2020

Key supplementary information to the consolidated quarterly report III

THREE MONTHS ENDED SEPTEMBER 30TH 2020

Table of contents

1. The Company and the Group

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. The Parent:

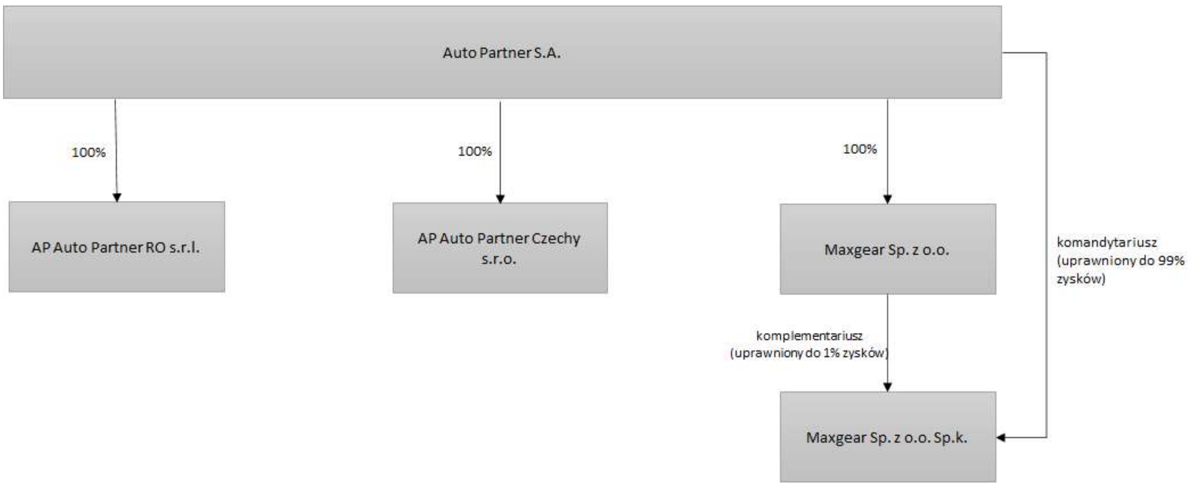
Registered office:	Bieruń
Legal form:	joint stock company
Country of incorporation:	Poland
Address:	ul. Ekonomiczna 20, 43-150 Bieruń
Tel./Fax:	+48 32 325 15 00 / +48 32 325 15 20
Email:	kontakt@autopartner.com
Website:	www.autopartner.com

As at September 30th 2020, 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 Timisoara, 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.



Komandytariusz (uprawniony do 99% Zysków)	*Limited partner (entitled to a 99% share in profit)*
Komplementariusz (uprawniony do 1% zysków)	*General partner (entitled to a 1% share in profit)*

Source: the Group.

Material subsidiaries of Auto Partner S.A.

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 and is divided into 100 shares with a par value of PLN 500 per share. The company is wholly owned by the Parent, which holds 100% of its shares and voting rights.

Maxgear sp. z o.o. 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 further brand value building. 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 involves 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 Parent, which holds all voting rights in the company. 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 Timisoara, 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.

2. Basis of preparation of the separate and consolidated quarterly financial statements

The consolidated and separate financial statements of the Auto Partner Group for the three months ended September 30th 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as well as all accounting standards endorsed by the European Union and applicable to interim financial reporting.

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

For detailed rules governing the preparation of the separate and consolidated financial statements, see Note 2 'Statement of accounting policies' to the condensed consolidated financial statements for the three months ended September 30th 2020.

3. Significant events with a material bearing the Parent’s and the Group’s business in and financial results for the nine months ended September 30th 2020

The following events and factors had a bearing on the Company’s business in and financial results for the nine months ended September 30th 2020:

- price increases as of April 2020 (in response to the rising EUR/PLN and USD/PLN exchange rates), with the higher prices maintained in the second and third quarters of 2020,
- cost control and significant reduction of operating expenses in the period of revenue decline (in particular April 2020) caused by the coronavirus pandemic and restrictions imposed by European governments, with the costs maintained at a satisfactory level after the restrictions were lifted; as a result, in the nine months ended September 30th 2020 the year-on-year increase in operating expenses (8.2%) was slower the rate of revenue growth (11.4%). Currently, the Company does not experience difficulties in the handling and transport of goods; such risk was reported by the Company in Current Report No. 9/2020 and Current Report No. 10/2020 on March 16th 2020,
- lower volumes of merchandise purchases in April 2020, inventory management in subsequent months and the cost discipline – all these factors resulted in a significant decrease in debt under borrowings and factoring, and consequently helped the Group to maintain finance costs in the nine months ended September 30th 2020 at a level close to the costs reported for the nine months ended September 30th 2019.

4. Impact of COVID-19 on the Group’s business and financial results

In March, April and a part of May, the Company saw a decline in revenue, caused directly by the business restrictions introduced by governments during the state of coronavirus pandemic. Accordingly, the following factors had a bearing on the Company’s and its Group’s financial results in the reporting period:

- reduced purchasing power of consumers and a decrease in consumers’ mobility as a result of measures designed to limit travel;

- obstacles at country borders, which affected transport of goods to foreign customers.

Thanks to the measures described above (i.e. adjustments in operating expenses, decisions to increase and maintain prices), taken in response to the sales decrease in the period and a significant depreciation of the złoty against the US dollar and the euro, the net profit earned in the period was much higher than in the same period of the previous year.

5. Assessment of factors and non-recurring events with a bearing on the Parent’s and the Group’s business and results

In the reporting period, the coronavirus pandemic and its consequences, described in Section 4, were a non-recurring event which was beyond the Company's control and had an impact on its business and results.

6. Changes in the Parent's and the Group's key management policies

In the reporting period, there were no changes in the organisation of the Group, including changes that would result from a business combination, acquisition or loss of control of a subsidiary or a long-term investment, a demerger, restructuring or discontinuation of business activities.

7. Management Board' position on the feasibility of published forecasts

The Management Board did not publish any forecasts of the Company's or the Group's results for 2020.

8. Shareholders holding 5% or more of total voting rights in the Company

In the period from the issue of the consolidated half-year report for the six months ended June 30th 2020, i.e. September 17th 2020, to the date of issue of this report, i.e. November 24th 2020, there have been no changes in the major holdings of Company shares.

To the Company's best knowledge, the shareholders holding 5% or more of total voting rights as at November 24th 2020, i.e. the issue date of this report, were:

Shareholder	**Number of shares held**	**Number of voting rights**	**% ownership interest**	**Percentage of total voting rights held**
Aleksander Górecki	29,883,577	29,883,577	22.878%	22.878%
Katarzyna Górecka	35,060,681	35,060,681	26.841%	26.841%
AEGON Otwarty Fundusz Emerytalny	6,700,000	6,700,000	over 5%*	over 5%*
Otwarty Fundusz Emerytalny Złota Jesień (OFE PZU)	8,617,124	8,617,124	over 5%**	over 5%**
Nationale Nederlanden Powszechne Towarzystwo Emerytalne S.A.	8,170,536	8,170,536	over 5%***	over 5%***

* In the most recent notification, received by the Company on June 7th 2016, AEGON Otwarty Fundusz Emerytalny reported that it held 6,700,000 Company shares, which, according to the Company's calculations based on the share capital amount, currently represent 5.148% of total voting rights.

**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.

***Nationale - Nederlanden Powszechne Towarzystwo Emerytalne S.A., through the following funds under its management: Nationale - Nederlanden Otwarty Fundusz Emerytalny and Nationale - Nederlanden Dobrowolny Fundusz Emerytalny, notified the Company on January 8th 2018 that it had exceeded the 5% threshold of the share capital and total voting rights at the General Meeting; its holding, according to the Company's calculations based on the current share capital amount, currently represents 6.279% of total voting rights.

9. Total number and par value of Company shares and shares in the Company's related entities held by the Company's management and supervisory staff (for each person separately)

To the best of the Company's knowledge, in the period from the issue of the consolidated report for the six months ended June 30th 2020, i.e. September 17th 2020, to the date of issue of this report, i.e. November 24th 2020, there have been no changes in the holdings of shares by members of the Company's Management and Supervisory Boards.

The table below presents the number of shares held by the management and supervisory staff as at November 24th 2020, i.e. as at the date of issue of this report.

Full name	Position	Number of Company shares held	Par value of the shares (PLN)
Aleksander Górecki	President of the Management Board	29,883,577	2,988,357.70
Andrzej Manowski	Vice President of the Management Board	375,000	37,500.00
Piotr Janta	Vice President of the Management Board	286,000	28,600.00
Jarosław Plisz	Chairperson of the Supervisory Board	20	2.00
	total:	**30,544,597**	**3,054,459.70**

Source: the Group.

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

10. Material court, arbitration and administrative proceedings

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

11. Related-party transactions executed by the Company or its subsidiaries on non-arm's length terms

The Group companies enter into related-party transactions exclusively on an arm's length basis. For detailed information on related-party transactions, see Note 21 to the condensed separate and consolidated financial statements for the three months ended September 30th 2020.

12. Significant sureties and guarantees (received and issued), including in particular sureties and guarantees issued to and received from related entities

The Company and its subsidiaries did not issue any sureties for borrowings or any guarantees to a single entity or such entity's subsidiary where the total amount of outstanding sureties or guarantees would be significant.

13. Business of the Auto Partner Group

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. It imports and distributes parts for passenger cars and delivery vehicles in the market for spare parts classified in accordance with the GVO regulations and European Union directives. The Group operates as a platform for sale, mainly via electronic 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 sells branded products supplied by approximately 200 manufacturers of reputable brands, including MEYLE, TRW, ZF Schaeffler or KYB. Currently, the Group's product portfolio includes:

- Accessories
- Shock absorbers and springs
- Filters
- Lines, wires, bands
- Automotive oils and chemicals
- Drive belts and rollers
- Cooling system, air conditioning
- Electrical systems
- Braking systems
- Drivetrain systems
- Fuel systems
- Suspension and steering systems
- Exhaust systems
- Seals and engine parts
- Wipers
- Equipment for repair workshops

Overview of the Group's geographical markets

Currently, the Group's core market is the domestic market. However, the share of revenue generated by export sales, executed mainly through deliveries directly from the central warehouse and the hub in Pruszków, is growing. The customers are located in Germany, Austria, the Czech Republic, Slovakia, Hungary, Romania, Slovenia, Croatia, Lithuania, Latvia, Estonia, Ukraine, the Netherlands, Belgium, Luxembourg, Denmark, Finland, France and Italy.

Revenue structure by domestic and export sales:

	Period ended September 30th	
	2020	2019

	PLN'000	share [%]	PLN'000	share [%]
Sales of merchandise – Poland	716,753	57.9%	685,083	61.7%
Sales of merchandise – EU	512,851	41.4%	408,362	36.8%
Sales of merchandise – other exports	5,975	0.5%	16,120	1.5%
Sales of services – Poland	1,206	0.1%	1,013	0.1%
Sales of services – EU	518	0.0%	515	0.0%
Total	**1,237,303**	**100%**	**1,111,093**	**100.0%**

Source: the Group, condensed interim consolidated financial statements

Projected development of the Group

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.

14. Current and anticipated financial condition and description of the Company's and the Group's significant achievements and failures

Financial condition as at September 30th 2020

In the nine months ended September 30th 2020, the Group recorded an 11.4% year-on-year increase in sales, driven mainly by increased export sales (+22%), although sales in Poland also expanded (+5%). The slower growth of sales relative to previous years was caused by a year-on-year decline in revenue seen in March, April and part of May 2020, a result of to the measures taken and restrictions imposed by European governments in response to the pandemic. For more information, see section 4 of this report.

Gross margin increased significantly year on year, from 25.7% to 28.2%. Gross margin increased in the three months ended June 30th 2020, partly as a result of price increases (in response to the rising EUR/PLN and USD/PLN exchange rates), with the higher prices subsequently maintained, which helped the Group deliver very good profitability also in the three months ended September 30th 2020.

This marked improvement in the operating profit and the EBIT margin (8.8% vs 5.7% in the nine months ended September 30th 2019) was a result of the higher gross margin, measures taken to control operating expenses, in particular their significant reduction in April 2020 when the revenue of the Group declined, and the ability to maintain strict cost discipline after the pandemic restrictions were lifted.

As a result of the factors described above, in the nine months ended September 30th 2020 the Group reported a net profit of PLN 81.9 million (PLN 44.6 million in the same period of 2019), an increase of 83.6% year on year.

Financial metrics

In its day-to-day operations the Group uses profitability metrics, efficiency metrics, debt ratios and liquidity ratios. The metrics, presented below, are alternative performance measures (APMs). The Company believes that they provide material information on the Group's financial position, operating efficiency, profitability and cash flows. The APMs should be viewed as additional information and analysed in conjunction with the Group's consolidated financial statements, as they facilitate an analysis and assessment of the Group's financial results in each reporting period. They also provide useful information about the Group's financial position and, in the Company's opinion, enable an optimum assessment of the financial results achieved by the Group.

The metrics were calculated in accordance with the formulas presented below.

Profitability metrics

The tables below present the Group's profitability metrics for the periods indicated.

	Period ended September 30th consolidated financial statements		
	2020	2019	2018
	PLN'000	PLN'000	PLN'000
EBITDA (PLN '000)[1]	126,051	76,725	21,058
Gross margin (%)[2]	28.2	25.7	26.5
EBITDA margin (%)[3]	10.2	6.9	8.3
EBIT margin (%)[4]	8.8	5.7	7.5
Pre-tax profit margin (%)[5]	8.2	5.0	6.4
Net profit margin (%)[6]	6.6	4.0	5.1

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.

	Period ended September 30th consolidated financial statements		full-year consolidated financial statements	
	2020	2019	2019	2018

	PLN'000	PLN'000	PLN'000	PLN'000
ROE[7] (%)	26.4	17.7	17.1	20.6
ROA[8] (%)	14.3	8.9	8.7	10.5

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).

Efficiency metrics

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

	As at Consolidated financial statements			
	September 30th 2020	September 30th 2019	December 31st 2019	December 31st 2018
	days	days	days	days
Inventory turnover period (days)[1*]	150	147	152	174
Average collection period (days)[2]	25	25	23	23
Average payment period (days)[3]	34	34	30	37
cash conversion cycle[4]	141	38	144	159

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 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.

Debt ratios

The table below presents the Group's debt ratios.*

	As at Consolidated financial statements

	September 30th 2020	September 30th 2019	December 31st 2019	December 31st 2018
	PLN'000	PLN'000	PLN'000	PLN'000
Total debt ratio (%)[1]	42.9	50.4	49.1	48.4
Long-term debt ratio (%)[2]	18.6	21.6	21.4	18.5
Short-term debt ratio (%)[3]	24.4	28.8	27.7	30.0
Equity-to-debt ratio (%)[4]	133.0	98.5	103.6	106.5

Source: the Group.

** In the consolidated financial statements for 2018, the ING working capital facility was reclassified to non-current liabilities following the amendment to the multi-product agreement with ING Bank Śląski whereby the repayment term was extended by three years.*

(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.

Liquidity ratios

The table below presents the Group's liquidity ratios.

	As at Consolidated financial statements			
	September 30th 2020	September 30th 2019	December 31st 2019	December 31st 2018
	PLN'000	PLN'000	PLN'000	PLN'000
Current ratio[1]	3.37	2.84	2.94	2.97
Quick ratio[2]	0.77	0.68	0.63	0.57
Cash ratio[3]	0.13	0.10	0.13	0.12

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.

Workforce

The Group's workforce is as follows:

	September 30th 2020	December 31st 2019

Number of employees	1,787	1,644

Source: the Group.

15. Factors that, in the Company's opinion, will have an impact on the Group's results in the next quarter or in and beyond the next quarter

- Implementation of the Group's strategic objectives adopted by the Company, including the planned extension of storage space at the logistics centre in Bieruń and the hub in Pruszków, and the contemplated establishment of a new logistics and storage centre. On October 20th 2020, an annex was signed to the lease contract with MLP Pruszków IV Sp. z o.o., whereby in the second quarter of 2021 the space leased by the Group at the Pruszków storage and logistics centre will be increased by an additional 3,807 m^2 of warehouse space and 490 m^2 of office space.
- Implementation of the Rules of the 2019–2021 Incentive Scheme for members of the Auto Partner Management Board, adopted by the Supervisory Board on April 9th 2019. The purpose of the Incentive Scheme is to establish mechanisms to encourage activities that will 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. Total bonuses to be paid in accordance with the Rules will not exceed PLN 5,360,000.00 during the entire term of the Scheme.
- Implementation of the Rules of the Incentive Scheme for members of the Management Board of Maxgear Sp. z o.o., adopted by the General Meeting of Maxgear Sp. z o.o. on May 30th 2019: Grzegorz Pal and Arkadiusz Cieplak. Its terms will be the same as those provided for in the Rules of the Incentive Scheme for members of the Auto Partner S.A. Management Board. The bonuses to be paid under the Incentive Scheme Rules for members of the Management Board of Maxgear Sp. z o.o. will not exceed PLN 2,640,000.00 during the whole term of the Scheme, i.e. from 2019 to 2021.
- Development of the coronavirus pandemic in Poland and globally. As at the date of issue of this report, the Company does not identify any of the difficulties adversely affecting its business on which it reported in Current Report No. 9/2020 and in Current Report No. 10/2020 on March 20th 2020. However, the Company identifies the following as the main risk factors resulting from the pandemic and the measures taken in response to COVID-19: the risk of reduced purchasing power of consumers and the risk of decrease in consumers' mobility as a result of measures designed to limit travel, as well as the risk of obstacles at country borders, which may affect transport of goods to foreign customers. The Management Board believes that the coronavirus pandemic and its consequences in Poland and globally, that is the possible reinstatement of restrictions by national governments, may affect the Company's and the Group's business, growth opportunities and financial condition.

  Given the situation, since mid-March 2020 the Management Board has been monitoring the economic and financial position of the Auto Partner Group. The Company takes a number of measures to protect health and safety of its employees and customers, as well as measures aimed at minimising the economic impact of the pandemic. Given the continuing high level of uncertainty about the development of the situation, both on the domestic and global markets, it is not possible to estimate the pandemic's impact on the Group's results. Further development of the pandemic is highly unpredictable, and therefore the situation in the fourth quarter of 2020 may change.

16. Other information relevant to the assessment of the Group’s workforce, assets, financial position and profit or loss as well as the Group’s ability to meet its obligations

All relevant information is presented in Section 14 ‘Current and anticipated financial condition and description of the Company's and the Group's significant achievements and failures’.

Bieruń, November 23rd 2020

Aleksander Górecki,
President of the Management Board

Andrzej Manowski
Vice President of the Management Board

Piotr Janta
Vice President of the Management Board