CONDENSED INTERIM FINANCIAL REPORT

OF VRG CAPITAL GROUP FOR 3Q22
PREPARED IN ACCORDANCE WITH IFRS
APPROVED BY THE EUROPEAN UNION

Cracow, November 16, 2022


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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATMENTS

for 9 months ending September 30, 2022

	PLN ths		EUR ths	
	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3 quarters 2021 / period from 01-01-2021 to 30-09-2021	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Revenues	904,950	721,132	193,034	158,195
Profit (loss) from operations	98,542	43,917	21,020	9,634
EBITDA	180,242	121,932	38,447	26,748
Pre-tax profit (loss)	57,960	33,998	12,363	7,458
Net profit (loss)	45,613	26,522	9,730	5,818
Net cash flows from operating activities	68,505	86,055	14,613	18,878
Net cash flows from investing activities	-14,217	-8,778	-3,033	-1,926
Net cash flows from financing activities	-111,021	-75,224	-23,682	-16,502
Total net cash flows	-56,733	2,053	-12,102	450
	30.09.2022	**31.12.2021**	**30.09.2022**	**31.12.2021**
Total assets	1,500,503	1,494,392	308,124	324,910
Liabilities and provisions	605,083	604,728	124,252	131,480
Long-term liabilities	249,482	271,044	51,230	58,930
Short-term liabilities	342,778	318,316	70,389	69,208
Total equity	895,420	889,664	183,872	193,430
Share capital	49,122	49,122	10,087	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)	0.19	0.11	0.04	0.02
Diluted earnings (loss) per share (in PLN/EUR)	0.19	0.11	0.04	0.02
Book value per share (in PLN/EUR)	3.82	3.79	0.78	0.83
Diluted book value per share (in PLN/EUR)	3.80	3.68	0.78	0.80
Declared or paid dividend per share (in PLN/EUR)	0.17	-	0.03	-

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITIONS

as at September 30, 2022

	PLN ths				
	As at 30-09-2022 / end of quarter 2022	As at 30-06-2022 / end of previous quarter 2022	As at 31-12-2021 / end of previous year 2021	As at 30-09-2021 / end of quarter 2021	As at 30-06-2021 / end of previous quarter 2021
Non-current assets	**857,221**	**847,949**	**867,808**	**881,523**	**888,844**
Goodwill	302,748	302,748	302,748	302,748	302,748
Other intangible assets	198,128	197,633	197,711	196,736	196,688
Fixed assets	55,134	53,753	55,704	51,774	53,421
Investment property	874	874	874	295	295
Right-of-use assets (IFRS16)	273,268	268,047	284,386	301,962	307,159
Long-term receivables	333	289	239	275	275
Shares and stakes	27	27	27	27	27
Other long-term investments	-	4	4	4	4
Deferred tax assets	26,709	24,574	26,115	27,702	28,227
Current assets	**643,282**	**637,038**	**626,584**	**579,146**	**544,699**
Inventory	562,795	527,943	499,173	509,604	515,790
Trade and other receivables as well as other current assets	22,648	20,065	12,839	18,645	13,744
Corporate income tax receivables	-	17	-	-	-
Cash and cash equivalents	57,839	89,013	114,572	50,897	14,748
Other short-term financial assets	-	-	-	-	417
Total assets	**1,500,503**	**1,484,987**	**1,494,392**	**1,460,669**	**1,433,543**

	PLN ths				
	As at 30-09-2022 / end of quarter 2022	As at 30-06-2022 / end of previous quarter 2022	As at 31-12-2021 / end of previous year 2021	As at 30-09-2021 / end of quarter 2021	As at 30-06-2021 / end of previous quarter 2021
Dominating entity's equity	**895,420**	**886,225**	**889,664**	**849,876**	**826,202**
Share capital	49,122	49,122	49,122	49,122	49,122
Other reserves	14,333	14,333	14,333	14,333	14,333
Retained earnings	831,965	822,770	826,209	786,421	762,747
Non-controlling interest	-	-	-	-	-
Long-term liabilities and provisions	**250,603**	**245,616**	**272,165**	**297,390**	**292,946**
Liabilities for fixed asset deposits	451	469	429	416	391
Lease liabilities	223,196	215,311	236,957	257,662	250,183
incl.: lease liabilities related to retail and office space	*222,242*	*214,394*	*236,017*	*25,346*	*248,758*
Loans and borrowings	25,835	28,715	33,658	38,074	41,134
Long-term provisions	1,121	1,121	1,121	1,238	1,238
Short-term liabilities and provisions	**354,480**	**353,146**	**332,563**	**313,403**	**314,395**
Lease liabilities	107,063	101,029	97,566	99,799	97,388
incl.: lease liabilities related to retail and office space	*106,511*	*100,439*	*96,861*	*98,899*	*96,328*
Trade and other liabilities	187,826	212,981	193,162	178,092	181,608
Corporate income tax liabilities	1,145	1,420	6,984	5,872	4,336
Loans and borrowings and short-term part of long-term loans and borrowings	46,744	24,180	20,604	20,313	20,771
Short-term provisions	11,702	13,536	14,247	9,327	10,292
Total liabilities and provisions	**605,083**	**598,762**	**604,728**	**610,793**	**607,341**
Total equity and liabilities	**1,500,503**	**1,484,987**	**1,494,392**	**1,460,669**	**1,433,543**

CONDENSED INTERIM CONSOLIDATED PROFIT OR LOSS STATEMENT

for 9 months ending September 30, 2022

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Revenues	**319,413**	**904,950**	**305,018**	**721,132**
Cost of sales	153,941	423,084	141,684	344,971
Gross profit on sales	**165,472**	**481,866**	**163,334**	**376,161**
Selling costs	110,591	319,067	98,285	267,350
Administrative expenses	22,058	63,705	20,905	57,691
Other operating income	2,759	7,050	1,384	10,699
Gain from sale of non-financial non-current assets	-	-	105	123
Other operating costs	1,910	7,565	2,611	18,025
Loss from sale of non-financial non-current assets	328	37	-	-
Profit (loss) from operations	**33,344**	**98,542**	**43,022**	**43,917**
Financial income	786	1,336	22	37
Financial costs	22,420	41,918	13,257	9,956
incl.: financial costs due to lease liabilities related to retail and office space	*13,716*	*21,853*	*9,743*	*4,938*
Pre-tax profit (loss)	**11,710**	**57,960**	**29,787**	**33,998**
Income tax	2,515	12,347	6,113	7,476
Net profit (loss) for the period	**9,195**	**45,613**	**23,674**	**26,522**
Attributed to dominating entity	9,195	45,613	23,674	26,522
Attributed to non-controlling interest	-	-	-	-
Earnings (loss) per ordinary share	-	-	-	-
- basic	0.04	0.19	0.10	0.11
- diluted	0.04	0.19	0.10	0.11

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 9 months September 30, 2022

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Net profit (loss) for the period	**9,195**	**45,613**	**23,674**	**26,522**
Other comprehensive income, including:	-	-	-	-
That can be reclassified to net income	-	-	-	-
That cannot be reclassified to net income	-	-	-	-
Total comprehensive income	**9,195**	**45,613**	**23,674**	**26,522**
Attributed to dominating entity	-	-	-	-
Attributed to non-controlling interest	-	-	-	-

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 9 months ending September 30, 2022

	PLN ths			
	Share capital	**Capital reserves**	**Retained earnings**	**Total equity**
3rd quarter 2021 / period from 01-07-2021 to 30-09-2021				
Balance at 01.07.2021	**49,122**	**14,333**	**762,747**	**826,202**
Net profit (loss) for the period	-	-	23,674	**23,674**
Stock option programme valuation	-	-	-	**-**
Dividends	-	-	-	**-**
Share issuance	-	-	-	**-**
Balance at 30.09.2021	**49,122**	**14,333**	**786,421**	**849,876**
3 quarters 2021 / period from 01-01-2021 to 30-09-2021				
Balance at 01.01.2021	**49,122**	**14,333**	**759,899**	**823,354**
Net profit (loss) for the period	-	-	26,522	**26,522**
Stock option programme valuation	-	-	-	**-**
Dividends	-	-	-	**-**

	PLN ths			
	Share capital	Capital reserves	Retained earnings	Total equity
Share issuance	-	-	-	**-**
Balance at 30.09.2021	**49,122**	**14,333**	**786,421**	**849,876**
Year 2021 period from 01-01-2021 to 31-12-2021				
Balance at 01.01.2021	**49,122**	**14,333**	**759,899**	**823,354**
Net profit (loss) for the period	-	-	66,310	**66,310**
Stock option programme valuation	-	-	-	**-**
Dividends	-	-	-	**-**
Share issuance	-	-	-	**-**
Balance at 31.12.2021	**49,122**	**14,333**	**826,209**	**889,664**
3 quarter 2022 / period from 01-07-2022 to 30-09-2022				
Balance at 01.07.2022	**49,122**	**14,333**	**822,770**	**886,225**
Net profit (loss) for the period	-	-	9,195	**9,195**
Stock option programme valuation	-	-	-	**-**
Dividends	-	-	-	**-**
Share issuance	-	-	-	**-**
Balance at 30.09.2022	**49,122**	**14,333**	**831,965**	**895,420**
3 quarters 2022 / period from 01-01-2022 to 30-09-2022				
Balance at 01.01.2022	**49,122**	**14,333**	**826,209**	**889,664**
Net profit (loss) for the period	-	-	45,613	**45,613**
Stock option programme valuation	-	-	-	
Dividends	-	-	-39,857	**-39,857**
Share issuance	-	-	-	**-**
Balance at 30.09.2022	**49,122**	**14,333**	**831,965**	**895,420**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for 9 months ending September 30, 2022

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Pre-tax profit (loss)	11,710	57,960	29,787	33,998
Adjustments:				
Amortization and depreciation	27,287	81,700	24,677	78,015
Profit (loss) on investing activities	328	37	-135	-153
Income tax paid	-4,926	-18,779	-6,131	-10,201
Interest costs	2,787	6,889	1,815	5,506

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Change in provisions	-1,835	-2,547	-965	-530
Change in inventories	-34,853	-63,624	6,186	-4,020
Change in receivables	-2,611	-9,902	-4,901	-5,293
Change in short-term liabilities, excluding bank loans and borrowings	27,891	15,931	9,525	-12,892
Other adjustments	-896	840	-38	1,625
Net cash flows from operating activities	**24,882**	**68,505**	**59,820**	**86,055**
Interest received	781	1,192	-	-
Inflows from sale of intangibles	-	-	-	-
Inflows from sale of fixed assets	211	2,829	184	710
Disposal from investment property	-	-	-	-
Repayment of loans granted	-	-	-	-
Purchase of intangible assets	-889	-1,230	-316	-1,215
Purchase of fixed assets	-6,103	-17,008	-3,809	-8,273
Dividends obtained				
Net cash flows from investing activities	**-6,000**	**-14,217**	**-3,941**	**-8,778**
Proceeds from issuance of shares and other capital instruments (bonds) and additional payments to capital	-	-	-	-
Inflows from loans and borrowings	22,745	25,128	338	855
Repayment of bank loans and borrowings	-3,060	-9,180	-3,857	-14,482
Finance lease payments	-214	-657	-409	-1,145
Other interest paid	-1,503	-3,084	-493	-1,318
Interest paid due to lease liabilities related to retail and office space	-1,284	-3,805	-1,322	-4,188
Lease payments due to lease liabilities related to retail and office space	-26,883	-79,566	-13,987	-54,946
Dividend paid	-39,857	-39,857	-	-
Net cash flows from financing activities	**-50,056**	**-111,021**	**-19,730**	**-75,224**
Change in cash and cash equivalents in the balance sheet	**-31,174**	**-56,733**	**36,149**	**2,053**

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Opening balance of cash and equivalents	**89,013**	**114,572**	**14,748**	**48,844**
Change in cash due to foreign currency translation	-	-	-	-
Closing balance of cash and equivalents	**57,839**	**57,839**	**50,897**	**50,897**

Value shown under "Other adjustments" consists of:	PLN ths	
	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
capital reserves increase – valuation of stock options	-	-
fixed assets - impairment - liquidation	-336	1,625
interest received	-1,192	-
bank loan valuation	2,368	-
Total	**840**	**1,625**

INFORMATION AND EXPLANATIONS TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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.

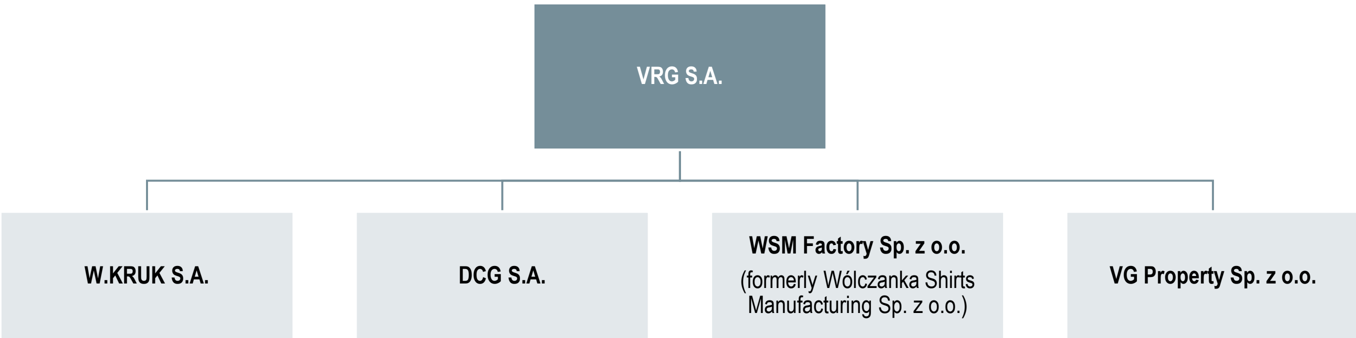
The company is one of the first companies that were listed on the Warsaw Stock Exchange S.A. First listing of VRG S.A. took place on September 30, 1993.

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. subsidiary

The lifespan of the Issuer is indefinite.

1.2. STRUCTURE OF VRG S.A. CAPITAL GROUP



As at the end of 3Q22 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 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 Meeting: 100.0%.

Consolidated financial statements for 3Q22 include data of the Parent Company and subsidiaries: W.KRUK S.A., DCG S.A., WSM Factory Sp. z o.o. (former name Wólczanka Shirts Manufacturing Sp. z o.o.), VG Property Sp. z o.o.

CHANGES IN CAPITAL GROUP STRUCTURE IN 3Q22

There were no changes in VRG S.A. Capital Group structure over the 9 months of 2022.

1.3. COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARD

MANAGEMENT BOARD

As at September 30, 2022 the composition of the Management Board of VRG S.A. was as 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

In the period from January 1, 2022 to March 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 recall Mr. Radosław Jakociuk from the composition of the Management Board and from performing the function of the Executive Vice-President of the Management Board of the Company,

- on February 18, 2022, the Supervisory Board of the Company adopted a resolution to appoint Mr. Janusz Płocica to the Management Board of the Company as of June 1, 2022, entrusting him with the position of the President of the Management Board,

- on March 7, 2022, the Supervisory Board of the Company adopted a resolution pursuant to Art. 383 par. 1 of the Code of Commercial Companies on delegating the Deputy Chair of the Supervisory Board of the Company, Mr. Jan Pilch, to temporarily perform the duties of the President of the Management Board. The posting took place for the period from March 12, 2022 to May 31, 2022,

- on April 1, 2022, the Supervisory Board of the Company adopted a resolution to amend the resolution of the Supervisory Board of the Company of February 18, 2022 on appointing Mr. Janusz Płocica to the Management Board of the Company and entrusting him with the function of the President of the Management Board of the Company in this way, that the Supervisory Board decided to appoint Mr. Janusz Płocica to the Management Board of the Company and act as the President of the Management Board, with effect from April 19, 2022, instead of the current date of June 1, 2022,

- on April 4, 2022, Mr. Jan Pilch, Deputy Chair of the Supervisory Board, resigned from delegation to temporarily perform the duties of the President of the Management Board, effective on April 18, 2022,

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

In the period from the balance sheet date, i.e. September 30, 2022 to the date of signing this report, the above composition of the Parent Company's Management Board did not change.

SUPERVISORY BOARD

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

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

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

1.4. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved for publication and signed by the Parent's Management Board on November 16, 2022.

1.5. GOING CONCERN

Interim condensed consolidated financial statements of the VRG S.A. Capital Group (hereinafter also referred to as the "Capital Group", "Group" or "VRG Group") have been prepared on the assumption that the companies of the Capital Group will continue as a going concern in an unchanged form and scope for a period of at least 12 months from the date on which the financial statement, i.e. September 30, 2022. In the opinion of the Management Board of the Parent Entity, as at the date of approval of these interim consolidated financial statements, there are no premises or circumstances that would indicate a threat to the continued operations of the Group companies in the foreseeable future.

The level of the Group's revenues depends on the economic situation, including: dynamics of economic growth, inflation, unemployment, household income and debt, individual consumption, consumer optimism indicators, the level of the euro against the zloty, interest rates and the fiscal policy of the state.

The year 2022 ends in Poland under the pressure of strongly growing inflation and declining consumer sentiment. The Management Board of the Company carefully monitors the economic environment and traffic in the stores and implements the strategy of more effective product management.

The Management Board of the Parent Company also points out that:

– revenues increased by 25.5% YoY.

– the Group ended the reporting period with a profit of PLN 45,613 thousand,

– cash as at the balance sheet date amounted to PLN 57,839 thousand,

– cash flows from operating activities showed a positive balance,

– the financial debt of the Capital Group is at a safe level, loans are repaid on time.

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

Due to the armed conflict between Russia and Ukraine, the Company is unable to precisely estimate the scale of deterioration of its financial results, as a number of factors remain beyond its influence and control, however, to the best of its knowledge, as at the date of preparation of the consolidated financial statements, it does not perceive war as a significant risk that threatens the Group's ability to continue as a going concern.

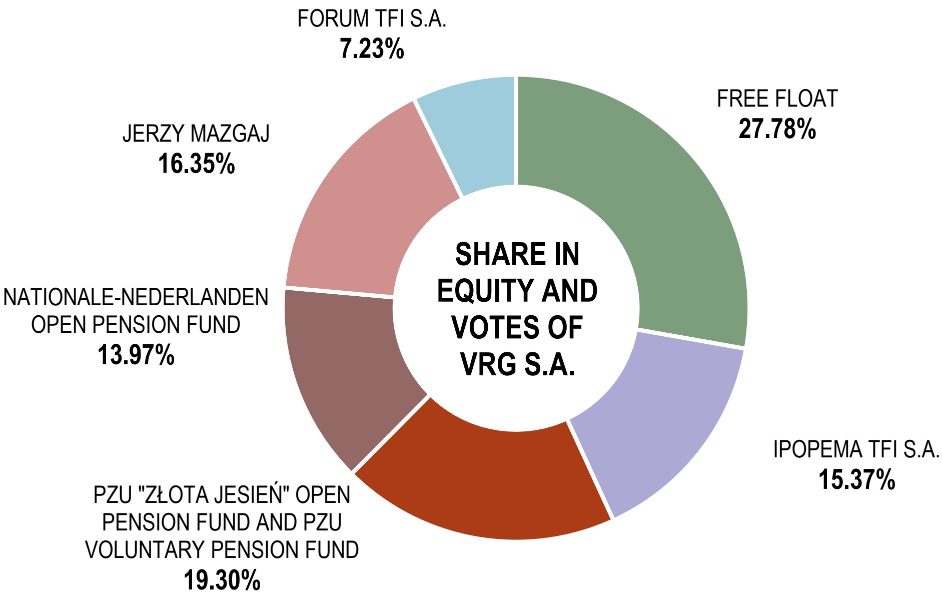
Additionally, important information on the Group's events was presented in the Management Commentary and in the section Significant events of the third quarter.

1.6. SHARE CAPITAL AND SHAREHOLDERS

Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of VRG S.A. as at the date of signing the consolidated quarterly report for the third quarter of 2022 and an indication of changes in the ownership structure of significant blocks of VRG S.A. shares in the period from the publication of the last financial report, to the best of the Company’s knowledge.

SHARE CAPITAL OWNERSHIP STRUCTURE, ACCORDING TO THE KNOWLEDGE OF THE PARENT COMPANY, AS AT THE DATE OF SIGNING THE INTERIM CONDENSED CONSOLIDATED REPORT FOR THE THIRD QUARTER 2022 ON NOVEMBER 16, 2022

As at the date of signing the consolidated report for the 1st quarter of 2022, the share capital of VRG S.A. is divided into 234,455,840 ordinary bearer shares, which gives a total of 234,455,840 votes at the General Meeting of Shareholders of VRG S.A. ("Company").



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

Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
PZU „Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund[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 the PZU "Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund managed by PZU S.A. Open Pension Fund. According to the information possessed by the 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 Company's General 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 Company's General Meeting.

[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 Assets Non-Public, managed by IPOPEMA TFI S.A. at the Company's Ordinary General Meeting on June 21, 2022, held 35,431,872 shares, 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 Company's General Meeting.

[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 Company's General Meeting.

CHANGES IN THE OWNERSHIP STRUCTURE OF SIGNIFICANT SHARES ACCORDING TO THE COMPANY'S INFORMATION FROM THE DATE OF SUBMISSION OF THE CONSOLIDATED SEMI-ANNUAL REPORT FOR THE FIRST HALF OF 2022 (AUGUST 26, 2022).

PZU „Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund (combined)	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
As at 26.08.2022	41,314,600	17.62	41,314,600	17.62
As at 16.11.2022	45,251,894	19.30	45,251,894	19.30

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

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

Management Board	Number of shares held at the date of the consolidated semi-annual report for the first half of 2022	Number of shares held at the date of the consolidated interim report for the third quarter 2022
Michał Zimnicki – Executive Vice-President of the Management Board	4,000	4,000
Łukasz Bernacki – Executive Vice-President of the Management Board	100,381	100,381

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

Management Board	Number of F-series subscription warrants held at the date of the consolidated semi-annual report for the first half of 2022	Number of F-series subscription warrants held at the date of the consolidated interim report for the third quarter 2022
Łukasz Bernacki – Executive Vice-President of the Management Board	128,504	128,504

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

Supervisory Board	Number of shares held at the date of the consolidated semi-annual report for the first half of 2022	Number of shares held at the date of the consolidated interim report for the third quarter 2022
Jan Pilch – Deputy-Chair of the Supervisory Board	186,000	186,000
Wacław Szary – Member of the Supervisory Board	10,000	10,000

2. PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard No. 34 "Interim Financial Reporting" approved by the EU ("IAS 34"). The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the consolidated financial statements of the Group for the year ended December 31, 2021 approved for publication on April 8, 2022.

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

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

Accounting principles applied to the preparation of the condensed consolidated interim financial statements are consistent with those applied to the preparation of the Group's annual financial statements for the financial year ended December 31, 2021.

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

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

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

3. CHANGES IN ACCOUNTING STANDARDS

STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED AND APPROVED BY THE EU AND ENFORCED FROM OR AFTER 1 JANUARY 2022

AMENDMENT OF ZMIANA IAS 16 „PROPERTY, PLANT, EQUIPMENT"

It was clarified that the production carried out as part of the tests of fixed asset before the use of the fixed asset should be recognized as (1) inventory in accordance with IAS 2 and (2) revenue when it is sold (and not affect the value of the fixed asset). Testing a fixed asset is part of its cost. The change applies to annual periods beginning on or after January 1, 2022.

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

It was clarified that the costs of fulfilling onerous contracts include incremental costs (e.g. labour costs) and the allocated portion of other costs directly related to the cost of fulfillment, e.g. depreciation. The change applies to annual periods beginning on January 1, 2022 or later.

AMENDMENT TO IFRS 3 "BUSINESS COMBINATIONS"

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

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

IFRS 9: (1) in the 10% test to determine whether a modification should result in the discharge of an obligation, only fees that are exchanged between the obligor and the creditor should be included; (2) it was clarified that the fees incurred in the event of removal of the liability are recognized in the result, and if the liability is not removed, they should be charged to the value of the liability;

IFRS 16: from example 13, the issue of an incentive from the lessor in the form of covering the costs of fit-outs incurred by the lessee, which raised interpretation doubts, was removed;

IAS 41: the prohibition of including tax flows in the valuation of biological assets has been removed.

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

AMENDMENT TO IAS 12 "INCOME TAX"

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

AMENDMENT TO IAS 8 "ACCOUNTING PRINCIPLES (POLICIES), CHANGES IN ESTIMATED VALUES AND CORRECTING ERRORS"

Amendment to IAS 8: definition of accounting estimates (the accounting year starting on January 1, 2023) Amendment specifying the definition of accounting estimates, i.e. cash amounts recognized in the financial statements that are subject to measurement uncertainty.

AMENDMENT TO IFRS 17 "INSURANCE CONTRACTS"

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

The above changes did not affect these interim condensed consolidated financial statements.

NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS TO THEM PUBLISHED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) AND NOT APPROVED BY THE EUROPEAN UNION

AMENDMENT TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

The IASB clarified the rules for classifying liabilities as long-term or short-term mainly in two aspects:

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

– management's intentions to accelerate or delay payment of the liability are disregarded.

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

AMENDMENT TO IFRS 16 "LEASING"

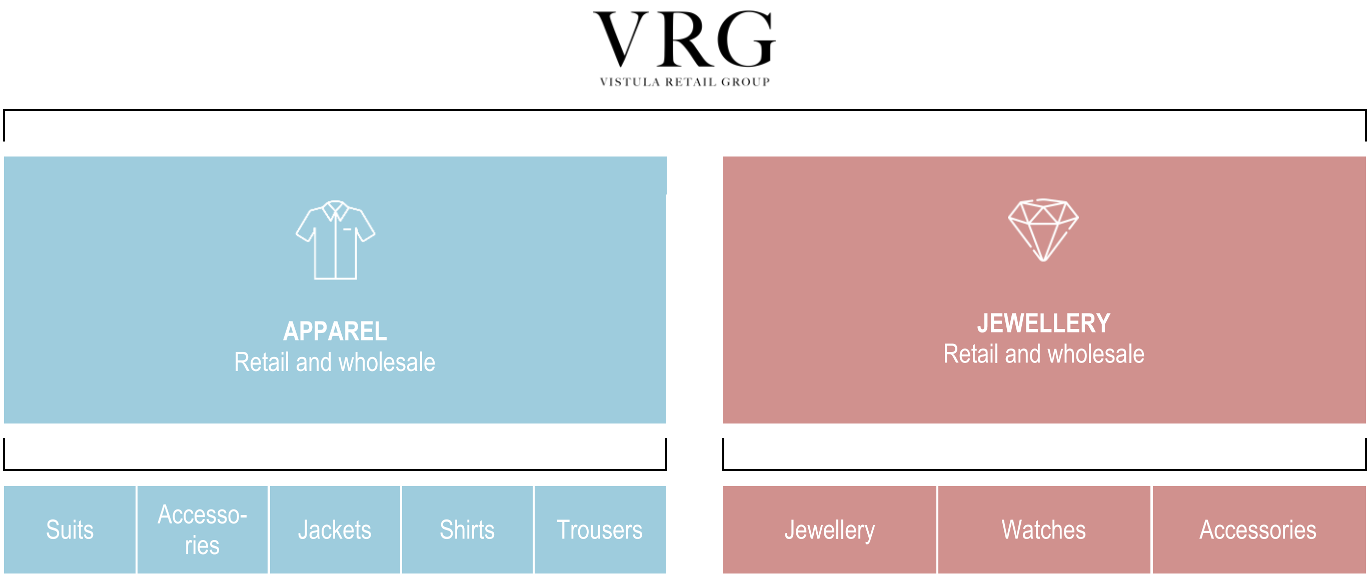
The purpose of this change is to specify how the entity measures the lease liability after the sale of the asset and leases the same asset from a new owner. The change applies to annual periods beginning on January 1, 2024.

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

4. OPERATING SEGMENTS

The Group specializes in the design and retail sale of branded men's and women's clothing positioned in the middle and upper segment of the market, as well as luxury jewellery and watches. Currently, it is building sales based on the brands Vistula, Lantier, Vistula Red, Bytom, Wólczanka, Lambert, W.KRUK (through a subsidiary) and Deni Cler (through a subsidiary). Since the second quarter of 2015, the jewellery business, as a result of the sale of an organized part of the enterprise associated with the W.KRUK brand, has been carried out in the Issuer's subsidiary, i.e. W.KRUK S.A. based in Cracow. On November 30, 2018, a merger with Bytom S.A. took place, as a result of which the Group became the owner of the Bytom brand.

The diagram below shows the breakdown of the Group's activities by business segments:



LEADING OWN BRANDS OF THE VISTULA BUSINESS LINE:

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

LEADING OWN BRANDS OF THE BYTOM BUSINESS LINE:

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

LEADING OWN BRANDS OF THE WÓLCZANKA BUSINESS LINE:

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

OTHER OWN BRANDS IN THE APPAREL SEGMENT:

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

OWN 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 precious metals.	W.KRUK offers watches from luxury Swiss brands such as Rolex (as the only distributor of this brand in Poland), Cartier, Jaeger-LeCoultre, Hublot, Panerai, Chopard, Girard-Perregaux, Omega, Tudor, Tag Heuer, Longines, Rado, Frédérique Constant , Tissot, Certina, Doxa, Gucci, Swatch

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 manufactured in the Manufaktura facility near Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the studios of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, W.KRUK brand was the first in Poland to introduce a new category of man-made diamonds in laboratory conditions to the offer in its chain of stores under the name New Diamond by W.KRUK. They have parameters identical to diamonds mined with traditional methods and are classified according to the same parameters, using the same standards of expert assessment. The collection decorated with New Diamond by W.KRUK includes rings under the name Perfect®, earrings and pendants with man-made 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.

and many more. At the end of 2020, the Patek Philippe brand, considered the most prestigious in the world, was added to the offer.
Watches of renowned brands sold in W.KRUK stores occupy a strong position on the Polish market, and the value of their sales systematically increases.

PRODUCTION ACTIVITY:

The production activity in the apparel part of the Group was located, among others, in a 100% subsidiary of the parent company, operating under the name of WSM Factory Sp. z o.o. (former name Wólczanka Shirts Manufacturing Sp.z o.o.). In addition to its own plant, the Group cooperates with proven independent producers who guarantee the provision of sewing and packaging services at the highest level and offer competitive price conditions.

Revenues for the geographical segments for the period from January 1, 2022 to September 30, 2022 and for the comparable period are presented in the table below.

Revenues from various markets in terms of geographic location	PLN ths			
	3rd quarter 2022 / period from 01.07.2022 to 30.09.2022	3 quarters 2022 / period from 01.01.2022 to 30.09.2022	3rd quarter 2021 / period from 01.07.2021 to 30.09.2021	3 quarters 2021 / period from 01.01.2021 to 30.09.2021
Poland	315,838	894,581	302,271	710,373
EURO zone	3,482	10,037	2,676	10,521
US$ zone	93	240	71	90
CHF zone	-	92	-	148
Total	**319,413**	**904,950**	**305,018**	**721,132**

In terms of geographical segments, the entire activity of the Capital Group is carried out in the Republic of Poland, part of the sale relates to the shipment of the Group's goods abroad.

Other financial data related to the segments are included in the Management Board's comment.

5. SEASONALITY AND CYCLICALITY OF ACTIVITIES

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

6. FX EXCHANGE RATES USED TO VALUE ASSETS AND LIABILITIES

Individual items of assets and liabilities were converted into EURO at the average exchange rate of 30/09/2022 announced by the National Bank of Poland, which was PLN 4.8698/EUR. Individual items of the profit and loss account were converted into EURO at the exchange rate of PLN 4.6880/EUR, which is the arithmetic average of the average EURO exchange rates set by the National Bank of Poland on the last day of each completed month covered by the report.

The following EURO exchange rates as at 31/01/22 - PLN/EUR 4.5982, 28/02/22 - 4.6909 PLN/EUR, 31/03/22 - 4.6525 PLN/EUR, 30/04/22 - 4 were used to calculate the average exchange rate, PLN/EUR 6,582, May 31, 22 – PLN/EUR 4.5756, June 30, 22 – PLN/EUR 4.6806, July 29, 22 – PLN/EUR 4.7399, August 31, 22 – PLN/EUR 4.7265, September 30 .22 – PLN/EUR 4.8698.

Comparable data for individual items of assets and liabilities were converted into EURO at the average exchange rate announced by the National Bank of Poland, applicable as at the last day of the reporting periods, i.e. on December 31, 2021, which amounted to PLN 4.5994/EUR and on September 30, 2021, which amounted to PLN 4.6329/EURO. Comparable data for individual items of the profit and loss account were converted into EURO at exchange rates constituting the arithmetic mean of average EURO exchange rates set by the National Bank of Poland on the last day of each completed month of the comparative period, i.e. from 01/01/2021 to 30/09/2021, which amounted to 4.5585 PLN/EUR.

7. INFORMATION ON MATERIAL CHANGES IN ESTIMATES, INCLUDING ADJUSTMENTS FOR PROVISIONS, DEFERRED TAX ASSETS AND LIABILITIES AS WELL AS ASSET WRITE-OFFS

In the current period, there were no changes in estimates or assumptions compared to those adopted and disclosed in the consolidated financial statements for the financial year ended December 31, 2021, approved on April 8, 2022.

7.1. PROVISIONS

	Provision for employee costs	Provision for future liabilities	Provision for work in progress (services of subcontractors)	Returns from customers	Other	Total
Balance as at January 1, 2021	**6,655**	**2,612**	**925**	**893**	**10**	**11,095**
provisions created during the year	6	-	673	-	1	1,646
provisions released/used	-1,210	-	-	-	-	-2,176
Balance as at September 30, 2021	**5,451**	**2,612**	**1,598**	**893**	**11**	**10,565**
presented in short-term liabilities	4,213	2,612	1,598	893	11	9,327
presented in long-term liabilities	1,238	-	-	-	-	1,238
Balance as at January 1, 2021	**6,655**	**2,612**	**925**	**893**	**10**	**11,095**
provisions created during the year	2,946	615	827	1,309	2	5,699
provisions released/used	-1,397	-29	-	-	-	-1,426
Balance as at December 31, 2021	**8,204**	**3,198**	**1,752**	**2,202**	**12**	**15,368**
presented in short-term liabilities	7,083	3,198	1,752	2,202	12	14,247
presented in long-term liabilities	1,121	-	-	-	-	1,121
Balance as at January 1, 2022	**8,204**	**3,198**	**1,752**	**2,202**	**12**	**15,368**
provisions created during the year	1,766	679	-	205	81	2,731
provisions released/used	-3,820	-210	-302	-845	-99	-5,276

	Provision for employee costs	Provision for future liabilities	Provision for work in progress (services of subcontractors)	Returns from customers	Other	Total
Balance as at September 30, 2022	**6,150**	**3,667**	**1,450**	**1,550**	**6**	**12,823**
presented in short-term liabilities	5,029	3,667	1,450	1,550	6	11,702
presented in long-term liabilities	1,121	-	-	-	-	1,121

The created provisions were charged to the management and sales costs or other operating costs, respectively, and the released/used provisions were charged to the reduction of management and selling costs or to other operating income, respectively.

Balance of provisions as at 30.09.2022 includes:

long-term provision for retirement benefits	PLN 1,121 ths	Total PLN 12,823 ths
short-term provision for retirement benefits	PLN 155 ths	
short-term provision for overdue holidays	PLN 4,447 ths	
provision for bonuses	PLN 427 ths	
provision for customer returns	PLN 1,550 ths	
short-term provision for sewing services	PLN 1,450 ths	
provision for future liabilities	PLN 3,667 ths	

7.2. CHANGE IN WRITE-DOWNS OF SHORT-TERM RECEIVABLES, INVENTORIES AND IMPAIRMENT OF FIXED ASSETS

Write-offs	PLN ths				
	Balance at 01.01.2022	Creation	Release/ Usage	Reclassified	Balance at 30.09.2022
Intangible assets write-offs	3,150	-	-	-	3,150
Fixed assets write-offs	3,206	-	184	1,040	1,982
Write-offs for assets held for sale	-	-	1,040	-1,040	-
Inventory write-offs	22,766	699	4,022	-	19,443
Receivables write-offs	1,745	425	585	-	1,585
Write-offs for proceeds from loans granted	-	-	-	-	-
Total write-offs	**30,867**	**1,124**	**5,831**	**-**	**26,160**

Write-offs	PLN ths				
	Balance at 01.01.2021	Creation	Release/ Usage	Reclassified	Balance at 31.12.2021
Intangible assets write-offs	3,147	3	-	-	3,150
Fixed assets write-offs	2,071	2,256	1,121	-	3,206

Write-offs	PLN ths				
	Balance at 01.01.2021	**Creation**	**Release/ Usage**	**Reclassified**	**Balance at 31.12.2021**
Write-offs for assets held for sale	-	-	-	-	-
Inventory write-offs	18,031	12,677	7,942	-	22,766
Receivables write-offs	57,386	2,631	58,272	-	1,745
Write-offs for proceeds from loans granted	2,179	-	2,179	-	-
Total write-offs	**82,814**	**17,567**	**69,514**	**-**	**30,867**

7.3. DEFERRED TAX ASSETS AND LIABILITIES

	PLN ths				
	Balance sheet items			Profit or loss items	
	30.09.2022	31.12.2021	30.09.2021	3 quarters 2022 / period from 01.01.2022 to 30.09.2022	3 quarters 2021 / period from 01.01.2021 to 30.09.2021
Deferred tax provisions	**117**	**100**	**533**	**16**	**-288**
Balance sheet values – FX gains	28	22	40	5	-87
Net provisions paid	55	55	55	-	-17
Amortized cost bank loan valuation	-	-	360	-	-84
Derivatives valuation	-	-	-	-	-86
Leased fixed assets	33	-	77	10	-13
Other	1	23	1	1	-1
Transferred to financial result	**117**	**100**	**533**	**16**	**-288**
Transferred to equity	**-**	**-**	**-**	**-**	**-**
Deferred tax assets	**26,826**	**26,215**	**28,235**	**609**	**2,892**
Accelerated balance sheet depreciation	2,329	2,263	2,371	67	66
Post-employment benefits (severance pay)	26	27	24		
Write-offs	4,016	4,877	5,720	-865	1,993
Provisions, remuneration and social security	1,114	2,331	1,017	-353	-226
Remuneration, social security paid	806		1,055	9	9
Balance sheet values – FX losses	631	71	285	560	95
Tax loss carryforward	3,892	3,352	4,358	541	-1,275
Receivables write-off	-	-	650	-	54
Provision for future liabilities	921	1,929	1,770	-1,074	201
Provision for customer returns	991	1,034	464	-43	5
Loyalty programme valuation	766	764	315	-	-
Bank loans valued at amortised cost	489	39	-	450	-
Lease liabilities for commercial and office floorspace	10,845	9,528	10,206	1,317	1,970
Transferred to financial result	**26,826**	**26,215**	**28,235**	**609**	**2,892**
Transferred directly to equity	**-**	**-**	**-**	**-**	**-**

	PLN ths	
	3 quarters 2022 / period from 01.01.2022 to 30.09.2022	3 quarters 2021 / period from 01.01.2021 to 30.09.2021
Tax liability	**12,347**	**7,476**
Current taxation	12,940	10,656
Deferred taxation	-593	-3,180

8. FINANCIAL INCOME AND COSTS

Financial income	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 to 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Interest on bank deposits	781	1 192	-	-
FX gains	15	136	12	-
Other	-10	8	10	37
Total	**786**	**1 336**	**22**	**37**

Financial costs	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 to 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Interest on bank loans and overdrafts	1,208	2,775	293	1 072
Factoring interest	147	279	60	182
Interest on other lease liabilities	38	90	18	54
Interest on lease liabilities related to retail and office space	1,261	3,745	1,434	4,187
Commissions on loans and guarantees	638	1,778	745	1,939
FX losses	19,110	30,821	10,212	1,404
incl: lease liabilities related to retail and office space	*12,455*	*18,108*	*8,309*	*751*
Amortized cost bank loan valuation	-	*2,368*	-	*445*
Forward transaction valuation	-	-	417	449
Other	18	62	78	224
Total	**22,420**	**41,918**	**13,257**	**9,956**

9. OTHER OPERATING INCOME AND OTHER OPERATING COSTS

Other operating income	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 to 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Gain on sale of non-financial fixed assets	-	-	105	123
FGŚF remuneration subsidies	-	-	724	5,227
Exemption from social security charges	-	-	195	3,561
Other operating income, incl.:	2,759	7,050	465	1,911
incl. reversal of goods/materials write-offs	*2,091*	*4,023*	*932*	*932*
incl. liquidation of contracts measured under IFRS 16	*121*	*907*	*48*	*352*
Total	**2,759**	**7,050**	**1,489**	**10,822**

Other operating cost	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 to 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Loss on sale of non-financial fixed assets	328	37	-	-
Fixed assets write-off	-	-	-	1,931
Materials write-offs	-	231	-	427
Goods write-offs	-	468	302	9,309
Donations given	1,367	2,151	130	258
Other operating costs incl.:	543	4,715	2,179	6,100
Severance payments	-	*1,000*	*1,122*	*1,227*
Total	**2,238**	**7,602**	**2,611**	**18,025**

10. CONDITIONAL RECEIVABLES AND LIABILITIES

	PLN ths		
	Balance as at 30-09-2022 / end of quarter 2022	Balance as at 31-12-2021 / end of quarter 2022	Balance as at 30-09-2021 / end of quarter 2021
Issued bank guarantees for rentals of store premises	60,822	58,755	51,706
Open letters of credit	18,899	23,441	19,832
Promissory notes securing lease liabilities	514	410	495
Conditional liabilities, total	**80,235**	**82,606**	**72,033**

There are no conditional receivables in the Group.

11. ISSUANCE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

In the reporting period, the parent company has not issued, redeemed or repaid any equity securities.

12. PAID AND DECLARED DIVIDENDS

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

VRG S.A. dividend policy based in Cracow.

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

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

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

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

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

13. PROCEEDINGS PENDING BEFORE A COURT, AN ARBITRATION BODY OR A PUBLIC ADMINISTRATION BODY

There are no proceedings pending before a court, a body competent for arbitration proceedings or a public administration body relating to the Group's liabilities or receivables, the value of which would materially affect the assessment of the Group's standing.

14. RELATED PARTY TRANSACTIONS

Entities related to the Group are:

– - persons included in the key management personnel of the VRG S.A. Capital Group
– - entities in which the persons included in the key exercise control or on which they exercise significant influence, in the meaning of IAS 24.

The key management personnel of the Group includes members of the Management Board and Supervisory Board of the parent company.

Value of short-term benefits paid to members of the Parent Company's Management Board in the period from January 1, 2022 to September 30, 2022 amounted to PLN 2,746 thousand.

Value of short-term benefits of members of the Parent Company's Supervisory Board paid in the period from January 1, 2022 to September 30, 2022 amounted to PLN 1,126 thousand.

Members of the Management Board of VRG S.A. for sitting on the Supervisory Board of DCG S.A. obtained PLN 20,000 and members of the Supervisory Board of VRG S.A. for sitting on the Supervisory Board of DCG S.A. obtained PLN 48 thousand.

Additionally, members of the Supervisory Board of VRG S.A. sitting on the Supervisory Board of KRUK S.A. obtained PLN 179 thousand. One member of the Management Board of VRG sitting on the Management Board of W.KRUK S.A. obtained PLN 60,000.

15. INFORMATION ON GRANTING BY THE ISSUER OR BY AN ENTITY DEPENDING ON A GUARANTEE FOR A BANK LOAN OR LOAN OR GRANTING A GUARANTEE TO ONE ENTITY OR AN ENTITY SUBJECT TO THIS ENTITY, IF THEIR OWNERSHIP IS MATERIAL

In the third quarter of 2022, the parent company did not grant any additional sureties to its subsidiaries as compared to those described in the consolidated and separate semi-annual report for 6 months ending June 30, 2021.

As at September 30, 2022, the balance of sureties granted in previous periods by the parent company to subsidiaries W.KRUK S.A., DCG S.A. and VG Property Sp. z o.o. for liabilities of W.KRUK S.A., DCG S.A. and VG Property Sp. z o.o. to Bank PKO BP S.A. resulting from credit agreements amounts to:

- Term loan agreement (Loan B) up to the amount of PLN 71,400,000.00 concluded by the Company on March 9, 2015 as altered later, transferred to W.KRUK S.A. after taking over an organized part of the Company's enterprise by W.KRUK S.A. as a result of which the borrower changed in the Loan Agreement B, i.e. the company was replaced by Grupa W.KRUK S.A. therefore the debt was taken over by W.KRUK S.A. After the rights and obligations of the borrower have been transferred to W.KRUK S.A., the Group is responsible for the repayment of Loan B under the surety up to a maximum amount not exceeding PLN 107,100,000, with the possibility of releasing it after 3 years.
  W.KRUK S.A. subsidiary granted a surety to VRG S.A. to the multi-purpose credit limit agreement of June 25, 2015, as amended died up to PLN 55,000,000, from which sureties W.KRUK S.A. subsidiary was released by the bank on September 8, 2022.
- Multi-purpose credit limit agreement up to PLN 18,000,000.00 concluded by the subsidiary DCG S.A. on June 26, 2015, as amended later. One of the collaterals for repayment of liabilities of DCG S.A. towards the bank under this agreement is a surety by the Parent Company up to the maximum amount not exceeding PLN 27,000,000, the surety is valid until July 11, 2028.
- Investment loan agreement up to PLN 4,021,500.00 concluded by the subsidiary VG Property Sp. z o. o. on June 30, 2016 as amended later. One of the collaterals for repayment of liabilities of VG Property Sp. z o. o. towards the bank under this agreement is a surety by the Company up to the maximum amount not exceeding PLN 6,032,250, the surety is valid until the full repayment of the loan.

16. INFORMATION ON FINANCIAL INSTRUMENTS

Fair values of financial assets and financial liabilities are determined as follows:

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

In the period from January 1, 2022 to September 30, 2022, there was no transfer between levels in the fair value hierarchy used in the fair value measurement, and there was no change in the classification of financial assets as a result of a change in the purpose or use of these assets.

Balance sheet items	PLN ths					
	Balance as at 30-09-2022 / end of quarter 2022		Balance as at 31-12-2021 / end of year 2022		Balance as at 30-09-2021 / end of quarter 2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Loans granted						
Trade and other receivables and other current assets	22,981	-	13,078	-	18,920	-
Cash and cash equivalents	57,839	-	114,572	-	50,897	-
Long-term bank loan, loan and lease liabilities	-	249,031	-	270,615	-	295,736
incl: lease liabilities related to retail and office space	-	*222,242*	-	*236,017*	-	*256,346*
Short-term bank loan, loan and lease liabilities	-	153,807	-	118,170	-	120,112
incl: lease liabilities related to retail and office space	-	*106,511*	-	*96,861*	-	*98,899*
Trade liabilities and other	-	188,277	-	193,591	-	178,508
Total	**80,820**	**591,115**	**127,650**	**582,376**	**69,817**	**594,356**

The above Financial Assets and Liabilities have been measured at amortized cost.

Balance sheet items	PLN ths					
	3 quarters /period from 01-01-2022 to 30-09-2022					
	Interest income	Interest cost	Gains/losses on amortized cost valuation	Write-offs created	Write-offs released	FX gains on losses
Loans granted	-	-	-	-	-	-
Trade and other receivables	8	-	-	425	585	-8
Cash and cash equivalents	1,192	-	-	-	-	-145
Other current assets – Forward transactions	-	-	-	-	-	-
Long-term bank loan, loan and lease liabilities	-	2,865	2,368	-	-	-
Lease liabilities related to retail and office space	-	3,745	-	-	-	-18,108
Trade liabilities and other	-	62	-	-	-	-12,560
Total	**1,200**	**6,672**	**2,368**	**425**	**585**	**-30,821**

17. INFORMATION ON MATERIAL PURCHASES OR SALE OF FIXED ASSETS

The total amount of capital expenditures in the consolidated statement of financial flows reported in the reporting period amounted to PLN 17,008 thousand.

No significant sales transactions. The total amount of proceeds from the sale is PLN 2,829 thousand, including PLN 1,722 thousand from real estate.

18. INFORMATION ON MATERIAL LIABILITIES RELATED TO PURCHASE OF FIXED ASSETS

Not applicable.

19. INDICATION OF FACTORS WHICH, IN THE ISSUER'S ASSESSMENT, WILL AFFECT THE RESULTS ACHIEVED BY THE CAPITAL GROUP IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER

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:

- Inflation and price increases.
- Falling consumption, cutting spending on durable goods due to rising inflation and household costs of living.
- Aggravation of the armed conflict in Ukraine.
- Disruptions in the supply chain related to the functioning of Asian markets in the conditions of geopolitical tensions and application of sanitary policies to prevent the recurrence of COVID-19.
- Economic and social situation in Poland related to possible recessionary phenomena in the economy.
- Changing YoY restrictions related to COVID-19.
- PLN exchange rate against USD, EUR.

The following may have a positive impact on the financial results of the Capital Group in the next quarter:

- further development of the Group's offer.
- development of the on-line channel, omnichannel-oriented activities.

20. OTHER INFORMATION THAT IS RELEVANT FOR THE ASSESSMENT OF THE SITUATION OF VRG S.A. CAPITAL GROUP

In the period of 9 months ended September 30, 2022, there were no events other than those described in this report, and in particular those described in note 1.5. Continuation of operations, circumstances that may significantly affect the deterioration of the personnel, property, financial situation and financial result of the Group, which could threaten its ability to meet its obligations.

EXTERNAL RISK FACTORS

Economic risk related to the macroeconomic situation	Level of the Group's revenues depends on the economic situation, including: dynamics of economic growth, level of unemployment, level of household income and indebtedness, individual consumption, consumer optimism indicators, level of the euro against the Polish zloty exchange rate, interest rates and the state fiscal policy. There is a risk that if the economic situation weakens or deteriorates again, there will be fluctuations in the demand for products offered by the Group, which will adversely affect the results and financial position. **Actions**: Each of the brands owned by VRG is targeted at a wide range of consumers. The Group offers very good quality products at attractive prices. In the event of a downturn or demand, the Group will reduce costs to maintain profitability.

Risk related to the instability of the Polish legal system, including tax system	A potential risk for the Group's operations, as for all entities operating in the course of business, may be the volatility of legal regulations and their interpretations. Changes in commercial law, tax regulations, labour and social security law and other regulations governing the activities of enterprises, in particular in the Group's industry, entail a serious risk in running a business and may hinder or prevent the implementation of planned operating activities and financial forecasts. Subsequently, changes to the law may lead to the deterioration of the condition and financial results of the Group. New legal regulations may potentially pose a certain risk related to interpretation problems, lack of judicial practice, unfavourable interpretations adopted by courts or public administration bodies, etc. Tax law, the regulations of which are frequently changed, many times to the detriment of taxpayers, is characterized by instability. Changes in taxation of business activities in the field of income tax, tax on goods and services or other taxes may have a negative impact on the activities and income levels of the Issuer. The interpretations of the tax authorities also change, are replaced by others, or contradict each other. This results in uncertainty as to the method of application of the law by tax authorities in various, often complicated, factual situations occurring in economic transactions. The Group is also exposed to the risk related to the possibility of changes in interpretations of tax law regulations issued by tax authorities. The factors described above may have a significant negative impact on the Group's development prospects, results and financial standing. **Actions**: The Group analyzes the changing regulations on an ongoing basis, including tax regulations. In the event of legal changes, the Management Board will focus its actions on minimizing their impact on the Group's financial results.
Risk related to increased competition	The Capital Group operates in a highly competitive market environment. The apparel and jewellery segment of the market is highly fragmented: on the one hand, we are dealing with brands recognized on the Polish market, such as Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK, and on the other, with global brands that are aggressively entering the Polish market. The apparel segment of the market is characterized by relatively low entry barriers. We are also dealing with the emergence of competition from emerging brands. The Group may be forced to look for new supply markets in order to maintain the competitiveness of the offer. In addition, it may be possible to increase your marketing and promotion expenditure to reach your target customer. **Actions**: In order to reduce the risk, the Management Board monitors the competitors' activities on an ongoing basis in terms of the development of the sales network, offered products and the price level.
Foreign exchange risk and risk related to hedging policy	The Group generates revenues mainly in PLN, but incurs significant costs in EUR, US dollar and CHF, which results in the financial result being exposed to exchange rate risk. In periods of weakening of PLN in relation to the main settlement currencies, the Company incurs higher costs due to exchange differences. In currencies other than PLN, the Group bears the costs of (a) purchasing production materials (fabrics, accessories) and supplementary assortments in the apparel segment (shoes, knitwear, leather and other accessories), (b) purchase of materials for production (jewellery raw materials), jewellery and watches in the jewellery segment and (c) arising from commercial space lease agreements. In the event of a significant and long-term weakening of the Polish currency against the euro, US dollar and Swiss franc, there is a risk of a significant deterioration of the financial results achieved by the Group. **Actions**: The parent company undertakes actions aimed at limiting the impact of the increase in the exchange rate on the level of the achieved "in take" margin, mainly in the scope of the USD/PLN exchange rate ratio by concluding forward and spot contracts. Transactions are related to individual deliveries of goods, especially in the fashion area, and do not relate to the neutralization of the possible risk related to the increase in rental rates due to the change in the EUR/PLN exchange rate. The impact of forward transactions will be visible in the valuation of currency liabilities related to the concluded forward transactions.
Interest rate risk	The Group uses external financing bearing a variable interest rate in the form of an investment loan and working capital loan as well as reverse factoring. Therefore, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and, as a consequence, a decrease in the Group's profitability.

	Actions: having relatively low debt, the Group currently considers this risk to be low (despite the rapid increase in interest rates). He constantly monitors the market situation, but currently does not take any additional measures to hedge the interest rate risk.
Risk related to effects related to the coronavirus epidemic	In emergency situations, such as an epidemic, there may be state ordinances regarding the functioning of economic entities, as well as changes in consumer behaviour and preferences. In order to counteract the effects of such phenomena, actions may be taken on the part of government administration, local governments or other social groups that will affect the operations of the Company. According to the current assessment, the Issuer expects that the effects of the coronavirus epidemic and potential restrictions may have a negative impact on the Issuer's future financial results. It may be caused by restrictions introduced by the Minister of Health in the operation of commercial facilities with a sales area of more than 2,000 m2, where over 95% of Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK stores are located. The above assessment results from the Issuer's best knowledge as at the date of this report. The impact of coronovirus spread in epidemic conditions on financial results depends on a number of factors that are beyond the direct influence and control of the Issuer. However, any protracted restrictions on the operation of stores in shopping centers, including functioning under the sanitary regime, will undoubtedly translate into a decrease in revenues and deterioration of the financial position of the Group. **Actions**: In this situation, the Group will continue to take steps to improve the Group's working capital and maintain a stable level of the Group's net debt. The terms of credit agreements are fulfilled in a timely manner. In the first half of 2021, the parent company extended the contract with ING Bank Śląski SA for another two years. The possibility of selling through the Internet channel as an independent way of reaching the customer is also being developed.
Risk related to 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 disrupting the supply chain. The Group does not have its own or partner showrooms in the areas covered by military operations in Ukraine and Russia, and there is no sale through other channels (online store, wholesale). Due to the fact that the Group does not import goods or raw materials from Ukraine and Russia, the Management Board of the Parent Company considers the risk related to the possible negative impact of the armed conflict in Ukraine on the current stock of brick-and-mortar stores and the availability of the offer in online stores as low.

INTERNAL RISK FACTORS

Risk associated with adopting the wrong strategy	There is a risk that the adopted development strategy of the Group, the basic assumptions of which have been presented in point "Planned development activities" of the Management Board's comment on financial information, will turn out to be inadequate to changing customer expectations or market conditions. There is a risk that the implementation of the strategy will be delayed or some elements will not be implemented or will not give the expected results. There is, among others, the risk that the Company will not be able to launch the planned new sales area, the launch will be delayed or the new locations will not achieve the assumed sales results. **Activities**: Management boards analyse the effects of implemented activities as part of the adopted development strategy on an ongoing basis. Data on available new locations is obtained, as well as the currently possessed evaluation. Optimization measures are taken and customer behaviour is observed to minimize the risk of adopting an incorrect strategy and its impact on the Group's operations.
Risk of changing the tastes and behaviours of buyers	An important factor in the success of an apparel company is the sense of changes in fashion trends and current consumer preferences. There is a risk that individual collections or part of the Company's offer, despite the efforts

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

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

Risk of collateral and loss of collateral assets	In connection with loan and other agreements concluded with many entities, the Group has established numerous collaterals on all its property, both on real estate and movables, inventories and trademarks. The sum of collaterals exceeds the carrying amount of the Group's assets. There is a risk of failure to meet deadlines or other terms of contracts. Delays in the performance of the above obligations may result in the immediate termination of all or part of the financing, and then the acquisition of the Group's assets by the creditor in order to satisfy himself from the collateral. The loss of significant assets may lead to significant difficulties in the conduct of the Group's business activities or even to the complete blocking of the possibility of running a business, generating revenues and profits. **Actions**: The Group minimizes the risk by timely fulfillment of obligations towards banks.
Risk of transactions with related parties	Companies of the Group conclude and will continue to conclude transactions with related entities. In particular, the Issuer concludes such transactions with a production company and a company responsible for the jewellery segment. Transactions with related entities may be the subject of examination by tax authorities in order to determine whether they were concluded on an arm's length basis and whether the entity correctly established its tax liabilities. In the opinion of the Management Board of the parent company, transactions with related entities are and will be concluded on an arm's length basis. There is a risk that the tax authorities will question the marketability of the terms of the selected transaction with a related entity, which could result in the necessity to pay additional tax together with default interest. **Actions**: The parent company concludes transactions with related entities on an arm's length basis and analyzes their marketability.
Risk related to the shareholder structure	The parent company is characterized by a dispersed shareholding structure, with the largest shareholders being funds managed by IPOPEMA TFI S.A. which hold 19.30% of votes at the General Shareholder Meeting, and five significant shareholders hold a total of 72.22% of votes at the General Shareholder Meeting. Most of the above-mentioned shareholders have held shares of the parent company for many years, and they participate in shaping the Company's operations through representatives on the Supervisory Board. However, it cannot be ruled out that a risk that one or more significant shareholders will reduce the ownership of their shares or terminate their investment in the Company's shares cannot be excluded. It cannot be ruled out that making decisions that are important from the Group's point of view regarding its strategy and operating activities will be delayed or even blocked. It cannot be ruled out that despite the cooperation to date, the interests of significant shareholders will be divergent / contradictory. The above-mentioned factors may have a significant negative impact on the Group's development prospects, results and financial standing.
Risk related to guarantees granted to subsidiaries	In relation with the separation of the organized business unit in the form of jewellery assets and transferring them to the subsidiary W.KRUK SA, the Company carried out a simultaneous financial restructuring. As part of this process, W.KRUK S.A. obtained new financing from PKO BP Bank and the Company guarantied for the debts of the subsidiary. In the second quarter of 2015, the subsidiary DCG S.A. received refinancing from the PKO BP Bank, and during the third quarter of 2016, the subsidiary VG Property Sp. z o.o. obtained an investment loan from PKO BP Bank. The above liabilities of subsidiaries of DCG S.A. and VG Property Sp. z o.o. have been guaranteed by the Company. In the event of a sharp deterioration of economic situation and cessation of debt servicing by W.KRUK S.A. or DCG S.A. and VG Property Sp. z o.o. on the basis of the guarantee granted, the Company may be obliged to settle outstanding liabilities of subsidiaries which could result in loss of financial liquidity of the Company. In connection with the extension of the Multi-Product Agreements of the subsidiaries with Bank PKO BP, the subsidiary W.KRUK S.A. granted a surety to the parent company VRG S.A. for the amount of PLN 55 million, from which it was subsequently released by the bank on September 8, 2022. The parent company VRG S.A. grants a surety to DCG S.A. for the amount of PLN 27 million.

	Activities: The Group regularly monitors the financial standing of subsidiaries and the fulfilment of their obligations towards banks financing their activities.
Risk related to disruptions in the functioning of information systems	The Group uses a number of IT systems, software and programs to provide the appropriate level of communication within the organizational structures of the companies comprising the Group, registering and processing information on economic events in all areas of its operations. The risk of IT disruptions cannot be ruled out in the following areas: (i) Infrastructure (e.g. failures of servers, workstations, network devices, lack of connection to external networks), (ii) software (e.g. malfunction, unauthorized removal, impact of computer viruses, (iii) data resources (loss or destruction of data, unauthorized access to data, unauthorized reproduction of data, unauthorized modification of data). **Actions**: As part of the procedures and IT tools used, the Group strives to minimize the possibility of occurrence of the above-described events, but it is not possible to completely exclude the probability of their occurrence, and consequently their negative impact on security and credibility of information and database resources and on security and continuity of service provision.
Risk related to the EU GDPR Directive	Since May 25, 2018, the Regulation of the European Parliament and the EU Council 2016/67 of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on free movement of such data and the repeal of Directive 95/46/WE became applicable in the Polish legal order (GDPR), which applies to all entities processing personal data in their business activities. The GDPR introduces a number of changes and extends the responsibilities of administrators and data processors. An important issue is the determination of the maximum level of penalties for infringements of the provisions of the GDPR Directive. The maximum levels were set at EUR 20,000,000 or 4% of the total annual turnover of the enterprise from the pre-infringement financial year. **Actions**: In connection with the above, the Company carried out works aimed at: - adapting its activities to the requirements of GDPR, which include: organizing training for employees, whose activities the provisions of the GDP will affect, primarily employees of the marketing, sales and HR departments, loyalty programs service department, - development of a new Information Security Policy; - developing a new Instruction for managing information systems used for data processing; - preparing and implementing changes in solutions of organizational and technical nature; - development of threats and risk analysis in the processing of personal data. However, the risk of occurrence of incidents related to breaching of GDPR provisions may not be completely excluded, which could cause additional negative financial consequences for the Company.
Risks related to smooth cooperation with an external logistics operator	Smoothness and punctuality of deliveries of goods to the network of traditional stores and deliveries of goods purchased by customers of on-line stores of VRG S.A. is based on outsourcing of logistics services to an external operator. There is a risk that disruptions in the organization of the external work of the logistic operator related, for example, to the problems of staffing and the availability of appropriate storage areas may cause disruption of the following logistics processes: - disruptions in the flow of warehouse processes (admission / release); - delays and errors in deliveries to traditional stores in the period of increased needs - change in collections; - delays and errors in shipments to customers of on-line stores in the period of increased needs - intense sell-offs. Actions taken by VRG S.A. aimed at limiting the above risks relate respectively to: - introduction of a procedure for regular audits of logistics structures and systems made available for the needs of VRG S.A. by th external operator; - improvement of the admission and release plan from the external operator's warehouse and precise pre-selection of the necessary storage space; - introduction of a system of planning releases of goods in weekly cycles and a system of transferring information to the logistics operator on the quantity and dates of planned releases of goods;

	- introduction of planning the number of e-commerce orders on a monthly basis - based on analytical data from on-line stores; - negotiations on increasing the available storage space at an external operator, regarding guaranteeing the possibility of implementing daily minimum goods releases for traditional stores and daily minimum deliveries to customers of on-line stores. However, it is not possible to completely exclude the risk of incidents related to disruption of the aforementioned logistics processes, which could cause the Company additional negative consequences related to fall in sales as a result of late replenishment of a network of traditional stores or loss of some on-line store customers as a result of delays in paid deliveries. One cannot completely rule out the negative effects of deterioration of the image of the Company's brands as a result of the appearance on the Internet and social media of critical comments from customers of on-line stores who do not receive the purchased goods within the required period.
Risk related to the quality of customer service in individual stores	The characteristics of the market in which the Company operates require appropriate level of services quality and customer care in the branded stores of Vistula, Bytom and Wólczanka. The company implements a training system for employees, develops customer service standards and a system of control of introduced standards. There is a risk that if the customer service system is not implemented correctly, the level of services provided in individual stores may be equally good. This may translate into a loss of clients' trust in the brands owned by the Company and deterioration of the Company's image, and it may consequently result in a decrease in the results achieved in individual stores and by the Company in general. **Activities**: training store employees, developing customer service standards and monitoring its implementation.
Risk related to merger of the Company with Bytom S.A.	The Company's Management Board sees a number of synergies related to the merger with Bytom S.A. Thanks to a leap in the scale of operations of the Capital Group, its negotiating position with suppliers of both fabrics and accessories will increase, whereas unification of purchasing policy will enable reduction of delivery costs, and coordination and consolidation of purchases. The Capital Group will also be a significant tenant of retail space and a significant advertiser. It will be possible to reduce the network operational management costs and logistics costs resulting from identical locations in shopping malls of individual brand stores. Also, the combination of departments serving both companies and not directly linked to revenues (e.g. accounting, IT) and more effective human resources management should enable the lowering of costs. However, there is a risk that the expectations of the Company's Management Board as to synergies achieved as a result of the merger will not be met in full or be lower than assumed. Additionally, it cannot be excluded that there will be a cannibalization of brands or the resignation of some customers from the offer of the Capital Group. In connection with the principle of general succession resulting from art. 494 of the Code of Commercial Companies, as at the date of the merger, the Company has assumed all the rights and obligations of Bytom S.A. Therefore, there is a risk of transferring responsibility to the Company for liabilities of Bytom S.A. **Actions**: The Management Board monitors synergies and opportunities in this area on a regular basis after the merger of both Companies. The sales results of individual brands, their market positioning and the results of the adopted sales strategies are also observed to maximize the Group's benefits resulting from the merger.
Risk related to disruptions in supply chains	The Issuer's Capital Group purchases products and goods from suppliers from Europe and Asia. Purchase logistics uses various forms of transport offered by proven logistics companies. However, there is a risk that as a result of limitations related to epidemiological situations or other factors affecting the activities of logistics companies (e.g. strikes, difficulties on transport routes), there may be delays in delivery dates and their cost will be higher. **Activities**: The Capital Group uses the services of large, professional forwarding companies that provide comprehensive services. The amount of costs is constantly monitored and subject to comparative assessment.

21. FACTORS AND EVENTS, INCLUDING UNUSUAL NATURE, WHICH HAVE A SIGNIFICANT IMPACT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

22. SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2022:

In the third quarter, many internal and external events took place that had an impact on VRG's business.

Changes in the governing bodies: In the first week of July, the Supervisory Board of the Company decided to appoint Mr. Łukasz Bernacki as the Vice-President of the Management Board of VRG S.A. On behalf of the Group's Management Board, Mr. Łukasz Bernacki is currently responsible for the jewellery segment, at the same time acting as the President of the subsidiary W.KRUK S.A. Thus, at the time of publication of this report, VRG is managed by a four-member Management Board consisting of persons supervising all key areas of the Group's operations: Mr. Janusz Płocica, as President of the Management Board, Ms. Marta Fryzowska as Executive Vice-President of the Management Board responsible for the fashion segment, Mr. Łukasz Bernacki, Executive Vice-President of the Management Board responsible for the jewellery segment and Mr. Michał Zimnicki, acting as Executive Vice-President of the Management Board and CFO of the Company.

Dividend: On July 29, 2022 VRG S.A. paid dividends to the company's shareholders. The company's shareholders holding shares as at July 15, 2022 were entitled to the dividend payment. The company paid a dividend in the total amount of PLN 39,857,492.80. The payment was made in accordance with the resolution of the Company’s Ordinary General Meeting of June 21, 2022, which decided to allocate the net profit earned by the Company in previous years and transferred to supplementary capital, for the payment of dividend in the amount of PLN 0.17 per share.

Changes in the shareholding structure: In August and September, the shares of significant shareholders in the total number of votes in the Company changed. On August 17, 2022, the IPOPEMA 2 FIZ Assets Non-Public Fund (managed by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.) sold a significant block of shares in the Company in a transaction carried out outside the regulated market. Prior to the transaction, the IPOPEMA 2 Closed-end Fund of Non-public Assets held 20,344,464 Company shares, representing 8.68% of the Company's share capital and corresponding number and share of votes at the Company's General Meeting. As a result of this transaction, to the best of the Company's knowledge, the IPOPEMA 2 Closed-end Fund of Non-public Assets currently does not hold any Company shares.

On the same day, Mr. Jerzy Mazgaj purchased 20,344,464 shares of the Company outside the regulated market (through Trigon Dom Makler-ski S.A.). As a result, according to the knowledge of the Company, Mr. Jerzy Mazgaj, as at the date of publication of this report, holds 38,332,632 shares of the Company, which constitutes 16.35% of the share capital of the Company and entitles him to exercise 16.35% of the total number of votes at the General Meeting of the Company.

On 7 September, 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 3,381,011 shares in the Company, respectively 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 Company increased by more than 2% of votes compared to the last notification of OFE PZU. To the best of the Company's knowledge, as at the date of publication of this report, OFE PZU and DFE PZU hold a total of 45,251,894 Company shares, which constitutes 19.30% of the Company's share capital and entitles to exercise 19.30% of the total number of votes at the General Meeting of the Company.

Commercial offer: In the first two months of the quarter, the Company conducted summer sell-offs. In the light of the expected potential downturn in the second half of the year, the Management Board decided to significantly reduce prices in order to avoid inventory burden in subsequent periods. In September, there were no signs of a significant decrease in demand, which was conducive to good sales dynamics at the time of the premiere of the Autumn/Winter 2022/2023 collection. In September, W.KRUK brand introduced the latest ambassador collection "Longplay", which was created in cooperation with Natalia Kukulska and Michał Dąbrówka. Earlier, in May, the brand promoted the Mother's Day collection, prepared in cooperation with Natalia Kukulska and her daughter, Ania Dąbrówka. After the first weeks of sales, we believe that the "Longplay" collection has been well received by consumers.

Vistula, the largest brand in the apparel portfolio of the VRG Group, entered the Autumn/Winter season with a changed approach to the commercialization of the collection. The brand's offer did not appear in stores at the same time. It has been divided into five chapters, introduced to stores and online gradually - so that the individual elements are best suited to the needs of customers at a given moment of the season. This change is an element of strategic evolution of the brand - and more broadly of the apparel segment of the VRG Group - the purpose of which is to increase the Company's business in this area. In total, the Autumn/Winter collection at Vistula will consist of 7 men's capsules and 5 women's capsules this year.

For the premiere of the Autumn/Winter collection, BYTOM brand has planned a campaign under the slogan "Woven Stories". It is a tribute to art, culture and history - elements that have been key elements of the brand image for several years. The inspiration and leitmotif of the campaign is the artisanal world of weaving - the Wawel tapestries, which interlinks with the world of artisanal tailoring of the BYTOM brand. The nature of the photos builds a visual narrative that situates itself between painting and photography. The campaign was created in the interiors of the Wawel Royal Castle.

WÓLCZANKA, in turn, focused on references to the energy of the city and dynamically changing nature. Rhythm, variety, casual style, picturesque landscapes are the essence of the designs that have appeared in the brand's offer for the autumn-winter season. The brand focused on expressive and dynamic shades of blue and navy blue. WÓLCZANKA's proposals allow you to freely build a variety of styles and build a capsule wardrobe, both for women and men.

On September 1, a fashion show of the Deni Cler brand at the headquarters of the Warsaw Stock Exchange, opened the season of Autumn premieres. The collection called "Viaggio in città", or urban journey, draws from the culture and art of the world's greatest capitals fashion. Deni Cler designers invite the brand's customers on a journey to Tokyo, New York, London, Rome, Milan and Paris, tempting with a variety of styles, cuts and a riot of colours.

Network development: On the last Friday of August, the latest Vistula store in a new concept was opened in Warsaw's Westfield Arkadia. The brand's collection is available on an area of 235 m2. It differs from previously opened stores due to altered display (assortment presented on one level, at the customer's eye level) and spaces separated for the women's collection and accessories. The brand already has a similar store in Silesia shopping mall. Store customers are greeted by a window dominated by a large-size screen. It is used to display campaign materials supporting the current version of the brand's offer. It is worth noting that store designers used finishing elements from companies that adhere to the principles of sustainable development and can confirm it with appropriate certificates. Particular attention was paid to energy-saving lighting.

On the other hand, on September 10, in the Magnolia Park shopping center in Wrocław, the largest store of the Wólczanka brand in the Lower Silesian Voivodeship was opened. The brand increased the area from 35 m2 in the previous location to 125 m2 in the current location. The larger area is primarily intended for customers to be able to see, touch and try on as many items as possible from the rich and constantly growing assortment of Wólczanka - a brand that, in addition to the shirts for which it is well known for, today offers a wide range of products for women and men, ranging from comfortable formal wear to knitwear and tracksuits. This is the first store in the region and the sixth store in Poland operating in the new format. Their gradual development is an element of the strategic evolution of Wólczanka.

23. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

No significant events.

MANAGEMENT COMMENTARY TO FINANCIAL INFORMATION IN CONDENSED INTERIM CONSOLIDATED REPORT FOR 3Q22

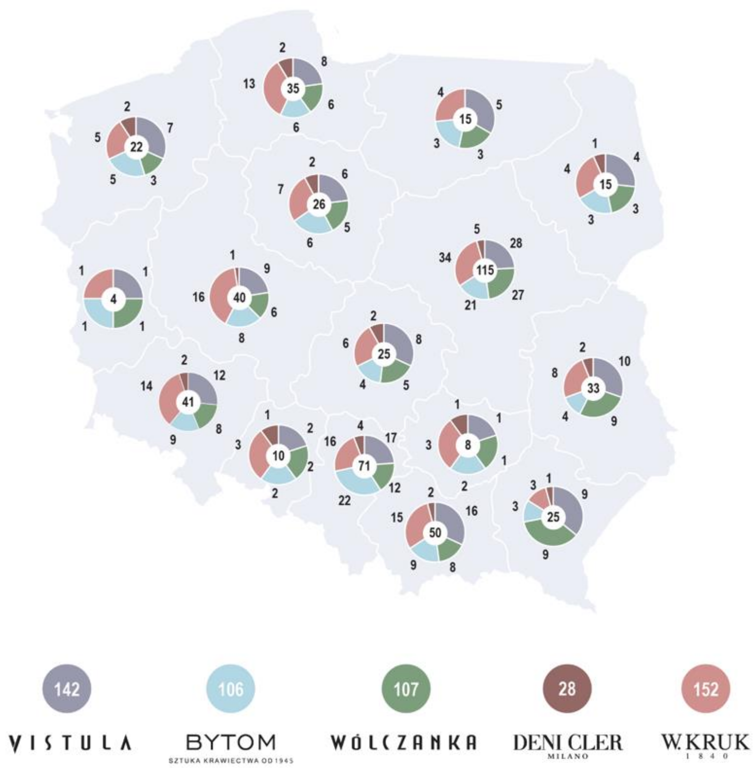
1. 3Q22 FINANCIAL RESULTS

At the end of the third quarter of 2022, compared to the corresponding period of the previous year, the sales area of the Group's retail network was stable and amounted to 52.0 thousand m2. Fall in space in the apparel segment amounted to 2.7%, while in the jewellery segment the area increased by 9.7%.

Retail floorspace (end of period):	ths m2	
	30.09.2022	30.09.2021
Apparel segment	39.8	40,9
Jewellery segment	12.3	11,2
Total floorspace	52.0	52.0

As at the date of this report, the majority of revenues came from a network of retail stores of individual brands belonging to the Capital Group. As at the date of this report, the Capital Group retail network encompasses 535 locations, including franchise stores of Vistula, Wólczanka, Bytom, Deni Cler and W.KRUK brands. Out of the operating stores, the Group only owns 1 locations. The Group uses the remaining locations on the basis of medium / long-term leases for a period of mostly 5 years, a small part of leases is concluded for an indefinite period. The majority of the stores are located in modern shopping malls.

Below we present distribution and number of branded stores of the Capital Group at the end of 3Q22 by individual brands.



SELECTED FINANCIAL DATA OF VRG GROUP

	PLN ths			
	3 quarters 2022 from 01-01-2022 to 30-09-2022	**3 quarters 2021** from 01-01-2021 to 30-09-2021	**3rd quarter 2022** from 01-07-2022 to 30-09-2022	**3rd quarter 2021** from 01-07-2021 to 30-09-2021
Revenues	904,950	721,132	319,413	305,018
EBITDA	180,242	121,932	60,630	67,699
EBIT	98,542	43,917	33,343	43,022
Net result	**45,613**	**26,522**	**9,195**	**23,674**

	PLN ths			
IAS17*	**3 quarters 2022** from 01-01-2022 to 30-09-2022	**3 quarters 2021** from 01-01-2021 to 30-09-2021	**3rd quarter 2022** from 01-07-2022 to 30-09-2022	**3rd quarter 2021** from 01-07-2021 to 30-09-2021
Revenues	904,950	721,132	319,413	305,018
EBITDA	99,825	66,033	33,631	53,835
EBIT	83,628	50,086	28,359	48,429
Net result	**51,234**	**35,660**	**16,267**	**36,057**

**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 according to the applicable standards in the three quarters of 2022 resulted from the fact that rentals 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. In addition, in the third quarter of 2021, the difference in the operating result between the standards resulted from the adjustment of rents (c. PLN 11 million) for the lockdown periods in 2021, initially recognized in the first half of 2021 in full amount.

The Group's revenues in the three quarters of 2022 amounted to PLN 904.9 million and were PLN 183.8 million (25.5%) higher than revenues generated in the corresponding period of the previous year.

Consolidated EBITDA in the three quarters of 2022 amounted to PLN 180.2 million and was higher by c. 48% than in the previous year. EBITDA calculated excluding the impact of IFRS 16 amounted to PLN 99.8 million.

In the three quarters of 2022, the Capital Group generated a net profit of PLN 45.6 million compared to a net profit of PLN 26.5 million in the corresponding period of the previous year. Net profit calculated excluding the impact of IFRS 16 amounted to PLN 51.2 million.

The Group's financial results in the three quarters of 2022 were the result of, among others, increase in revenues compared to the same period of the previous year, resulting from continuation of positive trends in sales and the absence of trade restrictions related to the COVID-19 pandemic (as was the case in the third quarters of 2021). The Group improved its gross margin on sales by limiting promotional campaigns (in Q1 and Q2 2022) and increasing the share of offline channels characterized by 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 war in Ukraine (which was rebuilt at the end of the first quarter and in the second quarter of 2022). In addition, observed adverse impact of macroeconomic changes (inflation, increase in interest rates) on consumer behaviour resulted in a reduction in sales growth in the third quarter of 2022.

APPAREL SEGMENT

Apparel segment	PLN ths 3 quarters 2022 from 01-01-2022 to 30-09-2022	3 quarters 2021 from 01-01-2021 to 30-09-2021	3rd quarter 2022 from 01-07-2022 to 30-09-2022	3rd quarter 2021 from 01-07-2021 to 30-09-2021
Revenues	**474,166**	**394,997**	**166,685**	**168,555**
Cost of sales	215,532	186,117	80,747	76,248
Gross profit (loss) on sales	**258,634**	**208,880**	**85,938**	**92,307**
Selling costs	204,232	174,968	70,591	64,414
Administrative expenses	39,611	36,851	13,342	13,293
Gain on sale of non-financial non-current assets	6,365	8,854	2,591	1,343
Other operating income	-	17	-	-
Loss on sale of non-financial non-current assets	6,629	16,937	1,724	2,450
Other operating costs	268	-	291	5
Profit (loss) from operations	**14,259**	**-11,005**	**2,581**	**13,488**
Financial income / costs	-22,833	-5,843	-11,882	-8,130
Pre-tax profit (loss)	-8,574	-16,848	-9,301	5,358
Income tax	-669	-2,404	-1,517	1,417
Net profit (loss) for the period	**-7,905**	**-14,444**	**-7,784**	**3,941**

IAS 17* Apparel segment	PLN ths 3 quarters 2022 from 01-01-2022 to 30-09-2022	3 quarters 2021 from 01-01-2021 to 30-09-2021	3rd quarter 2022 from 01-07-2022 to 30-09-2022	3rd quarter 2021 from 01-07-2021 to 30-09-2021
Revenues	**474,166**	**394,997**	**166,685**	**168,555**
Cost of sales	215,532	186,117	80,747	76,248
Gross profit (loss) on sales	**258,634**	**208,880**	**85,938**	**92,307**
Selling costs	213,634	169,953	73,779	60,517
Administrative expenses	39,893	37,092	13,442	13,372
Gain on sale of non-financial non-current assets	5,682	8,635	2,538	1,296
Other operating income	-	17	-	-
Loss on sale of non-financial non-current assets	6,623	16,914	1,718	2,446
Other operating costs	268	-	291	5
Profit (loss) from operations	**3,897**	**-6,427**	**-753**	**17,262**
Financial income / costs	-10,344	-2,954	-4,088	-2,344
Pre-tax profit (loss)	-6,447	-9,381	-4,841	14,919
Income tax	-265	-1,127	-670	3,122
Net profit (loss) for the period	**-6,182**	**-8,254**	**-4,172**	**11,797**

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

REVENUES

In the three quarters of 2022, revenues from the apparel segment amounted to PLN 474.2 million and were higher by PLN 79.2 million (i.e. 20%) than the revenues generated in the corresponding period of the previous year.

In the third quarter of 2022, revenues from the apparel segment amounted to PLN 166.7 million and were PLN 1.9 million (i.e. 1%) lower than the revenues generated in the corresponding period of the previous year.

Apparel segment	PLN ths			
	3 quarters 2022 from 01-01-2022 to 30-09-2022	**3 quarters 2021** from 01-01-2021 to 30-09-2021	**3rd quarter 2022** from 01-07-2022 to 30-09-2022	**3rd quarter 2021** from 01-07-2021 to 30-09-2021
Revenues	**474.2**	**395.0**	**166.7**	**168.6**
Retail sales	454.4	376.2	158.3	162.7
Processing	17.1	13.7	7.7	4.1
B2B	2.7	5.1	0.7	1.8

In 3Q22, the Group recorded the following results in the following retail channels:

VISTULA ↑ PLN 196.0m (25% YoY)	**BYTOM ↑** PLN 135.3m (24% YoY)	**WÓLCZANKA ↑** PLN 87.0m (11% YoY)	**DENI CLER MILANO ↑** PLN 36.0m (14% YoY)

Sales increase in the third quarter of 2022 was the result of the lack of trade restrictions caused by the COVID-19 pandemic and the continuation of positive trends in sales, which were limited in the third quarter of 2022 by unfavourable macroeconomic changes (inflation, increase in interest rates), which had a negative impact on consumer behaviour.

In the three quarters of 2022, offline sales increased by 32.3% and online sales decreased by 7.1% compared to the same period last year. Share of online sales in revenues of the apparel segment was 22% in the three quarters of 2022 compared to 28% of online sales in the corresponding period of the previous year.

In the third quarter of 2022, offline sales decreased by 3% and online sales decreased by 2% compared to the same period last year. The share of online sales in revenues of the apparel segment amounted to 19% in the third quarter of 2022, compared to a 20% share of online sales in the corresponding period of the previous year.

Decrease in share of online sales in three quarters and in the third quarter of 2022 (compared to the corresponding periods of the previous year) was a consequence of the lack of restrictions on stationary sales and, as a result, an increase in the share of this sales in revenues (at the expense of the share of sales in online stores), as well as a general decrease in sales online in 2022.

In Q3 2022, the Group recorded the following results in the following retail channels

VISTULA ↑ PLN 71.6m (2% YoY)	**BYTOM ↓** PLN 46.7m (-3% YoY)	**WÓLCZANKA ↓** PLN 28.0m (-10% YoY)	**DENI CLER MILANO ↓** PLN 12.0m (-8% YoY)

GROSS PROFIT ON SALES

Gross profit on sales of the apparel segment in the three quarters of 2022 amounted to PLN 258.6 million and was 24% higher than generated in the corresponding period of the previous year. The gross margin amounted to 54.5% in the three quarters of 2022, which means an increase of 3.1 pp. compared to the corresponding period of the previous year.

Changes in the margins of individual brands in the three quarters of 2022:

VISTULA ↑ 56.8 % (1.3 pp. margin growth)	**BYTOM ↑** 57.5 % (4,1 pp. margin growth)	**WÓLCZANKA ↑** 55.2 % (1,5 pp. margin growth)	**DENI CLER MILANO ↑** 62.2 % (6,1 pp. margin growth)

Gross profit on sales of the apparel segment in the third quarter of 2022 amounted to PLN 85.9 million and was 7% lower than generated in the corresponding period of the previous year. The gross margin in the third quarter of 2022 amounted to 51.6%, which means a decrease by 3.2 pp. compared to the corresponding period of the previous year.

Changes in the margins of individual brands in Q3 2022:

VISTULA ↓	BYTOM ↓	WÓLCZANKA ↓	DENI CLER MILANO ↑
52.9 %	55.5 %	52.8 %	61.7 %
(4.1 pp. margin growth)	(0,5 pp. margin growth)	(2.3 pp. margin growth)	(7.4 pp. margin growth)

Increase in the margin in the three quarters of 2022 (compared to the same period of the previous year) resulted from growing share of offline 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 the margin in the third quarter of 2022 resulted from increased resale of goods in terms of optimizing the level of inventory due to the introduction of a new collection.

SELLING COSTS

Selling costs in the three quarters of 2022 amounted to PLN 204.2 million and were PLN 29.3 million (17%) higher than the costs incurred in the corresponding period of the previous year. Share of selling costs in revenues in the three quarters of 2022 amounted to 43.1% compared to 44.3% in the corresponding period of the previous year.

Selling costs in Q3 2022 amounted to PLN 70.6 million and were higher by PLN 6.2 million (10%) compared to the corresponding period of the previous year. Share of selling costs in revenues of the apparel segment in the third quarter of 2022 amounted to 42.3% and was higher by 4.1 pp. compared to the corresponding period of the previous year.

Increase in selling costs was caused, among others, by an increase in basic wages (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 the three quarters of 2022, fall in share of selling costs in revenues resulted from an increase in the revenue base (no restrictions on trade, limited promotional campaigns, positive trends in sales). On the other hand, the increase in this share in the third quarter of 2022 resulted from the increase in the cost base with a similar value of sales revenues.

GENERAL & ADMINISTRATIVE COSTS

General and administrative expenses in the three quarters of 2022 amounted to PLN 39.6 million compared to PLN 36.9 million in the corresponding period of the previous year, which means an increase in costs by PLN 2.8 million (7%). At the same time, the share of general and administrative costs in revenues fell to 8.34% compared to 9.3% in the corresponding period of the previous year.

General and administrative expenses in the third quarter of 2022 amounted to PLN 13.3 million and were at the same level as in the corresponding period of the previous year. At the same time, the share of general and administrative expenses in revenues increased to 8.0% from 7.9% in the corresponding period of the previous year.

Increase in general and administrative expenses resulted from, among others, increase in salaries, a consequence of lack of reduction of in 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, the share of general and administrative expenses in revenues, as in the case of selling costs, resulted in the three quarters of 2022 from increase in the revenue base (decrease in the ratio), and in the third quarter of 2022 from increase in the cost base with a similar value of revenues (increase in the ratio).

OPERATING PROFIT IN THE APPAREL SEGMENT

In the three quarters of 2022, operating profit of PLN 14.3 million was generated compared to loss of- PLN 11 million incurred in the same period of the previous year (improvement of the result by PLN 25.3 million). In the third quarter of 2022, operating profit of PLN 2.6 million was generated, compared to PLN 13.5 million in the same period of the previous year (a decrease of PLN 10.9 million).

Increase in the operating result in the three quarters of 2022 was the result of both higher revenues and a higher percentage gross margin on sales, and consequently a higher gross profit on sales, with a smaller increase in selling costs and general and administrative expenses. In addition, in the three quarters of 2022, the Group in the apparel segment released write-offs on inventories, reversing the existing write-offs in an amount exceeding the additional write-downs, resulting in a positive impact on the financial result in the amount of PLN 3.3 million net (in in the corresponding period of the previous year, the amount of additional write-offs exceeded write-ups, which had a negative impact on the financial result in the amount of PLN 8.8 million net). On the other hand, decrease in operating profit in the third quarter of 2022 was the result of maintaining a similar level of sales with a fall in gross margin percentage and an increase in selling costs and similar general and administrative expenses.

Operating profitability of the apparel segment in the three quarters of 2022 amounted to 3.0% and was higher by 5.8 pp. compared to the corresponding period of the previous year. In the third quarter of 2022, it amounted to 1.5% and was lower by 6.5 pp. compared to the corresponding period of the previous year. The change in operating profitability resulted from the factors indicated in the previous paragraph.

FINANCIAL INCOME AND COSTS

The balance of the result on financial activities in the apparel segment amounted to PLN -22.8 million in the three quarters of 2022 compared to PLN -5.8 million in the corresponding period of the previous year. In the third quarter of 2022, the balance of net financial activities amounted to PLN -11.9 million compared to PLN -8.1 million in the corresponding period of the previous year.

The IFRS16 standard had an adverse impact on the balance of financial activity of the apparel segment in the three quarters of 2022, as it caused an increase in net financial costs by PLN 12.5 million (in the corresponding period of the previous year, the impact was also negative and amounted to PLN -2.9 million). Similarly, in the third quarter of 2022, the impact of IFRS16 on net financial activities was negative and resulted in an increase in financial costs by PLN 7.8 million (in the corresponding period of the previous year, the impact was also negative and amounted to PLN -5.8 million).

Apparel segment	PLN ths			
	3 quarters 2022 from 01-01-2022 to 30-09-2022	**3 quarters 2021** from 01-01-2021 to 30-09-2021	**3rd quarter 2022** from 01-07-2022 to 30-09-2022	**3rd quarter 2021** from 01-07-2021 to 30-09-2021
net financial costs	-3,261	-2,867	-628	-1,213
FX differences net (excl. IFRS 16)	-7,082	-87	-3,459	-1,131
IFRS 16 impact	-12,489	-2,889	-7,794	-5,786
- incl. FX losses	-10,283	-367	-7,050	-4,934
- incl. interest	-2,206	-2,522	-743	-853
Financial income/ costs	**-22,832**	**-5,843**	**-11,881**	**-8,130**

NET RESULT IN THE APPAREL SEGMENT

In the apparel segment, the Group showed a net loss of PLN 7.9 million in the three quarters of 2022 compared to a net loss of PLN 14.4 million in the same period of the previous year (an improvement of PLN 6.5 million). In the third quarter of 2022, the Group's apparel segment showed a net loss of PLN 7.8 million compared to a net profit of PLN 3.9 million in the corresponding period of the previous year (deterioration of the result by PLN 11.7 million).

Improvement of the net result in the three quarters of 2022 was a consequence of a stronger increase in gross profit on sales (growth in revenues and percentage gross margin) than in selling costs and general and administrative expenses and positive impact of lower other net operating expenses (i.e. lower other operating income). However, this effect was limited by a significant increase in net financial costs (i.e. lower financial income), in particular FX losses (both related to IFRS 16 and resulting from trading activities). On the other hand, deterioration of the net result in the third quarter of 2022 was a consequence of maintaining a similar level of revenue and a slight improvement in the balance of other operating income and expenses (positive impact of PLN 1.1 million) with a simultaneous decrease in gross profit margin percentage and an increase in selling costs (general and administrative expenses at a similar level) as well as an increase in net financial costs (mainly due to FX differences related to IFRS16 and current trading activities).

JEWELLERY SEGMENT

Jewellery segment	3 quarters 2022 from 01-01-2022 to 30-09-2022	3 quarters 2021 from 01-01-2021 to 30-09-2021	3rd quarter 2022 from 01-07-2022 to 30-09-2022	3rd quarter 2021 from 01-07-2021 to 30-09-2021
	PLN ths			
Revenues	**430,784**	**326 135**	**152,728**	**136,463**
Cost of sales	207,552	158 854	73,194	65,436
Gross profit (loss) on sales	**223,232**	**167 281**	**79,534**	**71,027**
Selling costs	114,835	92,382	40,000	33,871
Administrative expenses	24,094	20,840	8,716	7,612
Gain on sale of non-financial non-current assets	685	1,845	168	41
Other operating income	231	106	-	110
Loss on sale of non-financial non-current assets	936	1,088	186	161
Other operating costs	-	-	37	0
Profit (loss) from operations	**84,283**	**54,922**	**30,763**	**29,534**
Financial income / costs	-17,749	-4,076	-9,752	-5,105
Pre-tax profit (loss)	66,534	50,846	21,011	24,429
Income tax	13,016	9,880	4,032	4,696
Net profit (loss) for the period	**53,518**	**40,966**	**16,979**	**19,733**

IAS 17* Jewellery segment	3 quarters 2022 from 01-01-2022 to 30-09-2022	3 quarters 2021 from 01-01-2021 to 30-09-2021	3rd quarter 2022 from 01-07-2022 to 30-09-2022	3rd quarter 2021 from 01-07-2021 to 30-09-2021
	PLN ths			
Revenues	**430,784**	**326,135**	**152,728**	**136,463**
Cost of sales	207,552	158,854	73,194	65,436
Gross profit (loss) on sales	**223,232**	**167,281**	**79,534**	**71,027**
Selling costs	118,708	90,289	41,390	32,107
Administrative expenses	24,576	21,209	8,907	7,743
Gain on sale of non-financial non-current assets	461	1,712	99	41
Other operating income	231	106	-	110
Loss on sale of non-financial non-current assets	909	1,088	186	161
Other operating costs	-	-	37	0
Profit (loss) from operations	**79,732**	**56,513**	**29,113**	**31,167**
Financial income / costs	-8,385	-2,027	-3,831	-1,148
Pre-tax profit (loss)	71,347	54,486	25,283	30,019
Income tax	13,930	10,572	4,844	5,758
Net profit (loss) for the period	**57,416**	**43,914**	**20,439**	**24,261**

**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

Revenues of the jewellery segment in the three quarters of 2022 amounted to PLN 430.8 million and were higher by PLN 104.6 million compared to the corresponding period of the previous year (increase by 32%). In the third quarter of 2022, revenues of the jewellery segment amounted to PLN 152.7 million and were higher by PLN 16 million compared to the revenues in the corresponding period of the previous year (increase by 12%). Increase in sales was the result of maintaining a positive trend in sales of gold and silver jewellery and luxury watches, as well as the lack of trade restrictions caused by the COVID-19 pandemic.

GROSS PROFIT ON SALES

Gross profit on sales of the jewellery segment in the three quarters of 2022 amounted to PLN 223.2 million and was higher by PLN 56 million compared to the profit in the corresponding period of the previous year (increase by 33%). In the third quarter of 2022, the gross profit on sales amounted to PLN 79.5 million and was higher by PLN 8.5 million compared to the profit in the corresponding period of the previous year (increase by 12%).

In addition, in the three quarters of 2022, the percentage gross margin increased by 0.5 pp. to 51.8% from 51.3% in the corresponding period of the previous year. Similarly, in the third quarter of 2022, the percentage gross margin increased by 0.1 pp. to 52.1% from 52.0% in the corresponding period of the previous year.

Increase in gross profit on sales in the third quarter, as well as in the third quarter of 2022, was the result of a general increase in revenue, as well as an increase in the percentage gross margin, resulting from a more dynamic increase in jewellery sales in regular traditional stores, characterized by a higher percentage gross margin than other assortments and sales in other distribution channels.

SELLING COSTS

In the three quarters of 2022, selling costs amounted to PLN 114.8 million and were higher by PLN 22.5 million compared to the corresponding period of the previous year (increase by 24%). On the other hand, the share of selling costs in the total sales of the jewellery segment decreased to 26.7% compared to 28.3% in the corresponding period of the previous year.

In the third quarter of 2022, selling costs amounted to PLN 40 million and were higher by PLN 6.1 million compared to the corresponding period of the previous year (increase by 18.1%). At the same time, the share of selling costs in the total sales of the jewellery segment increased to 26.2% compared to 24.8% in the corresponding period of the previous year.

Increase in selling costs was caused, among others, by growth in basic wages (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. commissions for franchisees and bonuses for employees, an increase in marketing expenses, as well as an increase in additional rentals (service charge).

In the three quarters of 2022, fall in share of selling costs in revenues resulted from a greater increase in the revenue base (32%) than selling costs (24%). On the other hand, in the third quarter of 2022, increase in this ratio resulted from a higher growth dynamics of sales costs (18%) than the growth dynamics of revenues (12%).

GENERAL AND ADMINISTRATIVE EXPENSES

In the three quarters of 2022, general and administrative expenses amounted to PLN 24.1 million and were higher by PLN 3.3 million (15%) compared to the corresponding period of the previous year. The share of general and administrative expenses in revenues amounted to 5.6% and was lower by 0.8 pp. compared to the corresponding period of the previous year.

In the third quarter of 2022, general and administrative expenses amounted to PLN 8.7 million and were higher by PLN 1.6 million (15%) compared to the corresponding period of the previous year. Share of general and administrative expenses in revenues amounted to 5.7% and was slightly higher by 0.1 pp. compared to the corresponding period of the previous year.

OPERATING PROFIT IN THE JEWELLERY SEGMENT

In the jewellery segment, the Group recorded an operating profit of PLN 84.3 million in the three quarters of 2022, which means an increase in operating profit by PLN 29.4 million (53%) compared to the corresponding period of the previous year. In the third quarter of 2022, the operating profit of the jewellery segment amounted to PLN 30.8 million and was higher by PLN 1.2 million (4%) compared to the corresponding period of the previous year.

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

Operating profitability in the three quarters of 2022 amounted to 19.6% and was higher by 2.8 pp. compared to the corresponding period of the previous year. In the third quarter of 2022, the operating margin amounted to 20.1% and was lower by 1.5 pp. compared to the corresponding period of the previous year.

Increase in operating profitability in the three quarters of 2022 was a consequence of the higher dynamics of operating profit growth (mainly resulting from the increase in gross margin) than the increase in revenues. However, in the third quarter of 2022, higher revenues (with a similar gross percentage margin) were offset by an increase in selling costs, resulting in a similar level of operating profit in terms of value and, consequently, lower operating profitability.

FINANCIAL INCOME AND COSTS

The balance of net financial activities in the jewellery segment amounted to PLN -17.7 million in the three quarters of 2022 compared to PLN -4.1 million in the corresponding period of the previous year. In the third quarter of 2022, the balance of net financial activities amounted to PLN -9.8 million compared to PLN -5.1 million in the corresponding period of the previous year.

IFRS16 standard had an adverse effect on the balance of financial activity of the jewellery segment in the three quarters of 2022, as it caused an increase in net financial costs by PLN 9.3 million (in the corresponding period of the previous year, the impact was also negative and amounted to PLN -2.0 million PLN). Similarly, in the third quarter of 2022, IFRS16 impact on the balance of financial activities was negative and resulted in an increase in financial costs by PLN 5.9 million (in the corresponding period of the previous year, the impact was also negative and amounted to PLN 4.0 million).

Jewellery segment	PLN ths			
	3 quarters 2022 from 01-01-2022 to 30-09-2022	**3 quarters 2021** from 01-01-2021 to 30-09-2021	**3rd quarter 2022** from 01-07-2022 to 30-09-2022	**3rd quarter 2021** from 01-07-2021 to 30-09-2021
net financial costs	-2,931	-1,467	-703	-380
FX differences net (excl. IFRS 16)	-5,454	-560	-3,127	-768
IFRS 16 impact	-9,364	-2,049	-5,921	-3,957
- incl. FX losses	-7,826	-383	-5,405	-3,375
- incl. interest	-1,538	-1,666	-517	-582
Financial income/ costs	**-17,749**	**-4,076**	**-9,752**	**-5,105**

NET PROFIT IN THE JEWELLERY SEGMENT

Net profit of the jewellery segment in the three quarters of 2022 amounted to PLN 53.5 million and increased by PLN 12.6 million (31%) compared to the corresponding period of the previous year. In the third quarter of 2022, it amounted to PLN 17 million and decreased by PLN 2.8 million (14%) compared to the corresponding period of the previous year.

Increase in net profit in the three quarters of 2022 (compared to the corresponding period of the previous year) was the result of further revenue growth (positive sales trends, no restrictions in trade) and improvement in the gross margin percentage, and consequently an increase in gross profit on sales, with a simultaneous lower growth selling and general and administrative expenses. The above positive factors, influencing the increase in operating profit, were, however, limited by negative impact of growth in net financial costs (i.e. including financial income), resulting from FX losses, as well as the increase in debt servicing costs (increase in interest rates on the interbank market).

In the third quarter of 2022, net profit was lower (despite increase in operating profit) than in the corresponding period of the previous year, which was the result of the negative impact of growth in net financial costs (mainly in terms of FX losses).

STRUCTURE AND CHARACTERISTS OF STATMENT OF FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET	30.09.2022		30.09.2021	
	value (PLN ths)	share (%)	value (PLN ths)	share (%)
Non-current assets, including:	**857,221**	**57.1%**	**881,523**	**60.4%**
Intangible assets	500,876	33.4%	499,484	34.2%
Fixed assets	55,134	3.7%	51,774	3.5%
Right-of-use assets IFRS16	273,268	18.2%	301,962	20.7%
Current assets, including:	**643,282**	**42.9%**	**579,146**	**39.6%**
Inventory	562,795	37.5%	509,604	34.9%
Trade and other receivables and other current assets	22,648	1.5%	18,645	1.3%
Cash and cash equivalents	57,839	3.9%	50,897	3.5%
Total assets	**1,500,503**	**100.0%**	**1,460,669**	**100.0%**
Equity	895,420	59.7%	849,876	58.2%
Share capital	49,122	3.3%	49,122	3.4%
Net profit (loss) for the current period	45,613	3.0%	26,522	1.8%
Long-term liabilities and provisions	**250,603**	**16.7%**	**297,390**	**20.4%**
Long-term loans and borrowings	25,835	1.7%	38,074	2.6%
Financial leases	223,196	14.9%	257,662	17.6%
‘-incl.: lease liabilities related to retail and office space	*222,242*	*14.8%*	*256,346*	*17.5%*
Short-term liabilities and provisions, including:	**354,480**	**23.6%**	**313,403**	**21.5%**
Trade and other liabilities	187,826	12.5%	178,092	12.2%
Short-term loans and borrowings and short-term portions of long-term debt	46,744	3.1%	20,313	1.4%
Financial leases	107,063	7.1%	99,799	6.8%
‘-incl.: lease liabilities related to retail and office space	*106,511*	*7.1%*	*98,899*	*6.8%*
Total equity and liabilities	**1,500,503**	**100.0%**	**1,460,669**	**100.0%**

ASSETS

Value of assets as at September 30, 2022 is at a level similar to September 30, 2021.

RIGHT-OF-USE ASSETS

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

INVENTORY

The value of inventories as at September 30, 2022 amounted to PLN 562.8 million, which means an increase compared to September 30, 2021 by 10.4.%. In the apparel segment, the value of inventories decreased by 7.8% YoY (due to further optimization of working capital), while in the jewellery segment it increased by 28.5% YoY, which was the result of stocking up for sale and opening in Q4 quarter of 2022 and price increases.

The Group's inventories per m2 amounted to PLN 10,815, which means an increase of 10.4% YoY:

INVENTORY / [PLN/m2]	3Q22	3Q21	YoY
VRG	10,815	9,793	10.4%
Apparel segment	5,877	6,205	-5.3%
Jewellery segment	26,835	22,915	17.1%

EQUITY AND LIABILITIES

EQUITY

In the reporting period, changes in equity result from profit earned for the period of three quarters in the amount of PLN 45,613 thousand and implementation by the parent company VRG S.A. adopted on June 21, 2022, resolution of the Company's Ordinary General Meeting on payment of dividend in the total amount of PLN 39,857,492.80. Shareholders of the parent company VRG were entitled to the dividend as at July 15, 2022 (dividend date), and the dividend payment date was July 29, 2022.

LONG- AND SHORT-TERM INDEBTEDNESS

Debt under long-term loans as at September 30, 2022 amounted to PLN 25.8 million compared to PLN 38.1 million at the end of September 2021, which means a decrease by PLN 12.2 million. Lease liabilities due to leases of commercial premises and office space totalled PLN 328.7 million, of which PLN 222.2 million is the long-term part and PLN 106.5 million is the short-term part.

In the case of short-term debt, increase results from growing exposure to overdrafts by PLN 26.4 million.

Tables below present the evolution of financial liabilities as at September 30, 2022 and September 30, 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 under IFRS 16 decreased compared to last year as a result of an increase in revenues and a decrease in debt under long-term loans.

The amount of net debt under IAS 17 increased compared to last year as a result of growing debt under short-term loans.

The net debt/EBITDA ratio, both under IFRS 16 and IAS 17, remains relatively low (1.4 and 0.3, respectively). These ratios are significantly below the levels defined in loan agreements concluded by companies in the Capital Group.

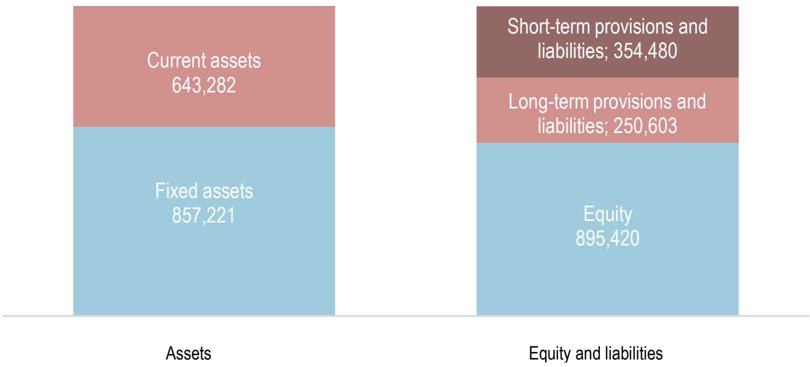
Net debt IFRS16	30.09.2022	30.09.2021
Long-term debt	**249,031**	**295,736**
Long-term loans and borrowings	25,835	38,074
Finance lease liabilities	223,196	257,662
-incl.: lease liabilities related to retail and office space	*222,242*	*256,346*
Short-term debt	**176,568**	**141,756**
Short-term part of loans and borrowings	46,744	20,313
Reverse factoring	22,761	21,644
Finance lease liabilities	107,063	99,799
-incl.: lease liabilities related to retail and office space	*106,511*	*98,899*
Cash and equivalents	57,839	50,897
Net debt	**367,760**	**386,595**
EBITDA (annual, 4Q)	259,924	144,737
Net debt/EBITDA	**1.4**	**2.7**

Net debt IAS17	30.09.2022	30.09.2021
Long-term debt	**26,789**	**39,390**
Long-term loans and borrowings	25,835	38,074
Finance lease liabilities	954	1,316
Short-term debt	**70,057**	**42,857**
Short-term part of loans and borrowings	46,744	20,313
Reverse factoring	22,761	21,644
Finance lease liabilities	552	900
Cash and equivalents	57,839	50,897
Net debt	**39,007**	**31,350**
EBITDA (annual, 4Q)	134,844	82,426
Net debt/EBITDA	**0.3**	**0.4**

** The table above presents the calculation of net debt, showing the impact of IAS 17 as the previously applicable standard*

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

Balance sheet analysis at the end of 3Q 2022



2. PLANNED DEVELOPMENT ACTIVITIES

In the opinion of the Management Board, the Group's development prospects in 2022 will be largely determined by external circumstances: the effects of the coronavirus pandemic, war in Ukraine and macroeconomic situation. The lifting of most restrictions related to COVID-19 as of March 28, 2022, including the obligation to wear protective masks in public spaces, had a positive effect on increasing traffic in shopping centers and returning customers to traditional stores. This translated into a significant increase in revenues in the second quarter of 2022 compared to the same period of the previous year, both in the jewellery and apparel segments. The factor which, in the opinion of the Management Board, will influence consumer behaviour and their willingness to make purchases in the coming quarters will be primarily the macroeconomic situation and related high level of inflation. In the opinion of the Management Board, revenues in 2022 should be double-digit higher than those generated in 2021. The Management Board also assumes a further improvement in gross percentage margin in 2022 compared to 2021.

The Group is well prepared for the Autumn/Winter 2022 season. It has an attractive and stylistically diverse range of products for all the Group's brands, reflecting the prevailing trends and customer expectations. Casual and smart casual constitute a significant share in the offer of apparel brands, which is a response to customer demand and the market situation. We will continue the changes introduced in the previous season in the Wólczanka brand collection, which will include new assortments for both men and women creating a "total look", with an increased casual product. Vistula brand presents the collection in five versions under the slogan of the VISTULA ON THE GO campaign. The collection, based on the latest fashion trends, will be addressed to both women and men. In Bytom brand, which offers men's formal fashion as well as smart casual and casual assortment, the Autumn edition of the collection is maintained in the Retro Future convention combining vintage style with modern forms, and the brand's new promotional campaign is conducted under the slogan Woven Stories. For the Autumn/Winter season, Deni

Cler Milano brand has prepared the "Viaggio in citta" collection, which is inspired by traveling around different capitals of the world. W.KRUK presented new products in the offer of jewellery and accessories, including the new LONGPLAY ambassador collection and Lunapark's first original collection of luxury jewellery in history.

In terms of opening plans, the Group does not anticipate significant changes in its net retail floorspace compared to the end of 2021 (change by 0% YoY). In the apparel segment, further optimization of the network will take place (reducing the area by 2%) and development in the jewellery segment is assumed (increasing floorspace by 8% YoY). Capital expenditures planned for the current year in the amount of PLN 33 million will be allocated to openings of new stores, primarily of W.KRUK brand, and development of infrastructure and IT systems.

The Group focuses on further development of sales in the on-line channel. Ongoing support for further development of the e-commerce channel will concern, among others, increase in outlays on acquiring online traffic, launching intuitive and user-friendly sales applications for each brand, improving the salonet service and further developing functionality and logistics, as well as coherent marketing and on-line and off-line promotions.

Despite the fact that the Group is currently in a safe liquidity situation, actions aimed at improving the use of working capital, as well as a well-thought-out investment policy and keeping current operating costs under control will be continued.

The goal for 2022 is to achieve better financial results than in 2021, among others through the following actions:

– adapting the offer to current market trends and customer expectations;

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

– improvement of the gross percentage margin thanks to optimization of price promotion activities;

– further optimization of existing retail network by closing unprofitable stores;

– increase in operating margin due to the positive impact of operating leverage;

– further improvement of efficiency of working capital utilization by decreasing the level of inventories year on year, adapting the level of inventories to the changing situation and further work on financing purchases (extending cooperation with suppliers offering longer payment terms);

– maintaining a safe financial situation.

Development activities of the Capital Group in 2023 will focus on:

– continued revenue growth in both segments,

– increase in gross margin under inflation conditions,

– maintaining a safe financial situation.

The Management Board of the Group sees the sources of the planned revenue increases in:

– in improving the product offer in new collections of formal and casual clothing in the fashion segment and new collections of jewellery, accessories and a wide range of watches in the jewellery segment.

– increasing the share of the online channel in the revenue structure by introducing new functionalities in on-line stores and activities focused on increasing the use of omichannel elements;

– an increase in outlays on image marketing on the Internet and traditional channels.

In 2023, the Group's floorspace is expected to increase by 3.7% compared to the end of 2022. In the apparel segment, floorspace will increase in Vistula, Wólczanka (as part of a new, larger store concept) and Deni Cler brands, while Bytom brand is planned to optimize the floorspace of traditional stores. As a result, floorspace in this segment will increase by 3.2%. In the jewellery segment, a 5.5% increase in floorspace in W.KRUK traditional stores is planned thanks to the opening of new own and franchise stores.

Capital expenditures of c. PLN 42 million have been planned for 2023, mainly for the opening and modernization of traditional stores, postponed during the Covid years.

3. FINANCIAL FORECASTS

VRG S.A. has not published forecast of financial results for 2022.

4. STATEMENT OF THE MANAGEMENT BOARD

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

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, November 16, 2022

SELECTED FINANCIAL DATA TO CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

for 9 months ending September 30, 2022

	PLN ths		EUR ths	
	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3 quarters 2021 / period from 01-01-2021 to 30-09-2021	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Revenues	431,945	357,461	92,138	78,417
Profit (loss) from operations	13,217	-10,674	2,819	-2,342
EBITDA	58,834	33,262	12,550	7,297
Pre-tax profit (loss)	32,246	-15,924	6,878	-3,493
Net profit (loss)	32,742	-13,442	6,984	-2,949
Net cash flows from operating activities	72,426	22,607	15,449	4,959
Net cash flows from investing activities	34,613	-3,448	7,383	-756
Net cash flows from financing activities	-94,584	-39,076	-20,176	-8,572
Total net cash flows	12,455	-19,917	2,657	-4,369
	30.09.2022	**31.12.2021**	**30.09.2022**	**31.12.2021**
Total assets	971,202	986,685	199,434	214,525
Liabilities and provisions	286,728	295,096	58,879	64,160
Long-term liabilities	115,452	134,794	23,708	29,307
Short-term liabilities	161,328	149,390	33,128	32,480
Total equity	684,474	691,589	140,555	150,365
Share capital	49,122	49,122	10,087	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)	0.14	-0.06	0.03	-0.01
Diluted earnings (loss) per share (in PLN/EUR)	0.14	-0.06	0.03	-0.01
Book value per share (in PLN/EUR)	2.92	2.95	0.60	0.64
Diluted book value per share (in PLN/EUR)	2.90	2.86	0.60	0.62
Declared or paid dividend per share (in PLN/EUR)	0.17	-	0.03	-

CONDENSED INTERIM SEPARATE STATEMENT OF FINACIAL POSITION

as at September 30, 2022

	PLN ths				
	As at 30-09-2022 / end of quarter 2022	As at 30-06-2022 / end of previous quarter 2022	As at 31-12-2021 / end of previous year 2021	As at 30-09-2021 / end of quarter 2021	As at 30-06-2021 / end of previous quarter 2021
Non-current assets	**696,547**	**696,202**	**710,107**	**720,095**	**726,160**
Goodwill	120,855	120,855	120,855	120,855	120,855
Other intangibles	116,327	115,753	115,830	115,035	115,128
Fixed assets	20,549	20,212	23,084	20,343	21,727
Investment property	874	874	874	295	295
Right of use assets	135,370	137,671	148,369	160,065	163,298
Long-term receivables	172	130	134	140	140
Long-term loans granted	1,749	1,409	773	510	510
Shares and stakes	283,834	283,834	283,834	283,834	283,834
Other long-term investments	-	4	4	4	4
Deferred tax assets	16,817	15,460	16,350	19,014	20,369
Current assets	**274,655**	**269,976**	**276,578**	**279,789**	**262,641**
Inventory	210,485	213,559	228,665	234,510	241,156
Trade and other receivables and other current assets	11,083	7,550	7,281	18,274	10,272
Corporate income tax receivables	-	-	-	-	2,142
Short-term loans granted and short-term part of long-term loans granted	-	-	-	5	5
Cash and equivalents	53,087	48,867	40,632	27,000	8,649
Other current assets	-	-	-	-	417
Total assets	**971,202**	**966,178**	**986,685**	**999,884**	**988,801**

	PLN ths				
	As at 30-09-2022 / end of quarter 2022	As at 30-06-2022 / end of previous quarter 2022	As at 31-12-2021 / end of previous year 2021	As at 30-09-2021 / end of quarter 2021	As at 30-06-2021 / end of previous quarter 2021
Equity	**684,474**	**651,787**	**691,589**	**678,279**	**673,877**
Share capital	49,122	49,122	49,122	49,122	49,122
Capital reserves	580,028	580,028	620,017	620,017	620,017
Other reserves	17,390	17,390	17,390	17,390	17,390
Retained earnings	37,934	5,247	5,060	-8,250	-12,652
Long-term liabilities and provisions	**115,993**	**118,246**	**135,335**	**150,093**	**147,410**
Lease liabilities	105,301	106,174	120,941	134,592	130,529
incl.: lease liabilities related to retail and office space	*105,109*	*105,949*	*120,758*	*134,362*	*130,228*
Long-term loans and borrowings	10,151	11,531	13,853	14,856	16,236
Long-term provisions	541	541	541	645	645
Short-term liabilities total	**170,735**	**196,145**	**159,761**	**171,512**	**167,514**
Finance lease liabilities	61,692	59,228	57,616	59,083	57,462
incl.: lease liabilities related to retail and office space	*61,515*	*59,012*	*57,333*	*58,724*	*56,941*
Trade and other liabilities	93,510	120,886	84,749	98,868	96,412
Corporate incomes tax liabilities	-	-	1,449	-	-
Loans and borrowings and short-term portion of long-term loans and borrowings	6,126	6,126	5,576	5,944	5,089
Short-term provisions	9,407	9,905	10,371	7,617	8,551
Total liabilities and provisions	**286,728**	**314,391**	**295,096**	**321,605**	**314,924**
Total equity and liabilities	**971,202**	**966,178**	**986,685**	**999,884**	**988,801**

CONDENSED INTERIM SEPARATE STATEMENT OF PROFIT OR LOSS

for 9 months ending September 30, 2022

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Revenues	**152,488**	**431,945**	**154,585**	**357,461**
Cost of sales	72,844	192,283	68,191	164,346
Gross profit (loss) on sales	**79,644**	**239,662**	**86,394**	**193,115**
Selling costs	64,871	187,647	58,747	159,797
Administrative expenses	13,103	38,643	12,570	34,782
Other operating income	2,436	5,884	81	6,216
Gain on sale of non-financial non-current assets	-	-	5	-
Other operating costs	1,720	5,762	1,931	15,406
Loss on sale of non-financial non-current assets	301	277	-	20
Profit (loss) from operations	**2,085**	**13,217**	**13,232**	**-10,674**
Financial income	40,406	40,588	6	37
Financial costs	11,161	21,559	7,480	5,287
incl.: lease liabilities related to retail and office space	*7,014*	*11,276*	*5,284*	*2,657*
Pre-tax profit (loss)	31,330	32,246	5,758	-15,924
Income tax	-1,357	-496	1,356	-2,482
Net profit (loss) for the period	**32,687**	**32,742**	**4,402**	**-13,442**
Average number of ordinary shares	234,455,840	234,455,840	234,455,840	234,455,840
Average number of diluted shares	235,630,831	235,630,831	241,505,840	241,505,840
Earnings (loss) per share from continued and discontinued operations:	-	-	-	-
- basic	0.14	0.14	0.02	-0.06
- diluted	0.14	0.14	0.02	-0.06

CONDENSED INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for 9 months ending September 30, 2022

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Net profit (loss) for the period	**32,687**	**32,742**	**4,402**	**-13,442**
Other comprehensive income, including:	-	-	-	**-**
That can be reclassified to net income	-	-	-	**-**
That cannot be reclassified to net income	-	-	-	**-**
Total comprehensive income	**32,687**	**32,742**	**4,402**	**-13,442**

CONDENSED INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY

for 9 months ending September 30, 2022

	PLN ths				
	Share capital	**Capital reserves**	**Other reserves**	**Retained earnings**	**Total equity**
3 quarter 2021 / period from 01-07-2021 to 30-09-2021					
Balance at 01.07.2021	**49,122**	**620,017**	**17,390**	**-12,652**	**673,877**
Net profit distribution	-	-	-	-	**-**
Net profit (loss) for the period	-	-	-	4,402	**4,402**
Stock option programme valuation	-	-	-	-	**-**
Dividends	-	-	-	-	**-**
Share issuance	--	-	-	-	**-**
Balance at 30.09.2021	**49,122**	**620,017**	**17,390**	**-8,250**	**678,279**
3 quarter 2021 / period from 01-01-2021 to 30-09-2021					
Balance at 01.01.2021	**49,122**	**679,121**	**17,390**	**-53,912**	**691,721**
Net profit distribution	-	-59,104	-	59,104	**-**
Net profit (loss) for the period	-	-	-	-13,442	**-13,442**
Stock option programme valuation	-	-	-	-	**-**
Dividends	-	-	-	-	**-**
Share issuance	-	-	-	-	**-**
Balance at 30.09.2021	**49,122**	**620,017**	**17,390**	**-8,250**	**678,279**
Year 2021 period from 01-01-2021 to 31-12-2021					

	PLN ths				
	Share capital	Capital reserves	Other reserves	Retained earnings	Total equity
Balance at 01.01.2021	**49,122**	**679,121**	**17,390**	**-53,912**	**691,721**
Net profit distribution	-	-59,104	-	59,104	**-**
Net profit (loss) for the period	-	-	-	-132	**-132**
Stock option programme valuation	-	-	-	-	**-**
Dividends	-	-	-	-	**-**
Share issuance	-	-	-	-	**-**
Balance at 31.12.2021	**49,122**	**620,017**	**17,390**	**5,060**	**691,589**
3 quarter 2022 / period from 01-07-2022 to 30-09-2022					
Balance at 01.07.2022	**49,122**	**580,028**	**17,390**	**5,247**	**651,787**
Net profit distribution	-	-	-	-	**-**
Net profit (loss) for the period	-	-	-	32,687	**32,687**
Stock option programme valuation	-	-	-	-	**-**
Dividends	-	-	-	-	**-**
Share issuance	-	-	-	-	**-**
Balance at 30.09.2022	**49,122**	**580,028**	**17,390**	**37,934**	**684,474**
3 quarter 2022 / period from 01-01-2022 to 30-09-2022					
Balance at 01.01.2022	**49,122**	**620,017**	**17,390**	**5,060**	**691,589**
Net profit distribution	-	-132	-	132	**-**
Net profit (loss) for the period	-	-	-	32,742	**32,742**
Stock option programme valuation	-	-	-	-	**-**
Dividends	-	-39,857	-	-	**-39,857**
Share issuance	-	-	-	-	**-**
Balance at 30.09.2022	**49,122**	**580,028**	**17,390**	**37,934**	**684,474**

CONDENSED INTERIM SEPARATE STATEMENT OF CASH FLOWS

for 9 months ending September 30, 2022

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Pre-tax profit (loss)	**31,330**	**32,246**	**5,758**	**-15,924**
Adjustments:				
Amortization and depreciation	15,296	45,617	13,838	43,936
Profit (loss) on investing activities	301	277	-5	20
Income tax paid	-	-1,419	-	-429
Interest costs	1,294	3,211	952	2,902
Change in provisions	-499	-964	-934	673
Change in inventories	3,074	18,179	6,646	3,712
Change in receivables	-3,574	-3,839	-8,003	-8,636
Change in short-term liabilities, excluding bank loans and borrowings	18,593	18,964	10,753	-5,504
Other adjustments	-40,495	-39,846	-14	1,857
Net cash flows from operating activities	**25,320**	**72,426**	**28,991**	**22,607**
Interest received	559	723	-	-
Inflows from sale of intangibles	-	-	-	-
Inflows from sale of fixed assets	141	2,318	29	151
Disposal from investment property	-	-	-	-
Repayment of loans granted	-	-	-	4
Purchase of intangible assets	-806	-1,020	-77	-924
Purchase of fixed assets	-2,029	-6,289	-1,196	-2,516
Expenses due to the loan granted to subsidiaries	-340	-976	-	-163
Dividends obtained	39,857	39,857	-	-
Net cash flows from investing activities	**37,382**	**34,613**	**-1,244**	**-3,448**
Proceeds from issuance of shares and other capital instruments (bonds) and additional payments to capital	-	-	-	-
Inflows from loans and borrowings	-	-	855	855
Repayment of bank loans and borrowings	-1,380	-4,140	-1,380	-4,140
Finance lease payments	-71	-267	-255	-722
Other interest paid	-640	-1,214	-171	-605

	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Interest paid due to lease liabilities related to retail and office space	-653	-1,997	-781	-2,297
Lease payments due to lease liabilities related to retail and office space	-15,881	-47,109	-7,666	-32,167
Dividends paid	-39,857	-39,857	-	-
Net cash flows from financing activities	**-58,482**	**-94,584**	**-9,398**	**-39,076**
Change in cash and cash equivalents in the balance sheet	**4,220**	**12,455**	**18,349**	**-19,917**
Opening balance of cash and equivalents	**48,867**	**40,632**	**27,000**	**46,917**
Change in cash due to foreign currency translation	-	-	-	-
Closing balance of cash and equivalents	**53,087**	**53,087**	**45,349**	**27,000**

Value shown under "Other adjustments" consists of:	PLN ths	
	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
capital reserves increase – valuation of stock options	-	-
fixed assets - impairment - liquidation	-253	1,857
interest received	-723	-
bank loan valuation	987	-
dividends received	-39,857	-
Total	**-39,846**	**1,857**

INFORMATION AND EXPLANATIONS TO CONDENSED INTERIM SEPARATE FINANCIAL STATMENTS

1. OPERATING SEGMENTS

The company runs one business segment: apparel.

GEOGRAPHICAL SEGMENTS OF CONTINUED OPERATIONS:

Revenues for the geographical segments for the period from January 1, 2022 to September 30, 2022 and for the comparable period are presented in the table below.

Revenues in various markets in terms of geographic location	PLN ths			
	3rd quarter 2022 / period from 01-07-2022 to 30-09-2022	3 quarters 2022 / period from 01-01-2022 to 30-09-2022	3rd quarter 2021 / period from 01-07-2021 do 30-09-2021	3 quarters 2021 / period from 01-01-2021 to 30-09-2021
Poland	152,488	431,708	154,572	357,071
EURO zone	-	237	13	390
US$ zone	-	-	-	-
Total	**152,488**	**431,945**	**154,585**	**357,461**

In terms of geographical segments, the entire activity of the Capital Group is carried out in the Republic of Poland, part of the sale relates to the shipment of the Company's goods abroad.

2. INFORMATION ON SIGNIFICANT CHANGES IN ESTIMATED VALUES, INCLUDING ADJUSTMENTS FOR PROVISIONS, DEFERRED INCOME TAX ASSETS AND LIABILITIES, AS WELL AS ASSET WRITE-OFFS

2.1. PROVISIONS

	Provision for employee costs	Provision for future liabilities	Provision for work in progress (services of subcontractors)	Returns from customers	Other	Total
Balance as at January 1, 2021	**3,111**	**2,660**	**925**	**893**	**-**	**7,589**
provisions created during the year	-	-	673	-	-	673
provisions released/used	-	-	-	-	-	-
Balance as at September 30, 2021	**3,111**	**2,660**	**1,598**	**893**	**-**	**8,262**
presented in short-term liabilities	2,466	2,660	1,598	893	-	7,617
presented in long-term liabilities	645	-	-	-	-	645
Balance as at January 1, 2021	**3,111**	**2,660**	**925**	**893**	**-**	**7,589**
provisions created during the year	901	508	827	1,220	-	3,456
provisions released/used	-104	-29	-	-	-	-133

	Provision for employee costs	Provision for future liabilities	Provision for work in progress (services of subcontractors)	Returns from customers	Other	Total
Balance as at December 31, 2021	**3,908**	**3,139**	**1,752**	**2,113**	**-**	**10,912**
presented in short-term liabilities	3,367	3,139	1,752	2,113	-	10,371
presented in long-term liabilities	541	-	-	-	-	541
Balance as at January 1, 2022	**3,908**	**3,139**	**1,752**	**2,113**	**-**	**10,912**
provisions created during the year	574	528	-	-	-	1,102
provisions released/used	-996	-	-302	-768	-	-2,066
Balance as at September 30, 2022	**3,486**	**3,667**	**1,450**	**1,345**	**-**	**9,948**
presented in short-term liabilities	2,945	3,667	1,450	1,345		9,407
presented in long-term liabilities	541	-	-	-	-	541

Balance of provisions as at September 30, 2022 includes:

long-term provision for retirement benefits	PLN 541 ths	**Total PLN 9,48 ths**
short-term provision for retirement benefits	PLN 89 ths	
short-term provision for overdue holidays	PLN 2,578 ths	
provision for bonuses	PLN 278 ths	
provision for customer returns	PLN 1,345 ths	
short-term provision for sewing services	PLN 1,450 ths	
provision for future liabilities	PLN 3,667 ths	

2.2. CHANGE IN WRITE-DOWNS ON SHORT-TERM RECEIVABLES, INVENTORIES AND FOR THE IMPAIRMENT OF FIXED ASSETS

Write-offs	PLN ths				
	Balance at 01.01.2022	Creation	Release/Usage	Reclassified	Balance at 30.09.2022
Intangible assets write-offs	3,150	-	-	-	3,150
Fixed assets write-offs	2,858	-	-	1,040	1,818
Write-offs for assets held for sale	-	-	1,040	-1,040	-
Inventory write-offs	21,686	231	3,799	-	18,118
Receivables write-offs	2,038	304	390	-	1,952
Write-offs for proceeds from loans granted	-	-	-	-	-
Total write-offs	**29,732**	**535**	**5,229**	**-**	**25,038**

Write-offs	PLN ths				
	Balance at 01.01.2021	Creation	Release/Usage	Reclassified	Balance at 30.09.2021
Intangible assets write-offs	3,147	3	-	-	3,150
Fixed assets write-offs	2,049	1,930	1,121	-	2,858
Write-offs for assets held for sale	-	-	-	-	-
Inventory write-offs	15,695	11,751	5,760	-	21,686
Receivables write-offs	56,932	3,273	58,167	-	2,038
Write-offs for proceeds from loans granted	2,179	-	2,179	-	-
Total write-offs	**80,002**	**16,957**	**67,227**	**-**	**29,732**

2.3. DEFERRED TAX ASSETS AND LIABILITIES

	PLN ths				
	Balance sheet			Profit or loss	
	30.09.2022	31.12.2021	30.09.2021	3 quarters 2022 / period from 01.01.2022 to 30.09.2022	3 quarters 2021 / period from 01.01.2021 to 30.09.2021
Deferred tax liability	**54**	**37**	**271**	**16**	**-229**
Balance sheet values – FX gains	28	11	40	16	-80
Net provisions paid	26	26	26	-	-5
Bank loan amortized cost valuation	-	-	143	-	-36
Derivatives valuation	-	-	-	-	-86
Fixed asset leases	-	-	62	-	-22
Other					
Transferred to financial result	**54**	**37**	**271**	**16**	**-229**
Transferred directly to equity	**-**	**-**	**-**	**-**	**-**
Deferred tax asset	1,460	1,454	1,553	6	-
Accelerated balance sheet depreciation					
Post-employment benefits (severance pay)	3,733	4,607	5,398	-876	2,116
Write-offs	662	1,081	593	-80	
Provisions, remuneration and social security	397		328	58	-84
Remuneration, unpaid social security	444	61	252	383	132
Balance sheet values – FX losses	2,844	2,221	3,134	624	-1,307
Tax loss carryforward	-	-	650	-	54

	PLN ths				
	Balance sheet			Profit or loss	
	30.09.2022	31.12.2021	30.09.2021	3 quarters 2022 / period from 01.01.2022 to 30.09.2022	3 quarters 2021 / period from 01.01.2021 to 30.09.2021
Receivables write-off	78	127	422	-50	60
Provision for future liabilities	952	998	464	-46	5
Provision for customer returns					
Loyalty programme valuation	86	86	22	-	-
Bank loans valued at amortised cost	208	21	-	188	-
Lease liabilities for commercial and office floorspace	6,007	5,731	6,469	276	1,277
Transferred to financial result	**16,871**	**16,387**	**19,285**	**483**	**2,253**
Transferred directly to equity	**-**	**-**	**-**	**-**	**-**

	PLN ths	
	3 quarters 2022 / period from 01.01.2022 to 30.09.2022	3 quarters 2021 / period from 01.01.2021 to 30.09.2021
Tax liability	**-496**	**-2,482**
Current taxation	-29	-
Deferred taxation	-467	-2,482

3. CONDITIONAL ASSETS AND LIABILITIES

	PLN ths		
	Balance as at 30-09-2022 / end of quarter 2022	Balance as at 31-12-2021 / end of year 2021	Balance as at 30-09-2021 / end of quarter 2021
- Issued bank guarantees for rentals of store premises	28,748	25,978	25,680
- Open letters of credit	16,090	20,985	18,150
- Promissory notes securing lease liabilities	-	-	-
Conditional liabilities, total	**44,838**	**46,963**	**43,830**

There are no conditional receivables in the Company.

4. INFORMATION ON MATERIAL PURCHASE AND SALE TRANSACTIONS OF PROPERTY, PLANT AND EQUIPMENT

Total amount of capital expenditure in financial statement of cash flows disclosed in the reporting period was PLN 6,289 thousand.

No significant sales transactions. Total amount of proceeds from the sale amounts to PLN 2,318 thousand, including 1,722 thousand from real estate.

5. OTHER INFORMATION

Information and explanations to the interim consolidated financial statements contain information relevant to the preparation of these interim condensed separate financial statements:

- - General information
- - Basis for preparation and applied accounting principles
- - Changes in accounting standards
- - Seasonal and cyclical nature of operations
- - Extraordinary factors and events
- - FX rates used to measure assets and liabilities
- - Significant risk factors
- - Information on financial instruments
- - Information on a significant liabilities for the purchase of property, plant and equipment
- - Issuance, redemption and repayment of debt and equity securities
- - Dividends paid and declared
- - Proceedings pending before a court, a body competent for arbitration proceedings or a public administration body
- - Related party transactions
- - Information on granting by the issuer or its subsidiary of loans or loan sureties or guarantees jointly to one entity or its subsidiary, if the total value of existing sureties or guarantees is significant
- - Significant events in the third quarter of 2022
- - Significant events after the balance sheet date.

VRG S.A. MANAGEMENT BOARD MEMBERS SIGNATURES

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, November 16, 2022

VISTULA

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