Consolidated financial statements for the year ended December 31st 2022
prepared in accordance with International Financial Reporting Standards
endorsed by the European Union

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

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(all amounts in PLN thousand)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	period ended December 31st 2022	period ended December 31st 2021
STATEMENT OF PROFIT OR LOSS			
Revenue from contracts with customers	3	2,834,701	2,262,018
Cost of sales	4	(1,987,689)	(1,604,404)
Gross profit		**847,012**	**657,614**
Distribution costs and marketing expenses	4	(332,198)	(244,304)
Warehousing costs	4	(180,344)	(137,366)
Management and administrative expenses	4	(50,096)	(30,778)
Other gains (losses), net	5	(2,478)	(2,199)
Other income		740	413
Other expenses		(1,267)	(4,370)
Operating profit		**281,369**	**239,010**
Finance income	6	257	328
Finance costs	7	(25,199)	(7,883)
Profit before tax		**256,427**	**231,455**
Income tax	8	(49,159)	(45,431)
Net profit		**207,268**	**186,024**
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(347)	(393)
Other comprehensive income that will be reclassified to profit or loss		**(347)**	**(393)**
Other comprehensive income, net		**(347)**	**(393)**
TOTAL COMPREHENSIVE INCOME		**206,921**	**185,631**
Net profit attributable to:			
Owners of the parent		207,268	186,024
Total comprehensive income attributable to:			
Owners of the parent		206,921	185,631
Earnings per share (PLN per share)			
From continuing operations:			
Basic	9	1.59	1.42
Diluted	9	1.59	1.42

(all amounts in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31st 2022	As at December 31st 2021
ASSETS			
Non-current assets			
Intangible assets	11	27,043	20,561
Property, plant and equipment	10	251,080	169,337
Investments in other entities	12	110	110
Other long-term receivables	15	4,299	3,638
Other non-current financial assets	13	-	8
Deferred tax assets	8	2,158	1,048
Total non-current assets		**284,690**	**194,702**
Current assets			
Inventories	14.1	955,730	738,506
Contract asset	14.2	13,584	10,859
Trade and other receivables	15	281,343	241,534
Other financial assets	13	4	12
Current tax assets	8	-	221
Cash and cash equivalents	21.1	34,931	16,936
Total current assets		**1,285,592**	**1,008,068**
Total assets		**1,570,282**	**1,202,770**
EQUITY AND LIABILITIES			
Equity			
Share capital issued	16.1	13,062	13,062
Share premium	16	106,299	106,299
Other components of equity	16	1,071	1,418
Retained earnings	16.2	722,392	534,717
Equity attributable to owners of the parent		**842,824**	**655,496**
Total equity		**842,824**	**655,496**
Non-current liabilities			
Long-term borrowings	17	138,700	93,896
Lease liabilities	20	112,595	72,610
Employee benefit obligations and provisions	22	2,661	1,077
Deferred tax liability	8	15,440	12,550
Total non-current liabilities		**269,396**	**180,133**
Current liabilities			
Trade and other payables	19.1	130,215	94,878
Contract liabilities	19.2	19,311	15,593
Short-term borrowings	17	210,616	168,928
Lease liabilities	20	39,021	32,509
Current tax liability	8	19,475	23,724
Employee benefit obligations and provisions	22	32,572	21,663
Short-term provisions	18	6,852	9,846
Total current liabilities		**458,062**	**367,141**
Total liabilities		**727,458**	**547,274**
Total equity and liabilities		**1,570,282**	**1,202,770**

(all amounts in PLN thousand)

CONSOLIDATED STATEMENT OF CASH FLOWS

indirect method	Note	period ended December 31st 2022	December 31st 2021
Cash flows from operating activities			
Profit before tax		**256,427**	**231,455**
Adjustments:			
Depreciation and amortisation		32,849	26,177
Foreign exchange gains/losses		(863)	(948)
Adjustments for gains/losses on sale of non-current assets		85	363
Other adjustments with cash flows from financing or investing activities		-	(59)
Finance costs recognised in profit or loss		24,755	7,165
Other adjustments		-	(4)
Change in inventories		(217,224)	(257,065)
Change in contract asset		(2,725)	(648)
Change in trade and other receivables		(40,842)	(113,441)
Change in trade and other payables		35,791	15,161
Change in contract liabilities		3,718	2,378
Change in employee benefit obligations and provisions		9,499	9,980
Cash from operating activities		**101,470**	**(79,486)**
Income tax paid		(51,406)	(16,845)
Net cash from operating activities		**50,064**	**(96,331)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(38,034)	(18,452)
Disposal of property, plant and equipment and intangible assets		103	271
Loans		(3,400)	(2,394)
Repayment of loans		3,612	2,416
Receipts from lease		5	9
Interest received		80	60
Net cash from investing activities		**(37,634)**	**(18,090)**
Cash flows from financing activities			
Dividend paid		(19,593)	(13,062)
Borrowings received		86,141	158,951
Payment of lease liabilities		(37,042)	(29,389)
Interest and commissions paid		(23,953)	(6,365)
Net cash from financing activities		**5,553**	**110,135**
Total net cash flows		**17,983**	**(4,286)**
Cash and cash equivalents at beginning of period		16,936	21,377
Effect of exchange rate movements on net cash in foreign currencies		12	(155)
Cash and cash equivalents at end of period	21.1	**34,931**	**16,936**

(all amounts in PLN thousand)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital issued	Capital from issue of warrants	Share premium	Retained earnings	Translation reserve	Total equity
As at December 31st 2020	**13,062**	**2,103**	**106,299**	**361,755**	**(292)**	**482,927**
Net profit for period				186,024		**186,024**
Other comprehensive income for period, net					(393)	**(393)**
Total comprehensive income				**186,024**	**(393)**	**185,631**
Dividend paid				(13,062)		**(13,062)**
As at December 31st 2021	**13,062**	**2,103**	**106,299**	**534,717**	**(685)**	**655,496**
Net profit for period				207,268		**207,268**
Other comprehensive income for period, net					(347)	**(347)**
Total comprehensive income				**207,268**	**(347)**	**206,921**
Dividend paid				(19,593)		**(19,593)**
As at December 31st 2022	**13,062**	**2,103**	**106,299**	**722,392**	**(1,032)**	**842,824**

NOTES

1. General information

Overview of the Parent

Name of the reporting entity or other identification data: Auto Partner S.A.

Explanation of changes in the name of the reporting entity or other identification data that have occurred since the end of the previous reporting period: not applicable

Registered office: Bieruń

Legal form: joint stock company (Spółka Akcyjna); the Company is entered in the National Court Register at the District Court for Katowice-Wschód, 8th Commercial Division of the National Court Register, under No. KRS 0000291327.

Country of registration: Poland

Registered office address: ul. Ekonomiczna 20, 43-150 Bieruń, Poland.

Principal place of business: Auto Partner S.A. conducts operations mainly in the territory of Poland.

Principal business activity: the Company's principal business consists in the organisation of distribution of vehicle spare parts directly from manufacturers to end users. The Company is an importer and distributor of parts for passenger cars and delivery vehicles in the market for spare parts classified in accordance with the GVO regulations and directives of the European Union.

Name of the higher level parent: none

Name of the ultimate parent of the group: none

(all amounts in PLN thousand)

As at the date of authorisation of these financial statements for issue, the Management Board was composed of:

Aleksander Górecki – President of the Management Board,

Andrzej Manowski – Vice President of the Management Board,

Piotr Janta – Vice President of the Management Board,

Tomasz Werbiński – Member of the Management Board.

As at the date of authorisation of the financial statements for issue, the Supervisory Board was composed of:

Jarosław Plisz – Chair of the Supervisory Board,

Bogumił Woźny – Deputy Chair of the Supervisory Board,

Andrzej Urban – Member of the Supervisory Board,

Bogumił Kamiński – Member of the Supervisory Board,

Mateusz Melich – Member of the Supervisory Board.

Commercial proxy

Grzegorz Lenda – joint commercial proxy.

Qualified Auditor

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., with its registered office at ul. Polna 11, Warsaw.

Listing venue

Auto Partner S.A. shares are listed on the Warsaw Stock Exchange in the continuous trading system.

The Group

As at the reporting date, the Auto Partner Group comprised Auto Partner S.A. as the parent and four subsidiaries consolidated with the full method.

All the companies comprising in the Group have been established for indefinite time. Financial statements of all subsidiaries have been prepared for the same period as the parent's financial statements, in accordance with consistently applied uniform accounting policies.

The financial year of the parent and the Group companies is the same as the calendar year.

The Group's principal business activity consists in the organisation of distribution of vehicle spare parts directly from manufacturers to end users. The Group is an importer and distributor of parts for passenger cars and delivery vehicles in the market for spare parts classified in accordance with the GVO regulations and directives of the European Union.

In the reporting period, the Group was comprised of the following fully consolidated subsidiaries:

Entity	Principal business	Registered office	% ownership interest	
			As at December 31st 2022	As at December 31st 2021
Maxgear Sp. z o.o. Sp. komandytowa	sale of spare parts and accessories for motor vehicles	Bieruń, Poland	100%*	100%*
Maxgear Sp. z o.o.	sale of spare parts and accessories for motor vehicles	Poland, Tychy	100%	100%
AP Auto Partner CZ, s.r.o.	sale of spare parts and accessories for motor vehicles	Prague, Czech Republic	100%	100%
AP Auto Partner RO, s.r.l.	sale of spare parts and accessories for motor vehicles	Timisoara, Romania	100%	100%

*) 99% of the voting rights are held by Auto Partner S.A. as a limited partner; 1% of the voting rights are held by the general partner, in which Auto Partner S.A. holds 100% of the voting rights.

There are no non-controlling interests.

2. Principles for preparation of consolidated financial statements

2.1. Statement of compliance and basis of accounting

These full-year consolidated financial statements (the "financial statements") of the Group for the period January 1st 2022 to December 31st 2022 and for the comparative period of the previous year have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union, issued and effective for reporting periods beginning January 1st 2022. The accounting policies applied in the preparation of these financial statements are consistent with the policies applied in the preparation of the financial statements for the financial year ended December 31st 2021.

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future. As at the date of these financial statements, there were no circumstances indicating any threat to the Group's ability to continue as a going concern.

These consolidated financial statements have been prepared on a historical cost basis. Some categories of financial assets are measured at fair value (Note 23), but no such asset categories were recognised in the periods ended December 31st 2022 and December 31st 2021.

The data contained in these financial statements is presented in thousands of złoty (PLN thousand), unless more accurate data is provided in specific cases.

2.2. Amendments to standards and interpretations in 2022

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and endorsed by the EU have been applied for the first time in 2022:

Amendments to IFRS 3 *Business Combinations*
The amendments to the standard issued in May 2020 are intended to update the relevant references to the Conceptual Framework in IFRS without introducing any substantive changes to accounting for business combinations.

Amendments to IAS 16 *Property, Plant and Equipment*
The amendments to IAS 16 *Property, Plant and Equipment* clarify the way entities should account for the cost of property, plant and equipment and the proceeds from sale of items produced during testing. The amendments require that proceeds from sale of items produced during testing are recognised in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the item.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
The amendments to IAS 37 clarify which costs should be taken into account in assessing whether a contract will be loss-making and is onerous.

Annual Improvements to IFRSs 2018−2020 Cycle
Annual Improvements to IFRSs 2018−2020 Cycle amend the following standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and illustrative examples for IFRS 16 *Leases*. The amendments explain and clarify the guidance on recognition and measurement provided in the standards.

The amendments listed above have not had a material effect on the financial statements.

Issued standards and interpretations which are not yet effective and have not been adopted by the Group early:

IFRS 17 *Insurance Contracts* and amendments to IFRS 17
IFRS 17 *Insurance Contracts* was issued by the International Accounting Standards Board on May 18th 2017, and amendments to IFRS 17 were issued on June 25th 2020. The new standard is effective for annual periods beginning on or after January 1st 2023.

IFRS 17 *Insurance Contracts* will replace existing IFRS 4, which provides for diverse practices in accounting for insurance contracts. The new standard will substantially change the accounting practices of all entities that deal with insurance contracts and investment agreements. However, the scope of the standard is not limited to insurance companies only, and contracts concluded by entities other than insurance companies may also include a component that meets the definition of an insurance contract (as defined in IFRS 17).

Amendment to IAS 1 *Presentation of Financial Statements* and the IASB Practice Statement on Disclosure of Accounting Policies
The amendment to IAS 1 requires entities to disclose their material accounting policy information, which is defined in the Standard. It clarifies that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, the IASB's guidance was amended with respect to the application of the materiality concept in practice, to provide guidance on the application of the materiality concept to accounting policy disclosures. The amendment applies from January 1st 2023.

Amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
In 2021, the IASB issued an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as regards the definition of accounting estimates. The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The amendment applies from January 1st 2023.

Amendments to IAS 12 *Income Taxes*
The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning obligations. Prior to the amendment, there was uncertainty as to whether the recognition of equal amounts of assets and liabilities for accounting purposes (e.g., initial recognition of leases) which does not affect current tax settlements necessitates the recognition of deferred taxes or whether the initial recognition exemption, according to which deferred taxes are not recognised if the recognition of an asset or liability does not affect profit or loss at the time of recognition, applies. The amended IAS 12 deals with this matter by requiring the recognition of deferred tax in the above situation, introducing an additional provision stating that the initial recognition exemption does not apply if the entity simultaneously recognises the asset and the equivalent liability and each of them gives rise to temporary differences. The amendments are effective for financial statements for periods beginning on or after January 1st 2023.

Amendment to IFRS 17 *Insurance Contracts*
The amendment relates to transition requirements following the initial application of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments. The purpose of the amendment is to ensure the usefulness of financial information for investors during the period of initial application of the new standard by introducing certain expedients with respect to the presentation of comparative data. The amendment relates to the application of the new standard IFRS 17 only – it does not affect any other requirements of IFRS 17.

Amendment to IFRS 16 *Leases*
In September 2022, the IASB issued amendments to IFRS 16 *Leases* to clarify certain issues concerning subsequent measurement of a lease liability in the case of sale and leaseback transactions which satisfy the criteria under IFRS 15 to be accounted for as a sale. The amendments require that a seller-lessee subsequently measure lease liabilities arising in leasebacks in such a way as not to recognise any gain or loss relating to the right of use it retains. The new requirement is of particular importance where a leaseback involves variable payments that do not depend on an index or rate, as under IFRS 16 such payments are not 'lease payments'. The amended standard includes a new example that illustrates the application of the new requirement in such situations. The amendment applies from January 1st 2024. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

Amendments to IAS 1 *Presentation of Financial Statements*

In 2020, the IASB published amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. In October 2022, the Board issued further amendments to IAS 1, which address the classification of liabilities as con-current and current, for which an entity is required to meet certain contractual covenants. The amended IAS 1 provides that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. The classification does not depend on the entity's expectations or events after the reporting date (for example, waiver or breach of a covenant). The amendments are effective for financial statements for periods beginning on or after January 1st 2024. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

IFRS 14 *Regulatory Deferral Accounts*
The standard permits an entity which is a first-time adopter of IFRS (on or after January 1st 2016) to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRSs and do not account for such balances, in accordance with IFRS 14 amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of comprehensive income. The European Union has decided not to endorse IFRS 14.

Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between an investor and its associate or joint venture
The amendments address the current inconsistency between IFRS 10 and IAS 28. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The amendments were issued on September 11th 2014. As at the date of these financial statements, the European Union postponed the endorsement of the amendments.

As at the date of authorisation of these financial statements, the Management Board does not expect the implementation of these standards and amendments to have a material effect on the applied accounting policies.

2.3. Significant assessments and estimates

The preparation of financial statements in accordance with IFRS requires the Management Board of the Group to use judgements and estimates which affect the applied accounting policies and the amounts of reported assets, liabilities, income and expenses. Judgements and estimates are reviewed on an ongoing basis. A change in estimates is recognised in profit or loss for the period in which the change occurred. During the reporting period, there were no material changes in judgements and estimates. For details, see Note 2.7.

2.4. Seasonality

The sale of spare parts and accessories, which constitutes the principal business activity of the Group, is subject to seasonal fluctuations during the year. The highest sale volumes are recorded in the spring season (March to April/May) and in autumn (October and November), and additionally during summer months, while being relatively the lowest in winter. The seasonality of sales is reflected in higher demand for merchandise, which results in a seasonal increase in purchases of merchandise and the amount of related trade payables before the high seasons, especially spring.

2.5. Functional and reporting currency

These consolidated financial statements have been prepared in the Polish złoty (PLN). The Polish złoty is the functional currency of the parent and the reporting currency adopted for these consolidated financial statements. The data contained in these financial statements is presented in thousands of złoty, unless more accurate information is provided in specific cases.

(all amounts in PLN thousand)

The functional currencies of the foreign subsidiaries are the Czech koruna (CZK) and the Romanian leu (RON). The following policies have been applied to translate financial data for the purpose of consolidating the financial statements of foreign subsidiaries:

items of the statement of financial position have been translated at the mid rates quoted by the National Bank of Poland at the end of the reporting period:

NBP mid rate quoted for:	**December 31st 2022**	**December 31st 2021**
CZK	0.1942	0.1850
RON	0.9475	0.9293

items of the statement of profit or loss and comprehensive income have been translated at the average of exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period:

Average NBP mid rate for reporting period	**2022**	**2021**
CZK	0.1910	0.1785
RON	0.9501	0.9293

Exchange differences on translation of foreign operations are recognised in other comprehensive income and as translation reserve in equity.

2.6. Significant accounting policies

Basis of consolidation

These consolidated financial statements include the financial statements of the parent and its subsidiaries.

The parent has control if: it has power over a given entity, is exposed to variable returns, has rights to variable returns from its involvement in that entity, or is able to use power to determine the level of returns generated.

The parent verifies its control of other entities if there is an indication of change in one or more of the above conditions of control.

If the parent holds less than a majority of voting rights at an investee, but the voting rights held are sufficient to direct the relevant activities of the investee unilaterally, this means that the parent has control of the investee.

When assessing whether voting rights in a given entity are sufficient to give it power, the Company considers all material circumstances, including: the size of its holding of voting rights relative to the size and dispersion of holdings of other shareholders; potential voting rights held by the Company, other shareholders and other parties; rights arising from other contractual arrangements; any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings. Consolidation of a subsidiary begins when the parent obtains control of the subsidiary and ceases when the control is lost. Income and expenses of a subsidiary acquired or disposed of during the year are recognised in the statement of comprehensive income from the date when the Company acquires control until the date when the Company ceases to control the subsidiary. Profit or loss and all items of other comprehensive income are allocated to owners of the parent, as there are no non-controlling interests.

Where necessary, the subsidiary's financial statements are adjusted to ensure consistency with the parent's accounting policies. Consolidated financial statements eliminate in full intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between companies of the Group.

Property, plant and equipment

Property, plant and equipment include own property, plant and equipment, leasehold improvements, as well as property, plant and equipment under construction used in the Group's operations and their useful life exceeds one year. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes costs that are directly related to the acquisition or production of property, plant and equipment, including capitalised borrowing costs accrued until the asset is available for use. The cost of an item of property, plant and equipment is included in the purchase price, plus any applicable public charges in the case of imported assets, net of any discounts granted, and all costs directly attributable to the asset, incurred to bring the asset into a condition suitable for its use. The initial carrying amount of items of property, plant and equipment is increased by the amount of expenditure on their upgrades. Costs of maintenance of property, plant and equipment are taken to the current period's profit or loss.

Depreciation charges made to account for impairment due to wear and tear or the passage of time reduce the value of property, plant and equipment. The Group recognises depreciation charges on property, plant and equipment in equal instalments each month on a straight-line basis. Depreciation of property, plant and equipment begins from the month following the month in which an item of property, plant and equipment is available for use and entered in the register of assets, until the end of the month in which the total amount of depreciation charges equals the asset's initial value or in which the asset is designated for retirement, sold or identified as missing. The Group applies the practical expedient in accordance with paragraph 97 of IAS 38, which, according to the Management Board's judgement, does not have a material effect on its financial statements. Property, plant and equipment are depreciated on a systematic and planned basis over a fixed depreciation period. The length of the period, the rate and the method of depreciation are determined at the date the asset is available for use. Useful lives, depreciation methods and residual values are reviewed annually. Depreciation at a new rate determined as a result of such review starts as of the beginning of the financial year immediately following the year in which the review was carried out (prospectively). The Group depreciates its property, plant and equipment taking into account their useful lives reflecting actual wear and tear of the assets, on a straight-line basis, at the following rates:

- buildings and premises – 2.5%-10%,

– steam generators and power units – 2.5%-10%,

– general-purpose machinery, equipment and apparatus – 10%-25%,

– technical equipment – 10%-30%,

– vehicles – 10%-40%,

– tools, instruments, movables and equipment not elsewhere classified – 5%-30%.

Assets held under a lease contract are depreciated over their expected period of economic use in accordance with the same rules as own assets. When there is no reasonable certainty that ownership will be transferred at the end of the lease term, the assets are depreciated over the non-cancellable period of the lease.

Intangible assets

Acquired identifiable intangible assets with definite useful lives, intended for the needs of the entity, which are controlled by the Group and from which the Group is likely to obtain future economic benefits. Intangible assets include in particular software, copyrights (economic rights) and related rights, and licences. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a systematic and planned basis over a fixed amortisation period. Amortisation begins from the month following the month in which an intangible asset is available for use and entered in the register of assets. The Group applies the practical expedient in accordance with paragraph 97 of IAS 38, which, according to the Management Board's judgement, does not have a material effect on its financial statements. The rate and the method of amortisation are determined at the date the intangible asset is available for use. Useful lives, the amortisation method and residual values are reviewed at the end of the financial year. Effects of changes in estimates are accounted for prospectively. If there is an indication of impairment, the Management Board initiates procedures to determine the amount of impairment loss. Intangible assets are amortised in equal instalments on a monthly basis using the straight-line method, taking into account their useful lives and at the following rates:

- licences and software: 10–20%

Costs of software maintenance are expensed when incurred, unless they relate to a longer period, in which case they are accounted for proportionately through accrued expenses.

Impairment of non-financial non-current assets

As at each reporting date, the Group assesses whether there is any indication of impairment of its non-financial non-current assets. Where the carrying amount of an item of property, plant and equipment exceeds its estimated recoverable amount, its carrying amount is written off to the recoverable amount.

Property, plant and equipment under construction are measured at purchase cost or at cost directly attributable to their production, less any impairment losses. If property, plant and equipment under construction are financed with borrowings, their value is increased by borrowing costs. Leased property, plant and equipment under construction include lease contract assets not yet commissioned at end of period.

The Group as a lessee

In accordance with IFRS 16, a contract is a lease or contains a lease component if it transfers all of the rights to control the use of an identified asset in a given period in exchange for payment. Control is deemed to occur if the customer has:

- the right to substantially all of the economic benefits from the use of the asset,

- the right to decide whether to use the asset.

The new standard introduces a single lease accounting model for the lessee. The standard does not distinguish between a finance lease and an operating lease in the lessee's accounts and requires recognition of the right to use the asset and the lease liability for all contracts concluded by the lessee, except for short-term leases and leases of low-value assets that are exempt from that requirement. The Group defines as short-term leases contracts made for an indefinite term which may be terminated on a short notice, that is up to 12 months, without any material penalty imposed on the terminating party. Costs of some of the space lease contracts are re-charged to the cooperating affiliates.

At the commencement date, the Group measures the right-of-use asset at cost, which includes:

- the amount of the lease liability as initially measured,

- any lease payments made at or prior to commencement, less any lease incentives received;

- any initial direct costs incurred by the lessee; and

- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of lease payments that have not been paid at that date. Lease payments are discounted by the Group using the interest rate implicit in the lease if that rate can be readily determined. If this is not the case, the incremental borrowing rate is used.

At the commencement date, lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed lease payments less any lease incentives receivable;

- variable lease payments which depend on an index or a rate, initially measured using the index or rate at the commencement date of the lease;

- amounts expected to be paid by the lessee under a residual value guarantee,

- the exercise price of the call option if it is reasonably certain that the lessee will exercise that option,

- lease termination fees if the lessee is entitled to exercise the option to terminate the lease.

After the commencement date, the Group measures the right-of-use asset applying the cost model:

To apply the cost model, the Group measures the right-of-use asset at cost:

- less any accumulated depreciation and impairment losses; and

- adjusted for remeasurement of the lease liability to reflect changes in lease payments.

After the commencement date, the lessee measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;

- reducing the carrying amount to reflect the lease payments made; and

- remeasuring the carrying amount to reflect any lease reassessment or modification.

In the statement of financial position, the Group presents the right-of-use assets under the same line item as the assets owned by the Group and discloses in the notes to the financial statements which items in the statement of financial position include the right-of-use assets. Lease liabilities are presented separately from other liabilities in the financial statements. Lease payments are split into an interest component and an amount decreasing the lease liability. Interest expense is charged directly to finance costs. For information on leases, see Note 7 concerning of the amount of interest, Notes 10 and 11 concerning the carrying amount of assets and depreciation, Note 20 concerning the amount of the liability, and Note 26 concerning the amount of contingent liabilities.

The Group as a lessor

The Group classifies leases as operating or finance leases. Whether a lease is a finance or an operating lease depends on the substance of the transaction rather than the form of the contract. In the case of finance leases, at the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and discloses them as a receivable at an amount equal to the net investment in the lease. Finance income is recognised over the lease term in a manner that reflects a constant periodic rate of return on the Group's net investment in the lease. The Group recognises finance income over the lease term on a systematic and rational basis. Lease payments relating to a given period reduce the gross investment in the lease by reducing both the principal and the amount of unrealised income. For operating leases, the Group recognises lease payments from operating leases as income on a straight-line basis. Costs, including depreciation, incurred to earn the lease income are expensed.

Financial assets

Classification and measurement

The Group classifies financial assets based on a business model used to manage groups of financial assets to meet a specific business objective and taking into account the characteristics of contractual cash flows from a given financial asset. As part of the Group's core business model, financial assets are held to collect contractual cash flows.

The Group classifies financial assets into three categories:

– financial assets measured at amortised cost,

– financial assets measured at fair value through other comprehensive income,

– financial assets measured at fair value through profit or loss.

The Group classifies as financial assets:

1) measured at amortised cost:

- trade receivables and other financial receivables,

- loans,

- cash;

2) measured at fair value through profit or loss:

- derivatives not designated for hedge accounting purposes for which changes in fair value result from changes in market conditions, i.e., exchange rate movements.

Impairment of financial assets

When measuring impairment of financial assets measured at amortised cost, the Group determines the portfolios in terms of credit risk and then places them in an appropriate basket of exposures, which determines their credit risk. As at the end of each reporting period, the Group assesses whether there were any indications that could result in classifying financial assets into individual exposure baskets. Given the large number of trading partners and invoices, the Group applies the portfolio approach to trade receivables, while for other financial assets, given their limited number in each category, the Group applies a case-by-case approach. With respect to cash and assessment of its impairment, the Group deposits its cash with banks of high creditworthiness, verified on the basis of published ratings. For impairment of trade receivables, the Group uses a simplified approach and measures allowances for expected credit losses at amounts equal to lifetime expected credit losses. The Group's trade receivables do not contain a significant financing component within the meaning of IFRS 15.

Expected credit losses on trade receivables are recognised as lifetime expected credit losses. To calculate expected credit losses, the Group uses a provision matrix estimated based on historical payment levels and recoveries from trading partners, and also applies a case-by-case approach. The matrix includes the following groups of receivables: receivables not past due, receivables past due for 1-30 days, receivables past due for 31-90 days, receivables past due for 91-120 days, receivables past due for 121-180 days, receivables past due for 181-360 days, and receivables past due for more than 360 days. Impairment losses on trade receivables are calculated as the sum of the products of the rates adopted for the above ageing groups and the amount of outstanding trade receivables in each group as at the reporting date. Trade receivables included in the impairment loss calculation based on the rates from the adopted matrix are exclusive of insured receivables (up to the insurance limit for a given counterparty; with respect to amounts above the limit, impairment losses are calculated using the matrix rates) and receivables from suppliers. The loss rates were in each of these cases determined individually. Such approach is also applied to identified trade receivables where in the opinion of the Management Board the risk of irrecoverability is significant, e.g., due to liquidation or bankruptcy of the debtor.

The expected credit loss is calculated at the time when a receivable is recognised in the statement of financial position and remeasured as at each subsequent reporting date, depending on the number of days past due. Financial assets are written off when the Group determines that all collection measures have been exhausted and the assets cannot be expected to be recovered. This applies mainly to receivables past due more than 360 days (in the case of receivables from unrelated parties) and where collection of receivables was assessed as doubtful.

Prepayments and accrued income

The primary objective of prepayments and accrued income is to ensure that income and expenses are commensurate. The Group recognises prepayments and accrued income relative to prepaid expenses and expenses relating to future periods. They are accounted for over time. Prepayments and accrued income are charged to operating expenses or finance costs, depending on the nature of capitalised costs. In the statement of financial position, prepayments and accrued income are broken down into long- and short-term current receivables (receivables and other non-financial receivables).

Inventories

Inventories are measured at the lower of cost or realisable value. Inventory costs are determined using the FIFO method. Net realisable value is the estimated selling price of inventories in the ordinary course of business, less estimated costs of preparation for sale and estimated costs to sell.

The amount of discounts, rebates, concessions and other payments based on the volume of purchases (except marketing, warranty and advertising rebates, which are taken directly to profit or loss for the period) is recognised as a reduction of purchase price regardless of the date of actual receipt of such payments, i.e., the amount corresponding to goods purchased and sold in a period reduces the cost of merchandise sold, while the balance reduces the value of inventories.

The value of inventories is reduced by write-downs recognised when the realisable selling price is lower than the purchase price as well as when goods are found to be of inferior quality or damaged.

Due to their immateriality, costs of transport of goods purchased by the Company do not increase the value of inventories and are recognised as cost of goods sold when incurred. The exception are significant costs of goods transport by a subsidiary, which are charged by the subsidiary to inventory, and the entire inventory is resold to the Company.

Contract asset

The right-of-return asset represents the estimated amount of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover. In the statement of financial position, the amount of the decrease in estimated cost of the right to return goods is disclosed as a separate item of the Group's asset under the Group's right to recover products from customers after the obligation to return the payment to the customer has been met.

Cash

Cash and cash equivalents comprise cash in hand, cash in bank accounts and cash in transit. Cash and cash equivalents disclosed in the statement of cash flows comprise cash in hand and cash in bank accounts. As a result of the implementation of the split payment mechanism, the Group holds VAT bank accounts the funds in which the Group may only use for restricted purposes, such as payment of VAT on liabilities and other public and legal dues. Apart from VAT accounts, the Group does not have any other restricted cash. For more details, see Note 21.1.

Provisions

Provisions are recognised if the Group has a legal or constructive obligation resulting from a past event, the amount of such obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The recognised amount of the provision reflects the best estimate of the amount required to settle the current liability at the reporting date, taking into account the risks and uncertainties associated with that liability. Where provisions are measured using the estimated cash flows needed to settle the current liability, the carrying amount of the liability corresponds to the present value of those cash flows (when the effect of the time-value of money is significant).

If some or all of the economic benefits required to settle the provision are likely to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the amount can be recovered and it can be measured reliably.

Warranty

Provisions for expected warranty repairs are recognised upon sale of goods, at the amount of the Management Board's best estimate of future costs required to be incurred by the Group during the warranty period.

Commitments and contingent liabilities

In accordance with IAS 37, the Group does not recognise contingent liabilities in the statement of financial position. Contingent liabilities are disclosed in the financial statements.

Contingent assets

In accordance with IAS 37, the Group does not recognise contingent assets in the statement of financial position. Contingent assets are disclosed in the financial statements.

Financial liabilities

Financial liabilities are classified by the Group into:

– financial liabilities measured at amortised cost,

– financial liabilities measured at fair value through profit or loss.

The Group classifies trade payables and borrowings as financial liabilities measured at amortised cost.

Derivative instruments not designated for hedge accounting purposes for which changes in fair value are attributable to changes in market conditions, i.e., exchange rates, are classified as liabilities at fair value through profit or loss.

Financial derivatives

The Group enters into derivative contracts through which it manages the currency risk. These include forward contracts and currency options. Derivative instruments are initially recognised at cost as at contract date, and subsequently they are measured at fair value as at the end of each reporting period. The resulting gains or losses are recognised directly in profit or loss.

Hedge accounting

The Group does not apply hedge accounting.

Employee benefit obligations and provisions

In the statement of financial position, the Group recognises a retirement and disability benefit obligation at the present value of the liability as at the reporting date, including actuarial gains and losses. The liabilities are determined in accordance with the projected unit method required under the International Accounting Standard 19, which is also known as the accrued benefits method. The essence of this method is to see each period of service as giving rise to an additional unit of non-wage benefit entitlement. In accordance with the definition, the value of future obligations is calculated as the accumulated portion of future benefits, taking into account the projected increase in remuneration underlying future benefits. In determining the amount of such obligations, account is also taken of the probability that the entitlement to one-off retirement or disability severance payments accrues. The probability that the entitlement to a one-off retirement severance payment accrues is understood as the probability of the employee reaching the retirement age, provided that the employee remains in an employment relationship with the current employer. The probability that the entitlement to a one-off disability severance payment accrues is understood as the probability of the employee's becoming disabled before the employee reaches the retirement age, provided that the employee remains in an employment relationship with the current employer. The amount of the obligation for accrued holiday entitlements is calculated as the remuneration due for unused accumulating paid absences. Employee benefit obligations related to salaries and wages, annual leaves and sick leaves are recognised in the period in which the service is performed at the undiscounted amount of benefits expected to be paid in exchange for that service. Recognised liabilities on account of other long-term employee benefits are measured at the value of estimated future cash outflows from the Group with regard to services provided by employees by the reporting date.

Equity

Equity is recognised in the accounting records according to its specific components, in line with applicable laws and the relevant provisions of the Articles of Association.

The Group's equity comprises:

- issued share capital, in the amount specified in the Articles of Association and entered in the National Court Register,

- statutory reserve funds created in accordance with the Commercial Companies Code,

- share premium, which is the excess over the par value of shares less issue costs,

- capital from issue of warrants,

- retained earnings comprising retained earnings from previous years and current profit or loss,

- translation reserve.

Dividends

The obligation to pay dividends is recognised when the shareholders' rights to receive the dividend are established.

Earnings per share

Earnings per share for a reporting period are calculated by dividing net profit for the reporting period by the weighted average number of shares outstanding in the period. Diluted earnings per share are equal to basic earnings per share as there are no instruments with a dilutive effect.

Trade and other payables

Short-term trade payables are recognised at amounts due. Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method. The Group derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires. Other non-financial liabilities are measured at amounts due. They include, in particular, liabilities to the revenue office in respect of advance payments of income tax on salaries and wages. Trade payables are reduced by the value of discounts due from suppliers up to the amount of the liability. Trade payables are classified as current liabilities if they fall due within 12 months from the reporting date. Otherwise, they are recognised as non-current liabilities.

Contract liabilities

Contract liabilities include, in particular, the right to return goods. The Group discloses the amount of revenue reduction arising from the estimated right to return goods, which rights is transferred together with the sale. Contract liabilities under loyalty contracts with customers are less significant.

Trade and other receivables

Trade receivables are initially recognised at transaction price, less allowances for lifetime expected credit losses. Where the effect of the time value of money is material, the value of receivables is determined by discounting projected future cash flows to their present value using a discount rate reflecting the current market assessments of the time value of money. Expected credit losses reflect historical experience of counterparty default and potential estimated credit losses. An allowance is recognised as an expense recognised in the statement of comprehensive income at the end of each reporting period. Receivables from the state budget are presented under other non-financial assets.

Income tax

The entity's income tax comprises current tax and deferred tax.

Current tax expense is calculated based on tax profit or loss (taxable income) for a given reporting period. Tax profit (loss) differs from accounting profit (loss) because it does not include temporarily non-taxable income or temporarily non-deductible expenses, or cost or income items that will never be subject to tax settlement. Tax charges are calculated based on the tax rates effective for a given financial year. The carrying amount of a deferred tax asset is reviewed at each reporting date, and if the expected tax profit is insufficient to recover a deferred tax asset or a portion thereof, the asset is written off accordingly.

Deferred tax liabilities and deferred tax assets are measured so as to account for the tax consequences of expected recovery (settlement) of the carrying amount of assets (liabilities) as at the reporting date. Current and deferred tax is recognised in profit or loss, except for tax arising on items recognised in other comprehensive income or directly in equity. For such items, current and deferred tax is also recognised in other comprehensive income or equity, as appropriate. If current or deferred tax results from the initial accounting for a business combination, the tax effect is included in the subsequent accounting for that business combination.

Deferred tax assets and liabilities are calculated and recognised separately, while in the statement of financial position they are offset at the level of individual Group entities.

Foreign currency transactions

Transactions carried out in a currency other than the functional currency are reported using the exchange rate effective on the day preceding the date of the transaction, provided that the exchange rate does not differ materially from the exchange rate at the date of the transaction. As at the end of the reporting period, monetary items are translated at the mid rate quoted by the National Bank of Poland for that date. Exchange differences arising from the accounting for such transactions and the measurement of cash assets and liabilities as at the reporting date at a mid rate quoted by the National Bank of Poland for that date are recognised in profit or loss of the current period. Exchange differences arising from accounting for and measurement of trade receivables, trade payables and own cash are presented in the statement of profit or loss under other net gains and losses (borrowings, leases) under finance income and finance costs.

Revenue from contracts with customers

In accordance with IFRS 15, the Group recognises revenue when the performance obligation is satisfied, that is when the goods or services are transferred to the customer. The Group applies this principle using the five-step model:

- identification of the contract;

- identification of the performance obligations in the contract,

- determination of the transaction price,

- allocation of the transaction price to the separate performance obligations,

- recognition of revenue as each performance obligation is satisfied.

Identification of the contract

The Group recognises revenue earned from contracts with customers if the following conditions are met:

- the parties have executed the contract (in writing, orally or in accordance with other customary business practice) who and are obliged to perform their respective obligations,

- the Group can identify each party's rights in relation to the goods or services to be transferred,

- the Group can identify the payment terms for the goods or services to be transferred,

- the contract has commercial substance (i.e., the risk, timing or amount of future cash flows can be expected to change as a result of the contract),

- it is probable that the Group will receive the agreed consideration in exchange for the goods or services transferred to the customer.

Identification of the performance obligations in the contract

In accordance with the above principles, the Group recognises in particular revenue from sale of goods. Sale of vehicle spare parts directly from manufacturers to end users is the Group's principal business activity. Contracts include one performance obligation, i.e., delivery of goods.

Determination of the transaction price and allocation of the transaction price to the separate performance obligations

The transaction price is the consideration payable to the Group in exchange for the transfer of goods or services to the customer. The Group allocates the transaction price to the performance obligation in an amount that reflects the amount of consideration, taking into account the terms of the contract. Some contracts include variable consideration amounts as a result of discounts granted, including discounts resulting from reaching a certain level of sales. In accordance with IFRS 15, the Group estimates the amount of discounts due to customers and recognises it as a decrease in revenue and decrease in trade receivables. Contracts with customers also include the right to return goods. Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. The Group estimates the value of future adjustments to sales to reflect returns by customers based on historical data concerning returns made in the current period in respect of sales made in previous years as well as the current period's turnover. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The estimated return is recognised as:

- decrease in revenue from contracts and a liability under contracts with customers (Note 19.2),

- decrease in cost of sales and a contract asset (Note 14.2.).

Recognition of revenue as each performance obligation is satisfied

The Group recognises revenue when the performance obligation is satisfied, i.e., when control of goods is passed to the customer.

Revenue from sale of services is recognised when the service is provided. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The performance obligation is satisfied in the course of the performance of the service as the services are of short duration. The services rendered include right-of-return services, organisation of customer training, etc.

Contracts with customers do not have any significant financing components and the payment terms do not generally exceed three months.

<u>Operating segments</u>

The Group's principal business consists in sale of vehicle spare parts directly from manufacturers to end users. The Group's Management Board, as the chief decision maker, does not distinguish separate operating segments, as the

Group's entire business consists in sale of spare parts and accessories for motor vehicles. The data analysed by the Group's Management Board are consistent with the data presented in the notes to the financial statements. The Group presents revenue from contracts with customers by geographical region, i.e., domestic, EU and non-EU sales. The Group does not have key customers and sales to none of the Group's customers exceed 10% of total sales.

Costs

Expenses are probable decreases during the accounting period in economic benefits of a reliably determined value, in the form of outflows or depletions of assets or increases in liabilities and provisions that result in decreases in equity. Expenses are recognised in the statement of profit or loss in accordance with the matching principle.

Finance income and costs

Finance costs include mainly interest on borrowings, interest on right-of-use liabilities, and commissions and fees on borrowings.

Finance income includes mainly interest on loans and trade receivables. Interest income is recognised as it accrues by reference to the net carrying amount of a particular asset.

Statement of cash flows

The statement of cash flows from operating activities is prepared using the indirect method.

Discontinued operations

The Company did not discontinue any of its operations in the current and previous reporting periods.

2.7. Significant values based on the Management Board's professional judgement and estimates

The Management Board of the Group is required to make estimates, judgements and assumptions regarding the amounts of assets and liabilities. Key assumptions and sources of uncertainty concerning estimates require the Management Board to make the most difficult, subjective or complex assessments. An increase in the number of variables and assumptions affecting the likely future outcome of uncertainty estimates results in the assessment being more subjective and complex, thus increasing the risk of a future material adjustment to the carrying amount of assets and liabilities. Estimates and their underlying assumptions are based on historical experience and other factors considered material. Actual results may differ from those estimates. Estimates and the underlying assumptions are subject to ongoing verification. Any change in an accounting estimate is recognised in the period in which it was made if it refers exclusively to that period, or in the current period and future periods if it refers to both the current period and future periods. While making assumptions, estimates and judgements, the Management Board of the Group may take into account its experience and knowledge, as well as opinions, analyses and recommendations issued by independent experts.

Estimate of expected cost of warranty repairs

In accordance with the applicable laws, the Group grants a two-year warranty for the goods it sells. If the goods are found defective during the warranty period, the Group must replace them with new goods or refund the cash and pay additional costs arising from the use of such defective goods. At the same time, some suppliers provide quality guarantees to the Group for the purchased goods, which means that costs, if any, related to warranty complaints are transferred to the suppliers. In order to allocate the cost of warranty repairs to the period in which the sale occurred, the Group estimates future costs of warranty repairs based on the volume of sales in a given period and the defectiveness rate of the goods sold. The defectiveness rate is determined by the Group based on an analysis of the defectiveness of the goods sold on the basis of the information on recognised warranty complaints in the last four years and the actual costs of warranty repairs incurred in the period, taking into account the guarantees received from suppliers. The estimated cost of warranty repairs is presented in Note 18.

Estimate of the value of returns made by customers

Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. In the opinion of the Management Board of the Group, the vast majority of returns are made within three months from the date of sale. The Group estimates the value of future adjustments to sales to reflect returns by customers based on historical data concerning returns made in the current period in respect of sales made in previous years as well as the current period's turnover. For information on the right-of-return asset, see Note 14.2.

Estimate of discounts received from suppliers

The Group receives discounts for the value of purchased goods, the volume of which depends on the annual turnover with a given supplier (including through participation in the purchasing group). The amount of discounts is calculated after the end of the reporting period. Therefore, the Group calculates the present amount of its mark-up based on an individual relation between turnover bonuses received from each trading partner to the turnover in the period and the inventory of goods supplied by the business partner held by the Group, taking into account the aging of the inventory. The estimated discounts are allocated proportionately to the value of merchandise sold (Note 4) and to the value of inventories (Note 14.1).

Estimate of revenue and discounts from marketing activities

The Group receives receivables and discounts for marketing activities, the volume of which depends on the annual turnover with a given supplier and other contractual arrangements with the supplier. The amount of receivables and discounts is determined after the end of the reporting period, therefore the Group estimates the amount of receivables and discounts received based on the amount of turnover with a given supplier and the amount of discounts due under the agreement. These estimates reduce the amount of distribution costs and marketing expenses (Note 4).

Estimate of recoverable amount of merchandise held

The Group grants discounts to its customers on sales prices, depending on trading volumes and other marketing factors. This gives rise to a significant difference in the amount of discounts granted to individual customers and may result in goods being sold at prices lower than the purchase price. Therefore, as at the end of each reporting period, the Group estimates the negative margins to be incurred in the future and recognises inventory write-downs (Note 14.1), which ensures that inventories are measured at recoverable amounts. The amount of such write-downs is determined based on the average negative margins earned on sales in the 36 months preceding the reporting date.

Probability of achieving turnover contracted with customers

The Group enters into support agreements and discount agreements with selected customers. Under such arrangements, the Group agrees to provide specific support or discounts if the trading partner achieves the contracted volume of turnover with the Group. The Group recognises the amount of support and discounts granted based on the trading partner's turnover and the probability of the contracted turnover volume being achieved. This probability is estimated based on historical data on the effectiveness of executed support agreements. Such estimates reduce revenue (Note 3).

Estimate of unrealised margin on inventories

The unrealised margin on inventories resulting from intragroup transactions is eliminated on consolidation. The unrealised margin to be so eliminated is calculated based on inventories from intragroup transactions grouped by the year of purchase and the average margin on such transactions in individual years. One exception was made when calculating the unrealised margin on inventories from 2021, which was characterised by high margin volatility in individual months of the year. Therefore, for the purpose of calculating the unrealised margin for 2021, the calculation was additionally made for each month of 2021 based on the value of inventories and average margin in a given month (Note 14).

Estimate of allowance for expected credit losses

Expected credit losses on trade receivables are recognised as lifetime expected credit losses. To calculate expected credit losses, the Group uses a provision matrix estimated based on historical payment levels and recoveries from trading partners, and also applies a case-by-case approach. The matrix includes the following groups of receivables: receivables not past due, receivables past due for 1-30 days, receivables past due for 31-90 days, receivables past due for 91-120 days, receivables past due for 121-180 days, receivables past due for 181-360 days, and receivables past due for more than 360 days. The expected credit loss is calculated on recognition of receivables in the statement of financial position and is updated as at each subsequent reporting date, depending on the number of days past due for a given amount receivable. The Group also estimates expected credit losses on trade receivables on a case-by-case basis. This applies to identified trade receivables where in the opinion of the Management Board the risk of irrecoverability is significant, e.g. due to liquidation or bankruptcy of the debtor. For information on the allowance for expected credit losses, see Note 15.

(all amounts in PLN thousand)

Risk related to ownership of goods

Under purchase contracts concluded with certain suppliers, the supplied goods are deemed to become the property of the Group upon payment of the full purchase price. In the opinion of the Management Board of the Group, all significant risks incidental to the purchased goods (Note 14.1) are transferred upon delivery of the goods and therefore the purchase is recognised at the time of receipt of the delivery, while the reservation of transfer of ownership by the seller serves as a security for the Group's trade payables.

3. Revenue from contracts with customers

The principal business of the Group is the sale of spare parts and accessories for motor vehicles, therefore the Management Board does not identify separate reportable segments for the purposes of managing the Group's business. The Group does not have key customers and sales to none of the Group’s customers exceed 10% of total sales.

	Period ended December 31st 2022	**Period ended December 31st 2021**
Revenue from sale of merchandise	**2,831,187**	**2,259,794**
including:		
Sales of merchandise – Poland	1,423,619	1,226,928
Sales of merchandise – EU	1,378,949	1,016,421
Sales of merchandise – other exports	28,619	16,445
Revenue from rendering of services	**3,514**	**2,224**
including:		
Sales of services – Poland	1,497	622
Sales of services – EU	2,017	1,602
Total revenue from contracts with customers	**2,834,701**	**2,262,018**

4. Costs by nature and function of expense

	Period ended December 31st 2022	**Period ended December 31st 2021**
Depreciation and amortisation	(32,849)	(26,177)
Raw materials and consumables used	(29,399)	(20,809)
Services	(307,100)	(211,623)
Taxes and charges	(3,691)	(2,946)
Employee benefits expense *)	(182,057)	(137,402)
Other costs by nature of expense	(7,549)	(13,491)

(all amounts in PLN thousand)

Merchandise and materials sold	(1,987,682)	(1,604,404)
Total costs by nature of expense	**(2,550,327)**	**(2,016,852)**
Cost of sales	(1,987,689)	(1,604,404)
Distribution costs and marketing expenses	(332,198)	(244,304)
Warehousing costs	(180,344)	(137,366)
Management and administrative expenses	(50,096)	(30,778)
Total costs by function of expense	**(2,550,327)**	**(2,016,852)**

*) On February 26th 2021, the Company filed an application with the Provincial Labour Office in Katowice for a grant to subsidise remuneration for employees under Art. 15gg of the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Related Crisis Situations, dated March 2nd 2020 (Dz.U. of 2020, item 374, as amended). Following full settlement of the application, the amount of the subsidy was PLN 8,855 thousand. Below is presented the effect of the received funds as at December 31st 2021:

	Period ended December 31st 2021	grant amount	**Period ended December 31st 2021**
	excluding grants		including grants
Depreciation and amortisation	(26,177)		(26,177)
Raw materials and consumables used	(20,809)		(20,809)
Services	(211,623)		(211,623)
Taxes and charges	(2,946)		(2,946)
Employee benefits expense *)	(146,257)	8,855	(137,402)
Other costs by nature of expense	(13,491)		(13,491)
Merchandise and materials sold	(1,604,404)		(1,604,404)
Total costs by nature of expense	**(2,025,707)**	**8,855**	**(2,016,852)**
Cost of sales	(1,604,404)	-	(1,604,404)
Distribution costs and marketing expenses	(247,956)	3,652	(244,304)
Warehousing costs	(142,099)	4,733	(137,366)
Management and administrative expenses	(31,248)	470	(30,778)
Total costs by function of expense	**(2,025,707)**	**8,855**	**(2,016,852)**

5. Other gains (losses), net

	Period ended December 31st 2022	**Period ended December 31st 2021**
Foreign exchange gains or losses on operating activities – unrealised	(1,201)	(144)
Foreign exchange gains or losses on operating activities – realised	(387)	(651)
Gains/losses on impairment of receivables	(1,294)	(1,386)
Other	404	(18)
Other gains (losses) net	**(2,478)**	**(2,199)**

6. Finance income

	Period ended December 31st 2022	**Period ended December 31st 2021**
Gains on realised currency forward contracts measured at fair value through profit or loss	-	-
Foreign exchange gains (losses) on financing activities	-	173
Interest on loans	80	58
Interest on trade receivables	99	93
Other finance income	78	4
Total finance income	**257**	**328**

(all amounts in PLN thousand)

7. Finance costs

	Period ended December 31st 2022	Period ended December 31st 2021
Interest expense:		
Interest on term and overdraft facilities	(16,918)	(1,923)
Interest on non-bank borrowings from related entities	(1,335)	(1,335)
Interest on lease liabilities (other leases)	(3,403)	(1,738)
Interest on lease liabilities (office and warehouse space leases)	(2,259)	(1,096)
Other interest expense	(53)	(704)
	(23,968)	(6,796)
Other finance costs:		
Losses on realised currency forward contracts measured at fair value through profit or loss	-	-
Foreign exchange gains (losses) on financing activities	(341)	-
Credit commissions and fees	(770)	(1,002)
Factoring commissions and fees	(55)	(60)
Other finance costs	(65)	(25)
	(1,231)	(1,087)
Total finance costs	**(25,199)**	**(7,883)**

8. Income tax

The Group is subject to general income tax laws. It is not part of a tax group and does not conduct any operations in a special economic zone, which would entail different rules for calculating tax charges. The Group's financial and accounting year is the same as the calendar year. The current and deferred income tax were calculated at the rate of 19% of income taxable with the corporate income tax.

Income tax charged to profit or loss

	Period ended December 31st 2022	Period ended December 31st 2021
Profit before tax	**256,427**	**231,455**
Income tax at 19%	(48,721)	(43,976)
Differences	(438)	(1,455)
Total income tax disclosed in the statement of comprehensive income	**(49,159)**	**(45,431)**
including:		
Current income tax:		
For current year	(47,236)	(38,934)
For previous years	(143)	-
	(47,379)	(38,934)
Deferred income tax:		
For current year	(1,780)	(6,497)
	(1,780)	(6,497)
	(49,159)	**(45,431)**
Profit before tax	**256,427**	**231,455**
Income tax	49,159	45,431
Effective tax rate	**19.17%**	**19.63%**

(all amounts in PLN thousand)

Current tax assets and liabilities

	As at December 31st 2022	As at December 31st 2021
Current tax assets	-	221
Current tax liability	19,475	23,724

Income tax charged directly to equity

No income tax was charged directly to equity in the reporting period.

Income tax charged to other comprehensive income

No income tax was charged to other comprehensive income in the reporting period.

Deferred income tax

Given the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, the Group recognises deferred tax assets and liabilities.

Deferred tax assets ad liabilities

	As at December 31st 2022	As at December 31st 2021
Deferred tax assets	28,065	22,175
Deferred tax liability	(41,347)	(33,677)
Total	**(13,282)**	**(11,502)**
Offset within individual entities	(25,907)	(21,127)
Deferred tax assets in the statement of financial position	**2,158**	**1,048**
Deferred tax liability in the statement of financial position	**(15,440)**	**12,550**

Presented below are temporary differences relating to deferred tax assets and liabilities:

	As at December 31st 2021	Recognised in profit or loss for 2022	As at December 31st 2022
Deferred tax assets			
Difference arising from rebate assets and inventory discounts	9,266	1,463	10,729
Difference arising from contracts with customers	2,333	1,163	3,496
Merchandise write-down	1,840	(301)	1,539
Impairment loss on receivables	1,389	214	1,603
Provision for employee benefit obligations	1,015	685	1,700
Other provisions	1,378	640	2,018
Difference arising from social security contributions and employee capital plans	740	152	892
Elimination of margins on consolidation	3,510	1,285	4,795
Asset on tax loss of subsidiary	390	617	1,007
Difference arising from outstanding interest on non-bank borrowing	254	-	254
Other temporary differences	60	(28)	32

Total	**22,175**	**5,890**	**28,065**
Deferred tax liabilities			
Difference arising from property, plant and equipment and lease liabilities	(9,682)	(3,036)	(12,718)
Discounts/bonuses from suppliers	(23,696)	(4,618)	(28,314)
Other temporary differences	(299)	(16)	(315)
Total	**(33,677)**	**(7,670)**	**(41,347)**
Total deferred tax asset (liability)	**(11,502)**	**(1,780)**	**(13,282)**

As at the reporting date, the following deferred tax assets were not recognised:

	As at December 31st 2021	**Recognised in profit or loss for 2022**	**As at December 31st 2022**
Unused tax losses at subsidiary (i)	928	(928)	-
Inventory write-downs recognised/(reversed)	134	35	169
Total	**1,062**	**(893)**	**169**

The Management Board is of the opinion that there is no assurance that certain deferred tax assets may be utilised against income tax, so no deferred tax asset was recognised.

(i) As the Company earned taxable profit in 2022, it will have the right to settle the taxable losses for 2017, 2018 and 2019. For this reason, the asset for the tax loss relating to these years, written off in previous periods, was reversed.

9. Earnings per share

Earnings per share for a reporting period are calculated by dividing net profit for the reporting period by the weighted average number of shares outstanding in the period. Diluted earnings per share are equal to basic earnings per share as there are no instruments with a dilutive effect.

	Period ended December 31st 2022	**Period ended December 31st 2021**
Net profit attributable to owners	207,268	186,024
Weighted average number of shares (thousand)	130,620	130,620
Earnings per share (PLN)	**1.59**	**1.42**

10. Property, plant and equipment

	As at December 31st 2022	**As at December 31st 2021**
Buildings and structures	72,383	48,802
Machinery and equipment	86,125	45,440

(all amounts in PLN thousand)

Vehicles	13,712	11,649
Other	47,470	42,246
Property, plant and equipment under construction	31,390	21,200
Total carrying amount of property, plant and equipment	**251,080**	**169,337**

In the statement of financial position, the Group presents right-of-use assets (lease contracts) in the same line item as the assets owned by the Group. Such assets and the related depreciation expense are presented below.

	As at December 31st 2022	**As at December 31st 2021**
Buildings and structures	68,769	46,065
Machinery and equipment	46,774	28,921
Vehicles	9,255	7,464
Other	24,032	25,208
Property, plant and equipment under construction (i)	22,893	17,995
Total carrying amount of property, plant and equipment under right-of-use arrangements	**171,723**	**125,653**

	Period ended December 31st 2022	**Period ended December 31st 2021**
Buildings and structures	15,110	12,170
Machinery and equipment	4,469	4,688
Vehicles	1,212	1,028
Other	1,246	1,162
Total depreciation of property, plant and equipment under right-of-use arrangements	**22,037**	**19,048**

Right-of-use assets are mainly contracts for lease of cars, storage racks, internal transport and handling systems, as well as office space and hardware rental contracts. Items of property, plant and equipment disclosed as used under lease contracts are secured with lessors' rights to leased assets. For information on lease liabilities, see Note 20.

(i) Leased property, plant and equipment under construction include lease contract assets not yet commissioned at end of period.

Movements in property, plant and equipment	**Buildings and structures**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Gross carrying amount as at December 31st 2020	**68,142**	**56,394**	**18,777**	**46,710**	**5,429**	**195,452**
Increase						
Purchase	938	5,337	368	2,620	2,697	**11,960**
Accounting for property, plant and equipment under construction – purchase	-	1,076	-	321	(1,397)	**-**
Leases	15,172	7,180	3,054	6,824	17,995	**50,225**
Accounting for property, plant and equipment under construction – leases	-	3,524	-	-	(3,524)	**-**
Other	-	9	-	(3)	-	**6**
Decrease						
Disposal	-	(243)	(674)	(374)	-	**(1,291)**
Retirement	-	(21)	(110)	(45)	-	**(176)**
Other	1	-	15	(2)	-	**14**
Gross carrying amount as at December 31st 2021	**84,253**	**73,256**	**21,430**	**56,051**	**21,200**	**256,190**
Increase						
Purchase	1,424	17,192	154	3,729	6,161	**28,660**
Accounting for property, plant and equipment under construction – purchase	17	724	-	450	(1,191)	**-**
Leases	37,818	13,867	3,997	4,485	23,215	**83,382**

(all amounts in PLN thousand)

Accounting for property, plant and equipment under construction – leases	-	17,995	-	-	(17,995)	-
Other	-	-	4	-	-	4
Decrease						
Disposal	-	(54)	(557)	(141)	-	**(752)**
Retirement	-	(5)	(107)	-	-	**(112)**
Other	(5)	(69)	(16)	(3)	-	**(93)**
Gross carrying amount as at December 31st 2022	**123,507**	**122,906**	**24,905**	**64,571**	**31,390**	**367,279**
Accumulated depreciation as at December 31st 2020	**22,889**	**20,613**	**8,490**	**11,203**	-	**63,195**
Depreciation in period	12,562	7,359	1,700	2,743	-	**24,364**
Disposal	-	(156)	(463)	(141)	-	**(760)**
Retirement	-	-	(33)	-	-	**(33)**
Other	-	-	87	-	-	**87**
Accumulated depreciation as at December 31st 2021	**35,451**	**27,816**	**9,781**	**13,805**	**-**	**86,853**
Depreciation in period	15,673	9,009	1,908	3,370	-	**29,960**
Disposal	-	(47)	(426)	(74)	-	**(547)**
Retirement	-	(3)	(54)	-	-	**(57)**
Other	-	6	(16)	-	-	**(10)**
Accumulated depreciation as at December 31st 2022	**51,124**	**36,781**	**11,193**	**17,101**	**-**	**116,199**
Net carrying amount as at December 31st 2021	**48,802**	**45,440**	**11,649**	**42,246**	**21,200**	**169,337**
Net carrying amount as at December 31st 2022	**72,383**	**86,125**	**13,712**	**47,470**	**31,390**	**251,080**

11. Intangible assets

	As at December 31st 2022	**As at December 31st 2021**
Software	14,154	10,132
Intangible assets under development	12,889	10,429
Total carrying amount of intangible assets	**27,043**	**20,561**

In the statement of financial position, the Group discloses right-of-use intangible assets (lease contracts) under the same item as intangible assets owned by the Group. The intangible assets and the related amortisation expense are presented below.

	As at December 31st 2022	**As at December 31st 2021**
Software	3,347	3,681
Total carrying amount of right-of-use intangible assets	**3,347**	**3,681**

	Period ended December 31st 2022	**Period ended December 31st 2021**
Software	441	186
Total amortisation of right-of-use intangible assets	**441**	**186**

(all amounts in PLN thousand)

Movements in intangible assets	Software	Other intangible assets	Intangible assets under development	Total
Gross carrying amount as at December 31st 2020	**20,335**	**336**	**5,591**	**26,262**
Increase				
Purchase	546	-	6,137	**6,683**
Accounting for intangible assets under development – purchase	1,042	-	(1,042)	**-**
Leases	3,222	-	-	**3,222**
Accounting for intangible assets under development – leases	-	-	-	**-**
Other	-	-	(257)	**(257)**
Decrease				**-**
Other	-	7	-	**7**
Gross carrying amount as at December 31st 2021	**25,145**	**343**	**10,429**	**35,917**
Increase				
Purchase	2,255	-	6,870	**9,125**
Accounting for intangible assets under development – purchase	4,410	-	(4,410)	**-**
Leases	251	-	-	**251**
Gross carrying amount as at December 31st 2022	**32,061**	**343**	**12,889**	**45,293**
Accumulated amortisation as at December 31st 2020	**13,200**	**336**	**-**	**13,536**
Amortisation in period	1,813	-	-	**1,813**
Other	-	7	-	**7**
Accumulated amortisation as at December 31st 2021	**15,013**	**343**	**-**	**15,356**
Amortisation in period	2,889			**2,889**
Other	5	-	-	**5**
Accumulated amortisation as at December 31st 2022	**17,907**	**343**	**-**	**18,250**
Net carrying amount as at December 31st 2021	**10,132**	**-**	**10,429**	**20,561**
Net carrying amount as at December 31st 2022	**14,154**	**-**	**12,889**	**27,043**

12. Investments in other entities

	As at December 31st 2022	As at December 31st 2021
Shares in other entities	110	110
Total	**110**	**110**

13. Other financial assets

	As at December 31st 2022	As at December 31st 2021
Loans measured at amortised cost		
Loans to other entities	4	20
Total	**4**	**20**
Long-term	-	8
Short-term	4	12
Total	**4**	**20**

On January 11th 2022, the Issuer entered into an agreement with Global One Automotive GmbH of Frankfurt whereby it advanced a EUR 750 thousand loan to Global One. The loan bore interest at 4.5%. The agreement was concluded for a definite term until June 30th 2022. The Company holds 6.25% of shares in Global One Automotive GmbH as a participant in the International Purchasing Group (since 2017). The loan, including interest, was repaid on July 7th 2022.

(all amounts in PLN thousand)

There were no financial assets measured at fair value through profit or loss.

14. Inventories and contract asset

14.1. Inventories

Merchandise is stored at central and subsidiary warehouses and is insured against theft, burglary and robbery, as well as fire and other natural calamities.

	As at December 31st 2022	**As at December 31st 2021**
Merchandise	964,899	748,956
Write-downs	(9,169)	(10,450)
Total	**955,730**	**738,506**

Inventories pledged as security

The Group created a registered pledge over inventories as security for bank borrowings; for details, see Note 17. The amount of liabilities secured with the pledge is presented below.

	As at December 31st 2022	**As at December 31st 2021**
Liabilities secured with pledge on inventories	306,174	234,773

Change in inventory write-downs

-	**Period ended December 31st 2022**	**Period ended December 31st 2021**
At beginning of period	**(10,450)**	**(7,652)**
Decrease	4,176	1,596
Increase	(2,895)	(4,394)
As at end of period	**(9,169)**	**(10,450)**

(all amounts in PLN thousand)

The cost of inventory write-downs comprises write-downs of inventories to their net realisable value as well as write-downs for goods that are of inferior quality or damaged.

Recognised inventory cost

	Period ended December 31st 2022	Period ended December 31st 2021
Cost of sales	(1,987,689)	(1,604,404)
Distribution costs	(5,532)	(4,744)
Total inventory cost recognised	**(1,993,221)**	**(1,609,148)**

Distribution costs comprise mainly the cost of warranty replacement of goods.

14.2. Contract asset

Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The Group estimated the value of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover. An asset is created in connection with the recognition of an estimated decrease in the cost of merchandise sold relating to the estimated right to return merchandise.

	As at December 31st 2022	As at December 31st 2021
Contract asset	13,584	10,859

15. Trade and other receivables

	As at December 31st 2022	As at December 31st 2021
Trade receivables payable up to 12 months	179,855	136,071
Trade receivables payable in more than 12 months	2,274	1,524
Trade receivables from suppliers	68,207	69,737
Impairment losses on trade receivables	(8,223)	(7,209)
Total trade receivables	**242,113**	**200,123**
Finance lease receivables	-	5
Receivables from card system operators	1,458	1,179
Rent deposits receivable (i)	2,052	1,762
Other financial receivables (ii)	4,624	4,883
Impairment losses on other receivables	(871)	(902)
Total trade and other financial receivables	**249,376**	**207,050**
Prepaid deliveries	5,725	13,522
Receivables on sale of property, plant and equipment	-	8

(all amounts in PLN thousand)

Prepayments and accrued income	6,683	5,362
VAT tax to be settled in future periods/refunded to bank account	23,007	18,991
Other non-financial receivables	851	239
Total non-financial receivables	**36,266**	**38,122**
Total trade and other receivables	**285,642**	**245,172**
Other long-term receivables	4,299	3,638
Trade and other receivables	281,343	241,534
Total trade and other receivables	**285,642**	**245,172**

(i) The Group paid security deposits pursuant to the terms of property lease contracts. The deposits serve as security for payment of liabilities under the contracts, as well as liquidated damages or compensation, if any.

(ii) Other receivables include the estimate of cost expected to be reimbursed by suppliers on account of customers' warranty complaints of PLN 3,130 thousand as at December 31st 2022 and PLN 3,623 thousand as at December 31st 2021.

The Group analyses trade receivables for impairment. To calculate impairment losses, the Group uses a matrix of trade receivables loss rates calculated for the adopted past due periods. Historical data (for two years) on collection of receivables were used to calculate the rates. The default rates are calculated for the following ageing groups:

- Not past due
- Past due up to 30 days
- Past due from 31 to 90 days
- Past due from 91 to 120 days
- Past due from 121 to 180 days
- Past due from 181 to 360 days
- Past due more than 360 days

Impairment losses on trade receivables are calculated as the sum of the products of the rates adopted for the above ageing groups and the amount of outstanding trade receivables in each group as at the reporting date. Trade receivables included in the impairment loss calculation based on the rates from the adopted matrix are exclusive of insured receivables (up to the insurance limit for a given counterparty; with respect to amounts above the limit, impairment losses are calculated using the matrix rates) and receivables from suppliers. The loss rates were in each of these cases determined individually. Below is presented the amount of impairment losses by the past due groups of trade and other receivables:

As at December 31st 2022	not past due	past due 1-30 days	past due 31-90 days	past due 91-120 days	past due 121-180 days	past due 181-360 days	over 360 days	Total
Trade receivables analysed as a group								
Trade receivables	113,649	19,443	2,045	689	712	928	6,565	144,031
Expected loss rate	0.1%-0.19%	0.1%-0.4%	0.1%-8.75%	25%-34.31%	25%-31.31%	40%-48.82%	95%-100%	
Expected loss	(163)	(47)	(43)	(196)	(197)	(420)	(6,234)	(7,300)
Trade receivables analysed individually								
Insured trade receivables	35,602	2,224	51	49	85	56	31	38,098
Expected loss rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	
Expected loss	(179)	(12)	-	-	-	-	-	(191)

(all amounts in PLN thousand)

Trade receivables from suppliers	68,207	-	-	-	-	-	-	68,207
Expected loss rate	0%-3%	-	-	-	-	-	-	
Expected loss	(732)	-	-	-	-	-	-	(732)
Total gross trade receivables	**217,458**	**21,667**	**2,096**	**738**	**797**	**984**	**6,596**	**250,336**
Total expected loss	**(1,074)**	**(59)**	**(43)**	**(196)**	**(197)**	**(420)**	**(6,234)**	**(8,223)**
Total trade receivables	**216,384**	**21,608**	**2,053**	**542**	**600**	**564**	**362**	**242,113**
Other receivables analysed individually								
Other financial receivables	4,624	-	-	-	-	-	-	4,624
Expected loss	(871)	-	-	-	-	-	-	(871)

As at December 31st 2021	not past due	past due 1-30 days	past due 31-90 days	past due 91-120 days	past due 121-180 days	past due 181-360 days	over 360 days	Total
Trade receivables analysed as a group								
Trade receivables	89,930	14,976	1,553	600	868	892	5,474	114,293
Expected loss rate	0.1%-0.19%	0.1%-0.4%	0.1%-8.75%	25%-34.31%	25%-31.31%	40%-48.82%	95%-100%	
Expected loss	(152)	(31)	(77)	(152)	(273)	(343)	(5,417)	(6,445)
Trade receivables analysed individually								
Insured trade receivables	21,735	893	93	-	-	521	60	23,302
Expected loss rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	
Expected loss	(109)	(4)	-	-	-	(3)	-	(116)
Trade receivables from suppliers	69,737	-	-	-	-	-	-	69,737
Expected loss rate	0%-3%	-	-	-	-	-	-	
Expected loss	(648)	-	-	-	-	-	-	(648)
Total gross trade receivables	**181,402**	**15,869**	**1,646**	**600**	**868**	**1,413**	**5,534**	**207,332**
Total expected loss	**(909)**	**(35)**	**(77)**	**(152)**	**(273)**	**(346)**	**(5,417)**	**(7,209)**
Total trade receivables	**180,493**	**15,834**	**1,569**	**448**	**595**	**1,067**	**117**	**200,123**
Other receivables analysed individually								
Other financial receivables	4,883	-	-	-	-	-	-	4,883
Expected loss	(902)	-	-	-	-	-	-	(902)

Below is presented change in impairment losses on trade receivables:

-	**Period ended December 31st 2022**	**Period ended December 31st 2021**
At beginning of period	**(7,209)**	**(5,506)**
Recognised	(2,168)	(2,300)
Write-off	1,061	478
Decrease	93	119
As at end of period	**(8,223)**	**(7,209)**

Trade and other receivables pledged as security

Trade receivables are pledged as security for credit facilities; for details, see Note 17. The amount of receivables pledged as security in the reporting periods is presented below.

	As at December 31st 2022	**As at December 31st 2021**

Receivables pledged as security	92,595	72,937

Lease receivables where the Group acts as the financing party

	As at December 31st 2022	**As at December 31st 2021**
Three-year lease contract of April 12th 2018 with a natural person, leased asset: passenger car; principal: PLN 39 thousand, interest: PLN 2 thousand The contract is secured with the right to the leased asset.	-	5
Total	**-**	**5**
Short-term lease receivables	-	5
Long-term lease receivables	-	-
Total	**-**	**5**

	lease payments		**present value**	
	As at December 31st 2022	**As at December 31st 2021**	**As at December 31st 2022**	**As at December 31st 2021**
Up to 1 year	-	5	-	5
From 2 to 5 years inclusive	-	-	-	-
	-	5	-	5
Unearned finance income	-	-	-	-
Present value of payments	-	5	-	5
Total	**-**	**5**	**-**	**5**

16. Equity

	As at December 31st 2022	**As at December 31st 2021**
Share capital issued	13,062	13,062
Share premium	106,299	106,299
Other components of equity	1,071	1,418
Retained earnings	722,392	534,717
Total equity	**842,824**	**655,496**

Capital not available for distribution to shareholders

Pursuant to Art. 396.1 of the Commercial Companies Code, which applies to the Company, at least 8% of profit for the financial year should be contributed to statutory reserve funds held for the purpose of covering losses, until the funds reach at least one-third of the Company's share capital. That part of the statutory reserve funds is not available for distribution to the shareholders.

	Period ended December 31st 2022	**Period ended December 31st 2021**
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	4,354	4,354

16.1. Share capital issued

Auto Partner S.A. shares are listed on the Warsaw Stock Exchange in the continuous trading system.

The share capital consists of:	**number of shares**	**par value per share**	**amount of share capital**
Series A ordinary bearer shares	1,000	PLN 0.10	PLN 100.00
Series B ordinary bearer shares	111,110	PLN 0.10	PLN 11,111.00
Series C ordinary bearer shares	160,386	PLN 0.10	PLN 16,038.60
Series D ordinary bearer shares	48,319,769	PLN 0.10	PLN 4,831,976.90
Series E ordinary bearer shares	39,964,295	PLN 0.10	PLN 3,996,429.50
Series F ordinary bearer shares	4,444,440	PLN 0.10	PLN 444,444.00
Series G ordinary bearer shares	999,000	PLN 0.10	PLN 99,900.00
Series H ordinary bearer shares	23,000,000	PLN 0.10	PLN 2,300,000.00
Series I ordinary bearer shares	2,070,000	PLN 0.10	PLN 207,000.00
Series J ordinary bearer shares	11,550,000	PLN 0.10	PLN 1,155,000.00
Total	**130,620,000**		**PLN 13,062,000.00**

	As at December 31st 2022	**As at December 31st 2021**
Fully paid-up share capital	**13,062**	**13,062**
Series A ordinary bearer shares	1	1
Series B ordinary bearer shares	111	111
Series C ordinary bearer shares	160	160
Series D ordinary bearer shares	48,320	48,320
Series E ordinary bearer shares	39,964	39,964
Series F ordinary bearer shares	4,444	4,444
Series G ordinary bearer shares	1,000	1,000
Series H ordinary bearer shares	23,000	23,000
Series I ordinary bearer shares	2,070	2,070
Series J ordinary bearer shares	11,550	11,550
Total (thousands of shares)	**130,620**	**130,620**
Par value per share (PLN)	0.10	0.10
Total par value	**13,062**	**13,062**

16.2. Retained earnings

Retained earnings include statutory reserve funds from profit distribution and undistributed profit/(loss).

	As at December 31st 2022	**As at December 31st 2021**
Retained earnings at beginning of reporting period	**534,717**	**361,755**
Dividend paid	(19,593)	(13,062)
Undistributed profit	207,268	186,024
Retained earnings at end of reporting period	**722,392**	**534,717**

Changes in undistributed profit

	Period ended December 31st 2022	**Period ended December 31st 2021**
Undistributed profit at beginning of period	**186,024**	**110,982**
Net profit attributable to owners	207,268	186,024

(all amounts in PLN thousand)

Dividend paid	(19,593)	(13,062)
Transfer to statutory reserve funds	(166,431)	(97,920)
Undistributed profit at end of period	**207,268**	**186,024**

16.3. Dividend for 2021

On March 28th 2022, the Management Board of the Company passed a resolution to request the Annual General Meeting ("AGM") to pay dividend for the financial year 2021. Pursuant to the resolution, the Management Board recommended payment to the Company's shareholders of dividend of PLN 19,593,000 (nineteen million, five hundred and ninety-three thousand złoty), i.e., PLN 0.15 (fifteen grosz) per share. At the meeting held on April 11th 2022, the Supervisory Board gave a favourable opinion on the Management Board's recommendation. At its meeting held on May 31st 2022, the Annual General Meeting passed a resolution granting the request, setting June 8th 2022 as the dividend record date. The dividend was paid on June 22nd 2022.

16.4. Management Board's recommendation on the allocation of the 2022 profit

On March 31st 2023, the Management Board of the Company passed a resolution to request the Annual General Meeting to pay dividend for the financial year 2022. Pursuant to the resolution, the Management Board recommends payment of dividend to the Company's shareholders of PLN 19,593,000, i.e., PLN 0.15 per share. The balance of the net profit for the financial year 2022 is recommended to be allocated to statutory reserve funds.

17. Borrowings

	As at December 31st 2022	**As at December 31st 2021**
Unsecured – at amortised cost		
Borrowings from related entities	28,035	28,035
	28,035	**28,035**
Secured – at amortised cost		
Overdraft facilities	158,744	167,577
Bank borrowings	162,533	67,196
Other borrowings	4	16
	321,281	**234,789**
Total borrowings	**349,316**	**262,824**
Current liabilities (i)	210,616	168,928
Non-current liabilities	138,700	93,896
Total borrowings	**349,316**	**262,824**

(i) The Group discloses all overdraft facilities as current liabilities, regardless of the contract facility term.

	Agreement	**Repayment date**	**Credit limit**	**As at December 31st 2022**	**As at December 31st 2021**
ING Bank Śląski S.A.	Multi-product facility agreement of October 19th 2015 No. **882/2015/00000925/00**	October 10th 2024	177,000		
	working capital facility in bank account			62,080	77,300
	working capital facility in credit account			97,244	67,196

(all amounts in PLN thousand)

Security: (a) registered pledge over Auto Partner S.A.'s receivables from domestic customers (balance-sheet item) of up to PLN 270,000 thousand, (b) registered pledge over inventories of merchandise (spare car parts) owned by Auto Partner S.A., located at ul. Ekonomiczna 20, in Bieruń, Poland, of up to PLN 270,000 thousand, (c) assignment of rights under the insurance policy covering the pledged inventories, (d) declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 270,000 thousand, (e) declaration on voluntary submission to enforcement by Maxgear Sp. z o.o. Sp. z o.o. under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 270,000 thousand, (f) subordination of borrowings obtained from Katarzyna Górecka and Aleksander Górecki of up to PLN 26,700 thousand.

Santander Bank Polska S.A.	Multi-facility agreement of September 26th 2016 No. **K00922/16**	March 31st 2024	65,000		
	working capital facility in bank account			4,111	20,220
	working capital facility in credit account			25,000	-

The facility is secured with: a) a registered pledge over all inventories of merchandise stored at the warehouses specified in the pledge agreement or other locations approved by the Bank, with a minimum value of PLN 97,500 thousand; b) assignment of receivables to the Bank under the insurance policy covering the pledged assets; c) subordination of claims under a loan provided by Katarzyna Górecka and Aleksander Górecki of up to PLN 26,000 thousand; d) registered pledge over trade receivables from trading partners, as per the list attached as an appendix to the pledge agreement, with a minimum amount of PLN 12,000 thousand; e) declaration on voluntary submission to enforcement of the Bank's claims arising under the agreement, made under Art. 777.1 of the Code of Civil Procedure, to be submitted to the Bank.

mBank S.A.	Overdraft facility agreement of October 22nd 2019 No. **11/145/19/Z/VV**	September 30th 2025	50,000		
	working capital facility in bank account			48,732	50,089
	Working capital facility in credit account agreement of December 13th 2022 No. **11/168/22/Z/OB**.	December 12th 2024	15,000		
	working capital facility in credit account			15,103	-

Security (11/145/19/Z/VV): (a) a registered pledge over inventories of merchandise with a value of PLN 75,000 thousand, (b) assignment of rights under an inventory insurance contract for the pledged inventories, (c) declaration on submission to enforcement by the Company under Art. 777.1.5 of the Code of Civil Procedure, up to PLN 75,000 thousand, (d) subordination of claims under the loans provided by Katarzyna Górecka and Aleksander Górecki of up to PLN 26,000 thousand. The credit facility (11/168/22/Z/OB) is secured with the Company's declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 22,500 thousand.

BNP Paribas Bank Polska S.A.	Multi-purpose credit facility agreement No. **WAR/8806/21/537/CB** of September 13th 2021	September 12th 2023	50,000		
	working capital facility in bank account			43,821	19,968
	Revolving credit facility agreement No. **WAR/8806/22/17/CB** of January 24th 2022	September 12th 2023	25,000		
	working capital facility in credit account			25,186	-

Security (WAR/8806/21/537/CB): a) declaration by Auto Partner S.A. on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of contractual payment obligations, for up to PLN 75,000 thousand, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for September 12th 2034; b) declaration by Maxgear Sp. z o.o. Sp. kom. on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of contractual payment obligations, for up to PLN 52,500 thousand, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for September 9th 2034; c) registered pledge with the maximum security amount of PLN 60,000 thousand over inventories of merchandise held by Auto Partner S.A. in its own and leased locations (not encumbered in favour of another pledgee), in accordance with a separate pledge agreement, with a total value of not less than PLN 60,000 thousand. Until the pledge is created, security in the form of assignment in favour of the Bank of the assets subject to the future pledge will remain in effect; d) assignment of rights under an insurance policy in favour of the Bank in respect of the pledged assets, with the proviso that the sum insured may not be less than PLN 50,000 thousand; e) agreement on subordination of the loan provided by Aleksander Górecki and Katarzyna Górecka under an agreement of January 2nd 2014 of up to PLN 26,000 thousand to the facility. Security (WAR/8806/22/17/CB): a) a registered pledge with the maximum security amount of PLN 37,500 thousand over inventories of the borrower's merchandise held at the borrower's branches, b) the borrower's declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of the contractual payment obligations, for up to PLN 37,500 thousand, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for January 30th 2023, c) assignment of rights under an insurance contract for the pledged inventories in favour of the Bank, with the proviso that the sum insured may not be less than PLN 25,000 thousand, d) an agreement on subordination of claims under the loans provided to the borrower by Katarzyna Górecka and Aleksander Górecki to the credit facility.

Credit Agricole Bank Polska S.A.	Investment credit facility agreement No. **KRI/S/8/2022** of September 13th 2022 – as at December 31st 2022, the credit facility was not disbursed	September 16th 2027	10,000		
	investment credit facility in credit account			-	-

Security: 1) registered pledge over the equipment financed with funds drawn on the facility, for up to 120% of the amount disbursed by the Bank under the facility, 2) assignment of any claims under insurance policies covering the equipment financed with funds drawn on the facility, for up to 120% of the amount disbursed by the Bank under the facility, 3) subordination of a loan obtained from Katarzyna Górecka and Aleksander Górecki for up to PLN 26,700 thousand, 4) submission to enforcement under Art. 777.1 of the Code of Civil Procedure in respect of the contractual payment obligations under the Agreement, for up to PLN 12,000 thousand.

Katarzyna Górecka and Aleksander Górecki	Shareholder loan agreement of January 2nd 2014	January 2nd 2024	26,700		
	loan agreement			28,035	28,035

(all amounts in PLN thousand)

Security: none.					
UniCredit Leasing a.s.	Loan to finance purchase of property, plant and equipment	June 21st 2019	70		
	loan agreement			4	16
Security: title to the property, plant and equipment financed with the loan					
	Total borrowings			**349,316**	**262,824**

18. Provisions

	As at December 31st 2022	As at December 31st 2021
Provisions for warranty repairs (i)	2,811	3,802
Other provisions (ii)	4,041	6,044
Total	**6,852**	**9,846**
including:		
Short-term provisions	**6,852**	**9,846**

(i) In accordance with the applicable laws, the Group provides consumer warranty for the goods sold. Under the warranty, the Group must replace defective goods or return cash. The Management Board of the Group estimated future warranty costs and recognised appropriate provisions.

(ii) Including: the tax risk provision of PLN 2,462 thousand. In December 2021, the Group was notified of the findings of a customs and tax inspection carried out by relevant authorities under the Value Added Tax Act of March 11th 2004. The result was an additional tax expense for the Group of PLN 423 thousand in respect of the period under review, i.e., January 1st – June 30th 2017, and additional interest expense of PLN 154 thousand. Seeking to have the inspection promptly concluded and to focus on operating activities, since those amounts did not represent a significant charge on the Group's profit or loss in 2021, the Group decided to submit corrected VAT returns for the period under review. Based on the prudence principle, the Group estimated a provision for potential risks related to future accounting periods, i.e., from July 1st 2017 to the reporting date. The balance is PLN 1,058 thousand, representing a provision for distribution and marketing costs.

19. Trade and other payables

19.1. Trade and other payables

	As at December 31st 2022	As at December 31st 2021
Trade payables due in up to 12 months	148,016	113,039
Trade receivables from suppliers	(24,655)	(22,608)
Taxes, customs duties, social security and other benefits payable	5,875	2,764
Liabilities arising from acquisition of property, plant and equipment and intangible assets	752	1,458
Other liabilities	227	225
	130,215	**94,878**
Current liabilities	130,215	94,878
Total	**130,215**	**94,878**

(all amounts in PLN thousand)

The average payment period is 30-40 days. The Group operates a financial risk management policy that ensures timely payment of liabilities.

19.2. Contract liabilities

	As at December 31st 2022	As at December 31st 2021
Contract liabilities	629	413
Right-of-return liabilities (i)	18,682	15,180
Total	**19,311**	**15,593**

(i) Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The Group estimated the value of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover.

20. Financial liabilities under lease contracts

Total payments under lease contracts	As at December 31st 2022	As at December 31st 2021
Up to 1 year	47,205	35,373
From 1 year to 5 years	103,603	67,562
Over 5 years	34,075	9,318
	184,883	112,253
Less future finance charges (discount)	(33,267)	(7,134)
Present value of lease liabilities	**151,616**	**105,119**
Current lease liabilities	39,021	32,509
Non-current lease liabilities	112,595	72,610
Total	**151,616**	**105,119**

Present value of lease liabilities	As at December 31st 2022	As at December 31st 2021
Up to 1 year	39,021	34,322
From 1 year to 5 years	86,744	61,878
Over 5 years	25,851	8,919
Total	**151,616**	**105,119**

Finance liabilities under lease contracts relate mainly to leases of property, plant and equipment (rent/lease of property, warehouse facilities, equipment, hardware and vehicles).

IFRS 16 provides for exceptions to the lessee's general lease model for short-term leases and leases of low-value assets. In such cases, the Group does not recognise any right-of-use assets or lease liabilities. Provided below are the amounts expensed:

	Period ended December 31st 2022	Period ended December 31st 2021
Cost of short-term leases (i)	9,923	8,278

(all amounts in PLN thousand)

Cost of leases not disclosed due to the low value of underlying assets (ii)	1,325	1,024
Total	**11,248**	**9,302**

(i) The Group applies a practical expedient to short-term leases in the case of property lease contracts made for an indefinite period which may be terminated on a short notice, that is up to 12 months, which do not involve any special space adaptation or material barriers to exit, i.e., penalties for early termination of the contract, and the Group has the practical ability to lease such space on the market. Costs of some of the lease contracts are also re-charged to the cooperating affiliates.

(ii) The Group applies a practical expedient to leases of low-value assets, mainly small office equipment, such as printers, payment terminals, waste containers, etc.

For disclosures relating to depreciation of property, plant and equipment and amortisation of right-of-use intangible assets, see Notes 10 and 11. For information on the amount of interest, see Note 7.

21. Notes to the statement of cash flows

21.1. Components of cash

	As at December 31st 2022	**As at December 31st 2021**
Cash in hand	1,830	1,318
Cash at banks	28,411	12,977
Cash in transit	4,690	2,641
Total cash and cash equivalents in the consolidated statement of financial position	**34,931**	**16,936**
in PLN	21,490	5,512
in other currencies (including measurement)	13,441	11,424
Total	**34,931**	**16,936**
including restricted cash - Split Payment accounts	*11,459*	*865*

21.2. Reconciliation of changes in cash flow items

	Period ended December 31st 2022	**Period ended December 31st 2021**
Current income tax recognised in the statement of comprehensive income	(47,236)	(38,934)
Income tax relating to prior periods recognised in the statement of comprehensive income	(143)	-
Change in current tax assets	221	(221)
Change in current tax liabilities	(4,248)	22,310
Income tax paid	**(51,406)**	**(16,845)**
Change in trade and other receivables	(39,809)	(110,187)
Change in long-term receivables	(661)	(1,594)
Adjustment for change in lease receivables	(5)	(9)
Adjustment for change in receivables from sale of non-current assets	(8)	7
Adjustment for financial liability offset	(250)	-
Adjustment for advance payments	(159)	(1,656)
Adjustment for settlement of commission fees on credit facilities	51	-
Other	(1)	(2)
Change in trade and other receivables	**(40,842)**	**(113,441)**
Loans	3,400	2,394
Repayment of loans	(3,612)	(2,416)
Receipts from lease	(5)	-
Interest accrued	79	63

(all amounts in PLN thousand)

Exchange differences on measurement	122	(58)
Change in loans and leases	**(16)**	**(17)**
Change in property, plant and equipment	(112,042)	(60,856)
Change in intangible assets	(9,366)	(9,648)
Adjustment for change in settlements related to purchase of property, plant and equipment and intangible assets	(706)	5
Adjustment for lease contracts made	84,006	52,047
Other adjustments	74	-
Purchase of property, plant and equipment and intangible assets	**(38,034)**	**(18,452)**
Proceeds from borrowings	86,141	158,951
Adjustment for change in interest accrued and bank borrowing fees	351	546
Change in borrowings	**86,492**	**159,497**
Lease contracts made	84,006	53,376
Payment of lease liabilities	(36,977)	(29,389)
Adjustment for change in prepayments under lease contracts	(159)	(1,656)
Adjustment for change in exchange differences arising from measurement	(307)	(704)
Other adjustments	(66)	(107)
Change in lease liabilities	**46,497**	**21,520**
Credit interest and commissions paid	(17,395)	(2,431)
Interest and fees paid on factoring arrangements	(55)	(60)
Interest paid on leases	(5,671)	(2,845)
Interest paid on non-bank borrowing	(832)	(1,029)
Interest and commissions paid	**(23,953)**	**(6,365)**

22. Employee benefit obligations and provisions, and benefit plans

22.1. Employee benefit obligations and provisions

	As at December 31st 2022	**As at December 31st 2021**
Salaries and wages payable	9,337	7,465
Social security and Employee Capital Plan obligations	9,001	7,318
Provision for accrued holiday entitlements (ii)	4,259	3,368
Provision for retirement and disability benefit obligations (ii)	498	609
Provision for obligations under the Incentive Scheme for 2021 (i)	-	2,160
Provision for obligations under the Incentive Scheme for 2022 (iii)	11,600	-
Obligation under the Incentive Scheme for 2020 (i)	538	1,613
Obligation under the Incentive Scheme for 2019 (i)	-	207
	35,233	**22,740**
Long-term employee benefit obligations and provisions	2,661	1,077
Short-term employee benefit obligations and provisions	32,572	21,663
Total	**35,233**	**22,740**

(i) Below are presented settlements under the Incentive Scheme for 2019–2021:

(all amounts in PLN thousand)

bonus granted for 2019		bonus paid			liability as at December 31st 2022
		in 2020	in 2021	in 2022	
Andrzej Manowski	674	(472)	(135)	(67)	-
Piotr Janta	674	(472)	(135)	(67)	-
Grzegorz Pal	428	(300)	(86)	(42)	-
Arkadiusz Cieplak	310	(217)	(62)	(31)	-
	2,086	**(1,461)**	**(418)**	**(207)**	**-**

bonus granted for 2020		bonus paid		liability as at December 31st 2022
		in 2021	in 2022	to be paid in 2023
Andrzej Manowski	1,738	(1,217)	(347)	174
Piotr Janta	1,738	(1,217)	(347)	174
Grzegorz Pal	1,103	(772)	(221)	110
Arkadiusz Cieplak	799	(559)	(160)	80
	5,378	**(3,765)**	**(1,075)**	**538**

bonus granted for 2021		bonus paid	liability as at December 31st 2022
		in 2022	
Andrzej Manowski	693	(693)	-
Piotr Janta	693	(693)	-
Grzegorz Pal	346	(346)	-
Arkadiusz Cieplak	346	(346)	-
	2,078	**(2,078)**	**-**

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

(ii) The Group is obliged to pay retirement and disability severance benefits. Any employee who reaches the retirement age of 65 for men and 60 for women is entitled to a severance payment upon retirement. The amount of the severance benefit is one month's salary. An employee who has acquired disability pension entitlements under social security due to permanent incapacity to work has a right to a disability severance payment. The amount of the disability severance payment is one month's salary. Provisions for employee benefits are calculated by an actuary. The provision for retirement and disability severance benefits was calculated with the projected unit method. The amount of future obligations is calculated as the accrued portion of future benefits, taking into account the projected increase in remuneration serving as the basis for the computation of future benefits. The calculation also reflects the probability of acquiring the entitlement to a one-off disability or retirement severance payment. The amount of the obligation for accrued holiday entitlements was calculated as the remuneration due for unused accumulating paid absences.

(iii) On September 10th 2021, the Company's Supervisory Board passed a resolution to approve the Rules of the 2022–2024 Incentive Scheme for members of the Management Board of Auto Partner S.A., providing for the payment for 2021 of additional remuneration for the appointment to the Company's Management Board, linked to the Company's financial performance. The Scheme is intended for the following members of the Company's Management Board: Andrzej Manowski and Piotr Janta; the purpose of the Scheme is to establish mechanisms to encourage activities that would ensure long-term growth of the shareholder value, reduce turnover of the Company's management staff, and reward their contribution to the shareholder value growth. For detailed rules of awarding the incentive bonus, visit the Company's website https://ir.autopartner.com/lad-korporacyjny/#polityka-wynagrodzen. The total amount of bonuses paid in accordance with the Rules will not exceed PLN 8,000 thousand during the term of the

(all amounts in PLN thousand)

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

The table below shows changes in provisions:

	Period ended December 31st 2022	Period ended December 31st 2021
Provision for accrued holiday entitlements	(891)	(819)
Provision for retirement and disability benefit obligations	111	(79)
Provision for obligations under the Incentive Scheme for 2019	207	418
Provision for obligations under the Incentive Scheme for 2020	1,075	3,766
Provision for obligations under the Incentive Scheme for 2021	2,160	(2,160)
Provision for obligations under the Incentive Scheme for 2022	(11,600)	-
Total	**(8,938)**	**1,126**

	As at December 31st 2021	recognised	reversed	used	As at December 31st 2022
Provision for accrued holiday entitlements	3,368	4,277	-	(3,386)	4,259
Provision for retirement and disability benefit obligations	609	-	(93)	(18)	498
Provision for obligations under the Incentive Scheme for 2019	207	-	-	(207)	-
Provision for obligations under the Incentive Scheme for 2020	1,613	-	-	(1,075)	538
Provision for obligations under the Incentive Scheme for 2021	2,160	-	(82)	(2,078)	-
Provision for obligations under the Incentive Scheme for 2022	-	11,600	-	-	11,600
	7,957	**15,877**	**(175)**	**(6,764)**	**16,895**

22.2. Defined contribution plans

Pursuant to the Act on Social Insurance System of October 13th 1998, the Group's employees are covered by state plans. The Group is required to contribute a percentage of salaries and wages to the plans. General expenses recognised in the statement of profit or loss are presented below and comprise contributions paid by the Group under the plans, computed at the rates specified in the terms of the plans. Some of the contributions due for a reporting period have not been paid; they are due and payable after the reporting date.

	Period ended December 31st 2022	Period ended December 31st 2021
Social security contributions financed by the employer, expensed	(28,317)	(22,889)
of which unpaid contributions	*4,932*	*4,068*

22.3. Employee capital plans

Pursuant to the Act on Employee Capital Plans of October 4th 2018, the Group is obliged to pay specific contributions towards such plans. Employee capital plans are established for the purpose of regular saving by the participants. Some of the contributions due for a reporting period have not been paid; they are due and payable after the reporting date.

(all amounts in PLN thousand)

	Period ended December 31st 2022	Period ended December 31st 2021
Expensed contributions	533	(414)
of which unpaid contributions	*99*	*74*

23. Financial instruments

	As at December 31st 2022	As at December 31st 2021
Financial assets		
Measured at fair value through profit or loss:	**-**	**-**
Held for trading	-	-
Classified for measurement at fair value through profit or loss:	-	-
Measured at amortised cost:	**284,311**	**224,001**
Cash	*34,931*	*16,936*
Trade and other financial receivables	*249,376*	*207,045*
Loans	*4*	*20*
Measured at fair value through other comprehensive income	**-**	**-**
Financial receivables excluded from the scope of IFRS 9 – lease receivables	-	5
Financial receivables excluded from the scope of IFRS 9 – shares	110	110
Financial liabilities		
Measured at fair value through profit or loss:	**-**	**-**
Held for trading	-	-
Classified for measurement at fair value through profit or loss:	-	-
Hedging derivatives	-	-
Measured at amortised cost:	**474,058**	**355,126**
Trade payables	*123,361*	*90,431*
Contract liabilities	*629*	*413*
Liabilities arising from acquisition of property, plant and equipment and intangible assets	*752*	*1,458*
Borrowings	*349,316*	*262,824*
Non-IFRS 9 financial liabilities – lease liabilities	151,616	105,119

Fair value

The Group recognises derivative financial instruments for which changes in fair value are attributable to changes in market conditions (i.e., exchange rate movements) as financial assets and liabilities measured at fair value through profit or loss. In the reporting period ended December 31st 2021 and December 31st 2022, the Group did not enter into any currency forwards.

In the opinion of the Management Board, the carrying amounts of financial assets and liabilities disclosed in these financial statements approximate their fair values.

24. Financial risk management

(all amounts in PLN thousand)

The Group's business involves exposure to a number of different financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's principal objective in financial risk management is to ensure liquidity.

Capital management

The purpose of capital management by the Group's Management Board is to ensure that the Group can continue as a going concern and to maximise return for the shareholders by optimising the debt-equity structure. The Group analyses its capital position using the ratio calculated as total liabilities to equity disclosed in the statement of financial position.

	As at December 31st 2022	As at December 31st 2021
Total liabilities	727,458	547,274
Equity	842,824	655,496
Debt to equity ratio	**0.86**	**0.83**

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

Pursuant to Art. 396.1 of the Commercial Companies Code, which applies to the Company, at least 8% of profit for the financial year should be contributed to statutory reserve funds held for the purpose of covering losses, until the funds reach at least one-third of the Company's share capital. That part of statutory reserve funds (retained earnings) is not available for distribution to shareholders.

	Period ended December 31st 2022	Period ended December 31st 2021
Share capital	13,062	13,062
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	**4,354**	**4,354**

Financial covenants contained in the credit facility agreements limit the Company's ability to pay dividends to 30% of the net profit for the preceding year; this percentage may be increased to 50% provided that the solvency ratio, calculated as equity to total assets, is maintained at no less than 50%.

Credit risk

Credit risk at the Group is related mainly to trade receivables, and means the risk that a counterparty will default on its contractual obligations, which will result in financial losses to the Group. As a rule, the Group only trades with customers with proven creditworthiness; if necessary, the Company takes appropriate security to reduce the risk of incurring financial losses due to the customer's default. The Group uses financial information available in the public domain and its own transaction data to assess the creditworthiness of its main customers. The Group's exposure to credit risk is constantly monitored. Trade receivables include amounts due from a large number of customers. Therefore, the Group is not exposed to material credit risk from a single counterparty, although the concentration increases as the scale of its operations on foreign markets grows. Therefore, the Group additionally takes out insurance to cover primarily a specific portfolio of receivables from its foreign customers, but also receivables from its large domestic customers. Such insurance is taken out for annual settlement periods. The Group recognises impairment losses on receivables using a matrix based on historical data, showing what percentage of receivables from a given ageing group were not finally collected. The Group recognises an impairment loss for the full amount of a trade receivable if it is past due by more than 360 days. For information on the method of calculating impairment losses on receivables, see Notes 2.7 and 15 to these financial statements.

The credit quality of financial assets that are neither past due nor impaired can be estimated by reference to external credit ratings. Cash is invested domestically and internationally with banks of recognised standing, assigned ratings A+, A-, A, BBB, and BBB-.

Market risk

(all amounts in PLN thousand)

Interest rate risk

The Group is exposed to interest rate risk. The Group's Management Board manages this risk by contracting both fixed- and floating-rate borrowings and leases. In the reporting period, the Group did not enter into any transactions to hedge its interest rate risk.

As at the reporting date, the Group's entire debt (excluding the loan from the shareholders) bearing interest at floating rates was linked to WIBOR.

The Group's debt includes predominantly interest-bearing debt at floating rates. Presented below is the structure of floating-rate financial instruments and the sensitivity of the Group's net profit or loss to possible changes in interest rates, all other factors being equal. The data shows the effect of basis points on the Group's full-year net profit or loss:

	As at December 31st 2022	As at December 31st 2021
Cash at banks	28,411	12,977
Liabilities under bank borrowings	(321,281)	(234,789)
Lease liabilities	(73,619)	(47,146)
Variable rate financial assets and liabilities	**(366,489)**	**(268,958)**
Change in financial assets and liabilities	(3,665)	(2,690)
Effect on profit before tax	(3,665)	(2,690)
Tax effect	696	511
Effect of 100 bps increase in interest rate on net profit	**(2,969)**	**(2,179)**
Change in financial assets and liabilities	3,665	2,690
Effect on profit before tax	3,665	2,690
Tax effect	(696)	(511)
Effect of 100 bps decrease in interest rate on net profit	**2,969**	**2,179**

Currency risk

The Group enters into certain transactions denominated in foreign currencies, and thus it is exposed to the risk of exchange rate fluctuations. In the reporting period, the Group used derivative instruments to hedge against the currency risk. The Group is exposed to significant currency risk resulting from its currency exposure, which may affect future cash flows and profit or loss. The main source of currency risk at the Group are purchases of goods in the euro and the US dollar, and sales of goods in the euro, the Czech koruna, the Hungarian forint and the Romanian leu.

The table below presents the Group's sensitivity to 5%/10% appreciation or depreciation of the Polish złoty against the relevant foreign currencies. The sensitivity analysis covers only outstanding monetary items denominated in foreign currencies and adjusts the end-of-period translation for a 5%/10% change in exchange rates. The positive value in the table below indicates an increase in profit and equity. The negative value means the opposite effect of exchange rate movements on profit or equity.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currencies as at the reporting date was as follows:

As at December 31st 2021	EUR	USD	CZK	HUF	RON	other
Trade and other receivables	64,958	-	3,152	1,386	1,810	(38)
Cash	8,015	187	1,570	893	604	284
Trade payables	(29,085)	-	(479)	(38)	(38)	(101)
Lease liabilities	(37,345)	-	(1,514)	-	-	-
Gross exposure	**6,543**	**187**	**2,729**	**2,241**	**2,376**	**145**
Exchange rate increase +5%						
Profit (loss) before tax	327	9	136	112	119	7

(all amounts in PLN thousand)

Tax effect	(62)	(2)	(26)	(21)	(23)	(1)
Effect on net profit (loss)	265	8	110	91	96	6
Exchange rate decrease -5%						
Profit (loss) before tax	(327)	(9)	(136)	(112)	(119)	(7)
Tax effect	62	2	26	21	23	1
Effect on net profit (loss)	(265)	(8)	(110)	(91)	(96)	(6)
Exchange rate increase +10%						
Profit (loss) before tax	654	19	273	224	238	15
Tax effect	(124)	(4)	(52)	(43)	(45)	(3)
Effect on net profit (loss)	530	15	221	181	193	12
Exchange rate decrease -10%						
Profit (loss) before tax	(654)	(19)	(273)	(224)	(238)	(15)
Tax effect	124	4	52	43	45	3
Effect on net profit (loss)	(530)	(15)	(221)	(181)	(193)	(12)

As at December 31st 2022	EUR	USD	CZK	HUF	RON	other
Trade and other receivables	82,400	-	3,614	2,233	2,248	101
Cash	9,775	398	2,151	2,553	809	785
Trade payables	(51,886)	-	(664)	(80)	(52)	(68)
Lease liabilities	(52,908)	-	(1,982)	-	-	-
Gross exposure	**(12,619)**	**398**	**3,119**	**4,706**	**3,005**	**818**
Exchange rate increase +5%						
Profit (loss) before tax	(631)	20	156	235	150	41
Tax effect	120	(4)	(30)	(45)	(29)	(8)
Effect on net profit (loss)	(511)	16	126	190	121	33
Exchange rate decrease -5%						
Profit (loss) before tax	631	(20)	(156)	(235)	(150)	(41)
Tax effect	(120)	4	30	45	29	8
Effect on net profit (loss)	511	(16)	(126)	(190)	(121)	(33)
Exchange rate increase +10%						
Profit (loss) before tax	(1,262)	40	312	471	301	82
Tax effect	240	(8)	(59)	(89)	(57)	(16)
Effect on net profit (loss)	(1,022)	32	253	382	244	66
Exchange rate decrease -10%						
Profit (loss) before tax	1,262	(40)	(312)	(471)	(301)	(82)
Tax effect	(240)	8	59	89	57	16
Effect on net profit (loss)	1,022	(32)	(253)	(382)	(244)	(66)

Changes in the exchange rates of currencies other than EUR, USD and CZK have no material effect on the Group's profit. The Group's sensitivity to currency risk was further significantly reduced thanks to rapid growth of export sales denominated in the euro, leading to practically no net exposure of the Group to the currency. The continuing high sensitivity to the USD/PLN exchange rate is attributable to the fact that a significant portion of purchases are made in the US dollar (through the subsidiary Maxgear Sp. z o.o. Sp.k. – imports of goods manufactured under private label brands), with no sales made by the Group in that currency. As at December 31st 2022, the Group had no liabilities under borrowings denominated in foreign currencies.

Liquidity risk

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

The Group had the following undrawn amounts of credit and factoring facilities as at the reporting dates indicated:

(all amounts in PLN thousand)

	As at December 31st 2022	As at December 31st 2021
Factoring agreements:		
Limit	**10,000**	**10,000**
including:		
Amount used	-	-
Amount available	10,000	10,000
Secured bank financing:		
Limit	**377,000**	**257,016**
including:		
Amount used	320,570	234,789
Amount available	56,430	22,227

Apart from the above credit facilities contracted with banks, the Group also uses shareholder loans; for details, see Note 17.

As at the end of the reporting period, the Group held highly liquid assets disclosed in the statement of financial position as cash of PLN 34,931 thousand (December 31st 2021: PLN 16,936 thousand), which may be at any time used to manage liquidity risk).

The table below presents the Group's liabilities by maturity as at December 31st 2022 and December 31st 2021, based on contractual undiscounted payments at nominal value.

	Note	Carrying amount	past due	<=30 days	31-90 days	91-365 days	1-5 years	> 5 years
As at December 31st 2021								
Interest-bearing credit facilities	17	234,789	-	356	-	50,053	184,380	-
Interest-bearing loans	17	28,035	-	-	-	-	28,035	-
Lease liabilities	20	105,119	-	2,522	5,125	26,675	61,878	8,919
Trade payables	19	90,431	-	83,688	6,743	-	-	-
Other liabilities	19	4,447	-	3,997	450	-	-	-
		462,821	-	**90,563**	**12,318**	**76,728**	**274,293**	**8,919**

	Note	Carrying amount	past due	<=30 days	31-90 days	91-365 days	1-5 years	> 5 years
As at December 31st 2022								
Interest-bearing credit facilities	17	321,281	-	103	29,110	69,011	223,057	-
Interest-bearing loans	17	28,035	-	-	-	-	28,035	-
Lease liabilities	20	151,616	-	3,020	6,279	29,722	86,744	25,851
Trade payables	19	123,361	-	86,632	36,672	57	-	-
Other liabilities	19	6,854	-	6,396	458	-	-	-
		631,147	-	**96,151**	**72,519**	**98,790**	**337,836**	**25,851**

25. Related-party transactions

All transactions with related parties are made on an arm's length basis. Transactions between the parent and its related parties were eliminated on consolidation and are not presented in this note. Detailed information about transactions between the Group and other related parties is presented below.

<u>Transactions with entities with personal links to members of the Management Board and the Supervisory Board. Transactions with members of the management boards of subsidiaries.</u>

(all amounts in PLN thousand)

Sales of goods and services and other income	**Period ended December 31st 2022**	**Period ended December 31st 2021**
entities related to members of the Management Board and the Supervisory Board	**168**	**216**
including:		
sales of goods	*4*	*27*
re-charge of costs	*164*	*189*
members of management boards of subsidiaries	**18**	**16**
including:		
sales of goods	*3*	*2*
re-charge of costs	*15*	*14*
Total	**186**	**232**

Purchase of goods and services and other purchases	**Period ended December 31st 2022**	**Period ended December 31st 2021**
entities related to members of the Management Board and the Supervisory Board	**1,318**	**1,353**
including:		
purchase of services	*1,318*	*1,353*
members of management boards of subsidiaries	**220**	**244**
including:		
purchase of services	*220*	*244*
Total	**1,538**	**1,597**

Receivables	**As at December 31st 2022**	**As at December 31st 2021**
entities related to members of the Management Board and the Supervisory Board	10	5
members of management boards of subsidiaries	-	2
Total	**10**	**7**

Liabilities	**As at December 31st 2022**	**As at December 31st 2021**
entities related to members of the Management Board and the Supervisory Board	214	-
members of management boards of subsidiaries	7	7
Total	**221**	**7**

Transactions with and remuneration of members of the Management Board and the Supervisory Board

Sales of goods and services and other income	**Period ended December 31st 2022**	**Period ended December 31st 2021**
Management Board members	**31**	**29**
including:		
re-charge of costs	*31*	*29*
Total	**31**	**29**

Receivables	**As at December 31st 2022**	**As at December 31st 2021**

Management Board members	322	217
Total	**322**	**217**

Salaries	**Period ended December 31st 2022**	**Period ended December 31st 2021**
Management Board members	8,361	2,011
Members of management boards of subsidiaries	4,240	959
Supervisory Board	170	119
Total	**12,771**	**3,089**

Obligation under the Incentive Scheme	**Period ended December 31st 2022**	**Period ended December 31st 2021**
Management Board members (Note 22)	348	1,177
Members of management boards of subsidiaries (Note 22)	190	643
Total	**538**	**1,820**

<u>Loans advanced by shareholders to the Group</u>

Loans received	**As at December 31st 2022**	**As at December 31st 2021**
Shareholder loan (Note 17)	28,035	28,035
Total	**28,035**	**28,035**

Finance costs	**Period ended December 31st 2022**	**Period ended December 31st 2021**
Interest expense recognised	(1,335)	(1,335)
Total	**(1,335)**	**(1,335)**

26. Contingent liabilities, future contract liabilities, guarantees provided, and contingent assets

Bank guarantees:

– PLN 42 thousand bank guarantee No. KLG57699IN19 of March 1st 2019, provided in connection with commercial property lease contract of February 15th 2019, valid until May 6th 2024, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 17

– PLN 2,000 thousand bank guarantee No. DOK3617GWB19KW of October 18th 2019, provided in connection with a distribution agreement (as amended), valid until December 31st 2022, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 17

– PLN 652 thousand bank guarantee No. DOK2419GWB20AR of July 27th 2020, provided in connection with a contract for rent of property in Bieruń, valid until August 31st 2023, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 17

– PLN 190 thousand bank guarantee No. DOK2418GWB20TI of July 27th 2020, provided in connection with a contract for rent of property in Pruszków, valid until August 31st 2023, granted within credit limit of the facility provided by Santander Bank Polska S.A.; see Note 17.

- EUR 213 thousand bank guarantee No. DOK4042GWB21KW of October 13th 2021, provided in connection with a contract for rent of property in Poznań, valid until June 29th 2025, granted within credit limit of the facility provided by Santander Bank Polska S.A.; see Note 17.

(all amounts in PLN thousand)

– EUR 214 thousand bank guarantee No. DOK1141GWB22WS of March 25th 2022 (as amended), provided in connection with a contract for rent of property in Mysłowice, valid until September 30th 2024, granted within credit limit of the facility provided by Santander Bank Polska S.A.; see Note 17.

– PLN 68 thousand bank guarantee No. DOK1330GWB22KW of April 12th 2022, provided in connection with a contract for rent of property in Tychy, valid until March 31st 2025, granted within credit limit of the facility provided by Santander Bank Polska S.A.; see Note 17.

- PLN 3,000 thousand bank guarantee No. KLG84169IN22 of November 17th 2022, provided in connection with a distribution agreement, valid until December 29th 2023, granted within the credit limit of the facility provided by ING Bank Śląski S.A.; see Note 17.

Tax liabilities

The tax regulations in force in Poland are subject to frequent changes, causing significant differences in their interpretation and significant doubts in their application. The tax authorities have control instruments enabling them to verify the tax bases (in most cases for the preceding five financial years) and to impose penalties and fines. As of July 15th 2016, the Tax Code also contains the General Anti-Abuse Clause (GAAR), which is intended to prevent the creation and use of artificial legal structures designed to avoid taxation. The GAAR should be applied both to transactions carried out after its entry into force and to transactions which were carried out before the entry into force of the GAAR but whose benefits have been or are still being realised after the date of its entry into force. Consequently, the determination of tax liabilities may require significant judgement, including with respect to transactions that have already taken place, and the amounts of tax expense presented and disclosed in the financial statements may change in the future as a result of audits by the tax authorities. Tax authorities have the right to carry out inspections within five years of the end of a year in which a tax return is submitted, and to impose additional tax liabilities, including interest and penalties. The Group was subject to inspections by tax authorities. In the Management Board's opinion, there were no circumstances which could lead to material liabilities being imposed as a consequence of such inspections.

Undisclosed liabilities under contracts

The Group entered into contracts which will be classified as leases under IFRS 16, however the liabilities under the contracts are not disclosed as at the reporting date due to the failure to make the leased assets (premises, vehicles and warehouse equipment) available for use by the Group by December 31st 2022. Below is presented the value of future lease liabilities:

Value of future lease liabilities	48,007
Less future finance charges (discount)	(6,926)
Present value of future lease liabilities	**41,081**

27. Auditor fees

On April 11th 2022, the Supervisory Board passed a resolution to appoint PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. of Warsaw to audit the separate and consolidated financial statements for the financial years 2022, 2023, 2024 and to review the interim separate and consolidated financial statements for 2022, 2023, 2024. The agreement was signed on May 5th 2022. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. of Warsaw is entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors under Reg. No. 144.

The separate and consolidated financial statements for 2021 were audited by Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors under Reg. No. 73.

VAT-exclusive auditor fees for auditing the financial statements:

	Period ended December 31st 2022	**Period ended December 31st 2021**

Audit of full-year financial statements	275	143
Review of financial statements	90	58
Total auditor fees	**365**	**201**

28. Headcount at the Group

	As at December 31st 2022	**As at December 31st 2021**
Management and administration	132	113
Sales and marketing	888	867
Logistics and storage	1,307	1,162
Total (persons)	**2,327**	**2,142**

29. Events subsequent to the reporting date

1) On January 2nd 2023, an agreement was signed with Global One Automotive GmbH of Frankfurt whereby the Company advanced a loan of EUR 750 thousand to Global One. The loan bears interest at 3M EURIBOR + margin. The agreement was concluded for a definite term from February 1st 2023 to July 31st 2023. The Company holds 6.25% of shares in Global One Automotive GmbH as a participant in the International Purchasing Group (since 2017).

2) On February 6th 2023, an amendment to the multi-facility agreement of September 26th 2016 No. K00922/16 was signed with Santander Bank Polska Spółka Akcyjna. The amendment changed the multi-facility amount to PLN 90,000 thousand (by increasing the revolving credit facility sub-limit to PLN 50,000). The funds, to be used to finance day-to-day operations, are repayable by March 31st 2024. Interest is charged at a floating rate of 1M WIBOR plus a margin. The facility is secured with: a) a registered pledge over all inventories of merchandise stored at the warehouses specified in the pledge agreement or other locations approved by the Bank, with a minimum value of PLN 135,000 thousand; b) assignment of receivables to the Bank under the insurance policy covering the pledged assets; c) subordination of claims under a loan provided by Katarzyna Górecka and Aleksander Górecki of up to PLN 26,000 thousand; d) registered pledge over trade receivables from trading partners, as per the list attached as an appendix to the pledge agreement, with a minimum amount of PLN 15,000 thousand; e) declaration on submission to enforcement under Art. 777.1 of the Code of Civil Procedure.

3) On February 6th 2023, the Company signed an amendment to a lease contract with Westinvest Gesellschaft für Investmentfonds mbH of Düsseldorf, Germany. The term of the lease contract concerning the Company's registered office and warehouse in Bieruń was extended until May 30th 2034.

4) On February 10th 2023, at the Company's request, all contractual security instruments were released and Reverse Factoring Agreement No. 3662/6050/2019 signed with Santander Factoring Sp. z o.o. on March 29th 2019 was formally terminated.

5) February 15th 2023 saw the execution of Amendment 2 to the loan agreement signed on January 2nd 2014 with the Company's shareholders Aleksander Górecki and Katarzyna Górecka. The Amendment changed the terms and conditions concerning interest charged on the loan: as of January 1st 2023 the interest rate will be variable and based on 3M WIBOR plus a margin (previously the interest rate was fixed).

6) On February 21st 2023, the Company signed a deed establishing a foundation under the name Auto Partner with its seat in Bieruń. The Foundation's objects are as follows: provision of social assistance, charitable activities, educational activities, health protection and promotion, promotion of volunteering, ecology and animal protection, and protection of natural heritage, cultural activities, promotion of physical culture and sport, assistance to victims of catastrophes, natural disasters, armed conflicts and wars in Poland and abroad, public order and security activities.

7) On April 5th 2023, the Company signed a working capital credit facility agreement with mBank S.A. of Warsaw. Under the agreement, a working capital credit facility of PLN 15,000 thousand was advanced to the Company to finance its day-to-day operations. The facility, repayable by December 12th 2024, has a floating interest rate of 1M WIBOR plus a margin. The facility is secured with a declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 22,500 thousand.

30. Impact of the COVID-19 pandemic on the Group's business

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

31. Impact of the Russian Federation's military invasion of Ukraine on the Group's business

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

32. Authorisation of the full-year consolidated financial statements for issue

The Group's consolidated financial statements were authorised for issue by the Management Board on April 17th 2023.

Signatures of Management Board Members

Aleksander Górecki – President of the Management Board

Andrzej Manowski – Vice President of the Management Board

Piotr Janta – Vice President of the Management Board

Tomasz Werbiński – Member of the Management Board

Signature of the person responsible for accounting records

Kamila Obłodecka Pieńkosz – Chief Accountant