INTER CARS GROUP

ANNUAL FINANCIAL STATEMENTS
2018

ANNUAL FINANCIAL STATEMENTS OF THE INTER CARS GROUP FOR THE YEAR 2018

PART II

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018.

Financial highlights

	for the period of 12 months ended on 31 December			
	2018	**2017**	**2018**	**2017**
	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Information on growth and profits				
Sales margin	29.08%	29.30%		
EBITDA	392,571	359,984	92,008	84,808
EBITDA as percentage of sales	4.94%	5.20%		
EBITDA (for 12 consecutive months)	392,571	359,984	92,008	84,808
Net debt / EBITDA	3.03	2.95		
Basic earnings per share (PLN)	15.75	15.28	3.69	3.60
Diluted earnings per share (PLN)	15.75	15.28	3.69	3.60
Sales revenues	7,943,253	6,908,365	1,861,690	1,627,527
Operating profit	313,382	294,464	73,449	69,372
Net profit	**223,085**	**216,428**	**52,285**	**50,988**
Cash flows				
Operating cash flows	49,939	24,358	11,704	5,738
Investing cash flows	(115,471)	(92,410)	(27,063)	(21,771)
Financing cash flows	19,342	107,541	4,533	25,335
Employment and branches				
Employees				
Parent company	572	489		
Subsidiaries	2,819	2,608		
Branches				
Parent company	249	243		
Subsidiaries	299	264		

	As at		**As at**	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
Consolidated statement of the financial situation	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Cash and cash equivalents	114,725	160,915	26,680	38,580
Balance sheet total	3,943,261	3,402,978	917,037	815,886
Loans, borrowings, finance lease and factoring	1,303,914	1,222,551	303,236	293,114
Equity attributable to the shareholders of the parent entity	1,829,173	1,616,028	425,389	387,453

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.

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 2018 – EUR 1 = PLN 4,3000, and the National Bank of Poland exchange rate of 31 December 2017 – EUR 1 = PLN 4,1709
- 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 2018 and 2017, respectively: EUR 1 = PLN 4,2669 and EUR 1 = PLN 4.2447, 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
Michał Marczak
Jacek Klimczak

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
Wojciech Twaróg, Member of the Management Board
Piotr Zamora, Member of the Management Board
Tomáš Kaštil, Member of the Management Board

6. Statutory auditor

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

Banks (as at the date of approval of the financial statements)

Bank Pekao S.A.
ul. Żwirki i Wigury 31
02-091 Warsaw

mBank S.A.
ul. Królewska 14
00-950 Warsaw

Bank Handlowy w Warszawie S.A.
ul. Senatorska 16
00-923 Warsaw

Raiffeisen Bank Polska S.A.
ul. Grzybowska 78
00-844 Warsaw

ING Bank Śląski S.A.
ul. Sokolska 34
40-086 Katowice

HSBC Bank Polska S.A.
Rondo ONZ 1
00-124 Warsaw

UniCredit Bank Czech Republic and Slovakia, a.s.
Želetavská 1525/1
140 00 Praha 4 - Michle

Tatra Banka a.s.
Hodzovo nam. 3
911 06 Bratislava

UniCredit Bank Czech Republic and Slovakia, a.s.
Sancova 1/A
813 33 Bratislava

Bank BNP Paribas
ul. Kasprzaka 10/16
01-211 Warsaw

DNB Bank Polska S.A.
ul. Postępu 15c
02-676 Warsaw

CaixaBank, S.A.
ul. Prosta 51
00-838 Warsaw

PKO Bank Polski Niederlassung Deutschland
Neue Mainzer Straße 52-58
60311 Frankfurt Am Main, Deutschland

7. Subsidiaries and associated entities of Inter Cars - entities included in consolidation as at 31 December 2018.

As at 31 December 2018, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 32 other entities, including:

- 29 subsidiaries of Inter Cars S.A.
- 2 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	
				2018	2017
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	
				2018	2017
Inter Cars Ukraine	Khmelnytsky, Ukraine	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	
				2018	2017
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.r.o.	Karvina-Darkom, Czech	The Company does not carry out operating activities	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%
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%

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				2018	2017
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	Not applicable	100%	100%
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%
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 does not carry out operational activity

In the reporting period there were no 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 2018 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 2019.

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF THE FINANCIAL SITUATION

(in thousand PLN)	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	5	461,400	478,150
Investment property	7	17,779	21,530
Real estate available for sale	7	29,271	-
Intangible assets	6	199,415	180,959
Investments in associates	8	987	924
Investments available for sale	9	301	301
Receivables	12	22,346	20,014
Deferred tax assets	10	21,053	24,145
		752,552	**726,023**
Current assets			
Inventory	11	2,200,789	1,771,176
Trade and other receivables	12	870,763	739,360
Income tax receivables		4,432	5,504
Cash and cash equivalents	13	114,725	160,915
		3,190,709	2,676,955
TOTAL ASSETS		**3,943,261**	**3,402,978**
LIABILITIES			
Share capital	14	28,336	28,336
Share premium account	14	259,530	259,530
Supplementary capital		983,765	832,483
Other capital reserves		19,030	19,030
Foreign exchange gains /losses in subsidiaries		(26,318)	(26,437)
Retained earnings		564,830	503,086
Equity		**1,829,173**	**1,616,028**
Long-term liabilities			
Loan, borrowing and finance lease liabilities	16	531,819	658,384
Other long-term liabilities		6,206	3,116
Deferred income tax provision	10	25,037	25,497
		563,062	**686,997**
Short-term liabilities			
Trade and other liabilities	17	702,161	490,304
Loan, borrowing and finance lease liabilities	16	772,095	564,167
Employee benefits	18	31,251	21,314
Income tax liabilities	19	45,519	24,168
		1,551 026	1,099,953
TOTAL LIABILITIES		**3,943,261**	**3,402,978**

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousand PLN)	Note	for the period of 12 months ended on	
		31/12/2018	31/12/2017
Revenues from the sale of products, goods and materials	21	7,943,253	6,877 843
Cost of sales	22	(5,632,977)	(4,868,310)
Gross profit on sales		**2,310,276**	**2,009 533**
Other operating revenues	24	47,290	31,317
Selling cost, general and administrative expenses	23	(1,156,006)	(1,001,079)
Costs of distribution service	23	(836,141)	(713,757)
Other operating costs	25	(52,037)	(31,550)
Operating profit		**313,382**	**294,464**
Financial income	26	2,385	2,382
Exchange differences	26	(3,362)	6,063
Financial costs	26	(43,685)	(40,473)
Interest in associates		64	20
Profit before tax		**268,784**	**262,456**
Income tax	28	(45,699)	(46,028)
Net profit		**223,085**	**216,428**
Attributable to:			
shareholders of the parent company		223,085	216,428
		223,085	**216,428**
OTHER COMPREHENSIVE INCOME			
Items which may transferred to financial result			
Foreign exchange gains /losses		119	(14,349)
Total other comprehensive income, net		**119**	**(14,349)**
COMPREHENSIVE INCOME		**223,204**	**202,079**
Net profit attributable to:			
- the shareholders of the parent entity		223,085	216,428
		223,085	**216,428**
Comprehensive income attributable to:			
- the shareholders of the parent entity		223,204	202,079
		223,204	**202,079**
Earnings per share (PLN)			
- basic and diluted		15.75	15.28
Weighted average number of shares		14,168,100	14,168,100

ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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**

for the period from 01 January 2017 to 31 December 2017

(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 2017	**28,336**	**259,530**	**731,510**	**(12,088)**	**10,458**	**406,262**	**1,424,008**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	216,428	**216,428**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	(14,349)	-	-	**(14,349)**
Total comprehensive income	***-***	***-***	***-***	***(14,349)***	***-***	***216,428***	***202,079***
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	-	-	100,973	-	8,572	(109,545)	**-**
As at 31 December 2017	**28,336**	**259,530**	**832,483**	**(26,437)**	**19,030**	**503,086**	**1,616,028**

ANNUAL CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand PLN)	**Note**	**01/01/2018 - 31/12/2018**	**1.01.2017-31.12.2017**
Cash flows from operating activities			
Profit before tax		268,784	262,456
Adjustments:			
Depreciation and amortization		76,763	65,520
Foreign exchange gains /losses		1,567	284
(Profit / loss on investing activities		1,040	-
Net interest	27	41,336	36,945
(Gain)/loss on revaluation of investment property		3,751	573
Dividends received		-	-
Other adjustments, net	27	3,757	(16,796)
Operating profit before changes in the working capital		**396,998**	**348,982**
Increase (decrease) in inventories		(429,613)	(261,057)
Change in receivables	27	(128,659)	(47,431)
Change in short-term liabilities		231,854	8,685
Cash generated by operating activities		**70,583**	**49,179**
Corporate income tax paid	27	(20,644)	(24,821)
Net cash from operating activities		**49,939**	**24,358**
Cash flow from investing activities			
Proceeds from the sale of intangible assets, investment property, property, plant and equipment		3,385	2,000
Acquisition of intangible assets, investment property, and property, plant and equipment		(114,719)	(95,325)
Repayment of loans granted	27	3,908	1,715
Loans granted	27	(8,789)	(938)
Interest received	27	744	138
Net cash from investing activities		**(115,471)**	**(92,410)**
Cash flow from financing activities			
Repayment of credits and loans	27	-	(1,135)
Cash inflows on credits and loans	27	80,221	263,643
Financial lease contracts liabilities	27	(8,801)	(6,803)
Interest paid		(42,019)	(37,105)
Dividend paid		(10,059)	(10,059)
Payment of the reverse factoring		-	(101,000)
Net cash from financing activities		**19,342**	**107,541**
Net change in cash and cash equivalents		**(46,190)**	**39,489**
Cash and cash equivalents at the beginning of the period		**160,915**	**121,426**
Cash and cash equivalents at the end of the period		**114,725**	**160,915**

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

2nd1. Changes in IFRS and their interpretations

Changes of International Financial Reporting Standards and interpretations used for the first time in 2018 accounting year is presented in below chart:

Standards and interpretations approved by the EU	Description of amendments	Influence on Inter Cars Capital Group
IFRS 9 Financial Instruments	The new standard has replaced the IAS 39. The changes introduced by the standard into the financial instruments accounting include primarily: • other categories of financial assets on which the assets measuring method depends; assets are assigned to categories depending on the characteristics of the contractual cash flows and the business model relating to a given asset, • new hedge accounting rules better reflecting risk management, • a new model of financial assets impairment based on anticipated losses and resulting in the necessity of a faster recognition of the impairment cost in the financial result. The Group introduced the standard as of 1 January 2018.	Its impact is described below
IFRS 15 Revenue from Contracts with Customers	The standard replaced the hitherto applied IAS 11 and IAS 18, thus providing a single, consolidated model of revenue recognition. The new 5-step model of the new standard is the recognition of revenues from transfer of control over goods and services to a customer at a transactional price. All goods and services sold in packages that can be singled out from a package are to be recognized separately. In addition, all discounts and rebates on a transactional price should, in principle, be recognized as particular elements of a package. In the case of a 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	Its impact is described below

	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.	
Comments to IFRS 15 Revenue from Contracts with Customers	The explanations provide additional information and explanations related to the main assumptions included in IFRS 15, including identification of separate duties, explanations as to whether an entity is an intermediary (agent) or the main supplier of goods and services (principal), as well as the method of recognizing revenues on licenses. In addition to the above, exemptions and simplifications were introduced for entities applying the new standard for the first time.	The change had no crucial impact on the consolidated financial statements
Annual amendments to IFRS 2014 -2016	The amendments include: • IFRS 1: certain short-term exemptions were deleted, previously applied when switching to the IFRS as they related to periods that have already passed and therefore their application was not possible. The amendment does not affect the consolidated financial statements of the Group as it was prepared already in conformity with the IFRS. • IAS 28: information was added that where IAS 28 provide for measuring investments by means of the equity method or at fair value (by organizations managing high-risk capital, mutual funds etc. or shares in investment units) the selection can be made separately for each such investment.	The change had no crucial impact on the consolidated financial statements
Amendments to IAS 40 Investment property	The amendment provides additional information on the rules according to which a real estate is reclassified to or from the category of investment real estates from or to fixed assets or inventories. The reclassification occurs primarily when the method of use changes and such change must be proven. The standard straightforwardly states that a change of the management board's intentions alone is not sufficient. The amendment is to be applied to all changes in use that will occur after the amendment becomes effective, and to all investment real estate held as at the date of the standard becoming effective.	The change had no crucial impact on the consolidated financial statements
Amendments to IFRS 2: Classification and measurement of share based transactions*	The IAS Board has regulated three issues: • the method of recognizing in the valuation of the programme in cash of terms other than the terms of purchasing the rights, • recognition of the payment by stocks where an entity is obliged to charge a tax on an employee, • a programme modification resulting in a change from a programme recognized in cash to a programme recognized in capital instruments.	The change had no crucial impact on the consolidated financial statements
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation specifies the exchange rate to be applied in the event of foreign exchange sale or purchase proceeded prior to receiving or paying an advance in this currency. According to the new interpretation, a prepayment is recognized as at the date of its payment at the exchange rate applicable on that day. Subsequently, upon recognition in the income statement of a foreign currency revenue, cost or asset, they should be recognized at the exchange rate applicable on the date of recognition of the prepayment - not at the exchange rate applicable on the date of recognition of such revenue, cost or asset.	The change had no crucial impact on the consolidated financial statements
Amendments to IFRS 4: Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts	Amendments to IFRS 4 "Insurance Contracts" address the issue of application of the new IFRS 9 "Financial Instruments." Amendments to IFRS4 supplement the options already available in the standards and are aimed at preventing temporary fluctuations of results of the insurance sector entities in connection with the implementation of the IFRS 9.	The change had no crucial impact on the consolidated financial statements

IFRS 9 standard

The Group has applied IFRS 9 as of its effective date, i.e. as of 1 January 2018.

In 2017, band assessed the impact of implementation of IFRS 9 on the accounting principles applied by Inter Cars S.A. to the Group's activity or its financial result.
The impact of implementation of IFRS 9 on the consolidated statement of financial situation and equity was found to be insignificant.

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 qualification depends of the model of management of financial assets adopted by the Company 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 Group performs an SPPI test for the loans granted by comparing the total 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 Group measures the anticipated credit losses related to debt instruments measured at amortized cost.

In 2017 and 2018 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 including historical non-payments of sales invoices by customer in a period of two years preceding the year for which consolidated 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 their 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.”

The impact of the above-described changes on the consolidated financial statements of the Group is presented below.

(in thousand PLN)

Comparison of assets in conformity with IAS 39 and IFRS 9

Financial assets	IAS 39	IFRS 9				Impact of the change
As at 01 January 2018	Amortised cost	Amortised cost	Fair value calculated by: Result	Fair value calculated by: Other comprehensive income	Total	Increase/decrease
Trade receivables	739,360.00	739,412.00	0.00	0.00	739,412.00	52.00
Gross value	754,477.00	754,477.00	0.00	0.00	754,477.00	0.00
Impairment losses	(15,117.00)	(15,065.00)	0.00	0.00	(15,065.00)	52.00
Loans granted	6,165.00	6,165.00	0.00	0.00	6,165.00	0.00
Cash	160,915.00	160,915.00	0.00	0.00	160,915.00	0.00
Financial assets	**906,440.00**	**906,492.00**	**0.00**	**0.00**	**906,492.00**	**52.00**

2. Impairment

As regards the credit risk, the Group has analysed the hitherto methodology of making write-down on receivables, which provided for an individual and an index-based approach based on historical profitability statistics and believes that upon the first application of the standard the receivables will not change significantly.

3. Hedge accounting

The Group does not use hedge accounting.

IFRS 15 standard

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 a 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.

Inter Cars S.A. Group is running its business activity 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.
Inter Cars S.A. 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 goods and services

Inter Cars S.A. sells services only to a limited extent and these include mainly repair services provided to fleet chains.

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.

2.2. 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.

Standards and interpretations approved by the EU	Description of amendments	Influence on Inter Cars Capital Group
Amendments to IFRS 9 Financial Instruments: Prepayment with negative compensation	The amendments to the IFRS 9 introduce provisions related to contracts with a prepayment option, where the creditor may be forced to accepts a prepayment amount being much lower than the unpaid principal and interest. Such prepayment amount might constitute a payment to a borrower from a creditor rather than a compensation from the former to the latter. Such financial asset will qualify for measuring at amortized costs or at fair value in other comprehensive income (depending on the company's business model); although a negative compensation must constitute a justified compensation for an early repayment of a contract.	The change will have no crucial impact on the consolidated financial statements in the opinion of the Group
Amendments to IAS 28 Investments in associates and joint ventures: evaluation of long-term investments	The amendments state that IFRS 9 Financial Instruments are applied to long-term investments in an associates or a joint venture to which the equity method is not applied, and which generally constitute a part of a net investment in the associate or joint venture (log-term investments). The above explanation is important as it points out that the model of anticipated credit losses resulting from IFRS 9 applies to the above-mentioned long-term investments. The Board has additionally specified that by applying IFRS 9 an entity does not provide for any losses of associates or joint ventures nor losses from the loss of receivables resulting from net investments recognised as net investment adjustments in an associate or a joint venture resulting from application of IAS 29 Investments in Associates and Joint Ventures. Together with the amendments, the Board has published an example illustrating how the requirements resulting from IAS 28 and IFRS 9 are to be applied with respect to long-term investments.	The change will have no crucial impact on the consolidated financial statements in the opinion of the Group
IAS 19, Changes to schemes, limitations or settlements	The amendments to IAS 19 specify the method of determining the costs of specific pension schemes by an entity in the case of occurrence of changes to such scheme. IAS 19 Employee Benefits specifies how an entity settles a benefits scheme. In the case of changes to a scheme, its limitation or settlement, IAS 19 requires an entity to re-measure a liability or a net asset resulting from specific benefits. The amendments require that an entity apply the updated assumptions behind such measurement in order to determine the current costs of services and net interest for the remaining part of the reporting period following changes to a scheme. In requiring that the updated assumptions be applied, it is anticipated that the amendments will provide the users of financial statements with useful information.	The change will have no crucial impact on the consolidated financial statements in the opinion of the Group

(in thousand PLN)

Changes resulting from the "Annual Improvements Scheme: 2015-2017 cycle"	In January 2017, the International Accounting Standards Board published "Annual Improvements to IFRS 2015-2017". implementing amendments related to 4 standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The Improvements contain explanations and detail out the guidelines related to recognition and measurement. The improvements apply to annual periods commencing on 1 January 2019 or later. As at the date of these financial statements the improvements had not been approved by the European Union.	The change will have no crucial impact on the consolidated financial statements in the opinion of the Group
IFRS 16 Lease	The new standard sets the rules of recognising, measuring, presenting and disclosing information related to leases. All lease transactions result in obtaining by a lessee the right to use an assets and a payment obligation. Thus IFRS 16 repeals the classification of the operating lease and financial lease under IAS 17 and introduces a single model for recognising a lease by a lessee. The lessee shall recognize: (a) assets and liabilities for all lease transactions exceeding a period of 12 months, except for situations when an asset has a low value; and (b) depreciation of a leased asset in the report on results separately from the interest on a lease liability IFRS 16 to a large extents repeats the regulations of IAS 17 related to recognising a lease by a lessee. As a consequence the lessor continues to classifies leases as operating or financial ones and recognizes them accordingly.	Its impact is described below
IFRIC 23 Uncertainty connected with tax recognition	The interpretation provides explanations as to how the recognition and measurement requirements of IAS 12 "Income Tax" are to be applied in the event of an uncertainty related to recognizing the income tax. Uncertain income tax recognition is a recognition applied in the event of an uncertainty whether a given approach will be approved by tax authorities. The interpretation of IFRIC 23 particularly states, in the event of an uncertainty regarding recognising an income tax, whether and when an entity should analyse uncertain tax items separately, what are the entity's assumptions regarding the possibility of an inspection by tax authorities, the method by means of which the entity determines the taxable income (loss), the tax base, unused tax losses, interest rates, as well as how the entity recognizes changes to facts and circumstances. According to the interpretation, the effects of an uncertainty should be measured by means of a method which best provides for solving an uncertainty, or by means of a method of the most probable amount or by means of a method of anticipated value.	The change will have no crucial impact on the consolidated financial statements in the opinion of the Group

Standard IFRS 16 Leases

The standard changes the principles of recognising contracts of lease. According to IFR 16, a contract is a contract of lease, if a lessee is entitled to be in control over an identified asset for a specified period of time, including gaining economic benefits therefrom, against a consideration. The main change is the departure from the division into the operating and financial lease. All lease contracts which meet the requirements for this type of contract shall be presented as financial lease. Implementing the standard will have the following effect:

- in the statement of the financial situation: increase in the value of an asset resulting from the right to use and the obligations due to a lease

- on the statement of comprehensive income: decrease in the operating costs (other than accumulated depreciation), increase in the accumulated depreciation and financial costs.

(in thousand PLN)

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 new standard introduces a single model of recognising a lease in a lessee's books. According to a preliminary analysis, application of IFRS 16 will result in recognising in the Group's statement of financial situation the types of contracts currently treated as operating lease and not recognised in the statement of financial situation.

The Group recognized lease contracts subject to IFRS 16 facility lease contracts (related to facilities leased for the purposes of operation of the branches, warehouses and midi HUBS) and car and other equipment lease contracts under which the lessor, in return for a fee, gave the Company, being the lessee, the right to use a given asset during a specified time exceeding 12 months.

The lessor continues to classifies leases as operating or financial ones and recognizes them accordingly.

Estimated impact of implementation of IFRS 16 on recognising additional financial liabilities and related assets resulting from the right of use:

	01/01/2019
Assets on rights to usufruct	**330,855**
Lease liabilities	
Long-term liabilities	100,477
Short-term liabilities	230,378
Total lease liabilities	**330,855**

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

Standards and interpretations approved by the EU	**Description of amendments**	
IFRS 17 Insurance	IFRS 17 defines a new approach to recognition, measuring, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee transparency and comparability of insurers' financial statements. To this end the entity will disclose some quantitative and qualitative information allowing the users of financial statements to evaluate the impact of insurance contracts on the unit's financial situation, financial results and cash flows. IFRS 17 introduced a number of material changes to the hitherto requirements of IFRS 4. They relate, among other things, to: the levels of aggregation at which the calculations are made, the method of measuring the insurance liabilities, recognition of reinsurance, singling out of the investment components, the method of presentation of particular balance sheet items and the income statement of the reporting units, including separate presentation of revenues from insurance, insurance services costs, as well as revenues or financial costs.	The change will have no crucial impact on the consolidated financial statements in the opinion of the Group
Reference-related amendments to the Conceptual Assumptions of IFRS	Reference-related amendments to the Conceptual Assumptions of IFRS will apply as of 1 January 2020.	The amendment will have no crucial impact on the consolidated financial statements in

		the opinion of the Group
IFRS 3 Business Combinations	As a result of the amendment to IFRS 3 the definition of a “business” was changed. The current definition was narrowed down and will probably result in more acquisition transactions being classified as assets purchases. Amendment to IFRS 3 apply to annual periods commencing as of 1 January 2020 or thereafter. As at the date of preparation of these financial statements these changes had not been approved by the European Union.	The amendment will have no crucial impact on the consolidated financial statements in the opinion of the Group
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	The Board published a new definition of materiality. Amendments to IAS 1 and IAS 8 clarify the definition of “materiality” and make the standards more coherent, but they are not expected to have a material bearing on preparing financial statements. The amendment is obligatory for annual periods commencing as of 1 January 2020 or thereafter. As at the date of these financial statements the improvements had not been approved by the European Union.	The amendment will have no crucial impact on the consolidated financial statements in the opinion of the Group

Comparability of data

Changes in the presentation of financial statements include decreasing the re-invoicing income by the costs incurred.

In the presented financial statements the principle of data comparability has been applied. Below chart presents statement of differences arising due to changes in presentation of comparable data in report for 12 months of 2017, in thousand PLN

(in thousand PLN)	**for the period of 12 months ended on**		
	31/12/2017	**Change in presentation**	**31/12/2017**
Continued activity			(after transformation)
Revenues from the sale of products, goods and materials	6,908,365	(30,522)	6,877 843
Cost of sales	(4,886,805)	18,495	(4,868,310)
Gross profit on sales	**2,021,560**	**(12,027)**	**2,009 533**
Other operating revenues	31,621	(304)	31,317
Selling cost, general and administrative expenses	(1,013,374)	12,295	(1,001,079)
Costs of distribution service	(713,757)	-	(713,757)
Other operating costs	(31,586)	36	(31,550)
Operating profit	**294,464**	**-**	**294,464**
Financial income	2,382	-	2,382
Exchange differences	6,063	-	6,063
Financial costs	(40,473)	-	(40,473)
Shares in associated companies	20		20
Profit before tax	**262,456**	**-**	**262,456**
Income tax	(46,028)	-	(46,028)
Net profit	**216,428**	**-**	**216,428**
Attributable to:			
shareholders of the parent company	216,428	-	216,428
	216,428	**-**	**216,428**
OTHER COMPREHENSIVE INCOME			
Foreign exchange gains /losses	(14,349)	-	(14,349)
COMPREHENSIVE INCOME	**202,079**	**-**	**202,079**

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	
		31/12/2018	31/12/2017
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%
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 2017 there were no changes to the accounting policy, except for the new and amended standards described below. 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 an 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 assets other than derivatives

>>Accounting policy applied as of 1 January 2018

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 2017 and 2018 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.”

>> Accounting policy applied before 31 December 2017

Financial instruments are classified into the following categories: (a) held-to maturity financial instruments, (b) loans and receivables, (c) available for sale financial assets, (d) financial instruments measured at fair value through profit or loss.

Financial assets and liabilities are recognized when the entity of the Group becomes a party to a financial instrument.

Financial instruments are classified into the above categories depending on the purpose for which they were purchased.

As at the reporting date, financial instruments are reviewed and, if needed, reclassified. Financial instruments are initially recognized at fair value, which in the case of investments not classified as measured at fair value through profit or loss also includes transaction costs directly attributable to the acquisition or issue of the investment asset. Financial instruments are derecognized if the rights to receive economic benefits and the risks associated with such instruments expire or are transferred to a third party.

The fair value of financial instruments which are traded on an active market is determined by reference to the closing price on the last day of trading before the reporting date.

The fair value of financial instruments which are not traded on an active market is determined using various valuation methods, including by reference to the market value of another instrument with substantially the same features that is traded on an active market, based on the expected cash flows, or option valuation models, taking into account group-specific circumstances.

As at the reporting date, the Group determines whether there is objective evidence of impairment of an asset or a group of assets.

(a) Held-to-Maturity Financial Assets

Financial instruments held to maturity are financial assets other than derivatives, with fixed or determinable payments and fixed maturities, which the Group intends and is able to hold to maturity, excluding financial assets classified as financial instruments measured at fair value through profit or loss, investments available for sale, and loans and receivables.

Assets which will be sold within 12 months following the reporting date are disclosed under current assets.

Investments held to maturity are measured at amortised cost using the effective interest rate, less impairment losses.

(b) Loans and Receivables

Loans and receivables are financial assets other than derivatives, with fixed or determinable payments, which are not traded on an active market and which result from payments, delivery of goods or performance of services for the benefit of a debtor without an intention to classify such receivables as financial assets measured at fair value through profit or loss. Loans and receivables are disclosed under current assets, except for those maturing in over 12 months following the reporting date.

Trade and other receivables are measured at amortised cost using the effective interest rate, less impairment losses on doubtful receivables.

(c) Available for Sale Financial Assets

Financial assets available for sale are financial assets other than derivatives, which have been designated as available for sale or have not been classified to the (a), (b) or (d) category. Financial assets available for sale are disclosed under current assets if they are intended to be sold within 12 months following the reporting date. Financial assets available for sale are measured at fair value, except for investments in equity instruments which are not quoted on an active market and whose fair value may not be measured reliably.

Gains or losses from revaluation of financial asset is available for sale are disclosed as a separate item of equity until such financial assets are sold or their value is impaired, at which point the accumulated gains or losses previously disclosed under other comprehensive income are recognised as current period profit or loss.

(d) Financial Instruments Measured at Fair Value through Profit or Loss

An instrument is classified as one to be measured at fair value through profit or loss if it is held for trading or is designated as such at the time of its initial recognition. Financial instruments are classified as instruments measured at fair value through profit or loss if the Group actively manages such positions and makes decisions concerning their purchase or sale based on their fair value. Following initial recognition, the transaction costs related to the investments are recognised as profit or loss at the time they are incurred.

The fair value of financial instruments classified as measured at fair value through profit or loss or available for sale is their current bid price as at the reporting date.

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.

Other financial liabilities include loans, borrowings, debt instruments, current account credits, trade and other liabilities. For details regarding the valuation of bank loans see point I.

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.

g) Lease

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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) Revenue

>> Accounting policy applied starting from 1 January 2018

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 a 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 goods and services

The Group sells services only to a limited extent and these include mainly repair services provided to fleet chains.
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.

>> Accounting policy applied before 31 December 2017

Revenue is recognised at the fair value of economic benefits received or receivable, whose amount can be estimated reliably.

(a) Revenue from Sales of Goods for Resale and Products

Revenue is recognised if:

- the group has transferred to the buyer the significant risks and benefits of ownership,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods, products and services sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised net of VAT and taking into account any discounts granted.

Sales is realized via affiliated sales chain and own chain of branches. Sales revenue is recognized upon a sale of goods to a client.

(b) Revenue from sales of services

Revenue from sales of services is recognised on a percentage of completion basis as at the reporting date. The outcome of a transaction can be estimated reliably if all of the following conditions are met:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the stage of completion of the transaction as at the reporting date can be measured reliably, and
- the costs incurred in connection with the transaction and the costs to complete the transaction can be measured reliably.

(c) Interest Income

Interest income is recognised using the effective interest rate if the receipt of interest is probable and the amount of interest can be measured reliably.

(d) Dividend

Dividend income is recognised as at the dividend record date if it is probable that the dividend will be received and the amount of dividend can be measured reliably.

n) 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.

o) 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.

p) 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.

(in thousand PLN)

q) 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 21.
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:

	31/12/2018	31/12/2017
Fixed assets on the territory of Poland	652,304	636,584
Fixed assets outside the territory of Poland	100,248	89,439
Total fixed assets	**752,552**	**726,023**

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	
	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Revenues from external customers	7,848,081	6,807,576	95,172	100,789	-	-	7,943,253	6,908,365
Revenues between segments	7,637	16,659	479,115	583,526	(486,752)	(600,185)	-	-
Interest revenue	5,464	8,030	1,527	1,555	(5,005)	(7,597)	1,986	1,988
Interest costs	(41,231)	(39,249)	(1,180)	(1,038)	5,005	7,597	(37,406)	(32,690)
Amortization and Depreciation	(56,258)	(43,410)	(34,361)	(33,540)	11,430	11,430	(79,189)	(65,520)
Profit before tax	**414,645**	**344,634**	**30,680**	**30,412**	**(176,541)**	**(112,590)**	**268,784**	**262,456**
Shares in results of affiliates – using equity method	-	20	-	-	-	-	-	20
Total assets	**5,847,058**	**5,069,086**	**496,064**	**473,739**	**(2,399,861)**	**(2,139,847)**	**3,943,261**	**3,402,978**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(102,900)	(61,857)	(14,996)	(33,468)	-	-	(117,896)	(95,325)
Total commitments	**3,533,641**	**2,937,266**	**139,822**	**142,279**	**(1,559,375)**	**(1,292,595)**	**2,114,088**	**1,786 950**

(in thousand PLN)

5. Tangible fixed assets

	31/12/2018	31/12/2017
Land	39,968	46,264
Buildings and structures	148,422	180,405
Real estate available for sale	29,271	-
Plant and machinery	146,016	129,489
Vehicles	28,084	23,853
Other tangible assets	90,140	90,310
Tangible assets under construction	8,770	7,829
Total property, plant and equipment	**490,671**	**478,150**

Property, plant and equipment under lease agreements

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

- As at 31 December 2018 – PLN 16,241 thousand
- As at 31 December 2017 – PLN 16,576 thousand

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 01/01/2017	**46,020**	**202,763**	**-**	**231,815**	**46,173**	**175,780**	**7,578**	**710,129**
Increase:	**988**	**25,780**	**-**	**17,793**	**10,369**	**30,183**	**(104)**	**85,009**
Acquisition	988	19,772	-	20,143	8,664	28,916	4,602	**83,085**
Transfer	-	6,008	-	(2,744)	(3,193)	1,267	(4,706)	**(3,368)**
Lease	-	-	-	394	4,898	-	-	**5,292**
Decrease:	**-**	**-**	**-**	**(2,770)**	**(3,914)**	**(1,835)**	**-**	**(8,519)**
Sale	-	-	-	(2,676)	(3,818)	(1,642)	-	**(8,136)**
Liquidation	-	-	-	(94)	(96)	(193)	-	**(383)**
Foreign exchange gains /losses in subsidiaries	(195)	(447)	-	(2,400)	(749)	(1,366)	355	**(4,802)**
Gross value as at 31/12/2017	**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**

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(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 01/01/2017	**489**	**41,627**	**-**	**93,448**	**21,236**	**93,650**	**-**	**250,450**
Depreciation and amortization	60	6,064	-	23,001	9,194	19,516	-	**57,835**
Sale	-	-	-	(1,405)	(2,337)	(712)	-	**(4,454)**
Liquidation	-	-	-	(94)	(67)	(2)	-	**(163)**
Transfer	-	-	-	-	-	-	-	**-**
Accumulated depreciation as at 31/12/2017	**549**	**47,691**	**-**	**114,949**	**28,026**	**112,452**	**-**	**303,667**
Amortisation for period	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	-	-	-	-	-	-	-	**-**
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**	**130,554**	**-**	**355,880**

As at 01/01/2017	**45,531**	**161,136**	**-**	**138,367**	**24,937**	**82,130**	**7,578**	**459,679**
As at 31/12/2017	**46,264**	**180,405**	**-**	**129,489**	**23,853**	**90,310**	**7,829**	**478,150**
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**

(in thousand PLN)

6. Intangible assets

	31/12/2018	31/12/2017
Goodwill, including:	124,130	124,130
- goodwill from merger with JC Auto S.A.	*124,130*	*124,130*
Computer software	28,828	12,724
Other intangible assets, including:	4,325	7,855
- relations with suppliers	*1,624*	*3,015*
- other	*2,701*	*4,840*
Intangible assets under construction	42,132	36,250
	199,415	**180,959**

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 2017:

- 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 2019 was prepared based on the approved budget and provides for a 14.5% increase of EBITDA, whereas the data for 2020-2023 prepared based on the financial forecasts of the Inter Cars Group provide for an annual increase of EBITDA of approx. 9-11%.
- 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 1,993,617 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 2018 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 01/01/2017	**124,130**	**71,914**	**34,437**	**22,558**	**253,039**
Acquisition	-	2,805	-	15,697	18,502
Transfer from investments	-	2,005	-	(2,005)	-
Liquidation	-	(1,392)	-	-	(1,392)
Gross value as at 31/12/2017	**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**
AMORTISATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS					
Accumulated depreciation as at 01/01/2017	**-**	**58,418**	**24,152**	**-**	**82,570**
Amortisation for period	-	5,256	2,430	-	7,686
Foreign exchange gains /losses	-	131	-	-	131
Other	-	(1,197)	-	-	(1,197)
Accumulated depreciation as at 31/12/2017	**-**	**62,608**	**26,582**	**-**	**89,190**
Amortisation for period	-	8,279	4,272	-	12,551
Foreign exchange gains /losses	-	(281)	-	-	(281)
Liquidation	-	(1,028)	-	-	(1,028)
Accumulated depreciation as at 31/12/2018	**-**	**69,578**	**30,854**	**-**	**100,432**
Net value					
As at 01/01/2017	**124,130**	**13,504**	**10,277**	**22,558**	**170,469**
As at 31/12/2017	**124,130**	**12,724**	**7,855**	**36,250**	**180,959**
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**

7. Investment property and available for sale

Investment property	2018	2017
As at 1 January	21,530	24,103
Change in value measured at fair value	(3,751)	(573)
Sale of real property	-	(2,000)
As at 31 December	**17,779**	**21,530**

The Group contracted valuation to the fair value of the real estate in Lublin, Szczecin, Gdańsk, Gorzów 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).

Income on rent for real estate in Gorzów PLN 420 thousand and in Szczecin PLN 240 thousand 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.

In the first two months of 2018 the property located in Gdańsk earned PLN 25 thousand.

The real estate in Kajetany is a warehouse and office building located at 48 Klonowa street. It was sold in March 2019.

8. Investments in associates

	2018	2017
Status as at 01 January 2018	**924**	**1,921**
Increase, including:	**64**	**-**
- share in results of Intermeko	*64*	-
Decrease, including:	**-**	**(997)**
transfer of shares in Inter Cars d o.o. (Bosnia and Herzegovina) to consolidation	-	*(221)*
- transfer of shares in Inter Cars Greece Ltd to consolidation	-	*(776)*
Status as at 31 December 2018	**988**	**924**

Shares in associated entity – as at 31 December 2018

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	2,040	*
Liabilities	113	*
Revenue	2,013	*
Net result	127	*

* not audited

(in thousand PLN)

9. Investments available for sale

	2018	2017
As at 1 January	**301**	**301**
As at 31 December	**301**	**301**

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.

10. Deferred tax

Deferred Tax Assets and Liabilities

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

As at 31 December 2018	**Assets**	**Liabilities**
Intangible assets	2,522	1312
Tangible fixed assets	3,558	9,276
Investment property	704	-
Inventories	28,124	9,107
Trade and other receivables	12,590	2709
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 liabilities as disclosed in the balance sheet	**21,053**	**25,037**

As at 31 December 2017	**Assets**	**Liabilities**
Intangible assets	1,947	-
Tangible fixed assets	-	6,364
Investment property	134	-
Inventories	19,412	9,813
Trade and other receivables	20,662	-
Tax losses	4,887	-
Finance lease liabilities	1,703	-
Trade and other payables	6,394	40,314
Deferred tax assets/liabilities	**55,139**	**56,491**
Deferred tax offset against liabilities	(30,994)	(30,994)
Deferred tax liabilities as disclosed in the balance sheet	**24,145**	**25,497**

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. amounted to PLN 183,610 thousand. As at 31 December 2017 the unrecognised asset item on deferred tax on fiscal benefit in the form of tax advantage of trademarks in related entity amounted to PLN 225,172 thousand. 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 31.12.2018, 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	**2018**	**2017**
As at beginning of period	55,139	51,413
Increase	13,960	3,726
As at end of period	**69,099**	**55,139**

Change in deferred tax liabilities	**2018**	**2017**
As at beginning of period	56,491	41,634
committed in the reporting period	16,592	14,857
As at end of period	**73,083**	**56,491**

	31/12/2017	**Effect on net profit**	**31/12/2018**
Deferred tax assets	55,139	13,960	69,099
Deferred tax liabilities	(56,491)	(16,592)	(73,083)
	(1,352)	**(2,632)**	**(3,984)**

11. Inventory

	31/12/2018	**31/12/2017**
Materials	43,495	32,591
Half-products and work in progress	3,086	3,116
Finished goods	6,131	11,131
Merchandise	2,148,077	1,724,338
	2,200,789	**1,771,176**

Merchandise	2,152,856	1,729,216
Write-offs	(4,779)	(4,878)
	2,148,077	**1,724,338**

(in thousand PLN)

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 1,349 million have been pledged as collateral to secure the repayment of bank loan (details – see note 16).

Change in impairment losses on inventories

	2018	2017
As at beginning of period	(4,878)	(4,550)
(increase) / decrease	99	(328)
As at end of period	**(4,779)**	**(4,878)**

12. Trade and other receivables

	31/12/2018	31/12/2017
Trade receivables	729,632	644,818
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	111,176	63,585
Other receivables and accrued expenses	43,688	43,988
Loans granted	4,294	2,086
Short term trade and other receivables – gross	**888,790**	**754,477**

As at 31 December 2018, 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 65,025 thousand.

Change in impairment loss on trade receivables

	2018	2017
Status as at the beginning of the period	(15,117)	(16,100)
Increase	(5,546)	(2,208)
Used	2,636	3,191
Status as at the end of the period	**(18,027)**	**(15,117)**
Short-term trade and other receivables – net	**870,763**	**739,360**

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	**31/12/2018**	**31/12/2017**
Up to 12 months	888,790	754,477
	888,790	**754,477**

(in thousand PLN)

Currency structure of non-current trade and other receivables (gross)	**31/12/2018**	**31/12/2017**
Local currency	425,876	462,660
Foreign currencies	462,914	291,817
	888,790	**754,477**
Receivables in EUR	194,534	66,620
Receivables in other currencies	268,380	225,197
	462,914	**291,817**

Maturity structure of receivables	**31/12/2018**		**31/12/2017**	
	Gross	**Write-offs**	**Gross**	**Write-offs**
Up to 180 days	839,616	-	722,969	-
- matured	*324,110*	-	*244,664*	-
- unmatured	*515,506*	-	*478,305*	-
From 181 to 270 days	8,877	-	1,815	701
From 271 to 360 days	4,967	-	2,260	404
Over 1 year	35,330	18,027	27,433	14,012
Total	**888,790**	**18,027**	**754,477**	**15,117**

Loans granted	**31/12/2018**	**31/12/2017**
Current loans	4,294	2,086
Non-current loans and borrowings	6,950	4,079
	11,244	**6,165**

Non-current receivables	**31/12/2018**	**31/12/2017**
Non-current loans and borrowings	6,950	4,079
Security deposits	13,520	14,242
Other	1,876	1,693
	22,346	**20,014**

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 33.

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.

(in thousand PLN)

13. Cash and cash equivalents

	31/12/2018	31/12/2017
Cash in hand	8,875	8,660
Cash at bank	84,131	125,503
Cash in transit	21,341	26,585
Cash on accounts of the Company's Social Benefits Fund	378	167
Cash	**114,725**	**160,915**

Cash	**31/12/2018**	**31/12/2017**
In local currency	33,968	39,488
In foreign currencies	80,757	121,427
	114,725	**160,915**

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 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.

14. Share capital and share premium account

As at 31 December 2018, 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	1999	400,000	2.00	-
Series B	7,695,600	14/05/2004	1999	15,391,200	2.00	-
Series C	104,400	14/05/2004	1999	208,800	2.00	-
Series D	2,153,850	14/05/2004	2001	4,307,700	6.85	10,448,676
Series E	1,667,250	14/05/2004	2002	3,334,500	8.58	10,966,504
Series G	1,875,000	14/03/2008	2007	3,750 000	122.00	225,000 000
Series F1	10,001	06/08/2007	2008	20,002	33.59	315,932
Series F2	30,000	25/06/2008	2008	60,000	37.13	1,053 900
Series F1	147,332	06/08/2007	2009	294,664	33.59	4,654 218
Series F2	127,333	25/06/2008	2009	254,666	37.13	4,473 208
Series F3	157,334	21/12/2009	2009	314,668	18.64	2,618 038
	14,168 100			**28,336 200**		**259,530 476**

15. 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 223 085 thousand (2017: PLN 216,428 thousand) and the weighted average number of shares – 14,168 thousand (2017: PLN 14,168 thousand): presented below:

(in thousand PLN)

Weighted average number of shares	**2018**	**2017**
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	**2018**	**2017**
Net profit for period	223,085	216,428
Weighted average number of shares	14,168,100	14,168 100
Net profit per share	15.75	15.28

Diluted earnings per share

In 2018 and 2017 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.

16. 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 33.

The syndicated credit facility agreement

On 29 October 2018 an annex was signed to the term loan and revolving credit agreement of 14 November 2016. On the basis of the annex the maturity date for revolving credit has been extended to 14 November 2019, while for term loans to 14 November 2021.

Pursuant to the provisions of the Annex, the maximum amount of revolving loans granted pursuant to the Loan Agreement was increased by PLN 63.000.000, 00 and currently amounts to PLN 838.000.000, 00.

The maximum total amount of term loans granted pursuant to the Loan Agreement has increased by PLN 37,000,000 and amounts to PLN 537,000,000.00

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 178.5m, repayable by 20 February 2020.

Inter Cars Romania s.r.l. has a credit line facility with RON 90m limit in Bank ING Bank N.V. repayable by 27/12/2019.

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	**31/12/2018**	**31/12/2017**
Secured bank loans	499,234	499,024
Bonds	-	149,754
Finance lease liabilities	7,490	9,606
	506,724	**658,384**

Current	**31/12/2018**	**31/12/2017**
Secured bank loans	638,725	556,222
Finance lease liabilities	7,713	7,081
Factoring	-	-
Bonds	150,752	864
	797,190	**564,167**

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**	

Loans and borrowings as at 31/12/2017

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	**775,000**	**457,037**	14-11-2018
Inter Cars S.A.		404,805	
Inter Cars Ceska Republika s.r.o.		16,684	
Inter Cars Slovenska Republika s.r.o.		20,685	
Lauber Sp. z.o.o.		14,863	
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	**29,131**	**24,465**	31-12-2018
ING Bank N.V. (Inter Cars Romania s.r.l.)	**80,577**	**74,818**	27-12-2018
	884,708	**556,320**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	500,000	500,000	14-11-2020
	500,000	**500,000**	

As at 31 December 2018, total liabilities under loans and borrowings amounted to PLN 1,140,018 thousand of which PLN 884,122 thousand is denominated in PLN and PLN 176,298 thousand is denominated in EUR,

PLN 25 095 thousand is denominated in CZK, whilst PLN 54 503 thousand is denominated in RON.

Material terms of the syndicated credit facility

(in thousand PLN)

The syndicated credit facility was granted by the following banks (including the amount drawn as at 31 December 2018):

	Use in nominal value	**Share in the amount drawn**
CaixaBank S.A.	139,492	12.24%
Bank Pekao S.A.	312,589	27.42%
Bank Handlowy S.A.	97,500	8.55%
DNB Bank Polski S.A.	123,369	10.82%
Bank BGŻ BNP Paibas S.A.	121,396	10.65%
mBank S.A.	149,907	13.15%
ING Bank Śląski S.A.	96,046	8.42%
Citibank Europe PLC Slovakia	20,121	1.76%
ING Bank N.V. (Inter Cars Romania s.r.l.)	54,503	4.78%
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	25,095	2.20%
	1,140,018	**100%**

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.

As at 31 December 2018 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 3.4 %.

Finance lease	**31/12/2018**	**31/12/2017**

Payments under lease agreements	16,142	17,179
Financial expense	(939)	(492)
Present value of liabilities under leases	**15,203**	**16,687**

Payments under lease agreements		
Up to 1 year	8,673	7,347
Between 1 and 5 years	7,469	9,832
	16,142	**17,179**
Present value of liabilities under leases		
Up to 1 year	8,408	7,081
Between 1 and 5 years	6,795	9,606
	15,203	**16,687**

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. and 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 are to be 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 shall be 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.
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.

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Amount of buyback
Series A	24/10/2014	24/10/2019	150,000,000
			150,000,000

17. Trade and other liabilities

	31/12/2018	31/12/2017
Trade payables to other entities	523,359	357,377
Taxes, duties, social security and other benefits payable	56,259	41,060

(in thousand PLN)

Bill of exchange liabilities	65,165	49,399
Other payables and accrued expenses	57,378	42,468
	702,161	**490,304**

	31/12/2018	**31/12/2017**
Trade payables before bonuses accrued for the period	645,110	553,221
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(121,751)	(195,844)
Balance sheet value of trade payables	**523,359**	**357,377**

Maturity structure of trade payables		
Up to 12 months	523,359	356,377
Over 12 months	-	1,000
	523,359	**357,377**

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	**31/12/2018**	**31/12/2017**
Payables in PLN	211,219	232,662
Foreign currencies	490,942	257,642
	702,161	**490,304**

Translated into PLN	**31/12/2018**	**31/12/2017**
Liabilities in EUR	333,738	134,405
Liabilities in USD	79,144	49,310
Liabilities in other currencies	78,060	73,927
	490,942	**257,642**

18. Employee benefits

	31/12/2018	**31/12/2017**
Salaries and wages	30,784	20,901
Company's Social Benefits Fund	467	413
	31,251	**21,314**

19. Income tax liabilities

Maturity structure of tax payables	**31/12/2018**	**31/12/2017**
Up to 12 months	45,519	24,168
	45,519	**24,168**

Currency structure of tax payables	**31/12/2018**	**31/12/2017**
Local currency	4,980	6,652
Foreign currency, denominated in PLN	37,539	17,516
	45,519	**24,168**

20. Payment in the form of own shares

Motivation program in the form of option for shares for the management has come to an end in 2009.

21. Sales revenue

	01/01/2018 - 31/12/2018	1.01.2017- 31.12.2017
Net sales of products	67,795	63,152
Revenues on sales of commodities and materials	7,744,402	6,688,171
Revenue from sales of services	131,031	156,320
Lease of investment property	25	722
	7,943,253	**6,908,365**

Sales by product groups

	2018	*share*	2017	*share*
Spare parts for passenger cars	5,060,026	*63.70%*	4,329,138	*62.70%*
Spare parts for commercial vehicles and buses	1,230,871	*15.50%*	1,149,159	*16.70%*
tyres	903,533	*11.37%*	773,936	*11.20%*
garage equipment	317,403	*4.00%*	319,328	*4.60%*
motorcycles and parts	181,517	*2.29%*	133,566	*1.90%*
accessories	80,701	*1.02%*	32,915	*0.50%*
other sale - services	84,237	*1.06%*	98,374	*1.40%*
semi-trailers - Feber	67,795	*0.85%*	63,152	*0.90%*
automobiles ISUZU	17,170	*0.22%*	8,797	*0.10%*
	7,943,253	***100.00%***	**6,908,365**	***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

	2018		2017	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**
Sales in Poland	4,371,499	55%	4,233,554	61%
Sales outside Poland	3,571,754	45%	2,674,811	39%
Total	**7,943,253**	**100%**	**6,908,365**	**100%**

22. Cost of sales

	01/01/2018 - 31/12/2018	1.01.2017- 31.12.2017
Value of goods and materials sold	5,581,010	4,814,709
Sold gods	53,953	55,925
Foreign exchange (gains) / losses	(1,986)	16,171

(in thousand PLN)

Cost of sales	**5,632,977**	**4,886,805**

23. Selling cost, general and administrative expenses

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Amortization and Depreciation	79,189	65,520
Materials and energy consumption	134,364	139,261
External services	1,498 735	1,327,848
Taxes and fees	16,931	15,629
Salaries	241,498	186,007
Social security and other benefits	56,489	48,112
Other costs by kind	49,527	36,126
Total costs by kind	**2,076,733**	**1,818,503**
(minus) Cost of products sold	(88,581)	(91,388)
(minus) Change in the balance of finished products and work in progress	3,995	16
(minus) Cost of distribution realized by branches	(836,141)	(713,757)
Selling cost, general and administrative expenses	**1,156,006**	**1,013,374**

24. Other operating revenues

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Gain on disposal of non-financial non-current assets	1,929	1,167
Compensation, penalties and fines received	2,278	1,737
Marketing rebates	17,500	5,982
Other rebates	1,855	2,356
Impairment losses on past due liabilities	49	59
Early payment discount	924	207
Other sales	7,990	8,138
Reversal of provisions	2,546	5,592
Other	12,212	6,383
	47,290	**31,621**

25. Other operating costs

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Recognised impairment losses on receivables and other impairment losses recognised	-	-
Damage to stock	13,021	2,888
Expenses related to complaints	2,195	-
Inventory lacks	5,656	5,758
Compensations	248	-
Insurances	62	402
Past due receivables recognised as impairment losses	6,775	754

(in thousand PLN)

Impairment of stock write off	191	-
Debt collection expenses	-	-
Donations	1,286	-
Revaluation of non-financial assets	-	770
Claims recognized by suppliers	-	706
Rebates granted	2,310	1,827
Loss on previous years*	-	4,034
Liquidation of intangible assets	878	1,802
Other	19,415	12,645
	52,037	**31,586**

*Impact of changes in statutory statements of daughter Companies not entered into the previous year's consolidated statements.

26. Finance income and expenses

Financial income	**01/01/2018 - 31/12/2018**	**1.01.2017-31.12.2017**
Interest on loans and borrowings	(116)	188
Other interest	2,248	1,791
Exchange differences	-	6,063
Dividends received	-	-
Other	352	403
	2,484	**8,445**

Financial costs	**01/01/2018 - 31/12/2018**	**1.01.2017-31.12.2017**
Interest expense under bank loans	36,149	31,111
Other interest	914	1,581
Fees and commissions	6,098	6,830
Exchange differences	2,320	-
Impairment losses for fixed assets	-	-
Other	1,665	951
	47,146	**40,473**

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)**

(in thousand PLN)

Foreign exchange gains/(losses) in the period from 01/01/2017 to 31/12/2017	**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	(15,483)	-	(15,483)
Other	-	1,651	1,651
Realised foreign exchange gains/(losses)	**(15,483)**	**1,651**	**(13,832)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(688)	-	(688)
Other	-	4,412	4,412
Unrealised foreign exchange gains/(losses)	**(688)**	**4,412**	**3,724**
Total foreign exchange gains/(losses)	**(16,171)**	**6,063**	**(10,108)**

27. Structure of cash for the statement of cash flows

Corporate income tax paid

	2018	**2017**
Current corporate income tax disclosed in the statement of comprehensive income	(43,067)	(34,898)
Adjustment of comprehensive income	1,072	7,679
Change in income tax payable	21,351	2,398
Corporate income tax paid	**(20,644)**	**(24,821)**

Change in receivables

	2018	**2017**
Change in trade and other receivables	(131,406)	(46,180)
Change in non-current receivables	(2,332)	(216)
Change in Loans granted	5,079	(1,035)
Bank commissions and bonds	-	-
Change in receivables	**(128,659)**	**(47,431)**

Change in Loans granted

	2018	**2017**
Loans granted	(8,789)	(938)
Repayment of loans granted	3,908	1,715
Interest received	744	138
Interest accrued	(677)	(163)
Foreign exchange gains /losses	(264)	283
Change in Loans granted	**(5,078)**	**1,035**

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

(in thousand PLN)

	2018	2017
Repayment of loans and borrowings	(41,015)	(1,135)
Cash inflows on credits and loans	121,236	263,643
Commission on credits and loans	1,772	1,850
Exchange gains/losses on credit valuation	720	(7,579)
Financial lease contracts liabilities	(8,800)	(6,806)
Interest on bonds issued	4,607	4,634
Paid interest for bonds	(4,613)	(4,631)
Settlement of credit and bonds commission	139	343
Granted leases	7,317	5,170
Reversed factoring	-	(58,588)
Change in loans, borrowings, debt securities and finance lease liabilities	**81,363**	**196,901**

Net interest

	2018	2017
Interest paid	(33,376)	(37,105)
Interest received	744	138
Net interest	**(32,632)**	**(36,967)**

Other adjustments, net

	2018	2017
Foreign exchange gains /losses	119	(14,349)
Change in other non-current liabilities	2,997	(3,746)
Net result of an associated company attributable to the Capital Group	(64)	(20)
Change of company presentation to a related company	-	997
Valuation of property	(3,751)	-
Other	4,455	322
Real estate moved to inventories and other net items	**3,756**	**(16,796)**

28. Income tax

Income tax recognised under current period profit or loss

	01/01/2018 - 31/12/2018	**1.01.2017-31.12.2017**
Current income tax	43,067	34,897
Change in deferred income tax	2,632	11,131
Income tax disclosed in statement of comprehensive income	**45,699**	**46,028**

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:

(in thousand PLN)

Effective tax rate	**01/01/2018 - 31/12/2018**	**1.01.2017-31.12.2017**
Gross profit (without share of the result of the affiliate)	**268,662**	**262,456**
Tax based on 19% rate	(51,046)	(49,867)
Tax rates gains/losses *	8,015	1,455
Trade mark depreciation temporary differences	2,796	7,896
Permanent differences		
Costs / incomes not subject to taxation	(5,464)	(5,512)
Current income tax disclosed in statement of comprehensive income	**(45,699)**	**(46,028)**

- 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 29%, Bosnia and Herzegovina 10%, Moldova 12%, Estonia 20%, Slovenia 19%, Germany 29,79%, 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.

29. Dividend proposed by the Board of Managers

Dividend on profit in **2018**

Within the reporting period and till the day of publishing of these financial statements the Company had not realized any payments on account of pay-out of dividend on operating profit for 2018.
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 2018. The dividend policy of the Company projects dividend pay-out 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 **2017**

On 18 April 2018, the General Meeting of Inter Cars S.A. adopted a resolution to pay a dividend of PLN 10,059 thousand , i.e. PLN 0.71 per share from the 2017 profit. The payment of the dividend was realized on 13 July 2018.

Dividend per share

	01/01/2018 - 31/12/2018	**1.01.2017-31.12.2017**
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

30. 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.

(in thousand PLN)

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 2018, the total amount of sureties and guarantees issued by the Parent Company for unrelated entities was PLN 26 239 thousand.

Sureties and guaranties	**2018**	**2017**
As at beginning of period	33,397	21,220
Issued and increases	1,185	15,626
Expired	(8,343)	(3,449)
As at end of period	**26,239**	**33,397**

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.

31. Operating leases

Inter Cars leases warehouse space to entities operating as affiliate branches. However, the warehouses are not owned by the Group but leased (apart from the Central Warehouse in Czosnów and the facilities in Kajetany and Gdańsk). Lease costs paid by the Group are fully re-invoiced to end users (branch operators) throughout the whole term when the area is used (including the termination notice period).

Future minimum fees on an irrevocable financial lease

	31/12/2018	**31/12/2017**
Up to 1 year	7,484	38,779
Between 1 and 5 years	-	12,854
Over 5 years	-	982
	7,484	**52,615**

	31/12/2018	**31/12/2017**
Indefinite period	1,343	11,784
Definite period	6,141	40,831
	7,484	**52,615**

The Group re-invoices the above-mentioned lease rents to the cooperating branch operators.

(in thousand PLN)

32. 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. The value of these transactions is shown in the table below.

Sales revenue	**2018**	**2017**
ANPO Andrzej Oliszewski	2	1
FASTFORWARD Maciej Oleksowicz	72	11
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	4
AK-CAR Agnieszka Soszyńska	5	31
JAG Sp. z o.o.	2,068	2,034
FF-SPORT Sp. z o.o.	370	429
Michal Kaštil	-	1
	2,517	**2,511**

Purchase of goods and services	**2018**	**2017**
ANPO Andrzej Oliszewski	153	157
FASTFORWARD Maciej Oleksowicz	-	3
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	20
AK-CAR Agnieszka Soszyńska	66	31
JAG Sp. z o.o.	17,060	18,463
FF-SPORT Sp. z o.o.	246	19
Michal Kaštil	167	210
I love mama s.r.o.	10	11
	17,702	**18,914**

Receivables	**31/12/2018**	**31/12/2017**
FASTFORWARD Maciej Oleksowicz	2	-
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	19	20
AK-CAR Agnieszka Soszyńska	4	17
JAG Sp. z o.o.	1,056	816
FF-SPORT Sp. z o.o.	22	35
	1,103	**888**

Liabilities	**31/12/2018**	**31/12/2017**
ANPO Andrzej Oliszewski	1	2
JAG Sp. z o.o.	242	-
FF-SPORT Sp. z o.o.	123	0
Michal Kaštil	36	90
I love mama s.r.o.	8	8
	410	**100**

Loans granted	**31/12/2018**	**31/12/2017**
Loans to members of the Supervisory Board and Management Board and their relatives	-	201
Loans to subsidiary and associated entities	48,705	47,508
	48,705	**47,709**

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

(in thousand PLN)	**01/01/2018 - 31/12/2018**	**1.01.2017- 31.12.2017**
Remuneration of the members of the Supervisory Board and the Management Board		
Remuneration of the members of the Supervisory Board	540	311
Remuneration of the members of the Management Board	11,684	12,297
	12,224	**12,608**

Remuneration for acting as members of Management of the Board of the parent entity amounted to PLN 8,264 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 3,492 thousand.

33. 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.

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:

	31/12/2018	**31/12/2017**
Loans granted	11,244	6,165
Trade and other receivables (excluding loans granted)	866,469	737,274
Cash and cash equivalents	105,850	152,255
	983,563	**895,694**

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 2018, 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	**31/12/2018**	**31/12/2017**
Financial assets (loans granted)	11,244	6,165
Cash assets in bank accounts	84,131	125,503
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases)	(1,303,914)	(1,222,551)
	(1,208,539)	**(1,090,883)**

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.

(in thousand PLN)

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

as at 31/12/2017	**basis points increase/decrease**	**Impact on net profit / loss**
	+100 / -100	(8,836)/ 8,836
	+200 / -200	(17,672)/ 17,672

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 enter any foreign currency future purchase or sales contracts between 1st January to 31 December 2018.

	EUR	USD	RON	Other	EUR	USD	RON	Other
	31 December 2018				**31 December 2017**			
Trade receivables	194,534	-	127,850	140,530	66,620	4,090	100,374	120,733
Cash	35,586	167	3,628	41,376	70,636	30	4,765	45,996
Bank credits	(176,298)	-	(54,503)	(25,095)	(93,824)	-	(74,818)	(24,465)
Trade payables	(333,738)	(79,144)	(29,272)	(48,788)	(134,405)	(49,310)	(22,457)	(51,470)
Gross balance sheet exposure	**(279,916)**	**(78,977)**	**47,703**	**108,023**	**(90,973)**	**(45,190)**	**7,864**	**90,794**

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 31/12/2018**	**as at 31/12/2017**
EUR	+5% / -5%	(11,337)/ 11,337	(3,684) / 3,684
	+10% / -10%	(22,674)/ 22,674	(7,368) / 7,368
USD	+5% / -5%	(3,199)/ 3,199	(1,830) / 1,830
	+10% / -10%	(6,398)/ 6,398	(3,660)/ 3,660

(in thousand PLN)

RON	+5% / -5%	1,932/ (1,932)	318 / (318)
	+10% / -10%	3,864/ (3,864)	636 / (636)
Other	+5% / -5%	4,375 / (4,375)	3,677 / (3,677)
	+10% / -10%	8,750/ (8,750)	7,354 / (7,354)

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:

	31/12/2018	**31/12/2017**
Current assets	3,190,709	2,676,955
Short-term liabilities	1,576,121	1,099,953
Surplus of current assets over short-term liabilities	1,614,588	1,577,002
Current ratio	2.02	2.43
Quick ratio	0.64	0.82
Cash ratio	0.07	0.15

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

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

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

31 December 2018	current	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**

31 December 2017

	current	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	-	-	557,086	648,778	-	1,205,864
finance lease liabilities	-	1,977	5,104	9,606	-	16,687
trade and other payables	203,661	219,308	67,335	-	-	490,304
	203,661	**221,285**	**629,525**	**658,384**	**-**	**1,712,855**

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.

(in thousand PLN)

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.

	31/12/2018	**31/12/2017**
Loan, borrowing, factoring and finance lease liabilities	1,303,914	1,222,551
Trade and other liabilities	702,161	490,304
(less) cash and cash equivalents	(114,725)	(160,915)
Net debt	1,891,350	1,551,940
Equity	1,829,173	1,616,028
Net debt to equity	**1.03**	**0.96**

Fair value

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

34. Events subsequent to the balance sheet date

On 11 March 2019 a notary deed was signed pursuant to which the real estate located in Kajetany at 48 Klonowa street was sold to a third party. A description of the said real estate and the value of the transaction are included in note no. 7.

35. 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.

36. 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 2018 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 17 April 2019

Maciej Oleksowicz
CEO

Krzysztof Soszyński
Vice-President of the Management Board

Krzysztof Oleksowicz
Member of the Management Board

Wojciech Twaróg
Member of the Management Board

Piotr Zamora
Member of the Management Board

Tomáš Kaštil
Member of the Management Board

Julita Pałyska
Person responsible for keeping the accounting books

Warsaw 17 April 2019.