INTERIM CONDENSED CONDSOLIDATED
FINANCIAL STATEMENTS

OF VRG S.A. CAPITAL GROUP
FOR 6 MONTHS ENDING JUNE 30, 2023
PREPARED IN ACCORDANCE WITH IFRS APPROVED BY THE EUROPEAN UNION

Cracow, August 24, 2023

VRG
VISTULA RETAIL GROUP

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

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SELECTED FINANCIAL DATA FROM CONSOLIDATED FINANCIAL STATEMENTS

for 6 months ending June 30, 2023

	PLN thsd		EUR thsd	
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**I half 2023** period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022
Revenues	602,286	585,537	130,562	126,121
Profit (loss) from operations	48,003	65,198	10,406	14,043
EBITDA	110,307	119,611	23,912	25,763
Pre-tax profit (loss)	63,636	46,250	13,795	9,962
Net profit (loss)	50,902	36,418	11,034	7,844
Net cash flows from operating activities	40,535	43,624	8,787	9,396
Net cash flows from investing activities	-16,807	-8,217	-3,643	-1,770
Net cash flows from financing activities	-63,982	-60,965	-13,870	-13,131
Total net cash flows	-40,254	-25,558	-8,726	-5,505
Earnings (loss) per ordinary share (in PLN/EUR)	0.22	0.16	0.05	0.03
Diluted earnings (loss) per share (in PLN/EUR)	0.22	0.15	0.05	0.03
	30.06.2023	**31.12.2022**	**30.06.2023**	**31.12.2022**
Total assets	1,505,370	1,511,656	338,262	322 321
Liabilities and provisions	558,594	568,891	125,518	121 301
Long-term liabilities	209,923	223,280	47,171	47 609
Short-term liabilities	331,264	329,004	74,436	70 152
Total equity	946,776	942,765	212,744	201 020
Share capital	49,122	49,122	11,038	10 474
Shares outstanding	234,455,840	234,455,840	234,455,840	234,455,840
Diluted number of shares	235,630,831	235,630,831	235,630,831	235,630,831
Book value per share (in PLN/EUR)	4.04	4.02	0.91	0.86
Diluted book value per share (in PLN/EUR)	4.02	4.00	0.90	0.85
Declared or paid dividend per share (in PLN/EUR)	0.20	0.17	0.04	0.04

CONDENSED INTERIM CONSOLIDATED PROFIT OR LOSS STATEMENT

for 6 months ending June 30, 2023

	PLN thsd				
	Note	**I half 2023** period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Revenues	1,2	**602,286**	**585,537**	**335,269**	**341,758**
Cost of sales	3	276,234	269,143	146,524	148,570
Gross profit on sales		**326,052**	**316,394**	**188,745**	**193,188**
Selling costs	3	229,319	208,476	119,508	110,906
Administrative expenses	3	47,050	41,647	24,150	21,867
Other operating income	5	3,244	4,291	2,369	3,226
Gain from sale of non-financial non-current assets		0	291	0	191
Other operating costs	5a	4,888	5,655	4,084	3,647
Loss from sale of non-financial non-current assets		36	0	96	0
Profit (loss) from operations		**48,003**	**65,198**	**43,276**	**60,185**
Financial income	6	19,587	550	17,077	349
incl.: financial income due to lease liabilities related to retail and office space		*15,301*	*0*	*14,389*	*0*
Financial costs	6a	6,154	19,498	3,235	10,549
incl.: financial costs due to lease liabilities related to retail and office space		2,712	*8,137*	1,440	*2,966*
Result on loss of control	6b	2,200	0	2,200	0
Pre-tax profit (loss)		**63,636**	**46,250**	**59,318**	**49,985**
Income tax	7,8	12,734	9,832	11,640	10,654
Net profit (loss) for the period		**50,902**	**36,418**	**47,678**	**39,331**
Attributed to dominating entity		50,902	36,418	47,678	39,331
Attributed to non-controlling interest		0	0	0	0
Earnings (loss) per share					
- basic	9	0.22	0.16	0.20	0.17
- diluted	9	0.22	0.15	0.20	0.17

*-unaudited data

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 6 months ending June 30, 2023

		PLN thsd			
	Note	I half 2023 period from 01-01-2023 to 30-06-2023	I half 2022 period from 01-01-2022 to 30-06-2022	2 quarter 2023* period from 01-04-2023 to 30-06-2023	2 quarter 2022* period from 01-04-2022 to 30-06-2022
Net profit (loss) for the period		**50,902**	**36,418**	**47,678**	**39,331**
Other comprehensive income, including:		0	0	0	0
That can be reclassified to net income		0	0	0	0
That cannot be reclassified to net income		0	0	0	0
Total comprehensive income		**50,902**	**36,418**	**47,678**	**39,331**
Attributed to dominating entity		50,902	36,418	47,678	39,331
Attributed to non-controlling interest		0	0	0	0

*- unaudited data

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

as at June 30, 2023

		PLN thsd		
	Note	30.06.2023	31.12.2022	30.06.2022
Non-current assets		**869,394**	**848,122**	**847,949**
Goodwill	10	302,748	302,748	302,748
Other intangible assets	11	199,159	199,384	197,633
Fixed assets	12	66,549	60,401	53,753
Investment property		874	874	874
Right-of-use assets (IFRS16)	12a	280,792	262,422	268,047
Long-term receivables		197	151	289
Shares and stakes	13	27	27	27
Other long-term investments		0	0	4
Deferred tax assets	8	19,048	22,115	24,574
Current assets		**635,976**	**663,534**	**637,038**
Inventory	14	561,268	553,258	527,943
Short-term security deposit receivables		162	73	0
Trade and other receivables as well as other current assets	15	18,861	14,295	20,065

	PLN thsd			
	Note	30.06.2023	31.12.2022	30.06.2022
Corporate income tax receivables		40	9	17
Cash and cash equivalents	17	55,645	95,899	89,013
Total assets		**1,505,370**	**1,511,656**	**1,484,987**

	PLN thsd			
	Note	30.06.2023	31.12.2022	30.06.2022
Equity		**946,776**	**942,765**	**886,225**
Share capital	22	49,122	49,122	49,122
Other reserves	23	14,333	14,333	14,333
Retained earnings	24	883,321	879,310	822,770
Long-term liabilities and provisions		**210,952**	**224,309**	**245,616**
Long-term security deposit liabilities		2,327	2,162	469
Lease liabilities	19	193,837	201,658	215,311
incl.: lease liabilities related to retail and office space		*192,355*	*200,438*	*214,394*
Loans and borrowings	18	13,759	19,460	28,715
Long-term provisions	21	1,029	1,029	1,121
Short-term liabilities and provisions		**347,642**	**344,582**	**353,146**
Lease liabilities	19	106,451	102,228	101,029
incl.: lease liabilities related to retail and office space		*105,672*	*101,610*	*100,439*
Trade and other liabilities	20	192,957	198,218	212,981
Corporate income tax liabilities		1,598	5,772	1,420
Loans and borrowings and short-term part of long-term loans and borrowings	18	30,258	22,786	24,180
Short-term provisions	21	16,378	15,578	13,536
Total liabilities and provisions		**558,594**	**568,891**	**598,762**
Total equity and liabilities		**1,505,370**	**1,511,656**	**1,484,987**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 6 months ending June 30, 2023

	PLN thsd			
	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 01.01.2022	**49,122**	**14,333**	**826,209**	**889,664**
Net profit (loss) for the period	0	0	36,418	36,418
Dividends	0	0	- 39,857	- 39,857
Balance at 30.06.2022	**49,122**	**14,333**	**822,770**	**886,225**
Balance at 01.01.2022	**49,122**	**14,333**	**826,209**	**889,664**
Net profit (loss) for the period	0	0	92,958	92,958
Dividends	0	0	- 39,857	- 39,857
Balance at 31.12.2022	**49,122**	**14,333**	**879,310**	**942,765**
Balance at 01.01.2023	**49,122**	**14,333**	**879,310**	**942,765**
Net profit (loss) for the period	0	0	50,902	50,902
Dividends	0	0	-46,891	-46,891
Balance at 30.06.2023	**49,122**	**14,333**	**883,321**	**946,776**

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for 6 months ending June 30, 2023

	Note	PLN thsd **I half 2023** period from 01-01-2023 to 30-06-2023	PLN thsd **I half 2022** period from 01-01-2022 to 30-06-2022
Przepływy środków pieniężnych z działalności operacyjnej			
Zysk przed opodatkowaniem		63,636	46,250
Amortyzacja	3	62,304	54,413
Zysk (strata) na inwestycjach		-5,146	-291
Podatek dochodowy zapłacony		-13,871	-13,853
Koszty z tytułu odsetek		4,990	4,102
Zmiana stanu rezerw		801	-712
Zmiana stanu zapasów		-9,034	-28,771
Zmiana stanu należności		-5,471	-7,291
Zmiana stanu zobowiązań krótkoterminowych, z wyjątkiem pożyczek i kredytów		-56,923	-11,959
Inne korekty	17a	-751	1,736
Przepływy pieniężne netto z działalności operacyjnej		**40,535**	**43,624**
Otrzymane odsetki		1,160	411
Wpływy ze sprzedaży rzeczowych aktywów trwałych i aktyw przeznaczonych do sprzedaży		1,526	2,618
Nabycie wartości niematerialnych		-497	-341
Nabycie rzeczowych aktywów trwałych		-18,418	-10,905
Korekta środków pieniężnych -wyłączenie spółki zależnej		-578	0
Przepływy pieniężne netto z działalności inwestycyjnej		**-16,807**	**-8,217**
Wpływy z tytułu zaciągnięcia kredytów i pożyczek		7,906	2,383
Spłaty kredytów i pożyczek		-6,235	-6,120
Płatności zobowiązań z tytułu pozostałych umów leasingu		-404	-443
Odsetki zapłacone pozostałe		-2,175	-1,581
Odsetki zapłacone z tytułu umów leasingu finansowego		-2,817	-2,521
Płatności zobowiązań z tytułu umów leasingu dotyczących lokali handlowych oraz powierzchni biurowych		-60,257	-52,683
Przepływy pieniężne netto z działalności finansowej		**-63,982**	**-60,965**
Zwiększenie (zmniejszenie) netto stanu środków pieniężnych i ekwiwalentów środków pieniężnych		**-40,254**	**-25,558**
Środki pieniężne i ich ekwiwalenty na początek okresu		**95,899**	**114,571**
Zmiana stanu środków pieniężnych z tytułu różnic kursowych		0	0
Środki pieniężne i ich ekwiwalenty na koniec okresu	15	**55,645**	**89,013**

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.

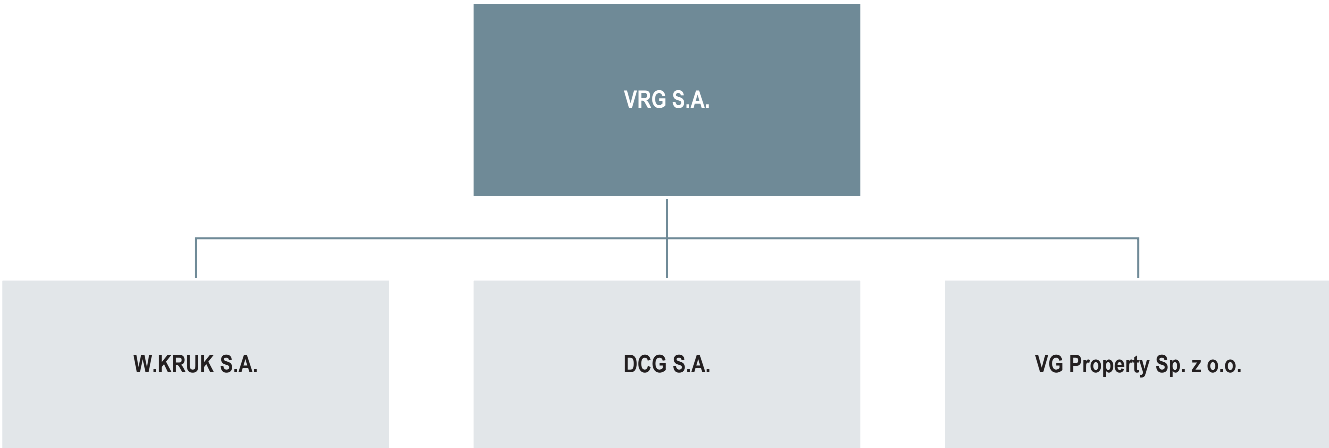
The company is one of the first companies that were listed on the Warsaw Stock Exchange S.A. First listing of VRG S.A. took place on September 30, 1993.

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 1H23 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.** 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%.
- **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%.

The interim consolidated financial statements for the first half of 2023 include data of the parent company and the following subsidiaries: W.KRUK S.A., DCG S.A., VG Property Sp. z o. o. and WSM Factory Sp. z o. o. for the period of 5 months in the consolidated interim statement of profit and loss and the consolidated interim statement of cash flows.

CHANGES IN CAPITAL GROUP STRUCTURE IN 1H23

On June 2, 2023, the District Court in Kielce, 5th Commercial Division, Warszawska 44 St., 25-312 Kielce, issued a decision on the declaration of bankruptcy of the subsidiary WSM Factory Spółka z ograniczoną odpowiedzialnością, KRS 0000538836, (ref. no. KI1L/GU/206/2023, KI1L/GUp/18/2023), at the same time appointing a trustee bankruptcy. The subject of the subsidiary's activity was custom-made packaging of clothing products. VRG S.A. holds 100% of the shares and 100% of the votes at the general meeting of shareholders of the company. As a result of the declaration of bankruptcy of VRG S.A. lost control over the company, because the administration of the bankruptcy estate was taken over by the trustee.

1.3. COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARD

MANAGEMENT BOARD

As at June 30, 2023 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, 2023 to June 30, 2023, there were no changes in the composition of the Parent Company's Management Board.

In the period from the balance sheet date, i.e. June 30, 2023, to the date of signing this report, the above composition of the Parent Company's Management Board has not changed.

AS AT JUNE 30, 2023 COMPOSITION OF THE SUPERVISORY BOARD OF VRG S.A. WAS THE FOLLOWING:

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

In the period from January 1, 2023 to June 30, 2023, there were no changes in the composition of the Parent Company's Supervisory Board.

In the period from the balance sheet date, i.e. June 30, 2023, to the date of signing this report, the above composition of the Parent Company's Supervisory Board has not changed.

1.4. 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") has 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 of preparation financial statement, i.e. June 30, 2023. In the opinion of the Management Board of the Parent Company, as at the date of approval of these interim consolidated financial statements, there are no prerequisites and circumstances indicating a threat to the continuation of operations by the Capital Group companies in the foreseeable future.

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 present the financial position of the Group as at June 30, 2023 and December 31, 2022 and June 30, 2022, the results of its operations for the period of 6 and 3 months ended June 30, 2023 and June 30, 2022 and cash flows for the period of 6 months ended June 30, 2023 and June 30, 2022.

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

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2022, approved for publication on April 4, 2023.

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

The interim condensed consolidated financial statements for the first half of 2023 have been prepared in PLN, rounded up to the nearest thousand (PLN '000). The Group's functional currency is the Polish zloty.

3. ACCOUNTING PRINCIPLES

In the period from January 1, 2023 to June 30, 2023, no changes were made in the Capital Group to the adopted accounting principles and methods of preparing the financial statements. The accounting principles adopted by the Capital Group were applied on a continuous basis to the periods presented in the financial statements.

The entity authorized to review the financial statements in the scope of the standalone and consolidated financial statements of the Parent Company for the first half of 2023 was Grant Thornton Polska P.S.A., with which on July 27, 2021 an agreement was concluded for the review of the standalone and consolidated interim financial statements of the Company and the Group, and auditing the individual and consolidated annual financial statements of the Company and the Group for the period 2021-2023.

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

Individual items of assets and liabilities were converted into EURO at the average exchange rate of 30.06.2023 announced by the National Bank of Poland, which was 4.4503 PLN/EUR. Individual items of the profit and loss account were converted into EURO at the exchange rate of PLN 4.6130/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 31/01/23 - PLN/EUR 4.7089, 28/02/23 - PLN/EUR 4.717, 31/03/23 - PLN/EUR 4.6755, 28/04/23 - PLN 4.5889 were used to calculate the average exchange rate. /EUR, 31/05/23 – 4.5376 PLN/EUR, 30/06/23 – 4.4503 PLN/EUR.

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, 2022, which amounted to PLN 4.6899/EUR and on June 30, 2022, which amounted to PLN 4.6806/EURO. Comparable data for individual items of the profit and loss account were converted into EURO at exchange rates constituting the arithmetic average 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 01/01/2022 to 30/06/2022, which amounted to 4 PLN/EUR 6.427.

5. MAJOR ESTIMATES AND JUDGMENTS

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

Adjustments to estimates are recognized in the period in which changes are made to the adopted estimates, provided that the adjustment applies only to that period, or in the period in which the changes are made and in subsequent periods (prospective approach), if the adjustment applies to both the current period and periods next. Information on estimates is presented in Note 27.

6. CHANGES IN ACCOUNTING STANDARDS

STANDARDS AND INTERPRETATIONS THAT HAVE ALREADY BEEN PUBLISHED AND APPROVED BY THE EU AND ENTERED INTO FORCE FROM OR AFTER JANUARY 1, 2023

AMENDMENTS TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

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

– it was clarified that 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.

–IASB clarified which information regarding the accounting policy applied by the entity is significant and requires disclosure in the financial statements. The Principles focus on tailoring disclosures to the individual circumstances of the entity. IASB warns against the use of standardized provisions copied from IFRS and expects that the basis of valuation of financial instruments will be considered as material information.

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

AMENDMENTS 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"

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

AMENDMENT TO IFRS 17 "INSURANCE CONTRACTS"

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

NEW IFRS 17 "INSURANCE CONTRACTS"

A new standard governing 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 January 1, 2023 or later.

The above changes did not affect these financial statements.

STANDARDS AND INTERPRETATIONS AND AMENDMENTS TO THEM THAT ARE NOT EFFECTIVE FOR PERIODS BEGINING JANUARY 1, 2023

AMENDMENT TO IFRS 16 "LEASES"

The change clarifies requirements for measurement of lease liability arising from the sale and leaseback transactions. It is to prevent incorrect recognition of the result on the transaction in the part concerning the retained right of use in the case when lease payments are variable and do not depend on an index or rate. The change is effective for annual periods beginning on January 1, 2024 or later.

AMENDMENT TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

The change concerns the presentation of liabilities. In particular, it clarifies one of the criteria for classifying a liability as long-term. The change is effective for annual periods beginning on or after January 1, 2024.

AMENDMENT TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

The amendment concerns presentation of liabilities. In particular, it clarifies one of the criteria for classifying a liability as long-term. The change is effective for annual periods beginning on or after January 1, 2024.

AMENDMENTS TO IAS 12 "INCOME TAX"

On May 23, 2023, the International Accounting Standards Board issued amendments to IAS 12 Income Tax in connection with the international tax reform regarding the so-called Pillar II, the main goal of which is to implement solutions that increase the effective taxation of the largest capital groups. The Pillar II Directive will limit the global phenomenon manifested by the reduction of corporate income tax rates. The introduced minimum tax rate is 15%. In July 2023, the change was adopted by EFRAG and it should be assumed that it will also be approved for use in the European Union by the relevant regulation. The change applies to financial statements beginning the reporting period on January 1, 2023 or later.

AMENDMENTS TO IAS 7 STATEMENT OF CASH FLOWS AND IFRS 7 FINANCIAL INSTRUMENTS

The International Accounting Standards Board has introduced new disclosure requirements in IFRS standards to increase the transparency and thus the usefulness of information provided by entities on supplier financing agreements.

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

7. SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 REVENUES

	PLN thsd			
Analysis of the Company's revenues	**I half 2023** period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Revenues from sale of products, goods and materials	602,085	585,515	335,162	341,747
Revenue from property lease	195	22	101	11
Revenue from leases of other fixed assets	6	0	6	0
Total revenue	**602,286**	**585,537**	**335,269**	**341,758**
Gain on sale of fixed assets	0	291	0	191
Other operating revenues	3,244	4,291	2,369	3,226
Financial income	19,587	550	17,077	349
Total	**625,117**	**590,669**	**354,715**	**345,524**

*-unaudited data

Increase in revenues was primarily the result of maintaining a positive trend in sales of gold and silver jewellery and luxury watches.

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

NOTE 2 OPERATING SEGMENTS BY TYPE OF ACTIVITIES AND GEOGRAPHICAL BREAKDOWN

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, Bytom, Wólczanka, Deni Cler (through a subsidiary), W.KRUK (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 related to 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:

VRG
VISTULA RETAIL GROUP

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

OWN BRANDS OF VISTULA LINE:

VISTULA	
Vistula is a brand with a long tradition, which in its designs combines timeless cuts, patterns and cuts with current fashion trends, giving classic clothes a modern character. The wide assortment of the brand responds to the needs of both men and women, offering items of clothing that do not go out of style, which can be easily created for various occasions. From T-shirts and polo shirts, through sweaters and turtlenecks, to outerwear - Vistula is not only suits. The brand focuses on universal products, which, properly combined and enriched with accessories, add style to any styling. The priority is a sense of comfort and self-confidence for the client, who with clothes from Vistula emphasize their own unique style.	
VISTULA	VISTULA WOMAN
Operating on the Polish market since 1967, Vistula is the basic line of men formalwear. The brand offers a wide range of suits, jackets, trousers, shirts and other complementary accessories.	Women's brand introduced in 2021. The collection was created for women who appreciate quality, comfort and the timeless of products. VISTULA WOMAN, refined in details, surprises with classic cuts and fashionable patterns. It includes products for many occasions - outerwear (classic coats, casual down and leather jackets), jackets and elegant trousers, skirts, dresses, shirts, as well as jeans, sweaters and t-shirts and an offer of accessories (shoes, belts, caps and gloves).

BYTOM BRAND:

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

WÓLCZANKA BRAND:

WÓLCZANKA
WÓLCZANKA
It is a brand existing since 1948. Wólczanka has been sewing shirts for generations. Years of experience have made her an expert and allowed her to gain the trust of millions of customers, thanks to which today she successfully expands her offer with new assortments such as trousers, skirts, dresses, jackets, coats, jackets, polo shirts, t-shirts. The brand's offer includes men's shirts, and from the Autumn-Winter 2014 season also women's shirts, both formal and casual. As an expert in good quality shirts, he expands this range and focuses on creating a fresh, modern brand. Wólczanka is the latest trends, beautiful prints, comfortable clothes for her and for him - and above all, an image that shows the joy of life and the possibility of making fashion choices, close to the client's needs.

DENI CLER MILANO BRAND:

APPAREL SEGMENT
DENI CLER MILANO
Since its foundation in 1971 in Mantua, Italy, Deni Cler Milano has been dressing women who are aware of their femininity, value and strength. In 1991, the brand appeared on the Polish market, introducing a new quality in women's fashion. To this day, it remains a synonym of elegance, refined taste, while at the same time being in line with current global trends. Deni Cler Milano collections are sewn from Italian fabrics. The materials used for the production of clothes are mainly wool, cashmere and silk. The brand's assortment includes mainly: coats, dresses, jackets, trousers, skirts, blouses.

BRANDS IN THE JEWELLERY SEGMENT:

JEWELLERY SEGMENT	
W.KRUK 1840	**WATCHES**
W.KRUK is the oldest jewellery brand in Poland with over 180 years of tradition. W.KRUK's offer includes gold and platinum jewellery, in particular jewellery with diamonds and precious stones. W.KRUK also creates the highest quality collections made of silver and other metals. W.KRUK offers many original lines of unique jewellery. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by the ambassadors (including Martyna Wojciechowska's Freedom collection) and an expert and innovative approach to jewellery. A significant part of the collections presented every year is made in the brand's Manufaktura near	W.KRUK offers watches of the most prestigious Swiss brands such as Rolex, Patek Philippe (W.KRUK S.A. is the exclusive distributor of these manufacturers in Poland) and renowned manufacturers and watch brands such as: Cartier, Chopard, Hublot, Panerai, Jagger Le Coutre, Omega, Tudor, Tag Heuer, Longines, Rado, Tissot, Frederique Constant, Citizen, Doxa, Certina, Seiko, Epos, Balticus, Victori-nox as well as fashion brands: Swatch, Gucci, Emporio Armani, Michael Kors, Fossil, Timex , Skagen, Armani Exchange, Tommy Hilfiger, Guess, Hugo Boss. The

Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, W.KRUK brand was the first in Poland to introduce jewellery with a new category of diamonds created by man in laboratory conditions into its chain of stores and offered under its own name New Diamond by W.KRUK. They have parameters identical to diamonds extracted using traditional methods and are classified according to the same parameters, using the same standards of expert assessment. W.KRUK expands its offer of both luxury and fashion jewellery. Since 2016, the brand's assortment has been complemented by a selection of accessories signed by W.KRUK, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men. watches of renowned brands sold in W.KRUK stores have a strong position on the Polish market, and the value of their sales is steadily increasing.

In addition to its own original and classic jewellery collections, W.KRUK also has in its portfolio products of prestigious jewellery manufactories from around the world (so-called external brands). W.KRUK selects brands for its offer with which it has many years of achievements, reputation and jewellery designed and made by talented designers and master goldsmiths. Thanks to this, the projects of outstanding jewellers from all over the world and the diamond collections of the oldest Polish jewellery brand together create a unique selection of the most valuable jewellery. In selected stores, W.KRUK offers products of brands such as: BIRKS Bijoux, Nanis, Marco Bicego, Pasquale Bruni, Hulchi Belluni and Recarlo.

PRODUCTION ACTIVITY:

Production activities in the apparel part of the Group in the first half of 2023 were carried out, among others, in a 100% subsidiary of the Parent Company, operating under the name WSM Factory Sp. z o. o. operating a production plant in Ostrowiec Świętokrzyski. In connection with the bankruptcy of WSM Factory Sp. z o. o. VRG S.A. lost control over the company, because the administration over the bankruptcy assets was taken over by the trustee.

In connection with the above, since June 2, 2023, the Group's apparel section has not operated its own production activity. As part of the apparel segment, VRG S.A. cooperates with proven independent producers who guarantee sewing and packaging services at the highest level and offer competitive prices.

The Group's own production activity in the jewellery segment is carried out in the Issuer's subsidiary, i.e. W.KRUK S.A. in the jewellery workshop in Komorniki near Poznań.

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

Basic types of activity:

– Retail and wholesale of apparel products

– Retail and wholesale of jewellery and watches

Information on business segments is presented below:

I half 2023 period from 01-01-2023 to 30-06-2023	PLN thsd		
	Apparel segment	Jewellery segment	Total
External sales	**292,484**	**309,802**	**602,286**
Gross profit on sales	**164,030**	**162,022**	**326,052**
Segmental operating costs	170,620	105,749	276,369
of which depreciation	*36,279*	*26,025*	*62,304*
Other operating income and costs	-1,398	-282	-1,680
Financial income and costs	7,450	5,983	13,433
Result on loss of control	2,200	0	2,200
Income tax	749	11,985	12,734
Net profit	**913**	**49,989**	**50,902**

I half 2022 period from 01-01-2022 to 30-06-2022	PLN thsd		
	Apparel segment	Jewellery segment	Total
External sales	**307,481**	**278,056**	**585,537**

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

2 quarter 2023 period from 01-04-2023 to 30-06-2023*	PLN thsd		
	Apparel segment	Jewellery segment	Total
External sales	**167,469**	**167,800**	**335,269**
Gross profit on sales	**100,512**	**88,233**	**188,745**
Segmental operating costs	87,812	55,846	143,658
of which depreciation	18,209	13,495	31,704
Other operating income and costs	-1,667	-144	-1,811
Financial income and costs	7,635	6,207	13,842
Result on loss of control	2,200	0	2,200
Income tax	4,211	7,429	11,640
Net profit	**16,657**	**31,021**	**47,678**

*-unaudited data

2 quarter 2022 period from 01-04-2022 to 30-06-2022*	PLN thsd		
	Apparel segment	Jewellery segment	Total
External sales	**192,140**	**149,618**	**341,758**
Gross profit on sales	**114,443**	**78,745**	**193,188**
Segmental operating costs	85,091	47,682	132,773
of which depreciation	*16,283*	*10,581*	*26,864*
Other operating income and costs	145	-375	-230
Financial income and costs	-5,564	-4,636	-10,200
Income tax	5,058	5,596	10,654
Net profit	**18,875**	**20,456**	**39,331**

*- unaudited data

The value of financial income and costs of both reporting segments includes mainly FX differences, which amounted to:

– in the first half of 2023 for the apparel segment amounted to PLN 10,152 thousand, surplus of positive over negative, (and for the first half of 2022 PLN 6,963 thousand, surplus of negative over positive),

– in the first half of 2023 for the jewellery segment amounted to PLN 8,273 thousand, surplus of positive over negative, (and for the first half of 2022 PLN 4,748 thousand, surplus of negative over positive).

In the first half of 2023, financial income and expenses related to lease of commercial premises and office space include interest and FX differences (excess of negative over positive), which amounted to:

– for the apparel segment, the interest amounted to PLN 1,453 thousand (PLN 1,463 thousand for the first half of 2022), and FX differences (excess of positive over negative) amounted to PLN 8,482 thousand (surplus of negative over positive PLN 3,232 thousand for the first half of 2022),

– for the jewellery segment, interest amounted to PLN 1,259 thousand (PLN 1,021 thousand for the first half of 2022), and FX differences (surplus of positive over negative) amounted to PLN 6,819 thousand (surplus of negative over positive PLN 2,422 thousand for the first half of 2022),

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

– for the apparel segment PLN 1,382 thousand for the first half of 2023 (PLN 925 thousand for the first half of 2022),

– for the jewellery segment PLN 895 thousand for the first half of 2023 (PLN 826 thousand for the first half of 2022).

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

GEOGRAPHICAL SEGMENTS OF ACTIVITY:

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

Revenues from various markets in terms of geographical location	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Poland	594,877	578,768	332,081	338,125
EURO zone	7,331	6,532	3,188	3,630
US$ zone	78	145	0	3
CHF zone	0	92	0	0
Total	**602,286**	**585,537**	**335,269**	**341,758**

*- unaudited data

Segmental assets and liabilities as at June 30, 2023 are as follows:

I half of 2023	PLN thsd		
	Apparel segment	**Jewellery segment**	**Total**
Assets	683,964	821,406	1,505,370
Liabilities and provisions total	305,774	252,820	558,594

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

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

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

NOTE 3 OPERATING COSTS

	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Depreciation	62,304	54,413	31,704	26,864
Materials and energy	37,881	40,763	17,938	18,721
Costs of goods sold	262,881	256,493	140,844	141,549
Change in products and work in progress	-42,238	-49,091	-18,330	-19,769
Remuneration	90,678	83,389	46,092	43,991
Other costs by type	27,033	25,870	15,338	14,163
Third party costs	114,064	107,429	56,596	55,824
Total costs of products sold, goods and materials, distribution, general and administrative expenses and other operating costs	**552,603**	**519,266**	**290,182**	**281,343**

*- unaudited data

NOTE 4 HR COSTS

	PLN thsd			
Remuneration broken into salaries, insurance and other:	**I half 2023** period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Total remuneration, including:	**90,678**	**83,389**	**46,092**	**43,991**
Salaries	75,262	69,116	38,307	36,512
Social security and other benefits	15,394	14,089	7,775	7,351
Other HR costs	22	184	10	128

*- unaudited data

In the reporting period, economic benefits in the amount of PLN 72 thousand and PLN 66 thousand were paid as compensation for non-competition clauses. The Group presents severance pay and compensation in other operating expenses.

NOTE 5 OTHER OPERATING INCOME

	PLN thsd			
Other operating income	**I half 2023** period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Gain on sale of nonfinancial fixed assets	0	291	0	191
Other operating income, including:	3,244	4,291	2,369	3,226
due to reversal of write-offs for goods/materials	*523*	*1,932*	*523*	*1,932*
due to closing agreements valued according to IFRS16	*658*	*786*	*0*	*39*
Total	**3,244**	**4,582**	**2,369**	**3,417**

*- unaudited data

NOTE 5A OTHER OPERATING COSTS

Pozostałe koszty operacyjne	PLN thsd I half 2023 period from 01-01-2023 to 30-06-2023	I half 2022 period from 01-01-2022 to 30-06-2022	2 quarter 2023* period from 01-04-2023 to 30-06-2023	2 quarter 2022* period from 01-04-2022 to 30-06-2022
Loss on sale of non-financial fixed assets	36	0	96	0
Fixed assets write-offs	0	231	0	231
Write-offs of goods	826	468	726	452
Donations granted	485	784	233	182
Costs of liquidation of current assets	761	1,678	634	506
Other operating costs, including:	2,816	2,494	2,491	2,276
provision for future liabilities	*870*	*528*	*870*	*528*
severance pay	*72*	*1,000*	*51*	*916*
Razem	**4,924**	**5,655**	**4,180**	**3,647**

*- unaudited data

NOTE 6 FINANCIAL INCOME

Financial income	PLN thsd I half 2023 period from 01-01-2023 to 30-06-2023	I half 2022 period from 01-01-2022 to 30-06-2022	2 quarter 2023* period from 01-04-2023 to 30-06-2023	2 quarter 2022* period from 01-04-2022 to 30-06-2022
Interest on bank deposits and loans granted	1,161	411	490	308
FX gains	18,425	121	16,587	24
Incl. leases for store and office floorspace	*15,301*	*0*	*14,389*	*0*
Other	1	18	0	17
Total	**19,587**	**550**	**17,077**	**349**

*- unaudited data

NOTE 6A FINANCIAL COSTS

Financial costs	PLN thsd I half 2023 period from 01-01-2023 to 30-06-2023	I half 2022 period from 01-01-2022 to 30-06-2022	2 quarter 2023* period from 01-04-2023 to 30-06-2023	2 quarter 2022* period from 01-04-2022 to 30-06-2022
Interest on overdrafts and bank loans .	1,782	1,567	883	954
Factoring interest	391	132	207	69
Interest on other than finance lease liabilities	105	52	55	33
Interest on leases for store and office floorspace	2 712	2 484	1 440	1 218

Fees on loans and guarantees	961	1,140	523	612
FX losses	57	11,711	21	5,288
Incl. leases for store and office floorspace	*0*	*5,653*	*0*	*1,748*
Bank loan amortised cost valuation	102	2,368	102	2,368
Forwards valuation	0	0	-28	0
Other	44	44	32	7
Total	**6,154**	**19,498**	**3,235**	**10,549**

*- unaudited data

NOTE 6B RESULT ON LOSS OF CONTROL

On June 2, 2023, the District Court in Kielce, 5th Commercial Division, Warszawska 44 St., 25-312 Kielce, issued a decision declaring bankruptcy of the subsidiary WSM Factory Spółka z ograniczoną odpowiedzialnością. As a result of the declaration of bankruptcy of VRG S.A. lost control over the company, because the administration of the bankruptcy estate was taken over by the trustee.

Consolidation adjustments include reversed impairment losses on receivables and loans.

	PLN thsd
	I half 2023 period from 01-01-2023 to 30-06-2023
Gain (loss) on loss of control over subsidiary	**2,200**
Net assets at the moment of losing control	-5,182
Consolidation adjustments	2,982
Net assets after consolidation adjustments	-2,200

	PLN thsd
	I half 2023 period from 01-01-2023 to 30-06-2023
WSM Factory net assets at the moment of losing control	**-5,182**
Assets	2,373
Liabilities	7,555

NOTE 7 INCOME TAX

	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Current income tax	**12,734**	**9,832**	**11,640**	**10,654**
Current tax	9,667	8,222	6,585	4,979
Deferred tax (note 8)	3,067	1,610	5,055	5,675

*- unaudited data

Current income tax	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Pre-tax profit (loss)	**63,636**	**46,250**	**59,318**	**49,985**
Reconciliation of tax base and pre-tax profit	-25,159	-1,328	-15,059	-571
- the difference between pre-tax profit and taxable income resulting from costs that are not tax-deductible costs according to tax regulations and revenues that are not revenues according to tax regulations and additional tax revenues and costs	-22,926	-1,048	-13,811	517
- other differences (e.g. loss from previous years)	-2,233	-280	-1,248	-1,088
Income/Loss	**38,477**	**44,922**	**44,259**	**49,414**
Income tax base	50,880	44,901	44,317	49,369
Income tax at the current rate of 19%	9,667	8,257	6,585	5,023
Income tax adjustments for previous periods	0	-35	0	-44
Current income tax	**9,667**	**8,222**	**6,585**	**4,979**

*- unaudited data

Income tax at the effective interest rate	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Pre-tax profit (loss)	**63,636**	**46,250**	**59,318**	**49,985**
Income tax at the current rate of 19%	12,091	8,788	11,270	9,497
The effect of the tax treatment:	**-4,798**	**-506**	**-2,866**	**-375**
- Usage of tax loss from earlier periods	305	404	96	517
- Costs not constituting tax deductible costs	-626	1,997	403	1,466
- Income that is not income according to tax regulations	3,816	2,059	3,153	1,317
- Tax costs that are not a balance sheet cost	80	51	37	12
- Tax revenues that are not balance sheet revenues	30	11	17	5
- Revaluation of deferred tax assets (loss this year)	2,356	0	-1,835	-4,083
- Deferred tax	3,067	1,610	5,055	5,675
- Income tax adjustments for previous periods	0	-35	0	-44
- Other	18	-25	16	-16

Income tax at the effective interest rate	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	I half 2022 period from 01-01-2022 to 30-06-2022	2 quarter 2023* period from 01-04-2023 to 30-06-2023	2 quarter 2022* period from 01-04-2022 to 30-06-2022
Income tax at the effective tax rate	**12,734**	**9,832**	**11,640**	**10,654**
effective tax rate	*20.01%*	*21.26%*	*19.62%*	*21.31%*

*- unaudited data

NOTE 8 DEFERRED TAX

	PLN thsd				
	statement of financial position			profit or loss	
	30.06.2023	31.12.2022	30.06.2022	30.06.2023	30.06.2022
Deferred tax asset provision	**252**	**452**	**87**	**-200**	**-13**
Balance sheet valuation – FX gains	168	314	1	-146	-21
Net advances paid	8	55	55	-47	0
Bank loan valuation at amortised cost	34	53	0	-19	0
Leased fixed assets	41	29	31	12	8
Other	1	1	0	0	0
Transferred to financial result	**252**	**452**	**87**	**-200**	**-13**
Transferred to equity	**0**	**0**	**0**	**0**	**0**
Deferred tax assets	**19,300**	**22,567**	**24,661**	**-3,267**	**-1,623**
Accelerated balance sheet depreciation	2,225	2,288	2,305	-63	43
Severance pay	28	28	26	0	0
Write-offs	3,920	4,184	4,418	-264	-463
Provisions, salaries and social security	1,609	1,623	1,365	-14	-102
Remuneration, unpaid Social Security contributions	161	915	803	-754	6
Balance sheet valuation – FX losses	3	6	393	-3	322
Tax loss carryforward	3,663	1,493	2,995	2,170	-357
Write-down of receivables from recipients	57	0	0	57	0
Provision for future liabilities	656	909	924	-253	-1,139
Provision for customer returns	1,343	1,313	993	30	-41
Loyalty programme valuation	1,912	1,912	764	0	0
Bank loans and bonds valuation according to amortised cost	0	0	489	0	450
Lease liabilities for store and office floorspace	3,723	7,896	9,186	-4,173	-342
Transferred to financial result	**19,300**	**22,567**	**24,661**	**-3,267**	**-1,623**
Transferred to equity	**0**	**0**	**0**	**0**	**0**
Transferred to financial result - persaldo	**-19,048**	**-22,115**	**-24,574**	**3,067**	**1,610**

NOTE 9 EARNINGS PER SHARE

Continued operations	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Net profit attributable to the shareholders of the dominating entity	50,902	36,418	47,678	39,331
Profits from continuing operations for the purpose of calculating earnings per share after excluding discontinued operations	50,902	36,418	47,678	39,331
Weighted average number of ordinary shares	234,455,840	234,455,840	234,455,840	234,455,840
Diluted weighted average number of ordinary shares	235,630,831	235,630,831	235,630,831	235,630,831
Earnings per share				
- basic	0.22	0.16	0.20	0.17
- diluted	0.22	0.15	0.20	0.17

*- unaudited data

Calculation of the weighted average number of shares	PLN thsd	
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022
Number of shares as at 01.01.2023	234,455,840	234,455,840
Change during 1H23 (issuance)	0	0
Number of shares as at 30.06.2023	234,455,840	234,455,840
Number of days with increased equity	0	0
Ratio (number of days with increased equity / number of days in the period)	0	0
Weighted average number of shares	234,455,840	234,455,840
Scale of potential dilution (ordinary shares)	1,174,991	1,174,991
Diluted weighted average number of ordinary shares	235,630,831	235,630,831

NOTE 10 GOODWILL

	PLN thsd
PURCHASE PRICE OR FAIR VALUE	
Balance at January 1, 2022	302,748
Adjustment: disclosure at the time of acquisition	0
Derecognition at the moment of disposal	0
Balance at June 30, 2022	302,748
Balance at January 1, 2022	302,748
Disclosure adjustment at the time of the acquisition of Bytom	0
Derecognition at the moment of disposal	0
Balance at December 31, 2022	302,748
Balance at January 1, 2023	302,748
Adjustment: disclosure at the time of acquisition	0

	PLN thsd
Balance at June 30, 2023, including:	302,748
Generated from acquisition of Wólczanka S.A.	60,697
Generated from acquisition of W. KRUK S.A.	181,893
Generated from acquisition of Bytom S.A	60,158
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Balance at January 1, 2022	0
Losses due to impairment in the current year	0
Derecognition at the moment of disposal	0
Balance at June 30, 2022	0
Balance at January 1, 2022	0
Losses due to impairment in the current year	0
Derecognition at the moment of disposal	0
Balance at December 31, 2022	0
Balance at January 1, 2023	0
Losses due to impairment in the current year	0
Derecognition at the moment of disposal	0
Balance at June 30, 2023	0
BOOK VALUE	
As at June 30, 2022	302,748
As at December 31, 2022	302,748
As at June 30, 2023	302,748

As at June 30, 2023, based on the assessment of indications of impairment in relation to intangible assets with an indefinite useful life, it was not necessary to conduct an impairment test for intangible assets with an indefinite useful life, including goodwill. In the period for which the interim financial statements were prepared, no revaluation write-offs were made for intangible assets, including goodwill.

The last impairment test for intangible assets with an indefinite useful life was carried out on December 31, 2022. The test has not shown the need to for impairments.

NOTE 11 OTHER INTANGIBLE ASSETS

	PLN thsd			
	Costs of development works	Trademarks	Patents and licenses	Total
GROSS VALUE				
Balance at January 1, 2022	1,219	194,116	27,388	222,723
Additions	0	0	597	597
Decreases	0	0	- 46	- 46
Presentation adjustment	0	0	50	50
Balance at June 30, 2022	1,219	194,116	27,989	223,324
Balance at January 1, 2022	1,219	194,116	27,388	222,723
Additions	0	0	2,992	2,992
Decreases	0	0	- 3,577	- 3,577

	PLN thsd			
	Costs of development works	Trademarks	Patents and licenses	Total
Presentation adjustment	- 47	0	- 692	- 739
Restatement	0	0	33	33
Balance at December 31, 2022	1,172	194,116	26,144	221,432
Balance at January 1, 2023	1,172	194,116	26,144	221,432
Additions	0	0	496	496
Decreases	0	0	-2,029	-2,029
Balance at June 30, 2023	1,172	194,116	24,611	219,899
AMORTISATION				
Balance at January 1, 2022	1,219	23	20,620	21,862
Amortization for the period	0	0	662	662
Disposal	0	0	0	0
Presentation adjustment	0	0	17	17
Balance at June 30, 2022	1,219	23	21,299	22,541
Balance at January 1, 2022	1,219	23	20,620	21,862
Amortization for the period	0	0	1,352	1,352
Disposal	0	0	- 3,577	- 3,577
Presentation adjustment	- 47	0	-692	-739
Balance at December 31, 2022	1,172	23	17,703	18,898
Balance at January 1, 2023	1,172	23	17,703	18,898
Amortization for the period	0	0	721	721
Disposal	0	0	-507	-507
Balance at June 30, 2023	1,172	23	17,917	19,112
IMPAIRMENT				
Balance at January 1, 2022	0	0	3,150	3,150
Additions	0	0	0	0
Decreases	0	0	0	0
Balance at June 30, 2022	0	0	3,150	3,150
Balance at January 1, 2022	0	0	3,150	3,150
Additions	0	0	0	0
Decreases	0	0	0	0
Balance at December 31, 2022	0	0	3,150	3,150
Balance at January 1, 2023	0	0	3,150	3,150
Additions	0	0	0	0
Decreases	0	0	-1,522	-1,522
Balance at June 30, 2023	0	0	1,628	1,628
BOOK VALUE				
As at June 30, 2022	0	194,093	3,540	197,633
As at December 31, 2022	0	194,093	5,291	199,384
As at June 30, 2023	0	194,093	5,066	199,159

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

Write-offs were booked in other operating costs, and write-offs reversals were booked other operating revenues and shown in gain (loss) on sale of non-financial assets.

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

Trademarks Wólczanka, W.KRUK, Bytom and Intermoda for the total value of PLN 194,093 ths are the subject of collateral under loan agreements shown in note 18.

As at June 30, 2023, based on the assessment of the indications of impairment of intangible assets with an indefinite useful life, it was not necessary to conduct an impairment test for intangible assets with an indefinite useful life, including trademarks. In the period for which the interim financial statements were prepared, no write-downs of intangible assets, including trademarks, were created.

The last impairment test for intangible assets with an indefinite useful life was carried out on December 31, 2022. The test has not shown the need to for impairments.

NOTE 12 PROPERTY, PLANT, EQUIPMENT

	PLN thsd			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
PURCHASE PRICE OR FAIR VALUE				
Balance at January 1, 2022	111,314	5,774	115,484	232,572
Additions	3,685	10,483	7,974	22,142
Disposal	-2,915	-12,122	-1,810	-16,847
Presentation adjustment	96	0	-872	-776
Restatement	-4,471	-33	0	-4,504
Balance at June 30, 2022	107,709	4,102	120,776	232,587
Balance at January 1, 2022	111,314	5,774	115,484	232,572
Additions	8,460	28,147	18,248	54,855
Disposal	- 6,850	-28,158	-5,479	- 40,487
Presentation adjustment	96	0	- 872	-776
Restatement	- 4,471	-86	53	- 4,504
Balance at December 31, 2022	108,549	5,677	127,434	241,660
Balance at January 1, 2023	108,549	5,677	127,434	241,660
Additions	4,297	18,018	8,514	30,829
Disposal	-1,505	-14,681	-3,305	-19,491
Balance at June 30, incl.:	111,341	9,014	132,643	252,998
Shown in purchase price/cost of sales	111,341	9,014	132,643	252,998
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at January 1, 2022	87,526	0	86,136	173,662
Depreciation for the period	3,560	0	6,311	9,871
Disposal	-2,328	0	-1,716	-4,044
Presentation adjustment	- 52	0	- 724	-776
Restatement	- 1,883	0	0	-1,883
Balance at June 30, 2022	86,823	0	90,007	176,830
Balance at January 1, 2022	87,526	0	86,136	173,662
Depreciation for the period	7,015	0	12,564	19,579
Disposal	-6,144	0	-5,161	-11,305

	PLN thsd			
	Property and plant	Fixed assets under construction	Equipment and other fixed assets	Total
Presentation adjustment	- 52	0	- 724	- 776
Restatement	-1,883	0	0	-1,883
Balance at December 31, 2022	86,462	0	92,815	179,277
Balance at January 1, 2023	86,462	0	92,815	179,277
Depreciation for the period	3,072	0	6,623	9,695
Disposal	-1,442	0	-2,899	-4,341
Balance at June 30, 2023	88,092	0	96,539	184,631
IMPAIRMENT				
Balance at January 1, 2022	1,166	1,693	347	3,206
Additions	0	0	0	0
Disposal	-104	0	-58	-162
Restatement	-1,040	0	0	-1,040
Balance at June 30, 2022	22	1,693	289	2,004
Balance at January 1, 2022	1,166	1,693	347	3,206
Additions	0	0	0	0
Disposal	-126	0	-58	-184
Restatement	-1,040	0	0	-1,040
Balance at December 31, 2022	0	1,693	289	1,982
Balance at January 1, 2023	0	1,693	289	1,982
Additions	0	0	0	0
Disposal	0	0	-164	-164
Balance at June 30, 2023	0	1,693	125	1,818
BOOK VALUE				
As at June 30, 2022	20,864	2,409	30,480	53,753
As at December 31, 2022	22,087	3,984	34,330	60,401
As at June 30, 2023	23,249	7,321	35,979	66,549

NOTE 12A RIGHT-OF-USE ASSETS

Right-of-use assets	PLN thsd		
	Right-of-use assets to store and office floorspace	Other right-of-use assets	Total
Gross value 01.01.2022	**522,774**	**4,908**	**527,682**
Accumulated depreciation 01.01.2022	**-240,043**	**-3,253**	**-243,296**
Net value 01.01.2022	**282,731**	**1,655**	**284,386**
New agreements	16,168	305	16,473
Changes due to leases modifications	17,858	0	17,858
Changes resulting from modifications in the scope of the contract – shortening of the period - gross value	-17,332	-495	-17,827
Gross value 30.06.2022	**539,468**	**4,718**	**544,186**
Changes resulting from modification of the scope of the contract - shortening the period - depreciation	10,542	495	11,037
Depreciation for the period	-43,489	-391	-43,880

Right-of-use assets	PLN thsd		
	Right-of-use assets to store and office floorspace	Other right-of-use assets	Total
Accumulated depreciation 30.06.2022	**-272,990**	**-3,149**	**-276,139**
Net value 30.06.2022	**266,479**	**1,568**	**268,047**
Gross value 01.01.2022	**522,774**	**4,908**	**527,682**
Accumulated depreciation 01.01.2022	**-240,043**	**-3,253**	**-243,296**
Net value 01.01.2022	**282,731**	**1,655**	**284,386**
New agreements	45,287	911	46,198
Changes due to leases modifications	31,804	-44	31,760
Changes resulting from modifications in the scope of the contract – shortening of the period - gross value	-30,210	-1,523	-31,733
Gross value 31.12.2022	569,655	4,252	573,907
Changes resulting from modification of the scope of the contract - shortening the period - depreciation	18,958	1,663	20,621
Depreciation for the period	-88,076	-734	-88,810
Accumulated depreciation 31.12.2022	**-309,161**	**-2,324**	**-311,485**
Net value 31.12.2022	**260,494**	**1,928**	**262,422**
Gross value 01.01.2023	**569,655**	**4,252**	**573,907**
Accumulated depreciation 01.01.2023	**-309,161**	**-2,324**	**-311,485**
Net value 01.01.2023	**260,494**	**1,928**	**262,422**
New agreements	24,016	830	24,846
Changes due to leases modifications	48,566	0	48,566
Changes resulting from modifications in the scope of the contract – shortening of the period - gross value	-17,658	-109	-17,767
Presentation adjustment	0	-198	-198
Gross value 30.06.2023	**624,579**	**4,775**	**629,354**
Changes resulting from modification of the scope of the contract - shortening the period - depreciation	14,504	109	14,613
Depreciation for the period	-51,491	-397	-51,888
Presentation adjustment	0	198	198
Accumulated depreciation 30.06.2023	**-346,148**	**-2,414**	**-348,562**
Net value 30.06.2023	**278,431**	**2,361**	**280,792**

NOTE 13 SHARES AND STAKES

List of other entities in which the Company holds shares/shares as at June 30, 2023	Valuation method	Registrar Court	% shares held	% votes held	Value of shares / shares at purchase price	Value adjustments	Book value of stakes
Chara Sp. z o.o.	Purchase price		19	19	17	0	17
Agencja Rozwoju Regionalnego Kraków	Purchase price		0	0	10	0	10

List of other entities in which the Company holds shares/shares as at June 30, 2023	Valuation method	Registrar Court	% shares held	% votes held	Value of shares / shares at purchase price	Value adjustments	Book value of stakes
WSM Factory Sp. z o.o.	Purchase price		100	100	5	-5	0
Total					**32**	-5	**27**

NOTE 14 INVENTORY

	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Materials (at purchase price)	26,833	30,368	28,977
Work in progress (at production cost)	7,003	4,311	7,922
Finished products (at production cost)	51,205	59,952	56,242
Trade goods (at purchase price)	496,861	478,958	456,335
Total inventory, at the lower of two values: purchase price (production cost) and net realizable value	**581,902**	**573,589**	**549,476**
Inventory write-offs	-20,634	-20,331	-21,533
Total	**561,268**	**553,258**	**527,943**

Created write-downs in the amount of PLN 826 thousand zloty were charged to other operating expenses while reversed write-downs in the amount of PLN 523 thousand zloty were charged to other operating income. The release of write-downs for inventories is related to sale of inventories covered by write-off or their physical liquidation.

Inventories were pledged by a registered pledge as security for loan agreements presented in note 18.

NOTE 15 TRADE AND OTHER RECEIVABLES

Trade and other receivables	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Trade receivables from third parties (gross)	**7,331**	**8,705**	**5,314**
minus: write-off of trade receivables from third parties	-2,677	-81	-254
Trade receivables from third parties (net)	**4,654**	**8,624**	**5,060**
Receivables from taxes, subsidies, customs, social security and other benefits	**3,926**	**236**	**1,140**
Other receivables from third parties (gross)	**7,655**	**3,500**	**13,014**
minus: write-off of other trade receivables from third parties	-965	-710	-1,253
Other receivables from third parties (net)	**6,690**	**2,790**	**11,761**
Other current assets	**3,591**	**2,645**	**2,104**
Short-term receivables, total (gross)	**22,503**	**15,086**	**21,572**
minus: total receivables write-offs	-3,642	-791	-1,507
Short-term receivables, total (net)	**18,861**	**14,295**	**20,065**

Payment terms for receivables range from 7-120 days.

Change in short-term receivables write-offs	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Beginning of period values	**791**	**1,745**	**1,745**
a) additions (due to)	**3,144**	**86**	**132**
– write-offs creation	633	40	101
– foreign exchange rate differences	53	46	31
– recognition of a write-off due to the loss of control over a subsidiary	2,458	0	0
b) decreases (due to)	**293**	**1,040**	**370**
– receipt of payment for receivables	160	274	208
– the Management's decision to write-off a provision into losses	89	766	162
– foreign exchange rate differences	44	0	0
Balance of short-term receivables and write-offs at the end of period	**3,642**	**791**	**1,507**

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

Short-term receivables gross (currency structure)	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
a) PLN	16,435	10,419	6,046
b) in foreign currencies (by currency and after conversion into PLN)	6,068	4,667	15,526
b1. in EURO thousands	320	575	951
PLN thousands	1,424	2,697	4,442
b2. in US$ thousands	1,015	353	1,639
PLN thousands	4,168	1,554	7,568
b3. in CHF thousands	104	87	750
PLN thousands	476	416	3,515
Short-term receivables, total (gross)	**22,503**	**15,086**	**21,572**

NOTE 15A SHORT-TERM LOANS GRANTED

Receivables from loans granted	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Receivables due to loans granted from other entities (gross)	**524**	**0**	**0**
minus: write-down of receivables due to loans granted from other entities	-524	0	0
Receivables due to loans granted from other entities (net)	**0**	**0**	**0**
Receivables due to loans granted from related parties (gross)	**0**	**0**	**0**
minus: write-down of receivables due to loans granted from related parties	0	0	0
Receivables due to loans granted from related parties (net)	**0**	**0**	**0**
Receivables due to loans granted, total (gross)	**524**	**0**	**0**
minus: write-down of receivables due to loans granted, total	-524	0	0
Receivables due to loans granted, total (net)	**0**	**0**	**0**
Incl.: Short-term receivables due to loans granted	0	0	0
Incl.: Long-term receivables due to loans granted	0	0	0

Change in write-downs on short-term loans	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Beginning of period values	**0**	**0**	**0**
a) additions (due to)	**524**	**0**	**0**
– write-offs creation	0	0	0
– foreign exchange rate differences	0	0	0
– recognition of a write-off due to the loss of control over a subsidiary	524	0	0
b) decreases (due to)	**0**	**0**	**0**
– receipt of payment for receivables	0	0	0
– the Management's decision to write-off a provision into losses	0	0	0
– foreign exchange rate differences	0	0	0
Balance of short-term receivables and write-offs at the end of period	**524**	**0**	**0**

NOTE 16 CHANGE IN WRITE-DOWNS ON SHORT-TERM RECEIVABLES, INVENTORY AND IMPAIRMENT OF FIXED ASSETS

Write-offs	PLN thsd				
	Balance at 01.01.2023	Creation	Release/usage	Restatement	Balance at 30.06.2023
Intangible asset write-offs	3,150	0	1,522	0	1,628
Fixed asset write-offs	1,982	0	164	0	1,818
Inventory write-offs	20,331	826	523	0	20,634
Stakes write-offs	0	5	0	0	5
Receivables write-offs	791	3,144	293	0	3,642
Write-offs for loans granted	0	524	0	0	524
Total write-offs	**26,254**	**4,499**	**2,502**	**0**	**28,251**

Write-offs	PLN thsd				
	Balance at 01.01.2022	Creation	Release/usage	Restatement	Balance at 30.06.2022
Intangible asset write-offs	3,150	0	0	0	3,150
Fixed asset write-offs	3,206	0	162	1,040	2,004
Inventory write-offs	0	0	1,040	-1,040	0
Stakes write-offs	22,766	699	1,932	0	21,533
Receivables write-offs	1,745	132	370	0	1,507
Write-offs for loans granted	0	0	0	0	0
Total write-offs	**30,867**	**831**	**3,504**	**0**	**28,194**

NOTE 17 CASH AND EQUIVALENTS

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

	PLN ths		
	30.06.2023	**31.12.2022**	**30.06.2022**
Cash and bank accounts	14,236	29,196	42,372
Short-term deposits	41,409	66,703	46,641
Total	**55,645**	**95,899**	**89,013**

NOTE 17A STATEMENT OF CASH FLOWS – OTHER ADJUSTMENTS

The value shown under "Other adjustments" consists of:	Note	PLN ths	
		I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022
- fixed assets – write-offs - liquidation		-217	-221
- interest received		-1,160	-411
- bank loan valuation		102	2,368
- loan write-off		524	0
Total		**-751**	**1,736**

NOTE 18 BANK LOANS AND BORROWINGS

	PLN thsd		
	30.06.2023	**31.12.2022**	**30.06.2022**
Overdrafts	**8,690**	**8,925**	**8,379**
Bank loans	**35,327**	**33,321**	**44,516**
Amounts payable according to bank loan agreements			
On demand or up to 1 year	21,568	13,861	15,801
From 2 to 5 years	13,759	19,460	28,715
Over five years	0	0	0
Loans	0	0	0
Amounts payable according to bank loan agreements			
On demand or up to 1 year	0	0	0
From 2 to 5 years	0	0	0
Over five years	0	0	0

Loans currency structure	PLN thsd			
	Total	**PLN**	**€**	**$**
June 30, 2023	**44,017**	**44,017**	**0**	**0**
Overdrafts	8,690	8,690	0	0
Bank loans	35,327	35,327	0	0
Loans	0	0	0	0

Loans currency structure	PLN thsd			
	Total	PLN	€	$
December 31, 2022	**42,246**	**42,246**	**0**	**0**
Overdrafts	8,925	8,925	0	0
Bank loans	33,321	33,321	0	0
Loans	0	0	0	0
June 30, 2022	**52,895**	**52,895**	**0**	**0**
Overdrafts	8,379	8,379	0	0
Bank loans	44,516	44,516	0	0
Loans	0	0	0	0

No.	Name of the entity	Headquarters	Value of bank loan / according to the contract	The loan amount to be repaid at face value	The loan amount to be repaid measured at amortized cost	Description	Interest conditions	Maturity
			Amount	Amount	Amount			
1	Bank PKO BP S.A.	Warsaw	92,000	0	0	Limit enabling the use of overdraft facility and execution of guarantees and letters of credit	wibor + margin	June 27, 2024
2	Bank PKO BP S.A.	Warsaw	47,600	11,040	10,972	Investment loan	wibor + margin	December 31, 2024
3	ING Bank Śląski S.A.	Katowice	45,000	0	0	Limit for the use of an overdraft facility and execution of orders in the field of guarantees, letters of credit, debt purchase and supplier financing	wibor + margin	July 28, 2024
4	mBank S.A.	Warsaw	19,000	0	0	Limit enabling the use of overdraft facility and execution of guarantees and letters of credit	wibor + margin	April 18, 2025
5	mBank S.A.	Warsaw	8,000	0	0	Reverse factoring limit	0	September 13, 2024
6	Bank PKO BP S.A.	Warsaw	90,000	7,905	7,905	Limit enabling the use of overdraft facility and execution of guarantees and letters of credit	0	July 3, 2024
7	Bank PKO BP S.A.	Warsaw	71,400	16,560	16,450	Investment loan	0	December 31, 2024
8	Bank PKO BP S.A.	Warsaw	18,000	8,690	8,690	Limit enabling the use of overdraft facility and execution of guarantees and letters of credit	0	July 11, 2024

No.	Name of the entity	Collateral
1,2	Bank PKO BP S.A.	1. Declaration on submission to enforcement 2. Floating charge on inventories of Vistula and Wólczanka brands

No.	Name of the entity	Collateral
		3. Fixed charge on trademarks "Vistula" and "Wólczanka" 4. Registered pledge on shares of W.Kruk S.A. 5. Trilateral agreement on card transactions payments 6. Assignment of rights under the insurance policy
3	ING Bank Śląski S.A.	1. Cession of receivables, 2. Proceeds to the bank account, 3. Fixed charge on Bytom and Intermoda trademarks, 4. Fixed charge on selected locations of the Bytom brand, 5. Assignment of rights under the insurance policy, 6. Statement on submission to enforcement
4,5	mBank S.A.	1. Assignment of receivables, 2. Five blank promissory notes 3. Inflows onto the banking account
6	Bank PKO BP S.A.	1. Statement on submission to enforcement 2. Fixed charge on the W.KRUK trademark 3. Floating charge on W.KRUK inventory 4. Trilateral agreement on card transactions payments 5. Assignment of rights under the insurance policy
7	Bank PKO BP S.A.	1. Statement on submission to enforcement 2. Fixed charge on the W.KRUK trademark 3. Floating charge on W.KRUK inventory 4. Trilateral agreement on card transactions payments 5. Assignment of rights under the insurance policy 6. Surety granted by VRG S.A.
8	Bank PKO BP S.A.	1. Floating charge on inventory 2. Assignment of rights under the insurance policy 3. Statement on submission to enforcement 4. Surety granted by VRG S.A.

THE GROUP HAS THE FOLLOWING LIMITS AND BANK LOANS AS AT 30.06.2023:

- multi-purpose credit limit agreement with PKO BP S.A. in the amount of PLN 92,000 thousand entitling to use an overdraft facility up to the amount of PLN 37,000 thousand and execution of orders in the field of bank guarantees up to the amount of PLN 35,000 thousand and letters of credit up to PLN 35,000 thousand. The annex amending the multi-purpose credit limit agreement, containing the above sub-limits, was signed on June 28, 2022. The limit was granted until June 27, 2024.
- investment loan in the amount of PLN 47,600 thousand. The agreement was signed on March 9, 2015. The agreement will expire on December 31, 2024.
- multi-purpose credit line in the amount of PLN 45,000 thousand for the period until July 28, 2024, under the Multi-product Agreement at ING Bank Śląski S.A. The Company may use the following products: overdraft facility up to PLN 13,000,000, letter of credit line up to PLN 15,000,000, bank guarantee line up to PLN 6,000,000, discount transactions in the form of reverse debt purchase in the amount of EUR 8,000,000, financing line for suppliers up to PLN 15,000,000, while the total amount of debt resulting from the use of the limit in the form of the above-mentioned credit products may not exceed the limit amount, i.e. PLN 45,000,000.
- multi-purpose credit line at mBank S.A. entitling to use an overdraft facility, execution of orders in the field of bank guarantees and letters of credit, while the total amount of debt resulting from the use of the limit in the form of the above-mentioned credit products may not exceed PLN 19,000,000.00. The credit line is granted until April 18, 2025.
- a limit agreement for the purchase of receivables (factoring) in the amount of PLN 8,000,000. The limit was granted until September 13, 2024.
- a multi-purpose credit limit agreement in the amount of PLN 90,000,000 entitling to use an overdraft facility up to the amount of PLN 52,000,000 and execution of orders in the field of bank guarantees up to the amount of PLN 45,000,000 and letters of credit up to PLN 10,000,000. The annex amending the multi-purpose credit limit agreement, containing the above sublimits, was signed on July 4, 2022. The limit was granted until July 3, 2024.
- investment credit in PKO BP SA in the amount of PLN 71,400 thousand. The agreement was signed on March 9, 2015. The agreement will expire on December 31, 2024.
- multi-purpose credit limit agreement setting the limit in the amount of PLN 18,000 thousand entitling to use an overdraft facility up to the amount of PLN 11,500 thousand and execution of orders in the field of bank guarantees up to the amount of PLN 6,500 thousand and letters of credit up to PLN 6,500 thousand. The limit was granted until July 11, 2024.

As at June 30, 2023, the Capital Group repaid all loans received and interest on loans.

NOTE 19 LEASE LIABILITIES

Leases	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Amounts payable in accordance with lease agreements regarding commercial premises and office space agreements, including:	**298,027**	**302,048**	**314,833**
within 1 year	105,672	101,610	100,439
between 2 to 5 years	184,720	190,467	201,351
above 5 years	7,635	9,971	13,043
Amounts payable in accordance with lease agreements regarding other agreements:	**2,262**	**1,838**	**1,507**
within 1 year	780	618	590
between 2 to 5 years	1,482	1,220	917
above 5 years	0	0	0
Discounted value of lease agreements	**300,288**	**303,886**	**316,340**
Amount due for settlement within 12 months (shown as short-term liabilities)	106,451	102,228	101,029
including: leasing related to contracts of commercial premises and office space	*105,672*	*101,610*	*100,439*
Amount of the required repayment after 12 months (shown as long-term liabilities)	193,837	201,658	215,311
including: leasing related to contracts of commercial premises and office space	*192,355*	*200,438*	*214,394*

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

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

Leasing fees not included in the valuation	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Liabilities under lease agreements relating to commercial premises and office space:	**1,927**	**7,776**	**1,859**
short-term leases	527	303	138
low-value assets leases	0	0	0
variable lease payments not included in lease liabilities	1,400	7,473	1,721

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

Costs related to short-term leases in accordance with IFRS 16 par. 6, recognised linearly during the period, amounted to PLN 527 thousand.

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

Total expenses for lease contracts were:

Expenses for lease agreements for commercial premises and office space:	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Amounts payable in accordance with finance lease agreements relating to commercial premises and office space, including:	60,257	106,931	52,683
Interest paid under finance lease agreements for commercial premises and office space	2,712	4,981	2,484
short-term leases	527	303	138

Expenses for lease agreements for commercial premises and office space:	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
low-value assets leases	0	0	0
variable lease payments not included in lease liabilities	1,400	7,473	1,721
Total lease payments	**64,896**	**119,688**	**57,026**

The table below shows the impact on the Group's result in the reporting period for the first half of 2023, i.e. 01.01.2023 to 30.06.2023, between the recognition of commercial premises and office lease agreements in accordance with IFRS16 (implemented on January 1, 2019) and in accordance with IAS17 (effective until December 31, 2018).

Item	PLN thsd		
	1H23 according to IAS 17	Lease recognition effect regarding agreements of commercial premises and office space	1H23 published data
Gross profit on sales	**326,052**	**0**	**326,052**
Selling costs and general and administrative costs	285,139	-8,770	276,369
Other operating income	2,586	658	3,244
Gain on sale of non-financial fixed assets	0	0	0
Other operating costs	4,832	56	4,888
Loss on sale of non-financial fixed assets	36	0	36
EBITDA	*49,444*	*60,863*	*110,307*
Operating profit	**38,631**	**9,372**	**48,003**
Financial income	4,286	15,301	19,587
Financial costs	3,442	2,712	6,154
Result on loss of control	2,200	0	2,200
Pre-tax profit (loss)	**41,675**	**21,961**	**63,636**
Income tax	8,562	4,172	12,734
Net profit	**33,113**	**17,789**	**50,902**

In the first half of 2023, depreciation for leases related to contracts for commercial premises and office space amounted to PLN 51,491 thousand.

The table below shows the impact on the Capital Group's result in the reporting period in Q2 2023, i.e. 01.04.2023 to 30.06.2023 between recognition of commercial premises and office space lease contracts in accordance with IFRS16 (implemented on January 1, 2019) and in accordance with IAS17 (effective until December 31, 2018).

Item	PLN ths		
	2Q23 according to IAS 17	Lease recognition effect regarding agreements of commercial premises and office space	2Q23 published data
Gross profit on sales	**188,745**	**0**	**188,745**
Selling costs and general and administrative costs	147,793	-4,135	143,658
Other operating income	2,369	0	2,369
Gain on sale of non-financial fixed assets	0	0	0
Other operating costs	4,065	19	4,084
Loss on sale of non-financial fixed assets	0	0	96
EBITDA	*44,694*	*30,286*	*74,980*

Item	PLN ths		
	2Q23 according to IAS 17	Lease recognition effect regarding agreements of commercial premises and office space	2Q23 published data
Operating profit	**39,160**	**4,116**	**43,276**
Financial income	2,688	14,389	17,077
Financial costs	1,795	1,440	3,235
Result on loss of control	2,200	0	2,200
Pre-tax profit (loss)	**42,253**	**17,065**	**59,318**
Income tax	8,397	3,243	11,640
Net profit	**33,856**	**13,822**	**47,678**

In the second quarter of 2023, depreciation for leases related to commercial premises and office space contracts amounted to PLN 26,170 thousand.

NOTE 20 TRADE AND OTHER LIABILITIES

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

Trade and other liabilities	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Trade liabilities from third parties	92,474	108,089	96,592
Tax, subsidies, customs, social security and other benefits liabilities	12,188	29,251	18,011
Financial liabilities – factoring	3,951	16,088	19,023
Deferred income liabilities	16,424	21,735	17,741
Other:	67,920	23,055	61,614
Incl. dividend liability	*46,891*	*0*	*39,857*
Total short-term liabilities	**192,957**	**198,218**	**212,981**

Zobowiązania krótkoterminowe (struktura walutowa)	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
a) PLN	138,908	144,337	152,196
b) in foreign currencies (by currency and after conversion into PLN)	54,049	53,881	60,785
b1. in EURO thousands	3,470	3,527	4,464
PLN thousands	15,444	16,543	20,892
b2. in US$ thousands	6,370	5,015	5,246
PLN thousands	26,160	22,073	23,516
b3. in CHF thousands	2,731	3,194	3,484
PLN thousands	12,444	15,228	16,343
B4. In GBP thousands	0	7	6
PLN thousands	0	37	34
Total short-term liabilities	**192,957**	**198,218**	**212,981**

Deferred income liabilities include loyalty program valuation. The value of future revenues is determined taking into account conversion of the value of the awarded points and the probability of receiving the award. The amount of deferred income related to the loyalty program presented in the balance sheet as at 30.06.2023 amounts to PLN 10,060 thousand (as at December 31, 2022, PLN 10,060 thousand, as at June 30, 2022, PLN 4,023 thousand).

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

Liabilities due to taxes, customs, social and health insurance are fulfilled within the time limits resulting from the income tax and social insurance acts, respectively, and do not exceed 30 days.

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

NOTE 20A FINANCE LIABILITIES BY MATURITY

Finance liabilities by maturity	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Amounts payable in accordance with finance lease agreements relating to commercial premises and office space, including:	**308,338**	**311,095**	**323,761**
Up to 1 year	106,593	102,348	101,127
From year 2 to year 5	193,375	197,755	208,350
Above 5 years	8,370	10,992	14,284
Amounts payable in accordance with finance lease agreements relating to other contracts	**2,570**	**2,120**	**1,675**
Up to 1 year	915	751	666
From year 2 to year 5	1,655	1,369	1,009
Above 5 years	0	0	0
Amounts payable according to bank loan agreements	**48,960**	**46,066**	**55,730**
Up to 1 year	33,171	25,290	25,790
From year 2 to year 5	15,789	20,776	29,940
Above 5 years	0	0	0
Amount payable from trade and other liabilities according to maturity	**180,769**	**168,967**	**194,970**
Up to 1 year	180,769	168,967	194,970
From year 2 to year 5	0	0	0
Above 5 years	0	0	0

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

NOTE 21 PROVISIONS

	Provision for employment costs	Provision for future liabilities	Provision for work in progress	Returns from customers	Other	Total
Balance as at January 1, 2022	**8,204**	**3,198**	**1,752**	**2,202**	**12**	**15,368**
provisions created during the financial year	841	571	0	205	8	1,625
release / use of provisions	-1,382	0	-99	-845	-10	-2,336
Balance as at June 30, 2022	**7,663**	**3,769**	**1,653**	**1,562**	**10**	**14,657**
allocated to short-term liabilities	6,542	3,769	1,653	1,562	10	13,536
allocated to long-term liabilities	1,121	0	0	0	0	1,121

	Provision for employment costs	Provision for future liabilities	Provision for work in progress	Returns from customers	Other	Total
Balance as at January 1, 2022	**8,204**	**3,198**	**1,752**	**2,202**	**12**	**15,368**
provisions created during the financial year	4,801	452	0	1,836	111	7,200
release / use of provisions	-3,894	0	-1,188	-857	-22	-5,961
Balance as at December 31, 2022	**9,111**	**3,650**	**564**	**3,181**	**101**	**16,607**
allocated to short-term liabilities	8,082	3,650	564	3,181	101	15,578
allocated to long-term liabilities	1,029	0	0	0	0	1,029
Balance as at January 1, 2023	**9,111**	**3,650**	**564**	**3,181**	**101**	**16,607**
provisions created during the financial year	1,844	747	941	123	7	3,662
release / use of provisions	-2,130	0	0	-713	-19	-2,862
Balance as at June 30, 2023	**8,825**	**4,397**	**1,505**	**2,591**	**89**	**17,407**
allocated to short-term liabilities	7,796	4,397	1,505	2,591	89	16,378
allocated to long-term liabilities	1,029	0	0	0	0	1,029

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

The balance of provisions as at 30.06.2023 consists of:

long-term provision for retirement benefits	PLN 1,029 thousand	Total PLN 17,407 thousand
short-term provision for retirement benefits	PLN 107 thousand	
short-term provision for unused holidays	PLN 5,346 thousand	
short-term provision for unpaid bonuses	PLN 2,343 thousand	
short-term provision for sewing services	PLN 1,505 thousand	
provision for future liabilities	PLN 4,397 thousand	
provision for returns	PLN 2,591 thousand	
other provisions	PLN 89 thousand	

Provisions for retirement benefits are calculated by an independent actuary. The main actuarial assumptions that were used for calculations were: the discount rate of 6.85%, the long-term annual growth rate of remuneration 10%, the probability of departing employees on the basis of historical data on employment turnover in the Capital Group at 3%.

Sensitivity analysis prepared by the actuary has not shown significant deviations of the value of the provision between each of the considered scenarios. The value of the provision will be updated based on independent actuary calculations for December 31, 2023.

NOTE 22 SHARE CAPITAL

Series / issue	PLN							
	Type of share	Type of share preference	Type of share rights re-striction	Number of shares	Issue value by nominal value	The method of capital payment	Registration date	The right to dividends (from date)
Issue "A"	common	ordinary bearer		1,000,000			1991-04-30	
Share split (1 : 5)	common	ordinary bearer		5,000,000			1994-01-28	
Issue "B"	common	ordinary bearer		1,000,000			1995-01-05	
Share re-demption				-1,115,470				
Issue „D”	common	ordinary bearer		2,281,125			2006-08-31	
Issue „F”	common	ordinary bearer		716,564			2006-11-30	
Issue „C”	common	ordinary bearer		140,000			2007-01-22	
Share split (1 : 10)	common	ordinary bearer		80,222,190			2007-09-06	
Issue „G”	common	ordinary bearer		8,021,810			2008-10-06	
Issue „H”	common	ordinary bearer		15,059,932			2008-12-31	
Issue „I”	common	ordinary bearer		8,247,423			2009-12-17	
Issue „K”	common	ordinary bearer		22,310,270			2012-09-12	
Issue „M”	common	ordinary bearer		40,000,000			2013-09-16	
Issue „L”	common	ordinary bearer		859,366			2015-06-19	
Issue „L”	common	ordinary bearer		473,973			2016-05-31	
Issue „N”	common	ordinary bearer		1,980,000			2016-05-31	
Issue „N”	common	ordinary bearer		2,020,000			2017-07-07	
Issue „N”	common	ordinary bearer		2,000,000			2018-06-29	
Issue „O”	common	ordinary bearer		53,260,879			2018-12-28	
Total number of shares				**234,455,840**				
Total issued capital					**49,122,108.00**			
The nominal value of one share (PLN) = 0.20.								

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

As at June 30, 2023, all shares issued were fully paid up.

Equity	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
Registered: 234,455,840 common shares PLN 0.20 each (year 2019:234,455,840 common shares PLN 0.20 each; 1H20 234,455,840 common shares PLN 0.20 each)	49,122	49,122	49,122
Issued: 234,455,840 common shares PLN 0.20 each (year 2019:234,455,840 common shares PLN 0.20 each; 1H19: 234,455,840 common shares PLN 0.20 each)	49,122	49,122	49,122

NOTE 23 RESERVE CAPITAL

	PLN thsd
Balance at January 1, 2022	**14,333**
Increases due to the valuation of the option program	0
Balance at June 30, 2022	**14,333**
Balance at January 1, 2022	**14,333**
Increases due to the valuation of the option program	0
Balance at December 31, 2022	**14,333**
Balance at January 1, 2023	**14,333**
Increases due to the valuation of the option program	0
Balance at June 30, 2023	**14,333**

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

NOTE 24 RETAINED EARNINGS

	PLN thsd
Balance at January 1, 2022	**826,209**
Net profit (loss) for the current year	36,418
Dividend	- 39,857
Balance at June 30, 2022	**822,770**
Balance at January 1, 2022	**826,209**
Net profit (loss) for the current year	92,958
Dividend	-39,857
Balance at December 31, 2022	**879,310**
Balance at January 1, 2023	**879,310**
Net profit for the current year	50,902
Dividend	-46,891
Balance at June 30, 2023	**883,321**

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

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

NOTE 25 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

–fair value of financial assets and financial liabilities with standard terms, traded 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. In the absence of access to these prices, discounted cash flow analysis is applied using an appropriate yield curve for the period of validity of the instrument for non-optional instruments and option pricing models for optional instruments.

In the period from January 1, 2023 to June 30, 2023, 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.

CURRENCY DERIVATIVES

The Group uses currency derivatives to hedge future cash flows against foreign exchange risk. The Group holds, as hedging transactions, forward contracts for the purchase of currency. Derivatives are denominated in US$ and EURO. As at June 30, 2023, the balance in nominal value is US$ 0 thousand, converted at the transaction rate of PLN 0 thousand.

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

NOTE 25A FINANCIAL INSTRUMENTS BY CLASS

Balance sheet items	PLN thsd					
	30.06.2023		31.12.2022		30.06.2022	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Trade receivables and other receivables and current assets	19,220	0	14,519	0	20,354	0
Cash and equivalents	55,645	0	95,899	0	89,013	0
Long-term bank loans, loans and leases	0	207,596	0	221,118	0	244,026
incl.: leases for trade and office space	*0*	*192,355*	*0*	*200,438*	*0*	*214,394*
Short-term bank loans, loans and leases	0	136,709	0	125,014	0	125,209
incl.: leases for trade and office space	0	*105,672*	*0*	*101,610*	*0*	*100,439*
Trade and other liabilities	0	195,284	0	200,380	0	213,450
Total	**74,865**	**539,589**	**110,418**	**546,512**	**109,367**	**582,685**

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

The Group conducted an analysis as a result of which it was found that the value of financial instruments disclosed in the statement of financial position does not differ significantly from their fair value due to the fact that most of these instruments bear interest based on a variable rate.

NOTE 25B FINANCIAL INSTRUMENTS – INCOME AND COSTS, GAINS AND LOSSES FROM CHANGE IN VALUE

Balance sheet items	PLN thsd					
	2023 / period from 01-01-2023 to 30-06-2023					
	Interest income	Interest expense	Gains/losses from amortised cost recognition	Write-offs	Write-offs reversal	Profits / losses on exchange differences
Loans granted	0	0	0	524	0	0
Trade and other receivables	1	0	0	3,144	293	-18
Cash and cash equivalents	1,161	0	0	0	0	-46
Other current assets – Forward transactions	0	0	0	0	0	0
Loan and lease liabilities	0	1,887	-102	0	0	0
Lease liabilities on store and office floor-space	0	2,712	0	0	0	15,301
Trade and other liabilities	0	44	0	0	0	3,131
Total	**1,162**	**4,643**	**-102**	**3,668**	**293**	**18,368**

Balance sheet items	PLN thsd					
	2022 / period from 01-01-2022 to 30-06-2022					
	Interest income	Interest expense	Gains/losses from amortised cost recognition	Write-offs	Write-offs reversal	Profits / losses on exchange differences
Loans granted	0	0	0	0	0	0
Trade and other receivables	18	0	0	132	370	1
Cash and cash equivalents	411	0	0	0	0	-16
Other current assets – Forward transactions	0	0	0	0	0	0
Loan and lease liabilities	0	1,619	-2,368	0	0	0
Lease liabilities on store and office floor-space	0	2,484	0	0	0	-5,653
Trade and other liabilities	0	44	0	0	0	-5,922
Total	**429**	**4,147**	**-2,368**	**132**	**370**	**-11,590**

The Group uses external financing with a variable interest rate in the form of an investment loan and working capital loan as well as reverse factoring. Therefore, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and, consequently, a reduction in the Group's profitability. In the consolidated financial statements, in the table below, the list of risks presents the sensitivity analysis of the financial result. Thus, the Group recognizes a possible impact on the fair value of financial assets and financial liabilities.

NOTE 26 CONTINGENT RECEIVABLES AND LIABILITIES

Off-balance sheet items	PLN thsd		
	30.06.2023	31.12.2022	30.06.2022
bank guarantees for store rental payments	63,582	66,229	57,633
open letters of credit	21,107	18,355	24,601
promissory notes to secure lease liabilities	444	462	378
Total contingent liabilities	**85,133**	**85,046**	**82,612**

NOTE 27 INFORMATION ON SIGNIFICANT CHANGES IN ESTIMATED VALUES

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

Note	10	Goodwill impairment
Note	11	Other intangible assets (useful lives)
Note	12	Property, plant, equipment (useful lives)
Note	12a	Right-of-use assets
Note	14,16	Inventory write-offs
Note	15,16	Receivables write-offs
Note	8	Deferred tax asset and liability
Note	13,16	Write-off for stakes
Note	20	Loyalty program liabilities
Note	21	Provisions for liabilities
Note	15a, 16	Write-off for loans
Note	28	Share-based payments

NOTE 28 SHARE-BASED PAYMENTS

On June 27, 2018, the Ordinary General Meeting of Shareholders adopted an incentive program for members of the Company's Management Board, key managers or other persons significant for the Company (and companies from its capital group) based on payment in the form of the Company's shares. Detailed conditions of the incentive program (providing for the full allocation of 7,050,000 subscription warrants) are included in Current Report No. 33/2018 of June 27, 2018. The value of the incentive program estimated using the Monte Carlo model in combination amounted to PLN 2,675,618.31, i.e. PLN 0.48 per share and is accounted for proportionally to the duration of the program, taking into account the probability of meeting non-market conditions. The amount is calculated with the probability of 100%.

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

The expected life of the option was determined based on the maximum period specified in the adopted resolution.

The issue price of the N series shares was PLN 4.48.

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

Granting of tranches of subscription warrants was completed in 2020.

Each series of F subscription warrant entitles to take up one series P ordinary bearer share of the Company with a nominal value of PLN 0.20 (twenty groszy) each, at the issue price of PLN 4.48 (four zlotys 48 groszy) per share.

The rights attached to the Warrants issued by the Company may be exercised no later than by December 31, 2023. The warrant expires upon exercise of the right to subscribe for series P shares.

In the first half of 2023, the amount of PLN 0,000 was recognized in general administrative expenses for the valuation of the incentive scheme. zloty. (in 2022: PLN 0 thousand; in the first half of 2022: PLN 0 thousand).

8. OTHER SUPPLEMENTARY NOTES

In the first half of the year, many internal and external events took place that affected the business of the VRG Group.

Market environment: In the first half of 2023, the Polish apparel and jewellery market faced difficulties related to increasing inflation and economic and political instability that had been ongoing for many months. The effects of the economic slowdown and tensions related to the war in Ukraine were clearly visible in changes in consumer behaviour. In the face of declining purchasing power and uncertainty about the future, it was possible to notice a decline in consumer sentiment in the market sectors where the Group's brands operate. In addition, geopolitical tensions have limited the activities of many companies in eastern markets, introducing greater competition on the domestic arena. Increase in operating costs, resulting from, among others, wage pressure and the increase in energy costs, contributed to product price increases and limited promotions, which in turn contributed to a decrease in demand both on-line and in off-line stores. In these demanding market conditions, the VRG Group focused on activities aimed at long-term building of the value of its brands.

Significant changes in the shareholding structure: On January 4, 2023, the Parent Company received from Colian Developer sp. z o.o. sp. k. with its registered office in Kalisz (the "Notifying Party") acting in agreement with Mr. Jan Kolański, a notification on increasing the share in the total number of votes in the Parent Company above the 5% threshold by means of a Shareholder Agreement in which the Notifying Party acts together with Mr. Jan Kolański. As a result of the purchase transaction of 30,550 shares of the Parent Company concluded on December 30, 2022 during the trading session on December 30, 2022, the Shareholder Agreement exceeded the share of 5% in the total number of votes in the Parent Company. Prior to the aforementioned transaction, the Shareholder Agreement held 11,722,373 shares of the Parent Company, which constituted 4.99% of the share capital of the Parent Company and entitled to exercise 4.99% of the total number of votes in the Parent Company. After the above-mentioned transaction, the Shareholder Agreement (Colian Developer sp. z o. o. sp. K. and Jan Kolański) held a total of 11,752,923 shares of the Parent Company, which constituted 5.01% of the share capital of the Parent Company and entitled to exercise 5.01 % of the total number of votes in the Parent Company. At the Ordinary General Meeting on June 28, 2023, the Shareholder Agreement of Colian Developer sp. z o.o. spółka komandytowa and Mr. Jan Kolański held a total of 13,427,496 shares in the Parent Company, which constituted 5.73% of the Parent Company's share capital and entitled to exercise 5.73% of the total number of votes in the Parent Company.

Bankruptcy of WSM Factory Sp. z o.o. subsidiary: On May 25, the Management Board of WSM Factory sp. z o.o., a subsidiary of the VRG S.A. Group, which runs a sewing plant in Ostrowiec Świętokrzyski, filed for bankruptcy, which was formally announced by the court on June 2. The plant in Ostrowiec Świętokrzyski has been unprofitable for a long time. This was due to the difficult situation of the textile industry in Poland and throughout Europe, falling production efficiency, rising costs of labour, energy and other production factors, as well as stronger competition from plants from the Middle and Far East, as well as North Africa. The bankruptcy of the WSM Factory plant has no impact on VRG's activities in the production of clothing collections. The Group outsourced a small part of the production to the company, as the sewing plant had free production capacity not involved in processing production for external contractors. As of July 31, 2023, the WSM Factory sp. z o.o. ceased production activities and employees stopped working.

Group development strategy for 2023 - 2025: On June 15, VRG S.A. published the Group's strategy for 2023-2025, in which it presented 5 key pillars of development (modern brands, omnichannel development, profitability increase, effective capital allocation, sustainable development). Implementation of the strategy is to allow the company to approach PLN 1.9 billion in revenues and achieve c. PLN 150 million in net profit at the end of 2025, with a gross margin of between 56 and 57 percent. The planned average annual capex in development will amount to c. PLN 43 million. The Management Board assumes that SG&A costs per square meter growth will be slower than the increase in revenues and gross profit on sales, which should translate into a minimum of 12% operating margin in 2025. Development of the Group is to be financed with funds generated by the Group. At the same time, VRG will continue its policy of sharing profits with shareholders on an annual basis.

Dividend from profit for 2022: On June 28 the General Meeting of Shareholders adopted, in accordance with the recommendation of the Management Board of the VRG Group, a resolution on the payment of dividend in the amount of PLN 0.20 per share to shareholders entitled to dividend, in the total amount of PLN 46,891,168.00. The shareholders of the Company as at September 20, 2023 (dividend day) will be entitled to the dividend, and the dividend payment date will be December 15, 2023. In accordance with the development strategy published by the Group, the Management Board plans to recommend dividend payments in accordance with the adopted policy also in the coming years.

Development of service channels: In accordance with the adopted strategy, VRG Group develops off-line and on-line sales channels in parallel, striving to provide the customer with the best shopping experience at all points of contact, in accordance with the omnichannel model.

In the off-line channel, the company modernizes existing stores and opens new ones, focusing on venues with the greatest potential for profitable sales. In the first half of this year, 8 new stores of the Group's brands were opened (3 W.KRUK and Vistula stores each, and 2 Wólczanka stores). As a result, the VRG S.A. brand appeared in the new city of Wałbrzych, and W.KRUK brand in Racibórz, Krosno and

Włocławek. The group also significantly reorganized its presence in one of the key shopping centers, Westfield Mokotów in Warsaw. The latest concept of the Rolex brand (“W. KRUK Rolex Boutique”) appeared for the first time in Poland in W.KRUK store, almost four times larger. Outside Poland, this concept is currently only available in France and Turkey. Wólczanka, on the other hand, launched a large format store and a Wólczanka Boutique specializing in shirts.

In the area of e-commerce, the Group worked in the first half of 2023 on the visual and functional optimization of the websites of the Vistula, Bytom and Wólczanka and W.KRUK brands. On the basis of usability audits, the websites of the on-line stores of the above-mentioned apparel brands have been refreshed to provide customers with a better shopping experience. Not only the layout was rebuilt, but most of all the navigation was optimized (e.g. by changing the category) so that the customer's shopping path was as effective as possible and facilitated purchasing decisions. The area of order handling was also developed (e.g. by launching express delivery in Warsaw from on-line stores of the following brands: Vistula, BYTOM and Wólczanka). VRG brands got involved in June this year in Zalando campaign “This is not New York. These are Polish brands on Zalando”. As part of it, the marketplace promoted leading local brands available on the platform to its recipients. Vistula, Bytom, Wólczanka and Deni Cler brands appeared in the campaign.

Commercial offer - apparel segment: A new edition of the Vistula Celebrations collection has appeared in the Vistula brand - "Joy&Classy. Party in Style. The collection was made of high-quality materials, and additionally, in accordance with the "capsule wardrobe" philosophy, individual elements were proposed in such a way as to allow for their functional mixing and combining into many sets. In May, the "So easy to style" collection appeared in Vistula stores. The products were the summer version of the "capsule wardrobe" launched in January 2023 with the "So easy to create" collection.

BYTOM, in line with the brand's DNA, offered timeless and elegant men's fashion in the first half of the year. The "Supreme Comfort" collection featured seasonally tailored clothing made of high-quality materials. The "Refined Resort" line combines classics with comfort, offering customers a refreshing summer wardrobe. In the Spring/Summer season, the brand also presented the "Classic But Modern" collection, made with full stylizations for important celebrations in mind.

In turn, Wólczanka brand in the first half of the year developed the "total look" offer, offered on-line and in large-format stores, as well as continued the line of modern shirts offered in the on-line store and smaller boutiques. The Spring/Summer collection was promoted by the brand with the slogan "Close to You". It paid attention to comfort and quality, offering high-quality materials in wardrobe items that the customer can adjust to his lifestyle. Wólczanka's goal was to adapt the market trends of its collection in such a way as to enable the customer to easily complete full, universal outfits.

In the first half of the year, the Deni Cler brand continued to develop its premium offer, offering customers formal and business products. In accordance with the brand's philosophy, which tries to emphasize the strength of women, their courage and independence, at the beginning of 2023, Deni Cler presented the "Magic of Cinema" collection to clients, inspired by the icons of world cinematography. In turn, in June, the brand launched the "Deni Cler Academy" program, which aims to build a community of brand clients and expand the group of its recipients. As part of the Academy, the brand organizes inspiring, educational meetings with experts from various fields of life, science and business.

Offer of the jewellery segment: Spring and Summer are an important season for the jewellery industry, filled with family celebrations and holidays, for which jewellery is traditionally bought (e.g. Women's Day or Mother's Day). The brand carefully prepared for this period, building a special occasion offer. On Women's Day, March 8, 2023, W.KRUK presented the next installment of the popular jewellery collection "Flowers of the Night". Referring to floral motifs and nature, products from this series have been very popular among the brand's customers for years. This year's collection is inspired by strawberry, cherry and lilac flowers. The premiere of "Flowers of the Night" was also accompanied by the presentation of the latest models from the Spring collection of the Picky Picka brand, addressed to the younger segment of consumers looking for fashion jewellery. In turn, in June W.KRUK presented a collection of perfumes and silk scarves "Feel the smell of freedom", which was created in cooperation with the brand's ambassador, Martyna Wojciechowska. The inspiration for the collection was Martyna Wojciechowska's travel experiences. The perfume reflects the scent of the elements and has been composed in an inclusive way to meet the needs of both women and men.

Clothes to donate: In accordance with the assumptions of the development strategy for the years 2023 - 2025, the Group is increasing its activities in the field of sustainable development. In the first half of 2023, the Wólczanka brand continued the #Poczujradośćpomagania campaign, carried out in cooperation with the Clothes to donate brand. In selected Wólczanka stores, consumers can donate clothes of any brand, which are then sent to circular boutiques and companies that obtain used clothing. For each kilogram of collected items, Clothes to donate donates PLN 1 to support the "Help on Time" Foundation. So far, Wólczanka has collected about 3 tons of clothing as part of the campaign.

8.1. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On July 6, 2023, VRG S.A. signed with ING S.A. bank an annex extending the term of the applicable Multi-product Agreement until July 28, 2024. Under the Multi-product Agreement, the Company may use the following products: overdraft facility up to PLN 13,000,000, line for letters of credit up to PLN 15,000,000, line for guarantees up to PLN 6,000,000, discount transactions in the form of reverse debt purchase in the amount of EUR 8,000,000, lines for financing suppliers up to PLN 15,000,000, while the total amount of debt resulting from the use of the limit in the form of the above-mentioned credit products does not may exceed the limit amount, i.e. PLN 45,000 thousand zloty.

8.2. 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 period of the 2nd and 4th quarter, while in the case of the jewellery industry it is the period of the 4th quarter (especially December).

8.3. TRANSACTIONS WITH PARTIES/ RELATED PARTIES

ENTITIES AND PERSONS RELATED TO THE COMPANY'S KEY MANAGEMENT PERSONNEL AS AT JUNE 30, 2023 WITH WHOM TRANSACTIONS WERE COMPLETED DURING THE REPORTING PERIOD

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

In the first half of 2023, the Company concluded transactions with entities that are significantly influenced or have a significant number of votes, directly or indirectly by a person who is a member of the company's key management personnel.

– Doksa Sp. z o. o. - in the first half of 2023, the total gross turnover amounted to PLN 340 thousand.

Key personnel are described in point 8.12.

8.4. ISSUANCE, PURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

In the period of 6 months ended June 30, 2023, the parent company has not issued, redeemed or repaid any equity securities.

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

The total amount of capital expenditure in the consolidated statement of cash flows disclosed in the reporting period was PLN 18,418 thousand.

No significant disposals. The total amount of proceeds from sales is PLN 1,526 thousand.

8.6. INFORMATION ABOUT SIGNIFICANT OBLIGATION TO PURCHASE ROCK FIXED ASSETS

Not applicable.

8.7. DIVIDENDS PAID AND DECLARED

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

VRG S.A. dividend policy based in Cracow.

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

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

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

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

Management Board of VRG S.A. on May 30, 2023, adopted a resolution on accepting the motion of the Management Board of VRG S.A. to the Ordinary General Meeting of the Company on the method of distribution of the Company's net profit for the financial year 2022 and the payment of dividend, which provided for:

1) a proposal to allocate net profit shown in the Company's financial statements for the financial year 2022 in the amount of PLN 48,358,808.32 in full to reserve capital;

2) a proposal to pay a dividend of PLN 0.20 per share, i.e. in the total amount of PLN 46,891,168.00 from reserve capital (in the part created from profits - Article 348 § 1 of the Code of Commercial Companies).

The motion of the Management Board included a proposal to determine that the Company's shareholders will be entitled to the dividend as at September 20, 2023 (dividend day), and the dividend payment will take place on December 15, 2023. The dividend will cover 234,455,840 shares of the Company.

8.8. PROCEEDINGS BEFORE A COURT OR PUBLIC ADMINISTRATION BODY

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

8.9. TAX SETTLEMENTS

The tax regulations in force in Poland are subject to frequent changes, causing significant differences in their interpretation and significant doubts in their application. Tax authorities have control instruments enabling them to verify the tax base (in most cases in the previous 5 financial years) and to impose penalties and fines. From July 15, 2016, the Tax Ordinance also includes the provisions of the General Anti-Abuse Rule (GAAR), which is to prevent the creation and use of artificial legal structures created to avoid taxation. The GAAR clause should be applied both to transactions concluded after its entry into force and to transactions which were carried out before the entry into force of the GAAR clause, but for which benefits were or are still being obtained after the date of entry into force of the clause. As a consequence, the determination of tax liabilities, deferred tax assets and liabilities may require significant judgement, including with regard to transactions that have already taken place, and the amounts presented and disclosed in the financial statements may change in the future as a result of inspections by tax authorities.

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

As at June 30, 2023, there were no other sureties or guarantees than those granted to related entities, described in section 8.4.

8.11. REMUENRATION OF THE MANAGEMENT AND SUPERVISORY BOARD FOR 1H22

Management Board		PLN thsd
Janusz Płocica	President of the Management Board	510
Marta Fryzowska	Executive Vice-President of the Management Board	345
Michał Zimnicki	Executive Vice-President of the Management Board	270
Łukasz Bernacki	Executive Vice-President of the Management Board	60
Total		**1 185**

Supervisory Board		PLN thsd
Mateusz Kolański	Chair of the Supervisory Board	196
Jan Pilch	Deputy-Chair of the Supervisory Board	119
Piotr Kaczmarek	Member of the Supervisory Board	119
Piotr Stępniak	Member of the Supervisory Board	104
Wacław Szary	Member of the Supervisory Board	119
Andrzej Szumański	Member of the Supervisory Board	104
Marcin Gomoła	Member of the Supervisory Board	107
Total		**868**

Managing and supervising persons received remuneration for performing functions in the governing bodies of subsidiaries. These salaries in total for the first half of 2023 amounted to:

		PLN thsd
Piotr Kaczmarek	Member of W.KRUK supervisory board	45
Piotr Stępniak	Member of W.KRUK supervisory board	45
Andrzej Szumański	Member of W.KRUK supervisory board	45
Łukasz Bernacki	President of the Management Board of W.KRUK	330
Michał Zimnicki	Member of the Management Board of W.KRUK	120
Total		**585**

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

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

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

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

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

– Inflation and price increases.

– Reducing consumption, cutting spending on durable goods due to rising inflation and household costs of living.

– Armed conflict in Ukraine.

– Decrease in the PLN exchange rate against US$, EUR, CHF.

– Economic and social situation in Poland.

Positive impact on the Group's financial results in the next quarter may be exerted by:

– Further development of the Group's offer.

–Increasing the level of congestion in the network

– Development of the on-line channel, omnichannel-oriented activities.

– An increase in the PLN exchange rate against US$, EUR, CHF.

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

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

EXTERNAL RISK FACTORS

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

	be applied by the tax authorities in the diverse, often complex factual situations occurring in business. The Group is also exposed to the risk of possible changes in interpretations of tax laws issued by tax authorities. The factors described above may have a significant negative impact on the Group's development prospects, results and financial position. **Activities:** The Group continuously analyses changing legislation, including tax legislation, In the event of legal changes, the Management Board will focus its activities on minimising their impact on the Group's financial results.
Risks associated with increased competition	The Capital Group operates in a highly competitive market environment. The apparel and jewellery segment of the market is characterised by a high degree of fragmentation: on the one hand, we are dealing with brands recognised on the Polish market, such as Vistula, Bytom, Wólczanka, Deni Cler and W.KRUK, and on the other hand, with global brands that are aggressively entering the Polish market. The clothing segment of the market is characterised by fairly low barriers to entry. There is also competition from newly emerging brands. The Group may have to look for new sourcing markets to keep its offering competitive. In addition, it may need to spend more on marketing and promotion to reach its target customer. **Actions:** In order to mitigate risks, the Group continuously monitors the activities of its competitors in terms of the development of its sales network, the products offered and the level of prices.
Exchange rate and hedging policy risks	In currencies other than PLN, the Group incurs costs (a) for the purchase of materials for production (fabrics, accessories) and complementary assortments in the clothing segment (shoes, knitwear, leather accessories and others), (b) for the purchase of materials for production (jewellery raw materials), jewellery and watches in the jewellery segment and (c) resulting from lease agreements for retail space. In the event of a significant and prolonged weakening of the Polish currency against the euro, the US dollar and the Swiss franc, there is a risk of a significant deterioration in the financial results achieved by the Group. The table below the list of risks presents an analysis of the sensitivity of the financial result (and therefore equity) to an average annual change in exchange rates of +/-5 % against the average or closing rate. **Actions:** The parent company takes measures to limit the impact of an increase in the exchange rate on the level of the achieved "in take" margin mainly in terms of the USD/PLN exchange rate relationship. by entering into forward and spot contracts. The transactions are related to individual deliveries of goods particularly in the fashion area and do not relate to neutralisation of a possible risk related to an increase in rental fees due to a change in the EUR/PLN exchange rate relationship. The impact of forward transactions will be visible in the valuation of currency liabilities related to the forward transactions concluded. The Group earns its revenue principally in PLN, but incurs significant costs in euro, US dollar and Swiss franc, which exposes the financial result to foreign exchange risk. During periods of weakening of the PLN against the major currencies of settlement, the Group incurs higher costs due to accounting for exchange rate differences.
Interest rate risk	The Group uses external financing with a variable interest rate in the form of an investment loan and a working capital loan as well as reverse factoring. Therefore, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and, consequently, a decrease in the Group's profitability. The table below the list of risks presents a sensitivity analysis of the financial result (and thus equity) in relation to the potential fluctuation of the average annual interest rate +/- by 500 basis points (i.e. by 5 percentage points) **Actions:** The Group constantly monitors the market situation and optimizes the debt level using diversified financial products.
Risks related to the armed conflict in Ukraine	The uncertain political and economic situation related to the armed conflict in Ukraine may adversely affect the Group's operations in the area of domestic consumer stay, exchange rates and supply as a result of the risk of supply chain disruption. The Group does not have its own or franchise stores in the areas affected by the armed

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

INTERNAL RISK FACTORS

Risks associated with adopting the wrong strategy	There is a risk that the Group's development plans, which were presented in the Capital Group's Strategy for 2023-2025, published on June 15, 2023, will prove unsuited to changing customer expectations or market conditions. There is a risk that the implementation of the Strategy will be delayed or some of its elements will not be implemented or will not deliver the assumed results. There is, among others, a risk that the Group will not be able to achieve the financial results assumed in the Strategy due to the failure to adjust the product offer to customer expectations or disruptions in the functioning of the target markets of the Group's brands caused by recessionary pressure in the economy. **Actions**: The management boards of the Group's companies analyze the effects of the actions implemented under the adopted Strategy of the Capital Group for 2023-2025 on an ongoing basis. Data is collected on available new locations of off-line stores and potential new sales markets. Optimization measures are taken in various areas of the Group's operations, the needs and behaviour of customers, the activities of competing brands are monitored, and changes in the models of retail trade in the apparel and jewellery segment are observed to minimize the risk of continuing the wrong strategy and ensure the possibility of its modification in a manner adequate to changes in the market situation.
Risk of changing tastes and purchasing behaviour	An important factor in the success of an apparel company is a keen sense of changes in fashion trends and current consumer preferences and, in the case of the jewellery segment, adaptation to consumer expectations. There is a risk that individual collections or part of the Group's offer, despite its efforts, will deviate from customer expectations in a given season, which may result in problems with sales, the need to reduce selling prices or write down the value of part of the inventory. In order to mitigate this risk, the Group's companies analyse changing trends and customer needs so as to continue to offer desirable products at a favourable price/quality ratio. In addition, an analysis of the sales of individual ranges is carried out in order to select appropriate products in the next collections of the Group's owned brands. Over the last few years, as a result of the development of new communication technologies, there has been a noticeable change in the behaviour of the modern customer, i.e. the use of the internet and mobile devices in the clothing purchasing process. Thanks to the use of the internet in the purchasing process, the consumer has access to a wide range of brands, often with a global reach. They are also able to quickly compare the products on offer in terms of quality and price. Customers pay attention to delivery times, as well as the manufacturing process and the country of origin of the product. Knowing how today's consumers think and behave about their clothing purchases is an important factor in the success of clothing companies. **Activities:** The Group is aware of the changes taking place and is taking a number of actions to meet the demands of today's apparel customers. These actions include: developing the online sales channel, adapting web shop pages to meet customer expectations, implementing dedicated solutions for mobile devices and reducing lead times.
Risks associated with concluded rental contracts	The Group's business is based predominantly on the retail sale of goods through its own network of stores. The risk of losing one or more locations cannot be ruled out, e.g. in connection with the intention to modernise the entire shopping centre or a change in the landlord's pricing policy. The risk of termination of the lease agreement cannot be ruled out if the Group breaches the provisions of the lease agreement or of non-renewal of the lease agreement in locations showing the highest profitability for the Group or generating satisfactory financial results. There is a risk that the lease terms offered to the Group for the next period may differ unfavourably from the existing terms in the location.

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

Liquidity risk	The Group has liabilities under loan agreements. Consequently, collateral has been established covering a significant portion of the assets. These liabilities are serviced primarily using current operating income. In the extreme case of a sharp, simultaneous drop in demand and increase in costs (especially in the event of a deep weakening of the Polish zloty) or a temporary loss of revenue as a result of extraordinary events, the Group may experience difficulties in maintaining its liquidity. **Actions:** The Group constantly monitors its liquidity position by analysing the volume of sales receipts and required liabilities. It has carried out measures to extend payment terms for purchased goods and is actively adjusting the value of collections in line with demand, which will have a positive impact on the Group's cash flow. In the first half of 2022, the Group companies renewed their contracts with PKO BP and mBank for further years. The Group will work to further improve the efficiency of working capital utilisation and maintain longer payment terms. In the opinion of the Parent Company's Management Board, the current situation is sufficiently monitored and controlled. The Parent Company's Management Board is confident of the positive results of the measures described above.
Risk of liquidation of collateral and loss of collateral	In connection with loan and other agreements with a number of entities, the Group has created numerous collaterals over all of its assets, both real estate and movable property, inventories and trademarks. The amount of collateral exceeds the carrying value of the Group's assets. There is a risk of failure to meet deadlines or other contractual terms. Delays in meeting the above obligations may result in the immediate termination of all or part of the financing and the subsequent seizure of the Group's assets by the creditor to satisfy the collateral. The loss of significant assets could lead to significant impediments to the Group's business operations or even a complete blockage of the Group's ability to operate, generate revenues and profits. **Actions:** The Group minimises risk by meeting its obligations to banks in a timely manner.
Risks related to transactions with related parties	Group companies do and will enter into transactions with related parties. In particular, the Issuer enters into such transactions with the production company and the company responsible for the jewellery segment. Transactions with related parties may be subject to examination by the tax authorities in order to ascertain whether they were concluded on an arm's length basis and whether, therefore, the entity has correctly determined its tax liabilities. In the opinion of the Parent Company's Management Board, transactions with related parties are and will be concluded on an arm's length basis. There is a risk that the tax authorities will question the arm's length nature of the terms and conditions of the selected related party transaction, which could result in additional tax having to be paid, together with default interest. **Actions:** The parent company enters into transactions with related parties on an arm's length basis and analyses their marketability.
Risks related to shareholder structure	The Parent Company is characterised by a dispersed shareholding structure, with the largest shareholders being funds managed by the PZU Group S.A. holding 19.44% of votes at the General Meeting, and 6 significant shareholders holding a total of 76.87% of votes at the General Meeting. Most of these shareholders have held shares in the Parent for many years and participate in shaping the Company's business through their representatives on the Supervisory Board. However, the risk cannot be ruled out that one or more of the significant shareholders will reduce their shareholding or cease to invest in the Company's shares. It cannot be ruled out that decisions on the Group's strategy and operations which are important from the point of view of the Group will be delayed or even blocked. It cannot be ruled out that, despite the cooperation to date, the interests of significant shareholders will diverge/conflict. The

	aforementioned factors may have a significant negative impact on the Group's development prospects, results and financial position.
Risks associated with providing guarantees to subsidiaries	In connection with the separation of an organized part of the enterprise in the form of jewellery assets and their transfer to the subsidiary W.KRUK SA, the company performed a simultaneous financial restructuring. As part of this process, in 2015 W.KRUK SA obtained new financing from Bank PKO BP (Bank Loan B) and the parent company guaranteed the liabilities of the subsidiary. In the second quarter of 2015, the subsidiary DCG SA obtained refinancing from Bank PKO BP. The said liability of the subsidiary DCG S.A. was guaranteed by the Parent Company. Parent company VRG S.A. is responsible for the repayment of Loan B under the surety granted to W.KRUK S.A. up to a maximum amount not exceeding PLN 107,100,000, with the possibility of its release after 3 years. Parent company VRG S.A. grants a loan repayment surety to DCG S.A. up to a maximum amount not exceeding PLN 27,000,000. In the event of a rapid deterioration of the economic situation and the discontinuation of debt service by W.KRUK SA or DCG SA. Based on the guarantees granted, the parent company may be required to settle outstanding liabilities of subsidiaries, which could cause deterioration of the financial liquidity of the entire Company. **Actions**: The Group monitors the financial situation of subsidiaries on an ongoing basis and the fulfillment of their obligations towards banks financing their operations.
Risk of disruption to IT systems	The Group uses a number of IT systems, tools and programmes to ensure an adequate level of communication within the organisational structures of the Group's companies, recording and processing information on business events in all areas of its operations. The risk of IT disruptions in the areas of (i) Technical infrastructure (e.g. failure of servers, workstations, network equipment, lack of connection to external networks), (ii) Software (e.g. malfunction, unauthorised deletion, operation of computer viruses), (iii) Data resources (loss or destruction of data, unauthorised access to data, unauthorised duplication of data, unauthorised modification of data) cannot be excluded. **Actions:** Within the framework of the procedures in place and the IT tools at its disposal, the Group aims to minimise the possibility of the above-described events occurring, but it is not possible to completely exclude the likelihood of their occurrence and thus their negative impact on the security and reliability of the information resources and databases held and on the security and continuity of service provision.
Risks related to the EU directive GDPR	Since May 25, 2018, Regulation 2016/67 of the European Parliament and of the EU Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (GDPR) has been in force in the Polish legal order, which applies to all entities processing personal data in their business activities. The GDPR has introduced a number of changes and expanded the obligations of controllers and data processors. An important issue is that the GDPR sets out maximum levels of penalties for breaches of the GDPR . The maximum levels have been set at €20,000,000 or 4% of the entrepreneur's total annual turnover from the financial year preceding the breach. **Actions**: In view of the above, the Group has carried out work to: To adjust its operations to the requirements of GDPR, which include: organising training courses for employees whose activities will be affected by the provisions of GDPR , i.e. first and foremost - employees of the marketing, sales and HR departments, the loyalty programme service department, • development of a new Information Security Policy; • development of a new Instruction for Management of IT systems used for data processing; • preparation and implementation of changes in solutions of organizational and technical nature; • development of a threat and risk analysis in processing personal data.

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

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

PLN m	Interest rate fluctuations	Impact on financial result:
Balance at 30.06.2023		
Increase in interest rates	-500pb	1.3
Fall in interest rates	+500pb	-1.3

Balance at 30.06.2022		
Increase in interest rates	+500pb	-1.0
Fall in interest rates	-500pb	1.0

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

PLN m	FX fluctuations	Value translated into PLN		
		EUR	US$	CHF
Financial assets				
Cash		1.1	0.3	0
Trade receivables		1.4	4.2	0.5
Liabilities				
Factoring liabilities		3.0	0.9	0
Trade liabilities		15.4	26.2	12.4
Lease liabilities		284.8	0	0
FX risk exposure (net)		300.7	22.5	12.0
Balance at 30.06.2023				
Increase in FX	+5%	-15.0	-1.1	-0.6
Fall in FX	-5%	15.0	1.1	0.6
Balance at 30.06.2022				
Increase in FX	+5%	-16.3	-0.8	-0.6
Fall in FX	-5%	16.3	0.8	0.6

8.14. FACTORS AND EVENTS, INCLUDING EXTRAORDINARY ONES, HAVING A SIGNIFICANT EFFECT 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.

8.15. APPROVAL OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved for publication and signed by the Parent's Management Board on August 24, 2023.

9. 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

Signature of person entrusted with bookkeeping

Ewa Bosak

…...................

Chief Accountant

Cracow, August 24, 2023

VISTULA

BYTOM
SZTUKA KRAWIECTWA OD 1945

WÓLCZANKA

DENI CLER
MILANO

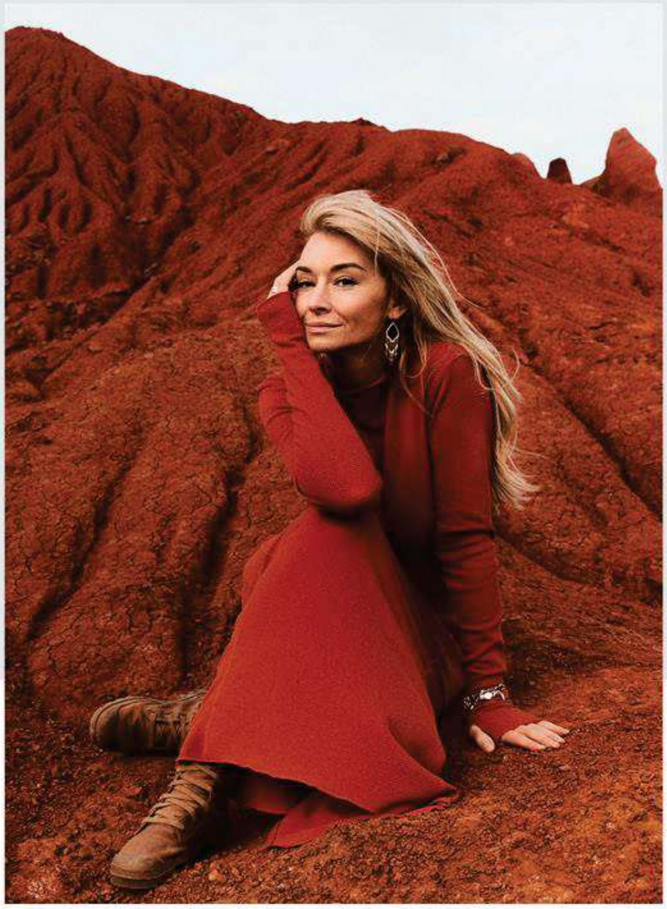
W.KRUK
1840

REPORT OF THE MANAGEMENT BOARD ON OPERATIONS

OF VRG S.A. CAPITAL GROUP
FOR FOR 6 MONTHS ENDING JUNE 30, 2023

Cracow, August 24, 2023





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 special-ized 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.

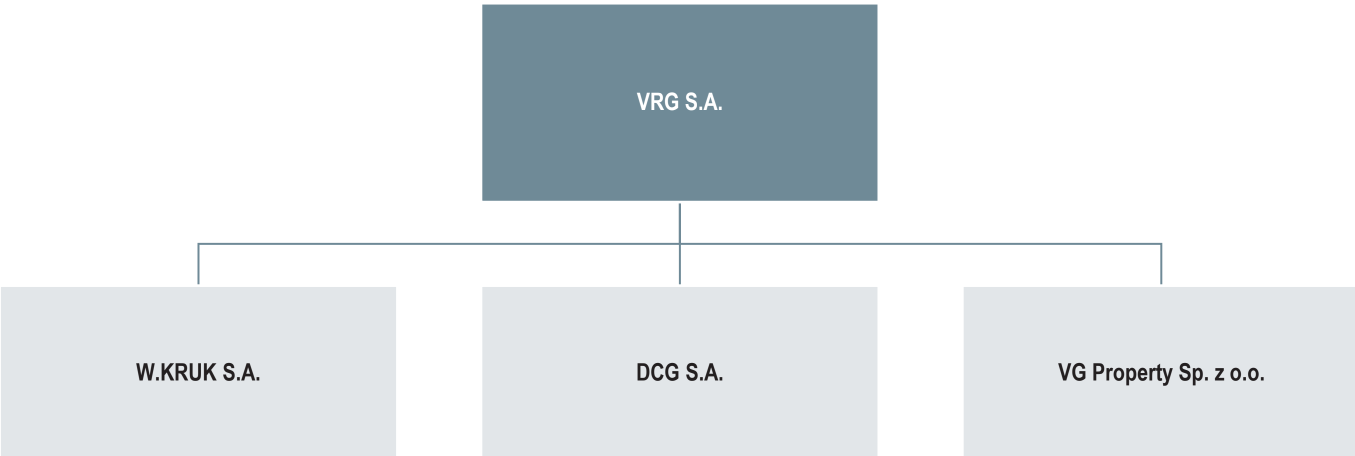
The company is one of the first companies that were listed on the Warsaw Stock Exchange S.A. First listing of VRG S.A. took place on September 30, 1993.

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

The lifespan of the Issuer is indefinite.

1.2. STRUCTURE OF VRG S.A. CAPITAL GROUP



As at the end of 1H23 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%
- **VG Property Sp. z o.o.** based in Cracow, Pilotów 10 St., post code: 31-462. The company was registered in the District Court for Cracow Śródmieście, XI Commercial Division of the National Court Register (KRS) under number KRS 0000505973.
  The company specialises in renting and managing of own or leased real estate.
  Share in equity: 100.0%. Share in votes at the General Shareholder Meeting: 100.0%

The interim consolidated financial statements for the first half of 2023 include the data of the parent company and the following subsidiaries: W.KRUK S.A., DCG S.A., VG Property Sp. z o. o. and WSM Factory Sp. z o. o. for the period of 5 months in the consolidated interim statement of profit and loss and the consolidated interim statement of cash flows.

CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP IN 1H23:

On June 2, 2023, the District Court in Kielce, 5th Commercial Division, Warszawska 44 St., 25-312 Kielce, issued a decision on the declaration of bankruptcy of the subsidiary WSM Factory Spółka z ograniczoną odpowiedzialnością, KRS 0000538836, (ref. no. KI1L/GU/206/2023, KI1L/GUp/18/2023), at the same time appointing a trustee bankruptcy. The subject of the subsidiary's activity was custom-made packaging of clothing products. VRG S.A. holds 100% of the shares and 100% of the votes at the general meeting of shareholders of the company. As a result of the declaration of bankruptcy of VRG S.A. lost control over the company, because the administration of the bankruptcy estate was taken over by the trustee.

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

MANAGEMENT BOARD

As at June 30, 2023, the composition of the Management Board of VRG S.A. was the following:

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

In the period from January 1, 2023 to June 30, 2023, there were no changes in the composition of the Parent Company's Management Board.

In the period from the balance sheet date, i.e. June 30, 2023, to the date of signing this report, the above composition of the Parent Company's Management Board has not changed.

SUPERVISORY BOARD

As at June 30, 2023, the composition of the Supervisory Board of VRG S.A. was the following:

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

In the period from January 1, 2023 to June 30, 2023, there were no changes in the composition of the Parent Company's Supervisory Board.

In the period from the balance sheet date, i.e. June 30, 2023, to the date of signing this report, the above composition of the Parent Company's Supervisory Board has not changed.

1.4. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved for publication and signed by the Management Board of the parent company on August 24, 2023.

1.5. GOING CONCERN

Interim condensed consolidated financial statements of the VRG S.A. Capital Group (hereinafter also referred to as the "Capital Group" or "VRG Group") has 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 of the financial statements, i.e. June 30, 2023 year. In the opinion of the Management Board of the Parent Company, as at the date of approval of these interim consolidated financial statements, there are no premises or circumstances indicating a threat to the Group's ability to continue as a going concern in the foreseeable future.

2. BASIS FOR 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 present the financial position of the Group as at June 30, 2023 and December 31, 2022 and June 30, 2022, the results of its operations for the period of 6 and 3 months ended June 30, 2023 and June 30, 2022 and cash flows for the period of 6 months ended June 30, 2023 and June 30, 2022.

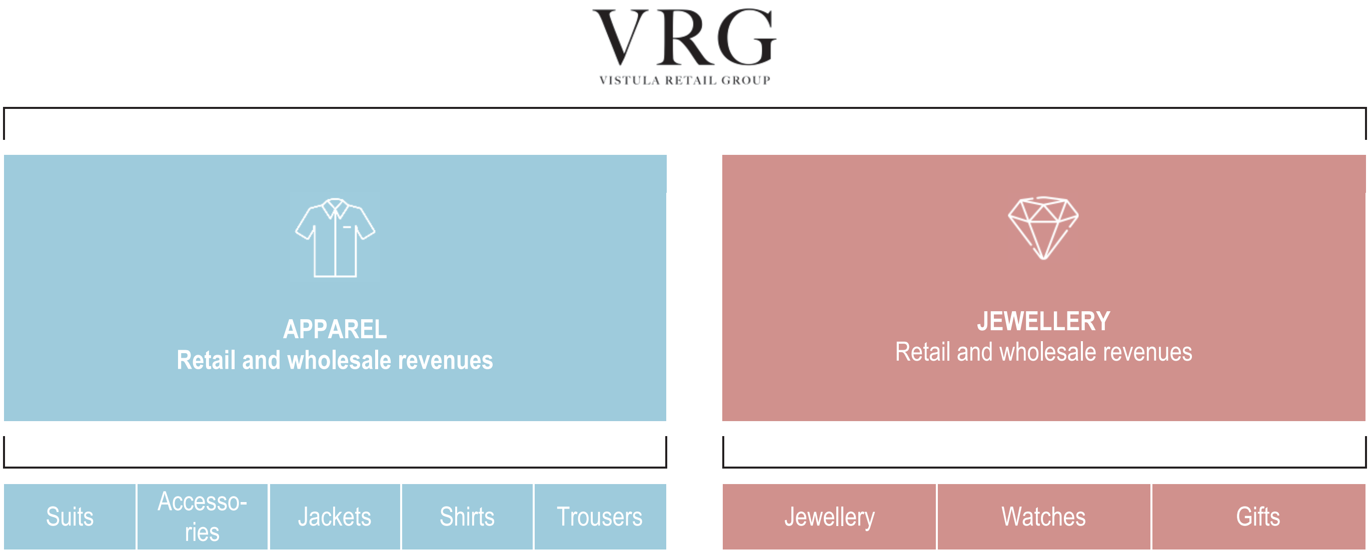
The principles of preparing the financial statements are described in point 3 of the Consolidated Condensed Interim Financial Statements of the VRG S.A. Capital Group for the first half of 2023.

The entity authorized to review the financial statements in the scope of the separate and consolidated financial statements of the Parent Company for the first half of 2023 was Grant Thornton Polska P. S. A. (formerly: Grant Thornton Polska Spółka z o.o. Spółka komandytowa), with which an agreement was concluded on July 27, 2021 for the review of the separate and consolidated interim financial statements of the Company and the Group and the audit of the separate and consolidated annual financial statements of the Company and the Group for the period 2021-2023.

OPERATING SEGMENTS

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

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



OWN BRANDS OF VISTULA LINE:

VISTULA
Vistula is a brand with a long tradition, which in its designs combines timeless cuts, patterns and cuts with current fashion trends, giving classic clothes a modern character. The wide assortment of the brand responds to the needs of both men and women, offering items of clothing that do not go out of style, which can be easily created for various occasions. From T-shirts and polo shirts, through sweaters and turtlenecks, to outerwear - Vistula is not only suits. The brand focuses on universal products, which, properly combined and enriched with accessories, add style to any styling. The priority is a sense of comfort and self-confidence for the client, who with clothes from Vistula emphasize their own unique style.

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

BYTOM BRAND:

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

WÓLCZANKA BRAND:

WÓLCZANKA
WÓLCZANKA
It is a brand existing since 1948. Wólczanka has been sewing shirts for generations. Years of experience have made her an expert and allowed her to gain the trust of millions of customers, thanks to which today she successfully expands her offer with new assortments such as trousers, skirts, dresses, jackets, coats, jackets, polo shirts, t-shirts. The brand's offer includes men's shirts, and from the Autumn-Winter 2014 season also women's shirts, both formal and casual. As an expert in good quality shirts, he expands this range and focuses on creating a fresh, modern brand. Wólczanka is the latest trends, beautiful prints, comfortable clothes for her and for him - and above all, an image that shows the joy of life and the possibility of making fashion choices, close to the client's needs.

DENI CLER MILANO BRAND:

SEGMENT ODZIEŻOWY
DENI CLER MILANO
Since its foundation in 1971 in Mantua, Italy, Deni Cler Milano has been dressing women who are aware of their femininity, value and strength. In 1991, the brand appeared on the Polish market, introducing a new quality in women's fashion. To this day, it remains a synonym of elegance, refined taste, while at the same time being in line with current global trends. Deni Cler Milano collections are sewn from Italian fabrics. The materials used for the production of clothes are mainly wool, cashmere and silk. The brand's assortment includes mainly: coats, dresses, jackets, trousers, skirts, blouses.

BRANDS IN THE JEWELLERY SEGMENT:

JEWELLERY SEGMENT	
W.KRUK 1840	**WATCHES**
W.KRUK is the oldest jewellery brand in Poland with over 180 years of tradition. W.KRUK's offer includes gold and platinum jewellery, in particular jewellery with diamonds and precious stones. W.KRUK also creates the highest quality collections made of silver and other metals. W.KRUK offers many original lines of unique jewellery. The distinctive style of W.KRUK products is the result of the work of designers, projects inspired by the ambassadors (including Martyna Wojciechowska's Freedom collection) and an expert and innovative approach to jewellery. A significant part of the collections presented every year is made in the brand's Manufaktura near Poznań, which is one of the few in Europe that still uses traditional manufacturing techniques. In the workshops of the W.KRUK brand, handicraft is combined with the latest technologies. In 2019, W.KRUK brand was the first in Poland to introduce jewellery with a new category of diamonds created by man in laboratory conditions into its chain of stores and offered under its own name New Diamond by W.KRUK. They have parameters identical to diamonds extracted using traditional methods and are classified according to the same parameters, using the same standards of expert assessment. W.KRUK expands its offer of both luxury and fashion jewellery. Since 2016, the brand's assortment has been complemented by a selection of accessories signed by W.KRUK, such as leather bags and accessories, silk scarves, sunglasses and fragrances for women and men.	W.KRUK offers watches of the most prestigious Swiss brands such as Rolex, Patek Philippe (W.KRUK S.A. is the exclusive distributor of these manufacturers in Poland) and renowned manufacturers and watch brands such as: Cartier, Chopard, Hublot, Panerai, Jagger Le Coutre, Omega, Tudor, Tag Heuer, Longines, Rado, Tissot, Frederique Constant, Citizen, Doxa, Certina, Seiko, Epos, Balticus, Victori-nox as well as fashion brands: Swatch, Gucci, Emporio Armani, Michael Kors, Fossil, Timex , Skagen, Armani Exchange, Tommy Hilfiger, Guess, Hugo Boss. The watches of renowned brands sold in W.KRUK stores have a strong position on the Polish market, and the value of their sales is steadily increasing. In addition to its own original and classic jewellery collections, W.KRUK also has in its portfolio products of prestigious jewellery manufactories from around the world (so-called external brands). W.KRUK selects brands for its offer with which it has many years of achievements, reputation and jewellery designed and made by talented designers and master goldsmiths. Thanks to this, the projects of outstanding jewellers from all over the world and the diamond collections of the oldest Polish jewellery brand together create a unique selection of the most valuable jewellery. In selected stores, W.KRUK offers products of brands such as: BIRKS Bijoux, Nanis, Marco Bicego, Pasquale Bruni, Hulchi Belluni and Recarlo.

PRODUCTION ACTIVITY:

Production activities in the apparel part of the Group in the first half of 2023 were carried out, among others, in a 100% subsidiary of the Parent Company, operating under the name WSM Factory Sp. z o. o. operating a production plant in Ostrowiec Świętokrzyski. In connection with the bankruptcy of WSM Factory Sp. z o. o. VRG S.A. lost control over the company, because the administration over the bankruptcy assets was taken over by the trustee.

In connection with the above, since June 2, 2023, the Group's apparel section has not operated its own production activity. As part of the apparel segment, VRG S.A. cooperates with proven independent producers who guarantee sewing and packaging services at the highest level and offer competitive prices.

The Group's own production activity in the jewellery segment is carried out in the Issuer's subsidiary, i.e. W.KRUK S.A. in the jewellery workshop in Komorniki near Poznań.

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

Basic types of activity:

– Retail and wholesale of apparel products

– Retail and wholesale of jewellery and watches

Information on business segments is presented below:

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 period of the 2nd and 4th quarter, while in the case of the jewellery industry it is the period of the 4th quarter (especially December).

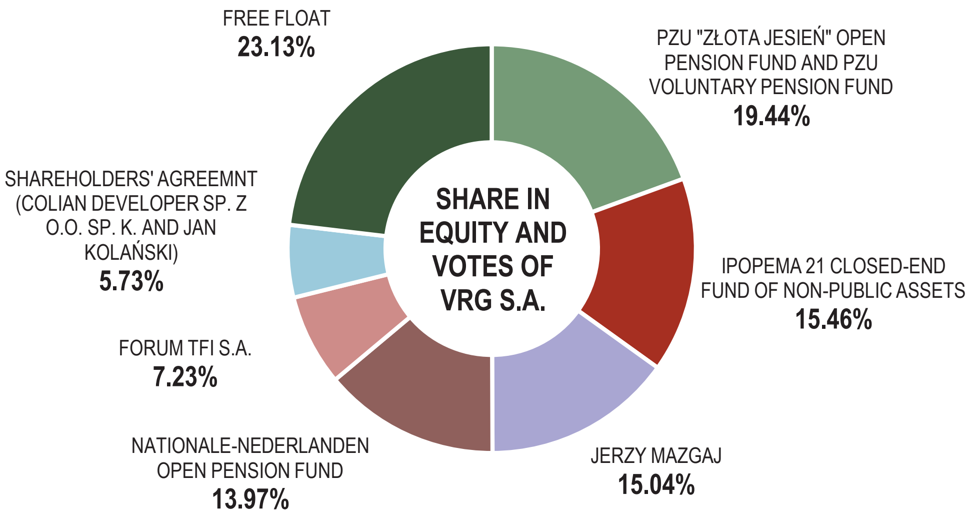
In terms of geographic segments, all the activities of the Capital Group are carried out in the Republic of Poland.

3. SHARE CAPITAL AND SHAREHOLDERS

SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS OF VRG S.A. AS AT THE DATE OF PREPARATION OF THE CONSOLIDATED HALF-YEAR REPORT AND INDICATION OF CHANGES IN THE OWNERSHIP STRUCTURE OF SIGNIFICANT HOLDINGS OF VRG S.A. IN THE PERIOD SINCE THE LAST CONSOLIDATED QUARTERLY REPORT.

SHARE CAPITAL OWNERSHIP STRUCTURE, ACCORDING TO THE COMPANY'S INFORMATION AS AT THE DATE OF SIGNING THE CONSOLIDATED SEMI-ANNUAL REPORT FOR THE FIRST HALF OF 2023

As at the date of the consolidated semi-annual report for the first half of 2023, 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 presents information on shareholders who, to the best of the Company's knowledge, held, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Shareholder Meeting.

Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
PZU „Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund[1]	45,589,125	19.44	45,589,125	19.44
IPOPEMA 21 Closed-end Fund of Non-public Assets[2]	36,238,137	15.46	36,238,137	15.46
Jerzy Mazgaj [3]	35,258,742	15.04	35,258,742	15.04
Nationale-Nederlanden Open Pension Fund[4]	32,750,000	13.97	32,750,000	13.97
Forum TFI S.A.[5]	16,946,800	7.23	16,946,800	7.23
Shareholders' Agreement (Colian Developer sp. z o. o. sp. k. and Jan Kolański) [6]	13,427,496	5.73	13,427,496	5.73

[1] information provided on the basis of the number of Company shares held jointly by PZU "Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund managed by PZU S.A. at the Ordinary General Meeting on June 28, 2023. At the Ordinary General Meeting on June 28, 2023, PZU "Złota Jesień" Open Pension Fund held independently 44,537,016 shares in the Company, which accounted for 19.00% of the Company's share capital and entitled to 44,537,016 votes, constituting 19% of the total number of votes at the General Meeting of the Company. At the Ordinary General Meeting on June 28, 2023, PZU Voluntary Pension Fund independently held 1,052,109 shares in the Company, which constituted 0.45% of the Company's share capital and entitled to 1,052,109 votes, constituting 0.45% of the total number of votes at the General Meeting of the Company.

[2] information based on the number of shares held by Ipopema at the Ordinary General Meeting on June 28, 2023.

[3] information provided on the basis of the number of shares held by Mr. Jerzy Mazgaj at the Ordinary General Meeting on June 28, 2023.

[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 28, 2023.

[5] information based on the number of shares held jointly by the funds Forum X Closed-end Investment Fund and Forum XXIII Closed-end Investment Fund managed by Forum TFI S.A at the Ordinary General Meeting on June 28, 2023. Forum X Closed-end Investment Fund at the Ordinary General Meeting on June 28, 2023, independently 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. Forum XXIII Closed-end Investment Fund at the Ordinary General Meeting on June 28, 2023 held independently 9,995,040 shares of the Company, which constituted 4.26% of the Company's share capital and entitled to 9,995,040 votes, constituting 4.26% of the total number of votes at the General Meeting of the Company.

[6] information provided on the basis of the number of shares in the Company held in total at the Ordinary General Meeting on June 28, 2023 by a shareholders' agreement involving Colian Developer sp. z o.o. s. k. and Mr. Jan Kolański. At the Ordinary General Meeting on June 28, 2023, Colian Developer sp. z o.o. s. k. independently held 5,327,496 shares of the Company, which constituted 2.27% of the share capital of the Company and entitled to 5,327,496 votes, constituting 2.27% of the total number of votes at the General Meeting of the Company. At the Ordinary General Meeting on June 28, 2023, Mr. Jan Kolański held 8,100,000 shares of the Company, which constituted 3.45% of the Company's share capital and entitled to 8,100,000 votes, constituting 3.45% of the total number of votes at the General Meeting companies.

CHANGES IN THE OWNERSHIP STRUCTURE OF SIGNIFICANT BLOKES OF THE COMPANY'S SHARES FROM THE DATE OF SUBMITTING THE LAST CONSOLIDATED QUARTERLY REPORT FOR THE FIRST QUARTER OF 2023 (MAY 17,2023)

To the best of the Company's knowledge, the following changes in the ownership structure of significant blocks of the Company's shares took place since the date of publication of the last consolidated quarterly report for the first quarter of 2023 (May 17, 2023):

PZU „Złota Jesień" Open Pension Fund and PZU Voluntary Pension Fund	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
Balance at 17.05.2023	45,251,894	19.30	45,251,894	19.30
Balance at 24.08.2023	45,589,125	19.44	45,589,125	19.44

IPOPEMA 21 Closed-end Fund of Non-public Assets	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
Balance at 17.05.2023	35,431,872	15.11	35,431,872	15.11
Balance at 24.08.2023	36,238,137	15.46	36,238,137	15.46

Jerzy Mazgaj	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
Balance at 17.05.2023	38,332,632	16.35	38,332,632	16.35
Balance at 24.08.2023	35,258,742	15.04	35,258,742	15.04

Nationale-Nederlanden Open Pension Fund	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
Balance at 17.05.2023	32,750,487	13.97	32,750,487	13.97
Balance at 24.08.2023	32,750,000	13.97	32,750,000	13.97

Shareholders' Agreement (Colian Developer sp. z o.o. spółka komandytowa and Jan Kolański)	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
Balance at 17.05.2023	11,752,923	5.01	11,752,923	5.01
Balance at 24.08.2023	13,427,496	5.73	13,427,496	5.73

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

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

Management Board	Number of shares held at the date of publication of 1H23 report	Number of shares held at the date of publication of 1Q23 report
Michał Zimnicki – Executive Vice-President of the Management Board	4,000	4,000
Łukasz Bernacki – Executive Vice-President of the Management Board	100,381	100,381

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

Management Board	Number of series F subscription warrants on the date of publication of consolidated report for the first half of 2023	Number of series F subscription warrants on the date of publication of consolidated report for 1Q23
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

Rada Nadzorcza Spółki	Number of shares on the date of publication of consolidated report for the first half of 2023	Number of shares on the date of publication of consolidated report for 1Q23
Jan Pilch – Deputy-Chair of the Supervisory Board	186,000	186,000
Wacław Szary – Member of the Supervisory Board	10,000	10,000

4. REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD FOR 1H23

Management Board		PLN thsd
Janusz Płocica	President of the Management Board	510
Marta Fryzowska	Executive Vice-President of the Management Board	345
Michał Zimnicki	Executive Vice-President of the Management Board	270
Łukasz Bernacki	Executive Vice-President of the Management Board	60

Management Board		PLN thsd
Total		**1,185**

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Supervisory Board		PLN thsd
Mateusz Kolański	Chair of the Supervisory Board	196
Jan Pilch	Deputy-Chair of the Supervisory Board	119
Piotr Kaczmarek	Member of the Supervisory Board	119
Piotr Stępniak	Member of the Supervisory Board	104
Wacław Szary	Member of the Supervisory Board	119
Andrzej Szumański	Member of the Supervisory Board	104
Marcin Gomoła	Member of the Supervisory Board	107
Total		**868**

Managing and supervising persons received remuneration for performing functions in the governing bodies of subsidiaries. These salaries in total for the first half of 2023 amounted to:

		PLN thsd
Piotr Kaczmarek	W.KRUK Supervisory Board Member	45
Piotr Stępniak	W.KRUK Supervisory Board Member	45
Andrzej Szumański	W.KRUK Supervisory Board Member	45
Łukasz Bernacki	President of the Management Board of W.KRUK	330
Michał Zimnicki	Executive Vice-President of the Management Board of W.KRUK	120
Total		**585**

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

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

5. SIGNIFICANT EVENTS IN 1H23 AND AFTER THE BALANCE SHEET DATE

In the first half of the year, many internal and external events took place that affected the business of the VRG Group.

Market environment: In the first half of 2023, the Polish apparel and jewellery market faced difficulties related to increasing inflation and economic and political instability that had been ongoing for many months. The effects of the economic slowdown and tensions related to the war in Ukraine were clearly visible in changes in consumer behaviour. In the face of declining purchasing power and uncertainty about the future, it was possible to notice a decline in consumer sentiment in the market sectors where the Group's brands operate. In addition, geopolitical tensions have limited the activities of many companies in eastern markets, introducing greater competition on the domestic arena. Increase in operating costs, resulting from, among others, wage pressure and the increase in energy costs, contributed to product price increases and limited promotions, which in turn contributed to a decrease in demand both on-line and in off-line stores. In these demanding market conditions, the VRG Group focused on activities aimed at long-term building of the value of its brands.

Significant changes in the shareholding structure: On January 4, 2023, the Parent Company received from Colian Developer sp. z o.o. sp. k. with its registered office in Kalisz (the "Notifying Party") acting in agreement with Mr. Jan Kolański, a notification on increasing the share in the total number of votes in the Parent Company above the 5% threshold by means of a Shareholder Agreement in which the Notifying Party acts together with Mr. Jan Kolański. As a result of the purchase transaction of 30,550 shares of the Parent Company concluded on December 30, 2022 during the trading session on December 30, 2022, the Shareholder Agreement exceeded the share of 5% in the total number of votes in the Parent Company. Prior to the aforementioned transaction, the Shareholder Agreement held 11,722,373 shares of the

Parent Company, which constituted 4.99% of the share capital of the Parent Company and entitled to exercise 4.99% of the total number of votes in the Parent Company. After the above-mentioned transaction, the Shareholder Agreement (Colian Developer sp. z o. o. sp. K. and Jan Kolański) held a total of 11,752,923 shares of the Parent Company, which constituted 5.01% of the share capital of the Parent Company and entitled to exercise 5.01 % of the total number of votes in the Parent Company. At the Ordinary General Meeting on June 28, 2023, the Shareholder Agreement of Colian Developer sp. z o.o. s. k. and Mr. Jan Kolański held a total of 13,427,496 shares in the Parent Company, which constituted 5.73% of the Parent Company's share capital and entitled to exercise 5.73% of the total number of votes in the Parent Company.

Bankruptcy of WSM Factory Sp. z o.o. subsidiary: On May 25, the Management Board of WSM Factory sp. z o.o., a subsidiary of the VRG S.A. Group, which runs a sewing plant in Ostrowiec Świętokrzyski, filed for bankruptcy, which was formally announced by the court on June 2. The plant in Ostrowiec Świętokrzyski has been unprofitable for a long time. This was due to the difficult situation of the textile industry in Poland and throughout Europe, falling production efficiency, rising costs of labour, energy and other production factors, as well as stronger competition from plants from the Middle and Far East, as well as North Africa. The bankruptcy of the WSM Factory plant has no impact on VRG's activities in the production of clothing collections. The Group outsourced a small part of the production to the company, as the sewing plant had free production capacity not involved in processing production for external contractors. As of July 31, 2023, the WSM Factory sp. z o.o. ceased production activities and employees stopped working.

Group development strategy for 2023 - 2025: On June 15, VRG S.A. published the Group's strategy for 2023-2025, in which it presented 5 key pillars of development (modern brands, omnichannel development, profitability increase, effective capital allocation, sustainable development). Implementation of the strategy is to allow the company to approach PLN 1.9 billion in revenues and achieve c. PLN 150 million in net profit at the end of 2025, with a gross margin of between 56 and 57 percent. The planned average annual capex in development will amount to c. PLN 43 million. The Management Board assumes that SG&A costs per square meter growth will be slower than the increase in revenues and gross profit on sales, which should translate into a minimum of 12% operating margin in 2025. Development of the Group is to be financed with funds generated by the Group. At the same time, VRG will continue its policy of sharing profits with shareholders on an annual basis.

Dividend from profit for 2022: On June 28 the General Meeting of Shareholders adopted, in accordance with the recommendation of the Management Board of the VRG Group, a resolution on the payment of dividend in the amount of PLN 0.20 per share to shareholders entitled to dividend, in the total amount of PLN 46,891,168.00. The shareholders of the Company as at September 20, 2023 (dividend day) will be entitled to the dividend, and the dividend payment date will be December 15, 2023. In accordance with the development strategy published by the Group, the Management Board plans to recommend dividend payments in accordance with the adopted policy also in the coming years.

Development of service channels: In accordance with the adopted strategy, VRG Group develops off-line and on-line sales channels in parallel, striving to provide the customer with the best shopping experience at all points of contact, in accordance with the omnichannel model.

In the off-line channel, the company modernizes existing stores and opens new ones, focusing on venues with the greatest potential for profitable sales. In the first half of this year, 8 new stores of the Group's brands were opened (3 W.KRUK and Vistula stores each, and 2 Wólczanka stores). As a result, the VRG S.A. brand appeared in the new city of Wałbrzych, and W.KRUK brand in Racibórz, Krosno and Włocławek. The group also significantly reorganized its presence in one of the key shopping centers, Westfield Mokotów in Warsaw. The latest concept of the Rolex brand (“W. KRUK Rolex Boutique”) appeared for the first time in Poland in W.KRUK store, almost four times larger. Outside Poland, this concept is currently only available in France and Turkey. Wólczanka, on the other hand, launched a large format store and a Wólczanka Boutique specializing in shirts.

In the area of e-commerce, the Group worked in the first half of 2023 on the visual and functional optimization of the websites of the Vistula, Bytom and Wólczanka and W.KRUK brands. On the basis of usability audits, the websites of the on-line stores of the above-mentioned apparel brands have been refreshed to provide customers with a better shopping experience. Not only the layout was rebuilt, but most of all the navigation was optimized (e.g. by changing the category) so that the customer's shopping path was as effective as possible and facilitated purchasing decisions. The area of order handling was also developed (e.g. by launching express delivery in Warsaw from on-line stores of the following brands: Vistula, BYTOM and Wólczanka). VRG brands got involved in June this year in Zalando campaign “This is not New York. These are Polish brands on Zalando”. As part of it, the marketplace promoted leading local brands available on the platform to its recipients. Vistula, Bytom, Wólczanka and Deni Cler brands appeared in the campaign.

Commercial offer - apparel segment: A new edition of the Vistula Celebrations collection has appeared in the Vistula brand - "Joy&Classy. Party in Style. The collection was made of high-quality materials, and additionally, in accordance with the "capsule wardrobe" philosophy, individual elements were proposed in such a way as to allow for their functional mixing and combining into many sets. In May, the "So easy to style" collection appeared in Vistula stores. The products were the summer version of the "capsule wardrobe" launched in January 2023 with the "So easy to create" collection.

BYTOM, in line with the brand's DNA, offered timeless and elegant men's fashion in the first half of the year. The "Supreme Comfort" collection featured seasonally tailored clothing made of high-quality materials. The "Refined Resort" line combines classics with comfort, offering customers a refreshing summer wardrobe. In the Spring/Summer season, the brand also presented the "Classic But Modern" collection, made with full stylizations for important celebrations in mind.

In turn, Wólczanka brand in the first half of the year developed the "total look" offer, offered on-line and in large-format stores, as well as continued the line of modern shirts offered in the on-line store and smaller boutiques. The Spring/Summer collection was promoted by the brand with the slogan "Close to You". It paid attention to comfort and quality, offering high-quality materials in wardrobe items that the customer can adjust to his lifestyle. Wólczanka's goal was to adapt the market trends of its collection in such a way as to enable the customer to easily complete full, universal outfits.

In the first half of the year, the Deni Cler brand continued to develop its premium offer, offering customers formal and business products. In accordance with the brand's philosophy, which tries to emphasize the strength of women, their courage and independence, at the beginning of 2023, Deni Cler presented the "Magic of Cinema" collection to clients, inspired by the icons of world cinematography. In turn, in June, the brand launched the "Deni Cler Academy" program, which aims to build a community of brand clients and expand the group of its recipients. As part of the Academy, the brand organizes inspiring, educational meetings with experts from various fields of life, science and business.

Offer of the jewellery segment: Spring and Summer are an important season for the jewellery industry, filled with family celebrations and holidays, for which jewellery is traditionally bought (e.g. Women's Day or Mother's Day). The brand carefully prepared for this period, building a special occasion offer. On Women's Day, March 8, 2023, W.KRUK presented the next installment of the popular jewellery collection "Flowers of the Night". Referring to floral motifs and nature, products from this series have been very popular among the brand's customers for years. This year's collection is inspired by strawberry, cherry and lilac flowers. The premiere of "Flowers of the Night" was also accompanied by the presentation of the latest models from the Spring collection of the Picky Picka brand, addressed to the younger segment of consumers looking for fashion jewellery. In turn, in June W.KRUK presented a collection of perfumes and silk scarves "Feel the smell of freedom", which was created in cooperation with the brand's ambassador, Martyna Wojciechowska. The inspiration for the collection was Martyna Wojciechowska's travel experiences. The perfume reflects the scent of the elements and has been composed in an inclusive way to meet the needs of both women and men.

Clothes to donate: In accordance with the assumptions of the development strategy for the years 2023 - 2025, the Group is increasing its activities in the field of sustainable development. In the first half of 2023, the Wólczanka brand continued the #Poczujradośćpomagania campaign, carried out in cooperation with the Clothes to donate brand. In selected Wólczanka stores, consumers can donate clothes of any brand, which are then sent to circular boutiques and companies that obtain used clothing. For each kilogram of collected items, Clothes to donate donates PLN 1 to support the "Help on Time" Foundation. So far, Wólczanka has collected about 3 tons of clothing as part of the campaign.

Banking agreements: On July 6, 2023, VRG S.A. signed with ING S.A. bank an annex extending the term of the Multi-Product Agreement until July 28, 2024. Under the Multi-Product Agreement, the Company may use the following products: overdraft facility up to PLN 13,000,000, letter of credit line up to PLN 15,000,000, bank guarantee line up to PLN 15,000,000 in the amount of PLN 6,000,000, discount transactions in the form of reverse debt purchase in the amount of EUR 8,000,000, line for financing suppliers up to PLN 15,000,000, with the total amount of debt resulting from the use of the limit in the form of the above-mentioned products credit cards may not exceed the limit amount, i.e. PLN 45,000 thousand. zloty.

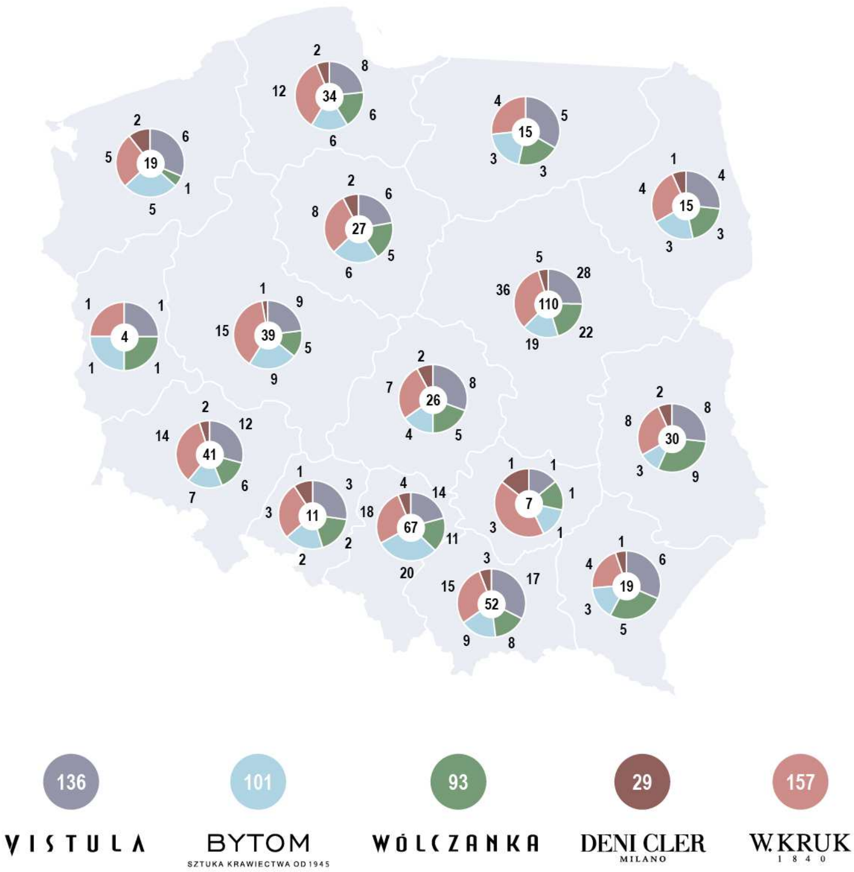
6. FINANCIAL RESULTS OF VRG CAPITAL GROUP IN 1H23

At the end of the first half of 2023, compared to the corresponding period of the previous year, the Group's retail network floorspace decreased to 51.6 thousand m2, i.e. by 0.8% YoY. The decrease in space in the apparel segment amounted to 3.4%, while in the jewellery segment the area increased by 8.3%.

Retail floorspace (end of period):	thsd m2	
	30.06.2023	30.06.2022
Apparel segment	39.0	40.4
Jewellery segment	12.6	11.6
Total floorspace	51.6	52.0

As at the date of this report, the dominant part of revenues is carried out through the retail network of brand stores of individual brands belonging to the Capital Group. As at the date of this report, the Capital Group has a retail network of 516 locations, including franchise stores of the Vistula, Wólczanka, Bytom, Deni Cler and W.KRUK brands. Among the operating stores, the Group owns only 1 location. Other locations are used by the Group on the basis of medium/long-term lease agreements concluded for a period of generally 5 years, a small part of the agreements is concluded for an indefinite period. Most of the premises are located in modern large-area shopping centers.

Below we present distribution and number of branded stores of the Capital Group at the end of 1H23 by individual brands.



SELECTED FINANCIAL DATA OF VRG GROUP

	PLN thsd			
	I half 2023 period from 01-01-2023 to 30-06-2023	**I half 2022** period from 01-01-2022 to 30-06-2022	**2 quarter 2023*** period from 01-04-2023 to 30-06-2023	**2 quarter 2022*** period from 01-04-2022 to 30-06-2022
Revenues	602,286	585,537	335,269	341,758
EBITDA	110,307	119,611	74,980	87,049
EBIT	48,003	65,198	43,276	60,185
Net result	**50,902**	**36,418**	**47,678**	**39,331**

IAS17*	PLN thsd			
	I half 2023 from 01-01-2023 to 30-06-2023	I half 2022 from 01-01-2022 to 30-06-2022	2 quarter 2023 from 01-04-2023 to 30-06-2023	2 quarter 2022 from 01-04-2022 to 30-06-2022
Revenues	602 286	585 537	335 269	341 758
EBITDA	49 444	66 194	44 694	60 706
EBIT	38 631	55 269	39 161	55 451
Net result	**33 113**	**34 966**	**33 856**	**37 899**

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

The difference between the operating result (EBIT) under IAS17 and the operating result under the applicable standards in the first half of 2023 resulted from the fact that the costs of 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.

The Group's revenues in the first half of 2023 amounted to PLN 602.3 million and were PLN 16.7 million (2.9%) higher than revenues generated in the corresponding period of the previous year.

Consolidated EBITDA in the first half of 2023 amounted to PLN 110.3 million and was lower by c. 7.8% than in the previous year. The EBITDA profit calculated excluding the impact of IFRS 16 amounted to PLN 49.4 million.

In the first half of 2023, the Capital Group generated a net profit of PLN 50.9 million compared to a net profit of PLN 36.4 million in the corresponding period of the previous year. Net profit calculated excluding the impact of IFRS 16 amounted to PLN 33.1 million.

The Group's financial results in the first half of 2023, especially in the second quarter of 2023, were influenced by macroeconomic changes (inflation, increase in interest rates), adversely affecting consumer behaviour.

APPAREL SEGMENT

Apparel segment	PLN thsd			
	I half 2023 from 01-01-2023 to 30-06-2023	I half 2022 from 01-01-2022 to 30-06-2022	2 quarter 2023 from 01-04-2023 to 30-06-2023	2 quarter 2022 from 01-04-2022 to 30-06-2022
Revenues	**292,484**	**307,481**	**167,469**	**192,140**
Cost of sales	128,454	134,785	66,957	77,697
Gross profit on sales	164,030	172,696	100,512	114,443
Selling costs	142,199	133,641	73,560	71,458
Administrative expenses	28,421	26,269	14,252	13,633
Other operating income	2,674	3,774	1,845	2,980
Gain from sale of non-financial non-current assets	0	23	0	119
Other operating costs	4,001	4,905	3,438	2,954
Loss from sale of non-financial non-current assets	71	0	74	0
Profit (loss) from operations	**-7,988**	**11,678**	**11,033**	**29,497**
Financial income / costs	7,450	-10,951	7,635	-5,564
Result on loss of control	2,200	0	2,200	0
Pre-tax profit (loss)	1,662	727	20,868	23,933
Income tax	749	848	4,211	5,058
Net profit (loss) for the period	**913**	**-121**	**16,657**	**18,875**

IAS 17* Apparel segment	I half 2023 from 01-01-2023 to 30-06-2023 (PLN thsd)	I half 2022 from 01-01-2022 to 30-06-2022 (PLN thsd)	2 quarter 2023 from 01-04-2023 to 30-06-2023 (PLN thsd)	2 quarter 2022 from 01-04-2022 to 30-06-2022 (PLN thsd)
Revenues	**292,484**	**307,481**	**167,469**	**192,140**
Cost of sales	128,454	134,785	66,957	77,697
Gross profit on sales	164,030	172,696	100,512	114,443
Selling costs	147,717	139,856	76,111	74,624
Administrative expenses	28,639	26,451	14,361	13,724
Other operating income	2,016	3,143	1,845	2,980
Gain from sale of non-financial non-current assets	0	23	0	119
Other operating costs	3,945	4,905	3,419	2,954
Loss from sale of non-financial non-current assets	71	0	74	0
Profit (loss) from operations	**-14,326**	**4,650**	**8,392**	**26,240**
Financial income / costs	422	-6,256	395	-3,847
Result on loss of control	2,200	0	2,200	0
Pre-tax profit (loss)	-11,704	-1,606	10,987	22,393
Income tax	-1,791	405	2,334	4,766
Net profit (loss) for the period	**-9,914**	**-2,011**	**8,654**	**17,627**

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

REVENUES

In the first half of 2023, revenues from the apparel segment amounted to PLN 292.5 million and were PLN 15.0 million (i.e. 4.9%) lower than revenues generated in the corresponding period of 2022.

In the second quarter of 2023, revenues from the apparel segment amounted to PLN 167.5 million and were PLN 24.7 million (i.e. 12.8%) lower than revenues generated in the corresponding period of 2022.

Apparel segment	I half 2023 from 01-01-2023 to 30-06-2023 (PLN m)	I half 2022 from 01-01-2022 to 30-06-2022 (PLN m)	2 quarter 2023 from 01-04-2023 to 30-06-2023 (PLN m)	2 quarter 2022 from 01-04-2022 to 30-06-2022 (PLN m)
Revenue	**292.5**	**307.5**	**167.5**	**192.1**
Retail sales	277.2	296.1	159.7	185.9
Processing	12.6	9.4	6.8	4.9
B2B	2.7	2.0	0.9	1.3

In 1H23, the Group recorded the following results in the following retail channels:

VISTULA ↓	**BYTOM ↓**	**WÓLCZANKA ↓**	**DENI CLER MILANO ↑**
PLN 114.6m	PLN 85.5m	PLN 49.4m	PLN 27.6m
(-8% YoY)	(-3% YoY)	(-16% YoY)	(15% YoY)

Fall in revenues took place due to macroeconomic factors (inflation, increase in interest rates), adversely affecting consumer behaviour (decrease in the number of customer visits to stores). In the first half of 2023, off-line sales remained at the same level as in the previous year (PLN 225.8 million), while on-line sales decreased by 27% compared to the same period last year. The share of on-line sales in revenues of the apparel segment was 18% in the first half of 2023 compared to 23% of on-line sales in the corresponding period of the previous year.

In the second quarter of 2023, there was a decrease in both off-line sales (a decrease of 10%) and on-line sales (a decrease of 31% compared to the same period last year). Share of on-line sales in revenues of the apparel segment was 15% in the second quarter of 2023 compared to a 19% share of on-line sales in the corresponding period of the previous year.

Fall in share of on-line sales in the first half of 2023 and in the second quarter of 2023 (compared to the corresponding periods of the previous year) was a consequence of the lack of restrictions on traditional sales and, as a result, an increase in share of these sales in revenues (at the expense of share of sales in on-line stores), as well as a general decrease in on-line sales in the first half of 2023 (compared to the same period of the previous year).

In the second quarter of 2023, the Group recorded the following results in the following retail channels

VISTULA ↓ PLN 67.0m (-17% YoY)	**BYTOM ↓** PLN 51.6m (-10% YoY)	**WÓLCZANKA ↓** PLN 27.7m (-21% YoY)	**DENI CLER MILANO ↑** PLN 13.5m (4% YoY)

GROSS PROFIT ON SALES

Gross profit on sales of the apparel segment in the first half of 2023 amounted to PLN 164 million and was 5% lower than generated in the corresponding period of the previous year. Gross profit margin amounted to 56.1% in the first half of 2023, which means a decrease by 0.1 pp. compared to the corresponding period of the previous year.

Changes in the margins of individual brands in the first half of 2023:

VISTULA ↓ 57.2% (fall in margin by 1.9 pp.)	**BYTOM ↑** 59.0% (increase in margin by 0.5 pp.)	**WÓLCZANKA ↑** 58.6% (increase in margin by 2.2 pp.)	**DENI CLER MILANO ↑** 63.2% (increase in margin by 0.7 pp.)

Gross profit on sales of the apparel segment in the second quarter of 2023 amounted to PLN 100.5 million and was 12% lower than generated in the corresponding period of the previous year. Gross profit margin in the second quarter of 2023 amounted to 60.0%, which means an increase by 0.4 pp. compared to the corresponding period of the previous year.

Changes in the margins of individual brands in the second quarter of 2023:

VISTULA ↓ 6.,4% (fall in margin by 0.9 pp.)	**BYTOM ↑** 62,2% (increase in margin by 1.1 pp.)	**WÓLCZANKA ↑** 61,8% (increase in margin by 2.9 pp.)	**DENI CLER MILANO ↓** 65,5% (fall in margin by 1.1 pp.)

Despite the impact of unfavourable macroeconomic factors, the % margin in the first half of 2023 was maintained at a similar level compared to the same period of the previous year.

SELLING COSTS

Selling costs in the first half of 2023 amounted to PLN 142.2 million and were PLN 8.6 million (6%) higher than the costs incurred in the corresponding period of the previous year. Share of selling costs in revenues in the first half of 2023 was 48.6% compared to 43.5% in the corresponding period of the previous year.

Selling costs in the second quarter of 2023 amounted to PLN 73.6 million and were higher by PLN 2.1 million (3%) compared to the corresponding period of 2022. Share of selling costs in revenues of the apparel segment in the second quarter of 2023 amounted to 43.9% and was higher by 6.7 pp. compared to the corresponding period of the previous year.

Increase in selling costs was mainly caused by an increase in basic salaries (increase in the minimum wage) and costs related to image marketing.

G&A COSTS

General and administrative expenses in the first half of 2023 amounted to PLN 28.4 million compared to PLN 26.3 million in the corresponding period of the previous year, which means an increase in costs by PLN 2.2 million (8%). At the same time, the share of general and administrative expenses in revenues increased to 9.7% compared to 8.5% in the corresponding period of the previous year.

General and administrative expenses in the second quarter of 2023 amounted to PLN 14.3 million compared to PLN 13.6 million in the corresponding period of the previous year, which means an increase of PLN 0.6 million (5%). At the same time, the share of general and administrative expenses in sales revenues increased to 8.5% compared to 7.1% in the corresponding period of the previous year.

OPERATING PROFIT IN THE APPAREL SEGMENT

In the first half of 2023, operating loss of PLN -8.0 million was incurred compared to profit of PLN 11.7 million generated in the corresponding period of the previous year (decrease of the result by PLN 19.7 million). In the second quarter of 2023, operating profit of PLN 11 million was generated, compared to PLN 29.5 million in the same period of the previous year (deterioration of the result by PLN 18.5 million).

Deterioration of the operating result was the result of lower revenues caused by the unfavourable macroeconomic situation (inflation, increase in interest rates) with a simultaneous increase in costs. Despite lower revenues, the percentage margin was maintained at the same level. Results of the first half of the year were significantly affected by lower revenues realized in the second quarter of 2023 compared to the second quarter of 2022, in which we recorded the cumulative demand from previous periods.

Operating profitability of the apparel segment in the first half of 2023 amounted to -2.7% compared to 3.8% in the corresponding period of the previous year. In the second quarter of 2023, the margin amounted to 6.6% and was lower by 8.8 pp. compared to the corresponding period of the previous year. Deterioration in operating profitability was the result of the factors indicated in the previous paragraph.

FINANCIAL INCOME AND COSTS

Net financial activities in the apparel segment amounted to PLN +7.5 million in the first half of 2023 compared to PLN -11.0 million in the corresponding period of the previous year. In the second quarter of 2023, net financial activities amounted to PLN +7.6 million compared to PLN -5.6 million in the corresponding period of the previous year.

The IFRS16 standard had a positive impact on net financial activities of the apparel segment in the first half of 2023 and amounted to PLN +7.0 million. Similarly, in the second quarter of 2023, the impact of IFRS16 on net financial activities was positive and amounted to PLN 7.2 million.

Apparel segment	PLN thsd			
	I half 2023 from 01-01-2023 to 30-06-2023	I half 2022 from 01-01-2022 to 30-06-2022	2 quarter 2023 from 01-04-2023 to 30-06-2023	2 quarter 2022 from 01-04-2022 to 30-06-2022
Financial costs net	-1,249	-2,633	-728	-1,913
FX differences net (excl. IFRS16)	1,671	-3,623	1,123	-1,935
IFRS 16 impact	7,028	-4,695	7,240	-1,716
'- incl. FX differences	*8,481*	-3,232	*7,974*	-1,005
'- incl. interest	*-1,453*	-1,463	-735	-711
Financial income/ costs	**7,450**	**-10,951**	**7,635**	**-5,564**

NET RESULT IN THE APPAREL SEGMENT

In the apparel segment, the Group showed a net profit of PLN 0.9 million in the first half of 2023 compared to a net loss of PLN 0.1 million in the corresponding period of the previous year (improvement of the result by PLN 1 million). In the second quarter of 2023, the Group's apparel segment showed a net profit of PLN 16.7 million compared to a net profit of PLN 18.9 million in the same period of the previous year (a decrease of PLN 2.2 million).

Improvement of the net result in the first half of the year was a consequence of positive impact of FX differences related to IFRS 16 (favourable balance of financial income and costs) and a positive result (PLN 2.2 million) due to the loss of control over WSM Factory Sp. z o. o. because the administration of the bankruptcy estate was taken over by the trustee.

JEWELLERY SEGMENT

	PLN thsd			
Jewellery segment	I half 2023 from 01-01-2023 to 30-06-2023	I half 2022 from 01-01-2022 to 30-06-2022	2 quarter 2023 from 01-04-2023 to 30-06-2023	2 quarter 2022 from 01-04-2022 to 30-06-2022
Revenues	**309,802**	**278,056**	**167,800**	**149,618**
Cost of sales	147,780	134,358	79,567	70,873
Gross profit on sales	162,022	143,698	88,233	78,745
Selling costs	87,120	74,835	45,948	39,448
Administrative expenses	18,629	15,378	9,898	8,234
Other operating income	570	517	524	246
Gain from sale of non-financial non-current assets	35	268	0	72
Other operating costs	887	750	646	693
Loss from sale of non-financial non-current assets	0	0	22	0
Profit (loss) from operations	**55,991**	**53,520**	**32,243**	**30,688**
Financial income / costs	5,983	-7,997	6,207	-4,636
Pre-tax profit (loss)	61,974	45,523	38,450	26,052
Income tax	11,985	8,984	7,429	5,596
Net profit (loss) for the period	**49,989**	**36,539**	**31,021**	**20,456**

	PLN thsd			
IAS 17* Jewellery segment	I half 2023 from 01-01-2023 to 30-06-2023	I half 2022 from 01-01-2022 to 30-06-2022	2 quarter 2023 from 01-04-2023 to 30-06-2023	2 quarter 2022 from 01-04-2022 to 30-06-2022
Revenues	**309,802**	**278,056**	**167,800**	**149,618**
Cost of sales	147,780	134,358	79,567	70,873
Gross profit on sales	162,022	143,698	88,233	78,745
Selling costs	89,858	77,318	47,281	40,767
Administrative expenses	18,926	15,668	10,040	8,380
Other operating income	570	362	524	207
Gain from sale of non-financial non-current assets	35	268	0	72
Other operating costs	887	723	646	666
Loss from sale of non-financial non-current assets	0	0	22	0
Profit (loss) from operations	**52,956**	**50,619**	**30,769**	**29,211**
Financial income / costs	423	-4,555	498	-3,386
Pre-tax profit (loss)	53,379	46,064	31,267	25,825
Income tax	10,352	9,087	6,064	5,553
Net profit (loss) for the period	**43,027**	**36,977**	**25,202**	**20,272**

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

REVENUES

Revenues of the jewellery segment in the first half of 2023 amounted to PLN 309.8 million and were higher by PLN 31.7 million compared to the corresponding period of the previous year (increase by 11%). In the second quarter of 2023, the revenues of the jewellery segment amounted to PLN 167.8 million and were higher by PLN 18.2 million compared to revenues in the corresponding period of the previous year (increase by 12%). Increase in revenues was the result of maintaining a positive trend in sales of gold and silver jewellery and luxury watches

GROSS PROFIT ON SALES

Gross profit on sales of the jewellery segment in the first half of 2023 amounted to PLN 162 million and was higher by PLN 18.3 million compared to the profit in the corresponding period of the previous year (increase by 13%). In the second quarter of 2023, gross profit on sales amounted to PLN 88.2 million and was higher by PLN 9.5 million compared to the profit in the corresponding period of the previous year (increase by 12%).

In addition, in the first half of 2023, the percentage gross margin increased by 0.6 pp. to 52.3% from 51.7% in the corresponding period of the previous year. In the second quarter of 2023, gross profit margin was at the level of 52.6%, i.e. the same as in the corresponding period of the previous year.

Increase in gross profit on sales in the first half of the year, as well as in the second quarter of 2023, was the result of an overall increase in sales revenue, as well as an increase in the percentage gross margin, resulting from an increase in jewellery sales in regular traditional stores.

SELLING COSTS

In the first half of 2023, selling costs amounted to PLN 87.1 million and were higher by PLN 12.3 million compared to the corresponding period of the previous year (increase by 16%). On the other hand, share of selling costs in the total sales of the jewellery segment increased to 28.1% compared to 26.9% in the corresponding period of the previous year.

In the second quarter of 2023, selling costs amounted to PLN 45.9 million and were higher by PLN 6.5 million compared to the corresponding period of the previous year (increase by 16%). At the same time, share of selling costs in the total sales of the jewellery segment increased to 27.4% compared to 26.4% in the corresponding period of the previous year.

Increase in selling costs was caused, among others, by increase in basic salaries (increase in the minimum wage), increase in costs derived from sales, i.e. commissions for franchisees, increase in marketing expenses. On the other hand, the increase in the share of selling costs in revenues resulted from a slightly higher percentage increase in selling costs than the increase in revenues.

G&A COSTS

In the first half of 2023, general and administrative expenses amounted to PLN 18.6 million and were higher by PLN 3.3 million (21%) compared to the corresponding period of the previous year. Share of general and administrative expenses in revenues amounted to 6.0% and was higher by 0.5 pp. compared to the corresponding period of the previous year.

In the second quarter of 2023, general and administrative expenses amounted to PLN 9.9 million and were higher by PLN 1.7 million (20%) compared to the corresponding period of the previous year. Share of general and administrative expenses in sales revenues amounted to 5.9% and was higher by 0.4 pp. in relation to the same period of the previous year.

OPERATING PROFIT IN THE JEWELLERY SEGMENT

Within the jewellery segment, the Group recorded an operating profit of PLN 56.0 million in the first half of 2023, which means an increase in operating profit by PLN 2.5 million (5%) compared to the corresponding period of the previous year. In the second quarter of 2023, the operating profit of the jewellery segment amounted to PLN 32.2 million and was higher by PLN 1.6 million (5%) compared to the corresponding period of the previous year.

Both in the first half of 2023 and in the second quarter of 2023, the company generated a higher operating profit compared to the corresponding period of the previous year, despite high inflation and an increase in costs, the percentage increase of which was greater than increase in revenues.

Operating profitability in the first half of 2023 amounted to 18.1% and was lower by 1.2 pp. compared to the corresponding period of the previous year. In the second quarter of 2023, the operating margin amounted to 19.2% and was lower by 1.3 pp. compared to the corresponding period of the previous year.

FINANCIAL INCOME AND COSTS

Net financial activity in the jewellery segment amounted to PLN 6.0 million in the first half of 2023 compared to PLN -8.0 million in the corresponding period of the previous year. In the second quarter of 2023, net financial activities amounted to PLN +6.2 million compared to PLN -4.6 million in the corresponding period of the previous year.

The IFRS16 standard had a positive impact on net financial activity of the jewellery segment in the first half of 2023, as it increased net financial income by PLN 5.6 million (in the corresponding period of the previous year, the impact was negative and amounted to PLN -3.4 million). Similarly, in the second quarter of 2023, the impact of IFRS16 on net financial activity was positive and resulted in an increase in financial income by PLN 5.7 million (in the corresponding period of the previous year, the impact was negative and amounted to PLN -1.3 million).

Jewellery segment	PLN thsd			
	I half 2023 from 01-01-2023 to 30-06-2023	I half 2022 from 01-01-2022 to 30-06-2022	2 quarter 2023 from 01-04-2023 to 30-06-2023	2 quarter 2022 from 01-04-2022 to 30-06-2022
Financial costs net	-1,031	-2,228	-577	-1,832
FX differences net (excl. IFRS16)	1,454	-2,327	1,075	-1,554
IFRS 16 impact	5,560	-3,442	5,709	-1,250
'- incl. FX differences	6,819	-2,421	6,414	-743
'- incl. interest	-1,259	-1,021	-705	-507
Financial income/ costs	**5,983**	**-7,997**	**6,207**	**-4,636**

NET RESULT IN THE JEWELLERY SEGMENT

Net profit of the jewellery segment in the first half of 2023 amounted to PLN 50.0 million and increased by PLN 13.5 million (37%) compared to the corresponding period of the previous year. In the second quarter of 2023, it amounted to PLN 31.0 million and increased by PLN 10.6 million (52%) compared to the corresponding period of the previous year.

Increase in net profit in the first half of 2023 and in the second quarter of 2023 (compared to the corresponding periods of the previous year) was the result of further sales growth (positive sales trends, no restrictions in trade) and improvement in the percentage gross margin, and consequently an increase in gross profit on sales, with a simultaneous lower increase in selling costs and general administrative expenses. The above factors were strengthened by the positive impact of increase in net financial income (i.e. including financial costs), as a consequence of recording positive FX differences.

STRUCTURE AND CHARACTERISTICS OF STATEMENT OF FINANCIAL POSITION

Consolidated balance sheet	30.06.2023		30.06.2022	
	Value (PLN ths)	**Share (%)**	**Value (PLN ths)**	**Share (%)**
Non-current assets, including:	**869,394**	**57.8%**	**847,949**	**57.1%**
Intangible assets	501,907	33.3%	500,381	33.7%
Fixed assets	66,549	4.4%	53,753	3.6%
Right-of-use asset (IFRS16)	280,792	18.7%	268,047	18.1%
Current assets, including:	**635,976**	**42.2%**	**637,038**	**42.9%**
Inventory	561,268	37.3%	527,943	35.6%

Consolidated balance sheet	30.06.2023		30.06.2022	
	Value (PLN ths)	Share (%)	Value (PLN ths)	Share (%)
Trade and other receivables	18,861	1.3%	20,065	1.4%
Cash and cash equivalents	55,645	3.7%	89,013	6.0%
Total assets	**1,505,370**		**1,484,987**	
Kapitał własny przypisany do jednostki dominującej w tym:	946,776	62.9%	886,225	59.7%
Kapitał podstawowy	49,122	3.3%	49,122	3.3%
Wynik finansowy roku bieżącego	50,902	3.4%	36,418	2.5%
Zobowiązania i rezerwy długoterminowe	**210,952**	**14.0%**	**245,616**	**16.5%**
Kredyty i pożyczki długoterminowe	13,759	0.9%	28,715	1.9%
Zobowiązania z tytułu leasingu	193,837	12.9%	215,311	14.5%
- w tym z tytułu leasingu lokali handlowych oraz powierzchni biurowych	*192,355*	*12.8%*	*214,394*	*14.4%*
Zobowiązania i rezerwy krótkoterminowe, w tym:	**347,642**	**23.1%**	**353,146**	**23.8%**
Zobowiązania z tytułu dostaw i usług oraz pozostałe zobowiązania	192,957	12.8%	212,981	14.3%
Kredyty i pożyczki krótkoterminowe oraz krótkoterminowa część kredytów i pożyczek długoterminowych	30,258	2.0%	24,180	1.6%
Zobowiązania z tytułu leasingu	106,451	7.1%	101,029	6.8%
- w tym z tytułu leasingu lokali handlowych oraz powierzchni biurowych	*105,672*	*7.0%*	*100,439*	*6.8%*
Pasywa razem	**1,505,370**		**1,484,987**	

ASSETS

Value of assets at the end of June 2023 slightly increased compared to the end of June 2022.

RIGHT-OF-USE ASSETS

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

INVENTORY

Inventories as at June 30, 2023 amounted to PLN 561.3 million, which means an increase compared to June 30, 2022 by 6.3%. In the apparel segment, inventories decreased by 15.8% YoY due to the optimization of orders and further liquidation of collections from previous quarters, while in the jewellery segment it increased by 23.5% YoY due to the opening of new stores and their stocking, as well as an increase in raw material prices. The Group's inventories per m2 amounted to PLN 10,876, which means an increase of 7.2% YoY:

Inventory / [PLN/m^2]	1H23	1H22	YoY
VRG	**10,876**	**10,150**	**+7%**
Apparel segment	4,998	5,730	-13%
Jewellery segment	29,077	25,495	+14%

EQUITY AND LIABILITIES

EQUITY

In the first half of 2023, changes in equity result primarily from profit earned in the amount of PLN 50,902 thousand and implementation by the parent company VRG S.A. adopted on June 28, 2023, the resolution of the Ordinary General Meeting of the parent company VRG S.A. on the payment of dividend in the total amount of PLN 46,891,168.00. Shareholders of the parent company VRG S.A. will be entitled to the dividend as at September 20, 2023 (dividend date), and the dividend payment date will be December 15, 2023.

LONG-TERM AND SHORT-TERM DEBT

Debt under long-term loans as at June 30, 2023 amounted to PLN 13.8 million compared to PLN 28.7 million as at the end of June 2022, which means a decrease by PLN 15 million. Lease liabilities due to lease of commercial premises and office space total PLN 298 million, of which PLN 192.3 million is the long-term part and PLN 105.7 million is the short-term part.

The table below shows evolution of financial liabilities as at June 30, 2023 and June 30, 2022 and net debt. In addition, data on net debt are also presented without the impact of IFRS 16, which significantly changes its value.

Net debt under IFRS 16 decreased compared to last year. Net debt/EBITDA ratio (under IFRS 16) is at a relatively low level of 1.2, while under MSF 17 the Group reported net cash at the end of June 2023.

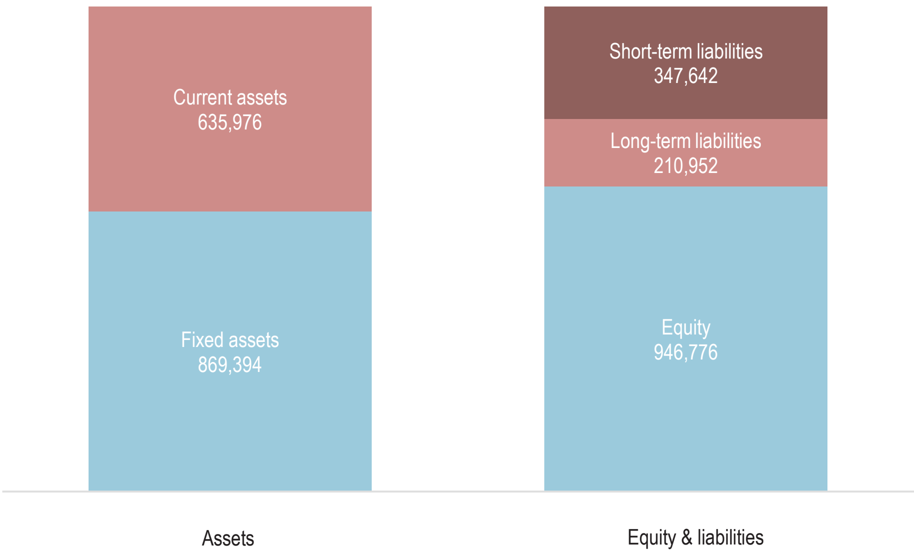
Net debt	30.06.2023	30.06.2022
Long-term debt	**207,596**	**244,026**
Long-term loans and borrowings	13,759	28,715
Finance lease liabilities	193,837	215,311
‘-incl. leases in shopping malls and office floorspace	*192,355*	*214,394*
Short-term debt	**140,660**	**144,232**
Loans and borrowings and short-term part of long-term loans	30,258	24,180
Reverse factoring	3,951	19,023
Finance lease liabilities	106,451	101,029
‘-incl. leases in shopping malls and office floorspace	*105,672*	*100,439*
Cash	**55,645**	**89,013**
Net debt	**292,611**	**299,245**
EBITDA annualised	241,044	266,993
Net debt/EBITDA	**1.2**	**1.1**

Net debt IAS 17*	30.06.2023	30.06.2022
Long-term debt	**15,241**	**29,632**
Long-term loans and borrowings	13,759	28,715
Finance lease liabilities	1,482	917
Short-term debt	**34,988**	**43,793**
Loans and borrowings and short-term part of long-term loans	30,258	24,180
Reverse factoring	3,951	19,023
Finance lease liabilities	779	590
Cash	**55,645**	**89,013**
Net debt	**-5,416**	**-15,588**
EBITDA annualised	125,537	174,458
Net debt/EBITDA	**-0.04**	**-0.1**

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

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

Balance sheet analysis at the end of 2Q 2023



SIGNIFICANT OFF-BALANCE SHEET ITEMS

Significant off-balance sheet items are indicated in Note 26 to the interim condensed financial statements.

SIGNIFICANT RISK FACTORS

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

EXTERNAL RISK FACTORS

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

	for new sourcing markets to keep its offering competitive. In addition, it may need to spend more on marketing and promotion to reach its target customer. **Actions:** In order to mitigate risks, the Group continuously monitors the activities of its competitors in terms of the development of its sales network, the products offered and the level of prices.
Exchange rate and hedging policy risks	In currencies other than PLN, the Group incurs costs (a) for the purchase of materials for production (fabrics, accessories) and complementary assortments in the clothing segment (shoes, knitwear, leather accessories and others), (b) for the purchase of materials for production (jewellery raw materials), jewellery and watches in the jewellery segment and (c) resulting from lease agreements for retail space. In the event of a significant and prolonged weakening of the Polish currency against the euro, the US dollar and the Swiss franc, there is a risk of a significant deterioration in the financial results achieved by the Group. The table below the list of risks presents an analysis of the sensitivity of the financial result (and therefore equity) to an average annual change in exchange rates of +/-5 % against the average or closing rate. **Actions:** The parent company takes measures to limit the impact of an increase in the exchange rate on the level of the achieved "in take" margin mainly in terms of the USD/PLN exchange rate relationship. by entering into forward and spot contracts. The transactions are related to individual deliveries of goods particularly in the fashion area and do not relate to neutralisation of a possible risk related to an increase in rental fees due to a change in the EUR/PLN exchange rate relationship. The impact of forward transactions will be visible in the valuation of currency liabilities related to the forward transactions concluded. The Group earns its revenue principally in PLN, but incurs significant costs in euro, US dollar and Swiss franc, which exposes the financial result to foreign exchange risk. During periods of weakening of the PLN against the major currencies of settlement, the Group incurs higher costs due to accounting for exchange rate differences.
Interest rate risk	The Group uses external financing with a variable interest rate in the form of an investment loan and a working capital loan as well as reverse factoring. Therefore, the Group is exposed to interest rate risk in the form of a possible increase in financing costs and, consequently, a decrease in the Group's profitability. The table below the list of risks presents a sensitivity analysis of the financial result (and thus equity) in relation to the potential fluctuation of the average annual interest rate +/- by 500 basis points (i.e. by 5 percentage points) **Actions:** The Group constantly monitors the market situation and optimizes the debt level using diversified financial products.
Risks related to the armed conflict in Ukraine	The uncertain political and economic situation related to the armed conflict in Ukraine may adversely affect the Group's operations in the area of domestic consumer stay, exchange rates and supply as a result of the risk of supply chain disruption. The Group does not have its own or franchise stores in the areas affected by the armed conflict in Ukraine and Russia, nor does it sell there through other channels (on-line shop, wholesale). As the Group does not import goods or raw materials from Ukraine or Russia, the risk of a possible negative impact of the armed conflict in Ukraine on the current stocking of its showrooms and the availability of its offer in on-line shops is assessed by the Parent's Management Board as low.

INTERNAL RISK FACTORS

Risks associated with adopting the wrong strategy	There is a risk that the Group's development plans, which were presented in the Capital Group's Strategy for 2023-2025, published on June 15, 2023, will prove unsuited to changing customer expectations or market conditions. There is a risk that the implementation of the Strategy will be delayed or some of its elements will not be implemented or will not deliver the assumed results. There is, among others, a risk that the Group will not be able to achieve the financial results assumed in the Strategy due to the failure to adjust the product offer to customer expectations or

disruptions in the functioning of the target markets of the Group's brands caused by recessionary pressure in the economy.

Actions: The management boards of the Group's companies analyze the effects of the actions implemented under the adopted Strategy of the Capital Group for 2023-2025 on an ongoing basis. Data is collected on available new locations of off-line stores and potential new sales markets. Optimization measures are taken in various areas of the Group's operations, the needs and behaviour of customers, the activities of competing brands are monitored, and changes in the models of retail trade in the apparel and jewellery segment are observed to minimize the risk of continuing the wrong strategy and ensure the possibility of its modification in a manner adequate to changes in the market situation.

Risk of changing tastes and purchasing behaviour

An important factor in the success of an apparel company is a keen sense of changes in fashion trends and current consumer preferences and, in the case of the jewellery segment, adaptation to consumer expectations. There is a risk that individual collections or part of the Group's offer, despite its efforts, will deviate from customer expectations in a given season, which may result in problems with sales, the need to reduce selling prices or write down the value of part of the inventory. In order to mitigate this risk, the Group's companies analyse changing trends and customer needs so as to continue to offer desirable products at a favourable price/quality ratio. In addition, an analysis of the sales of individual ranges is carried out in order to select appropriate products in the next collections of the Group's owned brands.

Over the last few years, as a result of the development of new communication technologies, there has been a noticeable change in the behaviour of the modern customer, i.e. the use of the internet and mobile devices in the clothing purchasing process. Thanks to the use of the internet in the purchasing process, the consumer has access to a wide range of brands, often with a global reach. They are also able to quickly compare the products on offer in terms of quality and price. Customers pay attention to delivery times, as well as the manufacturing process and the country of origin of the product. Knowing how today's consumers think and behave about their clothing purchases is an important factor in the success of clothing companies.

Activities: The Group is aware of the changes taking place and is taking a number of actions to meet the demands of today's apparel customers. These actions include: developing the online sales channel, adapting web shop pages to meet customer expectations, implementing dedicated solutions for mobile devices and reducing lead times.

Risks associated with concluded rental contracts

The Group's business is based predominantly on the retail sale of goods through its own network of stores. The risk of losing one or more locations cannot be ruled out, e.g. in connection with the intention to modernise the entire shopping centre or a change in the landlord's pricing policy. The risk of termination of the lease agreement cannot be ruled out if the Group breaches the provisions of the lease agreement or of non-renewal of the lease agreement in locations showing the highest profitability for the Group or generating satisfactory financial results. There is a risk that the lease terms offered to the Group for the next period may differ unfavourably from the existing terms in the location.

Loss of existing locations may make it necessary to temporarily curtail operations in a given area or the acquisition of attractive locations may involve increased costs.

Activities: constant monitoring of existing and potential locations is carried out in order to achieve an optimal portfolio in line with the Group's expectations.

Risks associated with inventory management

Inventory management of finished goods and merchandise is one of the important factors affecting sales performance in the Group's industry. On the one hand, stock levels should facilitate purchasing decisions when offering a particular seasonal collection, leading to an increase in stock at each point of sale. On the other hand, higher inventory levels generate additional working capital requirements and may lead to the rewarding of hard-to-buy stock (seasonal, 'fashion' products, misplaced collections).

Inadequate inventory management poses a risk to prices, margins and the necessary level of working capital, and can therefore negatively affect the Group's growth prospects, performance and financial position.

	Actions: A quantitative and qualitative analysis of the stocks held is carried out periodically. Based on this, the Group decides on discount actions, the amount of sales, as well as possible write-downs. In addition, on the basis of an analysis of the stock held and the resale of current collections, decisions are made as to the level of purchases for subsequent sales periods.
Risk of increases in raw material prices and manufacturing costs from suppliers	The Group procures imported raw materials for production, in particular high-quality fabrics and sewing accessories, as well as metals and precious stones for jewellery production. The cost of the aforementioned raw materials is a significant factor affecting the cost of production of the individual products on offer from the Group. In addition, Group companies purchase clothing accessories, jewellery products and watches from renowned foreign brands. There is a significant risk that with further increases in the prices of raw materials or manufacturing costs from suppliers/service providers, with little scope for price changes, it will not be possible to maintain margins that are appropriate for the type of product range. **Actions**: With a view to the quality required, the Group actively seeks the most optimal service providers and suppliers and negotiates price conditions.
External service cost risk	A significant share of operating costs is accounted for by third-party services. These services consist primarily of rents and other charges under commercial leases, costs related to the sewing service and costs related to transport and logistics. The Group also purchases a number of typical services (e.g.: advertising, telecommunications, legal, consultancy, etc.). The risk of deterioration in the commercial terms of one or more of the third-party services purchased by the Group, in particular rental costs, cannot be excluded. **Activities:** Constant monitoring of the contracts concluded and comparison to current market conditions is carried out.
Risk of termination of a bank loan agreement	The Group has entered into bank loan agreements with the banks PKO BP, SA, ING Bank Śląski SA and mBank SA. These agreements contain a number of conditions and covenants that the Group is obliged to fulfil. In the event of an economic downturn, a weakening of demand for the Group's products, the fulfilment of the covenants may be jeopardised, resulting in the risk of termination of the agreements by the financing banks. Due to the large amount of financing, it may not be possible for the Group to obtain refinancing in the short term. **Actions:** The Group minimises the risk by meeting its obligations to the banks on time and monitoring compliance with covenants. The Group provides the financing banks with information on its situation on an ongoing basis, either as a result of contractual conditions or the interest of the financing banks themselves, so that the associated risks are minimised and, should refinancing be required, the Group would be able to obtain it within a timeframe that does not impede liquidity.
Liquidity risk	The Group has liabilities under loan agreements. Consequently, collateral has been established covering a significant portion of the assets. These liabilities are serviced primarily using current operating income. In the extreme case of a sharp, simultaneous drop in demand and increase in costs (especially in the event of a deep weakening of the Polish zloty) or a temporary loss of revenue as a result of extraordinary events, the Group may experience difficulties in maintaining its liquidity. **Actions:** The Group constantly monitors its liquidity position by analysing the volume of sales receipts and required liabilities. It has carried out measures to extend payment terms for purchased goods and is actively adjusting the value of collections in line with demand, which will have a positive impact on the Group's cash flow. In the first half of 2022, the Group companies renewed their contracts with PKO BP and mBank for further years. The Group will work to further improve the efficiency of working capital utilisation and maintain longer payment terms.

	In the opinion of the Parent Company's Management Board, the current situation is sufficiently monitored and controlled. The Parent Company's Management Board is confident of the positive results of the measures described above.
Risk of liquidation of collateral and loss of collateral	In connection with loan and other agreements with a number of entities, the Group has created numerous collaterals over all of its assets, both real estate and movable property, inventories and trademarks. The amount of collateral exceeds the carrying value of the Group's assets. There is a risk of failure to meet deadlines or other contractual terms. Delays in meeting the above obligations may result in the immediate termination of all or part of the financing and the subsequent seizure of the Group's assets by the creditor to satisfy the collateral. The loss of significant assets could lead to significant impediments to the Group's business operations or even a complete blockage of the Group's ability to operate, generate revenues and profits. **Actions:** The Group minimises risk by meeting its obligations to banks in a timely manner.
Risks related to transactions with related parties	Group companies do and will enter into transactions with related parties. In particular, the Issuer enters into such transactions with the production company and the company responsible for the jewellery segment. Transactions with related parties may be subject to examination by the tax authorities in order to ascertain whether they were concluded on an arm's length basis and whether, therefore, the entity has correctly determined its tax liabilities. In the opinion of the Parent Company's Management Board, transactions with related parties are and will be concluded on an arm's length basis. There is a risk that the tax authorities will question the arm's length nature of the terms and conditions of the selected related party transaction, which could result in additional tax having to be paid, together with default interest. **Actions:** The parent company enters into transactions with related parties on an arm's length basis and analyses their marketability.
Risks related to shareholder structure	The Parent Company is characterised by a dispersed shareholding structure, with the largest shareholders being funds managed by the PZU Group S.A. holding 19.44% of votes at the General Meeting, and 6 significant shareholders holding a total of 76.87% of votes at the General Meeting. Most of these shareholders have held shares in the Parent for many years and participate in shaping the Company's business through their representatives on the Supervisory Board. However, the risk cannot be ruled out that one or more of the significant shareholders will reduce their shareholding or cease to invest in the Company's shares. It cannot be ruled out that decisions on the Group's strategy and operations which are important from the point of view of the Group will be delayed or even blocked. It cannot be ruled out that, despite the cooperation to date, the interests of significant shareholders will diverge/conflict. The aforementioned factors may have a significant negative impact on the Group's development prospects, results and financial position.
Risks associated with providing guarantees to subsidiaries	In connection with the separation of an organized part of the enterprise in the form of jewellery assets and their transfer to the subsidiary W.KRUK SA, the company performed a simultaneous financial restructuring. As part of this process, in 2015 W.KRUK SA obtained new financing from Bank PKO BP (Bank Loan B) and the parent company guaranteed the liabilities of the subsidiary. In the second quarter of 2015, the subsidiary DCG SA obtained refinancing from Bank PKO BP. The said liability of the subsidiary DCG S.A. was guaranteed by the Parent Company. Parent company VRG S.A. is responsible for the repayment of Loan B under the surety granted to W.KRUK S.A. up to a maximum amount not exceeding PLN 107,100,000, with the possibility of its release after 3 years.

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

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

MARKETS

The Capital Group offers its products mainly to retail customers through a network of company stores. The domestic market is the dominant sales market for the companies from the Issuer's Capital Group.

SOURCING

In the first half of 2023, the Issuer used mainly raw materials of foreign origin for production for the domestic market. Domestic sources of supply of raw materials used in the production of products constituted a minority. Sources of supplies for fabrics, jewellery and accessories were diversified - none of the suppliers exceeded the threshold of 10% share in total supplies.

ORGANIZATIONAL OR CAPITAL RELATIONS

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

TRANSACTIONS WITH RELATED PARTIES

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

BANK LOANS

Information on bank loans is included in Note No. 18 to the interim condensed consolidated financial statements.

PROCEEDINGS PENDING IN A COURT OR A PUBLIC ADMINISTRATION AUTHORITY

Information on proceedings pending in a court or a public administration authority is included in point 8.9 of the supplementary information and explanations to the interim condensed consolidated financial statements.

GUARANTEES FOR LOANS OR BANK LOANS AND GUARANTEES GRANTED

Information on bank loan or loan guarantees and guarantees granted is included in note 8.11 of the supplementary information and explanations to the interim condensed consolidated financial statements.

FINANCIAL RESOURCES MANAGEMENT

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

FULFILLMENT OF PUBLISHED FORECASTS

VRG S.A. it did not publish the forecast of financial results for 2023.

7. PLANNED DEVELOPMENT ACTIVITIES

Development prospects of VRG Group in 2023 will be largely determined by external factors related to negative macroeconomic data affecting consumer sentiment through, among others, high level of inflation and related increase in cost of living for households and, consequently, fall in level of disposable income. Unstable situation in world politics and threats related to the ongoing armed conflict beyond Poland's eastern border may still adversely affect consumer behaviour in the coming quarters. Considering these factors, we believe that thanks to diversification of the Group's business into the jewellery and apparel segments and a wide range of products for various consumer groups through brands operating in both segments, good preparation for the Autumn-Winter season and the upcoming Christmas, the level of the Group's revenues in 2023 should be higher than those realized in 2022. In both segments, further work is also planned to improve the gross percentage margin compared to 2022.

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

In accordance with the Group's strategy, VRG apparel brands are currently undergoing a significant transformation, both in terms of the offer and the desired image of the brands in their target groups. Vistula and Wólczanka are tasked with significantly rejuvenating their consumer base (25+) over the next 2 years and developing the offer for women more strongly. In 2025, the women's collection in Vistula is to reach a minimum of 15 percent share in the offer (compared to 2 percent in 2022), in Wólczanka about 50 percent (compared to 30 percent this year). BYTOM will develop in the direction of slow fashion, maintaining a strong focus on the modern men's formal collection. All three brands will operate in the "accessible premium" segment, while Deni Cler is set to develop its premium offering.

The first elements of the evolution of apparel brands in this strategic direction were already visible in the collections introduced to the offer in the first half of this year. The proposed assortment included, apart from formal and semi-formal clothing, a wide selection of clothes and accessories that build whole silhouettes for every occasion (including sportswear).

The Vistula collection for the Autumn-Winter 2023/24 season is a tribute to the style and modern form of classic clothes. The collection will also include suits that are the DNA of the brand, the highest quality knitwear, jackets and coats. The wide offer is tailored to the needs and expectations of various customer groups. The basic collection for the Autumn-Winter 2023/24 season is preceded by the PRE - FALL collection, already present in stores, focused around the capsule wardrobe and the advantages of thoughtfully creating your own wardrobe and style. The women's and men's collections have been designed with the highest quality fabrics in a consistent colour palette. In the offer for men, apart from suits, the customer will also find a wide range of cotton and merino wool knitted fabrics, shirts, trousers and jeans. The women's collection includes dresses and suit sets in energizing colours, oversize shirts and classic turtlenecks.

The first edition of the Bytom brand collection was based on the idea of light layering, thanks to which individual types of clothing can be universally combined to create stylizations that ensure optimum comfort, ideally suited to the occasion and weather conditions. The colour palette is dominated by light shades of beige, melange burgundy, gray and subdued blue, which are broken with navy blue and energizing cobalt. The key element of the collection are casual and formal suits with characteristic stitching, referring to the tradition of craft tailoring, in which fabrics from renowned European manufacturers were used. The latest collection also features a line referring to the preppy style - university elegance, dominated by classic cuts and high-quality fabrics, the colours of which focus around the ginger colour on the borderline of orange and brown in a strong combination with navy blue and brightening beige.

In the Wólczanka brand, the capsule collection for the Autumn-Winter 2023/24 season is based on naturalistic floral patterns, which in various versions can be found on shirts, skirts and dresses. Cobalt and subdued red are the leading colours of the collection. The women's collection also attracts attention with new models of light, knitted trousers, sweaters and shirts with a flower print on viscose and silk. In the men's collection, in addition to the traditional wide range of shirts, we have long-sleeved knitwear, sweatshirts and transitional jackets for slightly cooler days and evenings.

Activities related to the new collections of the Deni Cler brand, representing the luxury segment of women's clothing, are focused on meeting the expectations of loyal customers attached to the design of formal collections, indicating the Italian origin of the brand, going hand in hand with care for the highest quality and compliance with current fashion trends. For the Autumn-Winter season, the Deni Cler brand collection takes its clients on a journey around the world, staying in well-known hotels such as the Ritz, Sheraton and Waldorf Astoria. The latest collection "LUSSO DISCRETO", i.e. "Quiet Luxury", builds an aura of discreet elegance and nobility.

For the Autumn-Winter 2023/24 season, the jewellery brand W.KRUK has planned another edition of the ambassador collection and a number of new products, including the offer of other luxury jewellery and watch brands. In June, W.KRUK and Martyna Wojciechowska presented their own collection of perfumes and silk scarves Freedom AIR, EARTH, FIRE and WATER, which are compositions inspired by the elements. Development of own products, created in accordance with the best patterns and global trends, will also be continued. The offer of accessories complementing the offer of jewellery and watches will be systematically developed. 2023 is to be the year of further development of the Picky Pica brand, addressed to a customer who treats attractively designed jewellery made of materials other than precious metals as a fashion and seasonal product. The novelty of the current season of the Picky Pica brand is the Holiday collection.

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

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

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

- improving products of VRG Group brands with particular attention to the best matching of the offer to preferences and needs of customers and development of new assortments (increasing the width of Vistula women's collection, new categories of luxury jewellery and watches in the offer of W.KRUK stores);
- increasing inventory level of traditional network and on-line channel in the Group's apparel segment;
- optimization of gross profit margin in the conditions of persistent inflation;
- development of on-line channel thanks to in-depth integration of own off-line and on-line channels as part of the omnichannel strategy, introduction of new functionalities in on-line stores, segmentation of customer information in order to better adapt products to their needs, development of sales applications, strengthening the presence of VRG Group brands in the offer of the most famous marketplaces and internet platforms;
- increasing expenditures on image marketing on the Internet and traditional channels;
- continuous improvement of quality of customer service in the traditional and on-line channels.

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

Management Board of VRG S.A. expects that if the new collections are well received by customers and favourable macroeconomic trends occur, the implementation of the above actions will allow for the improvement of the Group's results.

Management Board of VRG S.A. monitors the sales and margin results of all the Group's brands on an ongoing basis and will flexibly adjust its activities to the market situation.

8. STATEMENT OF THE MANAGEMENT BOARD

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

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

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

Cracow, August 24, 2023

VISTULA

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Report on Review of the Condensed Interim Consolidated Financial Statements

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For the Shareholders of VRG Spółka Akcyjna

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of a Group (the Group), in which the parent entity is VRG Spółka Akcyjna (the Parent) with its registered office in Kraków, 10 Pilotów Street, which comprise the condensed interim consolidated statement of financial position as of June 30, 2023, the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity, condensed consolidated interim statement of cash flows for the period from January 1, 2023 to June 30, 2023 and selected explanatory notes.

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

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

Scope of Review

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

Conclusion

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

Renata Art-Franke

Statutory Auditor No. 10320
Key Audit Partner performing the review on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, August 24, 2023

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.