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Polish Retailer LPP Says It May Halt Expansion in Russia, Ukraine

By The Moscow Times

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WARSAW — Poland's largest clothing retailer LPP will decide within the next two months whether to put its expansion plans in Russia and Ukraine on hold due to geopolitical instability, the company's deputy chief executive said on Thursday.

Poland's eastern neighbors have been some of the most lucrative markets for LPP, accounting for over a fifth of its sales in 2014. They also burdened LPP's 2014 profits due to a massive devaluation of the ruble and the Ukrainian hryvna.

The firm had previously announced that it planned to increase its shopping space in Russia and Ukraine by 14 percent this year, but according to deputy chief Przemyslaw Lutkiewicz it is now "seriously considering" putting the plan on hold.

"New rental contracts are on the table, and they are profitable for us. But the geopolitical risks are so high that we are considering if it's worth to invest there," Lutkiewicz said.

"We really don't want to close [existing] shops in those countries, though. In the long run, we want to develop there, unless something unexpected happens," he added.

Despite the uncertainty engulfing the Russian and Ukrainian markets, LPP is planning to spend around 400 million zlotys ($109.2 million) on its new store openings this year, up from 380 million in 2014.

The group wants to broaden its footprint in Germany and is planning to increase its chain in the EU, excluding Poland, by 46 percent. It is also to start a franchise in Middle Eastern countries like Egypt, Qatar, Kuwait and Saudi Arabia.

"Until last year, we had never thought of going West, but now we want to have around 30 stores in Germany within two to three years. We have four now and we plan to open between eight and 10 this year," said Lutkiewicz.

LPP will also open a store in Cairo in February, and aims to open another seven stores through the Middle Eastern franchise in 2015.

Lutkiewicz said that due to its expansions plan in Germany the dividend paid out from the 2014 profit may be "a bit" lower than 170 million zlotys paid the year before.

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