

Grupa Kapitałowa Nowy Styl Sp. z o.o.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2020**

FRIDAY



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15/10/2021
COMPANIES HOUSE

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GRUPA KAPITAŁOWA NOWY STYL SP. Z O.O.
CONSOLIDATED FINANCIAL STATEMENTS
FOR FINANCIAL YEAR 31 DECEMBER 2020

Consolidated Financial Statements (1-2 in PLN)

Financial statements preparation date: 2021-06-30

Financial statements for the period: 2020-01-01 2020-12-31

Identification of the entity (KRS*, NIP*): 0000077550 6840009302

Company name: Nowy Styl Spółka z ograniczoną odpowiedzialnością

**KRS – National Court Register*

**NIP – Tax Identification Number*

Registered office:

Town, province: Krosno, Podkarpacie

District, county: Krosno, Krosno

Core business of the Parent Company:

Production and sales activities.

Criteria used by the Parent Company:

None.

Other information

Is combined data contained in the financial statements if there are internal organisational units preparing their financial statements? ☐

Going concern:

Have the financial statements been prepared assuming that the company will continue in the operational existence in the foreseeable future? ☒

There are no going concern risks ☒

Discussion of circumstances relating to going concern risks:

Yes.

Changes in accounting principles (policies), especially the rules governing the grouping of business transactions, measurement of assets and liabilities, depreciation and amortisation, calculation of profit or loss and preparation of separate and consolidated financial statements effective from the first day of the financial year and the reasons thereof:

None.

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Criteria of excluding subordinates from the consolidated financial statements:

The consolidated financial statements do not include the companies whose influence of the Capital Group's data is insignificant, do not operate or have not started business activity.

Accounting principles (policies)

A) Discussion of adopted accounting principles (policies), including:

Information on adopted accounting principles (policies) is contained in the appendix "Notes to the financial statements Group.pdf;" pages 7-15.

B) Grouping of business transactions

Methods of measurement of assets and liabilities is contained in the appendix "Notes to the financial statements Group.pdf;" pages 7-15.

C) Measurement of assets and liabilities

Methods of measurement of assets and liabilities is contained in the appendix "Notes to the financial statements Group.pdf;" pages 7-15.

D) Amortisation/depreciation

None.

E) Calculation of profit or loss

Profit or loss include profit/loss on sales, profit/loss on other operating activities, profit/loss on financing activities, mandatory charges on profit/loss and profit/loss on extraordinary items. The company uses a multiple-step format.

F) Rules governing preparation of separate financial statements

The accounting principles adopted to prepare the financial statements comply with the Polish Accountancy Act of 29 September 1994, as amended, hereinafter referred to as the Act. The Act sets out the accounting principles for entities having their registered office or principal place of business in the territory of Poland.

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List of subsidiaries

Company name and registered office	Core business	Equity links	Share	Votes
Nowy Styl GmbH	Production and sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl. Fr S.A.S.	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl UK Limited	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl SK s.r.o.	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl Hungary Zrt.	Sales activities	Financial data recognised with equity method	70.21	70.21
NSG International GmbH	Service and financial activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Grüttner System GmbH	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl Deutschland GmbH	Production and sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl Logistic GmbH	Transport and assembly activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Rohde Groep Nederland B.V.	Financial activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Rohde & Grahl Bueroeinrichtungen GmbH	Service activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl Nederland B.V.	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Sitag AG	Production and sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl Group GmbH	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the	100.00	100.00

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Nowy Styl Group CZ s.r.o.	Sales activities	parent company Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Baltic Wood – USA Inc.	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Baltic Wood Venture Found 1Sp. z o.o.	Financial activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
NSG Finance Sp. z o.o.	Financial activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
NSG Finance Sp. z o.o. SKA	Financial activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
NSG TM Sp. z o.o.	Service activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Stylis NSG DMCC	Service activities	Indirectly through NSG Finance 2 Sp. z o.o.	60.00	60.00
NSG Finance 2 Sp. z o.o.	Financial activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
NSG Finanse Holding Spółka z o.o. SKA	Financial activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Nowy Styl – Majencia S.A.S.	Production and sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Beuing Tintan Majenca Seats Co. Ltd	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Kusch+Co GmbH	Production and sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Kusch& Co. Ltd	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00
Kusch zweite Verwaltungs GmbH	Sales activities	Directly linked to Nowy Styl Sp. z o.o., the parent company	100.00	100.00

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CONSOLIDATED

BALANCE SHEET - ASSETS	Symbol	Amount A (2020)	Amount B (2019)
A. Non-current assets	A	544,260,975	576,755,353
I. Intangible assets	A_I	26,771,194	30,470,936
1. Cost of research and development	A_I_1	13,603,859	16,859,084
2. Goodwill	A_I_2	0.00	0.00
3. Other intangible assets	A_I_3	12,895,073	12,333,222
4. Prepayments for intangible assets	A_I_4	272,262	1,278,630
II. Goodwill of subordinate companies	A_II	7,007,845	6,820,545
Goodwill - subsidiaries	A_II_1	7,007,845	6,820,545
Goodwill - co-subsidiaries	A_II_2	0.00	0.00
III. Property, plant and equipment	A_III	464,891,455	494,579,834
1. Non-current assets	A_III_1	448,928,418	456,574,541
a) land (including leasehold estate)	A_III_1_A	27,994,319	59,444,911
b) buildings, premises and civil engineering structures	A_III_1_B	227,797,334	204,017,643
c) plant and equipment	A_III_1_C	163,280,481	159,129,497
d) vehicles	A_III_1_D	13,540,799	13,268,605
e) other non-current assets	A_III_1_E	16,315,485	20,713,885
2. Non-current assets under construction	A_III_2	15,795,903	30,673,976
3. Pre-paid non-current assets under construction	A_III_3	167,134	7,331,317
IV. Long-term receivables	A_IV	562,776	511,666
1. From related entities	A_IV_1	0.00	0.00
2. From other entities in which the company has equity interest	A_IV_2	0.00	0.00
3. From other entities	A_IV_3	562,776	511,666
V. Long-term investments	A_V	10,497,780	15,294,728
1. Real estate	A_V_1	9,339,291	9,567,116
2. Intangible assets	A_V_2	0.00	0.00
3. Long-term financial assets	A_V_3	1,158,489	5,727,612
a) in subsidiaries or co-subsidiaries measured with full consolidation method or proportional method	A_V_3_A	0.00	0.00
- shares or equity interests	A_V_3_A_1	0.00	0.00
- other securities	A_V_3_A_2	0.00	0.00
- advanced loans	A_V_3_A_3	0.00	0.00
- other long-term financial assets	A_V_3_A_4	0.00	0.00
b) in subsidiaries or co-subsidiaries or associates measured with equity method	A_V_3_B	1,158,254	5,727,391
- shares or equity interests	A_V_3_B_1	1,158,254	5,727,387
- other securities	A_V_3_B_2	0.00	0.00
- advanced loans	A_V_3_B_3	0.00	0.00
- other long-term financial assets	A_V_3_B_4	0.00	4.00
c) other entities in which the company has equity interest	A_V_3_C	0.00	0.00
- shares or equity interests	A_V_3_C_1	0.00	0.00
- other securities	A_V_3_C_2	0.00	0.00
- advanced loans	A_V_3_C_3	0.00	0.00
- other long-term financial assets	A_V_3_C_4	0.00	0.00
d) in other entities	A_V_3_D	235.00	221.00
- shares or equity interests	A_V_3_D_1	235.00	221.00
- other securities	A_V_3_D_2	0.00	0.00
- advanced loans	A_V_3_D_3	0.00	0.00
- other long-term financial assets	A_V_3_D_4	0.00	0.00
4. Other long-term investments	A_V_4	0.00	0.00
VI. Long-term prepayments and accrued income	A_VI	34,529,925	29,077,644
1. Deferred tax assets	A_VI_1	22,831,464	22,607,933
2. Other prepayments and accrued income	A_VI_2	11,698,461	6,469,711
B. Current assets	B	557,691,064	594,944,831
I. Inventories	B_I	217,055,470	217,910,818

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1. Materials	B_I_1	115,646,412	122,199,016
2. Semi-products and work in progress	B_I_2	42,740,711	35,772,654
3. Finished products	B_I_3	30,180,064	38,959,604
4. Goods for resale	B_I_4	15,493,923	12,019,088
5. Prepaid deliveries	B_I_5	12,994,360	8,960,456
II. Short-term receivables	B_II	193,405,111	253,782,449
1. From related entities	B_II_1	0.00	2,669,452
a) short-term trade debtors maturing:	B_II_1_A	0.00	2,669,452
- up to 12 months	B_II_1_A_1	0.00	2,669,452
- over 12 months	B_II_1_A_2	0.00	0.00
b) other	B_II_1_B	0.00	0.00
2. From other entities in which the company has equity interest	B_II_2	0.00	0.00
a) short-term trade debtors maturing:	B_II_2_A	0.00	0.00
- up to 12 months	B_II_2_A_1	0.00	0.00
- over 12 months	B_II_2_A_2	0.00	0.00
b) other	B_II_2_B	0.00	0.00
3. From other entities	B_II_3	193,405,111	251,112,997
a) short-term trade debtors maturing:	B_II_3_A	175,097,067	232,207,101
- up to 12 months	B_II_3_A_1	174,947,600	232,207,101
- over 12 months	B_II_3_A_2	149,467	0.00
b) taxes, subsidies, duty or health and social security receivable	B_II_3_B	13,537,320	15,756,698
c) other	B_II_3_C	4,770,724	3,149,198
d) under court proceedings	B_II_3_D	0.00	0.00
III. Short-term investments	B_III	139,221,931	113,577,121
1. Short-term financial assets	B_III_1	139,221,846	113,577,043
a) in subsidiaries and co-subsidiaries	B_III_1_A	0.00	35,000
- shares or equity interests	B_III_1_A_1	0.00	0.00
- other securities	B_III_1_A_2	0.00	0.00
- advanced loans	B_III_1_A_3	0.00	35,000
- other short-term financial assets	B_III_1_A_4	0.00	0.00
b) in associates	B_III_1_B	0.00	0.00
- shares or equity interests	B_III_1_B_1	0.00	0.00
- other securities	B_III_1_B_2	0.00	0.00
- advanced loans	B_III_1_B_3	0.00	0.00
- other short-term financial assets	B_III_1_B_4	0.00	0.00
c) in other entities	B_III_1_C	0.00	0.00
- shares or equity interests	B_III_1_C_1	0.00	0.00
- other securities	B_III_1_C_2	0.00	0.00
- advanced loans	B_III_1_C_3	0.00	0.00
- other short-term financial assets	B_III_1_C_4	0.00	0.00
d) cash and cash equivalents	B_III_1_D	139,221,846	113,542,043
- cash in hand and at banks	B_III_1_D_1	139,107,316	113,411,133
- other cash	B_III_1_D_2	114,530	130,910
- other financial assets	B_III_1_D_3	0.00	0.00
2. Other short-term investments	B_III_2	85.00	78.00
IV. Short-term prepayments and accrued income	B_IV	8,008,552	9,674,443
C. Called-up share capital not paid	C	0.00	0.00
D. Treasury shares	D	0.00	0.00
Total assets (A+B+C+D)	Assets	1,101,952,039	1,171,700,184

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BALANCE SHEET - EQUITY AND LIABILITIES

	Symbol	Amount A (2020)	Amount B (2019)
A. Equity	A	341,725,364	387,604,353
I. Share capital	A_I	51,550	51,550
II. Reserve funds, including:	A_II	378,874,718	356,155,727
- share premium account	A_II_1	0.00	0.00
III. Revaluation capital, including:	A_III	6,713	6,713
- revaluation of fair value	A_III_1	0.00	0.00
IV. Other reserve funds, including:	A_IV	0.00	0.00
- created according to the company's articles of association	A_IV_1	0.00	0.00
V. Exchange differences arising on translation	A_V	6,041,171	1,293,211
VI. Profit (loss) brought forward	A_VI	9,901,985	1,414,231
VII. Net profit (loss)	A_VII	-53,150,773	31,269,343
VIII. Net profit write-downs in the financial year (negative)	A_VIII	0.00	0.00
B. Minority interests	B	170,154	1,674,459
C. Negative goodwill of subordinates	C	0.00	0.00
Negative goodwill – subsidiaries	C_1	0.00	0.00
Negative goodwill – co-subsidiaries	C_II	0.00	0.00
D. Liabilities and provisions for liabilities	D	760,056,521	782,421,372
I. Provisions for liabilities	D_I	140,293,789	80,240,916
1. Deferred tax liabilities	D_I_1	0.00	0.00
2. Provision for retirement severance pays	D_I_2	52,645,106	51,671,147
- long term	D_I_2_1	38,529,811	36,780,906
- short-term	D_I_2_2	14,115,295	14,890,241
3. Other provisions	D_I_3	87,648,683	28,569,769
- long term	D_I_3_1	38,090,797	10,233,623
- short-term	D_I_3_2	49,557,886	18,336,146
II. Long-term liabilities	D_II	141,368,837	341,938,476
1. To related entities	D_II_1	0.00	0.00
2. To entities in which the company has equity interest	D_II_2	0.00	0.00
3. To other entities	D_II_3	141,368,837	341,938,476
a) loans and credits	D_II_3_A	137,834,366	334,341,617
b) issue of debt securities	D_II_3_B	0.00	0.00
c) other financial liabilities	D_II_3_C	3,534,471	7,596,859
d) promissory notes payables	D_II_3_D	0.00	0.00
e) other	D_II_3_E	0.00	0.00
III. Short-term liabilities	D_III	399,998,857	239,633,881
1. To related entities	D_III_1	0.00	0.00
a) short-term trade creditors maturing:	D_III_1_A	0.00	0.00
- up to 12 months	D_III_1_A_1	0.00	0.00
- over 12 months	D_III_1_A_2	0.00	0.00
b) other	D_III_1_B	0.00	0.00
2. To other entities in which the company has equity interest	D_III_2	0.00	0.00
a) short-term trade creditors maturing:	D_III_2_A	0.00	0.00
- up to 12 months	D_III_2_A_1	0.00	0.00
- over 12 months	D_III_2_A_2	0.00	0.00
b) other	D_III_2_B	0.00	0.00
3. To other entities	D_III_3	399,187,259	236,098,566
a) loans and credits	D_III_3_A	190,923,428	46,150,983
b) issue of debt securities	D_III_3_B	0.00	0.00
c) other financial liabilities	D_III_3_C	1,956,494	2,350,685
d) short-term trade creditors maturing:	D_III_3_D	112,191,396	100,911,482

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- up to 12 months	D_III_3_D_1	112,138,544	100,911,482
- over 12 months	D_III_3_D_2	52,852	0.00
e) prepaid deliveries	D_III_3_E	21,979,919	17,340,075
f) promissory notes payable	D_III_3_F	0.00	0.00
g) taxes, duties, health and social security payable	D_III_3_G	52,975,574	52,031,611
h) salaries and wages	D_III_3_H	14,735,030	14,224,370
i) other	D_III_3_I	4,425,418	3,089,360
4. Special funds	D_III_4	811,598	3,535,315
IV. Prepayments and accrued income	D_IV	78,395,038	120,608,099
1. Negative goodwill	D_IV_1	491,905	36,292,622
2. Other prepayments and accrued income	D_IV_2	77,903,133	84,315,477
- long-term	D_IV_2_1	28,954,098	31,307,075
- short-term	D_IV_2_2	48,949,035	53,008,402
Total equity and liabilities (A+B)		<u>1,101,952,039</u>	<u>1,171,700,184</u>

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PROFIT AND LOSS ACCOUNT

	Symbol	Amount A (2020)	Amount B (2019)
A. Net sales revenue, including:	A	1,452,587,773	1,658,595,867
- from related entities not covered with full consolidation method	A_I	3,505,835	18,907,719
I. Net revenue from the sale of products	A_I	1,315,038,531	1,481,891,044
II. Net revenue from the sale of goods and materials	A_II	137,549,242	176,704,823
B. Cost of products, goods and materials sold, including:	B	868,347,571	1,021,333,113
- to related entities	B_I	2,483,328	12,139,359
I. Cost of products sold	B_I	779,986,032	890,508,278
II. Value of goods and materials sold	B_II	88,361,539	130,824,835
C. Gross profit (loss) on sales (A-B)	C	584,240,202	637,262,754
D. Selling costs	D	418,657,747	439,755,139
E. General and administrative expenses	E	162,062,777	127,219,427
F. Profit (loss) on sales (C-D-E)	F	3,519,678	70,288,188
G. Other operating income	G	54,695,786	17,516,686
I. Gain on disposal of non-financial non-current assets	G_I	5,995,033	0.00
II. Subsidies	G_II	2,401,072	2,410,404
III. Revaluation of non-financial assets	G_III	4,362,722	1,672,026
IV. Other operating income	G_IV	41,936,959	13,434,256
H. Other operating expenses	H	87,626,158	31,512,738
I. Loss on disposal of non-financial non-current assets	H_I	0.00	369,007
II. Revaluation of non-financial assets	H_II	10,101,683	9,392,134
III. Other operating expenses	H_III	77,524,475	21,751,597
I. Profit (loss) on operating activities (F+G-H)	I	-29,410,694	56,292,136
J. Financial income	J	828,811	904,940
I. Dividends and share in profit, including:	J_I	0.00	0.00
a) from related entities	J_I_A_I	0.00	0.00
- in which the company has equity interest	J_I_B	0.00	0.00
b) from other entities, including:	J_I_B_I	0.00	0.00
- in which the company has equity interest	J_II	23,934	43,542
II. Interest, including:	J_II_J	0.00	0.00
- from related entities	J_III	161,775	0.00
III. Gain on disposal of financial assets	J_III_J	0.00	0.00
- in related entities	J_IV	0.00	0.00
IV. Revaluation of financial assets	J_V	643,102	861,398
V. Other	J_V	643,102	861,398
K. Financial expenses	K	14,842,065	12,131,728
I. Interest, including:	K_I	9,136,480	9,659,663
- to related entities	K_I_J	0.00	0.00
II. Loss on disposal of financial assets	K_II	0.00	0.00
- in related entities	K_II_J	0.00	0.00
III. Revaluation of financial assets	K_III	84,524	0.00
IV. Other	K_IV	5,621,061	2,472,065
L. Profit (loss) on sale of all or part of subsidiaries shares	L	0.00	0.00

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M. Profit (loss) before extraordinary items (I + J - K +/-L)	M	-43,423,948	45,065,348
N. Write-down on goodwill	N	3,399,568	3,080,087
Write-down on goodwill subsidiaries	N_I	3,399,568	3,080,087
Write-down on goodwill co-subsidiaries	N_II	0.00	0.00
O. Write-down on negative goodwill	O	0.00	0.00
Write-down on negative goodwill – subsidiaries	O_I	0.00	0.00
Write-down on negative goodwill – co-subsidiaries	O_II	0.00	0.00
P. Gain (loss) on interest in subordinates measured with equity method	P	888,115	4,148,601
R. Gross profit (loss) (M – N + O +/-P)	R	-45,935,401	46,133,862
S. Income tax	S	9,821,916	14,970,949
T. Other mandatory profit decrease (loss increase)	T	0.00	0.00
U. Minority (profits) losses	U	2,606,544	106,430
W. Net profit (loss) (R – S – T +/-U)	W	-53,150,773	31,269,343

GRUPA KAPITAŁOWA NOWY STYL SP. Z O.O.
 CONSOLIDATED FINANCIAL STATEMENTS
 FOR FINANCIAL YEAR 31 DECEMBER 2020

CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

	Symbol	Amount A (2020)	Amount B (2019)
I. Equity at the beginning of the period (OB)	I	387,604,353	302,431,310
- correction of errors	I_1	0.00	0.00
Ia. Equity at the beginning of the period (OB) after correction	IA	0.00	0.00
1. Share capital at the beginning of the period	IA_1	51,550	51,550
1.1. Changes in share capital	IA_1_1	0.00	0.00
Increase	IA_1_1_A	0.00	0.00
- issue of shares	IA_1_1_A_1	0.00	0.00
Decrease	IA_1_1_B	0.00	0.00
- redemption of shares	IA_1_1_B_1	0.00	0.00
1.2. Share capital at the end of the period	IA_1_2	51,550	51,550
4. Reserve funds at the beginning of the period	IA_4	356,155,727	291,742,443
4.1. Changes in reserve funds	IA_4_1	22,718,991	64,413,284
Increase	IA_4_1_A	22,718,991	64,413,284
- share premium account	IA_4_1_A_1	0.00	0.00
- distribution of profit (statutory)	IA_4_1_A_2	22,718,991	64,413,284
- distribution of profit (above statutory amount)	IA_4_1_A_3	0.00	0.00
Decrease	IA_4_1_B	0.00	0.00
- coverage of loss	IA_4_1_B_1	0.00	0.00
4.2. Reserve funds at the end of the period	IA_4_2	378,874,718	356,155,727
5. Revaluation capital at the beginning of the period	IA_5	6,713	6,713
5.1. Change in revaluation capital -- change of adopted accounting principles (policies)	IA_5_1	0.00	0.00
a) increase	IA_5_1_A	0.00	0.00
b) decrease	IA_5_1_B	0.00	0.00
- sale of non-current assets	IA_5_1_B_1	0.00	0.00
5.2. Revaluation capital at the end of the period	IA_5_2	6,713	6,713
6. Other reserve funds at the beginning of the period	IA_6	0.00	0.00
Change in other reserve funds	IA_6_1	0.00	0.00
a) increase	IA_6_1_A	0.00	0.00
b) decrease	IA_6_1_B	0.00	0.00
Other reserve funds at the end of the period	IA_6_2	0.00	0.00
7. Exchange differences on translation	IA_7	6,041,171	-1,293,211
Exchange differences on translation at the beginning of the period		-1,293,211	-3,033,252
Increase		1,293,211	3,033,252
- reversal of previous year differences		1,293,211	3,033,252
Decrease		6,041,171	1,293,211
- calculation of subsidiaries' capitals		-6,041,171	1,293,211
8. Profit (loss) brought forward at the beginning of the period	IA_8	1,414,231	31,287,733
Profit brought forward at the beginning of the period	IA_8_1	1,414,231	31,287,733
- correction of errors	IA_8_1_1	0.00	0.00
- change of adopted accounting principles (policies)	IA_8_1_2	0.00	0.00
Profit brought forward at the beginning of the period after correction	IA_8_2	1,414,231	31,287,733
Increase	IA_8_2_A	31,206,745	55,239,782
- transfer of prior year profit for distribution		31,269,343	56,782,790
- other corrections		-62,598	-1,543,008
distribution of profit brought forward	IA_8_2_A_1	0.00	0.00
Decrease	IA_8_2_B	22,718,991	85,113,284
- transfer of prior year profit		22,718,991	64,413,284
- allocation of the portion of prior year profit to dividend			20,700,000
Profit brought forward at the end of the period	IA_8_3	9,901,985	1,414,231
Loss brought forward at the beginning of the period	IA_8_4	0.00	0.00

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correction of errors	IA_8_4_1	0.00	0.00
- change of adopted accounting principles (policies)	IA_8_4_2	0.00	0.00
Loss brought forward at the beginning of the period after corrections	IA_8_5	0.00	0.00
Increase	IA_8_5_A	0.00	0.00
- transfer of loss brought forward	IA_8_5_A_1	0.00	0.00
Decrease	IA_8_5B	0.00	0.00
Loss brought forward at the beginning of the period	IA_8_6	0.00	0.00
Profit (loss) brought forward at the end of the period	IA_8_7	0.00	0.00
9. Net profit (loss)	IA_9	-53,150,773	31,269,343
Net profit	IA_9_A	-53,150,773	31,269,343
Net loss	IA_9_B	0.00	0.00
Write-downs on profit	IA_9_C	0.00	0.00
II. Equity at the end of the period	II	<u>341,725,364</u>	<u>387,604,353</u>
III. Equity, net of proposed distribution of profit (coverage of loss)	III	<u>341,725,364</u>	<u>387,604,353</u>

GRUPA KAPITAŁOWA NOWY STYL SP. Z O.O.
CONSOLIDATED FINANCIAL STATEMENTS
FOR FINANCIAL YEAR 31 DECEMBER 2020

CONSOLIDATED

STATEMENT OF CASH FLOWS

	Symbol	Amount A (2020)	Amount B (2019)
A. Cash flows from operating activities	A		
I. Net profit (loss)	A_I	- 53,150,773	31,269,343
II. Total corrections	A_II	174,447,458	45,095,971
1. Profit (loss) of minority shareholders	A_II_1	- 2,606,544	- 106,430
2. Profit (loss) from shares in entities measured with equity method		- 888,115	- 4,148,601
3. Amortisation and depreciation	A_II_3	68,855,875	63,706,097
4. Write-downs on goodwill	A_II_4	0.00	0.00
5. Write-downs on negative goodwill	A_II_5	0.00	0.00
6. Foreign exchange gains (losses)	A_II_6	7,480,740	1,557,200
7. Interest and share in profit (dividends)	A_II_7	9,044,140	9,488,818
8. Profit (loss) on investing activities	A_II_8	- 6,156,809	369,007
9. Change in provisions	A_II_9	51,833,110	13,236,630
10. Change in inventories	A_II_10	9,340,791	- 2,350,889
11. Change in receivables	A_II_11	48,585,270	- 61,190,820
12. Change in short-term liabilities, excluding loans and credits	A_II_12	3,768,805	4,379,328
13. Change in prepayments and accrued income	A_II_13	- 15,501,113	13,944,907
14. Other corrections	A_II_14	691,308	6,210,724
III. Net cash flows from operating activities (I+/-II)	A_III	121,296,685	76,365,314
B. Cash flows from investing activities	B		
I. Inflow	B_I	19,778,848	2,896,849
1. Sale of property, plant and equipment and intangible assets	B_I_1	19,516,023	2,818,509
2. Sale of investments in real estate and intangible assets	B_I_2	227,825	34,798
3. From financial assets, including:	B_I_3	35,000	43,542
a) in entities measured with equity method	B_I_3_A	0.00	0.00
b) in other entities	B_I_3_B	35,000	43,542
- sale of financial assets	B_I_3_B_1	35.00	43,542
- dividends and share in profit	B_I_3_B_2	0.00	0.00
- repayment of long-term loans	B_I_3_B_3	0.00	0.00
- interest	B_I_3_B_4	0.00	0.00
- other inflow from financial assets	B_I_3_B_5	0.00	0.00
4. Other investment inflow	B_I_4	0.00	0.00
II. Expenditure	B_II	- 66,218,009	- 83,274,503
1. Acquisition of property, plant and equipment and intangible assets	B_II_1	- 65,059,744	- 83,259,434
2. Investments in real estate and intangible assets	B_II_2	0.00	0.00
3. On financial assets, including:	B_II_3	- 1,158,265	- 15,069
a) in entities measured with equity method	B_II_3_A	- 1,158,265	0.00
- purchase of financial assets		- 1,158,265	
b) in other entities	B_II_3_B	0.00	- 15,069
- purchase of financial assets	B_II_3_B_1	0.00	- 15,069
- long-term loans advanced	B_II_3_B_2	0.00	0.00
4. Dividends and other share in profit paid to minority shareholders	B_II_4	0.00	0.00
5. Other investment expenditure	B_II_5	0.00	0.00
III. Net cash flows from investing activities (I-II)	B_III	- 46,439,161	- 80,377,654
C. Cash flows from financing activities	C		
I. Inflow	CI	66,757,072	83,637,502
1. Net proceeds from the issue of shares and additional payments to	C_I_1	0.00	0.00

GRUPA KAPITAŁOWA NOWY STYL SP 200
CONSOLIDATED FINANCIAL STATEMENTS
FOR FINANCIAL YEAR 31 DECEMBER 2020

capital

2. Loans and credits	C_1_2	41,151,825	82,609,615
3. Issue of debt securities	C_1_3	0.00	0.00
4. Other financial inflow	C_1_4	25,605,247	1,027,887
COVID-19 subsidies		25,605,247	
II. Expenditure	C_II	- 125,058,749	- 57,368,073
1. Purchase of treasury shares	C_II_1	0.00	0.00
2. Dividends and other payments to owners	C_II_2	0.00	- 20,700,000
3. Profit distribution expenditures other than payments to owners	C_II_3	0.00	0.00
4. Repayment of loans and credits	C_II_4	-112,619,588	- 25,196,167
5. Redemption of debt securities	C_II_5	0.00	0.00
6. Other financial liabilities	C_II_6	0.00	0.00
7. Decrease in finance lease liabilities	C_II_7	-3,395,021	- 1,939,542
8. Interest	C_II_8	-9,044,140	- 9,532,364
9. Other financial expenditures	C_II_9	0.00	0.00
III. Net cash flows from financing activities (I-II)	C_III	-58,301,677	26,269,429
D. Total net cash flows (A.III+/-B.III+/-C.III)	D	16,555,847	22,257,089
E. Balance sheet change in cash, including:	E	25,679,803	22,297,433
- foreign exchange change in cash	E_1	9,123,956	40,344
F. Cash at the beginning of the period	F	113,542,043	91,244,610
G. Cash at the end of the period (F+/-D), including	G	139,221,846	113,542,043
- of limited availability	G_1	0.00	0.00

GRUPO KAPITAŁO NCNY STYL SP ZOC
 CONSOLIDATED FINANCIAL STATEMENTS
 FOR FINANCIAL YEAR 31 DECEMBER 2020
 Difference between income tax base and profit or loss (2020)

Company name:

1 – Nowy Styl Sp. z o.o.

Item	Symbol	Total amount
A. Gross profit (loss) for the year	P_ID_1	0.00
B. Tax-exempt revenues (permanent differences between profit/loss for accounting purposes and income/loss for tax purposes)	P_ID_2	0.00
C. Non-taxable revenues in the year	P_ID_3	0.00
D. Taxable revenues in the year recognised in accounting records for prior years	P_ID_4	0.00
E. Non-deductible expenses (permanent differences between profit/loss for accounting purposes and income/loss for tax purposes)	P_ID_5	0.00
F. Non-deductible expenses in the year	P_ID_6	0.00
G. Deductible expenses in the year recognised in accounting records for prior years	P_ID_7	0.00
H. Loss brought forward	P_ID_8	0.00
I. Other tax base changes	P_ID_9	0.00
J. Income tax base	P_ID_10	0.00
K. Income tax	P_ID_11	0.00

Grupa Kapitałowa Nowy Styl Sp. z o.o.

Consolidated Financial Statements for the Financial Year Ended 31 December 2020

Grupa Kapitałowa Nowy Styl Sp. z o.o.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2020

See page 7 .

Grupa Kapitałowa Nowy Styl Sp. z o.o.

Consolidated financial statements for the financial year 1 January – 31 December 2020

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 2021, item 217), 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:

	Page
Introduction	4
Notes to the financial statements	17

Signatures

Adam Krzanowski
Management Board President

Jerzy Krzanowski
Management Board
Vice-President

Rafał Chwast
Management Board
Vice-President

Roman Przybylski
Management Board Member

Piotr Korzeniowski
Responsible for the
maintenance of accounting
records

Krosno, 30 June 2021

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 2014.

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

On the basis of the resolution passed by the Extraordinary Shareholders Meeting of Nowy Styl Sp. z o.o. on 3 November 2020, Mr. Dariusz Frydrych was dismissed from the Management Board. Accordingly, the Management Board at the date of preparation of the financial statements was composed of:

Adam Krzanowski	Management Board President
Jerzy Krzanowski	Management Board Vice-President
Rafał Chwast	Management Board Vice-President

Roman Przybylski

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 2e).
- b) The process of rebranding, which started in 2019 and was aimed at strengthening the prevailing international brand – Nowy Styl, continued in 2020. Consequently, certain companies changed their name (note 2d).
- c) A number of restructuring activities were undertaken in the period under analysis, mainly on the French and German markets.

- **Restructuring activities – the French market**

The poor results reported by Nowy Styl – Majencia SAS (a subsidiary) and a combination of unfavourable economic factors (such as COVID-19 pandemic which badly affected the French market) in 2020 have triggered the Management Board's decision to help the company achieve profitability through deep restructuring.

A considerable number of employees have been laid off and the production and office facilities in Nyon and Bressuire have been sold to change the way the company operates within the Group and to adapt it to the current business conditions. At present, the company conducts distribution activities and uses subleased space to conduct limited production activities. Accordingly, the operation has become more flexible and the company is more able to balance the costs against the scope of activities.

- **Restructuring activities – the German market**

Cost optimisation has been another step taken to strengthen the Group's position on the key German market following the acquisition of the Kusch group in 2018.

The Parent Company's Management Board have decided to carry out local restructuring proceedings and to transfer certain production processes to Poland. Consequently, they have planned to liquidate one production plant and reduce the staff in the remaining plants. The process is scheduled for completion in 2021.

Accordingly, a specific provision in the total amount of PLN 31,401 thousand has been recognised in the financial statements of the Group.

- **Restructuring activities – other markets**

Unsatisfactory results reported by certain sales sectors and the influence of COVID-19 on choices made by clients have triggered the decision to discontinue the activities in the hotel sector represented by Stylis NSG DMCC of Dubai and to restructure sales operations on the Dutch market.

Accordingly, a specific provision in the total amount of PLN 6,298 thousand has been recognised in the financial statements of the Group.

d) The consolidated financial statements cover the details of the following companies:

Company name	Registered office	Core business	Share held by the Parent Company in share capital (%)	
			31 Dec 2020	31 Dec 2019
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 SAS	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
Nowy Styl Hungary Zrt. (*)	Hungary, Szentendre	Sales activities	70.21	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	100.00
Kusch & Co. Limited (**)	Great Britain, London	Sales activities	100.00	100.00
Kusch zweite Verwaltungs GmbH	Germany, Hallenberg	Sales activities	100.00	0.00
Grüttner System GmbH	Germany, Steyerberg	Sales activities	100.00	100.00
Nowy Styl Deutschland GmbH	Germany, Steyerberg	Production and sales activities	100.00	100.00
Nowy Styl 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
Nowy Styl Nederland B.V.	Holland, Amersfoort	Sales activities	100.00	100.00
Sitag AG	Switzerland,	Production and	100.00	100.00

	Sennwald	sales activities		
Nowy Styl Group GmbH	Austria, Dornbirn	Sales activities	100.00	100.00
Nowy Styl Group CZ s.r.o.	Czech Republic, Stodůlky	Sales activities	100.00	100.00
Baltic Wood – USA Inc.	USA , Newark	Sales activities	100.00	100.00
Nowy Styl – Majencia SAS	France, Bressuire	Production and sales activities	100.00	100.00
Beijing Tintan Majenca Seats Co. Limited	China	Sales activities	100.00	100.00
Majencia Workspace Management (*)	France, Noyon	Sales activities	100.00	100.00
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 consolidation method changed in the year under analysis.

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

e) 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. w likwidacji	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

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 2021, item 217) 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 SAS, Nowy Styl UK Limited, Nowy Styl SK s.r.o., Nowy Styl Hungary Zrt., NSG International GmbH, Kusch+Co GmbH, Kusch & Co. Limited, Grüttner Systems GmbH, Nowy Styl Deutschland GmbH, Nowy Styl Logistic GmbH, Rohde Groep Nederland B.V., Rohde & Grahl Bueroeinrichtungen GmbH, Nowy Styl Nederland B.V., Sitag AG, Nowy Styl Group GmbH, Baltic Wood – USA Inc., Nowy Styl Group CZ s.r.o., Nowy Styl Majencia SAS, Beijing Tintan Majencia Seats Co. Limited, Majencia Workspace Management, 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 Finance 2 Spółka z o.o. and NSG Finance 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 2020.

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 Nowy Styl - Majencia SAS 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 Nowy Styl - Majencia SAS;
- Non-business factors, including the pandemic influence on the economy.

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.

On the basis of the agreement of 25 May 2020, control was taken over the Hungarian Telmex-Nowy Styl Zrt. The share of Nowy Styl Sp. z o.o. in the share capital of Telmex-Nowy Styl Zrt. increased from 50.00% to 70,21% and the value of shares rose by PLN 4,222,786.

In the year under analysis, the value of shares decreased by PLN 131,090. Folkart S.A. w likwidacji and Baltic Floor Sp. z o.o. w likwidacji had not been timely entered into the National Court Register, ceased to exist and the assets thereof transferred to the State Treasury.

In addition, Kusch+Co GmbH and Kusch Zweite Verwaltungs GmbH merged in 2020.

Rohde Fabryka Mebli Biurowych Sp. z o.o. and Grahl Tech B.V. 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.

4. Major accounting principles

a) Methods of consolidation and valuation of shares

The data of the subsidiaries covered by the financial statements is consolidated with full consolidation 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."

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 the item "Revaluation of non-financial assets" in other operating income.

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):

- "loans advanced and receivables"* – measured at adjusted purchase price;
- "financial assets held to maturity"* – measured at adjusted purchase price;
- "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.

Notes to the financial statements

1. Foreign exchange rates

Exchange rate on the last day of the period	31 December 2020 PLN	31 December 2019 PLN
USD/PLN exchange rate	3.7584	3.7977
EUR/PLN exchange rate	4.6148	4.2585
GBP/PLN exchange rate	5.1327	4.9971
100 HUF/PLN exchange rate	1.2638	1.2885
CHF/PLN exchange rate	4.2641	3.9213
CZK/PLN exchange rate	0.1753	0.1676

Mid exchange rate in the period	2020 PLN	2019 PLN
USD/PLN exchange rate	3.9045	3.8440
EUR/PLN exchange rate	4.4742	4.3018
HUF/PLN exchange rate	1.2600	1.3198
GBP/PLN exchange rate	5.0240	4.9106
CHF/PLN exchange rate	4.1772	3.8731
CZK/PLN exchange rate	0.1687	0.1676

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 the subsidiaries sold or acquired in the financial year and restructuring activities

In 2019, Nowy Styl Sp. z o.o. (the Parent Company) acquired another Western European company. Nowy Styl Sp. z o.o. acquired the majority of assets, employees and operating activities of Majencia SA in bankruptcy. 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. In order to provide the company with an ability to grow and continue in operational existence, Nowy Styl – Majencia SAS emerged, the share capital was increased by EUR 10m and the business got debt financing. In the year under analysis, the share capital was increased again through the payment and converting the existing debt, including interest. Consequently, the value of shares increased by PLN 54,895,934. After they had considered the European macroeconomic situation and the current financial standing of Nowy Styl – Majencia SAS, the Management Board decided to recognise the write-down of PLN 47,883,718 in 2019. In 2020, the write-down was increased by PLN 30,322,000.

On the basis of the agreement of 25 May 2020, control was taken over the Hungarian Telmex-Nowy Styl Zrt. The share of Nowy Styl Sp. z o.o. in the share capital of Telmex-Nowy Styl Zrt. increased from 50.00% to 70,21% and the value of shares rose by PLN 4,222,786.

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In the year under analysis, the value of shares decreased by PLN 131,090. Folkart S.A. w likwidacji and Baltic Floor Sp. z o.o. w likwidacji had not been timely entered into the National Court Register, ceased to exist and the assets thereof transferred to the State Treasury.

3. Intangible assets – comparative year 2019

PLN	Cost of research and development	Copyrights, neighbouring rights, licences, concessions, trademark	Other intangible assets	Prepayments for intangible assets	Total
Gross value at the beginning of the period	66,888,915	23,255,810	21,641,424	253,690	112,039,839
Additions:	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
Disposals:	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
- reclassification	37,802	(37,802)	-	-	-
Exchange differences	(90,095)	296,319	(53,728)	(12,894)	139,602
Gross value at the end of the period	78,987,495	29,069,958	31,800,956	1,278,630	141,137,039
Amortisation at the beginning of the period	57,109,541	18,432,840	19,936,601	-	95,478,982
Additions:	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	-	-	-	-	-
Disposals:	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)	-	-	-
Exchange differences	(48,187)	238,753	(24,284)	-	166,282
Amortisation at the end of the period	62,128,411	20,383,811	28,153,881	-	110,666,103
Net value					
Balance at the beginning of the period	9,779,374	4,822,970	1,704,823	253,690	16,560,857
Balance at the end of the period	16,859,084	8,686,147	3,647,075	1,278,630	30,470,936

Intangible assets – changes in the financial year 2020

PLN	Cost of research and development	Copyrights, neighbouring rights, licences, concessions, trademark	Other intangible assets	Prepayments for intangible assets	Total
Gross value at the beginning of the period	78,987,495	29,069,958	31,800,956	1,278,630	141,137,039
Additions:	2,686,328	3,956,163	1,149,797	(883,927)	6,908,361
- acquisition	2,686,328	3,194,498	266,355	(485)	6,146,696
- transfer of prepayment for intangible assets	-	-	883,442	(883,442)	-
- change of consolidation method in Nowy Styl Hungary Zrt. and Majencia Workspace Management	-	761,665	-	-	761,665
Disposals:	-	1,953,171	3,986	195,501	2,152,658
- sale	-	1,822,939	-	-	1,822,939
- liquidation	-	130,228	3,990	-	134,218
- impairment	-	-	-	195,501	195,501
- reclassification	-	4	(4)	-	-
Exchange differences	764,650	1,182,545	1,919,906	73,060	3,940,161
Gross value at the end of the period	82,438,473	32,255,495	34,866,673	272,262	149,832,903
Amortisation at the beginning of the period	62,128,411	20,383,811	28,153,881	-	110,666,103
Additions:	6,287,409	3,383,117	1,620,798	-	11,291,324
- amortisation	6,287,409	2,663,231	1,620,798	-	10,571,438
- change of consolidation method in Nowy Styl Hungary Zrt. and Majencia Workspace Management	-	719,886	-	-	719,886
Disposals:	-	1,410,434	3,990	-	1,414,424
- sale	-	1,280,206	-	-	1,280,206
- liquidation	-	130,228	3,990	-	134,218
Exchange differences	418,794	936,576	1,163,336	-	2,518,706
Amortisation at the end of the period	68,834,614	23,293,070	30,934,025	-	123,061,709
Net value					
Balance at the beginning of the period	16,859,084	8,686,147	3,647,075	1,278,630	30,470,936
Balance at the end of the period	13,603,859	8,962,425	3,932,648	272,262	26,771,194

4. Goodwill of subordinate companies – comparative 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 a.s.o.	Nowy Styl Group GmbH	Total
Gross value at the beginning of the period	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
Exchange differences	-	-	(4,693)	-	-	-	-	-	(4,693)
Gross value at the end of the period	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
Write-downs on goodwill at the beginning of the period	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
Exchange differences	-	-	(4,264)	-	-	-	-	-	(4,264)
Write-downs on goodwill at the end of the period	3,257,122	8,899,324	901,466	483,520	6,774,134	1,059,057	2,228,219	24,298	23,627,140
Net value									
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

Goodwill of subordinate companies – financial year 2020

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	Nowy Styl Hungary Zrt	Total
Gross value at the beginning of the period	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
Additions – change of consolidation method	-	-	-	-	-	-	-	-	3,584,429	3,584,429
Exchange differences	-	-	40,297	-	-	-	-	-	-	40,297
Gross value at the end of the period	8,142,803	9,976,620	1,041,927	1,211,225	6,774,134	1,059,057	2,228,219	53,997	3,584,429	34,072,411
Write-downs on goodwill at the beginning of the period	3,257,121	8,899,324	901,466	483,520	6,774,134	1,039,057	2,228,219	24,299	-	23,627,140
Additions – amortisation	1,628,561	997,662	102,603	241,760	-	-	-	10,799	418,183	3,399,568
Exchange differences	-	-	37,858	-	-	-	-	-	-	37,858
Write-downs on goodwill at the end of the period	4,885,682	9,896,986	1,041,927	725,280	6,774,134	1,039,057	2,228,219	35,098	418,183	27,064,566
Net value										
Balance at the beginning of the period	4,885,682	1,077,296	100,164	727,705	-	-	-	29,698	-	6,820,545
Balance at the end of the period	3,257,121	79,634	-	485,945	-	-	-	18,899	3,166,146	7,007,845

5. Non-current assets – comparative 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
Gross value at the beginning of the period	26,691,667	368,052,945	409,138,522	40,132,208	72,191,781	36,212,535	3,051,669	955,471,327
Additions:	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 Majencia 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
Disposals:	(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	-	-	90,517,999
- Donation	-	-	-	-	-	-	-	-
- transfer to non-current assets	-	-	-	-	-	-	-	-
- reclassification	(133,409)	57,470	10,977,626	3,346,613	(10,463,172)	-	-	3,785,128
- impairment	-	-	-	-	-	69,678	-	69,678
Exchange differences	(336,478)	1,498,861	620,612	(66,059)	(502,904)	47,231	(2,442)	1,258,821
Gross value at the end of the period	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
Depreciation at the beginning of the period	-	174,897,504	263,959,716	30,593,092	54,718,152	-	-	524,168,464
Additions:	-	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 Majencia and Kusch group	-	6,083,195	60,213,040	2,108,607	41,220,406	-	-	109,625,248
Disposals:	-	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
Depreciation at the end of the period	-	186,638,588	277,958,923	24,929,926	98,950,981	-	-	588,478,418
Net value								
Balance at the beginning of the period	26,691,667	193,155,441	145,178,806	9,539,116	17,473,629	36,212,535	3,051,669	431,302,863
Balance at the end of the period	59,444,911	204,017,643	159,129,497	13,268,605	20,713,885	30,673,976	7,331,317	494,579,834

Non-current assets – financial year 2020

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
Gross value at the beginning of the period	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
Additions:	6,500	49,998,858	40,723,120	2,509,508	5,647,548	(13,517,388)	(7,176,646)	78,191,500
- acquisition	-	16,695,921	1,626,165	1,717,974	1,387,659	49,161,025	145,010	70,733,754
- transfer from non-current assets under construction	6,500	32,445,218	33,426,964	791,534	3,329,853	(70,000,069)	-	-
- transfer from prepayments for non-current assets under construction	-	-	-	-	-	7,321,656	(7,321,656)	-
- change of consolidation method in Nowy Styl Hungary Zrt. and Majencia Workspace Management	-	857,719	3,360,061	-	912,247	-	-	7,130,027
- Fair value measurement	-	-	309,930	-	17,789	-	-	327,719
Disposals:	34,262,597	21,167,073	23,549,533	4,801,713	5,041,860	1,590,583	-	90,413,359
- sale	34,262,597	5,426,117	11,466,292	688,026	933,167	890,401	-	53,666,600
- liquidation	-	15,289,879	13,197,831	4,783,739	4,027,004	-	-	36,298,453
- donation	-	-	-	-	-	-	-	-
- transfer to non-current assets	-	-	-	-	-	-	-	-
- reclassification	-	451,077	(1,114,590)	329,948	81,689	121,966	-	(129,910)
- impairment	-	-	-	-	-	578,216	-	578,216
Exchange differences	2,805,505	16,206,309	9,442,807	2,300,805	6,432,584	229,898	12,463	37,430,371
Gross value at the end of the period	27,994,319	435,694,325	463,704,814	38,207,131	126,703,138	15,795,903	167,134	1,108,266,764
Depreciation at the beginning of the period	-	186,638,588	277,958,923	24,929,926	98,950,981	-	-	588,478,418
Additions:	-	13,124,273	33,994,013	3,185,156	9,070,251	-	-	59,373,693
- depreciation	-	12,954,404	30,374,224	3,185,156	8,371,084	-	-	54,884,869
- change of consolidation method in Nowy Styl Hungary Zrt. and Majencia Workspace Management	-	169,868	3,619,798	-	699,167	-	-	4,488,824
Disposals:	-	2,741,949	18,895,075	4,814,504	3,276,203	-	-	29,727,731
- sale	-	1,339,749	6,357,141	636,256	504,599	-	-	8,837,745
- liquidation	-	1,019,295	12,812,992	3,758,778	3,428,831	-	-	21,019,896
- reclassification	-	382,905	(275,058)	419,470	(657,227)	-	-	(129,910)
Exchange differences	-	10,876,079	7,366,472	1,365,754	5,642,624	-	-	25,250,929
Depreciation at the end of the period	-	207,896,991	300,424,333	24,666,332	110,387,653	-	-	643,375,309
Net value								
Balance at the beginning of the period	59,444,911	204,017,643	159,129,497	13,268,605	20,713,885	30,673,976	7,331,317	494,579,834
Balance at the end of the period	27,994,319	227,797,334	163,280,481	13,540,799	16,315,485	16,795,903	167,134	464,891,455

6. Non-current assets by ownership

	31 December 2020	31 December 2019
	PLN	PLN
Own non-current assets	436,723,103	425,616,144
Non-current assets under lease	12,205,315	30,958,397
	448,928,418	456,574,541
Total intangible assets in balance sheet records (sic!)		

The carrying amount of land is PLN 27,994,319, including the leasehold of PLN 620,368. A significant decrease in the carrying amount of land is connected with the sale of certain assets of Nowy Styl – Majencia SAS due to the restructuring process discussed in more detail in 2c) of the Notes to the financial statements.

7. Intangible assets – by ownership

	31 December 2020	31 December 2019
	PLN	PLN
Own intangible assets	26,771,194	30,470,936
	26,771,194	30,470,936
Total intangible assets in balance sheet records		

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

Expenditures on non-financial non-current assets in the current financial year amounted to PLN 76,880,450. 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 provide separate 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 2021.

As at 31 December 2020, the Group's non-current assets under construction amounted to PLN 15,795,903 and prepaid non-current assets under construction amounted to PLN 167,134.

9. Long-term investments – comparative year 2019

	Real estate	Shares	Other financial assets	Total
	PLN	PLN	PLN	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 Zrt.	-	4,287,605	-	4,287,605
acquisition of Majencia Workspace Management	-	502,169	-	502,169
minority interests in other companies	-	222	4	226
Decreases	34,797	1,304,433	226,833	1,566,063

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valuation of Majencia Workspace Management	-	236,313	-	236,313
reclassification of shares in the Kusch group	-	-	226,833	226,833
dividend from Telmex Nowy Styl Zrt	-	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	9,567,116	5,727,608	4	15,294,728
Net value at the beginning of the period	9,601,913	2,328,947	226,833	12,157,693
Net value at the end of the period	9,567,116	5,727,608	4	15,294,728

Long-term investments – changes in the financial year 2020

	Real estate PLN	Shares PLN	Other financial assets PLN	Total PLN
Balance at the beginning of the period	9,567,116	5,727,608	4	15,294,728
Increases	-	1,158,255	-	1,158,255
valuation of Beijing Tintan Majencia	-	1,158,255	-	1,158,255
Decreases	227,825	5,642,712	4	5,870,541
change of consolidation method in Majencia Workspace Management	-	265,856	-	265,856
change of consolidation method in Nowy Styl Hungary Zrt.	-	5,376,856	-	5,376,856
Sale	227,825	-	4	227,829
Exchange differences on translation	-	84,662	-	84,662
Balance at the end of the period	9,339,291	1,158,489	-	10,497,780
Net value at the beginning of the period	9,567,116	5,727,608	4	15,294,728
Net value at the end of the period	9,339,291	1,158,489	-	10,497,780

The value of real estate decreased in the period under analysis by PLN 227,825. On the basis of the notarial deed of 24 July 2020, the real estate comprising the two plots in Jasło was sold by the Parent Company to Agrelo – Tomasz Wilisowski with registered office in Jasło.

The change in the value of shares in subordinates was influenced by the valuation of Beijing Tintan Majencia Seat Co. Limited and the change of consolidation method in Majencia Workspace Management and Nowy Styl Hungary Zrt.

Beijing Tintan Majencia Seat Co. Limited was acquired together with the acquisition of Nowy Styl – Majencia SAS as a co-subsiary thereof.

There are plans relating to the company's operation on the Chinese market. The Management Board of the Parent Company believe this market is perspective in terms of the expansion of the Group. The current goodwill of the company reflects the expenditures on the market research and strengthening the Nowy Styl brand in China.

In 2020, the Parent Company took control of Telmex-Nowy Styl Hungary Zrt. (next: Nowy Styl Hungary Zrt.) through the increase of its share in the share capital to 70.21%. The transaction is

discussed in more detail in 2c) of the Notes to the financial statements. Following the transaction, the company was consolidated with full method.

Majencia Workspace Management was acquired together with the acquisition of Nowy Styl – Majencia SAS as a subsidiary thereof. It was decided in 2019 that the financial data of the company was insignificant and the company was not consolidated with full method on the basis of Art. 58 of the Act. The company was consolidated with full method since 2020.

10. Write-downs on inventories

	2020	2019
	PLN	PLN
Balance at the beginning of the period	17,009,848	9,152,903
Increases	8,912,857	8,451,465
Decreases	1,133,915	579,392
Exchange differences on translation	1,175,649	-
Balance at the end of the period	<u>25,964,439</u>	<u>17,009,848</u>

11. Write-downs on receivables

	2020	2019
	PLN	PLN
Balance at the beginning of the period	14,668,468	15,677,805
Increases	3,649,765	5,127,164
Decreases	4,155,832	6,164,774
Exchange differences on translation	705,947	28,273
Balance at the end of the period	<u>14,868,348</u>	<u>14,668,468</u>

The write-downs for 2020 also include a write-down relating to VAT receivables in the amount of PLN 32,983. In 2019, the VAT write-down was PLN 66,880.

12. Loans advanced in subsidiaries and co-subsidiaries

	2020	2019
	PLN	PLN
Balance at the beginning of the period	35,000	20,149
Increases	-	35,000
Decreases	35,000	20,149
Balance at the end of the period	<u>-</u>	<u>35,000</u>

13. Prepaid expenses

	31 December 2020	31 December 2019
	PLN	PLN
Long-term prepaid expenses		
Deferred tax assets	22,831,464	22,607,933
Other long-term prepaid expenses,	11,698,461	6,469,711
including:		

- costs of development	11,698,461	6,469,711
	34,529,925	29,077,644

	31 December 2020	31 December 2019
	PLN	PLN
Short-term prepaid expenses		
Insurance and subscriptions paid	3,241,862	459,199
Services paid	1,089,945	1,044,503
Costs of advertisement and commercial projects	1,009,643	1,025,244
Lease and rental	1,254,814	3,835,751
Costs of projects	248,543	637,409
Domestic and international business trips	30,985	77,596
Other short-term prepaid expenses	1,132,760	2,594,741
	8,008,552	9,674,443
Total prepaid expenses	42,538,477	38,752,087

14. Share capital of the Parent Company

The Parent Company's share capital as at 31 December 2020 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 2020:

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
	1,000	50,000	100
Redeemed shares	31	1,550	-
		51,550	

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 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>

Provisions for liabilities – changes in the financial year 2020

	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	51,671,147	9,900,296	12,130,150	3,203,813	52,645,106
Other provisions	28,569,769	61,595,537	5,436,114	2,919,491	87,648,683
	<u>80,240,916</u>	<u>71,495,833</u>	<u>17,566,264</u>	<u>6,123,304</u>	<u>140,293,789</u>

As discussed in 2c) of the Notes to the financial statements, the provisions created in 2020 mainly reflect the estimates relating to the costs of restructuring activities undertaken by the Group on the French (PLN 19.8m) and the German (PLN 29m) markets.

16. Interest expense on financial liabilities – comparative 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

Interest expense on financial liabilities – financial year 2020

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	8,200,945	144,143	978,522	224,747	9,548,357

(*) – 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 582,245,320

Total amount of outstanding loans, credits and leases: PLN 334,248,759

- a) long-term: PLN 141,368,837
- b) short-term: PLN 192,879,922

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

	31 December 2020	31 December 2019
	PLN	PLN
Long-term liabilities to other entities – loans and credits		
1 - 3 years	93,992,123	303,758,197
3 - 5 years	13,288,134	5,072,822
over 5 years	30,554,109	25,510,598
	137,834,366	334,341,617

Long-term liabilities to other entities – lease liabilities

1 - 3 years	3,449,826	7,596,859
3 - 5 years	32,435	0
over 5 years	52,210	0
	3,534,471	7,596,859

Total long-term financial liabilities

Loans and credits	137,834,366	334,341,617
Leases	3,534,471	7,596,859
	141,368,837	341,938,476

Short-term liabilities to other entities

Loans and credits	190,923,428	46,150,983
Leases	1,956,494	2,350,685
	192,879,922	48,501,668

Other financial liabilities

Other financial liabilities disclosed in the balance sheet as at 31 December 2020 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 machines and equipment and cars.

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 2020 is PLN 788,386,170.

19. Accruals

	31 December 2020	31 December 2019
	PLN	PLN
Long-term deferred income		
Subsidies from the Polish Agency for Enterprise Development – PARP	26,892,450	28,731,819
Subsidies from MF- Smart Growth Operational Programme	1,718,802	2,179,328
Subsidies from the National Fund for Environmental Protection	342,847	395,927
	28,954,098	31,307,075

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Short-term deferred income

Subsidies from the Polish Agency for Enterprise Development - PARP	1,839,370	1,841,652
Subsidies from MF- Smart Growth Operational Programme	468,212	-
Subsidies from the National Fund for Environmental Protection	83,692	83,692
Prepaid unperformed services	2,612,570	6,448,749
Other	-	506,338
	5,003,844	8,880,431

Short-term accruals

Marketing services	423,220	886,453
Transport services	778,143	547,816
Commission on sales	15,875,187	14,662,413
Provisions for future expenses	11,491,259	8,916,679
Uninvoiced fees for performed services	13,994,167	16,701,390
Other	1,383,215	2,413,220

	43,945,191	44,127,971
Total short-term prepayments and accrued income	48,949,035	53,008,402
	77,903,133	84,315,477

20. Negative goodwill – comparative year 2019

PLN	Nowy Styl - Majencia SAS	Nowy Styl Deutschland GmbH	Total
Gross value at the beginning of the period	-	7,870,477	7,870,477
Increase – acquisition of the company	37,964,648	-	37,964,648
Exchange differences	-	(75,959)	(75,959)
Gross value at the end of the period	37,964,648	7,794,518	45,759,166
Write-downs of goodwill at the beginning of the period	-	7,870,477	7,870,477
Increase – amortization	1,672,026	-	1,672,026
Exchange differences	-	(75,959)	(75,959)
Write-downs of goodwill at the end of the period	1,672,026	7,794,518	9,466,544
Net value			
Balance at the beginning of the period	-	-	-
Balance at the end of the period	36,292,622	-	36,292,622

Negative goodwill – changes in the financial year 2020

PLN	Nowy Styl - Majencia SAS	Majencia Workspace Management	Nowy Styl Deutschland GmbH	Total
Gross value at the beginning of the period	37,964,648,	-	7,794,518	45,759,166
Increase – change of consolidation method	-	596,147	-	596,147
Decrease – restructuring of the company	33,665,152	-	-	33,665,152
Exchange differences	-	18,734	652,152	670,886
Gross value at the end of the period	4,299,496	614,881	8,446,670	13,361,047
Write-downs of goodwill at the beginning of the period	1,672,026	-	7,794,518	9,466,544
Increase – amortization	2,627,470	119,229	-	2,746,699
Exchange differences	-	3,747	652,152	655,899
Write-downs of goodwill at the end of the period	4,299,496	122,976	8,446,670	12,869,142
Net value				
Balance at the beginning of the period	36,292,622	-	-	36,292,622
Balance at the end of the period	-	491,905	-	491,905

As discussed in 2c) of the Notes to the financial statements, negative goodwill relating to the acquisition of Nowy Styl – Majencia SAS in 2019 is the result of the company restructuring which led to the sale of production assets.

21. Net sales revenue by type and territory

	2020	2019
	PLN	PLN
Domestic sales:		
Products	132,302,578	153,803,667
Semi-finished products	12,381,182	12,118,240
Services	2,047,938	2,009,429
Other sales	1,103,569	1,354,248
Goods	17,892,495	11,363,834
Materials	5,799,210	6,751,793
Total domestic sales revenue	171,526,972	187,401,211
Export sales:		
Products	1,104,341,937	1,239,434,136
Semi-finished products	37,627,395	44,929,271
Services	25,070,972	28,140,042
Other sales	162,960	102,011
Goods	100,365,212	142,699,766
Materials	13,492,325	15,889,430
Total export sales revenue	1,281,060,801	1,471,194,656
Total sales revenue	1,452,587,773	1,658,595,867

22. Costs by type

	2020	2019
	PLN	PLN
Depreciation and amortisation	65,456,307	60,626,010
Consumption of materials and energy	461,603,995	619,817,731
Contracted services	326,767,341	270,402,773
Taxes and charges	12,116,040	10,942,502
Salaries and wages	376,709,692	367,387,890
Social security and other benefits	96,462,203	94,850,746
Other costs by type	47,825,996	64,089,380
	1,386,941,574	1,488,117,032
Change in products	-22,204,772	-25,807,438
Costs of products manufactured for own use	-4,030,246	-4,826,750
	1,360,706,556	1,457,482,844

23. Other operating income

	2020	2019
	PLN	PLN
Gain on disposal of non-financial non-current assets	9,995,033	-
Received subsidies		2,410,404
Write-down of non-financial assets	4,362,722	1,672,026

Other operating income, including:	41,936,959	13,434,256
received COVID-19 aid	25,605,248	-
income from past-due receivables	5,320,488	-
revaluation of provisions	4,151,398	-
Lease	1,732,843	2,515,761
Reinvoices	305,618	4,427,413
income from company cars taxation	1,535,975	1,069,164
positive inventory differences	297,968	2,849,313
received damages	284,194	303,442
received discounts	423,843	-
other income	2,279,384	2,269,162
	54,695,786	17,516,686

24. Other operating expenses

	2020	2019
	PLN	PLN
Loss on disposal of non-financial non-current assets	-	369,007
Current assets revaluation	10,101,683	9,392,134
Other operating expenses, including:	77,524,475	21,751,597
costs of discontinued operations	5,015,534	-
costs of restructuring	48,587,857	-
unused production capabilities	17,304,145	17,185,899
Donations	839,596	738,451
damages and penalties	139,667	460,929
negative inventory differences	3,534,111	500,851
Other	2,103,565	2,865,467
	87,626,158	31,512,738

25. 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, Nowy Styl Deutschland GmbH, Nowy Styl Logistic GmbH, Rohde & Grahl Bueroeinrichtungen 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 2020 in Tarnobrzeg Special Economic Zone, Jasło Sub-Zone, amounted to PLN 184,561,443, including eligible expenses of PLN 115,145,978. After discounting, eligible expenses at the date of the permit amounted to PLN 103,268,718.

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 51,634,359. The amount of the utilised public aid after discounting at the date of the permit is PLN 38,770,902. 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 12,863,456.

26. Structure of cash for the purposes of consolidated statement of cash flows

	31 December 2020	31 December 2019
	PLN	PLN
Cash on hand	257,204	291,633
Cash at banks	138,964,642	113,250,410
- including on VAT accounts	3,388,254	262,524
Total cash for the purposes of the statement of cash flows	139,221,846	113,542,043

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.

Balance sheet change in short-term payables, excluding loans and credits	15,986,721
Correction of change in payables in connection with the change of consolidation method at Nowy Styl Hungary Zrt. and Majencia Workspace Management	- 4,426,864
Change in short-term payables relating to unrealised exchange differences	- 7,791,052
Change in the statement of cash flows	3,768,805
Balance sheet change in prepayments and accrued income	- 45,999,451
Correction of change in payables in connection with the change of consolidation method at Nowy Styl Hungary Zrt. and Majencia Workspace Management	- 99,526
Settlement of negative goodwill in connection with the sale of certain assets of Nowy Styl – Majencia SAS	33,665,152
Change in prepayments and accrued income relating to unrealised exchange differences	- 3,067,288
Change in the statement of cash flows	- 15,501,113
Balance sheet change in short-term receivables	60,326,228

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Correction of change in receivables in connection with the change of consolidation method at Nowy Styl Hungary Zrt. and Majencia Workspace Management	3,714,843
Correction relating to presentation of received COVID-19 subsidies	- 25,605,247
Change in short-term receivables relating to unrealised exchange differences	10,149,446
Change in the statement of cash flows	48,585,270
Balance sheet change in inventories	855,348
Correction of change in receivables in connection with the change of consolidation method at Nowy Styl Hungary Zrt. and Majencia Workspace Management	1,198,311
Change in inventories relating to unrealised exchange differences	7,287,132
Change in the statement of cash flows	9,340,791
Balance sheet change in provisions	60,052,873
Correction of change in receivables in connection with the change of consolidation method at Nowy Styl Hungary Zrt. and Majencia Workspace Management	- 489,366
Change in provisions relating to unrealised exchange differences	- 7,730,397
Change in the statement of cash flows	51,833,110

27. 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.

On the basis of the notarial deed of 1 June 2021, an organised part of Zakład Przetwórstwa Tworzyw Sztucznych of Jasło was sold to Splast spółka z ograniczoną odpowiedzialnością of Krosno.

28. Employment

Employment as at 31 December 2020:

	2020 Number of people	2019 Number of people
Nowy Styl sp. z o.o. – Parent Company	3,291	3,414
Subsidiaries	1,143	1,217
Total	4,434	4,631

29. Remuneration of entity authorised to audit financial statements

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

	2020	2019
	PLN	PLN
Mandatory audit of annual financial statements of the Capital Group companies	270,000	215,000
Other services	876,801	780,856
Total	1,146,801	995,856

30. Transactions with related parties

	Balance at 31 December 2020	31 December 2019
	PLN	PLN
Trade receivables	-	2,669,452
	Turnover	
	2020	2019
Net sales revenue	3,505,835	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.

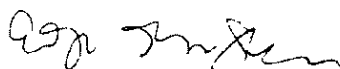
The Capital Group is not exposed to any significant credit risk. The advanced loans are monitored on an ongoing basis and they are repaid in a timely fashion. Trade receivables are analysed and collected on an ongoing basis.


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 4th day of August 2021

Rep. No. 08/321/21

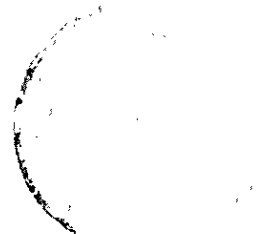
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Sworn translator of English
Certified translation from Polish

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INDEPENDENT AUDITOR'S REPORT

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

Our Opinion

In our opinion the attached annual consolidated financial statements:

- give a true and fair view of the consolidated economic and financial position of the Nowy Styl Sp. z o.o. capital group (the "Group") with Nowy Styl Sp. z o.o. as its parent company (the "Parent Company") as at 31 December 2020 and of its consolidated profit or loss and consolidated cash flows for the financial year ended 31 December 2020 in accordance with the applicable provisions of the Accounting Act of 29 September 1994 (the "Accounting Act" – uniform text, Journal of Laws of 2021, item 217, as amended) and the adopted accounting principles (policies); and
- comply, in terms of form and content, with the applicable laws binding on the Group and the articles of association of the Parent Company.

Scope of our audit

We have audited the annual consolidated financial statements of the Nowy Styl sp. z o.o. capital group comprising:

- Consolidated balance sheet as at 31 December 2020;

and the following statements for the financial year 1 January – 31 December 2020:

- Consolidated profit and loss account;
- Consolidated statement of changes in equity;
- Consolidated statement of cash flows; and
- Notes to the financial statements.

Basis for Opinion

We have conducted our audit in accordance with the National Standards on Auditing and the International Standards on Auditing adopted on the basis of resolution passed by the National Council of Statutory Auditors (the "Council") and in compliance with the Polish Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors" – Journal of Laws of 2020, item 1415). Our responsibility under those standards is further described under the following heading: *Auditor's Responsibility for the Audit of the Consolidated Financial Statements*.

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

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Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) published by the Council of International Ethical Standards for 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 in accordance with the independence requirements set out in the Act on Statutory Auditors.

Our approach to audit

Summary

We have designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we have considered where subjective judgements were made by the Management Board of the Parent Company; for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We have also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We have tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we have determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Responsibility of the Management Board for the Consolidated Financial Statements

The Parent Company's Management Board is responsible for the preparation of the annual 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

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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 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 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. Supervisory staff are responsible for the supervision of the financial reporting process.

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.

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

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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 Activities

Other Information

Other information includes the report on the Group's activities in year ended 31 December 2020 ("Report on the Group's Activities"). Other Information does not include the financial statements or auditor's report thereon.

Responsibility of the Management Board

The Management Board of the Parent Company is responsible for the preparation of the Other Information 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 Other Information. *In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether Other Information 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 Other Information, 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 annual consolidated financial statements.*

Opinion on the Report on 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.

Key statutory auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., Katowice Business Point, ul. Ściegiennego 3, 40-114 Katowice, Poland, T: +48(32) 604 0200, F: +48(32) 604 0300, www.pwc.com. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. has been entered into the National Court Register maintained by the District Court for the capital city of Warsaw under entry no. KRS 0000750050. Tax reference: 526-021-02-28. Warsaw (ul. Polna 11) is the company's registered office.

The document signed by Tomasz Reinfuss.

Date: 2021.07.05; 22:01:08 CEST

Tomasz Reinfuss

Key statutory auditor

Reg. no. 90038

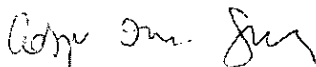
Katowice, 5 July 2021

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 4th day of August 2021

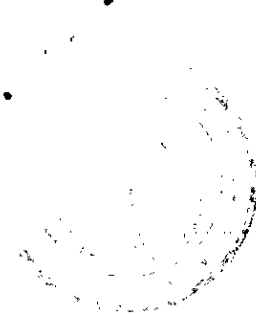
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