2022

Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group

IN THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2022

This document is a translation and PDF format version of the official consolidated financial statements for the financial year 2022, which have been published in the Polish language in the XHTML format and which prevail in case of any discrepancies or doubt.

TABLE OF CONTENTS

This document contains the Directors' Report on the operations of the Auto Partner Group in 2022. This document also contains the Directors' Report on the operations of the parent, prepared in accordance with Par. 71.8 of the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2019.

1 THE COMPANY AND THE GROUP

1.1 OVERVIEW OF THE GROUP

The Group operates under the name of Auto Partner (the "Group"), with Auto Partner S.A. of Bieruń (the "Company") as the parent. Basic information on the parent is presented below:

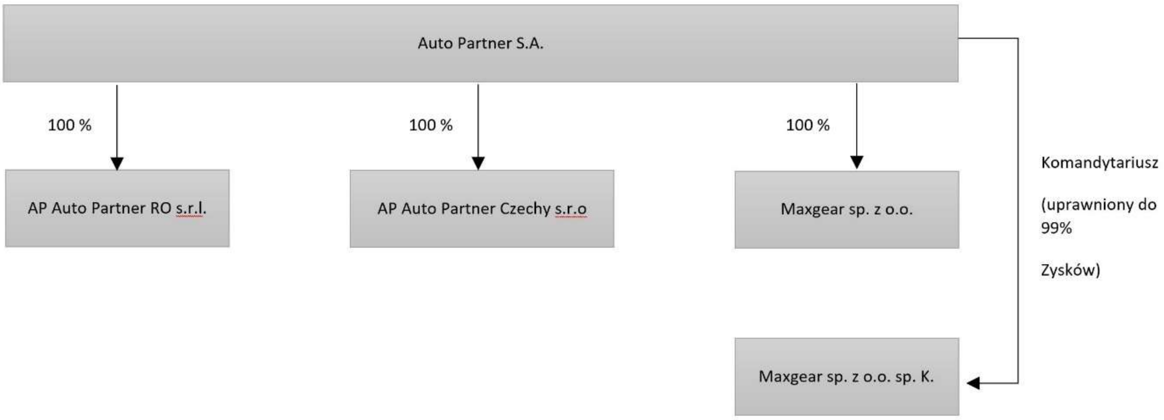
Registered office:	Bieruń
Legal form:	Joint stock company
Country of incorporation:	Poland
Address:	ul. Ekonomiczna 20,
	43-150 Bieruń, Poland
Tel./Fax:	+48 32,325 15 00 / +48 32,325 15 20
Email:	kontakt@autopartner.com
Website:	www.autopartner.com

As at December 31st 2022, the Group also included the following subsidiaries: Maxgear Spółka z ograniczoną odpowiedzialnością of Tychy (wholly-owned by the Parent), Maxgear Spółka z ograniczoną odpowiedzialnością spółka komandytowa of Bieruń (the Parent is a limited partner in the company, entitled to 99% of its profits), AP Auto Partner CZ s.r.o. of Prague, the Czech Republic (wholly-owned by the Parent), and AP Auto Partner RO s.r.l of Bucharest, Romania (wholly-owned by the Parent).

The companies are consolidated in the Group's financial statements on a full basis.

Apart from conducting its business involving the sale of automotive parts and accessories, the Company, as the parent, acts as the holding company in the Group and coordinates the operation of its subsidiaries and creation of a uniform trading, marketing, investment and credit policy for the Group.

The chart below presents the structure of the Group as at the reporting date, including all of the Company's subsidiaries.



Source: the Group.

1.2 SUBSIDIARIES

Below is presented a list of subsidiaries forming part of the Company's Group, including their key details.

Maxgear sp. z o.o.

Maxgear sp. z o.o., with its registered office at ul. Bałuckiego 4, 43-100 Tychy, Poland, is entered in the Register of Businesses at the National Court Register under No. 0000279190. The company's share capital amounts to PLN 50,000.00 and is divided into 100 shares with a par value of PLN 500 per share. Maxgear sp. z o.o. is wholly owned by the Company, which holds 100% of its shares and the right to exercise all 100 voting rights at its General Meeting.

The company is a general partner in Maxgear sp. z o.o. sp.k., which it represents and whose operations it manages. Maxgear sp. z o.o. does not carry out any operating activities. The Group's strategy provides for continued building of the value of its private label brands. In this model, Maxgear sp. z o.o. is to continue as an entity representing Maxgear sp. z o.o. sp.k. and managing its operations.

Maxgear sp. z o.o. sp.k.

Maxgear sp. z o.o. sp.k., with its registered office at ul. Ekonomiczna 20, 43-150 Bieruń, is entered in the Register of Businesses at the National Court Register under No. 0000332893. Its general partner is Maxgear sp. z o.o. The Company is its limited partner, with the limited partner's contribution amount of PLN 20,000 and a 99% share in the company's profits. The right to the remaining 1% of profits is held by Maxgear sp. z o.o.

The company's business consists in purchasing goods which are then sold by the Group under the Maxgear brand. Most of the goods are imported from Asia and then resold to the Company for further distribution.

AP Auto Partner CZ s.r.o.

AP Auto Partner CZ s.r.o., with its registered office in Prague, the Czech Republic, is incorporated under the Czech law and is responsible for the Group's operations in the Czech market. AP Auto Partner CZ s.r.o. is wholly owned by the Company, which holds the right to exercise all voting rights at its General Meeting. AP Auto Partner CZ s.r.o. is engaged in sales in the Czech market through a warehouse in Prague.

AP Auto Partner RO s.r.l.

AP Auto Partner RO s.r.l., with its registered office in Bucharest, Romania, is incorporated under the Romanian law and is to be responsible for the Group's operations in the Romanian market. AP Auto Partner RO s.r.l. is wholly owned by the Company, which holds the right to exercise all voting rights at its General Meeting. The Group intends to use the company as a platform for expansion of its warehouse facilities and sales in this market.

1.3 CHANGES IN THE GROUP'S KEY MANAGEMENT POLICIES AND ITS ORGANISATION

In the reporting period, the composition of the Auto Partner S.A. Management Board was increased to four members. On November 30th 2022, the Company's Supervisory Board appointed Tomasz Werbiński as Member of the Management Board with effect from December 1st 2022. Sav for the above, there were no other material changes in the policies applied in the management of Auto Partner S.A. or the Auto Partner Group, and no changes in the organisation of the Group, including changes resulting from a business combination, acquisition or loss of control of a subsidiary or a long-term investment, demerger, restructuring or discontinuation of business.

On February 21st 2023, by way of a deed the Company established a foundation under the name Auto Partner with its seat in Bieruń.

1.4 ORGANISATIONAL AND EQUITY LINKS OF THE COMPANY AND OTHER GROUP COMPANIES WITH THIRD-PARTY ENTITIES; INVESTMENTS IN POLAND AND ABROAD, INCLUDING EQUITY INVESTMENTS OUTSIDE THE GROUP

In 2022, there were no material organisational or equity links of the Company and other Group companies with third-party entities. Neither the Company or any other Group companies made any investments in securities, equity instruments, real property or intangible assets.

1.5 INCENTIVE SCHEME FOR THE GROUP'S KEY EMPLOYEES

Incentive Scheme for 2022-2024

On September 10th 2021, the Supervisory Board of the Company approved the Rules of the 2022–2024 Incentive Scheme for Members of the Management Board of Auto Partner S.A. (the "Scheme"), providing for the payment of additional remuneration for the appointment to the Company's Management Board, linked to the Company's financial performance (bonuses). The Scheme is intended for the following members of the Company's Management Board: Andrzej Manowski, Piotr Janta and Tomasz Werbiński (on November 30th 2022 the Supervisory Board passed Resolution No. 5 whereby Tomasz Werbiński was included in the Scheme). The purpose of the Scheme is to establish mechanisms to encourage activities that would ensure long-term growth of the shareholder value, reduce turnover of the Company's management staff, and reward their contribution to the shareholder value growth. For detailed rules of awarding the incentive bonus, visit the Company's website https://ir.autopartner.com/lad-korporacyjny/#polityka-wynagrodzen. The total amount of bonuses paid in accordance with the Rules will not exceed PLN 8,000,000 during the term of the Scheme. The Scheme will be implemented in 2022–2027 with respect to the reference periods of 2022–2024.

On January 10th 2022, the General Meeting of Maxgear sp. z o.o. approved the Rules of the 2022–2024 Incentive Scheme for members of the Management Board of Maxgear Sp. z o.o.: Grzegorz Pal and Arkadiusz Cieplak. Its terms will be the same as those applying to members of the Auto Partner S.A. Management Board. The total amount of bonuses paid in accordance with the Rules to members of the Management Board of Maxgear sp. z o.o. will not exceed PLN 4,000,000 during the term of the Scheme.

Implementation of previous years' schemes
2022 saw the payment of a part of the bonus granted by the Supervisory Board by Resolution No. 3 of June 29th 2020 under the Incentive Scheme adopted by the Supervisory Board by Resolution No. 14 of April 9th 2019 on the Rules of the Incentive Scheme for 2019-2021 for Members of the Auto Partner S.A. Management Board. Similarly, a partial bonus payment was made in 2022 to Members of the Management Board of Maxgear Sp. z o.o. under a General Meeting resolution of May 30th 2019 on the Rules of the Incentive Scheme for 2019−2021.
In 2022, an incentive bonus for 2021 was paid to Management Board Vice Presidents Andrzej Manowski and Piotr Janty, approved by the Supervisory Board on September 10th 2021, based on the value of Auto Partner Group's consolidated net profit for the financial year 2021.

For detailed information on the Incentive Scheme for 2019−2021 and the incentive bonus for 2021, see the Directors' Report on the Company's and the Group's operations in 2021, available at https://ir.autopartner.com/raporty/#raporty-okresowe

The Group did not have any other obligations under its share-based incentive or bonus schemes, or retirement pensions and similar benefits for former members of its management, supervisory or administration bodies.

1.6 TOTAL NUMBER AND PAR VALUE OF COMPANY SHARES AND SHARES IN SUBSIDIARIES HELD BY THE COMPANY'S MANAGEMENT AND SUPERVISORY STAFF AS AT THE RELEASE DATE OF THIS REPORT

The table below presents holdings of members of the Management Board and the Supervisory Board as at this report issue date.

Full name	Position	Number of Company shares held	Par value of the shares (PLN)
Aleksander Górecki	President of the Management Board	28,383,577	2,838,357.70
Andrzej Manowski	Vice President of the Management Board	375,000	37,500.00
Piotr Janta	Vice President of the Management Board	209,000	20,900.00
Jarosław Plisz	Chair of the Supervisory Board	20	2.00
	total:	**28,967,597**	

Source: the Group.

None of the members of the Management or Supervisory Board holds any shares in the Company's subsidiaries.

1.7 EMPLOYEE STOCK OWNERSHIP PLAN CONTROL SYSTEM

Group companies do not operate any employee stock option schemes.

1.8 BASIS OF ACCOUNTING USED IN PREPARING THE SEPARATE AND CONSOLIDATED FULL-YEAR FINANCIAL STATEMENTS

The consolidated and separate financial statements of the Auto Partner Group and Auto Partner S.A. for the period from January 1st to December 31st 2022 were prepared on the basis of the International Financial Reporting Standards and related interpretations issued in the form of the European Commission's regulations.

The financial statements were prepared on a going concern basis. As at the date of the financial statements, there were no circumstances indicating any threat to the Group and the Company continuing as going concerns.

For detailed rules followed in the preparation of the separate and consolidated financial statements, see Note 2 to the separate and consolidated financial statements for 2022.

1.9 REMUNERATION OF MEMBERS OF AUTO PARTNER S.A. MANAGEMENT AND SUPERVISORY BOARDS

Auto Partner S.A. has in place a Remuneration Policy for Members of the Management Board and Supervisory Board of Auto Partner S.A., adopted by the General Meeting on June 19th 2020. Members of the Management Board and Supervisory Board are remunerated by the Company in accordance with that document.

Remuneration paid to members of the Company's Management Board in 2022

The remuneration paid by the Company and its subsidiaries to members of the Management Board totalled PLN 3,090,209.50 (gross). In 2022, individual members of the Management Board were remunerated under appointment to the position of Management Board member and under an employment contract.

Full name	Position on the management body	Gross remuneration paid by the Company under appointment (PLN)	Gross remuneration paid by the Company under employment contract (PLN)	Remuneration under Incentive Scheme and in the form of Incentive Bonus (PLN)	Gross remuneration paid by subsidiaries under employment contract or appointment (PLN)	Remuneration paid by subsidiaries under service contract (PLN)	Total remuneration paid by the Company and subsidiaries in 2022 (PLN)
Aleksander Górecki	President of the Management Board	120,000	224,400		60,000	______	404,400
Andrzej Manowski	Vice President of the Management Board	146,052	85,110	1,107,600*		_____	1,338,762
Piotr Janta	Vice President of the Management Board	146,052	73,330.50	1,107,600*		______	1,326,982.50
Tomasz Werbiński	Member of the Management Board	14,000	6,065				20,065

* The amount includes the total bonus paid in 2022: PLN 693,000 bonus for 2021, part of the bonus for 2019 – PLN 67,000, part of the bonus for 2020 – PLN 347,600

It does not include the bonus for 2022 under the 2022–2024 Incentive Scheme for Members of the Auto Partner S.A. Management Board, providing for the payment of additional remuneration on account of appointment to the

Company's Management Board, linked to the Company's financial performance. The Scheme is intended for the members of the Company's Management Board: Andrzej Manowski, Piotr Janta and Tomasz Werbiński. In accordance with the Scheme's rules, the bonus for 2022 will be granted within two weeks of approval of the Company's consolidated financial statements for 2022, provided that the persons entitled to receive the bonus remain at the Company on the grant date.

Remuneration of the Company's supervisory staff paid in 2022

The remuneration paid to members of the Supervisory Board totalled PLN 170,000 (gross). The individual members received remuneration for serving as Supervisory Board Member in 2022 and for serving on the Audit Committee on the basis of the General Meeting resolution May 27th 2021 and – from June 1st 2022 – on the basis of the General Meeting resolution of May 31st 2022.

Full name	Position on the Supervisory Board	Gross remuneration paid by the Company under appointment, including appointment to the Audit Committee in 2022 (PLN)	Total remuneration paid by the Company in 2022 (PLN)
Jarosław Plisz	Chair of the Supervisory Board	37,000	37,000
Bogumił Woźny	Deputy Chair of the Supervisory Board	37,000	37,000
Bogumił Kamiński	Member of the Supervisory Board	37,000	37,000
Mateusz Melich	Member of the Supervisory Board	37,000	37,000
Andrzej Urban	Member of the Supervisory Board	22,000	22,000

Source: the Group.

In 2022, members of the Company's Supervisory Board did not receive any additional remuneration form the Company or its subsidiaries other than the remuneration under their appointment. None of those persons received any additional awards, bonuses or benefits from the Company in 2022.

Detailed data on non-wage components of remuneration of the members of the Management Board and the Supervisory Board will be provided in the remuneration report to be discussed at the Annual General Meeting and will be posted on the Company's website in accordance with Article 90g of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (i.e. Dz. U. 2019, item 623. as amended).

2 OVERVIEW OF THE COMPANY'S AND THE GROUP'S BUSINESS

2.1 KEY ECONOMIC AND FINANCIAL DATA

The analysis of the Company's and the Group's financial and operating position was conducted on the basis of the audited separate and consolidated financial statements for 2022, prepared in accordance with the IFRS.

The table below presents selected items of the separate and consolidated statements of profit or loss and other comprehensive income in the periods specified.

	For the year ended December 31st separate financial statements		For the year ended December 31st consolidated financial statements		For the fourth quarter consolidated financial statements	
	2022	2021	2022	2021	2022	2021
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Continuing operations						
Revenue from contracts with customers	2,836,988	2,261,720	2,834,701	2,262,018	736,967	587,485
Cost of sales	(2,023,412)	(1,629,864)	(1,987,689)	(1,604,404)	(512,781)	(407,212)
Gross profit (loss)	**813,576**	**631,856**	**847,012**	**657,614**	**224,186**	**180,273**
Distribution costs and marketing expenses	(328,069)	(240,994)	(332,198)	(244,304)	(85,673)	(69,831)
Warehousing costs	(179,908)	(137,092)	(180,344)	(137,366)	(48,581)	(39,242)
Management and administrative expenses	(37,565)	(22,092)	(50,096)	(30,778)	(14,088)	(9,651)
Other gains (losses), net	925	(948)	(2,478)	(2,199)	(6,396)	(3,529)
Other income	714	383	740	413	127	108
Other expenses	(1,233)	(3,486)	(1,267)	(4,370)	(366)	(3,142)
Operating profit (loss)	**268,440**	**227,627**	**281,369**	**239,010**	**69,209**	**54,986**
Finance income	12,615	9,609	257	328	76	217
Finance costs	(22,327)	(8,108)	(25,199)	(7,883)	(6,334)	(2,661)
Profit (loss) before tax	**258,728**	**229,128**	**256,427**	**231,455**	**62,951**	**52,542**
Income tax	(48,175)	(43,067)	(49,159)	(45,431)	(12,187)	(10,900)
Net profit (loss) from continuing operations	**210,553**	**186,061**	**207,268**	**186,024**	**50,764**	**41,642**
Discontinued operations						
Net profit (loss) from discontinued operations	-	-	-	-	-	-
NET PROFIT (LOSS)	**210,553**	**186,061**	**207,268**	**186,024**	**50,764**	**41,642**
Other comprehensive income, net	-	-	-	-	-	-

Exchange differences on translation of foreign operations	-	-	(347)	(393)	155	(130)
TOTAL COMPREHENSIVE INCOME	**210,553**	**186,061**	**206,921**	**185,631**	**50,919**	**41,512**

Source: the Group, consolidated and separate financial statements.

Revenue

In 2022, as in the previous years, revenue from sale of merchandise accounted for the major share of total revenue (99.9%), which is due to the nature of the Group's business. Revenue from sale of merchandise includes revenue from sales of suspension and steering system parts, braking system parts, shock absorbers and springs, filters, fuel system parts, seals and engine parts, drive belts and rollers, electrical systems, cooling and air-conditioning parts, lines, wires, bands, oils and car chemicals, wipers, exhaust systems, and accessories. Revenue from rendering of services included mainly revenue from sales of training and transport services.

In 2022, the Group's revenue was PLN 2,834,701 thousand, having increased by PLN 572,683 thousand, or 25.3%, from PLN 2,262,018 thousand reported in 2021.

The revenue growth in the period was achieved on a price increase driven by higher prices charged by car parts suppliers, high freight rates, volatility of the EUR/PLN and USD/PLN exchange rates, as well as further expansion of the Group's business, and particularly by: (i) launching more than a dozen new branches in Poland, as well as new export directions and routes (ii) expanding the product mix, (iii) better matching the product mix with the needs of customers in various price segments, (iv) steadily optimising and improving customer service.

The territorial expansion into the Czech market through the subsidiary AP Auto Partner CZ, s.r.o. offering goods to repair workshops had no material effect on the Group's revenue in 2022. The company is still in the development phase.

Cost of sales

In 2022, the Group's cost of sales represented 70.1% of the revenue, that is 0.8pp less than in 2021, when the ratio was 70.9%.

In 2022, the Group's cost of sales was PLN 1,987,689 thousand, having increased by PLN 383,285 thousand, or 23.9%, from PLN 1,604,404 thousand in 2021, with revenue growth during the period of 25.3%. The higher cost of sales in the period was chiefly attributable to the larger scale of the Group's business, and the resulting growth in the volumes of orders and sales, as well as the aforementioned price increase, reflected in the selling prices for the Group's customers. Factors with a positive effect on the cost of sales were mainly volume bonuses from suppliers and membership of the Global One purchasing group.

Gross profit (loss)

In 2022, the Group's gross profit was PLN 847,012 thousand, having increased by PLN 189,398 thousand, or 28.8%, from PLN 657,614 thousand in 2021, which resulted in a 0.8pp increase in gross margin, from 29.1% in 2021 to 29.9% in 2022. The drivers of increase in the gross margin included the continued pricing policy designed to maintain the solid gross margin recorded in 2020.

In the fourth quarter of 2022, the Group's gross profit was PLN 224,186 thousand, having increased by PLN 43,913 thousand, or 24.4%, on PLN 180,273 thousand earned in the fourth quarter of 2021. The higher gross margin in the fourth quarter (30.4%) compared with the gross margin for the full year is primarily the result of settlement of annual bonuses from suppliers whose amount exceeded the Group's previous estimates.

Distribution costs and marketing expenses, warehousing costs, management and administrative expenses

In 2022, the Group's distribution costs and marketing expenses, warehousing costs, and management and administrative expenses were PLN 562,638 thousand, having increased by PLN 150,190 thousand, or 36.4%, from PLN 412,448 thousand in 2021. The rate of increase in these costs was 11.0pp higher than the rate of increase in the Group's revenue. This was due to both the rapidly growing inflation, especially fuel prices (which translated into higher transport costs), and the low base of 2021. At the time the Group received grants of PLN 8,855,188.20 from the Provincial Labour Office of Katowice to subsidise salaries of employees not covered by any furlough, economic downtime or reduced amount of working time, due to the decline in turnover caused by the COVID-19 pandemic. The grants were received under Art. 15gg of the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Related Crisis Situations, dated March 2nd 2020 (Dz.U. of 2020, item 374, as amended).

Cost of sales in the fourth quarter of 2022 was PLN 148,342 thousand, having increased by PLN 29,618 thousand, or 24.9%, from PLN 118,724 thousand in the fourth quarter of 2021.

Distribution costs and marketing expenses were PLN 332,198 thousand in 2022, having increased by PLN 87,894 thousand, or 36.0%, from PLN 244,304 thousand in 2021. They are strongly correlated with revenue, and their higher amount in the period was due to an increase in the scale of business and high inflation (especially transport costs). The year-on-year increase in these costs was mitigated by the grants subsidising the costs of salaries and wages, received in 2021 from the Provincial Labour Office of Katowice, which reduced the 2021 costs.

In 2022, the Group's warehousing costs were PLN 180,344 thousand, having increased by PLN 42,978 thousand, or 31.3%, from PLN 137,366 thousand in 2021. The main reason for the increase was the expansion of the scale of the Group's business and high inflation. The year-on-year increase in these costs was mitigated by the grants subsidising the costs of salaries and wages, received in 2021 from the Provincial Labour Office of Katowice, which reduced the 2021 costs.

Management and administrative expenses were PLN 50,096 thousand in 2022, having increased by PLN 19,318 thousand, or 62.8%, from PLN 30,778 thousand in 2021. The 2022 increase in management and administrative expenses was attributable not only to high inflation and the Group's business growth, but also to the need to recognise a provision for bonuses under the Incentive Scheme of Auto Partner S.A. and Maxgear Sp. z o.o. (almost PLN 12m in total) on connection with the results posted by the Group. The year-on-year increase in these costs was mitigated by the grants subsidising the costs of salaries and wages, received in 2021 from the Provincial Labour Office of Katowice, which reduced the 2021 costs.

Other gains (losses), net

Net other gains (losses) included net exchange differences arising in operating activities and other gains and losses. Exchange differences arising in operating activities are recognised mainly for exchange differences resulting from measurement or payment of amounts under purchase invoices and sales to / from foreign trading partners.

In 2022, the Group's other gains and (losses), net were PLN (2,478) thousand, having increased by PLN 279 thousand, or 12.5%, from PLN (2,199) thousand in 2021.

Other income and expenses

Other income in 2022 was PLN 740 thousand, having increased by PLN 327 thousand, or 79.2%, from PLN 413 thousand in 2021.

Other expenses in 2022 amounted to PLN 1,267 thousand, up by PLN 3,103 thousand, or 71.0%, from PLN 4,370 thousand in 2021.

Operating profit (loss)

As a result of the factors described above, the Group reported an operating profit of PLN 281,369 thousand for 2022, up by PLN 42,359 thousand, or 17.7%, from PLN 239,010 thousand reported in 2021.

In the fourth quarter of 2022, operating profit was PLN 69,209 thousand, having increased by PLN 14,223 thousand, or 25.9%, from PLN 54,986 thousand in the fourth quarter of 2021.

Finance income and costs

In 2022, the Group's finance income was PLN 257 thousand, down by PLN 71 thousand, from PLN 328 thousand in 2021.

Interest expense of PLN 23,968 thousand was the largest contributor (95.1%) to the Group's finance costs in 2022, having increased by PLN 17,172 thousand, from PLN 6,796 thousand in 2021. In 2022, the Group's total finance costs rose to PLN 25,199 thousand, by PLN 17,316 thousand, or 219.7%, from PLN 7,883 thousand in 2021. This sharp increase in finance costs is due to higher market interest rates underlying the interest rates paid on bank borrowings and variable-rate lease contracts, including, without limitation, WIBOR rates.

Profit (loss) before tax

As a result of the factors described above, the Group's 2022 profit before tax was PLN 256,427 thousand, that is PLN 24,972 thousand, or 10.8%, more than in 2021, when profit before tax was PLN 231,455 thousand.

On a quarterly basis, consolidated profit before tax in the fourth quarter of 2022 was PLN 62,951 thousand, up by PLN 10,409 thousand from PLN 52,542 thousand in the fourth quarter of 2021.

Income tax

In 2022, the Group disclosed tax expense of PLN 49,159 thousand, with current income tax accounting for the major part of the income tax amount. The effective tax rate was 19.2%.

Net profit

As a result of the factors described above, the Group's net profit for 2022 came in at PLN 207,268 thousand, that is 11.4% more than in 2021, when net profit was PLN 186,024 thousand.

On a quarterly basis, net profit was PLN 50,764 thousand in the fourth quarter of 2022, up by PLN 9,122 thousand from PLN 41,642 thousand in the fourth quarter of 2021.

2.2 COSTS BY NATURE OF EXPENSE

The table below presents the Group's operating expenses for the periods indicated.

	For the year ended December 31st			
	2022 PLN '000	2021 PLN '000	change PLN '000	change (%)
Depreciation and amortisation	32,849	26,177	6,672	25.5%
Raw materials and consumables used	29,399	20,809	8,590	41.3%
Services	307,100	211,623	95,477	45.1%
Taxes and charges	3,691	2,946	745	25.3%
Employee benefits expense	182,057	137,402	44,655	32.5%
Other costs by nature of expense	7,549	13,491	- 5,942	-44.0%
Merchandise and materials sold	1,987,682	1,604,404	383,278	23.9%
Total costs by nature of expense	**2,550,327**	**2,016,852**	**533,475**	**26.5%**

Source: the Group, consolidated financial statements.

Operating expenses include total cost of sales (cost of products, merchandise and materials sold, and cost of services), distribution costs and marketing expenses, warehousing costs and management and administrative expenses.

In 2022, the items with the largest share in the Group's operating expenses were cost of merchandise and materials (77.9%), cost of services (12.0%) and employee benefits expense (7.1%).

In 2022, the Group's operating expenses were PLN 2,550,327 thousand, having increased by PLN 533,475 thousand, or 26.5%, from PLN 2,016,852 thousand in 2021. The increase was mainly attributable to a PLN 383,278 thousand, or 23.9%, growth in the cost of merchandise and materials, from PLN 1,604,404 thousand in 2021 to PLN 1,987,682 thousand in 2022. Other contributing factors were an increase in the cost of services of PLN 95,477 thousand, or 45.1%, from PLN 211,623 thousand in 2021 to PLN 307,100 thousand in 2022, as well as higher employee benefits expense, which rose by PLN 44,655 thousand, or 32.5%, from PLN 137,402 thousand in 2021 to PLN 182,057 thousand in 2022.

Cost of merchandise and materials sold corresponds largely to the cost of sales, and its increase in 2022 was proportional to the increase in sales.

Services in 2022 largely included transport services (which account for more than half of the cost of services), distribution, marketing and advertising costs, contingent labour services and IT costs. The main factor contributing to higher costs of services in 2022 was the increase in transport costs. Higher logistics costs were mainly related to the expansion into new export markets and an increase in transport rates driven by such factors as rapidly growing fuel prices.

Employee benefits expense includes chiefly salaries and wages. Its increase in 2022 was attributable to a 18.7% increase in workforce as a result of the growing scale of the Group's business. At the same time, the average employee cost rose by 11.7%, driven by an increase in the minimum wages, higher wages on the labour market, and a low unemployment rate, which limited the availability of employees and created wage pressures. What further drove the growth in average wages were grants of PLN 8,855,188.20 thousand obtained in 2021 from the Provincial Labour Office of Katowice to subsidise salaries of employees not covered by any furlough, economic downtime or reduced amount of working time, due to the decline in turnover caused by the COVID-19 pandemic. The grants were received under Art. 15gg of the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Related Crisis Situations, dated March 2nd 2020 (Dz.U. of 2020, item 374, as amended).

2.3 ASSESSMENT OF FACTORS AND NON-RECURRING EVENTS WITH A BEARING ON BUSINESS AND RESULTS IMPACT OF COVID-19 ON THE GROUP'S OPERATIONS AND FINANCIAL RESULTS

In the reporting period, there were no non-recurring events with a bearing on operating results.

As for the declared state of the coronavirus pandemic and its consequences, in 2022 the Group did not identify any impediments to its business or any direct impact on its financial performance.

Neither did the Group identify any impact of the war in Ukraine on its operations in 2022. The exposure of the Company and its subsidiaries to the Ukrainian market is negligible, accounting for less than 0.5% of the monthly revenue currently generated. The effect of the situation in Ukraine on the Group's operations in the reporting period was therefore neutral.

2.4 SIGNIFICANT EVENTS WITH A MATERIAL IMPACT ON BUSINESS AND FINANCIAL RESULTS

The following events and factors had a bearing on the Company's business in and financial results for 2022:

- On March 28th 2022, the Management Board of the Company passed a resolution to propose to the Annual General Meeting a dividend payment from profit for the financial year 2021. Pursuant to the resolution, the Management Board recommended payment of PLN 19,593,000 (nineteen million, five hundred and ninety-three thousand złoty), i.e., PLN 0.15 (fifteen grosz) per share as dividend to the Company's shareholders. At the meeting held on April 11th 2022, the Supervisory Board gave a favourable opinion on the Management Board's recommendation.
  On May 31st 2022, the Annual General Meeting approved the Management Board's recommendation and passed a resolution to pay dividend of PLN 19,593,000, i.e., PLN 0,15 per share to the Company's shareholders. The General Meeting resolved that the dividend record date would be June 8th 2022. The dividend was paid on June 22nd 2022.
- On June 1st 2022, acting pursuant to Article 21.1 (n) of the Company's Articles of Association, Section 5.1-6 of the Remuneration Policy for Members of the Management Board and Supervisory Board of Auto Partner S.A., and Section 1.4 of the Supervisory Board Resolution No. 1 of September 10th 2021 on adoption of the rules for granting incentive bonuses to Auto Partner S.A. Management Board Members for 2021, providing for payment of additional remuneration for appointment to the Company's Management Board, linked to the Company's financial performance, and also based on the data presented in the audited consolidated financial statements of the Auto Partner Group for the financial year 2021, approved by Annual General Meeting on May 31st 2022, and the review of the business targets set in the resolution, the Supervisory Board of Auto Partner S.A. decided to grant bonuses to the eligible persons: Andrzej Manowski, Vice President of the Management Board, and Piotr Janta, Vice President of the Management Board, in the following amounts:
  Piotr Janta – bonus of PLN 693,000,
  Andrzej Manowski – bonus of PLN 693,000.
- On June 1st 2022, the Annual General Meeting of Maxgear Sp. z o.o., acting pursuant to Resolution No. 1 of the General Meeting of September 10th 2021 on the rules of granting an incentive bonus to members of the Management Board of MAXGEAR Spółka z o.o. for 2021, providing for payment of additional remuneration for appointment to the company's

Management Board, linked to the financial performance of the Auto Partner Group, granted a bonus to the Management Board Members covered by the scheme for the performance recorded in 2021.

- On December 22nd 2022, the Company's Management Board passed a resolution to establish a new logistics and storage centre in Zgorzelec, at the MLP Zgorzelec warehousing facility, comprising storage, maintenance and technical space of approximately 28,534 sq m and office and amenity space of approximately 1,117 sq m. The new logistics and storage centre will be established under a lease contract concluded on December 22nd 2022 with MLP Poznań East spółka z ograniczoną odpowiedzialnością of Pruszków (the "Lessor"). In accordance with the contract, the Lessor will deliver the leased space to Auto Partner S.A. by June 3rd 2024. Work to place the logistics and storage centre in service is expected to end in the third quarter of 2025.
- 2022 saw ongoing work on the establishment of a new logistics and storage centre in Poznań under a warehouse space lease contract signed with MLP Poznań West II Sp. z o.o. of Pruszków on September 22nd 2021. In accordance with the contract, on August 1st 2022 a report was signed on handing over to Auto Partner S.A. (the Lessee) warehouse, office and technical space with a total area of 14,672 sq m, including warehouse space of 13,660 sq m. The work was completed in December 2022.

In addition, 2022 saw:

- Continuation of the pricing policy aimed at maintaining a higher gross margin than before the coronavirus pandemic;
- Continuation of the policy of strict cost discipline amid high inflation;
- Debt maintained at a relatively low level (net debt to EBITDA ratio of 1.4).

2.5 OVERVIEW OF KEY PRODUCTS, GOODS AND SERVICES

The Group is a specialised logistics operator whose principal business activity consists in the organisation of distribution of vehicle spare parts directly from manufacturers to end users. The Group is an importer and distributor of parts for passenger cars and delivery vehicles in the market for spare parts classified in accordance with the GVO regulations and directives of the European Union. The Group operates as a platform for sale, mainly via online channels, and supply logistics of spare parts, which are delivered on a just-in-time basis to distributed customers: repair workshops and stores.

The Group offers a wide range of spare parts. The key product category is spare parts for European, Japanese and Korean cars.

The Group is also consistently expanding its sales of parts for motorcycles and motor scooters, and operates in the area of distribution of tools and equipment for repair workshops. It also offers specialist training to its customers to improve their qualifications. Since 2016, the Group has also been actively developing its independent repair workshop brand of MaXserwis, which brings together the cooperating businesses.

The Group's sales by product group:

Product groups	2022	2021
	% ownership interest	% ownership interest
SUSPENSION	16%	17%
BRAKES	14%	15%
DRIVETRAIN	13%	12%

ELECTRICAL SYSTEMS	10%	10%
CONSUMABLES/ ACCESSORIES	9%	9%
ENGINE – CONSUMABLES	9%	9%
ENGINE – REPAIRS	8%	8%
FILTERS	5%	5%
EQUIPMENT FOR REPAIR WORKSHOPS	3%	3%
EXHAUST SYSTEM	3%	3%
AIR CONDITIONING SYSTEM	2%	1%
BODY	2%	2%
HYDRAULIC PARTS	1%	1%
ENGINE COOLING SYSTEM	1%	1%
OTHER	4%	4%

Source: the Group.

Supply sources

The goods offered by the Group are sourced from more than 200 external suppliers. The largest 10 external suppliers account for approximately 40% of the Group's total procurement of merchandise. The Group is not dependent on external suppliers.

The Group's 10 largest external suppliers include (in alphabetical order):

- CONTI TECH ANTRIEBSSYSTEME GMBH: main supplier of timing gear sets and timing belts, V-belts and multi-rib belts. ContiTech is an autonomous division of Continental AG.
- FERDINAND BILSTEIN GMBH+CO.KG: supplier of the FEBI oraz BLUEPRINT brands. The range of FEBI products includes a number of products in almost each product group. The group of products of key importance to the Group's sales are suspension parts.
- MANN+HUMMEL GMBH – the main manufacturer of filters offered by the Auto Partner Group. It manufactures air, oil and fuel filters, cabin pollen filters and activated charcoal filters – all of them as original equipment for numerous car, engine and machinery producers worldwide, and for the market of spare parts under the MANN-FILTER brand.
- MEYLE AG: supplier working with the Group since 1999. The Group sells all automotive parts offered by that supplier. Strong points of the Group's cooperation with MEYLE AG include joint promotional campaigns organised with the Group and very short delivery times. The product groups offered by that supplier that are of key importance to the Group are brakes, suspension and filters. The product range of Meyle currently includes 22,390 products. Steering and suspension parts, rubber-to-metal parts, brakes and shock absorbers account for the largest portion of MAYLE's production.
- NGK SPARK PLUG EUROPE GMBH: Japanese supplier of the NGK and NTK brands. The supplier's offering consists of spark plugs, glow plugs, ignition cables, ignition coils and various types of sensors. For the Group,

the most important products from this supplier are ignition and glow plugs. The NGK brand is the global leader in this market segment.

- ROBERT BOSCH SPÓŁKA Z O.O.: supplier of the BOSCH brand. The Group sells most of the product range offered by that supplier. Bosch's offering includes fuel systems (DIESEL) and many products which are not offered by other suppliers.
- SCHAEFFLER POLSKA SP. Z O.O.: supplier of the RUVILLE, INA, FAG, and LUK brands. The key product group of this supplier is clutches, rollers and tensioners. Its product range includes also wheel bearings, timing gear sets, water pumps, and joints.
- SKF POLSKA S.A. – supplier of wheel bearings, timing gear sets and timing set gear parts and water pumps. Products available in the highest price tier in the Premium segment.
- THYSSENKRUPP BILSTEIN GMBH - AFTERMARKET: supplier of the BILSTEIN brand, oil and gas shock absorbers, as well as pneumatic suspension modules. Products of the highest price tier in the premium segment.
- ZF FRIEDRICHSHAFEN, ZF SERVICES, ZF AUTOMOTIVE SYSTEM: supplier of the SACHS, LEMFORDER and TRW brands. The supplier's product range includes clutches, suspensions, shock absorbers, and – after acquiring the TRW brand – also brakes (leader on the Polish market).

The Group enters into trade contracts with its largest suppliers, which define the terms of cooperation with respect to the sale and distribution of the suppliers' products. Under the trade contracts, the Group purchases goods for its own account for their subsequent resale. Most of the contracts are concluded for a definite term of one year with a notice period ranging from one to three months.

In the majority of cases, the prices at which the Group purchases products are determined by the suppliers in the form of price lists for a given area, but the Group's contracts contain provisions that guarantee discounts or price concessions. In addition, the trade contracts or bonus agreements concluded for a term of one year provide for discount bonuses for the Group with respect to the purchase and sale of products.

As part of its cooperation with certain major suppliers, the Group agreed under trade contracts or additional promotional services agreements to actively search for buyers by conducting marketing and promotional activities against consideration. The consideration for marketing services includes fixed-rate consideration and commission fees. The commission fee amounts depend on the sales volumes achieved by the Group for the supplier's products in a reference period. Some of the promotional services agreements provide for the Company's obligation to pay liquidated damages to the supplier in the event that: (i) the Company does not purchase the products covered by the agreement, (ii) a promotional or discount agreement concluded by the Company is terminated or amended, or (iii) the Company fails to enter into the promotional or discount agreement with a final customer in accordance with the investment request accepted by the supplier. The marketing department prepares a catalogue of marketing campaigns that are then selected by the suppliers. Selected suppliers specify the percentage of the turnover they wish to allocate to the marketing campaigns and leave the choice of the campaigns to the Company.

The average delivery time for orders placed with the suppliers is 15–20 business days. The minimum delivery time for selected suppliers is two days. Orders are submitted to the suppliers by email or, in the case of some suppliers, via a dedicated TEC COM platform.

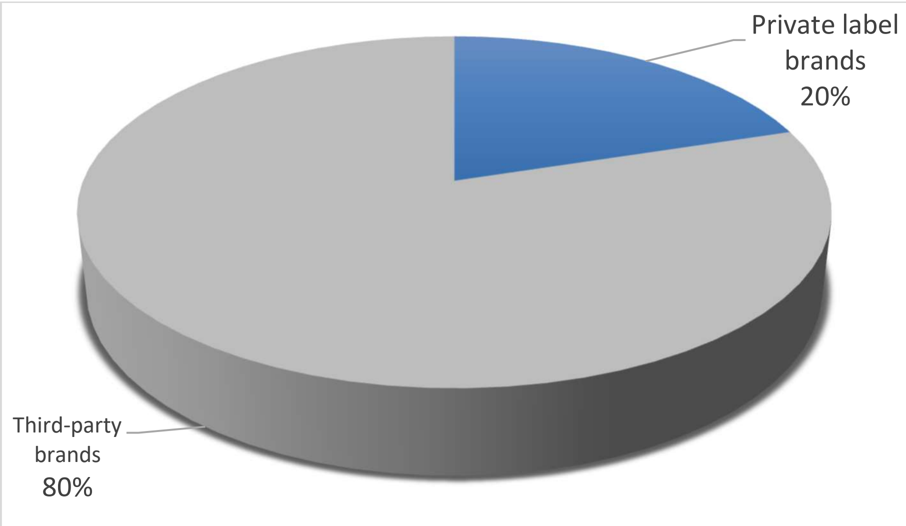
Private label brands

The Group's leading private label brand is MaXgear. It includes high-margin products comparable to those offered by known European suppliers, such as Hans Pries, Febi, and Vaico. Under the MaXgear brand, the Group offers products in all product groups. The Group also offers private label brands and brands distributed on an exclusive basis: Quaro, comprising braking system parts, Rooks, covering workshop equipment, and Rymec, specialising in drivetrain systems.

The Group seeks to maximise the quality of the products it sells under private label brands. The success of those efforts is confirmed by the complaint rate, which does not deviate much from those reported by quality leaders, as evidenced by, for example, the range of brake products. The Group seeks to further reduce the complaint rate by reviewing the production facilities on an ongoing basis and selecting appropriate automotive part suppliers.

The Group is also gradually expanding its sales of premium segment private label brands and brands for which it is the exclusive distributor. Thanks to the product diversification and the development of proprietary brands, the Company is able to grow in a stable way and achieve greater sales profitability than in the case of the broad market brands.

Share of private label brands in total sales



Source: the Group.

2.6 THE GROUP'S MARKETS

The Group's customers

In 2022, the share of repair workshops in the Group's sales on the Polish market remained high and stable. Together with the 'other' segment, comprising the retail segment and non-specialised repairers, they account for more than 70% of the Group's sales.

The Group is not dependent on any customer group.

Revenue from the Polish market, by customer group:

Domestic customer groups	2022		2021		2020	
	PLN '000	(%)	PLN '000	(%)	PLN '000	(%)
Repair workshops	909,851	63.0%	762,407	61.4%	594,442	61.0%

Stores	390,518	27.1%	342,312	27.6%	265,432	27.2%
Other	142,829	9.9%	136,671	11.0%	115,074	11.8%
Revenue from sale of merchandise in Poland, by customer type	**1,443,197**	**100%**	**1,241,390**	**100%**	**974,947**	**100%**
Adjustments:	(19,578)	-1.4%	(14,462)	-1.2%	(12,928)	-1.3%
Revenue from sale of merchandise in Poland, after IFRS adjustments	**1,423,619**		**1,226,928**		**962,019**	

Source: the Group.

Overview of the Group's geographical markets

In 2022, the Group's largest market was the domestic market, although its share in total sales was only slightly higher than export sales. The Group executes export sales mainly through deliveries directly from the central warehouse and the hub in Pruszków. The Group currently supplies customers in Germany, Austria, the Czech Republic, Slovakia, Hungary, Romania, Slovenia, Croatia, Lithuania, Latvia, Estonia, the Netherlands, Belgium, Luxemburg, Denmark, Finland, Sweden, Norway, France, Spain, Portugal, Italy, Switzerland, United Kingdom and Ireland.

Revenue structure by domestic and export sales:

	For the year ended December 31st			
	2022		2021	
	PLN '000	share (%)	PLN '000	share (%)
Sales of merchandise – Poland	1,423,619	50.2%	1,226,928	54.2%
Sales of merchandise – EU	1,378,949	48.6%	1,016,421	44.9%
Sales of merchandise – other exports	28,619	1.0%	16,445	0.7%
Sales of services – Poland	1,497	0.1%	622	0.0%
Sales of services – EU	2,017	0.1%	1,602	0.1%
Total	**2,834,701**	**100%**	**2,262,018**	**100.0%**

Source: the Group, consolidated and separate financial statements.

2.7 AGREEMENTS SIGNIFICANT TO THE GROUP'S AND THE COMPANY'S BUSINESS, INCLUDING SHAREHOLDER AGREEMENTS KNOWN TO THE GROUP, INSURANCE, PARTNERSHIP OR COOPERATION AGREEMENTS

On December 22nd 2022, the Company's Management Board passed a resolution to establish a new logistics and storage centre in Zgorzelec, at the MLP Zgorzelec warehousing facility, comprising storage, maintenance and technical space of approximately 28,534 sq m and office and amenity space of approximately 1,117 sq m. The new logistics and storage centre will be established under a lease contract concluded on December 22nd 2022 with MLP Poznań East spółka z ograniczoną odpowiedzialnością of Pruszków (the "Lessor"). In accordance with the contract, the Lessor will deliver the leased space to Auto Partner S.A. by June 3rd 2024. Work to place the logistics and storage centre in service is expected to end in the third quarter of 2025.

For information on other material agreements, see Section 2.9 of this Report.

2.8 RELATED-PARTY TRANSACTIONS EXECUTED BY THE COMPANY OR ITS SUBSIDIARIES ON NON-ARM'S LENGTH TERMS

In 2022, neither the Company nor its subsidiaries entered into any related-party transactions other than transactions executed on an arm's length basis.

Significant related-party transactions within the Group included mainly sale of merchandise from Maxgear Spółka z o.o. Sp. k. to the Company and sale of the Company's merchandise to its subsidiary in the Czech Republic. For information on the transactions, see Note 25 to the separate financial statements for 2022.

2.9 CREDIT FACILITY AND LOAN AGREEMENTS EXECUTED AND TERMINATED DURING THE FINANCIAL YEAR

- On January 24th 2022, the Company executed a revolving credit facility agreement with BNP Paribas Bank Polska S.A. of Warsaw. Under the agreement, the Company was granted a revolving credit facility of PLN 25,000,000 repayable on September 12th 2023, with a floating interest rate of 1M WIBOR plus a margin.
- On January 29th 2022, the Company executed an amendment to the multi-facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw of September 26th 2016. Under the amendment, the multi-facility limit (including, among others, a credit facility sublimit in the euro) was increased from PLN 40,000,000 to a maximum amount of PLN 65,000,000 by adding a new revolving facility sub-limit of PLN 25,000,000. The facility, repayable by March 31st 2023, is to be used to finance the Company's day-to-day operations. Interest on the debt is calculated based on floating rates (plus a margin): 1M WIBOR for debt in the Polish złoty and 1M EURIBOR for debt in the euro.
- On March 2nd 2022, the Company executed an amendment to the reverse factoring agreement of March 29th 2019 with Santander Factoring Sp. z o.o. The amendment extended the effective term of the agreement for the following year, i.e., until March 31st 2023, and amended the definition of the base rate for debt in USD. Interest on the debt is calculated based on floating rates (plus a margin): 1M WIBOR for debt in the Polish złoty and 1M EURIBOR for debt in the euro, and SOFR for debt in the US dollar.
- On March 15th 2022, the Company executed an amendment to the multi-purpose facility agreement of September 13th 2021 with BNP Paribas Bank Polska S.A. Under the amendment, the multi-purpose facility limit (including an overdraft facility) was increased to a maximum amount of PLN 30,000,000 (or an equivalent in the euro, and for Maxgear sp. z o.o. sp.k.'s sublimit – an equivalent in the US dollar). The facility, repayable by September 12th 2023, is to be used to finance Auto Partner S.A.'s day-to-day operations. Interest on the debt is calculated based on floating rates (plus a margin): 1M WIBOR for debt in the Polish złoty and 1M EURIBOR for debt in the euro, and SOFR for debt in the US dollar.
- On March 29th 2022, the Company executed an amendment to the multi-product facility agreement of October 19th 2015 with ING Bank Śląski S.A. of Katowice. The amendment increased the amount of the multi-product facility limit to PLN 177,000,000 (the facility limit also includes sub-limits for financing in the euro for Auto Partner S.A. and financing in the US

dollar for Maxgear Sp. z o.o. Sp.k.). Proceeds of the facility will be used to finance the Company's working capital in connection with continued fast growth of Auto Partner S.A. The facility is repayable by October 10th 2024. Interest on the debt is calculated based on floating rates (plus a margin): 1M WIBOR for debt in the Polish złoty and 1M EURIBOR for debt in the euro, and 1M SOFR for debt in the US dollar.

- On September 13th 2022, the Company executed an investment credit facility agreement with Credit Agricole Bank Polska Spółka Akcyjna of Wrocław. Under the agreement, an investment credit facility of PLN 10,000,000 (ten million złoty) was advanced to the Company to finance and refinance its investment expenditure. The facility, repayable by September 16th 2027, has a floating interest rate of 1M WIBOR plus a margin.
- On September 28th 2022, the Company executed an amendment to the overdraft facility agreement of October 22nd 2019 with mBank S.A. of Warsaw. Under the amendment, the term of the facility agreement was extended until September 29th 2025, with the facility limit remaining at PLN 50,000,000 (or an equivalent in the euro). Interest on the debt is calculated based on floating rates (plus a margin): ON WIBOR for debt in the Polish złoty and ON ESTR for debt in the euro.
- On November 14th 2022, the Company executed an amendment to the multi-purpose facility agreement of September 13th 2021 with BNP Paribas S.A. of Warsaw. Under the amendment, the Company was granted a multi-purpose facility, including an overdraft facility up to the amount of the multi-purpose facility, not exceeding PLN 50,000,000 (or an equivalent in the euro, and for Maxgear sp. z o.o. sp.k.'s sublimit – an equivalent in the US dollar). The facility, repayable by September 12th 2023, is to be used to finance Auto Partner S.A.'s day-to-day operations. Interest on the debt is calculated based on floating rates (plus a margin): 1M WIBOR for debt in the Polish złoty and 1M EURIBOR for debt in the euro, and SOFR for debt in the US dollar.
- On December 12th, the Company signed a working capital credit facility agreement with mBank S.A. of Warsaw. Under the agreement, a working capital credit facility of PLN 15,000,000 (fifteen million złotys) was advanced to the Company to finance its day-to-day operations. The facility has a floating interest rate of 1M WIBOR plus a margin. The agreement expired on March 27th 2023 upon repayment of the facility.

2.10 LOANS ADVANCED DURING THE FINANCIAL YEAR, WITH PARTICULAR FOCUS ON LOANS TO RELATED ENTITIES

On January 10th 2022, the Company entered into an agreement with Global One Automotive GmbH of Frankfurt whereby it advanced a EUR 750,000.00 loan to Global One. The loan bore interest at 4.5%. The agreement was concluded for a definite term until June 30th 2022. The Company holds 6.25% of shares in Global One Automotive GmbH as a participant in the International Purchasing Group (since 2017). The loan, including interest, was repaid on July 7th 2022.

In the financial year 2022, the Company did not advance any loans to related or other entities. In the reporting period, there was one loan agreement in force; the loan was granted in 2017 by Auto Partner S. A to its subsidiary AP Auto Partner CZ s.r.o. The loan, including interest, was repaid on December 22nd 2022.

2.11 STRUCTURE OF KEY CAPITAL PLACEMENTS AND KEY INVESTMENTS MADE WITHIN THE GROUP DURING THE FINANCIAL YEAR

In the reporting period, the Company and its subsidiaries did not invest in any financial instruments, such as shares, bonds, bank deposits or other instruments.

2.12 FEASIBILITY OF INVESTMENT PLANS, INCLUDING EQUITY INVESTMENTS, IN THE CONTEXT OF AVAILABLE FUNDS, TAKING INTO CONSIDERATION POSSIBLE CHANGES IN THE INVESTMENT FINANCING STRUCTURE

Rapid growth of the Group's revenue is followed by a steady increase in its storage space. As part of storage space expansion projects, the Group invests in warehouse racks and automation to improve warehousing processes. These investments are typically financed through lease arrangements. As at the date of issue of this report, the Group had lease limits granted (without a guarantee of granting a lease for any specific order) in an amount adequate to the Group's needs.

2.13 STRUCTURE OF ASSETS AND EQUITY AND LIABILITIES, INCLUDING IN TERMS OF LIQUIDITY

Size and structure of assets

The table below presents the Group's and the Company's assets as at the dates indicated.

	As at December 31st 2022 Consolidated financial statements	As at December 31st 2021 Consolidated financial statements	As at December 31st 2022 Separate financial statements	As at December 31st 2021 Separate financial statements
	PLN '000	PLN '000	PLN '000	PLN '000
Non-current assets	**284,690**	**194,702**	**309,840**	**223,128**
Current assets	**1,285,592**	**1,008,068**	**1,252,118**	**922,314**
Inventories and right-of-return assets	969,314	749,365	915,306	658,139
Trade and other receivables	281,343	241,534	304,777	250,249
Other assets	4	233	4	4
Cash and cash equivalents	34,931	16,936	32,031	13,922
Total assets	**1,570,282**	**1,202,770**	**1,561,958**	**1,145,442**

Source: The Group, consolidated and separate financial statements.

As at December 31st 2022, the Group's total assets rose by PLN 367,512 thousand, or 306%, to PLN 1,202,770 thousand from PLN 1,570,282 thousand as at the end of 2021, driven by an increase of PLN 277,524 thousand, or 27.5%, in current assets in the period, from PLN 1,008,068 thousand as at the end of 2021 to PLN 1,285,592 thousand as at the end of 2022, as well as an increase in non-current assets of PLN 89,988 thousand, or 46.2%, from PLN 194,702 thousand as at the end of 2021 to PLN 284,690 thousand as at the end of 2022.

As at December 31st 2021, the Group's non-current assets represented 18.1% of total assets. The largest items under non-current assets were property, plant and equipment (88.2%) and intangible assets (9.5%).

The Group's non-current assets as at the end of December 2022 were PLN 284,690 thousand, having increased by PLN 89,988 thousand, or 46.2%, from PLN 194,702 thousand at the end of 2021, mainly due to an increase in property, plant and equipment of PLN 81,743 thousand, or 48.3%, from PLN

169,337 thousand at year-end 2021 to PLN 251,080 thousand at year-end 2022. The increase in property, plant and equipment was attributable to investments in new vehicles, warehouse racks, warehouse automation and other equipment, expansion in warehouse space and opening of new branches (to the extent a lease contract is recognised as a lease under IFRS 16). Another significant contributor to the increase in 2022 was the launch of the hub in Poznań due to the recognition of the lease contract in the Company's statement of financial position as a lease and the recognition of the amount of investment in equipment for the Poznań hub. In addition, the Group incurs regular expenditure to replace and upgrade items of property, plant and equipment, which includes partial replacement of the car fleet and modernisation of the existing warehouse facilities.

As at December 31st 2022, the Group's current assets were PLN 1,285,592 thousand, having increased by PLN 277,522 thousand, or 27.5%, on December 31st 2021. The increase was attributable in particular to a change of PLN 219,949 thousand, or 29.4%, in inventories, including assets related to the right-to-return merchandise, from PLN 749,365 thousand as at the end of 2021 to PLN 969,314 thousand as at the end of 2022. The key drivers of the increase were the Group's dynamic growth, expansion of its product mix and increase in the warehouse space, as well as the growing prices of merchandise. Another contributing item was the higher amount of trade and other receivables, which rose by PLN 39,809 thousand, or 16.5%. The main reason for the increase in receivables was higher revenue, especially in foreign markets, where payment terms tend to be longer than those applied on the domestic market. In addition, the level of receivables was materially affected by a year-on-year increase in the volume bonuses from suppliers, a part of which (the excess over the balance of liabilities to a given supplier) are recognised as trade receivables.

Receivables include receivables from the Global One purchasing group.

In addition, receivables include significant items such as security deposits for lease of space and advance payments to the suppliers of merchandise.

Sources of capital

Equity and liabilities

The table below presents the Group's equity and liabilities as at the dates indicated.

	As at December 31st 2022 Consolidated financial statements	As at December 31st 2021 Consolidated financial statements	As at December 31st 2022 Separate financial statements	As at December 31st 2021 Separate financial statements
	PLN '000	PLN '000	PLN '000	PLN '000
Equity	**842,824**	**655,496**	**867,304**	**676,344**
Share capital issued	13,062	13,062	13,062	13,062
Share premium	106,299	106,299	106,299	106,299
Other capital reserves	1,071	1,418	2,103	2,103
Retained earnings	722,392	534,717	745,840	554,880
Liabilities	**727,458**	**547,274**	**694,654**	**469,098**
Loans and bank borrowings	349,316	262,824	276,029	210,778
Lease liabilities	151,616	105,119	149,635	103,606
Trade and other payables	149,526	110,471	192,612	84,978
Other liabilities other than trade payables	77,000	68,860	76,378	69,736
Total equity and liabilities	**1,570,282**	**1,202,770**	**1,561,958**	**1,145,442**

Source: The Group, consolidated and separate financial statements.

Equity

As at the end of December 2022, equity accounted for 53.7% of the Group's total equity and liabilities. In the reporting period, the Group's equity comprised: (i) issued share capital of PLN 13,062 thousand, (ii) share premium of PLN 106,299 thousand, (iii) other capital reserves of PLN 1,071 thousand, comprising capital reserves from the issue of warrants and translation reserve, and (iv) retained earnings of PLN 722,392 thousand, representing profit for 2022 and previous years.

Liabilities

As at the end of December 2022, the Group's liabilities represented 46.3% of total equity and liabilities and stood at PLN 727,458 thousand, or PLN 180,184 thousand (32.9%) more than in 2021. As at the end of December 2022, the Group's liabilities were as follows: (i) short- and long-term loans and bank borrowings and lease liabilities representing 68.9% of total liabilities, with a total amount of PLN 500,932 thousand, that is PLN 132,989 thousand, or 36.1%, more than as at December 31st 2021, and (ii) trade and other payables, representing 31.1% of total liabilities, with a total amount of PLN 226,526 thousand, that is PLN 47,195 thousand, or 26.3%, more than as at December 31st 2021.

Liquidity

General information

In 2022, the main sources of external financing for the Company and the Group were: (i) credit facilities (overdraft facility and revolving working capital credit facilities), (ii) loans from the Company's shareholders, and (iii) leases.

In the reporting period, the Group financed its operations mainly with operating cash flows, leases, credit facilities, and a shareholder loan recognised as at December 31st 2022 at PLN 28,035 thousand (including PLN 1,335 thousand of interest accrued for 2022 on the loan).

The Group expects that the funding sources referred to above will remain its main sources of external financing in the near future. After the reporting date, the limits of the Group's credit facilities with banks were increased to cover its higher financing needs – for details, see Note 3.8. In addition, in justified cases, the Group may also consider raising financing through the issue of shares and debt securities (bonds) to a broader group of investors on the capital markets.

Sources, amounts, and description of cash flows

The table below presents selected data from the consolidated statement of cash flows for the financial year ended December 31st 2022.

	for year ended December 31st	
	2022	2021
Net cash from operating activities	50,064	(96,331)
Net cash from investing activities	(37,634)	(18,090)
Net cash from financing activities	5,553	110,135
Total net cash flows	**17,983**	**-4,286**
Cash and cash equivalents at beginning of period	16,936	21,377
Effect of exchange rate movements on net cash in foreign currencies	12	(155)
Cash and cash equivalents at end of period	**34,931**	**16,936**

Source: the Group, consolidated financial statements.

Cash flows from operating activities

In 2022, the Group generated positive cash flows from operating activities of PLN 50,064 thousand, which was mainly attributable to the pre-tax profit of PLN 256,427 thousand earned in that period, adjusted for depreciation and amortisation of PLN 32,849 thousand. Other items with a material bearing on the amount of operating cash flows in the period were: (i) an increase of PLN 217,224 thousand in inventories, (ii) an increase of PLN 40,842 thousand in trade and other receivables, and (iii) an increase of PLN 35,791 thousand in trade and other payables, and (iv) adjustment of PLN 24,755 thousand due to finance costs (mainly interest) recognised in profit or loss. In the reporting period, the Group also reported cash outflow due to the payment of income tax, of PLN 51,406 thousand.

Cash flows from investing activities

In 2022, the Group generated negative cash flows from investing activities of PLN 37,634 thousand. Cash used in investing activities in the period was mainly spent on the acquisition of intangible assets and property, plant and equipment of PLN 38,034 thousand.

Cash flows from financing activities

In 2022, the Group generated positive cash flows from financing activities of PLN 5,553 thousand. The cash inflows included proceeds from borrowings of PLN 86,141 thousand, while cash outflows were mainly attributable to payment of lease liabilities of PLN 37,042 thousand, payment of dividend for 2021 of PLN 19,593 thousand, and payment of interest and commission fees of PLN 23,953 thousand.

Cash and cash equivalents

The cash flows from operating, investing and financing activities produced cash and cash equivalents of PLN 34,931 thousand as at December 31st 2022, that is PLN 17,995 thousand, or 106%, more relative to December 31st 2021 when the balance of cash and cash equivalents was PLN 16,936 thousand.

2.14 Off-balance sheet items by entity, type and value

Off-balance-sheet items disclosed by the Company and the Group include bank guarantees securing liabilities under lease of property and distribution agreements, including:

- PLN 42 thousand bank guarantee No. KLG57699IN19 of March 1st 2019, provided in connection with commercial property lease contract of February 15th 2019, valid until May 6th 2024, granted within credit limit of the facility provided by ING Bank Śląski S.A. (see Note 17 to the separate and consolidated financial statements for 2022)
- PLN 2,000 thousand bank guarantee No. DOK3617GWB19KW of October 18th 2019, provided in connection with a distribution agreement (as amended), valid until December 31st 2022, granted within credit limit of the facility provided by ING Bank Śląski S.A. (see Note 17 to the separate and consolidated financial statements for 2022)
- EUR 652 thousand bank guarantee No. DOK2419GWB20AR of July 27th 2020, provided in connection with a contract for rent of property in Bieruń, valid until August 31st 2023, granted within credit limit of the facility provided by ING Bank Śląski S.A. (see Note 17 to the separate and consolidated financial statements for 2022)
- EUR 190 thousand bank guarantee No. DOK2418GWB20TI of July 27th 2020, provided in connection with a contract for rent of property in Pruszków, valid until August 31st 2023,

granted within credit limit of the facility provided by Santander Bank Polska S.A. (see Note 17 to the separate and consolidated financial statements for 2022)

- EUR 213 thousand bank guarantee No. DOK4042GWB21KW of October 13th 2021, provided in connection with a contract for rent of property in Poznań, valid from June 30th 2022 to June 29th 2025, granted within the limit of the credit facility provided by Santander Bank Polska S.A. (see Note 17 to the separate and consolidated financial statements for 2022)
- EUR 214 thousand bank guarantee No. DOK1141GWB22WS of March 25th 2022, provided in connection with a contract for rental of property in Mysłowice, valid until September 30th 2024, granted within the credit limit of the facility provided by Santander Bank Polska S.A. (see Note 17 to the separate and consolidated financial statements for 2022)
- PLN 68 thousand bank guarantee No. DOK1330GWB22KW of April 12th 2022, provided in connection with a contract for rental of property in Tychy, valid until March 31st 2025, granted within the credit limit of the facility provided by Santander Bank Polska S.A. (see Note 17 to the separate and consolidated financial statements for 2022)
- PLN 3 million bank guarantee No. KLG84169IN22 of November 17th 2022, provided in connection with a distribution agreement, valid until December 29th 2023, granted within the credit limit of the facility provided by ING Bank Śląski S.A. (see Note 17 to the separate and consolidated financial statements for 2022)

None of the Group companies issued any sureties to non-Group entities in 2022.

2.15 ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT, INCLUDING ASSESSMENT OF THE GROUP'S ABILITY TO MEET ITS LIABILITIES; IDENTIFICATION OF THREATS AND THREAT MITIGATION MEASURES TAKEN OR INTENDED TO BE TAKEN BY THE GROUP

In 2022, the Group managed its financial resources in a sound manner, maintaining the highest possible efficiency of their use. In particular, the key financing sources for the Group's operations were internally generated funds, bank borrowings, trade payables, leases and factoring agreements.

For information on amendments to credit facility and factoring agreements, and on new and terminated agreements, see Section 2.9 of this report.

2.16 RECONCILIATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS DISCLOSED IN THE FULL-YEAR REPORT AND PREVIOUSLY RELEASED FORECASTS FOR THE YEAR

The Company's Management Board did not publish any financial forecasts of Auto Partner S.A. and its Group for 2022.

3 OTHER INFORMATION

3.1 DESCRIPTION OF MATERIAL RISK FACTORS AND THREATS, INCLUDING INFORMATION ON THE GROUP'S EXPOSURE TO SUCH RISKS OR THREATS

3.1.1. Risk factors related to the Company's and the Group's operating environment

Macroeconomic and industry risks

The market environment in which the Company and the Group operate is constantly evolving as a result of changes taking place in the automotive industry, including both automotive production and development of spare parts distribution channels.

On the one hand, the growing use of complex systems and components in modern cars requires repair workshops to have broader expertise and better equipment, which may pose a challenge to the development of independent workshops, being the main group of the Company's customers. On the other hand, the regulations introduced in the European Union create a level playing field for both independent and authorised workshops' access to know-how, and make it possible for authorised workshops to make greater use of the services of independent automotive part suppliers (which, however, is often objected to by car manufacturers).

The changing market environment offers growth opportunities for the operators that can successfully identify market trends and adapt flexibly, and at the same time poses a risk of choosing an inappropriate strategy.

The activities and financial results of the Group companies depend to a large extent on the economic conditions prevailing primarily on the domestic market, and in particular on such macroeconomic factors as the GDP growth rate, inflation rate, unemployment rate, the government's monetary and fiscal policies, corporate investment levels, availability and cost of credit, household incomes and consumer demand.

The above factors, as well as the direction and level of their changes, have an impact on the activities of the Group, its growth prospects, financial condition or results. There is a risk that a possible decline in the economic growth rate in Poland and other markets where the Group is present, or the use of economic policy instruments adversely affecting the Group's business may affect the demand and lead to an increase in the Group's costs. Accordingly, deterioration of the macroeconomic indicators may have an adverse effect on the Group's business, growth prospects, financial condition or results.

Risk of a shift in the demand structure

The Group keeps stocks of a wide range of goods. The purchases it makes depend on the assessment of market demand for individual product groups, and are therefore exposed to the risk of incorrect market assessment or changes in the demand structure. Any potential fluctuations in demand, in particular a serious decline in demand for specific product groups in a situation where the Company has bought large stocks of such products, may have adverse financial consequences to the Company such as freezing of working capital or the necessity to offer significant discounts. Rapid and unforeseen changes in demand for the goods offered by the Company may have a significant adverse impact on its financial condition and financial results.

The Group monitors and performs ongoing analyses of the trends in engine production technologies. In the long term, the changes may lead to a shift in the demand structure as a result of falling demand for some parts (engine parts, operating fluids, filters, etc.) and emergence of the market for parts used in electric engines and vehicles. The Group will cooperate with its suppliers to respond to such changes on an ongoing basis by expanding its offer to include new references.

Risk of weakening of the market position of independent repair workshops

In line with the increasing complexity of car components, requirements relating to their maintenance and repair are also growing, both with regard to the know-how and training of car mechanics and the technical equipment used in the workshops. Independent workshops need to constantly raise their qualifications and invest in equipment used in the modern cars maintenance. Insufficient development of the independent workshops' capabilities will cause the Group's market to shrink and will have an adverse impact on its financial performance.

The growing requirements for the equipment and expertise of independent repair workshops may be a catalyst of consolidation processes in the industry, which in turn may lead to greater market concentration while reducing the number of players operating on that market.

Any significant acceleration of the above trends and market developments may increase competition between the Group and its competitors. At the same time, in order to grow its business scale the Group will have to spend more than it planned on initiatives supporting its partner workshops (partnership programmes, assistance in upgrade and expansion projects, etc.), which may adversely affect its financial performance.

The market is also seeing increasing competition between authorised service centres for customers having post-warranty vehicles (in particular three to eight years old). The customers are offered preferential pricing terms, which may force independent distributors to reduce their margins.

Risk of new large competitors specialising in wholesale distribution of automotive parts entering the market in Poland and in other countries where the Group is present

The market for independent distribution of spare parts in Poland is dominated by Polish companies. Its size and good prospects imply a growing likelihood of foreign automotive part distributors entering the market. By offering more favourable purchase terms, they can capture a significant market share and cause increased competitive pressures.

Another risk associated with the entry into the Polish market of large foreign distributors is the risk of losing strategic suppliers, for whom certain foreign distributors are larger customers.

Due to the nature and maturity of the market, a possible entry of foreign competition is likely to take the form of a foreign entity taking over one of the major domestic players.

Similar mechanisms may also occur on selected foreign markets where the Group operates or intends to operate.

Increasing competitive pressure resulting from the above scenario could adversely affect the Group's financial performance and growth potential.

Risk related to the structure of foreign customers

The Group's export sales are exposed to country-specific risks in its customers' markets, such as changes in the size and structure of the spare parts market, changes in the purchasing power of the population, and stability of the economic and political system.

Risk of legislative changes affecting the Group's market

Changes in the laws and regulations governing the Group's operations in Poland and on other markets, including in particular changes in labour law and social security regulations or regulations relating directly or indirectly to the automotive industry, may have a material adverse effect on the Group's operations, e.g., if they result in the imposition of additional obligations or restrictions on the sale of automotive parts, and thus increase operating costs or reduce profitability.

Moreover, as a significant portion of the goods the Group distributes in Poland under private label brands are imported from Asia, the Group is exposed to adverse changes in customs laws. Any changes in customs procedures, introduction of prohibitive custom duties, imposition of import quotas or other restrictions on imports may have an indirect adverse effect on the Group's operations, mainly by forcing a change in the supply sources and increasing import costs.

Furthermore, enactment of any new laws that are open to conflicting interpretations may give rise to uncertainty as to the actual legal situation and its consequences, which in turn may entail temporary suspension of the Group's business growth or investments because of concerns about the possible adverse consequences of applying the ambiguous regulations (such as financial losses or even criminal sanctions for actions or omissions made under applicable laws which are then construed by courts or public administration authorities to the prejudice of the business).

The above events may result in a deterioration in the Group's financial performance and profitability of its business, as well as deterioration of its growth prospects.

Risk of tax system instability

Frequent amendments, inconsistencies, and lack of uniform interpretation of the tax laws entail material risks related to the tax environment in which the Group operates. If any tax settlements made by the Group are questioned by tax authorities in connection with discrepancies, changes in the interpretation or inconsistent application of tax laws by different tax authorities, this may result in the imposition of relatively high penalties or other sanctions on the Group.

Given the relatively long limitation period for tax liabilities, the assessment of tax risk is particularly difficult, but the risk described above may have a material adverse effect on the Group's operations, financial condition or performance.

Moreover, since the Group companies operate in different jurisdictions, the Group's operations may be exposed to the adverse effects of, e.g., potential instability of tax laws in force in those countries, divergent interpretations of the regulations, and unfavourable interpretation, amendment or termination of double tax treaties. If any of the above risks materialises, it may have a material adverse effect on the Group's operations, financial condition or financial performance.

Risks related to climate change

Climate change risks include:

- Physical risk – arising from the physical effects of climate change caused by specific weather-related events, such as storms, floods and heat waves. However, due to the nature of the business conducted by the Company, this risk is negligible for the Auto Partner Group and without any major impact on the Group's operations. The Company prevents the effects of the risks by entering into insurance contracts covering assets against damage or loss caused by, among other things, natural disasters.
- Transition risk – regulatory risk – related to the tightening of the European Union's climate policy, the tightening of environmental requirements, and the growing awareness of customers regarding climate change. These factors may lead to a shift away from the use of solid fuels in cars and more widespread introduction of electric cars or other alternative propulsion systems. If this happens, the Company will adjust its product offering to the changing market.

At the Auto Partner Group, there are no technological, production or other processes that would pose a threat to the natural environment. Therefore, the regulatory risk related to the Company's business is also negligible.

Risk related to the coronavirus epidemic
As at the issue date of this report, the Company did not identify any complications in the conduct of its business or any decrease in consumers' demand for spare parts. However, the Company emphasises that given the rapidly changing circumstances, the legal situation and regulations of the national governments enacted in response to the spread of the pandemic, as at the date of issue of this report the Company is not able to reliably estimate the extent of the pandemic's future impact on the Company's operating and financial condition.

Risk related to the Russian Federation's invasion of Ukraine
Following the Russian invasion of Ukraine launched on February 24th 2022, the Management Board assessed the impact of this event on its operations, business continuity, financial condition and going concern assumption. The Group's exposure to the Ukrainian market is negligible, accounting for less than 0.5% of its monthly revenue. To manifest solidarity with Ukraine, the Group suspended its business on the Russian and Belarusian markets, closed all its representative offices and discontinued the export of aftermarket parts to both Russia and Belarus. The Group's exports to the Russian and Belarusian markets account for 0.1% and 0.02%, respectively, of its monthly revenue. However, the Management Board notes that the event's impact on the overall economic situation may require revision of certain assumptions and estimates in the future. This, in turn, may necessitate significant adjustments to the carrying amounts of certain assets and liabilities in the next financial year. At present, given the continuing high uncertainty about how the situation will develop, the Management Board is not able to reliably estimate its impact on the Group's performance. The situation is highly unpredictable and therefore the current expectations may change in the coming quarters. In the long term, the situation may also affect the Group's trading volumes, cash flows and profitability. As at the date of signing this Report, the situation in Ukraine did not have a material impact, whether direct or indirect, on the Company's and its Group's operations, business continuity and financial condition. Moreover, the Management Board identified no threat to the Group's ability to continue as a going concern and no need to adjust its financial statements for 2022. The Management Board is monitoring the situation to the extent it could potentially affect the Group's business.

3.1.2. Risk factors related to the Company's and the Group's operations

Risk of changes in the bonus policies applied by spare parts suppliers (manufacturers)
The Group's profitability depends to a significant extent on bonuses granted to the Group by spare part suppliers (manufacturers). The bonus policies support distributors who make purchases of a significant value. Any changes in such policies, consisting in the reduction of the bonus rates or even abandonment of the bonuses, would result in a tangible deterioration of the Group's performance, forcing it to change its pricing policy. Although as at the reporting date there had been no changes in this respect having a material effect on the Group's financial condition, there can be no assurance that they will not occur in the future.

Risk related to unsuccessful strategy implementation or adoption of a wrong development strategy
The market in which the Group operates is highly competitive and is constantly evolving, with the direction and intensity of the changes depending on a number of factors, most of which are beyond the Company's control. Thus, the Group's future position, i.e. its revenue and profitability, depend on the Company's ability to develop and implement an effective long-term strategy. Any erroneous decisions resulting from an incorrect assessment of the situation or the Company's inability to adapt to the changing market conditions may have material adverse financial consequences.

Risk of a decline in demand for certain goods offered by the Company

The Group keeps certain levels of stocks of a wide range of goods. The purchases it makes are based on the assessment of market demand for individual product groups, and are therefore exposed to the risk of incorrect market assessment or changes in the demand structure. Any fluctuations in demand, in particular a large decline in demand for specific product groups in a situation where the Company has bought large stocks of such products, may bring significant losses to the Company in the form of freezing of working capital or the necessity to offer high-value discounts.

Risk related to the structure of the Group's debt

The Group is a party to credit facility agreements, factoring agreements and lease contracts. As at the end of 2022, lease liabilities amounted to PLN 151,616 thousand (of which PLN 149,635 thousand were liabilities of the Company), and borrowings totalled PLN 349,316 thousand (of which PLN 276,029 thousand were the liabilities of the Company). As at the reporting date, the Group did not have any reverse factoring liabilities. As at December 31st 2022, the total amount of the Group's interest-bearing liabilities was PLN 500,932 thousand, representing 31.9% of total equity and liabilities. In the period covered by the consolidated financial statements, the borrowings of the Group included a shareholder loan. The Group's debt outstanding under the loan was PLN 28,035 thousand as at the end of 2022. In addition, the Group created security interests over its inventories in relation to credit facility and factoring agreements executed with ING Bank Śląski S.A., Santander Bank Polska S.A., Santander Factoring Sp. z o.o., mBank S.A., and BNP Paribas Bank Polska S.A.

If the liquidity position of the Group deteriorates significantly, the Group may not be able to repay its interest liabilities and principal under the financing agreements or to satisfy additional conditions provided for in the financing agreements.

A default under the financing agreements may result in the tightening of the terms and conditions of the financing, an increase in debt service costs, or immediate termination of all or part of the credit facility agreements by the financing institutions and subsequent seizure of the Group's assets serving as security.

Loss of any material assets may significantly and adversely affect the Group's business or even completely prevent the Group from conducting its business, generating revenues and earning profits. Moreover, if the Group's financial condition deteriorates, the financing institutions may refuse to extend the term of the financing. Any of the above factors may have a material adverse effect on the Group's growth prospects, results and financial condition.

In addition, potential further increases in the reference rate by the Monetary Policy Council could adversely affect the Group's future financial performance.

Currency risk

During the financial year 2022, the Group did not hedge against currency risk. Due to the fact that the Group not only purchases but also sells in foreign currencies, the foreign exchange risk is partially mitigated. In 2022, approximately a half of the cost of goods purchased and operating expenses were settled in foreign currencies, with sales denominated in foreign currencies also accounting for approximately a half of the Group's total sales. The Group's primary trading currencies are EUR, USD, CZK, HUF and RON. The purchases are mainly paid for in PLN, EUR and USD (the Company's settlements are made chiefly in PLN and EUR), while sales are settled in PLN, EUR, CZK, HUF and RON (sales in foreign currencies are made only by the Company, except for sales in CZK by the Czech subsidiary).

Any significant fluctuations in the PLN exchange rate, in particular a long-term and sharp depreciation of the złoty, may cause adverse financial consequences to the Company and the Group. In such a situation, the currency risk is passed on to customers in the prices of merchandise, but an increase in prices of imported products to a level that is prohibitive for the end customers may ultimately lead to a decrease in revenue.

Risk related to the concentration of stocks (merchandise) in the central warehouse

The logistics centre, which comprises the Group's main storage facilities, is located in Bieruń near Katowice. If a fortuitous event (fire, flooding, etc.) occurs, it may cause serious disruptions to the continuity of supplies to customers. Such events would mean chiefly delayed deliveries, resulting in a loss of part of the revenue and a possible loss of some of the market if the Company's customers purchase goods from the competitors.

If some or all of the stocks are lost, the Group will be forced to incur expenditure to rebuild them and will recognise a financial loss. The Group has a property insurance policy.

Currently, approximately 45% of the stocks are held in the central warehouse. However, in connection with the plans to create regional centres (hubs) and expand the branch network (i.e., the Company's own and agent-operated branches, located in Poland or abroad and carrying out sales in a given region), approximately 30% of the stocks will be kept in the central warehouse.

Risk related to the loss of key personnel and inability to hire qualified workforce

Loss of key personnel, including in particular the executive staff and members of senior and medium-level management, may have a material adverse effect on the Company's operations. The management staff and other employees belonging to the group of key specialists contribute significantly to the Company's market success. There can be no assurance that it will be possible to retain all persons of key importance to the Company's growth or to hire equally efficient specialists in their place.

In addition, given the Group's development plans, including the increase in the number of branches, the Group will have to hire new employees/associates with high qualifications in specific competence areas (sales, branch management, etc.). Any difficulties in this respect, or hiring employees whose qualifications prove worse than expected, may delay the expansion process or may cause the business development process to bring less significant results.

Risk related to the IT system

The Company's operations rely on an effective online IT system. Any problems with its proper operation could affect the Group's sales volumes or even prevent trading activities altogether (e.g., the operation of the central warehouse is controlled by a computer system). This could have an adverse effect on the Group's financial performance. This risk may affect the stability of operation of the individual components of the Group's IT system, ICT infrastructure and cybersecurity, which has become an extremely important element of business activities. For the Company, cybersecurity is not only a matter of protection of personal data and sensitive information on the Company's operations and employees, but also a matter of protection against cyber attacks, which expose the Group to risks such as loss of reputation, financial losses, and regulatory penalties. Aware of the materiality of these risks to the Group's operations, we provide appropriate measures and procedures to prevent cyber attacks and data leakage, undertake constant efforts to improve data security and enhance education in this area. The Company has also effectively implemented a personal data protection system as well as a range of procedures for creation of backup copies, data recovery, operational continuity, etc.

Risk related to the operation of the Group's main warehouse

The Parent's head office is located on the same property in Bieruń as the Group's main warehouse.

The Company uses the property under a lease contract of June 28th 2013.

The lease was concluded for 10 years from the date of delivery of Phase 1 of the leased asset, i.e., May 15th 2014.

Under the contract, the lessor has the right to terminate it with immediate effect, in particular if any of the following events occurs:

- late payment of rent for at least two full payment periods;
- filing for bankruptcy or for the opening of recovery proceedings with respect to the lessee, provided that the lessee's debt owed to the lessor is past due by more than 30 days; and
- use of the leased asset other than in accordance with its intended purpose or a material breach of the lease terms specified in the contract and failure to remedy the breach, which may cause or has caused damage to the leased asset beyond normal wear and tear.

Before giving a notice of termination, the lessor is required to notify the lessee in writing of the intention to terminate the contract and give the lessee additional 14 or 21 days to perform the relevant obligation (depending on the type of breach of the obligation under the contract).

As the property where the Company's head office and the Group's main warehouse are located is not owned by the Company, there can be no assurance that the Company will not lose its right to use the property, which is one of its key assets. In such a situation, the operation of the main warehouse may encounter temporary difficulties as it will be necessary to relocate the head office and the main warehouse to another property, which may adversely affect the Group's operations and performance.

As the term of the lease contract ends in 2024, the Company has entered into a lease contract with the existing Lessor for the same property for a further period of 10 years, i.e., until May 30th 2034.

3.2 THE COMPANY'S AND THE GROUP'S GROWTH STRATEGY AND MEASURES TAKEN AS PART OF ITS IMPLEMENTATION IN THE REPORTING PERIOD; INFORMATION ON THE COMPANY'S GROWTH PROSPECTS IN THE NEXT FINANCIAL YEAR OR BEYOND

All companies of the Auto Partner Group pursue a common and uniform growth strategy. The Group's strategy is to ensure sustainable growth of the shareholder value by further expanding the scale of its business, increasing the market share, and strengthening the market position, while focusing on business process efficiency in order to achieve attractive margins.

The Management Board has defined four main strategic objectives for the Group:

1. growth of the business scale,
2. further product diversification,
3. further increase in profitability,
4. expansion into new markets.

Growth of the business scale

The Group intends to implement a programme to expand the network of own branches and to regularly take measures to optimise its economic efficiency. The Group's objective is to provide customers in Poland with access to a distribution network capable of making deliveries more than once a day. In line with the expansion of the branch network, regional logistics and storage centres are established, which significantly improve the efficiency of distribution across Poland, and can also be used to efficiently supply selected foreign markets. The Group recognises the growing market need to minimise spare parts delivery times between the distributor and the workshop. To address this need, the Company is currently planning an additional increase of the storage area at the logistic centres in Bieruń and Pruszków and is in the process of opening a new logistics and storage centre in Poznań.

Expansion into foreign markets is another way to accelerate growth of the business.

Since the end of 2017, the Group has conducted sales activities through its first foreign branch, operated by the subsidiary AP Auto Partner CZ s.r.o. Located in Prague, the Czech Republic, the branch aims to expand the customer base to include repair workshops. In 2022, AP Auto Partner CZ s.r.o. opened its second branch in the Czech Republic.

The Group is currently analysing further foreign markets where it intends to intensify its activities.

Further product diversification

Further steps in the Group development will involve continued expansion of its portfolio of spare parts.

By joining the Global One Automotive Group in 2017, the Group obtained access to the offering of key suppliers in the spare parts sector, whose products had not been available at its warehouses.

Further increase in profitability

One part of the strategy for further growth of the Group's profitability is continued brand value building for the private label product brands based on experience gained in the development of the MaXgear brand. The adopted strategy led to the introduction of new proprietary brands and brands offered on an exclusive basis: Quaro, comprising braking system parts, Rymec, specialising in drivetrain parts, and Rooks, covering workshop equipment.

In addition, the profitability growth will be supported by the increasing business scale, translating into further improvement of the terms of cooperation with automotive part suppliers. Another aspect with a bearing on profitability is the bonus obtained through the Global One purchasing group.

The Group also intends to continue its effective cost control policy by improving and developing its IT solutions and business processes.

3.3 MAJOR R&D ACHIEVEMENTS

The Group does not conduct any research and development activities.

3.4 ENVIRONMENTAL PERFORMANCE

At the Auto Partner Group, there are no technological, production or other processes with a significant and heavy environmental impact. The measures taken by the Group are designed to mitigate its negative environmental footprint. To this end, environmental aspects are identified and evaluated. The Group seeks to meet all legal requirements relating to environmental protection.

The impact of logistics and distribution centres on the natural environment is limited to:

- release of packaging waste,
- generation of waste: small amounts of hazardous waste, plastic waste, mixed packaging waste, used computer equipment, batteries and accumulators, concrete and rubble waste, municipal waste,
- collection and storage of battery scrap – waste car batteries,
- CO_2 and other gas emissions, mainly related to the vehicle fleet.

The Group generates mainly office and storage waste. Occasionally, there is also used electronic equipment or hazardous waste, i.e., oils (such as motor oils). The Group does not participate in the collection of hazardous waste. Hazardous waste occurs, for example, as a result of damaged packaging. In such cases, the product is separated and transferred for disposal. As of 2019, all waste generated by employees of the Auto Partner S.A. Head Office is segregated. Office waste bins were discontinued, and all waste is discarded into separate bins in staff amenity areas (kitchens). In 2020, water vending machines using disposable plastic cups were also phased out and replaced with water filters.

Packaging waste

The Group has entered into agreements with a packaging recovery organisation. In this way it ensures an adequate level of recovery and recycling of packaging waste as required by law.

Waste generated by Auto Partner S.A in 2022

Total weight of non-hazardous waste	**Mg**
Paper and cardboard packaging	1,787.0800
Plastic packaging	91.3590
Wood packaging	350.5400
Mixed packaging waste	164.2300
Ferrous metals	131.9200
Plastic waste	0.00
Plastics	3.6600

Waste generated by the Auto Partner Group in 2022 Mg

Total weight of non-hazardous waste	2554.5450
Total weight of hazardous waste	13.9190

Source: the Group.

Car batteries

The Auto Partner Group's offering includes car batteries. In accordance with applicable laws, the Group is under the obligation to accept waste batteries from retail buyers. Retail customers purchasing batteries are required to pay a security deposit which is returned if the old, used battery is returned within 30 days. Unreturned security deposits are transferred to the bank account of the competent Marshall Office. The Group also offers the possibility of organising collection of waste batteries of a specific battery manufacturer at the branches. In such a case, the batteries are temporarily stored in the Group's facilities, but the manufacturer is responsible and obliged to collect and dispose of them. Accordingly, the waste battery volumes at Auto Partner warehouses are small and are not formally treated as Group-produced waste.

Fuel consumption

Auto Partner operates a car fleet, which is a source of atmospheric emissions of CO_2 and other gases. Most of the vehicles are new and meet the exhaust gas emission standards. However, a part of the supply fleet is operated by external companies. Another source of direct and indirect gas emissions into the atmosphere is the property used by the Group. Depending on the terms of the contracts, the emissions are treated as direct (contracts with gas and utility suppliers executed directly with the Group companies) or indirect (the costs are charged to the Company as part of the lease costs).

The Group's fuel consumption in 2022 (Poland):

Type	Value	Unit of
gasoline	300,719.34	L
diesel oil	147,336.84	L
propane-butane (LPG)	78,038.94	L

The Group's fuel consumption in 2022 (Europe):

Type	Value	Unit of
gasoline	384,975.57	L
diesel oil	193,083.93	L
propane-butane (LPG)	81,007.42	L

Source: the Group.

The charges for gas and particulate matter emissions into the atmosphere in 2022 totalled PLN 671,00.

3.5 WORKFORCE

As at the end of 2022, the Group had a workforce of 2,327, including 2,302 persons employed by the Company and 25 persons employed at the subsidiaries. This means an increase of 185, or 8.6%, in the Group's workforce relative to the end of 2021.

The table below presents the Group's workforce by type of employment:

Type of employment	As at December 31st 2022	As at December 31st 2021
Employment contract	2,318	2,112
Civil-law contract for specified activity	9	29
Total	**2,327**	**2,142**
Average headcount in period	2,322	1,957

Source: the Group.

The table below presents the Group's workforce by area:

Area	As at December 31st 2022	As at December 31st 2021
Management and administration	132	113
Sales and marketing	888	867

Logistics and storage	1,307	1,162
Total	**2,327**	**2,142**

3.6 AUDIT OF THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2022

On May 5th 2022, pursuant to the Supervisory Board's resolution of April 11th 2022 on the appointment of an audit firm, Auto Partner S.A. and PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k., with its registered office at ul. Polna 11, 00-633 Warsaw, entered into an agreement providing for the following services concerning the Company's and the Group's financial statements for the financial years 2022, 2023 and 2024:

- review the condensed separate financial statements of Auto Partner S.A. for the first half of 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS);
- review the condensed consolidated financial statements of the Auto Partner Group for the first half of 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS);
- audit the separate financial statements of Auto Partner S.A. for 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS);
- audit the consolidated financial statements of the Auto Partner Group for 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS).

VAT-exclusive auditor fees for auditing and reviewing the Group's financial statements in 2021* and 2022:

	Period ended December 31st 2021	Period ended December 31st 2022
Audit of full-year financial statements	143,000	275 00
Review of financial statements	58,000	90,000
Total auditor fees	**201,000**	**365,000**

Source: the Group.

**The audit of the full-year financial statements and review of the financial statements for 2021 were performed by Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa under an agreement of July 30th 2018 (Resolution of the Supervisory Board of March 23rd 2018).*

VAT-exclusive auditor fees for auditing and reviewing the Company's financial statements in 2021* and 2022:

	Period ended December 31st 2021	Period ended December 31st 2022
Audit of full-year financial statements	129,000	220,000
Review of financial statements	58,000	90,000
Total auditor fees	**187,000**	**310,000**

Source: the Group.

**The audit of the full-year financial statements and review of the financial statements for 2021 were performed by Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa under an agreement of July 30th 2018 (Resolution of the Supervisory Board of March 23rd 2018).*

3.7 BRANCHES (ESTABLISHMENTS) OF THE COMPANY

As at December 31st 2022, the Company had no branches or establishments within the meaning of the Commercial Companies Code. As at the reporting date, the Company had 114 point-of-sale branches which are not separate organisational units.

3.8 MATERIAL EVENTS WITH A BEARING ON THE COMPANY'S AND THE GROUP'S BUSINESS WHICH OCCURRED IN OR AFTER THE FINANCIAL YEAR

All material events that occurred in 2022 are discussed in Sections 2.3. and 2.4 of this report.

Events subsequent to the reporting date

1. On January 2nd 2023, the Company entered into an agreement with Global One Automotive GmbH of Frankfurt whereby it advanced a loan of EUR 750,000.00 to Global One. The agreement was concluded for a definite term until July 31st 2023. The Company holds 6.25% of shares in Global One Automotive GmbH as a participant in the International Purchasing Group (since 2017).
2. On February 6th 2023, the Company signed an amendment to a lease contract with Westinvest Gesellschaft für Investmentfonds mbH of Düsseldorf, Germany.
   The term of the lease contract concerning the Company's registered office and warehouse in Bieruń was extended until May 30th 2034.
3. February 15th 2023 saw the execution of Amendment 2 to the loan agreement signed on January 2nd 2014 with the Company's shareholders Aleksander Górecki and Katarzyna Górecka. The Amendment changed the terms and conditions concerning interest charged on the loan: as of January 1st 2023 the interest rate will be variable and based on 3M WIBOR plus a margin (previously the interest rate was fixed).
4. On February 6th 2023, the Company signed an amendment to the Multi-Facility Agreement with Santander Bank Polska Spółka Akcyjna of Warsaw of September 26th 2016, as subsequently amended from time to time. The amendment increased the multi-facility limit from PLN 65,000,000.00 (including, among others, a credit facility sublimit in the euro) to a maximum amount of PLN 90,000,000. The facility is to be used to finance the day-to-day operations of Auto Partner S.A. The availability of the limits under the multi-facility was extended until March 31st 2026. Interest on the debt is calculated based on floating rates (plus a margin): 1M WIBOR for debt in the Polish złoty and 1M EURIBOR for debt in the euro.
5. On February 10th 2023, at the Company's request, all contractual security instruments were released and the reverse factoring agreement executed with Santander Factoring Sp. z o.o. on March 29th 2019 was formally terminated.
6. On February 21st 2023, the Company signed a deed establishing a foundation under the name Auto Partner with its seat in Bieruń. The Foundation's objects are as follows: provision of social assistance, charitable activities, educational activities, health protection and promotion, promotion of volunteering, ecology and animal protection, and protection of natural heritage,

cultural activities, promotion of physical culture and sport, assistance to victims of catastrophes, natural disasters, armed conflicts and wars in Poland and abroad, public order and security activities.

7. On March 31st 2023, the Management Board of the Company passed a resolution to propose to the Annual General Meeting a dividend payment from profit for the financial year 2022. Pursuant to the resolution, the Management Board recommends payment to the Company's shareholders of dividend of PLN 19,593,000 (nineteen million, five hundred and ninety-three thousand złoty), i.e., PLN 0.15 (fifteen grosz) per share. At the meeting held on April 17th 2023, the Supervisory Board gave a favourable opinion on the recommendation. When making a final decision on dividend payment, the Annual General Meeting will determine the date as at which the list of shareholders entitled to receive dividend is prepared (dividend record date) and the dividend payment date.
8. Following repayment on March 27th 2023 of a non-revolving working capital facility of PLN 15,000,000, granted by mBank S.A., on April 5th 2023 the Company signed a working capital credit facility agreement with mBank S.A. of Warsaw. Under the agreement, a revolving working capital credit facility of PLN 15,000,000 (fifteen million złotys) was advanced to the Company to finance its day-to-day operations. The facility, repayable by December 12th 2024, has a floating interest rate of 1M WIBOR plus a margin.

3.9 FINANCIAL METRICS

In order to present a comprehensive view of the Company's and the Group's financial position, the Company uses alternative performance measures (APMs). The Company believes that they provide material information on the financial position, operating efficiency and profitability. The APMs used by the Company should be analysed in addition to, rather than instead of the financial information presented in the financial statements.

The Company presents selected alternative performance measures as additional (apart from the data in the financial statements) information on its financial and operating position and financial liquidity, facilitating analysis and assessment of the Company's and its Group's financial performance. The selected APMs are presented because they are standard metrics and indicators commonly used in financial analysis. Selection of the APMs was preceded by an analysis of their suitability for providing useful information to investors.

3.9.1. Profitability metrics of the Company and the Group

The profitability metrics presented below were calculated on the basis of financial data from the separate and consolidated statements of profit or loss and other comprehensive income for 2022.

The table below presents the Company's and the Group's profitability metrics for the periods indicated.

	For the year ended December 31st consolidated financial statements		For the year ended December 31st separate financial statements	
	2022	2021	2022	2021
	PLN '000	PLN '000	PLN '000	PLN '000

EBITDA (PLN '000)[1]	314,218	265,187	300,847	253,562
Gross margin (%)[2]	29.9	29.1	28.7	27.9
EBITDA margin (%)[3]	11.1	11.7	10.6	11.2
EBIT margin (%)[4]	9.9	10.6	9.5	10.1
Pre-tax profit margin (%)[5]	9.0	10.2	9.1	10.1
Net profit margin (%)[6]	7.3	8.2	7.4	8.2

Source: the Group.

(1) The Group defines and calculates EBITDA as operating profit (loss) before depreciation and amortisation.
(2) Gross margin is defined as the ratio of gross profit (loss) for the reporting period to revenue for the period.
(3) EBITDA margin is defined as the ratio of EBITDA for the reporting period to revenue for the period.
(4) EBIT margin is defined as the ratio of operating profit (loss) for the reporting period to revenue for the period.
(5) Pre-tax profit margin is defined as the ratio of pre-tax profit for the reporting period to revenue for the period.
(6) Net profit margin is defined as the ratio of net profit for the period to revenue for the period.

The profitability metrics presented below were calculated on the basis of data from the separate and consolidated statements of financial position for 2022.

The table below presents the Company's and the Group's profitability metrics for the periods indicated.

	For the year ended December 31st consolidated financial statements		For the year ended December 31st separate financial statements	
	2022	2021	2022	2021
	PLN '000	PLN '000	PLN '000	PLN '000
ROE (%)[7]	27.7	32.7	27.3	31.5
ROA (%)[8]	14.9	18.7	15.6	19.1

Source: the Group.

(1) The Group defines and calculates ROE as the ratio of net profit for the period to average equity (calculated as the arithmetic mean of equity as at the end of the previous period and as at the end of the reporting period).
(2) The Group defines and calculates ROA as the ratio of net profit for the period to average assets (calculated as the arithmetic mean of total assets as at the end of the previous period and as at the end of the reporting period).

3.9.2. Efficiency metricsof the Company and the Group

The Group's efficiency metrics presented below were calculated on the basis of financial data from the separate and consolidated statements of profit or loss and other comprehensive income for 2022 and the separate and consolidated statements of financial position as at December 31st 2022.

The table below presents the Company's and the Group's efficiency metrics for the periods indicated.

	As at December 31st consolidated financial statements	As at December 31st separate financial statements

	2022	2021	2022	2021
	PLN '000	PLN '000	PLN '000	PLN '000
Inventory turnover period (days)[1]	158	141	142	124
Average collection period (days)[2]	34	30	36	33
Average payment period (days)[3]	24	23	25	19
Cash conversion cycle[4]	168	148	153	138

Source: The Group.

(1) The Group defines and calculates the inventory turnover period as the ratio of average sum of inventories and right-of-return assets (calculated as the arithmetic mean of the balance as at the end of the previous period and as at the end of the reporting period) to cost of sales in the period, multiplied by the number of days in the period.
(2) The Group defines and calculates the average collection period as the ratio of average trade and other receivables (calculated as the arithmetic mean of trade and other receivables as at the end of the previous period and as at the end of the reporting period) to revenue in the period, multiplied by the number of days in the period.
(3) The Group defines and calculates the average payment period as the ratio of average trade and other payables and right-of-return liabilities (calculated as the arithmetic mean of trade and other payables as at the end of the previous period and as at the end of the reporting period) to cost of sales in the period, multiplied by the number of days in the period.
(4) The Group defines and calculates the cash conversion cycle as the sum of the inventory turnover period and average collection period less average payment period.

3.9.3. Debt metricsof the Company and the Group

The Group's debt ratios presented below were calculated on the basis of the separate and consolidated statements of financial position as at December 31st 2022.

The table below presents the Company's and the Group's debt metrics.

	As at December 31st consolidated financial statements		As at December 31st separate financial statements	
	2022	2021	2022	2021
	PLN '000	PLN '000	PLN '000	PLN '000
Total debt ratio (%)[1]	46.3	45.5	44.5	41.0
Long-term debt ratio (%)[2]	17.2	15.0	17.4	15.8
Short-term debt ratio (%)[3]	29.2	30.5	27.0	25.2
Equity-to-debt ratio (%)[4]	115.9	119.8	124.9	144.2

Source: The Group.

(1) The Group defines and calculates the total debt ratio as the ratio of total liabilities as at the reporting date to total assets as at the reporting date.
(2) The Group defines and calculates the long-term debt ratio as the ratio of non-current liabilities as at the reporting date to total assets as at the reporting date.
(3) The Group defines and calculates the short-term debt ratio as the ratio of current liabilities as at the reporting date to total assets as at the reporting date.
(4) The Group defines and calculates the equity-to-debt ratio as equity as at the reporting date to total liabilities as at the reporting date.

3.9.4. Liquidity metrics of the Company and the Group

The Group's liquidity ratios were calculated on the basis of financial data from the separate and consolidated statements of financial position as at December 31st 2022.

The table below presents the Company's and the Group's liquidity metrics.

	As at December 31st consolidated financial statements		As at December 31st separate financial statements	
	2022	2021	2022	2021
	PLN '000	PLN '000	PLN '000	PLN '000
Current ratio[1]	2.81	2.75	2.97	3.20
Quick ratio[2]	0.69	0.70	0.80	0.92
Cash ratio[3]	0.08	0.05	0.08	0.05

Source: the Group.

(1) The Group defines and calculates the current ratio as the ratio of current assets as at the reporting date to current liabilities as at the reporting date.
(2) The Group defines and calculates the quick ratio as the ratio of total current assets less inventories and right-of-return assets as at the reporting date to current liabilities as at the reporting date.
(3) The Group defines and calculates the cash ratio as the ratio of cash and cash equivalents plus current financial assets as at the reporting date to current liabilities as at the reporting date.

3.10 MATERIAL COURT, ARBITRATION AND ADMINISTRATIVE PROCEEDINGS

No material court, arbitration or administrative proceedings are currently pending in relation to any liabilities or claims of the Company or any of its subsidiaries.

3.11 FINANCIAL INSTRUMENTS

3.11.1. Capital risk management

The purpose of the Group's capital management is to ensure that the Group companies can continue as going concerns and to maximise return for the shareholders by optimising the debt-equity structure.

The Group is not subject to any external capital requirements, apart from the following:

1) Pursuant to Art. 396.1 of the Commercial Companies Code, which applies to the parent, at least 8% of profit for the financial year should be contributed to statutory reserve funds held for the purpose of covering losses, until the funds reach at least one-third of the Group's share capital. That part of statutory reserve funds (retained earnings) is not available for distribution to shareholders. As at December 31st 2022, it amounted to PLN 4.4m.
2) Financial covenants contained in the credit facility agreements limit the Company's ability to pay dividends to 30% of the net profit for the preceding year; this percentage may be increased to 50% provided that the solvency ratio, calculated as equity to total assets, is maintained at no less than 50%.

3.11.2. Currency risk management

The Group enters into certain transactions denominated in foreign currencies, and thus it is exposed to the risk of exchange rate fluctuations. In 2022, the Group did not use derivative instruments to hedge its currency risk.

3.11.3. Interest rate risk management

The Group is exposed to interest rate risk as its subsidiaries borrow funds bearing interest at fixed and variable rates. The Group manages the risk by maintaining an appropriate proportion of fixed- and floating-rate borrowings. The Group does not use derivative instruments to hedge against interest rate risk.

The Group's exposure to interest rate risk related to financial assets and liabilities is discussed in detail in the section on liquidity risk management.

3.11.4. Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations, which will result in financial losses to the Group. The Group only trades with customers with proven creditworthiness. If necessary, the Group takes appropriate security to reduce the risk of incurring financial losses due to the customer's default. The Group uses financial information available in the public domain and its own transaction data to assess the creditworthiness of its main customers. The Group's exposure to credit risk is constantly monitored.

Trade receivables include amounts due from a large number of customers. Therefore, the Group is not exposed to material credit risk from a single counterparty, although the concentration increases as the scale of its operations on foreign markets grows. Therefore, the Group takes out additional insurance to cover a specific portfolio of receivables from its foreign customers, and – to a lesser extent – domestic customers.

3.11.5. Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Management Board, which has put in place an appropriate system for managing short-, medium- and long-term financing and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserve credit facilities, continuously monitoring projected and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

3.12 CURRENT AND ANTICIPATED FINANCIAL POSITION OF THE COMPANY AND THE GROUP

The Company's Management Board views the Company's and the Group's financial position as stable. As at the reporting date, the Group's net debt to EBITDA was 1.4 (the ratio is calculated net of the shareholder loan, which is subordinated to credit facility agreements and is not taken into account in the calculation of the ratio by the banks), which is a safe level in the context of the maximum levels required by banks and resulting from the financial covenants defined in the credit facility agreements.

In addition, the Company has an option to choose between deferred payment deadlines and additional discounts from suppliers. At present, the Company uses the discounts to maximise margins rather than the deferred payment option, which has a significant bearing on the length of the average payment period.

Given the rapid development of the Group, the Management Board uses surplus funds to ensure an appropriate level of inventories in order to guarantee the highest quality of service to its customers, which may lead to temporarily negative operating cash flows but, in the Management Board's opinion, will generate tangible profits in the future due to higher turnover.

3.13 AGREEMENTS PROVIDING FOR COMPENSATION TO MEMBERS OF THE MANAGEMENT STAFF IN THE EVENT OF RESIGNATION OR REMOVAL FROM OFFICE WITHOUT A GOOD REASON, OR TERMINATION OR REMOVAL FROM OFFICE IN THE EVENT OF CHANGE OF CONTROL

The Company has not entered into agreements referred to above with any members of its management staff.

3.14 AGREEMENTS KNOWN TO THE COMPANY (INCLUDING THOSE CONCLUDED AFTER THE REPORTING DATE) WHICH MAY CHANGE THE PROPORTIONS OF COMPANY SHARES HELD BY ITS EXISTING SHAREHOLDERS AND BONDHOLDERS

The Company is not aware of any agreements which may result in future changes in the proportions of Company shares held by its existing shareholders and bondholders.

3.15 INFORMATION ON REPURCHASE OF COMPANY SHARES, INCLUDING INFORMATION ON THE PURPOSE OF THE REPURCHASE, NUMBER AND PAR VALUE OF THE SHARES AND THE PERCENTAGE OF THE SHARE CAPITAL THEY REPRESENT, AND PURCHASE PRICE AND SELLING PRICE (IF THE SHARES ARE SOLD)

In the financial year 2022, the Company did not execute any transactions in its own shares.

3.16 IF THE COMPANY ISSUED ANY SECURITIES IN THE PERIOD COVERED BY THE REPORT – INFORMATION ON THE USE OF THE PROCEEDS BY THE DATE OF PREPARATION OF THE FINANCIAL STATEMENTS

In the financial year 2022, the Company did not issue any securities.

3.17 DEVELOPMENT POLICY FOR THE GROUP AND THE COMPANY

Both the Company and the Group intend to continue their existing development policy. For the discussion of the Group's development plans, see Section 3.2 of this report.

3.18 STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS BY AUTO PARTNER S.A.

3.18.1. Corporate governance standards applicable to the Company; the place where the standards are available to the public

In 2022, Auto Partner S.A. was subject to the corporate governance rules set out in Best Practice for WSE Listed Companies 2021 ("Best Practice 2021") adopted by the Supervisory Board of the Warsaw Stock Exchange by Resolution No. 13/1834/2021 on March 29th 2021. Best Practice 2021 is available at http://corp-gov.gpw.pl.

On July 30th 2021, Auto Partner S.A. adopted the corporate governance standards set out in Best Practice 2021. The Company published information on the status of its compliance with the recommendations and principles contained in Best Practice 2021 by posting it on the Company's website at https://autopartner.com/lad-korporacyjny/.

3.18.2. Scope of non-compliance with the code of corporate governance standards, identification of the specific provisions of the code that were not complied with, and reasons for the non-compliance

The Company applies the corporate governance principles set out in the CODE OF BEST PRACTICE FOR WSE LISTED COMPANIES 2021, published on the website of the Warsaw Stock Exchange (GPW S.A.). In the financial year 2022, the Company applied the detailed principles set out in that document, except for: 1.3.1., 1.3.2., 1.4., 1.4.1., 2.1., 2.2., 2.11.6., 3.1., 3.2., 3.4., 3.6., 3.7., 4.1., 4.3.

1. Disclosure policy and investor communication

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

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

   The principle is not applied.

   Company's comment: *ESG aspects are not comprehensively integrated into the Company's current strategy, but the Company will take them into account when developing its future strategy*.

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

   The principle is not applied.

   Company's comment: *ESG aspects including social and employee factors are not comprehensively integrated into the Company's current strategy. In the course of its day-to-day operations, the Company complies with the applicable laws and standards of ethics pertaining to gender equality, decent working conditions, respect for employees' rights, prevention of workplace bullying, dialogue and engagement with the local communities, It is also committed to maintaining good customer relations. Nevertheless, the Company will take social and employee factors into account when developing its future strategy.*

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

   The principle is not applied.

   Company's comment: *The Company's current strategy framework and business goals are published on its corporate website. The current strategy does not include any references to ESG factors. However, the Company will take such factors into account when developing its future strategy.*

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

   The principle is not applied.

Company's comment: *Climate change aspects are not comprehensively integrated into the Company's current strategy, but the Company will take them into account when developing its future strategy.*

2. Management Board, Supervisory Board

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.
The principle is not applied.
Company's comment: *The Company does not have in place a formalised diversity policy applicable to the Management Board and Supervisory Board, approved by the Supervisory Board and the General Meeting, respectively. However, the Company complies with the applicable laws on non-discrimination in employment and does not restrict in any way the diversity of its corporate bodies. When appointing members of the corporate bodies, the General Meeting or the Supervisory Board, as applicable, have regard primarily to the Company's needs and therefore focus on a candidate's competence, expertise, professional experience and knowledge of the industry in which the Company operates. The current composition of the Supervisory Board and Management Board is diverse in terms of education, expertise, age and professional experience, but factors such as a candidate's gender are not taken into account.*

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.
The principle is not applied.
Company's comment: *The bodies appointing members of the Management Board and Supervisory Board ensure their diversity by appointing persons with diverse educational backgrounds, experience and age. The gender criterion is not taken into account. Also, this principle is not applied in connection with non-application of principle 2.1. However, recognising the intrinsic value of this best practice, on the occasion of appointing members of the Management Board and Supervisory Board for another term of office, the Company will present this principle to the General Meeting whose agenda includes the appointment of Supervisory Board members and to the Supervisory Board with respect to the appointment of Management Board members.*

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.
The principle is not applied.
Company's comment: *Non-application of this principle is a consequence of non-application of principle 2.1.*

3. Internal Systems and Functions

3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.
The principle is not applied.
Company's comment: *Currently, this principle is applied to a limited extent. Since 2020, the Company has had in place a compliance system, which includes in particular: the Code of Ethics, the Anti-Corruption Code, the Procedure for the Prevention of Discrimination, Harassment and Workplace Bullying, the Procedure to Be Followed in the Case of an Inspection/Search, and the Procurement Procedure. The system is designed to ensure compliance of the Company's activities with the applicable laws, business standards and other market requirements. Among other things, the system has defined the management process for the risk of misconduct and conflicts of interest and the effective whistleblowing process. Internal control and risk management systems are distributed and are operated in various areas of the Company's operations. The Company is considering establishment of an internal audit function.*
3.2. The Company's organisational structure includes separate units responsible for the tasks of the respective systems or functions, unless this is not justified by the size of the Company or the type of its activity.
The principle is not applied.
Company's comment: *Currently, this principle is applied to a limited extent. While the Company has established a dedicated compliance unit, Internal control and risk management systems are distributed and are operated in various areas of the Company's operations. There are no separate organisational units responsible for these tasks within the Company' structure. The Company is considering establishment of an internal audit function.*
3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.
The principle is not applied.
Company's comment: *Given the limited application of principle 3.2, full compliance with this principle is not possible.*
3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.
The principle is not applied.
Company's comment: Given the limited application of principle 3.2, full compliance with this principle is not possible.
3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.
The principle is not applied.
Company's comment: No persons have been appointed at the Group companies to perform such tasks. The risk management and compliance functions are performed at the parent's level.
4. General Meeting, Shareholder Relations
4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.
The principle is not applied.

Company's comment: *Given the lack of interest from shareholders and risks associated with e-meetings, the principle is not applied. Implementation of this principle would also involve certain technical and legal risks, which might affect the proper and smooth conduct of General Meetings, entailing the risk that resolutions passed by the General Meeting could potentially be challenged, in particular by citing technical issues.*

4.3 A company should ensure publicly available and real-time broadcasts of its general meetings.
The principle is not applied.

Company's comment: *Given that implementation of this principle would involve the provision of specific technical and organisational infrastructure, and that no expectations are voiced by shareholders regarding access to broadcasts of the General Meetings, the Company does not currently apply this principle, although it does not rule out its application in the future.*

3.18.3. Key characteristics of the internal audit and risk management systems applied at the Company in connection with the preparation of financial statements

Auto Partner S.A. and other Auto Partner Group companies have a distributed internal control system in place. The system is suited to the Group's needs and ensures effectiveness, reliability, completeness, compliance with laws and internal regulations, as well as validity of financial and management information. Internal control is one of the functions in day-to-day management of the Group, carried out directly by the parent's Management Board, the Management Boards of the subsidiaries, the Controlling Department, the Internal Control Department, other employees in management positions, and the Group's legal services.

In accordance with applicable laws, as part of the reporting control process, the Auto Partner S.A. Management Board has the financial statements reviewed or audited, as appropriate, by an independent auditor. The auditor is selected by the Company's Supervisory Board based on recommendations from the Audit Committee. The financial statements are prepared in accordance with appropriate procedures, in cooperation with individual departments of the Company and its subsidiaries, under the supervision of the Chief Financial Officer. The Group applies approved accounting policies, describing the rules of measurement of assets, equity and liabilities, and profit or loss.

In the process of preparing financial statements, the Group uses dedicated IT tools that support automatic verification of data consistency and monitoring of the accounting and controlling activities on a continuous basis.

The comprehensive nature of the control system ensures timely and accurate disclosure of facts relating to material elements of the Group companies' business. It allows the Auto Partner S.A. Management Board, the Audit Committee and the Supervisory Board to obtain full view of the Group's financial condition, operating performance, assets, and efficiency of management. The Auto Partner Group's control system ensures complete disclosure of business transactions, correct assignment of supporting documents, and correct valuation of the resources at each registration stage, thus ensuring that the financial statements are prepared correctly and enabling the Management Board to conduct the operations of Auto Partner S.A. and the Auto Partner Group based on verified and complete information.

As part of its risk management procedures, the Group carries out verification and reconciliation of management policies, covering mainly:

- Risk of changes in the bonus policies applied by spare parts suppliers (manufacturers)
- Risk related to unsuccessful strategy implementation or adoption of a wrong development strategy

- Risk of a decline in demand for certain goods offered by the Company
- Risk related to the structure of the Group's debt
- Currency risk
- Risk related to the concentration of stocks (merchandise) in the central warehouse
- Risk related to the loss of key personnel and inability to hire qualified workforce
- Risk related to the IT system
- Risk related to the operation of the Group's main warehouse

The Auto Partner S.A. Management Board assesses the risks related to the Company's and the Group's operations on an ongoing basis and manages those risks. The Management Board is responsible for monitoring and identifying the risks. The enterprise risk management process is carried out by the Management Boards of individual Group companies.

The Supervisory Board, together with the Audit Committee, monitors the financial reporting process and the effectiveness of internal control and risk management systems. The Audit Committee works with the Auto Partner S.A. Management Board and the Auditor on an ongoing basis with respect to supervision of the preparation of financial statements.

3.18.4. Shareholders holding, directly or indirectly, major holdings of Company shares, the number of shares held by each shareholder, the percentage of the Company's share capital they represent, the number of votes attached to the shares, and the percentage of total voting rights they represent at the General Meeting

As at the date of issue of this report, i.e. April 18th 2023, the Company's shareholders with major holdings of shares were:

Shareholder	Number of shares held	Number of votes at GM	Ownership interest (%)	Total voting rights held (%)
Aleksander Górecki	28,383,577	28,383,577	21.73%	21.73%
Katarzyna Górecka	33,560,681	33,560,681	25.69%	25.69%
Otwarty Fundusz Emerytalny Złota Jesień (OFE PZU)	8,617,124	8,617,124	over 5%*	over 5%*
Nationale Nederlanden Powszechne Towarzystwo Emerytalne S.A.	13,062,403	13,062,403	10.0003%	10.0003%

* In the most recent notification, received by the Company on April 10th 2017, Otwarty Fundusz Emerytalny Złota Jesień (OFE PZU) reported that it held 8,617,124 Company shares, which, according to the Company's calculations based on the current share capital amount, currently represent 6.622% of total voting rights.

3.18.5 Holders of any securities conferring special control powers

No outstanding securities issued by the Company confer any special control powers on its holders.

3.18.6 Restrictions on the exercise of voting rights

The Company's Articles of Association do not provide for any restrictions on the exercise of voting rights attached to Company shares.

3.18.7. Restrictions on the transferability of the Company's securities

As at the date of issue of this report, no restrictions applied at Auto Partner S.A. with respect to the transferability of securities issued by the Company.

3.18.8. Rules governing appointment and removal of Management Board members; powers of Management Board members, including the right to resolve on a share issue or buy-back

Members of the Management Board are appointed by the Supervisory Board for a joint term of five years. The mandates of Management Board members expire on the date of the General Meeting which approves the Directors' Report and the financial statements for the last financial year in which they held the office. Members of the Management Board may be removed before the expiry of their term of office by the Supervisory Board. A Management Board member's mandate also expires upon the member's death, resignation or removal from the Management Board.

Pursuant to the Commercial Companies Code, the right to remove from office or suspend in duties a Management Board member is also vested in the General Meeting.

Powers and responsibilities of the Management Board include all matters that do not fall within the exclusive scope of powers and responsibilities of the General Meeting or the Supervisory Board.

Decisions on share issue and retirement are governed by the provisions of the Commercial Companies Code.

3.18.9. Rules governing amendments to the Articles of Association.

An amendment to the Articles of Association of Auto Partner S.A. requires a resolution of the General Meeting and entry in the Register of Businesses. A resolution of the General Meeting on amendments to the Company's Articles of Association is passed with a majority of three-fourths of votes, except for amendments with respect to which the Commercial Companies Code provides otherwise. In the reporting period, no amendments were made to the Company's Articles of Association.

3.18.10. Procedures and key powers of the General Meeting; shareholder rights and how they are exercised

The rules for convening the General Meeting are defined in the Commercial Companies Code, the Company's Articles of Association, and the Rules of Procedure for the General Meeting. Both the Articles of Association and the Rules of Procedure for the General Meeting are available on the Company's website at https://autopartner.com/lad-korporacyjny/

An Annual General Meeting is convened by the Management Board and is held within six months of the end of a financial year. The Supervisory Board may convene an Annual General Meeting if the Management Board fails to do so within the time limit specified in the Articles of Association, and an Extraordinary General Meeting, if the Supervisory Board deems it advisable. Furthermore, in certain cases, the shareholders have the right to convene or request the convening of a General Meeting.

Shareholders may attend the General Meeting and exercise voting rights in person or by proxy. One proxy may represent more than one shareholder.

Unless the Commercial Companies Code provides otherwise, the General Meeting is validly held regardless of the number of shares represented.

Any matters to be submitted to the General Meeting are first presented for consideration by the Supervisory Board.

Subject to certain cases, resolutions of the General Meeting are passed by open ballot with simple majority vote, unless the Commercial Companies Code or the Articles of Association provide for more stringent conditions for adopting resolutions on specific matters. A secret ballot is ordered in the case of voting on election or removal from office of members of the Company's governing bodies or liquidators, on bringing them to account, and on personnel matters. A secret ballot is also ordered if at least one shareholder present or represented at the General Meeting so demands.

The procedures for the operation of the General Meeting and the key shareholder rights and powers as well as the manner in which they are exercised are defined in the Commercial Companies Code, the Company's Articles of Association, the Rules of Procedure and the corporate governance standards adopted by the Company.

The following are considered special matters, excluded from the scope of the General Meeting's powers and responsibilities:

- acquisition and disposal of real estate, perpetual usufruct right to or interest in real estate,
- appointment of the auditor to audit the financial statements.

Pursuant to the Company's Articles of Association, decisions on those matters are made by the Supervisory Board.

Pursuant to the Articles of Association, the General Meeting's resolutions are passed with an absolute majority of votes cast, except for matters for which the Commercial Companies Code provides otherwise.

A special section dedicated to the Company's General Meetings is available on Auto Partner's website, containing information on an approaching General Meeting, as well as archived materials from previous General Meetings.

General Meetings are held in such a way as to properly discharge obligations towards the shareholders and enable them to exercise their rights.

If a vote is carried out by means of a computerised system for voting and calculating the voting results, the system should ensure that the number of votes cast corresponds to the number of shares held, and – in the case of secret ballot – should prevent identification of how individual shareholders have voted. The same requirements must be met when conducting secret ballot using ballot cards.

The General Meeting may be held at the Company's registered office or in Tychy, Katowice, Kraków, Warsaw or Gdańsk.

Promptly after the General Meeting completes its proceedings, the Company publishes the resolutions passed by the General Meeting in a current report, and places them on its website so that the shareholders can learn about the matters dealt with during General Meetings.

Shareholders have the right to a share in the profit disclosed in the audited financial statements and allocated by the General Meeting for distribution to the shareholders.

An Extraordinary General Meeting may be convened by shareholders representing at least half of the share capital or of total voting rights in the Company, in which case such shareholders designate the chair of the General Meeting. Shareholder(s) representing at least one-twentieth of the share capital may request the Management Board to convene an Extraordinary General Meeting and place particular matters on its agenda.

A General Meeting may be attended only by persons that are the Company's shareholders sixteen days prior to the date of the General Meeting. Shareholder(s) representing at least one-twentieth of the share capital may request that specific matters be placed on the agenda of the General Meeting. The request should be submitted to the Management Board not later than twenty-one days before the scheduled date of the General Meeting.

Shareholders may attend the General Meeting and exercise voting rights in person or by proxy.

Each Company shareholder has the right to:

- put forward draft resolutions on the agenda items during the General Meeting;
- put forward provisions amending or supplementing a draft resolution included in the General Meeting's agenda, until the debate on the agenda item referred to in the draft resolution has been closed. The proposed provisions, accompanied by a brief statement of reasons, should be submitted in writing, separately for each draft resolution, with the name and surname (company name) of the shareholder specified, to the chair of the General Meeting, unless the chair authorises submission of the proposed provisions orally.

A shareholder has the right to request to be provided with copies of proposals concerning matters included on the agenda of the next General Meeting one week prior to the date of the General Meeting. Shareholders may request copies of the Directors' Report and financial statements, including copies of the Supervisory Board's report and the auditor's report, no later than 15 (fifteen) days prior to the General Meeting.

During the General Meeting, the Management Board is required to provide shareholders with any information on the Company that the shareholders may reasonably request for the purposes of assessing a matter on the agenda.

3.18.11. Composition and operation of the Company's Management and Supervisory Boards and their committees

Management Board From the beginning of 2022 until November 30th 2022, the Management Board had the following composition:

- Aleksander Górecki – President of the Management Board,
- Piotr Janta – Vice President of the Management Board,
- Andrzej Manowski – Vice President of the Management Board.

On November 30th 2022, the Supervisory Board appointed Tomasz Werbiński to the Company's Management Board, with effect from December 1st 2022.

From December 1st 2022 to the issue date of this Report, the Management Board had the following composition:

Aleksander Górecki – President of the Management Board,

Piotr Janta – Vice President of the Management Board,

Andrzej Manowski – Vice President of the Management Board,

Tomasz Werbiński – Member of the Management Board.

The Management Board manages the Company's affairs and represents the Company before third parties. The manner of representation of the Company is defined in the Articles of Association, which stipulate that the persons authorised to make binding declarations of will on behalf of the Company are: President of the Company's Management Board acting individually, or two members of the Management Board acting jointly, or one member of the Management Board acting jointly with a commercial proxy.

The Company's Management Board operates in compliance with applicable laws, in particular the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Management Board, and in accordance with the Code of Best Practice for WSE Listed Companies 2021. Management Board meetings are held at least once a month. The meetings are convened by the President of the Management Board on his own initiative or, in his absence, by a Management Board member. A request to convene a Management Board meeting may be submitted by any member of the Management Board to the President of the Management Board.

Resolutions of the Management Board are passed with an absolute majority of votes cast. In the event of a voting tie, the President of the Management Board has the casting vote. The Management Board makes its decisions independently, except with respect to activities that require approval from other governing bodies under applicable laws or the Articles of Association.

When making decisions on the Company's affairs, the Management Board acts within the limits of reasonable economic risk, after considering all information, analyses and opinions which should be taken into account in a given case in view of the Company's interests. In determining what is in the Company's interest, account is taken of reasonable long-term interests of the shareholders, creditors, employees and other entities and persons cooperating with the Company in connection with its business.

When dealing with shareholders and other persons whose interests affect the Company's interests, the Management Board acts with special care in accordance with the procedures in place to ensure that transactions are made on arm's length terms.

Supervision of the Company is exercised by the Supervisory Board, which consists of five members appointed by the General Meeting for a joint term of office of five years. The Supervisory Board elects the Chair and Deputy Chair of the Supervisory Board from among its members.

From the beginning of 2022 to the issue date of this Report, the composition of the Supervisory Board was as follows:

- Jarosław Plisz – Chair of the Supervisory Board,
- Bogumił Woźny – Deputy Chair of the Supervisory Board,
- Bogumił Kamiński – Member of the Supervisory Board,
- Mateusz Melich – Member of the Supervisory Board,
- Andrzej Urban – Member of the Supervisory Board.

As at the date of this report, out of the five members of the Auto Partner S.A. Supervisory Board, four were independent members, who submitted relevant written representations to that effect:

- Bogumił Kamiński – Member of the Supervisory Board,
- Bogumił Woźny – Deputy Chair of the Supervisory Board,
- Mateusz Melich – Member of the Supervisory Board,
- Andrzej Urban – Member of the Supervisory Board.

The Supervisory Board members' representations are published on the Company's website.

Pursuant to the Articles of Association, the Supervisory Board meetings are held at least once a quarter. Supervisory Board resolutions may be voted on by written ballot or using means of remote communication. The procedure for adopting resolutions in this manner is defined in the Company's Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board exercises ongoing supervision in all areas of the Company's operations, with a particular focus on the financial reporting, internal control and risk management processes. The Supervisory Board is liable jointly and severally with the Management Board for the proper preparation of financial statements and the Directors' Report on the Company's operations. Detailed rules of operation of the Supervisory Board are laid down in the Company's Articles of Association, and the Rules of Procedure for the Supervisory Board of Auto Partner S.A.

Audit Committee

The Audit Committee appointed within the Supervisory Board consisted of:

- Bogumił Jarosław Woźny – Chair of the Audit Committee,
- Bogumił Kamiński – Member of the Audit Committee,
- Jarosław Plisz – Member of the Audit Committee,
- Mateusz Melich – Member of the Audit Committee.

The Audit Committee's tasks include monitoring the Company's financial reporting process, preparing draft assessments and reports of the Supervisory Board in connection with the close of the financial year, monitoring effectiveness of the internal control, internal audit and risk management systems at the Company, participating in the auditor selection process, monitoring the auditor's independence, and ensuring appropriate cooperation with auditors. At its meeting on December 29th 2017, the Company's Supervisory Board adopted the Rules of Procedure for the Audit Committee of Auto Partner S.A., which define the main principles of its operation.

Independence of members

In 2022, the following persons were independent members of the Audit Committee of Auto Partner S.A., meeting the independence criteria specified in Art. 129.3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (Dz. U. of 2017, item 1089) (the "Act on Statutory Auditors"):

- Bogumił Woźny – Chair of the Audit Committee,
- Bogumił Kamiński – Member of the Audit Committee,
- Mateusz Melich – Member of the Audit Committee.

Persons who have knowledge and skills in the field of accounting or auditing of financial statements, including information on how the knowledge and skills were acquired

The members of the Audit Committee who have knowledge and skills in the field of accounting or auditing of financial statements are Bogumił Jarosław Woźny and Bogumił Kamiński.

Bogumił Jarosław Woźny completed, in 1996, a course in accounting and finance based on the original materials of the Association of Chartered Certified Accountants.

Bogumił Kamiński holds a PhD (doctor habilitated) degree in economics from Warsaw School of Economics (2013), and is currently an associate professor of Warsaw School of Economics.

Persons who have knowledge and skills related to the industry in which the Company operates, including information on how the knowledge and skills were acquired

Jarosław Plisz is a member of the Audit Committee having knowledge and skills related the industry in which the Company operates.

Jarosław Plisz holds a stock broker licence, and since 2007 has served as a member of the Auto Partner S.A. Supervisory Board and has been actively involved in the Company's development. Therefore, he has experience in the automotive industry and knowledge of the operation of public companies.

Information on the provision of permitted non-audit services by the Company's auditor and on whether the auditor's independence was verified in connection with such services and whether approval has been obtained for such services

In 2022, the audit firm auditing the financial statements did not provide any other non-audit services.

Key assumptions of the policy for selection of the auditor to audit financial statements and the policy for the provision of non-audit services by the auditor, its affiliates and members of its network

From January 1st 2022 to November 16th 2022, Auto Partner S.A. had in place a Policy and Procedure for selecting an entity qualified to audit the financial statements of Auto Partner S.A., drawn up and adopted by the Audit Committee on December 29th 2017. On November 17th 2022, by Resolution No. 1, the Audit Committee amended the above documents. On November 17th 2022, the new Policy and Procedure for selecting an entity qualified to audit the financial statements of Auto Partner S.A. were approved by the Company's Supervisory Board.

These documents set out the guidelines and principles to be followed by the Audit Committee when preparing the recommendation, and by the Supervisory Board when selecting the auditor. They take into account the requirements of the Act on Statutory Auditors and the nature, type and scope (including the geographical range) of the Auto Partner Group's business, and cover the following elements:

- knowledge of the industry and the nature of the Company's operations, including in particular legal and tax matters and financial reporting matters relevant to the assessment of risk in the audit of financial statements, based on the audit firm's experience in auditing the financial statements of entities with a similar business profile as the Company;
- experience of the audit firm in auditing financial statements of companies listed on the Warsaw Stock Exchange;
- capacity to provide the full range of services specified by the Company (audit of separate financial statements, audit of consolidated financial statements, interim reviews, etc.);
- the price level;
- the number of employees assigned to the audit and their professional qualifications and experience;
- possibility of performing the audit at the time specified by the Company;
- existing cooperation between the audit firm and the Company;
- the possibility of auditing Group companies operating outside Poland by companies of the audit firm's network.

The policy also defines the periods of cooperation with audit firms and the course of the process, the organisation of which is the responsibility of the Company's Chief Financial Officer.

The documents provide that if the selection does not concern an extension of the agreement to audit financial statements, the Audit Committee's recommendation should contain at least two choices for the audit firm, together with a duly justified preference of the Audit Committee for one of them.

Section 19 of the Procedure introduces an emergency mechanism to be applied in the event of an unforeseen loss of qualification by the audit firm auditing the Company's financial statements.

Moreover, in 2022, the Company had in place a policy for the provision of non-audit services by the auditor, its affiliates and members of its network, developed and adopted by the Audit Committee on December 29th 2017. In accordance with the key assumptions of this document, neither the auditor nor the audit firm carrying out the audit of financial statements, nor the audit firm's affiliate or member of its network should provide, directly or indirectly, to the audited entity, its parent or entities it controls within the European Union, any prohibited services other than audit of financial statements or financial auditing activities. This prohibition does not apply to services specified in Art. 136.2 of the Act on Statutory Auditors, which can be provided only to the extent they are not related to Auto Partner S.A.'s tax policy and only following an assessment by the Audit Committee of threats and independence safeguards and approval by the Audit Committee. Any services provided by the auditor or its affiliates require a prior assessment of the risks and independence by the Audit Committee.

Recommendation on the selection of an audit firm to perform the audit

At its meeting of April 11th 2022, acting in accordance with the recommendation presented by the Audit Committee in Resolution No. 2 of April 11th 2022, the Supervisory Board passed a resolution to select PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k., with its registered office at ul. Polna 11, 00-633 Warsaw, as an entity qualified to:

- review the condensed separate financial statements of Auto Partner S.A. for the first half of 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS);
- review the condensed consolidated financial statements of the Auto Partner Group for the first half of 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS);
- audit the separate financial statements of Auto Partner S.A. for 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS);
- audit the consolidated financial statements of the Auto Partner Group for 2022, 2023 and 2024, prepared in accordance with International Financial Reporting Standards (IFRS).

The Audit Committee's recommendation on the selection of the above audit firm was prepared on the basis of the selection Procedure that meets all applicable criteria, and the selection of the audit firm was made in accordance with applicable laws and professional standards.

The agreement with the auditor was concluded on May 5th 2022 for a three-year period.

Number of Audit Committee meetings held to perform the Audit Committee duties

In 2022, there were four meetings of the Audit Committee of the Auto Partner S.A. Supervisory Board.

3.18.12. Diversity policy applied by the Company with respect to its governing bodies and key managers

The Company has not adopted a separate diversity policy and does not follow such policy with respect to its governing bodies and key managers. The decisive criterion for the selection of members of the Company's governing bodies and key managers is, first and foremost, appropriate qualifications and knowledge required to serve in a given position.

Respect for diversity and protection against discrimination are addressed in the Auto Partner S.A. Work Rules, in the Code of Ethics of the Auto Partner Group, and in the Procedure for the Prevention of Discrimination, Harassment and Workplace Bullying. In those documents, the employer has made a commitment to respect diversity, and in particular to ensure equal treatment of employees with regard to entering into and terminating employment relationships, terms of employment, promotion and access to training, regardless of sex, age, disability, race, religion, nationality, political beliefs, union membership, ethnic origin, creed, sexual orientation, and regardless of whether a given person is employed for a definite or indefinite term and on a full-time or part-time basis. This approach applies to all employees, regardless of their position, and it is prohibited to take decisions on those matters on the basis of non-substantive reasons. No discrimination is tolerated within the Auto Partner Group. The Group is open to diversity and views it as a material resource that contributes to its value growth. Additionally, the Code of Ethics and the Procedure for the Prevention of Discrimination, Harassment and Workplace Bullying establish mechanisms to be used in resolving doubts and reporting potential misconduct. The purpose of the regulations applicable at the Auto

Partner Group is to protect the dignity and rights of employees and take appropriate measures against offenders.

Auto Partner S.A. believes that this solution is sufficient and effective. Although the Auto Partner Group is also active outside the Polish market, and employs many foreign nationals and thus makes up a multicultural organisation, no social problems related to nationality or ethnic origin were identified. The positive assessment of this aspect has been confirmed by inspections carried out by the National Labour Inspectorate (PIP), some of which took place in 2022.

3.18.13. Disclosure of expenditure on the promotion of culture, sport, charities and other institutions

The Company has in place official sponsorship and charitable giving rules, whereby no direct or indirect support for political organisations or public officials is permitted. No charitable activities may involve a beneficiary having a business relationship with the Company. Money can be donated exclusively by wire transfer to bank accounts of supported charitable organisations. In the Management Board's opinion, in 2022 the sponsorship and charitable giving policy was implemented in a reasonable, transparent and consistent manner. The objectives selected in this area fit within the business profile of Auto Partner S.A. and have a positive impact on the environment, while building an image of Auto Partner S.A. as a socially responsible company, which is also in line with the Code of Ethics and Anti-corruption Code of the Auto Partner Group. The Auto Partner Group and its employees engage in social outreach initiatives in the region, being aware that the Company is a corporate citizen in the community in which its operates.
In 2022, the Company engaged in the following charitable activities:

- •Charity auctions for the Great Orchestra of Christmas Charity,
- Charitable and solidarity campaigns for the war-torn Ukraine and refugees arriving in Poland,
- Support for measures to solve the problem of animal homelessness,
- Collection of food and other supplies for animals at the Municipal Animal Shelter in Tychy,
- Used book drive for the ARKA Environmental Foundation from Bielsko-Biała
- Blood donation drives at Auto Partner S.A.'s head office and at the hub in Pruszków
- Charitable drive for families provided assistance as part of the Szlachetna Paczka (Noble Gift) campaign organised by the Wiosna Association

Sponsorship activities:
Auto Partner was a sponsor of the TVN TURBO RALLY TEAM with driver Łukasz Byśkiniewicz. It also provided support for the publication of a calendar featuring Silesian Female Motorcyclists, and for the Unia Bieruń Stary Sports Club.

Total value of CSR donations: PLN 711,022.74
CSR expenditure by type:
PLN 591,474.02 – humanitarian aid to Ukraine
PLN 22,000.00 – in-kind donation (Fiat Fiorino) for the ZWIERZ Foundation
PLN 76,942.29 – The Noble Package charity campaign
PLN 15,806.43 – other donations
PLN 1,200 – KS Milan Milanówek sports club
PLN 3,600 – Polish Association for People with Intellectual Disabilities of Tychy

Total value of support provided in other forms, including sponsorship: PLN 1,006,396.00
Sponsorship expenditure by type:
PLN 1,000,000 – BYŚKI MOTORSPORT Sports Club Foundation
PLN 1,396 - KS Unia Bieruń Stary sports club
PLN 5,000 – Silesian Female Motorcyclists Association
The Company discloses all beneficiaries in an in-house register, which includes all donations made to charitable organisations.

4 INFORMATION ON THE GROUP's NON-FINANCIAL REPORT

The Company discloses the non-financial information specified in Art. 49b.2–8 of the Accounting Act in a separate document entitled 'The Non-Financial Report of Auto Partner S.A. and the Auto Partner Group for 2022', in accordance with the requirements of that Act. The document also contains a non-financial report of the parent. After it is issued, the Non-Financial Report along with the Annual Report and the Consolidated Annual Report of Auto Partner S.A. for 2022 will be published on the Company's website in accordance with Art. 49b.6 of the Act.

This report was authorised for issue by the Company's Management Board on April 17th 2023.

Aleksander Górecki – President of the Management Board

Andrzej Manowski – Vice President of the Management Board

Piotr Janta – Vice President of the Management Board

Tomasz Werbiński- Member of the Board of Management