INTER CARS PUBLIC LIMITED COMPANY

ANNUAL SEPARATE FINANCIAL STATEMENTS

2018

ANNUAL SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD from 1 January to 31 December 2018.

Financial highlights:

in thousand PLN	for the period of 12 months ended on		for the period of 12 months ended on	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
	PLN	*PLN*	*EUR*	*EUR*
Profit and loss account *(for the period)*				
Revenues from the sale of products, goods and materials	6,002,371	5,295,719	1,406,729	1,247,607
Gross profit on sales	1,428,542	1,204,644	334,796	283,799
Costs of license	(8,762)	(83,402)	(2,054)	(19,648)
Net financial revenues / costs	142,103	95,165	33,304	22,420
Operating results	102,626	(2,319)	24,052	(546)
Net profit	228,628	101,058	53,582	23,808
Other financial data				
Operating cash flows	(209,407)	(165,292)	(49,077)	(38,941)
Investing cash flows	129,884	80,489	30,440	18,962
Financing cash flows	72,351	90,128	16,956	21,233
Basic profit per share	16.14	7.13	3.78	1.68
Sales margin	23.80%	22.70%		
EBITDA margin	2.22%	0.40%		
Balance sheet ***(as at)***	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Cash and cash equivalents	24,283	31,454	5,647	7,541
Balance sheet total	3,443,148	2,999,502	800,732	719,150
Interest-bearing loans and borrowings, debt securities and leasing	1,324,902	1,202,120	308,117	288,216
Equity	1,422,970	1,204,401	330,923	288,763

Employment and branches	**31/12/2018**	**31/12/2017**
Employees	572	489
Branches	249	243

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

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", „The Company") 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

Administrative data of the Company

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

3. Contact details

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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 Warsaw

7. 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. Puławska 2
02-566 Warsaw

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

8. Subsidiaries

As at 31 December 2018, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 31 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	
				31/12/2018	31/12/2017
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	
				31/12/2018	31/12/2017
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	
				31/12/2018	31/12/2017
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%

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2018	31/12/2017
ILS Sp. z o.o.	Zakroczym, Poland	Logistics services	full	100%	100%
Inter Cars Malta Holding Limited	Birkirkara, Malta	Assets management	full	100%	100%
Q-service Truck Sp. z o.o.	Warsaw, Poland	Sale of delivery vans and trucks	full	100%	100%
Inter Cars INT d.o.o.	Ljubljana, Slovenia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Eesti OÜ	Tallinn, Estonia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars GREECE.	Athens, Greece	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Sarajevo, Bosnia and Herzegovina	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars United Kingdom - automotive technology Ltd *	London, Great Britain	Distribution of spare parts for passenger cars and commercial vehicles	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

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

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF FINANCIAL POSITION

(in thousand PLN)	Note no.	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	123,725	145,968
Intangible assets	7	185,533	167,116
Investment property	9	-	1,991
Real estate available for sale	9	29,271	-
Investments in subordinated entities	10	418,193	416,106
Investments available for sale		258	258
Receivables	13	22,737	19,566
		780,957	**751,005**
Current assets			
Inventory	12	1,351,565	1,149,732
Trade and other receivables	13	1,286,343	1,064,555
Income tax receivables		-	2,756
Cash and cash equivalents	14	24,283	31,454
		2,662,191	**2,248,497**
TOTAL ASSETS		**3,443,148**	**2,999,502**
LIABILITIES			
Equity			
Share capital	15	28,336	28,336
Share premium account	15	259,530	259,530
Supplementary capital		900,217	809,218
Other reserve capitals		5,935	5,935
Retained earnings from previous and current years		228,952	101,382
		1,422,970	**1,204,401**
Long-term liabilities			
Loan, borrowing and finance lease liabilities	17	501,426	652,325
Deferred income tax provision	11	20,013	6,518
		521,439	**658,843**
Short-term liabilities			
Trade and other liabilities	18	659,126	577,268
Interest-bearing loans and borrowings, debt securities and leasing	17	823,476	549,795
Liabilities of the reverse factoring		-	-
Employee benefits	19	14,453	9,195
Income tax liabilities	20	1,684	-
		1,498,739	**1,136,258**
TOTAL LIABILITIES		**3,443,148**	**2,999,502**

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note no.	01/01/2018 - 31/12/2018	1.01.2017- 31.12.2017
Revenues from the sale of products, goods and materials	21	6,002,371	5,287,526
Cost of sales	22	(4,573,829)	(4,082,882)
Gross profit on sales		**1,428,542**	**1,204,644**
Other operating revenues	25	15,292	15,971
Selling cost, general and administrative expenses	23	(697,238)	(632,597)
Costs of distribution service	23	(495,515)	(443,647)
Costs of license	23	(8,762)	(83,402)
Other operating costs	26	(139,693)	(63,288)
Operating results		**102,626**	**(2,319)**
Financial income	27	2,698	2,822
Dividends received	27	184,685	128,390
Exchange differences	27	(3,362)	6,062
Financial costs	27	(41,918)	(42,109)
Profit before tax		**244,729**	**92,846**
Income tax	23	(16,101)	8,212
Net profit		**228,628**	**101,058**
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income, net		**-**	**-**
COMPREHENSIVE INCOME		**228,628**	**101,058**
Earnings per share (PLN)			
- basic and diluted	16	16.14	7.13
Weighted average number of shares in the year		14,168,100	14,168,100

ANNUAL SEPARATE 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	Other reserve capitals	Retained earnings	**Total equity**
As at 01 January 2018	**28,336**	**259,530**	**809,218**	**5,935**	**101,382**	**1,204,401**
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	228,628	**228,628**
Total comprehensive income	**-**	**-**	**-**	**-**	**228,628**	**228,628**
Transactions with shareholders						
Distribution of prior period profit – dividend	-	-	-	-	(10,059)	**(10,059)**
Distribution of retained profits - carried over to supplementary capital	-	-	90,999	-	(90,999)	**-**
As at 31 December 2018	**28,336**	**259,530**	**900,217**	**5,935**	**228,952**	**1,422,970**

ANNUAL SEPARATE STATEMENT OF CHANGES IN EQUITY (continued)

for the period from 01 January 2017 to 31 December 2017

(in thousand PLN)	Share capital	Share premium account	Supplementary capital	Other reserve capitals	Retained earnings	**Total equity**
As at 01 January 2017	**28,336**	**259,530**	**709,886**	**5,935**	**109,715**	**1,113 402**
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	101,058	**101,058**
Total comprehensive income	**-**	**-**	**-**	**-**	**101,058**	**101,058**
Transactions with shareholders						
Distribution of prior period profit – dividend	-	-	-	-	(10,059)	**(10,059)**
Distribution of retained profits - carried over to supplementary capital	-	-	99,332	-	(99,332)	**-**
As at 31 December 2017	**28,336**	**259,530**	**809,218**	**5,935**	**101,382**	**1,204,401**

ANNUAL SEPARATE STATEMENT OF CASHFLOWS

(in thousand PLN)	Note	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Cash flows from operating activities			
Profit before tax		244,729	92,846
Adjustments:			
Depreciation and amortization		30,440	23,223
Foreign exchange gains /losses		855	501
(Profit / loss on investing activities		755	1,580
Net interest and share in profits		33,311	33,286
Net dividends	27	(184,685)	(128,390)
Gain/loss on revaluation of investment property		360	-
Other adjustments, net		17	(130)
Operating profit before changes in the working capital		**125,782**	**22,916**
Increase (decrease) in inventories		(201,831)	(160,447)
Change in receivables	28	(218,954)	(153,876)
Change in short-term liabilities	28	83,762	120,102
Cash generated by operating activities		**(211,241)**	**(171,305)**
Corporate income tax paid		1,834	6,013
Net cash from operating activities		**(209,407)**	**(165,292)**
Cash flow from investing activities			
Proceeds from the sale of plant, property, equipment and intangible assets		1,154	799
Purchase of property, plant, equipment and intangible assets		(50,651)	(40,270)
Purchase of financial assets in related and other entities	28	(2,088)	(12,007)
Repayment of loans granted	28	2,331	3,824
Loans granted	28	(8,711)	(1,237)
Interest received	28	3,164	990
Dividends received		184,685	128,390
Net cash from investing activities		**129,884**	**80,489**
Cash flow from financing activities			
(repayments) / proceeds from credits and leases	28	(4,420)	(4,087)
Loans received	28	120,734	236,185
Repayment of loans and borrowings	28	-	-
Guarantee deposits received		(15)	(29)
Payment of the reverse factoring		-	(101,000)
Interest paid	28	(33,889)	(30,882)
Dividend paid	30	(10,059)	(10,059)
Net cash from financing activities		**72,351**	**90,128**
Net change in cash and cash equivalents		**(7,171)**	**5,325**
Cash and cash equivalents at the beginning of the period		**31,454**	**26,129**
Cash and cash equivalents at the end of the period		**24,283**	**31,454**

Notes to the annual separate financial statements

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

The separate 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 Company 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 Company had not finished estimating the impact of all the new Standards and Interpretations to become effective following the reporting date.

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

2nd1. Changes in IFRS and their interpretations

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

Standards and interpretations approved by the EU	Description of amendments	Impact on Inter Cars S.A. Company
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 Company 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 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.	Its impact is described below

(in thousand PLN)

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 amendment had no crucial impact on the 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 financial statements of the Company 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 amendment had no crucial impact on the 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 amendment had no crucial impact on the 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 amendment had no crucial impact on the 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 preceded 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 amendment had no crucial impact on the 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 amendment had no crucial impact on the financial statements

IFRS 9 standard

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

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

1. Classification and measurement of financial assets

The Company 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 Company 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 Company 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 Company 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 Company 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 Company has not nor had plans to its trade receivables; they are all held until maturity date. The Company 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 Company 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 Company's receivables do not include material financial elements within the meaning of IFRS 15. For the purposes of calculation of a write-down, the Company 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 Company 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 Company 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.

(in thousand PLN)

Number of days	Write-off level
Not overdue	0.15%
1-30 days	0.40%
31-60 days	2.99%
61-90 days	5.40%
91-180 days	9.16%
181-270 days	17.04%
271 – 360 days	22.08%
Over 360 days	29.64%

As regards trade receivables, the Company 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 Company 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 Company 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 Company 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 Company 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 Company has selected 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 Company 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 Company 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	971,989.00	972,041.00	0.00	0.00	972,041.00	52.00
Gross value	987,612.00	987,612.00	0.00	0.00	987,612.00	0.00
Impairment losses	(15,623.00)	(15,571.00)	0.00	0.00	(15,571.00)	52.00
Loans granted	51,936.00	51,936.00	0.00	0.00	51,936.00	0.00
Cash	31,454.00	31,454.00	0.00	0.00	31,454.00	0.00
Shares in subsidiary companies	415,797.00	415,797.00	0.00	0.00	415,797.00	0.00
Shares in associated companies	566.00	566.00	0.00	0.00	566.00	0.00
Financial assets	**1,471,742.00**	**1,471,794.00**	**0.00**	**0.00**	**1,471,794.00**	**52.00**

2. Impairment

As regards the credit risk, the Company 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 evaluated that upon the first application of the standard the receivables did not change significantly.

3. Hedge accounting

The Company 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 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 Company has applied IFRS 15, using the full retrospective methods, as of its effective date.

Inter Cars S.A. is running its business activity in the following areas:

1. Sale of goods

The Company'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 Company, 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 Company 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 Company continues to recognize sales revenues upon the completion of a settlement month.

The Company 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 Company 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 Company 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 financial statements for publication as per their effective date.

Standards and interpretations approved by the EU	Description of amendments	Impact on Inter Cars S.A. Company
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 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 financial statements in the opinion of the Company
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 financial statements in the opinion of the Company

(in thousand PLN)

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 financial statements in the opinion of the Company
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 financial statements in the opinion of the Company
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 financial statements in the opinion of the Company

(in thousand PLN)

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.

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 Company's statement of financial situation the types of contracts currently treated as operating lease and not recognised in the statement of financial situation.

The Company 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) 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	**86,361**
Buildings	86,361
Lease liabilities	
Long-term liabilities	58,407
Short-term liabilities	27,954
Total lease liabilities	**86,361**

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 financial statements in the opinion of the Company
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 change will have no crucial impact on the financial statements in the opinion of the Company
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 applies 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 change will have no crucial impact on the financial statements in the opinion of the Company
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 change will have no crucial impact on the financial statements in the opinion of the Company

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

	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	5,295,719	(8,193)	5,287,526
Cost of sales	(4,091,075)	8,193	(4,082,882)
Gross profit on sales	**1,204,644**	**-**	**1,204,644**
Other operating revenues	15,971		15,971
Selling cost, general and administrative expenses	(632,597)		(632,597)
Costs of distribution service	(443,647)		(443,647)
Costs of license	(83,402)		(83,402)
Other operating costs	(63,288)		(63,288)
Operating results	**(2,319)**		**(2,319)**
Financial income	2,822		2,822
Dividends received	128,390		128,390
Exchange differences	6,062		6,062
Financial costs	(42,109)		(42,109)
Profit before tax	**92,846**		**92,846**
Income tax	8,212		8,212
Net profit	**101,058**		**101,058**
COMPREHENSIVE INCOME	**101,058**		**101,058**

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.

2.4. Functional and presentation currency

(a) Presentation and functional currency

These financial statements are presented in Polish zloty („PLN”) which is the Company’s functional currency. PLN is the functional currency of Inter Cars S.A.

(b) Foreign currency translation differences

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 Company 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 Company 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. Significant accounting policies

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

Tangible fixed assets

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

Property, plant and equipment include Company's assets, investment in third-party fixed assets, fixed assets under construction and third-party fixed assets accepted for use by the Company (when pursuant to a contract the potential benefits and risk resulting from their possession are substantially transferred to the Company). 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. 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 Company 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 Company 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 Company. 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 - 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.

a) 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.

b) 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 Company 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 12-year period, 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 Company, 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.

c) 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.

d) Financial instruments

>>Accounting policy applied as of 1 January 2018

1. Classification and measurement of financial assets

The Company 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 Company 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 Company 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 Company 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 Company 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 Company has not nor had plans to its trade receivables; they are all held until maturity date. The Company 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 Company 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 Company's receivables do not include material financial elements within the meaning of IFRS 15. For the purposes of calculation of a write-down, the Company 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 Company has created 8 ranges:

(in thousand PLN)

- 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 Company 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.

Number of days	Write-off level
Not overdue	0.15%
1-30 days	0.40%
31-60 days	2.99%
61-90 days	5.40%
91-180 days	9.16%
181-270 days	17.04%
271 – 360 days	22.08%
Over 360 days	29.64%

As regards trade receivables, the Company 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 Company 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 Company 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 Company 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 Company 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 Company has selected 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 Company 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 Company 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 company-specific circumstances.

As at the reporting date, the Company 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 Company 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 assets 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 Company 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.

e) 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 Company 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 Company's books.
Financial assets and liabilities are offset against each other and recognized in the financial statements as a net amount only if the Company 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 Company 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 k).

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 Company 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 Company's books.
Financial assets and liabilities are offset against each other and recognized in the financial statements as a net amount only if the Company 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 Company 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 k).

g) Impairment of assets

Financial assets

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

The amount of an impairment loss on a financial asset carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of the future cash flows, discounted using the original effective interest rate. Impairment losses on financial assets available for sale are measured by reference to the assets' present fair value.

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. 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 Company has a reason to suspect that a given asset's value has been impaired, it estimates its recoverable amount. The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet ready for use is established at each reporting date.

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

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

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

h) Lease

a) The Company as a Lessee

Property, plant and equipment used under finance lease agreements which transfer to the Company 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 Company 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.

i) Inventory

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

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

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

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

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

j) Cash and cash equivalents

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

k) Equity

In the Company'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 premium 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.

l) Loans and borrowings

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

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

m) Provisions

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

n) Revenue

>> 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 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 Company has applied IFRS 15, using the full retrospective methods, as of its effective date.
Inter Cars S.A. is running its business activity in the following areas:

1. Sale of goods

The Company'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 Company, 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 Company 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 Company continues to recognize sales revenues upon the completion of a settlement month.

The Company 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 Company 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 entity 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 entity,
- 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.

Domestic sales are carried out through a chain of affiliate branches, with which distribution agreements have been signed. Sales revenue is recognized upon a sale of goods to a client. Revenue from exports is recognised at the time of delivery of goods for resale or products to the buyer (Customer).

(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 entity,
- 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.

o) Operating expenses

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

The costs charged to the Company by its affiliate branches as compensation for the sale of goods for resale performed on behalf of the Company 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 Company

p) Financial costs

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

q) Income tax

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

Deferred income tax is determined with use of the tax rates effective for the year in which a given tax obligation originated, based on the tax regulations applicable in the year in which the deferred tax asset and liability are settled.

(in thousand PLN)

Deferred tax asset is disclosed in the amount expected to be deducted from income tax due in the future in connection with deductible temporary differences which will reduce the taxable income in the future and the deductible tax loss determined in accordance with the prudence principle.

A deferred tax provision is recognised at the amount of corporate income tax payable in the future in respect of taxable temporary differences, i.e. differences which result in a higher tax base in the future.

Deferred tax asset and deferred tax liability are offset in the separate statement of financial position if the Company holds an exercisable right to offset corporate income tax receivable and payable and if the deferred tax asset and deferred tax liability refer to the corporate income tax levied on the same taxpayer by the same tax authority.

r) Measurement of the value of shares in subordinated entities

Equity interests in subordinated undertakings are valued at acquisition cost less impairment losses.

The price of purchase of shares in subordinated entities taken up against an in-kind contribution is determined based on the carrying value of the contribution as at its date. The value is assessed on the basis of data included in the separate financial statements.

4. Information on business segments

Information about operating segments is presented in the consolidated financial statements of the Inter Cars S.A. Capital Group as operating segments are identified at the Group level.

5. Supplementary information

For information on key products and services and the geographical breakdown of sales, see Note 21.

The vast majority of the Company's non-current assets are situated in Poland. The Company is unable to identify separate groups of assets corresponding to the geographical breakdown of sales.

The Company does not have key customers due to the nature of its operations. For more information see Note 13.

6. Tangible fixed assets

	31/12/2018	31/12/2017
Land	17,505	23,760
Buildings and structures	48,132	69,860
Real estate available for sale	29,271	-
Plant and machinery	9,656	10,708
Vehicles	5,303	3,753
Other tangible assets	35,801	32,170
Tangible assets under construction	7,328	5,717
Total property, plant and equipment	**152,996**	**145,968**

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 5,955 thousand
- As at 31 December 2017 – PLN 6,892 thousand

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

The Company's right to dispose of any item of property, plant and equipment held by the Company, 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 and structures	Real estate available for sale	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 01 January 2017	**23,760**	**104,791**	**-**	**61,986**	**7,400**	**73,034**	**2,523**	**273,494**
Increase:	-	1,424	-	3,475	2,550	14,377	4,350	**25,020**
Acquisition	-	268	-	3,475	329	14,377	4,350	**22,799**
Transfer	-	1,156	-	-	-	-	-	**-**
Transfer to intangible assets	-	-	-	-	-	-	-	**-**
Lease	-	-	-	-	2,221	-	-	**2,221**
Decrease:	-	-	-	192	1,234	286	(1,156)	**1,712**
Sale	-	-	-	112	1,138	286	-	**1,536**
Transfer	-	-	-	-	-	-	(1,156)	**-**
Liquidation	-	-	-	80	96	-	-	**176**
Gross value as at 31 December 2017	**23,760**	**106,215**	**-**	**65,269**	**8,716**	**87,125**	**5,717**	**296,802**
Increase:	-	5,362	-	3,351	4,184	14,229	5,623	**28,737**
Acquisition	-	1,350	-	3,351	1,390	14,229	5,623	**25,943**
Transfer	-	4,012	-	-	-	-	-	**-**
Transfer to intangible assets	-	-	-	-	-	-	-	**-**
Transfer to real estate available for sale	(6,255)	(34,672)	40,927	-	-	-	-	**-**
Lease	-	-	-	-	2,794	-	-	**2,794**
Decrease:	-	2,096	-	1,629	2,627	1,811	(4,012)	**8,163**
Sale	-	68	-	231	1,898	1,014	-	**3,211**
Transfer	-	-	-	-	-	-	(4,012)	**-**
Liquidation	-	2,028	-	1,398	729	797	-	**4,952**
Gross value as at 31 December 2018	**17,505**	**74,809**	**40,927**	**66,991**	**10,273**	**99,543**	**7,328**	**317,376**

(in thousand PLN)

DEPRECIATION AND IMPAIRMENT LOSSES

DEPRECIATION	Land	Buildings and structures	Real estate available for sale	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Amortisation and impairment losses as at 1 January 2017	**-**	**33,234**	**-**	**50,330**	**3,622**	**45,772**	-	**132,958**
Amortisation for period	-	3,121	-	4,394	2,087	9,388	-	**18,990**
Sale	-	-	-	(83)	(681)	(204)	-	**(968)**
Liquidation	-	-	-	(80)	(66)	-	-	**(146)**
Amortisation and impairment losses as at 31 December 2017	**-**	**36,355**	**-**	**54,561**	**4,962**	**54,956**	-	**150,834**
Amortisation for period	-	3,222	-	4,334	2,327	10,597	-	**20,480**
Sale	-	(22)	-	(164)	(1,660)	(1,014)	-	**(2,860)**
Liquidation	-	(1,222)	-	(1,396)	(659)	(797)	-	**(4,074)**
Transfer to real estate available for sale	-	(11,656)	11,656	-	-	-	-	**-**
Amortisation and impairment losses as at 31 December 2018	**-**	**26,677**	**11,656**	**57,335**	**4,970**	**63,742**	**-**	**164,380**
NET VALUE								
As at 01 January 2017	**23,760**	**71,557**	**-**	**11,656**	**3,778**	**27,262**	**2,523**	**140,536**
As at 31 December 2017	**23,760**	**69,860**	**-**	**10,708**	**3,754**	**32,169**	**5,717**	**145,968**
As at 01 January 2018	**23,760**	**69,860**	**-**	**10,708**	**3,754**	**32,169**	**5,717**	**145,968**
As at 31 December 2018	**17,505**	**48,132**	**29,271**	**9,656**	**5,303**	**35,801**	**7,328**	**152,996**

(in thousand PLN)

7. Intangible assets

	31/12/2018	31/12/2017
Goodwill, including:	122,937	122,937
- goodwill from merger with JC Auto S.A.	*122,937*	*122,937*
Computer software	17,202	3,611
Other intangible assets, including:	45,394	40,568
- relations with suppliers	*1,624*	*3,015*
- other	*1,637*	*3,786*
- under construction	*42,133*	*33,767*
	185,533	**167,116**

8. Impairment test

The Company'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, as in the previous year, the Company held no intangible values resulting from financial lease contracts.

None of the intangible assets held by the Company 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)

GROSS VALUE OF INTANGIBLE ASSETS	Computer software	Other intangible assets	Goodwill	Under construction	Total
Gross value as at 01 January 2017	**44,187**	**33,032**	**122,937**	**20,074**	**220,230**
Acquisition	321	-	-	15,698	**16,019**
Transfer from investments	2,005	-	-	(2,005)	-
Liquidation	(1,142)	-	-	-	**(1,142)**
Gross value as at 31 December 2017	**45,371**	**33,032**	**122,937**	**33,767**	**235,107**
Acquisition	8,357	19	-	20,001	**28,376**
Transfer from investments	11,635	-	-	(11,635)	-
Liquidation	(289)	(419)	-	-	**(708)**
Gross value as at 31 December 2018	**65,074**	**32,632**	**122,937**	**42,133**	**262,775**
AMORTISATION AND IMPAIRMENT LOSSES					
Amortisation and impairment losses as at 1 January 2017	**41,099**	**23,801**	**-**	**-**	**64,900**
Amortisation for period	1,803	2,430	-	**-**	**4,233**
Liquidation	(1,142)	-	-	**-**	**(1,142)**
Amortisation and impairment losses as at 31 December 2017	**41,760**	**26,231**	**-**	**-**	**67,991**
Amortisation for period	4,707	5,253	-	**-**	**9,960**
Liquidation	(289)	(419)	-	**-**	**(708)**
Amortisation and impairment losses as at 31 December 2018	**46,178**	**31,065**	**-**	**-**	**77,243**
NET VALUE					
As at 01 January 2017	**3,088**	**9,231**	**122,937**	**20,074**	**155,330**
As at 31 December 2017	**3,611**	**6,801**	**122,937**	**33,767**	**167,116**
As at 01 January 2018	**3,611**	**6,801**	**122,937**	**33,767**	**167,116**
As at 31 December 2018	**18,896**	**1,567**	**122,937**	**42,133**	**185,533**

(in thousand PLN)

9. 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 property in Kajetany is a warehouse-office building, located at 48 Klonowa street. It was sold in March 2019.

The Company's title to the above property was not restricted.

10. Investments in subordinated entities

	2018	2017
As at 1 January (gross)	**423,106**	**414,881**
Increase, including:	2,087	8,225
- capital increase in Inter Cars d o.o. with its registered seat in Sarajevo in Bosnia and Herzegovina	2,087	734
`-Sale of shares in FRENOPLAST	-	(3,782)
- Increase in share capital in Inter Cars Greece	-	1,273
- increase in share capital in ILS Sp. z o.o.	-	*10,000*
As at 31 December (gross):	**425,193**	**423,106**
- write-down on Inter Cars Ukraine	(7,000)	(7,000)
As at 31 December (net)	**418,193**	**416,106**

In 2018 Inter Cars S.A. increased share capital in Inter Cars d o.o. (Bosnia and Herzegovina).

Impairment test

The Company executed the analysis of indicator of impairment investment in subsidiary companies. As a result of this analysis, the Company identified such indicator and carried out an impairment test with respect to the investments in Inter Cars Ukraine, Inter Cars Hungary and Inter Cars Croatia. As at 31 December 2018, the test showed no impairment.

The value in use is the estimated present value of future cash flows generated by subsidiaries. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed significantly in comparison to values adopted as at 31 December 2016:

- Data used for projection for 2019 and the following years of the forecast were prepared on the basis of an approved budget and assume average annual growth of EBITDA in the course of the forecast on the level of 19% in case of Ukraine, 4% in case of Hungary and 6% in case of Croatia.
- Cash flows for remaining years (in residual period) were estimated based on a growth rate of 1.2%.
- The discount rates applied to calculate the useful value were as follows: 17% for Ukraine and 7% for Croatia and Hungary; they were estimated based on the weighted average capital cost (WACC).

Interest in subsidiaries as at 31 December 2018

Name and legal form of associate	Registered seat	Date of control take-over	Carrying amount of shares (in PLN thousand)	Percentage of share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
Inter Cars Ukraine LLC	Khmelnytsky, Ukraine	04.2000	29,531	100%	93,525	67,433	257,263	10,060
Q-Service Sp. z o.o.	Cząstków Mazowiecki, Poland	04.2000	416	100%	41,059	20,033	259,939	20,639
Lauber Sp. z o.o.	Słupsk, Poland	07.2003	1,565	100%	56,820	47,006	57,298	1,555
Inter Cars Ceska Republika	Prague, Czech Republic	04.2004	13,866	100%	108,734	84,601	263,008	3,442
Inter Cars Slovenska Republika	Bratislava, Slovakia	08.2005	21	100%	91,746	74,388	245,975	3,688
Feber Sp. z o.o.	Warsaw, Poland	08.2004	30,011	100%	47,247	10,714	81,651	6,249
Inter Cars Lietuva	Vilnius, Lithuania	09.2006	1,058	100%	78,055	57,248	319,877	7,631
IC Development & Finance Sp. z o.o.	Warsaw, Poland	10.2006	3,785	100%	22,136	24,199	1,008	85
Inter Cars d.o.o.	Zagreb, Croatia	02.2008	18,471	100%	173,265	151,795	356,178	6,405
Inter Cars Hungaria Kft.	Budapest, Hungary	02.2008	32,472	100%	137,442	122,520	307,458	2,198
Inter Cars Italia s.r.l.	Milan, Italy	02.2008	2,952	100%	51,615	45,486	89,043	1,239
JC Auto S.A.	Braine-le-Château, Belgium	02.2008	1,408	100%	1,202	401	257	(172)
JC Auto s.r.o.	Karvina-Darkom, Czech	02.2008	-	100%	563	5,152	-	(305)
Armatus Sp. z o.o.	Warsaw, Poland	02.2008	1,711	100%	690	235	2,654	95
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	07.2008	8,581	100%	465,870	417,591	891,017	25,238
Inter Cars Latvija SIA	Mārupes nov., Mārupe , Latvia	08.2010	12	100%	110,342	82,598	332,084	5,999
Inter Cars Cyprus Limited	Nicosia, Cyprus	10.2010	47	100%	85,571	20,301	-	15,458
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	03.2011	21	100%	136,204	121,507	313,625	6,631
Cleverlog-Autoteile GmbH	Berlin, Germany	03.2011	524	100%	21,425	19,569	88,522	180
Inter Cars Marketing Services Sp. z o.o.	Warsaw, Poland	05.2012	6,280	100%	522,123	4,539	43,739	(3,202)
ILS Sp. z o.o.	Kajetany, Poland	10.2012	254,804	100%	358,362	47,862	406,102	17,276
Inter Cars Malta Holding Limited	Qormi, Malta	02.2013	19	100%	133,458	89,529	335,240	32,766
Q-Service Truck	Warsaw, Poland	12.2013	1,500	100%	8,170	5,502	37,252	1,168
Inter Cars Eesti OÜ	Tallinn, Estonia	12.2014	222	100%	22,495	17,900	99,020	2,293
Inter Cars d o.o.	Ljubljana, Slovenia	12.2014	3,258	100%	21,423	16,764	45,227	746
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	03.2015	1	100%	14,871	13,963	26,440	634
Inter Cars d o.o.	Sarajevo, Bosnia and Herzegovina	10.2016	3,042	100%	15,341	13,381	19,926	(331)
Inter Cars GREECE	Athens, Greece	11.2016	2,050	100%	15,236	13,159	10,430	2,043
Inter Cars United Kingdom - automotive technology Ltd	London, Great Britain	09.2017	-	100%	-	-	-	-
			417,628		**2,834,990**	**1,595,376**	**4,890,233**	**169,708**

(in thousand PLN)

Due to a permanent impairment, in 2014 the Company recognized a revaluation write-down on the shares of its associate Inter Cars Ukraine LLC.

Interest in associates as at 31 December 2018

Name and legal form of associate	Registered seat	Date of control take-over	Carrying amount of shares (in PLN thousand)	Percentage of associate share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
Inter Cars Malta Ltd	Qormi, Malta	02.2013	Not applicable	100%	132,140	110,686	335,440	21,257
Aurelia Auto d o o	Croatia	01.2012	Not applicable	100%	714	2,014	109	50

Share in affiliated entities – as at 31 December 2018

Name and legal form of associate	Registered seat	Balance sheet value of shares (in thousand PLN)	Percentage of share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
InterMeko Europa sp. z o.o.	Warsaw	566	50%	2,040	113	2,013	**127**

(in thousand PLN)

11. Deferred tax

Deferred Tax Assets and Liabilities

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

As at 31 December 2018	**Assets**	**Provisions**
Intangible assets	-	525
Tangible fixed assets	-	3,328
Long-term debts	159	-
Investments in subordinated entities	1,511	-
Inventories	20,562	9,107
Trade and other receivables	11,936	2,183
Borrowings	-	2,949
Finance lease liabilities	676	-
Long-term liabilities	-	146
Trade and other payables	13,382	50,002
Deferred tax assets/liabilities	48,226	68,240
Deferred tax offset against liabilities	(48,226)	(48,226)
Deferred tax liabilities as disclosed in the balance sheet	**-**	**20,014**

As at 31 December 2017	**Assets**	**Provisions**
Intangible assets	118	-
Tangible fixed assets	-	3,494
Long-term debts	194	-
Investments in subordinated entities	1,576	-
Inventories	9,060	9,813
Trade and other receivables	14,877	-
Borrowings	77	3,080
Finance lease liabilities	635	-
Long-term liabilities	-	232
Trade and other payables	9,003	25,439
Deferred tax assets/liabilities	35,540	42,058
Deferred tax offset against liabilities	(35,540)	(35,540)
Deferred tax liabilities as disclosed in the balance sheet	**-**	**6,518**

In the presented periods, deferred tax was recognized for all the balance-sheet items which represented temporary differences

Change in deferred tax assets	**2018**	**2017**
As at beginning of period	35,540	25,291
Increase / (decrease)	12,686	10,249
As at end of period	**48,226**	**35,540**

(in thousand PLN)

Change in deferred tax liabilities	2018	2017
As at beginning of period	42,058	41,349
committed in the reporting period	26,182	709
As at end of period	**68,240**	**42,058**

	31/12/2017	Effect on net profit	31/12/2018
Deferred tax assets	35,540	12,686	48,226
Deferred tax liabilities	(42,058)	(26,182)	(68,240)
	(6,518)	**(13,496)**	**(20,014)**

12. Inventory

	31/12/2018	31/12/2017
Merchandise	1,351,565	1,149,732
	1,351,565	**1,149,732**

Merchandise	1,353,114	1,151,281
Impairment losses	(1,549)	(1,549)
	1,351,565	**1,149,732**

Change in impairment losses on inventories

	2,018	2017
As at beginning of period	(1,549)	(1,549)
(increase) / decrease	-	-
As at end of period	**(1,549)**	**(1,549)**

Inter Cars S.A. 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.

The inventories of PLN 1,349 million have been pledged as collateral to secure the repayment of bank loan.

(in thousand PLN)

13. Trade and other receivables

	31/12/2018	31/12/2017
Trade receivables from related entities	787,361	619,488
Trade receivables from other entities	384,551	368,124
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	79,931	45,965
Other receivables, prepayments and accrued income	5,925	7,587
Loans granted	42,613	39,013
Short term trade and other receivables – gross	**1,300,381**	**1,080 177**

Change in impairment loss on trade receivables	**2018**	**2017**
Status as at the beginning of the period	(15,623)	(16,145)
((Increase))/ Decrease, including:	3,085	522
- new impairment losses / release	*3,085*	*522*
Status as at the end of the period	**(12,538)**	**(15,623)**
Short-term trade and other receivables – net	**1,287,843**	**1,064 554**

The Company 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 trade receivables	**31/12/2018**	**31/12/2017**
Up to 12 months	1,171,912	987,612
	1,171,912	**987,612**

Currency structure of trade and other receivables (gross)	**31/12/2018**	**31/12/2017**
Local currency	470,496	402,165
Foreign currencies	829,885	678,013
	1,300,381	**1,080,178**

Receivables in EUR	824,901	671,563
Receivables in USD	69	4,090
Receivables in GBP	4,521	1,941
Receivables in other currencies	394	419
	829,885	**678,013**

Loans granted	**31/12/2018**	**31/12/2017**
Current loans	42,613	39,013
Non-current loans and borrowings	16,186	12,923
	58,799	**51,936**

(in thousand PLN)

Non-current receivables	31/12/2018	31/12/2017
Non-current loans and borrowings	16,186	12,923
Security deposits	3,835	3,549
Long-term debts	2,509	2,810
Receivables from employees	207	284
	22,737	**19,566**

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

Credit and currency risks are discussed in Note 34.

Non-current receivables include mostly security deposits under lease agreements paid by the Company, as well as non-current loans granted mainly to related entities.

The loans granted to related entities bear interest at a rate equal to: 1M WIBOR or EURIBOR 3M (in the case of EUR-denominated loans), plus a margin of 2% to 5%. The loans are not secured.

14. Cash and cash equivalents

	31/12/2018	31/12/2017
Cash in hand	5,445	6,403
Cash at bank	7,082	2,147
Cash in transit	11,378	22,737
Cash on accounts of the Company's Social Benefits Fund	378	167
Cash	**24,283**	**31,454**

	31/12/2018	31/12/2017
In local currency	20,320	29,355
In foreign currencies	3,963	2,099
	24,283	**31,454**

With the exception of cash on accounts of the Company's Social Benefits Fund, Inter Cars S.A. does not hold any restricted cash.
In accordance with Polish law, Inter Cars S.A. administers 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 Company deposits cash in a number of reputable financial institutions.

15. Share capital and share premium account

As at 31 December 2018 and as at 31 December 2017, the share capital of 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.

(in thousand PLN)

	Number of shares	Date of admission to trading	Right to dividend (since)	Par value (in thousand 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

16. Net profit per share

Basic earnings per share

Net profit per share calculated based on net profit for the period in the amount of PLN 228 628 thousand (2017: PLN 101,058 thousand) and the weighted average number of shares – 14,168 thousand (2017: PLN 14,168 thousand) presented below:

	2018	**2017**
Weighted average number of shares		
Shares issued as at 1 January	14,168,100	14,168 100
Weighted average number of shares during the year	**14,168,100**	**14,168 100**

Basic profit per share	**2018**	**2017**
Net profit for period	228,628	101,058
Weighted average number of shares	14,168,100	14,168,100
Net profit per share	16.14	7.13

Diluted earnings per share

In 2018 and in the comparative period, i.e. 2017, there were no diluting factors. Therefore, the diluted profit per share equals the basic profit per share.

17. Liabilities due to borrowings and other debt instruments

This Note contains information on the Company's liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Company's exposure to currency, interest rate and liquidity risks, see Note 34.

The syndicated credit facility agreement:

On 14 November 2016 the parent Company concluded a revolving credit and term loan agreement with its subsidiaries: Inter Cars Marketing Services Sp. z o.o., ILS Sp. z o.o., Lauber Sp. z o.o., Q-Service Truck Sp. z o.o., Inter Cars Česka Republika s.r.o., Uždaroji Akcinė Bendrovė "Inter Cars Lietuva", Inter Cars Romania S.r.l., Inter Cars Slovenská Republica s.r.o. and Inter Cars d.o.o. As borrowers and guarantors, Inter Cars (Cyprus) Limited as guarantor, and the following financial institutions: Bank BGŻ BNP Paribas S.A., Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A., CaixaBank, S.A. (Spółka Akcyjna) Division in Poland, DNB Bank Polska S.A., ING Bank Śląski S.A. And mBank S.A. („New Credit Facility Agreement"), on the basis of which the Company and other above mentioned as borrowers subsidiaries of Inter Cars S.A. received:

(in thousand PLN)

(1) term loans in total maximum value of PLN 500,000,000.00 (five hundred million zlotys), repayable by 14 November 2019, and

(2) revolving credit in total maximum value of PLN 600.000.000,00 (six hundred million zlotys), repayable by 14 November 2017.

On 01/09/2017, an annex to the syndicated credit facility was signed, in which the lenders agreed to:

(1) extend the final repayment date of the term loans granted pursuant to the Loan Agreement until 14 November 2020 and

(2) extend the final repayment date of revolving loans granted pursuant to the Loan Agreement until 14 November 2018.

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

Pursuant to the provisions of the syndicated loan agreement, as of 13 November 2017, the maximum amount of revolving loans granted pursuant to the Loan Agreement was increased by PLN 175,000,000.00 and currently amounts to PLN 775,000,000.00.

The maximum total amount of term loans granted pursuant to the Loan Agreement has not changed and amounts to PLN 500,000,000.00

Pursuant to the provisions of the syndicated loan agreement, as of 14 November 2018, 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 37,000,000.00 and amounts to PLN 537,000,000.00

On the same day also the due dates for repayment of credits were postponed: till 14 November 2019 for revolving loans and till 14 November 2021 for term loans.

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.

Non-current	**31/12/2018**	**31/12/2017**
Secured bank loans	499,233	499,024
Issuance of bonds	-	149,753
Finance lease liabilities	2,002	3,342
Loans received	-	-
Sureties received	191	206
	501,426	**652,325**

Current	**31/12/2018**	**31/12/2017**
Secured bank loans	524,246	404,722
Issuance of bonds	150,752	864
Loans received	144,558	140,608
Liabilities of the reverse factoring	-	-
Finance lease liabilities	3,920	3,601
	823,476	**549,795**

(in thousand PLN)

Current loans and borrowings at nominal value	Contractual amount (limit)	Drawn	Maturity date
Syndicated credit	838,000	525,538	14/11/2019
Inter Cars (Cyprus) LIMITED	76,024	83,358	31/12/2019
Inter Cars Marketing Services Sp. z o.o.	61,200	61,200	31/12/2019
	975,224	**670,096**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Drawn	Maturity date
Syndicated credit	537,000	500,000	14/11/2021
	537,000	**500,000**	

An annex setting the ultimate date of repayment of the loan from Inter Cars Marketing Services to be 31 December 2019 was signed.

As at 31 December 2018, total liabilities under loans and borrowings amounted to PLN 1,170,096 thousand of which PLN 930,561 thousand is denominated in PLN and PLN 239,535 thousand is denominated in EUR.

Material terms of the syndicated credit facility

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	13.60%
Bank Pekao S.A.	312,589	30.48%
Bank Handlowy S.A.	97,500	9.51%
DNB Bank Polski S.A.	123,369	12.03%
Bank BGŻ BNP Paibas S.A.	121,396	11.84%
mBank S.A.	135,146	13.18%
ING Bank Śląski S.A.	96,046	9.36%
	1,025,538	**100%**

The credit facility is secured with:
- a mortgage on land owned by Inter Cars S.A. worth PLN 48,112 thousand according to a valuation of 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 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

(in thousand PLN)

- 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.

Inter Cars S.A. 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 3.2%.

Loans received from Inter Cars Marketing Services sp. z o.o. and Inter Cars Cyprus Limited bear interest at a variable rate based on WIBOR 1M and 2.25% for loans denominated in EUR.

Finance lease	**31/12/2018**	**31/12/2017**
Payments under lease agreements	6,258	7,211
Financial expense	(337)	(268)
Present value of liabilities under leases	**5,921**	**6,943**

Payments under lease agreements	**31/12/2018**	**31/12/2017**
Up to 1 year	3,788	3,648
Between 1 and 5 years	2,470	3,563
	6,258	**7,211**

Present value of liabilities under leases

	31/12/2018	**31/12/2017**
Up to 1 year	3,919	3,601
Between 1 and 5 years	2,002	3,342
	5,921	**6,943**

Liabilities under leases are related to the lease of property, plant and equipment and intangible assets. For more information, see Notes 6 and 7.

Issuance of bonds

On the day of 3 October 2014, Inter Cars SA. signed with mBank S.A. and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds).
The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 33 point 2 of Law on Bonds dated 15 January 2015 (as amended).
The Bonds issued in compliance with the Programme Contract will be unsecured bonds, authorizing bond holders only to receive cash benefits.
Detailed information of issuance of each series of Bonds, including their nominal value, issuance price, number of bonds, issue threshold, maturity date, interest rate, will each time be agreed and stipulated in relevant issue documents. The Company shall bare standard costs of issuance of Bonds, including the dealer commission, after each finished issuance. The Program Contract is concluded for an indefinite time.

(in thousand PLN)

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 (in April and October) 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 Company. 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	Buyback amount in nominal value
Series A	24/10/2014	24/10/2019	150,000,000
			150,000,000

18. Trade and other liabilities

	31/12/2018	**31/12/2017**
Trade payables to related entities	278,564	248,746
Trade payables to other entities	274,471	262,331
Taxes, duties, social security and other benefits payable	19,316	5,546
Payables on bills of exchange	65,165	49,399
Other payables and accrued expenses	21,304	11,246
	658,820	**577,268**
Trade payables before bonuses accrued for the period	711,891	632,307
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(158,856)	(121,231)
Balance sheet value of trade payables	**553,035**	**511,076**

Maturity structure of trade payables	**31/12/2018**	**31/12/2017**
Up to 12 months	553,035	510,818
Over 12 months	-	258
	553,035	**511,076**

As at 31 December 2018 and 2017, the Company had no VAT liabilities.

Currency structure of trade payables	**31/12/2018**	**31/12/2017**
Local currency	248,399	360,334
Foreign currencies	304,636	150,742
	553,035	**511,076**
Equivalent in national currency		
Liabilities in EUR	228,144	102,550
Liabilities in USD	76,010	47,654
Liabilities in other currencies	482	538
	304,636	**150,742**

(in thousand PLN)

19. Employee benefits

	31/12/2018	31/12/2017
Salaries and wages	14,061	8,885
Company's Social Benefits Fund	392	310
	14,453	**9,195**

20. Income tax liabilities

Maturity structure	**31/12/2018**	**31/12/2017**
Up to 12 months	-	-
	-	**-**

21. Sales revenue

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Revenue from sales of goods	5,856,502	5,154,795
Revenue from sales of services	145,844	140,774
Lease of investment property	25	150
	6,002,371	**5,295,719**

Sales by product groups

	2018 (in thousand PLN)	*(%)*	2017 (in thousand PLN)	*(%)*
Domestic sales	**4,195,540**	*69.90%*	**3,767,077**	*71.10%*
Spare parts for passenger cars	2,497,236	*41.60%*	2,326,398	*43.90%*
Spare parts for commercial vehicles and buses	662,236	*11.00%*	579,387	*10.90%*
tyres	600,336	*10.00%*	514,647	*9.70%*
Garage equipment and tuning	219,673	*3.70%*	204,814	*3.90%*
motorcycles: vehicles, spare parts and clothing	122,587	*2.00%*	97,169	*1.80%*
accessories	21,898	*0.40%*	19,128	*0.40%*
other, spare parts and services	71,574	*1.20%*	25,534	*0.50%*
Export	**1,806,831**	*30.10%*	**1,528,642**	*28.90%*
Spare parts for passenger cars	1,085,319	*18.20%*	932,228	*17.60%*
Spare parts for commercial vehicles and buses	418,945	*7.00%*	331,330	*6.20%*
tyres	126,331	*2.10%*	130,607	*2.50%*
Garage equipment and tuning	95,940	*1.60%*	73,661	*1.40%*
motorcycles: vehicles, spare parts and clothing	41,337	*0.70%*	29,856	*0.60%*
accessories	14,429	*0.20%*	9,957	*0.20%*
other, spare parts and services	24,530	*0.40%*	21,003	*0.40%*
Total	**6,002,371**	***100.00%***	**5,295,719**	***100.00%***

In 2018 the biggest percent growth recorded sale of other parts and services (180% in comparison to a year before) and sale of spare parts for motorcycles and motorcycle clothing (26%). However export sale, similarly to a year before, recorded the biggest growth in sale of spare parts for motorbikes (38% in comparison to a year before) and sale of accessories (45%).

(in thousand PLN)

Geographical structure of sales

	2018		2017	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**
Domestic sales	4,195,540	69.90%	3,767,077	71.13%
Export	1,806,831	30.10%	1,528,642	28.87%
Total	**6,002,371**	100%	**5,295,719**	100%

Export includes primarily sales to the neighbouring countries, i.e. to Ukraine, the Czech Republic, Slovakia and Lithuania, and to other European countries, i.e.: Latvia, Hungary, Croatia, Romania, Estonia , Moldova, Slovenia and Bosnia.

22. Cost of sales

	01/01/2018 - 31/12/2018	**1.01.2017-31.12.2017**
Cost of services and goods sold	4,581,915	4,077 182
Foreign exchange (gains)/losses	(8,086)	13,893
Cost of sales	**4,573,829**	**4,091,075**

23. Selling cost, general and administrative expenses

	01/01/2018 - 31/12/2018	**1.01.2017-31.12.2017**
Amortization and Depreciation	30,440	23,223
Materials and energy consumption	11,556	10,303
External services	1,061,088	973,509
Taxes and charges	10,970	85,757
Salaries	59,090	45,040
Social security and other benefits	11,435	7,870
Other costs by kind	16,936	13,944
Total costs by kind	**1,201,515**	**1,159,646**
(-) costs of distribution services	(495,515)	(443,647)
(-) costs of license fees	(8,762)	(83,402)
Selling cost, general and administrative expenses	**697,238**	**632,597**

Costs of distribution services are an item of external services presented under costs by kind.

24. Costs of employee benefits

	01/01/2018 - 31/12/2018	**1.01.2017-31.12.2017**
Salaries under employment contracts	58,555	44,361
Salaries under contracts for specific work and contracts of mandate	535	679
Social security	8,314	5,972
Other employee benefits	3,121	1,898
Costs of employee benefits recognised as costs of sales and administrative costs	**70,525**	**52,910**

(in thousand PLN)

25. Other operating revenues

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Gain on disposal of non-financial non-current assets	804	230
Complaints	-	2,346
Compensation, penalties and fines received	897	994
Non-trading bonuses	10,377	5,114
Impairment losses on past due liabilities	47	3
Other	3,167	7,284
	15,292	**15,971**

26. 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	2,715	979
Past due receivables recognised as impairment losses	-	481
Inventory lacks	3,151	2,240
Expenses related to complaints	924	-
Damage to stock	8,406	8,117
Transfer pricing settlement	120,505	45,052
Other	3,992	6,419
	139,693	**63,288**

27. Finance income and expenses

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Financial income		
Interest income on loans granted	(116)	188
Interest income on intra-group loans granted	1,048	1,204
Dividends received	184,685	128,390
Commissions	-	166
Other interest	1,766	1,264
	187,383	**131,212**

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Financial costs		
Interest expense under bank loans and bonds	32,280	28,743
Interest expense under intra-group loans	3,277	5,618
Other interest	447	917
Fees and commissions	6,098	6,831
Agreement discount	(184)	-
	41,918	**42,109**

(in thousand PLN)

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	(5,164)	-	(5,164)
Other	-	(1,312)	(1,312)
Realised foreign exchange gains/(losses)	**(5,164)**	**(1,312)**	**(6,476)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	13,251	-	13,251
Other	-	(2,050)	(2,050)
Unrealised foreign exchange gains/(losses)	**13,251**	**(2,050)**	**11,201**
Total foreign exchange gains/(losses)	**8,087**	**(3,362)**	**4,725**

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	815	-	816
Other	-	1,651	1,651
Realised foreign exchange gains/(losses)	**815**	**1,651**	**2,467**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(14,708)	-	(14,708)
Other	-	4,411	4,411
Unrealised foreign exchange gains/(losses)	**(14,708)**	**4,411**	**(10,297)**
Total foreign exchange gains/(losses)	**(13,893)**	**6,062**	**(7,830)**

28. Structure of cash for the statement of cash flows

Corporate income tax paid

	01/01/2018 - 31/12/2018	**1.01.2017-31.12.2017**
Current corporate income tax disclosed in the statement of comprehensive income	(2,606)	(1,329)
Adjustment of comprehensive income	2,756	7,342
Change in income tax payable	1,684	-
Corporate income tax paid	**1,834**	**6,013**

Change in receivables

	01/01/2018 - 31/12/2018	**1.01.2017-31.12.2017**
Change in trade and other receivables	(221,787)	(156,917)
Change in non-current receivables	(3,171)	4,385
Change in Loans granted	6,863	(2,239)
Settlement of bank commissions and bonds	(859)	895
Change in investment receivables	-	-
Change in receivables	**(218,954)**	**(153,876)**

(in thousand PLN)

Change in Loans granted

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Loans granted	(8,711)	(1,237)
Repayment of loans granted	2,331	3,824
Interest received	1,429	990
Interest accrued	(1,865)	(1,406)
Other	(47)	68
Change in Loans granted	**(6,863)**	**2,239**

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

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Cash inflows on credits and loans	120,650	236,185
Repayment of loans and borrowings	-	-
New finance lease agreements	3,398	2,550
Payment of liabilities under finance lease agreements	(4,420)	(4,087)
Settlement of credit and bonds commission	859	896
Accrued and unpaid interest	2,084	4,083
Other	-	(5)
Change in loans, borrowings, debt securities and finance lease liabilities	**122,571**	**239,622**

Change in short-term liabilities

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Change in trade and other liabilities	78,504	74,319
Change in trade and other liabilities and reverse factoring	-	42,412
Change in employee benefits liabilities	5,258	3,371
Change in short-term liabilities	**83,762**	**120,102**

Purchase of financial assets in related and other entities

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Increase in financial assets in related and other entities	2,088	12,007
Purchase of financial assets in related and other entities	**2,088**	**12,007**

Net interest

	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Interest paid	(33,889)	(31,871)
Interest received	1,429	990
Net interest	**(32,460)**	**(30,881)**

(in thousand PLN)

29. 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	2,606	(1,329)
Change in deferred income tax	13,496	9,541
Income tax disclosed in statement of comprehensive income	**16,102**	**8,212**

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

Effective tax rate	**01/01/2018 - 31/12/2018**	**1.01.2017-31.12.2017**
Tax rate	19%	19%
Profit before tax	**244,729**	**92,846**
Tax based on applicable tax rates(19%)	(46,499)	(17,641)
Permanent differences	30,398	25,853
of which:		
Dividend received	35,090	24,394
Representation, advertising and catering	(781)	(674)
Donation	(243)	-
Costs of intangible services above the limit	(1,195)	-
Amortization and Depreciation	(505)	(264)
Other non-tax deductible expenses / revenues	(1,968)	2,397
Income tax disclosed in statement of comprehensive income	**(16,101)**	**8,212**

30. Dividend

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. Dividend pay-out 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

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.

(in thousand PLN)

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.

31. Unrecognised liabilities under executed agreements

Tax liabilities

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

Tax settlements may be inspected for the period of five years. For this reason the amounts disclosed in the financial statements may change at a later date following final determination of their amount by tax authorities. The Company 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 value of guaranties and sureties amounted to

PLN 267,907 thousand and was composed mostly of guarantees and sureties for credits in related entities and sureties towards their suppliers.

	2018	2017
As at beginning of period	211,145	242,252
Issued and increases	71,125	21,582
Expired	(14,363)	(52,689)
As at end of period	**267,907**	**211,145**

The Company holds a customs 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 of spare parts for the Polish Post and Regional Police Stations.

32. Operating leases

Inter Cars S.A. leases warehouse space to entities operating as affiliate branches. However, the warehouses are not owned by the Company but leased (apart from the Central Warehouse in Czosnów and the facilities in Gdańsk). Lease costs paid by the Company 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	12,202	27,295
Between 1 and 5 years	-	2,893
	12,202	**30,188**

(in thousand PLN)

	31/12/2018	31/12/2017
Indefinite period	10,730	10,735
Definite period	1,472	19,453
	12,202	**30,188**

No future minimum payments under operating leases falling due in over five years are reported.

The Company re-invoices the abovementioned lease rents to the cooperating branch operators.

33. Transactions with related entities

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

The total amount of transactions and unsettled balances with related parties was as follows:

Settlement	**Receivables as at**	
	31/12/2018	**31/12/2017**
Inter Cars Ukraine LLC	48,396	40,064
Lauber Sp. z o.o.	17,032	13,253
Inter Cars Ceska Republika s.r.o.	43,908	31,100
Inter Cars Slovenska Republika s.r.o.	43,789	30,259
Feber Sp. z o.o.	10	3
Inter Cars Lietuva UAB	45,525	27,783
Inter Cars Italia srl	12,809	24,693
Inter Cars d.o.o.	128,559	97,882
JC Auto S.A.	298	220
Inter Cars Hungária Kft.	67,596	47,426
JC Auto s.r.o.	4,156	4,032
Inter Cars Romania s.r.l.	303,716	240,526
Inter Cars Latvija SIA	59,734	66,686
Inter Cars Cyprus Ltd.	-	-
Cleverlog-Autoteile GmbH	2,436	1,808
Inter Cars Bulgaria Ltd.	18,700	5,995
Inter Cars Marketing Services Sp. z o.o.	234	465
ILS Sp. z o.o.	1,522	12,126
Inter Cars Malta Holding Limited	1,043	1,043
Inter Cars Malta Limited	9,873	17,076
Q-Service Truck Sp. z o.o.	18	47
Inter Cars Slovenia	905	1,462
Inter Cars Eesti OÜ	1,946	2,603
Q-Service Sp. z o.o.	233	17
ILS Latvijas filialie	19	12
IC Development & Finance Sp. z o.o.	53	32
Armatus sp. z o.o.	-	583
Inter cars PIESE Auto s.r.l.	(84)	-
Inter Cars Greece	(4,650)	-
Intermeko Europe Sp. z o.o.	11	-
Gross receivables from subsidiaries	**807,787**	**667,196**
Revaluation write-down on receivables (JC Auto s.r.o.)	(4,009)	(4,009)
Reserves for returns	**(43,697)**	**(43,697)**
Net receivables from subsidiaries	**760,081**	**619,490**

(in thousand PLN)

	Sales revenues		Purchase of goods and services	
	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017	01/01/2018 - 31/12/2018	1.01.2017-31.12.2017
Inter Cars Ukraine LLC	86,680	67,885	-	-
Q-Service Sp. z o.o.	3,160	5,977	259,121	161,545
Lauber Sp. z o.o.	7,952	7,641	44,705	41,981
Inter Cars Ceska Republika s.r.o.	150,705	144,733	5,270	3,078
Inter Cars Slovenska Republika s.r.o.	159,624	121,307	2,412	1,955
Feber Sp. z o.o.	1,057	1,140	9,006	7,165
Inter Cars Lietuva UAB	197,497	76,568	19,045	14,600
IC Development & Finance Sp. z o.o.	21	11	1,001	998
Inter Cars Italia srl	(410)	21,808	198	319
Inter Cars d.o.o.	109,201	100,206	2,622	2,380
JC Auto S.A.	70	6	817	-
Inter Cars Hungária Kf.	118,641	133,469	3,970	85,905
Inter Cars Romania s.r.l.	252,393	274,426	4,068	5,416
Armatus sp. z o.o.	4	5	2,120	5,604
Cleverlog Autoteile BmbH	68,138	38,805	129	59
Inter Cars Latvija SIA	108,606	137,690	2,291	2,975
Inter Cars Bulgaria Ltd.	42,489	22,411	1,105	557
Inter Cars Marketing Services Sp. z o.o.	194	212	62,739	124,470
ILS Sp. z o.o.	8,572	7,065	351,012	344,003
Q-Service Truck Sp. z o.o.	541	475	19,153	15,042
Inter Cars INT d o.o.	4,866	8,299	298	158
Inter Cars Malta Ltd	63,553	2	321,187	236,472
Inter Cars Eesti OÜ	21,016	10,106	488	204
ILS Latvijas filialie	-	63	-	-
ILS Codlea srl.	-	-	-	-
Inter cars PIESE Auto s.r.l.	30	-	-	-
Inter Cars Greece	-	-	4,619	-
	1,404 600	**1,180,310**	**1,117,376**	**1,054,886**

Purchase covers primarily purchase of spare parts, transport and logistics services and fees related to the use of Inter Car S.A.'s trademark.

The Company 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:

Receivables	**2018**	**2017**
FASTFORWARD Maciej Oleksowicz	2	-
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	19	20
AK-CAR Agnieszka Soszyńska	4	17
JAG Sp. z o.o.	983	834
FF-SPORT Sp. z o.o.	22	35
	1,030	**906**

Liabilities	**31/12/2018**	**31/12/2017**
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	-
ANPO Andrzej Oliszewski	1	2
FASTFORWARD Maciej Oleksowicz	-	-
FF-SPORT Sp. z o.o.	1	-
JAG Sp. z o.o.	242	-
	244	**2**

(in thousand PLN)

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**

Sales revenues	2018	2017
ANPO Andrzej Oliszewski	2	1
FASTFORWARD Maciej Oleksowicz	72	6
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	2
AK-CAR Agnieszka Soszyńska	5	15
JAG Sp. z o.o.	2,008	1,699
FF-SPORT Sp. z o.o.	370	429
	2,457	**2,152**

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	26
JAG Sp. z o.o.	17,060	12,749
FF-SPORT Sp. z o.o.	147	19
	17,426	**12,974**

Loans to subsidiaries and associated entities	2018	2017
Lauber Sp. z o.o.	8,937	8,804
IC Development & Finance Sp. z o.o.	24,094	23,761
JAG Sp. Z o.o.	-	201
Inter Cars Bulgaria Ltd.	1,019	938
Q-SERVICE TRUCK Sp z o.o.	502	502
Inter Cars Malta Ltd	12,838	12,875
Inter Cars Greece	1,317	629
	48,707	**47,710**

The amount of granted loans with maturity up to one year is PLN 26,772 thousand, while the amount of loans with maturity over one year totals PLN 21,935 thousand.

The loans granted to related entities bear interest at a rate equal to: 1M WIBOR (in the case of PLN-denominated loans), or EURIBOR 3M (in case of EUR-denominated loans) plus a margin of 1%-5%. Additionally two loans in PLN have fixed interest rate between 3% and 4%.

Loans granted	2018	2017
As at beginning of period	47,709	49,194
Loans granted	646	737
Interest accrued	1,188	1,192
Repayments received	-	(2,510)
Interest received	(685)	(836)
Balance sheet valuation	(153)	(68)
As at end of period	**48,705**	**47,709**

(in thousand PLN)

Interest accrued	**2018**	**2017**
Lauber Sp. z o.o.	319	320
IC Development & Finance Sp. Z o.o.	333	352
Inter Cars Bulgaria Ltd.	51	50
Q-SERVICE TRUCK Sp z o.o.	18	23
Inter Cars Malta Ltd	444	444
Inter Cars Greece	23	3
	1,188	**1,192**

Loans received	**2018**	**2017**
As at beginning of period	140,608	141,005
Loans received	-	-
Interest accrued	2,983	5,618
Interest payment	(1,401)	(1,535)
Repayment of funds	(84)	-
Balance sheet valuation	2,283	(4,480)
As at end of period	**144,389**	**140,608**

Interest accrued	**2018**	**2017**
ICMS sp. z o.o.	1,271	1,536
Inter Cars (Cyprus) LIMITED	1,712	4,082
	2,983	**5,618**

Guarantees and sureties issued as well as other agreements under which payments are to be made or services are to be provided to the related entities:

	2018	**2017**
As at beginning of period	121,155	221,120
Issued and increases	120,512	9,171
Expired	-	(109,136)
As at end of period	**241,667**	**121,155**

Remuneration of Supervisory Board and Management Board was as follows:

Remuneration of the members of the Supervisory Board and the Management Board *(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**

34. Financial risk management

Credit risk

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

(in thousand PLN)

Under the credit policy adopted by the Company, 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 Company 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 Company settles accounts by sales margin sharing. The Company'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	58,799	51,936
Trade and other receivables (excluding loans granted)	1,156,899	971,989
Cash and cash equivalents (excluding cash in hand)	18,838	25,051
	1,234,536	**1,048,976**

Interest rate risk

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

The Company has liabilities bearing interest at variable rates. As at 31 December 2018, the Company had no fixed-rate liabilities.

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)	58,799	51,936
Cash assets in bank accounts	7,460	2,314
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases and factoring)	(1,324,902)	(1,202,120)
	(1,258,643)	**(1,147,870)**

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 (no direct impact on equity).

Impact on net profit / loss	**basis points increase/decrease**	as at 31 December 2018	as at 31 December 2017
	+100/-100	(10,195)/ 10,195	(9,298) / 9,298
	+200/-200	(20,390)/ 20,390	(18,596) / 18,596

Currency risk

A significant portion of the Company's trade payables is denominated in foreign currencies, especially in EUR. Sales are denominated mainly in PLN.

(in thousand PLN)

	EUR	USD	Other	EUR	USD	Other
	31 December 2018			31 December 2017		
Trade receivables	824,901	69	4,915	669,996	4,090	2,360
Loans granted	2,336	-	-	1,567	-	-
Cash	3,267	167	532	1,518	65	516
Bank credits	(156,177)	-	-	(56,455)	-	-
Loans received	(83,358)	-	-	(79,278)	-	-
Trade payables	(228,144)	(76,010)	(482)	(102,551)	(47,654)	(538)
Gross balance sheet exposure	**362,825**	**(75,774)**	**4,965**	**434,797**	**(43499)**	**2,338**

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

as at 31 December 2018	**Foreign exchange rate increase/decrease**	**Impact on net profit / loss**
EUR	+5% /-5%	14,694 / (14,694)
	+10% / -10%	29,388 / (29,388)
USD	+5% / -5%	(3,069) / 3,069
	+10% / -10%	(6,138) / 6,138
Other	+5% / -5%	201 / (201)
	+10% / -10%	402 / (402)

as at 31 December 2017	**Foreign exchange rate increase/decrease**	**Impact on net profit / loss**
EUR	+5% /-5%	17,609/ (17,609)
	+10% / -10%	35,218 / (35,218)
USD	+5% / -5%	(1,762) / 1,762
	+10% / -10%	(3,524) / 3,524
Other	+5% / -5%	95 / (95)
	+10% / -10%	190 / (190)

(in thousand PLN)

Liquidity risk

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

The following table shows the value of current assets and liabilities and liquidity ratios as at 31 December 2018:

	2018	**2017**
Current assets	2,662 191	2,248,497
Short-term liabilities	1,498,739	1,136,258
Surplus of current assets over short-term liabilities	1,163,452	1,112,239
Current ratio	1.78	1.98
Quick ratio	0.87	0.97
Cash ratio	0.02	0.03

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.

Presented below are the Company's future payments as at 31 December 2018 by maturity date, based on discounted payments:

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, bonds	-	-	819,916	499,424	-	1,319,340
finance lease liabilities	-	394	3,166	2,002	-	5,562
trade and other payables	150,714	468,830	38,456	1,118	8	659,126
	150,714	**469,224**	**861,538**	**502,544**	**8**	**1,984,028**

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, bonds	-	-	546,194	648,983	-	1,195,177
finance lease liabilities	-	937	2,664	3,342	-	6,943
trade and other payables	171,124	381,643	24,243	258	-	577,268
	171,124	**382,580**	**573,101**	**652,583**	**-**	**1,779,388**

Capital management

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

(in thousand PLN)

Depending on changes in the economic environment, the Company 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 introduced in connection with the obtained credit facility agreement (see Note 16).

The Company 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 Company.

	31/12/2018	**31/12/2017**
Loan, borrowing and finance lease liabilities	1,324,902	1202120
Trade and other liabilities	659,126	577,268
(less) cash and cash equivalents	(24,283)	(31,454)
Net debt	1,959,745	1,747,934
Equity	1,422,970	1,204,401
Net debt to equity	1.38	1.45

Net debt to equity calculated as proportion of short term liabilities and long-term liabilities to equity.

Fair value

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

35. Events subsequent to the balance sheet date

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. 9.

36. Material evaluations and estimates

The preparation of the financial statements in conformity with the EU IFRS requires the Company'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. 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 12 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 13 Impairment loss on receivables (as at the balance sheet date, the Company 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 Company creates an impairment loss to the level of the current value of planned cash flows,
- Note 6/7 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 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),

- Note 10 Impairment losses on shares in subsidiaries (the Management Board 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 Company are the estimates on trade bonuses from suppliers on purchase of trade goods. Bonuses for the Company, on realization of purchase plans, are included in expected values and included in the results proportionally to rotation of sold merchandise.

37. Continued and discontinued operations

The Company's objective is to safeguard its ability to continue as a going concern so that it can generate return for the shareholders, and to maintain an optimum capital structure to reduce the cost of capital.

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

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

38. Consolidated financial statements

As the parent entity, Inter Cars S.A. prepares consolidated financial statements. The consolidation covers financial statements of the Company and its subsidiaries.

(in thousand PLN)

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., having its registered seat in Warsaw ("**the Company**"), acting in conformity with § 70.1.7 of the Minister of Finance Regulation of 29 March 2018 on the current and periodical information provided by securities issuers, and on consideration as equivalent the information required by law of a non-member state, as well as based on the statement of the Company's Supervisory Board to this effect, informs that the audit firm selected to audit the Company's standalone annual financial statements for the financial year ended on 31 December 2018 was selected in conformity with the applicable regulations, including those related to the selection of an audit firm and its selection procedure.

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 separate 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, 18 April 2019