INTER CARS GROUP

ANNUAL FINANCIAL STATEMENTS 2019

ANNUAL FINANCIAL STATEMENTS OF THE INTER CARS GROUP FOR THE YEAR 2019

PART II
CONSOLIDATED FINANCIAL REPORT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

Financial highlights

	for the period of 12 months ended on 31 December			
	2019	**2018**	**2019**	**2018**
	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Information on growth and profits				
Sales margin	29.5%	29.08%		
EBITDA	462,143	392,571	107,430	92,008
EBITDA as percentage of sales	5.27%	4.94%		
EBITDA (for 12 consecutive months)	462,143	392,571	107,430	92,008
Net debt / EBITDA	2.79	3.03		
Basic earnings per share (PLN)	16.03	15.75	3.73	3.69
Diluted earnings per share (PLN)	16.03	15.75	3.73	3.69
Sales revenues	8,764 261	7,943,253	2,037 347	1,861,690
Operating profit	331,943	313,382	77,164	73,449
Net profit	**227,096**	**223,085**	**52,791**	**52,285**
Cash flows				
Operating cash flows	458,537	49,939	106,592	11,704
Investing cash flows	(105,266)	(115,471)	(24,470)	(27,063)
Financing cash flows	(324,600)	19,342	(75,457)	4,533
Employment and branches				
Employees				
Parent company	647	572		
Subsidiaries	2,765	2,819		
Branches				
Parent company	248	249		
Subsidiaries	313	299		

	As at		**As at**	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
Consolidated statement of the financial situation	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Cash and cash equivalents	143,397	114,725	33,673	26,680
Balance sheet total	4,423 893	3,943,261	1,038 838	917,037
Loans, borrowings, finance lease and factoring	1,432 743	1,303,914	336,443	303,236
Equity attributable to the shareholders of the parent entity	2,046 687	1,829,173	480,612	425,389

The EBITDA ratio is calculated as the total of the operating profit and depreciation for the reporting period.

The net debt / EBITDA is measured as the quotient of the net debt (constituting total credit, loan and financial lease liabilities minus cash and cash equivalents) to the EBITDA value. Sublease liabilities are not recognized as net debt due to their completely neutral impact.

The following exchange rates were applied to calculate selected financial data in EUR:

- for the statement of financial position items – the National Bank of Poland exchange rate of 31 December 2019 – EUR 1 = PLN 4.2585, and the National Bank of Poland exchange rate of 31 December 2018 – EUR 1 = PLN 4,3000
- for the comprehensive income and cash flow statement items – an exchange rate constituting the average National Bank of Poland exchange rate announced on the last day of each month of 2019 and 2018, respectively: EUR 1 = PLN 4,3018 and EUR 1 = PLN 4.2669, respectively.

Information about INTER CARS S.A.

1. Scope of activities

The principal activities of Inter Cars Spółka Akcyjna (hereinafter referred to as “Inter Cars” are import and distribution of spare parts for passenger cars and utility vehicles.

2. Registered seat

ul. Powsińska 64
02-903 Warsaw
Poland
Central Warehouse:
Europejskie Centrum Logistyczne (European Logistics Centre)
Swobodnia 35
05-170 Zakroczym

3. Contact and administrative detail

The Company has been entered into the Register of Companies of the National Court Register kept by the District Court for the capital city of Warsaw, in Warsaw, XII Commercial Department of the National Court Register, under the following number:

KRS 0000008734
NIP 1181452946
Regon 014992887
tel. (+48-22) 714 19 16
fax. (+48-22) 714 19 18
bzarzadu@intercars.eu
relacje.inwestorskie@intercars.eu
www.intercars.com.pl

4. Supervisory Board (as at the date of approval of the financial statements)

Andrzej Oliszewski, President
Piotr Płoszajski
Tomasz Rusak
Jacek Klimczak
Jacek Podgórski
Radosław Kudła

5. Management Board (as at the date of approval of the financial statements)

Maciej Oleksowicz, President
Krzysztof Soszyński, Vice-President
Krzysztof Oleksowicz, Member of the Management Board - until 1 January 2020
Wojciech Twaróg, Member of the Management Board
Piotr Zamora, Member of the Management Board
Tomáš Kaštil, Member of the Management Board

On 4 December 2019 the Member of the Management Board, Krzysztof Oleksowicz, handed in a declaration on resignation from the position of the Member of the Board of the Company as of 1 January 2020. On the same day, the Supervisory Board of the Company decided that starting from 1 January 2020 the Board of Managers of the Company shall be composed of five people.

6. Statutory auditor

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.
ul. Polna 11,
00-633 Warsaw

7. Subsidiaries and associated entities of Inter Cars - entities included in consolidation as at 31 December 2019

As at 31 December 2019, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 34 other entities, including:

- 31 subsidiaries of Inter Cars S.A.
- 3 indirect subsidiaries of Inter Cars S.A.

The Group also holds shares in one related entity.

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2019	31/12/2018
Parent company					
Inter Cars S.A.	Warsaw, Poland	Import and distribution of spare parts for passenger cars and commercial vehicles	full	Not applicable	Not applicable
Direct subsidiaries					
Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2019	31/12/2018
Inter Cars Ukraine	Khmelnytsky, Ukraine	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Q-service Sp. z o.o.	Cząstków Mazowiecki, Poland	Advisory services, organization of trainings and seminars related to automotive services and the automotive market	full	100%	100%
Lauber Sp. z o.o.	Słupsk, Poland	Remanufacturing of car parts	full	100%	100%
Inter Cars Česká republika s.r.o.	Prague, Czech Republic	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Feber Sp. z o.o.	Warsaw, Poland	Manufacture of motor vehicles, trailers and semi-trailers	full	100%	100%
IC Development & Finance Sp. z o.o	Warsaw, Poland	Real estate development and lease	full	100%	100%
Armatus sp. z o.o.	Warsaw, Poland	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Slovenská republika s.r.o.	Bratislava, Slovakia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Lietuva UAB	Vilnius, Lithuania	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto S.A.	Braine-le-Château, Belgium	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Hungária Kft	Budapest, Hungary	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Italia s.r.l	Milan, Italy	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2019	31/12/2018
Inter Cars d.o.o.	Zaprešić (Grad Zaprešić), Croatia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Cyprus Limited	Nicosia, Cyprus	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Latvija SIA	Mārupes nov., Mārupe , Latvia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Cleverlog-Autoteile GmbH	Berlin, Germany	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	Warsaw, Poland	Advertising, market and public opinion research	full	100%	100%
ILS Sp. z o.o.	Zakroczym, Poland	Logistics services	full	100%	100%
Inter Cars Malta Holding Limited	Birkirkara, Malta	Assets management	full	100%	100%
Q-service Truck Sp. z o.o.	Warsaw, Poland	Sale of delivery vans and trucks	full	100%	100%
Inter Cars INT d.o.o.	Ljubljana, Slovenia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Eesti OÜ	Tallinn, Estonia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars GREECE.	Athens, Greece	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Sarajevo, Bosnia and Herzegovina	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars United Kingdom - automotive technology Ltd*	London, Great Britain	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Deutschland GmbH***	Berlin Germany	Distribution of spare parts for passenger cars and commercial vehicles	Not applicable	100%	-
Inter Cars d.o.o. Beograd-Rakovica****	Belgrade-Rakovica, Serbia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Fleet Services Sp. z o.o.**	Warsaw Poland	Services for motor-vehicle fleets related to vehicle repairs	Not applicable	100%	-

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2019	31/12/2018
Indirect subsidiaries					
Inter Cars Malta Limited*****	Birkirkara, Malta	Sale of spare parts and advisory services related to automotive services and the automotive market	full	100%	100%
Aurelia Auto d o o******	Vinkovci, Croatia	Distribution of spare parts and real estate rental	full	100%	100%
JC Auto s.r.o. in liquidation*******	Karvina-Darkow, Czech Republic	The Company does not carry out operating activities	full	100%	100%
Associated entities					
InterMeko Europa Sp. z o.o.	Warsaw, Poland	Control and assessment of spare parts, components and accessories	equity method	50%	50%

* The company started operational activity in 2Q2019.

**The Company does not carry out operating activities

*** The company in organization

****The company started operational activity in 4Q2019

***** 100% shares held by subsidiary company Inter Cars Malta Holding Limited

****** 100% shares held by subsidiary company Inter Cars d.o.o. (Croatia)

******* 100% shares held by subsidiary company Inter Cars Česká republika s.r.o. as at 31.12.2018 a direct subsidiary company

The management board of the Inter Cars Group decided to restructure the Italian company Inter Cars Italia s.r.l., which has not been profitable. Following a profitability analysis of particular areas of its activity a decision was made to change its business model by closing all 6 branches and continuing direct sales to shops and warehouses offering spare parts. This way the company should arrive at the desired operating margin. The future restructuring costs, including severance pays for employees required by the applicable law, the costs of termination of contracts of lease of office and warehouse spaces, as well as other administrative costs will be paid from a reserve of PLN 8,600 k recorded in the first half of 2019.

In the reporting period there were no other changes in the structure of the entity, including business combinations, takeovers or sales entities of the Capital Group of the Company, long-term investments, division, restructuring or cessation of business activities.

8. Associated entities

As at 31 December 2019 the Company owned 50% of shares in Intermeko Europa Sp. z o.o., a joint-venture company established in order to monitor the quality of goods using a laboratory.

9. Stock exchange listings

The shares of Inter Cars S.A. are listed on the Warsaw Stock Exchange in the continuous trading system.

10. Date of approval of the financial statements for publication

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 17 April 2020.

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF THE FINANCIAL SITUATION

(in thousand PLN)	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	502,479	461,400
Right-of-use assets	6	256,825	-
Investment property	8	10,837	17,779
Real estate available for sale	8	1,088	29,271
Intangible assets	7	197,559	199,415
Investments in associates	9	1,030	987
Investments available for sale	10 pcs	298	301
Receivables	13	21,630	22,346
Non-current receivables on long-term rental	22	188,634	-
Deferred tax assets	11	18,486	21,053
		1,198 866	**752,552**
Current assets			
Inventory	12	2,062,819	2,200,789
Trade and other receivables	13	954,773	870,763
Receivables on short-term rental	22	64,038	-
Income tax receivables		-	4,432
Cash and cash equivalents	14	143,397	114,725
		3,225 027	3,190,709
TOTAL ASSETS		**4,423 893**	**3,943,261**
LIABILITIES			
Share capital	15	28,336	28,336
Share premium account	15	259,530	259,530
Supplementary capital		1,219,990	983,765
Other capital reserves		28,764	19,030
Foreign exchange gains /losses in subsidiaries		(25,841)	(26,318)
Retained earnings		535,908	564,830
Equity		**2,046,687**	**1,829,173**
Long-term liabilities			
Liabilities due to credits, loans	17	565,744	524,329
Finance lease liabilities	17	238,920	7,490
Non-current liabilities on long-term rental	22	188,634	-
Other long-term liabilities		8,160	6,206
Deferred income tax provision	11	21,067	25,037
		1,022,525	**563,062**
Short-term liabilities			
Trade and other liabilities	18	526,883	702,161
Trade and other liabilities - passed for factoring		52,290	-
Liabilities due to credits, loans	17	576,455	764,382
Finance lease liabilities	17	51,624	7,713
Liabilities on the short-term rental	22	64,038	-
Employee benefits	19	35,805	31,251
Income tax liabilities	20	47,586	45,519
		1,354 681	**1,551 026**
TOTAL LIABILITIES		**4,423 893**	**3,943,261**

ANNUAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousand PLN)	Note	for the period of 12 months ended on 31/12/2019	31/12/2018
Sales revenues	22	8,764,261	7,943,253
Cost of sales	23	(6,181,624)	(5,632,977)
Gross profit on sales		**2,582,637**	**2,310,276**
Other operating revenues	25	53,566	47,290
Selling cost, general and administrative expenses	24	(1,306,377)	(1,156,006)
Costs of distribution service	24	(917,324)	(836,141)
Other operating costs	26	(80,559)	(52,037)
Operating profit		**331,943**	**313,382**
Financial income	27	12,916	2,385
Exchange differences	27	1,266	(3,362)
Financial costs	27	(66,595)	(43,685)
Interest in associates		(1)	64
Profit before tax		**279,529**	**268,784**
Income tax	29	(52,433)	(45,699)
Net profit		**227,096**	**223,085**
Attributable to:			
shareholders of the parent company		227,096	223,085
		227,096	**223,085**
OTHER COMPREHENSIVE INCOME			
Foreign exchange gains /losses		477	119
Total other comprehensive income, net		**477**	**119**
COMPREHENSIVE INCOME		**227,573**	**223,204**
Net profit attributable to:			
- the shareholders of the parent entity		227,096	223,085
		227,096	**223,085**
Comprehensive income attributable to:			
- the shareholders of the parent entity		227,573	223,204
		227,573	**223,204**
Earnings per share (PLN)			
- basic and diluted		16.03	15.75
Weighted average number of shares		14,168,100	14,168,100

ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01 January 2019 to 31 December 2019

(in thousand PLN)	Share capital	Share premium account	Supplementary capital	Foreign exchange gains /losses in subsidiaries	Other reserve capitals	Retained earnings	**Total equity**
As at 01 January 2019	**28,336**	**259,530**	**983,765**	**(26,318)**	**19,030**	**564,830**	**1,829,173**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	227,096	**227,096**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	477	-	-	**477**
Total comprehensive income	***-***	***-***	***-***	***477***	***-***	***227,096***	***227,573***
Distribution of prior period profit – dividend	-	-	-	-	-	(10,059)	***(10,059)***
Distribution of prior period profit - covering loss from reserve capitals	-	-	-	-	-	-	**-**
Distribution of retained profits - transfer to supplementary and reserve capital	-	-	236,225	-	9,734	(245,959)	**-**
Foreign exchange gains /losses	-	-	-	-	-	-	**-**
As at 31 December 2019	**28,336**	**259,530**	**1,219,990**	**(25,841)**	**28,764**	**535,908**	**2,046,687**

for the period from 01 January 2018 to 31 December 2018

(in thousand PLN)	Share capital	Share premium account	Supplementary capital	Foreign exchange gains /losses in subsidiaries	Other reserve capitals	Retained earnings	**Total equity**
As at 01 January 2018	**28,336**	**259,530**	**832,483**	**(26,437)**	**19,030**	**503,086**	**1,616,028**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	223,085	**223,085**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-		-	-	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	***223,085***	***223,085***
Transactions with shareholders							
Distribution of prior period profit – dividend	-	-	-	-	-	(10,059)	***(10,059)***
Distribution of prior period profit - covering loss from reserve capitals	-	-	-	-	-	-	**-**
Distribution of retained profits - transfer to supplementary and reserve capital	-	-	151,282	-	-	(151,282)	**-**
Foreign exchange gains /losses	-	-	-	119	-	-	***119***
As at 31 December 2018	**28,336**	**259,530**	**983,765**	**(26,318)**	**19,030**	**564,830**	**1,829,173**

ANNUAL CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand PLN)	**Note**	**01/01/2019 - 31/12/2019**	**01/01/2018- 31/12/2018**
Cash flows from operating activities			
Profit before tax		279,529	268,784
Adjustments:			
Depreciation and amortization		130,200	76,763
Foreign exchange gains /losses		780	1,567
(Profit / loss on investing activities		16,184	1,040
Net interest	28	52,202	41,336
(Gain)/loss on revaluation of investment property		(202)	3,751
Dividends received		-	-
Other adjustments, net	28	2,672	3,757
Operating profit before changes in the working capital		**481,365**	**396,998**
Increase (decrease) in inventories		137,970	(429,613)
Change in receivables	28	(84,255)	(128,659)
Change in receivables under rental		(252,672)	-
Change in short-term liabilities		(29,310)	231,854
Change in liabilities under rental		252,672	-
Cash generated by operating activities		**505,770**	**70,583**
Corporate income tax paid	28	(47,232)	(20,644)
Net cash from operating activities		**458,537**	**49,939**
Cash flow from investing activities			
Proceeds from the sale of intangible assets, investment property, property, plant and equipment		38,283	3,385
Acquisition of intangible assets, investment property, and property, plant and equipment		(145,054)	(114,719)
Repayment of loans granted	28	3,866	3,908
Loans granted	28	(2,797)	(8,789)
Interest received	28	436	744
Net cash from investing activities		**(105,266)**	**(115,471)**
Cash flow from financing activities			
Repayment of credits and loans	28	(49,599)	-
Cash inflows on credits and loans	28	52,301	80,221
Financial lease contracts liabilities (IFRS 16)	28	(110,000)	(8,801)
Redemption of debt securities		(150,000)	-
Interest paid		(57,242)	(42,019)
Dividend paid		(10,059)	(10,059)
Net cash from financing activities		**(324,600)**	**19,342**
Net change in cash and cash equivalents		**28,672**	**(46,190)**
Cash and cash equivalents at the beginning of the period		**114,725**	**160,915**
Cash and cash equivalents at the end of the period		**143,397**	**114,725**

Notes to the annual consolidated financial statements

1. Basis for the preparation of the annual consolidated financial statements

The consolidated annual financial statements (hereinafter referred to as the “financial statements”) were prepared in accordance with the International Financial Reporting Standards, hereinafter referred to as “EU IFRS,” approved by the European Union.

The UE IFRS include all International Accounting Standards, International Financial Reporting Standards and interpretations thereof, excluding the below-mentioned Standards and Interpretations currently awaiting EU’s approval, as well as the Standards and Interpretations which have been approved by the EU but have not become effective.

The Group decided not to apply new Standards and Interpretations published and approved by the EU which will become effective following the reporting date. Furthermore, as at the reporting date the Group had not finished estimating the impact of the new Standards and Interpretations to become effective following the reporting date.

The financial statements were prepared under the assumption that the Company will continue as a going concern in the foreseeable future.

2. Impact of changes in IFRS standards and interpretation on the Group's financial statements

2.1. Changes in IFRS and their interpretations

This is the first time the Group has applied IFRS 16 Leases, hereinafter referred to as “IFRS 16.” The other new or amended standards and interpretations applicable as of 2019 have no material bearing on the Company’s financial statements.

A detailed description of the IFRS 16 standard and its impact on the particular items of the financial statements is provided in 3.3 Description of significant accounting principles applied h) Leases

Impact on the financial indicators

Due to inclusion in the statement of financial situation of practically all lease contracts, implementation of IFRS 16 by the Company has impacted its balance sheet indicators, including the debt to equity ratio. Additionally, implementation of IFRS 16 resulted in changes to the profit measures (including the profit on operations, EBITDA) as well as operating cash flows. The Company has analysed the impact of these changes on compliance with the provisions of the credit agreements entered into by the Company and has not found any evidence of their breach due to the fact that following introduction of IFRS 16, the provisions of credit contracts were changed to prevent the new standard from distorting the calculations and to ensure comparability of the indicators with the preceding periods.

(in thousand PLN)

The following table analyses the debt for each of the presented periods.

	Loans	Bonds	Lease liabilities	Licence subscription liabilities	Total debt	Cash and cash equivalents	Net debt
Balance as at 01/01/2018	(1,055,246)	(150,617)	(16,687)	-	(1,222,550)	114,725	(1,107,825)
Cash flows	(80,221)	-	1,484	-	(78,737)	-	(78,737)
Interest paid	28,486	4,613	-	-	33,099	-	33,099
Interest accrued	(28,486)	(4,748)	-	-	(33,234)	-	(33,234)
Valuation	(2,492)	-	-	-	(2,492)	-	(2,492)
Balance as at 31/12/2018	(1,137,959)	(150,752)	(15,203)	-	(1,303,914)	114,725	(1,189,189)
Correction on adaptation of IFRS 16	-	-	(255,899)	-	(255,899)	-	(255,899)
Balance as at 01/01/2019	(1,137,959)	(150,752)	(271,102)	-	(1,559,813)	114,725	(1,445,088)
Cash flows	(2,703)	150,752	47,103	-	195,152	28,672	223,824
New leasing agreements	-	-	(48,584)	(17,961)	(66,545)	-	(66,545)
Leasing agreement termination	-	-	-	-	-	-	-
Interest paid	31,983	-	-	-	31,983	-	31,983
Interest accrued	(31,983)	-	-	-	(31,983)	-	(31,983)
Valuation	(1,537)	-	-	-	(1,537)	-	(1,537)
Balance as at 31/12/2019	(1,142,199)	-	(272,583)	(17,961)	(1,432,743)	143,397	(1,289,346)

Short- and long-term lease liabilities are not included in the calculation of net debt.

The impact of application of IFRS 16 on the selected items of financial consolidated statements is shown in the following tables:

(in thousand PLN)	01/01/2019		31/12/2018
ASSETS	**with IFRS 16**	**impact of IFRS 16**	**without IFRS 16**
Non-current assets			
Property, plant and equipment	461,400	-	461,400
Right-of-use assets	255,899	255,899	-
Investment property	17,779	-	17,779
Real estate available for sale	29,271	-	29,271
Intangible assets	199,415	-	199,415
Investments in associates	987	-	987
Investments available for sale	301	-	301
Receivables	22,346	-	22,346
Non-current receivables on long-term rental	161,981	161,981	-
Deferred tax assets	21,053	-	21,053
	1,170,432	**417,880**	**752,552**
Current assets			
Inventory	2,200,789	-	2,200,789
Trade and other receivables	870,763	-	870,763
Receivables on short-term rental	62,157	62,157	-
Income tax receivables	4,432	-	4,432
Cash and cash equivalents	114,725		114,725
	3,252,866	**62,157**	**3,190,709**
TOTAL ASSETS	**4,423,298**	**480,037**	**3,943,261**
LIABILITIES			
Share capital	28,336	-	28,336
Share premium account	259,530	-	259,530
Supplementary capital	983,765	-	983,765
Other capital reserves	19,030	-	19,030
Foreign exchange gains /losses in subsidiaries	(26,318)	-	(26,318)
Retained earnings	564,830	-	564,830
Equity	**1,829,173**	**-**	**1,829,173**
Long-term liabilities			
Liabilities due to credits, loans	742,798	218,469	524,329
Finance lease liabilities	7,490	-	7,490
Non-current liabilities on long-term rental	161,981	161,981	-
Other long-term liabilities	6,206	-	6,206
Deferred income tax provision	25,037	-	25,037
	943,512	**380,450**	**563,062**
Short-term liabilities			
Trade and other liabilities	702,161	-	702,161
Liabilities due to credits, loans	801,812	37,430	764,382
Finance lease liabilities	7,713	-	7,713
Liabilities on the short-term rental	62,157	62,157	-
Employee benefits	31,251	-	31,251
Income tax liabilities	45,519	-	45,519
	1,650,613	**99,587**	**1,551,026**
TOTAL LIABILITIES	**4,423,297**	**480,037**	**3,943,261**

(in thousand PLN)	**with IFRS 16**	**impact of IFRS 16**	**without IFRS 16**
Continued activity			
Sales revenues	8,764,261	-	8,764,261
Cost of sales	(6,181,624)	-	(6,181,624)
Gross profit on sales	**2,582,637**	**-**	**2,582,637**
Other operating revenues	53,566	-	53,566
Selling cost, general and administrative expenses	(1,306,377)	6,091	(1,312,468)
Costs of distribution service	(917,324)	-	(917,324)
Other operating costs	(80,559)	-	(80,559)
Operating profit	**331,943**	**6,091**	**325,852**
Financial income	12,916	9,932	2,984
Exchange differences	1,266		1,266
Financial costs	(66,595)	(20,654)	(45,941)
Profit before tax	**279,530**	**(4,631)**	**284,161**
Income tax	(52,433)		(52,433)
Net profit	**227,097**	**(4,631)**	**231,728**

The following table explains the difference between operating lease liabilities as of 31 December 2018 in conformity with IAS 17 and lease liabilities recorded as of 1 January 2019:

Operating lease liabilities as at 31.12.2019, in conformity with IAS 17.	**7,484**
A change in the method of recognizing contracts concluded for an indefinite period of time	539,593
Leases previously not included (cars and other)	5,776
Discounting effect using the marginal interest rate for a debt as at 01.01.2019.	(72,816)
Lease liabilities as at 01.01.2019.	**480,037**
Short-term portion	99,587
long term part	380,450

A table with right-of-use assets is included in note 6

Other changes having no material bearing on the Company's financial statements:

- IFRIC 23 Interpretation Uncertainty over income tax treatments. The interpretation explains the treatment and measurement of income tax in conformity with IAS 12 in the event of uncertainty related to its treatment. It does not relate to taxes or fees not covered by IAS 12, nor does it cover the requirements related to interest and fines resulting from uncertainty in the treatment of income tax. The interpretation particularly relates to:
  - separate consideration of cases of uncertainty of income tax treatment;
  - assumptions made by the entity regarding the inspection of the treatment of the tax by the tax authorities;
  the method, by means of which an entity determines the tax-deductible income (tax loss), tax base, unaccounted for tax losses, unused tax reliefs and tax rates;
  - the method an entity uses consider changes to facts and circumstances.
  An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

- Amendments to IFRS 9: Prepayment features with negative compensation
- Amendments to IAS 19: Plan amendment, curtailment or settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures.

Amendments resulting from revision of IFRS 2015-1017:

- IFRS 3 Mergers in the context of multi-stage acquisitions,
- IFRS 11 Joint arrangements regarding joint control over joint activities,
- IAS 12 Income tax - regarding the tax effects of dividends,
- IAS 23 - Borrowing costs

The amendments specify that an entity treats all borrowings originally taken to produce an asset as part of general borrowings when substantially all activities necessary to prepare such asset for intended use or sale have been completed.

The Group has not decided to go ahead with an early application of any standard, interpretation or amendment that has been announced but has not become effective in view of the EU regulations

2.1. Changes in IFRS and their interpretations published and approved by the EU not yet effective

The Group intends to adopt the below-mentioned new IFRS and their interpretations published by the International Financial Reporting Standards Board, which had not become effective by the date of approval of these consolidated financial statements for publication as per their effective date.

- IFRS 14 - Regulatory referral accounts (published on 30 January 2014) - applicable to annual periods commencing on 1 January 2016 or later;
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an Investor and its associate or joint venture (published on 11 September 2014) - their effective date has been postponed indefinitely by IASB;
- IFRS 17 - Insurance Contracts (published on 18 May 2017) - applicable to annual periods commencing on 1 January 2021 or later;
- Amendments to References to the Conceptual Framework in IFRS Standards (published on 29 March 2018) - applicable to annual periods commencing on 1 January 2020 or later;
- Amendments to IAS 1 and IAS 8: Definition of materiality (published on 31 October 2018) - applicable to annual periods commencing on 1 January 2020 or later;
- Amendments to IFRS 9, IAS 38 and IFRS 7: Reform of interbank offered rates (published on 26 September 2019) - applicable to annual periods commencing on 1 January 2020 or later;

2.3. Standards and Interpretations adopted by the International Financial Reporting Standards Board (IASB), awaiting EU's approval

- IFRS 17 Insurance Contracts (applicable to annual periods commencing on 1 January 2021 or later),
- Amendments to IFRS 3: Business Combinations - definition of a business (applicable to mergers where the acquisition date falls at the beginning of the first annual period commencing on 1 January 2020 or later, and with respect to purchasing assets following the date of commencement of the above annual period or later),
- IFRS 14 Regulatory Referral Accounts (effective date has been postponed),
- IAS 1 Presentation of Financial Statements: classification of liabilities as current and non-current (applicable to annual periods commencing on 1 January 2022 or later).

2.4. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following items:

- available-for-sale financial assets,
- investment property measured at fair value.

All amounts in the financial statements are shown in thousand PLN, unless stated otherwise.

2.5. Capital Group

The consolidated financial statements of the Inter Cars SA Capital Group ("The Group") include the statements of:

Name of entity	Consolidation method	% of the Group's share in the share capital	
		31/12/2019	31/12/2018
Inter Cars S.A.	full	Not applicable	Not applicable
Inter Cars Ukraine	full	100%	100%
Q-service Sp. z o.o.	full	100%	100%
Lauber Sp. z o.o.	full	100%	100%
Inter Cars Česká republika s.r.o.	full	100%	100%
Feber Sp. z o.o.	full	100%	100%
IC Development & Finance Sp. z o.o	full	100%	100%
Armatus sp. z o.o.	full	100%	100%
Inter Cars Slovenská republika s.r.o.	full	100%	100%
Inter Cars Lietuva UAB	full	100%	100%
JC Auto s.r.o.	full	100%	100%
JC Auto S.A.	full	100%	100%
Inter Cars Hungária Kft	full	100%	100%
Inter Cars Italia s.r.l (former JC Auto s.r.l.)	full	100%	100%
Inter Cars d.o.o.	full	100%	100%
Inter Cars Romania s.r.l.	full	100%	100%
Inter Cars Cyprus Limited	full	100%	100%
Inter Cars Latvija SIA	full	100%	100%
Cleverlog-Autoteile GmbH	full	100%	100%
Inter Cars Bulgaria Ltd.	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	full	100%	100%
ILS Sp. z o.o.	full	100%	100%
Inter Cars Malta Holding Limited	full	100%	100%
Inter Cars Malta Limited	full	100%	100%
Q-service Truck Sp. z o.o.	full	100%	100%
Inter Cars INT d o.o.	full	100%	100%
Inter Cars Eesti OÜ	full	100%	100%
Inter Cars Piese Auto s.r.l.	full	100%	100%
Inter Cars GREECE	full	100%	100%
Inter Cars d.o.o. (Bosnia and Herzegovina)	full	100%	100%
Aurelia Auto d o o	full	100%	100%
Inter Cars United Kingdom - automotive technology Ltd	full	100%	-
Inter Cars d.o.o. Beograd-Rakovica	full	100%	-
InterMeko Europa Sp. z o.o.	equity method	50%	50%

The parent company is Inter Cars S.A. ("the Company / The parent entity").

Presented accounting policies were used equally in all entities comprising the Capital Group. In 2018 there were no changes to the accounting policy, except for the new and amended standards described above. Consolidation is based in the full method. Associated company InterMeko Europa Sp. z o.o. was estimated with equity method.

2.6. Functional and presentation currency

(a) Presentation and functional currency

All amounts in the financial statements are shown in thousand PLN, unless stated otherwise. PLN is the functional currency of Inter Cars S.A.

Assets and liabilities of foreign-based entities, including goodwill and adjustments on fair value as at the purchase date, are translated according to the average National Bank of Poland exchange rate prevailing as at the end of the reporting period. Revenues and costs of foreign-based entities, including entities operating under hyperinflation, are translated according to the average National Bank of Poland exchange rate prevailing on the transaction date. Foreign exchange translation differences are recognised under other comprehensive income and disclosed as foreign exchange translation differences of foreign-based entities. However, if the Group does not hold all shares in a foreign-based entity, a proportional part of the translation differences is recognised under non-controlling interests. If control, significant impact or joint control over a foreign-based entity is lost, the accumulated value of translation differences is reclassified to profit or loss for the current period and recognised as a profit or loss on sales of such an entity. If the Group excludes only a part of its shares in a subsidiary having foreign-based subsidiaries, but controls the remaining interests, an appropriate part of the accumulated value is attached to the non-controlling interests. If the group excludes only a part of its investment in an affiliated entity having foreign-based subsidiaries, but has a material impact or jointly controls the remaining part, an appropriate part of the accumulated value is reclassified to profit or loss for the current period.

The financial result, assets and liabilities of entities using functional currencies other than the PLN is translated into PLN according to the following procedures:

- assets and liabilities of each disclosed balance-sheet are translated at the closing rate as at the reporting date,
- revenues and costs in each statement of comprehensive income are translated at average rates prevailing during a reporting period
- any translation differences are recognised as a separate item of equity

(b) Foreign currency transactions

Transactions presented in foreign currencies have been recognized according to the exchange rate announced at the transaction date. Foreign currency translation differences resulting from settling of these transactions and measuring of monetary assets and liabilities as at the reporting date according to the average National Bank of Poland exchange rate announced at that date, have been recognized as profit or loss, where foreign currency translation differences resulting from settlement of trade liabilities adjust the costs of sales, while the remaining foreign currency translation differences are presented in a separate position.

Non-cash balance sheet items denominated in foreign currency measured at fair value are translated as per the average exchange rate announced by the National Bank of Poland (or another bank in the case of another functional currency) at the date the fair value is measured. The non-cash items measured at historical cost in foreign currencies are translated by the Group using the exchange rate valid on the transaction date. The translation differences are recognized as profit or loss of the current period, except for differences resulting from settlement of capital instruments qualified as available for sale, financial liabilities to secure a share in the net assets of a foreign entity, which are effective and qualified security of cash flows, recognized by the Group as other comprehensive income.

Foreign currency translation differences resulting from translation of transactions into PLN are recognized separately in the statement of comprehensive income, excluding foreign currency translation differences regarding the repayment of liabilities or payment of trade and other receivables, recognised as cost of sale.

3. Basis of accounting

3.1. Changes in the accounting policy

The main accounting principles applied in preparing these financial statements are presented below. These principles were applied continuously in all presented years with the exception of adopting the new and amended standards described below.

3.2. Principles of consolidation

(a) Subsidiary Companies

The subsidiaries are entities controlled by the Parent Company. Control is performed when the Parent Company has capacity to manage directly or indirectly the financial and operational policy of a given entity, in order to obtain the benefits arising from its activities. When evaluating the degree of control, the impact of the existing and of potential voting rights are taken into consideration, which, as the report date, may be fulfilled or may be subject to conversion.

The financial statements of subsidiaries are considered in the consolidated financial statement starting from the date of obtaining control over them up to the moment of their expiry.

b) Subsidiary entities

Investments in subsidiaries and jointly-controlled entities are measured using the equity method (investments measured by equity method), and are initially recognised at the purchase cost. The purchase cost of an investment includes transaction costs.

(c) Consolidation adjustments

The balances of internal settlements between entities of the Group, the transactions concluded within the Group as well as any unexecuted profits or losses resulting from there as well as the revenues and costs of the Group are eliminated during drawing up a consolidated financial statement. Unrealised gains on transactions with associated entities are eliminated from the consolidated financial statements pro rata to the Group's interest in such entities. The unexecuted losses are excluded from the consolidated financial statement on the same principle as the unexecuted profits, until the moment of occurrence of the premises indicating value loss.

3.3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in the financial statements:

a) Tangible fixed assets

Property, plant and equipment include Group's assets, investment in third-party fixed assets, fixed assets under construction and third-party fixed assets accepted for use by the Group (when pursuant to a contract the potential benefits and risk resulting from their possession are substantially transferred to the Group). The above mentioned constitute assets used for delivery of goods or services and for administrative purposes or for third-party lease, and the anticipated time of their use exceeds one year.

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

The acquisition or production cost includes the costs incurred to purchase or manufacture property, plant and equipment, including capitalized interest until a property, plant or equipment asset is handed over for permanent use. The costs incurred at a later period are recognized in the balance sheet value, if the Group is likely to obtain economic benefits. The cost of current maintenance of property, plant and equipment are recognized as profit or loss.

Acquisition or production cost of an item of property, plant and equipment comprises purchase price, including import duties and non-refundable purchase taxes on the acquisition, after deducting trade discounts and rebates, any other costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as the costs of dismantling and removing the item, and restoring the site on which it is located, which the Group is obliged to incur.

Property, plant and equipment, except for tangible assets under construction and land, are subject to depreciation. Depreciation is calculated to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives periodically reviewed by the

Group. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale, it is derecognized, its residual value is higher than its carrying amount, or it is fully depreciated.

Items of property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are as follows:

Buildings and leasehold improvements	10 - 40 years
Plant and machinery	3-16 Years
Vehicles	5-10 Years
Other fixed assets	1 year - 40 years

Gains or losses arising from the de-recognition of an item of property, plant and equipment are calculated as the difference between net proceeds from disposal and the carrying amount of the asset, and are included in profit or loss when the item is derecognized.

b) Goodwill

Goodwill arising on acquisition of subsidiaries is measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Other purchase costs are presented in the balance sheet in the period in which they were born by the Company.
After the initial presentation, goodwill is measured according to the purchase price less any cumulated impairment losses. In the case of investments measured using the equity method, goodwill is recognized as the carrying value of investments, while an impairment loss on this investment is not allocated to any item of assets, including goodwill, which constitutes a part of the value of the investment. Purchase of non-controlling shares is recognized as transactions with shareholders, as a result of which goodwill is not recognized with this type of transactions. Adjustments on non-controlling shares are based on the proportional value of net assets of a related entity.

c) Intangible assets

Identifiable non-monetary assets without physical substance, whose acquisition or production cost can be estimated reliably and which will probably bring future economic benefits to the Group attributable directly to a given asset, are recognized as intangible assets. Intangible assets with definite useful lives are amortized over their useful lives, starting from the day when a given asset is available to be placed in service. Amortisation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group of assets that is classified as held for sale) in accordance with IFRS 5 Non-Current Assets Available for Sale and Discontinued Operations, and the date that the asset is derecognized or when it is fully amortized. The amortisable amount of an intangible asset for amortization is determined after deducting its residual value.

Relations with vendors.

Relations with suppliers acquired through an acquisition or business combination are initially recognized at acquisition cost. The acquisition cost of relations with suppliers acquired through mergers is equal to their fair value as at the merger date.

Following initial recognition, relations with suppliers are measured at acquisition cost less amortization and impairment losses, if any. Relations with suppliers acquired as a result of the merger with JC Auto S.A. are depreciated over a period decided by the Board, accordingly to their estimated useful economic life.

Computer software

Software licenses are valued at acquisition cost plus the costs directly attributable to bringing them to the condition necessary for the asset to be capable of operating.

The costs related to maintaining software are recognized as the costs of the period in which they are incurred.

Costs related directly to the production of unique computer software for the Group, which will probably yield economic benefits exceeding costs beyond one year, are disclosed under intangible assets and amortized over the useful life of a given asset, however no longer than for the term of the lease agreement.

d) Investment property

Investment property is property is held to earn rentals or for capital appreciation or both, rather than for: a) use in production or supply of goods or services or for administrative purposes; or b) sale in the ordinary course of business. Initially, investment property is valued at acquisition cost, including transaction costs. After initial recognition, it is measured at fair value, and any gain or loss arising from a change in the fair value is recognised in profit or loss for the period in which it arises.

Assets are transferred to investment property only when there is a change in their use and the criteria for recognition of property under investment property are met. The Company applies the principles described in the section “Property, Plant and Equipment” to such property until the day of change in its use. Any difference between the fair value of the property as at that date and its previous carrying amount is recognized under other comprehensive income.

Property is transferred from investment property only if there is a change in its use evidenced by: a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; b) commencement of development with a view to sale, for a transfer from investment property to inventories.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property’s deemed cost for subsequent accounting is its fair value at the date of change in use.

e) Financial instruments

1. Classification and measurement of financial assets

The Group has prepared a detailed analysis of its business models regarding the management of financial assets, as well as an analysis of characteristics of the cash flows resulting from the applicable contracts. In the course of analyses changes were made to the classification of the financial assets. The standard did not have a material bearing on measuring the particular categories of financial assets.

Since 1 January 2018 the Group has been recognizing financial assets in the following categories:

- measurement at amortized costs,
- measured at Fair Value through Profit or Loss,
- measured at Fair Value through other total income,

The classification relies on the financial assets management model adopted by the Group and on the contractual terms of cash flows. The group re-qualifies investments to debt instruments only when the model of managing these assets changes. Debt instruments are maintained for the purposes of contractual flows, which include solely payment of principal and interest (SPPI) are measured by the Group at amortized cost. The Company performs the SPPI test for loans granted by comparing the total of the principal and interest with the model instrument according to IFRS 9. The interest revenue is calculated by means of the effective interest rate method and shown in “interest revenue” in the financial result. Impairment write-downs are shown under the “financial assets impairment write downs.” The Company assesses credit losses related to debt instruments measured at amortized cost.

In 2018 and 2019 the Group did not use external instruments for trade receivables such as factoring. In the course of an analysis of the business model for trade receivables it was determined that all trade receivables are held to be paid - the Group has not nor plans to its trade receivables; they are all held until maturity date. The Group evaluates if the classification test according to IFSR 9, the so-called SPPI test, checking if the cash flows from receivables represent solely the principal and interest. If the test criteria are met, trade receivables are measured at amortized cost. As regards trade receivables, the Group applies a simplified approach provided for in the standard, and, consequently, measures a write-down on anticipated credit losses at an amount equal to the anticipated credit losses throughout an entire lifetime of a receivable. This approach results from the fact that the Group's receivables don not include a material financial elements within the meaning of IFRS 15. For the purposes of calculation of a write-down, the Group uses a provision matrix by means of which revaluation write downs are determined for receivables classified in different overdue ranges. This method provides for historical data related to credit losses and a potential impact of material and identifiable future factors (e.g. market or macroeconomic). The probability of non-payment of a receivable is estimated based on historical data regarding previously unpaid receivables. To assess the parameter of non-payment of receivable by a customer, the Group has created 8 ranges:

- Not overdue;
- Overdue from 1 to 30 days;
- Overdue from 31 to 60 days;
- Overdue from 61 to 90 days;
- Overdue from 91 to 180 days;
- Overdue from 181 to 270 days;
- Overdue from 271 to 360 days;
- Overdue over 360 days.

For each of the above ranges the Group estimates a non-payment parameter which takes into account historical non-payment of sales invoices by customers over a period of two years preceding the year for which financial statements are prepared. The value of the anticipated credit loss is calculated by multiplying the value of a receivable in a given range by a calculated non-payment parameter.

As regards trade receivables, the Group provides also for an individual possibility of determining the anticipated credit losses. This regards in particular: receivables from liquidated or bankrupt debtors, receivables questioned by debtors and of which they are in default, other overdue receivables, as well as non-overdue receivables, where the risk of them being irrecoverable is significant according to the individual assessment of the Management Board (especially where the anticipated legal and collection costs related to an overdue amount are equal to or higher than such amount). In the above situations a write-down on receivables can be created up to 100% of their value.

Currently the Group does not identify negative changes on the market that might result in a negative impact of future factors on the scale of financial losses. The macroeconomic factors (GDP, unemployment) do not justify application of further portfolio write-downs regarding the status of receivables as at the balance sheet date.
Following application of the above-described method, the Group did not identify material differences between the measuring of receivables in conformity with IAS 39 as 1 January 2018 and their measuring in conformity with IFRS 9.

The Group applies a 3-level classification of financial assets in terms of their impairment, with the exception of trade receivables:

- Level 1 - balances for which there has not been a significant increase of credit risk since their initial recognition, and for which an anticipated loss is determined based on the probability of non-payment of a receivable within 12 months (i.e. the total anticipated credit loss multiplied by the probability that the loss will occur within the next 12 months);
- Level 2- balances for which there has been a significant increase of credit risk since their initial recognition but there are no objective grounds for impairments, and for which an anticipated loss is determined based on the probability of non-payment of a receivable within an entire contractual lifetime of an asset;
- Level 3- balances with objective grounds for impairment.

Financial assets are recognized, in part or in full, once the Group has done everything possible to collect its receivables and decided that their recovery cannot be reasonably expected. This usually takes place when an asset is more than 360 days overdue (in the case of unrelated parties) and recoverability of receivables is deemed unlikely. Following initial recognition, investments in capital instruments are measured at fair value. The Group has elected to present its profits and losses from changes in the fair value of capital instruments in the other comprehensive income. Therefore, the profits and losses from changes in the fair value are not subject to further reclassification to the financial result when the Company ceases to recognize investments. Dividends from such investments are recognized in the financial result upon obtaining by the Group the right to receive respective payments.

Impairment write-downs on capital investments measured at fair value in other comprehensive income are presented under "financial asset impairment write-downs."

f) Financial liabilities other than derivatives

Debt instruments and subordinated debt are recognized as at their date. Any other financial liabilities, including liabilities measured at fair value are recognized as at the transaction date, on which the Group becomes a party to an agreement obliging it to issue a financial instrument.

Following their repayment, cancellation or expiration, financial liabilities are removed from the Group's books.

Financial assets and liabilities are offset against each other and recognized in the financial statements as a net amount only if the Group is authorized to offset particular financial assets and liabilities or intends to settle a particular transaction in net amounts of offset financial assets and liabilities items or intends to utilize financial assets subject to offsetting, and settle the financial liabilities.

The Group recognizes financial liabilities other than derivatives as other financial liabilities. Such financial liabilities are initially recognized at fair value plus directly related transactional costs. Following the initial recognition, such liabilities are valued at amortized cost using the effective interest rate method.

g) Impairment of assets

Financial assets

An impairment loss on a financial asset is recognised if there is objective evidence that there occurred one or more events which may have an adverse impact on future cash flows related to a given financial asset.

The amount of an impairment loss on a financial asset carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of the future cash flows, discounted using the original effective interest rate.

As at each reporting date, it is assessed whether objective evidence of impairment exists for financial assets that are deemed material individually. Other financial assets are divided into groups with similar credit risk and assessed for impairment collectively.

Impairment losses are recognised in current period profit or loss.

Impairment losses are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event occurring after the impairment recognition date.

An impairment loss on financial assets available for sale is recognised by relocation to profit or loss of the current period of an accumulated loss recognised in the valuation capital to fair value. The value of the accumulated loss mentioned above is calculated as a difference between the purchase price, minus depreciation and repayment of capital instalments, and the fair value minus impairment losses previously recognised as profit or loss of the current period. Changes to impairment losses related to the application of the effective interest rate method are recognised as interest revenue.

Impairment losses are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event occurring after the impairment recognition date. Impairment losses related to investments in equity instruments classified as available for sale are not reversed through profit or loss. If the fair value of debt instruments classified as available for sale increases and the increase can be objectively attributed to an event occurring after the impairment recognition date, the previously recognised impairment loss is reversed with the reversal amount disclosed under other comprehensive income.

Non-Financial Assets

The carrying amount of non-financial assets other than investment property, inventories and deferred tax asset is tested for impairment at each reporting date. If the Group has a reason to suspect that a given asset's value has been impaired, it estimates its recoverable amount. The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet ready for use is established at each reporting date.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit is higher than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets which generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. Impairment losses are recognised in current period profit or loss. Impairment of a cash-generating unit is initially recognised as a decrease in goodwill allocated to that cash-generating unit (a group of cash-generating units), and subsequently as a decrease in the carrying amount of the other assets belonging to that cash- generating unit (a group of cash-generating units) on a pro-rata basis.

The recoverable amount of assets or cash-generating units is the higher of their net realisable value and their value in use. Value in use is calculated by discounting estimated future cash flows with a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets which do not generate independent cash flows, value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

Impairment losses on goodwill are not reversible. As far as other assets are concerned at each reporting date impairment losses recognised in prior periods are reviewed to determine if there is any evidence that they no longer exist or have decreased. An impairment loss recognised in prior periods is reversed if the estimates used to determine the asset's recoverable amount have changed. An impairment loss is reversed only up to the carrying amount of the asset (net of amortisation and depreciation) that would have been disclosed had no impairment loss been recognized.

h) Lease

>> Accounting policy applied before 31 December 2018

a) The Group as a Lessee

Property, plant and equipment used under finance lease agreements which transfer to the Group substantially all the risks and benefits resulting from ownership of the assets, are carried at the lower of the fair value of the assets or the present value of the minimum future lease payments. Lease payments are apportioned between finance expenses and reduction of the outstanding lease obligation so as to achieve a constant rate of interest in particular periods on the remaining balance of the liability. Finance expenses are recognised directly in current period profit or loss. If there is no reasonable probability that ownership of the asset will be acquired as at the end of the lease term, assets used under finance lease agreements are depreciated over the shorter of the lease term or their useful life. In other cases, property, plant and equipment are depreciated over their useful lives.

Lease agreements under which substantially all the risks and benefits resulting from ownership of the assets remain with the lessor are disclosed as operating lease agreements. The cost of lease payments is recognised on a straight-line basis in profit or loss over the lease term.

(b) The Group as a Lessor

Income from operating leases is recognised in profit or loss on a straight-line basis over the period provided for in the relevant lease agreement. Leased assets are carried in the statement of financial position and depreciated in line with the deprecation procedures followed in the case of similar asset categories.

>>Accounting policy applied as of 01 January 2019

According to the hitherto applied IAS 17 Leases, the Group classified lease contracts as financial or operating leases. The assets used pursuant to contracts constituting a financial lease were recognized as fixed assets and measured at their fair value of a lease object or the current value of minimum lease fees where it was lower than the fair value of the object of a lease. Operating lease fees were recognized on a straight-line basis throughout a lease as profit or loss of the current period.

According to the requirements, as of 1 January 2019, for the first time the Group applied IFRS 16 Leases. IFRS replaces the existing lease guidelines, including IAS 17 Leases. IFRS 16 introduces a single, balance-sheet-based model of recording and measuring leases. A lessor recognizes an asset representing the right of use of a specific asset and a lease obligation corresponding to the obligation of payment of lease fees.

The difference between the definitions of a lease as provided in IAS 17 and IFRS 16 is the requirement to control a concrete asset indicated in an arrangement directly or implicitly. An assignment of a right to use an asset takes place when an identified asset with respect to which the lessee is entitled to practically all economic benefits and controls the use of such assets over a given period.

A lessor recognizes lease interest costs and the depreciation of right-of-use assets separately.

IFRS 16 provides for exceptions from the general lease model related to short-term lease contracts (i.e. shorter than 12 months) and lease of low-value assets (e.g. laptops).

The Group has decided to apply the above exemptions provided for by the standard and recognized the fees on a straight-line basis in the profit or loss for the current period.

The standard does not introduce significant changes to the requirements related to lessors. A lessor should continue classifying lease contracts as a financial or operating lease.

The new rules of recognizing lease contracts have forced the Company to adapt its accounting policy accordingly. The accounting policy was changed in conformity with the transitory provisions of IFRS 16.

Implementation on IFRS 16 results in a decrease in lease costs, an increase in depreciation and financial costs, which cause an increase in the EBITDA ratio, assets, and liabilities (due to recognition of a lease asset or liability) as well as an increase in the debt ratio.

IFRS 16 provides for two methods of application of the standard for the first time:

a) full retrospective approach (which requires application of the new standard requirements to each comparative period)

b) modified retrospective approach (no necessity to transform comparative data).

The Group has decided to apply the modified retrospective approach, resulting in recognizing the accumulated initial effect of applying IFRS 16 as an adjustment of the opening balance as at the day of initial application of the Standard. As it has chosen the modified retrospective approach, the Group is not obliged to transform comparative data. This means that the data presented for 2018 and 2019 is not comparable.

In applying the modified retrospective method of implementation of IFRS 16, the Group used the following practical solutions with respect to leases previously classified as operating leases in conformity with IAS 17:

- The Group has applied one discount rate for a portfolio of leases of similar characteristics (such as lease contracts of a similar remaining lease period, concluded in similar economic circumstances),
- As regards lease contracts ending within up to 12 months of the initial application of the standard, the Group has applied a simplified approach consisting in recognising these leases in the same way as short-term lease contracts and in including the respective costs in the disclosure covering the cost of short-term lease contracts.
- The Group has excluded the initial direct lease costs from a right-of-use asset valuation as at the date of initial application.

The Group as a Lessee

For leases classified as operating leases in conformity with IFRS 17, the Group has recognised the lease liabilities measured at the current value of the remaining lease payments, discounting by means of the marginal interest rate as at the date of initial application. The Group has measured the right-of-use asset for particular lease contracts (separately for each contract) in a value equal to a lease liability adjusted by previously recognized prepaid or accrued lease fees.

The assets recognized as right-of-use assets include office spaces and premises leased for the purposes of some branches.

As of 1 January 2019, the value of right-of-use assets and the value of lease liabilities are equal, and the implementation of the standard did not affect the equities.

The impact of implementation of IFRS 16 on the balance sheet total results from recognizing a right-of-use asset in correspondence with a lease liability. In the statement of comprehensive income it will cause a decrease in the operating costs (other than accumulated depreciation) and an increase in the accumulated depreciation and financial costs (interest).

It should, however, be pointed out that currently the operating lease fees are settled using the straight line method according to IFRS 17, whereas as a result of changes resulting from the adoption of IFRS 16 it is expected that although the lease assets will also be settled using the straight line method by means of amortization write downs, the costs of the interest on liabilities will be settled using the effective interest rate method, resulting in a decrease in the costs during the initial periods following entering into a contract, as well as their decrease over time.

The Group as a Lessor

Premises, cars and other devices of which the Group is a lessor and which it leases out to its agents running branches are treated as a sublease. These lease liabilities equal the respective lease receivables.

Determining the lease period: contracts for an indefinite period of time

In 2019, the IFRS Interpretations Committee, hereinafter referred to as the "Committee," published a summary of decisions made at public meetings related to IFRS 16 interpretations regarding recognition of contracts for an indefinite period of time. The Company has analysed the impact of the Committee's decisions on its accounting policy and concluded that the decisions affect the value of the right-of-use assets as well as the lease liabilities presented in its balance sheet.

According to the new approach to and interpretation of the standard, all contracts concluded for an indefinite or definite period of time with the possibility of their extension, analysed and qualified as a lease for an anticipated term of a lease contract, estimated individually for each of the contracts taking into consideration, among other things:

- potential costs related to a termination of a lease contract, including costs of entering into a new lease contract, such as the costs of its negotiation, costs of relocation, costs of identification of another base asset corresponding with the lessee's needs, costs on integrating a new asset into the Group's operations or costs of penalties for termination as well as similar costs, including costs related to returning a base asset in a condition or to a location specified in a contract, or
- existing business plans and other contracts justifying using a leased object over a given period.

Determination of the lessee's marginal interest rate

Due to the fact that the Group has no information on the interest rate for lease contracts, to measure lease liabilities it applies a marginal interest rate that it would have to pay in order to be able to borrow funds in a given currency for a similar period and with a similar security to purchase an asset of a value similar to that of a right-of-use asset in a similar economic environment.

i) Inventory

Inventories are recognised at the lower of their acquisition (production) cost or net realisable value. The cost of inventories includes all costs of acquisition and processing as well as all other costs incurred in order to bring inventories to condition available for sale.

The acquisition or production cost is determined using the FIFO method, which assumes that sales are made from the oldest available goods.

The amounts of discounts and rebates as well as other payments depending on the purchase volume reduce the purchase price regardless of the date on which they are actually granted, provided that their receipt is probable.

Net realisable value is recognised in the amount of the estimated selling price that could be obtained in the ordinary course of business, less any estimated cost of finishing the inventories and costs to sell.

The value of inventories is reduced by impairment losses recognised when the net realisable price (price less discounts, rebates and selling costs) is lower than the relevant acquisition (production) cost, determined separately for each line of inventories.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks, as well as term deposits and short-term securities maturing within three months.

k) Equity

In the Group's financial statements, the equity comprises:

1. Share capital disclosed in the amount specified in the Company's Articles of Association and entered into the court register,
2. Share issue capital disclosed as a separate item under equity. Costs of share issue are charged against equity.
3. The reserve fund created pursuant to the Code of Commercial Companies,
4. The remaining reserve funds created based on the valuation of management options,

5. Retained profit, comprising retained profit from prior years and the profit or loss from the current financial period.
6. Foreign exchange gains / losses – capital from recalculation of entities operating abroad.
7. Non-controlling interest – value of assets attributable for non-controlling shareholders.

l) Loans and borrowings

Loans and borrowings are initially recognised at acquisition cost, equal to their respective fair value, the determination of which includes cost of contracting a loan as well as discounts and bonuses received at the time of the liabilities settlement

In subsequent periods, loans and borrowings are measured at amortised cost using the effective interest rate.

m) Provisions

A provision is recognised when a group has a present obligation (whether legal or constructive) resulting from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

n) Revenue

Revenues from Contracts with Customers, published in May 2014 and amended in April 2016, sets the so-called five-step model of recognizing income resulting from contracts with customers. According to IFRS 15, revenue is recognized at the amount of the consideration which an entity is entitled to for transferring goods and services as promised to a customer. The fundamental principle of the new standard is the recognition of revenues upon the transfer of control over goods and services to a customer at a transactional price. All goods or services sold in packages that can be separated from a package are to be recognized separately. Moreover, any discounts and rebates on the transactional price are to be allocated to particular elements of a package. In the case of variable revenue, according to the standard, the variable amounts are recognized as revenue, provided that it is highly probable that its inclusion will not result in a significant revenue reversal in the future as a result of revaluation. Moreover, according to IFRS 15, the costs incurred to obtain and secure a contract with a customer are to be activated and cleared over time throughout the period during which a contract brings benefits.
The new standard applies to different reporting periods commencing on 1 January 2018 and thereafter.
The Group has applied IFRS 15 using the full retrospective methods as of its effective date.
The Group operates in the following areas:

1. Sale of goods

The Group's main objects are the wholesale of goods thorough stationary stores and on-line sale of goods.
The Group believes that the adoption of IFRS 15 has no significant bearing on the recognition of revenues and the financial results on this type of sale. The revenues will be recognized in a particular moment, i.e. when a customer gains control over goods, as is currently the case.
Due to the bonuses and returns policy applied, the Group, following the IFRS 15, decreases the value of the revenues by an estimated cost of such bonuses and returns.

2. Sale of products and services

The Group sells services only to a limited extent and these include mainly repair services provided to fleet chains. Manufacture of motor vehicles, trailers and semi-trailers ad remanufacturing of automotive parts.
The Group believes that customers simultaneously receive and gain benefits resulting from the services rendered upon their completion, as these services are short-term ones. Hence, the Group continues to recognize sales revenues upon the completion of a settlement month.

The Group also implemented a procedure aimed at ensuring an on-going analysis and evaluation of the impact of the terms and conditions of new or renegotiated sales contracts on the recognition of sales revenues.

The Group also updated its Accounting Policy with respect to recognizing revenues, with the main purpose of adapting it to the IFRS 15 terminology.

o) Operating expenses

Operating expenses are disclosed in the period to which they relate, in the amount of a probable reduction of the group's economic benefits which can be measured reliably.

The costs charged to the Group by its affiliate branches as compensation for the sale of goods for resale performed on behalf of the Group are recognised in the period to which they relate.

Expense on the lease of office and warehouse space is recognised in profit or loss in the period to which it relates.

Re-invoiced amounts reduce the respective cost item s of the Group.

p) Financial costs

Finance expenses include primarily interest payable on borrowings, unwinding of the discount on provisions, dividend on preference shares classified as liabilities, foreign exchange losses, losses resulting from changes in the fair value of financial instruments at fair value through profit or loss, and financial assets impairment as well as gains or losses related to hedging instruments which are recognised in profit or loss. All interest payable is measured using the effective interest rate.

q) Income tax

Income tax covers the current and the deferred part. The calculation of current income tax is based on the profit of a given period determined according to the valid tax regulations. The total income tax charge is the aggregate of its current portion and deferred portion, determined with the balance-sheet method; the deferred income tax is recognised in connection with temporary differences between the values of assets and liabilities as disclosed in the accounting books and their respective values determined for tax purposes.

Deferred tax is recognised in connection with temporary differences between the carrying value of assets and liabilities, and their value determined for tax purposes. Deferred tax is not recognised in the following cases:
temporary differences resulting from initial recognition of assets or liabilities related to a transaction other than a merger, which does not affect the profit or loss of the current period nor the taxable income;
temporary differences resulting room investments in subsidiaries in the period when it is unlikely that they will be sold in a foreseeable future;
-temporary differences resulting from initial recognition of goodwill.
Deferred income tax is determined with the use of the tax rates, which, according to forecasts, will be applied when the temporary differences will reverse. The tax regulations legally or actually binding up to the reporting date will apply.
Deferred tax asset and deferred tax liability are offset if the Company holds an exercisable right to offset corporate income tax receivable and payable and if the deferred tax asset and deferred tax liability refer to the corporate income tax levied on the same taxpayer by the same tax authority.

r) Valuation of shares in affiliated entities

Shares in affiliated entities are valued according to the equity method.

4. Operating segments

The core business of the Inter Cars S.A. Capital Group is the sale of spare parts. In addition, the companies Feber, Lauber, IC Development & Finance, Q-Service Truck, Inter Cars Marketing Services and ILS Sp. z o.o. are active in other insignificant business segments, such as the manufacture of semi-trailers, remanufacturing of spare parts, real estate development, running repair garages, marketing activities and logistics. This segment is presented as other sales.
The Inter Cars Capital Group applies uniform accounting principles to all segments. Transactions between particular segments are carried out at arm's length.

Supplementary information

For information on key products and services and the geographical breakdown of sales, see Note 22.
The vast majority of the Group's non-current assets are situated in Poland. Information on fixed assets corresponding to the geographical breakdown is presented in the chart below:

(in thousand PLN)

	31/12/2019	31/12/2018
Fixed assets on the territory of Poland	884,179	652,304
Fixed assets outside the territory of Poland	314,687	100,248
Total fixed assets	**1,198 866**	**752,552**

The Group does not have key customers due to the nature of its operations. For more information see Note 12.

(in thousand PLN)

	Sale of spare parts		Other		Eliminations		Total	
	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018
Revenues from external customers	8,648 580	7,848,081	115,681	95,172	-	-	8,764 261	7,943,253
Revenues between segments	6,698	7,637	481,305	479,115	(488,003)	(486,752)	-	-
Interest revenue	15,485	5,464	841	1,527	(4,090)	(5,005)	12,236	1,986
Interest costs	(61,464)	(41,231)	(858)	(1,180)	(4,091)	5,005	(58,231)	(37,406)
Amortization and Depreciation	(104,881)	(56,258)	(36,749)	(34,361)	11,430	11,430	(130,200)	(79,189)
Profit before tax	**312,830**	**414,645**	**15,914**	**30,680**	**(49,215)**	**(176,541)**	**279,529**	**268,784**
Shares in results of affiliates – using equity method	-	-	-	-	-	-	-	-
Total assets	**6,054 202**	**5,847,058**	**507,474**	**496,064**	**(2,137,783)**	**(2,399,861)**	**4,423 893**	**3,943,261**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(145,054)	(102,900)	-	(14,996)	-	-	(145,054)	(117,896)
Total commitments	**3,540 367**	**3,533,641**	**149,577**	**139,822**	**(1,312,738)**	**(1,559,375)**	**2,377 206**	**2,114,088**

(in thousand PLN)

5. Tangible fixed assets

	31/12/2019	31/12/2018
Land	38,734	39,968
Buildings and structures	156,406	148,422
Real estate available for sale	1,088	29,271
Plant and machinery	139,587	146,016
Vehicles	28,972	28,084
Other tangible assets	85,133	90,140
Tangible assets under construction	53,647	8,770
Right-of-use assets	256,825	-
Total property, plant and equipment	**760,392**	**490,671**

Property, plant and equipment under lease agreements

The carrying amount of property, plant and equipment used under finance lease agreements is shown below:

- 31 December 2019 – PLN 19,897 thousand,
- 31 December 2018 – 16,241 thousand PLN.

Assets used under finance lease agreements include computer hardware and vehicles, used by the Group in its operating activities.

The Group's right to dispose of any item of property, plant and equipment held by the Group, except for those used under finance lease agreements, is not restricted in any way.

Borrowing costs

The borrowing costs charged to property, plant and equipment for the reporting year are not material.

(in thousand PLN)

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Real estate available for sale	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 01/01/2018	**46,813**	**228,096**	**-**	**244,438**	**51,879**	**202,762**	**7,829**	**781,817**
Increase:	**(6,255)**	**(35,996)**	**40,927**	**39,378**	**16,507**	**24,446**	**7,391**	**86,398**
Acquisition	-	3,640	-	26,043	11,917	28,002	12,620	**82,222**
Transfer	-	(4,964)	-	13,336	414	(3,556)	(5,229)	**-**
Transfer to real estate available for sale	(6,255)	(34,672)	40,927	-	-	-	-	**-**
Lease	-	-	-	-	4,176	-	-	**4,176**
Decrease:	**19**	**(2,280)**	**-**	**(755)**	**(5,684)**	**(6,513)**	**(6,451)**	**(21,665)**
Sale	-	(68)	-	(1,112)	(4,776)	(3,583)	-	**(9,539)**
Liquidation	-	(2,198)	-	(2,400)	(803)	(1,233)	(6,450)	**(13,084)**
Foreign exchange gains /losses in subsidiaries	19	(15)	-	2,757	(105)	(1,697)	(1)	**958**
Gross value as at 31/12/2018	**40,577**	**189,820**	**40,927**	**283,061**	**62,701**	**220,694**	**8,770**	**846,550**
Increase	**(1,088)**	**15,183**	**288**	**25,332**	**14,699**	**21,032**	**46,006**	**121,452**
Acquisition	-	6,395		26,174	12,580	19,608	54,576	**119,333**
Transfer	-	8,788	(800)	(842)	-	1,424	(8,570)	**-**
Transfer to real estate available for sale	(1,088)	-	1,088	-	-	-	-	**-**
Lease		-	-	-	2,119	-	-	**2,119**
Decrease	**(115)**	**(1,190)**	**(40,127)**	**(10,612)**	**(9,849)**	**(2,844)**	**(1,129)**	**(65,867)**
Sale	-	(21)	(40,127)	(3,871)	(8,004)	(1,501)	-	**(53,524)**
Liquidation	-	(782)	-	(6,530)	(2,788)	(958)	(1,108)	**(12,166)**
Foreign exchange gains /losses in subsidiaries	(115)	(387)	-	(211)	943	(385)	(21)	**(177)**
Gross value as at 31/12/2019	**39,374**	**203,813**	**1,088**	**297,780**	**67,551**	**238,882**	**53,647**	**902,135**

(in thousand PLN)

AMORTISATION AND IMPAIRMENT LOSSES

	Land	Buildings	Real estate available for sale	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Accumulated depreciation as at 01/01/2018	**549**	**47,691**	**-**	**114,949**	**28,026**	**112,452**	**-**	**303,667**
Depreciation and amortization	60	6,648	-	22,475	11,230	21,181	-	**64,212**
Sale	-	(22)	-	(600)	(3,934)	(2,282)	-	**(6,838)**
Liquidation	-	(1,264)	-	(2,395)	(705)	(797)	-	**(5,161)**
Transfer to real estate available for sale	-	(11,656)	11,656	-	-	-	-	**-**
Accumulated depreciation as at 31/12/2018	**609**	**41,398**	**11,656**	**137,045**	**34,617**	**130,555**	**-**	**355,880**
Amortisation for period	31	6,221		27,185	11,001	24,977	-	**69,415**
Sale	-	(21)	(11,656)	(2,119)	(5,206)	(921)	-	**(19,923)**
Liquidation	-	(191)	-	(3,918)	(1,833)	(862)	-	**(6,804)**
Transfer	-	-	-	-	-	-	-	**-**
Transfer to real estate available for sale	-	-	-	-	-	-	-	**-**
Accumulated depreciation as at 31/12/2019	**640**	**47,407**	**-**	**158,193**	**38,579**	**153,749**	**-**	**398,568**

As at 01/01/2018	**46,264**	**180,405**	**-**	**129,489**	**23,853**	**90,310**	**7,829**	**478,150**
As at 31/12/2018	**39,968**	**148,422**	**29,271**	**146,016**	**28,084**	**90,140**	**8,770**	**490,671**
As at 01/01/2019	**39,968**	**148,422**	**29,271**	**146,016**	**28,084**	**90,140**	**8,770**	**490,671**
As at 31/12/2019	**38,734**	**156,406**	**1,088**	**139,587**	**28,972**	**85,133**	**53,647**	**503,567**

(in thousand PLN)

6. Right-of-use assets

The right-of-use assets comprise mainly contracts of lease of storage and office spaces used for conducting the Group's core activity, as well as cars, forklifts, racks, and warehouse scanners. As of 31 December 2019, the value of right-of-use assets amounted to PLN 256,825 thousand.

	Points of Sale floor space	vehicles	Office space and other	Other	Total
GROSS VALUE OF BENEFICIAL INTEREST					
Value as at 01 January 2019	229,055	2,409	21,068	3,367	255,899
Increase	30,528	672	11,567	123	42,890
Value as at 31 December 2019	**259,583**	**3,081**	**32,635**	**3,490**	**298,789**
AMORTISATION AND IMPAIRMENT LOSSES					
Amortization as at 01 January 2019	-	-	-	-	-
Increase	35,485	410	5,604	465	41,964
Amortization as at 31 December 2019	**35,485**	**410**	**5,604**	**465**	**41,964**
NET VALUE					
As at 01 January 2019	**229,055**	**2,409**	**21,068**	**3,367**	**255,899**
As at 31 December 2019	**224,098**	**2,671**	**27,031**	**3,026**	**256,825**

(in thousand PLN)

7. Intangible assets

	31/12/2019	31/12/2018
Goodwill, including:	124,130	124,130
- goodwill from merger with JC Auto S.A.	*124,130*	*124,130*
Computer software	23,579	29,512
Other intangible assets, including:	36,323	3,641
- relations with suppliers	*232*	*1,624*
- other	*36,091*	*2,017*
Intangible assets under construction	13,527	42,132
	197,559	**199,415**

Impairment test

The Group's cash generating units were tested for impairment connected with goodwill of JC Auto S.A. Company (segment: automotive spare parts). The recoverable amount was based on an estimation of value in use. No impairment was identified based on the test.

The value in use is the estimated present value of future cash flows generated by the Group. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed materially in comparison to values adopted as at 31 December 2018:

- Projections of cash flows used to estimate the value in use estimated for the whole segment of spare parts.
- The data used for the estimates for 2020 was prepared based on the approved budget and provides for a 4.1% increase of EBITDA, whereas the data for 2020-2024 prepared based on the financial forecasts of the Inter Cars Group provide for an annual increase of EBITDA of approx. 4.1%.
- Cash flows for remaining years were estimated based on a real growth rate of 1.2%,
- The discount rate used to calculate the value in use was 8.6% and was estimated based on the weighted average cost of capital (WACC)
- The surplus of the recoverable value over the book value of the tested assets amounted to PLN 2,707,624 thousand.

  The Board did not define any key assumptions, a change of which in a rational extend, might lead to a loss in value of money generating operations.

Intangible assets under lease agreements

As at 31 December 2019 the Group had no intangible assets used on the basis of finance lease agreements

None of the intangible assets held by the Group is subject to limited right of use.

Borrowing costs

The borrowing costs charged to intangible assets for the reporting year are not material.

(in thousand PLN)

	Goodwill	Computer software	Other intangible assets	Intangible assets under construction	Total
GROSS VALUE OF INTANGIBLE ASSETS					
Gross value as at 01/01/2018	**124,130**	**75,332**	**34,437**	**36,250**	**270,149**
Acquisition	-	13,154	58	20,000	33,212
Transfer from investments	-	11,635	-	(14,118)	(2,483)
Liquidation	-	(1,031)	-	-	(1,031)
Gross value as at 31/12/2018	**124,130**	**99,090**	**34,495**	**42,132**	**299,847**
Acquisition	-	3,254	14,422	8,046	25,721
Transfer from investments	-	4,505	32,145	(36,351)	-
Liquidation	-	(9,024)	-	-	(9,024)
Gross value as at 31/12/2019	**124,130**	**97,825**	**81,062**	**13,527**	**316,544**
AMORTISATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS					
Accumulated depreciation as at 01/01/2018	**-**	**62,608**	**26,582**	**-**	**89,190**
Amortisation for period	-	8,279	4,272	-	12,551
Foreign exchange gains /losses	-	(281)	-	-	(281)
Other	-	(1,028)	-	-	(1,028)
Accumulated depreciation as at 31/12/2018	**-**	**69,578**	**30,854**	**-**	**100,432**
Amortisation for period	-	4,935	13,886	-	18,821
Foreign exchange gains /losses	-	(6)	-	-	(6)
Liquidation	-	(261)	-	-	(261)
Accumulated depreciation as at 31/12/2019	**-**	**74,246**	**44,740**	**-**	**118,985**
Net value					
As at 01/01/2018	**124,130**	**12,724**	**7,855**	**36,250**	**180,959**
As at 31/12/2018	**124,130**	**29,512**	**3,641**	**42,132**	**199,415**
As at 01/01/2019	**124,130**	**29,512**	**3,641**	**42,132**	**199,415**
As at 31/12/2019	**124,130**	**23,579**	**36,323**	**13,527**	**197,559**

8. Investment property and available-for-sale

Investment property	**2,019**	**2,018**
As at 1 January	17,779	21,530
Change in value measured at fair value	(202)	(3,751)
Sale of real property	(6,740)	-
As at 31 December	**10,837**	**17,779**

The Group contracted valuation to the fair value of the real estate in Lublin, Szczecin and in the Masuria region. The valuation was carried out by an independent expert, with recognized professional qualifications, as well as being the holder of experience in valuations of investment real estate. When determining goodwill of the real property the comparative method was applied (goodwill – level 3).

The Group's title to the above property is not restricted. The real estate are purchased lands for investment (construction of branches or lease).

The revenues from lease of the Szczecin real estate amounted to PLN 240 thousand and PLN 35 thousand in the case of the real estate in Gorzów (in January). The real estate was sold in February 2019. Other real estate properties brought no income from lease. In the reported period, the cost of maintenance of above mentioned properties is at similar level to the income they brought.

Real estate available for sale

During the year 2018 there was a change in the classification of real estate in Gdańsk and Kajetany to real estate available for sale. The real estates were designated for sale and preliminary agreements for their sale were signed.

The above-mentioned real estates were measures at the transaction price agreed with the purchaser in the preliminary sale agreement. The real estate in Kajetany was valued at PLN 28,031,000 and the real estate in Gdańsk at PLN 1,240,000. The real estate in Gdańsk is warehouse and commercial building located at 16C Piekarnicza street, with a total surface of 789 m2. It was rented to a third party.

The property in Kajetany is a warehouse-office building, located at 48 Klonowa street.

Both above mentioned properties were sold in March 2019.

During the year 2019 there was a change in the classification of land in Redzików to real estate available for sale. The real estate is intended for sale.

The Group's title to the above-mentioned property is not restricted.

9. Investments in associates

	2,019	2,018
Status as at 01 January 2019	**988**	**924**
Increase, including:	**43**	**64**
- share in results of Intermeko	-	*64*
- acquisition of shares in other entities	*43*	-
Decrease, including:	**(1)**	**-**
- share in results of Intermeko	*(1)*	-
Status as at 31 December 2019	**1,030**	**988**

Shares in associated entity – as at 31 December 2019

Name and legal form of associate	*InterMeko Europa sp. z o.o.* (non-quoted company)
Registered seat	Warsaw
Value of purchased shares (in thousand PLN)	566
Percentage of share capital/ total vote held	50%
Associate's assets	2,231*
Liabilities	310*
Revenue	2,399*
Net result	(2)*

* not audited

10. Investments available for sale

	2,019	2,018
As at 1 January	**301**	**301**
As at 31 December	**298**	**301**

(in thousand PLN)

Investments available for sale are shares in other entities, i.e. ATR and Partslife GmbH, which are nor a subject of sales on any market. The Group holds 3.44% of shares in ATR and 1% in Partslife.

11. Deferred tax

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities were recognized for the following assets and liabilities:

As at 31 December 2019	**Assets**	**Liabilities**
Intangible assets	2,954	1,166
Tangible fixed assets	3,556	13,809
Investment property	510	-
Inventory	28,988	15,405
Trade and other receivables	22,337	1,165
Tax losses	3,825	40
Finance lease liabilities	105	-
Trade and other payables	21,877	55,148
Deferred tax assets/liabilities	**84,152**	**86,733**
Deferred tax offset against liabilities	(65,666)	(65,666)
Deferred tax assets/provision shown in the balance sheet	**18,486**	**21,067**

As at 31 December 2018	**Assets**	**Liabilities**
Intangible assets	2,522	1,312
Tangible fixed assets	3,558	9,276
Investment property	704	-
Inventory	28,124	9,107
Trade and other receivables	12,590	2,709
Tax losses	3,826	40
Finance lease liabilities	160	-
Trade and other payables	17,615	50,639
Deferred tax assets/liabilities	**69,099**	**73,083**
Deferred tax offset against liabilities	(48,046)	(48,046)
Deferred tax assets/provision shown in the balance sheet	**21,053**	**25,037**

Assets compensation and deferred income tax provision in parent company and subsidiaries.

Deferred tax presented in the periods was recognized in relation to all balance sheet positions, which constitute temporary differences, except for the temporary difference between taxable and balance sheet value of trademarks reported in related entity Inter Cars Marketing Services Sp. z o.o Unrecognised deferred tax asset amounted to PLN 20,766 thousand and PLN 15,041 thousand as of 31 December 2018. Aforementioned deferred tax assets were not recognized because of uncertainty of possibility of realization of related economic benefits. Moreover, an income tax asset resulting from potential tax benefits from the operation of the subsidiary ILS sp. z o.o. in the special economic zone in Zakroczym was not recognized as at 31.12.2019. The asset of PLN 90 m was created as a result of an investment by the company entitled to a tax relief. Because of uncertainty of estimated future pecuniary advantages, the Group did not decide to make an asset for this tax allowance. Terms of execution of the tax allowance were described in the Permission number 152/2014 of 25 June 2016 issued for the Company, for running business activities in the Warmian-Mazurian Special Economic Zone. The Company is entitled to deduct the taxes on income by maximum amount of 50% of qualified spendings. Possibility of execution becomes void as at 31 December 2026 and the Company can only use the take advantage only after qualified investment spendings have been born in the amount of at least PLN 155 million till 31 December 2018, and current employment has been increased by at least 200 positions, and the level is kept on this level till at least 31 December 2023.

(in thousand PLN)

Shall any of above-mentioned conditions not be kept, the Company shall be obliged to return any tax allowance it has realized, but in the opinion of the Board, as at the reporting date such risk does not exist.

Change in deferred tax assets	**2,019**	**2,018**
As at beginning of period	69,099	55,139
Increase	15,053	13,960
As at end of period	**84,152**	**69,099**

Change in deferred tax liabilities	**2,019**	**2,018**
As at beginning of period	73,083	56,491
committed in the reporting period	13,650	16,592
As at end of period	**86,733**	**73,083**

	31/12/2018	**Effect on net profit**	**31/12/2019**
Deferred tax assets	69,099	15,053	84,152
Deferred tax liabilities	(73,083)	(13,650)	(86,733)
	(3,984)	**1,403**	**2,581**

12. Inventory

	31/12/2019	**31/12/2018**
Materials	41,141	43,495
Half-products and work in progress	3,768	3,086
Finished goods	6,458	6,131
Merchandise	2,011 452	2,148,077
	2,062 819	**2,200,789**
Merchandise	2,026 309	2,152,856
Write-offs	(14,857)	(4,779)
	2,011 452	**2,148,077**

The Group receives discounts from suppliers. To the extent such discounts relate to goods for resale purchased and sold in a given period, they reduce the value of goods for resale sold. The balance of such discounts is charged to inventories.

Inventories in the form of goods for resale kept at the Central Warehouse, regional distribution centres and affiliate branches are covered by fire and all-risk insurance, as well as by insurance against burglary with theft and robbery.

Inventories with a value of PLN 1,242 million have been pledged as collateral to secure the repayment of bank loan (details – see note 16).

(in thousand PLN)

Change in impairment losses on inventories

	2,019	2,018
As at beginning of period	(4,779)	(4,878)
(increase) / decrease	(10,078)	99
As at end of period	**(14,857)**	**(4,779)**

13. Trade and other receivables

	31/12/2019	31/12/2018
Trade receivables	795,586	729,632
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	104,154	111,176
Other receivables and accrued expenses	78,546	43,688
Loans granted	3,967	4,294
Short term trade and other receivables – gross	**982,253**	**888,790**

As at 31 December 2019, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly receivables for intra-Community delivery of goods in the amount of PLN 47,317 thousand.

Change in impairment loss on trade receivables

	2,019	2,018
Status as at the beginning of the period	(18,028)	(15,117)
Increase	(11,185)	(5,546)
Used	1,733	2,636
Status as at the end of the period	**(27,480)**	**(18,027)**
Short-term trade and other receivables – net	**954,773**	**870,763**

The Group limits its credit risk by transferring a part of its responsibility for collecting trade and other receivables to affiliates who received distribution fee.

Maturity structure of non-current trade receivables and other receivables	31/12/2019	31/12/2018
Up to 12 months	982,253	888,790
	982,253	**888,790**

Maturity structure of receivables	31/12/2019		31/12/2018	
	Gross	**Write-offs**	**Gross**	**Write-offs**
Up to 180 days	898,092	4,159	771,168	-
- matured	*353,863*	*4,159*	*388,636*	-
- unmatured	*544,229*	-	*382,532*	-
From 181 to 270 days	23,370	1,776	15,660	-
From 271 to 360 days	20,239	3,762	49,975	-
Over 1 year	40,552	17,783	51,987	18,027
Total	**982,253**	**27,480**	**888,790**	**18,027**

(in thousand PLN)

Currency structure of non-current trade and other receivables (gross)	**31/12/2019**	**31/12/2018**
Local currency	509,992	425,876
Foreign currencies	472,567	462,914
	982,253	**888,790**
Receivables in EUR	132,214	194,534
Receivables in other currencies	340,353	268,380
	472,567	**462,914**

Loans granted	**31/12/2019**	**31/12/2018**
Current loans	3,967	4,294
Non-current loans and borrowings	6,316	6,950
	10,283	**11,244**

Non-current receivables	**31/12/2019**	**31/12/2018**
Non-current loans and borrowings	6,316	6,950
Security deposits	13,531	13,520
Other	1,783	1,876
	21,630	**22,346**

The concentration of credit risk related to trade receivables is limited given that the Group's customer base is large and widely dispersed, mainly in Poland.

Credit and currency risks are discussed in Note 34.

Non-current receivables include security deposits under lease agreements paid by the Group, as well as non-current loans.

The loans bear an interest of: 1M WIBOR or EURIBOR 3M (in the case of EUR-denominated loans), plus a margin of 1% to 5%.

The loans are not secured.

14. Cash and cash equivalents

	31/12/2019	**31/12/2018**
Cash in hand	7,977	8,875
Cash at bank	116,466	84,131
Cash in transit	18,482	21,341
Cash on accounts of the Company's Social Benefits Fund	472	378
Cash	**143,397**	**114,725**

Cash	**31/12/2019**	**31/12/2018**
In local currency	34,537	33,968
In foreign currencies	108,860	80,757
	143,397	**114,725**

With the exception of cash on accounts of the Group's Social Benefits Fund, Inter Cars S.A. does not hold any restricted cash.

(in thousand PLN)

In accordance with Polish law, Companies administer the Company's Social Benefits Funds on behalf of its employees. Contributions to the Company's Social Benefits Funds are deposited in a separate account.
The credit risk concentration with respect to cash is limited as the Group deposits cash in a number of reputable financial institutions.

15. Share capital and share premium account

As at 31 December 2019, the share capital of parent entity - Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

	Number of shares	**Date of admission to trading**	**Right to dividend (since)**	**Par value (in PLN)**	**Issue price (PLN)**	**Share premium (in PLN)**
Series A	200,000	14/05/2004	1,999	400,000	2.00	-
Series B	7,695,600	14/05/2004	1,999	15,391,200	2.00	-
Series C	104,400	14/05/2004	1,999	208,800	2.00	-
Series D	2,153,850	14/05/2004	2,001	4,307,700	6.85	10,448,676
Series E	1,667,250	14/05/2004	2,002	3,334,500	8.58	10,966,504
Series G	1,875,000	14/03/2008	2,007	3,750 000	122.00	225,000 000
Series F1	10,001	06/08/2007	2,008	20,002	33.59	315,932
Series F2	30,000	25/06/2008	2,008	60,000	37.13	1,053 900
Series F1	147,332	06/08/2007	2,009	294,664	33.59	4,654 218
Series F2	127,333	25/06/2008	2,009	254,666	37.13	4,473 208
Series F3	157,334	21/12/2009	2,009	314,668	18.64	2,618 038
	14,168,100			**28,336,200**		**259,530,476**

16. Net profit per share

Basic earnings per share

Net profit per share calculated based on net profit for the period in the amount of PLN 227,096 thousand (2018: PLN 223 085 thousand) and the weighted average number of shares – 14,168 thousand (2018: 14,168 thousand): presented below:

Weighted average number of shares	**2,019**	**2,018**
Shares issued as at 1 January	14,168 100	14,168 100
Shares issued in connection with option exercise	-	-
Weighted average number of shares during the year	**14,168 100**	**14,168 100**

Basic profit per share	**2,019**	**2,018**
Net profit for period	227,096	223,085
Weighted average number of shares	14,168 100	14,168,100
Net earnings per 1 share (in PLN)	16.03	15.75

Diluted earnings per share

In 2019 and 2018 there were no open motivating programs in the Group, which might have diluting influence. Therefore, the diluted profit per share equals the basic profit per share.

17. Liabilities under loans, borrowings, and finance leases

This Note contains information on the Group's liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Group's exposure to currency, interest rate and liquidity risks, see Note 32.

(in thousand PLN)

The syndicated credit facility agreement

On 30 October 2019 an annex was signed to the term loan and revolving credit agreement of 14 November 2016. As a result, the date of repayment of revolving credit was set to be 12 November 2020.

Pursuant to the provisions of the Annex, the maximum amount of revolving loans granted pursuant to the Loan Agreement was increased by PLN 40.687.500,00 and currently amounts to PLN 878.687.500,00.

The maximum total amount of term loans granted pursuant to the Loan Agreement has increased by PLN 28,500,000 and amounts to PLN 565,500,000.00

The rate of interest of the credits is variable and shall depend, for each interest rate period, on WIBOR interest reference rate, plus agreed on the basis of the New Credit Facility Agreement (at arm's length) margins of the creditors.

The syndicated credit facility agreement is available for the Inter Cars Group daughter companies: Inter Cars S.A., Lauber Sp. z o.o., Inter Cars Česká republika s.r.o., Inter Cars Slovenská republika s.r.o., Inter Cars Lietuva UAB, Inter Cars d.o.o., Inter Cars Romania s.r.l., Inter Cars Cyprus Limited, Inter Cars Marketing Services Sp. z o.o., ILS Sp. z o.o., Q-service Truck Sp. z o.o

Bank credits concluded directly by subsidiary companies:

Inter Cars Česká republika s.r.o. has a credit line agreement with Raiffeisenbank a.s. for the amount of CZK 176m, repayable by 28 February 2021.

Inter Cars Romania s.r.l. has a credit line facility with RON 70m limit in Bank ING Bank N.V. repayable by 11 November 2020.

Inter Cars INT d.o.o. has a credit agreement with Bank Nova KBM d.d. with EUR 1.5 million, repayable by 1 January 2021.

Other credit facilities described in the annual consolidated financial statements of the Group for the year 2016 were replaced with credits of the same nominal value, granted as a part of the syndicated credit facility agreement.

Non-current	**31/12/2019**	**31/12/2018**
Secured bank loans	565,744	499,234
Bonds	-	-
Licence subscription liabilities	9,137	-
Finance lease liabilities	229,783	7,490
	804,664	**506,724**

Current	**31/12/2019**	**31/12/2018**
Secured bank loans	576,455	638,725
Licence subscription liabilities	8,824	-
Finance lease liabilities	42,800	7,713
Bonds	-	150,752
	628,079	**797,190**

Loans and borrowings as at 31 Dec. 2019

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	**878,688**	**523,170**	12-11-2020
Inter Cars S.A.		478,939	
Inter Cars Slovenska Republika s.r.o.		30,926	
Lauber Sp. z.o.o.		13,305	
ING Bank N.V. (Inter Cars Romania s.r.l.)	**62,307**	**54,055**	11-11-2020
	940,995	**577,225**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	565,500	537,000	12-11-2021
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	**29,498**	**25,140**	28-02-2021
Nova Kreditna Banka Maribor d.d. (ICSI - Inter Cars INT D o.o.)	**6,388**	**4,259**	01-01-2021
	601,386	**566,399**	

Loans and borrowings as at 31/12/2018

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	**838,000**	**560,420**	14-11-2019
Inter Cars S.A.		525,538	
Inter Cars Slovenska Republika s.r.o.		20,121	
Lauber Sp. z.o.o.		14,761	
ING Bank N.V. (Inter Cars Romania s.r.l.)	**64,603**	**54,503**	27-12-2019
	902,603	**614,923**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	537,000	500,000	14-11-2021
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	29,863	25,095	20-02-2020
	566,863	**525,095**	

As at 31 December 2019, total liabilities under loans and borrowings amounted to PLN 1,143,625 thousand of which PLN 906,927 thousand is denominated in PLN and PLN 157,503 thousand is denominated in EUR,

PLN 25,140 thousand is denominated in CZK, whilst PLN 54,055 thousand is denominated in RON.

Material terms of the syndicated credit facility

A consortium credit was granted by the following banks (along with the use as at 31 December 2019):

	Use in nominal value	**Share in the amount drawn**
CaixaBank S.A.	116,017	10.14%
Bank Pekao S.A.	291,974	25.53%
Bank Handlowy S.A.	119,063	10.41%
DNB Bank Polski S.A.	121,688	10.64%
Bank BGŻ BNP Paibas S.A.	115,944	10.14%
mBank S.A.	138,471	12.11%
ING Bank Śląski S.A.	112,781	9.86%
Citibank Europe PLC Slovakia	30,926	2.70%
ING Bank N.V. (Inter Cars Romania s.r.l.)	54,055	4.73%
Lauber Sp. z o.o.	13,307	1.17%
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	25,140	2.20%
Nova Kreditna Banka Maribor d.d. (ICSI - Inter Cars INT D o.o.)	4,259	0.37%
	1,143,625	**100%**

(in thousand PLN)

The credit facility is secured with:

- mortgage on land property, which belong to Inter Cars S.A. worth PLN 48,112 thousand, according to an estimate dated 27 February 2018.
- registered pledge over inventories;
- registered pledge and financial pledge over shares in share capital of ILS;
- registered pledge and financial pledge over shares in share capital of ICMS;
- registered pledge over bank accounts,
- authorization to Company's accounts in Poland,
- transfer of receivables of the Company from Insurance contracts,
- declaration on unsolicited execution,

Information on collateral for the syndicated credit facility was published by the Board of Managers of the parent entity in current report number 32/2016.

The credit facility agreement includes requirements with respect to a number of key ratios (calculated based on the Inter Cars Group's consolidated financial statements), and in the event the Group fails to meet these requirements, the consortium will have the right to terminate the agreement. The ratios are as follows:

- EBITDA index
- the Group's operating profit to paid interest on financial indebtedness of all Group companies;
- net debt to EBITDA;
- the Group's equity to its aggregate balance-sheet total.

All coefficients are calculated based on the financial statements following elimination of the impact of the IFRS 16 standard applied in 2019.

As at 31 December 2019 the Group met all terms and conditions of the facility.
Inter Cars may approve and pay dividend only if the following conditions are met:

- the total amount of dividend paid for a given financial year does not exceed 40 or 60% of the net profit;
- the financial ratios are maintained at a satisfactory level and dividend payment would not result in failure to meet the requirements with respect to any of the key ratios.

The rate of interest of the credits is variable and shall depend, for each interest rate period, on WIBOR interest reference rate, plus agreed on the basis of the New Credit Facility Agreement (at arm's length) margins of the creditors.

The effective interest rate as at the reporting date was 2.8 %.

Finance lease	**31/12/2019**	**31/12/2018**
Payments under lease agreements	13,398	16,142
Discount	(1,542)	(939)
Present value of liabilities under leases	**11,856**	**15,203**
Payments under lease agreements		
Up to 1 year	5,306	8,673
Between 1 and 5 years	8,092	7,469
	13,398	**16,142**
Present value of liabilities under leases		
Up to 1 year	4,789	8,408
Between 1 and 5 years	7,067	6,795
	11,856	**15,203**

(in thousand PLN)

Finance lease IFRS 16 Right-of-use	**31/12/2019**
Payments under lease agreements	303,677
Discount	(42,950)
Present value of liabilities under leases	**260,727**
Payments under lease agreements	
Up to 1 year	48,698
Between 1 and 5 years	180,049
Over 5 years	74,930
	303,677
Present value of liabilities under leases	
Up to 1 year	38,010
Between 1 and 5 years	153,662
Over 5 years	69,055
	260,727

Liabilities under leases are related to the lease of property, plant and equipment. For more information, see Notes 5 and 6.

Issuance of bonds

On the day of 3 October 2014, the parent entity signed with mBank S.A. and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds).
The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 33 point 2 of Law on Bonds dated 15 January 2015 (as amended).
The Bonds issued in compliance with the Programme Contract will be unsecured bonds, authorizing bond holders only to receive cash benefits.
Detailed information of issuance of each series of Bonds, including their nominal value, issuance price, number of bonds, issue threshold, maturity date, interest rate, will each time be agreed and stipulated in relevant issue documents. The Company shall bare standard costs of issuance of Bonds, including the dealer commission, after each finished issuance. The Program Contract is concluded for an indefinite time.
The first series of bonds, with total value of PLN 150,000,000 (series A) was issued by the Company on 24 October 2014. The bonds include only cash benefits. Interest on Bonds were paid in 6-month periods based on WIBOR interest rate for six-month deposits and particular margin set forth in the terms and conditions of Issuance of Bonds. The Bonds were mature as at 24 October 2019, or in case of basis for earlier buyback, at dates stipulated in the terms and conditions of Issuance of Bonds.
The A series bonds were redeemed on 24 October 2019, which was announced in the current report no. 26/2019.

Income from issuance of bonds will be used for financing current operational activity and investment activity of the Group. Favourable market conditions on issuance of bonds allowed for: a) diversified sources of financing, and b) generating cost attractive financing for the period of 5 years.

18. Trade and other liabilities

	31/12/2019	**31/12/2018**
Trade payables to other entities	355,705	523,359
Taxes, duties, social security and other benefits payable	67,483	56,259
Bill of exchange liabilities	30,899	65,165
Other payables and accrued expenses	72,796	57,378
	526,883	**702,161**

(in thousand PLN)

	31/12/2019	31/12/2018
Trade payables before bonuses accrued for the period	634,079	645,110
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(278,374)	(121,751)
Balance sheet value of trade payables	**355,705**	**523,359**

Maturity structure of trade payables		
Up to 12 months	355,705	523,359
Over 12 months	-	-
	355,705	**523,359**

Taxes, subsidies, customs duty, social security and other benefits payable as at 31 December 2018 included primarily VAT tax liabilities of the Parent Entity in the amount of PLN 24,456 thousand.

Currency structure of trade and other payables	31/12/2019	31/12/2018
Payables in PLN	335,869	211,219
Foreign currencies	191,014	490,942
	526,883	**702,161**

Translated into PLN	31/12/2019	31/12/2018
Liabilities in EUR	82,207	333,738
Liabilities in USD	6,411	79,144
Liabilities in other currencies	102,396	78,060
	191,014	**490,942**

19. Employee benefits

	31/12/2019	31/12/2018
Salaries and wages	35,300	30,784
Company's Social Benefits Fund	505	467
	35,805	**31,251**

20. Income tax liabilities

Maturity structure of tax payables	31/12/2019	31/12/2018
Up to 12 months	47,586	45,519
	47,586	**45,519**

Currency structure of tax payables	31/12/2019	31/12/2018
Local currency	25,203	7,980
Foreign currency, denominated in PLN	22,383	37,539
	47,586	**45,519**

21. Long- and short-term lease liabilities - sublease

Premises and vehicles of which the Group is a lessor and which it leases out to its agents running branches are treated as a sublease. These lease liabilities equal the respective lease receivables.

The impact of IFRS 16 Subleases on particular items of the financial statements as of 31 December 2019 was as follows:

(in thousand PLN)

	Inter Cars Group	Inter Cars S.A.
Non-current receivables on long-term rental	188,634	96,761
Receivables on short-term rental	64,038	41,198
Non-current liabilities on long-term rental	188,634	96,761
Liabilities on the short-term rental	64,038	41,198

Short and long-term rental	**31/12/2019**
Payments under lease agreements	281,779
Discount	(29,107)
Present value of liabilities under leases	**252,672**
Payments under lease agreements	
Up to 1 year	72,219
Between 1 and 5 years	192,902
Over 5 years	16,658
	281,779
Present value of liabilities under leases	
Up to 1 year	64,038
Between 1 and 5 years	174,283
Over 5 years	14,351
	252,672

22. Sales revenues

	01/01/2019 - 31/12/2019	01/01/2018-31/12/2018
Net sales of products	71,201	67,795
Revenues on sales of commodities and materials	8,550 334	7,744,402
Revenue from sales of services	142,691	131,031
Lease of investment property	35	25
	8,764 261	**7,943,253**

Sales by product groups

	2019	*share*	2018	*share*
Spare parts for passenger cars	4,707,074	*53.71%*	5,060,026	*63.69%*
Spare parts for commercial vehicles and buses	1,360,824	*15.53%*	1,230,871	*15.50%*
tyres	1,897,416	*21.65%*	903,533	*11.37%*
garage equipment	338,970	*3.87%*	317,403	*4.00%*
motorcycles and parts	199,806	*2.28%*	181,517	*2.29%*
accessories	46,987	*0.54%*	80,701	*1.02%*
other sale - services	127,279	*1.45%*	84,237	*1.06%*
semi-trailers - Feber	71,201	*0.81%*	67,795	*0.85%*
automobiles ISUZU	14,704	*0.17%*	17,170	*0.22%*
	8,764,261	***100.00%***	**7,943,253**	***100.00%***

The other sales revenue include mainly income generated by lease of warehouse area and selling marketing services connected with basic operations.

Geographical structure of sales

	2019		2018	
	(in thousand PLN)	(%)	(in thousand PLN)	(%)
Sales in Poland	5,139,834	59%	4,371,499	55%
Sales outside Poland	3,624,427	41%	3,571,754	45%
Total	**8,764,261**	**100%**	**7,943,253**	**100%**

23. Cost of sales

	01/01/2019 - 31/12/2019	01/01/2018-31/12/2018
Value of goods and materials sold	6,124 232	5,581,010
Sold gods	59,265	53,953
Foreign exchange (gains) / losses	(1,873)	(1,986)
Cost of sales	**6,181 624**	**5,632,977**

24. Selling cost, general and administrative expenses

	01/01/2019 - 31/12/2019	01/01/2018-31/12/2018
Amortization and Depreciation	130,200	79,189
Materials and energy consumption	152,425	134,364
External services	1,627 247	1,498 735
Taxes and fees	20,457	16,931
Salaries	275,292	241,498
Social security and other benefits	55,688	56,489
Other costs by kind	66,881	49,527
Total costs by kind	**2,328 190**	**2,076,733**
(minus) Cost of products sold	(103,035)	(88,581)
(minus) Change in the balance of finished products and work in progress	(1,454)	3,995
(minus) Cost of distribution realized by branches	(917,324)	(836,141)
Selling cost, general and administrative expenses	**1,306 377**	**1,156,006**

25. Other operating revenues

	01/01/2019 - 31/12/2019	01/01/2018-31/12/2018
Gain on disposal of non-financial non-current assets	3,387	1,929
Compensation, penalties and fines received	8,960	2,278
Marketing rebates	19,147	17,500
Other rebates	5,047	1,855
Impairment losses on past due liabilities	514	49
Early payment discount	1,288	924
Other sales	8,217	7,990
Reversal of provisions	1,020	2,546
Other	5,986	12,219
	53,566	**47,290**

(in thousand PLN)

26. Other operating costs

	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018
Damage to stock	10,300	13,021
Expenses related to complaints	2,640	2,195
Inventory lacks	7,288	5,656
Compensations	5,616	248
Insurances	424	62
Past due receivables recognised as impairment losses	15,128	6,775
Impairment of stock write off	312	191
Established provisions	6,669	-
Donations	109	1,286
Impairment of non-financial assets	388	-
Claims recognized by suppliers	673	-
Rebates granted	4,795	2,310
Liquidation of intangible assets	-	878
Penalties for Inter Cars Italy	2,960	-
Other	23,257	19,415
	80,559	**52,037**

27. Finance income and expenses

Financial income	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018
Interest on loans and borrowings	436	(116)
Other interest	2,042	2,248
Interest on rental (sublease)	9,932	-
Foreign exchange gains/losses	1,266	-
Other	506	352
	14,182	**2,484**

Financial costs	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018
Interest expense under bank loans and bonds	35,343	36,149
Other interest	2,233	914
Interest on rental (sublease)	9,932	-
Interest under finance lease (right-of-use)	10,723	-
Fees and commissions	6,649	6,098
Exchange differences	-	2,320
Other	1,715	1,665
	66,595	**47,146**

(in thousand PLN)

Foreign exchange gains and losses in the period from 1.01.2019 to 31.12.2019	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	3,067	-	3,067
Other	-	588	588
Realised foreign exchange gains/(losses)	**3,067**	**588**	**3,655**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(1,194)	-	(1,194)
Other		678	678
Unrealised foreign exchange gains/(losses)	**(1,194)**	**678**	**(516)**
Total foreign exchange gains/(losses)	**1,873**	**1,266**	**3,139**

Foreign exchange gains/(losses) in the period from 01/01/2018 to 31/12/2018	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	(386)	-	(386)
Other	-	(1,312)	(1,312)
Realised foreign exchange gains/(losses)	**(386)**	**(1,312)**	**(1,698)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	2,372	-	2,372
Other	-	(2,050)	(2,050)
Unrealised foreign exchange gains/(losses)	**2,372**	**(2,050)**	**322**
Total foreign exchange gains/(losses)	**1,986**	**(3,362)**	**(1,376)**

28. Structure of cash for the statement of cash flows

Corporate income tax paid

	2,019	**2,018**
Current corporate income tax disclosed in the statement of comprehensive income	(53,731)	(43,067)
Adjustment of comprehensive income	4,432	1,072
Change in income tax payable	2,067	21,351
Corporate income tax paid	**(47,232)**	**(20,644)**

Change in receivables

	2,019	**2,018**
Change in trade and other receivables	(84,010)	(131,406)
Change in non-current receivables	716	(2,332)
Change in Loans granted	(961)	5,079
Change in receivables	**(84,255)**	**(128,659)**

(in thousand PLN)

Change in Loans granted

	2,019	2,018
Loans granted	(2,797)	(8,789)
Repayment of loans granted	3,866	3,908
Interest received	459	744
Interest accrued	(443)	(677)
Foreign exchange gains /losses	(124)	(264)
Change in Loans granted	**961**	**(5,078)**

Change in loans, borrowings, debt securities and finance lease liabilities

	31/12/2019	31/12/2018
Change in loans, borrowings, debt securities and finance lease liabilities	181,119	81,363
Change in trade and other liabilities	(173,324)	214,947
Change in employee benefits liabilities	4,554	9,937
Change in total liabilities	12,349	306,247
of which:		
Recognition of new leasing agreements (IFRS 16) - right-of-use	(299,401)	-
Cash inflows on credits and loans	(52,301)	(121,236)
Repayment of loans and borrowings	49,599	41,015
Bond redemption	150,000	-
Payment of finance lease liabilities	110,000	8,800
Other	443	(2,972)
Change in liabilities following adjustments total	**(29,310)**	**231,854**

Net interest

	2,019	2,018
Interest paid	(52,638)	(33,376)
Interest received	436	744
Net interest	**(52,202)**	**(32,632)**

Other adjustments, net

	2,019	2,018
Foreign exchange gains /losses	477	119
Change in other non-current liabilities	2,195	2,997
Net result of an associated company attributable to the Capital Group	-	(64)
Valuation of property	-	(3,751)
Other	-	4,455
Real estate moved to inventories and other net items	**2,672**	**3,756**

29. Income tax

Income tax recognised under current period profit or loss

	01/01/2019 - 31/12/2019	01/01/2018- 31/12/2018
Current income tax	53,731	43,067
Change in deferred income tax	(1,298)	2,632
Income tax disclosed in statement of comprehensive income	**52,433**	**45,699**

(in thousand PLN)

The reconciliation of the tax deductible cost to the value representing the product of the accounting profit and the applicable tax rates is as follows:

Effective tax rate	**01/01/2019 - 31/12/2019**	**01/01/2018- 31/12/2018**
Gross profit (without share of the result of the affiliate)	**279,529**	**268,662**
Tax based on 19% rate	(53,111)	(51,046)
Tax rates gains/losses *	5,249	8,015
Trade mark depreciation temporary differences	-	2,796
Permanent differences		
Costs / incomes not subject to taxation	(4,571)	(5,464)
Current income tax disclosed in statement of comprehensive income	**(52,433)**	**(45 699)**

* Poland 19%, Republic of Slovakia 21%, Czech Republic 19%, Ukraine 18%, Lithuania 15%, Cyprus 12,5%, Malta 35%, Croatia 18%, Romania 16%, Latvia 15%, Bulgaria 10%, Italy 24%, Greece 28%, Bosnia and Herzegovina 10%, Moldova 12%, Estonia 20%, Slovenia 19%, Germany 30%, Hungary 9%.

Tax authorities are entitled to inspect books and accounting records. Within five years from the end of a year when a tax return is submitted, they may impose additional tax charges along with interest and other penalties. In the Management Board's opinion no circumstances occurred which could result in material liabilities on account of such charges, interest or penalties.

30. Dividend proposed by the Board of Managers

Dividend on profit in 2019

Within the reporting period and till the day of publishing of these financial statements the Company had not realized any payments on account of payout of dividend on operating profit for 2019.
Till the day of preparation of these financial statements the Board of Managers of the Company had not approved the proposal of distribution of profits for 2019. The dividend policy of the Company projects dividend payout in the amount not lower than 60% of consolidated net profit of Inter Cars S.A. Capital Group for a given accounting year.

Dividend on profit in 2018

On 23 April 2019, the Management Board adopted a resolution to approve the Board's proposal regarding the distribution of the profit for the financial year of 2018 and the payment of a dividend of PLN 10,059,351.00 from the net profit i.e. PLN 0.71 per one stock. On 29 May 2019, the Company's Supervisory Board adopted a resolution to approve the Management Board's proposal and recommended that the Company's General Shareholders Meeting adopt a resolution to distribute the profit and pay a dividend of PLN 10,059,351.00, i.e. PLN 0.71 per one stock. On 17 June 2019, the Ordinary General Shareholders Meeting adopted a resolution to distribute the profit for 2018 and pay a dividend of PLN 10,059,351.00 per one stock.
The dividend was paid out on 12 July 2019.
On 13 July 2019, a dividend from the 2018 profit was paid in the amount of PLN 10,059 thousand, i.e. PLN 0.71 per share.

Dividend per share

	01/01/2019 - 31/12/2019	**01/01/2018- 31/12/2018**
Dividend resolved and paid out to the reporting date	10,059	10,059
Number of shares with right to dividend as per resolution of the General Shareholders Meeting	14,168,100	14,168 100
Dividend per share (in PLN)	0.71	0.71

(in thousand PLN)

31. Unrecognised liabilities under executed agreements

Tax liabilities

Regulations on VAT, corporate and personal income tax and social security contributions change frequently, and as a consequence often there is no possibility of relying on established regulations or legal precedents. The regulations in effect tend to be unclear, thus leading to differences in opinions as to their legal interpretation, both between state authorities and between state authorities and entrepreneurs. Tax and other settlements (customs duty or currency settlements) may be inspected by authorities entitled to impose material penalties, and any additional amounts assessed following an inspection must be paid together with interest. Consequently, the tax risk in Poland and in Central and Eastern Europe countries is higher than in other countries with more developed tax systems.

Tax settlements may be inspected for the period of five years. For this reason the amounts disclosed in the financial statements may change at a later date following final determination of their amount by tax authorities. The Group was inspected by the tax authorities.

Tax authorities are entitled to inspect books and accounting records. Within five years from the end of a year when a tax return is submitted, they may impose additional tax charges along with interest and other penalties. In the Management Board's opinion no circumstances occurred which could result in material liabilities on account of such charges, interest or penalties.

Guaranties and sureties

As at 31 December 2019 , the total amount of sureties and guarantees issued by the Parent Company for unrelated entities was PLN 17,188 thousand.

Sureties and guaranties	**2,019**	**2,018**
As at beginning of period	26,239	33,397
Issued and increases	420	1,185
Expired	(9,471)	(8,343)
As at end of period	**17,188**	**26,239**

The Parent Entity holds a guarantee issued by InterRisk, with respect to payment of a bid bond and a performance bond securing proper performance of contractual obligations and removal of defects in the case of supplies for the Polish Post, the Police and the Warsaw Airport.

32. Operating leases

The Inter Cars Group is a party to car, storage, and office space lease contracts.

Costs of lease of storage space related directly to the activity of the branches and covered by the Group are re-invoiced in large part to the end users (entities running the branches) throughout the entire period during which they use such space (including the termination notice period).

However, the costs of cars, storage and office spaces leased by the branches managed by the Group and the warehouse spaces used for logistics operations are paid for in full by the Group.

Following adoption of IFRS 16, the Group recognized its lease liabilities previously classified as "operating lease" as financial lease liabilities and, in the case of sublease, as long-term lease liabilities.

Due to their value and term, the other lease contracts were recognized as operating lease and are presented in the following table:

Future minimum fees on an irrevocable financial lease

	31/12/2019	**31/12/2018**
Up to 1 year	1,328	7,484
	1,328	**7,484**

(in thousand PLN)

	31/12/2019	31/12/2018
Indefinite period	1,001	1,343
Definite period	327	6,141
	1,328	**7,484**

The following table explains the difference (reconciliation) between operating lease liabilities as at 31 December 2018 in conformity with IAS 17 and lease liabilities recorded as at 01 January 2019 in conformity with IFRS 16. The basic difference is the method of calculation of liabilities resulting from a lease contract. Until 31 December 2019, operating liabilities for office and storage facilities, including branches, were calculated as the value of a lease until the expiry of a contract, for contracts concluded for a definite period of time, or a value of a lease for the notice period, for contracts concluded for an indefinite period of time. Due to application of the new IFRS 16 standard, as of 01 January 2019, the method of determining the term of a contract changed, which was described in detail in item 2 of the explanatory notes to the annual consolidated financial statements. An additional difference comes from liabilities related to the lease of means of transports and other assets, hitherto not recognized as operating lease.

Operating lease liabilities as at 31.12.2019, in conformity with IAS 17.	**7,484**
A change in the method of recognizing contracts concluded for an indefinite period of time	539,593
Leases previously not included (cars and other)	5,776
Discounting effect using the marginal interest rate for a debt as at 01.01.2019.	(72,816)
Lease liabilities as at 01.01.2019.	**480,037**
Short-term portion	99,587
long term part	380,450

33. Transactions with related entities

All transactions with related entities are executed at arm's length.

The Group executed transactions with entities related to members of the Supervisory Board and the Management Board and their relatives.

JAG Sp. z o.o. is managed by Mrs. Agnieszka Soszyńska, wife of the Vice-President of the Management Board of Inter Cars S.A., while FF-Sport Sp. z o.o. by Maciej Oleksowicz, President of the Inter Cars Management Board.

The table below sets forth the value of the transactions.

Sales revenue	**2019**	**2018**
ANPO Andrzej Oliszewski	1	2
FASTFORWARD Maciej Oleksowicz	9	72
AK-CAR Agnieszka Soszyńska	1	5
JAG Sp. z o.o.	2,500	2,068
FF-SPORT Sp. z o.o.	248	370
	2,759	**2,517**

(in thousand PLN)

Purchase of goods and services	**2019**	**2018**
ANPO Andrzej Oliszewski	152	153
FASTFORWARD Maciej Oleksowicz	2	-
AK-CAR Agnieszka Soszyńska	29	66
JAG Sp. z o.o.	15,990	17,060
FF-SPORT Sp. z o.o.	54	246
Michal Kaštil	159	167
I love mama s.r.o.	-	10 pcs
	16,386	**17,702**

Receivables	**31/12/2019**	**31/12/2018**
FASTFORWARD Maciej Oleksowicz	-	2
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	19	19
AK-CAR Agnieszka Soszyńska	3	4
JAG Sp. z o.o.	1,682	1,056
FF-SPORT Sp. z o.o.	44	22
	1,748	**1,103**

Liabilities	**31/12/2019**	**31/12/2018**
ANPO Andrzej Oliszewski	1	1
JAG Sp. z o.o.	227	242
FF-SPORT Sp. z o.o.	-	123
Michal Kaštil	25	36
I love mama s.r.o.	-	8
	253	**410**

Loans granted	**31/12/2019**	**31/12/2018**
Loans to members of the Supervisory Board and Management Board and their relatives	-	-
Loans to subsidiary and associated entities	41,772	48,705
	41,772	**48,705**

Company JAG Sp. z o.o. and company P.H. AUTO CZĘŚCI Krzysztof Pietrzak is a company linked to the Vice-President of the Management Board of Inter Cars S. A., Krzysztof Soszyński, while FF-SPORT Sp. z o.o. is managed by President of the Management Board, Maciej Oleksowicz.

Remuneration for acting as members of Supervisory Board and Management Board of the parent entity and affiliated companies were as follows:

(in thousand PLN)	**01/01/2019 - 31/12/2019**	**01/01/2018- 31/12/2018**
Remuneration of the Members of the Supervisory Board and the Management Board		
Remuneration of the members of the Supervisory Board	563	540
Remuneration of the members of the Management Board	10,625	11,684
	11,188	**12,224**

Remuneration for acting as members of Management of the Board of the parent entity amounted to PLN 5,916 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 4,709 thousand.

34. Financial risk management

Credit risk

Credit risk is associated mainly with other receivables, cash and cash equivalents, as well as trade receivables. Cash and cash equivalents are deposited with reputable financial institutions.

(in thousand PLN)

Under the credit policy adopted by the Group, credit risk exposure is monitored on an on-going basis. All customers who require crediting in excess of a specified amount are assessed in terms of their creditworthiness. The Group does not require any of its customers to provide any asset-based security for financial assets.

The risk attributable to a significant portion of trade receivables is borne by the affiliate branch operators, with whom the Group settles accounts by sales margin sharing. The Group's credit risk is therefore additionally reduced.

As at the reporting date, there was no significant concentration of credit risks. The carrying amount of each financial asset, including derivative financial instruments, represents the maximum credit risk exposure:

	31/12/2019	**31/12/2018**
Loans granted	10,283	11,244
Trade and other receivables (excluding loans granted)	1,203 478	866,469
Cash and cash equivalents	135,316	105,850
	1,349 077	**983,563**

Interest rate risk

The Group's exposure to interest rate risk is associated mainly with variable-rate liabilities and loans granted.

The Group has liabilities bearing interest at variable rates. As at 31 December 2019, the Group did not use liabilities of fixed interest rate.

As at reporting date the Group did not have any transactions securing the risk of change of interest rate.

As at the end of the reporting period, the structure of interest-bearing financial instruments was as follows:

Variable rate financial instruments	**31/12/2019**	**31/12/2018**
Financial assets (loans granted)	10,283	11,244
Cash assets in bank accounts	115,623	84,131
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases)	(1,432,743)	(1,303,914)
	(1,306,837)	**(1,208,539)**

Presented below is sensitivity analysis of the net profit or loss to possible interest rate changes, assuming that other factors remain unchanged. The following data shows the impact of basis points on the Company's annual net profit or loss.

As at 31 December 2019	**basis points increase/decrease**	**Impact on net profit / loss**
	+100 / -100	(10,585)/ 10,585
	+200 / -200	(21,170)/ 21,170

as at 31/12/2018	**basis points increase/decrease**	**Impact on net profit / loss**
	+100 / -100	(9,789)/ 9789
	+200 / -200	(19,579)/ 19,579

(in thousand PLN)

Currency risk

A significant portion of the Company's trade and services payables is denominated in foreign currencies, especially in EUR. Sales is performed mostly in PLN and also in UAH, EUR, CZK, LTL, LVL, HUF, HRK, BGN, RON, MDL and BAM. The Group did not conclude in the period from 1 January to 31 December 2019 currency purchase or sales futures.

	EUR	USD	RON	Other	EUR	USD	RON	Other
	31 December 2019				31 December 2018			
Trade receivables	132,214	-	125,469	214,884	194,534	-	127,850	140,530
Cash	44,153	167	6,869	57,671	35,586	167	3,628	41,376
Bank credits	(157,503)	-	(54,055)	(25,140)	(176,298)	-	(54,503)	(25,095)
Trade payables	(82,207)	(6,411)	(25,631)	(76,765)	(333,738)	(79,144)	(29,272)	(48,788)
Gross balance sheet exposure	**(63,343)**	**(6,244)**	**52,652**	**170,650**	**(279,916)**	**(78,977)**	**47,703**	**108,023**

Presented below is sensitivity analysis of the net profit or loss to possible currency exchange rate changes, assuming that other factors remain unchanged (no direct impact on equity).

		Impact on net profit / loss	
currency	**Foreign exchange rate increase/decrease**	**as at 31/12/2019**	**as at 31/12/2018**
EUR	+5% / -5%	(2,565)/ 2,565	(11,337)/ 11,337
	+10% / -10%	(5,130)/ 5,130	(22,674)/ 22,674
USD	+5% / -5%	(253)/ 253	(3,199)/ 3,199
	+10% / -10%	(506)/ 506	(6,398)/ 6,398
RON	+5% / -5%	2,133/ (2,133)	1,932/ (1,932)
	+10% / -10%	4,265/ (4,265)	3,864/ (3,864)
Other	+5% / -5%	6,912/ (6,912)	4,375 / (4,375)
	+10% / -10%	13,823/ (13,823)	8,750/ (8,750)

(in thousand PLN)

Liquidity risk

In its operations the Company maintains a surplus of liquid assets and open credit lines.

The following table shows the value of current assets and liabilities and liquidity ratios as at:

	31/12/2019	31/12/2018
Current assets	3,225 027	3,190,709
Short-term liabilities	1,354,681	1,576,121
Surplus of current assets over short-term liabilities	1,870 346	1,614,588
Current ratio	2.38	2.02
Quick ratio	0.86	0.64
Cash ratio	0.11	0.07

The current liquidity ratio is measured as a ratio of the current assets to the short-term liabilities at the end of a given period.

The liquidity ratio is calculated as a ratio of the current assets decreased by inventory to the short-term liabilities as at the end of the period.

The immediate liquidity ratio is calculated as a ratio of the cash to the short-term liabilities at the end of a period.

Cash flow management in the Inter Cars S.A. Capital Group (the "Group") is critical for the functioning of the entire organization. The central point of this aspect of management is the cash flow planning model, covering the demand for capital, primarily including inventories as well as trade receivables and liabilities. By forecasting the demand for capital, the Group continually monitors the financial flows in individual countries and adjusts the financing sources accordingly, both at the Group and the local markets level. The Group finances its business activities by a consortium of 7 banks and 2 banks out of the consortium. Bank financing is kept within the following proportion: 60% short-term loans and 40% long-term loans. The Group diversifies its financing sources and has issued bonds that have been subscribed for by entities other than banks. The Group also finances its liabilities from its equity, which amounted to PLN 2.047 b as at 31 December 2019. The Group reinvests the funds obtained from its activities. The payment of dividends is kept at a stable level. To maintain liquidity, the Group keeps a stable amount of cash ranging from PLN 100 and 160 m available at its points of sale (branches).
The surplus of operating assets shown in the consolidated financial statements for 2019 (comprising mainly short-term inventories of an average rotation of 3 months, short-term receivables, and cash) over short-term liabilities is PLN 1.870 m, PLN 256 m higher than that for 2018. This shows the Group's financial liquidity is kept at the right level.

Below chart presents liabilities of the Group as at 31 December, by maturity:

31 December 2019	matured	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	-	576,455	565,744	-	1,142,199
finance lease liabilities	-	10,260	32,540	160,728	69,055	272,583
IFRS 16	-	16,504	47,534	174,283	14,351	252,672
IBM	-	2,108	6,325	9,527	-	17,961
trade and other payables	14,054	508,041	4,092	688	8	526,883
	14,054	**536,914**	**666,946**	**910,971**	**83,414**	**2,212 298**

(in thousand PLN)

31 December 2018

	matured	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	-	789,772	500,000	-	1,289,772
finance lease liabilities	-	1,605	6,803	6,795	-	15,203
trade and other payables	349,358	282,525	67,230	3,049	-	702,162
	349,358	**284,130**	**863,805**	**509,844**	**-**	**2,007,137**

Capital management

The main objective of the Group's capital management is to maintain a good credit rating and sound capital ratios to support the Group's operations and increase the shareholder value.

Depending on changes in the economic environment, the Group may adjust its capital structure by dividend pay-outs, capital repayments to shareholders, or issues of new shares.

In the reporting period, certain capital management restrictions were present in connection with the obtained credit facility agreement (see Note 16).

The Group analyses its equity and capital using the gearing ratio calculated as net debt to total equity plus net debt. The Group's net debt includes interest-bearing bank loans, bonds, and finance leases, as well as trade and other payables, less cash and cash equivalents. Equity includes equity attributable to owners of the Parent Entity.

	31/12/2019	**31/12/2018**
Loan, borrowing, factoring and finance lease liabilities	1,432 743	1,303,914
Trade and other liabilities	526,883	702,161
(less) cash and cash equivalents	(143,397)	(114,725)
Net debt	1,816 229	1,891,350
Equity	2,046,687	1,829,173
Net debt to equity	**0.89**	**1.03**

Fair value

In the opinion of the Management Board, the carrying amount of assets and liabilities is similar to their fair value.

35. Events subsequent to the balance sheet date

The most significant event that may impact the Company's financial results over the next periods is the spreading SARS-CoV-2 Coronavirus.

The effects of the pandemic and of the actions undertaken by individual countries (in which entities from the Inter Cars Capital Group operate) to limit further spread of the Coronavirus will have a significant impact on the sales revenues of these entities and on the financial result of the Company in the first and second quarters of 2020.

The Management Board identifies the following as the biggest operating risks:

- international transport difficulties in the east (Ukraine, Belarus) that will hamper supplying goods to foreign customers and branches

- a decrease in the purchasing power of consumers resulting from a drop in the number of customers visiting the branches due to recommendations of the government and the sanitary agencies

- shutting down of suppliers' production lines for an extended period of time

The drop in the monthly sales revenues of the Inter Cars Capital Group in March 2020 amounted to 12.7% (yty). Taking into account the constantly changing situation related to the spreading of the Coronavirus, actions undertaken by individual countries and unavailability of reliable information regarding the anticipated duration of the above factors and their social and economic effects, the Management Board of the Company is currently unable to accurately determine the impact of the SARS-CoV-2 Coronavirus on the sales levels of the Inter Cars Group entities and the Company's financial result.

36. Material evaluations and estimates

The preparation of the financial statements in conformity with the EU IFRS requires the Parent Entity's Management Board to make judgments and estimates which affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Real values may differ from their estimates. The judgements and estimates are reviewed on an ongoing basis. Revisions to the estimates are recognised as profit or loss of the period in which the estimate is revised. Information on particularly significant areas subject to judgements and estimates which affect the financial statements is disclosed in the following notes:

- Note 10 Deferred tax (the Management Board analyses whether or not there is a possibility of using tax losses in subsidiary companies and assesses uncertainty of forecast changes in tax laws in force),
- Note 11 Impairment losses on stock (the Management Board analyses whether or not there is a possibility of impairment of stock. In the event of identification of impairment, net obtainable values are to be evaluated),
- Note 12 Impairment loss on receivables (as at the balance sheet date, the Group evaluates whether or not there is evidence of impairment of a receivable or a group of receivables. If the recoverable value of an asset is lower than its carrying value, the Group creates an impairment loss to the level of the current value of planned cash flows),
- Note 5/6 Impairment loss on property, plant and equipment, estimates as to the useful economic life of property, plant and equipment and intangible assets (the amount of rates and impairment losses is determined based on the anticipated useful economic life of a property, plant and equipment or intangible assets item; the useful economic life periods are verified at least once during each financial year. The Management Board of the Parent entity also evaluates whether or not there is the possibility of impairment losses on assets. If an impairment loss is identified, the recoverable value of assets must be determined).

One of important estimates of the Management Board of the Group are the estimates on trade bonuses from suppliers on purchase of trade goods. Bonuses for the Group, on realization of purchase plans, are included in expected values and included in the results proportionally to rotation of sold merchandise.

37. Continued and discontinued operations

The consolidated financial statement were prepared under the assumption that the Company will continue as a going concern in the foreseeable future.

During the reporting period the Group did not discontinue any of its activities. It does not anticipate to discontinue them in the following period.

INFORMATION OF THE INTER CARS S.A. MANAGEMENT BOARD

REGARDING SELECTION OF AN AUDIT FIRM TO AUDIT THE ANNUAL FINANCIAL STATEMENTS

The Management Board of Inter Cars S.A., hereinafter referred to as "**the Company**," having its registered seat in Warsaw, acting in conformity with § 71.1.7 of the Minister of Finance Regulation of 29 March 2018 on current and periodical information provided by securities issuers and the conditions of regarding as equivalent of the information required by the non-member state, and based on the statement of the Company's Supervisory Board to this effect, informs that the selection of an audit firm to audit the annual consolidated financial statements of the Inter Cars S.A. Capital Group for the year ended on 31 December 2019 was made in conformity with the applicable regulations, including those related to the selection of an audit firm.

Furthermore, the Management Board of the Company informs that:

- the audit firm and the members of the audit team met the requirement of preparing an impartial and independent report on auditing the annual financial statements in conformity with the applicable law, professional standards and ethics;
- the applicable regulations related to the rotation of the audit firm, the key chartered auditor and the statutory grace periods are observed;
- The Company applies a policy governing the selection of an audit firm and a policy governing the provision by an audit firm, an entity related to an audit firm or by its member of additional services other than an audit, including services which an audit firm is conditionally permitted to provide.

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 18 April 2019.

Maciej Oleksowicz
CEO

Krzysztof Soszyński
Vice-President of the Management Board

Wojciech Twaróg
Member of the Management Board

Tomáš Kaštil
Member of the Management Board

Piotr Zamora
Member of the Management Board

Julita Pałyska
Person responsible for keeping the accounting books

Warsaw 17 April 2020