2020

Interim Directors' Report on the operations of the Auto Partner Group in the period from January 1st to June 30th 2020

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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. Key details of the Parent:

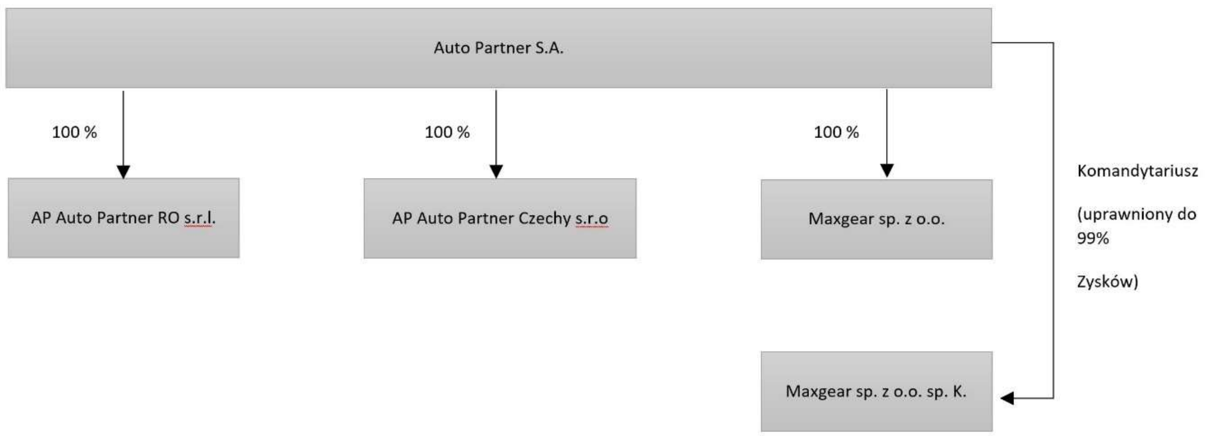
Registered office:	Bieruń
Legal form:	joint stock company
Country of incorporation:	Poland
Address:	ul. Ekonomiczna 20, 43-150 Bieruń
Tel./Fax:	+48 32 325 15 00 / +48 32 325 15 20
Email:	kontakt@autopartner.com
Website:	www.autopartner.com

As at June 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 uniform trading, marketing, investment and credit policies for the Group.

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



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

Source: the Group.

1.1. 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, 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 Parent, which holds all voting rights in the company. 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 condensed half-year financial statements; description of key threats and risks relating to the six months remaining to the end of the financial year

Statement of compliance with IFRS

These condensed interim consolidated financial statements (the "interim consolidated financial statements", "interim financial statements", "consolidated financial statements", "financial statements") of the Auto Partner Group for the period from January 1st to June 30th 2020 and for the corresponding period of the previous year have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as endorsed by the European Union, and in accordance with other applicable laws.

These condensed interim consolidated financial statements do not include all the information and disclosures required in the case of full-year financial statements and should be read in conjunction with the full-year consolidated financial statements for the financial year ended December 31st 2019. The IFRS-compliant accounting policies applied by the Group are discussed in detail in the consolidated financial statements as at December 31st 2019.

Risk factors

The Management Board has identified the following risks related to its operations:

- Risk of changes in the bonus policies applied by spare parts suppliers (manufacturers)
- Risk of failure to successfully deliver strategy or of adopting a wrong development strategy
- Risk of 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 inventories (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.

Another significant risk in the Company's business environment is currently the risk associated with the coronavirus pandemic. Given the situation related to the spread of the COVID-19 pandemic, the Company has identified the following as the key risks that may have an impact on the its financial performance in the coming periods:

- Risk of decline in the purchasing power of consumers (on the other hand, in such a situation more people will drive older cars, so the demand for the Company's goods will rise) and decrease in consumers' mobility as a result of measures designed to limit travel;

- Risk of obstacles at country borders, which may affect transport of goods to foreign customers.

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. After a period when certain temporary difficulties occurred, mainly related to mobility constraints (end customers' inability to have their vehicles serviced), the demand recovered, leading to increased activity at repair workshops, which performed maintenance repairs that were not made during the spring season.

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 impact on the Company's operating and financial condition.

At present, the Company has not identified any significant risks other than those specified above. In particular, as at the date of issue of the financial statements, the Company did not identify any credit or liquidity risks, or risks related to the availability of financing or breach of financial covenants. The Company's financial condition is stable, with cash and available credit limits providing a safety buffer. In the medium and long term, depending on how the situation develops, the Company, in consultation with the financing banks, will adjust the credit limits to the current needs and the value of the collateral it may provide. Operating decisions will also be made on an ongoing basis, including in relation to operating costs, to maintain an appropriate level of profitability and thus meet the financial covenants provided for in the agreements with banks.

As at the date of issue of this report, the Company did not identify any risks related to the valuation of non-financial assets (in particular inventories) or the delivery of purchased goods. There were no significant delays in deliveries or problems in placing or executing orders.

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 is taking measures to protect its employees and customers with regard to occupational health and safety in connection with the epidemiological risk, as well as measures designed to minimise the economic impact of the pandemic. Given the continuing high level of uncertainty, both on the domestic and global markets, it is not possible to estimate the pandemic's impact on the Group's performance.

Further development of the pandemic is highly unpredictable, and therefore the situation in the third and fourth quarter may change.

The management of the Company believes that the situation does not pose any threat to the Company continuing as a going concern, and therefore the financial statements have been prepared on the assumption that the Company will continue as a going concern for at least 12 months from the reporting date.

The Management Board of the Company assesses and manages the Company's business risks on an ongoing basis. 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.

3. Key events related to the Company in the six months ended June 30th 2020

- The Extraordinary General Meeting of Auto Partner S.A. held on January 10th 2020 amended the Company's Articles of Association. The amendments were made to reflect the expiry of the effective term of the Incentive Scheme implemented on the basis of Resolution No 2 of the Extraordinary General Meeting of Auto Partner S.A. dated March 17th 2016, on the issuance of Series B subscription warrants with the pre-emptive rights waived, a conditional increase in the Company's share capital with the pre-emptive rights waived, the implementation of an incentive scheme at the Company, and amendments to the Company's Articles of Association. The purpose of the amendments was to reflect the current situation in the relevant provisions of the Articles of Association. In addition, the provisions on the number of Supervisory Board members were updated by stating that the Supervisory Board consisted of five members.
- On January 27th 2020, the overdraft facility agreement with mBank S.A. was amended to increase the overdraft limit to PLN 25m.
- On March 6th 2020, the factoring agreement with Santander Factoring Sp. z o.o. was terminated.
- On March 20th 2020, the reverse factoring agreement with Santander Factoring Sp. z o.o. of March 29th 2019 amended, with the reverse factoring limit reduced to PLN 10m, and the term of the limit availability changed to March 31st 2021.
- On March 23rd 2020, the multi-line agreement with Santander Bank Polska S.A. of September 26th 2016 was amended, with the repayment date changed to March 31st 2023, and the multi-line limit and the credit limit as part of the multi-line facility increased to PLN 30m.
- On March 26th 2020, the Management Board of the Company 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 recommendation. The rationale for the Management Board's decision was based on the management's assessment of the market environment, affected by the COVID-19 epidemic, and its impact on the Group's business. Since it was not possible to estimate the ultimate impact of the events 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 the financial year 2019 was made by the Annual General

Meeting on June 19th 2020. The General Meeting allocated the entire net profit to the Company's statutory reserve funds.

- As of the date of the Annual General Meeting approving the Company's financial statements for 2019, i.e. June 19th 2020, the mandates of the Management and Supervisory Board members expired due to the end of their term of office. For details, see Section 5 of this report.
- On June 29th 2020, the Supervisory Board of the Company – acting pursuant to Section 5 of the 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, and pursuant to Section 5.3 of the Rules of the Incentive Scheme for members of the Auto Partner S.A. Management Board adopted by a resolution of the Supervisory Board on April 9th 2019 (the "Rules"), and based on the data contained in the audited financial statements and approved by the Annual General Meeting on June 19th 2020, the full-year consolidated financial statements of the Auto Partner Group for the financial year 2019, and the verification of delivery of the business targets provided for in the Rules – decided to grant the following bonuses to the Incentive Scheme participants, i.e. Andrzej Manowski, Vice President of the Management Board, and Piotr Janta, Vice President of the Management Board:
  Piotr Janta, Vice President of the Management Board – a bonus of PLN 674,000, to be paid in accordance with the Rules as follows: PLN 472,000 in 2020, PLN 135,000 in 2021, and PLN 67,000 in 2022;
  Andrzej Manowski, Vice President of the Management Board – a bonus of PLN 674,000, to be paid in accordance with the Rules as follows: PLN 472,000 in 2020, PLN 135,000 in 2021, and PLN 67,000 in 2022.
  Acting pursuant to the Incentive Scheme Rules adopted by the General Meeting of Maxgear Sp. z o.o. on May 30th 2019, on June 29th 2020 the Annual General Meeting of Maxgear Sp. z o.o. granted bonuses to members of the company's Management Board covered by the Incentive Scheme for the performance in 2019.

4. Impact of COVID-19 on the Group's operations 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 performance 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.

At the same time, thanks to the measures taken by the Company (i.e. adjustments in operating expenses, decisions to increase and maintain prices) 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 corresponding period of the previous year.

5. Changes in the Group's key management policies

In the reporting period, there were no material changes in the policies applied in the management of Auto Partner S.A. and 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, a demerger, restructuring or discontinuation of business.

Composition of the Management Board and the Supervisory Board
Pursuant to the provisions of the Company's Articles of Association, as of June 19th 2020, i.e. the date of the Annual General Meeting approving the Company's financial statements for 2019, the mandates of members of the Auto Partner S.A. Management Board and Supervisory Board expired as a result of the expiry of the five-year term of office.

Management Board

Since the start of 2020, the Management Board has consisted of:

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

On May 18th 2020, the Supervisory Board passed Resolution No. 11 to appoint the Management Board of Auto Partner S.A. for a new five-year term of office.

The composition of the Management Board appointed for the new term remained unchanged.

The Supervisory Board's resolution was effective as of the expiry of the mandates of the Management Board members, i.e. as of the date of approval of the financial statements for 2019 by the Annual General Meeting of Auto Partner S.A. on June 19th 2020.

Supervisory Board:

From January 1st to January 10th 2020, the Supervisory Board consisted of:

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

During the reporting period, the composition of the Supervisory Board changed as a result of a notice given 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 Powszechne Towarzystwo Emerytalne PZU S.A., a shareholder.

Until June 19th 2020, 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.

On June 19th 2020, the Annual General Meeting appointed the Supervisory Board of Auto Partner S.A. for a new five-year term of office.

The composition of the Supervisory Board appointed for the new term was as follows:

- Jarosław Plisz,
- Bogumił Kamiński,
- Bogumił Woźny,
- Andrzej Urban,
- Mateusz Melich.

At the first meeting of the Supervisory Board on June 29th 2020, the Supervisory Board resolved to appoint:

- Jarosław Plisz as Chairperson of the Supervisory Board, and
- Bogumił Woźny as Deputy Chairperson of the Supervisory Board.

By way of another resolution of June 29th 2020, the Supervisory Board appointed the Audit Committee of the Supervisory Board for the new term, comprising:

- Bogumił Woźny – Chairperson 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.

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

The Company does not publish any forecasts.

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

In the period from the issue of the extended consolidated report for Q1 2020, i.e. May 19th 2020, to the date of issue of this report, i.e. September 17th 2020, there were no changes in the large holdings of Company shares.

To the Company's best knowledge, the shareholders holding 5% or more of total voting rights as at September 17th 2020, i.e. the issue date of this report, were:

Shareholder	Number of shares held	Number of voting rights	Percentage of share capital held	Percentage of total voting rights
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, 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, 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 in the Company; its holding, according to the Company's calculations based on the current share capital amount, represents 6.279% of total voting rights.

8. Total number of Company shares and shares in subsidiaries held by the Company's management and supervisory staff

To the best of the Company's knowledge, in the period from the issue of the extended consolidated report for Q1 2020, i.e. May 19th 2020, to the date of issue of this report, i.e. September 17th 2020, there were no changes in the holdings of shares by members of the Company's Management and Supervisory Boards.

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	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.

9. 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.

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

No related-party transactions were executed on a non-arm's length basis.

For detailed information on related-party transactions, see Note 21 to the condensed interim consolidated financial statements.

11. Significant sureties and guarantees, including in particular from or to related entities

In the six months ended June 30th 2020, 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 for such entity would be significant.

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

12.1. Overview of key products, goods and services

The Group is a specialised logistics operator whose principal business 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 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:

	for the six months ended			
	June 30th 2020		**June 30th 2019**	
PRODUCT GROUP	**sales [PLN '000]**	**share (%)**	**sales [PLN '000]**	**share (%)**
Suspension	129,215	16.7%	128,223	17.6%
Brakes	114,093	14.7%	105,118	14.4%
Drivetrain	90,775	11.7%	88,843	12.2%
Electrical systems	75,225	9.7%	65,600	9.0%
Engine – consumables	73,403	9.5%	68,849	9.5%
Consumables/ accessories	71,906	9.3%	68,407	9.4%
Engine – repairs	66,668	8.6%	59,758	8.2%
Filters	47,440	6.1%	42,124	5.8%
Equipment for repair workshops	20,475	2.6%	18,114	2.5%
Exhaust system	16,716	2.2%	14,143	1.9%
Hydraulic parts	12,125	1.6%	12,264	1.7%
Air conditioning system	11,794	1.5%	16,401	2.3%
Engine cooling system	9,614	1.2%	9,016	1.2%
Body	9,509	1.2%	7,966	1.1%
Other	6,862	0.9%	7,341	1.0%
Turbochargers	6,517	0.8%	5,364	0.7%
Lines	5,255	0.7%	5,335	0.7%
Wheel and wheel parts	2,892	0.4%	2,089	0.3%
Heating and ventilation	2,248	0.3%	2,202	0.3%
Lighting	2,241	0.3%	508	0.1%
Total	**774,974**	**100.0%**	**727,665**	**100.0%**
IAS adjustments, security deposits, other	-8,566		-9,089	
Total – revenue from sale of merchandise	**766,408**		**718,576**	

Source: the Group.

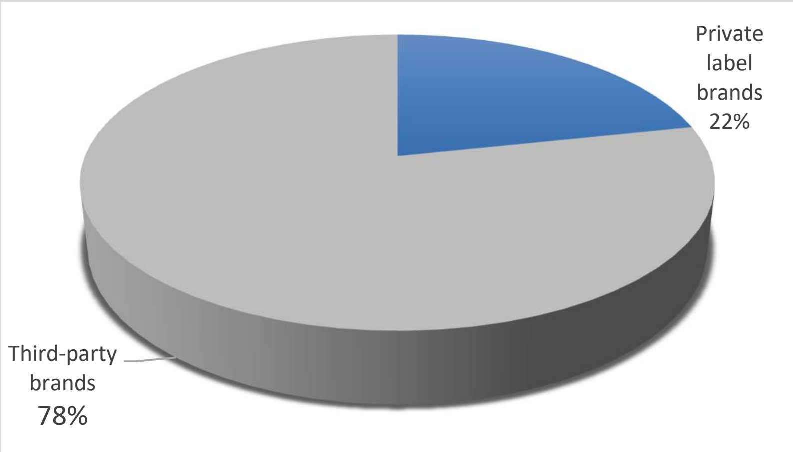
Private label brands

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 across 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. Through product diversification and the development of private label brands, the Company is able to grow in a stable way and achieve higher sales profitability than in the case of the broad market brands.

Share of private label brands in total sales



Source: the Group.

12.2. Overview of the Group's geographical markets

Currently, Poland is the Group's core 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, Denmark, Finland and France.

Revenue structure by domestic and export sales:

	for period ended June 30th			
	2020		2019	
	PLN '000	share [%]	PLN '000	share [%]
Sales of merchandise – Poland	445,300	58.0%	445,770	61.9%
Sales of merchandise – EU	317,606	41.4%	261,743	36.4%
Sales of merchandise – other exports	3,502	0.5%	11,063	1.5%
Sales of services – Poland	909	0.1%	678	0.1%

Rendering of services – EU	456	0.1%	320	0.0%
Total	**767,773**	**100%**	**719,574**	**100.0%**

Source: the Group, consolidated financial statements.

The strong increase in the Group's export sales in recent years was achieved as a result of intensified efforts in this area, and the Group still sees significant export growth potential in the coming years.

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

Growth of the scale of business

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 sees growing demand on the market for shortening the spare part delivery times between the distributor and the repair workshop. To satisfy this demand, the Company plans to increase its warehouse space at the logistics centres in Bieruń and Pruszków, and is considering construction of a new logistics and storage centre. It is currently analysing various locations in terms of the market, logistical and economic conditions.

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. The branch in Prague is tasked with expanding the customer base to include repair workshops.

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 gained 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 the experience gained in the development of the MaXgear brand. The adopted strategy has led to the launch of new private label 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, profitability growth will be supported by the growing scale of the business, translating into further improvement of the terms of business with automotive part suppliers. Another driver of the profitability growth is the bonuses obtained through the Global One procurement group.

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

12.4. Current and projected financial position – factors and events, including of a non-recurring nature, having a material bearing on the condensed financial statements

The analysis of the Group's financial and operating position was conducted on the basis of the IFRS-compliant separate and consolidated financial statements for the first half of 2020.

The coronavirus pandemic and its effects had a bearing on the condensed financial statements for the six months ended June 30th 2020. The slower growth of sales relative to previous periods was caused by a year-on-year decline in revenue seen in March, April and a part of May of 2020, due to measures taken by European governments in response to the pandemic. At the same time, the Group's profitability improved significantly. For more information, see Section 4 of this report.

The table below presents selected items of the consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	six months ended June 30th consolidated financial statements		
	2020	2019	2018
	PLN '000	PLN '000	PLN '000
Revenue	767,773	719,574	557,350
Gross profit	217,403	183,141	146,117
Operating profit	61,879	40,647	40,728
Profit before tax	56,168	36,129	37,079
Net profit	45,284	28,954	29,569

Source: the Group, consolidated financial statements.

Revenue

Revenue from sales of merchandise accounted for 99.9% of total revenue in the six months ended June 30th 2020, which is due to the nature of the Group's business. Revenue from sales of merchandise included 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 revenue from sales of training, transport and rental services.

In the six months ended June 30th 2020, the Group's revenue was PLN 767,773 thousand, having increased 6.7% year on year. The increase was attributable to higher foreign sales (+17.7%), with no sales growth on the domestic market (-0.1%).

The higher revenue in the period was achieved mainly through expansion of the Group's business, and in particular by: (i) responding correctly to the rapidly changing situation related to the coronavirus pandemic and its impact on the spare parts distribution market in Poland and other EU countries, (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.

Gross profit (loss)

In the six months ended June 30th 2020, the Group's gross profit was PLN 217,403 thousand, an increase of 18.7% year on year.

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) and maintenance of the new, higher price levels.

Operating profit (loss)

The Group's operating profit in the six months ended June 30th 2020 was PLN 61,879 thousand, i.e. 52.2% more year on year.

This marked improvement in the operating profit and the EBIT margin was driven by the higher gross margin, as well as appropriate control of operating expenses, in particular their significant reduction in April 2020, when the Group's revenue declined, and successful cost control measures maintained after the pandemic-related restrictions were eased.

Net profit (loss)

In the six months ended June 30th 2020, the Group posted net profit of PLN 45,284 thousand, na increase of 56.4% year on year.

Amount and structure of assets

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

	as at Jun 30 2020 consolidated financial statements	as at Dec 31 2019 consolidated financial statements
	PLN '000	PLN '000
Non-current assets	**140,406**	**135,893**
Current assets	**628,505**	**595,633**
Inventories and right-of-return assets	478,759	468,112
Trade and other receivables	116,931	101,394
Other assets	7	180
Cash and cash equivalents	32,808	25,947
Total assets	**768,911**	**731,526**

Source: the Group, consolidated financial statements.

As at June 30th 2020, the Group's total non-current assets increased by PLN 4,513 thousand, or 3.3% on year-end 2019. In the first half of the year the Group mainly incurred expenditure on ongoing replacements and upgrades of property, plant and equipment, which included partial replacement of the car fleet, upgrade of the storage facilities, and development and extension of the facilities' infrastructure. However, it should be noted that investments in new property, plant and equipment were significantly scaled back during the two or three months of uncertainty caused by the coronavirus pandemic and its effects.

To note, as at June 30th 2020 inventories amounted to PLN 478,759 thousand, an increase of 2.2% on year-end 2019.

At the same time, trade receivables increased by 15.3%, driven mainly by a higher share of export sales (which typically have longer payment terms) and higher total sales.

Sources of capital

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

	as at Jun 30 2020 consolidated financial statements	as at Dec 31 2019 consolidated financial statements
	PLN '000	PLN '000
Equity	**417,526**	**372,197**
Share capital issued	13,062	13,062
Other components of equity	359,175	300,461
Retained earnings (current year)	45,284	58,714
Translation reserve	5	40

Liabilities	**351,385**	**359,329**
Bank borrowings, other financial liabilities	105,971	191,821
Lease liabilities	80,620	82,542
Trade payables and right-of-return liabilities	154,306	75,539
Other liabilities other than trade payables	10,488	9,427
Total equity and liabilities	**768,911**	**731,526**

Source: the Group, consolidated financial statements.

Equity

As at the end of June 2020, equity accounted for 54.3% of the Group's total equity and liabilities and amounted to PLN 417,526 thousand. It grew by 12.2% in the reporting period, mainly due to the current period's net profit of PLN 45,284 thousand.

Liabilities

As at the end of June 2020, the Group's liabilities represented 45.7% of total equity and liabilities and amounted to PLN 351,385 thousand. The largest items of the Group's liabilities as at the end of June 2020 were interest-bearing liabilities (bank borrowings, reverse factoring and leases), representing 53.1% of total liabilities, and trade payables, representing 43.9% of total liabilities. The change in the structure of liabilities was related to the uncertainty caused by the coronavirus pandemic – it led to significantly reduced purchases of merchandise in April 2020, which translated into a significant decline in interest-bearing debt. On the other hand, larger purchases in June 2020 contributed to a significant increase in trade payables as at the reporting date.

Liquidity

In the six months ended June 30th 2020, the main sources of external financing for the Company and the Group were: (i) financing provided in the form of credit facilities (working capital facility and revolving credit facilities), (ii) shareholder loans, (iii) leases, (iv) factoring and reverse factoring arrangements.

The Group expects that the funding sources referred to above will continue to be its main sources of external financing in the near future. In justified cases, the Group may also consider raising financing through issues of shares and debt securities (bonds) to a broader group of investors on the capital markets.

The table below presents selected data from the consolidated statement of cash flows for the six months ended June 30th 2020.

	six months ended June 30th consolidated financial statements	
	2020	2019
Net cash from operating activities	112,468	19,162
Net cash from investing activities	(2,595)	(4,251)
Net cash from financing activities	(103,017)	(15,927)
Total net cash flows	**6,856**	**(1,016)**
Cash and cash equivalents at beginning of period	25,947	21,913
Effect of exchange rate movements on net cash in foreign currencies	5	(51)
Cash and cash equivalents at end of period	**32,808**	**20,846**

Source: the Group, consolidated financial statements.

Financial metrics

In describing the Group's financial position, the Company uses alternative performance measures (APMs). The Management Board believes that the selected APMs provide valuable additional (apart from the data in the financial statements) information on the Group's financial and operating position, and facilitate analysis and assessment of the Group's financial performance in the reporting periods.

The definitions of the measures used by the Group in the reporting process are provided below. Selection of the APMs was preceded by an analysis of their suitability for providing useful information to investors about the financial position, cash flows and financial efficiency, and the Company believes that the selected APMs enable an optimum assessment of those aspects.

Profitability metrics

The profitability metrics presented below were calculated on the basis of financial data from the consolidated statement of profit or loss and other comprehensive income for the six months ended June 30th 2020.

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

	six months ended June 30th consolidated financial statements		
	2020	2019	2018
	PLN '000	PLN '000	PLN '000
EBITDA (PLN '000)[1]	73,210	49,545	44,926
Gross margin (%)[2]	28.3	25.5	26.2
EBITDA margin (%)[3]	9.5	6.9	8.1
EBIT margin (%)[4]	8.1	5.6	7.3
Pre-tax profit margin (%)[5]	7.3	5.0	6.7
Net profit margin (%)[6]	5.9	4.0	5.3

Source: the Group.

(1) EBITDA is defined and calculated 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 profit before tax 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.

	six months ended June 30th consolidated financial statements		full-year consolidated financial statements	
	2020	2019	2019	2018
	PLN '000	PLN '000	PLN '000	PLN '000
ROE[7] (%)	23.0	17.8	17.1	20.6
ROA[8] (%)	12.1	8.8	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 Group's efficiency metrics presented below were calculated on the basis of financial data derived from the consolidated statement of profit or loss and other comprehensive income for the first six months of 2020 and the consolidated statement of financial position as at June 30th 2020.

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

	As at			
	Jun 30 2020	Jun 30 2019	Dec 31 2019	Dec 31 2018
	days	days	days	days
Inventory turnover period (days)[1*]	157	150	152	174
Average collection period (days)[2]	26	24	23	23
Average payment period (days)[3]	38	37	30	37
Cash conversion cycle[4]	144	137	144	159

Source: the Group.

(1) The Group defines and calculates the inventory turnover period as the ratio of the 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 the 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 the 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 Group's debt ratios presented below were calculated on the basis of the consolidated statement of financial position as at June 30th 2020.

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

	As at			
	Jun 30 2020	Jun 30 2019	Dec 31 2019	Dec 31 2018
	PLN '000	PLN '000	PLN '000	PLN '000
Total debt ratio (%)[1]	45.7	52.0	49.1	48.4
Long-term debt ratio (%)[2]	19.8	21.6	21.4	18.5
Short-term debt ratio (%)[3]	25.9	30.3	27.7	30.0
Equity-to-debt ratio (%)[4]	118.8	92.4	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 Group's liquidity ratios were calculated on the basis of financial data derived from the consolidated statement of financial position as at June 30th 2020.

The table below presents the Group's liquidity ratios.

	As at Consolidated financial statements			
	Jun 30 2020	Jun 30 2019	Dec 31 2019	Dec 31 2018
	PLN '000	PLN '000	PLN '000	PLN '000
Current ratio[1]	3.15	2.71	2.94	2.97
Quick ratio[2]	0.75	0.64	0.63	0.57
Cash ratio[3]	0.16	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.

12.5. Workforce

As at the end of June 2020, the Group had 1,685 employees, which represented an increase of 41, or 3.58%, in the Group's headcount relative to 1,644 at the end of 2019.

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

Type of employment	as at June 30th 2020	as at December 31st 2019
Employment contract	1,646	1,602
Civil-law contract for specified activity	39	42
Total	**1,685**	**1,644**
Average headcount	1,611	1,540

Source: the Group.

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

Business area	as at June 30th 2020	as at December 31st 2019
Management and administration	108	170
Sales and marketing	740	667
Logistics and storage	837	807
Total	**1,685**	**1,644**

Source: the Group.

**The differences in the number of employees in the areas: management and administration, and sales and marketing, relative to December 31st 2019, follow from a new classification of jobs in the Company's new HR and payroll system.*

13. Factors that, in the Company's opinion, will have an impact on the Company's and the Group's performance 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.
- Implementation of the 2019–2021 Incentive Scheme Rules 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 whole term of the Scheme.
- Implementation of the Incentive Scheme Rules for members of the Maxgear sp. z o.o. Management Board: Grzegorz Pal and Arkadiusz Cieplak, adopted by the General Meeting of Maxgear sp. z o.o. on May 30th 2019, on the same terms 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 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 issue date of this report, the Company did not identify the complications in the conduct of its business on which it reported 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 is taking measures to protect its employees and customers with regard to occupational health and safety in connection with the epidemiological risk, as well as measures designed to minimise 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 third and fourth quarter may change.

Bieruń, September 16th 2020

Aleksander Górecki – President of the Management Board

Andrzej Manowski – Vice President of the Management Board

Piotr Janta – Vice President of the Management Board