69,961	157,133
of which depreciation	*16,702*	*11,339*	*28,041*
Other operating income and costs	-1,266	-802	-2,068
Financial income and costs	10,028	7,585	17,613
of which interest income and costs	*-1,019*	*-1,591*	*-2,610*
Income tax	4,929	7,404	12,333
Net profit	**17,144**	**30,201**	**47,345**

- unaudited data

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

- unaudited data

The value of financial income and expenses of both operating segments mainly includes interest expenses on bank loans, which amounted to respectively:

for the apparel segment PLN 1,843 thousand. for 2022 (PLN 716 thousand for 2021),
for the jewellery segment PLN 2,518 thousand. for 2022 (PLN 753 thousand for 2021).

Financial income and expenses also include interest and exchange rate differences (excess of positive over negative / excess of negative over positive) on leases relating to commercial premises and office space contracts, which amounted to:

- for the apparel segment, the interest amounted to PLN 2,906 thousand. for 2022 (PLN 3,288 thousand for 2021),and foreign exchange differences (excess of negative over positive) amounted to PLN 3,759 thousand. for 2022 (excess of positive over negative PLN 1,049 thousand for 2021),

- for the jewellery segment, interest amounted to PLN 2,075 thousand. for 2022 (PLN 2 190 thousand for 2021),and foreign exchange differences (excess of negative over positive) amounted to PLN 2 651 thousand. for 2022 (excess of positive over negative PLN 597 thousand for 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.

Due to the fact that both in 2022 and in the comparative period, the values of recognised or reversed losses from impairment of fixed and current assets were not significant, the Group did not present them by operating segments.

GEOGRAPHICAL SEGMENTS OF ACTIVITY:

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

Revenue in various markets by geographic location	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** od 01-10-2021 do 31-12-2021
Poland	1,258,460	1,068,110	363,879	348,203
EURO zone	14,933	1,669	4,896	592
US$ zone	251	0	11	0
CHF zone	308	148	216	0
Total	**1,273,952**	**1,069,927**	**369,002**	**348,795**

**- unaudited data*

Segmental assets and liabilities as at December 31, 2022 are as follows:

Current year 2022	PLN ths		
	Apparel segment	**Jewellery segment**	**Total**
Assets	728,832	782,824	1,511,656
Liabilities	305,138	263,753	568,891

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

Detailed information on the breakdown of sales by channel and brand and the reasons for the year-on-year changes are presented in the Group Management Report.

NOTE 3 OPERATING COSTS

	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Depreciation of fixed assets	109,741	104,086	28,041	26,071
Materials and energy	86,480	71,304	22,645	19,445
Costs of goods sold	564,751	477,313	161,033	149,726

	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Change in products and work in progress	-103,770	-79,467	-27,103	-16,626
Inventory write-offs	2,076	6,974	1,377	-3,169
Remuneration and employee benefits	175,082	149,351	47,373	42,138
Other costs by type	68,045	55,174	27,677	22,177
Third party costs	230,396	188,411	65,475	53,229
Other operating costs	10,850	13,006	3,675	5,247
Total costs of products sold, goods and materials, distribution, general and administrative expenses and other operating costs	**1,143,651**	**986,152**	**330,193**	**298,238**

*-unaudited data

NOTE 4 REMUNERATION

The average number of employees in persons (including the management)	In persons			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Employees in persons by categories:	**2,353**	**2,333**	**2,336**	**2,341**
White-collar employees	2,048	2,021	2,031	2,018
Blue-collar employees	306	312	305	323

*- unaudited data

General remuneration divided into wages, insurance and other (value):	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Total remuneration, including:	**175,082**	**149,351**	**47,373**	**42,138**
Salaries	145,746	125,565	39,669	35,559
Social security and other benefits	29,336	23,786	7,704	6,579

*- unaudited data

In the reporting period, severance payments of PLN 1 053 thousand were paid. The Group presents severance payments in other operating expenses.

NOTE 5 OTHER OPERATING INCOME

Other operating income	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Gain on sale of nonfinancial assets	0	0	0	0
Cofinancing employees remuneration by the State	0	5,260	0	33
Exemption from social security contributions	0	3,561	0	0
Other operating income:	10,306	4,933	3,256	3,022
due to release of write-downs on goods/materials	*4,511*	*956*	*488*	*24*

Other operating income	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
due to liquidation of contracts measured in accordance with IFRS 16	*1,163*	*798*	*256*	*446*
Total	**10,306**	**13,754**	**3,256**	**3,055**

*- unaudited data

The value “other” includes, inter alia, written-off time-barred liabilities in the amount of PLN 1,306k. (PLN 2,192 thousand in 2021) and released provisions for refunds in the amount of PLN 768 thousand (PLN 0 thousand in 2021).

NOTE 5A OTHER OPERATING COSTS

Other operating costs	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Loss on sale of nonfinancial assets	318	78	281	201
Fixed asset write-offs	0	1,360	0	-571
Materials write-offs	1,140	-742	909	-1,169
Goods write-offs	936	5,790	468	-3,926
Finished goods write-offs	0	1,926		1,926
Donations	2,562	288	411	30
Other operating costs, including:	7,970	11,280	3,255	5,587
Severance pay	*1,053*	*1,301*	*53*	*74*
Total	**12,926**	**19,980**	**5,324**	**2,078**

*- unaudited data

Other values include provisions for future liabilities in the amount of PLN 2,240 ths (PLN 1,729 thousand in 2021) and the cost of liquidation of assets in the amount of PLN 2,662 thousand (PLN 4,781 thousand in 2021).

NOTE 6 FINANCIAL INCOME

Financial income	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Interest on bank deposits	1,621	7	429	6
Valuation of loans at amortized cost	486	0	2,854	0
FX gains	0	0	17,823	513
incl. leases of retail and office floorspace	*0*	*0*	*11,698*	*2,397*
Other	24	39	20	2
Total	**2,131**	**46**	**21,126**	**521**

- unaudited data

NOTE 6A FINANCIAL COSTS

Financial costs	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Interest on overdrafts and bank loans	4,361	1,469	1,586	394
Interest on factoring	456	250	177	68
Interest on finance lease liabilities	129	82	39	28
Interest on leases of retail and office floorspace	4,981	5,478	1,237	1,291
Fees on bank loans and guarantees, letters of credit and factoring	2,130	2,406	353	466
FX losses	12,876	893	14	0
incl. leases of retail and office floorspace	*6,410*	*-1,648*	*0*	*0*
Valuation of forward transactions	0	2,549	0	2,105
Valuation of loans at amortized cost	0	451	0	0
Other	167	407	107	189
Total	**25,100**	**13,985**	**3,513**	**4,541**

- unaudited data

NOTE 7 INCOME TAX

Continued operations	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Income tax:	**24,680**	**17,280**	**12,333**	**9,804**
Current income tax	20,680	18,874	7,740	8,218
Deferred income tax (note 8)	4,000	-1,594	4,593	1,586

- unaudited data

Current income tax	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Pre-tax profit (loss)	**117,638**	**83,590**	**59,678**	**49,592**
Difference between pre-tax profit (loss) and tax base	-8,921	15,249	-18,782	-6,617
- the difference between pre-tax profit and taxable income resulting from non-deductible expenses according to tax regulations and income which is not revenue according to tax regulations and additional income and tax expenses	-37,585	29,650	-5,214	965
- other differences (including retained losses)	28,664	-14,401	-13,568	-7,582
Income/loss	**108,717**	**98,839**	**40,896**	**42,975**
Income tax base	109,072	99,335	43,249	45,249
Income tax at the applicable rate of 19%	20,724	18,874	7,740	8,218
Income tax adjustments for prior periods	-44	0	0	0
Current income tax	**20,680**	**18,874**	**7,740**	**8,218**

- unaudited data

Income tax at effective interest rate	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 Q 2022*** from 01-10-2022 to 31-12-2022	**4 Q 2021*** from 01-10-2021 to 31-12-2021
Profit (loss) before tax	**117,638**	**83,590**	**59,678**	**49,592**
Income tax at a rate of 19%	22,351	15,882	11,339	9,422
Effect of tax recognition:	**-1,691**	**2,898**	**-2,945**	**-1,244**
- Utilisation of tax losses carried forward	1,859	2,736	1,805	1,441
- Costs not constituting tax deductible costs	4,463	11,812	410	1,451
- Income which is not revenue according to tax regulations	4,223	6,031	1,547	1,179
- Non-balance sheet taxable expenses	111	159	16	77
- Non-balance sheet tax revenue	39	12	13	2
Revaluation of deferred tax assets (loss)	64	94	-654	40
Income tax	4,000	-1,594	4,593	1,586
Income tax adjustments for prior periods	-44	0	0	0
Income tax at effective tax rate	**24,680**	**17,280**	**12,333**	**9,804**
Effective tax rate	20.98%	20.67%	20.67%	19.77%

*- *unaudited data*

NOTE 8 DEFERRED TAX

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

Balance sheet items	PLN ths			
	Balance sheet		Profit or loss	
	31.12.2022	**31.12.2021**	**2022** from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021
Deferred tax provision	**452**	**100**	**351**	**-721**
Balance sheet valuation – FX gains	314	22	291	-104
Interest accrued on receivables	0	0	0	0
Real estate valuation	0	0	0	0
Net advances paid	55	55	0	-17
Valuation of loans at amortised cost	53	0	53	-446
Valuation of forward transactions	0	0	0	-86
Accelerated tax depreciation	0	0	0	0
Leased assets	29	0	29	-83
Other	1	23	-22	15
Recognised on the financial result	**452**	**100**	**351**	**-721**
Recognised on goodwill				
Deferred tax assets	**22,567**	**26,215**	**-3,649**	**873**
Accelerated balance sheet depreciation	2,288	2,263	25	-42
Post-employment benefits (severance pay)	28	27	2	3
Write-offs	4,184	4,877	-694	1,155
Reserves, wages and social security	1,623	2,331	-687	42

Balance sheet items	PLN ths			
	Balance sheet		Profit or loss	
	31.12.2022	31.12.2021	2022 from 01-01-2022 to 31-12-2022	2021 from 01-01-2021 to 31-12-2021
Remuneration, Social Security not paid	915	0	894	0
Balance sheet valuation - FX losses	6	71	-66	-119
Losses deductible from future taxable income	1,493	3,352	-2,349	-2,282
Allowance for receivables from customers	0	0	0	-597
Provision for future liabilities	909	1,929	-530	360
Provision for returns from customers	1,313	1,034	279	575
Valuation of forward transactions	0	0	0	0
Loyalty programme valuation	1,912	764	1,148	449
Valuation of loans at amortised cost	0	39	-39	39
Lease commitments for commercial premises and office space contracts	7,896	9,528	-1,632	1,290
Transferred to financial result	**22,567**	**26,215**	**-3,649**	**873**
Transferred directly to equity	**0**	**0**	**0**	**0**

Creation of a deferred tax asset is based on an assessment of the likelihood that future taxable income and a tax base allowing for the deduction of deductible temporary differences and tax losses will be achieved, which justifies the creation of deferred tax assets as at December 31, 2022. An analysis of the tax income earned to date and the utilisation of tax losses in 2022, indicates that there is no risk of remaining tax losses not being utilised in future years.

NOTE 9 EARNINGS PER SHARE

Continued operations	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	2021 from 01-01-2021 to 31-12-2021	4 Q 2022* from 01-10-2022 to 31-12-2022	4 Q 2021* from 01-10-2021 to 31-12-2021
Net profit attributable to the shareholders of the dominating entity	92,958	66,310	47,345	39,788
Profits from continuing operations for the purpose of calculating earnings per share after excluding discontinued operations	92,958	66,310	47,345	39,788
Weighted average number of ordinary shares	234,455,840	234,455,840	234,455,840	234,455,840
Diluted weighted average number of ordinary shares	235,630,831	241,505,840	235,630,831	241,505,840
Earnings per share				
basic	0.40	0.28	0.20	0.17
diluted	0.39	0.27	0.20	0.16

*- *unaudited data*

Calculation of the weighted average number of shares	PLN ths	
	2022 from 01-01-2022 to 31-12-2022	2021 from 01-01-2021 to 31-12-2021
Number of shares as at 01.01.2022	234,455,840	234,455,840
Change during the year (issuance)	0	0
Number of shares as at 31.12.2022	234,455,840	234,455,840
Number of days with increased equity	0	0
Ratio (number of days with increased equity / number of days in the period)	0	0

Calculation of the weighted average number of shares	PLN ths	
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021
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

information regarding potential dilution in ordinary shares is included in the note 32.

NOTE 10 GOODWILL

	PLN ths
PURCHASE PRICE OR FAIR VALUE	
Balance at January 1, 2021	302,748
Adjustment – disclosure as at the date of purchase of Bytom	0
Balance at December 31, 2021	**302,748**
Balance as at January 1, 2022	302,748
Adjustment – disclosure as at the date of purchase	0
Balance at December 31, 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
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Balance as at January 1, 2021	0
Losses due to impairment in the current year	0
Derecognition at the moment of disposal	0
Balance as at December 31, 2021	**0**
Balance at January 1, 2022	0
Losses due to impairment in the current year	0
Derecognition at the moment of disposal	0
Balance as at December 31, 2022	**0**
BOOK VALUE	
At December 31, 2021	**302,748**
At December 31, 2022	**302,748**

As at December 31, 2022 impairment test was carried out for intangible assets with an indefinite useful life, i.e. goodwill.

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

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

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

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

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

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

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

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

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

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

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

NOTE 11 OTHER INTANGIBLE ASSETS

	PLN ths			
	Costs of development works	Trademarks	Patents and licenses	Total
GROSS VALUE				
Balance at January 1, 2021	**1,219**	**194,116**	**25,019**	**220,354**
Additions	0	0	2,564	2,564
Decreases	0	0	-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	0	0	2,992	2,992
Decreases	0	0	-3,577	-3,577
Presentation adjustment	-47	0	-692	-739
Restatement	0	0	33	33
Balance at December 31, 2022	**1,172**	**194,116**	**26,144**	**221,432**
AMORTISATION				
Balance at January 1, 2021	**1,219**	**23**	**19,723**	**20,965**
Amortization for the period	0	0	1,092	1,092
Disposal	0	0	-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	0	0	1,352	1,352
Disposal	0	0	-3,577	-3,577
Presentation adjustment	-47	0	-692	-739
Balance at December 31, 2022	**1,172**	**23**	**17,703**	**18,898**
IMPAIRMENT				
Balance at January 1, 2021	**0**	**0**	**3,147**	**3,147**
Additions	0	0	3	3

	PLN ths			
	Costs of development works	Trademarks	Patents and licenses	Total
Decreases	0	0	0	0
Balance at December 31, 2021	**0**	**0**	**3,150**	**3,150**
Balance at January 1, 2022	**0**	**0**	**3,150**	**3,150**
Additions	0	0	0	0
Decreases	0	0	0	0
Balance at December 31, 2022	**0**	**0**	**3,150**	**3,150**
BOOK VALUE				
Balance at December 31, 2021	**0**	**194,093**	**3,618**	**197,711**
Balance at December 31, 2022	**0**	**194,093**	**5,291**	**199,384**

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

In 2022, no new write-offs were created and there were no indications to reverse the write-offs created so far.

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

Trademarks Wólczanka, W.KRUK, Bytom and Intermoda for the total value of PLN 194,093 ths are the subject of collateral under loan agreements shown in note 22.

As at December 31, 2022, an impairment test was carried out for intangible assets with an indefinite useful life, i.e. trademarks. As a result of this test, no impairment of intangible assets with an indefinite useful life, i.e. trademarks, was identified. Therefore, in the period for which the financial statements were prepared, no impairment losses were recognised for intangible assets with an indefinite useful life, i.e. trademarks.

Assumptions for the impairment test for intangible assets with an indefinite useful life, i.e. trademarks, are the same as in the note 10.

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

NOTE 12 FIXED ASSETS

	PLN ths			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
PURCHASE PRICE OR FAIR VALUE				
Balance at January 1, 2021	117,420	3,284	119,824	240,528
Additions	3,232	18,825	10,418	32,475
Disposal	-9,338	-16,335	-14,758	-40,431
Balance at December 31, 2021	111,314	5,774	115,484	232,572
Balance at January 1, 2022	**111,314**	**5,774**	**115,484**	**232,572**
Additions	8,460	28,147	18,248	54,855
Disposal	-6,850	-28,158	-5,479	-40,487
Presentation adjustment	96	0	-872	-776
Restatement	-4,471	-86	53	-4,504
Balance at December 31, 2022	**108,549**	**5,677**	**127,434**	**241,660**
at purchase price/production cost	*108,549*	*5,677*	*127,434*	*241,660*

	PLN ths			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at January 1, 2021	88,953	0	88,878	177,831
Depreciation for the period	7,578	0	11,542	19,120
Disposal	-9,005	0	-14,284	-23,289
Balance at December 31, 2021	**87,526**	**0**	**86,136**	**173,662**
Balance at January 1, 2022	87,526	0	86,136	173,662
Depreciation for the period	7,015	0	12,564	19,579
Disposal	-6,144	0	-5,161	-11,305
Presentation adjustment	-52	0	-724	-776
Restatement	-1,883	0	0	-1,883
Balance at December 31, 2022	**86,462**	**0**	**92,815**	**179,277**
IMPAIRMENT				
Balance at January 1, 2021	183	1,693	195	2,071
Additions	1,963	0	293	2,256
Decreases	-980	0	-141	-1,121
Balance at December 31, 2021	**1,166**	**1,693**	**347**	**3,206**
Saldo na 1 stycznia 2022	**1,166**	**1,693**	**347**	**3,206**
Additions	0	0	0	0
Decreases	-126	0	-58	-184
Restatement	-1,040	0	0	-1,040
Balance at December 31, 2022	0	1,693	289	1,982
BOOK VALUE				
Balance at December 31, 2021	**22,622**	**4,081**	**29,001**	**55,704**
Balance at December 31, 2022	**22,087**	**3,984**	**34,330**	**60,401**

The Group has no off-balance sheet fixed assets.

No new write-downs were created in 2022, but a write-down of PLN 1,040 thousand was released in connection with the sale of real estate (presented in note 12b) and PLN 184 thousand due to liquidation.

As at 31 December 2022, there were no contractual commitments for the purchase of fixed assets.

NOTE 12A RIGHT OF USE ASSETS

Right of use assets	PLN ths		
	Assets due to right of use of retail and office floorspace	Other right of use assets	Total
Gross value 01.01.2021	**476,101**	**10,522**	**486,623**
Accumulated depreciation 01.01.2021	**-166,407**	**-7,526**	**-173,933**
Net value 01.01.2021	**309,694**	**2,996**	**312,690**
Conclusion of new contracts	8,980	96	9,076
Changes resulting from contract modifications	65,989	0	65,989

Right of use assets	PLN ths		
	Assets due to right of use of retail and office floorspace	Other right of use assets	Total
Changes resulting from a change in the scope of the contract - shortening the period - gross value	-28,296	-5,710	-34,006
Gross value 31.12.2021	**522,774**	**4,908**	**527,682**
Changes resulting from a change in the scope of the contract - shortening the period - depreciation	9,043	5,468	14,511
Depreciation for the period	-82,679	-1,195	-83,874
Accumulated depreciation 31.12.2021	**-240,043**	**-3,253**	**-243,296**
Net value 31.12.2021	**282,731**	**1,655**	**284,386**
Gross value 01.01.2022	**522,774**	**4,908**	**527,682**
Accumulated depreciation 01.01.2022	**-240,043**	**-3,253**	**-243,296**
Net value 01.01.2022	**282,731**	**1,655**	**284,386**
Conclusion of new contracts	45,287	911	46,198
Changes resulting from contract modifications	31,804	-44	31,760
Changes resulting from a change in the scope of the contract - shortening the period - gross value	-30,210	-1,523	-31,733
Gross value 31.12.2022	**569,655**	**4,252**	**573,907**
Changes resulting from a change in the scope of the contract - shortening the period - depreciation	18,958	1,663	20,621
Depreciation for the period	-88,076	-734	-88,810
Accumulated depreciation 31.12.2022	**-309,161**	**-2,324**	**-311,485**
Net value 31.12.2022	**260,494**	**1,928**	**262,422**

The increase in the right-of-use asset in 2022 relates predominantly to the conclusion of new store leases and renegotiated contracts.

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

The lease periods are, for stores, from 2 to 10 years with the option to extend, and for office space, from 2 to 5 years.

Some leases include options for extension or termination.

The Group also has leasing agreements for shop space with a lease term of up to 12 months.

NOTE 12B ASSETS HELD FOR SALE

	PLN ths			
	Land and buildings	Fixed assets under construction	Equipment and other fixed assets	Total
PURCHASE PRICE OR FAIR VALUE				
Balance at January 1, 2022	0	0	0	0
Additions	0	0	0	0
Decreases	-4,471	0	0	-4,471
Restatement	4,471	0	0	4,471
Balance at December 31, 2022	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at January 1, 2022	0	0	0	0
Depreciation for the period	0	0	0	0

	PLN ths			
	Land and buildings	Fixed assets under construction	Equipment and other fixed assets	Total
Disposals	-1,883	0	0	-1,883
Restatements	1,883	0	0	1,883
Balance at December 31, 2022	0	0	0	0
ODPISY z tytułu trwałej utraty wartości				
Balance at January 1, 2022	0	0	0	0
Additions	0	0	0	0
Decreases	-1,040	0	0	-1,040
Restatements	1,040	0	0	1,040
Balance at December 31, 2022	0	0	0	0
BOOK VALUE				
Balance at December 31, 2021	0	0	0	0
Balance at December 31, 2022	0	0	0	0

NOTE 13 INVESTMENT PROPERTY

	PLN ths
PURCHASE PRICE OR FAIR VALUE	
Balance at January 1, 2021	874
Additions	0
Decreases	0
Balance at December 31, 2021	**874**
Balance at January 1, 2022	874
Additions	0
Decreases	0
Balance at December 31, 2022 including :	**874**
- at purchase price/manufacturing cost	874
- at revalued amount	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Balance at January 1, 2021	0
Depreciation for the period	0
Disposals	0
Balance at December 31, 2021	**0**
Balance at January 1, 2022	0
Depreciation for the period	0
Disposals	0
Balance at December 31, 2022	**0**
BALANCE SHEET VALUE	
Balance at December 31, 2021	**874**
Balance at December 31, 2022	**874**

The real estate is not subject to collateral.

NOTE 14 SHARES AND STAKES

List of subsidiaries in which the Group held shares / stakes as at December 31, 2022.

Name of entity	Valuation method	Registrar	% of owned shares	% of votes held	Value of shares at purchase price	Valuation adjustments	Book value
Chara Sp. z o.o.	Purchase price		19	19	17	0	17
Other	Purchase price		0	0	10	0	10
Total					**27**		**27**

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

NOTE 15 OTHER LONG-TERM INVESTMENTS

	PLN ths	
	31.12.2022	**31.12.2021**
Other	0	4
Total	**0**	**4**

NOTE 16 INVENTORY

	PLN ths	
	31.12.2022	**31.12.2021**
Materials (at purchase price)	30,368	27,404
Work in progress (at production cost)	4,311	7,014
Finished products (at production cost)	59,952	52,542
Trade goods (at purchase price)	478,958	434,979
Total inventory, at the lower of two values: purchase price (production cost) and net realizable value	573,589	521,939
Inventory write-offs	-20,331	-22,766
Total	**553,258**	**499,173**

Created revaluation allowances in the amount of PLN 2 076 ths were recognised in other operating expenses, and reversed revaluation write-downs in the amount of PLN 4 511 ths were recognised in other operating income were recognised in other operating income.

Inventories were pledged as collateral for the loan agreements shown in Note 22.

NOTE 17 LONG-TERM RECEIVABLES

	PLN ths	
	31.12.2022	**31.12.2021**
– receivables from deposits paid for store leases	151	239
Total	**151**	**239**

NOTE 17A TRADE AND OTHER RECEIVABLES

	PLN ths	
	31.12.2022	**31.12.2021**
– receivables from deposits paid for the lease of store premises	73	0

	PLN ths	
	31.12.2022	31.12.2021
Total	**73**	**0**

NOTE 18 TRADE AND OTHER RECEIVABLES

Trade and other receivables	PLN ths	
	31.12.2022	31.12.2021
Trade receivables from third parties (gross)	8,705	7,648
minus: write-off of trade receivables from third parties	-81	-420
Trade receivables from third parties (net)	8,624	7,228
Trade receivables from related parties (gross)-(note 32)	0	0
minus: write-off of trade receivables from related parties	0	0
Trade receivables from related parties (net)	0	0
Receivables from taxes, subsidies, customs, social security and other benefits	236	347
Other receivables from third parties (gross)	3,500	3,959
minus: write-off of other trade receivables from third parties	-710	-1,325
Other receivables from third parties (net)	2,790	2,634
Other receivables from related parties (gross)	0	0
minus: write-off of other trade receivables from related parties	0	0
Other receivables from related parties (net)	0	0
Other current assets	2,645	2,630
Total short-term receivables (gross)	**15,086**	**14,584**
minus: total write-off of receivables	-791	-1,745
Total short-term receivables (net)	**14,295**	**12,839**

Analysis of other current assets can be found in Note 20.

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

Split of overdue trade receivables (gross)	PLN ths	
	31.12.2022	31.12.2021
a) up to 1 month	276	563
b) above 1 month up to 3 months	142	613
c) above 3 months up to 6 months	110	260
d) above 6 months up to 1 year	28	741
e) above 1 year	112	550
Total overdue trade receivables (gross)	**668**	**2,727**
f) total write-off of overdue receivables	-80	-1,641
Total overdue trade receivables (net)	**588**	**1,086**

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

Change in short-term receivables write-offs	PLN ths	
	31.12.2022	31.12.2021
Balance at the beginning of period	**1,745**	**51,056**

Change in short-term receivables write-offs	PLN ths	
	31.12.2022	31.12.2021
a) increases (due to)	**86**	**2,631**
deconsolidation of related parties	0	0
write-offs creation	40	2,338
foreign exchange rate differences	46	293
b) decreases (due to)	**1,040**	**51,942**
receipt of payment	274	5,181
receivables write-off	766	46,761
cessation of the reason behind the write-off	0	0
foreign exchange rate differences	0	0
Balance of short-term receivables write-offs at the end of period	**791**	**1,745**

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

Change in short-term receivables write-offs	PLN ths	
	31.12.2022	31.12.2021
a) PLN	10,419	10,742
b) in foreign currencies (by currency and after conversion into PLN)	4,667	3,842
b1. in EURO thousands	575	320
PLN thousands	2,697	1,573
b2. in USD thousands	353	478
PLN thousands	1,554	1,939
b3. in CHF thousands	87	74
PLN thousands	416	330
Other currencies in PLN thousands	0	0
Total short-term receivables (gross)	**15,086**	**14,584**

NOTE 18A LOANS GRANTED

Receivables from loans granted	PLN ths	
	31.12.2022	31.12.2021
Loan receivables from third parties (gross)	0	0
minus: write-off of loan receivables from third parties	0	0
Loan receivables from third parties (net)	0	0
Loan receivables from third parties (gross)	0	773
minus: write-off of loan receivables from related entities	0	0
Loan receivables from related entities (net)	0	773
Total loan receivables (gross)	**0**	**773**
minus: total write-off of loan receivables	0	0
Total loan receivables (net)	**0**	**773**

Change in short-term loan receivables write-offs	PLN ths	
	31.12.2022	31.12.2021
Balance at the beginning of period	0	2,179
a) increases (due to)	0	0
write-offs created	0	0
foreign exchange rate differences	0	0
b) decreases (due to)	0	2,179
receipt of payment	0	0
decision of the management board to recognize as a loss	0	2,179
foreign exchange rate differences	0	0
Balance of short-term receivables write-offs at the end of period	**0**	**0**

NOTE 19 CHANGE IN SHORT-TERM RECEIVABLES, INVENTORY AND FIXED ASSET WRITE-OFFS

Write-offs	PLN ths				
	Balance at 01.01.2022	Creation	Release/ Usage	Restatement	Balance at 31.12.2022
Write-offs for intangible assets	3,150	0	0	0	3,150
Write-offs for fixed assets	3,206	0	184	1,040	1,982
Write-offs for assets held for sale	0	0	1,040	-1,040	0
Inventory write-offs	22,766	2,076	4,511	0	20,331
Receivables write-offs	1,745	86	1,040	0	791
Write-offs for loans granted	0	0	0	0	0
Total write-offs	**30,867**	**2,162**	**6,775**	**0**	**26,254**

NOTE 20 OTHER CURRENT ASSETS

	PLN ths	
	31.12.2022	31.12.2021
Asset insurance	419	180
Fees and rents	685	830
Licences	175	44
Advertising	1,002	868
BGK guarantees	93	668
Other	271	39
Total	**2,645**	**2,629**

NOTE 21 CASH AND EQUIVALENTS

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

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

	PLN ths	
	31.12.2022	31.12.2021
cash and bank accounts	29,196	29,723
short-term deposits	66,703	84,849
Total	**95,899**	**114,572**

Cash flows are prepared using the indirect method.

NOTE 21A CASH FLOW STATEMENT – OTHER ADJUSTMENTS

The amounts shown under "Other adjustments" consist of:	PLN ths		
	Nota	31.12.2022	31.12.2021
- fixed assets - write-down - liquidations		-508	868
- interest received		-1,660	-4
- bank loan valuation		-486	0
- dividends obtained		38	0
Total		**-2,616**	**864**

NOTE 22 LOANS AND BORROWINGS

	PLN ths	
	31.12.2022	31.12.2021
Overdrafts	**8,925**	**5,996**
Bank loans	**33,321**	**48,266**
Amounts payable according to bank loan agreements		
On demand or up to 1 year	13,861	14,608
From 2 to 5 years	19,460	33,658
Over five years	0	0
Loans	**0**	**0**
Amounts payable according to bank loan agreements		
On demand or up to 1 year	0	0
From 2 to 5 years	0	0
Over five years	0	0

Loans currency structure	PLN ths			
	Razem	zł	€	$
December 31, 2021	**54,262**	**54,262**	**0**	**0**
Overdrafts	5,996	5,996	0	0
Bank loans	48,266	48,266	0	0
Loans	0	0	0	0
December 31, 2022	**42,246**	**42,246**	**0**	**0**
Overdrafts	8,925	8,925	0	0
Bank loans	33,321	33,321	0	0
Loans	0	0	0	0

BANK LOANS LIABILITIES AND THEIR LIMITS AS AT 31.12.2022 (PLN THS)

LP	Name of the entity	Headquarters	Amount of limit / credit according to agreement	Outstanding loan amount at nominal value	Amount of loan/borrowing outstanding at amortised cost	Description	Bank loan interest	Maturity
			Amount	Amount	Amount			
1	Bank PKO BP S.A.	Warsaw	92,000	-	-	Limit for use of overdraft facility and execution of orders for guarantees, letters of credit	wibor + margin	June 27, 2024
			47,600	13,800	13,690	Investment bank loan	wibor + margin	December 31, 2024
2	ING Bank Śląski S.A.	Katowice	51,000	-	-	Limit for the use of an overdraft facility and for the execution of orders in respect of guarantees, letters of credit and debt redemption	wibor + margin	April 20, 2023
3	mBank S.A.	Warsaw	19,000	-	-	Limit for use of overdraft facility and execution of orders for guarantees, letters of credit	wibor + margin	April 18, 2023
			8,000	-	-	Limit for reverse factoring	-	September 13, 2024
4	Bank PKO BP S.A.	Warsaw	90,000	-	-	Limit for use of overdraft facility and execution of orders for guarantees, letters of credit	-	July 3, 2024
			71,400	19,560	19,390	Investment bank loan	-	December 31, 2024
5	Bank PKO BP S.A.	Warsaw	18,000	8,925	–	Limit for use of overdraft facility and execution of orders for guarantees, letters of credit	-	July 11, 2023
6	Bank PKO BP S.A.	Warsaw	4,022	240	-	Investment bank loan	-	March 31, 2023

LP	Name of the entity (company)	Collateral
1	Bank PKO BP S.A.	1 Declaration of submission to enforcement 2. Registered pledge on inventories of the Vistula and Wólczanka brands 3. Registered pledge on "Vistula" and "Wólczanka" brands and "Wólczanka" brands 4. Registered pledge on W.Kruk SA shares 5. Tripartite agreement on payment card transactions 6. Assignment of rights under insurance policy
2	ING Bank Śląski S.A.	1.Assignment of receivables, 2.Receipts on bank account, 3.Registered pledge on Bytom and Intermoda trademark, 4.Registered pledge on selected locations of the Bytom brand, 5. Assignment of rights under the insurance policy, 6. Declaration of submission to enforcement
3	mBank S.A.	1 Assignment of receivables, 2. five blank promissory notes

LP	Name of the entity (company)	Collateral
		3. Registered pledge on selected locations under the Bytom brand 4 Receipts on bank account
4	Bank PKO BP S.A.	1. Declaration of submission to enforcement 2. Registered pledge on the W.KRUK trademark 3. Registered pledge on W.KRUK's goods inventory 4. Tripartite agreement on payment card transactions 5 Assignment of rights under insurance policy
5	Bank PKO BP S.A.	1. Fixed charge 2. Floating charge on inventories 3. Assignment of rights under insurance policy 4. Declaration of surrender to enforcement 5. Surety granted by VRG S.A.
6	Bank PKO BP S.A.	1. Surety granted by VRG S.A. 2. Contractual right of set-off liabilities 3. Fixed charge 4. Assignment of rights under the insurance policy and property and machinery lease agreements.

THE GROUP HAD THE FOLLOWING LIMITS AND BANK LOANS AS AT 31.12.2022:

– multi-purpose credit limit agreement with PKO BP S.A. in the amount of PLN 92,000 thousand, authorising the use of an overdraft facility of up to PLN 37,000 thousand and the execution of orders for bank guarantees of up to PLN 35,000 thousand and letters of credit of up to PLN 35,000 thousand. An annex amending the multi-purpose credit limit agreement, including the above sublimits, was signed on June 28, 2022. The limit was granted until 27.06.2024.
- investment loan in the amount of PLN 47,600 thousand. The agreement was signed on 09.03.2015. The agreement will expire on 31.12.2024.
- a multi-option credit line in the amount of PLN 55,000 thousand for the period until 29.11.2022, and then with its reduction by PLN 2,000 thousand each time on the following dates: from 30.11.2022, 31.12.2022, 31.01.2023, 28.02.2023. 31.03.2023 with a closing date of April 20, 2023, under the Multi-product Agreement with ING Bank Śląski S.A. The Company may use the following products: an overdraft facility of up to PLN 23,000,000 until 29.11.2022, and then decreasing by PLN 2,000 thousand each time on the following dates: from 30.11.2022, 31.12.2022, 31.01.2023, 28.02.2023 until 31.03.2023. - April 20, 2023 may not exceed the amount of PLN 13,000,000, a line for letters of credit up to PLN 15,000,000, a line for bank guarantees up to PLN 6,000,000, discount transactions in the form of reverse repurchase of receivables in the amount of EUR 8,000,000, however, 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, i.e. the amount of PLN 55,000,000. for the period to 29.11.2022, and then decreasing each time by PLN 2,000 thousand on the following dates: from 30.11.2022, 31.12.2022, 31.01.2023, 28.02.2023 until 31.03.2023. - April 20, 2023 may not exceed the amount of PLN 45,000 thousand.
- a multi-purpose credit line with mBank S.A. entitling the holder to use an overdraft facility and to execute orders for bank guarantees and letters of credit, with the total amount of debt resulting from the use of the limit in the form of the above-mentioned credit products not to exceed PLN 19,000,000.00. The credit line is granted until 18.04.2023.
- debt repurchase limit agreement (factoring) in the amount of PLN 8,000,000.00. The limit was granted until 13.09.2024.
- Multi-purpose credit limit agreement in the amount of PLN 90,000 thousand, authorising the use of an overdraft facility of up to PLN 52,000 thousand and the execution of orders in respect of bank guarantees of up to PLN 40,000 thousand and letters of credit of up to PLN 10,000 thousand. An annex amending the multi-purpose credit limit agreement, including the above sublimits, was signed on July 4, 2022. The limit was granted until 03.07.2024. On 22.02.2023, an annex was signed increasing the limit for bank guarantees to PLN 45,000 thousand, with the remaining terms and conditions remaining unchanged.
- investment loan in PKO BP SA in the amount of PLN 71,400 thousand The agreement was signed on 09.03.2015. The agreement will expire on 31.12.2024.
- a multi-purpose credit limit agreement, setting a limit of PLN 18,000 thousand, authorising the use of an overdraft facility of up to PLN 11,500 thousand and the execution of orders in respect of bank guarantees of up to PLN 6,500 thousand and letters of credit of up to PLN 6,500 thousand. The limit was granted until 11.07.2024.

As at 31.12.2022. Group had met the repayments of all loans received and interest on loans.

NOTE 23 LEASE LIABILITIES

Lease liabilities by maturity	PLN ths	
	31.12.2022	31.12.2021
Amounts payable in accordance with leases agreements regarding commercial premises and office space agreements, including:	302,048	332,878
Up to 1 year	101,610	96,861
From year 2 to year 5	190,467	219,480
Above 5 years	9,971	16,537
Amounts payable in accordance with finance lease agreements relating to other contracts	1,838	1,645
Up to 1 year	618	705
From year 2 to year 5	1,220	940
Above 5 years	0	0
Total lease liabilities	**303,886**	**334,523**
The amounts due for settlement within 12 months (shown as short-term liabilities)	102,228	97,566
incl.: leases of retail and office floorspace	*101,610*	*96,861*
The value of payments after 12 months (shown under long-term liabilities)	201,658	236,957
incl.: leases of retail and office floorspace	*200,438*	*236,017*

All car lease liabilities are denominated in PLN, while those for the lease of commercial premises and office space are denominated in EURO and PLN.

Fair value of the Group's leasing liabilities corresponds to its book value.

Leases not included in valuation	w tys. zł	
	31.12.2022	31.12.2021
Liabilities under lease agreements relating to commercial premises and office space:	7,776	6,624
short-term leases	303	310
leasing of low-value assets	0	0
variable lease payments not included in lease liabilities	**7,473**	**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 of low-value leases.

Costs related to short-term leases in accordance with IFRS 16 par. 6, linearly during the period, they amounted to PLN 303 thousand.

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

Total expenses for the lease agreements were:

Expenses for lease agreements for commercial premises and office space:	PLN ths	
	31.12.2022	31.12.2021
Payment of liabilities under financial lease agreements relating to commercial premises and office space	106,931	80,385
Interest paid under finance lease agreements relating to commercial premises and office space	4,981	5,478
short-term leases	303	310
low-value leases	0	0
variable lease payments not included in lease liabilities	7,473	6,314
Total payment lease liabilities	**119,688**	**92,487**

The table below shows the impact on the Capital Group's result in the reporting period for 2022, i.e. 01.01.2022 to 31.12.2022, between the recognition of commercial premises and office lease agreements in accordance with IFRS16 (implemented on January 1, 2019) and in accordance with IAS17 (valid until December 31, 2018).

Item	PLN ths		
	2022 / period from 01-01-2022 to 31-12-2022 according to IAS17	Effect of finance lease liabilities relating to commercial premises and office space	2022 / period from 01-01-2022 to 31-12-2022 reported data
Gross profit on sales	683,132	0	683,132
Selling costs and general administrative costs	558,759	-18,854	539,905
Other operating revenues	9,143	1,163	10,306
Other operating costs	12,575	33	12,608
Loss on sale of non-financial assets	318	0	318
EBITDA	*142,287*	*108,061*	*250,348*
Operating profit	**120,623**	**19,984**	**140,607**
Financial income	2,131	0	2,131
Financial costs	13,709	11,391	25,100
Pre-tax profit	**109,045**	**8,593**	**117,638**
Income tax	23,047	1,633	24,680
Net profit	**85,998**	**6,960**	**92,958**

In 2022, depreciation of leases related to contracts of commercial premises and office space amounted to PLN 88,077 thousand.

The table below presents the impact on the Capital Group's result in the reporting period in the 4th quarter of 2022, i.e. 01.10.2022 to 31.12.2022, 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		
	4Q 2022* / period from 01-10-2022 to 31-12-2022 according to IAS17	Effect of finance lease liabilities relating to commercial premises and office space	4Q 2022* / period from 01-10-2022 to 31-12-2022 reported data
Gross profit on sales	201,266	0	201,266
Selling costs and general administrative costs	161,948	-4,815	157,133
Other operating revenues	3,001	255	3,256
Other operating costs	5,043	0	5,043
Loss on sale of non-financial assets	281	0	281
EBITDA	*42,462*	*27,644*	*70,106*
Operating profit	**36,995**	**5,070**	**42,065**
Financial income	9,546	11,698	21,244
Financial costs	2,258	1,237	3,495
Pre-tax profit	**44,147**	**15,531**	**59,678**
Income tax	9,382	2,951	12,333
Net profit	**34,765**	**12,580**	**47,345**

*-unaudited data

Depreciation and amortisation in Q4 2022 on leases relating to retail premises and office space amounted to PLN 22,574 thousand.

NOTE 24 TRADE AND OTHER LIABILITIES

Trade and other payables mainly arise from commercial purchases and costs associated with day-to-day operations. The average credit period adopted for trade purchases is 45 days.

Trade and other liabilities	PLN ths	
	31.12.2022	31.12.2021
Trade liabilities	108,089	104,974
Liabilities due to taxes, subsidies, purpose, social and health insurance and other benefits	29,251	37,588
Financial liabilities (reverse factoring)	16,088	16,704
Deferred income liabilities	21,735	19,400
Other	23,055	14,496
Short-term liabilities, total	**198,218**	**193,162**

Short-term liabilities (currency structure)	PLN ths	
	31.12.2022	31.12.2021
a) PLN	144,337	154,580
b) in foreign currencies (by currency and after conversion into PLN)	53,881	38,582
b1. in EURO thousands	3,527	3,669
PLN thousands	16,543	16,828
b2. in USD thousands	5,015	2,828
PLN thousands	22,073	11,685
b3. in CHF thousands	3,194	2,264
PLN thousands	15,228	10,069
Other currencies in PLN thousands	7	0
Total short-term liabilities	37	0
a) PLN	0	0
b) in foreign currencies (by currency and after conversion into PLN)	**198,218**	**193,162**

Deferred revenue obligations include valuation of the loyalty programme. The value of deferred revenue is determined taking into account the conversion factor for the value of points awarded and the probability of redemption of the award. The amount of deferred revenue relating to the loyalty programme presented in the balance sheet as at 31.12.2022 is PLN 10,060 thousand. (PLN 4 023 thousand as at 31.12.2021).

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

Liabilities on account of taxes, customs duties, social security and health insurance are realised within the time limits resulting from the income tax and social security acts, respectively, and do not exceed 30 days.

Liabilities to employees for wages and salaries are realised within 10 days from the end of the month in which work was provided and other liabilities within a period not exceeding 30 days.

NOTE 24A FINANCE LIABILITIES BY MATURITY

Finance liabilities by maturity	PLN ths	
	31.12.2022	31.12.2021
Amounts payable in accordance with finance lease agreements relating to commercial premises and office space, including:	**311,095**	**343,448**
Up to 1 year	102,348	97,518
From year 2 to year 5	197,755	227,690
Above 5 years	10,992	18,240
Amounts payable in accordance with finance lease agreements relating to other contracts	**2,120**	**1,716**
Up to 1 year	751	742
From year 2 to year 5	1,369	974
Above 5 years	0	0
Amounts payable according to bank loan agreements	**46,066**	**50,876**
Up to 1 year	25,290	15,632
From year 2 to year 5	20,776	35,244
Above 5 years	0	0
Amount payable from trade and other liabilities according to maturity	**168,967**	**155,574**
Up to 1 year	168,967	155,574
From year 2 to year 5	0	0
Above 5 years	0	0

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

NOTE 25 PROVISIONS

	PLN ths					
	Provision for employment costs	Provision for legal disputes	Provision for work in progress (services of subcontractors)	Returns from customers	Other	Total
Balance at January 1, 2021	**6,655**	**2,612**	**925**	**893**	**10**	**11,095**
provisions created during the financial year	2,946	615	827	1,309	2	5,699
release / use of provisions	-1,397	-29	0	0	0	1,426
Balance at December 31, 2021	**8,204**	**3,198**	**1,752**	**2,202**	**12**	**15,368**
allocated to short-term liabilities	7,083	3,198	1,752	2,202	12	14,247
allocated to long-term liabilities	1,121	0	0	0	0	1,121
Balance at January 1, 2022	**8,204**	**3,198**	**1,752**	**2,202**	**12**	**15,368**
provisions created during the financial year	4,801	452	0	1,836	111	7,200
release / use of provisions	-3,894	0	-1,188	-857	-22	-5,961
Balance at December 31, 2022	**9,111**	**3,650**	**564**	**3,181**	**101**	**16,607**

	PLN ths					
	Provision for employment costs	Provision for legal disputes	Provision for work in progress (services of subcontractors)	Returns from customers	Other	Total
allocated to short-term liabilities	8,082	3,650	564	3,181	101	15,578
allocated to long-term liabilities	1,029	0	0	0	0	1,029

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

The balance of provisions as at 31.12.2022 consists of:

long-term provision for retirement benefits	PLN 1,029 ths	Total PLN 16,607 ths
short-term provision for retirement benefits	PLN 106 ths	
short-term provision for unused holidays	PLN 4,416 ths	
provision for unpaid bonuses	PLN 3,560 ths	
short-term provision for sewing services	PLN 564 ths	
provision for future liabilities	PLN 3,650 ths	
provision for returns	PLN 3,181 ths	
other provisions	PLN 101 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 6.85%, the long-term annual growth rate of remuneration 10% w 2022 and further 3%, the probability of departing employees on the basis of historical data on employment turnover in the Capital Group.

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

NOTE 26 SHARE CAPITAL

	PLN							
Series / issue	Type of share	Type of share preference	Type of share rights restriction	Number of shares	Issue value by nominal value	The method of capital payment	Registration date	The right to dividends (from date)
Issue "A"	common	ordinary bearer		1,000,000			1991-04-30	
Share split (1 : 5)	common	ordinary bearer		5,000,000			1994-01-28	
Issue "B"	common	ordinary bearer		1,000,000			1995-01-05	
Share 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	

Series / issue	Type of share	Type of share preference	Type of share rights restriction	Number of shares	Issue value by nominal value	The method of capital payment	Registration date	The right to dividends (from date)
	PLN							
Issue „C”	common	ordinary bearer		140,000			2007-01-22	
Share split (1 : 10)	common	ordinary bearer		80,222,190			2007-09-06	
Issue „G”	common	ordinary bearer		8,021,810			2008-10-06	
Issue „H”	common	ordinary bearer		15,059,932			2008-12-31	
Issue „I”	common	ordinary bearer		8,247,423			2009-12-17	
Issue „K”	common	ordinary bearer		22,310,270			2012-09-12	
Issue „M”	common	ordinary bearer		40,000,000			2013-09-16	
Issue „L”	common	ordinary bearer		859,366			2015-06-19	
Issue „L”	common	ordinary bearer		473,973			2016-10-11	
Issue „N”	common	ordinary bearer		1,980,000			2016-10-11	
Issue „N”	common	ordinary bearer		2,020,000			2017-07-07	
Issue „N”	common	ordinary bearer		2,000,000			2018-06-29	
Issue „O”	common	ordinary bearer		53,260,879			2018-12-28	
Total number of shares				**234,455,840**				
Total issued capital					**49,122,108**			
Nominal value of one share (PLN) = 0.20.								

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

As at December 31, 2022, all shares issued were fully paid up.

Share capital	PLN ths	
	31.12.2022	**31.12.2021**
Registered:	49,122	49,122
234,455,840 common shares PLN 0.20 each (year 2017: 179,194,964 common shares PLN 0.20 each)	49,122	49,122

In accordance with the requirements of the Code of Commercial Companies, the dominating entity is obliged to create capital reserves to cover losses. At least 8% of the profit for a given financial year reported in the separate financial statements of the dominating entity is transferred to this capital category until this capital reaches at least one third of the dominating entity’s share capital. The General Shareholder Meeting decides on the use of reserve capital and other capital reserves, however, part of the capital reserves in the amount of one third of the share capital may be used only to cover the loss disclosed in the dominating entity's separate financial statements and is not subject to any other purposes. Capital requirements were met in 2022.

NOTE 27 RESERVE CAPITAL

	PLN ths
Balance at January 1, 2021	**14,333**
Increases due to stock option program valuation	0
Balance at December 31, 2021	**14,333**
Balance at January 1, 2022	14,333
Increases due to stock option program valuation	0
Balance at December 31, 2022	**14,333**

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

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

NOTE 28 RETAINED EARNINGS

	PLN ths
Balance at January 1, 2021	**759,899**
Net profit (loss) for the current year	66,310
Balance at December 31, 2021	**826,209**
Balance at January 1, 2022	826,209
Net profit (loss) for the current year	92,958
Dividends	-39,857
Balance at December 31, 2022	**879,310**

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

Retained earnings, include all reserves, retained earnings of the parent company and subsidiaries.

NOTE 29 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 and conditions traded in active, liquid markets is determined by reference to stock exchange prices;
the fair value of other financial assets and financial liabilities (excluding 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 derivatives is calculated using exchange prices. If these prices are not available, a discounted cash flow analysis is applied using the relevant yield curve for the term of the instrument for non-optional instruments and option pricing models for optional instruments.

During the period from 1 January 2022 to 31 December 2022, there was no transfer between levels in the fair value hierarchy used for fair value measurement, nor was there any change in the classification of financial assets as a result of a change in the purpose or use of those assets.

CURRENCY DERIVATIVES

The Group uses currency derivatives to hedge future cash flows against foreign exchange risk. The Group holds, as hedging transactions, forward currency purchase contracts. The derivatives are denominated in USD and EURO. As at 31.12.2022, the balance at nominal value is USD 0 thousand, translated at the transaction exchange rate of PLN 0 thousand.

The valuation of derivatives falls into the level two hierarchy, i.e. the valuation is based on market assumptions.

NOTE 29A FINANCIAL INSTRUMENTS BY CLASS

Balance sheet items measured at amortised cost	PLN ths			
	31.12.2022		31.12.2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Loans granted	0	0	0	0
Trade and other receivables and current assets	14,295	0	13,078	0
Cash and cash equivalents	95,899	0	114,572	0
Non-current liabilities from loans, borrowings and leases	0	221,118	0	270,615
of which: leases of commercial premises and office space	*0*	*200,438*	*0*	*236,017*
Current liabilities from loans, borrowings and leases	0	125,014	0	118,170
of which: leases of commercial premises and office space	*0*	*101,610*	*0*	*96,861*
Trade and other payables		200,380	0	193,591
Financial instruments (forwards)	0	0	0	0
Total	**110,345**	**546,512**	**127,650**	**582,376**

The above Financial Assets and Financial Liabilities were measured at amortised cost.

The Group carried out an analysis which concluded that the value of the financial instruments shown in the statement of financial position did not differ significantly from their fair value due to the fact that the majority of these instruments bear interest at a variable rate.

NOTE 29B FINANCIAL INSTRUMENTS – INCOME AND COSTS, WRITE-UPS AND WRITE-OFFS

Balance sheet items	PLN ths					
	2022 / period from 01-01-2022 to 31-12-2022					
	Interest income	Interest cost	Gains/losses on measure-ment at amortised cost	Write-offs created	Write-ups	FX gains/ losses
Loans granted	0	0	0	0	0	0
Trade and other receivables	24	0	0	86	1,040	-2,028
Cash and cash equivalents	1,621	0	0			-47
Other current assets - Forward transactions	0	0	0	0	0	0
Loans, borrowings	0	4,490	0	0	0	0
Lease commitments for commercial premises and office space contracts	0	4,981	0	0	0	-6,410
Trade and other payables	0	167	0	0	0	-4,391
Total	**1,645**	**9,638**	**0**	**86**	**1,040**	**-12,876**

Balance sheet items	PLN ths					
	2021 / period from 01-01-2021 to 31-12-2021					
	Interest income	Interest cost	Gains/losses on measure-ment at amortised cost	Write-offs created	Write-ups	FX gains/ losses
Loans granted	0	0	0	0	0	0
Trade and other receivables	39	0	0	2,631	51,942	612
Cash and cash equivalents	7					149

Balance sheet items	PLN ths					
	2021 / period from 01-01-2021 to 31-12-2021					
	Interest income	Interest cost	Gains/losses on measure-ment at amortised cost	Write-offs created	Write-ups	FX gains/ losses
Other current assets - Forward transactions	0	0	0	0	0	0
Loans, borrowings	0	1,801	0	0	0	0
Lease commitments for commercial premises and office space contracts	0	5,478	0	0	0	1,534
Trade and other payables	0	407		0	0	-3,188
Total	**46**	**7,686**	**0**	**2,631**	**51,942**	**-893**

On February 24, 2022, Russia's armed conflict with Ukraine began. The military action in the country neighbouring the Republic of Poland introduced a high degree of uncertainty as to the development of processes in the political, social and economic spheres. As at the date of preparation of the financial statements, the parent company's Management Board is unable to accurately estimate the scale of the deterioration in financial performance, as a number of factors are beyond its influence and control, but to the best of its knowledge, as at the date of preparation of the consolidated financial statements, it does not perceive the war as a premise that could affect the fair value of the Group's financial assets and liabilities.

The Group uses external financing at variable interest rates in the form of investment and working capital loans and reverse factoring. As a result, the Group is exposed to interest rate risk in the form of a possible increase in the cost of financing and a consequent reduction in the Group's profitability. In the consolidated financial statements, a sensitivity analysis of the financial result is presented in the risk list table. Thus, the Group recognises the possible impact on the fair value of financial assets and financial liabilities.

NOTE 30 CONDITIONAL ASSETS AND LIABILITIES

Off-balance sheet items	PLN ths	
	31.12.2022	31.12.2021
Issued bank guarantees for rents for the rental of shop premises and guarantees of timely payment of commercial liabilities	66,229	58,755
open letters of credit	18,355	23,441
promissory notes to secure lease liabilities	462	410
Total contingent liabilities	**85,046**	**82,606**

There are no contingent receivables.

NOTE 31 INFORMATION ON SIGNIFICANT CHANGES IN ESTIMATES

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

Note	10	Goodwill impairment test
Note	11	Other intangible assets (useful lives)
Note	12	Fixed assets (useful lives)
Note	12a	Right-of-use assets
Note	16,19	Allowance for inventories

Note	18,19	Receivables write-off
Note	8	Deferred tax assets and liabilities
Note	24	Loyalty programme liabilities
Note	25	Provisions for liabilities
Note	32	Share-based payments
Note	7,8	Tax settlements

NOTE 32 SHARE BASED PAYMENTS

On 27.06.2018. the Annual General Meeting of Shareholders resolved on an incentive programme for members of the Company's Management Board, key managers or other persons of significant importance to the Company (and its group companies) based on payment in the form of Company shares. Detailed terms and conditions of the incentive programme (assuming in full the granting of 7,050,000 subscription warrants) were included in current report No. 33/2018 of 27.06.2018. The value of the incentive programme 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 programme taking into account the probability of realisation of non-market conditions. Amount calculated with a probability of 100%.

The expected degree of volatility was determined on the basis of historical judgement supported by an analysis of the volatility of closing price returns for the company's shares listed on the WSE.

The expected life of the option was determined based on the maximum period resulting from the resolution.

The issue price of the P series shares was equal to PLN 4.48.

Series F subscription warrants were allocated to participants of the programme in 2019.

The allocation of the subscription warrant tranche was completed in 2020.

Each series F subscription warrant entitles to subscribe for one series P ordinary bearer share of the Company with a nominal value of 20 gr (twenty groszys) each, at an issue price equal to PLN 4.48 (four zlotys and forty-eight groszys) per share.

Rights under the Warrants issued by the Company may be exercised no later than December 31, 2023. The Warrant ceases to be valid upon exercise of the right to subscribe for P shares.

In 2022, an amount of PLN 0 thousand was recognised in general and administrative expenses due to the valuation of the incentive scheme. (in 2021: PLN 0 thousand).

8. OTHER SUPPLEMENTARY INFORMATION

8.1. SIGNIFICANT EVENTS OF 2022

In 2022, there were a number of events internally and in the Group's environment that had an impact on VRG's business.

Tensions in the business environment: the geopolitical tension caused by Russia's aggression against Ukraine had a significant impact on Polish society and the economic situation in the country throughout 2022. The events beyond our eastern border, initiated by Russia's aggression against Ukraine on February 24, 2022, did not affect the company's operational continuity. VRG had no sales or employees in Ukraine or Russia. During the first weeks of the war, we saw a sharp slump in sales, which only started to recover from mid-March onwards. In response to the events in Ukraine, we undertook a number of relief efforts for those directly affected by the war, including our employees in Poland who are Ukrainian nationals. VRG Brands donated 200,000 PLN to Polish Humanitarian Action (100,000 from VRG and another 100,000 from W.KRUK) as well as in-kind donations of clothing.

Pandemic situation: in addition to the outbreak of the war in Ukraine, the Group also faced a reduction in showroom traffic in the first quarter of 2022 as a result of the fifth wave of COVID-19. Although we did not have to deal with administrative lockdowns, the temporary withdrawal of a large part of the Polish population and the return to remote working of companies, resulted in reduced traffic in shopping centres in January and early February. In the following months of the half-year, we saw a recovery in demand, the dynamics of which were stronger than in 2021. In the second half of the year, the impact of the increase in covid seasonal sickness no longer had such a visible effect on traffic in stationary shops.

Inflationary pressures and demand: 2022 passed under the shadow of economic uncertainty, high inflation and the price rises that followed (including energy) and wage pressures. The rising cost of living from month to month caused widespread concern about consumer sentiment and demand. Management responded to this pressure by closely monitoring available data on offline and e-commerce consumer behaviour and making decisions on an ongoing basis to mitigate the risks associated with reduced demand (e.g. changes in order volumes or pursuing a flexible sales policy. As a result, despite the difficult environment, the VRG Group has been able to successfully support sales and protect margins.

Apparel segment offer: The apparel brands' collections for 2022 were prepared with the post-pandemic revival in mind. The segment's offer focused on collections combining classic forms with comfortable casual elements. The common denominator of the Group's brand offerings remains a commitment to quality and timeless elegance. Vistula, the largest brand in the VRG Group's clothing portfolio, changed its approach to commercialising collections in 2022. Starting with the Autumn/Winter season, the brand's offerings do not appear in stores at the same time, but are divided into chapters, introduced into stores and the on-line channel gradually - so that the individual pieces are best suited to the customers' needs at that point in the season. Vistula also developed its women's offer in 2022 - expanding the range for this consumer group from season to season. Proof of the high quality of the brand's women's offer is provided by the Excellence in Fashion award Twój Styl 2022, awarded to Vistula's women's collection for Autumn/Winter 2022/2023. The return of customers to stationary shops benefited Bytom, maintaining its more classic line in formalwear, while increasing the share of casual clothing. Sales of Deni Cler's classic collection improved significantly in 2022, supported by growing demand in the premium segment. Good results were also achieved by Wólczanka, they offer the widest range of clothing for men and women, allowing them to build "total looks" for both work and leisure.

Qatar World Cup: In November 2022, the men's World Cup was played in Qatar. For the event, Vistula, which is the official tailor of the national team, created formal attire for the Polish team. In addition, the brand, in partnership with the Polish Football Association, introduced a special collection related to the Championship. A special line of products, inspired by the World Cup monolook of the "red and white" team, has appeared in stores and in the on-line store. Vistula has been working with the Polish Football Association since 2016. The formal attire prepared for last year's championship is yet another styling by the brand for the Polish men's national football team. Previously, the red and white team performed in attire from Vistula during the official parts of the 2016 European Championships in France, the 2018 World Cup in Russia and UEFA EURO 2020.

Garments to be donated: In November 2022, Wólczanka became the first brand in the VRG Group portfolio to organise a clothing collection in collaboration with Ubrania Do Oddania (Garments to be donated). As part of the campaign, customers visiting the brand's six large-format stores in major cities were able to donate unwanted clothes to dedicated boxes or order a free courier via the website to collect the clothes from the indicated location. A special collection with the participation of employees was also carried out at the VRG headquarters in Cracow. Clothing collected during the campaign was either recirculated or recycled. As part of the campaign, financial aid was also donated to the the Foundation for Children "Help on Time". The campaign was implemented as part of the VRG Group's sustainable development strategy.

Jewellery segment offer: W.KRUK focused on diversifying its offering, developing both its premium range and its offer of more financially accessible silver and fashion jewellery. In the premium category, W.KRUK offered in 2022 primarily watches from the luxury segment (including Patek Philippe, Rolex or Cartier) and a wide portfolio of luxury jewellery from brands such as Bijoux Birks, Recarlo, Pasquale Bruni, Marco Bicego, Nanis or Hulchi Belluni. In Spring, the season traditionally abounding in family celebrations, W.KRUK customers were presented with an occasional collection: for weddings, communions and Mother's Day, among others. The ambassador of the latter was the well-known singer Natalia Kukulska and her daughter Ania Dąbrówka. In October 2022, in turn, the Longplay ambassador collection, created by Natalia Kukulska and Michal Dąbrówka, made its debut, which was very well received by customers. The brand's first-ever original luxury jewellery collection Lunapark, launched for the festive season in November 2022, also achieved great results. At the same time, W.KRUK is developing its Picky Pica range of popular jewellery.

Development of the traditional network: Development of new concepts within the traditional network is part of the strategic evolution of the VRG Group's apparel segment brands - aimed at growing the company's business in this area. The year 2022 saw a series of openings of Wólczanka's large-format shops, enabling the presentation of the brand's wide range of products. They appeared, among others, in Silesia City Center, Westfield Arkadia, CH Focus in Zielona Góra, City Center in Rzeszów and Magnolia Park in Wrocław. In August 2022, the latest store of the Vistula brand also opened in Warsaw's Westfield Arkadia in a new concept. It is distinguished from the previously opened shops by a changed method of display (assortment presented on one level, at the height of the customer's eyes) and spaces separated for the women's collection and accessories.

Formation of the Company's Management Board: During 2022, the Supervisory Board formed the VRG Group's Management Board, consisting of: Janusz Płocica as President of the Management Board, Marta Fryzowska as Executive Vice President of the Management Board responsible for the apparel segment, Łukasz Bernacki as Executive Vice President of the Management Board responsible for the jewellery segment and Michał Zimnicki, acting as Executive Vice President of the Management Board and CFO of the Company. The current management board consists of managers responsible for the Group's key business divisions and an experienced CFO, thus reflecting the Group's operating model based on two business segments - apparel and jewellery. As a Management Board, we are confident that with this composition we will be able to increasingly develop operational activities and strategic initiatives, effectively building both segments and cooperation between them.

First dividend since 1999: One of the main objectives of the Management Board is to share the profit generated with shareholders, in line with the dividend policy adopted on May 28, 2022. In June, the General Meeting of Shareholders, on the recommendation of the Management Board, passed a resolution for VRG to pay a dividend of PLN 0.17 per share for the first time since 1999. In total, the company paid out PLN 39,857,492.80 to shareholders. The shareholders of the Company as at July 15, 2022 (the dividend date) were entitled to the dividend and the dividend payment date was July 29, 2022. The Management Board plans to recommend payments in accordance with the adopted policy in the coming years as well, taking into account the financial and liquidity situation of the Company each time, in line with the applicable dividend policy.

Significant changes in the shareholder structure:

In August and September, the shares of significant shareholders in the total number of votes in the Parent Company changed. On August 17, 2022, the IPOPEMA 2 Closed-end Fund of Non-Public Assets (managed by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.) disposed of a significant block of shares in the company, in a transaction conducted over the counter. Prior to the transaction, IPOPEMA 2 FIZAN held 20,344,464 shares in the Parent Company, which represented 8.68% of the Parent Company's share capital and gave it a corresponding number and share of votes at the Parent Company's General Meeting. As a consequence of this transaction, to the knowledge of the Parent Company, IPOPEMA 2 FIZAN Fund currently does not hold any shares in the Parent Company.

On the same day, Mr Jerzy Mazgaj made a transaction to purchase 20,344,464 shares in the Parent Company outside the regulated market (through Trigon Dom Maklerski S.A.). As a result, to the knowledge of the Parent Company, as of the date of publication of this report, Mr Jerzy Mazgaj holds 38,332,632 shares in the Parent Company, which represents 16.35% of the Parent Company's share capital and entitles him to 16.35% of the total number of votes at the Parent Company's General Meeting.

In turn, on September 7, transactions were concluded on the regulated market of the Warsaw Stock Exchange, as a result of which PZU "Złota Jesień" Open Pension Fund (OFE PZU) and PZU Voluntary Pension Fund (DFE PZU) acquired shares of the Parent Company in the number of 3,381,011 and 100,000. As a result of these transactions, the share of OFE PZU and the total share of OFE PZU and DFE PZU in the total number of votes in the Parent Company increased by more than 2% of votes compared to the last notification of OFE PZU. To the knowledge of the Parent Company, as at the date of publication of this report, OFE PZU and DFE PZU hold a total of 45,251,894 shares in the Parent Company, which represents 19.30% of the Parent Company's share capital and entitles them to exercise 19.30% of the total number of votes at the Parent Company's General Meeting.

8.2. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Changes in the shareholding structure: On January 4, 2023, the Parent Company received from Colian Developer sp. z o.o. sp. k. with its registered office in Kalisz ("Notifier") acting in agreement with Mr. Jan Kolański, a notification pursuant to Article 69, paragraph 1 in connection with Art. 69a (1) (3) of the Act of July 29, 2005 on public offerings, conditions governing the introduction of financial instruments into the organised trading system and public companies, on increasing the share in the total number of votes in the Parent above the 5% threshold by the Memorandum of Understanding in which the Notifier acts together with Mr Jan Kolański. As a result of the purchase transaction of 30,550 shares in the Parent Company concluded on 30.12.2022 during the trading session on 30.12.2022. The Arrangement exceeded the 5% share in the total number of votes in the Parent Company. Prior to the aforementioned transaction, the Arrangement held 11,722,373 shares in the Parent, which represented 4.99% of the Parent's share capital and entitled it to exercise 4.99% of the total number of votes in the Parent. After the aforementioned transaction, the Shareholders Agreement (Colian Developer sp. z o. o. sp. K. and Jan Kolański) holds a total of 11,752,923 shares in the Dominant Company, which constitutes 5.01 % of the share capital of the Dominant Company and entitles to exercise 5.01 % of the total number of votes in the Dominant Company.

8.3. RELATED PARTY TRANSACTIONS

ENTITIES AND PERSONS RELATED TO THE COMPANY'S KEY MANAGEMENT PERSONNEL AS AT 31 DECEMBER 2022, WITH WHOM TRANSACTIONS WERE CARRIED OUT DURING THE REPORTING PERIOD

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

In 2022, the Company entered into transactions with entities which are significantly influenced by, or have a significant number of votes in the Company, directly or indirectly, a person who is a member of the Company's key management personnel.

Doksa Sp. z o.o. - 2022 total gross turnover amounted to PLN 797,000.

Coilian Sp. z o.o- 2022 total gross turnover was PLN 9 thousand.

Key personnel are described in section 8.9.

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

W okresie 12 miesięcy zakończonych 31 grudnia 2022 roku Spółka dominująca nie dokonywała emisji, wykupu lub spłaty kapitałowych papierów wartościowych.

During the 12 months ended December 31, 2022, the Parent Company has not issued, redeemed or repaid any equity securities.

8.5. PAID AND DECLARED DIVIDENDS

The Group has a Dividend Policy adopted by the Board of Directors of the parent company on 18 May 2022 with the following wording:

Dividend Policy of VRG S.A., based in Cracow.

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

The Company's Management Board intends to recommend to the General Meeting of the Company that the dividend payment be between 20% and 70% of the consolidated net profit as shown in the Company's audited consolidated financial statements on an annual basis, assuming that the net debt/EBITDA ratio at the end of the financial year is less than 2.5.

Each time before making a recommendation to the Company's General Meeting, the Company's Management Board 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 the given market and macroeconomic situation,
- acquisition plans,
- bank loan covenants.

On June 21, 2022, the Company's Annual General Meeting decided to pay a dividend of PLN 0.17 per share for a total amount of PLN 39,857,492.80. It was decided that the shareholders of the Company as at July 15, 2022 (the dividend date) would be entitled to the dividend. The dividend was paid on July 29, 2022.

8.6. PENDING COURT AND ADMINISTRATION PROCEEDINGS

There are no proceedings pending before any court, arbitration body or public administration authority concerning the Group's liabilities or receivables, the value of which would have a material impact on the assessment of the Group's position.

8.7. TAX SETTLEMENTS

The tax regulations in force in Poland are subject to frequent changes, causing significant differences in their interpretation and significant doubts in their application. Tax authorities have control instruments allowing them to verify tax bases (in most cases over the previous 5 financial years), and to impose penalties and fines. Since July 15, 2016, the Tax Ordinance has also included the provisions of the General Anti-Abuse Clause (GAAR), which is intended to prevent the creation and use of artificial legal structures created to avoid taxation. The GAAR clause is to be applied both to transactions carried out after its entry into force and to transactions that were carried out before the GAAR clause entered into force, but for which benefits have been or continue to be obtained after the date of entry into force of the clause. Consequently, the determination of tax liabilities, assets and deferred tax liabilities may require significant judgement, including on transactions that have already occurred, and the amounts presented and disclosed in the financial statements may change in the future as a result of audits by tax authorities.

8.8. INFORMATION ON GRANTING BY THE ISSUER OR ITS SUBSIDIARY GUARANTEES FOR BANK LOANS OR LOANS TO ONE ENTITY OR ITS SUBSIDIARY, IF THE TOTAL VALUE OF THE EXISTING SURETIES OR GUARANTEES IS SIGNIFICANT

As at 31.12.2022, there were no sureties or guarantees other than those granted to related parties, which are described in note 22.

8.9. REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD FOR 2022

Management Board		PLN ths
Janusz Płocica	President of the Management Board / from 19.04.2022 /	718
Łukasz Bernacki	Executive Vice President of the Management Board / from 07.07.2022/	58
Michał Zimnicki	Executive Vice President of the Management Board	540
Marta Fryzowska	Executive Vice President of the Management Board	690
Radosław Jakociuk	Executive Vice President of the Management Board / from 31.01.2022/	1,170
Jan Pilch	Deputy Chair of the Supervisory Board delegated to perform the duties of the President of the Management Board /from 12.03.2022 to 18.04.2022/	162
Total		**3,338**

The amount of remuneration shown in the table above for Mr Radoslaw Jakociuk includes, in addition to the basic remuneration, the value of severance pay.

Supervisory Board		PLN ths
Mateusz Kolański	Chair of the Supervisory Board	355
Jan Pilch	Deputy Chair of the Supervisory Board	158
Piotr Kaczmarek	Member of the Supervisory Board	219
Piotr Stępniak	Member of the Supervisory Board	189
Wacław Szary	Member of the Supervisory Board	219

Supervisory Board		PLN ths
Andrzej Szumański	Member of the Supervisory Board	189
Marcin Gomoła	Member of the Supervisory Board	195
Total		**1,525**

The managing and supervising persons received remuneration for their functions on the authorities of subsidiaries. These remunerations totalled for 2022:

		PLN ths
Piotr Stępniak	Member of the Supervisory Board of W.KRUK and DCG	98
Piotr Kaczmarek	Member of the Supervisory Board of W.KRUK	80
Andrzej Szumański	Member of the Supervisory Board of W.KRUK	80
Jan Pilch	Chair of the Supervisory Board of DCG	30
Łukasz Bernacki	President of the Management Board of W.KRUK	1,320
Michał Zimnicki	Member of the Management Board of W.KRUK, Member of the Supervisory Board of DCG	140
Total		**1,748**

Management personnel are entitled to the benefits set out in their employment contracts or by virtue of their appointment.

Apart from the benefits listed above, there were no other benefits for management and supervisory personnel, including but not limited to post-employment benefits, termination benefits, other long-term benefits.

8.10. OTHER INFORMATION RELEVANT TO THE ASSESSMENT OF THE GROUP'S SITUATION

The following is a summary of the most important risk factors that may affect the Group's performance and economic and financial position. The factors listed below may have a significant negative impact on the Group's development prospects, performance and financial position.

The Group's financial performance over the next few quarters may be affected by:

- Inflation and price increases.
- Reduced consumption, cuts in household spending on durable goods due to rising inflation.
- Armed conflict in Ukraine.
- Supply chain disruptions related to the Asian market.
- Economic and social situation in Poland.
- Further development of the Group's offering.
- COVID-19 restrictions changing year on year.
- Level of the PLN exchange rate against the USD, EUR.
- Development of the online channel, omnichannel-oriented activities.

8.11. SIGNIFICANT RISK FACTORS

The following is a summary of the most important risk factors that may affect the Group's performance and economic and financial position. The factors listed below may have a significant negative impact on the Group's development prospects, performance and financial position.

EXTERNAL RISK FACTORS

Economic risks related to the macroeconomic situation	The level of the Group's revenues depends on the economic situation, including: the dynamics of economic growth, inflation, unemployment, household income and debt, individual consumption, consumer optimism indicators, the level of the euro exchange rate against the złoty, interest rates and government fiscal policy. There is a risk that in the event of a sharp economic downturn and the occurrence of recessionary phenomena, there will be a significant drop in demand for the products, offered by the Group, which will have a negative impact on the achieved results and financial position. **Actions:** Each of the brands owned by the Group is aimed at a wide range of consumers. The Group offers very good quality products in various price segments. In the event of a downturn in the economy or demand, the Group will cut costs to maintain profitability.
Risks associated with the instability of the Polish legal system legal system, including tax system	A potential risk for the Group's business, as for all business entities, may be the volatility of laws and their interpretation. Changes in commercial law, tax law, labour and social security law and other regulations governing businesses, particularly in the Group's industry, entail significant risks in the conduct of business and may hinder or prevent the implementation of planned operational activities and financial forecasts. Subsequently, changes in the law may lead to a deterioration in the Group's financial condition and performance. New legal regulations may potentially give rise to certain risks related to interpretation problems, lack of jurisprudence practice, unfavourable interpretations adopted by courts or public administration bodies, etc. For example, the implementation of the EU Omnibus Directive, which in the context of Polish law included primarily the amendment of two laws: on the protection of consumer rights and on counteracting unfair market practices, introduced significant changes in trading on the Internet and in stationary shops. The new provisions raise questions of interpretation. Tax law is characterised by a lack of stability, as its provisions are frequently amended, many times to the disadvantage of taxpayers. Changes in the taxation of business activities with respect to income tax, value added tax or other taxes may adversely affect the Issuer's operations and income levels. Interpretations of tax authorities also change, are replaced by others or are in conflict with each other. This results in uncertainty as to how the law will be applied by the tax authorities in the diverse, often complex factual situations occurring in business. The Group is also exposed to the risk of possible changes in interpretations of tax laws issued by tax authorities. The factors described above may have a significant negative impact on the Group's development prospects, results and financial position. **Activities:** The Group continuously analyses changing legislation, including tax legislation, In the event of legal changes, the Management Board will focus its activities on minimising their impact on the Group's financial results.
Risks associated with increased competition	The Capital Group operates in a highly competitive market environment. The apparel and jewellery segment of the market is characterised by a high degree of fragmentation: on the one hand, we are dealing with brands recognised on the Polish market, such as Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK, and on the other hand, with global brands that are aggressively entering the Polish market. The clothing segment of the market is characterised by fairly low barriers to entry. There is also competition from newly emerging brands. The Group may have to look for new sourcing markets to keep its offering competitive. In addition, it may need to spend more on marketing and promotion to reach its target customer. **Actions:** In order to mitigate risks, the Group continuously monitors the activities of its competitors in terms of the development of its sales network, the products offered and the level of prices.
Exchange rate and hedging policy risks	The Group earns its revenue principally in PLN, but incurs significant costs in euro, US dollar and Swiss franc, which exposes the financial result to foreign exchange risk. During periods of weakening of the PLN against the major currencies of settlement, the Group incurs higher costs due to accounting for exchange rate differences.

	In currencies other than PLN, the Group incurs costs (a) for the purchase of materials for production (fabrics, accessories) and complementary assortments in the clothing segment (shoes, knitwear, leather accessories and others), (b) for the purchase of materials for production (jewellery raw materials), jewellery and watches in the jewellery segment and (c) resulting from lease agreements for retail space. In the event of a significant and prolonged weakening of the Polish currency against the euro, the US dollar and the Swiss franc, there is a risk of a significant deterioration in the financial results achieved by the Group. The table below the list of risks presents an analysis of the sensitivity of the financial result (and therefore equity) to an average annual change in exchange rates of +/-5 % against the average or closing rate. **Actions:** The parent company takes measures to limit the impact of an increase in the exchange rate on the level of the achieved "in take" margin mainly in terms of the USD/PLN exchange rate relationship. by entering into forward and spot contracts. The transactions are related to individual deliveries of goods particularly in the fashion area and do not relate to neutralisation of a possible risk related to an increase in rental fees due to a change in the EUR/PLN exchange rate relationship. The impact of forward transactions will be visible in the valuation of currency liabilities related to the forward transactions concluded.
Interest rate risk	The Group uses external financing at variable interest rates in the form of an investment and working capital loan and reverse factoring. As a result, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and a consequent reduction in the Group's profitability. The table below the list of risks presents a sensitivity analysis of the financial result (and thus equity) in relation to a potential fluctuation of the average annual interest rate +/- 100 basis points (i.e. 1 percentage point). **Actions:** The Group continuously monitors the market situation and optimises debt levels using diversified financial products.
Risks related to the armed conflict in Ukraine	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 supply chain disruption. The Group does not have its own or franchise stores in the areas affected by the armed conflict in Ukraine and Russia, nor does it sell there through other channels (on-line shop, wholesale). As the Group does not import goods or raw materials from Ukraine or Russia, the risk of a possible negative impact of the armed conflict in Ukraine on the current stocking of its showrooms and the availability of its offer in on-line shops is assessed by the Parent's Management Board as low.

INTERNAL RISK FACTORS

Risks associated with adopting the wrong strategy	There is a risk that the Group's adopted development plans, the basic assumptions of which are presented in the section "Planned development activities" of the Management Board's Report on the Group's operations, will prove to be ill-adapted to changing customer expectations or market conditions. There is a risk that the implementation of the strategy will be delayed or that certain elements will not be realised or will not produce the expected results. Among other things, there is a risk that the Group will not be able to launch the planned new sales space, that the launch will be delayed or that the new locations will not achieve the targeted sales results. **Actions**: The Boards of Directors continuously analyse the effects of the measures introduced as part of the adopted development strategy. Data on available new locations is obtained and current locations are assessed. Optimisation measures are taken and customer behaviour is monitored in order to minimise the risk of adopting the wrong strategy and its impact on the Group's operations.

Risk of changing tastes and purchasing behaviour	An important factor in the success of an apparel company is a keen sense of changes in fashion trends and current consumer preferences and, in the case of the jewellery segment, adaptation to consumer expectations. There is a risk that individual collections or part of the Group's offer, despite its efforts, will deviate from customer expectations in a given season, which may result in problems with sales, the need to reduce selling prices or write down the value of part of the inventory. In order to mitigate this risk, the Group's companies analyse changing trends and customer needs so as to continue to offer desirable products at a favourable price/quality ratio. In addition, an analysis of the sales of individual ranges is carried out in order to select appropriate products in the next collections of the Group's owned brands. Over the last few years, as a result of the development of new communication technologies, there has been a noticeable change in the behaviour of the modern customer, i.e. the use of the internet and mobile devices in the clothing purchasing process. Thanks to the use of the internet in the purchasing process, the consumer has access to a wide range of brands, often with a global reach. They are also able to quickly compare the products on offer in terms of quality and price. Customers pay attention to delivery times, as well as the manufacturing process and the country of origin of the product. Knowing how today's consumers think and behave about their clothing purchases is an important factor in the success of clothing companies. **Activities:** The Group is aware of the changes taking place and is taking a number of actions to meet the demands of today's apparel customers. These actions include: developing the online sales channel, adapting web shop pages to meet customer expectations, implementing dedicated solutions for mobile devices and reducing lead times.
Risks associated with concluded rental contracts	The Group's business is based predominantly on the retail sale of goods through its own network of stores. The risk of losing one or more locations cannot be ruled out, e.g. in connection with the intention to modernise the entire shopping centre 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 of non-renewal of the lease agreement in locations showing the highest profitability for the Group or generating satisfactory financial results. There is a risk that the lease terms offered to the Group for the next period may differ unfavourably from the existing terms in the location. The loss of existing locations may make it necessary to temporarily curtail operations in a given area or the acquisition of attractive locations may involve increased costs. **Activities:** constant monitoring of existing and potential locations is carried out in order to achieve an optimal portfolio in line with the Group's expectations.
Risks associated with inventory management	Inventory management of finished goods and merchandise is one of the important factors affecting sales performance in the Group's industry. On the one hand, stock levels should facilitate purchasing decisions when offering a particular seasonal collection, leading to an increase in stock at each point of sale. On the other hand, higher inventory levels generate additional working capital requirements and may lead to the rewarding of hard-to-buy stock (seasonal, 'fashion' products, misplaced collections). Inadequate inventory management poses a risk to prices, margins and the necessary level of working capital, and can therefore negatively affect the Group's growth prospects, performance and financial position. **Actions:** A quantitative and qualitative analysis of the stocks held is carried out periodically. Based on this, the Group decides on discount actions, the amount of sales, as well as possible write-downs. In addition, on the basis of an analysis of the stock held and the resale of current collections, decisions are made as to the level of purchases for subsequent sales periods.
Risk of increases in raw material prices and manufacturing costs from suppliers	The Group procures imported raw materials for production, in particular high-quality fabrics and sewing accessories, as well as metals and precious stones for jewellery production. The cost of the aforementioned raw materials is a significant factor affecting the cost of production of the individual products on offer from the Group. In addition, Group companies purchase clothing accessories, jewellery products and watches from renowned foreign brands. There is a significant risk that with further increases in the prices of raw materials or manufacturing costs from

	suppliers/service providers, with little scope for price changes, it will not be possible to maintain margins that are appropriate for the type of product range. **Actions**: With a view to the quality required, the Group actively seeks the most optimal service providers and suppliers and negotiates price conditions.
External service cost risk	A significant share of operating costs is accounted for by third-party services. These services consist primarily of rents and other charges under commercial leases, costs related to the sewing service and costs related to transport and logistics. The Group also purchases a number of typical services (e.g.: advertising, telecommunications, legal, consultancy, etc.). The risk of deterioration in the commercial terms of one or more of the third-party services purchased by the Group, in particular rental costs, cannot be excluded. **Activities:** Constant monitoring of the contracts concluded and comparison to current market conditions is carried out.
Risk of termination of a bank loan agreement	The Group has entered into bank loan agreements with the banks PKO BP, SA, ING Bank Śląski SA and mBank SA. These agreements contain a number of conditions and covenants that the Group is obliged to fulfil. In the event of an economic downturn, a weakening of demand for the Group's products, the fulfilment of the covenants may be jeopardised, resulting in the risk of termination of the agreements by the financing banks. Due to the large amount of financing, it may not be possible for the Group to obtain refinancing in the short term. **Actions:** The Group minimises the risk by meeting its obligations to the banks on time and monitoring compliance with covenants. The Group provides the financing banks with information on its situation on an ongoing basis, either as a result of contractual conditions or the interest of the financing banks themselves, so that the associated risks are minimised and, should refinancing be required, the Group would be able to obtain it within a timeframe that does not impede liquidity.
Liquidity risk	The Group has liabilities under loan agreements. Consequently, collateral has been established covering a significant portion of the assets. These liabilities are serviced primarily using current operating income. In the extreme case of a sharp, simultaneous drop in demand and increase in costs (especially in the event of a deep weakening of the Polish zloty) or a temporary loss of revenue as a result of extraordinary events, the Group may experience difficulties in maintaining its liquidity. **Actions:** The Group constantly monitors its liquidity position by analysing the volume of sales receipts and required liabilities. It has carried out measures to extend payment terms for purchased goods and is actively adjusting the value of collections in line with demand, which will have a positive impact on the Group's cash flow. In the first half of 2022, the Group companies renewed their contracts with PKO BP and mBank for further years. The Group will work to further improve the efficiency of working capital utilisation and maintain longer payment terms. In the opinion of the Parent Company's Management Board, the current situation is sufficiently monitored and controlled. The Parent Company's Management Board is confident of the positive results of the measures described above.
Risk of realisation of security features and loss of security objects	In connection with loan and other agreements with a number of entities, the Group has created numerous securities over all of its assets, both real estate and movable property, inventories and trademarks. The amount of collateral exceeds the carrying value of the Group's assets. There is a risk of failure to meet deadlines or other contractual terms. Delays in meeting the above obligations may result in the immediate termination of all or part of the financing and the subsequent seizure of the Group's assets

	by the creditor to satisfy the collateral. The loss of significant assets could lead to significant impediments to the Group's business operations or even a complete blockage of the Group's ability to operate, generate revenues and profits. **Actions:** The Group minimises risk by meeting its obligations to banks in a timely manner.
Risks related to transactions with related parties	Group companies do and will enter into transactions with related parties. In particular, the Issuer enters into such transactions with the production company and the company responsible for the jewellery segment. Transactions with related parties may be subject to examination by the tax authorities in order to ascertain whether they were concluded on an arm's length basis and whether, therefore, the entity has correctly determined its tax liabilities. In the opinion of the Parent Company's Management Board, transactions with related parties are and will be concluded on an arm's length basis. There is a risk that the tax authorities will question the arm's length nature of the terms and conditions of the selected related party transaction, which could result in additional tax having to be paid, together with default interest. **Actions:** The parent company enters into transactions with related parties on an arm's length basis and analyses their marketability.
Risks related to shareholder structure	The Parent Company is characterised by a dispersed shareholding structure, with the largest shareholders being funds managed by the PZU Group S.A. holding 19.30% of votes at the General Meeting, and 6 significant shareholders holding a total of 77.23% of votes at the General Meeting. Most of these shareholders have held shares in the Parent for many years and participate in shaping the Company's business through their representatives on the Supervisory Board. However, the risk cannot be ruled out that one or more of the significant shareholders will reduce their shareholding or cease to invest in the Company's shares. It cannot be ruled out that decisions on the Group's strategy and operations which are important from the point of view of the Group will be delayed or even blocked. It cannot be ruled out that, despite the cooperation to date, the interests of significant shareholders will diverge/conflict. The aforementioned factors may have a significant negative impact on the Group's development prospects, results and financial position.
Risks associated with providing guarantees to subsidiaries	In connection with the separation of an organised part of the enterprise in the form of jewellery assets and their transfer to the subsidiary W.KRUK SA, the company simultaneously carried out financial restructuring. As part of this process, W.KRUK SA obtained new financing from Bank PKO BP and the parent company guaranteed the subsidiary's liabilities. In the second quarter of 2015, the subsidiary DCG SA obtained refinancing from Bank PKO BP and in the third quarter of 2016 the subsidiary VG Property Sp. z o.o. obtained an investment loan from Bank PKO BP. These liabilities of the subsidiaries DCG S.A. and VG Property Sp. z o.o. were guaranteed by the parent company. In the event of a sudden economic downturn and discontinuation of debt service by W.KRUK SA or DCG SA and VG Property Sp. z o.o. the Parent Company, on the basis of the surety granted, may be obliged to settle the outstanding liabilities of the subsidiaries, which could result in the loss of financial liquidity of the entire Company. In connection with the extension of the subsidiaries' Multiproduct Agreements with Bank PKO BP, the subsidiary W.KRUK S.A. granted a surety to the parent company VRG S.A. in the amount of PLN 55 million, from which it was subsequently released by the bank on 8 September 2022. The parent company VRG S.A. provides a surety to DCG S.A. in the amount of PLN 27 million. **Activities:** The Group monitors on an ongoing basis the financial situation of its subsidiaries and their fulfilment of their obligations towards the banks financing their activities.

Risk of disruption to IT systems	The Group uses a number of IT systems, tools and programmes to ensure an adequate level of communication within the organisational structures of the Group's companies, recording and processing information on business events in all areas of its operations. The risk of IT disruptions in the areas of (i) Technical infrastructure (e.g. failure of servers, workstations, network equipment, lack of connection to external networks), (ii) Software (e.g. malfunction, unauthorised deletion, operation of computer viruses), (iii) Data resources (loss or destruction of data, unauthorised access to data, unauthorised duplication of data, unauthorised modification of data) cannot be excluded. **Actions:** Within the framework of the procedures in place and the IT tools at its disposal, the Group aims to minimise the possibility of the above-described events occurring, but it is not possible to completely exclude the likelihood of their occurrence and thus their negative impact on the security and reliability of the information resources and databases held and on the security and continuity of service provision.
Risks related to the EU directive GDPR	Since May 25, 2018, Regulation 2016/67 of the European Parliament and of the EU Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (GDPR) has been in force in the Polish legal order, which applies to all entities processing personal data in their business activities. The GDPR has introduced a number of changes and expanded the obligations of controllers and data processors. An important issue is that the GDPR sets out maximum levels of penalties for breaches of the GDPR . The maximum levels have been set at €20,000,000 or 4% of the entrepreneur's total annual turnover from the financial year preceding the breach. **Actions**: In view of the above, the Group has carried out work to: adjust its operations to the requirements of GDPR, which include: organising training courses for employees whose activities will be affected by the provisions of GDPR , i.e. first and foremost - employees of the marketing, sales and HR departments, the loyalty programme service department, • development of a new Information Security Policy; • development of a new Instruction for Management of IT systems used for data processing; • preparation and implementation of changes in solutions of organizational and technical nature; • development of a threat and risk analysis in processing personal data. However, the risk of incidents related to violations of GDPR regulations cannot be completely excluded, which could result in additional negative financial consequences for the Group.
Liquidity risks of working with an external logistics operator	The fluidity and timeliness of deliveries of goods to the network of traditional stores and deliveries of goods purchased by customers of VRG S.A. Group's online shops is based on outsourcing logistics services to an external operator. There is a risk that disruptions in the organisation of work of the external logistics operator related, for example, to problems of staffing of workstations and availability of adequate warehouse space may cause disruptions in the following logistics processes: • disruptions to the fluidity of warehouse processes (receipts / releases); • delays and errors in deliveries to stationary salons in the period of increased demand - replacement of co-leads; • delays and errors in shipments to customers of online shops during periods of increased demand or periods when shopping centres are closed - intensive sales campaigns. **The measures** taken by the VRG S.A. Group to mitigate the aforementioned risks concern respectively: • introducing a procedure for regular audits of the logistical structures and systems provided by the external operator; • improvement of the external operator's stock receipt and release plan and precise advance determination of the required storage space; • introducing a system for planning releases of goods on a weekly basis and a system for providing information to the logistics operator on the number and dates of planned releases of goods;

	• introduction of planning of the number of e-commerce orders in monthly cycles - based on analytical data from online stores; However, the risk of incidents related to the disruption of the aforementioned logistics processes cannot be completely ruled out, which could result in additional negative consequences for the Group related to a reduction in sales as a result of the untimely stocking of the stationary shop network or the loss of some online shop customers as a result of delays in paid deliveries. Negative effects of deterioration of the image of the Group's brands as a result of the appearance of critical comments on the Internet and in social media by customers of online shops who do not receive their purchased goods within the required timeframe cannot be completely excluded either.
Risk of disruption in supply chains	The Issuer Group purchases products and goods from suppliers in Europe and Asia. Various forms of transport offered by proven logistics companies are used for procurement logistics. However, there is a risk that as a result of constraints related to epidemiological situations or other factors affecting the operations of logistics companies (e.g. strikes, obstructions on transport routes), there may be delays in delivery dates and the cost will be higher. **Activities:** The Group uses the services of large, professional forwarding companies providing a comprehensive service. The amount of costs is constantly monitored and subject to comparative assessment.

INTEREST RATE SENSITIVITY TABLE FOR THE FINANCIAL RESULT:

PLN m	Interest rate fluctuations	Impact on the financial result:
Balance at 31.12.2022		
Increase in interest rates	+100pb	-0.2
Fall in interest rates	-100pb	0.2
Balance at 31.12.2021		
Increase in interest rates	+500pb	-6.7
Fall in interest rates	-100pb	0.7

TABLE OF SENSITIVITY OF THE FINANCIAL RESULT TO CHANGES IN AVERAGE ANNUAL EXCHANGE RATES:

PLN m	FX rate fluctuations	Impact on the financial result:		
		EUR	USD	CHF
Balance at 31.12.2022				
Increase in FX rates	+5%	-21.6	-7.0	-3.8
Fall in FX rates	-5%	21.6	7.0	3.8
Balance at 31.12.2021				
Increase in FX rates	+5%	-20.5	-6.0	-3.2
Fall in FX rates	-5%	20.5	6.0	3.2

TABLE OF SENSITIVITY OF THE FINANCIAL RESULT TO CHANGES IN EXCHANGE RATES OF BALANCE SHEET ITEMS:

PLN m	FX rate fluctuations	Value after conversion to PLN		
		EUR	USD	CHF
Financial assets				
Cash		0	6.3	0
Trade receivables		2.7	1.6	0,4
Liabilities				
Factoring liabilities		8.4	7.7	0
Trade liabilities		16.5	22.1	15.2
Lease liabilities		294.4	0	0
Currency risk exposure (balance)		**316.7**	**21.9**	**14.8**
Balance at 31.12.2022				
Increase in FX rates	+5%	-15.8	-1.1	-0.7
Fall in FX rates	-5%	15.8	1.1	0.7
Balance at 31.12.2021				
Increase in FX rates	+5%	-17.6	-0.7	-0.5
Fall in FX rates	-5%	17.6	0.7	0.5

8.12. CAPITAL MANAGEMENT

Capital management	
	Capital management in the Capital Group is aimed at maintaining the ability to continue as a going concern, taking into account the implementation of planned investments, so that the Capital Group generates returns and economic benefits for shareholders/investors in the future. The use of capital is monitored on an ongoing basis by analysing indicators and comparing the Capital Group's position against the industry in which the Capital Group operates. There are no externally imposed capital requirements on the Group. Compared to the previous reporting period, there were no changes to the principles and processes used to manage capital.

LONG-TERM DEBT TO EQUITY RATIO TABLE:

Indebtedness ratio	PLN ths	
	31.12.2022	31.12.2021
Equity	942,765	889,664
Long-term indebtedness	33,321	48,266
Bank loans and borrowings	*19,460*	*33,658*
Short-term part of long-term borrowings	*13,861*	*14,608*
Long-term indebtedness / equity	**3.5%**	**5.4%**

8.13. AUDITOR'S REMUENRATION

The presented financial data of the Parent Company and its subsidiaries W.KRUK S.A., based in Cracow, and DCG S.A., based in Warsaw, as at December 31, 2022 and for the twelve-month period ended on that date were audited by a certified auditor. The independent auditor's report on the annual consolidated financial statements is appended to this report. The comparable financial figures as at December 31, 2021 included in these financial statements were subject to audit by the auditor and the independent auditor's report on those financial statements is attached in the 2021 report.

The auditor of the Group's 2022 financial statements was Grant Thornton Polska P.S.A., with whom a contract was concluded on July 27, 2021 for the review of the separate interim financial statements, the review of the condensed interim consolidated financial statements, the audit of the separate annual financial statements, the audit of the consolidated financial statements and the assessment of the remuneration report. The total remuneration under the concluded agreement for the review and audit of the financial statements for 2022 amounted to PLN 201.7 thousand and for 2021 amounted to PLN 218.6 thousand.

8.14. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue and signed by the Board of Directors of the Parent Company on April 4, 2023.

9. MANAGEMENT BOARD STATEMENT

The Management Board of the parent company declares that, to the best of its knowledge, the consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting principles and that they give a true, fair and clear view of the Issuer's assets, financial position and result, and that the management report gives a true picture of the Issuer's development, position and achievements, including a description of the principal risks and threats.

Janusz Płocica	**Marta Fryzowska**	**Łukasz Bernacki**	**Michał Zimnicki**
....	....	....	....
President of the Management Board	Executive Vice President of the Management Boards	Executive Vice President of the Management Boards	Executive Vice President of the Management Boards

Signature of a person entrusted with bookkeeping

Ewa Bosak

…..................

Chief Accountant

Cracow, April 4, 2023

VISTULA

BYTOM
SZTUKA KRAWIECTWA OD 1945

WÓLCZANKA

DENI CLER
MILANO

W.KRUK
1840

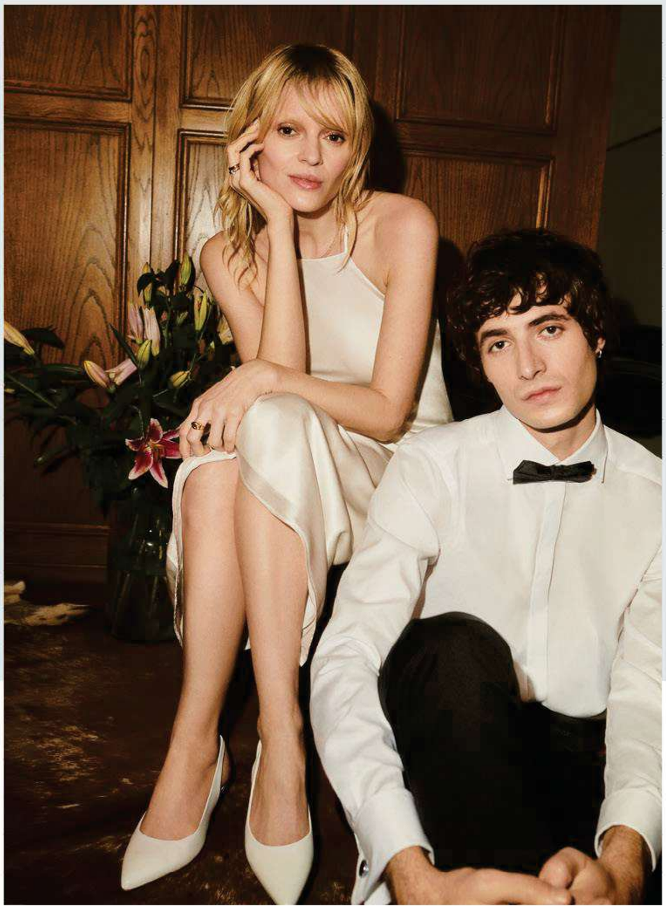
VRG
VISTULA RETAIL GROUP

REPORT OF THE MANAGEMENT BOARD ON OPERATIONS

OF VRG S.A. CAPITAL GROUP AND VRG S.A. FOR 2022

Cracow, April 4, 2023

VRG
VISTULA RETAIL GROUP



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

1. GENERAL INFORMATION

1.1. NAME, REGISTERED OFFICE, BUSINESS ACTIVITY

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

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

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

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

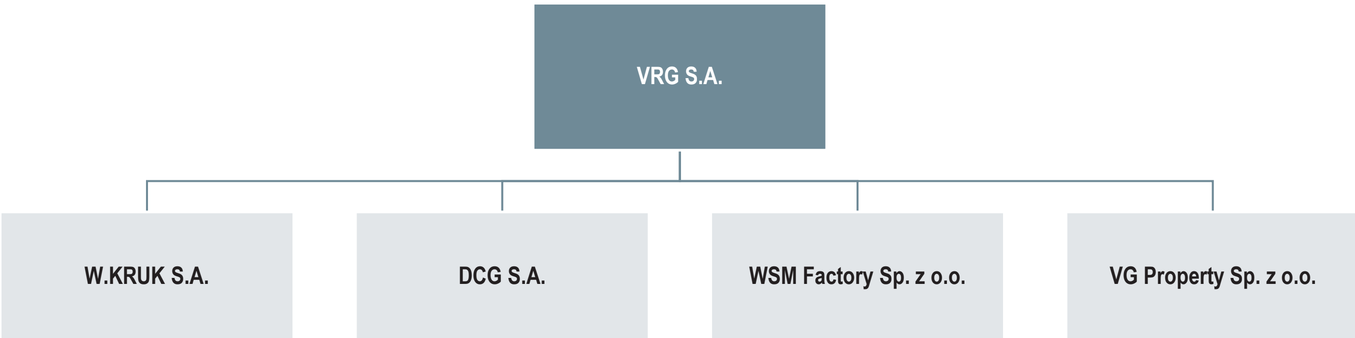
The Company is one of the first companies that were listed on the Warsaw Stock Exchange S.A. First listing of VRG S.A. took place on September 30, 1993.

THE COMPANY'S KEY CORPORATE MILESTONES

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

The lifespan of the Issuer is indefinite.

1.2. VRG S.A. CAPITAL GROUP STRUCTURE



As at the end of 2022 VRG S.A. Capital Group consisted of the following entities:

– **VRG S.A.** - Parent Company
– **W.KRUK S.A.** based in Cracow, Pilotów 10 St.; post code 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000500269.
  The company specialises is design, manufacturing and retail sales of brand luxury products such as jewellery, watches and accessories.
  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

- **DCG S.A.** based in Warsaw, Bystrzycka 81a St., post code 04-907. The company was registered in the District Court for Warsaw, the XXI Commercial Division of the National Court Register (KRS) under number KRS 0000285675.
  The company specialises in retail sale of clothing.
  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

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

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

  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

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

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

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

CHANGES IN CAPITAL GROUP STRUCTURE IN 2022.

There were no changes in VRG S.A. Capital Group structures in 2022.

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

MANAGEMENT BOARD

As at December 31, 2022, the composition of the Management Board of VRG S.A. was the following:

Management Board	**Janusz Płocica** President of the Management Board	**Marta Fryzowska** Executive Vice-President of the Management Board	**Michał Zimnicki** Executive Vice-President of the Management Board	**Łukasz Bernacki** Executive Vice-President of the Management Board

During 2022, the following changes took place in the composition of the Parent Company's Management Board:

- on January 31, 2022, the Supervisory Board of the Parent Company adopted a resolution to dismiss Mr Radosław Jakociuk from the composition of the Parent Company's Management Board and from the position of Executive Vice-President of the Company's Management Board,
- on February 18, 2022 the Supervisory Board of the Parent Company adopted a resolution on appointing Mr Janusz Płocica to the Management Board of the Parent Company as of June 1, 2022, entrusting him with the function of 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 CCC on the delegation of the Deputy Chairman of the Supervisory Board of the Parent Company, Mr. Jan Pilch, to temporarily perform the activities of the President of the Management Board. The de-legation was for the period from 12 March 2022 to 31 May 2022,
- on April 1, 2022. the Supervisory Board of the parent company adopted a resolution on amending the resolution of the Supervisory Board of the parent company of 18 February 2022 on the appointment of Mr Janusz Płocica to the Management Board of the Company and entrusting him with the function of President of the Management Board of the Company in such a way that the Supervisory Board decided to appoint Mr Janusz Płocica to the Management Board of the Company and entrusting him with the function of President of the Management Board of the Company, effective as of 19 April 2022, instead of the previous date of 1 June 2022,
- on April 4, 2022, Mr Jan Pilch, Deputy Chair of the Supervisory Board, submitted his resignation from the function of secondment to temporarily perform the function of President of the Management Board, effective April 18, 2022, in connection with the submitted declaration, Mr Jan Pilch, returned to the performance of duties related to the function of a member of the Supervisory Board of the Company as of April 19, 2022,
- 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 function of Vice-President of the Management Board for the jewellery segment. Mr Łukasz Bernacki holds concurrently the position of President of the Management Board of W.KRUK S.A. of Cracow, a subsidiary of the Issuer managing the W.KRUK brand.

In the period from the balance sheet date, i.e. 31.12.2022, to the date of signing of this report, the above composition of the Management Board of the Parent Company has not changed.

SUPERVISORY BOARD

As at December 31, 2022, the composition of the Parent Company's Supervisory Board was as follows:

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

There were no changes in the composition of the Parent Company's Supervisory Board in 2022.

In the period from the balance sheet date, i.e. 31.12.2022, to the date of signing of this report, the above composition of the Parent Company's Supervisory Board has not changed.

1.4. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for publication and signed by the Management Board of the Parent Company on April 4, 2023.

1.5. GOING CONCERN

The consolidated financial statements of the VRG S.A. Capital Group (hereinafter also referred to as "the **Capital Group**" or "the **Group**") have been prepared on the assumption that the companies of the Group will continue as a going concern in unchanged form and scope for at least 12 months from the date on which the financial statements were prepared, i.e. 31 December 2022. In the opinion of the Management Board of the Parent Company, as at the date of approval of these separate financial statements, there are no indications or circumstances that would threaten the Group's ability to continue as a going concern in the foreseeable future.

2. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and present the financial position of the VRG S.A. Capital Group as at 31 December 2022 and 31 December 2021, its results of operations for the 12 months ended December 31, 2022 and December 31, 2021 and its cash flows for the 12 months ended December 31, 2022 and December 31, 2021.

The principles for the preparation of the financial statements are described in section 3 of the Consolidated Financial Statements of the VRG S.A. Capital Group for 2022.

There were no significant changes in the basic management principles of the Issuer and its Capital Group in 2022.

The entity authorised to audit the Group's financial statements for 2022 was Grant Thornton Polska P. S. A, with whom, on July 27, 2021, an agreement was concluded for the review of the separate interim financial statements, the review of the condensed interim consolidated financial statements, the audit of the separate annual financial statements, the audit of the consolidated financial statements and the assessment of the remuneration report for 2021-2023. The remuneration under the concluded agreement for 2022 amounted to: for the review of the interim financial statements PLN 57.7 thousand, for the audit of the financial statements PLN 139 thousand, for the assessment of the remuneration report PLN 5 thousand. The remuneration under the concluded agreement for 2021 amounted to: for the review of interim financial statements PLN 62.9 thousand, for the audit of financial statements PLN 150.7 thousand, for the assessment of the remuneration report PLN 5 thousand.

OPERATING SEGMENTS

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

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

VRG
VISTULA RETAIL GROUP

APPAREL Retail and wholesale					JEWELLERY Retail and wholesale		
Suits	Accesso-ries	Jackets	Shirts	Trousers	Jewellery	Watches	Accessories

VISTULA BRAND:

VISTULA	
VISTULA	VISTULA WOMAN
Operating on the Polish market since 1967, Vistula is the basic line of men formalwear. The brand offers a wide range of suits, jackets, trousers, shirts and other complementary accessories.	Women's brand introduced in 2021. The collection was created for women who appreciate quality, comfort and the timeless of products. VISTULA WOMAN, refined in details, surprises with classic cuts and fashionable patterns. It includes products for many occasions - outerwear (classic coats, casual down and leather jackets), jackets and elegant trousers, skirts, dresses, shirts, as well as jeans, sweaters and t-shirts and an offer of accessories (shoes, belts, caps and gloves).

BYTOM BRAND:

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

WÓLCZANKA BRAND:

<table>
<tr><th colspan="2">WÓLCZANKA</th></tr>
<tr><td>WÓLCZANKA</td><td>LAMBERT
LONDON STYLE SHIRTING</td></tr>
<tr><td>It is a brand that has existed since 1948. The brand's offer includes men's shirts, and from the Autumn/Winter 2014 season also women's shirts, both formal and casual. Tradition and many years of experience in designing shirts and accessories have made the brand an expert in its field and a leader on the Polish market. From 2019, the offer of the Wólczanka brand is gradually expanded with new assortments, including various types of trousers, skirts, dresses, jackets, coats, jackets and denim clothing - new assortments allow you to complete ready-made stylizations for various occasions.</td><td>It is a brand of shirts and accessories that refer in their form and design to the principles of traditional tailoring and made of the highest quality fabrics. Lambert offers classic shirts and business accessories, ideal for women and men who observe the formal dress code at work, as well as who like to feel elegant, regardless of the occasion, who value comfort and the highest quality of the product.</td></tr>
</table>

DENI CLER BRAND:

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

The Group is systematically expanding the range of complementary articles in its showrooms, including the smart casual product range, exclusive leather goods and footwear. The accessories on offer are currently one of the fastest-growing merchandise categories and are also characterised by high sales margins.

BRANDS IN JEWELLERY SEGMENT:

<table>
<tr><th colspan="2">JEWELLERY SEGMENT</th></tr>
<tr><td>W.KRUK
1 8 4 0</td><td>WATCHES AND EXTERNAL BRANDS</td></tr>
<tr><td>W.KRUK is the oldest jewellery brand in Poland with over 180 years of tradition. W.KRUK's offer includes gold and platinum jewellery, in particular jewellery with diamonds and precious stones. W.KRUK also creates the highest quality collections made of silver and other metals. W.KRUK offers many original jewellery lines with a unique character. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by ambassadors (including the Freedom collection by Martyna Wojciechowska) and an expert and innovative approach to jewellery. A significant part of the collections presented every year is made in the Manufaktura of the brand near Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, the W.KRUK brand was the first in Poland to introduce a new category of man-made diamonds in laboratory conditions to the offer in its chain of stores under the name New Diamond by W.KRUK. They have parameters identical to diamonds mined with traditional methods and are classified according to the same parameters, using the same standards of</td><td>W.KRUK offers watches of the most prestigious Swiss brands such as Rolex and Patek Philippe (W.KRUK S.A. is the exclusive distributor of these manufacturers in Poland) and renowned manufactures and watch brands such as Cartier, Chopard, Hublot, Panerai, Jagger Le Coutre, Omega, Tudor, Tag Heuer, Longines, Rado, Tissot, Frederique Constant, Citizen, Doxa, Certina, Seiko, Epos, Balticus, Victorinox, as well as fashion brands: Swatch, Gucci, Emporio Armani, Michael Kors, Fossil, Timex, Skagen, Armani Exchange, Tommy Hilfiger, Guess, Hugo Boss. Watches of renowned brands sold in W.KRUK stores hold a strong position on the Polish market, and the value of their sales is steadily increasing.

Apart from its own original and classic jewellery collections, W.KRUK's portfolio also includes products of prestigious jewellery manufactures from all over the world (the so-called external brands). W.KRUK selects for its offer brands with which it is linked by long-standing achievements, reputation and jewellery designed and made by talented designers and goldsmith masters. Thus, the designs of eminent jewellers from all over the</td></tr>
</table>

expert assessment. The collection decorated with New Diamond by W.KRUK includes rings under the name Perfect®, earrings and pendants with lab-grown diamonds in the following colours: white and for the first time on the Polish market, pink and blue. Since 2016, the range of the brand has been complemented by a selection of W.KRUK branded accessories, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men.	world and the diamond collections of the oldest Polish jewellery brand together create a unique selection of the most precious jewellery. In selected stores, W.KRUK offers products by such brands as BIRKS Bijoux, Nanis, Marco Bicego, Pasquale Bruni, Hulchi Belluni and Recarlo.

MANUFACTURING OPERATIONS

The production activities in the clothing part of the Group have been located, among others, in a 100% subsidiary of the parent company, operating under the name WSM Factory Sp. z o.o.. In addition to its own plant, the Company cooperates with proven independent manufacturers who guarantee the provision of sewing and confectioning services at the highest level and offer competitive price conditions. The Group's own production activities in the jewellery segment are conducted at the Issuer's subsidiary, W.KRUK S.A., in a jewellery manufacture in Komorniki near Poznań.

SEASONALITY AND CYCLICALITY OF OPERATIONS

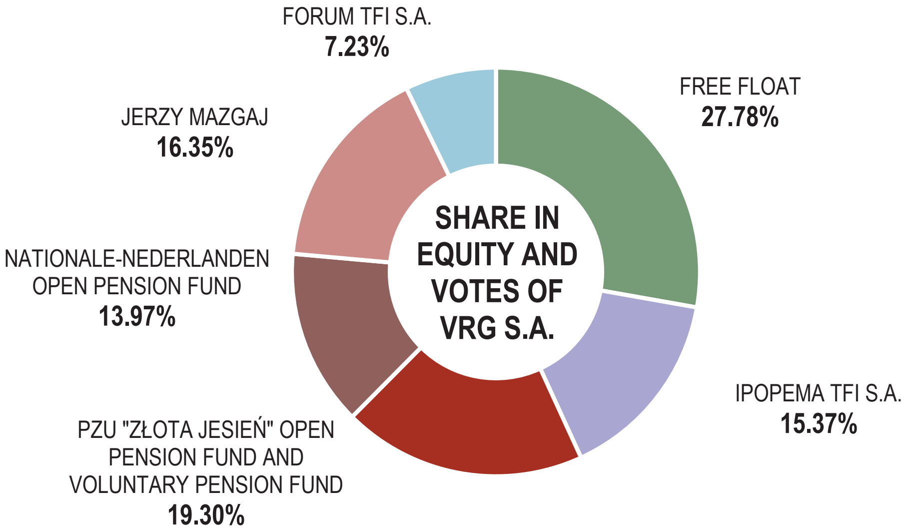
Retail in both the apparel and jewellery segments is characterised by significant seasonality in sales. For the fashion market, the most favourable period from the point of view of the generated financial result is Q2 and Q4, while in the jewellery industry it is Q4 (especially December).

In terms of geographical segments, all of the Group's activities are carried out in the Republic of Poland.

3. SHARE CAPITAL AND SHAREHOLDERS

Shareholders owning directly or indirectly at least 5% of the total number of votes at the General Shareholder Meeting of VRG S.A. on the last day of financial year 2022 and as at the date of approval of the annual report for the financial year 2022.

3.1. SHAREHOLDER STRUCTURE AS AT 31.12.2022



As at 31.12.2022, the Company's share capital was divided into 234,455,840 ordinary bearer shares, resulting in a total of 234,455,840 votes at the Company's General Meeting.

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

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM
PZU „Złota Jesień" Open Pension Fund and Voluntary Pension Fund[1]	45,251,894	19.30	45,251,894	19.30
Jerzy Mazgaj [2]	38,332,632	16.35	38,332,632	16.35
IPOPEMA TFI[3]	36,038,137	15.37	36,038,137	15.37
Nationale-Nederlanden Open Pension Fund [4]	32,750,487	13.97	32,750,487	13.97
Forum TFI S.A.[5]	16,946,800	7.23	16,946,800	7.23

[1] *information given on the basis of notification received by the Company on the basis of Article 69(1)(2) and Article 87(1)(2b) of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies, concerns shares of the Company held jointly by PZU "Złota Jesień" Open Pension Fund and Voluntary Pension Fund PZU managed by Powszechne Towarzystwo Emerytalne PZU S.A. According to the information held by the Company, PZU "Złota Jesień" Open Pension Fund holds alone 44,199,785 shares in the Company, which constitutes 18.85% of the Company's share capital and entitles to 44,199,785 votes, constituting 18.85% of the total number of votes at the Company's General Meeting. According to information possessed by the Company, PZU Voluntary Pension Fund holds independently 1,052,109 shares of the Company, which constitutes 0.45% of the Company's share capital and entitles to 1,052,109 votes, constituting 0.45% in the total number of votes at the General Meeting of the Company.*

[2] *information provided on the basis of the notification received by the Company pursuant to Article 69(1)(1) of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.*

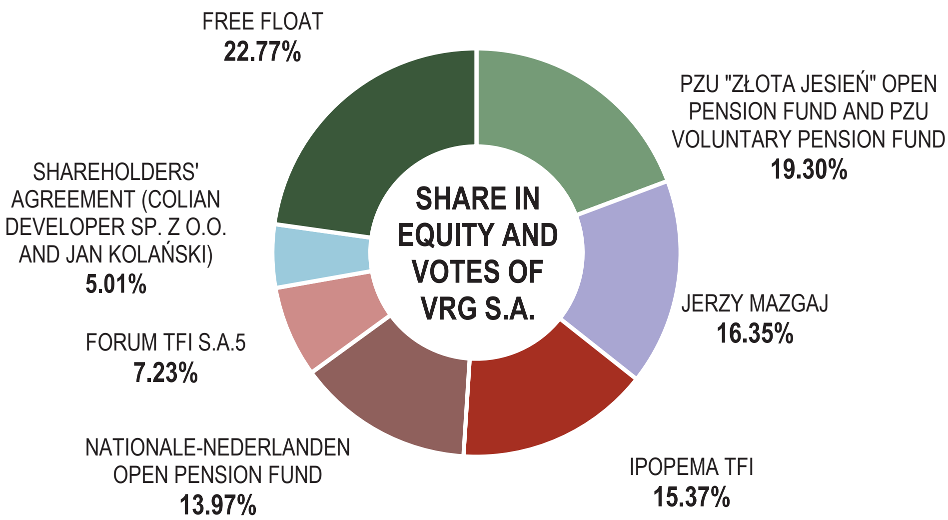
[3] *information given on the basis of a notification received by the Company pursuant to Article 69.1.2 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, and concerns shares in the Company held jointly by all funds managed by IPOPEMA TFI S.A. According to the information in the Company's possession, Ipopema 21 Closed-end Fund of Non-public Assets managed by IPOPEMA TFI S.A. held 35,431,872 shares in the Company at the Annual General Meeting on 21.06.2022, which represented 15.11% of the Company's share capital and entitled to 35,431,872 votes representing 15.11% of the total number of votes at the Company's General Meeting.*

[4] *Information given on the basis of the number of shares held by Nationale-Nederlanden Open Pension Fund at the Annual General Meeting on 21.06.2022.*

[5] *information given on the basis of the number of shares held jointly by the funds Forum X Closed-end Investment Fund and Forum XXIII Closed-end Investment Fund managed by Forum TFI S.A at the Annual General Meeting on 21.06.2022. According to the information held by the Company, Forum X Closed-end Investment Fund held 6,951,760 shares*

in the Company at the Ordinary General Meeting on 21.06.2022, which represented 2.97% of the Company's share capital and entitled to 6,951,760 votes representing 2.97% of the total number of votes at the Company's General Meeting. According to the information available to the Company, Forum XXIII Closed-end Investment Fund at the Annual General Meeting on 21.06.2022 held 9,995,040 shares of the Company, which represented 4.26% of the Company's share capital and entitled to 9,995,040 votes, representing 4.26% in the total number of votes at the General Meeting of the Company.

3.2. SHAREHOLDER STRUCTURE ACCORDING TO THE COMPANY'S BEST KNOWLEDGE AT THE DATE OF SIGNING THE ANNUAL REPORT FOR 2022



As at 04.04.2023, the Company's share capital is divided into 234,455,840 ordinary bearer shares, giving a total of 234,455,840 votes at the Company's General Meeting.

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

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM
PZU „Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund[1]	45,251,894	19.30	45,251,894	19.30
Jerzy Mazgaj [2]	38,332,632	16.35	38,332,632	16.35
IPOPEMA TFI[3]	36,038,137	15.37	36,038,137	15.37
Nationale-Nederlanden Open Pension Fund[4]	32,750,487	13.97	32,750,487	13.97
Forum TFI S.A.[5]	16,946,800	7.23	16,946,800	7.23
Shareholders' agreement (Colian Developer sp. z o. o. sp. k. and Jan Kolański) [6]	11,752,923	5.01	11,752,923	5.01

[1] *information given on the basis of notification received by the Company on the basis of Article 69(1)(2) and Article 87(1)(2b) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies, concerns shares of the Company held jointly by PZU "Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund managed by Powszechne Towarzystwo Emerytalne PZU S.A. According to the information held by the Company, PZU "Złota Jesień" Open Pension Fund holds alone 44,199,785 shares in the Company, which constitutes 18.85% of the Company's share capital and entitles to 44,199,785 votes, constituting 18.85% of the total number of votes at the Company's General Meeting. According to information possessed by the Company, PZU Voluntary Pension Fund holds independently 1,052,109 shares of the Company, which constitutes 0.45% of the Company's share capital and entitles to 1,052,109 votes, constituting 0.45% in the total number of votes at the General Meeting of the Company.*

[2] information given on the basis of the notification received by the Company pursuant to Article 69(1)(1) of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

[3] information provided on the basis of a notification received by the Company pursuant to art. 69 sec. 1 point 2 of the Act of July 29, 2005 on public offering and uses financial functions for the trading system and a public company and applies to companies jointly owned by all funds managed by IPOPEMA TFI S.A. on June 21, 2022, he held 35,431,872 shares of the Company, which constituted 15.11% of the share component of the Company and entitled to 35,431,872 votes constituting 15.11% as a result of the influence at the General Meeting of Companies.

[4] 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.

[5] information provided on the basis of the number of shares held jointly by Forum X Closed-End Investment Fund and Forum XXIII Closed-end Investment Fund managed by Forum TFI S.A at the Ordinary General Meeting on June 21, 2022. According to information held by Forum X Closed-End Investment Fund at the Ordinary General Meeting on June 21, 2022, 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 Meeting of the Company. According to the information possessed by the Company, Forum XXIII Closed Investment Fund held 9,995,040 shares of the Company at the Ordinary General Meeting on June 21, 2022, which constituted 4.26% of the share capital of the Company and entitled to 9,995,040 votes, constituting 4.26 % of the total number of votes at the General Meeting of the Company.

[6] information provided on the basis of a notification received by the Company pursuant to art. 69 section 1 in connection with joke. 69a sec. 1 point 3 of the Act of 29 July 2005 on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and on Public Companies and applies to the Company's shares held jointly by an agreement of shareholders of Colian Developer sp. z o.o. sp. k. and Mr. Jan Kolański. According to the information held by Colian Developer sp. z o.o. sp. k. independently holds 3,295,550 shares of the Company, which constitutes 1.40% of the share capital of the Company and entitles to 3,295,550 votes constituting 1.40% of the total number of votes at the General Meeting of the Company. According to the information possessed by the Company, Mr. Jan Kolański holds 8,457,373 shares of the Company, which constitutes 3.61% of the Company's share capital and entitles him to 8,457,373 votes, constituting 3.61% of the total number of votes at the General Meeting of the Company.

3.3. DETERMINATION OF THE TOTAL NUMBER AND NOMINAL VALUE OF ALL SHARES (SHARES) OF THE COMPANY AND SHARES AND SHARES IN ENTITIES RELATED TO THE COMPANY, OWNED BY MANAGEMENT AND SUPERVISORY PERSONS

As at April 4, 2023, the following numbers of VRG S.A. shares were in the possession of the managing persons.

Management Board	Number of shares held (shares held)	Nominal value of shares (PLN)	Number of votes on General Shareholder Meeting
Łukasz Bernacki – Executive Vice-President of the Management Board	100,381	20,076.20	100,381
Michał Zimnicki – Executive Vice-President of the Management Board	4,000	800	4,000

According to the information held by the Company as at April 4, 2023, the managing persons do not hold shares in related entities.

As of April 4, 2023, the following numbers of VRG S.A. shares were directly held by supervisory persons:

Supervisory Board	Number of shares held (shares held)	Nominal value of shares (PLN)	Number of votes on General Shareholder Meeting
Jan Pilch – Deputy-Chair of the Supervisory Board	186,000	37,200	186,000
Wacław Szary – Member of the Supervisory Board	10,000	2,000	10,000

As at April 4, 2023, the Issuer is not aware of any agreements, including those concluded after the balance sheet date, which may result in changes in the proportions of shares held by the existing shareholders in the future.

The Parent Company operates an incentive program based on subscription warrants entitling to take up the Company's shares. Detailed information on the program and its conditions can be found in Note 32 to the consolidated financial statements.

3.4. REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD FOR 2022

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 Płocica	President of the Management Board / from 19.04.2022 /	718
Michał Zimnicki	Executive Vice-President of the Management Board	540
Marta Fryzowska	Executive Vice-President of the Management Board	690
Łukasz Bernacki	Executive Vice-President of the Management Board / from 07.07.2022 /	58
Radosław Jakociuk	Executive Vice-President of the Management Board / from 31.01.2022/	1,170
Total		**3,338**

The amount of remuneration given in the table above of Mr. Radosław jakociuk includes, in addition to the basic salary, the value of the severance pay.

Supervisory Board		PLN ths
Mateusz Kolański	Chair of the Supervisory Board	355
Jan Pilch	Deputy-Chair of the Supervisory Board	158
Piotr Kaczmarek	Member of the Supervisory Board	219
Piotr Stępniak	Member of the Supervisory Board	189
Wacław Szary	Member of the Supervisory Board	219
Andrzej Szumański	Member of the Supervisory Board	189
Marcin Gomoła	Member of the Supervisory Board	195
Total		**1,525**

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

These salaries in total for 2022 amounted to:

		PLN ths
Jan Pilch	Chair of the Supervisory Board DCG S.A.	30
Piotr Stępniak	Member of the Supervisory Board W.KRUK S.A. and DCG S.A.	98
Piotr Kaczmarek	Member of the Supervisory Board W.KRUK S.A.	80
Andrzej Szumański	Member of the Supervisory Board W.KRUK S.A.	80
Michał Zimnicki	Member of the Management Board W.KRUK S.A., Member of the Supervisory Board DCG S.A.	140
Łukasz Bernacki	President of the Management Board W.KRUK S.A.	1,320
Total		**1,748**

Managers are entitled to benefits specified in employment contracts or by appointment.

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

3.5. SIGNIFICANT EVENTS IN 2022 AND AFTER THE BALANCE SHEET DATE

In 2022, there were a number of events internally and in the Group's environment that had an impact on VRG's business.

Tensions in the business environment: the geopolitical tension caused by Russia's aggression against Ukraine had a significant impact on Polish society and the economic situation in the country throughout 2022. The events beyond our eastern border, initiated by Russia's aggression against Ukraine on February 24, 2022, did not affect the company's operational continuity. VRG had no sales or employees in Ukraine or Russia. During the first weeks of the war, we saw a sharp slump in sales, which only started to recover from mid-March onwards. In response to the events in Ukraine, we undertook a number of relief efforts for those directly affected by the war, including our employees in Poland who are Ukrainian nationals. VRG Brands donated 200,000 PLN to Polish Humanitarian Action (100,000 from VRG and another 100,000 from W.KRUK) as well as in-kind donations of clothing.

Pandemic situation: in addition to the outbreak of the war in Ukraine, the Group also faced a reduction in showroom traffic in the first quarter of 2022 as a result of the fifth wave of COVID-19. Although we did not have to deal with administrative lockdowns, the temporary withdrawal of a large part of the Polish population and the return to remote working of companies, resulted in reduced traffic in shopping centres in January and early February. In the following months of the half-year, we saw a recovery in demand, the dynamics of which were stronger than in 2021. In the second half of the year, the impact of the increase in covid seasonal sickness no longer had such a visible effect on traffic in stationary shops.

Inflationary pressures and demand: 2022 passed under the shadow of economic uncertainty, high inflation and the price rises that followed (including energy) and wage pressures. The rising cost of living from month to month caused widespread concern about consumer sentiment and demand. Management responded to this pressure by closely monitoring available data on offline and e-commerce consumer behaviour and making decisions on an ongoing basis to mitigate the risks associated with reduced demand (e.g. changes in order volumes or pursuing a flexible sales policy. As a result, despite the difficult environment, the VRG Group has been able to successfully support sales and protect margins.

Apparel segment offer: The apparel brands' collections for 2022 were prepared with the post-pandemic revival in mind. The segment's offer focused on collections combining classic forms with comfortable casual elements. The common denominator of the Group's brand offerings remains a commitment to quality and timeless elegance. Vistula, the largest brand in the VRG Group's clothing portfolio, changed its approach to commercialising collections in 2022. Starting with the Autumn/Winter season, the brand's offerings do not appear in stores at the same time, but are divided into chapters, introduced into stores and the on-line channel gradually - so that the individual pieces are best suited to the customers' needs at that point in the season. Vistula also developed its women's offer in 2022 - expanding the range for this consumer group from season to season. Proof of the high quality of the brand's women's offer is provided by the Excellence in Fashion award Twój Styl 2022, awarded to Vistula's women's collection for Autumn/Winter 2022/2023. The return of customers to stationary shops benefited Bytom, maintaining its more classic line in formalwear, while increasing the share of casual clothing. Sales of Deni Cler's classic collection improved significantly in 2022, supported by growing demand in the premium segment. Good results were also achieved by Wólczanka, they offer the widest range of clothing for men and women, allowing them to build "total looks" for both work and leisure.

Qatar World Cup: In November 2022, the men's World Cup was played in Qatar. For the event, Vistula, which is the official tailor of the national team, created formal attire for the Polish team. In addition, the brand, in partnership with the Polish Football Association, introduced a special collection related to the Championship. A special line of products, inspired by the World Cup monolook of the "red and white" team, has appeared in stores and in the on-line store. Vistula has been working with the Polish Football Association since 2016. The formal attire prepared for last year's championship is yet another styling by the brand for the Polish men's national football team. Previously, the red and white team performed in attire from Vistula during the official parts of the 2016 European Championships in France, the 2018 World Cup in Russia and UEFA EURO 2020.

Garments to be donated: In November 2022, Wólczanka became the first brand in the VRG Group portfolio to organise a clothing collection in collaboration with Ubrania Do Oddania (Garments to be donated). As part of the campaign, customers visiting the brand's six large-format stores in major cities were able to donate unwanted clothes to dedicated boxes or order a free courier via the website to collect the clothes from the indicated location. A special collection with the participation of employees was also carried out at the VRG headquarters in Cracow. Clothing collected during the campaign was either recirculated or recycled. As part of the campaign, financial aid was also donated to the the Foundation for Children "Help on Time". The campaign was implemented as part of the VRG Group's sustainable development strategy.

Jewellery segment offer: W.KRUK focused on diversifying its offering, developing both its premium range and its offer of more financially accessible silver and fashion jewellery. In the premium category, W.KRUK offered in 2022 primarily watches from the luxury segment (including Patek Philippe, Rolex or Cartier) and a wide portfolio of luxury jewellery from brands such as Bijoux Birks, Recarlo, Pasquale Bruni, Marco Bicego, Nanis or Hulchi Belluni. In Spring, the season traditionally abounding in family celebrations, W.KRUK customers were presented with an occasional collection: for weddings, communions and Mother's Day, among others. The ambassador of the latter was the well-known singer Natalia Kukulska and her daughter Ania Dąbrówka. In October 2022, in turn, the Longplay ambassador collection, created by Natalia Kukulska and Michal Dąbrówka, made its debut, which was very well received by customers. The brand's first-ever original luxury jewellery collection Lunapark, launched for the festive season in November 2022, also achieved great results. At the same time, W.KRUK is developing its Picky Pica range of popular jewellery.

Development of the traditional network: Development of new concepts within the traditional network is part of the strategic evolution of the VRG Group's apparel segment brands - aimed at growing the company's business in this area. The year 2022 saw a series of openings of Wólczanka's large-format shops, enabling the presentation of the brand's wide range of products. They appeared, among others, in Silesia City Center, Westfield Arkadia, CH Focus in Zielona Góra, City Center in Rzeszów and Magnolia Park in Wrocław. In August 2022, the latest store of the Vistula brand also opened in Warsaw's Westfield Arkadia in a new concept. It is distinguished from the previously opened shops by a changed method of display (assortment presented on one level, at the height of the customer's eyes) and spaces separated for the women's collection and accessories.

Formation of the Company's Management Board: During 2022, the Supervisory Board formed the VRG Group's Management Board, consisting of: Janusz Płocica as President of the Management Board, Marta Fryzowska as Executive Vice President of the Management Board responsible for the apparel segment, Łukasz Bernacki as Executive Vice President of the Management Board responsible for the jewellery segment and Michał Zimnicki, acting as Executive Vice President of the Management Board and CFO of the Company. The current management board consists of managers responsible for the Group's key business divisions and an experienced CFO, thus reflecting the Group's operating model based on two business segments - apparel and jewellery. As a Management Board, we are confident that with this composition we will be able to increasingly develop operational activities and strategic initiatives, effectively building both segments and cooperation between them.

First dividend since 1999: One of the main objectives of the Management Board is to share the profit generated with shareholders, in line with the dividend policy adopted on May 28, 2022. In June, the General Meeting of Shareholders, on the recommendation of the Management Board, passed a resolution for VRG to pay a dividend of PLN 0.17 per share for the first time since 1999. In total, the company paid out PLN 39,857,492.80 to shareholders. The shareholders of the Company as at July 15, 2022 (the dividend date) were entitled to the dividend and the dividend payment date was July 29, 2022. The Management Board plans to recommend payments in accordance with the adopted policy in the coming years as well, taking into account the financial and liquidity situation of the Company each time, in line with the applicable dividend policy.

Significant changes in the shareholder structure:

In August and September, the shares of significant shareholders in the total number of votes in the Parent Company changed. On August 17, 2022, the IPOPEMA 2 Closed-end Fund of Non-Public Assets (managed by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.) disposed of a significant block of shares in the company, in a transaction conducted over the counter. Prior to the transaction, IPOPEMA 2 FIZAN held 20,344,464 shares in the Parent Company, which represented 8.68% of the Parent Company's share capital and gave it a corresponding number and share of votes at the Parent Company's General Meeting. As a consequence of this transaction, to the knowledge of the Parent Company, IPOPEMA 2 FIZAN Fund currently does not hold any shares in the Parent Company.

On the same day, Mr Jerzy Mazgaj made a transaction to purchase 20,344,464 shares in the Parent Company outside the regulated market (through Trigon Dom Maklerski S.A.). As a result, to the knowledge of the Parent Company, as of the date of publication of this report, Mr Jerzy Mazgaj holds 38,332,632 shares in the Parent Company, which represents 16.35% of the Parent Company's share capital and entitles him to 16.35% of the total number of votes at the Parent Company's General Meeting.

In turn, on September 7, transactions were concluded on the regulated market of the Warsaw Stock Exchange, as a result of which PZU "Złota Jesień" Open Pension Fund (OFE PZU) and PZU Voluntary Pension Fund (DFE PZU) acquired shares of the Parent Company in the number of 3,381,011 and 100,000. As a result of these transactions, the share of OFE PZU and the total share of OFE PZU and DFE PZU in the total number of votes in the Parent Company increased by more than 2% of votes compared to the last notification of OFE PZU. To the knowledge of the Parent Company, as at the date of publication of this report, OFE PZU and DFE PZU hold a total of 45,251,894 shares in the Parent Company, which represents 19.30% of the Parent Company's share capital and entitles them to exercise 19.30% of the total number of votes at the Parent Company's General Meeting.

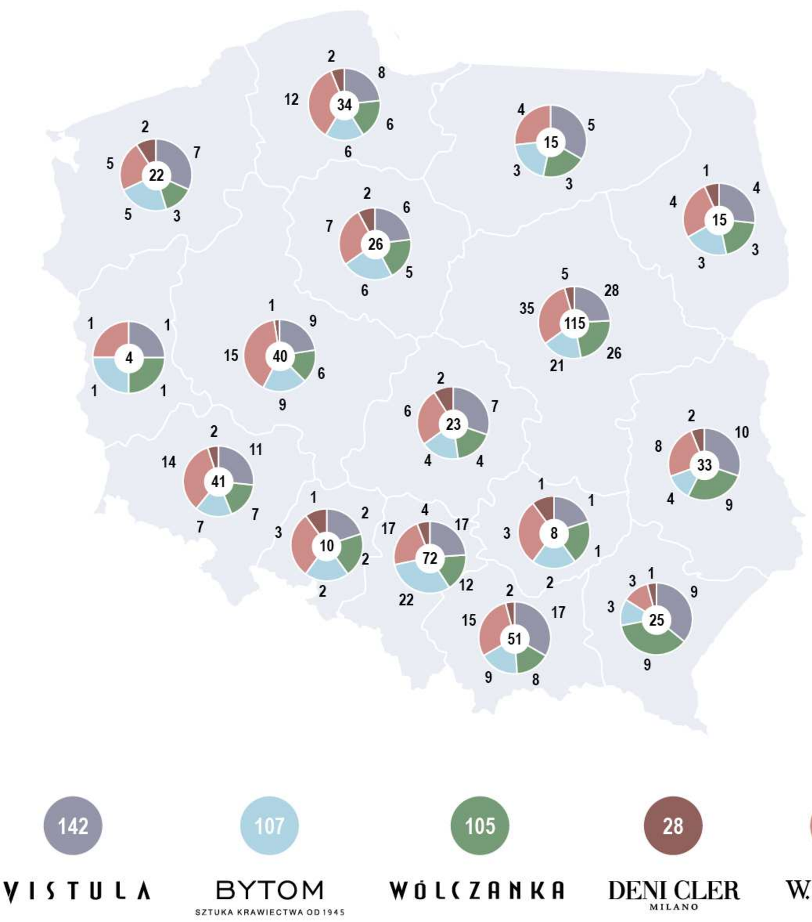
3.6. FINANCIAL RESULTS OF THE CAPITAL GROUP IN 2022

At the end of 2022, compared to the corresponding period of 2021, the sales area of the Group's retail network was stable and amounted to 52.0 thousand m2. The decrease in floorspace in the apparel segment amounted to 2.7%, while in the jewellery segment floorspace increased by 6.6%.

Retail floorspace (end of period):	ths m2	
	31.12.2022	31.12.2021
Apparel segment	39.8	40.9
Jewellery segment	12.2	11.4
Total floorspace	52.0	52.3

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 534 locations, including franchise stores of Vistula, Wólczanka, Bytom, Deni Cler and W.KRUK brands. Out of the operating stores, the Group only owns just 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 2022 by individual brands.



SELECTED FINANCIAL DATA OF VRG GROUP

	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Revenues	1,273,952	1,069,927	369,002	348,795
EBITDA	250,348	201,615	70,106	79,683
EBIT	140,607	97,529	42,065	53,612
Net result	**92,958**	**66,310**	**47,345**	**39,788**

	PLN ths			
IAS17*	**2022** from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Revenues	1,273,952	1,069,927	369,002	348,795
EBITDA	142,287	120,463	42,461	54,430
EBIT	120,623	99,056	36,994	48,970
Net result	**85,998**	**70,378**	**34,764**	**34,717**

** The table above presents the Group's basic financial positions, showing the impact of IAS 17 as the previously applicable standard*

The difference between the operating result (EBIT) under IAS17 and the operating result under the applicable standards in 2022 resulted from the fact that rental costs under IAS17, recognized in the amounts of net payments, were higher than depreciation write-offs of assets under the right to use commercial premises, recognized on a straight-line basis over the term of the current contract.

The Group's revenues in 2022 amounted to PLN 1,274 million and were PLN 204 million (19.1%) higher than the revenues generated in the previous year.

Consolidated EBITDA in 2022 amounted to PLN 250.3 million and was higher by c. 24% than in the previous year. EBITDA calculated excluding the impact of IFRS 16 amounted to PLN 142.3 million.

In 2022, the Capital Group generated a net profit of PLN 92.9 million compared to a net profit of PLN 66.3 million in the previous year. Net profit calculated excluding the impact of IFRS 16 amounted to PLN 85.9 million.

The Group's financial results in 2022 were the result of i.a. increase in revenue compared to 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 2021). In addition, the Group improved the gross margin on sales by limiting promotional campaigns (in particular in Q1 and Q2 2022) and increasing the share of off-line channels with higher margins. On the other hand, the factor limiting the improvement of the financial result was the decrease in demand for the Group's goods in the first weeks of the war in Ukraine (which was rebuilt at the end of the first quarter and in the second quarter of 2022) and macroeconomic changes (inflation, increase in interest rates), adversely affecting consumer behaviour in the third and fourth quarters of 2022.

APPAREL SEGMENT

	PLN ths			
Apparel segment	**2022** from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Revenues	**648,238**	**569,602**	**174,072**	**174,605**
Cost of sales	289,121	260,504	73,589	74,387
Gross profit on sales	**359,117**	**309,098**	**100,483**	**100,218**
Selling costs	276,267	241,777	72,035	66,809

Apparel segment	PLN ths 2022 from 01-01-2022 to 31-12-2022	2021 from 01-01-2021 to 31-12-2021	4 quarter 2022 from 01-10-2022 to 31-12-2022	4 quarter 2021 from 01-10-2021 to 31-12-2021
Administrative expenses	54,748	50,827	15,137	13,976
Other operating income	9,031	11,280	2,666	2,426
Zysk ze zbycia niefinansowych aktywów trwałych	-	-	-	-
Other operating costs	10,488	17,938	3,859	1,001
Loss from sale of non-financial non-current assets	341	264	73	281
Profit (loss) from operations	**26,304**	**9,572**	**12,045**	**20,577**
Financial income / costs	-12,805	-7,698	10,028	-1,855
Pre-tax profit (loss)	13,499	1,874	22,073	18,722
Income tax	4,260	1,488	4,929	3,892
Net profit (loss) for the period	**9,239**	**386**	**17,144**	**14,830**

IAS17* Apparel segment	PLN ths 2022 from 01-01-2022 to 31-12-2022	2021 from 01-01-2021 to 31-12-2021	4 quarter 2022 from 01-10-2022 to 31-12-2022	4 quarter 2021 from 01-10-2021 to 31-12-2021
Revenues	**648,238**	**569,602**	**174,072**	**174,605**
Cost of sales	289,121	260,504	73,589	74,387
Gross profit on sales	**359,117**	**309,098**	**100,483**	**100,218**
Selling costs	288,807	239,530	75,173	69,576
Administrative expenses	55,147	51,159	15,254	14,066
Other operating income	8,106	10,700	2,425	2,065
Zysk ze zbycia niefinansowych aktywów trwałych	-	-	-	-
Other operating costs	10,482	17,908	3,859	995
Loss from sale of non-financial non-current assets	341	264	73	281
Profit (loss) from operations	**12,446**	**10,938**	**8,548**	**17,365**
Financial income / costs	-6,140	-5,459	4,204	-2,505
Pre-tax profit (loss)	6,306	5,479	12,753	14,860
Income tax	2,893	2,446	3,158	3,572
Net profit (loss) for the period	**3,413**	**3,033**	**9,594**	**11,288**

** The table above presents the Group's basic financial positions, showing the impact of IAS 17 as the previously applicable standard*

REVENUES

In 2022, revenues of the apparel segment amounted to PLN 648.2 million and were PLN 78.6 million (i.e. 13.8%) higher than the revenues achieved in 2021.

In the fourth quarter of 2022, revenues from the apparel segment amounted to PLN 174.1 million and were PLN 0.5 million (i.e. 0.3%) lower than the revenues generated in the corresponding period of 2021.

Apparel segment	PLN m 2022 from 01-01-2022 to 31-12-2022	2021 from 01-01-2021 to 31-12-2021	4 quarter 2022 from 01-10-2022 to 31-12-2022	4 quarter 2021 from 01-10-2021 to 31-12-2021
Revenue	**648.2**	**569.6**	**174.1**	**174.6**
Retail sales	623.9	543.4	169.5	167.2

Apparel segment	PLN m			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Processing	21.1	19.8	4.0	6.1
B2B	3.3	6.4	0.6	1.3

In 2022, the Group recorded the following results in the following retail channels:

VISTULA ↑	**BYTOM ↑**	**WÓLCZANKA ↑**	**DENI CLER MILANO ↑**
PLN 261.8m	PLN 185.4m	PLN 124.0m	PLN 52.7m
(18% YoY)	(15% YoY)	(7% YoY)	(16% YoY)

Increase in revenue was the result of i.a. lack of trade restrictions caused by the COVID-19 pandemic in 2022 and continuation of positive trends in sales, which were limited by macroeconomic changes, which was visible in the second half of the year.

In 2022, off-line sales increased by 21.9% and on-line sales decreased by 3.8% compared to last year. Share of on-line in revenues of the apparel segment was 22% in 2022 compared to the 26% share of on-line in sales in 2021.

In the fourth quarter of 2022, off-line sales increased by 0.2% and on-line sales by 5.6% compared to the same period last year. Share of on-line in revenues of the apparel segment was 23% in the fourth quarter of 2022 compared to 22% of on-line in sales in the corresponding period of the previous year.

The last quarter of the year is a key period for retail trade, whose value share in sales in 2022 amounted to 27%. Decrease in share of on-line sales in 2022 compared to 2021 was a consequence of lack of restrictions on traditional sales and, as a result, an increase in share of these sales in revenues (at the expense of the share of sales in on-line stores). The level of sales in this quarter was at the level of the fourth quarter of 2021, which was influenced by macroeconomic factors, such as inflation and the resulting sharp increase in the cost of living, which adversely affected the consumption behaviour of consumers.

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

VISTULA ↑	**BYTOM ↓**	**WÓLCZANKA**	**DENI CLER MILANO ↑**
PLN 65.8m	PLN 50.1m	PLN 37.0m	PLN 16.7m
(1% YoY)	(-2% YoY)	(0% YoY)	(22% YoY)

GROSS PROFIT ON SALES

The gross profit on sales of the apparel segment in 2022 amounted to PLN 359.1 million and was 16% higher than generated in the corresponding period of the previous year. The gross margin amounted to 55.4% in 2022, which means an increase of 1.1 pp. compared to 2021.

Changes in the margins of individual brands in 2022:

VISTULA ↑	**BYTOM ↑**	**WÓLCZANKA ↓**	**DENI CLER MILANO ↑**
57.8 %	58.0 %	55.5 %	63.5 %
(gross profit margin up by 1 pp.)	(gross profit margin up by 2.2 pp.)	(gross profit margin fall by 0.6 pp.)	(gross profit margin up by 4,9 pp.)

Gross profit on sales of the apparel segment in the fourth quarter of 2022 amounted to PLN 100.5 million and was higher by 0.3% than generated in the fourth quarter of 2021. Gross margin in the fourth quarter of 2022 amounted to 57.7% (4 quarter 2021: 57.4%).

Changes in the margins of individual brands in Q4 2022:

VISTULA ↑	**BYTOM ↓**	**WÓLCZANKA ↓**	**DENI CLER MILANO ↑**
60.8 %	59.4 %	56.1 %	66.3 %
(gross profit margin up by 0.7 pp.)	(gross profit margin fall by 1.4 pp.)	(gross profit margin fall by 4.9 pp.)	(gross profit margin up by 1.8 pp.)

Increase in gross profit margin in 2022 (compared to the corresponding period of the previous year) resulted from increase in share of off-line channels in the sales structure, characterized by higher margins, as well as the reduction of promotional campaigns in the first half of 2022. Decrease in margin in March 2022 resulted from increased resale of goods and preparation of stock for the new collection. In the fourth quarter, a stable y/y margin was recorded.

SELLING COSTS

Selling costs in 2022 amounted to PLN 276.2 million and were higher by PLN 34.5 million (14%) compared to costs incurred in the previous year. Share of selling costs in revenues in 2022 was 42.6% compared to 42.4% in the previous year 2021.

Selling costs in the fourth quarter of 2022 amounted to PLN 72 million and were higher by PLN 5.2 million (8%) compared to the corresponding period of the previous year. Share of selling costs in revenues of the apparel segment in the fourth quarter of 2022 amounted to 41.4% and was higher by 3.1 pp. compared to the corresponding period of the previous year.

Increase in selling costs was caused, among others, by an increase in basic salaries (increase in the minimum wage, no reduction in remuneration for closed commercial premises during periods of the so-called lockdowns), an increase in costs derived from sales, i.e. employee bonuses, commissions for franchisees, logistics and marketing costs, as well as increase in additional rents (service charge).

In 2022, decrease in the share of selling costs in revenues resulted from an increase in revenue base (no trade restrictions, limited promotional campaigns, positive sales trends). On the other hand, the increase in this share in the fourth quarter of 2022 resulted from an increase in the cost base with a similar value of sales revenues.

GENERAL ADMINISTRATION COSTS

General and administrative expenses in 2022 amounted to PLN 54.7 million compared to PLN 50.8 million in the previous year, which means an increase in costs by PLN 3.9 million (8%). At the same time, share of general and administrative expenses in revenues fell to 8.4% compared to 8.9% in the previous year.

General and administrative expenses in the fourth quarter of 2022 amounted to PLN 15.1 million compared to PLN 13.9 million in the corresponding period of the previous year, which means an increase of PLN 1.2 million (8%). At the same time, the share of general and administrative expenses in revenues increased to 8.7% from 8.0% in the corresponding period of the previous year.

Increase in general administrative expenses resulted from, among others, increase in remuneration costs, which is a consequence of lack of reduction of remuneration due to the closing down of commercial premises during the so-called peak periods lockdowns (as was the case in the first quarter of 2021), as well as from an increase in general operating costs. On the other hand, share of general administrative costs in revenues, as in the case of selling costs, resulted in 2022 from an increase in revenue base (decrease in the ratio), and in the fourth quarter of 2022 from an increase in the cost base with a similar value of revenues (increase in the ratio).

OPERATING RESULT OF THE APPAREL SEGMENT

In 2022, an operating profit of PLN 26.3 million was generated compared to PLN 9.6 million in the previous year (improvement of the result by PLN 16.7 million). In the fourth quarter of 2022, an operating profit of PLN 12 million was generated compared to PLN 20.5 million in the corresponding period of the previous year (a decrease of PLN 8.5 million).

Increase in the operating result in 2022 was the result of both higher revenues and a higher percentage gross profit margin on sales, and, consequently, higher gross profit on sales, with a smaller increase in selling costs and general administrative expenses. Additionally, in 2022, the Group partially reversed the write-down on inventories in the amount of PLN 2.5 million (compared to the write-down of PLN 6 million in 2021), which had a positive impact on the financial result. On the other hand, decrease in operating profit in the fourth quarter of 2022 was the result of maintaining a similar level of sales with a decrease in the gross margin percentage and an increase in operating costs, which exceeded the increase in sales revenue.

The operating profitability of the apparel segment in 2022 amounted to 4.1% and was higher by 2.4 pp. compared to the previous year. In the fourth quarter of 2022, it amounted to 6.9% and was lower by 4.9 pp. compared to the corresponding period of the previous year. Change in operating profitability resulted from the factors indicated in the previous paragraph.

FINANCIAL INCOME AND COSTS

The net financial result in the apparel segment amounted to PLN -12.8 million in 2022 compared to PLN -7.7 million in the previous year. In the fourth quarter of 2022, the net financial result amounted to PLN +10 million compared to PLN -1.8 million in the corresponding period of the previous year.

The IFRS16 standard had an adverse impact on the apparel segment's financial activity balance in 2022, as it caused an increase in net financial costs by PLN 6.7 million (in the previous year the impact was also negative and amounted to PLN -2.2 million). In the fourth quarter of 2022, the impact of IFRS16 on the balance of financial activities was positive and resulted in a decrease in financial costs by PLN 5.8 million (in the corresponding period of the previous year, the impact was also positive and amounted to PLN +0.6 million).

Apparel segment	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Financial costs net	-2,680	-4,269	582	-1,401
FX differences net (excl. IFRS 16)	-3,460	-1,191	3,622	-1,104
IFRS 16 impact	-6,665	-2,238	5,824	650
'- incl. FX differences	-3,759	1,050	6,523	1,416
'- incl. interest	-2,906	-3,288	-700	-766
Financial income/ costs	**-12,805**	**-7,698**	**10,028**	**-1,855**

NET RESULT IN THE APPAREL SEGMENT

In the apparel segment, the Group showed a net profit of PLN 9.2 million in 2022 compared to a net profit of PLN 0.4 million in the previous year (an improvement of PLN 8.9 million). In the fourth quarter of 2022, the Group's apparel segment showed a net profit of PLN 17.1 million compared to a net profit of PLN 14.8 million in the same period of the previous year (an improvement of PLN 2.3 million).

Improvement of the net result in 2022 was a consequence of a greater increase in gross profit on sales (increase in revenues and percentage gross margin) than in selling costs and general administrative expenses and positive impact of lower other net operating expenses (i.e. less other operating income). However, this effect was limited by a significant increase in net financial costs (i.e. less financial income), in particular negative exchange differences (both related to IFRS 16 and resulting from trading activities). Increase in the net result for the fourth quarter of 2022 compared to the fourth quarter of 2021, with a lower YoY operating result for this period, was influenced by the positive balance of exchange differences.

JEWELLERY SEGMENT

Jewellery segment	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Revenues	**625,714**	**500,325**	**194,930**	**174,190**
Cost of sales	301,699	241,235	94,147	82,381
Gross profit on sales	**324,015**	**259,090**	**100,783**	**91,809**
Selling costs	173,090	140,854	58,255	48,472
Administrative expenses	35,800	30,975	11,706	10,135
Other operating income	1,275	2,474	590	629
Gain from sale of non-fixed assets	23	186	0	80
Other operating costs	2,120	1,964	1,184	876
Loss from sale of non-financial non-current assets	0	0	208	0
Profit (loss) from operations	**114,303**	**87,957**	**30,020**	**33,035**
Financial income / costs	-10,164	-6,241	7,585	-2,165

Jewellery segment	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Pre-tax profit (loss)	104,139	81,716	37,605	30,870
Income tax	20,420	15,792	7,404	5,912
Net profit (loss) for the period	**83,719**	**65,924**	**30,201**	**24,958**

IAS 17* Jewellery segment	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Revenues	**625,714**	**500,325**	**194,930**	**174,190**
Cost of sales	301,699	241,235	94,147	82,381
Gross profit on sales	**324,015**	**259,090**	**100,783**	**91,809**
Selling costs	178,363	139,963	59,654	49,674
Administrative expenses	36,442	31,488	11,867	10,279
Other operating income	1,037	2,256	576	544
Gain from sale of non-fixed assets	23	186	-	80
Other operating costs	2,093	1,964	1,184	876
Loss from sale of non-financial non-current assets	0	-	208	0
Profit (loss) from operations	**108,178**	**88,117**	**28,446**	**31,605**
Financial income / costs	-5,438	-4,649	2,948	-2,622
Pre-tax profit (loss)	102,739	83,469	31,393	28,983
Income tax	20,154	16,125	6,224	5,553
Net profit (loss) for the period	**82,585**	**67,344**	**25,169**	**23,429**

** The table above presents the basic financial items of the Group's jewellery segment, showing the impact of IAS 17 as the previously applicable standard*

Revenues in the Capital Group in 2022 in the jewellery segment amounted to PLN 625.7 million and were PLN 125.4 million higher than in 2021 (an increase of 25%). In the fourth quarter of 2022, the revenues of the jewellery segment amounted to PLN 194.9 million and were higher by PLN 20.7 million compared to the revenues in the corresponding period of the previous year (increase by 12%). Increase in sales was the result of maintaining the positive sales trend of gold and silver jewellery and luxury watches, as well as the lack of trade restrictions caused by the COVID-19 pandemic.

GROSS PROFIT FROM SALES

Gross profit on sales of the jewellery segment in 2022 amounted to PLN 324 million and was higher by PLN 64.9 million compared to the profit in the previous year (increase by 25%). In the fourth quarter of 2022, the gross profit on sales amounted to PLN 100.8 million and was higher by PLN 9 million compared to the profit in the corresponding period of the previous year (increase by 10%).

The percentage gross profit margin in 2022 was maintained at the same level of 51.8% compared to the previous year 2021. In the fourth quarter of 2022, the percentage gross margin decreased by 1 pp. to 51.7% from 52.7% in the previous year.

Increase in gross profit on sales both in the entire 2022 was the result of the increase in revenue, while its decrease in the fourth quarter of 2022 compared to the fourth quarter of 2021 is the result of a more dynamic increase in revenue from the sales of watches.

SELLING COSTS

In 2022, selling costs amounted to PLN 173.1 million and were higher by PLN 32.2 million compared to 2021 (increase by 23%). Share of selling costs in total sales of the jewellery segment decreased to 27.7% compared to 28.2% in the corresponding period of the previous year.

In the fourth quarter of 2022, selling costs amounted to PLN 58.2 million and were higher by PLN 9.8 million compared to the corresponding period of the previous year (increase by 20%). At the same time, the share of selling costs in the total sales of the jewellery segment increased to 29.9% compared to 27.8% in the corresponding period of the previous year.

Increase in selling costs was caused, among others, by increase in basic wages (increase in the minimum wage, no reduction in remuneration for closed commercial premises during the so-called lockdown periods), increase in sales-related costs, i.e. commissions for franchisees and bonuses for employees, increase in marketing expenses (especially in the fourth quarter) , as well as an increase in additional rents (service charge).

In 2022, decrease in share of selling costs in revenues resulted from a greater increase in the revenue base (25%) than selling costs (23%). On the other hand, in the fourth quarter of 2022, the increase in this ratio resulted from a higher growth dynamics of sales costs (20%) than the growth dynamics of sales revenues (12%).

GENERAL ADMINISTRATIVE COSTS

In 2022, general and administrative expenses amounted to PLN 35.8 million and were higher by PLN 4.8 million (16%) compared to the previous year. Share of general and administrative expenses in revenues amounted to 5.7% and was lower by 0.5 pp. compared to the previous year.

In the fourth quarter of 2022, general and administrative expenses amounted to PLN 11.7 million and were higher by PLN 1.6 million (16%) compared to the corresponding period of the previous year. Share of general administrative costs in revenues amounted to 6% and was slightly higher by 0.2 pp. compared to the corresponding period of the previous year.

OPERATING RESULT OF THE JEWELRY SEGMENT

In the jewellery segment, the Group recorded an operating profit of PLN 114.3 million in 2022, which means an increase in operating profit by PLN 26.3 million (30%) compared to the previous year. In the fourth quarter of 2022, the operating profit of the jewellery segment amounted to PLN 30 million and was lower by PLN 3 million (a decrease of 9%) compared to the corresponding period of the previous year.

Increase in the operating result in 2022 was a consequence of a higher increase in gross profit on sales (resulting from both an increase in sales revenue and maintaining the gross margin at the same level) than selling costs and general administrative expenses, with a slight change in other items compared to 2021. In the fourth quarter of 2022, decrease in the result was related to the increase in selling costs and general administrative expenses exceeding the increase in revenue and gross margin.

Operating profitability in 2022 amounted to 18.3% and was higher by 0.7 pp. compared to the previous year. In the fourth quarter of 2022, the operating margin amounted to 15.4% and was lower by 3.6 pp. compared to the corresponding period of the previous year.

Increase in operating profitability in 2022 was a consequence of the higher dynamics of operating profit growth (mainly resulting from the increase in gross margin) than the increase in sales revenue. On the other hand, in the fourth quarter of 2022, higher sales revenues (with a similar gross percentage margin) were offset by an increase in sales costs, resulting in a similar level of operating profit in terms of value and, consequently, lower operating profitability.

FINANCIAL INCOME AND COSTS

The net financial result in the jewellery segment amounted to PLN -10.2 million in 2022 compared to PLN -6.2 million in 2021. In the fourth quarter of 2022, the balance of the result on financial activities amounted to PLN +7.6 million compared to PLN -2.2 million in the corresponding period of the previous year.

The IFRS16 standard had an adverse impact on the balance of financial activity of the jewellery segment in 2022, as it caused an increase in net financial costs by PLN 4.7 million (in the previous year the impact was also negative and amounted to PLN -1.6 million). In the fourth quarter of 2022, the impact of IFRS16 on net financial activities was positive and resulted in a decrease in financial costs by PLN 4.6 million (in the corresponding period of the previous year, the impact was also positive and amounted to PLN 0.5 million).

Jewellery segment	PLN ths			
	2022 from 01-01-2022 to 31-12-2022	**2021** from 01-01-2021 to 31-12-2021	**4 quarter 2022** from 01-10-2022 to 31-12-2022	**4 quarter 2021** from 01-10-2021 to 31-12-2021
Financial costs net	-2,486	-3,281	446	-1,814
FX differences net (excl. IFRS16)	-2,952	-1,368	2,502	-808
IFRS 16 impact	-4,726	-1,592	4,637	457
'- incl. FX differences	-2,651	598	5,175	981
'- incl. interest	-2,075	-2,190	-537	-524
Financial income/ costs	**-10,164**	**-6,241**	**7,585**	**-2,165**

NET PROFIT IN THE JEWELLERY SEGMENT

The net profit of the jewellery segment in 2022 amounted to PLN 83.7 million and increased by PLN 17.8 million (27%) compared to 2021. In the fourth quarter of 2022, it amounted to PLN 30.2 million and increased by PLN 5.2 million (21%) compared to the corresponding period of the previous year.

Increase in net profit in 2022 (compared to the previous year) was the result of a further increase in sales (positive sales trends, no restrictions in trade) and maintaining the gross profit margin at the same level, and consequently an increase in gross profit on sales, with simultaneous lower increase in selling costs and general 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. taking into account financial income), resulting from the recording of negative exchange differences, as well as the increase in debt servicing costs (increase in interest rates on the interbank market).

Similarly, in the fourth quarter of 2022, the net profit was higher than in the corresponding period of the previous year, which was affected by positive exchange differences.

STRUCTURE AND CHARACTERISTICS OF STATEMENT OF FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET	31.12.2022		31.12.2021	
	value (PLN ths)	share (%)	value (PLN ths)	share (%)
Non-current assets, including:	**848,122**	**56.1%**	**867,808**	**58.1%**
Intangible assets	502,132	33.2%	500,459	33.5%
Fixed assets	60,401	4.0%	55,704	3.7%
Right-of-use asset (IFRS16)	262,422	17.4%	284,386	19.0%
Current assets, including:	**663,534**	**43.9%**	**626,584**	**41.9%**
Inventory	553,258	36.6%	499,173	33.4%
Receivables	14,295	0.9%	12,839	0.9%
Cash and cash equivalents	95,899	6.3%	114,572	7.7%
Total assets	**1,511,656**		**1,494,392**	
Equity attributable to dominating entity, including:	**942,765**	**62.4%**	**889,664**	**59.5%**
Share capital	49,122	3.2%	49,122	3.3%
Net profit (loss) for the current period	92,958	6.1%	66,310	4.4%
Long-term liabilities and provisions:	**224,309**	**14.8%**	**272,165**	**18.2%**
Long-term loans and borrowings	19,460	1.3%	33,658	2.3%
Lease liabilities	201,658	13.3%	236,957	15.9%
' incl. leases in shopping malls and office floorspace	*200,438*	*13.3%*	*236,017*	*15.8%*
Short-term liabilities and provisions, including:	**344,582**	**22.8%**	**332,563**	**22.3%**

CONSOLIDATED BALANCE SHEET	31.12.2022 value (PLN ths)	31.12.2022 share (%)	31.12.2021 value (PLN ths)	31.12.2021 share (%)
Trade liabilities	198,218	13.1%	193,162	12.9%
Short-term loans and borrowings	22,786	1.5%	20,604	1.4%
Lease liabilities	102,228	6.8%	97,566	6.5%
' incl. leases in shopping malls and office floorspace	*101,610*	*6.7%*	*96,861*	*6.5%*
Total equity and liabilities	**1,511,656**		**1,494,392**	

ASSETS

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

PROPERTY, PLANT, EQUIPMENT

Increase in property, plant and equipment is related to investments made to open new stores and their equipment.

RIGHT OF USE ASSETS

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

INVENTORY

Value of inventories as at December 31, 2022 amounted to PLN 553.3 million, which means an increase compared to December 31, 2021 by 10.8%. In the apparel segment, the value of inventories decreased by 7% YoY (due to further optimization of working capital), while in the jewellery segment it increased by 28.1%, which was the result of the planned development of the network, stocking it for sale in the first quarter of 2023 and price increases raw material and exchange rates.

The Group's inventories per m2 amounted to PLN 10,643, which means an increase of 11.6% YoY:

INVENTORY / [PLN/m2]	4Q22	4Q21	YoY
VRG	10,643	9,540	11.6%
Apparel segment	5,734	5,998	-4.4%
Jewellery segment	26,736	22,263	20.1%

EQUITY AND LIABILITIES

EQUITY

In the reporting period, changes in equity result from the profit earned for 2022 in the amount of PLN 92,958 thousand PLN and implementation by the parent company VRG S.A. adopted on June 21, 2022, the resolution of the Ordinary General Meeting of the parent company VRG S.A. on the payment of dividend in the total amount of PLN 39,857,492.80. The shareholders of the parent company VRGS.A were entitled to the dividend. as at July 15, 2022 (dividend date), and the dividend payment date was July 29, 2022.

LONG-TERM AND SHORT-TERM DEBT

Debt under long-term loans as at December 31, 2022 amounted to PLN 19.5 million compared to PLN 33.7 million as at the end of December 2021, which means a decrease by PLN 14.2 million. Lease liabilities due to the lease of commercial premises and office space total PLN 302 million, of which PLN 200.4 million is the long-term part and PLN 101.6 million is the short-term part.

The table below presents the evolution of financial liabilities as at December 31, 2022 and December 31, 2021 and net debt. In addition, data on net debt are also presented without the impact of IFRS 16, which significantly changes its value.

The amount of net debt decreased compared to the previous year as a result of increasing sales revenues and reducing debt under long-term loans and lease liabilities.

The net debt/EBITDA ratio (under IAS 17) is negative due to the surplus of cash over financial liabilities and is significantly below the levels defined in loan agreements concluded by the Capital Group companies.

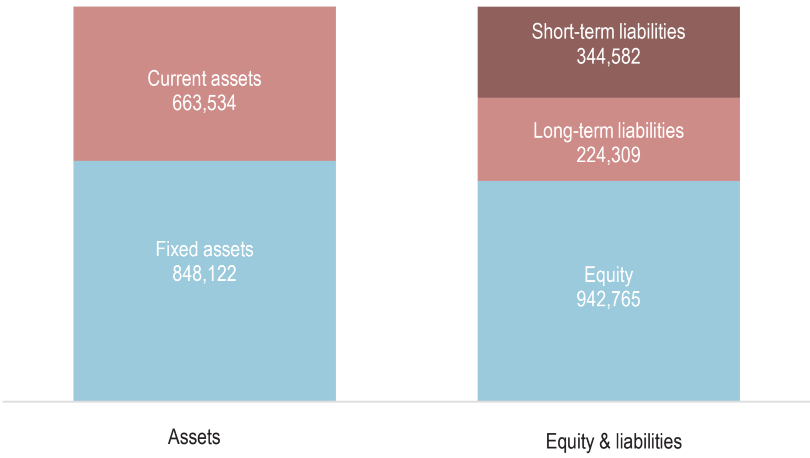
Net debt	31.12.2022	31.12.2021
Long-term debt	221,118	270,615
Long-term loans and borrowings	19,460	33,658
Finance lease liabilities	201,658	236,957
‘-incl. leases in shopping malls and office floorspace	200,438	236,017
Short-term debt	**141,102**	**134,874**
Loans and borrowings	8,925	5,996
Short-term part of long-term loans	13,861	14,608
Reverse factoring	16,088	16,704
Finance lease liabilities	102,228	97,566
- incl. leases in shopping malls and office floorspace	*101,610*	*96,861*
Cash	95,899	114,572
Net debt	**266,321**	**290,917**
EBITDA annualised	250,348	201,615
Net debt/EBITDA	**1.1**	**1.4**

Net debt IAS 17*	31.12.2022	31.12.2021
Long-term debt	20,680	34,598
Long-term loans and borrowings	19,460	33,658
Finance lease liabilities	1,220	940
Short-term debt	**39,492**	**38,013**
Loans and borrowings	8,925	5,996
Short-term part of long-term loans	13,861	14,608
Reverse factoring	16,088	16,704
Finance lease liabilities	618	705
Cash	95,899	114,572
Net debt	**-35,727**	**-41,961**
EBITDA annualised	142,287	120,462
Net debt/EBITDA	**-0.3**	**-0.3**

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

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

Balance sheet analysis at the end of 2022



SIGNIFICANT OFF-BALANCE SHEET ITEMS

Significant off-balance sheet items are indicated in Note No. 30 to the consolidated financial statements.

SIGNIFICANT RISK AND THREAT FACTORS

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

EXTERNAL RISK FACTORS

Economic risks related to the macroeconomic situation	The level of the Group's revenues depends on the economic situation, including: the dynamics of economic growth, inflation, unemployment, household income and debt, individual consumption, consumer optimism indicators, the level of the euro exchange rate against the złoty, interest rates and government fiscal policy. There is a risk that in the event of a sharp economic downturn and the occurrence of recessionary phenomena, there will be a significant drop in demand for the products, offered by the Group, which will have a negative impact on the achieved results and financial position. **Actions:** Each of the brands owned by the Group is aimed at a wide range of consumers. The Group offers very good quality products in various price segments. In the event of a downturn in the economy or demand, the Group will cut costs to maintain profitability.
Risks associated with the instability of the Polish legal system legal system, including tax system	A potential risk for the Group's business, as for all business entities, may be the volatility of laws and their interpretation. Changes in commercial law, tax law, labour and social security law and other regulations governing businesses, particularly in the Group's industry, entail significant risks in the conduct of business and may hinder or prevent the implementation of planned operational activities and financial forecasts. Subsequently, changes in the law may lead to a deterioration in the Group's financial condition and performance. New legal regulations may potentially give rise to certain risks related to interpretation problems, lack of jurisprudence practice, unfavourable interpretations adopted by courts or public administration bodies, etc. For example, the implementation of the EU Omnibus Directive, which in the context of Polish law included primarily the amendment of two laws: on the protection of consumer rights and on counteracting unfair market practices, introduced significant changes in trading on the Internet and in stationary shops. The new provisions raise questions of interpretation. Tax law is characterised by a lack of stability, as its provisions are frequently amended, many times to the disadvantage of taxpayers. Changes in the taxation of business activities with respect to income tax, value added tax or

	other taxes may adversely affect the Issuer's operations and income levels. Interpretations of tax authorities also change, are replaced by others or are in conflict with each other. This results in uncertainty as to how the law will be applied by the tax authorities in the diverse, often complex factual situations occurring in business. The Group is also exposed to the risk of possible changes in interpretations of tax laws issued by tax authorities. The factors described above may have a significant negative impact on the Group's development prospects, results and financial position. **Activities:** The Group continuously analyses changing legislation, including tax legislation, In the event of legal changes, the Management Board will focus its activities on minimising their impact on the Group's financial results.
Risks associated with increased competition	The Capital Group operates in a highly competitive market environment. The apparel and jewellery segment of the market is characterised by a high degree of fragmentation: on the one hand, we are dealing with brands recognised on the Polish market, such as Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK, and on the other hand, with global brands that are aggressively entering the Polish market. The clothing segment of the market is characterised by fairly low barriers to entry. There is also competition from newly emerging brands. The Group may have to look for new sourcing markets to keep its offering competitive. In addition, it may need to spend more on marketing and promotion to reach its target customer. **Actions:** In order to mitigate risks, the Group continuously monitors the activities of its competitors in terms of the development of its sales network, the products offered and the level of prices.
Exchange rate and hedging policy risks	The Group earns its revenue principally in PLN, but incurs significant costs in euro, US dollar and Swiss franc, which exposes the financial result to foreign exchange risk. During periods of weakening of the PLN against the major currencies of settlement, the Group incurs higher costs due to accounting for exchange rate differences. In currencies other than PLN, the Group incurs costs (a) for the purchase of materials for production (fabrics, accessories) and complementary assortments in the clothing segment (shoes, knitwear, leather accessories and others), (b) for the purchase of materials for production (jewellery raw materials), jewellery and watches in the jewellery segment and (c) resulting from lease agreements for retail space. In the event of a significant and prolonged weakening of the Polish currency against the euro, the US dollar and the Swiss franc, there is a risk of a significant deterioration in the financial results achieved by the Group. The table below the list of risks presents an analysis of the sensitivity of the financial result (and therefore equity) to an average annual change in exchange rates of +/-5 % against the average or closing rate. **Actions:** The parent company takes measures to limit the impact of an increase in the exchange rate on the level of the achieved "in take" margin mainly in terms of the USD/PLN exchange rate relationship. by entering into forward and spot contracts. The transactions are related to individual deliveries of goods particularly in the fashion area and do not relate to neutralisation of a possible risk related to an increase in rental fees due to a change in the EUR/PLN exchange rate relationship. The impact of forward transactions will be visible in the valuation of currency liabilities related to the forward transactions concluded.
Interest rate risk	The Group uses external financing at variable interest rates in the form of an investment and working capital loan and reverse factoring. As a result, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and a consequent reduction in the Group's profitability. The table below the list of risks presents a sensitivity analysis of the financial result (and thus equity) in relation to a potential fluctuation of the average annual interest rate +/- 100 basis points (i.e. 1 percentage point). **Actions:** The Group continuously monitors the market situation and optimises debt levels using diversified financial products.
Risks related to the armed conflict in Ukraine	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 supply chain disruption. The Group does not have its own or franchise stores in the areas affected by the armed

	conflict in Ukraine and Russia, nor does it sell there through other channels (on-line shop, wholesale). As the Group does not import goods or raw materials from Ukraine or Russia, the risk of a possible negative impact of the armed conflict in Ukraine on the current stocking of its showrooms and the availability of its offer in on-line shops is assessed by the Parent's Management Board as low.

INTERNAL RISK FACTORS

Risks associated with adopting the wrong strategy	There is a risk that the Group's adopted development plans, the basic assumptions of which are presented in the section "Planned development activities" of the Management Board's Report on the Group's operations, will prove to be ill-adapted to changing customer expectations or market conditions. There is a risk that the implementation of the strategy will be delayed or that certain elements will not be realised or will not produce the expected results. Among other things, there is a risk that the Group will not be able to launch the planned new sales space, that the launch will be delayed or that the new locations will not achieve the targeted sales results. **Actions**: The Boards of Directors continuously analyse the effects of the measures introduced as part of the adopted development strategy. Data on available new locations is obtained and current locations are assessed. Optimisation measures are taken and customer behaviour is monitored in order to minimise the risk of adopting the wrong strategy and its impact on the Group's operations.
Risk of changing tastes and purchasing behaviour	An important factor in the success of an apparel company is a keen sense of changes in fashion trends and current consumer preferences and, in the case of the jewellery segment, adaptation to consumer expectations. There is a risk that individual collections or part of the Group's offer, despite its efforts, will deviate from customer expectations in a given season, which may result in problems with sales, the need to reduce selling prices or write down the value of part of the inventory. In order to mitigate this risk, the Group's companies analyse changing trends and customer needs so as to continue to offer desirable products at a favourable price/quality ratio. In addition, an analysis of the sales of individual ranges is carried out in order to select appropriate products in the next collections of the Group's owned brands. Over the last few years, as a result of the development of new communication technologies, there has been a noticeable change in the behaviour of the modern customer, i.e. the use of the internet and mobile devices in the clothing purchasing process. Thanks to the use of the internet in the purchasing process, the consumer has access to a wide range of brands, often with a global reach. They are also able to quickly compare the products on offer in terms of quality and price. Customers pay attention to delivery times, as well as the manufacturing process and the country of origin of the product. Knowing how today's consumers think and behave about their clothing purchases is an important factor in the success of clothing companies. **Activities:** The Group is aware of the changes taking place and is taking a number of actions to meet the demands of today's apparel customers. These actions include: developing the online sales channel, adapting web shop pages to meet customer expectations, implementing dedicated solutions for mobile devices and reducing lead times.
Risks associated with concluded rental contracts	The Group's business is based predominantly on the retail sale of goods through its own network of stores. The risk of losing one or more locations cannot be ruled out, e.g. in connection with the intention to modernise the entire shopping centre 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 of non-renewal of the lease agreement in locations showing the highest profitability for the Group or generating satisfactory financial results. There is a risk that the lease terms offered to the Group for the next period may differ unfavourably from the existing terms in the location. The loss of existing locations may make it necessary to temporarily curtail operations in a given area or the acquisition of attractive locations may involve increased costs. **Activities:** constant monitoring of existing and potential locations is carried out in order to achieve an optimal portfolio in line with the Group's expectations.

Risks associated with inventory management	Inventory management of finished goods and merchandise is one of the important factors affecting sales performance in the Group's industry. On the one hand, stock levels should facilitate purchasing decisions when offering a particular seasonal collection, leading to an increase in stock at each point of sale. On the other hand, higher inventory levels generate additional working capital requirements and may lead to the rewarding of hard-to-buy stock (seasonal, 'fashion' products, misplaced collections). Inadequate inventory management poses a risk to prices, margins and the necessary level of working capital, and can therefore negatively affect the Group's growth prospects, performance and financial position. **Actions:** A quantitative and qualitative analysis of the stocks held is carried out periodically. Based on this, the Group decides on discount actions, the amount of sales, as well as possible write-downs. In addition, on the basis of an analysis of the stock held and the resale of current collections, decisions are made as to the level of purchases for subsequent sales periods.
Risk of increases in raw material prices and manufacturing costs from suppliers	The Group procures imported raw materials for production, in particular high-quality fabrics and sewing accessories, as well as metals and precious stones for jewellery production. The cost of the aforementioned raw materials is a significant factor affecting the cost of production of the individual products on offer from the Group. In addition, Group companies purchase clothing accessories, jewellery products and watches from renowned foreign brands. There is a significant risk that with further increases in the prices of raw materials or manufacturing costs from suppliers/service providers, with little scope for price changes, it will not be possible to maintain margins that are appropriate for the type of product range. **Actions**: With a view to the quality required, the Group actively seeks the most optimal service providers and suppliers and negotiates price conditions.
External service cost risk	A significant share of operating costs is accounted for by third-party services. These services consist primarily of rents and other charges under commercial leases, costs related to the sewing service and costs related to transport and logistics. The Group also purchases a number of typical services (e.g.: advertising, telecommunications, legal, consultancy, etc.). The risk of deterioration in the commercial terms of one or more of the third-party services purchased by the Group, in particular rental costs, cannot be excluded. **Activities:** Constant monitoring of the contracts concluded and comparison to current market conditions is carried out.
Risk of termination of a bank loan agreement	The Group has entered into bank loan agreements with the banks PKO BP, SA, ING Bank Śląski SA and mBank SA. These agreements contain a number of conditions and covenants that the Group is obliged to fulfil. In the event of an economic downturn, a weakening of demand for the Group's products, the fulfilment of the covenants may be jeopardised, resulting in the risk of termination of the agreements by the financing banks. Due to the large amount of financing, it may not be possible for the Group to obtain refinancing in the short term. **Actions:** The Group minimises the risk by meeting its obligations to the banks on time and monitoring compliance with covenants. The Group provides the financing banks with information on its situation on an ongoing basis, either as a result of contractual conditions or the interest of the financing banks themselves, so that the associated risks are minimised and, should refinancing be required, the Group would be able to obtain it within a timeframe that does not impede liquidity.
Liquidity risk	The Group has liabilities under loan agreements. Consequently, collateral has been established covering a significant portion of the assets. These liabilities are serviced primarily using current operating income. In the extreme case of a sharp, simultaneous drop in demand and increase in costs (especially in the event of a deep weakening of the Polish zloty) or a temporary loss of revenue as a result of extraordinary events, the Group may experience difficulties in maintaining its liquidity.

	Actions: The Group constantly monitors its liquidity position by analysing the volume of sales receipts and required liabilities. It has carried out measures to extend payment terms for purchased goods and is actively adjusting the value of collections in line with demand, which will have a positive impact on the Group's cash flow. In the first half of 2022, the Group companies renewed their contracts with PKO BP and mBank for further years. The Group will work to further improve the efficiency of working capital utilisation and maintain longer payment terms. In the opinion of the Parent Company's Management Board, the current situation is sufficiently monitored and controlled. The Parent Company's Management Board is confident of the positive results of the measures described above.
Risk of realisation of security features and loss of security objects	In connection with loan and other agreements with a number of entities, the Group has created numerous securities over all of its assets, both real estate and movable property, inventories and trademarks. The amount of collateral exceeds the carrying value of the Group's assets. There is a risk of failure to meet deadlines or other contractual terms. Delays in meeting the above obligations may result in the immediate termination of all or part of the financing and the subsequent seizure of the Group's assets by the creditor to satisfy the collateral. The loss of significant assets could lead to significant impediments to the Group's business operations or even a complete blockage of the Group's ability to operate, generate revenues and profits. **Actions:** The Group minimises risk by meeting its obligations to banks in a timely manner.
Risks related to transactions with related parties	Group companies do and will enter into transactions with related parties. In particular, the Issuer enters into such transactions with the production company and the company responsible for the jewellery segment. Transactions with related parties may be subject to examination by the tax authorities in order to ascertain whether they were concluded on an arm's length basis and whether, therefore, the entity has correctly determined its tax liabilities. In the opinion of the Parent Company's Management Board, transactions with related parties are and will be concluded on an arm's length basis. There is a risk that the tax authorities will question the arm's length nature of the terms and conditions of the selected related party transaction, which could result in additional tax having to be paid, together with default interest. **Actions:** The parent company enters into transactions with related parties on an arm's length basis and analyses their marketability.
Risks related to shareholder structure	The Parent Company is characterised by a dispersed shareholding structure, with the largest shareholders being funds managed by the PZU Group S.A. holding 19.30% of votes at the General Meeting, and 6 significant shareholders holding a total of 77.23% of votes at the General Meeting. Most of these shareholders have held shares in the Parent for many years and participate in shaping the Company's business through their representatives on the Supervisory Board. However, the risk cannot be ruled out that one or more of the significant shareholders will reduce their shareholding or cease to invest in the Company's shares. It cannot be ruled out that decisions on the Group's strategy and operations which are important from the point of view of the Group will be delayed or even blocked. It cannot be ruled out that, despite the cooperation to date, the interests of significant shareholders will diverge/conflict. The aforementioned factors may have a significant negative impact on the Group's development prospects, results and financial position.
Risks associated with providing guarantees to subsidiaries	In connection with the separation of an organised part of the enterprise in the form of jewellery assets and their transfer to the subsidiary W.KRUK SA, the company simultaneously carried out financial restructuring. As part of this process, W.KRUK SA obtained new financing from Bank PKO BP and the parent company guaranteed the subsidiary's liabilities. In the second quarter of 2015, the subsidiary DCG SA obtained refinancing from Bank PKO BP and in the third quarter of 2016 the subsidiary VG Property Sp. z o.o. obtained an investment loan from Bank

	PKO BP. These liabilities of the subsidiaries DCG S.A. and VG Property Sp. z o.o. were guaranteed by the parent company. In the event of a sudden economic downturn and discontinuation of debt service by W.KRUK SA or DCG SA and VG Property Sp. z o.o. the Parent Company, on the basis of the surety granted, may be obliged to settle the outstanding liabilities of the subsidiaries, which could result in the loss of financial liquidity of the entire Company. In connection with the extension of the subsidiaries' Multiproduct Agreements with Bank PKO BP, the subsidiary W.KRUK S.A. granted a surety to the parent company VRG S.A. in the amount of PLN 55 million, from which it was subsequently released by the bank on 8 September 2022. The parent company VRG S.A. provides a surety to DCG S.A. in the amount of PLN 27 million. **Activities:** The Group monitors on an ongoing basis the financial situation of its subsidiaries and their fulfilment of their obligations towards the banks financing their activities.
Risk of disruption to IT systems	The Group uses a number of IT systems, tools and programmes to ensure an adequate level of communication within the organisational structures of the Group's companies, recording and processing information on business events in all areas of its operations. The risk of IT disruptions in the areas of (i) Technical infrastructure (e.g. failure of servers, workstations, network equipment, lack of connection to external networks), (ii) Software (e.g. malfunction, unauthorised deletion, operation of computer viruses), (iii) Data resources (loss or destruction of data, unauthorised access to data, unauthorised duplication of data, unauthorised modification of data) cannot be excluded. **Actions:** Within the framework of the procedures in place and the IT tools at its disposal, the Group aims to minimise the possibility of the above-described events occurring, but it is not possible to completely exclude the likelihood of their occurrence and thus their negative impact on the security and reliability of the information resources and databases held and on the security and continuity of service provision.
Risks related to the EU directive GDPR	Since May 25, 2018, Regulation 2016/67 of the European Parliament and of the EU Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (GDPR) has been in force in the Polish legal order, which applies to all entities processing personal data in their business activities. The GDPR has introduced a number of changes and expanded the obligations of controllers and data processors. An important issue is that the GDPR sets out maximum levels of penalties for breaches of the GDPR . The maximum levels have been set at €20,000,000 or 4% of the entrepreneur's total annual turnover from the financial year preceding the breach. **Actions**: In view of the above, the Group has carried out work to: adjust its operations to the requirements of GDPR, which include: organising training courses for employees whose activities will be affected by the provisions of GDPR , i.e. first and foremost - employees of the marketing, sales and HR departments, the loyalty programme service department, • development of a new Information Security Policy; • development of a new Instruction for Management of IT systems used for data processing; • preparation and implementation of changes in solutions of organizational and technical nature; • development of a threat and risk analysis in processing personal data. However, the risk of incidents related to violations of GDPR regulations cannot be completely excluded, which could result in additional negative financial consequences for the Group.
Fluidity risks of working with an external logistics operator	The fluidity and timeliness of deliveries of goods to the network of traditional stores and deliveries of goods purchased by customers of VRG S.A. Group's online shops is based on outsourcing logistics services to an external operator. There is a risk that disruptions in the organisation of work of the external logistics operator related, for example, to problems of staffing of workstations and availability of adequate warehouse space may cause disruptions in the following logistics processes: • disruptions to the fluidity of warehouse processes (receipts / releases);

	• delays and errors in deliveries to stationary salons in the period of increased demand - replacement of co-leads; • delays and errors in shipments to customers of online shops during periods of increased demand or periods when shopping centres are closed - intensive sales campaigns. **The measures** taken by the VRG S.A. Group to mitigate the aforementioned risks concern respectively: • introducing a procedure for regular audits of the logistical structures and systems provided by the external operator; • improvement of the external operator's stock receipt and release plan and precise advance determination of the required storage space; • introducing a system for planning releases of goods on a weekly basis and a system for providing information to the logistics operator on the number and dates of planned releases of goods; • introduction of planning of the number of e-commerce orders in monthly cycles - based on analytical data from online stores; However, the risk of incidents related to the disruption of the aforementioned logistics processes cannot be completely ruled out, which could result in additional negative consequences for the Group related to a reduction in sales as a result of the untimely stocking of the stationary shop network or the loss of some online shop customers as a result of delays in paid deliveries. Negative effects of deterioration of the image of the Group's brands as a result of the appearance of critical comments on the Internet and in social media by customers of online shops who do not receive their purchased goods within the required timeframe cannot be completely excluded either.
Risk of disruption in supply chains	The Issuer Group purchases products and goods from suppliers in Europe and Asia. Various forms of transport offered by proven logistics companies are used for procurement logistics. However, there is a risk that as a result of constraints related to epidemiological situations or other factors affecting the operations of logistics companies (e.g. strikes, obstructions on transport routes), there may be delays in delivery dates and the cost will be higher. **Activities:** The Group uses the services of large, professional forwarding companies providing a comprehensive service. The amount of costs is constantly monitored and subject to comparative assessment.

MARKETS

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

SOURCING

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

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are presented in Note No. 8.3 to the consolidated financial statements.

BANK LOANS

Information on bank loans is included in Note No. 22 to the consolidated financial statements.

LOANS GRANTED

Information on loans granted was included in Note No. 18a to the consolidated financial statements.

PROCEEDINGS PENDING IN A COURT OR A PUBLIC ADMINISTRATION AUTHORITY

Information on proceedings pending in a court or a public administration authority is included in point 8.6 of the information and explanations to the consolidated financial statements.

GUARANTEES FOR CREDIT OR LOANS AND GUARANTEES GRANTED

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

FINANCIAL RESOURCES MANAGEMENT

As a result of the budgetary management of financial resources, the Capital Group is able to meet its liabilities. In the opinion of the Management Board of the parent company, there are no threats to the servicing and repayment of liabilities incurred. Information on capital management is included in item 8.12 of the consolidated financial statements.

USE OF PROCEEDS FROM ISSUANCE

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

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

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

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

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

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

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

In addition, as a result of the merger with Bytom S.A., in 2018 the Parent Company issued new O-series shares. In current report No. 72/2018, the Company informed that on December 18, 2018 the Management Board of the National Deposit of Securities of S.A. accepted a resolution No. 754/2018 of 17.12. 2018 regarding the conditional registration in the securities depository of 53,2660,876 O-series merger shares issued by VRG S.A. in connection with the merger of VRG S.A. and Bytom S.A. made by replacing the shares of Bytom S.A. for the share of VRG S.A. In addition, the resolution referred to above indicated 18.12.2018 as the reference day referred to in § 219 of the Detailed Rules of

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

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

There was no issuance in 2022.

DELIVERY OF PUBLISHED FORECASTS

VRG S.A. did not make public any forecast of financial results for 2022.

3.7. PLANNED DEVELOPMENT ACTIVITIES

The development prospects of the VRG Group in 2023 will be largely determined by external factors related to crisis phenomena in the economy, the manifestation of which negatively affecting consumer sentiment is the persistently high level of inflation and the related increase in household maintenance costs. The unstable situation in world politics and threats related to the ongoing armed conflict beyond Poland's eastern border may also adversely affect consumer behaviour and their willingness to make purchases in the coming quarters. Considering these factors, we believe that thanks to the diversification of the Group's business into the jewellery and clothing segments and a wide range of products for various consumer groups by brands operating in both segments, the level of revenues in 2023 should be higher than those achieved in 2022, both in the clothing and jewellery. In both segments, a further improvement in the gross percentage margin is also planned compared to 2022.

The basis for the implementation of the above business goals is the possession by the VRG Group of a portfolio of brands with high recognition and good image, addressed to various consumer groups. Being fully aware of the deep changes in the market, the VRG Group in the clothing segment continues to focus on maintaining its leading position in the premium segment of classic men's fashion. At the same time, casual and smart casual clothes constitute an increasing share of the VRG Group's offer of clothing brands. This is a response to the prevailing trends and customer expectations established during the Covid-19 pandemic, the dissemination of remote work and a lifestyle in which the convenience, simplicity and comfort of using clothing have become the dominant attributes of clothing. Following the market and better matching individual consumer groups led us to differentiate the Vistula, Bytom and Wólczanka brands more clearly in terms of aesthetics, style, price and in the area of marketing communication, while maintaining a common distribution model.

A strategically important direction in the development of the Vistula brand is the gradual increase in the size of the women's collection, positioned in the middle and higher price segment, over several seasons. We have high hopes for this project in the medium and long term.

In the Spring/Summer 2023 season, the Vistula brand focuses on capsule fashion, i.e. "easy to wear" products that can be combined in many ways and worn on various occasions. The latest Celebrations collection (dedicated to celebrations) is an offer for men and women who appreciate the highest quality fabrics, timeless colours and fashionable cuts.

In the Bytom brand, which offers men's formal fashion supplemented with a smart casual and casual assortment, the first installment of the spring-sleep campaign is the Supreme Comfort collection, whose guiding principle is comfort and utilitarianism. The latest Bytom collection is distinguished by a complete harmony of authentic comfort and aesthetic design.

In the Spring/Summer 2023 season, the Wólczanka brand continues changes in the collection, strengthening the development of new casual assortments for both men and women, creating a "total look". The offer of men's and women's formal shirts remains the leading offer. The latest campaign of the Wólczanka brand is run under the slogan "Close to You" and focuses on tailoring the brand's offer to the customer's needs.

Activities related to the new collections of the Deni Cler brand, representing the luxury segment of women's clothing, will be focused on meeting the expectations of loyal customers attached to the design of formal collections indicating the Italian origin of the brand, going hand in hand with care for the highest quality and compliance with current fashion trends. For the spring-summer season, the Deni Cler brand has prepared a collection consisting of six capsules, which is inspired by the style of world cinema stars. This season there is a reference to classic Italian elegance in a climate of workleisure, as well as sport-glam style in expressive colours. In 2023, the Deni Cler brand will continue the Weekend line, the Party line and the Deni Sport line, designed for women looking for smart casual clothing in the premium segment.

In the jewellery segment represented by the W.KRUK brand, it is planned to gradually introduce further global jewellery and watch brands that are popular abroad and not yet present on the Polish market. The development of own products, manufactured in accordance with the best practices and global trends, will also be continued. Further editions of the W.KRUK original collection project are planned, and activities in the area of development of accessories supplementing the offer of jewellery and watches will be continued. The year 2023 is the further development of the Picky Pica brand, addressed to a customer who treats jewellery made of materials other than precious metals with an attractive design as a fashion and seasonal product. For the Spring/Summer 2023 season, the W.KRUK brand presented new products in the offer of its flagship original jewellery collections, including the new edition of the Flowers of the Night collection. Many attractive premieres have also been planned in the category of watches by renowned Swiss manufactures, as well as accessories and perfumes.

In terms of opening plans, the Group plans to increase space in both segments (by 4% YoY). In the apparel segment, the network will be further optimized in terms of the number of stores, while opening stores with a larger sales area (increase in area by 4%). At the same time, a further stable increase in the size of the chain in the jewellery segment is planned thanks to the opening of new own and franchise stores (increase in space by 7% YoY). This year, we are planning to launch the first stores in the new format of the Vistula brand, with an area of approximately 300 m2, the concept of which will be subordinated to the attractive presentation of the men's collection and the developing women's collection of this brand.

Despite the fact that the VRG Group is currently in a stable financial situation, activities aimed at optimizing the use of working capital will be continued, and a well-thought-out investment policy and cost discipline will be applied.

A number of initiatives, activities and processes undertaken and initiated in the VRG Group companies last year in the area of operating activities will be continued and developed this year. The development activities of the Capital Group in 2023 will focus on:

- striving to maintain the growth of revenues in both segments by improving the products of the VRG Group brands with particular care for the best matching of the offer to the preferences and needs of the customer and the development of new assortments (increasing the width of the Vistula women's collection, new categories of luxury jewellery and watches in the offer of W.KRUK stores);

- optimization of the gross margin in the conditions of persistent inflation;

- emphasis on development of sales in the on-line channel thanks to the in-depth integration of own off-line and on-line channels as part of the omnichannel strategy, introduction of new functionalities in on-line stores, segmentation of customer information in order to better adapt products to their needs, development sales applications, strengthening the presence of VRG Group brands in the offer of the most famous marketplaces and internet platforms;

- increasing marketing expenditures on the Internet and traditional channels;

- continuous improvement of the quality of customer service in the stationary and online channels.

The capital expenditures of the VRG Group planned for the current year in the amount of PLN 42 million will be allocated to the opening of new locations, modernization of existing stores and implementation of market-proven IT technologies supporting the processes of allocation and replenishment of goods.

3.8. STATEMENT OF THE MANAGEMENT BOARD

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

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

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

3.9. STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES IN 2022

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

This statement constitutes a separate part of the Company's Report on Operations and is part of the Company's annual report for 2022.

This statement consists of the following parts:

I. Corporate governance rules to which the Company is subject to
II. Description of main features of the Company's internal control and risk management system relating to the process applied to preparation of separate and consolidated financial statements
III. Indication of the Company's shareholders holding directly or indirectly significant blocks of shares with information on number of shares held by these entities, their percentage stake in equity, number of votes resulting therefrom and their percentage share in the total number of votes at the General Shareholder Meeting
IV. Indication of holders of any securities that give special control rights, along with a description of these rights
V. Indication of any restrictions on the exercise of voting rights, such as limitation of the exercise of voting rights by the holders of a given part or number of votes, and time limitations regarding the exercise of voting rights or clauses, in which, with the cooperation of the Company, rights related to securities are separated from possession of those securities
VI. Indication of any restrictions on the transfer of ownership of the Company's securities
VII. Description of the rules for altering the Company's Articles of Association
VIII. Description of the way General Shareholder Meeting functions and its basic powers together with a description of shareholders' rights and how they are exercised
IX. Composition and changes that have occurred during the last financial year, and a description of the activities of the management and supervisory bodies of the Company and their committees
X. Description of rules regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issuance or buyback of shares
XI. Description of diversity policy applied to the administrative, managing and supervising authorities with respect to aspects such as e.g. age, sex or education and professional experience, the objectives of this diversity policy, how it is implemented and the effects in the reporting period

I. CORPORATE GOVERNANCE PRINCIPLES THE COMPANY IS SUBJECT TO

The set of corporate governance principles to which the Company was subject in the financial year 2022 is included in the document "Best Practices of WSE Listed Companies 2021" attached to Resolution No. 14/1834/2021 of the Stock Exchange Council of March 29, 2021". Based on par. 29 sec. 3 of the Regulations of the Warsaw Stock Exchange S.A. on July 29, 2021, the Company published, via the Electronic Information Base (EIB), EBI report 1/2021 on non-compliance with the detailed rules contained in the collection "Best Practices of Companies Listed on the Warsaw Stock Exchange 2021".

Information on the Company's non-compliance with the individual principles contained in the document "Best Practices of WSE Listed Companies 2021" is included in this Company's statement which is part of the annual report for 2022.

The information is as follows:

DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

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

The principle is applied.

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

The principle is applied.

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

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

The principle is not applied.

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

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

The principle is not applied.

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

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

The principle is not applied.

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

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

The principle is not applied.

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

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

The principle is not applied.

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

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

MANAGEMENT BOARD, SUPERVISORY BOARD

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

The principle is not applied.

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

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

The principle is not applied.

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

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is not applied.

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

INTERNAL SYSTEMS AND FUNCTIONS

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

The principle is applied.

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

The principle is applied.

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

The principle is not applied.

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

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

Does not apply.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

GENERAL MEETING, SHAREHOLDER RELATIONS

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is not applied.

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

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

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

The principle is applied.

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

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

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

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

The principle is applied.

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

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

b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses;

c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;

d) the company generates insufficient cash flows to pay out dividends;

e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;

f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.

The principle is applied.

CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

5.1. Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.

The principle is applied.

5.2. Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion

The principle is applied.

5.3. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.

The principle is applied.

5.4. Companies may buy back their own shares only in a procedure which respects the rights of all shareholders.

The principle is applied.

5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact

The principle is applied.

5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.

The principle is applied.

5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.

The principle is applied.

REMUNERATION

6.1. The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability

The principle is applied.

6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

The principle is not applied.

The company does not apply this principle with regard to incentive programs, in particular those relating to variable remuneration. The rules for determining the variable remuneration of management board members are governed by the remuneration policy adopted by the company's general shareholder meeting. The principles of awarding bonuses to key managers are based on the results achieved by the company during the financial year, as well as on the fulfilment of non-financial criteria.

6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of predefined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved

The principle is not applied.

The existing management option incentive programs do not meet these requirements. If decisions are made in the future regarding the adoption of a management stock option program, the parameters of such a program will require a decision by the general meeting.

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is applied.

6.5. The level of remuneration of supervisory board members should not depend on the company's short-term results.

The principle is applied.

II. DESCRIPTION OF MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO THE PROCESS APPLIED TO PREPARATION OF SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Company's financial statements are prepared in a systematic manner based on the organizational structure applicable in the Company. The management accounting tools and IT systems used in the Company to record business events in the accounting books provide the basis for assessing that the Company's financial statements are prepared in a reliable manner and contain all relevant data necessary to determine the financial standing of the Company and its assets.

Substantive supervision over the process of preparation of financial statements and periodic reports of the Company, as well as consolidated financial reports is exercised by the Vice President of the Management Board responsible for financial matters.

The Accounting Department in Finance Division is responsible for the organization of work related to the preparation of financial statements and reports directly to the Vice President of the Management Board of the Company for financial matters.

The Management Board is responsible for the internal control system in the Company and its effectiveness in the process of preparing financial statements and periodical reports prepared and published in accordance with the rules of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by law of a non-member state as equivalent (Official Journal of Laws of 2018, item 757).

The Company's financial results are also monitored on an ongoing basis during the financial year and are subject to periodic review by the Supervisory Board. At each Supervisory Board meeting, the Company's Management Board presents information on the current financial situation of the Company.

The effective internal control system and risk management in the financial reporting process is ensured by:

- preparation of procedures specifying the rules and division of responsibility for drawing up financial statements;
- determination of the reporting scope based on applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS);
- development, implementation and exercise of supervision over consistency of accounting principles used by companies from VRG SA Capital Group, and
- semi-annual reviews and annual audits of the published financial statements of the Company and VRG S.A. Capital Group by an independent auditor.

The risk management system applied by the Company and the Group is aimed at increasing the predictability of achieving the Group's strategic goals, including stable creation of the financial result. The risk management system covers all areas of the Group's operations, supporting the implemented activities and striving to optimize the relationship between the profits earned and the risk taken.

The risk management system in the VRG Capital Group is a structured approach to the assessment and management of risks arising in the course of the Group's business activities, taking into account in particular the rules, organizational resources and tools ensuring effective implementation of the risk management process.

The risk management process includes:

• risk identification,

• risk assessment (probability estimation, impact estimation, determination of risk level),

• risk Response.

The Management Board of the Company is responsible for ensuring the adequacy, effectiveness and efficiency of the risk management system, and the Supervisory Board, through the Audit Committee, exercises constant supervision over the activities of the Management Board. In 2022, a project to implement risk management according to the new rules was completed. The project included:

• Implementation of a new "Risk management policy in the VRG S.A. Capital Group", which replaced the previously applicable "Rules of risk management at VRG S.A. in Cracow",

• Purchase, customization and implementation of an IT risk management tool,

• Identifying and assessing risks and preparing risk optimization plans according to the new rules.

Annual and semi-annual financial statements are subject to an independent audit and review by an audit firm, which expresses an opinion on the reliability, correctness and clarity of these reports and the correctness of the accounting books constituting the basis for their preparation.

The selection of the audit firm is made by the Supervisory Board at the request of the Management Board, taking into account the recommendations of the Audit Committee from the group of reputable audit firms, guaranteeing high standards of services and the required independence.

Audits are carried out in accordance with the provisions of:

- chapter 7 of the Accounting Act of September 29, 1994 (consolidated text, Journal of Laws of 2021, item 217, as amended) (hereinafter: the "Accounting Act"),

- standards for the performance of the profession of statutory auditor, issued by the National Council of Statutory Auditors.

In particular, the audit includes checking the correctness of the accounting principles and significant estimates applied by the Company, examining - on a random basis - evidence and accounting entries that result in the numbers and disclosures in the financial statements, as well as the overall assessment of the financial statements.

The task of the Company is to prepare such financial statements, including figures and verbal explanations, which:

- present true and fair view of all information relevant for the assessment of the Company's financial and asset situation as at that date, as well as its financial result for a given period,
- have been prepared, in all material respects, properly, that is, in accordance with the accounting principles of International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of ordinances of the European Commission, and in areas not regulated in these standards - pursuant to requirements of the Accounting Act and executive ordinances issued on its basis and on the basis of correctly kept accounting books,
- are consistent with the provisions of law affecting the content of the financial statements and the provisions of the Company's Articles of Association.

The Company has documentation describing the accounting principles adopted by it, as specified in art. 10 of the Accounting Act. The applied principles of cost accounting, valuation of assets and liabilities and determining the financial result are compliant with International Accounting Standards and the provisions of the Accounting Act.

Responsibility for the correctness of the Company's accounts lies with the Management Board.

The accounting records are kept using computer software with application of programs for which the Company has obtained a license. The accounting books are kept at the registered office of the Company. Records kept enable to determine the financial result, VAT and other budgetary commitments. The accounting register ensures correctness and completeness of entries.

The chronology of economic events is respected.

Entries in the accounting books reflect the actual state, data is entered in full and correctly, on the basis of accounting documents qualified for booking. Continuity of records and correctness of applied procedures are ensured.

Accounting documents meet the requirements of the Accounting Act.

Only selected employees have access to data entry into the computer system. Access control is carried out at every stage of preparation of financial statements, starting from entering source data, through data processing, to generating information output.

III. INDICATION OF THE COMPANY'S SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY SIGNIFICANT BLOCKS OF SHARES WITH INFORMATION ON NUMBER OF SHARES HELD BY THESE ENTITIES, THEIR PERCENTAGE STAKE IN EQUITY, NUMBER OF VOTES RESULTING THEREFROM AND THEIR PERCENTAGE SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL SHAREHOLDER MEETING

1. SHAREHOLDER STRUCTURE OF THE COMPANY'S EQUITY IN ACCORDANCE WITH THE INFORMATION AVAILABLE TO THE COMPANY AS AT DECEMBER 31, 2022

As at 31.12.2022, the share capital of VRG S.A. was divided into 234,455,840 ordinary bearer shares, which entitled to a total of 234,455,840 votes at the Company's General Shareholder Meeting.

The table below presents information on shareholders who, to the best of the Company's knowledge, held, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Shareholder Meeting.

Name of the shareholder	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM
PZU „Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund[1]	45,251,894	19.30	45,251,894	19.30
Jerzy Mazgaj [2]	38,332,632	16.35	38,332,632	16.35
IPOPEMA TFI S.A.[3]	36,038,137	15.37	36,038,137	15.37
Nationale-Nederlanden Open Pension Fund [4]	32,750,487	13.97	32,750,487	13.97
Forum TFI S.A. [5]	16,946,800	7.23	16,946,800	7.23

[1] *information provided on the basis of a notification received by the Company pursuant to art. 69 sec. 1 point 2 and art. 87 sec. 1 point 2b of the Act of July 29, 2005 on Public Offering and the Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, applies to the Company's shares held jointly by PZU "Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund managed by Powszechny Zakład Ubezpieczeń PZU S.A. According to the information possessed by the Company, PZU "Złota Jesień" Open Pension Fund independently holds 44,199,785 shares of the Company, which constitutes 18.85% of the share capital of the Company and entitles to 44,199,785 votes, constituting 18.85% of the total number of votes at the General Meeting Company Meeting. According to the information possessed by the Company, PZU Voluntary Pension Fund independently holds 1,052,109 shares of the Company, which constitutes 0.45% of the share capital of the Company and entitles to 1,052,109 votes, constituting 0.45% of the total number of votes at the General Meeting of the Company.*

[2] *information provided on the basis of a notification received by the Company pursuant to art. 69 sec. 1 point 1 of the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to organized trading and on public companies.*

[3] *information provided on the basis of a 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 held by Ipopema, 21 Closed-end Fund of Non-public Assets, managed by IPOPEMA TFI S.A. at the Ordinary General Meeting on June 21, 2022, 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.*

[4] *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.*

[5] *information provided on the basis of the number of shares held jointly by Forum X Closed-end Investment Fund and Forum XXIII Closed-end Investment Fund managed by Forum TFI S.A at the Ordinary General Meeting on June 21, 2022. According to information held by Forum X Closed-end Investment Fund at the Ordinary General Meeting on June 21, 2022, 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 Meeting of the Company. According to the information possessed by the Company, Forum XXIII Closed Investment Fund held 9,995,040 shares of the Company at the Ordinary General Meeting on June 21, 2022, which constituted 4.26% of the share capital of the Company and entitled to 9,995,040 votes, constituting 4.26 % of the total number of votes at the General Meeting of the Company.*

2. SHAREHOLDER STRUCTURE OF THE COMPANY'S EQUITY IN ACCORDANCE WITH THE INFORMATION HELD BY THE COMPANY AS AT THE DATE OF PREPARATION OF THE ANNUAL REPORT FOR THE FINANCIAL 2022

The table below contains information on shareholders who, as at the date of the annual report for the financial year 2022, had at least 5% of the total number of votes at the General Shareholder Meeting, according to the information possessed by the Company.

As of April 4, 2023, the share capital of the Company is divided into 234,455,840 ordinary bearer shares, which gives a total of 234,455,840 votes at the General Shareholder Meeting.

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

Name of the shareholder	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM
PZU „Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund[1]	45,251,894	19.30	45,251,894	19.30
Jerzy Mazgaj [2]	38,332,632	16.35	38,332,632	16.35
IPOPEMA TFI S.A.[3]	36,038,137	15.37	36,038,137	15.37
Nationale-Nederlanden Open Pension Fund [4]	32,750,487	13.97	32,750,487	13.97
Forum TFI S.A. [5]	16,946,800	7.23	16,946,800	7.23

Name of the shareholder	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM
Shareholders' agreement (Colian Developer sp. z o.o. sp. k. and Jan Kolański) [6]	11,752,923	5.01	11,752,923	5.01

[1] information provided on the basis of a notification received by the Company pursuant to art. 69 sec. 1 point 2 and art. 87 sec. 1 point 2b of the Act of 29 July 2005 on Public Offering and the Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, applies to the Company's shares held jointly by the PZU "Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund managed by Powszechny Zakład Ubezpieczeń PZU S.A. According to the information possessed by the Company, PZU "Złota Jesień" Open Pension Fund independently holds 44,199,785 shares of the Company, which constitutes 18.85% of the share capital of the Company and entitles to 44,199,785 votes, constituting 18.85% of the total number of votes at the General Meeting Company Meeting. According to the information possessed by the Company, PZU Voluntary Pension Fund independently holds 1,052,109 shares of the Company, which constitutes 0.45% of the share capital of the Company and entitles to 1,052,109 votes, constituting 0.45% of the total number of votes at the General Meeting of the Company.

[2] information provided on the basis of a notification received by the Company pursuant to art. 69 sec. 1 point 1 of the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to organized trading and on public companies.

[3] information provided on the basis of a 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 held by Ipopema, 21 Closed-end Fund of Non-Public Assets, managed by IPOPEMA TFI S.A. at the Ordinary General Meeting on June 21, 2022, 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.

[4] 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.

[5] Information provided on the basis of the number of shares held jointly by Forum X Closed-end Investment Fund and Forum XXIII Closed-end Investment Fund managed by Forum TFI S.A at the Ordinary General Meeting on June 21, 2022. According to information held by Forum X Closed-end Investment Fund at the Ordinary General Meeting on June 21, 2022, 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 Meeting of the Company. According to the information possessed by the Company, Forum XXIII Closed Investment Fund held 9,995,040 shares of the Company at the Ordinary General Meeting on June 21, 2022, which constituted 4.26% of the share capital of the Company and entitled to 9,995,040 votes, constituting 4.26 % of the total number of votes at the General Meeting of the Company.

[6] iinformation provided on the basis of a notification received by the Company pursuant to art. 69 section 1 in connection with joke. 69a sec. 1 point 3 of the Act of July 29, 2005 on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and on Public Companies and applies to the Company's shares held jointly by an agreement of shareholders of Colian Developer sp. z o.o. sp. k. and Mr. Jan Kolański. According to the information held by Colian Developer sp. z o.o. sp. k. independently holds 3,295,550 shares of the Company, which constitutes 1.40% of the share capital of the Company and entitles to 3,295,550 votes constituting 1.40% of the total number of votes at the General Meeting of the Company. According to the information possessed by the Company, Mr. Jan Kolański holds 8,457,373 shares of the Company, which constitutes 3.61% of the Company's share capital and entitles him to 8,457,373 votes, constituting 3.61% of the total number of votes at the General Meeting of the Company.

IV. INDICATION OF HOLDERS OF ANY SECURITIES THAT GIVE SPECIAL CONTROL RIGHTS, ALONG WITH A DESCRIPTION OF THESE RIGHTS

All the Company's shares are ordinary bearer shares with which no preference is associated, particularly with regard to special control rights.

V. INDICATION OF ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS LIMITATION OF THE EXERCISE OF VOTING RIGHTS BY THE HOLDERS OF A GIVEN PART OR NUMBER OF VOTES, AND TIME LIMITATIONS REGARDING THE EXERCISE OF VOTING RIGHTS OR CLAUSES, IN WHICH, WITH THE COOPERATION OF THE COMPANY, RIGHTS RELATED TO SECURITIES ARE SEPARATED FROM POSSESSION OF THOSE SECURITIES

According to the Company's Articles of Association, there are no limitations in the exercise of voting rights, such as limitation of the right to vote by the holders of a certain part or number of votes, time limits regarding the exercise of voting rights or clauses, under which, with the cooperation of the Company, capital rights related to securities are separated from the possession of securities.

VI. INDICATION OF ANY RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF THE COMPANY'S SECURITIES

Pursuant to the Company's Articles of Association, restrictions on the transfer of ownership of the Company's securities do not occur.

VII. DESCRIPTION OF THE RULES FOR ALTERING THE COMPANY'S ARTICLES OF ASSOCIATION

Zgodnie z brzmieniem art. 430 § 1 Kodeksu spółek handlowych zmiana statutu wymaga uchwały Walnego Zgromadzenia i wpisu do rejestru.

According to the wording of art. 430 § 1 of the Code of Commercial Companies, amendment to Articles of Association requires a resolution of the General Shareholder Meeting and entry in the registrar.

According to art. 402 § 2 of the Code of Commercial Companies, in the announcement on convening the General Shareholder Meeting, whose agenda includes the intended change to the Articles of Association, it is necessary to present the existing provisions as well as the content of the proposed changes. If it is justified by a significant scope of intended changes, the announcement may contain a draft of a new uniform text of the Articles of Association together with enumeration of the new or amended clauses of the Articles of Association.

In accordance with the Company's Articles of Association, any amendments to the Articles of Association belong to the exclusive competence of the General Shareholder Meeting, which takes decisions in this matter in the form of resolutions. Competences resulting from exclusive entitlements to make amendments to the Articles of Association of the Company, the General Shareholder Meeting conducts on the request of the Company's Management Board submitted together with a written opinion of the Supervisory Board. Shareholders' request in these matters should have an opinion of the Company's Management and Supervisory Board.

According to art. 415 of the Code of Commercial Companies, the resolution regarding the amendment of Articles of Association is passed by a three-fourths majority, however, a resolution to amend the Articles of Association increasing the benefits of shareholders or reducing the rights granted personally to individual shareholders requires the consent of all concerned shareholders.

VIII. DESCRIPTION OF THE WAY GENERAL SHAREHOLDER MEETING FUNCTIONS AND ITS BASIC POWERS TOGETHER WITH A DESCRIPTION OF SHAREHOLDERS' RIGHTS AND HOW THEY ARE EXERCISED

1. DESCRIPTION OF THE FUNCTIONING OF THE GENERAL SHAREHOLDER MEETING AND ITS BASIC POWERS:

The General Shareholder Meeting of the Company is the body deciding on basic matters relevant to the functioning of the Company.

The General Meeting of the Company operates on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association, in accordance with the permanent Regulations of the General Shareholder Meeting adopted by the resolution no. 2 of the Ordinary General Shareholder Meeting of the Company of June 30, 2004, amended by the resolution of the General Shareholder Meeting of the Company of June 29, 2009 and the Regulations of participation in the General Meeting of VRG SA with its registered office in Cracow, using electronic means of communication adopted by the Supervisory Board of the Company by a resolution of December 18, 2020.

The full text of the Company's Articles of Association, specifying in detail the competences of the General Shareholder Meeting, is available at the Company's registered office and at the Company's website at www.vrg.pl.

The following general principles apply to the General Shareholder Meeting of the Company in relation to the rules of convening the General Shareholder Meeting.

The General Meeting may be ordinary or extraordinary.

The General Shareholder Meetings of the Company are held at the registered office of the Company or in other places permitted by generally applicable regulations.

In the light of the provisions of § 30 para. 1 of the Company's Articles of Association the competences of the General Shareholder Meeting include:

1) consideration and approval of the Management Board's report on the Company's operations and financial statements for the previous financial year,
2) adopting a resolution on the distribution of profit or coverage of losses,
3) accepting Supervisory Board budget,
4) granting discharge to members of the Company's governing bodies for the performance of their duties,
5) change of the subject of the Company's activity,
6) change of the Company Articles of Association,
7) increasing or decreasing the share capital,
8) merger of the Company, division of the Company, transformation of the Company,
9) dissolution and liquidation of the Company,
10) issuance of convertible bonds or bonds with pre-emptive rights and issuance of subscription warrants referred to in art. 453 § 2 of the Code of Commercial Companies,

11) all provisions regarding claims for damages caused when establishing the Company or exercising management or supervision,
12) redemption of shares,
13) granting consent to dispose of the Company's shares or stocks with a value exceeding PLN 25,000,000, including by pledging them or establishing other limited property rights, with the exception of disposing to companies belonging to the Capital Group and with the exception of pledges and other limited rights tangible assets established for the benefit of banks or institutions financing the Company or companies belonging to the Capital Group or in the case of securing bonds issued by the Company or companies belonging to the Capital Group.

In addition to the abovementioned matters, resolutions of the General Shareholder Meeting are required for matters specified in the Code of Commercial Companies.

Competences mentioned in point 2), 4), 5), 6), 7), 9) above, the General Shareholder Meeting executes at the request of the Company's Management Board together with a written opinion of the Supervisory Board. The shareholders' request in these matters should be reviewed by the Company's Management and the Supervisory Board.

Ordinary General Shareholder Meeting is convened by the Management Board of the Company and should take place within 6 months after the end of the Company's financial year. The Ordinary General Shareholder Meeting may also be convened by the Supervisory Board if the Management Board fails to convene it on that date.

Extraordinary General Shareholder Meeting is convened by the Management Board of the Company on its own initiative or on the initiative of shareholders representing at least 1/20 (one twentieth) of the share capital of the Company. The Extraordinary General Shareholder Meeting should be convened within 2 (two) weeks from the moment the motion cation is submitted by authorized entities.

Extraordinary General Shareholder Meeting may also be convened by the Supervisory Board, anytime it deems the convocation necessary.

Extraordinary General Shareholder Meeting may be convened by shareholders representing at least half of the share capital or at least a half of all votes in the Company. Shareholders appoint the chairman of this Meeting.

A General Shareholder Meeting of a public company is convened through an announcement made on the Company's website and in a manner specified for the provision of current reports in accordance with the provisions of the Act on Public Offerings and Conditions for Introducing Financial Instruments to Organized Trading and Public Companies. The announcement should be made at least twenty-six days before the date of the General Shareholder Meeting.

The announcement about the General Shareholder Meeting of a public company should contain at least:

1) the date, time and place of the General Shareholder Meeting and the detailed agenda,
2) a detailed description of the procedures for participating in the General Shareholder Meeting and exercising the voting rights, in particular information on:
    a) the shareholder's right to demand putting certain issues on the agenda of the General Shareholder Meeting,
    b) the right of the shareholder to submit draft resolutions regarding matters added to the agenda of the General Shareholder Meeting or matters that are to be included in the agenda before the date of the General Shareholder Meeting,
    c) the right of the shareholder to submit draft resolutions regarding matters added to the agenda during the General Shareholder Meeting,
    d) the manner of exercising the right to vote through a proxy, in particular about the forms used during the proxy voting, and the method of notifying the Company by means of electronic communication on appointment of a proxy,
    e) the possibilities and manner of participation in the General Shareholder Meeting by means of electronic communication,
    f) the manner of speaking during the General Shareholder Meeting by means of electronic communication,
    g) the manner of exercising the right to vote by correspondence or by means of electronic communication,
3) the day of registration to participate in the General Shareholder Meeting referred to in art. 4061 of the Code of Commercial Companies,
4) information that the right to participate in the General Shareholder Meeting is only available to persons who are shareholders of the Company on the day of registration of participation in the General Shareholder Meeting,
5) an indication of where and how a person entitled to participate in the General Shareholder Meeting may obtain the full text of the documentation to be presented to the General Shareholder Meeting and draft resolutions or, if no resolutions are envisaged, comments of the Management Board or the Supervisory Board regarding matters put on the agenda of the General Shareholder Meeting or matters to be included in the agenda before the date of the General Shareholder Meeting,

6) indication of the address of the website on which information on the General Shareholder Meeting will be made available.

A shareholder or shareholders representing at least 1/20 of the Company's share capital may request that particular matters be placed on the agenda of the General Shareholder Meeting, which they request to be convened pursuant to Art. 400 § 1 of the Code of Commercial Companies and also on the agenda of the next General Shareholder Meeting.

In the case of election of Supervisory Board members by group voting, the Chairman of the General Meeting shall call on shareholders or their representatives participating in the General Shareholder Meeting to form a separate group or groups to elect one or several members of the Supervisory Board; these persons, however, do not take part in the selection of other members of the Supervisory Board.

If at least one group capable of electing a member of the Supervisory Board is not appointed, the Chairman of the General Shareholder Meeting states that the General Shareholder Meeting does not elect the members of the Supervisory Board.

After the election of the members of the Supervisory Board by the created group or groups, the General Shareholder Meeting shall elect the remaining members of the Supervisory Board by voting in which all shareholders or their representatives participate, whose votes have not been cast in the selection of members of the Supervisory Board elected by voting in separate groups.

The General Shareholder Meeting is opened by the Chair of the Supervisory Board or another person in accordance with art. 409 § 1 of the Code of Commercial Companies, who then manages the election of the Chair of the General Shareholder Meeting. The person opening the General Shareholder Meeting should refrain from any other substantive or formal decisions.

Chair of the General Shareholder Meeting prepares and signs the attendance list containing the list of participants of the General Shareholder Meeting with the number of shares that each of them represents and the votes they are entitled to. The list, after being signed by the Chairman of the General Shareholder Meeting, is displayed during the General Shareholder Meeting.

Chair of the General Shareholder Meeting is obliged to ensure the proper conduct of the proceedings and voting. The Chair of the General Shareholder Meeting gives the floor to the participants of the meeting. The Chair of the General Shareholder Meeting may present to the General Shareholder Meeting the rules of voting and adopting resolutions. He may also, in justified cases, announce short breaks in the proceedings.

However, the Chair of the General Shareholder Meeting is not entitled, without the consent of the General Shareholder Meeting, to delete or change the order of matters included in the agenda.

The Scrutiny Committee is appointed only if an electronic system of counting votes is not provided or if the appointment of such a committee is demanded by a shareholder and the General Shareholder Meeting will adopt an appropriate resolution on this matter. In this case, a two-person committee is elected by the General Shareholder Meeting.

At the shareholder's request, the General Shareholder Meeting may appoint a Resolutions and Motions Committee. In this case, a two-person committee is elected by the General Shareholder Meeting.

At the request of a shareholder, the General Shareholder Meeting may establish a Scrutiny Committee combined with Resolutions and Motions Committee - performing the functions of both the Returning Committee and the Resolution and Motion Commission referred to in § 6 and 7 of the Regulations of the General Shareholder Meeting.

The General Shareholder Meeting may order breaks in the session by a two-thirds majority of votes. In total, the breaks cannot last longer than 30 days.

In the light of the provisions of § 26 para. 1 of the Company's Articles of Association, the General Shareholder Meeting may adopt resolutions regardless of the number of shareholders present and shares represented, unless the provisions of the Code of Commercial Companies state otherwise.

Unless the Company's Articles of Association or the Code of Commercial Companies provide otherwise, each share gives the right to one vote at the General Shareholder Meeting.

Pursuant to the provisions of § 28 of the Company's Articles of Association, voting during the General Shareholder Meeting is public. Secret voting is ordered at elections and on motions to dismiss members of the authorities or receivers of the Company, or to hold them liable, as well as in personal matters. In addition, a secret ballot shall be arranged at the request of at least one of those present entitled to vote.

Resolutions of the General Shareholder Meeting are adopted by a simple majority of votes cast, unless the provisions of the Code of Commercial Companies or the Company Articles of Association provide otherwise.

Resolutions on a significant change in the subject of the Company's operations are passed by a two-thirds majority of votes by open and registered vote. Such resolutions require an announcement.

Resolutions of the General Shareholder Meeting shall be included in the minutes drawn up by a notary public. The minutes should state the correctness of convening of the General Shareholder Meeting and its ability to adopt resolutions, state the resolutions and on each resolution indicate: the number of shares from which valid votes were cast, the percentage of these shares in the share capital, the total number of valid votes, the number of votes "in favour", "against" and "abstaining" and objections raised. An attendance list with signatures of the participants of the General Shareholder Meeting and a list of shareholders voting by correspondence or otherwise using the electronic communication means shall be attached to the minutes. The Management Board attaches the evidence of convening the General Shareholder Meeting to the book of minutes.

The minutes also include resolutions that were not adopted by the General Shareholder Meeting.

The excerpt from the minutes along with the evidence of convening the General Shareholder Meeting and the powers of attorney granted by the shareholders are attached to the book of minutes by the Management Board.

Shareholders may review the book of minutes and request the issuance of resolutions certified by the Management Board.

Other rules regarding the course of the General Shareholder Meeting are regulated by the Code of Commercial Companies.

Unless the Company's Articles of Association or the Code of Commercial Companies provide otherwise, each share gives the right to one vote at the General Shareholder Meeting.

Pursuant to the provisions of § 28 of the Company's Articles of Association, voting during the General Shareholder Meeting is public. Secret voting is ordered at elections and on motions to dismiss members of the authorities or receivers of the Company, or to hold them liable, as well as in personal matters. In addition, a secret ballot shall be arranged at the request of at least one of those present entitled to vote.

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Shareholders may review the book of minutes and request the issuance of resolutions certified by the Management Board.

Other rules regarding the course of the General Shareholder Meeting are regulated by the Code of Commercial Companies.

2. DESCRIPTION OF SHAREHOLDERS' RIGHTS AND THE MANNER OF EXERCISING THEM:

The Company's shares are bearer shares with which no preference is associated. Each shareholder of the Company has the right to vote, which is exercised through the presence at the General Shareholder Meeting of the Company.

The property and corporate rights of the Company's shareholders are described below. Since all shares issued by the Company are dematerialized, only the regulations regarding the rights of shareholders entitled to dematerialized shares are discussed below.

The following rights are associated with the possession of the Company's shares:

1. Property rights resulting from shares:

– **Right to dividend**

The right to dividend is defined as the right to participate in the Company's profits.

This right is absolute, which means that a shareholder cannot be deprived of it by means of provisions in the Company's Articles of Association or a resolution of the General Shareholder Meeting.

However, in order to benefit from the right to dividend, certain conditions must be met, the most important of which is the Company's profit.

The amount to be distributed among shareholders may not exceed the profit for the last financial year, increased by undistributed profits from previous years, and the amounts transferred from the reserve capital and other capital reserves created from profit, which may be allocated for the payment of dividends. This amount should be reduced by uncovered losses, treasury shares and amounts that, according to the law or Articles of Association, should be allocated from the profit for the last financial year to reserve capital or other capital reserves (Article 348 § 1 of the Code of Commercial Companies).

The entitlement to participate in the profit results from the fact of being a shareholder (holding shares) and is a property right inextricably linked to the shares.

– Profit which is the base for dividend payment must be disclosed in the financial statements audited by the auditor; this profit should be simultaneously allocated by the General Shareholder Meeting for pay out to shareholders.
– The rules for appointing those entitled to dividend for a given financial year are specified in the Code of Commercial Companies, Detailed Operating Principles of the National Depository for Securities ("KDPW") and the Regulations of the Warsaw Stock Exchange S.A.
– Dividend payment takes place via KDPW. KDPW, after receiving financial resources from the Company, then transfers the amounts due from the dividend to the securities accounts of the shareholders entitled to the dividend in accordance with the resolution of the General Shareholder Meeting. A claim for payment of a dividend becomes due as of the date indicated in the resolution of the General Shareholder Meeting and is subject to statute of limitations on general terms.
– The Company's Articles of Association do not authorize the Management Board to pay shareholders an advance on the anticipated dividend (i.e. interim dividend).

– **Pre-emptive right**

The shareholder has the right of priority to subscribe for new shares in relation to the number of shares held (pre-emptive right) while maintaining the requirements referred to in art. 433 of the Code of Commercial Companies.

A shareholder may be deprived of pre-emptive rights in part or in full in the interest of the Company. The Management Board presents the General Shareholder Meeting with a written opinion justifying the reasons for deprivation of the pre-emptive right.

Deprivation of the pre-emptive right requires a resolution of the General Shareholder Meeting adopted by a majority of four fifths of votes. However, the provision on the necessity to obtain a majority of at least 4/5 votes does not apply if the resolution on the share capital increase states that new shares are to be taken up entirely by a financial institution (underwriter), with the obligation to offer them subsequently to shareholders enabling them to exercise pre-emptive rights on the terms specified in the resolution and if the resolution states that new shares are to be taken up by the underwriter, if the shareholders to whom the pre-emptive rights are vested, do not take part or all of the shares offered to them.

Depriving shareholders of pre-emptive right of shares may take place only if it has been announced in the agenda of the General Shareholder Meeting.

Pre-emptive right is a security within the meaning of art. 3 point 1 of the Act of July 29, 2005 on Trading in Financial Instruments (consolidated text, Official Journal of Laws of 2019, item 89, as amended) (hereinafter: "Act on Trading in Financial Instruments"), thus it may be subject of listing on the regulated market. Pre-emptive right is associated with shares already issued. The condition for the creation of this right is the adoption of a resolution by the General Shareholder Meeting on the issuance of new shares by the Company. A resolution to increase the share capital (unless shareholder have been deprived of pre-emptive rights) should indicate the pre-emptive right day, according to which the shareholders who are entitled to the right to collect new shares are determined. The pre-emptive rights day cannot be determined later than within three months from the day the resolution on the increase of the share capital is taken, and in the case of a public company - six months from the day of adopting the resolution.

– **Right to transfer shares**

One of the basic principles contained in the Code of Commercial Companies is the right to sell shares by the shareholder. The sale takes place under the rules set out in the Civil Code.

Disposal means the legal act of transferring the ownership of the securities from the seller to the buyer. The sale may take the form of pecuniary (sale) or unpaid activities (donation). The provisions of the Company's Articles of Association do not contain any restrictions relating to the acquisition or sale of shares in the Company.

Upon the registration of the Company's shares by KDPW, the shares of the Company were dematerialized. At the time of dematerialisation, the rules regarding the acquisition of securities changed, as disposing effect in the form of disposal of shares takes place at the moment of registration the Company's shares on the buyer's account.

In case of dematerialized shares, a special procedure for the sale of shares applies:

rights from such securities arise when the securities are first recorded on the securities account and are held by the person who is the holder of the account. The contract obliging to transfer dematerialized securities transfers these securities to the buyer upon making the appropriate entry on the securities account. If the determination of the right to benefit from these securities took place on the day on which the transaction was settled at KDPW, or later, and these securities are still recorded in the account of the seller, the benefits accrue to the buyer at the time of subscription on his securities account.

– **The right to establish a pledge or usufruct on shares**

Establishing a pledge on shares

A shareholder may establish a pledge on his/her shares in the Company.

The Company's Articles of Association do not provide for any restrictions in this regard.

The right to set a pledge on shares results for the entitled person from art. 337 of the Code of Commercial Companies, in which it refers to the disposition of shares, and thus also to perform activities related to the establishment of a pledge or usufruct on shares of the Company.

The subject of the pledge on shares is not the share itself, but the rights incorporated in the shares. For this reason, the provisions of the Civil Code on pledge on rights - regulated in art. 327 - 335 of the Civil Code apply.

In the light of art. 329 § 1 sentence 1 of the Civil Code, to establish a pledge on a right, the provisions on the disposal of this right shall apply. Establishment of a pledge will require the conclusion of an agreement between a shareholder acting as a pledger and his creditor acting as a pledgee, and then transferring the ownership of shares to the pledgee.

The legal status of the pledgee of shares is regulated, inter alia, in the provisions of: art. 340 § 1 and 3, art. 341, art. 362 § 3, art. 588 of the Code of Commercial Companies.

The establishment of a pledge on shares of companies whose shares are admitted to public trading is covered by a separate legal regime.

In connection with the conclusion of the pledge agreement, the pledgee will in principle be entitled to property rights, which are referred to as the benefits of the law (Article 54 of the Civil Code). These rights include: voting rights, the right to dividend, the right to participate in the liquidation mass.

With regard to the voting right, it should be mentioned that pursuant to art. 340 § 3 of the Code of Commercial Companies, in the period when the shares of a public company on which the pledge was established or used are recorded in securities accounts maintained by an authorized entity in accordance with the provisions on trading in financial instruments, the shareholder has the right to vote.

Establishing a usufruct on shares

A shareholder may establish usufruct on his/her shares of the Company.

The Company's Articles of Association do not provide for any restrictions in this regard.

The legal admissibility of establishing usufruct on shares results from art. 265 of the Civil Code stating that the rights may also be subject to usufruct. The establishment of usufruct on shares will relate to rights related with those shares. The legal status of the beneficiary of the person signing the usufruct on the shares (user) is regulated by the provisions of art. 4 § 1 points 4 a), art. 340, 341 § 2, art. 343 § 2 and 406 § 1 of the Code of Commercial Companies.

Establishment of usufruct on shares requires the conclusion of an agreement with the participation of a shareholder and a third party for whom the right of usufruct is established (user).

One should also indicate to a regulation contained in art. 340 § 3 of the Code of Commercial Companies, according to which in the period when the shares of a public company on which the pledge or usufruct was established are recorded in securities accounts maintained by an authorized entity in accordance with the provisions on trading in financial instruments, voting rights from such shares is entitled to a shareholder.

2. Corporate shareholder rights

– **The right of a shareholder to elect the members of the Company's Supervisory Board**

The Supervisory Board of the Company consists of 5 - 7 members. The number of members of the Supervisory Board is determined by the General Shareholder Meeting.

Members of the Supervisory Board are appointed and dismissed by the General Shareholder Meeting for the joint term in office.

If the election is made via the General Shareholder Meeting at the request of shareholders representing at least one fifth of the share capital, the election of the Supervisory Board may be made by voting in separate groups.

The Regulations of the General Shareholder Meeting in force at the Company provide for rules of conduct in the event of election of members of the Supervisory Board by voting in separate groups.

Persons representing at the General Shareholder Meeting this portion of shares, which falls due after division of the total number of represented shares by the number of Supervisory Board members, may form a separate group to elect one member of the Supervisory Board, without taking part in the selection of other members of the Supervisory Board.

The election of the Supervisory Board by groups prefers minority shareholders. Thanks to the possibility of creating separate groups, they can introduce their representatives to the Supervisory Board. The selection of groups takes place at the request of shareholders even when the Company's Articles of Association provide for a different manner of appointing the Supervisory Board. The selection of groups applies to all members of the Supervisory Board. The only exception is when the Supervisory Board consists of a person appointed by an entity authorized to choose independently on the basis of separate legal provisions. Only the other members of the Supervisory Board are subject to election.

If the Supervisory Board was elected by voting in separate groups, each group has the right to delegate one of the Supervisory Board members elected by it to permanent individual performance of supervisory activities. These members have the right to participate in meetings of the Management Board in an advisory capacity. The Management Board is obliged to notify them in advance about each of their meetings.

Members of the Supervisory Board, delegated to permanent individual performance of supervision, receive a separate remuneration, the amount of which is determined by the General Shareholder Meeting. The General Shareholder Meeting may entrust this right to the Supervisory Board. These persons are obliged with the competition ban referred to in art. 380 of the Code of Commercial Companies.

– **The right to convene and request the convening of an Extraordinary General Shareholder Meeting or placing certain matters on the agenda of the General Shareholder Meeting**

Shareholders or a shareholder of the Company representing at least one twentieth of the Company's share capital have the right to request that an Extraordinary General Shareholder Meeting be convened and that specific matters be placed on the agenda of the Meeting. The request to convene an Extraordinary General Shareholder Meeting should be submitted to the Management Board in writing or in electronic form.

If, within two weeks from the date of submitting the request to the Management Board, the Extraordinary General Shareholder Meeting is not convened, a registry court may authorize the shareholders that demand the meeting to convene the Extraordinary General Shareholder Meeting. The court appoints the chairman of this Meeting. The Meeting referred to shall adopt a resolution deciding whether the costs of convening and holding the Meeting shall be borne by the Company. Shareholders, on whose request the Meeting has been convened, may apply to the registry court for exemption from the obligation to cover the costs imposed by the resolution of the General Shareholder Meeting. In the notification of convening the Extraordinary General Shareholder Meeting referred to in this paragraph, reference should be made to the decision of the registry court.

In addition, a shareholder or shareholders representing at least one twentieth of the share capital may request that certain matters be placed on the agenda of the next General Shareholder Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the Meeting. The request should contain justification or a draft resolution regarding the proposed agenda item. The request may be submitted in electronic form. The Management Board is obliged to announce immediately, but no later than eighteen days prior to the scheduled date of the General Shareholder Meeting, changes to the agenda, introduced at the request of shareholders. The announcement is made in a manner appropriate for convening the General Shareholder Meeting.

In addition, the right to convene an Extraordinary General Shareholder Meeting was granted to shareholders representing at least half of the share capital or at least half of the total votes in the Company. Shareholders appoint the chairman of this Meeting (Article 399 § 3 of the Code of Commercial Companies).

The above-described rights are governed by the provisions of the Code of Commercial Companies, whereas the Company's Articles of Association do not contain any restrictions or privileges for the Company's shareholders in this regard. Moreover, no personal rights connected with convening General Shareholder Meetings were granted in the Company's Articles of Association.

– **The right to participate in the General Shareholder Meeting and the right to request copies of motions on issues included in the agenda of the General Shareholder Meeting**

The shareholder's right to participate in the General Shareholder Meeting is one of the fundamental absolute rights of a shareholder, i.e. rights which the shareholder cannot be deprived of. The implementation of this right is guaranteed by of art. 412 of the Code of Commercial Companies.

According to art. 406(1) § 1 of the Code of Commercial Companies, persons who are shareholders on the day of registration, i.e. sixteen days before the date of the General Shareholder Meeting, have the right to participate in the General Shareholder Meeting of the Company.

To participate in the General Shareholder Meeting of the Company, entitled from dematerialised bearer shares shareholder, should apply to the entity maintaining the securities account not earlier than after the announcement of convening the General Shareholder Meeting and no later than the first weekday after the registration of participation in the General Shareholder Meeting to obtain a personal certificate of the right to participate in the General Shareholder Meeting (Article 406(3) § 2 of the Code of Commercial Companies in connection with Article 406(3) § 6 and § 7 of the Code of Commercial Companies).

The Company establishes a list of persons entitled to participate in the General Shareholder Meeting based on the list prepared by the entity keeping the securities deposit in accordance with the provisions on trading in financial instruments. The Management Board presents a list for information at the Company's headquarters for 3 (three) business days prior to the date of the General Shareholder Meeting.

Shareholders may participate in the General Shareholder Meeting and exercise their voting rights in person or by proxy.

The Company's Articles of Association do not allow shareholders to participate in the General Shareholder Meeting by means of electronic communication.

The power of attorney to participate in the General Shareholder Meeting of a public company or to exercise the voting right must be granted in writing or in electronic form without the requirement to use a secure signature verified by means of a valid qualified certificate.

On June 29 2009, the General Shareholder Meeting of the Company, by virtue of resolution No. 29/06/2009, changed the Regulations of the General Shareholder Meeting regarding the procedure of notifying the Company of the power of attorney in electronic form via electronic means of communication.

A shareholder is entitled to notify the Company of the power of attorney to participate in the General Shareholder Meeting of the Company or to exercise the right to vote in electronic form without the requirement to use a secure signature of such power of attorney in accordance with the rules set out below.

Before the date of the General Shareholder Meeting, the Company makes available on the website www.vrg.pl a form for a power of attorney, which after filling in, the shareholder may send to the Company via the Company's website.

A shareholder who wishes to grant a power of attorney in the aforementioned form, asks in person or in writing for the Company to issue a login and password, which allows the shareholder to carry out the verification and proxy procedure in an electronic form. The shareholder undertakes to keep the assigned login and password confidential to him. The login and password are sent to the shareholder by letter or courier to the address provided by him in the request. A shareholder may change the password independently via the Company's website.

Before granting a power of attorney in electronic form, each shareholder should assess the risk related to notifying the Company of granting a power of attorney by means of electronic communication without using a secure signature.

Detailed rules for the implementation of the above procedure are determined by the Management Board of the Company. The Management Board of the Company may introduce additional security at its own discretion.

Both a member of the Management Board and an employee of the Company may be appointed proxies to represent the shareholder at the General Shareholder Meeting. However, if the proxy at the General Shareholder Meeting of a public company is a member of the management board, a member of the supervisory board, a liquidator, an employee of a public company or a member of bodies or an employee of a company or cooperative dependent on that company, the power of attorney for such a person may authorize representation only at one General Shareholder Meeting. Meeting. The proxy is obliged to disclose to the shareholder the circumstances indicating the existence or the possibility of a conflict of interest. In the cases referred to in this paragraph, further power of attorney may not be granted and the proxy shall vote in accordance with the instructions given by the shareholder.

A shareholder of a public company holding shares registered on more than one securities account may appoint separate proxies to exercise the rights attached to shares registered on each account.

According to art. 407 § 2 of the Code of Commercial Companies, a shareholder has the right to request copies of motions on matters included on the agenda within one week prior to the General Shareholder Meeting. Making copies of these applications takes place at the Company's expense.

In addition, pursuant to art. 407 § 1 of the Code of Commercial Companies, a shareholder may review the list of shareholders entitled to participate in the General Shareholder Meeting, which should be displayed on the Management Board's premises three business days prior to the General Shareholder Meeting and request a copy of the list with reimbursement of costs for copying. A shareholder of a public company may also request that the list of shareholders be sent to him free of charge by e-mail, giving the address to which the list should be sent.

– **The right to submit draft resolutions for the General Shareholder Meeting**

In accordance with art. 401 § 5 of the Code of Commercial Companies, each shareholder may submit draft resolutions regarding matters included in the agenda during the General Shareholder Meeting.

In addition, pursuant to art. 401 § 4 of the Code of Commercial Companies, shareholders or shareholders representing at least one twentieth of the Company's share capital have been granted the right to notify the Company before the date of the General Shareholder Meeting in writing or using electronic communication means of draft resolutions regarding matters included in the agenda of the General Shareholder Meeting or matters to be included in the agenda. The company immediately publishes draft resolutions on the website.

– **The right to adopt resolutions at the General Shareholder Meeting**

Shareholders present at the General Shareholder Meeting adopt resolutions provided for in the agenda. In cases not covered by the agenda, no resolution may be passed, unless the entire share capital is represented at the General Shareholder Meeting and none of those present objected to the adoption of the resolution.

The Code of Commercial Companies grants each share the right to one vote at the General Shareholder Meeting (Article 411 § 1 of the Code of Commercial Companies). The Company's Articles of Association do not contain any provisions to this effect. The provisions of the Company's Articles of Association also do not contain any restrictions on the exercise of voting rights by shareholders.

The Company's shareholders may vote differently from each of the shares held (Article 411(3) of the Code of Commercial Companies).

The Regulations of the Company’s General Shareholder Meeting do not provide for the possibility of voting (adopting resolutions) in correspondence.

The voting right vested to a shareholder is limited if the subject matter of the resolution is the extent of liability of that shareholder to the Company for any reason, including granting him discharge, waiving the liability towards the Company and a dispute between him and the Company (Article 413 of the Code of Commercial Companies)); in this case, the shareholder is excluded from the vote.

Voting during the General Shareholder Meeting may take place using the electronic vote counting system.

– **The right to request a list of shareholders present at the General Shareholder Meeting**

The right to request verification of the attendance list of shareholders present at the General Shareholder Meeting is vested to shareholders representing jointly at least 1/10 of the share capital at this General Shareholder Meeting. According to art. 410 § 2 of the Code of Commercial Companies, the attendance list should be checked by a commission elected for this purpose, composed of at least three persons. Applicants have the right to choose one member of the commission.

– **The right to a registered share certificate**

According to art. 328 § 6 of the Code of Commercial Companies, the Company's shareholder holding dematerialized shares has the right to a registered share certificate issued by the entity keeping the securities account in accordance with the provisions on trading in financial instruments. The certificate confirms the legitimacy to exercise the rights arising from the securities indicated in its content, which are not or cannot be exercised solely on the basis of entries on the securities account, excluding the right to participate in the General Shareholder Meeting.

The share certificate contains:

1) the company (name), registered office and address of the issuer and the number of the certificate;
2) number of securities;
3) the type and code of the security;
4) company (name), registered office and address of the Company;
5) the nominal value of the security;
6) name and surname or name (company) and registered office and address of the securities account holder;
7) information on the existing restrictions on the transfer of securities or the charges imposed on them;
8) date and place of issuance of the certificate;
9) the purpose of issuing the certificate;
10) the period of validity of the certificate;
11) in the event that a previously issued certificate concerning the same securities was invalid or destroyed or lost before its expiration date - indicating that it is a new certificate document;
12) signature of the person authorized to be issue on behalf of the issuing certificate, bearing the stamp of the issuer.

– **The right to a registered certificate of the right to participate in the General Shareholder Meeting**

According to art. 328 § 6 of the Code of Commercial Companies, a shareholder of the Company holding dematerialized shares has the right to demand from the entity maintaining the securities account issuance of a personal certificate of the right to participate in the General Shareholder Meeting. The request should be submitted not earlier than after the announcement of convening the General Shareholder Meeting and no later than the first weekday after the date of registration of participation in the General Shareholder Meeting (Article 4063 § 2 of the Code of Commercial Companies). Acknowledgment includes:

1) the company (name), registered office, address and stamp of the issuer and the number of the certificate,
2) the number of shares,
3) type and code of shares,
4) the company (name), registered office and address of the public company that issued the shares,
5) the nominal value of the shares,
6) name and surname or company (name) of the holder of the shares,
7) registered office (place of residence) and address of the holder of the shares,
8) the purpose of issuance of the certificate,
9) date and place of issuance of the certificate,
10) signature of the person authorized to issue a certificate.

At the request of the holder of the certificate entitled to dematerialized bearer shares, a part or all of the shares registered on his securities account should be indicated in the contents of the certificate.

– **The shareholder's right to challenge resolutions of the General Shareholder Meeting**

A shareholder right to appeal the resolutions of a General Shareholder Meeting is one of these rights that require an active participation on the side of the shareholder. This right consists of the possibility of a shareholder filing a lawsuit against the Company to revoke or cancel the resolution adopted by the General Shareholder Meeting. The competent court for this type of case is the commercial court.

The subject of appeal may be resolutions of the General Shareholder Meeting that are in contradiction with the Company's Articles of Association or best practices, as well as harming the Company's interest or aimed at harming the shareholder. The resolution may be appealed against by way of an action brought against the Company.

The annulment of a resolution of the General Shareholder Meeting concerns resolutions contrary to the Act. The resolution may be appealed against by way of an action brought against the Company.

The right to bring an action to revoke a resolution or annul the resolution of the General Shareholder Meeting is entitled to, inter alia:

- the shareholder who voted against the resolution, and after it had passed, he/she demanded for his objection to be protocolled,
- a shareholder who was unjustifiably not admitted to participate in the General Shareholder Meeting,
- shareholders who were not present at the General Shareholder Meeting, but only in the case of a faulty convening of the General Shareholder Meeting or the adoption of a resolution regarding a matter not covered by the agenda.

In the case of a public company, the time limit for bringing an action to repeal a resolution is one month from the date of receipt of information about the resolution, however not later than three months from the date of adoption of the resolution.

An action for annulment of a resolution of the General Shareholder Meeting of a public company should be brought within thirty days from the date of its publication, but no later than one year from the date of adoption of the resolution.

– **The right to bring the Company to court**

A shareholder has the right to file a claim for compensation for damage caused to the Company if the Company does not bring to court the case to repair the damage caused to it within one year from the date of disclosure of the act causing the damage.

This right is governed by the provisions of the Code of Commercial Companies, in particular art. 486 of the Code of Commercial Companies.

3. Shareholder right to information:

– **The right to request information from the Company's Management Board regarding the Company at the General Shareholder Meeting and in writing outside the General Shareholder Meeting**

As a rule, shareholders of a joint-stock company are entitled to request information about the Company at the General Shareholder Meeting, if it is justified to assess the issue covered by the agenda and provide information about the Company in writing outside the General Meeting pursuant to art. 428 of the Code of Commercial Companies.

The answer is considered to have been given if the relevant information is available on the Company's website in a separate place for asking questions and providing answers to them.

When the request for information has been submitted at the General Shareholder Meeting, the Management Board may provide information in writing outside the General Shareholder Meeting only if there are good reasons to do so. In such a case, the Management Board is obliged to provide information not later than within two weeks from the date of request at the General Shareholder Meeting. Such information together with the date of their publication and the person to whom the information was provided should be disclosed by the Management Board in writing in materials submitted to the nearest General Shareholder Meeting. The materials may not include information provided to the public and granted during the General Shareholder Meeting.

In addition, pursuant to the Code of Commercial Companies, the Management Board provides in writing information about the Company to the shareholder, also when such a request has been submitted outside the General Shareholder Meeting.

In both cases, the Management Board may refuse to provide information regarding the Company for the reasons set out below.

The Management Board refuses to provide information if it could cause damage to the Company, its related company or a subsidiary or cooperative, in particular by disclosing technical, commercial or organizational secrets of the Company.

In addition, in the case of public companies, it should be recognized that this right to information is subject to a certain limitation. The reason is the special mode of performing information obligations on the regulated market.

The Company, like any public company, is required to perform information obligations in the manner and scope provided for in the Act of July 29, 2005 on public offerings and conditions for introducing financial instruments to organized trading and on public companies (consolidated text Official Journal of Laws of 2019 item 623) (hereinafter: "Act on the offer").

In practice, this means sending information as part of current and periodic reports to the extent envisaged by implementing acts to the Act on Trading in Financial Instruments. The data is sent by the ESPI system to the Polish Financial Supervision Authority, and then, after 20 minutes, they are made public by providing them by one of the national information agencies. Information provided by public companies until the time it is made public is confidential, and its submission in a manner different from the one indicated in the Act on the offer, is related to the administrative responsibility provided for in the said Act.

Bearing in mind the above, the Management Board of the Company has the right to refuse to provide information to a shareholder who had asked such a question on the basis of art. 428 of the Code of Commercial Companies. A refusal, however, may only apply to information that constitutes confidential information, or information that has been published as part of its notification duties. In the case of refusal to provide information already published, the Management Board has the right to invoke the principle of equal access to information and the fact that the mode of informing the shareholder of a public company is carried out within the ESPI system guaranteeing equal access to information.

So the application of art. 428 of the Code of Commercial Companies to a public company concerns, in principle, situation when the question asked by a shareholder concerns matters that need not be disclosed as part of reports sent to the Polish Financial Supervision Authority. Then, the provisions provided for in the abovementioned article apply.

A shareholder who was refused disclosure of the information requested during the General Shareholder Meeting and who raised objections to the minutes may submit on the basis of art. 429 of the Code of Commercial Companies, an application to the registry court to oblige the Management Board to provide information. The application should be submitted within one week from the end of the General Shareholder Meeting at which the information was refused. A shareholder may also submit an application to the registry court for obliging the Company to publish information given to another shareholder outside the General Shareholder Meeting.

The right to receive information only applies to the Management Board. Thus, formally, the Supervisory Board may refuse to answer a question asked by the shareholder or evade the answer.

The right to information belongs only to the shareholder, and thus the Management Board is not formally obliged to answer the question of the pledgee or user authorized to exercise the voting right at the General Shareholder Meeting. The Management Board's obligation to provide information arises only when it is justified for the assessment of a matter covered by the agenda. Therefore, the Management Board is not obliged to provide information on matters other than those on the agenda.

4. Rights of shareholders arising from acts regulating the capital market in Poland:

– **Shareholder's right to information**

From among the rights granted to shareholders by the Act on the offer, the broadly understood right of the shareholder to the information is considered the most important from the point of view of the proper functioning of the market.

The right to information is the basic right under the Act on the offer, although none of the provisions of the Act on the offer expressly refer to it. It results from all rights and obligations imposed on investors and issuers.

The most important is that each shareholder of a public company should have access to the same information at the same time as all other shareholders. In other words, the most important is to provide equal opportunities in access to information. This is a basic task, implemented by the provisions of the Act on the offer. Each shareholder should have access to information related to the condition of the Company, the way it operates, and the planned direction of its development.

In the case of the Company, information about the Company is disclosed to the public in the form of current and periodic reports via the ESPI system.

Failure to provide this information or providing untrue information may lead to the investor making an incorrect investment decision and suffering damage. If this occurs, the shareholder / investor who has suffered damage as a result of failure by the Company to disclose information about such events or circumstances that could significantly affect the assessment of the security, has the right to demand its remedying in court.

– **Other shareholder rights arising from acts regulating the securities market**

In order to implement the principles of compliance with the rules of fair trading and competition and the principle of ensuring universal access to reliable information, the Act on offer imposes numerous obligations on issuers, shareholders and investors who are not shareholders but plan to acquire shares in public companies. Fulfilment of these obligations is usually directly related to the creation of specific rights for shareholders: the right to information about the Company and its shareholders, the right to sell the Company's shares in response to a tender, which allows the Company's "withdrawal" at the right time to obtain a fair share price, the right to claim compensation in the event of damage due to false information in the prospectus.

In addition, the Act on the offer grants shareholders special rights, not related to the performance of any obligations, but related to activity of the investor / shareholder in the Company's structures. These include: the right to request the appointment of an auditor for special matters and the rights arising from the possession of a share certificate.

– **Shareholders' right to appoint an auditor for special matters**

The right to control the affairs of the Company, implemented by initiating an examination of a particular case by the auditor for special matters, was granted to a shareholder or group of shareholders who hold at least 5% of the total number of votes at the General Shareholder Meeting. This right applies to both shareholders of a public company who hold shares in a public company not admitted to trading on a regulated market, as well as those who hold shares already admitted to trading on a regulated market.

The auditor for special matters may be an entity that has the expertise and qualifications necessary to investigate a particular matter. Depending on the case type, such qualifications may have, for example, persons holding the rights of a certified auditor, persons entered in the list of court experts or other persons possessing knowledge due to acquired professional experience.

There are two modes of appointing the auditor for special matters:

- appointing, through a resolution adopted by the General Shareholder Meeting, and
- appointment by way of a decision issued by the registry court.

IX. COMPOSITION AND CHANGES THAT HAVE OCCURRED DURING THE LAST FINANCIAL YEAR, AND A DESCRIPTION OF THE ACTIVITIES OF THE MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY AND THEIR COMMITTEES

1. MANAGEMENT BOARD

Composition of the Management Board:

At the balance sheet date of 31.12.2022 the Management Board composed of:

- Mr Janusz Płocica - President of the Management Board,
- Ms Marta Fryzowska – Executive Vice-President of the Management Board,
- Mr Łukasz Bernacki – Executive Vice-President of the Management Board,
- Mr Michał Zimnicki – Executive Vice-President of the Management Board.

In 2022, the following changes took place in the composition of the Company's Management Board:

- on January 31, 2022, the Supervisory Board of the Company dismissed Mr. Radosław Jakociuk, Executive Vice-President of the Management Board, from the Management Board;

- on February 18, 2022, the Supervisory Board of the Company adopted a resolution to appoint, as of June 1, 2022, Mr. Janusz Płocica to the Management Board of the Company, entrusting him with the function of the President of the Management Board.

- on March 7, 2022, the Supervisory Board of the Company adopted a resolution on delegating the Deputy Chair of the Supervisory Board, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The delegation took place from March 12, 2022 to May 31, 2022.

- on April 1, 2022, the Supervisory Board of the Company adopted a resolution to change the date of entrusting the function of the President of the Management Board to Mr. Janusz Płocica to April 19, 2022.

- on April 4, 2022, Mr. Jan Pilch submitted a statement of resignation, effective as of April 18, 2022, from delegation to temporarily perform the duties of the 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, entrusting him with the function of Vice-President of the Management Board for the jewellery segment.

In the period from December 31, 2022, the composition of the Management Board has not changed.

As at the date of signing these financial statements, the composition of the Management Board was the following:

- Mr Janusz Płocica - President of the Management Board,
- Ms Marta Fryzowska – Executive Vice-President of the Management Board,
- Mr Łukasz Bernacki – Executive Vice-President of the Management Board,
- Mr Michał Zimnicki – Executive Vice-President of the Management Board.

Rules of Management Board operations:

The Management Board of the Company is appointed by law to conduct the affairs of the Company and to represent it. The Management Board of the Company operates based on the provisions of applicable law, including, in particular, the Code of Commercial Companies and the Accounting Act, as well as in accordance with the provisions of the Company's Articles of Association. The implementation of the competences of the Company's Management Board is carried out with respect for the binding corporate governance rules.

The manner of operation of the Company's Management Board is determined by the provisions of the Articles of Association and the Regulations of the Management Board. Both documents are available on the Company's website at www.vrg.pl.

The Management Board of the Company consists of 3-6 people. The term of the Management Board lasts for three consecutive years. The number of Management Board members is determined by the Supervisory Board. The Supervisory Board appoints the Management Board. Members of the Management Board are appointed for a joint term in office. The President, Vice-President, Member of the Management Board or the entire Management Board may be dismissed by the Supervisory Board before the end of the term.

The Management Board of the Company, chaired by the President, manages the Company and represents it. All matters related to the running of the Company not reserved by law or the Articles of Association to the competence of the General Shareholder Meeting or the Supervisory Board belong to the scope of the Board's activities.

The Management Board Regulations specify in detail the mode of operation of the Management Board. Regulations are adopted by the Management Board and approved by the Supervisory Board.

Two members of the Management Board or one member of the Management Board together with a proxy are required to make statements on behalf of the Company.

Resolutions of the Management Board are adopted by an absolute majority of votes.

In the contract between the Company and a member of the Management Board, as well as in a dispute with him, the Company is represented by the Supervisory Board or a proxy appointed by resolution of the General Shareholder Meeting.

The Company adopted Regulations of the Management Board. The provisions of the Regulations will be described below.

The Management Board consists of 3-6 members appointed by the Supervisory Board for a period of three years. The Supervisory Board appoints members of the Management Board for a joint term in office.

Members of the Board perform their duties in person. The Management Board may be composed of persons from or outside of the shareholders.

The mandates of the Management Board members expire at the latest on the date of the General Shareholder Meeting of the Company approving the financial statements for the last full financial year of serving as a member of the Management Board. After the mandates have expired, the members of the Management Board may be re-appointed to the Management Board. Members of the Management Board may be dismissed at any time by the Supervisory Board before the end of the term in office.

Contracts of employment and other contracts with the Members of the Management Board of the Company may be concluded on behalf of the Company by the Supervisory Board or a proxy appointed by resolution of the General Shareholder Meeting. The same procedure applies to other legal transactions between the Company and Members of the Management Board.

The Management Board meets at least once a month. The President of the Management Board may set permanent dates of meetings of the Management Board.

The meeting of the Management Board is convened by the President, or during his absence by the member of the Management Board indicated by him.

At the duly justified request of a member of the Management Board, the meeting should be held no later than within 14 days from the date of the request.

Each member of the Management Board is required to present to the Management Board a matter requiring the adoption of a resolution of the Management Board.

In the notifications of meetings of the Management Board, the agenda should be given and the materials regarding matters covered by the agenda should be delivered.

If the President establishes fixed dates of meetings of the Management Board, the order of meetings is determined at the previous meeting of the Management Board, and materials regarding matters included in the agenda should be delivered on the date set by the President of the Management Board.

In case matters not included in the agenda, the Management Board may adopt a resolution if all members of the Management Board agree to vote on the resolution.

A meeting of the Management Board may also be held without being formally convened, provided that all members of the Management Board consent to the meeting and the agenda of such meeting.

Management Board members may also invite the meetings of the Management Board persons, in particular substantive employees of the Company or experts. Invitations are issued by the President of the Management Board on his/her own initiative or at the request of another member of the Management Board. Each member of the Management Board has the right to raise objections against participation in the meeting of persons from outside the Management Board, then the matter is decided by the Management Board in the form of a resolution.

For the resolutions of the Management Board to be valid, all members of the Management Board must be notified of the meeting. If the President sets fixed dates for meetings of the Management Board, they do not require separate convening and notifying members of the Management Board.

A Management Board member should be able to participate in each meeting using means of direct remote communication.

The resolutions of the Management Board of the Company are adopted by an absolute majority of votes cast by the members of the Management Board present at the meeting or with their participation in the case of resolutions adopted in writing or by means of direct remote communication. The absolute majority of votes means more votes "for" adopting a given resolution than votes "against" and "abstaining".

Each member of the Management Board is entitled to one vote.

The order of voting on individual draft resolutions submitted for a given item on the agenda is determined by the President of the Management Board.

The Management Board may adopt resolutions outside the meeting in writing or by using means of direct remote communication or in mixed mode.

It is allowed to vote and adopt resolutions in the following modes:

a) a) in writing, consisting in voting in writing by each member of the Management Board by signing the text of the draft resolution, with the indication for adopting the resolution, against the resolution or confirming abstention from voting; Written voting is ordered by the President of the Management Board, indicating the date of voting;
b) b) using means of direct remote communication (e.g. videoconference, telephone, participation using online communication platforms); voting in this mode is ordered by the President of the Management Board;
c) c) in mixed mode, by voting of the members of the Management Board present at the meeting and applying by some members of the Management Board the procedure specified in point (a). (b) above.

Members of the Management Board may participate in adopting resolutions by casting their vote in writing through another member of the Management Board.

In the event of a conflict of interests of the Company with the interests of a member of the Management Board, his spouse, relatives and relatives up to the second degree and persons with whom he is personally related, the member of the Management Board should disclose the conflict of interests and refrain from participating in resolving such matters and may request that it be marked in the minutes .

The scope of activities of the Management Board includes managing the entirety of the Company's operations, representing it outside, managing all the Company's affairs and managing its assets.

The Management Board is authorized to make decisions in all matters not reserved for the competence of other bodies of the Company.

A prior resolution of the Management Board is required to conduct the Company's affairs exceeding the scope of ordinary activities. Such matters include, among others:

1) convening General Shareholder Meetings, changes in the agendas of previously convened General Shareholder Meetings and cancelling General Shareholder Meetings;
2) submitting motions to the General Shareholder Meeting or the Supervisory Board, in particular in matters specified in § 17 or § 18 of the Regulations;
3) submitting a request to convene a meeting of the Supervisory Board;
4) adopting a strategy for the Company or the Company's capital group;
5) approval of the annual budget of the Company and changes in the already adopted budget of the Company above 10% of the value of the Company's budget;

6) approval of purchasing budgets for collections for individual brands of the Company and significant changes in the already adopted budget above 10% of its value;
7) adopting the Regulations of the Management Board and presenting them for approval by the Supervisory Board of the Company;
8) approval of the Organizational Regulations of the Company;
9) adopting the organizational structure of the Company;
10) adopting a resolution on the internal division of powers between members of the Management Board;
11) adopting the Work Regulations, Remuneration Regulations, Regulations of the Company Social Benefits Fund;
12) granting a procuration;
13) taking up or acquiring stocks or shares or other titles in profits in other companies;
14) creating or joining other entities;
15) disposal or encumbrance of stocks or shares or all rights and obligations in other companies owned by the Company;
16) purchase, sale or encumbrance of real estate, perpetual usufruct or a share in the real estate of the Company;
17) sale or encumbrance of the Company's trademarks;
18) conclusion of a credit, loan, surety or guarantee agreement for the liabilities of third parties and changes resulting in an increase in the amount of the liability or collateral;
19) establishing security on the Company's property components;
20) incurring a performance obligation or disposing of a law with a value in excess of PLN 350,000 (three hundred and fifty thousand) net (without VAT), the value of which is determined for fixed-term contracts for the entire period of their validity, while for contracts for a period of time indefinite for a twelve-month period;
21) approval of applications for the management of redundant fixed assets with a non-depreciated value above PLN 50,000 (fifty thousand) net (without VAT) or inventories in the part not covered by a write-down with a value of more than PLN 50,000 (fifty thousand) net (without VAT), including requests for copies of goods or materials lost, damaged or destroyed;
22) matters before being dealt with by at least one member of the Management Board objected.

The following actions by the Company require the consent of the Supervisory Board expressed in the form of a resolution:

a) purchase and sale of real estate, perpetual usufruct or an interest in real estate;

b) approval of the draft budget of the Company and significant changes in the already adopted budget of the Company above 10% of the value of the Company's budget;

c) concluding credit or loan agreements, except for loans in the capital group to which the Company belongs;

d) taking up, acquiring and selling stocks or shares of other companies.

Taking the above actions does not require a resolution of the General Shareholder Meeting.

The exercise by the Company of voting rights when adopting resolutions of the shareholders' meeting or resolutions of the General Shareholder Meeting of other commercial companies in which the Company participates as a partner or shareholder requires the consent of the Supervisory Board in the form of a resolution on the following matters:

a) examining and approving individual and consolidated financial statements as well as management reports on the activities of the company and its capital group for the previous financial year;

b) adopting resolutions on profit distribution or loss coverage;

c) acknowledging the fulfilment of duties by members of the company's governing bodies;

d) appointing and dismissing members of the company's governing bodies and determining the number of members of these governing bodies;

e) adopting resolutions on the issue of bonds, including convertible bonds and bonds with priority rights, and subscription warrants referred to in Art. 453 § 2 of the Commercial Companies Code;

f) adopting resolutions to amend the articles of association or articles of association, including changes to the subject of the company's activities and the increase or decrease of the share capital;

g) adopting resolutions on the redemption of shares and the terms of such redemption;

h) adopting resolutions on the sale or lease of the company's enterprise or an organized part thereof and the establishment of a limited property right thereon;

i) adopting resolutions on the sale or purchase of real estate, the right of perpetual usufruct or a share in the company's real estate;

j) establishing and changing the principles of remuneration or the amount of remuneration for members of the company's governing bodies;

k) merger, division or transformation;

l) liquidation of the Company.

Due to the competence of the Supervisory Board to approve the Company's budget, which should take place by December 31, before the beginning of the next financial year, the Management Board presents the Supervisory Board with the draft budget of the Company not later than by November 30, before the beginning of the next financial year. If the Company's budget is not approved by the indicated date, the Management Board acts on the basis of the Company's draft budget submitted to the Supervisory Board. The Supervisory Board has the right to submit comments to the presented budget of the Company, which should be considered by the Management Board within 14 days from the date of their submission to the Management Board, and within this period the revised budget draft should be re-presented to the Supervisory Board for approval.

In addition to other competences reserved by the Commercial Companies Code or the Company's Articles of Association to the General Meeting of Shareholders, taking the following action by the Company requires the consent of the General Meeting of Shareholders expressed in the form of a resolution:

granting consent to dispose of the Company's shares or stocks with a value in excess of PLN 25,000,000, including by pledging them or establishing other limited property rights, except for disposing to companies belonging to the Capital Group and with the exception of pledges and other limited property rights established for banks or institutions financing the Company or companies belonging to the Capital Group or in the case of securing bonds issued by the Company or companies belonging to the Capital Group.

The internal division of work of the members of the Management Board is determined by a resolution of the Management Board. On its basis, members of the Management Board supervise the work of their organizational units.

The President of the Management Board manages the work of the Management Board, chairs the meetings of the Management Board and coordinates the work of other members of the Management Board.

In the event of a temporary inability to perform the duties of the President of the Management Board, he is replaced by a member of the Management Board indicated by him. In the event that the President of the Management Board does not designate such a member of the Management Board, his powers in the field of organizing the work of the Management Board are performed by the Executive Vice-President who is directly responsible to the Financial Division, then the Executive Vice-President - to whom the Sales Division reports directly.

Amendments to the Regulations require a resolution of the Management Board approved by the Supervisory Board.

The Regulations were adopted by the Resolution of the Management Board of VRG S.A. No. 05/04/2021 of April 13, 2021 and approved by a resolution of the Supervisory Board of VRG S.A. No. 2 of June 22, 2021. By resolution of the Management Board of VRG S.A. No. 01/12/2022 of December 1, 2022, new Regulations of the Management Board of VRG S.A. were adopted. approved by a resolution of the Supervisory Board of VRG S.A. No. 2 of December 1, 2022, which entered into force on December 1, 2022, which introduced changes resulting from the amendments to the Code of Commercial Companies, including the method of calculating the term of office of members of the Management Board in full financial years. Obligation on the part of the Member of the Management Board, according to which, when performing his duties, he is obliged to exercise due diligence resulting from the professional nature of his activity and to remain loyal to the Company

A rule was introduced that meetings of the Management Board may be held not only at the Company's registered office, but also in Poland. With regard to the minutes of the Management Board meeting, a rule was introduced that the minutes should be signed by the members of the Management Board present at the meeting, and the minutes of the Management Board meeting should contain:

(a) the date and place of the meeting,
(b) names and surnames of the members of the Management Board participating in the voting,
(c) a list of other persons present at the meeting,
(d) adopted agenda,
(e) the content of the adopted resolutions together with the number of votes cast for individual resolutions;
(f) a dissenting opinion submitted by a member of the Management Board, together with its possible justification, is also marked in the minutes.

In addition, the catalog of matters requiring a resolution of the Company's Management Board was changed, stating that such matters include, among others:

1. convening General Meetings, changing the agenda of previously convened General Meetings and canceling General Meetings;
2. submitting motions to the General Meeting or the Supervisory Board, in particular in matters indicated in § 17 or § 18 of the Regulations;
3. submitting a motion to convene a meeting of the Supervisory Board;
4. adopting a strategy for the Company or the Company's capital group;
5. adoption of the annual budget of the Company and changes to the already adopted budget of the Company above 10% of the value of the Company's budget;
6. approval of purchase budgets for collections for individual brands of the Company and significant changes to the already adopted budget above 10% of its value;
7. adopting the Regulations of the Management Board and submitting them for approval by the Supervisory Board of the Company;
8. adoption of the Company's Organizational Regulations;
9. adoption of the Company's organizational structure;
10. adopting a resolution on the internal division of powers between members of the Management Board;
11. adoption of the Work Regulations, Remuneration Regulations, Regulations of the Company Social Benefits Fund;
12. granting a proxy;
13. taking up or purchasing shares or other titles in profits in other companies;
14. creating or joining other entities;
15. disposal or encumbrance of shares or all rights and obligations in other companies owned by the Company;
16. purchase, sale or encumbrance of real estate, perpetual usufruct or a share in the Company's real estate;
17. sale or encumbrance of the Company's trademarks;
18. conclusion of a credit, loan, surety or guarantee agreement for liabilities of third parties and changes resulting in an increase in the amount of the liability or collateral;
19. establishing security on the Company's assets;
20. expressing consent to the Company incurring obligations to provide services or disposing of a right with a value of over PLN 1,000,000.00 net (excluding VAT) for one entity, and in the case of continuous or periodic services over PLN 1,000,000.00 net (excluding VAT)) throughout the term of the contract, if it is concluded for a definite period of time, or for twelve months if it is concluded for an indefinite period, except for commercial transactions concluded in the course of the Company's ordinary activity within the approved budget of the Company or the purchase budget of the collection, and except for extending lease agreements for stores under the Company's brands in existing locations at a given time;
21. approval of applications for the use of redundant fixed assets with a non-depreciated value exceeding PLN 50,000 (fifty thousand) net (excluding VAT) or inventories in the part not covered by a revaluation write-down with a value exceeding PLN 50,000 (fifty thousand) net (excluding VAT), including applications for making write-offs of goods or materials lost, damaged or destroyed;
22. matters to which at least one member of the Management Board expressed an objection.

2. SUPERVISORY BOARD

Composition of the Supervisory Board:

The Supervisory Board of the Company, in the light of the provisions of the Articles of Association of the Company and the Code of Commercial Companies, is the body supervising the activities of the Company.

At the balance sheet date of 31.12.2022 the Supervisory Board consisted of:

- Mr Mateusz Kolański - Chair of the Supervisory Board
- Mr Jan Pilch – Deputy-Chair of the Supervisory Board
- Mr Marcin Gomoła - Member of the Supervisory Board
- Mr Piotr Kaczmarek - Member of the Supervisory Board
- Mr Piotr Stępniak - Member of the Supervisory Board
- Mr Wacław Szary - Member of the Supervisory Board
- Mr Prof. Andrzej Szumański - Member of the Supervisory Board

Composition of the Company's Supervisory Board has not changed during 2022.

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

- Mr Mateusz Kolański - Chair of the Supervisory Board
- Mr Jan Pilch – Deputy-Chair of the Supervisory Board
- Mr Piotr Kaczmarek - Member of the Supervisory Board
- Mr Marcin Gomoła - Member of the Supervisory Board
- Mr Piotr Stępniak - Member of the Supervisory Board
- Mr Wacław Szary - Member of the Supervisory Board
- Mr Prof. Andrzej Szumański - Member of the Supervisory Board.

Rules of Supervisory Board operations:

The Supervisory Board is appointed by law to exercise supervision in all aspects of the Company's operations. The Supervisory Board of the Company conducts its activity based on the provisions of applicable law, in particular the Code of Commercial Companies, as well as in accordance with the provisions of the Company's Articles of Association. Implementation of the Supervisory Board's competences also takes place with respect to the binding corporate governance rules.

The manner of operation of the Company's Supervisory Board was determined by the provisions of the Articles of Association and the Regulations of the Supervisory Board. Both documents were placed on the Company's website at www.vrg.pl.

The Supervisory Board consists of 5 - 7 members. The term of office of the Supervisory Board lasts three years. The number of members of the Supervisory Board shall be determined by the General Meeting. Members of the Supervisory Board are appointed and recalled, subject to the provisions of § 22 para. 3 and 4 of the Company's Articles of Association, by the General Shareholder Meeting for a joint term in office.

The Supervisory Board elects the Chair of the Supervisory Board and his Deputy from among its members, and, as the need arises, also the Secretary of the Supervisory Board. The Chair of the Supervisory Board convenes meetings of the Supervisory Board and chairs them. The Chair of the Supervisory Board of the previous term convenes and opens the first meeting of the newly elected Supervisory Board and chairs it until the Chairman is elected. The Supervisory Board may dismiss the Chair, his Deputy and the Secretary of the Supervisory Board.

The Supervisory Board holds meetings at least once a quarter. The Chairman of the Supervisory Board or his Deputy is also obliged to convene a meeting of the Supervisory Board within two weeks from the date of receipt of a written request to convene a meeting of the Supervisory Board included in the motion of the Management Board or a member of the Supervisory Board.

The Supervisory Board may adopt resolutions:

- at meetings,
- in writing,
- using means of direct remote communication,
- in writing or by means of direct remote communication.

Adoption of a resolution in writing or with the use of means of direct remote communication is ordered by the Chairman of the Supervisory Board.

A member of the Supervisory Board may participate in the adoption of resolutions of the Supervisory Board by casting his/her vote in writing via another member of the Supervisory Board.

A resolution of the Supervisory Board may be adopted in writing by signing a draft resolution by the each member of the Supervisory Board, indicating the date of voting and determining whether they vote for the resolution, against the resolution or abstain. Failure by a member of the Supervisory Board to sign a draft resolution and to send it signed in the above manner within 5 days from the date of sending the draft to the address provided by the Member of the Supervisory Board shall be deemed to be abstention.

For the validity of resolutions of the Supervisory Board, it is required to invite all members of the Supervisory Board to the meeting, and in the case of resolutions adopted in writing or using means of direct remote communication - notifying all members of the Supervisory Board about the contents of the draft resolution.

It is possible to hold a meeting of the Supervisory Board:

(i) by teleconference in such a way that all participants may communicate with one another by means of telecommunications; or

(ii) in mixed mode, in such a way that some members of the Supervisory Board are present at the meeting and some participate in it by teleconference in such a way that all participants can communicate with each other using telecommunications means.

The minutes of such a meeting are signed by the Chair of the Supervisory Board, and in the case of mixed mode, also by members of the Supervisory Board who are present at the meeting.

Voting on the resolutions of the Supervisory Board may take place with the use of the electronic system of casting and counting votes.

The Supervisory Board may hold a meeting without being formally convened, if all members of the body are present and no one objects to holding the meeting in this manner.

The Supervisory Board adopts resolutions by an absolute majority of votes, in the presence or (in the case of resolutions adopted in writing or using means of direct remote communication) with the participation of at least half of the members of the Supervisory Board. In the event of an equal number of votes for and against a resolution of the Supervisory Board - the casting vote is that of the Chair of the Supervisory Board.

Unless the content of the resolution provides otherwise, the resolution of the Supervisory Board shall enter into force on the date of its adoption. Adoption of a resolution in writing by signing the draft resolution by individual members of the Supervisory Board indicating the date of voting and specifying whether they vote for the resolution, against the resolution or abstain from voting upon its signing by all members of the Supervisory Board or after 10 days from the date of sending the draft resolution to the members of the Supervisory Board.

The Supervisory Board may adopt, amend or repeal its regulations specifying the mode of its operation.

The Supervisory Board exercises permanent supervision over the activities of the Company.

Special powers of the Supervisory Board include:

a) examination and evaluation of the financial statements for the previous financial year,

b) examination and evaluation of the Management Board's report on the Company's operations and the Management Board's motions regarding the distribution of profit or loss coverage,

c) submitting to the General Shareholder Meeting an annual written report on the results of the evaluation referred to in the previous items 1 and 2,

d) submitting to the General Shareholder Meeting a concise written assessment of the Company's standing, attached to the annual report which is made public;

e) suspending the Management Board member or the entire Management Board for important reasons,

f) delegating a member of the Supervisory Board, provided that this does not violate the provisions of § 17 section 1 of the Statute of the Company, to temporarily perform the functions of members of the Management Board unable to perform their duties,

g) approving the regulations of the Management Board of the Company,

h) determining remuneration for Members of the Management Board,

i) selection of an auditor who audits the financial statements,

j) issuing opinions on applications for the redemption of the Company's shares;

k) expressing consent to the purchase and sale by the Company of real estate or an interest in real estate;

l) adopting in the form of a resolution for the internal purposes of the Company the uniform text of the Articles of Association prepared by the Management Board of the Company;

m) adopting, amending and revoking the regulations of the Supervisory Board specifying the detailed mode of its operation;

n) preparing and presenting once a year to the Ordinary General Shareholder Meeting of the Company a concise evaluation of the situation of the Company, taking into account the evaluation of the internal control system and the significant risk management system;

o) making and presenting to the Annual General Shareholder Meeting once a year an assessment of the work of the Supervisory Board;

p) considering and giving opinions on matters to be the subject of resolutions of the General Shareholder Meeting;

q) expressing consent to the conclusion by the Company of a significant transaction/agreement with a related party. The above obligation does not apply to typical transactions concluded on an arm's length basis as part of the operating activities conducted by the Company with a subsidiary in which the company holds a majority shareholding. A related party is an entity that meets the definition of a related party within the meaning of the accounting regulations applicable to the Company;

r) periodic assessment of transactions concluded on market terms as part of the Company's ordinary activities in accordance with the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies;

s) assessing whether it is necessary to first consult an external entity that will carry out the valuation of the transaction with a related party and analyze its economic effects, if the transaction made by the Company with a related party requires the consent of the Supervisory Board;

t) expressing an opinion on the legitimacy of concluding a transaction with a related entity and the need to first consult an external entity that will evaluate this transaction and analyze its economic effects, if the conclusion of a transaction by the Company with a related entity requires the consent of the General Meeting;

u) other competences delegated by the Company's Articles of Association or a resolution of the General Shareholder Meeting of the Company;

v) giving opinions on draft resolutions put on the agenda of the General Shareholder Meeting by the Management Board.

The following activities require the consent of the Supervisory Board expressed in the form of a resolution:

a) purchase and sale of real estate, perpetual usufruct or an interest in real estate;

b) approval of the draft budget of the Company and significant changes in the already adopted budget of the Company above 10% of the value of the Company's budget;

c) concluding credit or loan agreements, except for loans in the capital group to which the Company belongs;

d) taking up, acquiring and selling stocks or shares of other companies.

Taking the above actions does not require a resolution of the General Shareholder Meeting.

Exercise by the Company of voting rights when adopting resolutions of the shareholders' meeting or resolutions of the General Meeting of other commercial companies in which the Company participates as a partner or shareholder requires the consent of the Supervisory Board in the form of a resolution on the following matters:

a) examining and approving individual and consolidated financial statements as well as management reports on the activities of the company and its capital group for the previous financial year;

b) adopting resolutions on profit distribution or loss coverage;

c) acknowledging the fulfillment of duties by members of the company's governing bodies;

d) appointing and dismissing members of the company's governing bodies and determining the number of members of these governing bodies;

e) adopting resolutions on the issue of bonds, including convertible bonds and bonds with priority rights, and subscription warrants referred to in Art. 453 § 2 of the Code of Commercial Companies;

f) adopting resolutions to amend the Articles of Association, including changes to the subject of the company's operations and the increase or decrease of the share capital;

g) adopting resolutions on the redemption of shares and the terms of such redemption;

h) adopting resolutions on the sale or lease of the company's enterprise or an organized part thereof and the establishment of a limited property right thereon;

i) adopting resolutions on the sale or purchase of real estate, the right of perpetual usufruct or a share in the company's real estate;

j) establishing and changing the principles of remuneration or the amount of remuneration for members of the company's governing bodies;

k) merger, division or transformation;

l) liquidation of the Company.

The Supervisory Board should approve the Company's budget by December 31, before the beginning of the next financial year. The Management Board presents the Supervisory Board with the draft budget of the Company no later than by November 30, before the beginning of the next financial year. If the Company's budget is not approved by the indicated date, the Management Board acts on the basis of the Company's draft budget submitted to the Supervisory Board. The Supervisory Board has the right to submit comments to the presented budget of the

Company, which should be considered by the Management Board within 14 days from the date of their submission to the Management Board, and within this period the revised budget draft should be re-presented to the Supervisory Board for approval. The Supervisory Board may dispose of the budget specified by the General Meeting, within which legal services should be provided.

The purchase and sale of real estate, perpetual usufruct or an interest in real estate requires the consent of the Supervisory Board. Taking the above-mentioned actions does not require a resolution of the General Shareholder Meeting.

Members of the Supervisory Board exercise their rights and obligations in person.

The rules and amount of remuneration for members of the Supervisory Board are determined by the General Shareholder Meeting, with the provision that the remuneration of members of the Supervisory Board delegated to temporarily perform the duties of members of the Management Board is determined by a resolution of the Supervisory Board.

In the event of resignation or death of a Supervisory Board member, the Supervisory Board may supplement its composition by co-opting a new member for the period until the end of its joint term of office.

The resolution of the Supervisory Board on co-opting is subject to approval by the next General Shareholder Meeting.

Remuneration of members of the Supervisory Board delegated to temporarily perform the duties of members of the Management Board is determined by a resolution of the Supervisory Board.

The Company has adopted the Regulations of the Supervisory Board. The provisions of these Regulations are described below.

The number of members of the Supervisory Board is determined by the General Shareholder Meeting. Members of the Supervisory Board may not be members of the Management Board of the Company, employees of the Company holding the position of an accountant, legal advisor and other employees reporting directly to a member of the Management Board, proxies, as well as the Company's liquidator or liquidators. Also, members of the Management Board and liquidators of subsidiaries of the Company cannot be members of the Supervisory Board.

A member of the Supervisory Board should have appropriate knowledge and experience and be able to devote the necessary amount of time to the performance of his/her duties. A member of the Supervisory Board should take appropriate steps to ensure that the Supervisory Board receives information on important matters relating to the Company.

Members of the Supervisory Board in the scope of their functions and duties in the Supervisory Board are guided in their actions, including decision-making, independence of their own opinions and judgments, acting in the interest of the Company, in particular:

1.not accept unjustified benefits that could adversely affect the assessment of the independence of his opinions and judgments,

2. expressly raise objection and separate opinion if it is found that the decision of the Supervisory Board is contrary to the interest of the Company and demand that it be included in the minutes of the meeting.

Each member of the Supervisory Board provides the Management Board with information on any relationship with a shareholder holding at least 5% of the total number of votes in the Company. "Relationships" are understood as economic, family or other relationships that may affect the position of the Supervisory Board member in a matter resolved by the Supervisory Board.

A Supervisory Board member should avoid taking up professional or non-professional activity that could lead to a conflict of interest or adversely affect his reputation as a member of the Company's governing body, and should disclose it immediately in the event of a conflict of interest.

A member of the Supervisory Board informs the Supervisory Board of any conflict of interest that has arisen or the possibility of its emergence, and is not involved in considering any matter in which a conflict of interest may arise in relation to his person. Each member of the Supervisory Board is obliged to notify the Supervisory Board in advance of their intention to: (i) submit an offer to the Company, (ii) enter into proceedings related to the conclusion of any contract or (iii) conclude an agreement with the Company by a member of the Supervisory Board or an entity related to member of the Supervisory Board. After receiving the above notification, the Supervisory Board takes the necessary steps to avoid a conflict of interest.

If during the term of office the personal composition of the Supervisory Board is reduced due to the death or resignation of a Supervisory Board member, the Supervisory Board, acting in accordance with the provisions of § 22 sec. 3 of the Articles of Association of the Company, may supplement its composition by co-opting a new member for the period until the end of its joint term of office. The resolution of the Supervisory Board on co-opting is subject to approval by the next General Shareholder Meeting. If during the term of office the personal composition of the Supervisory Board is reduced and the Supervisory Board does not exercise the right referred to in § 22 sec. 3 of the Articles of Association, the Chair of the Supervisory Board submits a request to the Management Board of the Company to immediately convene the General Shareholder Meeting of the Company with the agenda including adopting a resolution of the General Shareholder Meeting on supplementing the composition of the Supervisory Board. A member of the Supervisory Board should not resign from his function if this could adversely affect the ability of the Supervisory Board to act, including adopting resolutions.

The Supervisory Board elects from among its members the Chair, the Deputy-Chair and, if necessary, also the Secretary. The term of office of the persons performing the above-mentioned functions ends on the day of the end of the term of office of the outgoing Supervisory Board, however, the Chair of the outgoing Supervisory Board convenes the first meeting of the newly elected Supervisory Board and chairs the meeting until the Chair is elected. The Chair, Deputy-Chair and the Secretary may be dismissed before the end of the term of office.

The Supervisory Board exercises permanent supervision over the activities of the Company. The Supervisory Board performs its tasks:

a) at meetings of the Supervisory Board,

b) through current and ad hoc supervisory and control activities, in the performance of which it may:

- review each department of the Company's activities,
- demand reports and explanations from the Management Board and employees of the Company,
- audit the state of the Company's assets,
- perform financial control of the Company,
- check books and documents,
- oblige the Management Board to commission experts to prepare expert opinions and opinions for the use of the Supervisory Board, if a given problem requires special knowledge, qualifications, specialized activities or the assessment of an independent expert.

The Supervisory Board ensures that the applicable regulations related to the rotation of the auditing company and the key statutory auditor as well as obligatory grace periods are complied with in the Company.

Members of the Supervisory Board should participate in the sessions of the General Shareholder Meeting in a composition enabling them to provide substantive answers to questions asked during the General Shareholder Meeting.

Notification of the planned meeting of the Supervisory Board should be sent by registered mail, by fax or by e-mail to the addresses, fax numbers or e-mail addresses of the Supervisory Board members indicated by them as appropriate for the delivery of any materials to the meetings of the Supervisory Board, at least seven days before its due date. For important reasons, the Chair of the Supervisory Board may shorten this period. The notification should specify the date, place and agenda of the meeting. If all members of the Supervisory Board are present at a given meeting, an effective way of notification is also the oral notification by the Chair of the Supervisory Board of the date, place and agenda of the next meeting, recorded in the minutes of the Supervisory Board meeting, at which the notification in the above form was issued.

The agenda during the meeting to which it relates may be changed or supplemented only in cases when all members of the Supervisory Board are present and consent to it, or when it is necessary to protect the Company from damage or when the subject of the resolution is be to assess whether there is a conflict of interest between the members of the Supervisory Board and the Company.

For the resolutions of the Supervisory Board to be valid, all members of the Supervisory Board must be invited.

The meetings of the Supervisory Board are convened by the Chair or his Deputy. Meetings of the Supervisory Board are also convened at the request of the Management Board or a member of the Supervisory Board. A request to convene a meeting of the Supervisory Board should be presented with the proposed agenda as well as indication of members of the Management Board and other persons whose participation in the meeting is justified due to the issues to be considered by the Supervisory Board.

The Deputy Chair may convene Supervisory Board meetings only in a situation where the Chair cannot exercise this right due to random events directly related to him/her, preventing the performance of the activities of convening the Supervisory Board meeting, and only with the prior written consent of all other Supervisory Board members (including in including the Deputy Chair). The meeting should be held within two weeks from the date of submitting the request. If the meeting is called by the Chair, the Deputy Chair is not entitled to convene the Supervisory Board meeting, and the previously convened Supervisory Board meeting by the Deputy Chairman is canceled.

Meetings of the Supervisory Board should be held at least once a quarter. The session is chaired by the Chair, and in his absence, by the Deputy Chair. Meetings of the Supervisory Board are held at the registered office of the Company or at any other place indicated in the notification of convening the meeting of the Supervisory Board.

Meetings of the Supervisory Board may be attended by members of the Management Board and relevant employees of the Company and other persons, if invited.

The votes of the Supervisory Board are open, unless the law stipulates otherwise.

The meetings of the Supervisory Board are minuted. The protocol should include:

a) date and place of the meeting,
b) name list of members of the Supervisory Board and other persons present at the meeting,
c) adopted agenda,
d) content of the adopted resolutions together with the number of votes cast for individual resolutions, content of separate opinions or objections raised to the resolutions or voting provisions.

At the meetings of the Supervisory Board, decisions are made in the form of:

a) resolutions,
b) motions and opinions for the General Shareholder Meeting,
c) post-inspection recommendations,
d) conclusions and recommendations to the Management Board of the Company.

Supervisory Board resolutions are numbered consecutively as part of a given Supervisory Board meeting. Resolutions are signed by all members of the Supervisory Board participating in the meeting.

The minutes are signed by all members of the Supervisory Board participating in the meeting and the secretary or the Chair of the Supervisory Board and the secretary, attaching the attendance list.

The minutes of the meeting by teleconference are signed by the Chair of the Supervisory Board, and in the case of mixed mode, also by members of the Supervisory Board who are present at the meeting.

Original copies of the minutes of the Supervisory Board meeting along with attachments are kept in the book of minutes of the Supervisory Board. The book of minutes is kept at the registered office of the Company. At the request of a member of the Supervisory Board, the Company issues copies of the minutes and individual resolutions.

The Supervisory Board may appoint permanent or ad hoc committees, acting as collective advisory and opinion-making bodies of the Supervisory Board, including the Audit Committee and the Nomination and Remuneration Committee.

The Committee is appointed by the Supervisory Board by a resolution from among its members, and in the case of the Audit Committee, the majority of its members must meet the independence criteria referred to in Art. 129 sec. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight, and moreover, at least one member of the Audit Committee must have knowledge and skills in the field of accounting or auditing of financial statements. Members of the Audit Committee should also have knowledge and skills in the industry in which the Company operates, and this condition is deemed to be met if at least one member of the Audit Committee has knowledge and skills in this industry or individual members in certain areas have knowledge and skills. in the field of this industry.

The committees elect the Chair of the committee from among their members, and in the case of the Audit Committee, its Chair must meet the independence criteria referred to in Art. 129 sec. 3 of the Act on statutory auditors, audit firms and public supervision.

The committee is composed of three to five members.

The Chair of the committee manages the work of the committee. He/she also supervises the preparation of the agenda. Committee meetings are convened by the Committee Chair, who invites members of the committee to meetings and notifies all other Supervisory Board members about the meeting. All members of the Supervisory Board have the right to participate in committee meetings. The Chair of the committee may invite members of the Management Board, employees of the Company and other persons whose participation in the meeting is useful for the performance of the committee's tasks to its meetings. The notification about convening a committee meeting should be delivered to the members of the committee and other members of the Supervisory Board no later than 7 days before the committee meeting, and in urgent matters no later than 1 day before the committee meeting. The Committee may hold a meeting without formal notification, provided that all members of the Committee consent to the meeting and the proposed agenda. The meetings of the Committee are opened and chaired by its Chair, and in his absence, by another member of the Committee indicated by the Chair. Committee members may vote on the adoption of resolutions in person, by taking part in a committee meeting, or by using means of remote communication. The resolutions of the Committee may also be adopted by circulation, with the use of means of direct remote communication. Resolutions adopted in this manner are valid if all members of the Committee have been notified of the content of the draft resolution. Committee resolutions are adopted by a simple majority of votes cast.

In the event of a vote with an equal number of votes "for" and "against", the Chair of the committee has the casting vote. The committees submit a report on their activities to the Supervisory Board at least once a year, on the date of approval of the annual reports.

The obligation of the Audit Committee to operate applies to the Supervisory Board, which includes six members of the Supervisory Board. If the Supervisory Board is composed of five members, the tasks of the Audit Committee may be performed by the entire Supervisory Board.

The Supervisory Board may decide to appoint a standing Nomination and Remuneration Committee. The Nomination and Remuneration Committee advises the Supervisory Board on the appropriate development of the Company's policy in the field of employment and remuneration of members of the Company's Management Board.

Currently, a permanent Audit Committee and a permanent Nomination and Remuneration Committee operate within the Supervisory Board. The operating costs of the Supervisory Board are covered by the Company.

The Supervisory Board uses the Company's office premises, equipment and materials. The administrative and technical support for the Supervisory Board is provided by the Company's Management Board Office.

Members of the Supervisory Board receive remuneration determined by the General Shareholder Meeting.

Members of the Supervisory Board are obliged to familiarize themselves with the principles of corporate governance resulting from the adopted by the Supervisory Board of the Warsaw Stock Exchange. Resolution No. 13/1834/2021 of March 29, 2021 "Best Practices of WSE Listed Companies 2021".

Members of the Supervisory Board exercise their rights and obligations in person and are obliged to participate in the meetings of the Supervisory Board. The Supervisory Board may delegate its members to individually perform specific supervisory activities, including participation, depending on the needs, in the meetings and works of the Management Board.

3. AUDIT COMMITTEE ACTING WITHIN THE SUPERVISORY BOARD

Composition of the Audit Committee:

As part of the Supervisory Board of the Company in the financial year 2022, the Audit Committee operated as a permanent collegial and advisory body of the Supervisory Board. The Audit Committee was appointed by way of a resolution of the Company's Supervisory Board of May 14, 2012, pursuant to art. 86 of the Act of May 7, 2009 on statutory auditors and their self-government, entities authorized to audit financial statements and on public supervision.

At the balance sheet date of December 31, 2022 the Audit Committee composed of.

- Mr Marcin Gomoła – Chair of the Audit Committee
- Mr Piotr Kaczmarek - Member of the Audit Committee
- Mr Jan Pilch - Member of the Audit Committee
- Mr Piotr Stępniak - Member of the Audit Committee
- Mr Wacław Szary - Member of the Audit Committee.

In 2022, the composition of the Audit Committee has not changed.

In the period until the date of preparation of these financial statements, the above composition of the Audit Committee has not changed.

Rules of Audit Committee operations:

Rules of operation of the Audit Committee (hereinafter: "the Committee") are determined by the provisions of § 15, 16, 17, 18 and 19 of the Regulations of the Supervisory Board, which is available on the Company's website at www.vrg.pl.

The Audit Committee advises the Supervisory Board on the proper implementation of principles of budgetary and financial reporting, internal control of the Company and matters related to cooperation with auditing companies and the Company's auditors.

In particular, the Committee's tasks include:

a) monitoring of:

   1. financial reporting process,
   2. the effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting,

3. performing financial auditing activities, in particular conducting an audit by the audit company, including all applications and findings of the Audit Oversight Commission resulting from audits carried out in the auditing company;

b) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the audit firm provides services other than audit to the public interest entity
c) informing the Supervisory Board about the results of the audit and explaining how this research contributed to the reliability of financial reporting in the public interest unit, and what was the role of the audit committee in the audit process;
d) assessing the independence of the auditor and consenting to the provision of permitted non-audit services to the public interest entity;
e) developing a policy for selecting an audit firm to conduct the audit and submitting it to the Supervisory Board for approval;
f) development of a policy by the audit firm conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services;
g) determining the procedure for the selection of an audit firm by a public interest entity;
h) presenting recommendations to the Supervisory Board regarding the selection of the audit firm referred to in art. 16 sec. 2 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on detailed requirements regarding statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909 / EC, in accordance with the policies referred to in in point d) and point e);
i) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the public interest entity.

In justified cases, the Committee may use the assistance of experts. Meetings of the Committee should be held at least once every three months, before the Company publishes its financial statements.

The President of the Management Board, high-level employees responsible for particular functions, the chief accountant and the auditor who has recently examined the financial report or the auditor currently examining the Company's financial statements may take part in the Audit Committee's meetings.

The Audit Committee should submit to the Supervisory Board a report on its activities at least once a year, by the date of approving the annual reports. The Audit Committee may request that the key statutory auditor discuss with the Audit Committee, the management board or the Supervisory Board, or the key statutory auditor may request the discussion with the Audit Committee, the Management Board or the Supervisory Board of key audit issues that were mentioned in the additional report referred to in in art. 11 of Regulation No. 537/2014. Additional report of the audit firm or statutory auditor for the Audit Committee referred to in art. 11 of Regulation No. 537/2014, is submitted to the Supervisory Board and the management board. The Audit Committee may provide an additional report to the Audit Committee to the General Shareholder Meeting.

The Supervisory Board is obliged to ensure, if such a need arises, to immediately complete the composition of the Committee to the one set forth in § 16 para. 4 of the Regulations of the Supervisory Board as a minimum. The Audit Committee may, without mediation of the Supervisory Board, request information, explanations and transfer of documents necessary to perform its tasks.

The Committee should be informed on the written request of the program of work of the certified auditor who audits the Company's financial statements and receive a report from that expert, including a description of all relations between the expert and the Company or its group. The Committee should receive information in a timely manner regarding issues arising from the audit.

In the case of the Audit Committee, the majority of its members, including the chair, must meet the independence criteria referred to in art. 129 par. 3 of the Act on certified auditors, and at least one member of the Audit Committee must have knowledge and skills in the field of accounting or auditing of financial statements. The members of the Audit Committee should also have knowledge and skills in the industry in which the Company operates, and this condition is deemed met if at least one member of the Audit Committee has knowledge and skills in this industry or individual members in certain areas have the knowledge and skills in this industry.

The following members of the Audit Committee met or continue to meet the independence criteria as defined in Art. 129 sec. 3 of the Act on Statutory Auditors: Mr. Marcin Gomoła, Mr. Piotr Kaczmarek, Mr. Piotr Stępniak, Mr. Wacław Szary. Knowledge and skills in the field of accounting were possessed, in particular, by the members of the Audit Committee in the following persons: Mr. Marcin Gomoła, Mr. Piotr Kaczmarek, Mr. Piotr Stępniak and Mr. Wacław Szary. The members of the Audit Committee acquired the knowledge and skills in the above scope by obtaining education in the field of economics and related sciences as part of higher education, postgraduate studies, specialized courses and training, and through professional experience related to performing functions in management and supervisory bodies of companies (including performing the function of a member of the Audit Committee of these bodies). Information on the education and professional experience of these members of the Audit Committee was published in current reports:

- Mr Marcin Gomoła – current report No 41/2021 dated June 22, 2021;
- Mr Piotr Kaczmarek - current report No 32/2019 dated June 10, 2019 and current report No 32/2021 dated May 27, 2021;
- Mr Piotr Stępniak – current report No 8/2020 dated February 14, 2020, current report No 10/2020 dated February 18, 2020 and current report No 33/2021 dated May 27, 2021;
- Mr Wacław Szary – current report No 33/2020 dated June 29, 2020 and current report No 41/2021 dated June 22, 2021.

The knowledge and skills in the industry in which the Company operates were possessed or are held, respectively, by the members of the Supervisory Board in the persons of Mr. Jan Pilch and Mr. Piotr Kaczmarek. Mr. Jan Pilch gained knowledge in the field of the industry, among others as the founder and long-term Executive Vice President of the Management Board of Artman S.A. based in Cracow, listed on the Warsaw Stock Exchange in 2004-2009, where he was responsible for areas related to strategic management. In the years 1991-2004 he worked at Artman Spółka Akcyjna (until 2003 Artman Sp.z o.o.) as Executive Vice President of the Management Board, in the years 2004-2009 as Executive Vice President of the Management Board. In addition, Mr. Jan Pilch in the past performed, among others, the functions of the Chair of the Supervisory Board of Simple Creative Products, the Chair of the Supervisory Board of Gino Rossi S.A. Moreover, Mr. Jan Pilch was the Chair of the Supervisory Board of Bytom S.A. from December 2010 to November 2018, Mr. Piotr Kaczmarek gained knowledge of the industry by continuously serving as a member of the Supervisory Board of the Company from June 2019.

In 2022, the Audit Committee held 6 meetings, the main topics of which were: the scope, course and methodology of the auditor's work related to the review and audit of the Company's separate and consolidated financial statements and the audit of the financial statements of W.KRUK S.A. and DCG S.A. subsidiaries, reviews of the internal control and risk management system to ensure that the main strategic, operational and financial risks are properly identified and managed, monitoring and assessment of the activities of the internal audit department operating in the Company's organizational structure, detailed analysis of individual projects and consolidated financial statements included in the Company's periodic reports published to the public, obtaining additional information and explanations about them from the Management Board of the Company and indicating the need to introduce any corrections, additional explanations or comments, assessing the independence of the audit firm and members of the team reviewing and auditing the unit and consolidated the Company's financial statements for 2021, auditing the report of the Management Board of VRG S.A. on the Company's operations in 2021, the Company's separate financial statements for 2021, the Company's Management Board's report on the operations of the Company's Capital Group in 2021 and the consolidated financial statements of the Company's Capital Group for 2021 and, based on its results, providing the Company's Supervisory Board with a recommendation on the adoption of a positive assessment of the audit of the above-mentioned reports and recommendation regarding the Supervisory Board's motion to the Ordinary General Meeting of the Company for their approval, expression pursuant to Art. 130 sec. 1 point 4 of the Act on Statutory Auditors, after a positive assessment of the independence of the statutory auditor, consent to the provision of permitted non-audit services in the Company in 2022, i.e. services related to the audit of the report on remuneration of the Management Board and Supervisory Board of the Company for the year 2021 for the General Meeting, consideration and acceptance of the chief auditor's report on the implementation of the annual internal audit plan in 2021, monitoring the implementation of audit tasks by the internal audit department as part of the internal audit plan adopted in the Company's Capital Group for 2022; analysis of the compliance function, monitoring the implementation of the risk management policy in the Company with the use of dedicated IT tools, supervising the method of managing the inventory of clothing goods, the impact of the Polish Order regulations on the Company's situation and the implementation of the budget for 2022, monitoring the process of selecting a supplier of external logistics services by the Company in the field of warehouse management of the Company and delivery of goods to the chain of stores, investigating a reported violation under the procedure of anonymous reporting of irregularities in the Company's Capital Group.

Apart from plenary meetings, the Committee also adopted resolutions in the form of written votes on the above-mentioned topics.

The Audit Committee developed and adopted a resolution in the form of a changed procedure for selecting an audit firm to audit financial statements. After conducting, in accordance with the above-mentioned procedure, the selection of an audit firm, the Audit Committee, in the form of a resolution, presented the Supervisory Board of VRG SA with a recommendation regarding the selection of the audit firm Grant Thornton Polska P. S. A. for the purposes of statutory audit of VRG S.A. financial statements. and the VRG S.A. Capital Group. in 2021, 2022 and 2023.

The main assumptions of the policy of selecting an audit firm to audit financial statements developed by the Audit Committee and adopted for use in the Company include the following rules and provisions:

1) The Company, in accordance with applicable law, submits its individual and consolidated financial statements to a review and examination carried out by an auditing company.

2) The selection of an entity authorized to audit the Company's financial statements should be carried out on the basis of the following principles:

1. The audit firm authorized to audit and review the separate and consolidated financial statements of the Company and the Capital Group of the Company is selected by the Supervisory Board of the Company after presenting the recommendations of the audit committee. The decision to select an audit firm is made in the form of a resolution of the Supervisory Board.

2. When selecting an audit firm, the Supervisory Board of the Company pays attention to:

i. The number of statutory auditors employed by the audit firm and their professional qualifications, experience and skills, in particular the statutory auditor who is to perform the function of the key statutory auditor and the audit team;

ii. Experience of an audit company - taking into account the revenues obtained in the last 3 years from auditing public interest entities;

iii. Experience of an audit company in the scope of auditing financial statements of companies listed on the regulated market of the Warsaw Stock Exchange;

iv. Scope of the offered liability for damage incurred due to improper performance of the agreement for auditing the reports of the Company and the Capital Group of the Company;

v. Possibility to carry out the review and audit on the dates specified by the Company (availability);

vi. Industry specialization of an auditing company - experience in the areas of retail operations, risk management, internal control and corporate governance;

vii. Results of audit inspections of the audit firm and updated public transparency report;

viii. Access by the auditing company to experts in the field of taxes, corporate finance, IT systems and internal control, the assistance of which it will be able to use, if necessary, in the course of auditing the Company;

ix. The method of conducting the audit: nature, scope, frequency of contacts with the Audit Committee, the Supervisory Board and the Management Board of the Company;

x. A cost criterion which is not decisive in selecting an audit firm (the amount of remuneration for the audit of financial statements - individual and consolidated);

xi. The geographic scope of the operation, i.e. the ability to audit the financial statements of consolidated entities located outside the Republic of Poland, if applicable to the Company; viii. Other criteria that may be established by the Audit Committee, taking into account the need to ensure independence and impartiality.

3) The selection is made taking into account the principles of impartiality and independence of the auditing company and the analysis of works carried out by it for the Company, which go beyond the scope of auditing financial statements in order to avoid a conflict of interest (maintaining impartiality and independence).

4) The basis for the audit and review conducted by the auditing company are the applicable legal regulations, in particular the Accounting Act, the International Financial Reporting Standards and the requirements of the Warsaw Stock Exchange S.A.

5) The Supervisory Board of the Company follows the principle of rotation of the audit firm in accordance with the Act and Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on detailed requirements for statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909 / EC ("the Regulation").

6) The audit firm commences the audit or review after signing the contract with the Company. The contract with the auditing company is concluded for periods and on terms consistent with the Act and the Regulation.

The main assumptions of the policy developed by the Audit Committee and adopted for the application of the Company by the audit firm conducting the audit, by entities related to this audit firm and by a member of the audit firm's network (hereinafter: "Entities Covered by the Procedure") of permitted non-audit services (services additional) include:

1) The Company, in accordance with applicable law, submits its individual and consolidated financial statements to a review and tests carried out by an auditing company.

2) The provision of permitted non-audit services (additional services) by the Entity Covered by the Procedure should be performed pursuant to the provisions of the Act on statutory auditors and other legal provisions, professional standards of a statutory auditor and should take into account the following principles:

1. The Subjects of the Procedure may not provide, directly or indirectly, to the Company or its affiliates any prohibited services other than an audit of financial statements or financial audit activities (hereinafter: "Prohibited Services").

2. Forbidden services that are not an audit of financial statements are the services indicated in art. 5 sec. 1 of the Regulation,

3. The services specified in Art. 136 paragraph. 2 of the Act on statutory auditors are not prohibited,

4. The Company may commission the provision of services specified in Art. 136 paragraph. 2 of the Act on Statutory Auditors, Entities Covered by the Procedure only in the scope unrelated to the tax policy of the Company, after the Audit Committee has carried out an assessment of threats and safeguards for independence referred to in Art. 69-73 of the Act on statutory auditors,

5. Before commissioning the Entities Covered by the Procedure for the Provision of Permitted Services, the Company asks the statutory auditor or the audit firm whether they are Prohibited Services within the meaning of the Act on Auditors;

6. The Audit Committee assesses the threats and safeguards to the independence referred to in Art. 69-73 of the Act on Statutory Auditors at the request of the Management Board of the Company, containing: an indication of additional services to be provided, as well as information on whether the statutory auditor or audit firm has confirmed that the indicated additional service is not a Prohibited Service.

The recommendation of the Audit Committee regarding the selection of an audit firm to audit financial statements met the applicable conditions.

4. REMUNERATION AND NOMINATION COMMITTEE ACTING WITHIN THE SUPERVISORY BOARD

As part of the Company's Supervisory Board, in the fiscal year 2021, the Nomination and Remuneration Committee operated as a permanent collective and advisory body to the Supervisory Board. The Nomination and Remuneration Committee was appointed for the first time in the Company by the resolution of the Company's Supervisory Board of June 12, 2019, pursuant to § 20. par. 1 of the Regulations of the Supervisory Board and having regard to the provisions of recommendation VI.R.3. and rules II.Z.7. of the document "Best Practice of WSE Listed Companies 2016".

As at the balance sheet date, 31 December 2022, the Nomination and Remuneration Committee was composed of the following persons:

- Mr Mateusz Kolański – Chair of the Nomination and Remuneration Committee,
- Mr Piotr Kaczmarek - Member of the Nomination and Remuneration Committee,
- Mr Jan Pilch - Member of the Nomination and Remuneration Committee,
- Mr Wacław Szary - Member of the Nomination and Remuneration Committee,
- Mr prof. Andrzej Szumański - Member of the Nomination and Remuneration Committee.

In 2022, the composition of the Nomination and Remuneration Committee has not changed.

In the period from the balance sheet date to the date of approval of these financial statements, the above composition of the Nomination and Remuneration Committee did not change.

The Nomination and Remuneration Committee advises the Supervisory Board on the appropriate development of the Company's policy in the field of employment and remuneration of members of the Company's Management Board. In particular, the tasks of the Nomination and Remuneration Committee include the following activities in relation to the Company and companies belonging to the Company's capital group:

1) planning the remuneration policy for members of the Management Board, in particular in terms of the interests of the Company and its financial results,
2) conducting analyses of remuneration and other benefits and payments to members of the Company's governing bodies and the terms of the contracts concluded with them in order to recommend the Supervisory Board decisions to conclude these contracts,
3) presenting proposals, for the approval of the Supervisory Board, regarding the principles of remuneration for members of the Management Board,
4) preparation of reports containing assessment and analysis on the payment of remuneration for members of the Company's bodies submitted to the Supervisory Board before adopting resolutions required by law, the Articles of Association and the Company's internal regulations,
5) supervising the policy regarding the applicable remuneration system, including monitoring the remuneration and bonus policy in the light of market conditions,
6) presenting to the Supervisory Board proposals regarding appropriate forms and content of agreements with members of the Management Board,

7) issuing general recommendations to executive or managing directors regarding the level and structure of remuneration for key personnel,
8) monitoring the level and structure of remuneration for key personnel based on relevant information provided by members of the Management Board,
9) discussing the general principles for implementing share-based incentive systems, in particular share options, and presenting proposals to the Supervisory Board in this respect,
10) reviewing information on incentive systems included in the annual report and presented at the General Meeting, as appropriate,
11) substantive assessment of candidates for the positions of members of the Company's Management Board and presentation of an opinion on this matter to the Supervisory Board,
12) substantive assessment of a motion to call off a Management Board member from the post and presentation of an opinion on this matter to the Supervisory Board,
13) determining and recommending candidates for members of the Company's Management Board for approval by the Supervisory Board; to this end, the Committee assesses the balance of skills, knowledge and experience of the Management Board candidates, prepares a description of the role and competences required of the candidate and estimates the expected working time,
14) periodically assessing the structure, headcount, composition and results of Management Board members and recommending changes to the Supervisory Board,
15) periodically assessing the skills, knowledge and experience of individual Board Members and presenting the results of the assessment to the Supervisory Board,
16) reviewing management policy regarding the selection and appointment of key personnel.

X. DESCRIPTION OF RULES REGARDING THE APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND THEIR RIGHTS, IN PARTICULAR THE RIGHT TO DECIDE ON THE ISSUANCE OR BUYBACK OF SHARES

The rules regarding appointment and dismissal of managing persons in the Company and their rights are described in part IX point 1) of this statement regarding the principles of operation of the Company's Management Board.

The Management Board of the Company is not entitled to make an independent decision regarding the issuance of shares. In accordance with the Company's Articles of Association, the Company's share issuance and share capital increase require an appropriate resolution of the General Shareholder Meeting.

The Management Board of the Company has the right to purchase shares of the Company on the terms set out in the provisions of the Code of Commercial Companies regarding the purchase of own shares.

XI. DESCRIPTION OF DIVERSITY POLICY APPLIED TO THE ADMINISTRATIVE, MANAGING AND SUPERVISING AUTHORITIES WITH RESPECT TO ASPECTS SUCH AS E.G. AGE, SEX OR EDUCATION AND PROFESSIONAL EXPERIENCE, THE OBJECTIVES OF THIS DIVERSITY POLICY, HOW IT IS IMPLEMENTED AND THE EFFECTS IN THE REPORTING PERIOD

The company informs that it has no regulations describing the diversity policy applied by the Company with respect to the Company's governing bodies and its key managers, taking into account such elements of diversity policy as gender, education, age, and professional experience. In accordance with the principle of law equality in force in Poland, the Company recognizes that everyone has the right to equal treatment and that no one may be discriminated against in political, social or economic life from any reason, including employment. The Company follows this principle in its recruitment processes. At the same time, in relation to the members of the Company's bodies, the selection of persons holding the functions of Members of the Management Board and the Supervisory Board is made by the General Shareholder Meeting and the Supervisory Board, guided by relevant and corporate decisions and professional principles. In relation to key managers, the Company makes decisions on establishing cooperation with candidates, assessing their professional experience, seniority, and education in accordance with the scope of tasks for a given position. The Company employs both women and men in various age groups, having regard to the substantive criteria and fully observing the principles that it is unacceptable to limit the freedom and rights of a person and a citizen solely on the basis of race, sex, language, religion or lack thereof, social origin, birth and property.

Within the Group, both among the members of the Company's management and supervisory bodies as well as among all employees it is recognised that availability of a wide talent pool helps in development and implementation of the objectives of the organization as a whole. For this reason, differences and diversity are valued and desirable as important components of human capital to support creativity and openness to new ways of coping with new challenges associated with the transition process of economic, social and cultural affecting business conditions of the Company and its Group. It is the effect of the accumulation and cooperation of various experiences and competences that allows for the continuous development of the organization. The development of the Company and its Capital Group as well as the implementation of business objectives will be more effective if one notices and benefits from various experiences and needs occurring in the organization and its environment. As part of the Capital Group the Company respects employees regardless of age, sex, religion, differences of opinion, cultural differences or sexual orientation. The Capital Group assures that none of the internal documents contradicts the principle of gender equality and diversity. There are no regulations and practices within the Group companies that could indicate that either gender or group of employees should have a difficult or easier access to knowledge, benefits, privileges or would be in a special way charged with duties.

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, April 4, 2023

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VISTULA

VRG
VISTULA RETAIL GROUP

Independent Auditor’s Report on Annual Consolidated Financial Statements

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For the Shareholders of VRG Spółka Akcyjna

Report on the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the Group (the Group), in which the parent entity is VRG Spółka Akcyjna (the Parent) with its registered office in Kraków, 10 Pilotów Street, which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the financial position of the Group as of December 31, 2022 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- comply with the laws affecting the content and form of the annual consolidated financial statements and the provisions of the Parent’s articles of association.

The audit opinion is consistent with the additional report to the Audit Committee submitted on the same day as this audit report.

Basis for Opinion

We conducted our audit in accordance with:

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2022, item 1302, as amended) (the Act on Statutory Auditors),
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April,16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements* section of our report.
We are independent of the entities comprising the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual consolidated financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

RISK OF OVERVALUATION OF INVENTORIES

Description

As at December 31, 2022, the net value of inventories disclosed in the consolidated statement of financial position amounted to PLN 533,258 thousand. Inventory valuation analysis was the key issue of the audit due to the value of the inventory, which is significant for the consolidated financial statements.

As at the balance sheet date, inventories are valued at purchase price or production cost, thereof not higher than the sale price possible to obtain. The calculation of the sale price possible to be obtained is made on the basis of estimates that require taking into account the nature of the inventory, assessment of the retention and aging of individual assortment groups.

Disclosures concerning inventories are included in note 16 of information and explanations to the consolidated financial statements.

Auditor's response

Audit procedures carried out in this area included, among others:.

- analysis of the accounting policy in terms of the principles of inventory valuation and the methodology of creating write-offs:
- verification of the initial inventory valuation by performing detailed substantive tests,
- verification of compliance of the write-off calculation with the adopted methodology, including the completeness and correctness of calculations,
- assessing the scope and adequacy of disclosures related to this issue in the consolidated financial statements.

TRADEMARKS AND GOODWILL IMPAIRMENT

Description

As at December 31, 2022, the value of the trademarks in the consolidated statement of financial position amounted to PLN 194,093 thousand and goodwill amounted to PLN 302,748 thousand.

In accordance with the judgment of the Management Board of the Parent, the trademarks have an indefinite useful life and are not amortized. Pursuant to IAS 36, intangible assets with an indefinite useful life and goodwill are subject to annual impairment tests.

Due to the significant value of trademarks and goodwill, and the fact that impairment tests are based on assumptions, judgments and estimates made by the Management Board, we concluded that this is a key audit matter.

Disclosures regarding goodwill and trademarks are included in note 10 and in note 11 of additional explanatory notes to the consolidated financial statements.

Auditor's response

Audit procedures performed in this area included, among others:

- verification of the validity of the adopted methodology for preparing the impairment test, including key assumptions regarding market parameters such as the adopted discount rates, risk factors, long-term growth rates,
- assessment of the rationality of the financial assumptions and forecasts adopted by the Management Board of the Parent,
- verification of the correctness of the calculations made,
- assessing the scope and adequacy of disclosures related to this issue in the consolidated financial statements.

RISK OF MATERIAL MISSTATEMENT DUE TO FRAUD OR ERROR IN REVENUE RECOGNITION

Description

In the consolidated profit and loss account for the financial year ended December 31, 2022, the Capital Group reported revenues from sales in the amount of PLN 1,273,952 thousand. Due to the importance of correct revenue recognition for the consolidated financial statements and the fact that the risk of material misstatement of the financial statements may arise from both fraud and error in the process of sales revenue recognition in an incorrect period, we have identified the issue of revenue recognition as a key audit matter.

Auditor's response

As part of our audit, we documented our understanding of the revenue recognition process and identified key elements of internal control as part of the process.

Audit procedures performed in this area included, among others:

- analysis of the accounting policy with regard to the moment of revenue recognition and the application of IFRS 15,
- performing detailed tests on a sample of revenues generated during the year in order to confirm the correctness of their recognition,
- analysis of unusual transactions and revenue adjustments made after the balance sheet date,
- verification for a selected sample of documents from the turn of the year, whether the sale was recognized in the appropriate reporting period in accordance with the moment of risk transfer to the customer resulting from the delivery terms,
- analytical review of the margins achieved and explanation of the differences with the appropriate team on the client's side,
- assessing the correctness and completeness of disclosures.

Responsibilities of Management Board and Supervisory Board of the Parent for the Annual Consolidated Financial Statements

The Management Board of the Parent is responsible for the preparation of these annual consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Parent's articles of association. The Management Board of the Parent is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual consolidated financial statements, the Management Board of the Parent is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent either intends to liquidate the Group or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2023, item 120, as amended) (the Accounting Act), the Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the annual consolidated financial statements with the requirements of the Accounting Act. The Supervisory Board of the Parent is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual consolidated financial statements.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent.
- Conclude on the appropriateness of the Management Board of the Parent's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board of the Parent with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the Supervisory Board of the Parent, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information including the Report on the Group’s operations

The other information comprises the Report on the Group’s operations for the financial year ended December 31, 2022, the Corporate Governance Statement and the Statement on non-financial information specified in Article 49b clause 1 of the Accounting Act which are a separate parts of the Report on the Group’s operations and the Annual Report for the year ended December 31, 2022 (but does not include the consolidated financial statements and our auditor’s report thereon).

Responsibilities of the Management Board and the Supervisory Board of the Parent

The Management Board of the Parent is responsible for the preparation of the other information in accordance with the Accounting Act and other legal regulations. The Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the Report on the Group’s operations with the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on the annual consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Group’s operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, we are obliged to report on whether the Parent prepared the Statement on non-financial information and to express an opinion on whether the Parent included the required information in the Corporate Governance Statement.

Opinion on the Report on the Group’s operations

In our opinion, the Report on the Group’s operations has been prepared in accordance with the applicable legal regulations, i.e. Article 55 clause 2a of the Accounting Act and Paragraph 71 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group’s operations.

Opinion on the Corporate Governance Statement

In our opinion, the Corporate Governance Statement includes the information required by Paragraph 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in Paragraph 70 clause 6 point 5 letters c-f, h and i of the Regulation on current and periodic information included in the Corporate Governance Statement complies with applicable regulations and is consistent with the information included in the annual consolidated financial statements.

Information on the preparation of the separate Statement on non-financial information

As required by the Act on Statutory Auditors, we report that the Parent informed in its Report on the Group's operations that it prepared the separate Statement on non-financial information specified in Article 55 clause 2c of the Accounting Act, and that the Parent prepared such a separate statement.

Report on Other Legal and Regulatory Requirements

Opinion on the compliance of marking up of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format

In connection with the audit of the annual consolidated financial statements, we have been engaged to perform a reasonable assurance engagement to express an opinion on whether the annual consolidated financial statements of the Group as at and for the year ended December 31, 2022, prepared in a single electronic reporting format contained in the file named *GK_VRG_2021-12-31_pl.zip* (consolidated financial statements in the ESEF format) have been marked up in accordance with the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation).

Identification of the criteria and description of the subject matter of the engagement

The consolidated financial statements in the ESEF format were prepared by the Management Board of the Parent in order to meet the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation.
The subject matter of our assurance engagement is to verify the compliance of marking up of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and we believe that the requirements set out in the regulations form appropriate criteria for expressing our opinion.

Responsibility of the Parent's Management Board and Supervisory Board

The preparation of consolidated financial statements in the ESEF format in accordance with the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation, is the responsibility of the Parent's Management Board. The responsibility includes the selection and application of appropriate XBRL markups with the use of the taxonomy defined in those regulations.
The responsibility of the Parent's Management Board also includes the design, implementation and maintenance of an internal control system to ensure the preparation of consolidated financial statements in the ESEF format free from material non-conformities with the requirements of the ESEF Regulation.
Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in accordance with the format resulting from applicable laws.

Auditor's Responsibility

Our objective was to express an opinion, on the basis of a reasonable assurance engagement, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.

We performed the engagement in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3001PL *Audit of Financial Statements Prepared in a Single Electronic Reporting Format*, which was adopted by resolution of the National Council of Statutory Auditors No. 1975/32a/2021 of December 17, 2021 (NSAE 3001PL) and, where relevant, in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3000 (R) in the wording of International Standard on Assurance Engagements (ISAE) 3000 (revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which was adopted by resolution of the National Council of Statutory Auditors No. 3436/52e/2019 of 8 April 8, 2019, as amended (NSAE 3000 (R)).

The standard imposes on a statutory auditor an obligation to plan and perform procedures in such a manner as to obtain reasonable assurance that consolidated financial statements in the ESEF format have been prepared in accordance with the specified criteria. Reasonable assurance means a high level of assurance, but it does not guarantee that an engagement performed in accordance with NSAE 3001PL and, where relevant, in accordance with NSAE 3000 (R), would always detect an existing material misstatement.

The selection of the procedure depends on the statutory auditor's judgement, including their estimation of the risks of material misstatement, whether due to fraud or error. When assessing the risk, the statutory auditor considers internal control associated with the preparation of consolidated financial statements in the ESEF format in order to plan the relevant procedures which are to provide the auditor with sufficient and appropriate evidence. The assessment of the functioning of the internal control system was not conducted for the purpose of expressing an opinion on the effectiveness of its functioning.

Summary of the work performed

The procedures planned and performed by us included, among others:

- obtaining an understanding of the process of preparation of consolidated financial statements in the ESEF format, covering the process of the Parent's Management Board's selection and application of XBRL markups and ensuring compliance with the ESEF Regulation, including understanding of the internal control system mechanisms related to the process;
- reconciliation of the marked up information contained in the consolidated financial statements in the ESEF format with the audited annual consolidated financial statements;
- assessment of compliance with technical standards on the specification of a single electronic reporting format, including the application of the XHTML format, using specialist IT tools;
- assessment of the completeness of marking of information in the consolidated financial statements in the ESEF format with XBRL markups;
- assessment whether the XBRL markups from the taxonomy defined in the ESEF Regulation have been properly applied and whether extension taxonomies have been used in situations where the core taxonomy specified in the ESEF Regulation has not identified the relevant elements;
- assessment whether the applied extension taxonomies have been properly anchored in the core taxonomy defined in the ESEF Regulation.

We believe that the evidence we have obtained provides sufficient and appropriate basis for us to express an opinion on the compliance of marking up with the requirements of ESEF Regulation.

Ethical requirements, including independence

In performing the engagement, the statutory auditor and the audit firm complied with the independence requirements and other ethical requirements set out in the IESBA Code. The IESBA Code is based on fundamental principles relating to integrity, objectivity, professional competencies and due diligence, confidentiality and professional conduct. We also complied with other independence and ethics requirements that apply to this assurance engagement in Poland.

Quality management requirements

The audit firm applies national quality control standards in the wording adopted by resolution of the Council of the Polish Audit Oversight Agency No 38/I/2022 of November 15, 2022, which requires the audit firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion on the compliance with the requirements of ESEF Regulation

The statutory auditor's opinion is based on the matters described above, therefore, the opinion should be read in consideration of these matters.
In our opinion, the consolidated financial statements in the ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Statement on non-audit services

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014.

Appointment of the Audit Firm

We were appointed to audit the annual consolidated financial statements of the Group for the years 2021-2023 by the Parent's Supervisory Board's resolution of May 31, 2021. We audit the consolidated financial statements of the Group continuously starting from the financial year ended on December 31, 2021, i.e. for two consecutive financial years,

Renata Art-Franke

Statutory Auditor No. 10320
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, April 8 2023.

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.

Appendix 1 to Resolution No. 4 of the Supervisory Board of VRG S.A. with its seat in Cracow of April 4, 2023 regarding the assessment of the Supervisory Board of VRG S.A. regarding the Management Board's report on the activities of VRG S.A. Capital Group and consolidated financial statements of VRG S.A. for 2021 required under § 70 section 1 point 14) and § 71 subpara. 1 point 12) Ordinance of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state ("Ordinance of the Minister of Finance").

Assessment regarding the report on the operations of the Capital Group of VRG S.A. Capital Group and consolidated financial statements of the VRG S.A. Capital Group for 2022 in terms of their compliance with the books, documents and the actual state

Assessment regarding the report on the operations of the VRG S.A. Capital Group with its registered office in Cracow (the "**Company**") and the consolidated financial statements of the Capital Group of the Company for 2022 in terms of their compliance with accounting books, documents and the actual state of affairs was prepared on the basis of art. 382 § 2 of the Code of Commercial Companies, in connection with art. 395 § 5 Code of Commercial Companies, art. 63c para. 4 of the Accounting Act of September 29, 1994 and § 71 para. 1 point 12) Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state ("**Ordinance**").

The subject of this assessment is:
1. the Management Board's report on operations of the Company's Capital Group for 2022;
2. consolidated financial statement of the Company's Capital Group for 2022.

<u>Assessment of the Management Board's report on operations of the Company's Capital Group for 2022:</u>

The Supervisory Board assessed the Management Board's report on the operations of the Company's Capital Group for 2022 and got acquainted with the information presented by the audit company Grant Thornton Polska Sp. z o.o. sp. k. with its registered office in Poznań (hereinafter: "**Grant Thornton**") with the results of the audit included in the report of the independent statutory auditor on the audit of the annual consolidated financial statements of the Company's Capital Group for the Shareholders and the Supervisory Board of the parent company VRG S.A. for the financial year from January 1 to December 31, 2022, including also Grant Thornton's opinion on the Management Board's report on the operations of the Company's Capital Group for 2022, and familiarized itself with the recommendation of the Audit Committee regarding the Management Board's report on the operations of the Company's Capital Group for 2022 and states that the Management Board's report on the operations of the Company's Capital Group for 2022:

1. has been prepared in accordance with § 71 of the Ordinance;
2. is consistent with the information contained in the consolidated financial statements of the Capital Group of the Company for 2022.

The Supervisory Board states that the report on operations of the Capital Group of the Company in 2022 is consistent with the accounting books and documents as well as with the actual state.

In relation to the above, the Supervisory Board positively assesses the Management Board's report on operations of the Capital Group of the Company for 2022.

<u>Assessment of the consolidated financial statements of the Company's Capital Group for 2022:</u>

The Supervisory Board assessed the consolidated financial statements of the Capital Group for 2022 comprising:
a) consolidated statement of financial position prepared as at 31 December 2022,
b) consolidated statement of profit or loss for the fiscal year from January 1, 2022 to December 31, 2022;

c) consolidated statement of comprehensive income for the fiscal year from January 1, 2022 to December 31, 2022;
d) consolidated statement of cash flows for the fiscal year from January 1, 2022 to December 31, 2022;
e) consolidated statement of changes in equity for the fiscal year from January 1, 2021 to December 31, 202,
f) supplementary information and explanations to the consolidated financial statements,

got acquainted with the results of the audit presented by Grant Thornton included in the independent auditor's report on the audit of the annual consolidated financial statements of the Company's Capital Group for the Shareholders and the Supervisory Board of the parent company VRG S.A. for the financial year from January 1 to December 31, 2022, and read the recommendation of the Audit Committee regarding the consolidated financial statements of the Company's Capital Group for 2022 and states that the consolidated financial statements of the Company's Capital Group for 2022 were prepared in all material respects in accordance with the International Financial Reporting Standards and is consistent with the books and documents as well as with the actual state of affairs. Therefore, the Supervisory Board positively assesses the consolidated financial statements of the Company's Capital Group for 2022.

In relation to the above, the Supervisory Board positively assesses the consolidated financial statements of the Capital Group of the Company for 2021.

Taking into account the above assessment regarding the report on operations of the Capital Group in 2022 and the consolidated financial statements of the Capital Group for 2022 in terms of their compliance with accounting books, documents and facts, the Supervisory Board of the Company recommends their approval to the Ordinary General Shareholder Meeting.

Cracow, April 4, 2023

The Supervisory Board of VRG S.A.

Letter of the President of the Management Board of VRG S.A. to Shareholders

Ladies and Gentlemen,

in 2022, the VRG Group achieved the best financial results in the history of the Company. Record-high revenues and a gross profit margin on sales higher than in the previous year allowed us to achieve a high net profit and maintain a good and safe financial situation.

VRG Group consolidated revenues for 2022 amounted to PLN 1.27 billion and were significantly, as much as 19% higher than in 2021. Maintaining a double-digit sales growth rate was one of the Group's strategic goals for 2022. It should be emphasized that the Group recorded an increase in revenues, while maintaining a high level of profitability. Consolidated net profit amounted to PLN 93.0 million, compared to PLN 66.3 million in 2021. The Company adopted and announced a dividend policy in 2022 and paid the first dividend since 1999 in the total amount of PLN 39.9 million.

The year-on-year increase in revenues was influenced by recovery in demand for formal clothing, which is the most important product group in the apparel segment. The Group made good use of the post-pandemic recovery in demand, the return to offline work and the period of numerous family and business celebrations (concentrating in particular in the second and fourth quarters). A very good product offer, floorspace development and appropriate support in the field of marketing communication helped to take advantage of the good economic situation on the jewellery market and generate record-breaking results in this segment.

The Group ended 2022 with a network of 534 stores throughout Poland, operating on 52,000 m2 of floorspace. Our retail floorspace management strategy was strongly focused on the profitability of sales criterion. The Group opened new and modernized stores in the jewellery and apparel segment in the best promising locations, while closing some unprofitable stores in the apparel segment.

As part of implementation of the omnichannel strategy, the Group increases the possibilities of making deliveries and returns (including express delivery) and develops the functionalities of sales websites and applications by introducing more intuitive tools. The Company is also working on programming its own solutions that enable interactive size adjustment in e-stores. We continue to sell on the Zalando platform and are working on starting cooperation with other platforms.

The apparel segment generated revenues of PLN 648.2 million, up 13.8% YoY. W.KRUK brand, which represents the jewellery segment, once again generated record results, the segment's revenues amounted to PLN 625.7 million, up 25.1% year on year.

VRG Capital Group closes the year 2022 with a record sales result and high gross margin on sales. The Group is in good shape in terms of liquidity and financial standing, despite the payment of the first dividend in 23 years.

In 2022, important organizational changes took place for the Company. The process of formulating the composition of the Management Board of the Company has been completed and it currently functions in the composition with a representative for both main business segments of the Group.

The main ambition of the Management Board for 2023 is to achieve better year-on-year results and to continue the growth of revenues in both segments.

We plan to work on new store concepts for apparel brands and further develop the chain in the jewellery segment. Taking into account withdrawal from some unprofitable locations, in 2023 this will result in an c. 4% increase in the Group's floorspace. In total, we plan to spend about PLN 42 million on investments in 2023, most of which will be spent on the development and modernization of traditional stores and on development of technology as part of the omnichannel strategy.

The strength of VRG Group is its diversification of business based on two segments, high recognition and a very good image of the Group's brands. Therefore, the goal of increasing revenues and achieving better financial results year on year, even in more difficult market conditions, seems realistic. The Group is working on new initiatives to increase the scale of operations and increase profitability of all its brands, both in the perspective of the next year and in the years to come.

I hope that in 2023 we will be able to share with the market information about our new intentions and their planned effects.

Janusz Płocica

President of the Management Board

Cracow, April 4, 2023

NON-FINANCIAL REPORT

of VRG S.A. and VRG S.A. Capital Group
for 2022

Cracow, April 4, 2023

VRG
VISTULA RETAIL GROUP

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

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1. Introduction

Sustainable development is important for VRG S.A. Capital Group and VRG S.A. as well as its stakeholders. VRG S.A. Capital Group is one of the largest non-food retail groups listed on the Warsaw Stock Exchange, managing five brands recognizable in Poland, both apparel and jewellery. VRG S.A. Capital Group and VRG S.A. taking into account their impact on the environment, climate, society and local communities, so as not to undermine development opportunities for future generations. In conducting its activities, VRG S.A. Capital Group as well as VRG S.A. use both financial and natural, manufacturing, intellectual, human and social capital. In order to meet the expectations of stakeholders, the Management Board of VRG S.A. presents the Non-Financial Information Report of VRG S.A. Capital Group and VRG S.A. covering the period from January 1, 2022 to December 31, 2022 as well as comparable data.

This Report has been prepared in accordance with the provisions of the Accounting Act, in particular Article 49b para. 1 and Article 55 para. 2b. In 2022 and in 2021, the Capital Group employed over 500 people on average in full-time jobs per year and exceeded PLN 102 million in the case of the total assets of the balance sheet at the end of the financial year and PLN 204 million in the case of net revenues from the sale of goods and products for the financial year (before consolidation exclusions). In 2022 and 2021, VRG S.A. employed over 500 people on average in full-time jobs per year and exceeded PLN 85 million in the case of total assets in the balance sheet at the end of the financial year and PLN 170 million in the case of net revenues from the sale of goods and products for the financial year.

In 2022 and 2021 VRG S.A. and VRG S.A. Capital Group faced a significantly different external environment. The year 2021 was marked by a pandemic, which had a significant impact not only on the Company and the Capital Group, but also on the entire retail sector and the economies of all countries around the world. The beginning of 2022 was marked by the impact of the war in Ukraine. As a result of Russian aggression, war refugees found shelter in Poland, and domestic companies complied with EU and national sanctions against Russia. Both the Company and the Capital Group coped very well in a demanding macroeconomic environment (growing energy costs and interest rates affecting the purchasing power of consumers), showing growing financial results and maintaining a safe financial position. In terms of structure of the Capital Group and the Company, the last two years have not brought any changes - there were no acquisitions, mergers or disinvestments, hence both financial and non-financial data are comparable YoY.

As in the previous year, in 2022 the Report was based on the practices and policies of the parent company VRG S.A. (for which the relevant descriptions are presented in the apparel segment) and its subsidiaries forming the Capital Group together. Despite the unpredictable circumstances related to the pandemic, VRG S.A. Capital Group and VRG S.A. over the last year, they continued the activities included in the Sustainable Development Strategy for 2020-22 and increased the scale of non-financial data disclosures: TCFD (Task-force on Climate-related Financial Disclosures) recommendations were implemented to a greater extent, Integrated Reporting Framework, Guidelines for ESG Reporting developed by the Warsaw Stock Exchange. The Report also includes selected indicators listed in Sustainable Finance Disclosure Regulation and extended disclosures related to Sustainable Development Taxonomy introduced by the European Union. As in the three previous years, the Report contains a description of selected climate issues, meeting the non-binding Guidelines on reporting non-financial information: Supplement on reporting climate-related information (2019/C 209/01) issued by the European Commission in June 2019 .

The content of the Report on Non-Financial Information was prepared in five stages. The first stage is to confirm that stakeholder groups and the description of relations with them is still valid. The second stage was aimed to confirm important issues for each of the reporting areas. Due to the fact that the stakeholder survey took place two years ago, after the analysis, the Management Board decided that the survey and the conclusions drawn from it remain valid. The third stage was updating of data and non-financial information provided in previous years, along with an analysis of relationships and trends. The fourth step was to supplement non-financial information with new reportable elements, both those required by law and voluntary. The fifth stage was the preparation of the Non-Financial Report.

When preparing this report, the Group and the Company used their own methodology developed in previous years. Although the Company and the Capital Group have not used international and domestic methodologies, while preparing this material, they took into account the GRI Standards and SIN. Information presented in this report covers most of the topics that were considered significant in the SIN materiality matrix for the retail segment. When preparing this document, the Management Board took into account the Guidelines on non-financial reporting: methodology for reporting non-financial information (2017/C215/01) issued by the European Commission in 2017, in order to include information to the extent necessary for stakeholders to understand development, results and the situation of the Company and the Capital Group. The data presented in this Report, as in the previous years, was not subject to independent verification. In 2022, as in 2021, the Company and the Group decided to publish non-financial information in the form of a separate report.

KEY NON-FINANCIAL INDICATORS OF VRG S.A. CAPITAL GROUP FOR 2022

2,338
employees

3.5 m
loyal customers

87%
women as employees

51,983m²
floorspace

20%
franchise in total m²

14.4%
internet in revenues

5
brands

534
stores

754
suppliers

106
towns

2. Business model

2.1. Capital Group business model overview

VRG S.A. Capital Group specialises in designing and selling of high quality clothes for men and women and in jewellery and watches. The Group owns five highly recognised brands such as Vistula, Wólczanka, Bytom, Deni Cler Milano (the apparel segment) and W.KRUK (the jewellery segment). The brands offer different lines and sub-brands. The Group concentrates on brand management, designing clothes and jewellery as well as development of own retail network in two key segments: apparel and jewellery. The Group's offer is targeted at both: women and men.

VRG
VISTULA RETAIL GROUP

Companies that form the basis for consolidated financial and non-financial reports

VRG S.A.
Vistula, Wólczanka, Bytom brands

DCG S.A.
Deni Cler Milano brands

WSM Factory Sp. z o.o.
Production

W.KRUK S.A.
Jewellery, watches, accessories

VG Property Sp. z o.o.
Real estate

APPAREL SEGMENT (VRG S.A., DCG S.A., WSM Factory Sp. z o.o.)

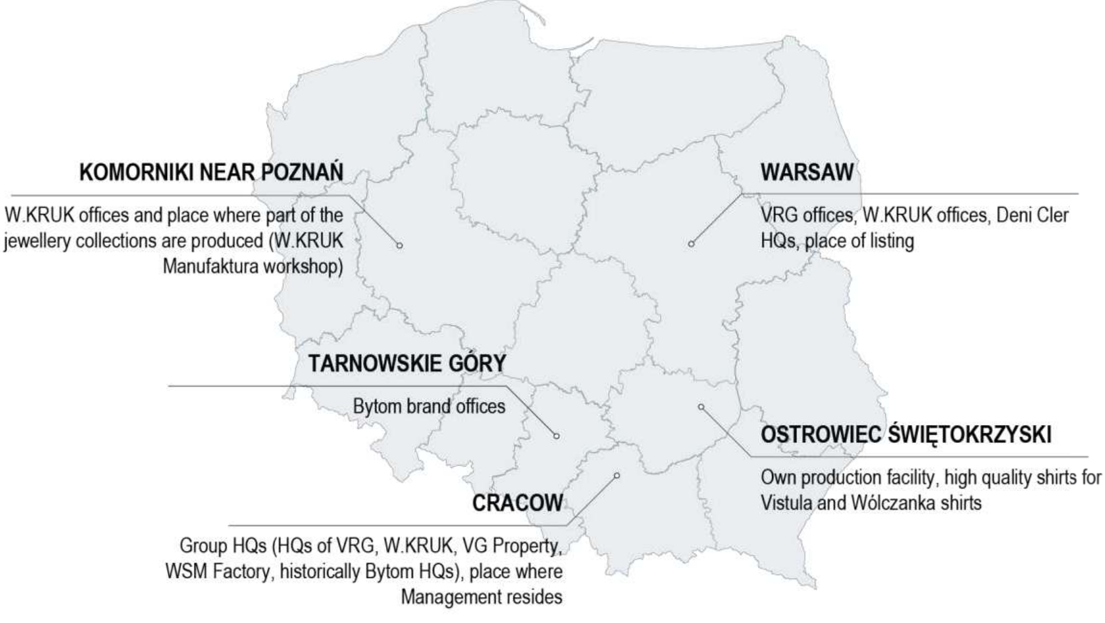
JEWELLERY SEGMENT (W.KRUK S.A.)

OTHER OPERATIONS (VG Property Sp. z o.o.)

The Company's origins date back to October 10, 1948 when VRG S.A. legal predecessor was created via Minister of Industry and Trade ordinance on the creation a state-owned enterprise named "Krakowskie Zakłady Przemysłu Odzieżowego" (Cracow Clothing Production Industry). On April 30, 1991, the District Court for Cracow Śródmieście in Cracow, registered the transformation from a state-owned enterprise into a sole-shareholder company of the State Treasury. The Company was one of the first firms that were listed on the Warsaw Stock Exchange. VRG S.A. had its debute on September 30, 1993. In 2006, a merger with Wólczanka S.A. took place. W.KRUK S.A. (together with DCG S.A. and the Deni Cler Milano brand) joined the Capital Group in 2008 as a result of the acquisition. Since the second quarter of 2015, the Group's jewellery activity, as a result of the sale of an organized part of the enterprise related to the W.KRUK brand, has been carried out in the subsidiary W.KRUK S.A. based in Cracow. In 2018 the Group expanded by taking over Bytom S.A. VRG S.A. shares are listed on the main market and belong, among others, to the following indices: WIG140, sWIG80, sWIG80TR, WIG-ODZIEŻ, WIG-Poland, InvestorMS and WIG.

The Capital Group's position in the apparel segment is based on designing and selling elegant formal men and women clothing as well as smart casual and casual garments. Group's strong competences within production and design of mens' formalwear have long-lasting tradition of design, tailoring and selling dating back to 1948 in terms of Vistula brand and 1945 in terms of Bytom brand. The success of the jewellery segment is based on the oldest Polish jewellery company, whose origins date back to a family workshop established in 1840 in Poznań.

Both the Company and the Capital Group operate mostly within Poland. At Pilotów 10 Street in Cracow there are headquarters of not only VRG S.A. (the parent company) but also its subsidiaries, like W.KRUK S.A., VG Property Sp. z o.o. and WSM Factory Sp. z o.o. It is the place where the Management resides, where the managements of the subsidiaries reside as well as where designers, the development and investment division, the purchasing department, HR and IT departments are located. Additionally, the Group also has offices in Warsaw, where among others, the marketing department is located. The capital city is also home to Deni Cler (subsidiary) registered office and W.KRUK offices. Apart from offices, the Capital Group also has production facilities. A shirt manufacturing facility in Ostrowiec Świętokrzyski produces among others women and men shirts for foreign customers as well as for VRG S.A., while W.KRUK's manufacturing workshop in Komorniki near Poznań manufactures selected jewellery collections and conducts jewellery repairs. W.KRUK offices are also located there. Following merger with Bytom S.A. a fifth key venue was added – Tarnowskie Góry. Though the production facility specialising in suits no longer belongs to the Company and the Group, it hosts offices for Bytom brand purchasing and production divisions.



APPAREL SEGMENT

VISTULA

lifestyle-style men's fashion that also includes a classic tailoring collection expanding its position in women's fashion

VISTULA	VISTULA WOMAN
On the Polish market since 1967, it is the basic formal line of men's fashion. The Vistula brand has a wide range of suits, jackets, trousers and shirts as well as other complementary accessories.	Women's brand launched in 2021. The collection was created for women who value quality, comfort and timeless character 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, hats and gloves).

Number of stores	Floorspace (m2)	Average store size (m2)
2021: 145 2022: 142	2021: 18 531 2022: 18 139	2021: 128 2022: 128

WÓLCZANKA

the brand is in existence since 1948 and appears on the market as a boutique one with an offer of men's and women's shirts, including the exclusive line of the Lambert sub-brand, and with an ever wider range of knitted fabrics

WÓLCZANKA	LAMBERT LONDON STYLE SHIRTING
It is a brand existing 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. Since 2019, the offer of the Wólczanka brand has been 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 styles for various occasions.	It is an exclusive shirt brand. Products signed with this brand are shirts made of the highest quality fabrics, the design of which follows the latest trends in world fashion.

Number of stores	Floorspace (m2)	Average store size (m2)
2021: 116 2022: 105	2021: 4 399 2022: 4 480	2021: 38 2022: 43

BYTOM is a Polish brand with a history dating back to 1945, when the State Confectionery Factory in Bytom was established. Based on 78 years of heritage, the brand offers collections where tradition meets the contemporary vision of country and men's fashion.	**DENI CLER MILANO** is a brand derived from Milan, offering luxury clothing for women.
BYTOM	DENI CLER MILANO
BYTOM is a Polish brand with a history beginning in 1945, where tradition meets the modern vision of tailoring and men's fashion. Based on over several decades of heritage, the brand offers men's fashion collections, in which a special place is occupied by suits made of noble Italian fabrics, sewn in Polish sewing rooms. BYTOM is not only 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 who have a significant impact on the development of Polish culture and art to cooperate.	Clothing of this brand is addressed to the higher segment of the women's fashion market. Products of this brand were introduced to the Polish market in the early 90s. The Deni Cler Milano offer is sewn from Italian fabrics, also most of the accessories used are of Italian origin. The materials that are used in the production of clothes of this brand are mainly wool, cashmere and high-quality viscose. The brand's assortment includes mainly: skirts, jackets, trousers, blouses, coats and dresses. The owner of the Milan-based brand Deni Cler Milano is a subsidiary of DCG S.A. based in Warsaw. Core activities of DCG S.A. focuses on the design, production and distribution of exclusive women's clothing.
Number of stores	
2021: 114 2022: 107	2021: 29 2022: 28
Floorspace (m²)	
2021: 15 166 2022: 14 415	2021: 2 835 2022: 2 799
Average store size (m²)	
2021: 133 2022: 135	2021: 98 2022: 100

JEWELLERY SEGMENT

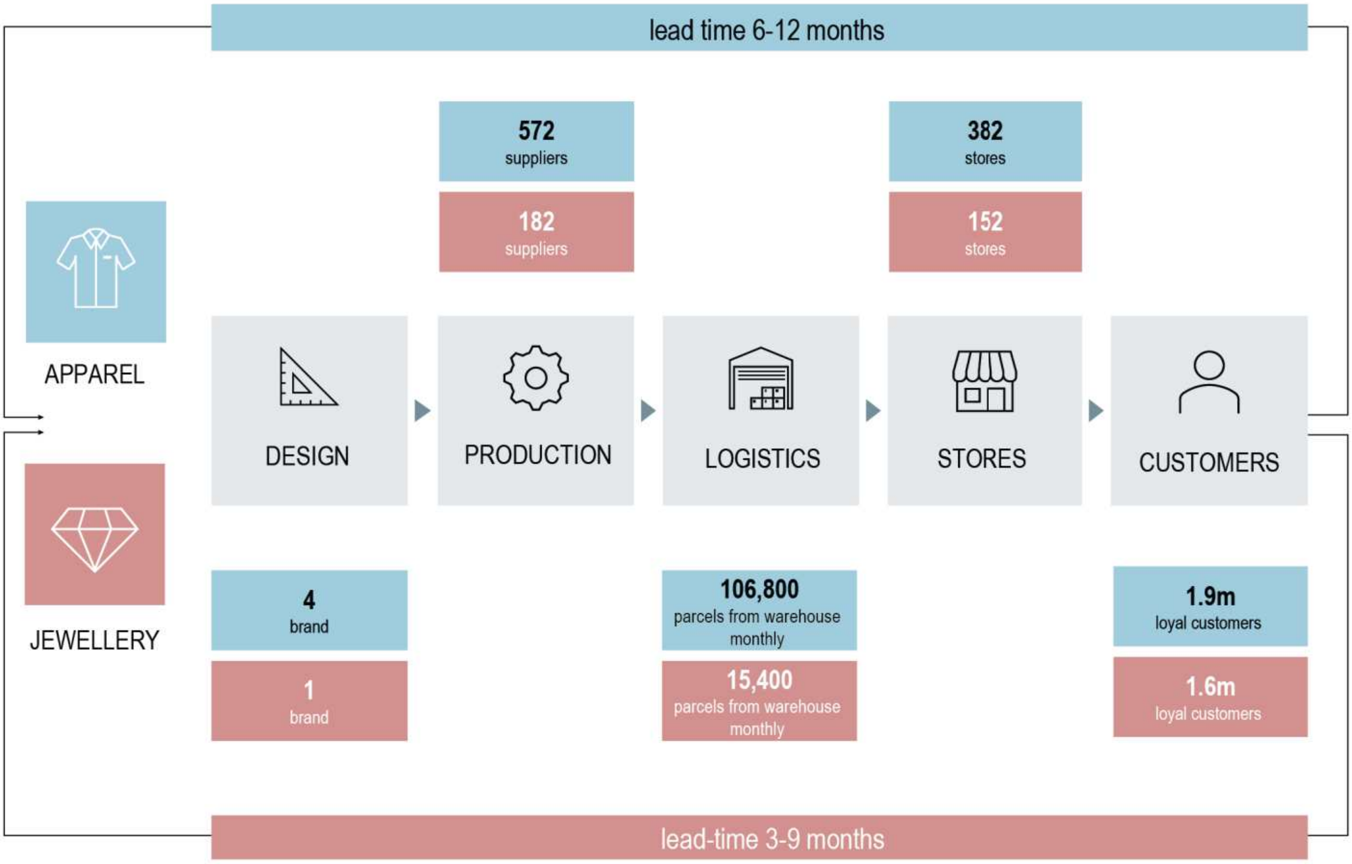
W.KRUK the oldest jewellery brand in Poland with origins dating back to 1840. Expert in diamonds, gems and jewellery production, offering also watches of the best Swiss manufacturers	
W.KRUK 1840	**WATCHES AND EXTERNAL BRANDS**
W.KRUK is the oldest jewellery brand in Poland with over 180 years of tradition. W.KRUK's offer includes gold and platinum jewellery, in particular jewellery with diamonds and precious stones. W.KRUK also creates the highest quality collections made of silver and other metals. W.KRUK offers many original lines of unique jewellery. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by the ambassadors (including Martyna Wojciechowska's Freedom collection) and an expert and innovative approach to jewellery. A significant part of the collections presented every year is made in the brand's Manufaktura near Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In	W.KRUK offers watches of the most prestigious Swiss brands, such as Rolex, Patek Philippe (W.KRUK S.A. is the exclusive distributor of these manufacturers in Poland) and renowned manufacturers and watch brands such as: Cartier, Chopard, Hublot, Panerai, Jagger Le Coutre, Omega, Tudor, Tag Heuer, Longines, Rado, Tissot, Frederique Constant, Citizen, Doxa, Certina, Seiko, Epos, Balticus, Victorinox as well as fashion brands: Swatch, Gucci, Emporio Armani, Michael Kors, Fossil, Timex , Skagen, Armani Exchange, Tom-my Hilfiger, Guess, Hugo Boss. The watches of renowned brands sold in W.KRUK stores have a strong position on the Polish market, and the value of their sales is steadily increasing.

2019, the W.KRUK brand was the first brand in Poland to introduce jewellery with a new category of man-made diamonds in laboratory conditions into its chain of stores and offered under its own name New Diamond by W.KRUK. They have the same parameters as diamonds extracted using traditional methods and are classified according to the same parameters, using the same standards of expert assessment. W.KRUK expands its offer of both luxury and fashion jewellery. Since 2016, the brand's assortment has been complemented by a selection of accessories signed by W.KRUK, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men.	In addition to its own original and classic jewellery collections, W.KRUK also has in its portfolio products of prestigious jewellery manufactories from around the world (so-called external brands). W.KRUK selects brands to its offer with which it has a long track record, reputation and jewellery designed and made by talented designers and master goldsmiths. Thanks to this, the designs of outstanding jewellers from all over the world and the diamond collections of the oldest Polish jewellery brand create a unique selection of the most valuable jewellery. In selected stores, W.KRUK offers products of brands such as: BIRKS Bijoux, Nanis, Marco Bicego, Pasquale Bruni, Hulchi Belluni and Re-carlo.

Number of stores	Floorspace (m²)	Average store size (m²)
2021: 146 2022: 152	2021: 11,394 2022: 12,150	2021: 78 2022: 80

2.2. Value chain

The Company's and Group's value chain encompasses five key elements: (1) ideas for apparel and jewellery created by designers and employees, (2) production of goods, (3) logistics, i.e. delivery of products from producers to stores, (4) display of these products and their sale in stores as well as (5) customers. The value chain differs between the apparel and jewellery segment. The lead time i.e. time from the idea generation to the moment the product hits the stores reaches 6-12 months for the apparel segment and 2-6 months for the jewellery segment. Customer is in the centre of attention, he/she starts the value chain (we create products for our customers) and finishes the circle by purchasing our clothes and jewellery.



DESIGN

Companies from the Capital Group employ a diligently chosen team of specialists, whose aim is to create clothing and jewellery collections which will be eagerly worn by conscious and demanding customers and to care for the Group's image and its brands.

Apparel segment

Both in women and menswear the design process starts with the customer, identification of his/ her lifestyle, needs and aesthetics. Works on the apparel collection start in the design department usually 12 months before the season begins. Designers are responsible for creation and documentation of designs, preparation of key trends and colours proposals for the season as well as assortment analysis and tracking changes in consumer behaviour. Designers look for inspiration on fabrics and fashion trends. Emphasis is put on selection of fabrics, not only based on their colour and print but also their innovativeness and finishing. To deliver our customers the best possible product, fabric and knitwear manufacturers prepare special materials for the Group, e.g. with a designated weave and colour. Quality and customer satisfaction are our priority. Designers and supported by clothing constructors, who are responsible for preparation of the right designs, which is especially important in case of suits, shirts, jackets, coats and trousers. The design department uses proven models, introduces upgrades to existing models, and creates new solutions. When all designs are ready and sewn, the best proposals are chosen and additional colour versions are created. In case of complementary clothing, i.e. smart-casual and casual the Group cooperates with producers on design of these products. The design department prepares two main collections: Spring/Summer and Autumn/Winter, which are split into sub-collections and special lines. The final element is work with a ready design – every product chosen to be part of the collection is tested for its quality.

Jewellery segment

The jewellery designing process starts with the customer, his/her needs and demands. The process encompasses both main collections as well as star and occasional collections. Introduction of new collections starts with analysis of the design strategy, trends, customer behaviour and assortment sold. Based on these, designers prepare jewellery designs. Designers are supported by managers of selected product categories and experts in jewellery production. Since 2016 W.KRUK offers also accessories designed by its creative department, leather and silk accessories manufactured in Polish manufactories as well as perfumes. Sunglasses are imported from Italy. Twice a year, W.KRUK S.A. presents new arrivals within accessories, meeting the latest trends. In the case of watches, W.KRUK brand experts choose the most interesting and desirable models proposed by the best and most popular brands with which W.KRUK S.A. cooperates. In 2019 W.KRUK presented a line of signature perfumes for men and women.

PRODUCTION

Production is an important element of the Company's and the Capital Group's value chain. Thus, the Management emphasises its quality and transparency. Both in the apparel and jewellery segment the Group has own production facilities as well as proven external suppliers.

The Capital Group focuses on long-term relationships with suppliers and long-term cooperation based on mutual trust. The Capital Group cares about suppliers who have appropriate experience in production and know-how, pay attention to the quality of finish of products, but also have the potential to develop cooperation in the long term. The Group has been cooperating with many suppliers for several or even several dozen years. When selecting suppliers, apart from the quality offered, the following factors are also taken into account: competitive prices, acceptable order fulfilment dates and compliance with the principles of confidentiality in the design and production process.

Start of cooperation with a new producer needs a sizeable engagement from both parties. New sourcing partners were previously found mainly on dedicated fairs, which took place in Europe and the Far East as well as via business relations with trading partners. In 2022, in person meetings with contractors could be held much more easily than in the period 2020-2021, both at international trade fairs and in offices. Potential new business partners are verified based on their production possibilities, experience, quality and technological standards, required certificates as well as pricing and other elements of their offering. The Group cooperates with a diverse range of suppliers in terms of size. These are large international corporations as well as small family companies. It is dependent on the sourcing country, assortment and its specifics. The majority of the production facilities are located in Poland and the Group mostly cooperates with small and medium sized enterprises. Foreign producers are represented by medium- and larger size enterprises, which employ between hundreds to thousands of people, but also small enterprises, including family companies.

Apparel segment

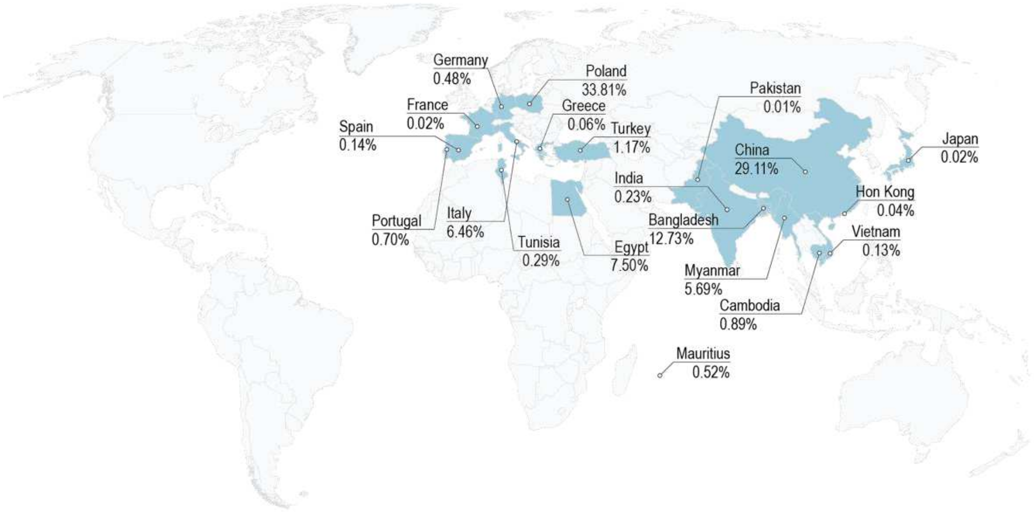
Companies from the apparel segment source the production of their collections from trusted domestic and foreign suppliers, providing high-quality sewing and packaging services. VRG S.A. is responsible for selection and purchase of fabrics (mainly Italian) and any sewing accessories, as well as preparation of designs and technical documentation for specific clothing. The Company purchases a supplementary assortment: knitwear, jackets, trousers, shirts, shoes, ties, leather accessories and other accessories from reliable external suppliers, producing from their own materials, mostly according to its own designs.

Clothing and accessories purchased by VRG S.A. are produced in many countries in Europe, Asia and North Africa, depending on the assortment and specificity of the product. Nevertheless, Poland is still a very important production and purchasing market, and among other European countries where the Company carries out its production, Italy, Portugal and Germany should be mentioned. Along with growing popularity of casual and smart-casual products, manufactured mainly in Asia, the number of orders for this type of products also increased, as a result of which almost half of the purchases were made on Asian markets.

In Asia, the Company mainly uses suppliers from China, Bangladesh, Myanmar and Cambodia, and to a lesser extent from India, Mauritius, Vietnam and Pakistan. The countries of the Mediterranean basin are becoming an important place of production, especially Egypt, and to a lesser extent Tunisia and Turkey. As with finished products, fabrics are sourced from different countries depending on expected properties, end use, quality and cost criteria. The vast majority of fabrics come from Europe - mainly from Italy - from well-known Italian weaving mills that offer the highest quality wool and cotton. Some of the fabrics are purchased by the Company from China and Egypt, and to a lesser extent from India and Turkey. The remaining raw materials (mainly additives) are mostly purchased in Poland, Italy and Germany. Some of the Polish contractors are representatives of international concerns, and their production is located in various countries in Europe and Asia. In the Company in 2022, c. 30% of suppliers (29% in 2021) in the production area were suppliers with whom the Vistula, Wólczanka and Bytom brands have been cooperating for over 10 years, c. 30% are suppliers with a history of cooperation for 5-10 years (2021: c.40%), and the remaining 40% (31% in 2021) were suppliers we have been working with for less than 5 years. At Deni Cler Milano, the production process itself is similar. However, the key sources of purchases are different - the main countries of production of clothes and footwear are: Poland, Italy, China, Spain, while jewellery for the collection is purchased in Poland and Spain.

In the apparel segment, the Capital Group also has its own production plant, located in Ostrowiec Świętokrzyski, managed by the subsidiary WSM Factory Sp. z o. o. It specializes in the production of men's shirts, but its offer also includes women's shirts and blouses and dresses as well as women's and men's nightwear. Its production capacity is currently around 300,000 shirts a year, and during the pandemic, the plant also sewed protective masks. The plant carries out orders both for foreign entities as part of processing exports, as well as for the needs of VRG S.A. brands. The share of production made for VRG fell from 25% in 2021 to 8% in 2022, e.g. due to the concentration of WSM Factory Sp. z o. o. on foreign clients.

The number of suppliers cooperating with VRG in 2022 increased YoY mainly due to development of the women's collection in the offer of the Wólczanka and Vistula brands and broadening the casual products offer, and thus - search for new suppliers both in terms of purchase of fabrics (markets European) and finished products (mainly on Asian markets). The effects of pandemic were still felt, resulting in less need for formal clothing. The Company also continued the change in cooperation with sewing factories - production plants, adopted a year earlier. Purchases of raw materials for production have been shifted to sewing factories, which are obliged to realize them directly from producers. Thus, some of our suppliers invoice their purchases for production plants instead of VRG S.A. Sources for the apparel segment by country are presented in the graph below:

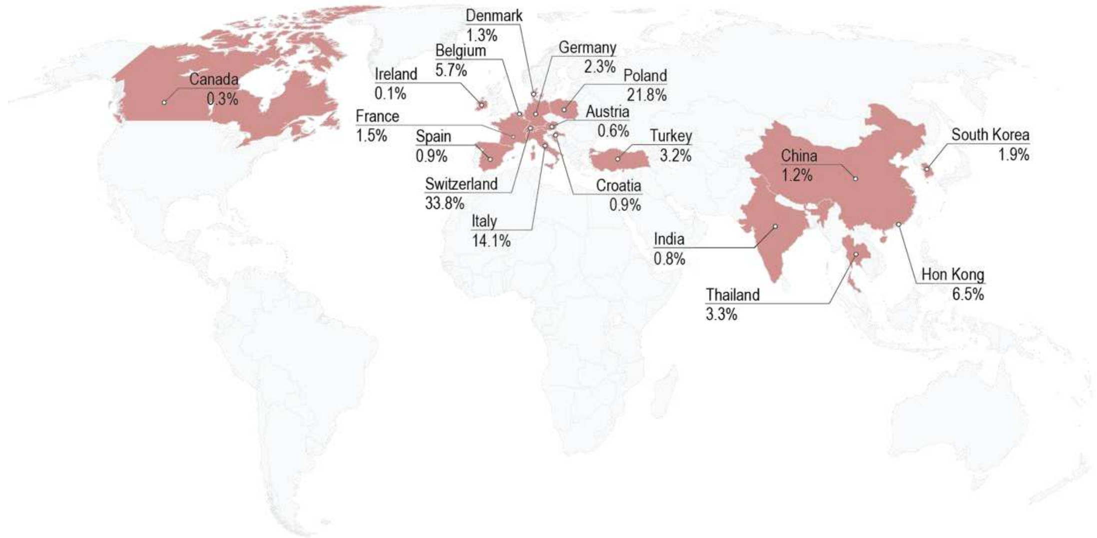


Jewellery segment

Jewellery is made by reliable domestic and foreign suppliers, while a significant part of the jewellery, including most of the original collections, is produced in Manufaktura W.KRUK in Komorniki near Poznań and in other Polish studios. W.KRUK cooperates with reliable jewellery suppliers. The main suppliers, none of which exceed the materiality level, are jewellers from Poland, Italy, other European countries (including Spain, France, Belgium and Germany) and the Far East (including China, India, Thailand, South Korea and Turkey). In the watches segment, suppliers are directly owners, operators or Polish representatives of operators of particular brands, mainly from Switzerland. The choice of a jewellery supplier depends on the specificity of the product. Suppliers most often specialize in the production of a specific type of jewellery. The main breakdown is between suppliers that produce gold or silver. In addition, W.KRUK suppliers are specialized depending on what gemstones they use for production. The division of cooperation with suppliers is different than in the apparel segment. For the purposes of the calculations, both suppliers of precious stones, jewellery and finished products offered under private labels, of which W.KRUK is the distributor of the so-called external brands. C. 27% of jewellery suppliers are suppliers with whom W.KRUK has been cooperating for less than 5 years, c. 44% are suppliers with whom cooperation has lasted between 5 and 10 years, while c. 29% are companies with which W.KRUK has been cooperating for over 10 years. High share of suppliers with fewer than 5 years of service results from the strategy of modifying the supplier portfolio and striving to cooperate with suppliers with new technical possibilities and the growing share of purchases of the so-called external brands.

W.KRUK collects statements from its suppliers of gold and precious stones jewellery confirming that gold and platinum as well as the gemstones used in the jewellery are natural, obtained from legal sources. In addition, the authenticity of the components is also confirmed at the quality control stage by W.KRUK experts. The company also keeps a register of certificates and similar documents held by contractors and which guarantee the reliability and transparency of their services.

The sources of supply for the jewellery segment are presented in the graph below:



LOGISTICS

Capital Group's logistics encompasses delivery of products from producers to distribution centres and through them to stores or to on-line customers. The Group invests in development of faster and more economically effective deliveries. Sending the products to and from the distribution centre takes place via third party operators and couriers.

Apparel segment

Goods are shipped by suppliers by sea, air, rail and road. It is picked up at the central warehouse of an external logistics operator - with an area of over 32,000 m2. For the off-line sales channel, the goods are picked by the logistics operator and sent to own and franchise stores through transport (hanging and lying clothes). In the on-line channel, goods are sent to individual customers via courier companies. The goods may also be returned to the warehouse from stores or may be moved between stores only through courier companies or a logistics operator. Orders are picked by an external logistics operator on-line and off-line. In the central warehouse, an order picking automation system for the off-line channel (sorter) and automation for the quality control of goods (understood as their suitability for resale) withdrawn from the traditional sales channel, and ultimately directed to the Internet channel, are implemented. At Deni Cler Milano, deliveries to stores are made with our own transport.

Jewellery segment

In the jewellery segment, goods from suppliers, after being checked, are taken to their own jewellery and watches warehouse. Goods are then sent in the required part (from 1g in gold and platinum and 5g in silver) to the Assay Office for admission to trading, then after marking it is collected from the Assay Office. After receiving the products, a detailed quality control takes place. In the next step, a label is attached to the product, which completes the acceptance process and makes the product ready for distribution to own stores or shipment directly to the customer. Warehouse operations for jewellery and watches are carried out by W.KRUK S.A.'s own resources, and for the transport of goods to stores or transfers between W.KRUK S.A. stores convoy transport and a courier company is used. For the on-line sales channel, goods are sent from an on-line warehouse and delivered to the customer after completion.

STORES

The Capital Group's stores are the place of contact with the customer, where we can display our offer, both for off-line (traditional stores) and on-line customers (monobrand e-stores of our brands). The Group has a network of company-owned and franchise stores. Our stores are located mostly in modern shopping malls, but also on high-streets of the largest cities (e.g. the European Hotel in Warsaw) and Warsaw's international Chopin Airport. The Group also has outlets where unsold garments and jewellery are sent post season sell-offs.

In 2022, the process of optimizing the network and closing unprofitable stores was continued. In 2021, the reason for this was the COVID-19 pandemic and the related lock-downs as well as temporary closing down of traditional stores, and in 2022, the impact of the war in Ukraine. The brands of the Company and the Capital Group have their own and franchise stores. In addition, the concept of multi-brand stores was developed for the Deni Cler Milano brand. Despite the closing downs, selective openings of stores took place in 2022 and 2021, in particular of the W.KRUK brand. The Group focuses on long-term relationships with proven partners, using its own contacts and applications that reach the Company and the Group via the website. Franchisees run stores on behalf of Group companies, for which they receive commission. Following the procedures and guidelines in place, the Company and the Group make sure that all franchise stores (although they are not run directly by it) meet the set standards. As a result, the number of cities with the Group's stores remained stable at 106 cities in 2022. At the end of 2022, the Capital Group network included 534 stores (compared to 550 at the end of 2021). Floorspace of the Capital Group amounted to 51,983 m² (compared to 52,325 m² at the end of 2021, a decrease of 1% YoY). After the network optimization process, the share of franchise floorspace in the total area was 20% in 2022 (compared to 21% in 2021) at the Capital Group level and 23% in 2022 (compared to 25% in 2021) at the Company level. Lower share of the franchise in the area at the level of the Capital Group results from the lower share of the franchise in the jewellery segment network.

Lease agreements are negotiated by the investment department, which has long-term relationships with the largest operators of shopping malls in the country. Locations are selected after careful analysis of the city, district and, in the case of existing traffic centers, proposed floors. Agreements are negotiated taking into account development plans of the entire Capital Group. The length of the lease contract varies, the shortest contract is four months, the longest is 15 years, and a small part is signed for an indefinite period. Usually, lease agreements are signed for 5 years. Average length of a lease contract in 2022 at the Capital Group level is 6.52 years compared to 6.71 in 2021 (for own stores). At the level of VRG S.A. the corresponding values are 6.27 for 2022 and 6.46 for 2021. The falls result from the fact that in 2020 and 2021 lease agreements were extended in connection with the Covid Act, while contracts expiring in 2022 are analysed on a case-by-case basis and extended on average for a period of 1 - 5 years.

On-line stores are an increasingly important distribution channel for the Capital Group. The Capital Group runs e-stores for all five retail brands. The share of the Internet in sales of individual brands varies due to their specificity - the highest share is recorded for the Wólczanka brand, and the lowest for the W.KRUK brand.

% of franchise network in floorspace	2021	2022
VRG S.A. Capital Group	**21%**	**20%**
Apparel segment	23%	22%
Jewellery segment	13%	14%
VRG S.A.	**25%**	**23%**

Share of internet in sales	2021	2022
VRG S.A. Capital Group	**18.2%**	**14.4%**
Apparel segment	26.1%	22.1%
Jewellery segment	9.1%	6.3%
VRG S.A.	**27.1%**	**23.6%**

CUSTOMERS

Customers are the most important element of the value chain. These are people who identify themselves with the brands owned by the Capital Group, who visit stores and online stores of the Group's brands and buy and use products offered by these brands. 2022 was the first year after two years of the pandemic in which shopping malls did not experience administrative closures, and thus stationary stores of the Company and the Capital Group could operate without obstacles. This was also a situation expected by customers, which is reflected in traffic data, i.e.

the number of customers visiting stationary stores of the Group's brands. In 2022, the stores of the Capital Group were visited by 18.4 million customers, 19% more YoY, while 12.0 million customers entered the Company's stores, an increase of 14% YoY.

Loyal customers who participate in loyalty programs of individual brands are an important aspect of the Group's commercial activity. Loyalty programs of the Company's brands (VISTULA Community, "My Wólczanka" and Bytom Klub) combined gathered 1.9 million loyal customers at the end of 2022. Fall in relation to 2.6 million loyal customers at the end of 2021 results from the withdrawal of inactive cards in recent years. By joining each of these programs, the customer registers via a mobile application, thanks to which he can collect points and exchange them for discounts when shopping in stores of these brands. Loyal customers receive priority to take advantage of sales, special promotional and discount campaigns, and current information about collections. Deni Cler Milano brand has a separate loyalty program. Deni Club offers discounts and gifts as well as access to a unique range of products and services for participants. The brand program gathered c. 50 thousand. participants at the end of 2022. The loyalty program of W.KRUK brand – Klub Dla Przyjaciół W.KRUK – was also very popular. At the end of 2022, it had over 1.55 million participants, an increase of 9% y/y. By joining the loyalty program, in exchange for the purchases made, customers obtained points that gave the possibility of discounts on purchases and repairs of jewellery. The calculation of points from October 2022 has been disabled, and customers have 2 years from the change to use them. From October 2022, customers for joining the program receive discounts on purchases and repairs. The total number of loyal customers at the Group level was 3.5 million at the end of 2022 compared to 4.0 million at the end of 2021.

2.3. Management of capitals

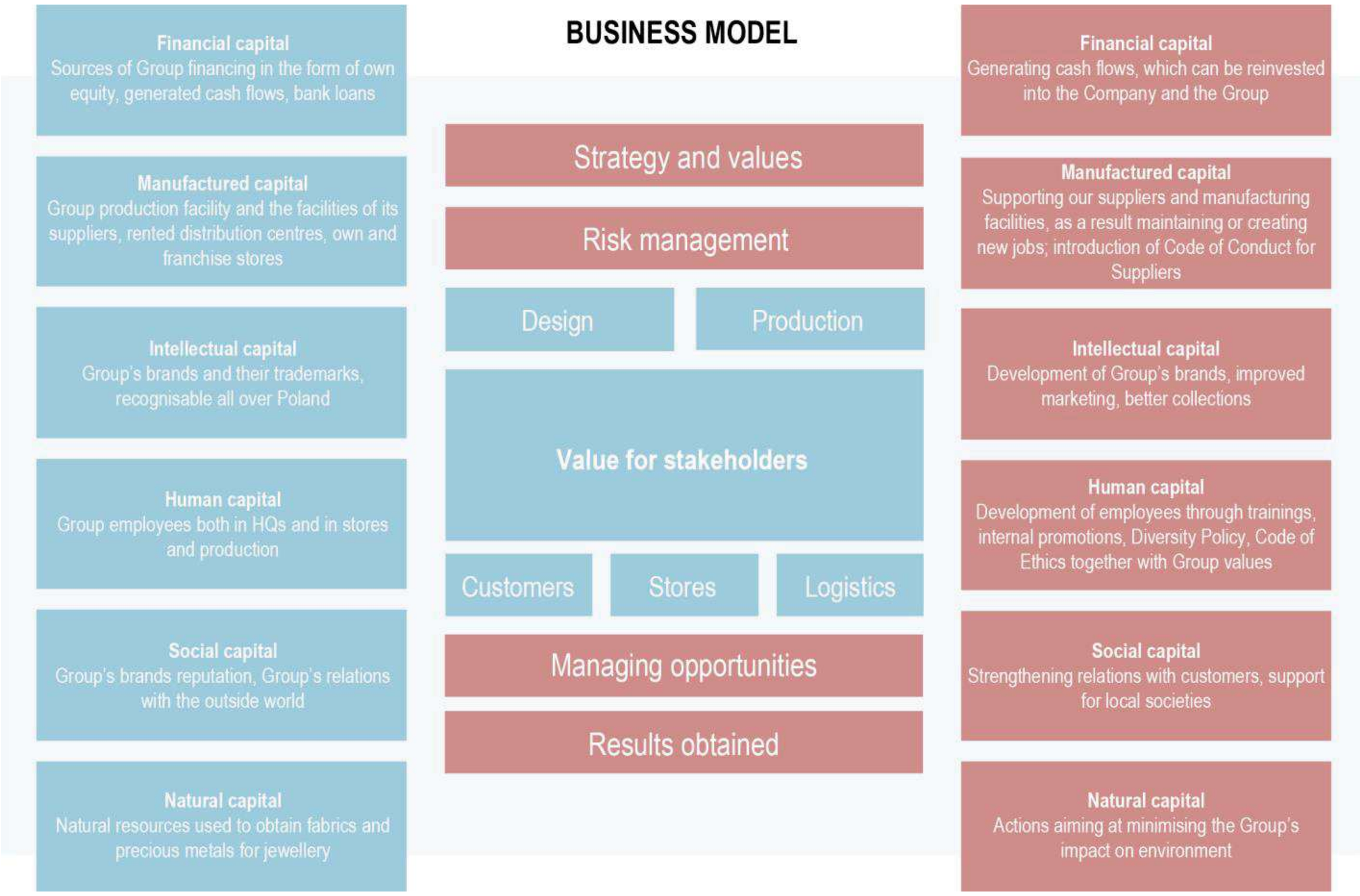
2.3.1. Relationships and use of capitals

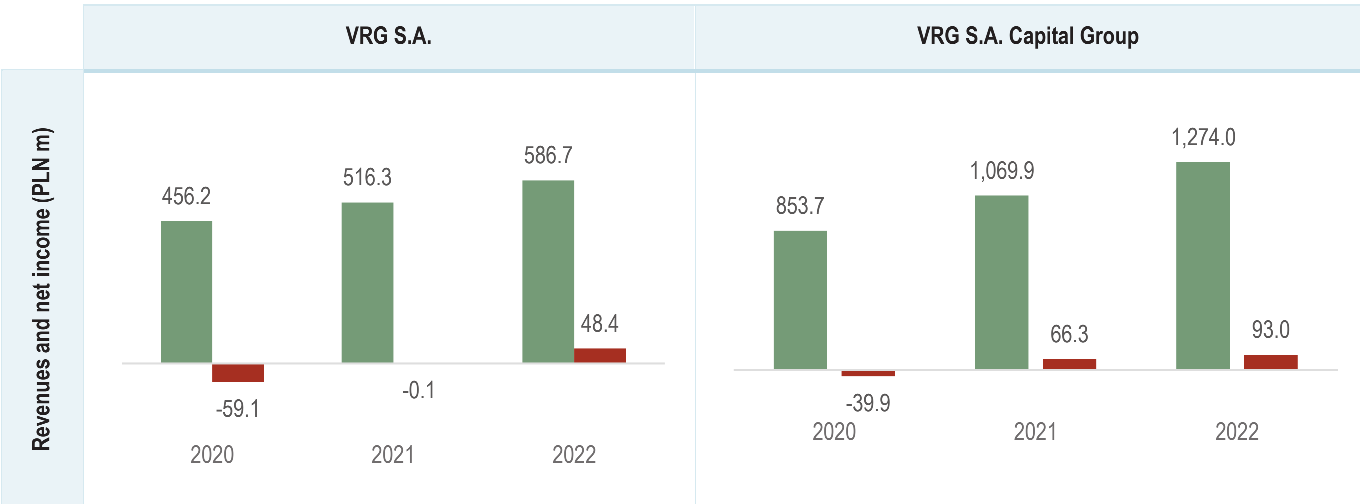
We can also look at the business model of the Company and the Capital Group from the perspective of capital management and use. Both the Company and the Capital Group use financial, production, intellectual, human and natural capital in their business model. Through the business processes described in the section above, these capitals are subject to transformation, they influence each other, leading to the creation of value not only for shareholders but also for stakeholders.

Financial capital

Financial capital, i.e. sources of financing for the Company and the Group in the form of equity, obtained loans and generated cash, affect the development of other capitals. Thanks to their financial resources, both the Company and the Group can optimize the network of own and franchise stores, i.e. an element of production capital, and develop e-shops of individual brands. Thanks to the generated financial capital, both the Company and the Capital Group can reward human capital, i.e. employees of the Company and the Group, who influence the intellectual capital by designing new collections for customers.

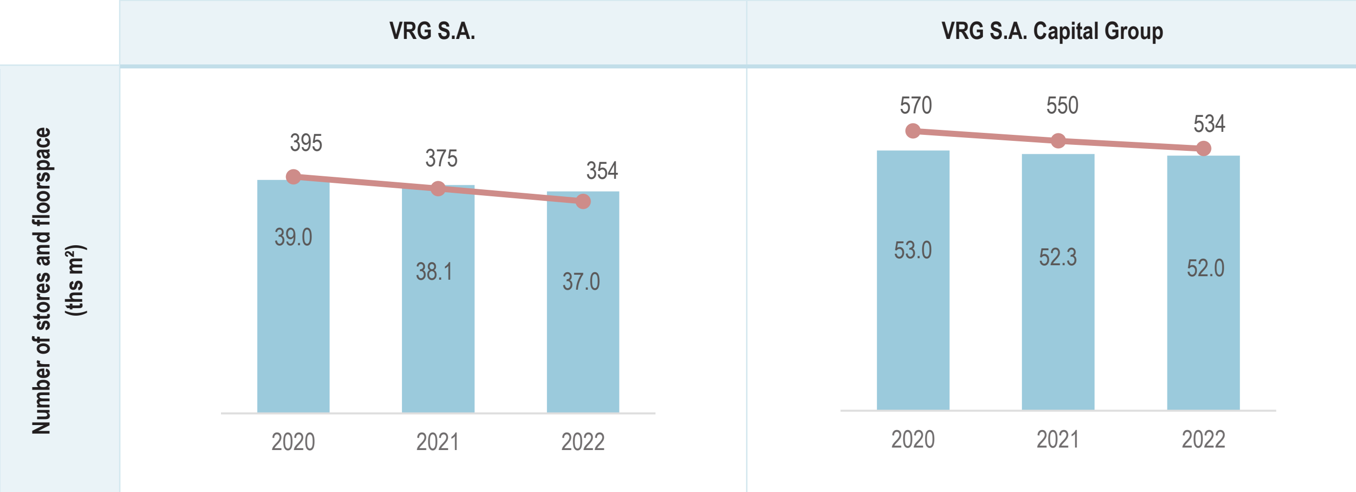
Development of financial capital in recent years at the level of the Company and the Capital Group is well illustrated by the level of sales and net profit, presented in the graphs below. Both 2021 and 2022 were definitely better years than 2020, which was most influenced by the pandemic and a significant change in the business model, when the administrative closing down of stores in shopping centers for many weeks caused significant losses. Thanks to decisions made, implementation of plans and a strategic approach, as well as due to the faster return of customers to traditional stores after their administrative closing down in 2021, the financial results for 2021 improved YoY and increased even further in 2022. Both the Company and the Capital Group maintained a stable and safe liquidity situation, which was additionally confirmed in 2022 by the payment in July 2022 of the first dividend in years in the amount of PLN 39.9 million (in line with the dividend policy adopted by the Management Board in May 2022).





Manufacturing capital

Manufacturing capital of the Company and the Group is its production and logistics facilities as well as its traditional stores, where sales constitute the majority of the Company's and the Group's revenues. Both in 2021 and 2022, the process of optimizing the sales network and focusing on profitable stores was continued. This resulted in a decrease in the manufacturing capital in the form of the number of stores of the Company and the Capital Group as well as their floorspace.



UN Sustainable Development Targets	Activities of the Company and the Capital Group positively affecting the production capital:
	– Use of the latest production methods, both in the country and at foreign subcontractors. – Cooperation with suppliers offering innovative solutions and products, both material in the apparel sector and metal in the jewellery segment (e.g. diamonds made in laboratories, the use of recovered ores, accessories made of vegetable tanned leather).

Intellectual capital

Thanks to intellectual capital, i.e. brands, both the Company and the Capital Group build financial capital. Each brand has its own concept, target group of customers as well as corresponding forms of communication and marketing. Intellectual capital is related to production capital - the sales structure of both the Company and the Group is still dominated by brick-and-mortar sales, i.e. through stores of each brand. As a result, each year the brands of both the Company and the Capital Group receive a number of awards and distinctions. Selected ones for 2021 and 2022 are presented below:

- Vistula received the Fashion Excellence 2022 award of the Twój Styl monthly in the Premium Collection category for the Fall/Winter 2022 women's collection.
- Deni Cler Milano brand was awarded the title of Fashion Excellence 2021 by the Twoj Styl monthly in the Jubilee category for activities related to the double jubilee: the 50th anniversary of the brand and the 30th anniversary of its presence on the Polish market.
- In 2021, the W.KRUK brand received the Fashion Excellence award, awarded by the Twoj Styl monthly, in the Collaboration of the Year category for: W.KRUK's cooperation with Magda Mołek and the MEA collection.
- In 2022, the W.KRUK brand was awarded with the Twoj Styl of Twoj Styl, in the Author's Collection category, for the LONGPLAY collection, created in cooperation with Natalia Kukulska and Michał Dąbrówka.
- In 2021, the W.KRUK brand also received the EFFIE AWARDS award, granted by the Marketing Communication Association SAR, in the competition for the most effective advertising campaigns, in the COMMERCE category, for anti-crisis economy. The brand received the award together with its partner, the Performics agency.

Brand	Vistula	Wólczanka	Bytom	Deni Cler Milano	W.KRUK
Years of operation	56 years	75 years	78 years	32 years	183 years

Human capital

Human capital is at the heart of the operation of both the Company and the Capital Group. It is the employees of the Company and the Capital Group (respectively 1,021 and 2,338 people at the end of 2022) who create collections of individual brands, are responsible for their ordering and production as well as presentation, delivery and sale to the customer, they are responsible for managing the companies of the Capital Group, administrative or financial issues. Using the production capital, they build the financial and social capital of the Company and the Capital Group, from which they are also remunerated.

UN Sustainable Development Targets	Activities of the Company and the Capital Group positively affecting the production capital:
8 DECENT WORK AND ECONOMIC GROWTH	– Supporting economic growth in the country through comprehensive activities (from production to sales, having a chain of stores throughout the country, e-shops of all brands). – Emphasis on fair and dignified treatment of subcontractors' employees (implementation of the Code of Conduct for Suppliers and Contractors). – Favourable employment conditions throughout the Group.

Social and relational capital

The social and relational capital of the Company and the Capital Group is a kind of license to continue operating. It is built in cooperation with business partners, clients as well as organizations and associations. VRG S.A. Capital Group through its parent company, it is a member and supports the activities of several significant organizations and associations. These are:

– SEG – Polish Association of Listed Companies – organisation established in 1993 supporting the development of Polish capital market and representing the interests of companies listed on the WSE. Being an expert organization, SEG aims to spread and exchange knowledge enabling the development of the capital market and modern market economy in Poland.
– PIOT – Association of Employers from the Clothing and Textile Industry is an organisation with over 70 years of tradition in work for development of the clothing and textile industry, gathering several companies from the industry. PIOT actively acts on the international and local level, creating a positive image of Polish sector and creating opportunities to increase competitiveness both locally and abroad. The Association represents Polish producers versus public and government institutions domestically and versus international agencies such as EURATEX (The European Apparel and Textile Confederation) in Brussels, and European Technology Platform. PIOT also cooperates with scientific institutes related to apparel-textile industry among others in frames of R&D projects. It also supports many other international undertakings as a leader or partner.
– Chamber of Cotton in Gdynia - associated with the cotton industry since 1935 the Chamber of Cotton in Gdynia is an international professional association, not-for-profit, not conducting commercial activity, with membership amounting to almost 100 companies and organizations from 11 countries from around the world. The mission of the Chamber of Cotton in Gdynia is to create an economically and organisationally strong cotton sector in Poland and internationally by supporting the activities of its members and institutions, authorities and organizations interested in cotton and other fibres.
– The Chamber of Commerce and Industry in Cracow, which represents the economic interests of member companies towards public administration and European Union bodies, and supports them in raising their competitiveness, innovation and promotion of economic activity in the country and abroad.

Natural capital

In their activities, the Company and the Capital Group use renewable and non-renewable natural resources, making every effort to ensure that the impact on natural capital is as small as possible. Clothing brands use natural capital in the form of fibers and fabrics used to create individual clothes, and W.KRUK uses minerals and precious metals.

UN Sustainable Development Targets	Activities of the Company and the Capital Group positively affecting the production capital:
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	– Promotion of responsible consumption – sale of quality apparel and jewellery for years. – Use of innovative fabrics and modern technologies in the production of clothing. – Expansion of ecological collections in the offer of apparel brands. – None of the brands use fur from the Spring/Summer 2020 season.
13 CLIMATE ACTION	– Continuation of replacement of lighting with LED lighting in our own stores. – Agreements for own stores with an environmental clause. – Increasing climate and environmental disclosures.

2.3.2. Mission and Vision of the Capital Group

The Group operates according to its mission, vision and strategy. Mission is the universal aim of our actions, defining the meaning of the Capital Group's existence and actions. Vision is the visualisation of our actions and motivates us to act towards its fulfilment.

MISSION

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

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

VISION

Strategy is a plan that brings the vision closer. Our business strategy is not a formalized document, but its overriding goal is to increase the value of the Company and the Capital Group. Organic growth is built on four pillars: (1) optimization of the Capital Group's space, (2) development of online sales, (3) continuous improvement of products and following customer preferences, as well as (4) effective marketing, increasing brand recognition. Combining tradition with modernity in all its brands will remain an important distinguishing feature of the Capital Group's activities. In men's fashion, this means a modern vision of tailoring, in women's fashion, an attachment to the classics in a modern edition, and in jewellery, preservation of craft traditions combined with innovative manufacturing technologies. The unchanging goal of the Capital Group is to maintain cost discipline in both segments (and in the short term to minimize fixed costs).

VALUE CREATION		
ORGANIC GROWTH (priority)		ACQUISITIVE GROWTH (potential)
Off-line	On-line	Broader brand portfolio
Products	Marketing	

2.3.3. Sustainable Development Strategy of the Capital Group

Priority for the Management Board is sustainable organic development, both in the apparel and jewellery segments, which is formalized in the form of the Sustainable Development Strategy for 2020-22. This three-year strategy is the first such strategy created by the VRG S.A. Capital Group. Its purpose is to signal the importance of issues related to sustainable development to both external and internal stakeholders. For both the Group and the Company, it is important that future generations that will represent both its customers, employees and suppliers be able to realize their dreams, goals and needs. This strategy is not an environmental or climate strategy.

Each year of the three years of the Strategy was different from the environment in which it was adopted. Both the first and second year of the Strategy's validity coincided with the COVID-19 pandemic, which left its mark on the implementation of some of the objectives contained therein. Estimation of the scale of progress in implementation of the Strategy for its individual points is presented in the graphs below. With regard to issues related to products, it should be emphasized that the majority of our apparel segment products are made of natural raw materials (e.g. wool, cotton, linen, silk, viscose), and not artificial or synthetic raw materials, so they are easier to biodegrade as well as recycling. In our collections from the apparel segment, we are gradually introducing modern and ecological fabrics and other raw materials. An improvement in the implementation of the strategic goal took place in 2022, in which orders for clothing collections for the Spring/Summer 2023 season were worked on. They were carried out in such a way that the Company had a minimum of 15% of clothing model colours in each brand and a minimum of 20 % of items of clothing met the strategic assumptions, i.e. the use of certified raw materials with an ecological basis (i.e. organic cotton, recycled cotton, RDS-certified natural down, organic linen, eco viscose and recycled artificial fibres). From 2020, the production of gold products in Manufaktura W.KRUK was carried out exclusively with the use of recovered gold. In 2022, Manufaktura W.KRUK replenished its gold inventory by buying recycled ore or commissioning the recycling of its own resources, thus achieving the goal of using only recovered gold for its own production. With regard to VRG, already 95% (in 2021: 81%) of fabric and product suppliers have signed the Code of Conduct for Suppliers and Contractors. They account for 95% (in 2021: 92%) of purchases by value. The Code was also implemented in the subsidiaries of VRG - in W.KRUK, as at the date of publication of the report, 74% of suppliers signed the Code.

While implementing part of the strategy devoted to the development of human capital, both the Company and the Capital Group took into account the established goals. Conducting offline trainings during 2020 and 2021 was practically suspended due to pandemic reasons. In 2022, there was not only a return to offline training, but also a significant increase in the number of training days YoY, which exceeded pre-pandemic levels. Looking for opportunities to reduce the carbon footprint, in 2022 W.KRUK employees also took part in external training courses on ethical design and sustainable development. After the pandemic period, cooperation with universities was partially restored. Since 2021, Manufaktura W.KRUK has been cooperating with the Construction School Complex No. 1 in Poznań and the parents of students, and W.KRUK is the patron of the goldsmith class.

Product **Our products**	**We want our products to be safe, eco-friendly and ethical. We promote responsible consumption.**
Permanent ecological lines in the offer of all brands.	✓
Emphasis on the use of modern and eco fabrics or raw materials, which should represent some 10% of apparel collections.	✓
Implementation of the Code of Conduct for Suppliers and Contractors and stronger control over the supply chain. Emphasis on environmental matters.	✓
People **Our employees**	**We want to provide our employees with the best workplace in which they can develop.**
More training opportunities for employees, in particular on responsible design and ethics.	✓
Greater work flexibility, easier remote working.	✓
New perspectives for young people - wider cooperation with universities and vocational colleges.	✓
Places **Our places**	**We want our stores to be more and more ecological and our activities have a positive impact on the local community.**
Introduction of new greener concepts for stores of all brands.	✓
Promotion of eco-friendly attitudes among employees.	✓
Reducing environmental impact in key places of the group (Cracow, Poznań, Warsaw, Ostrowiec Świętokrzyski).	✓

✓ *advanced* ✓ *medium-advanced* ✓ *beginning*

In 2020 and 2021, during the intensification of successive waves of the pandemic, work, where possible due to the specificity of the department's functioning, was divided into shifts consisting in alternating remote work and office work to reduce the likelihood of infection. Compared to previous years, the possibilities of hybrid work at the head office and, if possible, cooperation with universities (in particular at W.KRUK) have significantly increased. In 2022, work continued on reducing the environmental impact in key locations where the Group has its operations (details are presented in the section on environmental and climate impact). Activities related to the promotion of ecological attitudes among employees during the pandemic were replaced by the promotion of pro-health activities (which are still continued), and the return to pro-ecological activities took place in 2022 (waste segregation in the office, mineral water dispensers instead of disposable bottles). The approach to showrooms in shopping centers has also changed - optimization of the sales network was a priority.

3. Corporate governance

VRG S.A. and VRG S.A. Capital Group place great emphasis on corporate governance. As an entity listed on the Warsaw Stock Exchange, the Group runs an open communication with capital market participants. It also applies the Best Practice for WSE Listed Companies 2021 principles.

GENERAL SHAREHOLDER MEETING	SUPERVISORY BOARD	MANAGEMENT BOARD
– Ordinary General Shareholder Meeting takes place once a year – Extraordinary General Shareholder Meeting takes place in special situations – GM can be convened by the Management from its own initiative, initiative of the Supervisory Board or shareholders with 1/20 of equity – appoints Supervisory Board, grants discharge to Supervisory and Management Boards, approves financial statements and profit distribution	– consists of 5 to 7 members – 3 year term – supervises the operations of the Company and the Group – appoints the Management Board and approves selected most important decisions – meets at least once a quarter – there is also a Remuneration and Nomination Committee	– consists of 3 to 6 people – 3 year term – represents the Company and the Capital Group – takes the most important decisions – prepares organic growth strategy, is responsible for M&A – documents need signature of 2 members

Composition

PZU OFE and DFE	19.30%	Mateusz Kolański, Chair of the Supervisory Board	Janusz Płocica President of the Management Board
Jerzy Mazgaj	16.35%	Jan Pilch, Deputy-Chair of the Supervisory Board	
Ipopema TFI	15.37%	Marcin Gomoła	Marta Fryzowska Executive Vice-President of the Management Board
NN OFE	13.97%	Piotr Kaczmarek	
Forum TFI	7.23%	Piotr Stępniak	Michał Zimnicki Executive Vice-President of the Management Board
Shareholders' agreement (Colian Developer Sp. z o.o. sp. k. and Jan Kolański)	5.01%	Wacław Szary	
Other free-float	22.77%	Andrzej Szumański	Łukasz Bernacki Executive Vice-President of the Management Board

2 Committees in the Supervisory Board

86% of Supervisory Board are independent members

There are 17 directors under the Management Board. 10 of them are women.

Shareholders i.e. owners of the Company exert control over the Company and the Capital Group via General Shareholder Meetings. An Ordinary General Shareholder Meeting takes place up to 6 months after the end of fiscal year, while an Extraordinary General Shareholder Meeting takes place in special situations. An Ordinary General Shareholder Meeting approves financial statements for the prior year as well as the Management's report on operations of the Company and the Capital Group, decides on profit distribution or covering of a loss, appoints or changes Supervisory Board as well as grants discharge to Management Board and Supervisory Board members for their actions in the past year. General Shareholder Meeting can also alter the scope of the Company's operations, change the Articles of Association, increase or decrease statutory equity, decide on a merger, division or transformation of the Company. An Extraordinary General Shareholder Meeting can be convened by the Management based on own initiative or based on initiative of shareholders representing at least 1/20 (one twentieth) of the Company's equity. An Extraordinary General Shareholder Meeting should be convened within 2 weeks since filling of the motion by authorised parties. The Company's and Group's shareholder structure is a dispersed one – six largest shareholders possess a combined 77.23% stake in votes. The majority of shareholders have been with the Company for at least a couple of years and they participate in shaping of the Company's and Capital Group's actions via their representatives in the Supervisory Board. The Company has a sizeable free-float, with majority of shareholders being financial institutions.

The General Shareholder Meeting appoints Supervisory Board which oversees the Company and the Management Board's actions in the name of shareholders. According to the Company's Articles of Association, the Supervisory Board consists of between 5 to 7 persons with a 3-year term. The current Supervisory Board consists of 7 people. Supervisory Board meetings take place at least once per quarter. Supervisory Board competences include, among others, examination and analysis of the financial statements and Management Discussion and Analysis of the Company and the Group as well as choosing the auditor. There is an Audit Committee within the Supervisory Board, operating on a permanent basis. Also, since June 2019 there is a Nomination and Remuneration Committee within the Supervisory Board. The Supervisory Board also appoints the Management, whose role is to run the Company and the Capital Group. Additionally, the Supervisory Board approves the Rules of the Management Board operations and sets the Management Board remuneration. The Management Board consists of between 3 to 6 persons while its term last 3 years (just like the Supervisory Board). The remuneration of the Management Board consists of two elements: cash remuneration (basic remuneration and possible variable remuneration (bonuses) depending on the results of the Capital Group and the implementation of its development strategy and social goals) and remuneration in the form of subscription warrants entitling to take up VRG S.A. shares. as part of the incentive program (based on the results of the Capital Group and the share price), which makes the goal of the Management Board consistent with the goal of shareholders, which is to build value. The rules governing the amount of fixed remuneration, variable remuneration (bonuses) and other benefits for members of the Management Board of the Company are set out in the Remuneration Policy for members of the Management Board and Supervisory Board of VRG S.A. adopted by the Ordinary General Shareholder Meeting of the Company on June 29, 2020, amended by the resolution of the Extraordinary General Shareholder Meeting of the Company of March 17, 2021 and by the resolution 25/06/2022 of the Extraordinary General Shareholder Meeting of 21 June, 2022.

	Mateusz Kolański (C)	Jan Pilch	Marcin Gomoła
Independent	✓		✓
Audit Committee		✓	✓ (P)
Nomination and Remuneration Committee	✓ (C)	✓	

	Piotr Kaczmarek	Piotr Stępniak	Wacław Szary	Andrzej Szumański
Independent	✓	✓	✓	✓
Audit Committee	✓	✓	✓	
Nomination and Remuneration Committee	✓		✓	✓

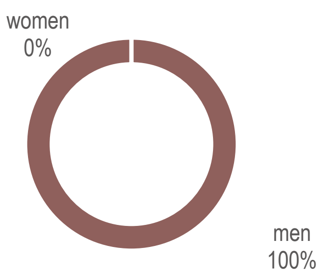
C – Chair

The company does not have a formal diversity policy for the authorities - the Supervisory Board and the Management Board. Persons sitting in the Company's authorities have diverse education and competences, as well as differ in age. In addition, the members of the Management Board are differentiated by gender.

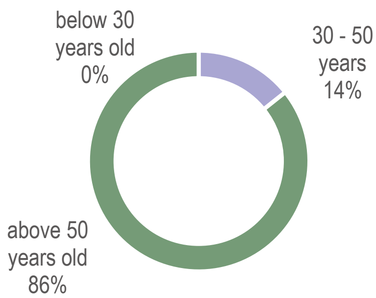
Name and Surname	Position	Education	Year of first appointment	Year of appointment for the current term	Year of termination of current term
Mateusz Kolański	Chair of the Supervisory Board	master, law	2021	2021	2024
Jan Pilch	Deputy-Chair of the Supervisory Board	master, agriculture	2018	2021	2024
Marcin Gomoła	Member of the Supervisory Board	master, law	2021	2021	2024
Piotr Kaczmarek	Member of the Supervisory Board	master, philiology	2019	2021	2024
Piotr Stępniak	Member of the Supervisory Board	wyższe ekonomiczne	2020	2021	2024
Wacław Szary	Member of the Supervisory Board	wyższe politechniczne	2020	2021	2024
Andrzej Szumański	Member of the Supervisory Board	profesor nauk prawnych	2018	2021	2024

Diversity on Supervisory Board based on:

Gender



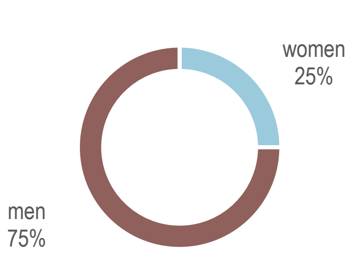
Age



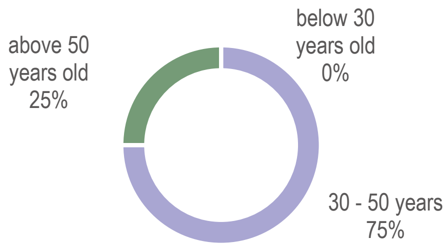
Name and Surname	Position	Education	Year of first appointment	Year of appointment for the current term	Year of termination of current term
Janusz Płocica	President of the Management Board	Technical university, master economy	1999	2022	2023
Marta Fryzowska	Executive Vice-President of the Management Board	master, administration	2021	2021	2023
Michał Zimnicki	Executive Vice-President of the Management Board	master economy	2020	2020	2023
Łukasz Bernacki	Executive Vice-President of the Management Board	master economy	2022	2022	2023

Diversity on Management Board based on:

Gender



Age



4. Stakeholders

For the purpose of Non-financial Report for 2022 the Management Board re-analysed stakeholders based on the ways: (1) stakeholders impact the Company and the Capital Group and selected elements of the value chain, (2) the Company's and the Capital Group's impact on selected stakeholder groups, (3) interest shown in the actions of the Company and the Capital Group as well as (4) frequency of the contact. Based on this analysis, it has been confirmed, that the earlier identified seven stakeholder groups are still valid. These are: (1) shareholders and financing institutions, (2) suppliers, (3) customers, (4) business partners, (5) employees, (6) public institutions and (7) local society. Except for the Company's and Capital Group's employees, remaining stakeholders are external ones.

In 2022, contacts with external stakeholders were maintained in a hybrid form. In 2020 and 2021, when the impact of the pandemic was significant, online was the primary form of contact. For the purposes of the 2020 Report, the Management Board decided to renew the stakeholder survey that took place between February 3, 2021 and March 1, 2021 in a form available to the public on VRG S.A. websites. on-line surveys (in Polish and English). The survey conducted in 2021 focused on six key areas, i.e. 1) environmental and climate issues, 2) issues related to products and the so-called customer experience, 3) employee and social issues, 4) legal and ethical issues, 5) financial issues and risk management, and 6) issues related to the local community. In each of these areas, key elements were selected on which stakeholders could comment on a scale from 0 (zero, least) to 5 (five, most) how important these topics are for them, and therefore should be reported on , and what impact they will have on the VRG S.A. Group in a three-year perspective. In total, 639 stakeholders participated in the survey.

CUSTOMERS
are in the centre of our attention

PUBLIC INSTITUTIONS
we pay taxes and social security

SUPPLIERS
we focus on long-term relations

LOCAL SOCIETY
cooperation with artistic schools in cities where are offices are located

VRG S.A. CAPITAL GROUP

EMPLOYEES
we offer stable employment and development opportunities

SHAREHOLDERS AND FINANCING INSTITUTIONS
transparent reports and presentations, frequent contact

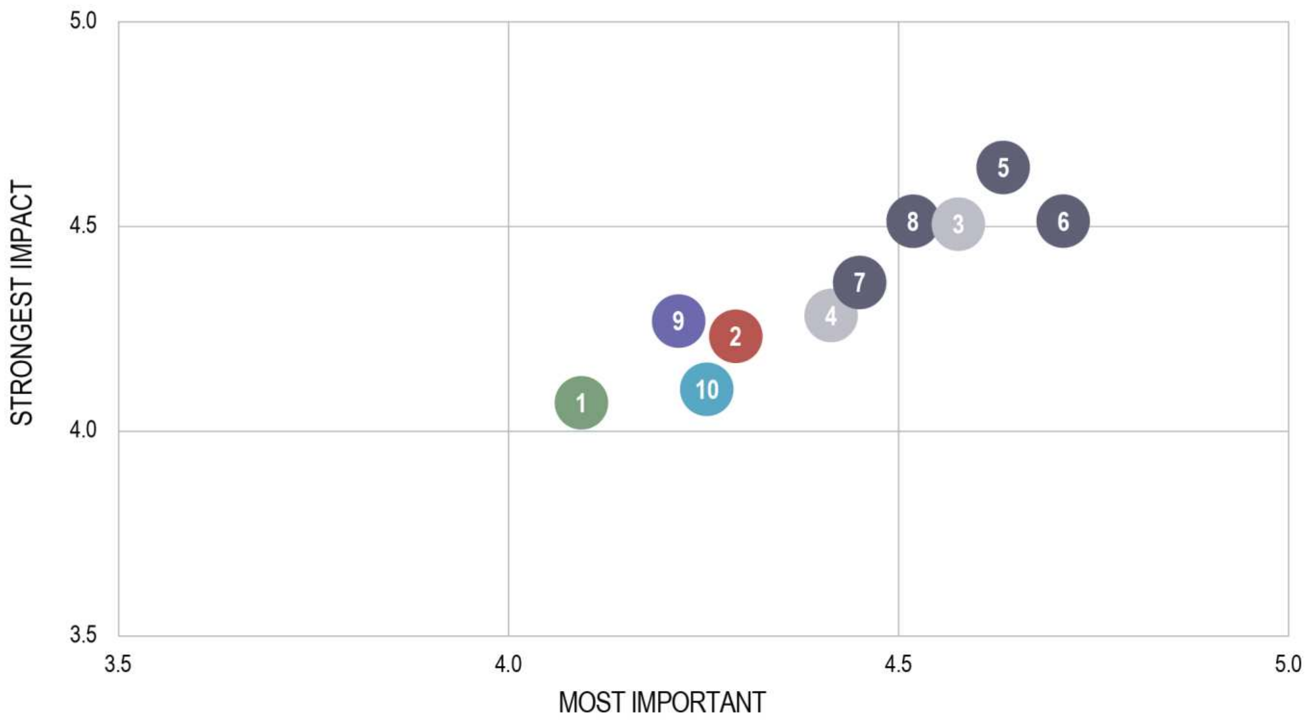
BUSINESS PARTNERS
we focus on transparency, openness and long-term relations

For the purposes of the Report for 2022, the Management Board confirmed that there are no premises to change stakeholder materiality indicated in the survey a year earlier. Out of the six areas surveyed for the purposes of the 2020 Report, issues related to law and ethics were rated as the most material for stakeholders, and environmental and climate issues - the lowest. The elements that were considered the most important by the stakeholders include: respecting human rights in the entire value chain, compliance with the law, cybersecurity and personal data protection, decent employment conditions for employees in the entire supply chain, development of human capital among others through training and a transparent career path, sources of supply and transparent information about the place of production. As for the impact of individual areas on the VRG S.A. Group in the next three years, stakeholders also rated legal and ethical issues the highest and environmental and climate issues the lowest. The topics were considered to be the elements that will have the highest impact on the business model of VRG S.A. Group over the next three years were very similar to those considered significant. The results of the stakeholder analysis as well as the materiality matrix are used by the Management Board to further improve policies, activities and reporting aimed at meeting stakeholder expectations as much as possible. The elements considered by the stakeholders as significant and with significant influence are the subject of reporting by VRG S.A. and VRG S.A. Capital Group.

VRG S.A. AND VRG S.A. CAPITAL GROUP STAKEHOLDERS

	Who are they?	Why are they important to us?	How we engage?
Shareholders and financing institutions	Our shareholders are a diverse group encompassing private individuals, institutional investors (mutual and pension funds), research analysts and other listed companies. Financing institutions include banks.	Shareholders are the owners of the Company, while thanks to financing institutions we have means for development. Analysts value our shares, issue reports and recommendations, which help in decision making.	Value generation is our priority both in terms of organic growth (concentration on growing revenues and earnings) as well as with M&As (broadening the brand portfolio on favourable terms). The Management emphasises the quality and transparency of published operational and financial data. Apart from current and periodical reports the Group prepares presentations and excel files, supplementing the quarterly numbers. Those materials are available on our webpage. The Management focuses on dialog, regular meetings with shareholders (institutional and individual) on quarterly conferences and videoconferences for listed companies. The Management runs and open dialogue also with financing institutions.
Suppliers	Suppliers are entities that: (1) deliver us fabric and accessories for clothing production, (2) produce clothes that we order, and (3) from which we purchase jewellery or finished products. These encompass domestic and foreign players.	Suppliers are an important part of our value chain. They deliver goods and products that we resell in our stores.	The Group emphasises long-term relations with suppliers based on mutual respect and trust. To meet the needs of our partners, we try to plan the production process in advance (especially in the apparel segment), allowing our suppliers to plan production calendars. Additionally, the Group takes also payments into account while managing relations. Average payment term of invoices obtained by the Group decreased from 55 days in 2021 to 47 days in 2022..
Customers	People who identify themselves with our brands, visit their stores and e-stores as well as purchase and use products sold by Group's brands.	Understanding and meeting the needs of our customers is Group's priority. Customers are the most important part of the value chain, we create our products and open our stores for them. We strive to keep them satisfied.	The Group's goal is the best possible customer experience. Vistula, Wólczanka and Bytom brands focus on modern design, very good tailoring and adaptation to the changing lifestyle of customers. The first two brands are also developing women's collections. Deni Cler Milano focuses on high-quality fabrics, collections combining classic with modernity, and modern stores. W.KRUK brand places emphasis on diversity of the offering: a variety of jewellery, occasional collections and a wide range of watches. Additionally, the Group invests in improving the operation of on-line stores. The management also listens to customers, monitoring satisfaction indicators, gathering their opinions in stores, communicating with them through, inter alia, newsletters, social media or brand websites.
Business partners	Business partners other than suppliers, e.g.: (1) shopping mall operators, where Group's stores are located, (2) franchisees, who run stores of all Group's brands, as well as (3) logistics operators.	Thanks to its business partners the Group can reach its customers and offer them products in traditional and e-stores.	The Group maintains long-term relations with all key shopping mall operators. Due to individual meetings and engagement, the Group obtains new locations on terms favourable for both sides or renegotiates changes/ closing down of selected locations due to a network optimisation process, especially in the apparel segment. The brands' strong recognitions allows us to obtain new franchisees, thanks to which we can develop our network and open stores in new smaller towns. The Group also cultivates relations with logistics operators, which support the Group in off-line and on-line operations.
Employees	Our employees are a diverse group. These include not only employees of stores but also HQs and production. Internal stakeholders also encompass Bytom's managers and their employees though these are not employees according to Labour Law.	Employees are our most important internal stakeholders. They are the driving force of the Group – they manage and develop it as well as communicate with customers.	Managers runs an open dialogue with the employees e.g. by organising cyclical meetings between Management, managers and employees. Store employees have regular meetings with regional managers. The Group offers stable employment with the possibility to develop. Managers monitor the level of remuneration versus the competition, while the Group offers employees non-financial support in the form of trainings, supplementation to Multisport card and private healthcare system.
Public institutions	Central and local administration is also an important Group's stakeholder. The Group cooperates with public institutions on various levels, ranging from tax offices to customs offices. Polish SEC (KNF) is also an important public stakeholder.	Both the Company and the Group are entities registered in Poland, conducting their business and paying taxes in Poland. We want to be perceived as a transparent entity whose taxes are used to benefit the country's development.	The Group delivers financial statements and tax fillings in a timely manner, pays social security and tax liabilities. Group's representatives participate in a dialogue with public institutions on various levels.

MATERIALITY MATRIX OF VRG S.A. AND VRG S.A. CAPITAL GROUP



Environmental and climate issues

1. Scale of waste generated and its management

Product and customer experience

2. Sources of suppliers and transparent information about sources of production

Employee and social issues

3. Decent employment conditions for employees throughout the value chain
4. Development of human capital among others through trainings and transparent career path

Ethical and legal issues

5. Abiding the law
6. Respect for human rights within supply chain
7. Ethical and responsible communication with stakeholders
8. Cybersecurity, data protection

Financial issues and risk management

9. Financial risk management

Issues related with local communities

10. Actions to protect the environment and climate

5. Social and employee matters

5.1. Policies

Social and employee issues are important for the Company and the Capital Group, as they affect internal stakeholders, i.e. employees, as well as external stakeholders, i.e. employees' families, local communities and customers. In employee relations, the Group focuses on diversity, development opportunities, training, a transparent career path and market remuneration. In social relations, the Group is involved in the promotion of sport, as well as valuable social campaigns.

At the end of 2022, the Capital Group employed 2,338 people, 1.1% more YoY. Employment contracts were the basic way of employing workers. In 2022, these accounted for 92% (stable YoY) of all contracts at the Group level. Other contracts are mandate contracts or other civil contracts. In the Company, this ratio was 86% in 2022, down from 89% in 2021. In addition, selected members of the Management Board performed their functions on the basis of an appointment. VRG S.A. remained the largest employer within the Capital Group, which employed 1,021 people at the end of 2022, a decrease of 1.0% YoY. In 2022, the Capital Group employed 645 people, an increase of 23% YoY. In 2022, the Company hired 323 people, 21% more YoY. In 2022, 635 people left the Capital Group, an increase of 9% YoY. Most people who left worked in stores and were under 30 years old. In 2022, 347 people left the Company, 12% more YoY.

The Company systematically analyzes key employment indicators. In 2022, the total turnover ratio for the Group was 26.2%, and for the Company 32.3%. Organizational changes in the Company, e.g. optimization of business processes, closing down of stores resulted in an increase in both voluntary and involuntary employee departures. The indicated level of rotation does not differ from the average level on the retail market, however, the Company takes a number of measures to reduce the level of voluntary departures, e.g. by extending training and development programs or raising the standards of employee benefits (e.g. private medical care available to all employees, the possibility of joining a loyalty program).

EOP employment (people)	2021	2022
VRG S.A. Capital Group	**2,312**	**2,338**
Apparel segment	1,353	1,346
Jewellery segment	959	992
VRG S.A.	**1,031**	**1,021**

We point out to the differences between the operations of stores and the number of employees of individual brands. In Vistula, Wólczanka, Deni Cler Milano and W.KRUK stores, employees of the stores are employed under an employment contract. Bytom brand stores are run by entrepreneurs who cooperate with the Company on the basis of civil law contracts. Employment of store employees is the responsibility of entrepreneurs who run stores on the basis of cooperation agreements, whose task is to hire store employees under employment contracts. The presented data for the Bytom brand (currently part of VRG S.A.) includes only data of the headquarters, i.e. administrative employees employed under an employment contract. They do not include store managers and store staff employed by managers. The number of employees at the end of the period is given in persons, without taking into account people on maternity leaves.

The HR management policy is based on the structure of directors, managers and middle managers. These structures differ depending on the place of employment (administration/headquarters, stores or production). Employee issues and occupational health and safety are regulated in the Capital Group in accordance with Polish law. The most important universally binding normative act regulating the employee area is the Labour Code. A number of regulations concerning the employee area have been implemented in the Company and the Capital Group, including: Work Regulations, Remuneration Regulations, Regulations of the Company Social Benefits Fund, Code of Ethics, Anticorruption Procedure, Procedure for anonymous reporting of violations. Within the Company and the Capital Group the regulations govern the organisation and order of work (including working hours), and related employee's rights and obligations, taking holidays, information about sick leaves, manner and time of remuneration payment, as well as guidance related to protection of employees' lives and health. The regulations of the Company Social Benefits Fund define the principles of allocating funds from the Company Social Benefits Fund for individual purposes and types of social activity as well as the rules and conditions for using these benefits. The funds from the Company Social Benefits Fund are allocated to co-finance holidays of employees and their families and to provide financial aid granted in the event of random accidents, e.g. loss of health, difficult family, life or material situation.

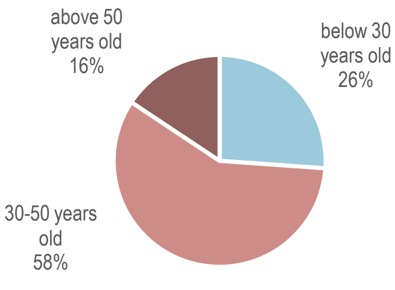
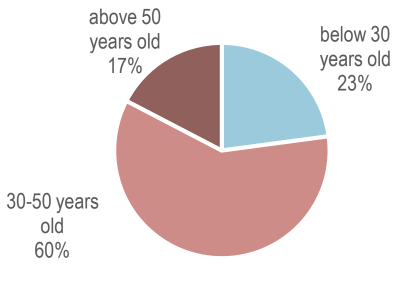
Both the Company and the Capital Group allow employees to form trade unions. At the end of 2022, there were no trade unions in the Company (no YoY change). In 2020 the trade union ceased its activity on the basis of an application. At the end of 2021, 2 unions were operating in the Capital Group (stable YoY, both at WSM Factory Sp. z o.o.). At the end of 2022, the Company had no employees who would form a trade union. At the level of the Capital Group, at the end of 2022, 143 employees were concentrated in trade unions (148 at the end of 2021). Both in 2021 and in 2022, there were no collective disputes with employees, either at the level of the Company or the Capital Group.

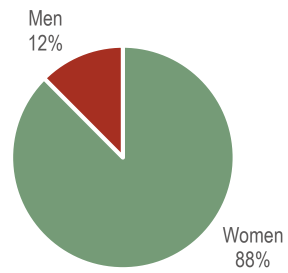
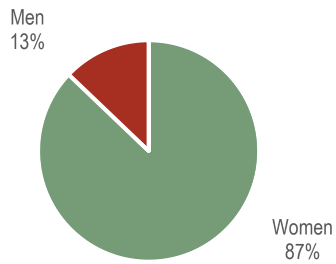
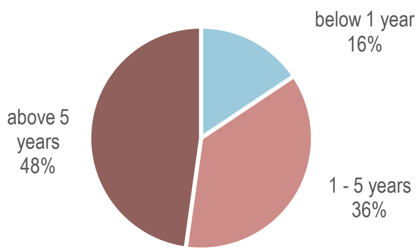
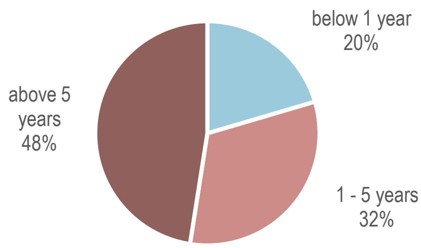
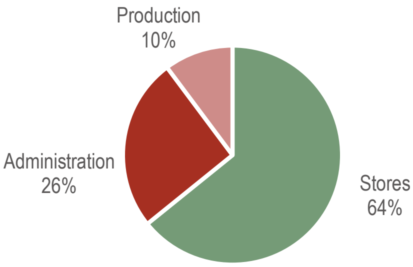
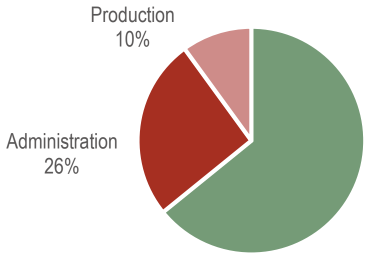
WE VALUE DIVERSITY AND EQUAL OPPORTUNITIES

The Capital Group believes that access to a diverse pool of talents helps the organisation as a whole to develop. As a result, differentiation and diversity are valued among employees. It is the effect of accumulation and cooperation of varied experiences and competences that allows the organisation for a continuous development. The Management believes that the Company's and the Capital Group's development and fulfilment of business targets will be more effective if different experiences and needs are noticed and used within the organisation and its surroundings. The Group respects its employees regardless of their age, gender, religion, different believes, cultural differences sexual orientation. The Group pays attention so that no internal document contradicts gender equality and diversity. Within our internal regulations there is no mentioning of any gender or group having a hindered or preferential access to know-how, benefits, privileges or would have a disproportional burden of work. This approach is promoted by our Diversity Policy and reflected in non-financial indicators. At the Capital Group level: (1) we have employees in different age (60% of employees are between 30 to 50 years old), (2) we take actions to balance employment by gender (women constitute 87% of employees), (3) we have employees with different seniority (32% of employees have been with the Group between 1 to 5 years). The Capital Group also employs disabled persons. In 2022 there were 80 disabled employees, up 4% YoY, while 8 at the Company level at the end of 2022, up 14% YoY.

In 2022, there were slight changes in the structure of employee experience, both at the level of the Company and the Capital Group. The greater share of employees with lower seniority (over 1 year) was due to hiring new employees. During the pandemics, both the Company and its subsidiaries, instead of dismissing employees, made decisions not to extend contracts that were ending. Therefore, automatically, the termination of cooperation most often concerned people with the shortest seniority (long-term employees have contracts for an indefinite period). At the end of 2022, number of women on maternity / parental leave was 61, 34% fewer YoY, at the Capital Group level (28, -35% YoY for the Company). At the same time, 83 women (9% fewer YoY) returned from maternity / parental leave in 2022 at the Capital Group level, and 44 at the Company level, 6% fewer YoY. In 2022, 13 women returning from maternity leave worked more than 12 months, stable YoY. At the Company's level, in 2022 it was 13 women, stable YoY. In 2022, 3 men in the Company (2021: 4) decided to take paternity leave, and in Group 5, compared to 8 men at the Group level in 2021.

VRG S.A. Capital Group – split of employees by:

	2021	2022
AGE		

GENDER		
SENIORITY		
AREA OF EMPLOY-MENT		

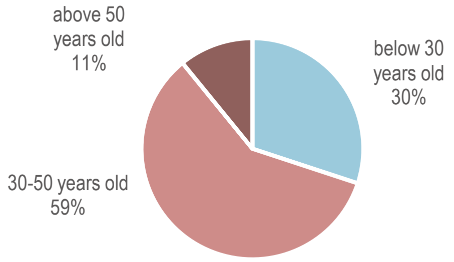
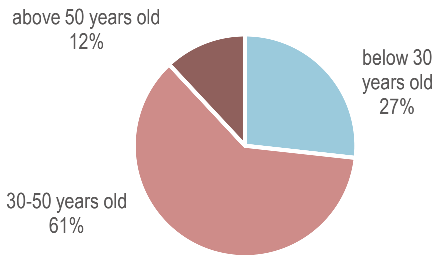
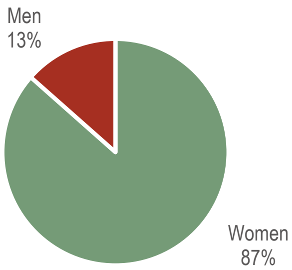
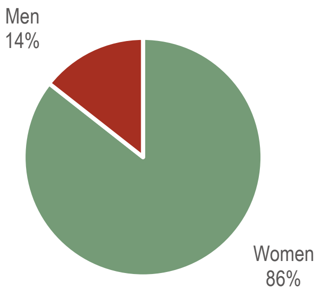
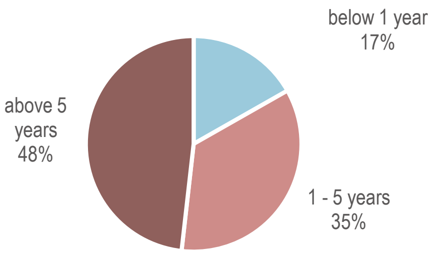
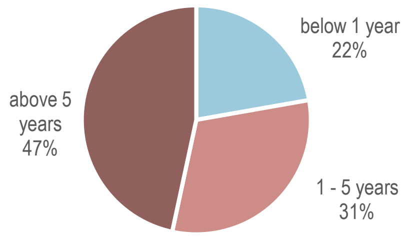
The aim behind creation and implementation of our Group Diversity Policy is creation of such a place and working environment where each employee feels respected, accepted and appreciated in which he/she can realise his/her full potential, develop and as a result contribute to the success of the organisation as a whole. Diversity Policy also aims to build trust and favourable working environment and counteract in case of potential discrimination. Actions undertaken and promoted by the Capital Group include among others: (1) building of teams diverse in terms of gender and age; lack of preferences in these areas allows to obtain a broader perspective in problem solving, allows for a better work atmosphere, inspires creativity and essential knowledge transfer, (2) support in combining professional and private roles via: possibility to work from home, possibility to leave work in emergency family situations, granting holidays in urgent cases, conduct of professional task in a flexible way taking family obligations into account, flexible working hours; and (3) creation of culture which promotes dialogue, openness, tolerance and teamwork, as well as an approach minimising risks related to loosing key personnel, assuring equal access to benefits offered.

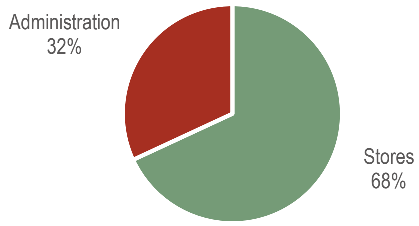
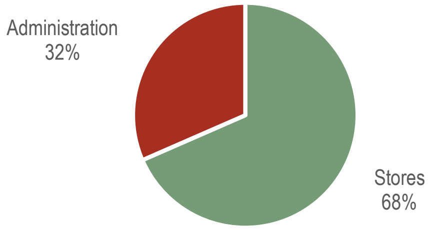
In addition to the above steps, the diversity policy is also implemented in practice. At the end of 2022, W.KRUK, as the first Group company, decided to join the signatories of the Diversity Charter, an international initiative under the aegis of the European Commission, represented in Poland by the Responsible Business Forum. Thus, the company has committed itself to promoting an inclusive culture, supporting diversity and preventing potential discrimination. In December 2022, training was organized for the staff of directors and deputy directors on counteracting mobbing and discrimination in the workplace, the purpose of which was to increase the awareness of the managerial personnel in identifying mobbing and discrimination in professional relations and to support the development of attitudes preventing this phenomenon. Training aimed at creating a safe and friendly work environment, free from mobbing, harassment and discrimination, taking into account the role of the management staff, will be continued in 2023 at the managerial level.

WE OFFER DEVELOPMENT OPPORTUNITIES

Career paths within the Company and the Capital Group are related directly to the division, in which a career is started. Due to high numbers, the longest career paths are offered in the trading division i.e. Group stores. One can become a store manager, a regional manager or a visual merchandiser. HQs and administrative personnel can develop within expert fields which offer more development opportunities than vertical promotions (due to a low number of such openings). Every employee has equal chances for promotion. The Capital Group maximise the number of internal promotions, especially in stores. This allows to grow people and guarantees continuation of knowledge of store sales standards as well as increases the engagement of employees and brand awareness. Only if internal recruitment does not bear the expected fruit do we engage in external hiring. In case of positions in headquarters, typically internal recruitment (publication on corporate webpage, available for everyone) is launched on par with external one (publication of offering on job portals) as these posts require specialists knowledge confined to a small group of experts. If the employee is interested in the published vacancy, he/she participates in the recruitment process on an equal basis as the external candidates after having received the consent of his/her manager for such a step.

VRG S.A. (Company) – employees by split:

	2021	2022
AGE		
GENDER		
SENIO-RITY		

AREA OF EMPLOYMENT		

Employee development opportunities are not limited to promotions. The Company puts great emphasis on continuous improvement of managerial qualifications among its management personnel. In 2022, the Manager Academy was launched, as part of which a series of training courses developing managerial competences was conducted. In addition, a group of directors and managers of the Company participated in the Development Center sessions. The results of the session indicated the directions of development of the training system for 2023. In 2022, the Company definitely intensified its development and training programs for its employees. In addition to the above-mentioned managerial trainings, a number of trainings were conducted to improve both competences and business awareness (negotiations, product knowledge, production processes) of head office employees, as well as soft skills workshops (cooperation, communication, etc.). The management and employees have undergone a number of trainings and workshops, hence the significant increase in the number of training days in 2022. The company maintained the practice of remote training or e-learning, in which employees could participate at a time of their choice. This is reflected in the large number of e-learning training hours available to most or all employees. As a result, in 2022 there was a 167% YoY increase in the number of trainings at the Capital Group level, and the number of people trained increased by 48% yoY and amounted to 1,702 people. At the Company level, the number of people trained was 746 in 2022, growing by 101% YoY. At the Company level, the increase in the number of training days was stronger and amounted to 315% YoY, due to the low base.

As part of training/development projects, store employees may be delegated to indicated training units. In addition, an employee may apply for funding for training or postgraduate studies. In particular, for the employees of the sales department, the Capital Group organizes cyclical product and sales trainings that allow them to acquire the competences of a customer advisor. On the other hand, those starting work in the Capital Group take part in specially prepared and systematically expanded adaptation processes, both to work in the head office and in showrooms. At the same time, by offering employees development, the Capital Group does not forget about employee evaluation, feedback and market remuneration, the level of which is monitored by access to payroll reports. Below we present data on employee training (all except OHS training).

Number of employees and co-workers who participated in trainings	2021	2022
VRG S.A. Capital Group	**1,149**	**1,702**
Apparel segment	439	799
Jewellery segment	710	903
VRG S.A.	**371**	**746**

Number of training days	2021	2022
VRG S.A. Capital Group	**1,446**	**3,859**
Apparel segment	595	1,883
Jewellery segment	851	1,977
VRG S.A.	**448**	**1,859**

The Company's principles of remuneration are described in the Remuneration Regulations of VRG S.A., in accordance with the applicable provisions of the labour law. The basic salary is individually agreed in the employment contract, in the amount corresponding to the type of work performed and the qualifications and competences of the employee, taking into account the quantity and quality of the work performed. Part-time employees are entitled to the total gross remuneration determined in proportion to the working time. The incentive systems used in the Company reward the achievement of set indicators, e.g. such as: the level of sales (a criterion for store employees and employees who have a direct impact on the achievement of sales level), level of specific financial ratios of the Company (a criterion for the managerial personnel), or achievement of the set goals. The company pays particular attention to the development of transparent incentive systems, verifies their effectiveness and adjusts them to changing economic conditions.

Employees receive remuneration determined on the basis of their qualifications, professional experience and other required competences. Both the Company and the Capital Group performed an analysis of remuneration by position and gender, taking into account all employees together with the Management Board of the Company and subsidiaries. At the Company level, the difference in the average remuneration of women versus men is 30%, and at the Group level it is 36% for 2022. It is worth emphasizing that the difference in the average remuneration of senior management both in the Company and the Capital Group is in favour of women. The size of the reported ratios is significantly affected by incentive systems. An important element of the remuneration of store employees and managers is a bonus directly linked to sales results. Therefore, the amount of remuneration of store employees depends on individual efforts or the location of the store in which they are employed. Another element that should be taken into account when analysing the presented results is the employment structure by gender - women constitute 86% of the Company's employees and 87% of the Capital Group's employees, and thus they are the dominant group also among store employees. The Management Board of the Company believes that both the employees of the Company and the Capital Group are remunerated according to their commitment to work for the Company and the Capital Group. The Management Board will continue analyzes and activities aimed at counteracting the emergence and existence of differences.

WE PROMOTE SPORTS AND HEALTHY LIFESTYLE

The Company and the Capital Group engage in campaigns and initiatives that they believe are valuable for their stakeholders and consistent with the brands' images and values of the Capital Group. VRG S.A. especially engages in sports promotion, while being a partner of well-known and valued Polish sportsmen from various sport fields. On one hand, the marketing communication related to sports refreshes and dynamises the image of the brand by linking it to sport disciplines that match the profile and interests of the brand's customers. On the other hand, it promotes positive attitudes like perseverance and success.

In 2021, the Company continued its cooperation with athletes. After cooperating in previous years with Robert Lewandowski, Kamil Stoch, Piotr Żyła and Dawid Kubacki, the brand is still committed to promoting a healthy lifestyle and valuable attitudes of men involved in various sports. Continuously since 2016, Vistula has been the Official Partner of the Polish Football Association, dressing the Polish national team in formal outfits during the Football World Cup or the European Championship. In 2022, the Vistula brand, as the official partner of PZPN, designed and manufactured a formal outfit for the Polish national football team for the World Cup in Qatar. For sports enthusiasts, both the national team outfit (suit, shirt, shoes and a special line inspired by the World Cup monolook) was available from the end of October 2022. In 2022, however, the brand stopped continuing the "Vistula with Passion" project, which focused not only on physical activity, but also on personal development and self-realization. In the years 2018-2021, Vistula brand chose inspiring heroes as its ambassadors, representing various areas of life, from a rally driver to a world champion in sailing, captain of the AMP Football team. A total of 17 men participated in the project.

Initiatives related to the promotion of Polish athletes are not the only area related to the promotion of an active lifestyle. In 2017, the Company decided to get involved in the project of supporting the initiative of the charity run Poland Business Run - the Company financed and thus enabled two teams to participate in the project and at the same time helped financially support people with amputations or disabilities of the lower limbs. The initiative was aimed not only at supporting people with disabilities, but also at promoting an active lifestyle and integrating the local community with business. It allowed the Company's employees to show their sports talents and encouraged others to start similar activities. Due to the positive response of the campaign among employees, VRG teams have been successively supporting this campaign with their sports presence. In 2021, despite difficulties resulting from the pandemic, six teams took part in the action by participating in a remotely organized run, again taking high places in the classification, in 2022 four teams participated. In addition, the Company (through the OHS services) conducts educational programs addressed to employees: "Let's take care of our health" or "Proper behaviour in situations threatening health and life", promoting appropriate attitudes in the field of health protection in the workplace.

During the pandemic, the Company enabled employees to participate in remote training, including in the field of time management or the ability to reconcile work and private life. In addition to the above-mentioned involvement of the Company, the Capital Group also offered pro-health training for its employees during this difficult time. Their topics were wide, ranging from behaviours that help to take care of the spine in the workplace, through disseminating information about healthy eating and its impact on human health, to instructions on how to deal with burnout in the workplace. These trainings were free and available to all employees. The Group co-finances employees with Multisport cards, all employees can join the health care program (all employees at the VRG S.A. headquarters and all employees of the stores employed under an employment contract after a trial period) and life insurance. In 2022, W.KRUK conducted and participated in campaigns related to promotion of a healthy lifestyle and preventive health care, such as: co-financing of Multisport cards for employees, training in the prevention of employee health problems - in 2022 training from the voivodeship budget Lesser Poland "Keep Balance", participation in sports events (Business Run).

Flexible working hours apply at the headquarters of the Capital Group. In the Company, in selected departments, an employee may start work between 7 and 9 am. Work regulations have been introduced in W.KRUK, which in selected cases allow employees of the headquarters to perform their duties at the place of residence. Store employees work in the so-called equivalent working time system. When arranging working time schedules, store managers take into account the needs of employees regarding the time to start work, days off, so as to secure the full-time staff of the stores and comply with applicable regulations. The year 2020 introduced sizeable changes in the field of remote work. From March 2020, it was possible to work from home due to the epidemiological threat. Both the Group and its employees found themselves very well in the above situation, which, due to the pandemic, was continued also in 2021, and the possibility of at least partial remote work has become a permanent part of the company's operation - the Company has regulated the rules of work remote. New regulations of the labour law in this respect will be reflected in the Company's internal rules.

The return to off-line work affected the number of overtime reported. In total, the Company reported 544 overtime hours in 2022, an increase of 109% YoY. In 2022, employees of the Capital Group worked 5,720 overtime hours, an increase of 88% YoY. A smaller increase at the level of the Capital Group than at the level of the Company results from the decrease in overtime in WSM Factory Sp. z o. o. (changes in the organization of work) and their stable level in DCG S.A. The number of overtime hours in the key Group companies (VRG S.A., W.KRUK S.A.) higher than in previous years is related to changes in organization of work in individual organizational units (W.KRUK S.A.) and increased needs resulting from lack of periods covered by the trade ban in 2022, which existed for part of 2021. It is in the traditional network that most employees are employed, who could not generate overtime during the periods of mandatory administrative closing down in 2021. In addition, a smaller part of office employees could work remotely, which could have had a positive impact on the number of reported overtime hours. Both in the Company and in the Capital Group, the overtime values did not return until 2020, when higher values were recorded due to the need for significant operational changes due to the first months of the pandemic.

WE CULTIVATE CRAFTS AND TRADITIONAL PROFESSIONS

Tradition, attachment to high-quality workmanship and handcraft remain important values for the Capital Group. Using modern materials, techniques and design, the Capital Group cultivates traditional trades such as tailoring and jewellery. In the apparel segment VRG S.A. conducts activities supporting the process of building the perception of Vistula brand as the "National Tailor", a brand that continues the tradition of Polish tailoring, taking care of the elegant appearance of Poles in official and causal situations. The Capital Group and the Company regularly dress leading Polish actors and artists for the most important cultural events, for example, the brand dressed leading Polish artists for the ceremony of awarding the Polish Film Awards Eagles 2020. This mission also includes cooperation with state institutions of culture and art. VRG S.A. sponsors costumes for selected theatre plays (in 2022, it dressed actors for the performance "Nothing happened", which is a combination of passion and love for football), and in previous years, it dressed employees of the National Museum in Cracow and employees of the Royal Baths Park in Warsaw.

Similar activities are carried out by the Bytom brand, which, as part of a wider cooperation in 2021 and 2022, dressed the employees of the Wawel Royal Castle in Cracow. The quintessence of this cooperation was a limited collection with fragments of King Sigismund August's tapestries, whose photo session as part of the Autumn/Winter 2022 collection took place at Wawel Castle. These activities are part of the brand's activity to promote Polish culture and the vision of modern tailoring. In recent years, Bytom brand has presented in its collections and marketing message the works and outstanding figures of Polish art, i.e. a limited collection dedicated to the Polish Poster School with graphics by Polish poster artists (Spring/Summer and Autumn/Winter 2021); a collection with prints of Zdzisław Beksiński's paintings created in cooperation with the Historical Museum in Sanok, as well as its next edition launched for sale in the Autumn/Winter 2022 season, a collection of products with prints of graphics from posters by Andrzej Pągowski, one of the most famous Polish graphic designers and poster artists, and another limited collection which is a continuation of the presentation of selected and characteristic works by Zdzisław Beksiński. Bytom brand also promotes art through cooperation with various institutions - the brand became a Supporting Partner of the 14th and 15th International Independent Cinema Competition Mastercard Off Camera, it was also a partner of the 1st Concert of Laureates of the 18th International Piano Competition. Fryderyk Chopin, which took place at the Grand Theater - National Opera in Warsaw and a Partner of the Zaduszki Jazzowe festival.

VRG S.A. cooperates with the career office of selected universities, and some employees cooperate with vocational universities, sharing their knowledge about the art of tailoring and design with students. In addition, various departments in the Group's organizational structure assist students in the creation of selected master's theses, providing data and explanations, as well as offering internships. At the level of the Capital Group, this activity is enriched by the jewellery segment. W.KRUK, as the oldest jewellery brand in Poland, with over 180 years of tradition in jewellery production, is involved in cultivating the goldsmith craft. Since 2021, Manufaktura W.KRUK has been cooperating with the Construction School Complex No. 1 in Poznań and students' parents. W.KRUK is the patron of the goldsmith class, whose students have access to equipped rooms for practical vocational training in Manufaktura. In addition, as part of the patronage, the company funded a starter kit of tools, which is a workplace equipment, supports the school in the purchase and selection of other materials and tools, pays for and organizes students' transport to classes, provides work clothes and shoes. The teachers in the goldsmith class are two people who are employees of Manufaktura and one retired employee.

W.KRUK brand invariably directs its communication predominantly to women. In marketing activities, she speaks a language close to the values of contemporary Polish women. For several years, the brand has been presenting its own collections of jewellery designed in cooperation with well-known and influential women every year. These collections are inspired by values such as friendship or freedom (in the pursuit of dreams) and symbolize messages such as motivation to persistently pursue personal goals. In its marketing activities, W.KRUK devotes a lot of space to content and activations related to the above-mentioned values and messages, of which the brand's jewellery remains a unique symbol. The oldest Polish jewellery company has also been a partner of the Silver Apples PANI plebiscite for years. As a timeless brand focused on emotions such as love, W.KRUK supports the activity of the PANI editorial office in rewarding exceptional love stories described every year in the magazine. Among the ambassadors of W.KRUK who created their own jewellery collection are Natalia Kukulska with her husband Michał Dąbrówka, Magda Mołek, Martyna Wojciechowska, Ewa Chodakowska, Magdalena Cielecka, Maja Ostaszewska, Alicja Bachleda-Curuś, Kinga Rusin and Anna Maria Jopek.

Collaborative projects with PIOT

The Sectoral Council for Competence Fashion and Innovative Textiles was established in October 2016 as an initiative arising from the needs of the industry to adapt knowledge, skills and competences to the requirements of the changing market. It is a project financed from the Operational Program Knowledge Education Development Priority Axis II - Effective public policies for the labour market, economy and education. The leader of the project is the Association of Entrepreneurs of the Fashion Industry LEWIATAN and the partner of the project, which is to last in the years 2016-2023, is the Association of Employers of the Clothing and Textile Industry - PIOT. In 2022, i.a. the following activities with the participation of VRG S.A.:

- 2 educational and information films were produced for dedicated internet channels on extracurricular forms of education, including apprenticeships in fashion industry enterprises and career paths of graduates of fashion industry schools and their development in sector enterprises,
- 4 sponsored articles were published showing the development of competences in the sector and activities promoting the sector as an attractive place for career development,
- as part of the implementation of two "Tailor-made competences" competitions, staff training in enterprises was started in the areas of: production preparation, production processes, management and R&D activities,
- with the participation of enterprises, e.g. VRG S.A. recommendations were prepared regarding the creation of new qualifications in the field of digitization and the Circular Economy for the sector,
- recommendation on changes in the sector and education was updated,
- a series of events promoting the sector and vocational education for the sector was prepared and conducted, e.g. Career Days - Together for the Fashion Industry, a sectoral debate and a nationwide conference.

VRG participated in all the above activities as a sector employer, sector advisor or consultant of documents developed by experts.

In 2022, on behalf of PARP, the second Sectoral Balance of Human Capital study was launched - the fashion and innovative textiles industry. The study will last until the end of 2023. The VRG company participates in the study as a sector consultant and expert in the field of business models. It will determine the challenges of the sector until 2030: social and environmental, economic challenges, technological challenges, legal challenges such as intellectual property law or circular economy. The report is to contain recommendations in the field of industrial, commercial and educational policies in the context of the sector's staff development; is to describe the new competencies of human resources in the face of the changing environment and challenges related to the Green Deal. The study is also to show the directions of activity of Sectoral Competence Centers for the rapid transformation of employees to market requirements.

In international sectoral cooperation, VRG S.A. in 2022, she participated in the following activities:

	- participation in the work of a permanent team monitoring the consumption of dangerous chemical substances used in the production of textile products, - participation in the work of DG Grow devoted to the implementation of the European Strategy for the Development of the Clothing and Textile Sector, - participation in meetings of the CSR Committee in the sector. The meetings discussed the tasks implemented by the EU countries as part of the adopted CSR strategy - they mainly focused on social responsibility in the supply chain and on the approach to the working conditions of women in the sector, - participation in the work of the Euratex working group for circular economy, preparing companies for the implementation of the Directive requiring the collection of clothing and textile waste from 2025, - participation in research focusing on restrictions and barriers to trade. The report was part of the EURATEX report submitted to the European Commission with aims regarding revision of trade policy and strengthening of reshoring and the establishment of support instruments for companies, - participation in the work of the Skills Committee in Euratex. Together with partners from EU countries, as part of the Pact for Skills for T&C Sector, a plan and assumptions for competitions as well as detailed objectives of the pact were developed, - participation in the 10th EURATEX Convention was entirely devoted to circular economy and digital transformation. The convention was attended by over 200 representatives of the sector from all over Europe. Under the slogan "Digital transformation of the sector and the circular economy", the latest technological solutions and an action plan were presented in the following topics: textile waste management, waste processing techniques and technologies, the meaning of "green passport" opportunities and threats for enterprises, e-commerce as an opportunity for globalization trade, digitization of technological processes, new competences in the sector related to the green deal and digitization.

WE CARE FOR A SAFE WORK ENVIRONMENT

Safety of employees and co-workers is a priority for the Management Board of the Company and the Capital Group. The Group has implemented health and safety regulations (so called Health and Safety Service) as well as guidelines regarding fire safety. Dedicated personnel (health and safety service employees) is also employed with the task to assure that all regulations are applied in practice. VRG S.A. together with companies from the Capital Group, have a Work Safety Policy that defines long-term goals and principles that the Management Board follows while implementing tasks in the field of occupational health and safety and fire safety. The goal is to provide the safest working conditions possible, followed by minimization of occupational risk and creation of habits among employees aiming at maximum risk reduction in performed tasks. Effectiveness of work safety management results from a precise specification of who is responsible for what tasks and how to cooperate while conducting tasks. Thus, the system includes the Management Board (which is responsible for all issues related to health and safety and fire protection), directors and managers (responsible, inter alia, for development and implementation of instructions, organization of workplaces, enforcement of compliance with rules by employees) and employees (whose duty is, among others, to know health and safety rules and take part in trainings, inform supervisors about dangers and risks, perform work in a manner consistent with safety regulations and rules).

The Health and Safety Service fulfils the provisions of the Council of Ministers Ordinance of September 2, 1997 regarding health and safety at work, as amended. Our policy specifies the tasks and responsibilities of employees and managers. It puts emphasis on appropriate identification of occupational risk (i.e. the probability of occurrence of undesirable events related to work performed causing losses, in particular occurrence of adverse health effects among employees as a result of occupational hazards occurring in the work environment or the way work is performed). Analysis of occupational risk is carried out by appointed teams in cooperation with the health and safety service. It is updated: obligatory once every two years, due to changes in technology, in case of detecting excess of harmful and dangerous factors in the work environment or at the request of authorized external institutions. All this contributes to a low number of accidents both in the Company as well as in the Capital Group. Both in VRG S.A. as in the Capital Group there were no serious and fatal accidents at work in the analysed years. Basic statistics are presented below. The maintained low number of accidents both at the level of the Company and the Capital Group result primarily from the constantly raised awareness among employees regarding safe work and correct behaviour in emergency situations, as well as from regular safety checks both in company showrooms, as well as offices and units off-road.

Number of accidents at work	2021	2022
VRG S.A. Capital Group	**10**	**5**
Apparel segment	6	4
Jewellery segment	4	1
VRG S.A.	**2**	**2**

Accident frequency indicator	2021	2022
VRG S.A. Capital Group	**4.3**	**2.1**
Apparel segment	4.4	2.9
Jewellery segment	4.2	1.0
VRG S.A.	**1.9**	**1.9**

Number of days with inability to work	2021	2022
VRG S.A. Capital Group	**168**	**196**
Apparel segment	77	185
Jewellery segment	91	11
VRG S.A.	**4**	**125**

Accidents severity indicator	2021	2022
VRG S.A. Capital Group	**16.8**	**39.2**
Apparel segment	12.8	46.3
Jewellery segment	22.8	11.0
VRG S.A.	**2.0**	**62.5**

The low accident rate also result from regular and meticulous health and safety training. Compared to the previous year, the number of accidents decreased by half, while these accidents resulted in more days of incapacity for work compared to accidents in 2021, resulting in an increase in the severity rate of accidents. OHS training is regulated by the Regulation of the Minister of Economy and Labour of July 27, 2004 on training in occupational health and safety (as amended) and internal documents in individual companies of the Capital Group. Guidelines in this regard ensure that training participants: (1) become familiar with the factors of the working environment that may cause threats to the safety and health of employees at work and with appropriate preventive measures and actions, (2) learn the regulations and principles of occupational health and safety , fire protection, to the extent necessary to perform work in the workplace and at a specific position, as well as work-related duties and responsibilities in the field of occupational health and safety, fire protection. and (3) acquiring the skills to perform work in a safe way for oneself and others, to act in emergency situations and to help a person who has had an accident. In order to properly transfer knowledge and skills to employees, programs are developed for specific groups of positions. The programs of initial training and periodic training, specifying the detailed topics, forms of implementation and duration of the training, are developed by the health and safety service for individual groups of positions. In 2022, VRG S.A. trained a total of 489 people in OHS (+3.4% YoY), and the Capital Group 1,255 (+18.1% YoY). The increase in the total number of people trained results from the increase in the number of initial trainings.

Number of trained employees in the initial work health and safety trainings	2021	2022
VRG S.A. Capital Group	**532**	**642**
Apparel segment	298	352
Jewellery segment	234	290
VRG S.A.	**267**	**319**

Number of trained employees in periodical work health and safety trainings	2021	2022
VRG S.A. Capital Group	**531**	**613**
Apparel segment	232	387
Jewellery segment	299	226
VRG S.A.	**206**	**170**

Overall number of trained employees in work health and safety trainings	2021	2022
VRG S.A. Capital Group	**1,063**	**1,255**
Apparel segment	530	739
Jewellery segment	533	516
VRG S.A.	**473**	**489**

A separate ordinance regulates the activities of the Occupational Health and Safety Commission, which includes persons selected from employees. The Commission's task is to review working conditions, assess occupational safety and health, provide opinions on measures taken by the Company's Management Board to prevent accidents at work and occupational diseases, formulate proposals for improving working conditions and cooperate with the Management Board on implementation of safety responsibilities and hygiene at work.

WE SUPPORT IMPORTANT SOCIAL ACTIONS

The Capital Group and the Company engage in a number of socially significant activities for employees, local communities and their clients. They depend on the current situation in the country. In 2020 and 2021, they were focused on the pandemic, when all brands of the VRG S.A. Capital Group took action to support other entities. In the years 2021-2022, W.KRUK continued the campaign to support medical services - on May 12, on the International Day of Nurses and Midwives, the brand thanked nurses for their work in advertisements in the nationwide press and online media and declared that the income from the sale of the mother and quota bricks sold in the wkruk.pl online store will be donated to the Supreme Chamber of Nurses and Midwives. W.KRUK also supports charity initiatives of its employees. In 2022, after Russia's aggression against Ukraine, the brands' activities were focused on supporting Ukrainians. Both VRG S.A. and W.KRUK provided financial support to the Polish Humanitarian Action. Both the Company and the Capital Group provided financial support to employees from Ukraine. Individual brands also supported those in need by donating clothing. Additionally, in 2022, W.KRUK and its employees became involved in the “Szlachetna Paczka” campaign.

Since 2020, W.KRUK has been offering a specially designed pendant-beads covered with orange enamel, which is a symbol of Martyna Wojciechowska's foundation, UNAWEZA. This organization, in Poland and in the world, gives women wings by equalizing economic, social and legal opportunities. W.KRUK supports the activities of UNAWEZA and allocates 20% of the total net income from 2020, and from the third quarter of 2021 the total income from the sale of Freedom UNLIMITED UNAWEZA beads for its statutory purposes. Also in 2021, the brand, together with Ambassador Magda Mołek, decided to create a unique pair of earrings from the joint MEA jewellery collection for the Great Orchestra of Christmas Charity auction. The auction was announced in 2022, on the occasion of the 30th Finale of the Great Orchestra of Christmas Charity and then also communicated. In the final WOŚP, 2022 edition, as part of the "Things from the heart" campaign, W.KRUK donated to the auction a set of jewellery designed in cooperation with Martyna Wojciechowska together with an invitation to the W.KRUK Manufaktura.

In January 2022, Wólczanka supported the campaign of the Great Orchestra of Christmas Charity by raising money at the headquarters of VRG S.A. and by organizing an auction for a professional photo session organized by the brand. A year earlier, the brand took part in the Noble Gift campaign. For years, W.KRUK has been involved as a partner in a number of events as an expert in the field of top-quality design and production of jewellery and accessories (including the design and production of unique statuettes and awards in projects, for example for the Silver Apples plebiscite of the PANI magazine, distinguishing famous couples who told their love stories in the PANI magazine in a given year).

WE PRODUCE AND SELL RESPONSIBLY

Responsible production and sales are issues that are increasingly present on the agenda of all brands of the Company and the Capital Group. In the collections of the apparel segment, modern and ecological fabrics are introduced step by step (i.e. organic cotton, recycled cotton, RDS-certified natural down, organic linen, eco viscose and recycled artificial fibers) in order to implement the direction set by the Sustainable Strategy development. As a result of many months of activities undertaken in 2022, in which orders for apparel collections for the Spring/Summer 2023 season were worked on, the current season in the Company's brands will contain a minimum of 15% of clothing model colours in each brand and a minimum of 20% of clothing items using certified raw materials with an eco-logical background. At the same time, the brands of the apparel segment consistently implement VRG S.A. measures taken at the end of 2019 in the form of joining the Open Cages program. From the Spring/Summer 2020 season, brands have given up using natural fur in their collections. The adopted fur-free policy is a confirmation of the commitment of VRG S.A. and the Group in activities to offer ethical solutions and products that were made with respect for animals and the natural environment.

In addition to increasingly responsible production, we also take steps to reduce the carbon footprint, also through participation and support for activities in the area of circularity. In 2022 and at the beginning of 2023, the Wólczanka brand and the Deni Cler Milano brand supported the "Clothes to donate" campaign. In selected traditional stores in the largest cities, it was possible to return unnecessary clothing to dedicated boxes or order a free courier via the website to collect clothes from the indicated location. These were both new and used clothes of any brand. Each kilogram of the collected items (and the Wólczanka brand collected over 2 tons by the date of publication of the Report) translated into one zloty of aid for the charges of the "Help on Time" Foundation (on the part of the Wólczanka brand) and "Between Heaven and Earth" (on the part of the Deni Cler brand)). The donated clothes were delivered to the "Clothes to donate" brand, where they were sorted and refreshed. Some of them went to the second circulation and avoided being thrown into the garbage, and some, unsuitable for further use, were recycled.

5.2. Risks

The most important social and employee-related risks identified by the Group and the Company are:

– - employees rotation,
– - inability to attract suitable employees (low availability of employees with sought-after qualifications),
– - expected wage pressure (high salary demands of employees).

The risk related to social and employee area is significant both for the Company and the Capital Group. High employee turnover means rising costs (recruitment process, employment, training and remuneration) and may lead to a deterioration in the quality of service. It carries the risk of staff substitutability and competency management. The inability to attract talents to the company exposes the Company and the Capital

Group to the risk that its projects and activities will be less innovative and less effective than those of the competition. Both of these risk factors, combined with significant pressure on wages and the ease of changing jobs, in particular in positions in showrooms or IT, may have a negative impact on the financial results of the Company and the Capital Group, which would weaken its competitive position.

The management board and management attach great importance to the comfort, working conditions and safety of employees at every career level. Employees receive equal opportunities, market remuneration and development opportunities along with a clear career path. The majority of employees are employed on the basis of an employment contract, and overtime work is not promoted. At the same time, the Management Board of the Company and the Capital Group tries to meet the expectations of employees by offering non-wage benefits, i.e. additional payments to Multisport cards, free access to specialist doctors as part of the company-wide medical package, training opportunities, further development and involvement in important social campaigns, adapting benefits to the possibility of their use during the COVID-19 pandemic.

6. Respect for human rights

6.1. Policies

Human rights and related issues are important for Capital Group. These materialise in the value chain, starting from employees, through suppliers and business partners and ending on customers.

Policies respecting human rights		
Respect for employees' rights	Respect for business partner employees' rights	Respect for customers' rights
Labour Code, Code of Ethics	Long-term suppliers with suitable certificates	Ethical communication, GDPR implementation

RESPECT FOR EMPLOYEES' RIGHTS

The Company and the Capital Group have a labour code that respects the Conventions of the International Labour Organization. The Code applies to all employees, regardless of their position, function, gender and age, and the Management Board and the management team strive to ensure that it operates in practice. The Group pays special attention to gender equality. The vast majority of job advertisements are insensitive to gender of the candidate, and employment decisions rely solely on assessment of candidates' competences. An exception is the recruitment for the position of a technical model responsible for fitting clothes from Vistula brand collection, where only men are admitted. The business profile of the Capital Group also reflects the public's interest in the retail industry. Therefore, recruitment process is dominated by women (77% of applications to VRG SA headquarters in 2022 came from women (81% in 2021), at W.KRUK S.A. this indicator is 78% (85% in 2021)). Virtually at every level in the Capital Group there are men and women, this applies to stores, production and management team (currently the only exceptions to this rule are the management and supervisory board of W.KRUK S.A. and VRG S.A. Supervisory Board nominated by shareholders). The Group focuses on competences and skills of employees, taking on employees of different ages, regardless of their gender, religion or nationality. The franchise agreement signed with franchisees contains a clause referring to mandatory employment of employees under a contract of employment and the need to approve bonus systems. In the event of violation of any of these points, penalties may be imposed on the franchisee. In Bytom brand persons working in stores are employed based on a contract of employment by store managers and not by the Company.

In 2019, the Capital Group implemented the Code of Ethics on the basis of well-established practices and long-term customs existing in the parent company and subsidiaries. The details of the code are presented in the table below. It addresses key topics for the Group and presents the four values of the Capital Group: cooperation, professionalism, respect, transparency. The Capital Group implemented a new version of the Code of Ethics in 2021, all employees were required to familiarize themselves with its content (key elements of the Code are presented below). All newly hired employees are familiarized with the Code of Ethics as part of the onboarding process. In 2022, W.KRUK launched a program of active prevention of mobbing situations and implementation of a diversity policy in a broader dimension. In the fourth quarter of 2022, the Management Board and company directors took part in an anti-mobbing training entitled Counteracting mobbing and discrimination in the workplace. Also at the end of 2022, the company decided to join the group of signatories of the Diversity Charter, an international initiative under the aegis of the European Commission, represented in Poland by the Responsible Business Forum.

RESPECT FOR OUR BUSINESS PARTNERS EMPLOYEES' RIGHTS

The Capital Group and the Company have in mind not only the well-being of their employees, but also the employees of their business partners, suppliers and subcontractors. The Capital Group maintains long-term relationships with suppliers, based on respect and trust. For this reason, the Capital Group participates in activities aimed at respecting human rights. In order to formalize the requirements for its suppliers and contractors, exert greater influence on them and transfer the values of the VRG Group, the Management Board in 2020 created the Code of Conduct for Suppliers and Contractors of the VRG S.A. Capital Group. (hereinafter: the Code), which defines the Group's requirements towards its suppliers, sub-suppliers and other contractors, both domestic and foreign. When constructing the Code, the Capital Group used, among others: OECD guidelines for the clothing segment and RJC (Responsible Jewellery Council) requirements in the jewellery segment as well as UNGC (United Nations Global Compact) principles for both segments. Its primary goal is to ensure safety in production plants, the best working conditions and the most comprehensive protection of the natural environment. The Code was implemented in the Company and the Capital Group in March 2020. The Code is being successively implemented at suppliers - 95% of VRG S.A. suppliers have already signed it. and 74% of W.KRUK's counterparties. The key elements of the Code are included in the table below.

Code of Ethics of VRG S.A. Capital Group

The Code includes 4 key values of the Capital Group
The purpose of the Code is to promote preferred attitudes of all employees of the Capital Group and to spread the norms and values of the Capital Group. The Code is publicly available, posted on the website of VRG S.A. It covers not only the parent company but also all subsidiaries. Anonymity is offered to anyone reporting violations of the Code together with legal advice.
COOPERATION Cooperation on the basis of balance, mutual respect and taking into account the needs of the other party, as well as striving for a compromise, shapes not only the relations of the Capital Group with external entities, but above all within itself, at the level of relations between colleagues.
PROFESSIONALISM Continuous improvement of qualifications combined with a reliable approach to tasks entrusted allows effective implementation of tasks, for the benefit of the Group and its business partners, positively affecting the Group's image and reputation in the eyes of third parties, especially customers.
RESPECT Respect for both co-workers and third parties, respect for their dignity and taking into account their needs is one of the basic principles defining the direction of the Group's activities. The Group emphasizes that equality is associated with diversity of its employees. All forms of discrimination, regardless of nationality, age, sex, race, fitness, sexual orientation, religion or political beliefs, deserve only condemnation.
TRANSPARENCY The Group cannot function without a bright and clear definition of requirements and rights. Informing employees about their statues, responsibilities and decisions taken in relation to them is done in a manner understandable to employees. The same idea guides the Group in its relations with third parties, where transparency is necessary to avoid misunderstandings and disputes.
The Code addresses such important issues as avoiding a conflict of interest, indicates the desired actions of employees and shapes relations with third parties (business partners, clients, competitive environment). The Code also addresses the importance of local communities for the Group, involvement in local initiatives, as well as environmental awareness and promoting active attitudes to achieve sustainable growth.

Most European and Far Eastern suppliers are large companies that have been operating in the international environment for many years and produce goods for many well-known European and world brands. Many of them are audited by their clients as well as by independent institutions. Reports from these audits are made available to the Company. The vast majority of suppliers in the apparel segment, both Polish and foreign, have the OEKOTEX Standard 100 certification in the field of textile products (fabrics and accessories) and meet the REACH standards applicable to manufacturers from the European Union. Appropriate certificates are verified by the Company. Certificates are collected on an ongoing basis, at the time of sending inquiries and placing orders. They are usually sent by suppliers electronically or made available on their websites. In addition, some raw materials, especially fabrics, are randomly checked by the Company for the presence of chemicals and other dangerous compounds in certified research laboratories. So far, it has not happened that the test results were outside the acceptable standards.

In previous years, the Company did not include in its contracts for purchases in the apparel segment obligations relating to respecting human rights and not employing or using child labour, however, it required its suppliers to respect these rights in their production plants and to have appropriate certificates (e.g. BSCI, SMETA/SEDEX) and were able to provide them at the request of VRG S.A. All major suppliers for VRG brands have appropriate certificates. They are also required for all new suppliers and are a criterion for starting cooperation. Since the Company focuses primarily on the quality of products, and not only on their price, it uses more specialized producers, and not those focused mainly on large volumes and low costs. In addition, a significant share of the production of basic products sold by VRG S.A. takes place in Polish plants where the national labour code is observed. In addition, domestic production takes place in Poland under the supervision of technologists. There is a production plant within the Capital Group, and VRG S.A. it also cooperates with plants that have historically been part of it.

In the jewellery segment, W.KRUK jewellery manufacturers take into account the ethical dimension of business - about 50% of foreign suppliers hold international certificates or belong to organizations associating responsible entrepreneurs. Selected suppliers regulate the issues of standards internally by creating documents such as the Code of Conduct, specifying the requirements in terms of standards and working conditions. Leading contractors belong to the RJC (Responsible Jewellery Council, extended name: Council for Responsible Jewellery Practices Ltd.) - an international non-profit organization that sets ethical standards in the jewellery industry and certifies companies that meet the highest criteria. The organization is primarily interested in introducing for sale precious metals and stones that have a certificate confirming that the raw material is obtained in a responsible manner and with compliance with working conditions. Many suppliers meet the ISO standards: ISO 14001, ISO 9000 and ISO 9001, some belong to Sedex, as a result of which they are subject to the SMETA (Sedex Members Ethical Trade Audit) procedure.

RESPECT FOR CUSTOMERS' RIGHTS

The entire value chain of the Capital Group is based on the client for whom ideas and projects are created. For this reason, the Group strives to ensure that products are created under fair ethical conditions, so that communication with the client is based on mutual respect, that the entity whose products are bought operates on the principle of fair competition as well as that the acquired personal data of customers are duly and safely processed.

Guarding the image of its brands, the Capital Group places particular emphasis on ethics of operations, creating marketing communication based on the highest standards. Marketing teams of individual brands in their daily work use the procedures and set of good practices developed by the Group. Depending on the scale of activities, ideas are consulted at various organizational levels of the Company and the Group. Strategic projects are consulted with the Management Board of the Company. Before the message or creation is made public, each time they are subject to substantive and visual verification by the team of a given brand. Any doubts, remarks and opinions that arise are subject to discussion, thanks to which the preparation of an inappropriate marketing message is minimized.

The Capital Group respects free and fair competition as a basic element of the customer's right to a wide selection of goods in each of the segments in which it operates. Neither in 2022 nor in 2021, the Group was not involved in any proceedings that would violate the competition rules.

Code of Conduct for Suppliers and Subcontractors of VRG and VRG Capital Group – below we present selected elements from the Code. Full version is available on the webpage www.vrg.pl

1 **Legal requirements**

Apart from following local regulations, a Group supplier is also obliged to comply with all other industry norms and standards, as well as relevant conventions of the International Labour Organization (ILO), the United Nations (UN) and the provisions of the Universal Declaration of Human Rights, as well as OECD Guidance on due diligence in responsible supply chains in the textile and clothing and footwear sector.

2 **Employment conditions, voluntary and working conditions, underage workers**

A zero-tolerance policy for all forms of forced labour. The Group does not tolerate hiring children. As a result, suppliers and contractors should treat all their employees with due respect and observe their dignity. It is unacceptable for suppliers and subcontractors or other contractors of the Group to apply discriminatory practices to recruited persons, applying for promotion, employed by a given employer and they should not be a reason for terminating the employment contract. It is not allowed to employ employees in the absence of sufficiently clear conditions that would specify the remuneration and the rules for its granting, the foreseen duration of the contract, the scope of performed duties and working time.

3

Employees' rights, freedom of association

Suppliers and other contractors are required to comply with all labour laws. Suppliers are obliged to recognize and respect employees 'rights to conclude collective labour agreements and free membership in organizations such as works councils, trade unions or associations whose purpose is to represent employees' interests.

4

Occupational health and safety

Care for the employees' safety should be a priority for every employer, which is why suppliers cooperating with the Group are obliged to maintain the utmost diligence in order to provide employees with safe and hygienic conditions of the work they perform.

5

Natural environment

The Group expects suppliers and contractors to comply with legal provisions regarding the impact of their business on the environment. They should also assess their business in terms of the risk of negative impact on the environment, measure their impact on the environment and strive to prevent this risk.

6

Production sites; Subcontracting production

The Group's goal is to ensure compliance with the Code and legal provisions not only by the Group's direct suppliers and contractors, but also by subcontractors. Therefore, a Group Supplier should provide full information about the actual place of manufacture of the products for the Group, especially when acting as an agent or purchasing office. The Code applies to both the contractor and supplier of the Group, as well as their subcontractors actually carrying out manufacturing.

7

Special rules for suppliers of W.KRUK jewellery segment

Jewellery suppliers of W. KRUK S.A. should also comply with principles that relate to the industry's ethical practices as expressed in the Code of Practices formulated by RJC.

8

Anti-Corruption Policy

The Group does not accept any form of corruption. Group employees do not grant, accept or promise any personal or financial gains in connection with or in the course of their duties. These rules apply to relations with suppliers, subcontractors and other contractors. The Group expects suppliers, subcontractors and other contractors to implement effective mechanisms to counteract all forms of corruption.

9

Compliance with international standards

The Group does not stop in its policy towards suppliers at merely respecting basic legal regulations regarding employment, manufacture processes and environmental protection. Group suppliers are required to carry out and share due diligence processes in the clothing, footwear and jewellery segment, which includes procedures allowing enterprises to identify, prevent, minimize, as well as determine how to respond to actual and potential negative effects of their business.

10

Implementation of the Code by suppliers and contractors

The Group expects suppliers and contractors to exercise due diligence in complying with the provisions of the Code in their business, as well as to implement management systems that facilitate compliance with applicable regulations and support making improvements in relation to the expectations set out in this Code.

11

Control of compliance with the provisions of the Code and corrective measures

As part of the responsibility for the supply chain, the Group reserves the right to carry out unannounced visits to the factories and facilities of major suppliers at least once a year. The Group expects its suppliers and contractors to respect the standards contained in the

Code and strives to cooperate on transparent principles, and the information and data provided by the suppliers shall not be intentionally changed and shall be honestly disclosed to the bodies of the Group companies and its auditors.

12

Final provisions

The current rules applicable to the Group's suppliers and business partners remain in force, provided they do not conflict with the provisions hereof.

The Capital Group also exercises due diligence in the context of storing and processing its clients' data. The transmission of customer data is encrypted, and the servers on which the data is stored are located in the Capital Group or its proven suppliers. Currently, store customers can enter and edit their data in the mobile system. This applies to all brands, including Bytom. The only exception is Deni Cler Milano brand. The paper form of customer registration is still valid in Deni Cler Milano salons. In 2022, sales application of Bytom brand was implemented. The implementation for the Vistula and Wólczanka brands took place before 2022. In 2022, the Capital Group reviewed the procedures regarding the personal data protection policy in connection with the entry into force on May 25, 2018 of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons in connection with the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation). In 2022, the Group conducted an audit by the internal audit department in terms of compliance with regulations on the protection of personal data. The company has implemented an e-learning platform for training existing and new employees on the provisions of the GDPR. In 2022, training was conducted for over 1,200 people from the organization. They will cover all groups of employees of the Capital Group in turn. In 2022, single incidents in the field of personal data protection were recorded in the Group.

Within the jewellery segment, W.KRUK S.A. in order to protect the image of the W.KRUK brand and the interests of customers, it monitors the jewellery market on an ongoing basis and if it is found that third parties offer the sale of counterfeit products for products from the W.KRUK brand collection - calls on such entities to cease violations. In the absence of cessation of unauthorized activities by such entities, the Company reports cases of sale of counterfeit products of the Company to law enforcement authorities.

The Company and the Capital Group also care about ethical contact with customers. In stores, customers are assisted in choosing products by store employees, whose task is to take care of customer feelings and provide professional knowledge about products and support in choosing. Store employees are required to familiarize themselves with the regulations and internal procedures, the so-called store standards. They also participate in training. Complaints are a test for the Group's relations with customers, which each of the Capital Group's brands handles in accordance with Polish law, providing customers with the widest possible access to reporting and contact possibilities.

6.2. Risks

The key risks identified by the Company and the Capital Group include:

– lack of respect for the rights of employees,
– lack of respect for human rights at suppliers and business partners,
– lack of respect for the rights of clients.

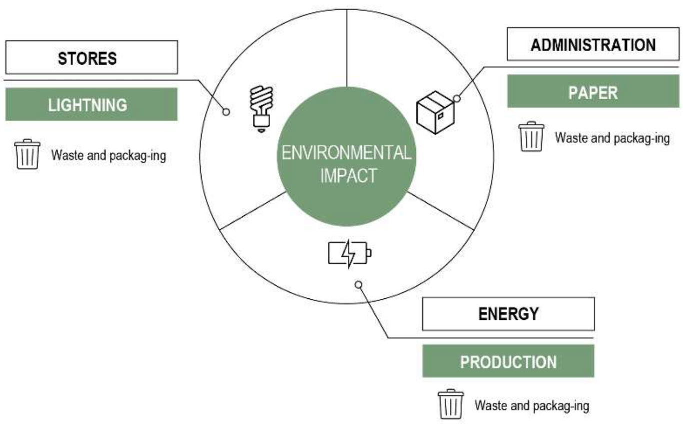
Risk of violation of human rights is a wide-ranging risk for both the Company and the Capital Group, as it affects such a key issue as reputation of the Company and the Capital Group. Although VRG S.A. and VRG S.A. Capital Group operate mainly in Poland, a country that is a member of the EU, where human rights are regulated by both national codes and international conventions, the products sold, as well as fabrics or raw materials from which they are made, are partially purchased in countries where human rights may not be fully respected. In addition, there is a risk that we may violate our customers 'or employees' rights to ethical treatment or privacy.

VRG S.A. and VRG S.A. Capital Group they take human rights issues very seriously. The Management Board places emphasis on long-term relationships with its suppliers and business partners, putting the quality of finishing and business partners' conditions above cost. In addition, the Group is a distributor of products from global brands for which corporate social responsibility is also important. The Management Board of the Company and the Capital Group also pay attention to the ethics of operation, both in relation to brand customers and its competitors, putting the reputation of the Group and individual brands in the first place. Implementation of Code for Suppliers and Contractors contributes to minimization of this risk for business partners. The Company and the Capital Group implement internal processes aimed at maximizing the security of customers and employees and their personal data. An important element is also the Code of Ethics implemented in the Company and in the Capital Group, which contains guidelines and values. Each employee of the Group is responsible for knowing the principles of the Code and complying with them in all of their activities and business relationships.

7. Environment and climate matters

7.1. Policies

Environmental and climate protection is an important topic for the Company and the Capital Group, which strive for sustainable development. The goal of both the Company and the Capital Group is organic and acquisitive growth with gradual reduction of its impact on the environment and climate. The Group began work on reducing its impact on the environment and climate from a thorough analysis of the current state. In 2021, the Capital Group conducted energy audits at VRG S.A., W.KRUK S.A. and WSM Factory Sp. z o.o. DCG S.A. was not obliged to carry out an energy audit due to the low number of employees. Previous audits took place in 2017. The purpose of the external audit was to determine how and in what quantity it is possible to obtain profitable energy savings and what further actions the Capital Group can take to reduce its impact on the environment and climate. Due to the profile of the business and its impact on the environment and climate, the Capital Group distinguishes three places of exposure to the natural environment: stores, administration and production, with different operating and energy consumption characteristics, as well as the scale and type of generated waste and packaging.



CAPITAL GROUP STORES

The majority of the Capital Group's stores are located in shopping centres. Their greatest impact on the environment is the electricity consumed, due to the need for adequate lighting of the store during working hours. The Capital Group systematically takes new measures regarding electricity consumption in order to rationalize the impact of the growing number of stores on the environment and climate. Firstly, since mid-2013, the Group has been using LED lighting in company stores. This applies to both new and renovated/modernised premises. At the end of 2021, 211 VRG stores had LED lighting. They accounted for 83% of the number of own showrooms. At the level of the Capital Group, this number amounted to 329 stores, 82% of own stores at the end of 2021. At the end of 2022, 226 VRG stores had LED lighting. They accounted for 93% of the number of own showrooms. At the level of the Capital Group, this number amounted to 352 stores, 90% of own stores at the end of 2022. In June 2022, energy from the EKO Biznes offer was purchased for the use of Manufaktura W.KRUK and 47 stores of the jewellery segment. This means that the electricity sold under the EKO Biznes product participated in the Green Energy Sales Guarantee system and came entirely from ecological energy sources.

The second area of minimizing the impact of stores on the environment are provisions in contracts with shopping centers. Since 2015, the Capital Group has included clauses regarding respect for the environment in contracts concluded with shopping centers. Depending on the agreements, environmental protection is identical to the catalogue of service charges that the Capital Group is obliged to pay and is listed as one of the components of the charges incurred or is included as an element of detailed guidelines. Such guidelines concern: reduction of consumption or more efficient use of consumed energy, selection of alternative energy sources, reduction of the amount or more effective use of water or sewage, reduction of the amount of waste generated and its sorting, as well as increasing or improving the efficiency of recycling waste or raw materials, and also contractual obligations within a certain time frame to replace obsolete lighting sources. The contractual declarations include mutual obligations to provide information, take joint initiatives in defining environmental goals or organize meetings aimed at exchanging information between the landlord and the tenant and developing common positions for the future, which are to lead to even more effective behaviour in respect of the environment. At the end of 2021, the percentage of contracts with environmental provisions was c. 51% at the Company level and 50% at the Group level. In 2022, these ratios improved further - amounting to c. 52% at the level of the Company and c. 54% at the level of the Capital Group.

In addition to the two most important initiatives, the Capital Group also conducts a number of other activities aimed at reducing the impact on the environment. Air conditioning systems in the stores use automatic temperature sensors, thanks to which energy consumption is minimized. In selected premises, automatic water-saving systems are installed, and in newly opened locations, glass doors are installed, as far as possible, which do not consume electricity compared to entrance roller shutters. The logistics process is related to stores. Due to the planned development, W.KRUK changed the location of its distribution warehouse at the beginning of 2020. The current warehouse is more functional, meeting the criteria of a modern distribution point. It has been arranged according to the current needs of W.KRUK. More modern lighting, ventilation and air-conditioning systems were installed.

Activities are not limited only to stores, but also extend to buildings where the headquarters or offices of companies from the Capital Group are located. The registered office of the company and selected companies from the Capital Group in Cracow is located in the Pilot Tower building, completed in accordance with the assumptions of LEED certification at the CS PLATINUM level (2013). Additional space is rented in Cracow in the Podium Park complex, which has a BREEM certificate at the "outstanding" level, and one of the offices in Warsaw, located at pl. Trzech Krzyży, belongs to the Ethos Retail complex with the BREEM certificate at the "excellent" level (2018).

Logistics is related to both traditional and online stores, which both the Company and the Capital Group are working on optimizing. In 2020 and 2021, the Company implemented the automation of accepting customer returns. The shipment of goods purchased in online stores of brands was also optimized by improving the complementation processes. As a result, the delivery time of e-commerce orders to customers was significantly shortened (up to a maximum of 48 hours), and the availability of products in e-shops was accelerated and increased. Thanks to system changes, in 2021 the "Click&Collect" service was also implemented for all three brands (Vistula, Wólczanka, Bytom), i.e. automation of the process of being able to collect e-commerce orders by customers in offline stores. Further improvements were made in 2022, including: start of same-day deliveries to on-line customers in Warsaw or implementation of Inpost Quick Returns for on-line customers. Work has also begun on replacing the plastic foil used in shirts/complements from ordinary to ecological and hangers in hanging clothes with recycled materials. In addition, in the jewellery segment, W.KRUK undertook consolidation activities for internal shipments in order to reduce the environmental impact despite the dynamic development of the business.

ADMINISTRATION

Capital Group's administration is the second area that has an impact on natural environment. Activities undertaken in the field of quantification of the environment impact are focused on three areas: business cars, business trips and usage of office materials, particularly paper. Some of the policies are written down, some of them remain a customary issue. As part of their professional duties, employees coordinating operations outside of HQs use mostly business cars. When selecting corporate cars, the Capital Group focuses on leasing as the most cost-effective form.

In terms of company cars, both the Company and the Group allow three ways of their operation: ownership, leasing and rental. Company cars are granted to a few people in the organization. At the end of 2022, there were 80 of them at the level of the VRG S.A. Capital Group. (+2 YoY) and 47 at the level of VRG S.A. (+3 YoY). Both the Company and the Capital Group are implementing a fleet emission reduction plan. At the Capital Group level, 5 cars (6% of the fleet) at the end of 2021 were hybrid cars. At the end of 2022, the total number of these cars was already 11 and accounted for 14% of the Capital Group's fleet. The Company and the Group also have a Manual on the use of company cars.

Business cars	2021	2022
VRG S.A. Capital Group	**78**	**80**
Apparel segment	54	59
Jewellery segment	24	21
VRG S.A.	**43**	**47**

Hybrid business cars	2021	2022
VRG S.A. Capital Group	**5**	**11**
Apparel segment	0	5
Jewellery segment	5	6
VRG S.A.	**0**	**5**

Number of kms driven	2021	2022
VRG S.A. Capital Group	**1,994,768**	**2,127,477**
Share of hybrid cars	**5%**	**8%**
Apparel segment	1,597,736	1,666,864
Jewellery segment	397,032	460,613
VRG S.A.	**1,102,034**	**1,072,175**

Although the Group does not have a written business travel policy, the preferred means of transport is rail. The Company and the Group have a Procedure for settling domestic and foreign business trips. The number of trips is minimized by the use of modern tools at various levels and in many fields. The pandemic also forced very quick changes in this area by introducing remote calls and meetings to the organization as a company-wide standard. Recruitment is carried out at least partially (taking into account the pandemic conditions) with the use of modern technologies, thus reducing the need for travel, both on the part of the recruiter and the recruited person. This applies both to recruitment projects carried out to locations geographically distant from the headquarters of the Capital Group in Krakow, as well as to all positions at the Company's headquarters, in particular at the first stage, but often also comprehensively - until the decision on employment. In addition, the IT department in the field of IT support provided to employees of the Capital Group uses software enabling remote access to computers, eliminating the need for business trips related to hardware and software service.

Data on business trips understood as a business trip of an employee of the Company or the Capital Group are presented below. One business trip corresponds to at least two trips or flights, i.e. moving from the place of departure/departure to the destination and back. Data concerning the Capital Group include all companies from the Group, i.e. VRG S.A., DCG S.A., WSM Factory Sp. z o. o. (apparel segment) and W.KRUK S.A. The data show a YoY increase in the number of business trips in 2022 in the Company and in the Capital Group, with a stronger impact of the jewellery segment. As far as possible, the Group currently uses the vast majority of conversations via IT tools and videoconferences to communicate with suppliers, although from 2022 we have partially returned to face-to-face meetings. Railways (PKP) remained the most popular means of transport, followed by car trips (shown as the sum of trips by company and private cars).

Number of business trips	2021	2022
VRG S.A. Capital Group	**1,568**	**2,389**
Apparel segment	875	959
Jewellery segment	693	1,430
VRG S.A.	**722**	**932**

Number of business trips by means of transportation	2021	2022
VRG S.A. Capital Group	**1,568**	**2,389**
PKP (rail)	778	1,458
PKS (bus)	127	207
Airplane	45	132
Car	618	592
VRG S.A.	**722**	**932**
PKP (rail)	264	345
PKS (bus)	39	38
Airplane	33	79
Car	386	470

Number of kilometres travelled is shown as the sum of the kilometres travelled in all business trips (from the place of work to the destination and back). The breakdown of kilometres travelled by means of transport differs from the number of business trips. Although the largest number of kilometres is travelled by rail, the second place is occupied by plane flights, which are made over significant distances.

Number of km driven	2021	2022
VRG S.A. Capital Group	**910,447**	**1,466,248**
Apparel segment	561,157	720,023
Jewellery segment	349,290	746,225
VRG S.A.	**498,636**	**689,317**

Number of km driven by means of transportation	2021	2022
VRG S.A. Capital Group	**910,447**	**1,466,248**
PKP (rail)	378,276	713,349
PKS (bus)	31,279	46,638
Airplane	203,004	447,602
Car	297,888	258,659
VRG S.A.	**498,636**	**689,317**
PKP (rail)	122,778	162,426
PKS (bus)	13,211	11,812

Airplane	160,967	319,779
Car	201,680	195,300

In terms of the administration's impact on the environment, the Capital Group supervises paper orders, which means that its consumption is monitored. The basic determinant is the cost of purchase. Multifunctional devices used in the Company are configured by default to print in monochrome mode, with the option of two-sided printing. In 2022, the Company used 14.6 tonnes of paper (stable YoY), and W.KRUK used 9.9 tonnes (up 17% YoY). In order to provide each employee with equal access to the necessary documentation, in 2019 the Company and the Group also implemented a platform where all policies are available, which minimizes the need to print them and facilitates their updating.

PRODUCTION

There are two production plants within the Capital Group, the first one is WSM Factory Sp. z o.o. and the other one is Manufaktura (a facility owned by W.KRUK), whose energy and water consumption profile differs from that of stores and administration. WSM Factory Sp. z o.o. carries out a number of activities related to reduction of its impact on the environment. They include the following areas: (1) reduction of electricity consumption (including implementation of LED lighting, energy-saving drives in all new machines and some older ones), (2) ongoing control of operation of the compressor, steam generators, and heat substation; thanks to such actions, it is possible to react quickly in the event of any failure, e.g. unwanted water leakage at the place of origin, (3) reduction of water consumption by installing aerators in taps, (4) reduction of water consumption and energy consumption by conducting training and making employees aware of the need to save energy and water, e.g. turning off the machines, lighting after leaving the room or when it is not needed, not using water in excess, being allergic to checking the actual condition of taps in the tap, (5) waste segregation and disposal by appropriate companies (all types of waste are subject to segregation and are recorded in the Database on Products and Packaging and Waste Management so called BDO); (6) measuring noise and dust in production halls (noise and dust levels do not exceed NDN, NDS), (7) increasing the flow of information in the form of e-mails, and thus reducing the amount of paper, (8) reducing business trips by replacing them with, for example, tele- and videoconferences, (9) monitoring the company's impact on the environment by conducting energy audits (the last energy audit carried out in 2021). Additionally, in 2020 WSM Factory Sp. z o.o. joined the ENTeR program piloted by the Association of Employers of the Clothing and Textile Industry PIOT. The ENTeR project focuses on preparation and implementation of a tool - the M3P platform - for waste reduction in the textile industry. The project covers Central European countries. In addition, in 2021, an environmental policy was implemented and communicated to employees, which describes the activities of WSM Factory Sp. z o.o. aimed at reducing the negative impact on the environment. The main environmental goal of the company is to reduce the negative impact of its operations on the environment and to shape pro-ecological attitudes among employees. As part of the environmental policy, the top management is committed to continuous improvement of processes in order to systematically reduce the negative impact on the surrounding environment.

Monitoring of the environmental impact also takes place at the W.KRUK jewellery workshop. Manufaktura carries out the following activities: (1) examines its energy balance, conducts internal environmental audit (by commissioning cyclical tests of lighting, dust, noise, concentrations of harmful substances), testing sewage and emissions, and environmental measurements (by commissioning cyclical tests to an external business partner in terms of safety and environmental protection), (2) reduces water consumption through a system of training and procedures (sensitization to checking the actual condition of valves, not using water excessively, procedures for turning off the water circuit before the end of work), (3) uses temporary switches for machines using only their active working time, (4) collects grinding waste (in the filters of hoisting machines and in tanks at grinding plants), which are sent for refining / recovery / utilization by external companies (which purify the accumulated waste in an organized manner) recyclable metal material and waste), (5) reduces consumption of chemical preparations by adjusting the size of the working vessels to production volume and improving work efficiency (less polluted work environment and more precise regeneration), as well as (6) reduces heat consumption - an air supply and exhaust device has been installed in the plant equipped with an air recuperation module and heat pump. The installed air exchanger is characterized by high heat recovery efficiency, thus reducing the amount of energy needed to heat the building; (7) reduces energy consumption by using thermal insulation foils on the façade and reactive electricity by installing a reactive power generator; (8) in accordance with the water law survey, a sewage pre-treatment plant is installed, where sewage from the electroplating plant is monitored and pre-treated to the appropriate parameters; (9) applies the principles of closed circulation of raw materials by refining post-production and scrap waste; (10) monitors water consumption per item, (11) selectively collects waste.

In 2019, the Manufaktura W.KRUK production plant was moved from Poznań to Komorniki near Poznań. Two elements that decided about the change were: 1) urbanization issues - with the development of the city of Poznań, the previous location of the plant was replaced by residential development and 2) the ecological inefficiency of the previous building, in particular as regards the use of energy to insulate the building due to its outdated construction (no insulation on the façade, thermal bridges, non-insulated roof). In the new location, LED lights are installed throughout the building. Equipment that uses energy more efficiently has also been purchased (the furnace for melting metals from

30 kW of rated power was changed to 10 kW, and the chamber for heating semi-finished products was changed from 20 kW of rated power to 2.4 kW). All these activities, more than a year after the move, have a real dimension. In 2022, we increased the occupied space in this building by 30%, becoming the only company in this facility.

WASTE AND PACKAGING

The Company and the Capital Group fulfil current obligations in the field of environmental protection in matters relating to waste. Pursuant to the current Act on Waste, all entrepreneurs who produce, collect, process or transport waste, market products, packaging, market electrical and electronic equipment, vehicles, batteries, accumulators are obliged to keep records of waste and are obliged to registration in the Database on Products and Packaging and on Waste Management (BDO). The legal provisions resulting from the amendment to the Act on waste oblige to keep records of waste and issue waste transfer cards (KPO) only and exclusively via the BDO system. The Company and the Capital Group, managing waste in accordance with applicable regulations, keep records of waste through an individual account in the electronic BDO system. All waste transfer cards are issued in real time and stored on servers. VRG S.A. Capital Group submits in a timely manner (by March 15 each year) annual reports on products, packaging and waste management. The report is also prepared via an individual account in the Database on products and packaging and on waste management, and then sent electronically to the Marshal's Office. The generated waste (chemicals, textile scraps, paper, cardboard, metal waste, energy sources, toners) is stored selectively, in compliance with applicable environmental protection requirements, and then, depending on its type, it is transferred to other business entities, which have appropriate permits for further waste management. The place of waste storage and containers are properly described and marked. The generated waste, after being transferred to authorized external entities, is subject to recovery or disposal processes, as required. The plant in Komorniki conducts cyclical tests of the composition and condition of industrial wastewater - discharged in accordance with the water law permit held. The post-production waste (chemicals, textile scraps, paper, cardboard, metal waste, ZEiE, toners) is stored selectively and then transferred only to proven, licensed waste collection companies. The Company and the Capital Group make every effort to fulfill their legal obligations in the best possible way. The Company fulfills its obligations in the scope of detailed requirements for waste storage, in particular, it takes care of the ongoing maintenance of appropriate labeling of hazardous waste storage sites, and marking the containers for hazardous waste with appropriate labels. Additionally - in accordance with the conditions set out in the fire protection regulations, it provides safe for human life and health and the environment storage of flammable waste (paper, cardboard, textile scraps).

The Company and the Capital Group conduct rational and economical material management. First, the generated waste is recycled or recovered (waste is taken over by companies authorized to conduct recycling or recovery processes), and if for technological reasons such processes are impossible or unjustified for ecological or economic reasons, then the waste is subjected to the process of disposal in a manner consistent with the requirements of environmental protection (waste taken over by companies authorized to dispose of a given type of waste). In order to prevent the generation of waste and reduce its amount and eliminate the negative environmental impact of the waste generated by the Company, additional measures have been taken, such as conducting training instructions for employees on the proper handling of all types of waste that arise in connection with the conducted activity, in particular regarding segregation and selective storage. The purpose of segregation of generated waste is to transfer it to other recipients for use as recycled raw materials.

In order to minimize the costs related to waste management, in addition to the waste prevention methods presented above, the waste industry is monitored on an ongoing basis, including the tracking of rates for services provided by waste collection, recycling and disposal entities. The amount of generated waste in recent years is presented in the table below:

Amount of waste generated (tons)	2021	2022
VRG S.A. Capital Group	**56.4**	**39.8**
Apparel segment	56.1	38.5
Jewellery segment	0.3	0.3
VRG S.A.	**26.3**	**11.6**

In 2022, there was a decrease in the amount of generated waste, both at the level of the Capital Group and the Company. In relation to the Company, the YoY decrease resulted from the disposal period of the old accumulated assortment falling in 2021, hence 2022 recorded a significant decrease. The apparel segment was also affected by the reduction in the amount of waste generated by WSM Factory. In the case of the jewellery segment, at the level of W.KRUK, after moving Manufaktura to a new, more ecological location from the center of Poznań to

Komorniki near Poznań, it keeps waste at a low and similar level YoY. The waste generated by the Company and the Capital Group also includes hazardous substances within the meaning of Art. 3 point 2 of Directive 2008/98/EC of the European Parliament and of the Council. They constitute an insignificant percentage of all generated waste, and their disposal takes place in a legally required and safe manner. At the Company level in 2022, the above-mentioned waste amounted to only 0.059 tons (0.3% of the total waste) and was marked with the code 16 02 13 (Worn equipment containing hazardous elements other than those listed in 16 02 09 to 16 02 12). At the level of the Capital Group, other places where waste marked in the Directive is generated are: WSM Factory Sp. z o. o. having a warehouse in Ostrowiec Świętokrzyski; the waste generated there is marked with the code 15 01 01 (Packaging containing residues of hazardous substances or contaminated with them), and their scale in 2022 is 0.06 tons and the Manufaktura W.KRUK production plant, where 0.14 tons of waste code 16 was generated 05 06* (Laboratory and analytical chemicals) and 0.0005 tonnes of waste marked with code 06 03 11* (Salts and solutions containing cyanides). In total, the Capital Group generated 0.26 tons of hazardous waste, which accounted for 0.7% of all waste.

Another area of environmental impact monitoring is the amount of packaging placed on the market. VRG S.A. Capital Group by introducing products in packaging to the market, in accordance with the provisions of the Act on the management of packaging and packaging waste, it is obliged to recover, including recycle, packaging waste. The above obligation is fulfilled on the basis of relevant agreements concluded with packaging recovery organisations, which fulfill the obligation of recovery and recycling on behalf of the Group by cooperating with waste holders who recycle waste, and by implementing public educational campaigns on behalf of the Group.

Mass of packaging introduced on the Polish market (kgs)	2021	2022
VRG S.A. Capital Group	**363,011**	**179,873**
Apparel segment	183,441	141,363
Jewellery segment	179,570	38,510
VRG S.A.	**176,591**	**133,993**

In 2022, there was a decrease in the weight of packaging introduced to the Polish market, which resulted from the loosening of restrictions related to the COVID-19 pandemic and the return to sales in brick-and-mortar stores, at the expense of online shopping. In 2021 and 2022, 100% of the packaging used by VRG and the Capital Group for e-commerce shipments came from recycled materials (foil mailers) / was FSC certified (cardboard boxes). In 2021, the Company introduced lighter unit packaging and payable packaging (paper bags) in sales outlets, which additionally resulted in a downward trend YoY in the number of packaging introduced to the market in 2022.

Mass of packaging introduced onto Polish market by type (kgs)	2021	2022
VRG S.A. Capital Group	**363,011**	**179,873**
Paper and cardboard packaging	333,700	42,155
Plastic packaging	25,301	3,308
Wooden packaging	433	417
VRG S.A.	**176,591**	**133,993**
Paper and cardboard packaging	152,190	85,689
Plastic packaging	22,679	48,245
Wooden packaging	82	59

Both the Company and the Capital Group comply with the required levels of recycling of packaging introduced to the Polish market. These values result from the weight of packaging introduced to the Polish market.

Recovery and recycling of packaging waste introduced to the Polish market (in kg)	2021	2022
VRG S.A. Capital Group	**193,039**	**99,933**
Paper and cardboard packaging for recycling	186,872	84,377
Plastic packaging for recycling	5,946	15,466
Wooden packaging for recycling	221	90

Within the Capital Group, only the buildings of WSM Factory Sp. z o. o. are located near the Kamienna Valley Protected Landscape Area, Natura 2000 (Krzeminki Opatowskie habitat areas, Kamienna Valley), Krzemionki Opatowskie and Lisiny Bodzechowskie reserves. With regard to emissions to water, at the level of the Capital Group in 2022, the amount of sewage discharged is 2,506.9 m3. Both at the level of the Company and the Capital Group, no direct emissions of priority substances defined in Art. 2 sec. 30 of Directive 2000/60/EC of the European Parliament and of the Council and direct emissions of nitrates, phosphates and pesticides. Neither the Company nor the Capital Group derive any revenue from exploration, extraction, distribution or refining of hard and brown coal, nor do they obtain any revenue from exploration, extraction, distribution (including transport, storage and trade) or refining of liquid fossil fuels, and they do not any revenues from the exploration and extraction of fossil gaseous fuels or from their distribution (including transport, storage and trade)

COMBINED IMPACT ON ENVIRONEMNT AND CLIMATE

From 2019, the Company and the Group started an analysis of their impact on the environment and climate in the form of estimates of electricity, natural gas, heat, water consumption and greenhouse gas emissions (in the form of CO2 equivalent). The calculations and estimates presented below take into account all subsidiaries, as well as other non-financial data. The collected data show an increase in electricity consumption, which is due to the longer operation of the stores (no administrative closing downs in 2022) and a decrease in the consumption of natural gas, heat and water due to changes in infrastructure.

Consumption in 2021	Electricity (MWh)	Natural gas (GJ)	Thermal energy (GJ)	Water (m3)
VRG S.A. Capital Group	**9,097**	**1,340**	**4,532**	**5,251**
Apparel segment	6,474	1,054	4,290	3,185
Jewellery segment	2,623	287	242	2,066
VRG S.A.	**5,713**	**0**	**1,414**	**1,274**

Consumption in 2022	Electricity (MWh)	Natural gas (GJ)	Thermal energy (GJ)	Water (m3)
VRG S.A. Capital Group	**10,511**	**1,014**	**3,492**	**4 708**
Apparel segment	7,096	863	3,190	2,732
Jewellery segment	3,416	151	302	1,976
VRG S.A.	**6,194**	**0**	**1,118**	**1,073**

The analysis and estimates of greenhouse gas emissions were carried out based on the GHG Protocol a Corporate Accounting and Reporting Standard. This standard divides emissions into Scope 1 (direct), Scope 2 (indirect, but within the scope of the company) and Scope 3 (indirect, value chain). The analysis of activities of the Company and the Group showed that Scope 1 includes company cars and energy produced in the Group's production plant (Manufaktura W.KRUK). Scope 2 emissions are emissions related to the consumption of electricity and heat in places controlled by the Company and the Group, which include rented administrative areas, warehouses and stores. Both the Company and the Capital Group did not have full values of electricity consumed in stores. Estimates for each chain were made on the basis of a representative sample of stores of each brand. Scope 2 emissions were calculated in accordance with the location-method for electricity and heat. Each year, the Company and the Group increase the scope of disclosures regarding Scope 3 emissions. For 2020, the Company and the Group presented data on employee business trips (excluding company cars, which are included in Scope 1) and estimates of emissions related to the impact of employees commuting to work. For 2021, emissions resulting from supply of goods have been added. In 2022, the conversion rates used were changed in relation to employee journeys. In addition, fewer survey responses from employees were obtained, on the basis of which the values for 2022 are implied, and the structure of these journeys was different YoY, which resulted in a change in the disclosed values YoY. At the same time, disclosures regarding greenhouse gas emissions from supplies were maintained for 2022. Estimates of logistics emissions and partial energy consumption (home-office) have been added. Depending on the scope for which the emissions of CO2 equivalents were calculated, the emission indexes publicly available on the websites of KOBiZE, ERO, GHG Protocol, IPCC and the United Kingdom government were used. The GWP (global warming potential) coefficients used came from materials publicly available on the GHG Protocol website. Biogenic emissions have not been calculated.

GHG emissions (CO_2e) in tonnes 2020	VRG S.A. Capital Group	VRG S.A.
Scope 1	362.2	165.6
Scope 2	6,529.0	3,767.0
Scope 3 (business trips)	61.8	42.7
Scope 3 (employee commuting)	1,647.7	1,257.8
GHG emissions (CO_2e) in tonnes 2021	**VRG S.A. Capital Group**	**VRG S.A.**
Scope 1	395.7	198.1
Scope 2	6,927.3	3,553.0
Scope 3 (business trips)	65.4	45.4
Scope 3 (employee commuting)	1,602.5	900.2
Scope 3 (supplies)	108,831.2	37,615.6
GHG emissions (CO_2e) in tonnes 2022	**VRG S.A. Capital Group**	**VRG S.A.**
Scope 1	**413.1**	**192.0**
Emissions resulting from the combustion of fuels in stationary sources	4.4	0.0
Emissions resulting from the combustion of fuels in mobile sources	408.7	192.0
Scope 2 (location-method)	**7,830.5**	**3,970.3**
Emissions resulting from the purchase of electricity-energy	7,486.2	4,374.1
Emissions resulting from the purchase of heat-energy	344.3	110.2
Scope 3 (partial)		
Scope 3 (business trips)	112.6	41.9
Scope 3 (employee commuting)	1,335.1	577.5
Scope 3 (supplies)	120,736.7	36,383.0

Scope 3 (logistics)	681.5	649.7
Scope 3 (energy usage, home-office)	167.3	107.5

In 2020, the pandemic had a positive impact on greenhouse gas emissions in carbon dioxide equivalent in Scope 1 and 2, both at the level of the Company and the Capital Group. This resulted from the lower number of kilometres driven by company cars (Scope 1) as well as lower energy consumption by the Capital Group's brand stores due to temporary closures due to lock-down (Scope 2). In 2021, despite the lock-downs, higher sales levels, in particular at the Capital Group level, resulted in higher emissions. In Scope 3, there was also a certain increase in emissions related to the greater number of business trips and kilometres travelled. In 2022, these trends continued looking at the total greenhouse gas emissions in CO2 equivalent reported in Scope 1 and 2 as well as in Scope 3 in relation to business trips and deliveries (at the level of the Capital Group).

Due to significant changes in the environment, it is worth analysing emissions not only in nominal values, but also per item sold. We use Scope 1 and Scope 2 emissions for comparisons due to the continuous development of Scope 3 disclosures. The results would therefore not be comparable. Scope 1 and 2 emissions have been normalized by the number of products sold. A 13% increase in emissions and a 1% decrease in the number of items of clothing sold translated into a 13% increase in emissions per item, which amounted to 1.1 kg CO2e in 2022 compared to 0.98 kg CO2e in 2021. So they were at the pre-pandemic level, i.e. from 2019. At the same time, due to the production of masks at WSM Factory Sp. z o. o. in 2020-21, affecting the number of items, the calculations were also made after excluding the impact of WSM Factory Sp. z o. o. from the number of pieces. A 12% increase in emissions per unit of products sold in 2022 was achieved.

Normalised greenhouse gas emission of the Capital Group	2020	2021	2022
Scope 1&2 emissions	6,891.2	7,323.0	8,243.7
(CO2e tonnes)	8,615,513	7,494,636	7,456,513
Number of sold items	0.80	0.98	1.11
Scope 1&2 emissions per item	7,375,863	7,426,703	7,456,513
(CO2e kg)	0.93	0.99	1.11

Both the Company and the Group will work in the coming years to expand and specify the process and method of calculating greenhouse gas emissions.

TAXONOMY

With the 2022 Non-Financial Report, VRG and the VRG Group begin publishing information on the European Union Taxonomy for Sustainable Development. The compliance of the Company's and the Capital Group's activities is presented for the first time, and the qualification of the activities for the taxonomy is presented for the second time. These disclosures have been prepared based on:

- Regulation of the European Parliament and the EU Council 2020/852 of 18 June 2020 on establishing a framework to facilitate sustainable investment (Regulation 2020/852),
- EU Commission Delegated Regulation 2021/2139 of 4 June 2021 establishing technical qualification criteria for determining the conditions under which a given economic activity qualifies as making a significant contribution to climate change mitigation or adaptation to climate change, as well as whether this economic activity causes serious damage to any of the other environmental objectives (Technical Screening Criteria),
- EU Commission Delegated Regulation 2021/2178 of 6 July 2021 supplementing Regulation 2020/852 by clarifying the content of the presentation of information on environmentally sustainable economic activities to be disclosed by companies subject to Article 19a or 29a of Directive 2013/34 / EU, and specifying methods to comply with this disclosure obligation (Disclosure Regulation).
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards business activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards public disclosure of specific information in relation to these types of economic activities (extending Technical Screening Criteria).

Based on the above legal acts, VRG and the VRG Capital Group conducted a process of examining the compliance of the Company's and the Group's operations with the Taxonomy in 2022 in five steps:

1) Eligibility of activities - during this stage it was confirmed whether the activities identified a year earlier as qualified for the Taxonomy remained valid. The analysis was carried out by a team consisting of representatives of various departments. At the same time, it was verified whether the activities of the Company and the Capital Group qualify for the new activities introduced to the Taxonomy by Commission Delegated Regulation (EU) 2022/1214. The qualification test was carried out for invoices for the amount exceeding PLN 10,000 net.
2) Identification of financial values - then calculations of financial values used for Taxonomy were performed. This referred to the revenues, capital expenditures and operating costs in accordance with Commission Delegated Regulation (EU) 2021/2178 at the level of the Company and the Capital Group.
3) Allocation - individual activities identified in the first point were assigned to appropriate financial values, in particular investment expenditures and operating costs.
4) Alignment verification - verification whether Taxonomy-eligible activities are also Taxonomy-aligned. For this purpose, the following were checked:
    a. compliance with the Technical Screening Criteria based on verification of significant contribution and do not significant harm criteria using the Technical Screening Criteria specified in the annexes to Commission Delegated Regulation (EU) 2021/2139,
    b. assessment of whether the Minimum Safeguards at the level of the Company and the Capital Group are met.
5) Disclosures - the collected information was used to prepare tables containing the required information and to develop this supplementary information, in accordance with the requirements of Commission Delegated Regulation (EU) 2021/2178.

The retail sector itself was not explicitly included in the 13 sectors described in the Taxonomy, which focused on the sectors most impacting climate change. For this reason, the activities identified for 2022 did not include the key activities of the Company and the Group consisting in sales in traditional and online stores. On the other hand, they covered some activities performed as part of investment expenditures and operating costs, such as: 7.1 Construction of new buildings, 7.2 Renovation of existing buildings, 7.3 Installation, maintenance and repair of energy efficiency equipment and 8.1 Data processing; website management (hosting) and similar activities. After analysing Commission Delegated Regulation (EU) 2022/1214, it was found that the Manufaktura W.KRUK production plant carries out activities marked as 4.31, i.e. Production of heat/cooling energy from gaseous fossil fuels in an effective heating and cooling system. The heat generated by combustion is used for production. Gas purchases alone do not meet the definition of either capital expenditure or operating costs. In 2022, the subsidiary W.KRUK, which includes the production plant, reviewed the heating module in the gas installation that generates heat and reviewed the air conditioning and ventilation installation (i.e. other heating module for part of the building's heating and cooling system), the total cost of which amounted to PLN 5,000. PLN. It was significantly below the established level of significance of the examined data, hence it was not included in the activity qualified for the Taxonomy. In view of the above, it was concluded that there is no need to make additional disclosures in accordance with Commission Delegated Regulation (EU) 2022/1214.

With regard to financial values calculated at the level of the Company and the Capital Group, definitions based on Delegated Regulation 2021/2178 were applied. The financial data was taken from the financial and accounting system of the Company and the companies from the Capital Group. These include:

- Turnover - the basis for calculating the turnover was the Company's individual revenues and the Group's total consolidated revenues in 2022, included in the separate and consolidated financial statements, respectively, in the item Revenues from sales of products, goods and materials. With regard to the revenues of the Capital Group, consolidation exclusions did not affect the classification of activities.
- Capital expenditures - the basis for the calculations was the increase in property, plant and equipment and intangible assets during a given financial year, before depreciation, amortization and any revaluation, including those resulting from revaluation and impairment, for a given financial year, excluding changes in fair value. Neither in the Company nor in the Capital Group there was an increase in tangible fixed assets and intangible assets resulting from the merger of economic entities. In particular, capital expenditures included in the calculations include: 1) IAS 16 Property, plant and equipment, point 73 lit. (e) points (i) and (iii); 2) IAS 38 Intangible Assets, point 118 lit. e) point (i); 3) IAS 40 Investment Property, point 79 lit. d) points (i) and (ii) (in the case of a model based on the purchase price or production cost); 4) IFRS 16 Leases, point 53 lit. h). Therefore, they differ from capital expenditures presented in the standalone and consolidated statements.
- Operating expenditures - for the calculation of operating costs (referred to as operating expenditures in the Taxonomy), the definition was adopted as direct, uncapitalized costs related to research and development, building renovation activities, short-term leasing, maintenance and repairs, and any other direct expenses related to the day-to-day servicing of tangible fixed assets by an enterprise

or a third party commissioned on the basis of outsourcing activities necessary to ensure continuous and effective operation of these assets. Therefore, it is a much narrower definition than operating costs presented in both standalone and consolidated financial statements.

After allocation of eligible activities to individual financial lines, Taxonomy-alignment was verified. According to the Taxonomy, an environmentally sustainable activity is an activity that makes a significant contribution to the achievement of at least one environmental objective and does not cause significant harm to other environmental objectives. These goals are: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. At the same time, compliance with the Technical Screening Criteria for those types of activities that qualify for Taxonomy in accordance with Commission Delegated Regulation (EU) 2021/2139 was checked. In the case of activities for which the TSC compliance test was carried out and it was found that the criterion of significant contribution was not met, the do not significant harm criteria were not tested.

Compliance with the Minimum Safeguards was tested based on the recommendations of Platform On Sustainable Finance included in the Final Report on Minimum Safeguards. In accordance with the above, the fulfillment of the Minimum Guarantees in relation to human rights both at the level of the Company and the Capital Group takes place when none of the four conditions is met:

1) The company has not established an adequate human rights due diligence process as set out in the UN and OECD Guidelines for Multinational Enterprises.
2) The company has been ultimately convicted in certain types of labour law or human rights lawsuits.
3) The National Contact Point (NCP) of the OECD has accepted the case, but the company refuses to cooperate with the party that initiated it, or the company has been declared non-compliant with the OECD guidelines by the NCP.
4) The Business Resources and Human Rights Center (BHRRC) made an allegation against the company, and the company failed to respond within three months.

Verification of Minimum Safeguards was carried out in a multi-faceted manner and also covered the issues of corruption, taxation and fair competition. The sufficiency of due diligence processes was checked on the basis of internal verification of the existence and effectiveness of these processes, among others by based on the comprehensive Code for Suppliers and Contractors owned and implemented by the Company and the Capital Group. Verification of compliance concerned the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight basic conventions indicated in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work and the principles and rights set out in the International ancestral charter of human rights. Compliance was checked using the World Benchmark Alliance Core UNGP indicators proposed by the Platform on Sustainable Finance. As a result of the analysis, it was determined that the organization has a complete due diligence process that meets the assumptions of the guidelines. In the audit process, it was confirmed that there were no legally binding convictions against any company from the Capital Group. Similar information was provided by the verification of the OECD NCP application database and the Business and Human Rights Resource Center (BHRRC) application database. As a result, it was determined that the Minimum Guarantees are met at the level of the Company and the Capital Group.

As a result, it was found that at the level of the Company and the Capital Group, no activity is compliant with the Taxonomy of Sustainable Development due to the lack of meeting the Technical Screening Criteria by the activities classified in the Taxonomy.

Company – percentage of Taxonomy-aligned revenues

Economic activities	Code(s)	Absolute turnover (PLN m)	% of turnover	Substantial contribution criteria						Do No Significant Harm criteria						Minimum Safe-guards Y/N	% turno-ver Tax-onomy-aligned	Category (ena-bling ac-tivity)	Cate-gory (transi-tional activity)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine re-source (%)	Circular economy (%)	Pollution %	Biodiversity and eco-systems %	Climate change mit-igation (%)	Climate change adaptation (%)	Water and marine re-source (%)	Circular economy (%)	Pollu-tion %	Biodiver-sity and ecosys-tems %				
A. Taxonomy eligible activities																			
A1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sus-tainable activities (Taxonomy aligned)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustaina-ble activities (Taxonomy aligned)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A1 + A2)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B. Taxonomy non-eligible activities																			
Turnover of Taxonomy non-eligi-ble activities		586.7	100.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A + B)		586.7	100.0%																

Capital Group – percentage of Taxonomy-aligned revenues

Economic activities	Code(s)	Absolute turnover (PLN m)	% of turnover	Substantial contribution criteria						Do No Significant Harm criteria						Minimum Safe-guards Y/N	% turno-ver Tax-onomy-aligned	Category (ena-bling ac-tivity)	Cate-gory (transi-tional ac-tivity)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and ma-rine resource (%)	Circular economy (%)	Pollution %	Biodiversity and eco-systems %	Climate change miti-gation (%)	Climate change adaptation (%)	Water and marine re-source (%)	Circular economy (%)	Pollu-tion %	Biodiver-sity and ecosys-tems %				
A. Taxonomy eligible activities																			
A1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sus-tainable activities (Taxonomy aligned)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (Taxonomy aligned)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A1 + A2)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Taxonomy non-eligible activities																			
Turnover of Taxonomy non-eligi-ble activities		1,274.0	100.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A + B)		1,274.0	100.0%																

Company – percentage of Taxonomy-aligned capital expenditures

Economic activities	Code(s)	Absolute capex (PLN m)	% of capex	Substantial contribution criteria						Do No Significant Harm criteria						Minimum Safe-guards Y/N	% capex Taxon-omy-aligned	Category (ena-bling ac-tivity)	Cate-gory (transi-tional ac-tivity)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and ma-rine resource (%)	Circular economy (%)	Pollution %	Biodiversity and eco-systems %	Climate change miti-gation (%)	Climate change adaptation (%)	Water and marine re-source (%)	Circular economy (%)	Pollu-tion %	Biodiver-sity and ecosys-tems %				
A. Taxonomy eligible activities																			
A1. Environmentally sustainable activities (Taxonomy-aligned)																			
Capex of environmentally sustain-able activities (Taxonomy aligned)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Construction of new buildings	7.1	0.3	0.7%																
Renovation of existing buildings	7.2	0.3	0.5%																
Installation, mainte-nance and repair of energy efficiency equipment	7.3	0.1	0.1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Data processing; website manage-ment (hosting) and similar activities	8.1	0.9	1.8%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capex of Taxonomy-eligible but not environmentally sustainable activities (Taxonomy aligned)		1.5	3.1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A1 + A2)		1.5	3.1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Taxonomy non-eligible activities																			
Capex of Taxonomy non-eligible activities		47.4	96.9%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A + B)		48.9	100.0%																

Capital Group – percentage of Taxonomy-aligned capital expenditures

Economic activities	Code(s)	Absolute capex (PLN m)	% of capex	Substantial contribution criteria						Do No Significant Harm criteria						Minimum Safe-guards Y/N	% capex Taxon-omy-aligned	Category (ena-bling ac-tivity)	Cate-gory (transi-tional ac-tivity)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and ma-rine resource (%)	Circular economy (%)	Pollution %	Biodiversity and eco-systems %	Climate change miti-gation (%)	Climate change adaptation (%)	Water and marine re-source (%)	Circular economy (%)	Pollu-tion %	Biodiver-sity and ecosys-tems %				
A. Taxonomy eligible activities																			
A1. Environmentally sustainable activities (Taxonomy-aligned)																			
Capex of environmentally sustain-able activities (Taxonomy aligned)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Construction of new buildings	7.1	0.4	0.4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renovation of existing buildings	7.2	0.3	0.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Installation, maintenance and repair of energy ef-ficiency equipment	7.3	0.1	0.0%																
Data processing; website manage-ment (hosting) and similar activities	8.1	0.9	0.8%																
Capex of Taxonomy-eligible but not environmentally sustainable activities (Taxonomy aligned)		1.6	1.5%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A1 + A2)		1.6	1.5%																
B. Taxonomy non-eligible activities																			
Capex of Taxonomy non-eligible activities		106.0	98.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A + B)		107.6	100.0%																

Company – percentage of Taxonomy-aligned operating expenditures

Economic activities	Code(s)	Absolute opex (PLN m)	% of opex	Substantial contribution criteria						Do No Significant Harm criteria						Minimum Safe-guards Y/N	% opex Taxon-omy-aligned	Category (ena-bling ac-tivity)	Cate-gory (transi-tional ac-tivity)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and ma-rine resource (%)	Circular economy (%)	Pollution %	Biodiversity and eco-systems %	Climate change miti-gation (%)	Climate change adaptation (%)	Water and marine re-source (%)	Circular economy (%)	Pollu-tion %	Biodiver-sity and ecosys-tems %				
A. Taxonomy eligible activities																			
A1. Environmentally sustainable activities (Taxonomy-aligned)																			
Opex of environmentally sustaina-ble activities (Taxonomy aligned)		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Renovation of existing buildings	7.2	1.7	72.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opex of Taxonomy-eligible but not environmentally sustainable activ-ities (Taxonomy aligned)		1.7	72.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A1 + A2)		1.7	72.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Taxonomy non-eligible activities																			
Opex of Taxonomy non-eligible activities		0.7	27.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (A + B)		2.4	100.0%																

Capital Group – percentage of Taxonomy-aligned operating expenditures

Economic activities	Code(s)	Absolute opex (PLN m)	% of opex	Substantial contribution criteria						Do No Significant Harm criteria						Minimum Safe-guards Y/N	% opex Taxon-omy-aligned	Category (ena-bling ac-tivity)	Cate-gory (transi-tional ac-tivity)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and ma-rine resource (%)	Circular economy (%)	Pollution %	Biodiversity and eco-systems %	Climate change miti-gation (%)	Climate change adaptation (%)	Water and marine re-source (%)	Circular economy (%)	Pollu-tion %	Biodiver-sity and ecosys-tems %				
A. Taxonomy eligible activities																			
A1. Environmentally sustainable activities (Taxonomy-aligned)																			
Opex of environmentally sustaina-ble activities (Taxonomy aligned)		0.0	0.0%	-	-	-	--	-	--	-	-	-	-	-	-	-	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Installation, mainte-nance and repair of energy efficiency equipment	7.2	2.4	48.1%	-	--	-	--	-	-	-	--	-	--	-	-	-	--	-	--
Opex of Taxonomy-eligible but not environmentally sustainable activ-ities (Taxonomy aligned)		2.4	48.1%	-	--	-	--	-	-	-	--	-	--	-	-	-	--	-	--
Total (A1 + A2)		2.4	48.1%	-	--	-	--	-	-	-	--	-	--	-	-	-	--	-	--
B. Taxonomy non-eligible activities																			
Opex of Taxonomy non-eligible activities		2.6	51.9%	-	--	-	--	-	-	-	--	-	--	-	-	-	--	-	--
Total (A + B)		4.9	100.0%																

7.2. Risks

Below we present the most important according to the Management risks related to environment and climate matters:

- issues related with production,
- energy and raw material consumption,
- issues related to the fulfillment of legal obligations,
- impact of everyday activities on environment and climate.

Environmental risk includes several areas in which the activities of the Company and the Capital Group may affect the environment. Production of both apparel and jewellery, as well as its delivery to stores or directly to the customer, consume raw materials and electric energy. There is also a risk that environmental standards will not be respected in some of the cooperating plants. In addition, with the growing scale of the Company and the Capital Group, everyday activities can burden the environment and climate more.

The Company and the Capital Group manage environmental risk by focusing on: reducing the consumption of raw materials and energy by stores of all brands (energy-saving light bulbs, emphasis on paper rather than plastic packaging) and take measures to reduce the impact of logistics on the climate and the environment. In addition, the Company and the Capital Group monitor the consumption of paper and fuel in administration. The Company and the Capital Group also focus on implementation of selected efficiency measures suggested by the energy audit, in particular in the production and stores. At the same time, the Company and the companies from the Capital Group make every effort to fulfill all legal obligations in the best possible way, e.g. regarding waste records, introduced packaging, environmental fees.

In connection with non-binding Guidelines for reporting in the field of non-financial information: Supplement for reporting climate-related information (2019/C209/01) issued by the European Commission in June 2019 and taking into account TCFD Recommendations relating to climate reporting, the Management Board presents an analysis of dependencies, possibilities and risks of the business model of the Company and the Group in relation to selected climate issues. Due to the variety of factors and dependencies that affect the apparel and jewellery segment, they are presented separately, when material. The following tables show not only the impact of possible climate changes on natural, social and human capital, but also actions the Management Board intends to take to minimize the impact of possible transition and physical risks. The Management Board believes that market and reputational risks are the most important from the group of transition risks. In terms of physical risks, the Management Board considers chronic risks as material.

At the same time, the Management Board also presents an analysis of two climate scenarios and the resilience of the business model (broken down into the apparel and jewellery segments) to climate change. The scenarios come from publicly available and internationally recognized materials of the IPCC AR6 (Assesment Report) - so there has been a change compared to the information presented for 2020 and 2019, when the IPCC AR5 scenarios were used. The SSP1-2.6 scenario, i.e. scenario with low greenhouse gas emissions, in which exceeding the global warming threshold by 2°C versus the pre-industrial era is unlikely, and the SSP3-7.0 scenario, i.e. scenario of high greenhouse gas emissions, in which exceeding the 2°C in relation to the pre-industrial era is likely. The scenario analysis was performed qualitatively rather than quantitatively. The Management Board will continue and extend the following analyzes regarding the resilience of the business model to climate change in the coming quarters and years. The Management Board will also react to climate changes and adapt both the strategy as well as tactical and operational activities to ensure sustainable development of the Company and the Capital Group in all conditions.

VRG Group and VRG

Climate

Opportunities related to climate change

Both VRG Group and VRG S.A. will offer customers new materials, raw materials and products that will be more ecological and adapted to changing weather conditions. The identified climate opportunities are not as significant as transition and physical risks.

Risk related with negative impact on climate

VRG Group and VRG S.A. take action to count and reduce their impact on the environment and climate. The way climate risk and opportunities are managed is described in the table below.

Transition risks these are the risks for the Company resulting from the transition to a low-carbon and climate-resilient economy. Risks identified cover both the apparel and jewellery segment of VRG S.A. Group and VRG S.A. and are the following:

Risks related with policies are the risks arising from growing energy efficiency requirements that can affect the profitability of products manufactured by the Group and VRG S.A. and affect the cost of goods purchased by the Group and the Company from external suppliers.

Legal risks are risks related to regulation at the central level rather than at the client level. It cannot be ruled out that states will impose penalties on companies that do not show pro-environmental activities.

Technology risks results from changing technologies that will be moving towards less emission intensive ones in the future. They may apply to suppliers of the Group and the Company, who may be forced to purchase more innovative machines, and this may require the purchase of more expensive purchases. The introduction of more stringent requirements may also mean closing down of some suppliers and thus higher prices. Introduction of more stringent requirements may also mean the closure of some suppliers and thus higher prices.

Market risk is the risk resulting from changes in customer purchases. According to the Management Board, consumers wanting to minimize their carbon footprint may, for example, reduce the amount of apparel and jewellery purchased, or choose products that have the lowest impact on the climate.

The risk of loss of reputation may occur if, due to too slow actions related to adaptation to climate change, the Group and the Company have problems not only in attracting and retaining customers, but also employees, business partners and investors.

The Management Board considers market and reputational transition risks as important for the Capital Group's strategy and results.

According to the Management Board, among physical risks the chronic ones will be more important than the acute ones for the Company and the Capital Group..

Acute risks - that is risk of an impact on the Group's and Company's operations of such sudden weather phenomena as storms, floods, fires or heat waves. Although such phenomena may destroy production areas (e.g. cotton) or production plants, their impact on the disruption of the value chain should be limited by diversification of the Company's and the Group's suppliers (in particular geographical). However, it cannot be ruled out that e.g. flood or fire in a region important for production will delay delivery of a collection or result in failure to deliver some of goods ordered. Weather disasters can have a direct impact on means of transport and logistics. Shortages of water used in the production of clothing and mining of raw materials may have an adverse effect on the prices of raw materials, metals and precious stones.

Chronic risks - resulting from long-term climate changes, such as temperature changes, rising sea levels, limited water availability, loss of biodiversity, and changes in land and soil productivity may have a more significant impact on the operations of the Company and the Group. Prolonged drought or loss of land for production of fabrics (e.g. cotton) can lead to a shortage of raw materials and, consequently, a significant increase in their price. They can also cause that the cost of mining metals and precious stones will increase significantly. In addition, climate change in the retail segment may mean a smaller share of the more valuable and higher margin Autumn / Winter collections, through lower demand for coats and jackets. Climate warming is also likely to affect the type of materials used to make suits or jackets and further changes towards more casual fashion. Progressing droughts, fires or floods can increase the prices of food and services, reducing the disposable income of consumers.

	Area of climate changes impact	Risks and possible range of climate change impacts	Impact on various types of capitals	Actions undertaken by the Company and the Group
Apparel segment	Availability and cost of raw materials and fabrics	There is a risk that, due to environmental protection, restrictive legal regulations will be introduced for manufacturers of clothing and accessories, which may apply to both the production of raw materials and their processing, as well as overall increase in the accountability of their business and implementation of sustainable development principles. Potentially higher requirements, new, more restrictive certificates, as well as their enforcement may not contribute to the growing production costs, and thus the prices of the products they offer. As a result, clothing segment companies may be forced to purchase materials and goods at higher prices, which may increase the prices of clothing offered and may not be acceptable to all customers. Increased costs of goods and materials can also be affected by adverse weather phenomena, both short- and long-term.	**Natural capital**: The use of technologies that are less harmful to the environment by our suppliers should have a positive impact on natural capital. Climate change alone can potentially lead to a decline in biodiversity and a lack of water in some areas, which can contribute to a reduction in the surface area of raw materials for crops. Climate change can lower soil fertility, promote pest resistance and lead to increased consumption of raw materials, e.g. cotton. Droughts, fires and floods can threaten plantations, and thus can increase prices and reduce the availability of raw materials for fabrics.	Constant search for new suppliers that meet the criteria of the Code of Conduct for Suppliers and Contractors, producing responsibly and offering modern and ecological products. The Management Board will continue to work on geographical diversification of supplies.
	Changes in customer behaviour	There is a risk that the trend of responsible buying will intensify, causing customers to make more informed purchases. They can prefer the purchase of products that have a transparent supply chain and provide information on the origin of the material, place of production, or certificates possessed by the manufacturer and materials. In addition, customers can start to choose brands that are more environmentally friendly, declare significant reductions in their carbon footprint, or even have a climate neutral goal. This can also translate into customer preferences regarding clothing made from recycled materials or more natural materials that allow customers to "breathe" during high temperatures. In addition, increasing awareness of the carbon footprint can have a negative impact on on-line sales, which is associated with more deliveries than to stores. There is a risk that customers will use their clothes longer and be less susceptible to fashion trends, which may have a negative impact on the sale of the Company and the Group. At the same time, trends related to the purchase of pre-owned clothing may intensify.	**Human and social capital:** As customers become more aware of climate change, they can start looking for goods in terms of their quality, not quantity, and in terms of the environmental qualities of materials. With increase in consumer awareness, the need for knowledge and information about products offered by brands may also increase. The Company and the Group, in order not to lose social capital in the form of clients and their trust, and human capital in the form of employees and their ideas, may be forced to meet these expectations. Increasing pressure from various stakeholders can be placed on taking measurable activities, and not just a marketing message.	All the Group's brands have joined the fur-free campaign and offer clothes made of natural fur. In addition, actions are being implemented to increase the share of model-colors of each clothing brand from ecological and modern fabrics. The Management Board continues activities aimed at measuring the carbon footprint of the Company and the Group as widely as possible, which will be developed in the following quarters and years.
	Changes in seasons and collections	The possible further blurring of the seasons and the severity of unpredictable weather anomalies may affect the changes in the structure of the collection, increasing the demand for all-season, casual and inter-seasonal clothes. Typical winter offer e.g. warm jackets may be less and less popular, and its ordering may be include and increasingly high risk of not being sold at the first price. Climate change, and in particular climate warming, can affect not only the structure of goods ordered, but also the stocking cycle of stores. Clothing made of natural fibres, which in the era of climate change give a greater sense of comfort, can be more and more popular.	**Financial capital:** The Autumn/Winter collection is more important in the apparel segment than Spring/Summer. In addition, jackets and coats are an important assortment of the Autumn/Winter collection for the Vistula and Bytom brands. The narrowing of the differences between the seasons may result in lower demand for this category, and thus a possible negative impact on sales and profits (these are product categories with high unit prices). Increase in demand for cotton may cause an increase in the purchase prices of this raw material, and thus clothing companies are faced with the decision to increase their selling prices or reduce their margins.	VRG with each season Autumn/Winter is rational about ordering clothes that can only be sold this season. The Company monitors demand every year and, if needed modifies orders from the previous years. The Management Board will also strive for the Company and the Group to offer a new range that follows the tastes and expectations of customers.

	Area of climate changes impact	Risks and possible range of climate change impacts	Impact on various types of capitals	Actions undertaken by the Company and the Group
Jewellery segment	Availability and cost of raw materials	Because diamond and precious metal mines are located in a certain areas for a long time, mainly due to the time it takes to explore, design, issue permits, construction, production and mine life cycle after closure, climate change can have a significant impact on mines. Rainwater, sewage treatment and collection systems, as well as buildings and infrastructure as well as biodiversity - all these elements are geared to the impact of extreme weather conditions caused by climate change. One of the risks for the jewellery segment may be rising prices of ores used in industry as part of environmental protection activities. The growing demand for selected ores in completely different industries affects the prices of ores in all markets. This applies to palladium (used in the automotive industry, for catalysts in gasoline cars) and platinum (used in catalysts for diesel cars).	**Natural capital**: Possible problems with e.g. water resources may affect the process of mining metals and precious stones in terms of the efficiency of mining machinery or transport infrastructure, as well as the inability to obtain ores (e.g. due to flooded mines, changing conditions preventing mining, typhoons preventing diamonds from grinding or their distribution). However, global warming may open up areas for mining that could not be exploited until now, giving the jewellery segment a chance for further development.	W.KRUK, as the first jewellery company in Poland, introduced to the market on a large scale (full jewellery collection) lab-grown diamonds. This category complements the brand's diamond offer and is an alternative for customers looking for stones not extracted directly from the earth's mantle. The Management Board will continue to diversify the offer in the jewellery segment. Additionally, the W.KRUK production plant uses recycled gold.
	Changes in customer behaviour	Due to the growing awareness of consumers, there is a risk that also in the jewellery segment consumers will be increasingly aware and sensitive to the issue of ecology and will want to support producers who respond to the problem of climate change. Customers may be willing to pay more for environmentally friendly items. Future sales results may also be affected by the trend of reducing consumption or looking for alternatives to buy new jewellery or watches on the secondary market.	**Human and social capital**: Possible greater legal requirements or social pressure (increasingly aware consumers and investors) may contribute to the necessity of introducing new technologies having less harmful impact on the environment. The consequence for companies from the jewellery industry may be the high costs of implementing changes. The time needed to replace existing technologies can also contribute to this. The time to learn how to use them, train employees and the period of reaching full potential will generate additional costs. A pro-environmental approach may be required not only by partners but also by W.KRUK employees.	In the field of obtaining diamonds used for production, W.KRUK cooperates with suppliers who are members of RJC, subject to the same rigorous audits. The Responsible Jewellery Council essentially gathers companies that comply with the Code of Conduct running a business with a responsible and morally faultless model. W.KRUK offers timeless and durable products that thanks to their quality will last for generations.
			Financial capital: The risk of reducing jewellery purchases in conjunction with higher jewellery prices (if the increase in costs would be passed on to the customer) may negatively impact the profitability of the jewellery segment.	Searching for new sources of income and emphasizing the quality of W.KRUK products and their longevity, as well as the importance as a means of storing value.

Scenario description	Business model resilience analysis
SSP1-2.6 scenario, i.e. a scenario with low greenhouse gas emissions in which exceeding the global warming threshold by 2 ° C in relation to the pre-industrial era is unlikely	**Apparel segment:** It is possible that the necessity to significantly reduce greenhouse gas emissions in the next dozen or so years would entail significant changes in the business model of the Company and the Group, in particular on the part of suppliers. It could mean the necessity to select only those suppliers who meet high environmental and climatic requirements, and it would change the offer of the Company and the Group, forcing the use of only such fabrics and materials that come from organic farming. Therefore, there is a risk of growing prices of raw materials and products. In addition, in order for suppliers to be able to meet the requirements in a relatively short time, they would probably need to receive funding from their governments or international institutions. Another issue is transportation. There is a risk that in order to reduce greenhouse gas emissions as quickly as possible, selected governments would impose a tax on the greenhouse gases emitted, which could raise fuel prices and thus the cost of sourcing goods from producers. Thus, there is a possibility that in this scenario the Company and the Group would have to reduce the use of Asian suppliers and move production either to the country or to neighbouring countries (currently part of the production of the apparel segment takes place in Poland). Another element is the possible reaction of consumers. Assuming that the multitude of activities aimed at reducing greenhouse gas emissions in many aspects could lead to a reduction in disposable income, and thus the purchase of clothes. Probably in this scenario, customers would look for things that would be more ecological and durable, maybe also preowned. VRG and Deni Cler offer high-quality products, the durability of which can be counted over the years. It seems that in this scenario, companies from the apparel segment would have to accelerate the implementation of the ecological offer and change the communication regarding the quality of their products and the offer regarding the recycling of their products. If this scenario is realized, the Management Board will take all necessary steps to ensure the development and positive financial results of companies from the apparel segment. In the opinion of the Management Board, these risks may appear more in the medium and long term than in the short term.
	Jewellery segment: The need to quickly implement changes to reduce emissions of the sector would probably require changes at W.KRUK suppliers. The use of more eco-friendly fuel for mining machinery and less chemicals in the extraction would increase the need to invest in new machinery and technologies. This could increase the cost of raw materials, which could additionally become more expensive due to their use in other segments of the industry. Similarly, higher transport costs would probably have to be reflected by W.KRUK in higher prices for customers. As in the case of the apparel segment, decreasing disposable income could negatively affect jewellery purchases (especially impulsive ones). The company will continue its marketing message based on the longevity of its products, and may also further diversify its offer in the future. In the opinion of the Management Board, these risks may appear more in the medium and long term than in the short term.
SSP3-7.0 scenario, i.e. a scenario of high greenhouse gas emissions where exceeding 2 ° C in the pre-industrial era is likely	**Apparel segment:** The scenario assumes that no significant measures will be taken to reduce greenhouse gas emissions in the next dozen or so years. This does not mean that climate issues will not be of concern to consumers. The issues of slow fashion and sustainable development may become more and more important, especially for the younger generations. In this scenario, those are the customers and their choices that will continue to force changes on producers and suppliers, and the apparel segment will move towards greener raw materials and less chemicals. In this scenario, companies from the apparel segment will continue their activities aimed at extending the ecological offer and adjusting, in particular, the offer of autumn and winter collections to the changing climate conditions. Failure to take quick measures to reduce greenhouse gas emissions, however, would lead to a significant intensification of unfavourable weather changes within a dozen or so years and a faster increase in temperature, especially after 2035, which could adversely affect both the cost of raw materials and the demand. In the following years, it would be possible to aggravate physical risks in this scenario. In the opinion of the Management Board, these risks may appear more in the medium and long term than in the short term.
	Jewellery segment: A similar situation would take place in the jewellery segment. Climate change along with the growing awareness of the society would probably cause gradual changes in the consumers' approach to buying jewellery and watches. Also, on the part of suppliers, adjustments to the changing environment would probably begin. However, the lack of quick measures to reduce greenhouse gas emissions would lead to a significant intensification of unfavourable weather changes within a dozen or so years and a faster increase in temperature, especially after 2035, which could adversely affect both the availability of metals and precious stones. High temperatures or floods could endanger the areas where these resources are extracted. The management board will react and adjust its offer and sources of supply. In the opinion of the Management Board, these risks may appear more in the medium and long term than in the short term.

8. Anti-bribery and anti-corruption measures

8.1. Policies

The Company and the Capital Group oppose corruption and bribery. Such actions are prohibited acts in Polish law. Unlawful activities are not tolerated at any of the levels of management, both within the structures of the Capital Group and in contacts with the outside world. This applies in particular to: taking or giving financial benefits, exercising favours in exchange for cash benefits, using their functions or position or bribery. The Company and the Capital Group implemented an Anticorruption Procedure, details of which are described in the table below. Both the document and the Code of Ethics introduced the Capital Group's values and procedures, aligning the policies of counteracting irregularities at the level of the whole Capital Group. These documents constitute guidelines for all employees of the Capital Group and increase the transparency of the Group in the eyes of not only internal but also external stakeholders.

In its anti-corruption and anti-bribery activities, the Group is also supported by the Compliance and Risk Management Department, established in 2021 (originally, in October 2020, a compliance and risk management position was created). The main task of the Compliance and Risk Management Department is to actively support the Company's Management Board in ensuring compliance and effective risk management, as well as taking actions to reduce risk and ensure compliance in the Company and the Group. Ensuring compliance should be understood as ensuring compliance with the law, regulatory requirements, internal regulations, generally accepted good practices and ethical standards in business activities. In addition, the Capital Group also has an Internal Audit Department, which is responsible for assessing the internal control system and advisory activities. The person in the position of the Chief Auditor is responsible for verifying the procedures held by the Company and the companies from the Capital Group and their effectiveness in the field of business, law and risk. The Chief Auditor has an independent position and reports directly to the Management Boards of the companies and the Audit Committee. Issues related to irregularities can be reported by employees through various communication channels, i.e. the reporting form available on the website, by traditional mail, by e-mail to the indicated addresses. The person accepting the notification may be an HR Employee, a Compliance Employee, a Proxy, a Member of the Management Board of the Company, as well as the Chair of the Supervisory Board.

Anticorruption Procedure of the Capital Group - the aim of the procedure is to counteract corruption and reduce the risk of its occurrence in the Capital Group by creating rules and procedures for employee liability in areas threatened by corruption, determining the manner of reporting, registering and resolving any corruption problems, as well as building awareness of corruption threats.

The management of the Capital Group undertakes to inform or train employees to increase awareness of corruption activities and eliminate corruption activities; raising employee awareness in the field of corruption; encouraging employees to report corruption actions; notifying law enforcement agencies about violations of criminal law, in particular of a corrupt nature; counteracting corruption and other economic abuses by encouraging and promoting anti-corruption attitudes and behaviours among parties with whom the Group cooperates.

Every employee of the Group, irrespective of the position held, is obliged to: prevent and report incidents of corruption; avoid actions that may lead to suspicion of corruption; participate in anti-corruption training or information campaigns organized by the Group; immediately inform about any noticed behaviour raising justified suspicions of corruption; prevent conflicts of interest by following the guidelines set out in the procedure and the provisions of the VRG S.A. Code of Ethics.

The employees of the Group are required to keep comprehensive documentation covering regarding all relationships maintained with contractors, covering the purpose and details of such transactions. The procedure also formalizes the process of reporting and explaining fraud.

In 2021 and 2022, no notifications were received at the przeciwdziałanie-korupcji@vrg.pl mailbox, operating as part of the anti-corruption procedure in the VRG S.A. Capital Group. In 2021, in the subsidiary W.KRUK S.A. one anti-corruption notification was received via the form available on the website at https://wkruk.pl/zawiadomienie-o-naruszeniach, which resulted in the termination of the contract with the person to whom the notification concerned. In 2022, W.KRUK did not receive any applications.

8.2. Risks

The most important areas of risks in this field identified by the Company and the Group include:

– obtaining job for an advantage,
– unfair wining of tender,
– dishonest choice of supplier or business partner.

Risks occur on the purchasing side and in relations between the employees of the Company and the Capital Group, e.g. when filling new positions, when selecting business partners. The Management Board is aware of the importance of counteracting corruption and bribery, as both the Company and the Group operate in an increasingly competitive environment with ever larger entities, which increases the pressure on the quality and transparency of business relationships. On the purchasing side, cooperation with suppliers is based on long-term relationships. The risk is minimized by implementing the Anticorruption Procedure, which defines undesirable actions and emphasizes the lack of acceptance for undesirable actions by the Management Board.

9. Risk management

Risk management is one of the important internal processes at VRG S.A. and the VRG Capital Group. It supports the implementation of the Group's strategy and aims to guarantee an appropriate level of security of business operations and financial reporting. The Capital Group strives for early recognition and management of risks related to the activities of the Group's companies. Risk management process and methods are adequate to the scale of the Group's operations and adapted to the level of a given risk. Risk management process is a systematic process that is subject to improvement - it is adapted to new risk factors and sources, as well as to the changing legal and economic environment. Risk management methods are periodically reviewed. The risk management system is a structured approach to the assessment and management of threats appearing in the course of business activities of the Company and the Capital Group, taking into account in particular the rules, organizational resources and tools ensuring effective implementation of the risk management process.

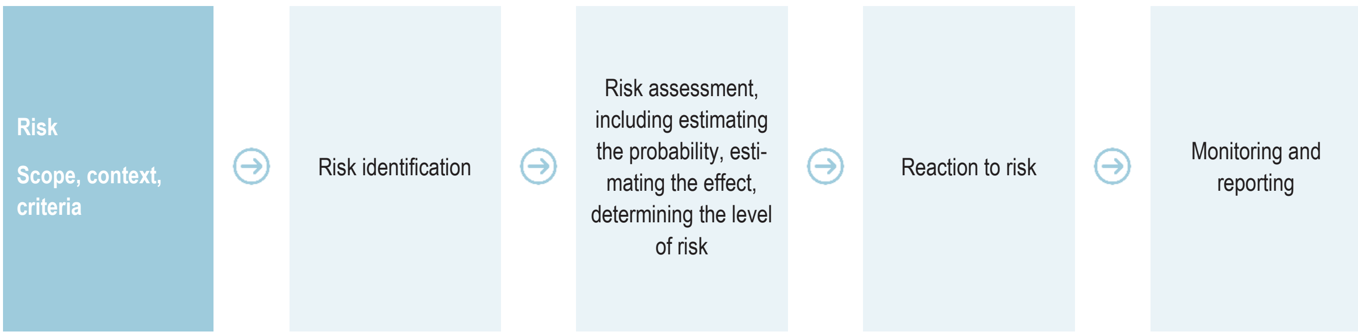
The Management Board is responsible for effective risk management. The Management Board or a member of the Management Board responsible for a given area of the Company as part of ensuring the adequacy, effectiveness and efficiency of the risk management system, e.g.

- makes formal decisions regarding key elements of the risk management system,
- manages risks of particular importance for the functioning of the Group, which are assigned to the Management Board/member of the Management Board as the risk owner,
- ensures adequate resources for the risk management system,
- enables the promotion of a risk management culture,
- approves the risk register and risk response plan.

The Supervisory Board of VRG S.A. exercises constant supervision over the activities of Management Board of VRG S.A. Additionally, within the Supervisory Board of VRG S.A. since May 2012, an internal Audit Committee has been operating. The Audit Committee, as a permanent collective body of the Supervisory Board, exercises constant supervision over the activities of the Management Board in the field of risk management.

The risk management process is carried out on the basis of the Risk Management Policy in the VRG Capital Group, which in February 2022 replaced the existing Risk Management Regulations. In 2022, the VRG Capital Group purchased risk management software that was adapted to the applicable Risk Management Policy and implemented in all companies of the Capital Group. The software supports risk management in the Group, especially in terms of monitoring and reporting. The risk management process is a continuous process and implemented in all units of all companies belonging to the VRG Capital Group. The key steps in the risk management process are outlined below:

RISK MANAGEMENT PROCESS



- **Risk identification**, i.e. detection of risk sources and their categorization consists in defining the risk that threatens the objectives and tasks of the Company's and the Capital Group's business activities. Employees take an active part in identifying threats and communicate them to their superiors.
- **Risk assessment** in the Company and the Capital Group is based on the adopted assessment model ensuring comparability of results in all areas of the Company's and the Capital Group's operations and facilitating the processing of individual assessments in order to create a general risk profile in the Company and the Capital Group. The assessment includes:
  - assessment of inherent risk (i.e. risk before application of control mechanisms),
  - indication of the existing control mechanisms (risk mitigation or risk reduction mechanisms),
  - assessment of the residual risk (ie after the application of control mechanisms).
- At this stage, the probability of risk occurrence is estimated, taking into account the possible frequency of the occurrence of the event and the number of possible repetitions. Estimating the effect of the risk occurrence is done by estimating the value of the potential loss in the perspective of the coming 12-18 months. The level of risk is calculated as the product of the estimated probability and the estimated effect. The assessment of the probability and consequences of risk occurrence is expressed on a five-point scale. After estimating the risk parameters, the risk level is determined on a four-point scale - as low, medium, high or critical.
- **Risk response** depends on the level of estimated residual risk. A low risk is a risk for which current risk management is sufficient. Medium risk already requires attention from the entity's management. High risk requires a high level of vigilance on the part of the entity's management and a risk optimization plan is implemented for most high risks. Critical risk is the only unacceptable risk for which a risk management plan is necessary.
- **Monitoring and reporting** – monitoring consists in reviewing the timeliness of identified risks and their assessment, the effectiveness of control mechanisms, response to risk, including the implementation of risk optimization plans. The risk officer periodically prepares a report containing, in particular, information on key risks and submits it to the Management Board of the Company. The Management Board informs the Audit Committee and the Supervisory Board on an ongoing basis.

The Group distinguishes the following main risk categories:

- Strategic - risk related to making unfavourable or incorrect strategic decisions, lack of or incorrect implementation of the adopted strategy and changes in the external environment and inappropriate reaction to these changes.
- Operational - risk resulting from inadequate or unreliable internal procedures, human and system errors or from external events, also includes legal risk.
- Financial - has a direct impact on the financial result of the Company/Group, is associated with unexpected changes in cash flows conditioned by activity on financial markets or operating activities; it has its source in the choice of types and structure of funding sources; occurs especially in the case of financing activities by means of commitments; is due to fluctuations in interest rates, exchange rates or the market valuation of assets.

At VRG SA, climate risk belongs to the category of strategic risks. The Management Board identified the climate risk, assessed it, i.e. estimated the probability, effect and determined the level of risk from both an inherent and residual perspective. In addition, climate risk was discussed and analysed at the level of the apparel and jewellery segment in the short, medium and long term, which was presented in the section on climate risks. Due to the strategic nature of this risk, in order to respond to this risk, the following actions are taken: development of an ecological offer, reduction of electricity costs, reduction of paper consumption, packaging consumption management and environmental protection management. The owner of the climate risk is the Management Board. Taking into account the organizational structure, the following division of responsibility applies: building an ecological offer - Marta Fryzowska, reducing electricity costs, reducing paper consumption and environmental protection management - Janusz Płocica, and managing packaging consumption - Michał Zimnicki.

The table below presents selected examples of risks for each of the risk categories. The full list is available in the Management Board's Report on operations of the Capital Group for 2022.

Risk type	Risk management
Strategic risks	
Risk related to adopting an incorrect strategy	There is a risk that the Group's development plans may not be adapted 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 assumed results. There is, among other things, a risk that the Group will not be able to launch the planned new sales space, the launch will be delayed or the new locations will not achieve the assumed sales results. **Actions**: The Management Boards analyse the effects of the actions implemented as part of the adopted development strategy on an ongoing basis. Data on available new locations is obtained, as well as the currently available ones are assessed. Optimization actions are taken, customer behaviour is monitored to minimize the risk of adopting a wrong strategy and its impact on the Group's operations.
The risk related to the intensification of compe-tition	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 hand, 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 have to look for new supply markets in order to keep its offer competitive. In addition, you may need to increase your marketing and promotion efforts to reach your target customer. **Actions**: In order to reduce the risk, the Group monitors the activities of competitors on an ongoing basis in terms of the development of the sales network, products offered and price levels.
Operating risks	
Risks related with inventory management	Managing the inventory of finished products and goods is one of the important factors affecting the sales results in the Group's industry. On the one hand, the level of stock should facilitate making a purchasing decision when a given seasonal collection is offered, which leads to an increase in stock at each point of sale. On the other hand, a higher level of inventories generates an additional need for working capital and may lead to the accumulation of hard-to-sell inventories (seasonal products, "fashion products", missed collections). Improper inventory management poses a risk to prices, margins and the necessary level of working capital, which may adversely affect the Group's development prospects, results and financial standing. **Actions**: Quantitative and qualitative analysis of the inventory held is carried out periodically. On its basis, the Group decides about discount campaigns, the amount of sales, as well as possible write-downs. In addition, on the basis of the analysis of the inventory held and the resale of current collections, decisions are made as to the level of purchases for subsequent sales periods.
Risk related to concluded lease agreements	The Group's activity is 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. in connection with 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 excluded if the Group breaches the provisions of the lease agreement or failure 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 conditions proposed to the Group for the next period may unfavourably differ from the existing conditions in a given location. The loss of existing locations may result in the need to temporarily limit operations in a given area or the acquisition of attractive locations will be associated with increased costs. **Actions**: ongoing monitoring of existing and potential locations is carried out in order to achieve an optimal portfolio in line with the Group's expectations.

	Financial risks
Foreign exchange risk and risk related to the hedging policy	The Group earns revenues mainly in PLN, but incurs significant costs in EUR, US dollar and Swiss franc, which exposes the financial result to foreign exchange risk. In periods of weakening of the Polish zloty in relation to the main settlement currencies, the Group incurs higher costs due to foreign exchange differences. In currencies other than PLN, the Group incurs the costs of (a) purchase of production materials (fabrics, accessories) and supplementary assortments in the clothing segment (shoes, knitwear, leather accessories and other), (b) purchase of production materials (jewellery raw materials), jewellery and watches in the jewellery segment and (c) resulting from commercial space lease agreements. In the event of a significant and long-term weakening of the Polish currency against the euro, US dollar and Swiss franc, there is a risk of a significant deterioration in the Group's financial results. **Actions**: The parent company takes actions aimed at limiting the impact of the increase in the exchange rate on the level of the "in take" margin achieved, mainly in terms of the US$/PLN exchange rate. by concluding forward and spot contracts. Transactions are related to individual deliveries of goods, especially in the fashion area, and do not concern the neutralization of a possible risk related to an increase in rent due to a change in the EUR/PLN exchange rate. The impact of forward transactions will be visible in the valuation of currency liabilities related to concluded forward transactions (an analysis of sensitivity to exchange rate risk was carried out in the Consolidated Financial Statements of the VRG S.A. Capital Group.
Interest rate risk	The Group uses external financing with a variable interest rate in the form of an investment loan and a 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 decrease in the Group's profitability. **Actions**: The Group constantly monitors the market situation and optimizes the debt level using diversified financial products.

10. Non-financial indicators

The Management Board of the Company and the Capital Group has defined a list of key non-financial ratios which have been presented in this Report. The indicators were selected in terms of their importance for stakeholders and in order to create the most complete picture of non-financial policies. The ratios are presented at the level of the Company, i.e. the parent company of VRG S.A. and at the Capital Group level. In addition, in order to better illustrate the nature of individual segments and make it easier for stakeholders to relate non-financial data to the financial information contained in the Consolidated Financial Statements and the Report on the Capital Group's Activities, at the level of the Capital Group, selected ratios and non-financial data were presented broken down by the apparel segment and jewellery segment. The tables below show: compliance of the Report with the Accounting Act, compliance with TCFD Recommendations, Integrated Reporting requirements, ESG reporting guidelines and the most important non-financial ratios along with the methodology adopted for the calculations.

Compliance with the Accounting Act	
Area	**Page number**
Business model	4-19
Key efficiency indicators	Table with KPIs is presented below
Risks and risk management description	37, 42-43, 62-68
Main policies and procedures of VRG S.A. and VRG S.A. Capital Group and the results of their implementation	
- employee matters	26-37
- social matters	
- environment matters	43-66
- respect for human rights	38-43
- anti-bribery and anti-corruption	67-68

Alignment with TCFD Recommendations (Task-Force for Climate-related Financial Disclosures)			
Area	**Indicator**	**Page number**	**Comment**
Governance	Describe the board's oversight of climate-related risks and opportunities.	68-69	Full
	Describe management's role in assessing and managing climate-related risks and opportunities.	68-69	Full
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	62-65	Full
	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	62-65	Full
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	66	Full
Risk management	Describe the organization's processes for identifying and assessing climate-related risks.	68-69	Full
	Describe the organization's processes for managing climate-related risks.	68-69	Full
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	68-69	Full

Alignment with TCFD Recommendations (Task-Force for Climate-related Financial Disclosures)			
Area	Indicator	Page number	Comment
Metrics and targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	51-53	Partial
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	51-53	Partial disclosures on Scope 3 greenhouse gas emissions
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	-	No disclosure

Alignment with ESG reporting Guidelines by WSE			
Topic	Area	Indicator	Page number
Environment	Climate change	E-P1 GHG Emissions	51-53
		E-P2 Energy Consumption	51-53
		E-P3 Climate Risks & Opportunities	62-65
		E-S1 Emissions Intensity	51-53
		E-S2 Emissions Management	51-53
	Natural Resources	E-S3 Water Consumption	51-53
		E-S4 Water Management	51-53
		E-S5 Impact on Biodiversity	50-51
	Waste and pollution	E-S6 Waste Management	48-51
Social	Diversity	S-P1 Board Diversity	20-22
		S-P2 Gender Pay Gap	31
	Working conditions	S-P3 Employee Turnover	26
		S-P4 Freedom of Association and Collective Bargaining	27
		S-S1 Employee Health and Safety	34-36
	Human Rights	S-P5 Human Rights Policy	38-42
		S-P6 Human Rights Due Diligence	38-42
Governance	Corporate Governance	G-P1 Board Composition	19-22
	Business Integrity	G-P2 Business Ethics Standards	38-42
		G-P3 Anti-corruption Policy	67
		G-P4 Whistle-blower Mechanism	67
	Data Security & Privacy	G-S1 Data Security Policy	42

Non-financial indicator	Methodology	Page number
Retail network	Number of stores and floorspace in m2 of all brands (both franchise and own stores)	4,6,7,8,12,13
Average store size	Floorspace divided by number of stores end of period	6,7,8
Number of cities	Number of cities in which the brands' stores are located	4,12
Number of suppliers	Number of suppliers with annual turnover exceeding PLN 10 ths	8
Number of loyal suppliers	Split of suppliers based on length of cooperation	10, 11
Payment terms	Average payment period for suppliers in days	24
Number of shipments	Number of shipments sent on average per month from the central warehouse in the off-line and on-line segments	8
Number of customers	Traffic in stores i.e. total number of people entering stores in a calendar year	13
Number of loyal customers	Customers who participate in one of the loyalty programs offered by Capital Group's brands	4,8,13
Average lease length	Average lease length for own stores	12
Share of franchise in floorspace	Area of franchise stores of a given segment / entity divided by floorspace of the segment / entity	4,13
Share of internet in revenues	Sales of e-stores in proportion to the total sales of the Company / Capital Group	4,13
Number of employees	The number of people employed under a contract of employment, excluding persons on maternity leave	4, 26
Number of departing employees/ new-comers	Number of employees who have left or were dismissed / accepted to work in a given cal-endar year (full-time equivalent, FTE)	26
Number of disabled people	Number of persons employed with a recognized degree of disability	27
Diversity factors	Employees split by gender, age, seniority, place of work	4, 27-30
Overtime	Number of hours worked over the standard working time by employees of the Company and the Capital Group in a given year	32
Trade unions	Number of trade unions and number of people who belong to them	27
Number of women / men on maternity / parental leaves	Number of women and men on maternity and parental leaves, number of women return-ing from maternity leave and staying in the Company / Group for more than 12 months	27
Gender pay gap	Difference in the average salary of women and men	31
Number of trained people	Number of employees who underwent training, split for work health and safety (initial and periodic) and development training. Other training than health and safety was also given the number of days they were concerned.	29-31, 34-36
Number of accidents	Number of accidents among group employees and employees of subcontractors working on the premises.	35
Accident frequency indicator	Number of accidents at work per 1,000 employees	35
Days of incapacity for work	Total number of days of incapacity for work caused by accidents	35
Accident severity indicator	Number of days of inability to work / number of accidents	35
Suppliers' certification	Percentage of suppliers that signed the Supplier Code of Conduct and the percentage of having the relevant certificates	18, 39

Non-financial indicator	Methodology	Page number
Percentage of stores with led lighting	Percentage of stores with led lighting	44
Percentage of stores with an environmen-tal clause	Number of stores for which an environmental contract is signed in relation to number of own outlets	44
Business cars	Number of cars rented, leased or owned by the Company / Capital Group	45
Number of kilometres driven	Number of kilometres driven by rented, leased and owned vehicles in a given calendar year	46
Business trips	Number of business trips	46
Number of kilometres driven	Number of kilometres driven by rented, leased and owned vehicles in a given calendar year	47
Energy and water consumption	Data on electricity, natural gas, thermal energy and water consumption	51-52
Waste	Amount of waste generated (tons)	48-51
Packaging	Kilograms of packaging introduced to the Polish market and recycled	49
Emissions	CO2 equivalent emissions in Scope 1, Scope 2 and selected Scope 3 elements and nor-malised values	52, 53
Reported irregularities	Number of cases reported for inboxes related to corruption and irregularities	67
Taxonomy	Percentage of eligible revenues, capex and opex	53-61

Janusz Płocica President of the Management Board	Marta Fryzowska Executive Vice-President of the Management Board	Michał Zimnicki Executive Vice-President of the Management Board	Łukasz Bernacki Executive Vice-President of the Management Board
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Cracow, April 4, 2023

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VRG
VISTULA RETAIL GROUP

Information of the Management Board of VRG S.A. in Cracow (the "Company") referred to in § 71 para. 1 point 7 of the Ordinance of the Minister of Finance dated March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state as equivalent

The Management Board of the Company informs on the basis of the statement contained in the Resolution No. 2 of the Supervisory Board of the Company of April 8, 2021 regarding the statements of the Supervisory Board referred to in § 71 para. 1 point 7 and point 8 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent ("the **Ordinance**") to the extent applicable to information required in the consolidated annual report of the Company for the fiscal year 2022, that:

a) the audit company Grant Thornton Polska Sp. z o.o. with its registered office in Poznań (further: "**Grant Thornton**") that audited the annual consolidated financial statements of the Company for the fiscal year 2022, has been selected in accordance with the regulations, including the selection and procedure of selecting an audit firm,
b) the audit company Grant Thornton with its registered office in Poznań and members of the team performing the audit met the conditions for preparing an impartial and independent audit report on the annual consolidated financial statements of the Company for the fiscal year 2022 in accordance with applicable regulations, professional standards and professional ethics,
c) the Company complies with the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods,
d) the Company has a policy regarding the selection of an audit firm and a policy for provision of services for the Company by an auditor, a party related to the audit company or a member of its network of additional non-audit services, including conditionally exempt services to be provided by the audit company.

Cracow, April 4 2023 r.

VRG S.A. Management Board

Statement of the Supervisory Board of VRG SA, referred to § 71 para. 1 point 8 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent ("the Ordinance") to the extent that information required in consolidated annual report of VRG S.A. for the financial year 2021 (extract from Resolution No. 2 of the Supervisory Board of VRG S.A. in Cracow of April 4, 2023)

The Supervisory Board of VRG S.A. based in Cracow (the "**Company**"), acting pursuant to § 71 para. 1 point 8 of the Ordinance, taking into account the recommendation of the Audit Committee in the following scope, hereby declares that:

a) the Company complies with the provisions regarding the appointment, composition and functioning of the audit committee, including the fulfilment by its members of independence criteria and requirements regarding knowledge and skills in the industry in which the issuer operates, and in the field of accounting or auditing of financial statements .

b) the Audit Committee operating at the Company performed tasks provided for in the applicable regulations.

Cracow, April 4, 2023

The Supervisory Board of VRG S.A.