2020

AUTOPARTNER

Key supplementary information to the consolidated quarterly report

Q1 2020

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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. Key details of the Parent:

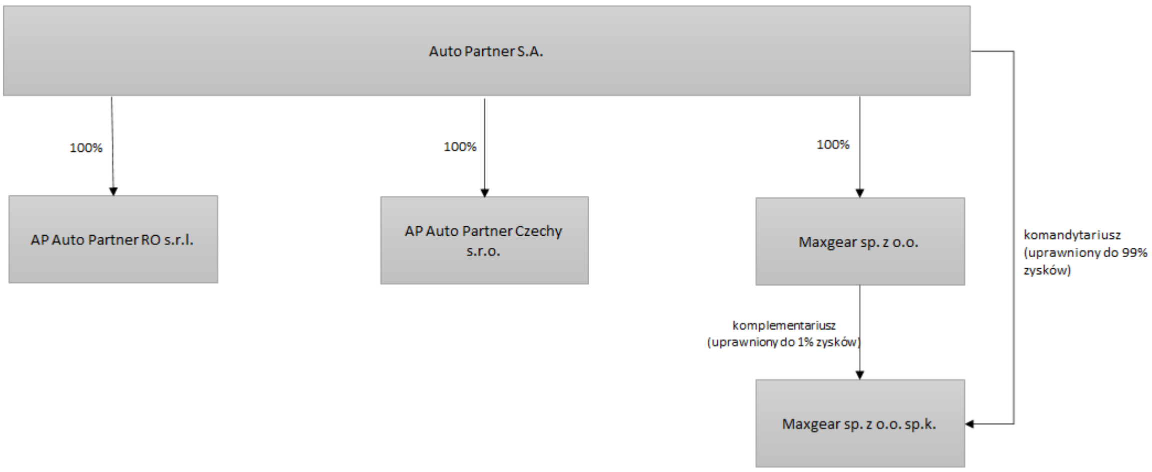
Registered office:	Bieruń
Legal form:	joint stock company
Country of incorporation:	Poland
Address:	ul. Ekonomiczna 20, 43-150 Bieruń, Poland
Tel./Fax:	+48 32 325 15 00 / +48 32 325 15 20
Email:	kontakt@autopartner.com
Website:	www.autopartner.com

As at March 31st 2020, in addition to the Parent, the Group 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 50,000.00 and is divided into 100 shares with a par value of PLN 500 per share. The company is wholly owned by the Parent, holding 100% of its shares and the right to exercise all voting rights at its General Meeting.

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, Poland, is entered in the Register of Businesses at the National Court Register under No. 0000332893. The Company is its limited partner, with the limited partner's contribution amount of PLN 20,000 and a 99% share of 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 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 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 plans to establish warehouses in Romania based on this company, to facilitate 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 Q1 2020 were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and in accordance with all accounting standards endorsed by the European Union and applicable to interim financial reporting.

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 the condensed separate and consolidated financial statements for Q1 2020 – Note 2 'Statement of accounting policies'

3. Key events with a material bearing on the Q1 2020 operations and financial performance

The decline in revenue in March 2020, which translated into a lower net profit for the first quarter, was caused directly by the business restrictions introduced by governments during the state of coronavirus pandemic. Major factors having an impact on the financial results of the Company and the Group during the reporting period included:

- 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 to foreign customers.

4. Assessment of factors and non-recurring events with a bearing on the operating results

The consequences of the state of coronavirus pandemic, referred to in Section 3, were a non-recurring event which was beyond the Company's control and had an impact on its operating performance in the reporting period.

5. Changes in the Company's and the Group's key management policies

During the reporting period, the composition of the Company's Supervisory Board changed as a result of a notice filed by Katarzyna Górecka on December 9th 2019, of her resignation as member of the Supervisory Board with effect from the next General Meeting. Following the resignation, the mandate of Katarzyna Górecka expired at the Extraordinary General Meeting held on January 10th 2020, which appointed Mateusz Melich in her place. Mateusz Melich was put forward as a candidate by the Company's shareholder – Powszechne Towarzystwo Emerytalne PZU S.A.

As at this report date, the composition of the Supervisory Board was as follows:

- Jarosław Plisz as Chairperson of the Supervisory Board,
- Zygmunt Grajkowski as Deputy Chairperson of the Supervisory Board,
- Mateusz Melich as member of the Supervisory Board,
- Bogumił Woźny as member of the Supervisory Board,
- Bogumił Kamiński as member of the Supervisory Board.

Except as described above, there were no other 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, a demerger, restructuring or discontinuation of business.

6. The Management Board' position on the feasibility of published performance forecasts

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

7. Shareholders holding 5% or more of total voting rights at the Company's General Meeting

In the period from the release of the separate and consolidated full-year financial statements for 2019, i.e. April 7th 2020, to the date of release of this report, i.e. May 19th 2020, there were no changes in the ownership of major holdings of Company shares.

To the Company's best knowledge, the shareholders holding 5% or more of total voting rights as at May 19th 2020, i.e. the release date of this report, were as follows:

Shareholder	Number of shares held	Number of votes at GM	Percentage of share capital held	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 current 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.

8. 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 release of the separate and consolidated full-year financial statements for 2019, i.e. April 7th 2020, to the date of release of this report, i.e. May 19th 2020, there were 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 management and supervisory persons as at this report release date.

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.

9. 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.

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

The Group companies make transactions with related parties only 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 Q1 2020.

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

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

12. Overview of the Auto Partner Group’s operations

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. At present, the Group’s range of goods includes items in the following groups:

- Accessories
- Shock absorbers and springs
- Filters
- Lines, wires, bands
- Automotive oils and chemicals
- Drive belts and rollers
- Cooling and air-conditioning systems
- Electrical system
- Braking system
- Drivetrain system
- Fuel system
- Suspension and steering system
- Exhaust system
- Seals and engine parts
- Windscreen 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, is growing. The customers are located in Germany, Austria, the Czech Republic, Slovakia, Hungary, Romania, Slovenia, Croatia, Lithuania, Latvia, Estonia, Ukraine, the Netherlands, Belgium, Denmark, Finland and France.

Revenue structure by domestic and export sales:

	For period ended Mar 31			
	2020		2019	
	PLN ‘000	share [%]	PLN ‘000	share [%]
Sales of merchandise – Poland	217,169	58.5%	203,824	62.4%
Sales of merchandise – EU	150,799	40.6%	117,009	35.8%
Sales of merchandise – other exports	2,523	0.7%	5,469	1.7%
Rendering of services – Poland	420	0.1%	229	0.1%
Rendering of services – EU	192	0.1%	150	0.0%
Total	**371,103**	**100%**	**326,681**	**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 its business scale, 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.

13. Current and anticipated financial position; description of the Company’s and the Group’s material achievements and failures

Financial position in the first quarter of 2020

In Q1 2020, the Group’s revenue rose by 13.6% year on year, driven mainly by increased export sales (+25%), although the growth rate in Poland was also positive (+7%). The lower rate of sales growth relative to previous quarters was caused by the decline in revenue in March 2020 (on a year-to-year basis), due to measures taken by European countries’ governments to fight the coronavirus pandemic. For more information, see Section 3 of this report.

Gross margin was almost on a par with the level reported in the same period of the previous year (26.2% vs 26.6%) despite a material increase in the share of exports, which generate lower gross margins but also lower operating expenses.

The key reason behind the decrease in the EBIT margin was that in March 2020 the level of operating expenses, including in particular distribution costs and marketing expenses (cost of maintenance of the branches in Poland, maintenance of the sales force), remained similar as in the previous months, while revenue went down.

In addition, the gross margin was affected by exchange rate movements. An increase in the EUR/PLN exchange rate in March 2020 generated foreign exchange losses of PLN 1.1m on the measurement of EUR-denominated borrowings.

As a result of the above factors, in Q1 2020 the Group reported a net profit of PLN 12.7m (PLN 15.5m in the corresponding period of the previous year), down 18.1% 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 performance 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.

	For period ended Mar 31 consolidated financial statements		
	2020	2019	2018
	PLN '000	PLN '000	PLN '000
EBITDA (PLN '000)[1]	24,656	25,624	21,058
Gross margin (%)[2]	26.2	26.6	26.5
EBITDA margin (%)[3]	6.6	7.8	8.3
EBIT margin (%)[4]	5.1	6.6	7.5
Pre-tax profit margin (%)[5]	4.2	5.9	6.4
Net profit margin (%)[6]	3.4	4.7	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.

	For period ended Mar 31 consolidated financial statements		For year consolidated financial statements	
	2020	2019	2019	2018
	PLN '000	PLN '000	PLN '000	PLN '000
ROE[7] (%)	13.4	19.5	17.1	20.6
ROA[8] (%)	6.8	9.5	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			
	Mar 31 2020	Mar 31 2019	Dec 31 2019	Dec 31 2018
	days	days	days	days
Inventory turnover period (days)[1*]	156	166	152	174
Average collection period (days)[2]	27	24	23	23
Average payment period (days)[3]	32	39	30	37
cash conversion cycle[4]	151	152	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 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.

Debt ratios

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

	As at Consolidated financial statements			
	Mar 31 2020	Mar 31 2019	Dec 31 2019	Dec 31 2018
	PLN '000	PLN '000	PLN '000	PLN '000
Total debt ratio (%)[1]	49.6	53.5	49.1	48.4
Long-term debt ratio (%)[2]	20.4	21.1	21.4	18.5
Short-term debt ratio (%)[3]	29.2	32.4	27.7	30.0
Equity-to-debt ratio (%)[4]	101.4	87.0	103.6	106.5

Source: the Group.

** In the consolidated financial statements for 2018, the working capital facility from ING was reclassified to non-current liabilities following the signing of an annex to the multi-product agreement with ING Bank Śląski whereby the repayment term was extended by another 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		
	Dec 31 2020	Dec 31 2019	Dec 31 2018
	PLN '000	PLN '000	PLN '000
Current ratio[1]	2.78	2.94	2.97
Quick ratio[2]	0.67	0.63	0.57
Cash ratio	0.13	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:

	As at Mar 31 2020	As at Dec 31 2019
Headcount	1,660	1,644

Source: the Group.

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

The following factors will have an impact on the Group's performance in the future periods:

- Adoption by the Supervisory Board, on April 9th 2019, of the 2019–2021 Incentive Scheme Rules for members of the Auto Partner Management Board: Andrzej Manowski and Piotr Janta; the purpose of the 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 whole term of the Scheme.
- Adoption by the General Meeting of Maxgear Sp. z o.o., on May 30th 2019, of the Rules of the Incentive Scheme for members of the Maxgear sp. z o.o. Management Board: Grzegorz Pal and Arkadiusz Cieplak, with the terms corresponding to the terms of the Rules of the Incentive Scheme for members of the Auto Partner S.A. Management Board. The bonuses to be paid under the Rules to the members of the Maxgear Sp. z o.o. Management Board 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 release date of this report, the Company did not identify any complications in the conduct of its business, but it still operates in an environment with reduced demand from customers. The decrease in demand is due chiefly to the significant restrictions on population mobility in individual countries, translating into smaller distances travelled by drivers. Another factor limiting demand in recent months was lower sales of used cars, including by second-hand car dealers and other operators trading in second-hand cars.

15. 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

- On January 27th 2020, an annex to the overdraft facility agreement with mBank S.A. was signed, whereby the overdraft limit was increased to PLN 25m.
- On March 6th 2020, the factoring agreement with Santander Factoring Sp. z o.o. was terminated.
- On March 20th 2020, an annex to the reverse factoring agreement with Santander Factoring Sp. z o.o. of March 29th 2019 was signed. Under the annex, the reverse factoring limit was reduced to PLN 10m, and the term of the limit availability was changed to March 31st 2021.
- On March 23rd 2020, an annex to the multi-line agreement with Santander Bank Polska S.A. of September 26th 2016 was signed, whereby the repayment date was changed to March 31st 2023, and the multi-line limit and the credit limit as part of the multi-line facility were increased to PLN 30m.
- On March 26th 2020, the Company's Management Board resolved to recommend to the Supervisory Board that the whole net profit for the financial year 2019 of PLN 62,593,190.64 be allocated to the Company's statutory reserve funds. At its meeting on May 18th 2020, the Supervisory Board approved the Management Board's recommendation. The rationale for the Management Board's decision was based on the Company's current market environment, affected by the COVID-19 epidemic, and its impact on the Auto Partner Group's operations. Since it was not possible to estimate the ultimate impact of this situation on the Company's financial results in 2020, which will largely depend on the duration of the epidemic and the related restrictions, the Management Board decided that it was in the Company's and its shareholders' interest to retain the profit earned in 2019 and transfer it to statutory reserve funds to secure the Company's operations in future periods. The final decision on the allocation of the net profit for 2019 will be made by the General Meeting of Auto Partner S.A.

Bieruń, May 18th 2020

Aleksander Górecki – President of the Management Board

Andrzej Manowski – Vice President of the Management Board

Piotr Janta – Vice President of the Management Board