

PKC GROUP POLAND SP. Z O.O.

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020**

Starachowice, 14 May 2021

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INTRODUCTION TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION IDENTIFYING THE COMPANY

Name: PKC GROUP POLAND SP. Z O.O.

KRS (National Court Register number): 0000309537

NIP (Taxpayer identification number): 5252437638

Voivoidship: Świętokrzyskie

County: Starachowice

Community: Starachowice

City: Starachowice

PKD: 7112Z, 7410Z, 2651Z, 7490Z, 2931Z, 4532Z, 2611Z

Country code: PL

Street: Radomska

House number: 86

Postal code: 27-200

Postal office: Starachowice

2. BASE INFORMATION

Reporting period start: 2020-01-01

Reporting period end: 2020-12-31

Is the duration of the entity limited?

NO

Does the financial statements contain aggregated data (if the entity includes internal organizational units preparing independent financial data)?

NO

Is the report prepared on the assumption that the entity will continue as a going concern in the foreseeable future?

YES

Are there any circumstances indicating a threat to the entity's ability to continue as a going concern?

YES

Description of circumstances indicating a threat to the continuation of operations

Although the Company generated a net profit of PLN 1,481,072.27 in the audited year, the total amount of losses exceeded the Company's share capital. On 13 April 2021 the Management Board received a support letter from the Company's Shareholder, i.e. PKC EESTI AS, in which it agreed to provide financial support and to continue the Company's operations for 12 months from the date of the receipt of the letter.

The Company's financial statements have been prepared under the assumption that the Company will be a going concern during a period of at least 12 months after the balance sheet date. Until the date of the financial statements, the resolution on the further operation of the Company had not yet been adopted.

Did any mergers occur during reporting period?

NO

Is the report prepared after the merger of companies?

NO

3. ACCOUNTING POLICIES

3.1. Methods of valuation of assets and liabilities (including depreciation/amortisation)

The purchase price of assets – from EUR 1000 – is classified by the Company as tangible fixed assets. The valuation is made using average NBP (National Bank of Poland) exchange rate prevailing on the date preceding the issue of invoice.

The depreciation write-offs for balance sheet purposes commence on the month of accepting the fixed assets into use. Inventories are valued as follows: -raw materials and finished goods are valued at cost, with the decrease being valued using the weighted average method, finished goods and work in progress are valued according to the manufacturing cost. Receivables and claims are measured at the amount due, in line with the prudence principle. Liabilities are shown in the balance sheet in the amount due. Cash in hand and cash at bank was measured at nominal value. Share capital valued at nominal value.

3.2. Determining the financial result

The financial result was determined using nature of expense or cost by type format.

3.3. Other information

Detailed accounting principles (policies) are described in the appendix to the financial statements.

3.4. Determining the method of preparation of the financial statements

The financial statements include: a / introduction to the financial statements, b / balance sheet, c / profit and loss account, d / statement of changes in equity, e / cash flow statement (indirect method), f / additional notes and explanations. The accounting principles (policy) are described in the appendix to the financial statements.

PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Balance Sheet

BALANCE SHEET

Assets

(in PLN)

	<i>As at</i> 31 December 2020	<i>As at</i> 31 December 2019
A. Non-current assets	24 944 939,52	28 537 062,28
I. Intangible assets	242 929,05	703 791,70
1. Development costs	0,00	0,00
2. Goodwill	0,00	0,00
3. Other intangible assets	89 226,29	703 791,70
4. Prepayments for intangible assets	153 702,76	0,00
II. Property, plant and equipment	16 472 653,76	20 017 394,35
1. Tangible fixed assets	15 257 638,66	13 658 749,30
a) land (including perpetual usufruct right to land)	0,00	0,00
b) buildings, premises and constructions	1 682 601,97	1 756 681,69
c) plant and machinery	7 862 411,94	8 748 367,41
d) motor vehicles	9 725,16	27 589,51
e) Other	5 702 899,59	3 126 110,69
2. Construction in progress	1 215 015,10	6 358 645,05
3. Prepayments for construction in progress	0,00	0,00
III. Long-term receivables	420 486,59	427 986,59
1. From affiliates	0,00	0,00
2. From other entities, in which the Company has participating interest	0,00	0,00
3. From other entities	420 486,59	427 986,59
IV. Long-term investments	0,00	0,00
1. Property	0,00	0,00
2. Intangible assets	0,00	0,00
3. Long-term financial assets	0,00	0,00
a) in affiliates	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans granted	0,00	0,00
- other long-term financial assets	0,00	0,00
b) in other entities, in which the Company has participating interest	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans granted	0,00	0,00
- other long-term financial assets	0,00	0,00
c) in other entities	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans granted	0,00	0,00
- other long-term financial assets	0,00	0,00
4. Other long-term investments	0,00	0,00
V. Long-term prepayments and deferred costs	7 808 870,12	7 387 889,64
1. Deferred tax assets	7 808 870,12	7 387 889,64
2. Other prepayments and deferred costs	0,00	0,00
B. Current assets	162 618 577,16	148 843 503,21
I. Inventories	63 983 841,48	56 051 173,75
1. Raw materials	42 220 806,48	33 032 216,43
2. Semi-finished goods and work-in-progress	5 612 087,10	5 008 476,50
3. Finished goods	9 392 921,06	9 729 394,01
4. Goods for resale	6 485 204,90	7 218 502,03
5. Inventory prepayments	272 821,94	1 062 584,78

This balance sheet should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Balance Sheet

<i>(in PLN)</i>	<i>As at</i> <i>31 December 2020</i>	<i>As at</i> <i>31 December 2019</i>
II. Short-term receivables	93 518 184,49	88 638 047,64
1. Receivables from affiliates	14 120 324,34	7 161 253,06
a) trade receivables, due in:	14 120 324,34	7 161 253,06
- up to 12 months	14 120 324,34	7 161 253,06
- over 12 months	0,00	0,00
b) other	0,00	0,00
2. Receivables from other entities, in which the Company has participating interest	0,00	0,00
a) trade receivables, due in:	0,00	0,00
- up to 12 months	0,00	0,00
- over 12 months	0,00	0,00
b) other	0,00	0,00
3. Receivables from other entities	79 397 860,15	81 476 794,58
a) trade receivables, due in:	76 530 053,20	72 725 784,63
- up to 12 months	76 530 053,20	72 725 784,63
- over 12 months	0,00	0,00
b) taxation, subsidy, customs duty, social security, health insurance and other public debtors	2 631 254,14	8 452 948,69
c) other	236 552,81	298 061,26
d) submitted to court	0,00	0,00
III. Short-term investments	3 273 326,06	3 763 158,09
1. Short-term financial assets	3 273 326,06	3 763 158,09
a) in affiliates	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans granted	0,00	0,00
- other short-term financial assets	0,00	0,00
b) in other entities	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans granted	0,00	0,00
- other short-term financial assets	0,00	0,00
c) cash and other monetary assets	3 273 326,06	3 763 158,09
- cash on hand and cash at bank	3 273 326,06	3 763 158,09
- other cash and cash equivalents	0,00	0,00
- other monetary assets	0,00	0,00
2. Other short-term investments	0,00	0,00
IV. Short-term prepayments and deferred costs	1 843 225,13	391 123,73
C. Unpaid share capital	0,00	0,00
D. Treasury shares	0,00	0,00
Total assets	187 563 516,68	177 380 565,49

This balance sheet should be read together with the notes, which are an integral part of these financial statements.

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PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Balance Sheet

Equity and liabilities

(in PLN)

	<i>As at</i> 31 December 2020	<i>As at</i> 31 December 2019
A. Shareholders' equity	-32 004 334,42	-33 485 406,69
I. Share capital	20 492 000,00	20 492 000,00
II. Reserve capital, of which:	0,00	0,00
- share premium	0,00	0,00
III. Revaluation reserve, of which:	0,00	0,00
- fair value re-measurement	0,00	0,00
IV. Other reserves, of which:	0,00	0,00
- created in accordance with Articles of Association	0,00	0,00
- for treasury shares	0,00	0,00
V. Accumulated profits/ (losses) from previous years	-53 977 406,69	-47 224 804,98
VI. Net profit/ (loss) for the year	1 481 072,27	-6 752 601,71
VII. Deductions from net profit during the year (negative value)	0,00	0,00
B. Liabilities and provisions for liabilities	219 567 851,10	210 865 972,18
I. Provisions for liabilities	25 158 861,49	26 152 935,22
1. Deferred tax liability	0,00	0,00
2. Provision for retirement benefits and similar obligations	12 819 524,69	11 556 756,76
- long-term	7 574 697,71	7 279 440,07
- short-term	5 244 826,98	4 277 316,69
3. Other provisions	12 339 336,80	14 596 178,46
- long-term	0,00	0,00
- short-term	12 339 336,80	14 596 178,46
II. Long-term liabilities	50 000 000,00	50 000 000,00
1. To affiliates	50 000 000,00	50 000 000,00
2. To other entities, in which the Company has participating interest	0,00	0,00
3. To other entities	0,00	0,00
a) loans and borrowings	0,00	0,00
b) debt securities issued	0,00	0,00
c) other financial liabilities	0,00	0,00
d) bills of exchange payable	0,00	0,00
e) other	0,00	0,00
III. Short-term liabilities	144 408 989,61	134 713 036,96
1. To affiliates	77 590 815,75	64 066 222,21
a) trade creditors, payable in:	16 619 235,46	15 366 532,87
- up to 12 months	16 619 235,46	15 366 532,87
- over 12 months	0,00	0,00
b) other	60 971 580,29	48 699 689,34
2. To other entities, in which the Company has participating interest	0,00	0,00
a) trade creditors, payable in:	0,00	0,00
- up to 12 months	0,00	0,00
- over 12 months	0,00	0,00
b) other	0,00	0,00
3. To other entities	65 810 446,40	69 629 912,35
a) loans and borrowings	0,00	0,00
b) debt securities issued	0,00	0,00
c) other financial liabilities	10 280 825,69	27 845 769,20
d) trade creditors, payable in:	51 936 109,62	34 057 853,98
- up to 12 months	51 936 109,62	34 057 853,98
- over 12 months	0,00	0,00
e) advance payments received	0,00	0,00
f) bills of exchange payable	0,00	0,00
g) taxation, customs duty, social security, health insurance and other public creditors	3 136 122,66	6 655 915,78
h) payroll	0,00	0,00
i) other	457 388,43	1 070 373,39
4. Special funds	1 007 727,46	1 016 902,40

This balance sheet should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Balance Sheet

<i>(in PLN)</i>	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
IV. Accruals and deferred income	0,00	0,00
1. Negative goodwill	0,00	0,00
2. Other accruals and deferred income	0,00	0,00
- long-term	0,00	0,00
- short-term	0,00	0,00
Total liabilities and equity	187 563 516,68	177 380 565,49

This balance sheet should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND S.A.
Financial statements for the year ended 31 December 2020
Profit and Loss Account

PROFIT AND LOSS ACCOUNT (NATURE OF EXPENSE OR COST BY TYPE FORMAT)

<i>(in PLN)</i>	<i>Year ended 31 December 2020</i>	<i>Year ended 31 December 2019</i>
A. Net sales and sales equivalents, of which:	538 745 436,52	661 800 221,15
- from affiliates	90 341 255,52	147 385 039,81
I. Net sales of finished goods	343 247 024,10	408 292 086,81
II. Change in stocks of finished goods (increase – positive value, decrease – negative value)	178 693,19	1 833 455,54
III. Cost of goods produced for the Company's own use	0,00	0,00
IV. Net sales of goods for resale and raw materials	195 319 719,23	251 674 678,80
B. Operating expenses	529 778 419,65	656 987 273,24
I. Depreciation	6 798 713,35	8 009 921,72
II. Materials and energy	181 802 229,14	229 512 397,76
III. External services	56 846 541,46	60 971 667,38
IV. Taxes and charges, of which:	2 605 945,25	2 510 795,28
- excise	0,00	0,00
V. Payroll	76 208 194,98	88 501 531,02
VI. Social security and other allowances, of which:	19 618 081,93	22 293 168,90
- retirement benefits	6 874 059,21	8 237 270,36
VII. Other	1 577 017,14	2 152 801,86
VIII. Cost of goods for resale and raw materials sold	184 321 696,40	243 034 989,32
C. Gross profit/ (loss) on sales (A - B)	8 967 016,87	4 812 947,91
D. Other operating income	9 577 189,75	5 264 590,24
I. Gains on the sale of non-financial long-term assets	60 776,90	0,00
II. Subsidies	4 338 478,33	0,00
III. Revaluation of non-financial assets	0,00	125 782,27
IV. Other	5 177 934,52	5 138 807,97
E. Other operating expenses	2 808 401,16	9 639 033,19
I. Loss on the sale of non-financial long-term assets	0,00	12 210,07
II. Impairment of non-financial assets	1 565 221,67	1 099 709,51
III. Other	1 243 179,49	8 527 113,61
F. Operating profit/ (loss) (C+D-E)	15 735 805,46	438 504,96
G. Financial income	281,00	774,78
I. Dividends and shares in profits, of which:	0,00	0,00
a) from affiliates, including:	0,00	0,00
- in which the Company has participating interest	0,00	0,00
b) from other entities, including:	0,00	0,00
- in which the Company has participating interest	0,00	0,00
II. Interest, of which:	281,00	0,00
- from affiliates	0,00	0,00
III. Gains on the sale of financial assets, of which:	0,00	0,00
- in affiliates	0,00	0,00
IV. Revaluation of financial assets	0,00	0,00
V. Other	0,00	774,78
H. Financial expenses	7 016 081,67	5 507 693,39
I. Interest, of which:	1 708 235,61	2 511 159,77
- to affiliates	1 632 727,95	1 932 181,35
II. Loss on the sale of financial assets, of which:	0,00	0,00
- in affiliates	0,00	0,00
III. Impairment of financial assets	0,00	0,00
IV. Other	5 307 846,06	2 996 533,62
I. Gross profit/ (loss) (F+G-H)	8 720 004,79	-5 068 413,65
J. Corporate profits tax	7 238 932,52	1 684 188,06
K. Other tax charges	0,00	0,00
L. Net profit (loss) (I-J-K)	1 481 072,27	-6 752 601,71

This profit and loss account should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY

<i>(in PLN)</i>	<i>Year ended 31 December 2020</i>	<i>Year ended 31 December 2019</i>
I. Shareholders' equity at the beginning of the period (OB)	-33 485 406,69	-26 732 804,98
- changes in accounting policy	0,00	0,00
- adjustments due to fundamental errors	0,00	0,00
I.a. Shareholders' equity at the beginning of the period (OB), after adjustments	-33 485 406,69	-26 732 804,98
1. Share capital at the beginning of the period	20 492 000,00	20 492 000,00
1.1. Changes in share capital	0,00	0,00
a) increases (due to)	0,00	0,00
- issue of shares	0,00	0,00
b) decreases (due to)	0,00	0,00
- redemption of shares	0,00	0,00
1.2. Share capital at the end of the period	20 492 000,00	20 492 000,00
2. Reserve capital at the beginning of the period	0,00	0,00
2.1. Changes in reserve capital	0,00	0,00
a) increases (due to)	0,00	0,00
- share premium	0,00	0,00
- statutory profit appropriation	0,00	0,00
- profit appropriation (in excess of statutory minimum amounts)	0,00	0,00
b) decreases (due to)	0,00	0,00
- absorption of losses	0,00	0,00
2.2. Reserve capital at the end of the period	0,00	0,00
3. Revaluation reserve at the beginning of the period	0,00	0,00
3.1. Changes in revaluation reserve	0,00	0,00
a) increases (due to)	0,00	0,00
b) decreases (due to)	0,00	0,00
- disposal of tangible fixed assets	0,00	0,00
3.2. Revaluation reserve at the end of the period	0,00	0,00
4. Other reserves at the beginning of the period	0,00	0,00
4.1. Changes in other reserves	0,00	0,00
a) increases (due to)	0,00	0,00
b) decreases (due to)	0,00	0,00
4.2. Other reserves at the end of the period	0,00	0,00
5. Accumulated profits/ (losses) from previous years at the beginning of the period	0,00	0,00
5.1. Accumulated profits from previous years at the beginning of the period	0,00	0,00
- changes in accounting policy	0,00	0,00
- adjustments due to fundamental errors	0,00	0,00
5.2. Accumulated profits from previous years at the beginning of the period, after adjustments	0,00	0,00
a) increases (due to)	0,00	0,00
- appropriation of profit from previous years	0,00	0,00
b) decreases (due to)	0,00	0,00
5.3. Accumulated profits from previous years at the end of the period	0,00	0,00
5.4. Accumulated losses from previous years at the beginning of the period	-53 977 406,69	-47 224 804,98
- changes in accounting policy	0,00	0,00
- adjustments due to fundamental errors	0,00	0,00
5.5. Accumulated losses from previous years at the beginning of the period, after adjustments	-53 977 406,69	-47 224 804,98
a) increases (due to)	0,00	0,00
- transfer of prior year losses to be absorbed	0,00	0,00
b) decreases (due to)	0,00	0,00

This statement of changes in equity should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Statement of changes in equity

<i>(in PLN)</i>	<i>Year ended 31 December 2020</i>	<i>Year ended 31 December 2019</i>
5.6. Accumulated losses from previous years at the end of the period	-53 977 406,69	-47 224 804,98
5.7. Accumulated profits/ (losses) from previous years at the end of the period	-53 977 406,69	-47 224 804,98
6. Net result	1 481 072,27	-6 752 601,71
a) net profit	1 481 072,27	-6 752 601,71
b) net loss	0,00	0,00
c) deductions from net profit during the period	0,00	0,00
II. Shareholders' equity at the end of the period (CB)	-32 004 334,42	-33 485 406,69
III. Shareholders' equity, after proposed appropriation of profits (absorption of losses)	-32 004 334,42	-33 485 406,69

This statement of changes in equity should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Cash Flow Statement

CASH FLOW STATEMENT (INDIRECT METHOD)

(in PLN)

	Year ended 31 December 2020	Year ended 31 December 2019
A. Cash flow from operating activities		
I. Net profit/ (loss)	1 481 072,27	-6 752 601,71
II. Adjustments, total	-10 336 733,64	-6 043 557,63
1. Depreciation	6 798 713,35	8 009 921,72
2. Foreign exchange gains/ (losses)	0,00	0,00
3. Interest and shares in profits (dividends)	1 187 833,34	1 771 000,02
4. Profit/ (loss) on investing activities	-60 776,90	12 210,07
5. Change in provisions	-994 073,73	8 781 854,97
6. Change in inventories	-7 932 667,73	5 884 382,17
7. Change in receivables	-4 872 636,85	29 995 732,84
8. Change in short-term liabilities, except for loans and borrowings	-2 590 043,24	-59 040 976,80
9. Change in prepayments, accruals and deferred income	-1 873 081,88	-1 457 682,62
10. Other adjustments	0,00	0,00
III. Net cash flow from operating activities (I±II)	-8 855 661,37	-12 796 159,34
B. Cash flow from investing activities		
I. Inflows	0,00	0,00
1. Sale of intangible assets and tangible fixed assets	0,00	0,00
2. Sale of investment property and investments in intangible assets	0,00	0,00
3. From financial assets, of which:	0,00	0,00
a) in affiliates	0,00	0,00
b) in other entities	0,00	0,00
- sale of financial assets	0,00	0,00
- dividends and shares in profits	0,00	0,00
- repayment of long-term loans granted	0,00	0,00
- interest received	0,00	0,00
- other	0,00	0,00
4. Other investing inflows	0,00	0,00
II. Outflows	-2 573 321,98	-9 575 793,68
1. Purchase of intangible assets and tangible fixed assets	-2 573 321,98	-9 575 793,68
2. Investment property and investments in intangible assets	0,00	0,00
3. For financial assets, of which:	0,00	0,00
a) in affiliates	0,00	0,00
b) in other entities	0,00	0,00
- purchase of financial assets	0,00	0,00
- long-term loans granted	0,00	0,00
4. Other investing outflows	0,00	0,00
III. Net cash flow from investing activities (I-II)	-2 573 321,98	-9 575 793,68

This cash flow statement should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND SP. Z O.O.
Financial statements for the year ended 31 December 2020
Cash Flow Statement

<i>(in PLN)</i>	<i>Year ended 31 December 2020</i>	<i>Year ended 31 December 2019</i>
C. Cash flow from financing activities		
I. Inflows	12 126 984,66	19 960 666,16
1. Net inflows from issue of shares, issue of other equity instruments and additional payments to capital	0,00	0,00
2. Loans and borrowings	0,00	0,00
3. Issue of debt securities	0,00	0,00
4. Other financing inflows	12 126 984,66	19 960 666,16
II. Outflows	-1 187 833,34	-1 771 000,02
1. Re-acquisition of own shares	0,00	0,00
2. Dividends and other payments to shareholders	0,00	0,00
3. Outflows due to appropriation of profit other than payments to shareholders	0,00	0,00
4. Repayment of loans and borrowings	0,00	0,00
5. Redemption of debt securities	0,00	0,00
6. Relating to other financial liabilities	0,00	0,00
7. Finance lease payments	0,00	0,00
8. Interest paid	-1 187 833,34	-1 771 000,02
9. Other financing outflows	0,00	0,00
III. Net cash flow from financing activities (I-II)	10 939 151,32	18 189 666,14
D. Total net cash flow (A.III±B.III±C.III)	-489 832,03	-4 182 286,88
E. Balance sheet change in cash and cash equivalents, of which:	-489 832,03	-4 182 286,88
- change in cash and cash equivalents due to foreign exchange gains/losses	0,00	0,00
F. Cash and cash equivalents at the beginning of the period	3 763 158,09	7 945 444,97
G. Cash and cash equivalents at the end of the period (F±D), of which:	3 273 326,06	3 763 158,09
- of restricted use	0,00	0,00

This cash flow statement should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND S.A.
Financial statements for the year ended 31 December 2020
Income Tax Information

INCOME TAX INFORMATION

(in PLN)

Position	Year ended 31 December 2020			Year ended 31 December 2019		
	Total amount	Capital gains	Other sources of revenue	Total amount	Capital gains	Other sources of revenue
A. Gross profit/(loss) for current year						
B. Tax-exempt revenue (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes)						
C. Non-taxable income in current year, including:						
Released provisions for liabilities (Article 16 Section 1 Point 27)	-1 319 992,05	0,00	-1 319 992,05	-12 412 086,05	0,00	-12 412 086,05
Sales corrections relating to prior years	-994 073,72	0,00	-994 073,72	0,00	0,00	0,00
Released write-offs on inventories and receivables	0,00	0,00	0,00	-335 129,72	0,00	-335 129,72
Received revenue from sorting services (up to the amount of incurred costs) (Article 12 Section 4 Point 6)	0,00	0,00	0,00	-12 041 965,05	0,00	-12 041 965,05
Exchange rate differences attributable to VAT (Article 15)				-13 385,05	0,00	-13 385,05
D. Taxable income in current year recognised in previous year's books, including						
Sales corrections relating to prior years (Article 12)	-325 918,33	0,00	-325 918,33	-21 606,23	0,00	-21 606,23
Received payment for TE notes (Article 12)	996 407,22	0,00	996 407,22	2 582 233,15	0,00	2 582 233,15
E. Costs that are not tax-deductible costs (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes), including:						
Balance sheet transfers related to the calculation of tables (Article 16 Section 1)	996 407,22	0,00	996 407,22	0,00	0,00	0,00
Budget interest (Article 16 Section 1 Point 21)	0,00	0,00	0,00	2 582 233,15	0,00	2 582 233,15
Car operating costs (Article 16 Section 1 Point 46)	32 371 796,47	0,00	32 371 796,47	34 318 371,42	0,00	34 318 371,42
Advisory services – limit of PLN 3m million (Article 15)	1 274 242,66	0,00	1 274 242,66	0,00	0,00	0,00
Provisions and revaluation write-downs (Article 16 Section 1 Point 26)	13 742,00	0,00	13 742,00	508 687,58	0,00	508 687,58
Penalties and damages (Article 16 Section 1 Point 22)	109 242,33	0,00	109 242,33	93 539,24	0,00	93 539,24
Downtime and sorting costs (Article 15 Section 1)	27 786 977,23	0,00	27 786 977,23	22 761 501,04	0,00	22 761 501,04
State Fund for Rehabilitation of Disabled Persons PFRON (Article 16 Section 1 Point 36)	1 565 221,67	0,00	1 565 221,67	8 781 854,97	0,00	8 781 854,97
Inventory count differences (Article 16 Section 1)	407 650,93	0,00	407 650,93	64 128,11	0,00	64 128,11
Entertainment costs (Article 16 Section 1 Point 28)	121 020,31	0,00	121 020,31	1 015 739,13	0,00	1 015 739,13
Exchange rate differences attributable to VAT (Article 15)	294 082,30	0,00	294 082,30	604 191,00	0,00	604 191,00
Additional accident insurance for employees (Article 16 Section 1 Point 59)	154 317,49	0,00	154 317,49	79 599,57	0,00	79 599,57
Donations (Article 16 Section 1 Point 14)	53 648,87	0,00	53 648,87	115 052,28	0,00	115 052,28
Business travels (Article 16 Section 1)	368 471,09	0,00	368 471,09	0,00	0,00	0,00
Value of raw materials written-off (Article 16 Section 1)	63 228,00	0,00	63 228,00	72 019,20	0,00	72 019,20
	15 000,00	0,00	15 000,00	25 000,00	0,00	25 000,00
	67 750,78	0,00	67 750,78	69 525,77	0,00	69 525,77
	0,00	0,00	0,00	73 724,26	0,00	73 724,26

This cash flow statement should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

PKC GROUP POLAND S.A.
Financial statements for the year ended 31 December 2020
Income Tax Information

(in PLN)

Position	Year ended 31 December 2020			Year ended 31 December 2019		
	Total amount	Capital gains	Other sources of revenue	Total amount	Capital gains	Other sources of revenue
Others (possibility of providing differences for which combined amounts are lower than 20 000 zł)	77 200,81	0,00	77 200,81	53 809,27	0,00	53 809,27
F. Costs not recognized as tax deductible costs in the current year, including:						
Difference between balance sheet and tax depreciation/amortisation (Article 16)	1 063 434,41	0,00	1 063 434,41	153 366,69	0,00	153 366,69
Accrued interest notes (Article 16 Section 1 Point 11)	0,00	0,00	0,00	31 990,36	0,00	31 990,36
Contracted production to Serbia (Article 16 Section 1)	351,63	0,00	351,63	367,32	0,00	367,32
Unrealized exchange differences (Article 15)	0,00	0,00	0,00	0,00	0,00	0,00
	1 063 082,78	0,00	1 063 082,78	121 009,01	0,00	121 009,01
G. Costs recognized as tax deductible expenses in the current year recognized in previous years' books, including:	-404 584,55	0,00	-404 584,55	-1 508 946,00	0,00	-1 508 946,00
Difference between balance sheet and tax depreciation/amortisation (Article 16 Section 1)	-93 749,95	0,00	-93 749,95	0,00	0,00	0,00
Balance sheet transfers related to the calculation of tables (Article 16 Section 1)	0,00	0,00	0,00	-1 274 242,66	0,00	-1 274 242,66
Interest paid (Article 15)	-367,32	0,00	-367,32	-138 638,89	0,00	-138 638,89
Correction of direct raw material costs due to price differences booked in 2019	0,00	0,00	0,00	-36 031,00	0,00	-36 031,00
Liquidation of fixed assets – tax	-310 467,28	0,00	-310 467,28	-60 015,41	0,00	-60 015,41
Others (possibility of providing differences for which combined amounts are lower than 20 000 zł)	0,00	0,00	0,00	-18,04	0,00	-18,04
H. Loss from previous years, including:	0,00	0,00	0,00	-1 635 993,50	0,00	-1 635 993,50
50% of tax loss from 2017	0,00	0,00	0,00	-1 635 993,50	0,00	-1 635 993,50
I. Other changes in the tax base, including:						
5% EBITDA	-1 111 735,51	0,00	-1 111 735,51	-171 128,34	0,00	-171 128,34
Donations (Article 18 Section 1)	-1 111 735,51	0,00	-1 111 735,51	-146 128,34	0,00	-146 128,34
	-15 000,00	0,00	-15 000,00	-25 000,00	0,00	-25 000,00
J. Taxable profit/ (tax loss) [taxable base]	40 315 330,78			16 257 403,72		
K. Corporate income tax	7 659 912,85			3 088 906,71		

This cash flow statement should be read together with the notes, which are an integral part of these financial statements.

This is a translation of financial statements originally issued in Polish.

ACCOUNTING POLICIES

1. FORMAT AND BASIS OF PREPARING FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the accounting policies in force in the territory of the Republic of Poland, as defined in the Accounting Act dated 29 September 1994 (Journal of Laws 2019, item 351) and related regulations.

The accounting policies adopted by the Company were applied in a continuous manner and are consistent with the accounting policies applied in the previous financial year.

2. REVENUE AND COSTS

Revenue and costs are recognized on an accrual basis, i.e. in the financial year to which they relate, regardless of the date of receipt or payment, ie in the financial year to which they relate, regardless of the date when the payment is received or made.

The profit and loss account was prepared using the nature of expense ("cost by type") format.

Sales revenue

Revenue from the sales of finished goods, goods for resale and raw materials are recognized in the profit and loss account, when the Company has transferred to the buyer significant benefits resulting from the ownership rights to these assets and has ceased to be permanently involved in the management of the transferred assets, nor does it exercise effective control over them.

3. INTEREST INCOME

Interest revenue is recognised using the effective interest rate method.

4. CASH FLOW STATEMENT

The cash flow statement was prepared using the indirect method.

5. INTANGIBLE ASSETS

Intangible assets are valued at acquisition cost or cost of production less accumulated amortisation and impairment write-downs.

Intangible assets are amortised using the straight-line method using the following amortisation rates:

Patents, licences, trademarks	20-50%
Goodwill	20%
Computer software	20-50%
Other intangible assets	20%

Estimates relating to the economic useful lives and method of amortisation are reviewed periodically, resulting in an appropriate adjustment of amortization write-offs in the subsequent years.

6. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at acquisition cost, cost of production, less accumulated depreciation and impairment losses.

The acquisition cost, cost of production of fixed assets and fixed assets under construction include all their costs incurred by the entity during the period of construction, assembly, adaptation and improvement until the date of their commissioning, including the cost of liabilities incurred to finance them and the related exchange differences, less the revenues therefrom. Assets with a purchase price of EUR 1,000 and above are classified by the Company as fixed assets.

The initial value of a fixed asset is increased by the costs of its improvement, consisting in alteration, extension, modernization or reconstruction, so that the value in use of this asset after the improvement exceeds its value in use upon its commissioning.

Tangible fixed assets are depreciated using the straight-line method. Depreciation commences in the month in which the tangible asset is commissioned.

The example depreciation rates are as follows:

Buildings	5-20%
Civil and water engineering constructions	5-20%
Plant and machinery	10-33%
Motor vehicles	20%
Other [tangible] fixed assets	10-33%

Estimates relating to the economic useful lives and method of depreciation are reviewed periodically, resulting in an appropriate adjustment of depreciation write-offs in the subsequent years.

7. INVESTMENTS

Investments include assets held for the purpose of generating benefits in the form of an increase in their value, obtaining revenues from them in the form of interest, dividends (shares in profits) or other benefits, including from a commercial transaction, in particular financial assets and these properties and intangible assets which the Company does not use for its own purposes but which are held for the purpose of generating these benefits.

8. IMPAIRMENT OF ASSETS

An assessment is made at each balance sheet date to determine whether there is any objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss recognized for the difference between the recoverable amount and the carrying amount.

Impairment losses are recognized in the profit and loss account. If the effects of the previous revaluation of assets were recognized as revaluation reserve, the loss reduces the amount of this reserve, and any excess part of the loss is recognized in the profit and loss account.

9. FINANCE LEASE

In case the Company is a party to lease agreements under which it uses third party tangible fixed assets or intangible assets, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is capitalized.

10. INVENTORIES

Inventories are stated at the lower of acquisition cost or cost of production and net selling price.

Inventory value is stated as:

Raw materials and goods for resale – acquisition cost, whereas decreases and valuation are made using the „weighted average” method.

Finished goods and work in progress – the cost of production which includes the costs directly attributable to the product and an appropriate proportion of manufacturing overheads. An appropriate proportion of manufacturing overheads includes variable indirect production costs and that part of fixed indirect production costs that correspond to the level of these costs based on normal production capacity. The normal production capacity is considered to be the average production volume, as expected under typical conditions, for a given number of periods or seasons, taking into account scheduled plant repairs.

11. RECEIVABLES, CLAIMS AND LIABILITIES, OTHER THAN THOSE CLASSIFIED AS FINANCIAL ASSETS AND LIABILITIES

Receivables are stated at the amount due, in accordance with the prudence principle. The value of receivables is adjusted by appropriate write-downs reflecting their recoverability. Write-downs against receivables are recorded under other operating expenses or financial expenses, depending on the type of receivable.

Liabilities are stated at the amount due.

Receivables and liabilities expressed in foreign currencies are translated as of the day they arise into Polish zloty using average NBP (National Bank of Poland) exchange rate prevailing on the date preceding that day.

As at the balance sheet date, receivables and liabilities expressed in foreign currencies are translated into Polish zloty using the average NBP rate prevailing for the given currency at the year-end.

12. PREPAID AND ACCRUED EXPENSES

The Company recognises prepayments if the costs incurred relate to future reporting periods. Accruals are recognised at the amount of probable liabilities relating to the current reporting period. Prepayments include: rents and lease paid upfront, insurances, subscriptions, contributions to the Company Social Benefits Fund, IT service charges.

13. PROVISIONS FOR LIABILITIES

Provisions are liabilities of uncertain maturity or amount.

Complaints

Provision for warranty repairs (complaints) is created for the expected costs of repairs and returns of sold products covered by the warranty.

Jubilee awards and retirement benefits

In accordance with the corporate remuneration regulations, the Company's employees are entitled to jubilee awards for their long service and retirement benefits. The valuation of liabilities for jubilee awards and retirement benefits was made using actuarial methods and a discount rate based on market rates of return as at the balance sheet date. Employee rotation is estimated on the basis of historical data and the expected level of employment in the future.

Receivables are stated at the amount due, in accordance with the prudence principle. The value of receivables is adjusted by appropriate write-downs reflecting their recoverability. Write-downs against receivables are recorded under other operating expenses or financial expenses, depending on the type of receivable.

Liabilities are stated at the amount due.

14. FACTORING

The company uses factoring services to finance its activities. Pursuant to the provisions of the factoring agreement, if the debtor fails to pay the factoring liability, the Company is obliged to return the amounts received from the factor for the receivables transferred. Due to the fact that until the receivable is repaid by the debtor, the risk of their irrecoverability remains with the Company (the customer), as at the balance sheet date the sold receivables, unpaid by the debtor, are recognized under "Other financial liabilities".

15. SUBSIDIES

Subsidies are recognized as income at the date of their receipt and presented as other operating income.

The company uses factoring services to finance its activities. Pursuant to the provisions of the factoring agreement, if the debtor fails to pay the factoring liability, the Company is obliged to return the amounts received from the factor for the receivables transferred. Due to the fact that until the receivable is repaid by the debtor, the risk of their irrecoverability remains with the Company (the customer), as at the balance sheet date the sold receivables, unpaid by the debtor, are recognized under "Other financial liabilities".

16. INCOME TAX

Income tax shown in the profit and loss account includes the current and deferred tax.

The current income tax liability is calculated in accordance with tax regulations. The deferred part recognized in the profit and loss account is the difference between the balance of deferred tax liabilities and assets at the end and the beginning of the reporting period.

Deferred tax assets are recognized in the amount to be deducted from income tax in the future, due to negative temporary differences that will reduce the income tax base and carry-forward of unused tax losses, determined taking into account the prudence principle.

Deferred tax liability is created in the amount of the income tax payable in the future, due to positive temporary differences, i.e. differences that will increase the income tax base in the future.

The amount of the deferred tax liability and assets is determined taking into account the income tax rates applicable in the year in which the tax obligation arises taking into account the tax regulations in force at the balance sheet date.

Deferred tax assets and deferred tax liabilities are presented net in the balance sheet.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its *modus operandi* was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of factitious activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as group restructuring or group reorganization.

17. EXCHANGE RATE DIFFERENCES

Exchange differences resulting from the valuation of assets and liabilities expressed in foreign currencies as at the balance sheet date, except for long-term investments, and arising in connection with the payment of receivables and payables in foreign currencies, as well as during the sale of currencies, are recorded under financial income or financial expenses, or – in cases defined in regulations – are capitalised in the cost of the assets.

The following exchange rates were used for valuation purposes:

	<i>Balance sheet</i>	
	<i>31 December 2020</i>	<i>31 December 2019</i>
USD	4,6148	4,2585
EUR	3,7584	3,7977
SEK	0,4598	0,4073
GBP	5,1327	4,9971

18. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial instruments are recognized and valued in accordance with the Decree of the Minister of Finance of 12 December 2001 on the specific principle of recognition, methods of valuation, scope of disclosure and method of presentation of financial instruments. The policy of valuation and disclosure of financial assets described in the note below does not apply to the following excluded from the Decree: shares in subsidiaries, rights and obligations resulting from lease and insurance contracts, trade receivables and trade payables and financial instruments issued by the Company which are equity instruments.

Financial assets include:

- loans and receivables,

- financial assets held to maturity,

Financial liabilities include other financial liabilities.

19. METHODS OF RECOGNITION AND VALUATION OF FINANCIAL INSTRUMENTS

Financial assets are initially valued at cost (acquisition cost) being the fair value of the consideration given or other assets transferred in exchange. Financial liabilities are initially valued at cost (acquisition cost) being the fair value of the consideration received or other assets received in exchange. Transaction costs are included in the initial cost.

20. FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity include financial assets not classified as loans and receivables, for which the concluded contracts set the maturity date for the repayment of the nominal value and define the right to receive economic benefits on specified dates, e.g. interest, in a fixed or determinable amount, provided that the Company intends and can hold the assets until they become due.

Financial assets held to maturity are measured at amortized cost using the effective interest rate method.

21. LOANS AND RECEIVABLES

Loans and receivables include, regardless of their maturity (payment) date, financial assets resulting from the direct transfer of cash to the other party to the contract.

Loans and receivables do not include acquired loans or receivables, as well as payments made by the Company to acquire newly issued equity instruments, also when the acquisition takes place in the initial public offering or in primary trading, and in the case of rights to shares - also in secondary trading.

Loans and receivables are measured at amortized cost using the effective interest rate method.

22. FINANCIAL LIABILITIES

Financial liabilities are measured at amortized cost using the effective interest rate method.

23. MANAGEMENT ESTIMATES

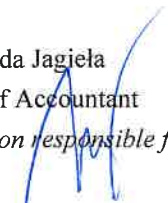
Preparation of the financial statements requires the Management Board of the Company to make certain estimates and assumptions, which are reflected in the attached financial statements and in additional information and explanations to these financial statements. All the adopted assumptions and estimates are based on the best knowledge of the Management Board of the Company of the current activities and events that were available as of the date of the financial statements, however, the actual results may differ from the those projected. Estimates and related assumptions are subject to periodic and cyclical verification.

The Management estimates concern, among others, the created write-downs, provisions, accruals and the adopted assumptions regarding the economic useful lives of fixed assets and intangible assets, as well as the possible value of impairment write-offs of assets.


Dariusz Abram
President of the Management Board


Andreas Heuser
Member of the Management Board


Robert Pużuk
Member of the Management Board


Wanda Jagiela
Chief Accountant
Person responsible for the bookkeeping

PKC GROUP POLAND S.A.
Financial statements for the year ended 31 December 2020
Income Tax Information

ADDITIONAL NOTES AND EXPLANATIONS

1. INTANGIBLE ASSETS

Change in intangible assets

	Goodwill	Other intangible assets	Prepayments for intangible assets	Total
Initial cost				
01.01.2020	75 547 640,71	15 556 457,10	-	91 104 097,81
Increases	-	-	53 702,76	153 702,76
Decreases	-	-	-	-
31.12.2020	75 547 640,71	15 556 457,10	153 702,76	91 257 800,57
Accumulated amortization				
01.01.2020	(75 547 640,71)	(14 852 665,40)	-	(90 400 306,11)
Increases	-	(614 565,41)	-	(614 565,41)
31.12.2020	(75 547 640,71)	(15 467 230,81)	-	(91 014 871,52)
Net book value				
01.01.2020	-	703 791,70	-	703 791,70
31.12.2020	-	89 226,29	153 702,76	242 929,05

2. PROPERTY, PLANT AND EQUIPMENT

Change in fixed assets

	Land (incl. Perpetual usufruct right to land)	Buildings, premises and constructions	Plant and machinery	Motor vehicles	Other tangible fixed assets	Razem
Initial cost						
01.01.2020	-	6 316 877,18	38 226 809,83	866 911,57	20 082 089,33	65 492 687,91
Increases	-	528 662,26	2 573 306,25	-	4 997 670,02	8 099 638,53
Decreases	-	-	(971 981,71)	-	(272 943,05)	(1 244 924,76)
31.12.2020	-	6 845 539,44	39 828 134,37	866 911,57	24 806 816,30	72 347 401,68
Accumulated depreciation						
01.01.2020	-	(4 560 195,49)	(29 478 442,42)	(839 322,06)	(16 955 978,64)	(51 833 938,61)
Increases	-	(602 741,98)	(3 142 660,49)	(17 864,35)	(2 420 881,12)	(6 184 147,94)
Decreases	-	-	655 380,48	-	272 943,05	928 323,53
31.12.2020	-	(5 162 937,47)	(31 965 722,43)	(857 186,41)	(19 103 916,71)	(57 089 763,02)
Net book value						
01.01.2020	-	1 756 681,69	8 748 367,41	27 589,51	3 126 110,69	13 658 749,30
31.12.2020	-	1 682 601,97	7 862 411,94	9 725,16	5 702 899,59	15 257 638,66

This cash flow statement should be read together with the notes, which are an integral part of these financial statements.

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PKC GROUP POLAND S.A.
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Non-depreciated fixed assets

As at 31 December 2020, the value of tangible fixed assets used under operating lease, hire, rental and other agreements of a similar nature (excluding finance lease agreements) amounted to PLN 14 023 thousand (as at 31 December 2019: PLN 13 814 thousand). The initial cost of these assets results from concluded lease, hire, rental agreements etc.

3. LONG-TERM RECEIVABLES

Structure of long-term receivables

	Gross value	Net value
From other entities	420 486,59	420 486,59
	420 486,59	420 486,59

4. INVENTORIES

Inventories are presented in the balance sheet at net book value, i.e. decreased by impairment write-downs amounting to PLN 5 260,2 thousand (in 2019: PLN 3 841,2 thousand).

5. SHORT-TERM RECEIVABLES

Ageing analysis of short-term trade receivables from affiliates

	31.12.2020	2019-12-31
<i>With maturity:</i>		
Up to 12 months	14 120 324,34	7 161 253,06
	14 120 324,34	7 161 253,06
Impairment write-down of receivables	-	-
Net book value	14 120 324,34	7 161 253,06

Ageing analysis of short-term trade receivables from other entities

	31.12.2020	2019-12-31
<i>With maturity:</i>		
Up to 12 months	78 098 657,64	74 208 644,42
	78 098 657,64	74 208 644,42
Gross value	78 098 657,64	74 208 644,42
Impairment write-down on receivables	(1 568 604,44)	(1 482 859,79)
Net book value	76 530 053,20	72 725 784,63

Impairment write-downs of trade receivables

	Other entities
01.01.2020	1 482 859,79
Increases	85 744,65
31.12.2020	1 568 604,44

Impairment write-downs of other receivables (including submitted to court)

	Affiliates	Other entities, in which the Company has participating interest	Other entities
01.01.2020	-	-	814 079,47
Increases	-	-	60 467,49
31.12.2020	-	-	874 546,96

This cash flow statement should be read together with the notes, which are an integral part of these financial statements.

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PKC GROUP POLAND S.A.
Financial statements for the year ended 31 December 2020
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6. SHORT-TERM INVESTMENTS

Cash and other monetary assets

	31.12.2020	2019-12-31
Cash on hand and cash at bank	3 273 326,06	3 763 158,09
	<u>3 273 326,06</u>	<u>3 763 158,09</u>

Starting from 1 November 2019 the Company applies split payment. As of 31 December 2020 the balance of funds on the split payment account amounted to PLN 1 435 550,24.

7. SHORT-TERM PREPAYMENTS

	31.12.2020	2019-12-31
Insurance	196 134,56	153 926,74
Subscriptions	5 334,86	1 975,88
Rent	98 080,45	29 897,27
IT service charges	198 385,26	205 323,84
Customer bonus	1 345 290,00	-
	<u>1 843 225,13</u>	<u>391 123,73</u>

8. SHARE CAPITAL

Shareholding structure

Shareholder	Number of shares	Nominal value of shares	% of share capital held
PKC Eesti AS	204 920	20 492 000,00	100,0%
	<u>204 920</u>	<u>20 492 000,00</u>	<u>100,0%</u>

Appropriation of current year profit

The Management Board of the Company proposes to appropriate the net profit for the financial year 2020 to cover losses from previous years.

9. PROVISIONS

Provision for retirement benefits and similar obligations

	Jubilee awards and retirement benefits	Other	Total
01.01.2020	7 715 215,94	3 841 540,82	11 556 756,76
Increases	811 955,86	10 226 782,82	11 038 738,68
Utilization	-434 685,00	-9 341 285,75	-9 775 970,75
31.12.2020	<u>8 092 486,80</u>	<u>4 727 037,89</u>	<u>12 819 524,69</u>
<i>including:</i>			
Long-term portion	7 574 697,71	0,00	7 574 697,71
Short-term portion	517 789,09	4 727 037,89	5 244 826,98

This cash flow statement should be read together with the notes, which are an integral part of these financial statements.

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Other short-term provisions

	Provision for complaint costs	Other	Total
01.01.2020	7 741 317,64	6 854 860,82	14 596 178,46
Increases	3 068 520,39	1 321 350,08	4 389 870,47
Utilization	(3 357 828,07)	(3 288 884,06)	(6 646 712,13)
31.12.2020	7 452 009,96	4 887 326,84	12 339 336,80

10. LONG-TERM LIABILITIES

Ageing analysis of long-term liabilities to affiliates

With maturity:
from 3 to 5 years

	31.12.2020	2019-12-31
	50 000 000,00	50 000 000,00
	50 000 000,00	50 000 000,00

11. SHORT-TERM LIABILITIES

Short-term trade payables to related entities in the amount of PLN 16,619.2 thousand are payable up to 12 months from the balance sheet date.

Other financial liabilities to related entities related to cash pooling amount to PLN 60,600.0 thousand.

Other financial liabilities to related entities related to capital expenditures amount to PLN 371.7 thousand.

Short-term trade payables to other entities in the amount of PLN 51,936.1 thousand are payables up to 12 months from the balance sheet date.

Other financial liabilities to other entities related to capital expenditures amount to PLN 388.2 thousand.

Other financial liabilities to other entities related to factoring amount to PLN 10,280.8 thousand.

12. STRUCTURE OF SALES REVENUE

Sales by geographical area

Sales of finished goods

Country
Export

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	62 125 829,52	61 710 216,06
	281 121 194,58	346 581 870,75
	343 247 024,10	408 292 086,81

Sales of goods for resale and raw materials

Country
Export + intra-Community

	6 814 740,77	2 681 065,34
	188 504 978,46	248 993 613,46
	195 319 719,23	251 674 678,80

Sales by type

Sales of finished goods

Sales of harnesses
Sales of services

	339 656 204,62	403 995 722,61
	3 590 819,48	4 296 364,20
	343 247 024,10	408 292 086,81

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13. OTHER OPERATING INCOME

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Gains on the sale of non-financial long-term assets	60 776,90	0,00
Subsidies	4 338 478,33	0,00
Revaluation of non-financial assets	0,00	125 782,27
- revaluation of receivables	0,00	125 782,27
Other operating income	5 177 934,52	5 138 807,97
- other sales, re-invoices, notes	779 816,20	9 106 529,30
- provision for other sales	0,00	-4 684 117,95
- correction of sales invoices to TE	0,00	-12 383 328,23
- revaluation of other receivables from TE	0,00	13 015 892,29
- release of provisions	1 650 491,91	0,00
- inventory count surplus	2 082 223,46	0,00
- other	665 402,95	83 832,56
	9 577 189,75	5 264 590,24

14. OTHER OPERATING EXPENSES

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Loss on the sale of non-financial long-term assets	0,00	12 210,07
Impairment of non-financial assets	1 565 221,67	1 099 709,51
- impairment of inventories	1 419 009,53	1 099 709,51
- impairment of other Receivables	146 212,14	0,00
Other operating expenses	1 243 179,49	8 527 113,61
- value of other sales, re-invoicing	841 075,83	4 418 856,01
- actuarial provision	377 270,86	594 851,07
- provision for LST	0,00	3 416 333,05
- other	24 832,80	97 073,48
	2 808 401,16	9 639 033,19

15. INTEREST INCOME

(including those arising from debt financial instruments and loans and receivables)

In the period from 1 January 2020 to 31 December 2020

	Realised interest	Total
Other assets	281,00	281,00
	281,00	281,00

In the period from 1 January 2019 to 31 December 2019

	Realised interest	Total
Other assets	-	-
	-	-

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16. INTEREST EXPENSES

(including those arising from incurred financial liabilities)

In the period from 1 January 2020 to 31 December 2020

	Realised interest	Total
Other liabilities	1 708 235,61	1 708 235,61
	1 708 235,61	1 708 235,61

In the period from 1 January 2019 to 31 December 2019

	Accrued interest	Realised interest	Total
Other liabilities	-	2 511 159,77	2 511 159,77
	-	2 511 159,77	2 511 159,77

17. OTHER FINANCIAL EXPENSES

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
- factoring charges	667 000,05	984 844,66
- exchange rate differences	4 640 846,01	2 011 688,96
	5 307 846,06	2 996 533,62

18. CORPORATE INCOME TAX

Structure of the corporate income tax

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Current income tax	7 659 913,00	3 088 907,00
Additional tax charges for previous years	-	-
Change in deferred income tax	(420 980,48)	(1 404 718,94)
	7 238 932,52	1 684 188,06

Calculation of the corporate income tax

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Gross profit / (loss)	8 720 004,79	(5 068 413,65)
Amounts increasing the tax base		
Sales correction invoices	996 407,22	-
Costs of business travel not being tax-deductible	67 750,78	69 525,77
Depreciation / amortisation not being tax-deductible	-	31 990,36
IT equipment not being tax-deductible	-	-
Budget interest	13 742,00	508 687,58
Entertainment and advertising costs	53 648,87	115 052,28
State Fund for Rehabilitation of Disabled Persons (PFRON)	294 082,30	604 191,00
Unrealised exchange rate differences	1 063 082,78	121 009,01
Exchange rate differences attributable to VAT	42 552,76	-
Inventory count differences	154 317,49	79 599,57
Additional accident insurance for employees	63 228,00	72 019,20
Advisory services – limit of PLN 3m million	27 786 977,23	22 761 501,04
PKC Serbia – downtime costs	-	963 329,34
Write-downs for inventories and receivables	1 565 221,67	-
Provisions for liabilities	-	8 781 854,97
Accrued interest	351,63	367,32
Received payment for TE notes	-	2 582 233,15
Penalties and damages	962,27	64 128,11
Costs of complaints	406 688,66	-
Sorting costs	121 020,31	52 409,79

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Donations	15 000,00	25 000,00
Costs of using passenger cars that are used for mixed purposes	109 242,33	93 539,24
Other	1 351 443,47	127 533,53
	<u>34 105 719,77</u>	<u>37 053 971,26</u>
Amounts decreasing the tax base		
Tax value of sold tangible assets	310 467,28	60 015,41
Depreciation / amortisation not being tax-deductible	93 749,95	-
Sales correction invoices	-	335 129,72
Release of provision for liabilities	994 073,72	-
Loan interest paid to PKC Eesti	-	138 638,89
Interest paid	367,32	-
Write-downs for inventories and receivables	-	12 041 965,05
Exchange rate differences attributable to VAT	-	21 606,23
Income – TE notes, MAN invoice and sorting	-	13 385,05
Other	-	1 310 291,70
	<u>1 398 658,27</u>	<u>13 921 032,05</u>
Taxable profit	41 427 066,29	18 064 525,56
Ebitda 5%	(1 096 735,51)	(146 128,34)
Donations	(15 000,00)	(25 000,00)
Tax loss carried forward	-	(1 635 993,50)
Taxable base	<u>40 315 330,78</u>	<u>16 257 403,72</u>
Income tax	<u>7 659 913,00</u>	<u>3 088 906,36</u>
Deferred income tax		
	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Positive temporary differences:		
Valuation of Receivables/liabilities in foreign currencies	-	183 991,71
Correction of previous years' costs	21 270,15	10 551,86
	<u>21 270,15</u>	<u>194 543,57</u>
Negative temporary differences:		
Valuation of Receivables/liabilities in foreign currencies	879 091,07	-
Write-downs for inventories and receivables	7 703 351,40	6 138 129,73
Provisions for unused holidays and other benefits	8 092 486,80	11 556 756,76
Other cost provisions	17 066 374,69	14 596 178,46
Accrued interest expense notes	351,63	367,32
Outstanding liabilities	-	-
Value of liquidated tangible assets	-	53 525,50
Fixed assets – difference between net book value and tax value	6 359 065,61	6 709 757,31
Correction of previous years' revenues	1 019 865,38	23 458,15
	<u>41 120 586,58</u>	<u>39 078 173,23</u>
Tax losses to be carried forward:		
2018 tax loss	-	1 635 993,61
Correction of 2017 tax loss	-	-
Settled part of tax loss in 2018	-	-
Settled part of tax loss in 2019	-	(1 635 993,61)
2018 tax loss to be carried forward	-	-
Total tax losses to be carried forward	<u>-</u>	<u>-</u>
Gross value of deferred tax assets	<u>7 808 870,12</u>	<u>7 387 889,64</u>
Net value of deferred tax assets	<u>7 808 870,12</u>	<u>7 387 889,64</u>
Deferred tax asset recognized in the balance sheet	<u>7 808 870,12</u>	<u>7 387 889,64</u>

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Deferred tax liability recognized in the balance sheet	-	-
Balance sheet change in net deferred tax assets / liabilities	420 980,48	1 404 718,94
Change in deferred tax recognized in the profit and loss account	420 980,48	1 404 718,94

19. CAPITAL EXPENDITURE

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Capital expenditure:		
- incurred during the year	3 130 770,99	10 266 293,00
- planned for the upcoming year	18 804 655,00	7 048 256,00

20. EXPLANATIONS TO THE CASH FLOW STATEMENT

Profit/ (loss) on investing activities

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Loss/(Gain) on disposal of fixed assets	(60 776,90)	12 210,07
	(60 776,90)	12 210,07

Change in short-term liabilities, except for loans and borrowings

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Change in short-term liabilities, except for loans and borrowings	(2 431 032,01)	(58 457 907,98)
Change in other financial liabilities (including leases)	377 378,13	81 702,75
Change in liabilities related to capital expenditure and investments	(536 389,36)	(664 771,57)
	(2 590 043,24)	(59 040 976,80)

Purchase of intangible assets and property, plant and equipment

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Increases in intangible assets	-	(49 188,81)
Change in prepayments for intangible assets	(153 702,76)	-
Increases in fixed assets	(8 099 638,53)	(6 400 000,87)
Change in construction in progress	5 143 629,95	(3 791 375,57)
Change in liabilities related to capital expenditure	536 389,36	664 771,57
Change in prepayments for construction in progress	-	-
	(2 573 321,98)	(9 575 793,68)

21. RELATED PARTY TRANSACTIONS

To the best knowledge of the Company, the terms and conditions of the transactions made by the Company with affiliates did not differ from those prevailing in the transactions made on the arm's length basis.

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The balance of settlements as at the balance sheet date

	Trade receivables	Investment liabilities	Trade payables	Loans received plus interest
AES Inc.	541 738,76		24 885,64	
Kabel Technik Polska Sp. z o.o.	57,55		499,04	
PK Cables DO	733 752,12		3 774,03	
PKC Eesti AS	2 212 351,72		1 163 044,83	50 000 000,00
PKC Group Lithuania UAB	276 647,30		27 739,83	
PKC Segu GmbH	25 129,26		961 717,79	
PKC Wiring Systems OY			1 035 503,62	
PKC Group OY	218 955,76			60 599 886,78
PKC Wiring System DOO	6 418 395,15	371 693,51	10 822 356,72	
PKC Motherson Harness System	1 209 559,65		140 395,00	
MSSL Vehicle Technology Co., Ltd	662 380,44			
Motherson Sumi Systems LtdSBU15	23 277,24			
Motherson Sumi Systems LtdSBUII				
Motherson Sumi Systems Ltd Plot	61 410,15			
Motherson Sumi Systems LtdA-3	3 221,22		15 293,91	
MSSL Wiring System Global	129 884,06			
MSSL Wiring System inc.(Chihuahua)	82 173,07			
MSSL Wiring System (Monclova)	125 496,95			
MSSL Engineering Divisi Noida	323,04			
MSSL Ltd Central Office	1 052 083,28		1 774 237,35	
MSSL GmbH			1 481,44	
MSSL WH System (Thailandia)	23 249,36			
MSSL Wiring System Inc.(Portland)	10 222,12			
MSSL Mideast	283 825,21		648 306,26	
MSSL Noida_EOU01_02	26 190,93			
	14 120 324,34	371 693,51	16 619 235,46	110 599 886,78

Revenue from intra-Group transactions in the financial year

	Sales of finished goods and raw materials	Sales of fixed assets and re- invoiced
AES Inc.	2 775 316,14	1 747,16
Kabel Technik Polska Sp. z o.o.	14 642,11	
PK Cables DO	2 397 414,49	2 208,17
PKC Eesti AS	28 236 088,89	(82 553,09)
PKC Group Lithuania UAB	2 300 082,14	194 285,04
PKC Segu GmbH	46 669,24	23 097,73
PKC Group OY	1 112 599,17	1 618,11
PKC Wiring Systems OY		
PKC Wiring System DOO	44 038 797,90	2 057 270,25
PKC Vehicle Technology	3 184 646,17	
PKC Motherson Harness System	825 960,95	22 633,47
Motherson Sumi Systems LtdSBU15		
Motherson Sumi Systems LtdSBUII	(350,04)	
MSSL Ltd Central Office	3 080 844,32	
MSSL Wiring System Global	279 129,03	
MSSL Wiring System inc.(Chihuahua)	197 872,28	
Motherson Sumi Systems Ltd Plot	184 737,96	668,36
Motherson Sumi Systems LtdA-3	1 172,91	2 962,89
MSSL Mideast	1 127 691,25	564,98
MSSL WH System (Thailandia)	30 055,53	
MSSL Wiring System (Monclova)	475 891,74	
MSSL Noida_EOU01_02		
MSSL Wiring System Inc.(Portland)	31 993,34	
	90 341 255,52	2 224 503,07

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Costs from intra-Group transactions in the financial year

	Purchase of raw materials and goods for resale	Purchase of services	Purchase of fixed assets plus loan interest
AEES Inc.	333 095,77		
Kabel Technik Polska Sp. z o.o.	17 356,75	1 558,16	
PK Cables DO	59 474,06		
PKC Eesti AS	1 167 240,12	11 278 880,31	1 187 833,34
PKC Group Lithuania UAB	9 820,30	140 292,14	
PKC Segu GmbH	1 370 125,71	5 398 615,69	
PKC Wiring Systems OY		8 157 686,66	
PKC Wiring System DOO	119 900 701,88	2 610 258,94	437 016,60
PKC Group Oyj			444 894,61
PKC Vehicle Technology			
PKC Motherson Harness System		137 057,62	
MSSL Ltd Central Office			
MSSL Mideast, SAIF ZONE-SHARJAH	3 064 048,52		
Motherson Sumi Systems LtdA-3	176 407,02		
MSSL Ltd Central Office		2 430 598,85	
MSSL GmbH		1 481,44	
SMRC Automotive Modules France	9 709,42		
MSSL Japan Ltd			
SMIEL (a unit of Motherson Sumi Systems)			
	<u>126 107 979,55</u>	<u>30 156 429,81</u>	<u>2 069 744,55</u>

22. AVERAGE EMPLOYMENT

Average employment in the financial year

Woman	1360
Men	504
	<u>1864</u>

Breakdown by professional groups in the financial year

Blue-collar workers	1678
White-collar workers	186
	<u>1864</u>

23. REMUNERATION, INCLUDING PROFIT BASED BONUSES AND RETIREMENT BENEFITS, PAID OR PAYABLE TO MEMBERS OF MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BOARDS

Remuneration paid to Members of Management in the financial year, including profit based bonuses amounted to PLN 1.156 thousand (in 2019: PLN 1.481 thousand).

24. INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements at the ultimate level of the capital group in which the Company is a subsidiary are prepared by PKC GROUP OYJ with its registered office in Kempele, Finland.

25. CONTINGENT LIABILITIES

Regulations regarding VAT, corporate profits tax, personal income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation

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liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Tax settlements may become subject to inspection by tax authorities within a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities. The Company was subject to inspection by tax authorities. Some of those inspections have not yet been completed by the date of the financial statements.

26. LIABILITIES SECURED ON THE COMPANY'S ASSETS

The company has no liabilities secured on its assets.

27. DISCONTINUED ACTIVITIES

The Company did not discontinue any activities during the financial year and has no plans to discontinue any activity in the next year.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company's operations are exposed to the following types of risk resulting from the possession of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Basic principles of risk management

The Management Board is responsible for establishing and supervising the risk management by the Company, including identification and analysis of the risks to which the Company is exposed, defining their appropriate limits and controls, as well as monitoring the risk and the degree of compliance with the limits. The risk management policies and procedures are regularly reviewed to reflect changes in market conditions and changes in the Company's operations.

Credit risk

Credit risk is the risk of financial loss by the Company from the potential failure of counter-parties to meet their obligations under the contract or arrangement. Credit risk is primarily associated with debt financial instruments. The purpose of risk management is to maintain a stable and balanced in terms of quality and value portfolio of receivables from loans granted and other investments in debt financial instruments, thanks to the policy of setting credit limits for the parties to the contract.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting its obligations related to financial liabilities that are settled by transferring cash or other financial assets. The Company's liquidity management consists in ensuring that, to the greatest possible extent, the Company has sufficient liquidity to settle its outstanding liabilities, both in normal and crisis situations, without exposing the Company to unacceptable losses or undermining the Company's reputation. For this purpose, the Company monitors cash flows, maintains credit lines and provides cash in an amount sufficient to cover expected operating expenses and current financial liabilities, maintains the assumed liquidity ratios, and uses cash pool systems within the Group.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, prices of equity instruments, will affect the Company's results or the value of financial instruments held. The purpose of market risk management is to maintain and control the Company's exposure to market risk within the accepted parameters,

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while striving to optimize the rate of return on investment. In order to manage market risk, the Company acquires and sells derivative instruments and takes out financial liabilities.

Foreign currency risk

The Company is exposed to foreign currency risk due to sale and purchase transactions denominated in foreign currencies, mainly USD, EUR, CHF. The Company is not hedged against the foreign currency risk.

Interest rate risk

The Company is exposed to the risk of volatility in cash flows caused by interest rates related to assets and liabilities with variable interest rates.

Characteristics of financial instruments

Portfolio	Characteristics (quantity)	Book value	Terms and dates that affect future cash flows
Cash	Cash	3 273 326,06	The risk of future cash flows related to changes in interest rates and foreign exchange rates against PLN
Loans received	Cash pooling agreement with Nordea Pankki Suomi Oyj	60 599 886,78	The risk of future cash flows related to the EUR exchange rate
Other financial liabilities	Loan from related parties	50 000 000,00	Loan agreement concluded for a definite period until 27 December 2018

Information on interest rate risk

As at the balance sheet date, the portfolio of debt financial instruments is structured as follows:

Financial instruments:	31.12.2020 Book value	31.12.2019 Book value
- with a variable interest rate		
Financial assets	3 273 326,06	3 763 158,09
Financial liabilities	110 599 886,78	98 472 902,10

Changes in the effective interest rate for instruments with a variable interest rate are consistent with changes in the market interest rate.

Information on credit risk

The Company's maximum exposure to credit risk corresponds to the carrying amount of the following financial assets:

Financial assets:	31.12.2020 Book value	31.12.2019 Book value
Trade receivables	90 650 377,54	79 887 037,69
Cash	3 273 326,06	3 763 158,09
	93 923 703,60	83 650 195,78

As at the balance sheet date, there was no significant concentration of credit risk related to the financial assets presented above.

29. REMUNERATION OF AUDIT FIRM

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Remuneration paid or payable:		
Audit of annual financial statements	152 417,06	109 955,75
Verification of group reporting package	165 270,80	79 639,05
	317 687,86	189 594,80

30. POST-BALANCE SHEET EVENTS


After the balance sheet date, there were no events significant for the Company from the point of view of affecting the overall economic and financial situation. The company continues to operate without significant disruptions despite the continued global Covid-19 pandemic. The level of current orders from the Company's key customers remains stable, and long-term forecasts indicate that the Company's revenues from the sale of products should be at a similar level to 2020. There have also been no major problems with suppliers, apart from a few exceptions, where there are delays in deliveries, which, however, are not a problem in the operational area of the entire Company. Each case is monitored separately and the Company is in constant contact with suppliers, working to ensure continuity of the supply chain. Employment remains at pre-pandemic levels and no major changes are expected in the coming months.


Dariusz Abram
President of the Management Board


Andreas Heuser
Member of the Management Board

Starachowice, 14 May 2021


Robert Pużuk
Member of the Management Board


Wanda Jagieła
Chief Accountant
Person responsible for the bookkeeping

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the Shareholders Meeting of PKC Group Poland Sp. z o.o.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of PKC Group Poland Sp. z o.o. (the 'Company') located in Starachowice at Radomska 86, containing: the introduction to the financial statements, the balance sheet as at 31 December 2020, the income statement, the statement of changes in equity, the cash flow statement for the period from 1 January 2020 to 31 December 2020 and additional Information and explanations (the 'financial statements').

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the period from 1 January 2020 to 31 December 2020 in accordance with required applicable rules of the Accounting Act dated 29 September 1994 (the 'Accounting Act') and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Articles of Association,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors'). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Company's Management for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of the Accounting Act, the adopted accounting policies, other applicable laws, as well as the Company's Articles of Association, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management is required to ensure that the financial statements meet the requirements of the Accounting Act.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2020 to 31 December 2020.

Responsibilities of the Company's Management

The Company's Management is responsible for the preparation the Directors' Report in accordance with the law.

The Company's Management is required to ensure that the Directors' Report meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Directors' Report. In connection with our audit of the financial statements, our responsibility is to read the Directors' Report and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Directors' Report, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act,
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Warsaw, 17 May 2021

Key Certified Auditor

Mariusz Kędzierski
certified auditor
no in the register: 13659

on behalf of:
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