

Letter of the President of the Management Board of VRG S.A. to Shareholders for 2025

Ladies and gentlemen,

While presenting you the 2025 annual reports of VRG S.A. and the VRG Capital Group, I outline the year's results, highlight the key initiatives completed, and assess the progress made in creating shareholder value.

The year 2025 saw a significant strengthening of the Group's operating results, led by the apparel segment, whose improved performance supported the Group's overall advancement. This achievement reflects the steady execution of initiatives introduced in 2024 and consistently pursued during the reporting year.

The most important of these initiatives included optimizing the retail network structure, maintaining strict cost discipline, significantly enhancing the quality and composition of the collections, and improving store planning and inventory management. A crucial role was also played by the full utilization of omnichannel solutions already implemented, including the unified stock and its integration across sales channels, as well as the development of tools supporting sales and personalized customer offerings. In parallel, we revised the brands' communication strategies and focused on products aligned with their DNA and customer expectations.

In 2025, the Group generated PLN 1.5 billion in revenue, representing an increase of more than 9% compared with the previous year. The consolidated operating profit, exceeded PLN 137 million, also improved by over 9%, while net profit rose to PLN 98.2 million from PLN 86.9 million a year earlier. Importantly, the structure of the result also altered – improvement stemmed directly from stronger operating performance.

When assessing the standalone result of VRG S.A., it is important to note that in 2024 it was significantly supported by a one-off dividend received from W.KRUK S.A. The absence of a similar event in 2025 means that the achieved result is based to a much greater extent on the Company's core operating activities.

An important factor influencing the results, particularly in the apparel segment, was the updated inventory valuation methodology introduced in 2025. The purpose of this change was to better reflect the market value of inventories, especially collections with lower turnover and limited sales potential. In practice, this meant a more conservative approach to valuing older collections and faster recognition of write-downs for aged stock with low sales prospects. In parallel, in 2025 we undertook initiatives aimed at reducing low-turnover inventories, including selling them outside the Group's own retail channels.

These actions will continue in the coming periods to limit the impact of older merchandise on margins and to increase the share of current collections, which are characterized by higher turnover and profitability.

A significant event in 2025 was the launch of the process to acquire the Lilou brand, which was finalized in January 2026. Lilou expands the Group's presence in the fashion and personalized jewellery segment, complementing the offering of the jewellery division and enabling access to new customer groups and new purchasing occasions. In the coming periods, we will focus on further scaling the brand's operations, including the development of its own retail network, while preserving its distinct identity and character.

In 2025, our capital allocation decisions were guided by the objective of long-term value creation for the Group. We concentrated on reinvesting the funds generated into business development, including the acquisition of the Lilou brand and the expansion of key operational areas.

In the coming years, we will continue to consistently pursue initiatives aimed at increasing the Group's value. In the apparel segment, our priority will remain further improving profitability by increasing sales and margins, maintaining cost discipline, enhancing the efficiency of the retail network, and optimizing inventory management. We will continue to develop the Vistula, Bytom and Wólczanka brands, strengthening their market positioning and investing in tools that support customer relationships.

In the jewellery segment, we will focus on further revenue growth and maintaining high profitability, while leveraging the benefits of integrating the Lilou brand, as well as expanding our international operations and digital channels.

The market environment in 2025 was marked by an improvement in consumer behaviour. Customers showed a higher propensity to purchase, their purchasing power increased, and consumer sentiment strengthened. In the apparel segment, more pronounced seasonality – including a colder Autumn and Winter – supported sales in product categories typical for this period.

In the jewellery segment, demand for jewellery products remained strong, and we also observed customers returning to watch purchases. At the same time, a factor that hindered retail performance in both segments was the decline in footfall in shopping malls during most of 2025.

In the Management Board's view, 2025 confirmed the effectiveness of the strategic direction we have adopted. We enter the next stage of development with clearly improved results, more stable and repeatable cash flows, and a more balanced business model.

Thank you for your trust. I would also like to express my gratitude to all employees and partners of the VRG Group, whose commitment was essential to the results we achieved.

Sincerely,

Mateusz Kolański
President of the Management Board

Cracow, April 24, 2026