

Parent for: 2300631

Grupa Kapitałowa Nowy Styl Sp. z o.o.

Consolidated Financial Statements for the Financial Year Ended 31 December 2019

**Grupa Kapitałowa Nowy Styl Sp. z o.o.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2019**



Grupa Kapitałowa Nowy Styl Sp. z o.o.  
Consolidated Financial Statements for the Financial Year Ended 31 December 2019

**Grupa Kapitałowa Nowy Styl Sp. z o.o.**

**Consolidated financial statements for the financial year 1 January – 31 December 2019**

To the Shareholders of the Parent Company Nowy Styl Sp. z o.o.

Pursuant to the provisions of the Polish Accountancy Act of 29 September 1994 (uniform text – Journal of Laws of 2019, item 351, as amended), the Management Board of the Parent Company is obliged to prepare the annual consolidated financial statements to provide a true and fair view of the financial and economic position of the Capital Group at the end of the financial year and its profit or loss.

Relevant accounting principles have been adopted to prepare the consolidated financial statements of the Capital Group.

Assets and liabilities as well as profit or loss have been measured assuming that Capital Group will continue its operations in an unlimited scope.

The attached consolidated financial statements comprising the introduction, consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements have been prepared in accordance with the Polish Accountancy Act and the Regulation by the Minister of Finance of 25 September 2009 on detailed rules governing the preparation of consolidated financial statements of capital groups by entities other than banks and insurance companies (Journal of Laws of 2017, item 676, as amended) and they are presented in this document in the following order:

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Signatures

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Adam Krzanowski  
Management Board President

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Jerzy Krzanowski  
Management Board  
Vice-President

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Rafał Chwast  
Management Board  
Vice-President

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Roman Przybylski  
Management Board Member

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Dariusz Frydrych  
Management Board Member

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Piotr Korzeniowski  
Responsible for the  
maintenance of accounting  
records

Krosno, 30 September 2020

## Introduction

### 1. Information about the Parent Company

- a) Nowy Styl Sp. z o.o. is the Parent Company of the Capital Group. The Company has been incorporated on the basis of the notarial deed of 27 May 1992 (Rep. A No. 707/92) before the Notary Public Elżbieta Kula in her Notary's Office in ul. 3 Maja 21, Jasło, Poland. Pursuant to the Company's Articles of Association, the Company has been incorporated for indefinite period. The Company has its registered office in Krosno (ul. Pużaka 49).
- b) On 28 May 1992, on the basis of the decision of the Commercial Court in Krosno, the Company was entered into the Commercial Register under entry no. RHB 363. On the basis of the decision of the District Court in Rzeszów, XII Commercial Division of the National Court Register, the Company was entered into the National Court Register – Register of Entrepreneurs under entry no. KRS 0000077550.
- c) The core business of the Parent Company and the Capital Group is the manufacture and sale of furniture.
- d) The Parent Company operates in the area of EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone. The Company has obtained the following permits to conduct business activity:
- Permit no. 104/ARP S.A./2005 of 17 March 2005;
  - Permit no. 202/ARP S.A./2011 of 27 January 2011;
  - Permit no. 273/ARP S.A./2014 of 18 June 2014; and
  - Permit no. 280/ARP S.A./2014 of 26 June 2015.

In addition, on 27 December 2019, the Company obtained the decision no. 40/ARP/OML/2019 to support its operations in the county of Jasło and Sanok. The decision was issued by Agencja Rozwoju Przemysłu S.A. in Warsaw.

- e) Members of the Parent Company's Management Board in the reporting period:

Adam Krzanowski	Management Board President
Jerzy Krzanowski	Management Board Vice-President
Rafał Chwast	Management Board Vice-President
Roman Przybylski	Management Board Member
Dariusz Frydrych	Management Board Member

### 2. Information about subordinates

- a) According to the articles of association and statutes of the subordinates, the subordinates have been incorporated for indefinite period. Certain companies comprising the Capital Group are not actively involved in business activities (note 2c. and 2d.).
- b) The consolidated financial statements cover the details of the following companies:

Grupa Kapitałowa Nowy Styl Sp. z o.o.

Consolidated Financial Statements for the Financial Year Ended 31 December 2019

Company name	Registered office	Core business	Share held by the Parent Company in share capital (%)	
			31 Dec 2019	31 Dec 2018
Nowy Styl Sp. z o.o.	Poland, Krosno	Production and sales activities	Parent Company	
Nowy Styl GmbH	Germany, Ebermannsdorf	Production and sales activities	100.00	100.00
Nowy Styl. Fr S.A.S.	France, Saint-Marcellin	Sales activities	100.00	100.00
Nowy Styl UK Limited	Great Britain, Tuxford	Sales activities	100.00	100.00
Nowy Styl SK s.r.o.	Slovakia, Presov	Sales activities	100.00	100.00
Telmex - Nowy Styl Zrt. (*)	Hungary, Szentendre	Sales activities	50.00	50.00
NSG International GmbH	Germany, Steyerberg	Service and financial activities	100.00	100.00
Kusch+Co GmbH	Germany, Hallenberg	Production and sales activities	100.00	0.00
Kusch & Co. Ltd (**)	Great Britain, London	Sales activities	100.00	0.00
Kusch zweite Verwaltungs GmbH	Germany, Hallenberg	Sales activities	100.00	0.00
Grüttner System GmbH	Germany, Steyerberg	Sales activities	100.00	100.00
Rohde & Grahl GmbH	Germany, Steyerberg	Production and sales activities	100.00	100.00
Rohde Logistic GmbH	Germany, Steyerberg	Transport and assembly activities	100.00	100.00
Rohde Groep Nederland B.V.	Holland, Amersfoort	Financial activities	100.00	100.00
Rohde & Grahl Bueroeinrichtungen GmbH	Germany, Steyerberg	Service activities	100.00	100.00
Rohde & Grahl B.V.	Holland, Amersfoort	Sales activities	100.00	100.00
Sitag AG	Switzerland, Sennwald	Production and sales activities	100.00	100.00
Nowy Styl Group GmbH	Austria, Dornbirn	Sales activities	100.00	100.00
Nowy Styl Group CZ s.r.o.	Czech Republic,	Sales activities	100.00	100.00

Grupa Kapitałowa Nowy Styl Sp. z o.o.

Consolidated Financial Statements for the Financial Year Ended 31 December 2019

	Stodółki			
Baltic Wood – USA Inc	USA , Newark	Sales activities	100.00	100.00
Nowy Styl – Majencia S.A.S.	France, Bressuire	Production and sales activities	100.00	0.00
Beuing Tintan Majenca Seats Co. Ltd	China	Sales activities	100.00	0.00
Baltic Wood Venture Found 1Sp. z o.o.	Poland, Krosno	Financial activities	100.00	100.00
NSG Finance Sp. z o.o.	Poland, Krosno	Financial activities	100.00	100.00
NSG Finance Sp. z o.o. SKA	Poland, Krosno	Financial activities	100.00	100.00
NSG TM Sp. z o.o.	Poland, Krosno	Service activities	100.00	100.00
Stylis NSG DMCC	United Arab Emirates, Dubai	Service activities	60.00	60.00
NSG Finance 2 Sp. z o.o.	Poland, Krosno	Financial activities	100.00	100.00
NSG Finance Holding Spółka z o.o. SKA	Poland, Krosno	Financial activities	100.00	100.00

(\*) – The company's financial data recognised with the use of the equity method.

(\*\*) – The company is exempt from the requirements of the Act relating to the audit of individual accounts by virtue of s479A.

c) Apart from the abovementioned entities, the consolidated financial statements also cover the following companies which either do not conduct business activity or are in liquidation.

Baltic Floor Sp. z o.o.	Poland, Stalowa Wola	The company does not conduct business activity	100.00	100.00
Folkart S.A. w likwidacji	Poland, Krosno	The company does not conduct business activity	50.00	50.00

d) The following companies, which have insignificant impact on the Capital Group's results, do not conduct business activity or have not started business activity, have not been covered by the consolidated financial statements.

Rohde Fabryka Mebli Biurowych Sp. z o.o.	Poland, Krosno	The company does not conduct business activity	100.00	100.00
Grahl Tech B.V.	Holland, Amersfoort	Financial activities	100.00	100.00

Majencja Workspace Management S.A.S.	France, Noyon	Sales activities	100.00	0.00
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### 3. Rules adopted to prepare the consolidated financial statements

- a) The consolidated financial statements have been prepared in accordance with the Polish Accountancy Act of 29 September 1994 (uniform text – Journal of Laws of 2019, item 351, as amended) and the Regulation by the Minister of Finance of 25 September 2009 on detailed rules governing the preparation of consolidated financial statements of capital groups by entities other than banks and insurance companies (Journal of Laws of 2017, item 676, as amended) on a historical cost, except for non-current assets revaluated according to the rules defined by separate laws and financial assets and liabilities measured according to the Regulation by the Minister of Finance of 12 December 2001 on detailed rules governing the recognition, measurement methods, scope of disclosure and presentation of financial instruments.

The financial statements of the following entities: Nowy Styl Sp. z o.o., Nowy Styl GmbH, Nowy Styl.Fr S.A.S., Nowy Styl UK Ltd, Nowy Styl SK s.r.o., Telmex - Nowy Styl Zrt., NSG International GmbH, Kusch+Co GmbH, Kusch & Co. Ltd, Kusch zweite Verwaltungs GmbH, Grüttner Systems GmbH, Rohde & Grahl GmbH, Rohde Logistic GmbH, Rohde Groep Nederland B.V., Rohde & Grahl Bueroeinrichtungen GmbH, Rohde & Grahl B.V., Sitag AG, Nowy Styl Group GmbH, Baltic Wood – USA Inc, Nowy Styl Group CZ s.r.o., Nowy Styl Majencja- S.A.S., Beuing Tintan Majenca Seats Co. Ltd, Baltic Wood Venture Found 1 Sp. z o.o., NSG Finance Sp. z o.o., NSG Finance Sp. z o.o. SKA, NSG TM Sp. z o.o., Stylis NSG DMCC, NSG Finanse 2 Spółka z o.o. and NSG Finanse Holding Spółka z o.o. SKA. used as the basis for the preparation of the consolidated financial statements have been prepared assuming that the entities will continue in operational existence in the foreseeable future and there are no going concern risks.

The Group's operations are to a considerable extent financed by long- and short-term financial instruments, mainly credits. Section 17 of the notes to the financial statements contains details of the financing structure. Accordingly, the Group is obliged to comply with a number of obligations, including the obligation to timely repay instalments and interest and achieve specific financial ratios. The said ratios were achieved as at 31 December 2019.

The Management Board of the Parent Company conducted a stress test assuming that the COVID-19 pandemic would have a negative influence on the Group's operations. The Management Board of the Parent Company considered a number of assumptions the most important of which included the influence of the COVID-19 pandemic on the Group's operations in terms of potentially lower sales volume and the amount of the funds received under governmental aid programmes available in the countries in which the Group operates. The third major assumption concerned the estimate costs of the restructuring of Majencja SA of France. The company was acquired in 2019. More information is available in section 2 of the notes to the financial statements.

The performance of the abovementioned stress test is connected with various types of risk. The most important types of risk relate to the following issues:

- Significant decrease in sales – below the level provided in the stress test;
- No public aid received in the countries in which the Group operates or delayed aid;
- Significantly higher costs of restructuring at Majencja SA;
- Non-business factors, including the spread of the coronavirus. More information is available in section 26 of the notes to the financial statements.

Accordingly, when preparing these financial statements, the Management Board of the Parent Company identified a number of circumstances likely to have an impact on the Group's operations but at the moment, the abovementioned risks have not materialised and the attached financial statements have been prepared based on the assumption that the Group will continue in operational existence.

The following companies merged as at 1 January 2019: Rohde Group Service GmbH and NSG International GmbH; Rohde Verwaltungs GmbH and Rohde & Grahl GmbH; Rohde Groep Nederland Onroerend Goed B.V. and Rohde Groep Nederland B.V.

Other consolidated companies, namely Baltic Floor Sp. z o.o. and Folkart Sp. z o.o. w likwidacji do not actively operate or are in liquidation.

Rohde Fabryka Mebli Biurowych Sp. z o.o. and Grahl Tech B.V. Majencja Workspace Management S.A.S. do not actively operate and are not consolidated.

b) There are no units within the companies included in the consolidated financial statements, which prepare their own financial statements.

c) When preparing the consolidated financial statements, the financial data of Telmex-Nowy Styl Zrt. was recognised using the equity method due to the fact that no control was exercised over the company and the Capital Group had significant influence on its activity.

#### **4. Major accounting principles**

##### **a) Methods of consolidation and valuation of shares**

The data of subsidiaries is consolidated with full method and the data of associates is consolidated with equity method.

##### **Full consolidation method**

In case of full consolidation, individual items of the respective financial statements of the Parent Company and subsidiaries are summed up in full. After they have been summed up, exclusions and other adjustments are made according to the act.

The following items are excluded:

- the value of shares held by the Parent Company and other consolidated entities in subsidiaries, expressed at purchase price, taking into account the part of the net assets of subsidiaries measured at fair value, which corresponds to the share of the Parent Company and other consolidated Group entities in subsidiaries, as of the date of commencement of control over the subsidiaries;
- the effect of mutual transactions between the consolidated entities.

Shares in the equity of subsidiaries, held by persons or entities other than those included in the consolidation, are disclosed under a separate item of liabilities of the consolidated balance sheet, after the equity, as "non-controlling interest."

##### **Equity method**

When applying the equity method, the non-current assets disclosed in the consolidated balance sheet shall include a separate item "Shares in subordinates" measured using the equity method, showing the shares at purchase prices, respectively, plus or minus the decreases or increases in the subordinate's equity attributable to the Parent Company,



shareholder of a co-subsiary or major investor, which occurred from the date of obtaining control, joint control or significant influence until the end of the reporting period, including decreases resulting from settlements with owners. A share in the net profit (loss) of the subordinate is adjusted by the goodwill impairment loss or negative goodwill and the write-down of the difference in the valuation of the net assets at their fair values and carrying amounts for a given reporting period.

#### **b) Goodwill and negative goodwill**

Goodwill is a surplus of the consideration paid to acquire the shares over the corresponding net assets measured at fair value. Goodwill is disclosed in the assets of the consolidated balance sheet under a separate item of non-current assets "Goodwill of subordinates."

Negative goodwill is a surplus of the corresponding net assets measured at fair value over the purchase price of the shares. Negative goodwill is shown in the liabilities of the consolidated balance sheet under a separate item as "Negative goodwill."

In the event that the negative goodwill is related to identified future losses and costs of the acquired entity, it is recognized in revenue when the losses and costs arise. If the negative goodwill is not related to identified future losses and costs, the amount that not exceeds the value of redeemable non-current assets is reported as income over the same periods as their depreciation. The surplus of negative goodwill over the value of redeemable non-current assets is recognized in other operating income for the period in which the acquisition took place. Intangible assets that would contribute to a higher amount of negative goodwill are not recognized. Write-offs of negative goodwill of subordinates are recognised under a separate item of the consolidated profit and loss account "Write-off of negative goodwill".

Goodwill is amortized over a period not longer than 5 years, except for Sato Office GmbH (10 years). Sato Office GmbH has earned the strong position of a very stable producer on the professional market. It can be assumed that the Capital Group will benefit from the position for at least 10 years.

Nowy Styl GmbH and Sato Office GmbH merged in 2012. Since then, the company has operated under the new name Nowy Styl GmbH. Assets are depreciated on a straight-line basis.

#### **c) Property, plant and equipment and intangible assets**

Non-current assets and intangible assets are measured at purchase price or at cost or at a revalued amount (after revaluation of non-current assets pursuant to relevant laws and regulations), less amortization or depreciation and impairment losses.

The purchase price and the cost of non-current assets under construction, non-current assets and intangible assets also includes the cost of servicing liabilities incurred to finance the assets for the period of construction, assembly and adaptation.

The purchase price or the cost of the improvement is added to the cost of an asset.

External non-current assets or intangible assets used under a lease contract are recognized as non-current assets provided that the contract satisfies the conditions specified by the law.

The cost of research and development carried out by the Group for its own needs, incurred before the start of production or use of technology, are recognized as intangible assets provided that the conditions specified by the law are satisfied.

Non-current assets under construction are measured at total cost directly attributable to the purchase or manufacture thereof, less accumulated impairment losses.

In the event of changes in the production technology, intended liquidation, decommissioning or other reasons causing impairment of a non-current asset or an intangible asset, an impairment loss is recorded under other operating expenses. Impairment losses of non-current assets, revalued under special provisions, reduce the revaluation differences recognized in the revaluation reserve, while the revaluation surplus, if any, is recorded under other operating expenses.

If the reasons underlying the impairment of non-current assets and intangible assets cease to exist, the equivalent of a previous impairment loss or its respective part shall increase the value of a given asset and shall be reported under other operating income.

Depreciation is calculated using the straight-line method. In determining the depreciation period and the annual depreciation rate, the useful lives of non-current assets and intangible assets are taken into account. The correctness of the adopted periods and rates are periodically verified.

The Group applies the following annual depreciation rates for the basic groups of non-current assets:

• Buildings, premises and civil engineering structures	2.5 – 10%
• Plant and equipment	5 – 50%
• Vehicles	20 – 40%
• Other non-current assets	8.5 – 25%
• Investments in external non-current assets (buildings and structures)	10%

Annual amortisation rates for intangible assets:

• Cost of research and development	33.33%
• Copyrights or equivalents	50%
• Goodwill	10-20%
• Licences	20-50%
• Other intangible assets	50%

#### **d) Investments**

##### **Long-term investments in real estate and intangible assets**

Real estate and intangible assets classified as long-term investments are measured at purchase price less depreciation or amortisation and impairment losses.

If there are reasons causing impairment of the investment, an impairment loss is recorded under other operating expenses. If the reasons underlying the impairment loss cease to exist, the equivalent of a previous impairment loss or its respective part shall increase the value of investment and shall be reported under other operating income.

##### **Other long-term investments**

Shares in non-consolidated subordinate companies classified as long-term investments are measured at purchase price less impairment losses.

Financial assets classified as long-term investments are measured in the following manner (depending on the category they have been assigned to pursuant to the Regulation by the Minister of Finance of 12 December 2001 on detailed rules governing the recognition, measurement methods, scope of disclosure and presentation of financial instruments):

- a) *"loans advanced and receivables"* – measured at adjusted purchase price;
- b) *"financial assets held to maturity"* – measured at adjusted purchase price;
- c) *"available-for-sale financial assets"* – measured at fair value. If the fair value cannot be reliably determined and the assets have a determined maturity date, the assets are measured at amortised cost using the effective interest rate. If the assets do not have any determined maturity date, they are measured at purchase price.

The effects of periodic measurement of financial assets, including derivative instruments with the exclusion of hedged items and hedging instruments, except for available-for-sale financial assets, are classified as financial income or expenses of the reporting period in which the revaluation was performed. The effects of the revaluation of available-for-sale financial assets measured at fair value, excluding hedged items, are recorded under financial income and expenses.

##### **Short-term investments**

Financial assets classified as short-term investments are measured in the following manner (depending on the category they have been assigned to pursuant to the Regulation by the Minister of Finance of 12 December 2001 on detailed rules governing the recognition, measurement methods, scope of disclosure and presentation of financial instruments):

- a) *"financial assets held for trading"* – measured at fair value;
- b) *"loans advanced and receivables"* – measured at adjusted purchase price;
- c) *"financial assets held to maturity"* – measured at adjusted purchase price;
- d) *"available-for-sale financial assets"* – measured at fair value. If the fair value cannot be reliably determined and the assets have a determined maturity date, the assets are measured at amortised cost using the effective interest rate. If the assets do not have any determined maturity date, they are measured at purchase price.

The effects of periodic measurement of financial assets, including derivative instruments with the exclusion of hedged items and hedging instruments, except for available-for-sale financial assets, are classified as financial income or expenses of the reporting period in which the revaluation was performed. The effects of the revaluation of available-for-sale financial assets measured at fair value, excluding hedged items, are recorded under financial income and expenses.

**e) Receivables and liabilities**

Receivables are measured at the amounts due, in accordance with the principles of prudent valuation, and disclosed at the net values (less the write-downs of receivables).

Receivables are revalued, taking into consideration the probability of the receipt of payment in respect of such receivables, by recording a write-down recognized either under other operating expenses or under financial costs – depending on the nature of the respective receivables.

Financial liabilities (except for financial liabilities held for trading, derivative instruments treated as liabilities and hedged items) are measured not later than at the end of the reporting period, at amortized cost using the effective interest rate. Financial liabilities held for trading and derivatives treated as liabilities are measured at fair value.

Liabilities other than financial liabilities are presented at the amount due.

Receivables and liabilities in a foreign currency unsettled at the end of the reporting period are measured at mid-exchange rate quoted by the National Bank of Poland for the currency on that date.

**f) Inventories**

Tangible inventory items acquired or manufactured during the financial year are recognised at purchase price or production cost, not higher than the net selling price. Turnover of inventory is measured by accounting for deviations from fixed prices (converted at the end of each month). The value of the inventory and material consumption is adjusted by deviations from fixed prices at the end of the period. An impairment loss is recognized in respect of the inventory that has lost its value as a result of the loss of commercial or utility value. Impairment losses of inventories are classified as other operating expenses. Work in progress is measured at cost.

**g) Pecuniary assets**

Pecuniary assets include the assets in the form of national currency and foreign currencies. Pecuniary assets include also the interest accrued on financial assets.

Financial assets payable or due within 3 months from the date of their receipt, issue, acquisition or establishment (deposits) are classified as cash for the purposes of the cash flow statement and presentation in the balance sheet.

**h) Prepaid expenses**

In the case of expenses relating to future reporting periods, the Capital Group recognizes prepaid expenses. Prepaid expenses are written off in relation to the value of goods or services. The time and method of settlements is justified by the nature of the costs settled, subject to the principle of prudent valuation.

Prepaid expenses include all or that part of the expenses relating to the financial year following the balance sheet date. These may include:

- costs inherently relating to future periods, such as pre-paid goods or services that will be provided in the next financial year (in particular: rents, insurance, subscriptions);
- costs of intangible production, in particular the costs of development works in progress, which, if successful, will be classified as intangible assets.

#### **i) Equity**

The share capital of the Capital Group is the share capital of the Parent Company.

The share capital is disclosed in the amount specified in the articles of association and as entered in the court register. Subscribed but unpaid capital contributions are recognized as called-up capital.

Reserve funds – this item shows reserve funds created from:

- excess of the cash and in-kind contributions over the value of the shares acquired
- net profit not allocated to dividends
- differences from the revaluation of non-current assets sold that were subject to revaluation.

Revaluation capital – this item includes:

- difference resulting from statutory revaluation of non-current assets less the part relating to non-current assets sold;
- gains or losses on the measurement of the fair value of the hedging instrument with respect to the part deemed to be an effective hedge of future cash flows related to the hedged item;
- deferred tax assets and liabilities related to operations settled against the revaluation capital.

#### **j) Provisions for liabilities**

Provisions for liabilities reflect the obligations to perform that arise from past events, the amount of which can be reliably measured, although neither their final amount, nor the maturity are yet known at the time of their recognition. Provisions are created when the entity has an obligation to spend funds in the future, and it is possible to reasonably estimate the amount necessary to meet this obligation.

Provisions for future liabilities are created when the amount or payment date are uncertain, it is certain or highly probable that they will arise, and they result from past events and it is possible to reliably estimate them.

This item includes, *inter alia*:

- provisions for pensions;

- provisions for future employee benefits - unused leaves;
- provisions for warranty repairs for the products sold.

#### **k) Accruals**

Accrued expenses are recognized in the amount of probable liabilities corresponding to the current reporting period, resulting in particular from goods or services supplied to related parties by the counterparties of related parties, when the amount of the liability can be reliably estimated.

The abovementioned accrued expenses are presented in the balance sheet under "Accruals."

Accrued expenses are written down in relation to the value of goods or services. The time and method of settlements is justified by the nature of the costs settled, subject to the precautionary principle.

#### **l) Deferred income**

Deferred income is recognized in observance of the principle of prudent valuation and, in particular, includes:

- equivalents of the amounts received or receivable from the counterparties for the goods or services to be provided in the subsequent reporting periods;
- cash received to finance the acquisition or creation of non-current assets, including non-current assets under construction and development work, if it does not increase the equity pursuant to other legislation. Amounts classified as deferred income gradually increase other operating income, in line with amortization or depreciation of non-current assets or development costs financed from these sources.
- negative goodwill.

#### **m) Deferred income tax**

Given the temporary differences between the value of assets and liabilities disclosed in the accounting records and their tax base and the tax loss that can be deducted in the future, a provision is created and deferred tax assets are determined.

Deferred tax assets are determined in the amount of income taxes recoverable by related parties in future periods in respect of the deductible temporary differences, which will give rise to reduction of the income tax base in the future, and the carryforward of unused tax losses, calculated in observance of the principle of prudence.

A deferred tax liability is recognized in the amount of income tax payable by the related parties in the future in connection with taxable temporary differences; i.e. differences which might cause income tax base to increase in the future. A tax liability is recognized, *inter alia*, with respect to the amount of 1995-2000 investment relief, treated as a one-off tax depreciation. The amounts of deferred tax assets and liabilities are disclosed taking into consideration the income tax rates applicable in the year the tax obligation arises. The

difference between the balance of deferred tax assets and liabilities at the end and beginning of the reporting period affects the profit or loss and is disclosed on balance, while the deferred tax assets and liabilities relating to operations settled against equity are also recognized in equity.

#### **Uncertainty over tax settlements**

Regulations on VAT, corporate income tax and social security charges are frequently amended. Accordingly, there are no appropriate points of reference, there are few established precedents which could be used and interpretations are inconsistent. The applicable regulations are ambiguous and cause differences in opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be inspected by the authorities authorised to impose harsh fines and penalties and all additional tax liabilities resulting from the inspection must be paid with interest. Accordingly, the tax risk in Poland is greater than that in countries with more mature tax systems.

Consequently, the amounts presented and disclosed in financial statements may change in the future as a result of the final decision of a fiscal control authority.

The amendments were introduced to the Tax Ordinance as of 15 July 2016 to include the provisions of the General Anti-Abuse Rules (GAAR). The GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid paying taxes in Poland. Under the GAAR, tax avoidance is defined as an activity carried out first of all to achieve a tax advantage which is contrary in the circumstances to the subject matter and objective of a tax act. According to the GAAR, the activity does not result in achieving a tax advantage if the course of action was artificial. Any unjustified split of operations, involvement of intermediaries without any economic or business justification, elements that compensate or cancel each other and other similar activities may be treated as an argument in favour of the existence of artificial activities governed by the GAAR. The new regulations will require a lot more judgement in assessing the tax implications of individual transactions.

The GAAR clause should be applied to the transactions carried out after it came into force and to the transactions carried out before it came into force in respect of which advantages were or still are being after the effective date. The implementation of the abovementioned regulations will enable the Polish fiscal control authorities to question the legal arrangements and schemes carried out by taxpayers, such as group restructuring and reorganization.

#### **n) Recognition of revenue**

Revenue is recognised when the seller has transferred the significant risks and rewards of ownership of the goods to the buyer or when the service has been performed. Sales are recognised on a net basis; i.e. exclusive of VAT and after all discounts have been considered.

**CONSOLIDATED BALANCE SHEET –  
ASSETS**

	Notes	31 December 2019	31 December 2018
		PLN	PLN
<b>Non-current assets</b>		<b>576,755,353</b>	<b>501,903,366</b>
<b>Intangible assets</b>	3, 4, 7	<b>30,470,936</b>	<b>16,560,857</b>
Cost of research and development		16,859,084	9,779,374
Other intangible assets		12,333,222	6,527,793
Prepayments for intangible assets		1,278,630	253,690
<b>Goodwill of subordinate companies</b>		<b>6,820,545</b>	<b>9,901,061</b>
<b>Property, plant and equipment</b>	5, 6	<b>494,579,834</b>	<b>431,302,863</b>
Non-current assets		456,574,541	392,038,659
Land (including leasehold estate)		59,444,911	26,691,667
Buildings, premises and civil engineering structures		204,017,643	193,155,441
Plant and equipment		159,129,497	145,178,806
Vehicles		13,268,605	9,539,116
Other non-current assets		20,713,885	17,473,629
Non-current assets under construction		30,673,976	36,212,535
Pre-paid non-current assets under construction		7,331,317	3,051,669
<b>Long-term receivables</b>		<b>511,666</b>	<b>268,727</b>
From other entities		511,666	268,727
<b>Long-term investments</b>	9	<b>15,294,728</b>	<b>12,157,693</b>
Real estate		9,567,116	9,601,913
Long-term financial assets		5,727,612	2,555,780
In related entities		5,727,391	2,555,780
- shares or equity interests in entities measured with equity method		5,727,387	2,328,947
- other financial assets		4	226,833
In other entities		221	
- shares or equity interests		221	
<b>Long-term prepayments and accrued income</b>	13	<b>29,077,644</b>	<b>31,712,165</b>
Deferred tax assets		22,607,933	22,963,175
Other prepayments and accrued income		6,469,711	8,748,990
<b>Current assets</b>		<b>594,944,831</b>	<b>465,555,360</b>
<b>Inventories</b>	10	<b>217,910,818</b>	<b>191,875,918</b>
Materials		122,199,016	112,091,350
Semi-products and work in progress		35,772,654	36,938,256
Finished products		38,959,604	23,688,703
Goods for resale		12,019,088	12,872,983
Prepaid deliveries		8,960,456	6,284,626
<b>Short-term receivables</b>	11	<b>253,782,449</b>	<b>177,500,021</b>
From related entities		2,669,452	1,603,297
Short-term trade debtors maturing:		2,669,452	1,603,297
- up to 12 months		2,669,452	1,603,297
- over 12 months		-	-
From other entities		251,112,997	175,896,724
Short-term trade debtors maturing:		232,207,101	156,630,095
- up to 12 months		232,207,101	156,519,271
- over 12 months		-	110,824
Taxes, subsidies, duty or health and social security receivable		15,756,698	14,500,743
Other		3,149,198	4,765,886



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<b>Short-term investments</b>		<b>113,577,121</b>	<b>91,264,835</b>
Short-term financial assets		113,577,043	91,264,759
In subsidiaries and co-subsidiaries	12	35,000	20,149
- advanced loans		35,000	20,149
Cash and cash equivalents	25	113,542,043	91,244,610
- cash in hand and at banks		113,411,133	91,228,601
- other cash		130,910	16,009
Other short-term investments		78	76
<b>Short-term prepayments and accrued income</b>	13	<b>9,674,443</b>	<b>4,914,586</b>
<b>Total assets</b>		<b>1,171,700,184</b>	<b>967,458,726</b>

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**CONSOLIDATED BALANCE SHEET –  
EQUITY AND LIABILITIES**

	Notes	31 December 2019 PLN	31 December 2018 PLN
<b>Equity</b>		<b>387,604,353</b>	<b>376,837,977</b>
Share capital	14	51,550	51,550
Reserve funds		356,155,727	291,742,443
Revaluation capital		6,713	6,713
Exchange differences arising on translation		1,293,211	3,033,252
- positive		-	-
- negative		1,293,211	3,033,252
Profit brought forward		1,414,231	31,287,733
Net profit		31,269,343	56,782,790
Net profit write-downs in the financial year		-	-
<b>Minority interests</b>		<b>1,674,459</b>	<b>1,779,703</b>
<b>Liabilities and provisions for liabilities</b>		<b>782,421,372</b>	<b>588,841,046</b>
<b>Provisions for liabilities</b>	15	<b>80,240,916</b>	<b>45,869,386</b>
Deferred tax liabilities		-	-
Provision for retirement severance pays		51,671,147	31,700,100
- long-term		36,780,906	21,902,889
- short-term		14,890,241	9,797,211
Other provisions		28,569,769	14,169,286
- long-term		10,233,623	1,150,705
- short-term		18,336,146	13,018,581
<b>Long-term liabilities</b>		<b>341,938,476</b>	<b>184,439,126</b>
To related entities		-	-
To other entities		341,938,476	184,439,126
Loans and credits	17	334,341,617	175,313,057
Other financial liabilities	17	7,596,859	9,126,069
<b>Short-term liabilities</b>		<b>239,633,881</b>	<b>293,564,239</b>
To related entities		-	-
To other entities		236,098,566	291,215,714
Loans and credits	17	46,150,983	122,569,929
Other financial liabilities	17	2,350,685	2,514,539
Short-term trade creditors maturing:		100,911,482	90,962,734
- up to 12 months		100,911,482	90,958,422
- over 12 months		-	4,312
Prepaid deliveries		17,340,075	20,563,144
Taxes, subsidies, duty or health and social security payable		52,031,611	36,800,637
Salaries and wages		14,224,370	14,746,331
Other		3,089,360	3,058,400
Special funds		3,535,315	2,348,525
<b>Prepayments and accrued income</b>	19	<b>120,608,099</b>	<b>64,968,295</b>
Negative goodwill		36,292,622	-
Other prepayments and accrued income		84,315,477	64,968,295
- long-term		31,307,075	33,468,017
- short-term		53,008,402	31,500,278
<b>Total equity and liabilities</b>		<b>1,171,700,184</b>	<b>967,458,726</b>

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<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>			<b>2019</b>	<b>2018</b>
		<b>Notes</b>	<b>PLN</b>	<b>PLN</b>
<b>Net sales revenue, including:</b>	20		<b>1,658,595,867</b>	<b>1,321,591,630</b>
- from related entities			18,907,719	10,895,177
Net revenue from the sale of products			1,481,891,044	1,217,595,156
Net revenue from the sale of goods and materials			176,704,823	103,996,474
<b>Cost of products, goods and materials sold, including:</b>			<b>1,021,333,113</b>	<b>819,369,152</b>
- to related entities			12,139,359	7,925,074
Cost of products sold			890,508,278	735,198,880
Value of goods and materials sold			130,824,835	84,170,272
<b>Gross profit on sales</b>			<b>637,262,754</b>	<b>502,222,478</b>
<b>Selling costs</b>	21		<b>439,755,139</b>	<b>330,117,350</b>
<b>General and administrative expenses</b>	21		<b>127,219,427</b>	<b>89,690,296</b>
<b>Profit on sales</b>			<b>70,288,188</b>	<b>82,414,832</b>
<b>Other operating income</b>			<b>17,516,686</b>	<b>9,169,035</b>
Gain on disposal of non-financial non-current assets			-	-
Subsidies			2,410,404	2,067,602
Revaluation of non-financial assets			1,672,026	-
Other operating income			13,434,256	7,101,433
<b>Other operating expenses</b>			<b>31,512,738</b>	<b>7,503,138</b>
Loss on disposal of non-financial non-current assets			369,007	28,879
Revaluation of non-financial assets			9,392,134	1,337,376
Other operating expenses			21,751,597	6,136,883
<b>Profit on operating activities</b>			<b>56,292,136</b>	<b>84,080,729</b>
<b>Financial income</b>			<b>904,940</b>	<b>2,013,697</b>
Interest			43,542	35,708
Gain on disposal of financial assets			-	-
Revaluation of financial assets			-	-
Other			861,398	1,977,989
<b>Financial expenses</b>			<b>12,131,728</b>	<b>15,282,957</b>
Interest			9,659,663	9,406,529
Loss on disposal of financial assets			-	40,221
Revaluation of financial assets			-	468,527
Other			2,472,065	5,367,680
<b>Profit before extraordinary items</b>			<b>45,065,348</b>	<b>70,811,469</b>
<b>Write-down on goodwill – subsidiaries</b>			<b>3,080,087</b>	<b>3,079,298</b>
<b>Gain on interest in entities measured with equity method</b>			<b>4,148,601</b>	<b>1,101,952</b>
<b>Gross profit</b>			<b>46,133,862</b>	<b>68,834,123</b>
<b>Corporate income tax</b>	22,24		<b>14,970,949</b>	<b>11,967,011</b>
<b>Minority (profits) losses</b>			<b>106,430</b>	<b>84,322</b>
<b>Net profit</b>	12		<b>31,269,343</b>	<b>56,782,790</b>

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>Notes</b>	<b>2019 PLN</b>	<b>2018 PLN</b>
<b>Cash flows from operating activities</b>			
Net profit		31,269,343	56,782,790
Total adjustments		45,095,971	59,262,554
Profit (loss) of minority shareholders	-	106,430	84,322
Share in profit (loss) of entities measured with equity method	-	4,148,601	1,101,952
Amortisation and depreciation (including write-downs on goodwill)		63,706,097	55,693,905
Foreign exchange gains / (losses)		1,557,200	6,125,569
Interest and share in profit (dividends)		9,488,818	9,243,523
Gain (loss) on investing activities		369,007	568,922
Change in provisions		13,236,630	3,081,668
Change in inventories	25	- 2,350,889	- 36,118,954
Change in receivables	25	- 61,190,820	4,561,006
Change in short-term liabilities, excluding loans and credits	25	4,379,328	9,056,052
Change in prepayments and accrued income	25	13,944,907	9,060,953
Other adjustments		6,210,724	5,170,876
<b>Total net cash flows from operating activities</b>		<b>76,365,314</b>	<b>116,045,344</b>
<b>Cash flows from investing activities</b>			
Inflow		2,896,849	2,237,345
Sale of property, plant and equipment and intangible assets		2,818,509	2,191,637
Sale of investments in real estate and intangible assets		34,798	-
Financial assets, including:		43,542	45,708
In related entities		-	-
In other entities		43,542	45,708
Other investment inflow		-	-
Expenditure		- 83,274,503	- 55,584,392
Acquisition of property, plant and equipment and intangible assets		- 83,259,434	- 55,338,611
Financial assets, including:		- 15,069	- 245,781
In related entities		-	- 225,632
- purchase of financial assets		-	- 225,632
In other entities		- 15,069	- 20,149
<b>Total net cash flows from investing activities</b>		<b>- 80,377,654</b>	<b>- 53,347,047</b>
<b>Cash flows from financing activities</b>			
Inflow		83,637,502	132,470,728
Net proceeds from the issue of shares and additional payments to capital		-	-
Loans and credits		82,609,615	131,442,842
Other financial inflow		1,027,887	1,027,886
Expenditure		- 57,368,073	- 163,170,494
Dividends and other payments to owners		- 20,700,000	- 23,000,000
Repayment of loans and credits		- 25,196,167	- 129,806,342
Decrease in finance lease liabilities		- 1,939,542	- 1,679,703
Interest and commission paid		- 9,532,364	- 8,684,449
<b>Total net cash flows from financing activities</b>		<b>26,269,429</b>	<b>- 30,699,766</b>
<b>Total net cash flows</b>		<b>22,257,089</b>	<b>31,998,531</b>
Balance sheet change in cash, including:		22,297,433	32,070,565

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Foreign exchange change in cash		40,344	72,034
Cash at the beginning of the period	25	91,244,610	59,174,045
Cash at the end of the period	25	<u>113,542,043</u>	<u>91 244,610</u>

<b>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</b>	<b>Notes</b>	<b>2019 PLN</b>	<b>2018 PLN</b>
<b>Equity at the beginning of the period</b>		<b>376,837,977</b>	<b>336,967,388</b>
Share capital at the beginning of the period		51,550	51,550
Share capital at the end of the period		51,550	51,550
Reserve funds at the beginning of the period		291,742,443	274,239,173
Changes in reserve funds		64,413,284	17,503,270
Increases		64,413,284	17,503,270
- distribution of profit (statutory)		64,413,284	17,503,270
Reserve funds at the end of the period		356,155,727	291,742,443
Revaluation capital at the beginning of the period		6,713	6,713
Revaluation capital at the end of the period		6,713	6,713
Exchange differences on translation at the beginning of the period		(3,033,252)	(6,138,961)
Change in exchange differences on translation		1,740,041	3,105,709
Increases		3,033,252	6,139,234
other adjustments		-	273
reversal of prior year differences		3,033,252	6,138,961
Decreases		1,293,211	3,033,525
translation of subsidiaries' equities		1,293,211	3,033,525
Exchange differences on translation at the end of the period		(1,293,211)	(3,033,252)
Profit brought forward at the beginning of the period		31,287,733	19,208,149
Change in profit brought forward		(29,873,502)	12,079,584
Increases		55,239,782	62,582,854
Reclassification of prior year profit for distribution		56,782,790	59,600,764
Other adjustments		(1,543,008)	2,982,090
Decreases		85,113,284	50,503,270
Reclassification of prior year profit		64,413,284	17,503,270
Allocation of the portion of profits of prior year to dividend		20,700,000	33,000,000
Profit brought forward at the end of the period		1,414,231	31,287,733
Net profit (loss)		31,269,343	56,782,790
Net profit		31,269,343	56,782,790
Equity at the end of the period		387,604,353	376,837,977
Equity, net of proposed distribution of profit (coverage of loss)		387,604,353	376,837,977

**Notes to the financial statements****1. Foreign exchange rates**

Exchange rate on the last day of the period	31 December 2019	31 December 2018
USD/PLN exchange rate	3.7977	3.7597
EUR/PLN exchange rate	4.2585	4.3000
GBP/PLN exchange rate	4.9971	4.7895
100 HUF/PLN exchange rate	1.2885	1.3394
CHF/PLN exchange rate	3.9213	3.8166
CZK/PLN exchange rate	0.1676	0.1673

Mid exchange rate in the period	2019 PLN	2018 PLN
USD/PLN exchange rate	3.8440	3.6227
EUR/PLN exchange rate	4.3018	4.2669
HUF/PLN exchange rate	1.3198	1.3339
GBP/PLN exchange rate	4.9106	4.8142
CHF/PLN exchange rate	3.8731	3.7081
CZK/PLN exchange rate	0.1676	0.1663

Mid exchange rate was calculated as an arithmetic mean quoted by the National Bank of Poland on the last day of each month of the period.

**2. Information about subsidiaries sold or acquired in the financial year**

The financial year 2019 saw the new acquisitions. In the period under analysis, Grupa Nowy Styl Sp. z o.o. acquired the Western European companies, namely Kusch+Co GmbH, Kusch & Co. Ltd and Kusch zweite Verwaltungs GmbH +CO. In addition, Grupa Nowy Styl Sp. z o.o. acquired the majority of assets, employees and operating activities of Majencia SA.

Kusch+Co is a global premium brand very well recognized in design and architectural circles. It has a strong portfolio of products for office and public facilities complementary to the products offered by the Nowy Styl Group as well as skills and international position as a supplier of furnishings for airports and terminals.

Majencia SA had for many years been the leader of the French office furniture market. Still in 2017, the company's turnover exceeded EUR 100m. However, Majencia SA had financial problems which led to the bankruptcy proceedings instigated against the company at the end of the last year. In order to provide the company with an ability to grow and continue in operational existence, Nowy Styl – Majencia S.A.S. emerged, the share capital was increased by EUR 10m and the business got debt financing.

**3. Intangible assets – comparative year 2018**

PLN	Cost of research and development	Copyrights, neighbouring rights, licences, concessions, trademark	Other intangible assets	Prepayments for intangible assets	Total
<b>Gross value at the beginning of the period</b>	61,816,279	20,600,936	21,213,037	185,127	103,815,379
<b>Additions:</b>	4,913,955	1,934,370	173,726	62,348	7,084,399
- acquisition	4,913,955	1,934,370	158,362	77,712	7,084,399
- transfer of prepayment for intangible assets	-	-	15,364	(15,364)	-
<b>Disposals:</b>	-	64,592	156,032	-	220,624
- sale	-	64,592	4	-	64,596
- liquidation	-	-	156,028	-	156,028
<b>Exchange differences</b>	158,681	785,096	410,693	6,215	1,360,685
<b>Gross value at the end of the period</b>	66,888,915	23,255,810	21,641,424	253,690	112,039,839
<b>Amortisation at the beginning of the period</b>	52,103,517	15,968,248	18,449,193	-	86,520,958
<b>Additions:</b>	4,868,876	1,951,405	1,242,931	-	8,063,212
- amortisation	4,868,876	1,951,405	1,221,203	-	8,041,484
- other	-	-	21,728	-	21,728
<b>Disposals:</b>	-	48,046	156,002	-	204,048
- sale	-	48,046	-	-	48,046
- liquidation	-	-	156,002	-	156,002
<b>Exchange differences</b>	137,148	561,233	400,479	-	1,098,860
<b>Amortisation at the end of the period</b>	57,109,541	18,432,840	19,936,601	-	95,478,982
<b>Net value</b>					
<b>Balance at the beginning of the period</b>	9,712,762	4,632,688	2,763,844	185,127	17,294,421
<b>Balance at the end of the period</b>	9,779,374	4,822,970	1,704,823	253,690	16,560,857



**Intangible assets – changes in the financial year 2019**

PLN	Cost of research and development	Copyrights, neighbouring rights, licences, concessions, trademark	Other intangible assets	Prepayments for intangible assets	Total
<b>Gross value at the beginning of the period</b>	66,888,915	23,255,810	21,641,424	253,690	112,039,839
<b>Additions:</b>	12,273,064	6,458,428	11,832,569	1,037,834	31,601,895
- acquisition	8,745,030	5,400,242	3,093,119	308,467	17,546,858
- transfer of prepayment for intangible assets	11,312	-	-	(11,312)	-
- acquisition of Majencia and Kusch group	-	4	8,739,450	740,679	9,480,133
- fair value measurement	3,516,722	1,058,182	-	-	4,574,904
<b>Disposals:</b>	84,389	940,599	1,619,309	-	2,644,297
- sale	-	-	618,095	-	618,095
- liquidation	46,587	978,401	1,001,214	-	2,026,202
- impairment	-	-	-	-	-
- reclassification	37,802	(37,802)	-	-	-
<b>Exchange differences</b>	(90,095)	296,319	(53,728)	(12,894)	139,602
<b>Gross value at the end of the period</b>	78,987,495	29,069,958	31,800,956	1,278,630	141,137,039
<b>Amortisation at the beginning of the period</b>	57,109,541	18,432,840	19,936,601	-	95,478,982
<b>Additions:</b>	5,151,446	2,652,817	9,860,805	-	17,665,068
- amortisation	5,151,446	2,652,817	1,387,455	-	9,191,718
- acquisition of Majencia and Kusch group	-	-	8,473,350	-	8,473,350
- other	-	-	-	-	-
<b>Disposals:</b>	84,389	940,599	1,619,241	-	2,644,229
- sale	-	-	618,091	-	618,091
- liquidation	46,587	978,401	1,001,150	-	2,026,138
- reclassification	37,802	(37,802)	-	-	-
<b>Exchange differences</b>	(48,187)	238,753	(24,284)	-	166,282
<b>Amortisation at the end of the period</b>	62,128,411	20,383,811	28,153,881	-	110,666,103
<b>Net value</b>					
<b>Balance at the beginning of the period</b>	9,779,374	4,822,970	1,704,823	253,690	16,560,857
<b>Balance at the end of the period</b>	16,859,084	8,686,147	3,647,075	1,278,630	30,470,936

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#### 4. Goodwill of subordinate companies – comparative year 2018

PLN	Stylis NSG DMCC	Nowy Styl GmbH	SITAG AG	NSG Finance 2 Sp. z o.o.	Nowy Styl Group GmbH	Nowy Styl France S.A.S.	Nowy Styl UK Ltd	Nowy Styl SK s.r.o.	Nowy Styl Free Zone Entity	Total
<b>Gross value at the beginning of the period</b>	6,573,483	9,976,620	1,045,719	-	-	6,774,134	1,059,057	2,228,219	13,191	27,670,423
Additions – purchase	-	-	-	-	-	-	-	-	-	-
Additions – change of consolidation method	1,569,320	-	-	1,211,225	-	-	-	-	-	2,780,545
Disposals – company liquidation	-	-	-	-	-	-	-	-	13,191	13,191
Reclassifications	-	-	53,997	-	53,997	-	-	-	-	-
Exchange differences	-	-	14,601	-	-	-	-	-	-	14,601
<b>Gross value at the end of the period</b>	<b>8,142,803</b>	<b>9,976,620</b>	<b>1,066,323</b>	<b>1,211,225</b>	<b>53,997</b>	<b>6,774,134</b>	<b>1,059,057</b>	<b>2,228,219</b>	<b>-</b>	<b>30,452,378</b>
<b>Write-downs on goodwill at the beginning of the period</b>	<b>-</b>	<b>6,903,999</b>	<b>498,561</b>	<b>-</b>	<b>-</b>	<b>6,774,134</b>	<b>1,059,057</b>	<b>2,228,219</b>	<b>13,191</b>	<b>17,477,161</b>
Additions – amortisation	1,628,561	997,663	200,516	241,760	10,798	-	-	-	-	3,079,298
Disposals – company liquidation	-	-	-	-	-	-	-	-	13,191	13,191
Reclassifications	-	-	2,701	-	2,701	-	-	-	-	-
Exchange differences	-	-	8,050	-	-	-	-	-	-	8,049
<b>Write-downs on goodwill at the end of the period</b>	<b>1,628,561</b>	<b>7,901,661</b>	<b>704,426</b>	<b>241,760</b>	<b>13,499</b>	<b>6,774,134</b>	<b>1,059,057</b>	<b>2,228,219</b>	<b>-</b>	<b>20,551,317</b>
<b>Net value</b>										
<b>Balance at the beginning of the period</b>	<b>6,573,483</b>	<b>3,072,621</b>	<b>547,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,193,262</b>
<b>Balance at the end of the period</b>	<b>6,514,242</b>	<b>2,074,959</b>	<b>301,897</b>	<b>969,465</b>	<b>40,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,901,061</b>

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**Goodwill of subordinate companies – financial year 2019**

PLN	Stylis NSG DMCC	Nowy Styl GmbH	SITAG AG	NSG Finance 2 Sp. z o.o.	Nowy Styl France S.A.S.	Nowy Styl UK Ltd	Nowy Styl SK s.r.o.	Nowy Styl Group GmbH	Total
<b>Gross value at the beginning of the period</b>	8,142,803	9,976,620	1,006,323	1,211,225	6,774,134	1,059,057	2,228,219	53,997	30,452,378
Additions – change of consolidation method	-	-	-	-	-	-	-	-	-
Disposals – company liquidation	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	(4,693)	-	-	-	-	-	(4,693)
<b>Gross value at the end of the period</b>	8,142,803	9,976,620	1,001,630	1,211,225	6,774,134	1,059,057	2,228,219	53,997	30,447,685
<b>Write-downs on goodwill at the beginning of the period</b>	1,628,561	7,901,661	704,426	241,760	6,774,134	1,059,057	2,228,219	13,499	20,551,317
Additions – amortisation	1,628,561	997,663	201,304	241,760	-	-	-	10,799	3,080,087
Disposals – company liquidation	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	(4,264)	-	-	-	-	-	(4,264)
<b>Write-downs on goodwill at the end of the period</b>	3,257,122	8,899,324	901,466	483,520	6,774,134	1,059,057	2,228,219	24,298	23,627,140
<b>Net value</b>									
Balance at the beginning of the period	6,514,242	2,074,959	301,897	969,465	-	-	-	40,498	9,901,061
Balance at the end of the period	4,885,681	1,077,296	100,164	727,705	-	-	-	29,699	6,820,545

**5. Non-current assets – comparative period 2018**

PLN	Land (including leasehold estate)	Buildings, premises and civil engineering structures	Plant and equipment	Vehicles	Other non- current assets	Non-current assets under construction	Pre-paid non-current assets under construction	Total
<b>Gross value at the beginning of the period</b>	26,177,999	354,768,967	396,936,344	38,664,671	68,485,271	23,633,768	457,118	909,124,138
<b>Additions:</b>	(12,796)	5,669,159	16,196,707	1,673,762	6,317,994	14,620,393	2,590,098	47,055,317
- acquisition	-	483,627	1,315,713	1,268,780	2,100,372	37,950,317	2,951,419	46,070,228
- transfer from non-current assets under construction	-	5,173,047	14,880,994	404,982	3,232,222	(23,691,245)	-	-
- transfer from prepayments for non-current assets under construction	-	-	-	-	-	361,321	(361,321)	-
- change of consolidation method of Stylis NSG DMCC	-	-	-	-	985,400	-	-	985,400
- reclassifications	(12,796)	12,485	-	-	-	-	-	(311)
<b>Disposals:</b>	-	572,282	7,836,148	1,286,556	3,841,823	2,132,089	-	15,668,898
- sale	-	-	946,201	1,103,794	117,930	1,736,765	-	3,904,690
- liquidation	-	572,282	6,889,947	182,762	3,723,893	-	-	11,368,884
- other	-	-	-	-	-	212,549	-	212,549
- impairment	-	-	-	-	-	182,775	-	182,775
Exchange differences	526,464	8,187,101	3,841,619	1,080,331	1,230,339	90,463	4,453	14,960,770
<b>Gross value at the end of the period</b>	26,691,667	368,052,945	409,138,522	40,132,208	72,191,781	36,212,535	3,051,669	955,471,327
<b>Depreciation at the beginning of the period</b>	-	159,674,195	243,121,217	28,356,794	51,262,593	-	-	482,414,799
<b>Additions:</b>	-	9,967,778	25,809,977	2,521,477	6,273,584	-	-	44,572,816
- depreciation	-	9,968,089	25,809,977	2,521,477	6,273,584	-	-	44,573,127
- reclassification	-	(311)	-	-	-	-	-	(311)
<b>Disposals:</b>	-	481,507	7,646,028	1,036,758	3,633,342	-	-	12,797,635
- sale	-	-	923,590	886,677	77,474	-	-	1,887,741
- liquidation	-	481,507	6,722,438	150,081	3,555,868	-	-	10,909,894
Exchange differences	-	5,737,038	2,674,550	751,579	815,317	-	-	9,978,484
<b>Depreciation at the end of the period</b>	-	174,897,504	263,959,716	30,593,092	54,718,152	-	-	524,168,464
<b>Net value</b>								
<b>Balance at the beginning of the period</b>	26,177,999	195,094,772	153,815,127	10,307,877	17,222,678	23,633,768	457,118	426,709,339
<b>Balance at the end of the period</b>	26,691,667	193,155,441	145,178,806	9,539,116	17,473,629	36,212,535	3,051,669	431,302,863

## Non-current assets – financial year 2019

PLN	Land (including leasehold estate)	Buildings, premises and civil engineering structures	Plant and equipment	Vehicles	Other non- current assets	Non-current assets under construction	Pre-paid non-current assets under construction	Total
<b>Gross value at the beginning of the period</b>	26,691,667	368,052,945	409,138,522	40,132,208	72,191,781	36,212,535	3,051,669	955,471,327
<b>Additions:</b>	32,956,313	27,782,858	106,450,020	9,708,729	53,064,971	(3,452,406)	4,282,090	230,792,575
- acquisition	-	518,936	6,623,964	6,339,057	3,297,354	41,589,026	4,181,691	62,550,028
- transfer from non-current assets under construction	15,090	9,117,666	29,513,943	1,181,023	5,414,916	(45,242,638)	-	-
- transfer from prepayments for non-current assets under construction	-	-	-	-	-	177,019	(177,019)	-
- acquisition of Majencja and Kusch group	3,258,803	6,658,957	62,747,314	2,188,649	43,479,867	24,187	277,418	118,635,195
- Fair value measurement	29,682,420	11,487,299	7,564,799	-	872,834	-	-	49,607,352
<b>Disposals:</b>	(133,409)	6,678,433	79,120,734	11,576,347	5,088,982	2,133,384	-	104,464,471
- sale	-	81,392	1,913,860	5,700,889	332,818	2,063,706	-	10,092,665
- liquidation	-	6,539,571	66,229,248	2,528,845	15,219,336	-	-	90,517,000
- reclassification	(133,409)	57,470	10,977,626	3,346,613	(10,463,172)	-	-	3,785,128
- impairment	-	-	-	-	-	69,678	-	69,678
Exchange differences	(136,478)	1,498,861	620,612	(66,059)	(502,904)	47,231	(2,442)	1,258,821
<b>Gross value at the end of the period</b>	59,444,911	390,656,231	437,088,420	38,198,531	119,664,866	30,673,976	7,331,317	1,083,058,252
<b>Depreciation at the beginning of the period</b>	-	174,897,504	263,959,716	30,593,092	54,718,152	-	-	524,168,464
<b>Additions:</b>	-	16,874,456	89,753,639	5,637,370	48,794,075	-	-	161,059,540
- depreciation	-	10,791,261	29,540,599	3,528,763	7,573,669	-	-	51,434,292
- acquisition of Majencja and Kusch group	-	6,083,195	60,213,040	2,108,607	41,220,406	-	-	109,625,248
<b>Disposals:</b>	-	6,589,211	76,135,661	11,275,109	4,064,663	-	-	98,064,644
- sale	-	6,903	1,155,647	5,030,102	332,713	-	-	6,525,365
- liquidation	-	6,534,608	64,192,713	2,525,666	14,501,164	-	-	87,754,151
- reclassification	-	47,700	10,787,301	3,719,341	(10,769,214)	-	-	3,785,128
Exchange differences	-	1,455,839	381,229	(25,427)	(496,583)	-	-	1,315,058
<b>Depreciation at the end of the period</b>	-	186,638,588	277,958,923	24,929,926	98,950,981	-	-	588,478,418
<b>Net value</b>								
<b>Balance at the beginning of the period</b>	26,691,667	193,155,441	145,178,806	9,539,116	17,473,629	36,212,535	3,051,669	431,302,863
<b>Balance at the end of the period</b>	59,444,911	204,017,643	159,129,497	13,268,605	20,713,885	30,673,976	7,331,317	494,579,834

## 6. Non-current assets by ownership

	31 December 2019	31 December 2018
	PLN	PLN
Own non-current assets	425,616,144	362,107,518
Non-current assets under lease	30,958,397	29,931,141
<b>Total intangible assets in balance sheet records (<i>sic!</i>)</b>	<b>456,574,541</b>	<b>392,038,659</b>

The carrying amount of land is PLN 59,444,911, including the leasehold of PLN 620,368.

## 7. Intangible assets – by ownership

	31 December 2019	31 December 2018
	PLN	PLN
Own intangible assets	30,470,936	16,560,857
<b>Total intangible assets in balance sheet records</b>	<b>30,470,936</b>	<b>16,560,857</b>

## 8. Capital expenditures on non-financial non-current assets

Expenditures on non-financial non-current assets in the current financial year amounted to PLN 80,096,886. The majority of projects carried out by the Capital Group directly or indirectly relates to the reduction of impact on the environment and environmental protection. Accordingly, the Capital Group is not able to separate a specific amount of capital expenditures on environmental protection.

The Capital Group has not yet made a final decision about the amount of capital expenditures on non-financial non-current assets, including environmental protection in 2019.

As at 31 December 2019, the Group's non-current assets under construction amounted to PLN 30,673,976 and prepaid non-current assets under construction amounted to PLN 7,331,317.

## 9. Long-term investments – comparative year 2018

	Real estate	Shares	Other financial assets	Total
	PLN	PLN	PLN	PLN
Balance at the beginning of the period	9,601,913	2,489,700	-	12,091,613
Increases	-	1,101,952	226,833	1,328,785
valuation of an associate	-	1,101,952	-	1,101,952
Investments in the Kusch companies	-	-	226,833	226,833
Decreases	-	1,261,505	-	1,261,505
dividend from an associate	-	1,261,505	-	1,261,505
Exchange differences on translation	-	1,200	-	1,200
<b>Balance at the end of the period</b>	<b>9,601,913</b>	<b>2,328,947</b>	<b>226,833</b>	<b>12,157,693</b>

Net value at the beginning of the period	<u>9,601,913</u>	<u>2,489,700</u>	<u>-</u>	<u>12,091,613</u>
Net value at the end of the period	<u>9,601,913</u>	<u>2,328,947</u>	<u>226,833</u>	<u>12,157,693</u>

**Long-term investments – changes in the financial year 2019**

	Real estate PLN	Shares PLN	Other financial assets PLN	Total PLN
Balance at the beginning of the period	9,601,913	2,328,947	226,833	12,157,693
Increases	-	4,789,996	4	4,790,000
valuation of Telmex Nowy Styl	-	4,287,605	-	4,287,605
other increases	-	502,169	-	502,169
minority interests in other companies	-	222	4	226
Decreases	34,797	1,304,433	226,833	1,566,063
other decreases	-	236,313	-	236,313
reclassification of shares in the Kusch group	-	-	226,833	226,833
dividend from Telmex Nowy Styl	-	1,068,120	-	1,068,120
valuation	34,797	-	-	34,797
Exchange differences on translation	-	86,902	-	86,902
Balance at the end of the period	<u>9,567,116</u>	<u>5,727,608</u>	<u>4</u>	<u>15,294,728</u>
Net value at the beginning of the period	<u>9,601,913</u>	<u>2,328,947</u>	<u>226,833</u>	<u>12,157,693</u>
Net value at the end of the period	<u>9,567,116</u>	<u>5,727,608</u>	<u>4</u>	<u>15,294,728</u>

The value of real estate decreased in the period under analysis by PLN 34,797. On the basis of the decision concerning the division of the real estate, the plots separated for the public road and owned by the Parent Company became, by the operation of law, the ownership of the City of Jasto. In addition, one of the plots was included at the Parent Company in non-current assets.

The change in the value of shares in subordinates was influenced by the amount of profit per shares in Telmex – Nowy Styl Zrt carried to increase the value of shares of PLN 4,287,605. Disposals were influenced by the adjustment of dividend received from the company.

Shares in the Kusch companies were reclassified in the reporting period. The transaction was presented in other financial assets.

**10. Write-downs on inventories**

	2019 PLN	2018 PLN
Balance at the beginning of the period	9,152,903	8,798,195
Increases	8,451,465	2,324,868
Decreases	579,392	2,180,595
Exchange differences on translation	15,128	210,435
Balance at the end of the period	<u>17,009,848</u>	<u>9,152,903</u>

#### 11. Write-downs on receivables

	2019	2018
	PLN	PLN
Balance at the beginning of the period	15,677,805	14,642,214
Increases	5,127,164	1,813,014
Decreases	6,164,774	990,736
Exchange differences on translation	28,273	213,313
Balance at the end of the period	<u>14,668,468(*)</u>	<u>15,677,805(*)</u>

(\*)The write-downs for 2019 also include a write-down relating to VAT receivables in the amount of PLN 66,880. In 2018, the VAT write-down was 108,610.

#### 12. Loans advanced in subsidiaries and co-subsidiaries

	2019	2018
	PLN	PLN
Balance at the beginning of the period	20,149	320,396
Increases	35,000	20,149
Decreases	20,149	320,396
Balance at the end of the period	<u>35,000</u>	<u>20,149</u>

#### 13. Prepaid expenses

	31 December 2019	31 December 2018
	PLN	PLN
Long-term prepaid expenses		
Deferred tax assets	22,607,933	22,963,175
Other long-term prepaid expenses, including:	6,469,711	8,748,990
- cost of research and development	6,469,711	8,748,990
	<u>29,077,644</u>	<u>31,712,165</u>

	31 December 2019	31 December 2018
	PLN	PLN
Short-term prepaid expenses		
Insurance and subscriptions paid	459,199	684,150
Services paid	1,044,503	1,021,596
Costs of advertisement and commercial projects	1,025,244	500,371
Lease and rental	3,835,751	1,318,331
Costs of projects	637,409	397,799
Domestic and international business trips	77,596	63,907
Other short-term prepaid expenses	2,594,741	928,432
	<u>9,674,443</u>	<u>4,914,586</u>
Total prepaid expenses	<u>38,752,087</u>	<u>36,626,751</u>



**14. Share capital of the Parent Company**

The Parent Company's share capital as at 31 December 2019 was composed of 1000 equal and indivisible shares with a par value of PLN 50 each.

Shareholders of the Parent Company as at 31 December 2019:

Shareholder	Number of shares held	Par value of shares (PLN)	% of votes
Jerzy Krzanowski	300	15,000	30
Adam Krzanowski	300	15,000	30
Maitland International Holdings LLC	400	20,000	40
	<b>1,000</b>	<b>50,000</b>	<b>100</b>
Redeemed shares	31	1,550	-
		<b>51,550</b>	

According to Article 199 of the Polish Companies Act, 31 shares were redeemed in prior years without any change to the amount of the share capital.

**15. Provisions for liabilities – comparative year 2018**

	Balance at the beginning of the period	Created	Released	Change on exchange differences on translation	Balance at the end of the period
	PLN	PLN	PLN	PLN	PLN
Provision for retirement severance pays	28,953,508	3,185,919	1,060,615	621,288	31,700,100
Other provisions	12,367,997	4,087,661	2,699,804	413,432	14,169,286
	<u>41,321,505</u>	<u>7,273,580</u>	<u>3,760,419</u>	<u>1,034,720</u>	<u>45,869,386</u>

**Provisions for liabilities – changes in the financial year 2019**

	Balance at the beginning of the period	Created	Released	Change on exchange differences on translation	Balance at the end of the period
	PLN	PLN	PLN	PLN	PLN
Provision for retirement severance pays	31,700,100	25,731,268	5,385,824	-374,397	51,671,147
Other provisions	14,169,286	15,300,386	711,200	-188,703	28,569,769
	<u>45,869,386</u>	<u>41,031,654</u>	<u>6,097,024</u>	<u>-563,100</u>	<u>80,240,916</u>

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**16. Interest expense on financial liabilities – comparative year 2018**

Liability	Costs of interest charged at interest rates following from concluded contracts in the comparative period				Total
	Interest paid	Interest accrued at payment dates (*)			
		up to 3 months	3 - 12 months	over 12 months	
		PLN	PLN	PLN	
Loans and credits and other financial liabilities	9,109,925	165,301	16,085	44,612	9,335,923

**Interest expense on financial liabilities – financial year 2019**

Liability	Costs of interest charged at interest rates following from concluded contracts in the reporting period				Total
	Interest paid	Interest accrued at payment dates (*)			
		up to 3 months	3 - 12 months	over 12 months	
		PLN	PLN	PLN	
Loans and credits and other financial liabilities	9,532,364	14,622	16,085	44,612	9,607,683

(\*) – payment date as of the end of the reporting period.

The difference between the amount of interest presented in the profit and loss account and the amount presented in the note above results from the adjusted purchase price used to measure financial liabilities.

**17. Long- and short-term financial liabilities – discussion of financial instruments**

Total amount of loans, credits and leases according to the agreement: PLN 538,776,066.

Total amount of outstanding loans, credits and leases: PLN 390,440,144.

- a) long-term: PLN 341,938,476
- b) short-term: PLN 48,501,668

Credits bear interest at a variable interest rate plus bank margin.

	31 December 2019	31 December 2018
	PLN	PLN
<b>Long-term liabilities to other entities – loans and credits</b>		
1 - 3 years	303,758,197	123,302,521
3 - 5 years	5,072,822	23,847,912
over 5 years	25,510,598	28,162,624
	<b>334,341,617</b>	<b>175,313,057</b>

**Long-term liabilities to other entities – lease liabilities**

1 - 3 years	7,596,859	3,384,792
3 - 5 years	-	2,995,862
over 5 years	-	2,745,415
	<b>7,596,859</b>	<b>9,126,069</b>

**Total long-term financial liabilities**

Loans and credits	334,341,617	175,313,057
Leases	7,596,859	9,126,069
	<b>341,938,476</b>	<b>184,439,126</b>

**Short-term liabilities to other entities**

Loans and credits	46,150,983	122,569,929
Leases	2,350,685	2,514,539
	<b>48,501,668</b>	<b>125,084,468</b>

**Other financial liabilities**

Other financial liabilities disclosed in the balance sheet as at 31 December 2019 are the Capital Group's liabilities under lease agreements measured at amortised cost.

The Capital Group's liabilities under lease agreements are recognised at present net value of lease payments (i.e. at amortised cost). The majority of contracts are the EUR-denominated contracts and relate to finance lease for buildings and structures, machines and equipment and cars. The longest term contracts concern the equipment in the production plants and buildings of Nowy Styl GmbH whose purchase date is in 2020.

**18. Debt secured on assets**

The Group's financial liabilities to financial institutions are secured on the Group's assets.

The total amount of the security at the Group as at 31 December 2019 is PLN 1,005,580,885.

**19. Accruals**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>PLN</b>	<b>PLN</b>
<b>Long-term deferred income</b>		
Subsidies from the Polish Agency for Enterprise Development – PARP	28,731,819	30,560,752
Subsidies from MF- Smart Growth Operational Programme	2,179,329	2,453,045
Subsidies from the National Fund for Environmental Protection	395,927	449,008
Other subsidies – PZU	0	5,212
	<b>31,307,075</b>	<b>33,468,017</b>

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**Short-term deferred income**

Subsidies from the Polish Agency for Enterprise Development - PARP	1,841,652	1,872,756
Subsidies from MF- Smart Growth Operational Programme	0	231,993
Subsidies from the National Fund for Environmental Protection	83,692	90,432
Other subsidies – PZU	0	5,687
Prepaid unperformed services	6,448,749	1,640,723
Other	506,338	-
	<b>8,880,431</b>	<b>3,841,591</b>

**Short-term accruals**

Marketing services	886,453	622,939
Transport services	547,816	716,735
Commission on sales	14,662,413	10,055,273
Licence fees	0	1,878,481
Provisions for future expenses	8,916,679	5,636,478
Uninvoiced fees for performed services	16,701,390	8,303,790
Other	2,413,220	444,991
	<b>44,127,971</b>	<b>27,658,687</b>

<b>Total short-term prepayments and accrued income</b>	<b>53,008,402</b>	<b>31,500,278</b>
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<b>Total prepayments and accrued income</b>	<b>84,315,477</b>	<b>64,968,295</b>
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The negative goodwill is connected with the acquisition of Majencia SA and is recognised in the amount equal to the difference between the fair value of acquired net assets and purchase price adjusted by impairment losses.

## 20. Net sales revenue by type and territory

	2019	2018
	PLN	PLN
Domestic sales:		
Products	153,803,667	158,700,841
Semi-finished products	12,118,240	11,032,576
Services	2,009,429	1,721,779
Other sales	1,354,248	1,995,648
Goods	11,363,834	20,060,751
Materials	6,751,793	6,295,896
<b>Total domestic sales revenue</b>	<b>187,401,211</b>	<b>199,807,491</b>
Export sales:		
Products	1,239,434,136	996,057,405
Semi-finished products	44,929,271	32,774,775
Services	28,140,042	15,153,215
Other sales	102,011	158,917
Goods	142,699,766	71,629,160
Materials	15,889,430	6,010,667
<b>Total export sales revenue</b>	<b>1,471,194,656</b>	<b>1,121,784,139</b>
<b>Total sales revenue</b>	<b>1,658,595,867</b>	<b>1,321,591,630</b>

## 21. Costs by type

	2019	2018
	PLN	PLN
Depreciation and amortisation	60,626,010	52,614,611
Consumption of materials and energy	619,817,731	487,209,301
Contracted services	270,402,773	217,412,542
Taxes and charges	10,942,502	8,204,801
Salaries and wages	367,387,890	288,092,772
Social security and other services	94,850,746	63,230,759
Other costs by type	64,089,380	48,288,065
	<b>1,488,117,032</b>	<b>1,165,052,851</b>
Change in products	-25,807,438	-5,225,879
Costs of products manufactured for own use	-4,826,750	-4,820,446
	<b>1,457,482,844</b>	<b>1,155,006,526</b>

## 22. Other operating income

	2019	2018
	PLN	PLN
Received subsidies	2,410,404	2,067,602
Write-down of negative goodwill - Majencia S.A.S.	1,672,026	-
Other operating income, including:	13,434,256	7,101,433

Grupa Kapitałowa Nowy Styl Sp. z o.o.

Consolidated Financial Statements for the Financial Year Ended 31 December 2019

income from lease	2,515,761	586,924
income from reinvoices	4,427,413	134,935
income from company cars taxation	1,069,164	615,848
positive inventory differences	2,849,313	2,255,215
received damages	303,442	1,554,803
other income	2,269,162	1,953,708
	<b>17,516,686</b>	<b>9,169,035</b>

### 23. Other operating expenses

	<b>2019</b>	<b>2018</b>
	<b>PLN</b>	<b>PLN</b>
Loss on disposal of non-financial non-current assets	369,007	28,879
Current assets revaluation	9,392,134	1,337,376
Other operating income ( <i>sic!</i> ), including:	21,751,597	6,136,883
unused production capabilities	17,185,899	1,080,965
Leases	899,951	1,081,396
Donations	738,451	721,624
damages and penalties	460,929	203,013
negative inventory differences	500,851	1,104,520
Reinvoices	417,226	-
Other	1,548,290	1,945,365
	<b>31,512,738</b>	<b>7,503,138</b>

### 24. Corporate income tax

The Capital Group is not income tax payer within the meaning of the Polish Act on Corporate Income Tax. Corporate income tax is paid by individual companies operating in Poland.

Tax Capital Group was formed on 1 January 2015 for the German companies within the Capital Group, namely NSG International GmbH, Gruettner Systems GmbH, Rohde & Grahl GmbH, Rohde Group Service GmbH, Rohde Logistic GmbH, Rohde Verwaltungs GmbH, Rohde & Grahl Buero Einrichtungen GmbH.

Nowy Styl GmbH joined the Tax Capital Group on 1 April 2015.

Pursuant to Article 17.1.34 of the Polish Act on Corporate Income Tax of 15 February 1992, the Parent Company took advantage of tax relief available for businesses operating in the special economic zone. Entities receiving the tax relief are obliged to observe specific tax laws, especially the laws governing the activity of entities within special economic zones, in connection with relevant provisions of tax acts. Tax relief may be taken away from businesses and they may become obliged to pay the taxes they have previously been exempt from if the businesses fail to observe the tax laws.

The amount of deferred tax asset disclosed in the financial statements results mainly from the recognition of trademark in connection with transactions among the companies within the Capital Group and tax losses to be settled in subsequent financial years.

#### Parent Company

Tax authorities may inspect the accounting records and tax settlements within five years of the end of the year for which tax returns were submitted and impose additional tax plus penalties and

interest on the Company. The Management Board believe there are no circumstances likely to create considerable tax liabilities and penalties.

The expenses incurred by Nowy Styl Sp. z o.o. by 31 December 2019 in Tarnobrzeg Special Economic Zone, Jasło Sub-Zone, amounted to PLN 144,897,007, including eligible expenses of PLN 104 620 616. After discounting, eligible expenses at the date of the permit amounted to PLN 94,377,716.

Given the expenditures incurred by the Company, the Company is entitled to public aid in the form of exemption from corporate income tax of 50% of the discounted expenditure. The total amount of the aid is PLN 47,188,858. The amount of the utilised public aid after discounting at the date of the permit is PLN 33,356,629. The amount of discounted investment tax allowance available to the Company in subsequent years in connection with investments in special economic zone at the date of the permit is PLN 13,832,229.

## 25. Structure of cash for the purposes of consolidated statement of cash flows

	31 December 2019	31 December 2018
	PLN	PLN
Cash on hand	291,633	311,787
Cash at banks	113,250,410	90,932,823
- including on VAT accounts	262,524	59,164
<b>Total cash for the purposes of the statement of cash flows</b>	<b>113,542,043</b>	<b>91,244,610</b>

The table below sets out the reconciliation of change in balance of selected items in the consolidated balance sheet and the consolidated statement of cash flows.

<b>Balance sheet change in short-term payables, excluding loans and credits</b>	<b>22,652,442</b>
Correction of change in payables in connection with the acquisition of the Kusch group	- 18,420,595
Change in short-term payables relating to unrealised exchange differences	147,481
<b>Change in the statement of cash flows</b>	<b>4,379,328</b>
<b>Balance sheet change in prepayments and accrued income</b>	<b>53,514,468</b>
Change in prepayments and accrued income relating to unrealised exchange differences	157,853
Received subsidies	- 1,027,887
Negative goodwill – acquisition of Nowy Styl Majencia S.A.S.	- 37,964,647
Correction of change in prepayments and accrued income in connection with the acquisition of the Kusch group	- 734,880
<b>Change in the statement of cash flows</b>	<b>13,944,907</b>
<b>Balance sheet change in short-term receivables</b>	<b>- 76,282,428</b>
Change in write-down on short-term receivables	1,009,337
Correction of change in in connection with acquisitions	14,753,009
Change in short-term receivables relating to unrealised exchange differences	- 670,738
<b>Change in the statement of cash flows</b>	<b>- 61,190,820</b>

<b>Balance sheet change in inventories</b>	-	<b>26,034,900</b>
Change in write-down on inventories	-	7,856,945
Acquisition of Nowy Styl Majencia S.A.S. – fair value measurement		12,668,561
Correction of change in inventories in connection with acquisitions		18,687,398
Change in inventories relating to unrealised exchange differences		184,997
<b>Change in the statement of cash flows</b>	-	<b>2,350,889</b>
<b>Balance sheet change in provisions</b>		<b>34,371,531</b>
Acquisition of Nowy Styl Majencia S.A.S. – fair value measurement	-	12,668,561
Acquisition of Kusch+Co GmbH – fair value measurement	-	1,702,123
Correction of change in provisions in connection with acquisitions	-	7,042,065
Change in provisions relating to unrealised exchange differences		277,848
<b>Change in the statement of cash flows</b>		<b>13,236,630</b>

## 26. Events after the end of the reporting period

The following major events influencing the economic and financial condition of the Capital Group occurred after the end of the reporting period until the date of signing of the financial statements.

The first news about COVID-19 (coronavirus) came from China at the end of 2019. At the beginning of 2020, the virus spread across the world and had a negative influence on many countries. Despite changing situations at the date of publication of this report, it seems that the impact on the world trade and the company will be more negative than initially expected. Exchange rates used by the Parent Company fluctuate considerably, share prices on the world market fall and the prices of goods change. The situation is considered by the Capital Group as the event which does not entail any adjustments to the financial statements for 2019. It is viewed as the event after the end of the reporting period which calls for additional activities. The situation is dynamic and the potential influence of the pandemic on the entire Capital Group cannot be estimated. The influence, if any, will be contained in impairment losses on assets and provisions for potential losses in 2020. Management Boards of individual companies within the Capital Group undertake many activities whose aim is to adapt the companies' operation to changing macroeconomic conditions. The time of work and production capacities have been altered to follow the economic situation both home and abroad.

In addition, on the basis of the agreement of 25 May 2020, the Parent Company took control of Telmex – Nowy Styl Zrt and became the holder of 70.21% of shares. On 9 September 2020, the name of the company was changed to Nowy Styl Hungary Zrt.

## 27. Employment

The employment in 2019 and 2018:

	<b>2019</b>	<b>2018</b>
	<b>Number of people</b>	<b>Number of people</b>
Nowy Styl sp. z o.o. – Parent Company	3,414	3,358
Subsidiaries	1,217	740
<b>Total</b>	<b>4,631</b>	<b>4,098</b>



## 28. Fee of entity authorised to audit financial statements

Remuneration paid or payable for the following services provided in the financial year:

	2019	2018
	PLN	PLN
Mandatory audit of annual financial statements of the Capital Group companies	215,000	215,000
Other services	780,856	524,236
<b>Total</b>	<b>995,856</b>	<b>739,236</b>

## 29. Transactions with related parties

	Balance at 31 December 2019	31 December 2018
	PLN	PLN
Trade receivables	2,669,452	1,603,297
	<b>Turnover</b>	
	2019	2018
Net sales revenue	18,907,719	10,895,177

## 30. Aims and rules of financial risk management

Interest rate risk mainly arises due to the fact that the interest paid on credit and lease liabilities is linked to EURIBOR rates. The effect of an increase in interest rates is offset by a decrease in the exchange rate of the currency of credit and lease agreements (mainly EUR) in relation to the Polish zloty.

The exchange rate risk is hedged to a large extent naturally by the fact that the revenue and costs of international transport depend on EUR exchange rates. The Parent Company is exposed to foreign exchange risk in connection with EUR-denominated payments under credit and lease agreements.

The Capital Group is not exposed to any significant credit risk. The advanced loans are monitored on an ongoing basis and they are repaid in a timely fashion. Trade receivables are analysed and collected on an ongoing basis.


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This is to certify, to the best of my knowledge, that the foregoing is a true translation of the document presented to me.

Dated in Cracow this 30th day of October 2020

Rep. No. 10/125/20

Edyta Winiarska-Stachowicz  
Sworn Translator of English



Edyta Winiarska-Stachowicz, MA  
Sworn translator of English  
Certified translation from Polish

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*Edyta Winiarska-Stachowicz*

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders Meeting of Nowy Styl sp. z o.o.

### Report on the Audit of the Annual Consolidated Financial Statements

#### Opinion

We have audited the annual consolidated financial statements of the Nowy Styl sp. z o.o. Capital Group (the "Group") with Nowy Styl sp. z o.o. of Krosno (the Pużaka Street no. 49) as the Parent Company (the "Parent Company") comprising the introduction to the consolidated financial statements, consolidated balance sheet as at 31 December 2019, consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows for the period 1 January 2019 – 31 December 2019 and notes to the consolidated financial statements (the "consolidated financial statements").

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated economic and financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the period 1 January 2019 – 31 December 2019 in accordance with the applicable provisions of the Accounting Act of 29 September 1994 (the "Accounting Act") and the adopted accounting principles (policies); and
- comply, in terms of form and content, with the applicable laws and the articles of association of the Parent Company.

#### Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing ("ISAs") in a version adopted by the National Council of Statutory Auditors as the Polish Standards on Auditing ("PSAs") and in compliance with the Polish Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors"). Our responsibilities under those standards are further described under the following heading: *Auditor's Responsibility for the Audit of the Consolidated Financial Statements*.

We are independent of the Group Companies in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants ("IFAC Code") adopted by resolution of the National Council of Statutory Auditors and other ethical requirements applicable to the audit of the financial statements in Poland. We have fulfilled other ethical responsibilities in accordance with these requirements and the IFAC Code. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Group Companies 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 opinion.

### **Responsibility of the Management Board of the Parent Company for the Consolidated Financial Statements**

The Parent Company's Management Board is responsible for the preparation of the consolidated financial statements which give a true and fair view of the economic and financial position of the Group and of its financial performance in accordance with the provisions of the Accounting Act, the adopted accounting principles (policies) as well as the applicable laws and articles of association of the Parent Company, and for such internal control as the Management Board deems necessary to enable the preparation of the consolidated financial statements free from any material misstatement caused by fraud or error.

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

The Management Board of the Parent Company is obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

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

According to § 5 of the International Standard on Auditing (ISA) 320, the concept of materiality is used by a statutory auditor both in planning and performing an audit, and evaluation of the effect of misstatements and uncorrected misstatements identified during the audit, if any, on the consolidated financial statements and in making an opinion by the auditor. Accordingly, all opinions and statements contained in the audit report are made with due regard to quantitative and

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qualitative level of materiality determined in accordance with audit standards and professional judgment of the auditor.

The scope of an audit does not include any assurance about the future profitability of the Group or the effectiveness or efficiency of the Management Board in managing the Parent Company's affairs at present or in the future.

During an audit in accordance with PSAs, we exercise professional judgment and maintain professional scepticism. We also:

- identify and assess the risks of material misstatement of the consolidated 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 the 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 Group's internal control;
- evaluate the appropriateness of accounting principles (policies) used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's Management Board;
- conclude on the appropriateness of the Management Board'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that ensures fair presentation;
- obtain sufficient audit evidence relating to financial information of entities or business activities within the Group to express our opinion on the consolidated financial statements. We are responsible for the management, supervision and conduct of the audit and bear exclusive liability for our opinion on the audit.

We provide the people exercising supervision at the Parent Company with information regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during our audit.

## **Other Information, Including the Report on the Group's Activities**

Other information includes the report on the Group's activities in the period 1 January 2019 – 31 December 2019 ("Report on the Group's Activities").

### *Responsibility of the Management Board of the Parent Company*

The Management Board of the Parent Company is responsible for the preparation of the Report on the Group's Activities in accordance with the applicable laws.

The Management Board of the Parent Company is obliged to ensure that the Report on the Group's Activities meets the requirements set out in the Accounting Act.

### *Auditor's Responsibility*

Our opinion on the audit of the consolidated financial statements does not cover the Report on the Group's Activities. In connection with our audit of the consolidated financial statements, our responsibility is to read the Report on the Group's Activities and, in doing so, consider whether the Report on the Group's Activities is materially inconsistent with the consolidated financial statements or our knowledge obtained in 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 Report on the Group's Activities, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Group's Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the consolidated financial statements.

## **Opinion on the Report on the Group's Activities**

Based on our work performed during the audit, we are of the opinion that the Report on the Group's Activities:

- has been prepared in accordance with Article 49 of the Accounting Act;
- is consistent with the information contained in the consolidated financial statements.

Furthermore, in the light of the knowledge about the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Report on the Group's Activities.

Warsaw, 7 October 2020

Key statutory auditor

Signed with the certificate issued for Jerzy Michał Buzek (qualified certificate).

Compiled on: 2020-10-07; 5:26:57 PM +0200

Signed with Qualified Electronic Signature

Jerzy Buzek

Statutory Auditor

Reg. No. 10870

For and on behalf of:

Ernst & Young Audyt Polska

spółka z ograniczoną odpowiedzialnością sp. k.

Rondo ONZ 1, 00-124 Warsaw, Poland

No. on the list of audit firms: 130

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This is to certify, to the best of my knowledge, that the foregoing is a true translation of the document presented to me.

Dated in Cracow this 30th day of October 2020

Rep. No. 10/123/20

Edyta Winiarska-Stachowicz  
Sworn Translator of English



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Edyta Winiarska-Stachowicz

Subsidiary exemption taken see pages 5 & 6.