INTER CARS GROUP

ANNUAL FINANCIAL STATEMENTS
2020

CONSOLIDATED FINANCIAL REPORT FOR THE PERIOD FROM 1 JANUARY TO 31 December 2020

Table of contents

Financial highlights

	for the period of 12 months ended on 31 December			
	2020	**2019**	**2020**	**2019**
	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Information on growth and profits				
Sales margin	29.9%	29.5%		
EBITDA	638,226	462,143	142,646	107,430
EBITDA as percentage of sales	6.97%	5.27%		
EBITDA (for 12 consecutive months)	638,226	462,143	142,646	107,430
Net debt / EBITDA	1.70	2.79		
Basic earnings per share (PLN)	23.53	16.03	5.26	3.73
Diluted earnings per share (PLN)	23.53	16.03	5.26	3.73
Sales revenues	9,159,166	8,764,261	2,047,107	2,037,347
Operating profit	507,076	331,943	113,333	77,164
Net profit	**333,320**	**227,096**	**74,498**	**52,791**
Cash flows				
Operating cash flows	444,399	458,537	99,325	106,592
Investing cash flows	(71,497)	(105,266)	(15,980)	(24,470)
Financing cash flows	(282,493)	(324,600)	(63,138)	(75,457)
Employment and branches				
Employees				
Parent company	666	647		
Subsidiaries	2,712	2,765		
Branches				
Parent company	240	248		
Subsidiaries	317	313		

	As at		**As at**	
	31/12/2020	**31/12/2019**	**31/12/2020**	**31/12/2019**
Consolidated statement of the financial situation	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Cash and cash equivalents	233,806	143,397	50,664	33,673
Balance sheet total	4,678,851	4,423 893	1,013,879	1,038 838
Loans, borrowings and finance lease	1,321 339	1,432 743	286,326	336,443
Equity attributable to the shareholders of the parent entity	2,395,496	2,046,687	519,090	480,612

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

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

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

- for the statement of financial position items – the National Bank of Poland exchange rate of 31 December 2020 – EUR 1 = PLN 4.6148, and the National Bank of Poland exchange rate of 31 December 2019 – EUR 1 = PLN 4.2585
- 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 2020 and 2019, respectively: 1 EUR = PLN 4.4742 and 1 EUR = PLN 4.3018.

Information about INTER CARS S.A.

1. **Scope of activities**

   The principal activities of the Group are import and distribution of spare parts for passenger cars and commercial vehicles.

2. **The seat of the Parent Entity**

   ul Powsińska 64

   02-903 Warsaw

   Poland

   Central Warehouse:

   Europejskie Centrum Logistyczne (European Logistics Centre)

   Swobodnia 35

   05-170 Zakroczym

3. **Contact and administrative details**

   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

   phone (+48-22) 714 19 16

   fax. (+48-22) 714 19 18

   bzarzadu@intercars.eu

   relacje.inwestorskie@intercars.eu

   www.intercars.com.pl

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

   Andrzej Oliszewski, President

   Piotr Płoszajski

   Tomasz Rusak

   Jacek Klimczak

   Jacek Podgórski

   Radosław Kudła

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

   Maciej Oleksowicz, President

   Krzysztof Soszyński, Vice-President

   Wojciech Twaróg, Member of the Management Board

   Piotr Zamora, Member of the Management Board

   Tomáš Kaštil, Member of the Management Board - till 31 August 2020.

On 26 August 2020 the Company received from Mr. Tomás Kaštil a statement of his resignation as a member of the Management Board of the Company as of 1 September 2020.

6. **Statutory auditor**

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

7. Subsidiaries and associated entities of Inter Cars - entities included in consolidation as at 31 December 2020

As at 31 December 2020, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 34 other entities, including:

- 32 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	
				31/12/2020	31/12/2019
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	
				31/12/2020	31/12/2019
Inter Cars Ukraine	Khmelnitsky, Ukraine	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Q-service Sp. z o.o.	Cząstków Mazowiecki, Poland	Advisory services, organization of trainings and seminars related to automotive services and the automotive market	full	100%	100%
Lauber Sp. z o.o.	Słupsk, Poland	Remanufacturing of car parts	full	100%	100%
Inter Cars Česká republika s.r.o.	Prague, Czech Republic	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Feber Sp. z o.o.	Warsaw, Poland	Manufacture of motor vehicles, trailers and semi-trailers	full	100%	100%
IC Development & Finance Sp. z o.o	Warsaw, Poland	Real estate development and lease	full	100%	100%
Armatus sp. z o.o.	Warsaw, Poland	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Slovenská republika s.r.o.	Bratislava, Slovakia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Lietuva UAB	Vilnius, Lithuania	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto S.A.	Braine-le-Château, Belgium	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Hungária Kft	Budapest, Hungary	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Italia s.r.l	Pero, Italy	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2020	31/12/2019
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.	Cząstków Mazowiecki, Poland	Advertising, market and public opinion research	full	100%	100%
ILS Sp. z o.o.	Swobodnia, municipality Z akroczym, 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.	Ilioupoli Attiki, 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	Tipton, Great Britain	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o. Beograd-Rakovica	Belgrade-Rakovica, Serbia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Fleet Services Sp. z o.o.*	Warsaw Poland	Services for motor-vehicle fleets related to vehicle repairs	full	100%	100%
JAG Sp. z o.o.**	Warsaw, Poland	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	-
OOO Inter Cars Automobilna Technika***	Mogilev, Belarus	Distribution of spare parts for passenger cars and commercial vehicles	Not applicable	100%	-

Indirect subsidiaries					
Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2020	31/12/2019
Inter Cars Malta Limited****	Birkirkara, Malta	Sale of spare parts and advisory services related to automotive services and the automotive market	full	100%	100%
Aurelia Auto d o o*****	Vinkovci, Croatia	Distribution of spare parts and real estate rental	full	100%	100%
JC Auto s.r.o. in liquidation	Karvina-Darkom, the Czech Rep.	The Company does not carry out operating activities	full	-	100%
Associated entities					
InterMeko Europe Sp. z o.o.	Warsaw, Poland	Control and assessment of spare parts, components and accessories	equity method	50%	50%

* The company started operational activity in 1Q2020.

** Company acquired in 2Q2020.

*** The Company does not carry out operational activity

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

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

On 4 February 2020, a resolution was adopted to liquidate the subsidiary entity Inter Cars Deutschland GmbH, which had not become operational prior to the adoption of the said resolution.

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

8. Associated entities

As at 31 December 2020 the Company owned 50 % of shares in InterMeko Europe Sp. z o.o., a joint-venture company established in order to monitor the quality of goods using a laboratory.

9. Stock exchange listings

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

10. Date of approval of the financial statements for publication

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 20 April 2021.

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF THE FINANCIAL SITUATION

(in thousand PLN)	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Tangible fixed assets	6	489,542	502,479
Right-of-use assets	7	272,956	256,825
Investment property	9	3,133	10,837
Real estate available for sale	9	8,721	1,088
Intangible assets	8	193,675	197,559
Investments in associates	10	1,655	1,030
Investments available for sale	11	299	298
Receivables	14	23,106	21,630
Non-current receivables on long-term rental	22	207,320	188,634
Deferred tax assets	12	13,534	18,486
		1,213,941	**1,198,866**
Current assets			
Inventory	13	2,223,117	2,062,819
Trade and other receivables	14	939,746	954,773
Receivables on short-term rental	22	68,241	64,038
Cash and cash equivalents	15	233,806	143,397
		3,464,910	**3,225 027**
TOTAL ASSETS		**4,678,851**	**4,423 893**
LIABILITIES			
Share capital	16	28,336	28,336
Share premium account	16	259,530	259,530
Supplementary capital		1,377,736	1,219,990
Other capital reserves		28,764	28,764
Foreign exchange gains /losses in subsidiaries		(10,352)	(25,841)
Retained earnings		711,482	535,908
Equity		**2,395,496**	**2,046,687**
Long-term liabilities			
Liabilities due to credits, loans	18	536,295	565,744
Finance lease liabilities	18	244,098	238,920
Non-current liabilities on long-term rental	22	207,320	188,634
Other long-term liabilities		7,131	8,160
Deferred income tax provision	12	15,438	21,067
		1,010,282	**1,022,525**
Short-term liabilities			
Trade and other liabilities	19	485,761	526,883
Trade and other liabilities - passed for factoring		73,908	52,290
Liabilities due to credits, loans	18	493,126	576,455
Finance lease liabilities	18	47,820	51,624
Liabilities on the short-term rental	22	68,241	64,038
Employee benefits	20	33,499	35,805
Income tax liabilities	21	70,718	47,586
		1,273,073	**1,354,681**
TOTAL LIABILITIES		**4,678,851**	**4,423 893**

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousand PLN)	**Note**	**for the period of 12 months ended on**	
		31/12/2020	**31/12/2019**
Revenues from the sale of products, goods and materials	23	9,159,166	8,764,261
Cost of sales	24	(6,416,323)	(6,181,624)
Gross profit on sales		**2,742,843**	**2,582,637**
Other operating revenues	26	46,727	53,566
Selling cost, general and administrative expenses	25	(1,239,496)	(1,306,377)
Costs of distribution service	25	(972,599)	(917,324)
Other operating costs	27	(70,399)	(80,559)
Operating profit		**507,076**	**331,943**
Financial income	28	13,890	12,916
Exchange differences	28	(9,939)	1,266
Financial costs	28	(66,729)	(66,595)
Interest in associates		176	(1)
Profit before tax		**444,474**	**279,529**
Income tax	30	(111,154)	(52,433)
Net profit		**333,320**	**227,096**
Attributable to:			
shareholders of the parent company		333,320	227,096
		333,320	**227,096**
OTHER COMPREHENSIVE INCOME			
Foreign exchange gains /losses		15,489	477
Total other comprehensive income, net		**15,489**	**477**
COMPREHENSIVE INCOME		**348,809**	**227,573**
Net profit attributable to:			
- the shareholders of the parent entity		333,320	227,096
		333,320	**227,096**
Comprehensive income attributable to:			
- the shareholders of the parent entity		333,320	227,573
		333,320	**227,573**
Earnings per share (PLN)			
- basic and diluted		23.53	16.03
Weighted average number of shares		14,168,100	14,168,100

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2020 to 31 December 2020

(in thousand PLN)	Share capital	Share premium account	Supplementary capital	Foreign exchange gains /losses in subsidiaries	Other reserve capitals	Retained earnings	**Total equity**
As at 1 January 2020	**28,336**	**259,530**	**1,219,990**	**(25,841)**	**28,764**	**535,908**	**2,046,687**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	333,320	**333,320**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	-	-	-	**-**
Total comprehensive income	***-***	***-***	***-***	***-***	***-***	***333,320***	***333,320***
Distribution of prior period profit – dividend	-	-	-	-	-	-	**-**
Distribution of prior period profit - covering loss from reserve capitals	-	-	-	-	-	-	**-**
Distribution of retained profits - transfer to supplementary and reserve capital	-	-	157,746	-	-	(157,746)	**-**
Foreign exchange gains /losses	-	-	-	15,489	-	-	***15,489***
As at 31 December 2020	**28,336**	**259,530**	**1,377,736**	**(10,352)**	**28,764**	**711,482**	**2,395,496**

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

for the period from 1 January 2019 to 31 December 2019

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

ANNUAL CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand PLN)	**Note**	**01/01/2020 - 31/12/2020**	**01/01/2019- 31/12/2019**
Cash flows from operating activities			
Profit before tax		444,474	279,529
Adjustments:			
Amortization and depreciation		131,150	130,200
Foreign exchange gains /losses		3,496	780
(Profit / loss on investing activities		9,260	16,184
Net interest	29	42,137	52,202
(Gain)/loss on revaluation of investment property		-	(202)
Other adjustments, net	29	16,946	2,672
Operating profit before changes in the working capital		**647,463**	**481,365**
Increase (decrease) in inventories		(160,298)	137,970
Increase (decrease) in receivables	29	11,013	(84,255)
Change in receivables under rental		(22,889)	(252,672)
Change in short-term liabilities		34,903	(29,310)
Change in liabilities under rental		22,889	252,672
Cash generated by operating activities		**533,081**	**505,770**
Corporate income tax paid	29	(88,682)	(47,232)
Net cash from operating activities		**444,399**	**458,537**
Cash flow from investment activities			
Proceeds from the sale of intangible assets, investment property, property, plant and equipment		329	38,283
Acquisition of intangible assets, investment property, and property, plant and equipment		(73,326)	(145,054)
Repayment of loans granted	29	3,247	3,866
Loans granted	29	(2,134)	(2,797)
Interest received	29	387	436
Net cash from investing activities		**(71,497)**	**(105,266)**
Cash flow from financing activities			
Repayment of credits and loans	29	(132,430)	(49,599)
Cash inflows on credits and loans	29	4,040	52,301
Financial lease contracts liabilities (IFRS 16)	29	(111,529)	(110,000)
Redemption of debt securities		-	(150,000)
Interest paid		(42,524)	(57,242)
Dividend paid		-	(10,059)
Payment of the reverse factoring		(50)	-
Net cash from financing activities		**(282,493)**	**(324,600)**
Net change in cash and cash equivalents		**90,409**	**28,672**
Cash and cash equivalents at the beginning of the period		**143,397**	**114,725**
Cash and cash equivalents at the end of the period		**233,806**	**143,397**

Notes to the annual consolidated financial statements

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

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

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

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

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

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

2.1. Changes in IFRS and their interpretations

The information included in these consolidated financial statements was prepared based on the same accounting principles and calculation methods as those applied in the preceding annual consolidated financial statements for the year 2019.

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

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

As a result, in 2019 the above mentioned contracts were recognized, what was not included in the estimation of leasing contracts performed in the year before.

The other new or amended standards and interpretations applicable as of 2020 have no material bearing on the Group's financial statements.

A detailed description of the IFRS 16 standard and its impact on the particular items of the financial statements is provided in 3.2 Description of significant accounting principles applied g) Leases.

Impact on the financial indicators

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

(in thousand PLN)

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

	Loans and borrowings	Bonds	Lease liabilities	Licence subscription liabilities	Total debt	Cash and cash equivalents	Net debt
Balance as at 01/01/2019	(1,137,959)	(150,752)	(271,102)	-	(1,559,813)	114,725	(1,445,088)
Cash flows	(2,703)	150,752	47,103	-	195,152	28,672	223,824
New leasing agreements	-	-	(48,584)	(17,961)	(66,545)	-	(66,545)
Leasing agreement termination	-	-	-	-	-	-	-
Interest paid	31,983	-	-	-	31,983	-	31,983
Interest accrued	(31,983)	-	-	-	(31,983)	-	(31,983)
Valuation	(1,537)	-	-	-	(1,537)	-	(1,537)
Balance as at 31/12/2019	(1,142,199)	-	(272,583)	(17,961)	(1,432,743)	143,397	(1,289,346)
Cash flows	115,436	-	47,375	8,826	171,637	90,409	262,046
New leasing agreements	-	-	(64,633)	-	(64,633)	-	(64,633)
Leasing agreement termination	-	-	-	-	-	-	-
Interest paid	19,377	-	-	-	19,377	-	19,377
Interest accrued	(19,377)	-	-	-	(19,377)	-	(19,377)
Valuation	6,477	-	(2,077)	-	4,400	-	4,400
Balance as at 31/12/2020	(1,020,286)	-	(291,918)	(9,135)	(1,321,339)	233,806	(1,087,533)

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

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

- Amendments to IFRS 3: Definition of a business
  The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include at least one input and one significant process that together contribute significantly to the ability to create outputs. The amendments also clarify that a business can exist without all the inputs and processes necessary to produce outputs.
- Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of reference interest rate indices
  The amendments to IFRS 9 and IAS 39 introduce a number of derogations for all hedging relationships directly affected by the IBOR reform. A hedging relationship is affected by the IBOR reform if it gives rise to uncertainty about the timing and/or amount of interest rate benchmark cash flows arising from a hedged item or an interest rate benchmark hedging instrument.
- Amendments to IAS 1 and IAS 8: Definition of "material"
  The amendments to IAS 1 and IAS 8 introduce a new definition of the term "material," which states that "information is material if its omission, misstatement or lack of transparency could reasonably be expected to influence the decisions of major users of general purpose financial statements based on such statements containing financial information about a particular reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of the information, either individually or in combination with other information, in the context of the financial statements as a whole. Conceptual framework for financial reporting dated 29 March 2018
- The Conceptual Framework does not constitute a separate standard and none of the concepts presented in it replace or override the concepts presented in any standard or the requirements of any standard. The objective of the Framework is to assist the IASB in developing standards, to assist preparers in developing consistent accounting policies where no relevant standard exists, and to assist all parties to financial reporting in understanding and applying standards. The updated Framework includes some new concepts, includes updates to definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.
- Amendments to IFRS 16 Lease: Rent concessions related to Covid-19 dated 28 May 2020 - retrospectively applicable for annual periods beginning on or after 1 January 2020.

As a practical expedient, a lessee may elect not to assess whether a rent concession granted directly in connection with a Covid-19 pandemic that meets certain conditions constitutes a lease modification. A lessee that makes such a decision shall recognise any change in lease payments resulting from the rent relief in the same way as it would recognise the change under IFRS 16 if the change did not constitute a lease modification.

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

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

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

- Amendments to IAS 1 "Presentation of Financial Statements"
  The Board published amendments to IAS 1, clarifying presentation of liabilities as current and non-current. Published amendment shall apply to reporting periods commencing as of 1 January 2023 or thereafter.
- Amendments to IFRS 3 "Business Combinations"
  The amendments to the standard, published in May 2020, are intended to update the relevant references to the Conceptual Framework in IFRS without making substantive changes to business combination accounting.
- Amendments to IAS 16 "Property, Plant and Equipment"
  The amendment prohibits an entity from adjusting the cost of property, plant and equipment for amounts received from the sale of items produced while the property, plant and equipment is being prepared to commence operation as intended by management. Instead, an entity will recognise the aforementioned sales proceeds and related costs directly in the income

statement. Amendment shall apply to reporting periods commencing as of 1 January 2022 or thereafter.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
  The amendments to IAS 37 provide clarification on the costs that an entity considers when analysing whether a contract is an onerous contract. Amendment shall apply to reporting periods commencing as of 1 January 2022 or thereafter.
- Annual amendments to IFRS 2018 - 2020
  "Annual Improvements to IFRSs 2018-2020" introduces amendments to standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples to IFRS 16 "Leases". The Improvements contain explanations and detail out the guidelines related to recognition and measurement.
- Amendments to IFRS 16 "Lease"
  On 28 May 2020. The Board issued an amendment to IFRS 16, which responds to changes to leases in connection with the coronavirus pandemic (COVID-19). Lessees are entitled to take advantage of relieves and exemptions, which can take various forms, i.e., deferral or exemption from lease payments. Accordingly, the Board has introduced a simplification in assessing whether these modifications constitute lease modifications. Lessees may benefit from the simplification of not applying the IFRS 16 guidance on lease modifications. As a result, this will result in lease reductions and exemptions being recognised as variable lease payments in the period in which the event or condition that triggers the payment reduction occurs. The amendment is effective from 1 June 2020 with early application permitted.
- Amendment to IFRS 4: Adaptation of IFRS 9 "Financial instruments"
  The amendment to IFRS 4 "Insurance Contracts" postpones the application of IFRS 9 "Financial Instruments" until 2021. h) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform. In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board has published the second part of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures.
  The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to the associate or joint venture constitute a "business" (business). If the non-monetary assets constitute a business, the investor recognises a full gain or loss on the transaction. If, on the other hand, the assets do not meet the definition of business, the investor recognises a gain or loss from only to the extent of the portion representing the interests of other investors. The amendments were published on 11 September 2014. At the date of these consolidated financial statements, the approval of this amendment is deferred by the European Union.
  The effective dates are those resulting from the content of the standards promulgated by the International Financial Reporting Council. The application dates of the standards in the European Union may differ from the application dates resulting from the content of the standards and are announced at the time of approval for application by the European Union.
  At the date of authorisation of these consolidated financial statements for issue, management does not expect the introduction of these other standards and interpretations to have a material impact on the accounting policies applied by the Company.

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

- IFRS 17 Insurance Contracts (applicable to annual periods commencing on 1 January 2021 or later),
- IFRS 14 "Regulatory deferral accounts"
- This standard allows entities that prepare their financial statements in accordance with IFRS for the first time (on or after 1 January 2016) to recognise amounts arising from regulated price activities in accordance with their existing accounting policies. To improve comparability, with entities that already apply IFRS and do not recognise such amounts, under published IFRS 14, amounts arising from regulated price activities should be presented as a separate line item in both the statement of financial position and the income statement and statement of other comprehensive income. By the decision of European Union, the IFRS standard will not be approved.

2.4. Basis of measurement

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

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

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

2.5. Capital Group

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

Name of entity	Consolidation method	% of the Group's share in the share capital	
		31/12/2020	31/12/2019
Inter Cars S.A.	full	Not applicable	Not applicable
Inter Cars Ukraine	full	100%	100%
Q-service Sp. z o.o.	full	100%	100%
Lauber Sp. z o.o.	full	100%	100%
Inter Cars Česká republika s.r.o.	full	100%	100%
Feber Sp. z o.o.	full	100%	100%
IC Development & Finance Sp. z o.o	full	100%	100%
Armatus sp. z o.o.	full	100%	100%
Inter Cars Slovenská republika s.r.o.	full	100%	100%
Inter Cars Lietuva UAB	full	100%	100%
JC Auto S.A.	full	100%	100%
Inter Cars Hungária Kft	full	100%	100%
Inter Cars Italia s.r.l (former JC Auto s.r.l.)	full	100%	100%
Inter Cars d.o.o.	full	100%	100%
Inter Cars Romania s.r.l.	full	100%	100%
Inter Cars Cyprus Limited	full	100%	100%
Inter Cars Latvija SIA	full	100%	100%
Cleverlog-Autoteile GmbH	full	100%	100%
Inter Cars Bulgaria Ltd.	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	full	100%	100%
ILS Sp. z o.o.	full	100%	100%
Inter Cars Malta Holding Limited	full	100%	100%
Inter Cars Malta Limited	full	100%	100%
Q-service Truck Sp. z o.o.	full	100%	100%
Inter Cars INT d o.o.	full	100%	100%
Inter Cars Eesti OÜ	full	100%	100%
Inter Cars Piese Auto s.r.l.	full	100%	100%
Inter Cars GREECE	full	100%	100%
Inter Cars d.o.o. (Bosnia and Herzegovina)	full	100%	100%
Aurelia Auto d o o	full	100%	100%
Inter Cars United Kingdom - automotive technology Ltd	full	100%	100%
Inter Cars d.o.o. Beograd-Rakovica	full	100%	100%
Inter Cars Fleet Services Sp. z o.o.	full	100%	100%
JAG Sp. z o.o.	full	100%	-
OOO Inter Cars Automobilna Technika	Not applicable	100%	-
InterMeko Europe Sp. z o.o.	equity method	50%	50%

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

Presented accounting policies were used equally in all entities comprising the Capital Group. In 2019 there were no changes to the accounting policy, except for the new and amended standards described above. Consolidation is based in the full method. Associated company InterMeko Europe Sp. z o.o. was estimated with equity method.

2.6. Functional and presentation currency

(a) Presentation and functional currency

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

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

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

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

(b) Foreign currency transactions

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

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

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

3. Basis of accounting

3.1. Changes in the accounting policy

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

3.2. Principles of consolidation

(a) Subsidiary Companies

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

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

b) Subsidiary entities

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

(c) Consolidation adjustments

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

3.3. Significant accounting policies

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

a) Tangible fixed assets

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

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

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

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

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

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

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

Buildings and leasehold improvements	10 - 40 years
Plant and machinery	3 - 16 years
Vehicles	5 - 7 years
Other fixed assets	1 year - 5 years

b) Goodwill

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

c) Intangible assets

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

Relations with vendors.

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

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

Computer software

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

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

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

d) Investment property

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

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

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

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

e) Financial instruments

1. Classification and measurement of financial assets

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

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

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

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

In 2018 and 2019 the Group did not use external instruments for trade receivables such as factoring. In the course of an analysis of the business model for trade receivables it was determined that all trade receivables are held to be paid - the Group has no plans to its trade receivables; they are all held until maturity date. The Group evaluates if the classification test according to IFSR 9, the so-called SPPI test, checking if the cash flows from receivables represent solely the principal and interest. If the test criteria are met, trade receivables are measured at amortized cost. As regards trade receivables, the Group applies a simplified approach provided for in the standard, and, consequently, measures a write-down on anticipated credit losses at an amount equal to the anticipated credit losses throughout an entire lifetime of a receivable. This approach results from the fact that the Group's receivables do not include material financial elements within the meaning of IFRS 15. For the purposes of calculation of a write-down, the Group uses a provision matrix by means of which revaluation write downs are determined for receivables classified in different overdue ranges. This method provides for historical data related to credit losses and a potential impact of material and identifiable future factors (e.g., market or macroeconomic). The probability of non-payment of a receivable is estimated based on historical data regarding previously unpaid receivables. To assess the parameter of non-payment of receivable by a customer, the Group has created 8 ranges:

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

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

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

Currently the Group does not identify negative changes on the market that might result in a negative impact of future factors on the scale of financial losses. The macroeconomic factors (GDP, unemployment) do not justify application of further portfolio write-downs regarding the status of receivables as at the balance sheet date.

Following application of the above-described method, the Group did not identify material differences between the measuring of receivables in conformity with IAS 39 as 1 January 2018 and their measuring in conformity with IFRS 9.

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

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

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

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

f) Financial liabilities other than derivatives

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

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

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

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

g) Impairment of assets

Financial assets

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

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

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

Impairment losses are recognised in current period profit or loss.

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

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

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

Non-Financial Assets

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

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

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

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

h) Lease

>>Accounting policy applied as of 1 January 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group as a Lessee

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

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

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

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

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

The Group as a Lessor

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

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

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

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

- potential costs related to a termination of a lease contract, including costs of entering into a new lease contract, such as the costs of its negotiation, costs of relocation, costs of identification of another base asset corresponding with the lessee's needs, costs on integrating a new asset into the Group's operations or costs of penalties for termination as well as similar costs, including costs related to returning a base asset in a condition or to a location specified in a contract, or

- existing business plans and other contracts justifying using a leased object over a given period.

Determination of the lessee's marginal interest rate

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

i) Inventory

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

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

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

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

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

j) Cash and cash equivalents

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

k) Equity

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

1. Share capital disclosed in the amount specified in the Company's Articles of Association and entered into the court register,
2. Share issue capital disclosed as a separate item under equity. Costs of share issue are charged against equity.
3. The reserve fund created pursuant to the Code of Commercial Companies,
4. The remaining reserve funds created based on the valuation of management options,
5. Retained profit, comprising retained profit from prior years and the profit or loss from the current financial period.
6. Foreign exchange gains / losses – capital from recalculation of entities operating abroad.
7. Non-controlling interest – value of assets attributable for non-controlling shareholders.

l) Loans and borrowings

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

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

m) Provisions

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

n) Revenue

Revenues from Contracts with Customers, published in May 2014 and amended in April 2016, sets the so-called five-step model of recognizing income resulting from contracts with customers.

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

The Group operates in the following areas:

1. Sale of goods

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

2. Sale of products and services

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

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

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

o) Operating expenses

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

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

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

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

p) Financial costs

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

q) Income tax

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

(in thousand PLN)

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

r) Valuation of shares in affiliated entities

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

4. Operating segments

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

5. Supplementary information

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

	31/12/2020	**31/12/2019**
Fixed assets on the territory of Poland	806,980	884,179
Fixed assets outside the territory of Poland	406,961	314,687
Total fixed assets	**1,213,941**	**1,198,866**

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

(in thousand PLN)

Operating segments (cont.)

	Sale of spare parts		Other		Eliminations		Total	
	01/01/2020 - 31/12/2020	**01/01/2019-31/12/2019**	**01/01/2020 - 31/12/2020**	**01/01/2019-31/12/2019**	**01/01/2020 - 31/12/2020**	**01/01/2019-31/12/2019**	**01/01/2020 - 31/12/2020**	**01/01/2019-31/12/2019**
Revenues from external customers	9,031,261	8,648 580	127,905	115,681	-	-	9,159,166	8,764,261
Revenues between segments	8,019	6,698	520,373	481,305	(528,392)	(488,003)	-	-
Interest revenue	17,184	15,485	14	841	(4,125)	(4,090)	13,073	12,236
Interest costs	(60,316)	(61,464)	(578)	(858)	3,989	4,091	(56,905)	(58,231)
Amortization and depreciation	(103,945)	(104,881)	(38,635)	(36,749)	11,430	11,430	(131,150)	(130,200)
Profit before tax	**461,874**	**312,830**	**29,215**	**15,914**	**(46,615)**	**(49,215)**	**444,474**	**279,529**
Shares in results of affiliates – using equity method	-	-	-	-	-	-	-	-
Total assets	**6,518,825**	**6,054 202**	**515,095**	**507,474**	**(2,355,069)**	**(2,137,783)**	**4,678,851**	**4,423 893**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(73,326)	(145,054)	-	-	-	-	(73,326)	(145,054)
Total liabilities	**3,667,216**	**3,540 367**	**138,748**	**149,577**	**(1,522,609)**	**(1,312,738)**	**2,283,355**	**2,377 206**

(in thousand PLN)

6. Tangible fixed assets

	31/12/2020	31/12/2019
Land	43,280	38,734
Buildings and structures	192,542	156,406
Real estate available for sale	1,088	1,088
Plant and machinery	134,994	139,587
Vehicles	26,992	28,972
Other tangible assets	85,635	85,133
Tangible assets under construction	6,099	53,647
Right-of-use assets	272,956	256,825
Total property, plant and equipment	**763,586**	**760,392**

Property, plant and equipment under lease agreements

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

- 31 December 2020 – PLN 9,794 thousand,
- 31 December 2019 – 19,897 thousand PLN.

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

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

Borrowing costs

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

(in thousand PLN)

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Real estate available for sale	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 01/01/2019	**40,577**	**189,820**	**40,927**	**283,061**	**62,701**	**220,694**	**8,770**	**846,550**
Increase:	**(1,088)**	**15,183**	**288**	**25,332**	**14,699**	**21,032**	**46,006**	**121,452**
Acquisition	-	6,395	-	26,174	12,580	19,608	54,576	**119,333**
Transfer	-	8,788	(800)	(842)	-	1,424	(8,570)	**-**
Transfer to real estate available for sale	(1,088)	-	1,088	-	-	-	-	**-**
Lease		-	-	-	2,119	-	-	**2,119**
Decrease:	**(115)**	**(1,190)**	**(40,127)**	**(10,612)**	**(9,849)**	**(2,844)**	**(1,129)**	**(65,867)**
Sale	-	(21)	(40,127)	(3,871)	(8,004)	(1,501)	-	**(53,524)**
Liquidation	-	(782)	-	(6,530)	(2,788)	(958)	(1,108)	**(12,166)**
Foreign exchange gains /losses in subsidiaries	(115)	(387)	-	(212)	943	(385)	(21)	**(177)**
Gross value as at 31/12/2019	**39,374**	**203,813**	**1,088**	**297,780**	**67,551**	**238,882**	**53,647**	**902,135**
Increase	**5,460**	**44,592**	**-**	**17,676**	**11,861**	**29,093**	**(47,541)**	**61,141**
Acquisition	5,460	4,012	-	7,482	10,518	27,956	4,232	**59,660**
Transfer	-	40,580	-	10,194	-	1,137	(51,773)	**138**
Transfer from investment property	-	-	7,633	-	-	-	-	**7,633**
Lease	-	-	-	-	1,343	-	-	**1,343**
Decrease	**(894)**	**(1,445)**	**-**	**(10,392)**	**(8,039)**	**(12,061)**	**(7)**	**(32,839)**
Sale	(894)	(238)	-	(2,371)	(6,576)	(802)	-	**(10,881)**
Liquidation	-	(1,058)	-	(8,476)	(2,226)	(12,065)	-	**(23,825)**
Foreign exchange gains /losses in subsidiaries	-	(149)	-	455	763	806	(7)	**1,868**
Gross value as at 31/12/2020	**43,940**	**246,960**	**8,721**	**305,064**	**71,373**	**255,914**	**6,099**	**938,071**

(in thousand PLN)

AMORTISATION AND IMPAIRMENT LOSSES

	Land	Buildings	Real estate available for sale	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construct ion	Total
Accumulated depreciation as at 01/01/2019	**609**	**41,398**	**11,656**	**137,045**	**34,617**	**130,555**	**-**	**355,880**
Amortization and depreciation	31	6,221	-	27,185	11,001	24,977	-	**69,415**
Sale	-	(21)	(11,656)	(2,119)	(5,206)	(921)	-	**(19,923)**
Liquidation	-	(191)	-	(3,918)	(1,833)	(862)	-	**(6,804)**
Transfer	-	-	-	-	-	-	-	**-**
Transfer to real estate available for sale	-	-	-	-	-	-	-	**-**
Accumulated depreciation as at 31/12/2019	**640**	**47,407**	**-**	**158,193**	**38,579**	**153,749**	**-**	**398,568**
Amortization and depreciation	20	7,758	-	19,211	11,490	29,111	-	**67,590**
Sale	-	(40)	-	(2,064)	(4,169)	(877)	-	**(7,150)**
Liquidation	-	(707)	-	(5,270)	(1,519)	(11,704)	-	**(19,200)**
Transfer	-	-	-	-	-	-	-	**-**
Accumulated depreciation as at 31/12/2020	**660**	**54,418**	**-**	**170,070**	**44,381**	**170,279**	**-**	**439,808**

As at 01 January 2019	**39,968**	**148,422**	**29,271**	**146,016**	**28,084**	**90,140**	**8,770**	**490,671**
As at 31 December 2019	**38,734**	**156,406**	**1,088**	**139,587**	**28,972**	**85,133**	**53,647**	**503,567**
As at 01 January 2020	**38,734**	**156,406**	**1,088**	**139,587**	**28,972**	**85,133**	**53,647**	**503,567**
As at 31 December 2020	**43,280**	**192,542**	**8,721**	**134,994**	**26,992**	**85,635**	**6,099**	**498,263**

(in thousand PLN)

7. Right-of-use assets

The right-of-use assets comprise mainly contracts of lease of storage and office spaces used for conducting the Group's core activity, as well as cars, forklifts, racks, and warehouse scanners. As of 31 December 2020, the value of right-of-use assets amounted to PLN 272,956 thousand.

	Points of Sale floor space	vehicles	Office space and other	Other	Total
GROSS VALUE OF BENEFICIAL INTEREST					
Value as at 01 January 2019	229,055	2,409	21,068	3,367	255,899
Increases	30,528	672	11,567	123	42,890
Value as at 31 December 2019	**259,583**	**3,081**	**32,635**	**3,490**	**298,789**
Increases	28,368	810	41,015	663	70,856
Value as at 31 December 2020	**287,951**	**3,891**	**73,650**	**4,153**	**369,645**
AMORTISATION AND IMPAIRMENT LOSSES					
Amortization as at 01 January 2019	-	-	-	-	-
Increases	35,485	410	5,604	464	41,963
Amortization as at 31 December 2019	**35,485**	**410**	**5,604**	**464**	**41,963**
Increases	36,906	507	16,771	542	**54,726**
Amortization as at 31 December 2020	**72,391**	**917**	**22,375**	**1,006**	**96,689**
NET VALUE					
As at 01 January 2019	**229,055**	**2,409**	**21,068**	**3,367**	**255,899**
As at 31 December 2019	**224,098**	**2,671**	**27,031**	**3,026**	**256,825**
As at 31 December 2020	**215,560**	**2,974**	**51,275**	**3,147**	**272,956**

(in thousand PLN)

8. Intangible assets

	31/12/2020	31/12/2019
Goodwill, including:	126,634	124,130
- goodwill from merger with JC Auto S.A.	*124,130*	*124,130*
- other	*2,504*	
Computer software	15,866	23,579
Other intangible assets, including:	31,335	36,323
- relations with suppliers	-	*232*
- other	*31,335*	*36,091*
Intangible assets under construction	19,840	13,527
	193,675	**197,559**

Impairment 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 2019:

- 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 2021 was prepared based on the approved budget and provides for a 2.3% increase of EBITDA, whereas the data for 2022-2025 prepared based on the financial forecasts of the Inter Cars Group provide for an annual increase of EBITDA of approx. 2.3%.
- 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% and was estimated based on the weighted average cost of capital (WACC)
- The surplus of the recoverable value over the book value of the tested assets amounted to PLN 2,234,442 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 2020 the Group had no intangible assets used on the basis of finance lease agreements

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

Borrowing costs

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

(in thousand PLN)

	Goodwill	Computer software	Other intangible assets	Intangible assets under construction	Total
GROSS VALUE OF INTANGIBLE ASSETS					
Gross value as at 01/01/2019	**124,130**	**99,090**	**34,495**	**42,132**	**299,847**
Acquisition	-	3,254	14,422	8,046	25,721
Transfer from investments	-	4,505	32,145	(36,351)	-
Liquidation	-	(9,024)	-	-	(9,024)
Gross value as at 31/12/2019	**124,130**	**97,825**	**81,062**	**13,527**	**316,544**
Acquisition	2,504	872	1,499	8,791	13,666
Transfer from investments	-	2,478	-	(2,478)	-
Liquidation	-	(6,791)	-	-	(6,791)
Gross value as at 31/12/2020	**126,634**	**94,384**	**82,561**	**19,840**	**323,419**
AMORTISATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS					
Accumulated depreciation as at 01/01/2019	**-**	**69,578**	**30,854**	**-**	**100,432**
Amortisation for period	**-**	4,935	13,886	-	18,821
Foreign exchange gains /losses	**-**	(6)	-	-	(6)
Other	**-**	(261)	-	-	(261)
Accumulated depreciation as at 31/12/2019	**-**	**74,246**	**44,740**	**-**	**118,985**
Amortisation for period	**-**	9,192	6,456	-	15,648
Foreign exchange gains /losses	**-**	12	31	-	43
Liquidation	**-**	(4,932)	-	-	(4,932)
Accumulated depreciation as at 31/12/2020	**-**	**78,517**	**51,226**	**-**	**129,744**
Net value					
As at 01/01/2019	**124,130**	**29,512**	**3,641**	**42,132**	**199,415**
As at 31 December 2019	**124,130**	**23,579**	**36,323**	**13,527**	**197,559**
As at 01/01/2020	**124,130**	**23,579**	**36,323**	**13,527**	**197,559**
As at 31 December 2020	**126,634**	**15,866**	**31,335**	**19,840**	**193,675**

9. Investment property and available-for-sale

Investment property	**2020**	**2019**
As at 1 January	10,837	17,779
Change in value measured at fair value	(71)	(202)
Sale of real property	-	(6,740)
Transfer to real estate available for sale	(7,633)	-
As at 31 December	**3,133**	**10,837**

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

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

The income from lease of the property in Szczecin amounted to PLN 240 thousand. Other real estate properties brought no income from lease. In the reported period, the cost of maintenance of above mentioned properties is at similar level to the income they brought.

Real estate available for sale

During the year 2019 there was a change in the classification of land in Redzików to real estate available for sale. The real estate is intended for sale. Moreover, in 2020 the property in Szczecin was reclassified to real estate available for sale.

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

10. Investments in associates

	2020	**2019**
Status as at 01 January 2020	**1,030**	**988**
Increase, including:	**625**	**43**
- share in results of InterMeko	*175*	*-*
- acquisition of shares in other entities	*-*	*43*
- acquisition of shares in Inter Cars Automobilna Technika	*450*	*-*
Decrease, including:	**-**	**(1)**
- share in results of InterMeko	*-*	*(1)*
Status as at 31 December 2020	**1,655**	**1,030**

Shares in associated entity – as at 31 December 2020

Name and legal form of associate	*InterMeko Europe sp. z o.o.* (non-quoted company)
Registered seat	Warsaw
Value of purchased shares (in thousand PLN)	566
Percentage of share capital/ total vote held	50%
Associate's assets	2,385*
Liabilities	126*
Revenue	2,946*
Net result	352*

* not audited

(in thousand PLN)

11. Investments available for sale

	2020	2019
As at 1 January	**298**	**301**
Decrease	-	(3)
Acquisition of shares in Partslife International Polska (former Hoylake)	1	-
As at 31 December	**299**	**298**

Investments available for sale are shares in other entities, i.e., ATR and Partslife GmbH, which are nor a subject of sales on any market. The Group holds 3.44% of shares in ATR and 1% in Partslife, whereas in Partslife International Polska - 10%.

12. Deferred tax

Deferred Tax Assets and Liabilities

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

As at 31 December 2020	**Assets**	**Liabilities**
Intangible assets	1,193	1,378
Tangible fixed assets	3,569	10,622
Investment property	880	-
Inventory	35,697	15,570
Trade and other receivables	21,228	1,999
Finance lease liabilities	376	-
Trade and other payables	29,979	65,256
Deferred tax assets/liabilities	**92,922**	**94,826**
Deferred tax offset against liabilities	(79,388)	(79,388)
Deferred tax liabilities as disclosed in the balance sheet	**13,534**	**15,438**

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

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

Deferred tax presented in the periods was recognized in relation to all balance sheet positions, which constitute temporary differences, except for the temporary difference between taxable and balance sheet value of trademarks reported in related entity Inter Cars Marketing Services Sp. z o.o Unrecognised deferred tax asset amounted to PLN 19,091 thousand and PLN 20,766 thousand as of 31 December 2019. Aforementioned deferred tax assets were not recognized because of uncertainty of possibility of realization of related economic benefits. Moreover, an income tax asset resulting from potential tax benefits from the operation of the subsidiary ILS sp. z o.o. in the special economic zone in Zakroczym was not recognized as at 31.12.2020. The asset of PLN 90 m was created as a result of an investment by the company entitled to a tax relief. Because of uncertainty of estimated future pecuniary advantages, the Group did not decide to make an asset for this tax allowance. Terms of execution of the tax allowance were described in the Permission number

(in thousand PLN)

152/2014 of 25 June 2016 issued for the Company, for running business activities in the Warmian-Mazurian Special Economic Zone. The Company is entitled to deduct the taxes on income by maximum amount of 50% of qualified spending. Possibility of execution becomes void as at 31 December 2026 and the Company can only use the take advantage only after qualified investment spending have been born in the amount of at least PLN 155 million till 31 December 2018, and current employment has been increased by at least 200 positions, and the level is kept on this level till at least 31 December 2023.

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

Change in deferred tax assets	**2020**	**2019**
As at beginning of period	84,152	69,099
Increase	8,770	15,053
As at end of period	**92,922**	**84,152**

Change in deferred tax liabilities	**2020**	**2019**
As at beginning of period	86,733	73,083
committed in the reporting period	8,093	13,650
As at end of period	**94,826**	**86,733**

	31/12/2019	**Effect on net profit**	**31/12/2020**
Deferred tax assets	84,152	8,770	92,922
Deferred tax liabilities	(86,733)	(8,093)	(94,826)
	(2,581)	**677**	**(1,904)**

13. Inventory

	31/12/2020	**31/12/2019**
Materials	40,197	41,141
Half-products and work in progress	3,833	3,768
Finished goods	6,291	6,458
Merchandise	2,172,796	2,011 452
	2,223,117	**2,062 819**
Merchandise	2,183 361	2,026 309
Write-offs	(10,565)	(14,857)
	2,172 796	**2,011 452**

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

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

Inventories with a value of PLN 1,656 million have been pledged as collateral to secure the repayment of bank loan (details – see note 18).

(in thousand PLN)

Change in impairment losses on inventories

	2020	2019
As at beginning of period	(14,857)	(4,779)
(increase) / decrease	4,293	(10,078)
As at end of period	**(10,564)**	**(14,857)**

14. Trade and other receivables

	31/12/2020	31/12/2019
Trade receivables	844,383	795,586
Taxes, subsidies, customs, social security, health insurance and another benefits receivable	54,922	104,154
Other receivables and accrued expenses	68,230	78,546
Loans granted	3,132	3,967
Short term trade and other receivables – gross	**970,667**	**982,253**

As at 31 December 2020, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly receivables for intra-Community delivery of goods in the amount of PLN 36,603 thousand.

Change in impairment loss on trade receivables

	2020	2019
Status as at the beginning of the period	(27,480)	(18,028)
Increase	(6,774)	(11,185)
Used	3,334	1,733
Status as at the end of the period	**(30,920)**	**(27,480)**
Short-term trade and other receivables – net	**939,746**	**954,773**

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

Maturity structure of non-current trade receivables and other receivables	**31/12/2020**	**31/12/2019**
Up to 12 months	970,667	982,253
	970,667	**982,253**

Maturity structure of receivables	**31/12/2020**		**31/12/2019**	
	Gross	**Write-offs**	**Gross**	**Write-offs**
Up to 180 days	905,523	1,696	898,092	4,159
- matured	*210,093*	*1,696*	*353,863*	*4,159*
- unmatured	*695,430*	*-*	*544,229*	*-*
From 181 to 270 days	3,357	2,470	23,370	1,776
From 271 to 360 days	8,857	5,362	20,239	3,762
Over 1 year	52,930	21,392	40,552	17,783
Total	**970,667**	**30,920**	**982,253**	**27,480**

(in thousand PLN)

Currency structure of non-current trade and other receivables (gross)	**31/12/2020**	**31/12/2019**
Local currency	508,590	509,686
Foreign currencies	462,077	472,567
	970,667	**982,253**

Receivables in EUR	177,756	132,214
Receivables in other currencies	284,321	340,353
	462,077	**472,567**

Loans granted	**31/12/2020**	**31/12/2019**
Current loans	3,132	3,967
Non-current loans and borrowings	6,374	6,316
	9,506	**10,283**

Non-current receivables	**31/12/2020**	**31/12/2019**
Non-current loans and borrowings	6,374	6,316
Security deposits	15,008	13,531
Other	1,724	1,783
	23,106	**21,630**

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

Credit and currency risks are discussed in Note 35.

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

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

The loans are not secured.

15. Cash and cash equivalents

	31/12/2020	**31/12/2019**
Cash in hand	8,576	7,977
Cash at bank	207,398	116,466
Cash in transit	17,753	18,482
Cash on accounts of the Company's Social Benefits Fund	79	472
Cash	**233,806**	**143,397**

Cash	**31/12/2020**	**31/12/2019**
In local currency	45,545	34,537
In foreign currencies	188,261	108,860
	233,806	**143,397**

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

In accordance with Polish law, Companies administer the Company's Social Benefits Funds on behalf of its employees. Contributions to the Company's Social Benefits Funds are deposited in a separate account.

The credit risk concentration with respect to cash is limited as the Group deposits cash in a number of reputable financial institutions.

(in thousand PLN)

16. Share capital and share premium account

As at 31 December 2020, the share capital of parent entity - Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

	Number of shares	**Date of admission to trading**	**Right to dividend (since)**	**Par value (in PLN)**	**Issue price (PLN)**	**Share premium (in PLN)**
Series A	200,000	14/05/2004	1999	400,000	2.00	-
Series B	7,695,600	14/05/2004	1999	15,391,200	2.00	-
Series C	104,400	14/05/2004	1999	208,800	2.00	-
Series D	2,153,850	14/05/2004	2001	4,307,700	6.85	10,448,676
Series E	1,667,250	14/05/2004	2002	3,334,500	8.58	10,966,504
Series G	1,875,000	14/03/2008	2007	3,750,000	122.00	225,000,000
Series F1	10,001	06/08/2007	2008	20,002	33.59	315,932
Series F2	30,000	25/06/2008	2008	60,000	37.13	1,053 900
Series F1	147,332	06/08/2007	2009	294,664	33.59	4,654 218
Series F2	127,333	25/06/2008	2009	254,666	37.13	4,473 208
Series F3	157,334	21/12/2009	2009	314,668	18.64	2,618 038
	14,168 100			**28,336 200**		**259,530 476**

17. Net profit per share

Basic profit per share

Net profit per share calculated based on net profit for the period in the amount of PLN 333,320 thousand (2019: PLN 227,096 thousand) and the weighted average number of shares – 14,168 thousand (2019: PLN 14,168 thousand): presented below:

Weighted average number of shares	**2020**	**2019**
Shares issued as at 1 January	14,168 100	14,168 100
Shares issued in connection with option exercise	-	-
Weighted average number of shares during the year	**14,168 100**	**14,168 100**

Basic profit per share	**2020**	**2019**
Net profit for period	333,320	227,096
Weighted average number of shares	14,168,100	14,168 100
Net earnings per 1 share (in PLN)	23.53	16.03

Diluted earnings per share

In 2020 and 2019 there were no open motivating programs in the Group, which might have diluting influence. Therefore, the diluted profit per share equals the basic profit per share.

18. Loan, borrowing and finance lease liabilities

This Note contains information on the Group’s liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Group’s exposure to currency, interest rate and liquidity risks, see Note 35.

The syndicated credit facility agreement

On 4th November 2020, an annex was signed to the term and revolving facility contracts of 14 November 2016, extending the maturity date of the revolving facilities until 12 November 2021 and of the term facility until 14 November 2022.

(in thousand PLN)

Following the provisions of the annex, the total amount of credits was not changed. The maximum total amount of revolving credits granted pursuant to the Loan Agreement amounts to PLN 878,687,505

The maximum total amount of term loans granted pursuant to the Loan Agreement amounts to PLN 565,500,000

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

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

Bank credits concluded directly by subsidiary companies:

Inter Cars Česká republika s.r.o. holds a credit agreement with Raiffeisenbank a.s. for the credit line worth CZK 150 million, to be used either in CZK or in EUR, repayable by 28 February 2021. On the day of 23 February 2021 an annex extending the maturity date was signed for one more year, till 28 February 2022.

Inter Cars Romania s.r.l. has a credit line facility with RON 70m limit in Bank ING Bank N.V. repayable by 11 November 2021.

Inter Cars INT d.o.o. has a credit agreement with Bank SKB BANKA with EUR 2 million, repayable by 30 September 2021.

Non-current	**31/12/2020**	**31/12/2019**
Secured bank loans	469,181	565,744
Loans	66,414	-
Licence subscription liabilities	5,151	9,137
Finance lease liabilities	446,968	229,783
	987,714	**804,664**

Current	**31/12/2020**	**31/12/2019**
Secured bank loans	419,585	576,455
Loans	65,105	-
Licence subscription liabilities	12,441	8,824
Finance lease liabilities	112,056	42,800
	609,187	**628,079**

Loans and borrowings as at 31/12/2020

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	**878,688**	**413,884**	12/11/2021
Inter Cars S.A.		376,274	
Inter Cars Slovenska Republika s.r.o.		28,276	
Lauber Sp. z.o.o.		9,334	
ING Bank N.V. (Inter Cars Romania s.r.l.)	**66,353**	**61,474**	11/11/2021
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	**26,295**	**7,585**	28/02/2021
SKB Banka (ICSI - Inter Cars INT D o.o.)	**9,230**	**2,769**	30/09/2021
	980,566	**485,712**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	565,500	537,000	14/11/2022
	565,500	**537,000**	

(in thousand PLN)

Loans and borrowings as at 31/12/2019

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

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	**565,500**	**537,000**	12-11-2021
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	**29,498**	**25,140**	28-02-2021
Nova Kreditna Banka Maribor d.d. (ICSI - Inter Cars INT D o.o.)	**6,388**	**4,259**	01-01-2020
	601,386	**566,399**	

As at 31 December 2020, total nominal liabilities under loans and borrowings amounted to PLN 1.022.712 thousand of which PLN 807,070 thousand is denominated in PLN and 154,169 thousand is denominated in EUR, whereas PLN 61,474 thousand applies to credit denominated in RON.

Material terms of the syndicated credit facility

A consortium credit was granted by the following banks (along with the use as at 31 December 2020):

	Use in nominal value	Share in the amount drawn
CaixaBank S.A.	78,535	7.68%
Bank Pekao S.A.	282,977	27.67%
Bank Handlowy S.A.	115,937	11.34%
DNB Bank Polski S.A.	99,736	9.75%
Bank BGŻ BNP Paibas S.A.	93,298	9.12%
mBank S.A.	140,183	13.71%
ING Bank Śląski S.A.	102,608	10.03%
Citibank Europe PLC Slovakia	28,276	2.76%
ING Bank N.V. (Inter Cars Romania s.r.l.)	61,474	6.01%
Lauber Sp. z o.o.	9,334	0.91%
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	7,585	0.75%
SKB Banka (ICSI - Inter Cars INT D o.o.)	2,769	0.27%
	1,022 712	**100.00%**

The credit facility is secured with:

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

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

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

(in thousand PLN)

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

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

As at 31 December 2020 the Group met all terms and conditions of the facility.
Inter Cars may approve and pay dividend only if the following conditions are met:
- the total amount of dividend paid for a given financial year does not exceed 40 or 60% of the net profit;
- the financial ratios are maintained at a satisfactory level and dividend payment would not result in failure to meet the requirements with respect to any of the key ratios.

The rate of interest of the credits is variable and shall depend, for each interest rate period, on WIBOR interest reference rate, plus agreed on the basis of the New Credit Facility Agreement (at arm's length) margins of the creditors.
The effective interest rate as at the reporting date was 1.8 %.

Finance lease	**31/12/2020**	**31/12/2019**
Payments under lease agreements	9,044	13,398
Discount	(589)	(1,542)
Present value of liabilities under leases	**8,455**	**11,856**
Payments under lease agreements		
Up to 1 year	4,362	5,306
Between 1 and 5 years	4,682	8,092
	9,044	**13,398**
Present value of liabilities under leases		
Up to 1 year	4,012	4,789
Between 1 and 5 years	4,443	7,067
	8,455	**11,856**

Finance lease IFRS 16 Right-of-use	**31/12/2020**	**31/12/2019**
Payments under lease agreements	327,446	303,677
Discount	(43,983)	(42,950)
Present value of liabilities under leases	**283,463**	**260,727**
Payments under lease agreements		
Up to 1 year	55,803	48,698
Between 1 and 5 years	222,524	180,049
Over 5 years	49,119	74,930
	327,446	**303,677**

(in thousand PLN)

Finance lease IFRS 16 Right-of-use	**31/12/2020**	**31/12/2019**
Present value of liabilities under leases		
Up to 1 year	43,808	38,010
Between 1 and 5 years	193,338	153,662
Over 5 years	46,317	69,055
	283,463	**260,727**

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

Issuance of bonds

The Company did not issue any commercial bonds in 2020.
The previous issuance was realized on 24 October 2014 for the total amount of PLN 150,000,000 (series A). The A series bonds were redeemed on 24 October 2019, which was announced in the current report no. 26/2019.

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

19. Trade and other liabilities

	31/12/2020	**31/12/2019**
Trade payables to other entities	319,764	355,705
Taxes, duties, social security and another benefits payable	62,250	67,483
Bill of exchange liabilities	-	30,899
Other payables and accrued expenses	103,747	72,796
	485,761	**526,883**

	31/12/2020	**31/12/2019**
Trade payables before bonuses accrued for the period	576,170	634,079
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(256,406)	(278,374)
Balance sheet value of trade payables	**319,764**	**355,705**
Maturity structure of trade payables		
Up to 12 months	319,764	355,705
Over 12 months	-	-
	319,764	**355,705**

Currency structure of trade and other payables	**31/12/2020**	**31/12/2019**
Payables in PLN	232,883	335,869
Foreign currencies	252,878	191,014
	485,761	**526,883**

Translated into PLN	**31/12/2020**	**31/12/2019**
Liabilities in EUR	122,670	82,207
Liabilities in USD	8,056	6,411
Liabilities in other currencies	122,152	102,396
	252,878	**191,014**

(in thousand PLN)

20. Employee benefits

	31/12/2020	31/12/2019
Salaries and wages	33,537	35,300
Company's Social Benefits Fund	(38)	505
	33,499	**35,805**

21. Income tax liabilities

Maturity structure of tax payables	31/12/2020	31/12/2019
Up to 12 months	70,718	47,586
	70,718	**47,586**

Currency structure of tax payables	31/12/2020	31/12/2019
Local currency	58,410	25,203
Foreign currency, denominated in PLN	12,308	22,383
	70,718	**47,586**

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

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

The impact of IFRS 16 Subleases on particular items of the financial statements as of 31 December 2020 was as follows:

	Inter Cars Group	Inter Cars S.A.
Non-current receivables on long-term rental	207,320	99,846
Receivables on short-term rental	68,241	44,082
Non-current liabilities on long-term rental	207,320	99,846
Liabilities on the short-term rental	68,241	44,082

Short and long-term rental	31/12/2020	31/12/2019
Payments under lease agreements	305,219	281,779
Discount	(29,658)	(29,107)
Present value of liabilities under leases	**275,561**	**252,672**
Payments under lease agreements		
Up to 1 year	77,688	72,219
Between 1 and 5 years	217,703	192,902
Over 5 years	9,828	16,658
	305,219	**281,779**
Present value of liabilities under leases		
Up to 1 year	68,241	64,038
Between 1 and 5 years	198,295	174,283
Over 5 years	9,025	14,351
	275,561	**252,672**

23. Sales revenues

	01/01/2020 - 31/12/2020	01/01/2019- 31/12/2019
Net sales of products	33,396	71,201
Revenues on sales of commodities and materials	9,042,594	8,550 334
Revenue from sales of services	82,936	142,691
Lease of investment property	240	35
	9,159,166	**8,764,261**

(in thousand PLN)

Sales by product groups

	2020	*share*	2019	*Share*
Spare parts for passenger cars	4,880 622	*53.29%*	4,707,073	*53.71%*
Spare parts for commercial vehicles and buses	1,433 082	*15.65%*	1,360,824	*15.53%*
tyres, batteries and lubricants	2,048 038	*22.36%*	1,897,416	*21.65%*
garage equipment	349,425	*3.82%*	338,970	*3.87%*
motorcycles and parts	227,380	*2.48%*	199,806	*2.28%*
Accessories	43,723	*0.48%*	46,987	*0.54%*
other sale - services	102,460	*1.12%*	127,279	*1.45%*
semi-trailers - Feber	55,395	*0.60%*	71,201	*0.81%*
ISUZU and FORD Truck automobiles	19,041	*0.21%*	14,704	*0.17%*
	9,159 166	***100.00%***	**8,764,261**	***100.00%***

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

Geographical structure of sales

	2020		**2019**	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**
Sales in Poland	4,501,406	49%	5,139,834	59%
Sales outside Poland	4,657,760	51%	3,624,427	41%
Total	**9,159,166**	**100%**	**8,764,261**	**100%**

24. Cost of sales

	01/01/2020 - 31/12/2020	**01/01/2019-31/12/2019**
Value of goods and materials sold	6,319,948	6,124 232
Sold gods	47,483	59,265
Foreign exchange (gains) / losses	48,892	(1,873)
Cost of sales	**6,416,323**	**6,181 624**

25. Selling cost, general and administrative expenses

	01/01/2020 - 31/12/2020	**01/01/2019-31/12/2019**
Amortization and depreciation	131,150	130,200
Materials and energy consumption	145,983	152,425
External services	1,643,950	1,627 247
Taxes and fees	15,124	20,457
Salaries	252,664	275,292
Social security and other benefits	57,204	55,688
Other costs by kind	63,097	66,881
Total costs by kind	**2,309,172**	**2,328 190**
(minus) Cost of products sold	(96,333)	(103,035)
(minus) Change in the balance of finished products and work in progress	(744)	(1,454)
(minus) Cost of distribution realized by branches	(972,599)	(917,324)
Selling cost, general and administrative expenses	**1,239,496**	**1,306 377**

(in thousand PLN)

26. Other operating revenues

	01/01/2020 - 31/12/2020	01/01/2019- 31/12/2019
Gain on disposal of non-financial non-current assets	2,125	3,387
Compensation, penalties and fines received	4,493	8,960
Marketing rebates	7,557	19,147
Other rebates	6,891	5,047
Impairment losses on past due liabilities	543	514
Early payment discount	1829	1,288
Other sales	8,700	8,217
Reversal of provisions	1,523	1,020
Other	13,066	5,986
	46,727	**53,566**

27. Other operating expenses

	01/01/2020 - 31/12/2020	01/01/2019- 31/12/2019
Damage to stock	11,851	10,300
Expenses related to complaints	1271	2,640
Inventory lacks	3,228	7,288
Compensations	211	5,616
Insurances	306	424
Past due receivables recognised as impairment losses	8466	15,128
Impairment of stock write off	1518	312
Provisions made	7,774	6,669
Donations	868	109
Revaluation of non-financial assets	526	388
Claims recognized by suppliers	986	673
Rebates granted	5,803	4,795
Penalties for Inter Cars Italy	-	2,960
Other	27,591	23,257
	70,399	**80,559**

28. Finance income and expenses

Financial income	01/01/2020 - 31/12/2020	01/01/2019- 31/12/2019
Interest on loans and borrowings	401	436
Other interest	2,221	2,042
Interest on rental (sublease)	10,566	9,932
Exchange differences	-	1,266
Other	702	506
	13,890	**14,182**

(in thousand PLN)

Financial costs	**01/01/2020 - 31/12/2020**	**01/01/2019- 31/12/2019**
Interest expense under bank loans and bonds	19,954	35,343
Other interest	13,908	2,233
Interest on rental (sublease)	10,566	9,932
Interest under finance lease (right-of-use)	12,600	10,723
Fees and commissions	8,062	6,649
Exchange differences	9,939	-
Other	1,639	1,715
	76,668	**66,595**

Foreign exchange gains/(losses) in the period from 1.01.2020 to 31.12.2010	**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	(51,980)	-	(51,980)
Other	-	(587)	(587)
Realised foreign exchange gains/(losses)	**(51,980)**	**(587)**	**(52,567)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	3,088	-	3,088
Other	-	(9,352)	(9,352)
Unrealised foreign exchange gains/(losses)	**3,088**	**(9,352)**	**(6,264)**
Total foreign exchange gains/(losses)	**(48,892)**	**(9,939)**	**(58,831)**

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

29. Structure of cash for the statement of cash flows

Corporate income tax paid

	2020	**2019**
Current corporate income tax disclosed in the statement of comprehensive income	(111,814)	(53,731)
Adjustment of comprehensive income	-	4,432
Change in income tax payable	23,132	2,067
Corporate income tax paid	**(88,682)**	**(47,232)**

(in thousand PLN)

Increase (decrease) in receivables

	2020	2019
Change in trade and other receivables	13,550	(84,010)
Change in non-current receivables	(1,475)	716
Change in Loans granted	(1,112)	(961)
Security deposits	50	-
Increase (decrease) in receivables	**11,013**	**(84,255)**

Change in Loans granted

	2020	2019
Loans granted	(2,134)	(2,797)
Repayment of loans granted	3,246	3,866
Interest received	386	459
Interest accrued	(357)	(443)
Foreign exchange gains /losses	(31)	(124)
Change in Loans granted	**1,112**	**961**

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

	31/12/2020	31/12/2019
Change in loans, borrowings, debt securities and finance lease liabilities	(111,404)	181,119
Change in trade and other liabilities	(20,533)	(173,324)
Change in employee benefits liabilities	(2,306)	4,554
Change in total liabilities	(134,243)	12,349
of which:		
Recognition of new leasing agreements (IFRS 16) - right-of-use	(62,249)	(299,401)
Cash inflows on credits and loans	(4,040)	(52,301)
Repayment of loans and borrowings	132,430	49,599
Bond redemption	-	150,000
Financial lease contracts liabilities	111,529	110,000
Other	(8,525)	443
Change in liabilities following adjustments total	**34,903**	**(29,310)**

Net interest

	2020	2019
Interest paid	(46,462)	(52,638)
Interest received	401	436
Net interest	**(46,061)**	**(52,202)**

Other adjustments, net

	2020	2019
Foreign exchange gains /losses	15,489	477
Change in other non-current liabilities	1,476	2,195
Other	(19)	-
Real estate moved to inventories and other net items	**16,946**	**2,672**

(in thousand PLN)

30. Income tax

In the results for the 2020, the Company recognized the outcome of customs and tax controls in the area of Corporate Income Tax for the years: 2014, 2015 and 2016.

In October 2020, the Company received the results of a customs and tax inspection carried out by the Customs and Tax Authority of the Małopolska Province ("CTMP") related to the compliance with the provisions of the corporate income tax act of 15 February 1992 with respect to the taxation of income earned in 2014, 2015 and 2016 (the "CIT Act").

The inspection resulted in an additional tax burden imposed on the Group for the years 2014, 2015, and 2016, affecting the consolidated result in Q3 2020 of PLN 8.5 m, which followed from the application of a higher income tax rate applied in Poland, i.e., 19% instead of 12.5% applied in the Republic of Cyprus, and forced the Company to bear additional financial costs of interest on the above tax burden, affecting the Group's result in Q3 2020 of PLN 12m.

The results of the inspection indicated a different interpretation of the CIT Act regulations regarding taxation of the amounts paid to Inter Cars Cyprus Limited by ATR International GmbH, an entity independent from the Group in conformity with the agreements concluded by it, than that applied by the Company. In the opinion of the Company and its tax advisor, in 2010, Inter Cars Cyprus Limited, acting in conformity with the applicable regulations, purchased the debts of the aforementioned entity and has cooperated with it since. The tax due on this income earned by Inter Cars Cyprus Limited was applied in the Republic of Cyprus, and its amount of PLN 20.1 was included in the consolidated financial statements of the Group for the years 2014-2016.

In the opinion of the Company, the audit results were based on extended interpretation of taxation regulations. In the opinion of the Company, this approach of the tax authority resulted in an unjustified reclassification of the nature of the income due to Inter Cars Cyprus Limited and the tax jurisdiction in which the said income should be taxed.

ATR International GmbH, a German entity, is one of the biggest trade groups associating spare parts distributors, which, as at the date of this report, had 38 independent shareholders running a total of 281 trade enterprises in 64 countries. The terms of cooperation with this entity are the same as for all the other shareholders.

In view of the insignificant amount of the income tax imposed on the Group in 2020, as well as in order to finish the inspection as soon as possible and focus on its business, the Company decided to adjust its returns income tax for the years 2014- 2016 with total value of PLN 28.6 million.

In the statement of reasons for the adjustments, the Company expressed doubts as to MUCP's findings, its evaluation of the evidence gathered, and the legal basis indicated in the results of the inspection. Another, significant reason why the Company decided to submit the adjusted returns was that it anticipated the further proceeding to take a long time and result in significant costs.

The results of the customs and tax inspection of the Company did not question and other of its tax settlement subject to the inspections covering the years 2014, 2015, and 2016.

Additionally, based on above interpretation of MUCP, the Company took a decision on recognizing in the results for 2020 a tax in the amount of PLN 13.7 million and interest on tax, due for 2017, in the amount of PLN 2.9 m.

In total: in 2020 in the separate annual statement of the Company, a tax correction has been recognized for the years 2014-2017 in the amount of PLN 42.3 million. Whereas in the results of the Group, following the fact of recognition in previous reporting periods income tax in the amount of PLN 20.1 million in the Cyprus subsidiary, the income of tax from previous years amounted to PLN 22.2 million.

Income tax recognised under current period profit or loss

	01/01/2020 - 31/12/2020	**01/01/2019-31/12/2019**
Current income tax	111,814	53,731
Change in deferred income tax	(660)	(1,298)
Income tax disclosed in statement of comprehensive income	**111,154**	**52,433**

(in thousand PLN)

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

Effective tax rate	**01/01/2020 - 31/12/2020**	**01/01/2019- 31/12/2019**
Gross profit (without share of the result of the affiliate)	**444,298**	**279,529**
Tax based on 19% rate	(84,417)	(53,111)
Tax rates gains/losses *	2,791	5,249
Tax from previous years	(22,253)	-
Permanent differences		
Costs / incomes not subject to taxation	(7,275)	(4,571)
Current income tax disclosed in statement of comprehensive income	**(111,154)**	**(52,433)**

* Poland 19%, Republic of Slovakia 21%, Czech Republic 19%, Ukraine 18%, Lithuania 15%, Cyprus 12.5%, Malta 35%, Croatia 18%, Romania 16%, Latvia 20%, Bulgaria 10%, Italy 24%, Greece 24%, Bosnia and Herzegovina 10%, Moldova 12%, Estonia 20%, Slovenia 19%, Germany 30%, Hungary 9%, Serbia 15%, Great Britain 19%.

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.

31. Dividend proposed by the Board of Managers

In the reporting period, no dividend was distributed by the Group.

On 5 May 2020, the parent entity's Management Board passed a resolution to accept the Board's motion for the distribution of the 2019 profit, in conformity with which the Board concluded for the distribution of the 2019 profit such that the net profit of PLN 154,974 thousand earned in 2019 shall be transferred in full to supplementary capital. The Company's Supervisory Board acknowledged and approved the Management Board's motion of 5 May 2020 regarding the distribution of the 2019 profit and recommended that the Company's Shareholders Meeting adopt a resolution on distributing the 2019 profit in conformity with the Management Board's motion.

This constitutes a deviation from the Company's dividend policy for the years 2017-2019, adopted and announced by the Company's Management Board on 9 May 2017, and is justified by the economic uncertainty caused by the SARS-CoV-2 pandemic.

On 8 June 2020 the General Shareholders Meeting, taking into account the Board's motion in this area, which obtained positive opinion of the Supervisory Board, adopted a resolution on the distribution of the 2019 net profit earned in 2019 in the amount of PLN 154,974 thousand shall be transferred in full to supplementary capital.

Dividend per share

	01/01/2020 - 31/12/2020	**01/01/2019- 31/12/2019**
Dividend resolved and paid out to the reporting date	-	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

32. Unrecognised liabilities under executed agreements

Tax liabilities

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

(in thousand PLN)

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

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

Guaranties and sureties

As at 31 December 2020 , the total amount of sureties and guarantees issued by the Parent Company for unrelated entities was PLN 17,445 thousand.

Sureties and guaranties	**2020**	**2019**
As at beginning of period	17,188	26,239
Issued and increases	5,134	420
Expired	(4,877)	(9,471)
As at end of period	**17,445**	**17,188**

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

33. Operating leases

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

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

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

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

Due to their value and term, the other lease contracts were recognized as operating lease, but their value is not important.

Future minimum fees on an irrevocable financial lease

	31/12/2020	**31/12/2019**
Up to 1 year	6	1,328
	6	**1,328**

	31/12/2020	**31/12/2019**
Indefinite period	6	1,001
Definite period	-	327
	6	**1,328**

34. Transactions with related entities

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

(in thousand PLN)

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

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

Sales revenues	**2020**	**2019**
ANPO Andrzej Oliszewski	1	1
FASTFORWARD Maciej Oleksowicz	14	9
AK-CAR Agnieszka Soszyńska	1	1
JAG Sp. z o.o.	-	2,500
FF-SPORT Sp. z o.o.	242	248
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	2	-
	260	**2,759**

Purchase of goods and services	**2020**	**2019**
ANPO Andrzej Oliszewski	249	152
FASTFORWARD Maciej Oleksowicz	-	2
AK-CAR Agnieszka Soszyńska	-	29
JAG Sp. z o.o.	-	15,990
FF-SPORT Sp. z o.o.	39	54
Ing. Michal Kaštil	-	159
	288	**16,386**

Receivables	**31/12/2020**	**31/12/2019**
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	21	19
AK-CAR Agnieszka Soszyńska	4	3
JAG Sp. z o.o.	-	1,682
FF-SPORT Sp. z o.o.	44	44
	69	**1,748**

Liabilities	**31/12/2020**	**31/12/2019**
ANPO Andrzej Oliszewski	-	1
JAG Sp. z o.o.	-	227
Michal Kaštil	-	25
	-	**253**

Loans granted	**31/12/2020**	**31/12/2019**
Loans to subsidiary and associated entities	35,367	41,772
	35,367	**41,772**

There are no loans to members of the Supervisory Board and Management Board and their relatives.

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

In June 2020 the Company bought shares in JAG Sp. z o.o. Until now, JAG sp. z o.o. has been a company related with Vice-President of the Company, Krzysztof Soszyński 50% of shares in JAG had the wife of before mentioned member of the Board, and the remaining 50% of shares were owned by sister of the wife of the before mentioned member of the Board. Business activity of the JAG Company, as a service provider for Inter Cars Company, is running one of branch groups in Polish distribution chain. Taking into consideration market situation, including the results of Covid-19 pandemic and decreases in sales, previous business partners of JAG expressed their will to finish running their business activity. In order to ensure business continuity on the area covered by business activity of JAG Company, the Supervisory Board, on application from the BoD, agreed on taking over the JAG Company, performing cost optimization and optimization of sale processes. Purchase price, set using discounted cash flow method DCF, amounts to PLN 300 thousand.

Moreover, Mr Krzysztof Oleksowicz, holding the position of Advisor of the Management Board, who is affiliated with the President of the Board, Maciej Oleksowicz, – received in 2020 remuneration amounting to PLN 642 thousand,

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

(in thousand PLN)	**01/01/2020 - 31/12/2020**	**01/01/2019- 31/12/2019**
Remuneration of the Members of the Supervisory Board and the Management Board		
Remuneration of the members of the Supervisory Board	535	485
Remuneration of the members of the Management Board	10,568	9,525
	11,103	**10,010**

Remuneration for acting as members of Management of the Board of the parent entity amounted to PLN 7,140 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 3,428 thousand.
Total remuneration of the Members of the Management Board for 2019 was corrected to the amounts that were really paid out. Taking into consideration pandemic situation, that we had to face in 2020, Mr Krzysztof Oleksowicz took a decision on resignation from bonus meant for him for the year 2019.

35. Financial risk management

Credit risk

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

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

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

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

	31/12/2020	**31/12/2019**
Loans granted	9,506	10,283
Trade and other receivables (excluding loans granted)	1,212 175	1,203 478
Cash and cash equivalents	225,230	135,316
	1,446 911	**1,349,077**

Interest rate risk

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

The Group has liabilities bearing interest at variable rates. As at 31 December 2020, the Group did not use liabilities of fixed interest rate.

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

(in thousand PLN)

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

Variable rate financial instruments	**31/12/2020**	**31/12/2019**
Financial assets (loans granted)	9,506	10,283
Cash assets in bank accounts	207,398	115,623
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases)	(1,321,339)	(1,432,743)
	(1,104,435)	**(1,306,837)**

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

as at 31 December 2020	**basis points increase/decrease**	**Impact on net profit / loss**
	+100 / -100	(8,946)/ 8,946
	+200 / -200	(17,892)/ 17,892

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

Currency risk

A significant portion of the Company's trade and services payables is denominated in foreign currencies, especially in EUR. Sales is performed mostly in PLN and also in UAH, EUR, CZK, LTL, LVL, HUF, HRK, BGN, RON, MDL and BAM. The Group did not enter any foreign currency future purchase or sales contracts between 1st January to 31 December 2020.

	EUR	USD	RON	Other	EUR	USD	RON	Other
	31 December 2020				**31 December 2019**			
Trade receivables	177,756	-	123,180	161,141	132,214	-	125,469	214,884
Cash	73,447	167	8,663	105,984	44,153	167	6,869	57,671
Bank credits	(146,583)	-	(61,474)	(7,585)	(157,503)	-	(54,055)	(25,140)
Trade payables	(122,670)	(8,056)	(30,407)	(91,745)	(82,207)	(6,411)	(25,631)	(76,765)
Gross balance sheet exposure	**(18,050)**	**(7,889)**	**39,962**	**167,795**	**(63,343)**	**(6,244)**	**52,652**	**170,650**

(in thousand PLN)

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

		Impact on net profit / loss	
currency	**Foreign exchange rate increase/decrease**	**as at 31 December 2020**	**as at 31 December 2019**
EUR	+5% / -5%	(732)/732	(2,565)/ 2,565
	+10% / -10%	(1,463)/ 1,463	(5,130)/ 5,130
USD	+5% / -5%	(319)/ 319	(253)/ 253
	+10% / -10%	(639)/ 639	(506)/ 506
RON	+5% / -5%	1,618/ (1,618)	2,133/ (2,133)
	+10% / -10%	3,236/ (3,236)	4,265/ (4,265)
Other	+5% / -5%	6,796/ (6,796)	6,912/ (6,912)
	+10% / -10%	13,591/ (13,591)	13,823/ (13,823)

Liquidity risk

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

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

	31/12/2020	**31/12/2019**
Current assets	3,464,910	3,225 027
Short-term liabilities	1,273,073	1,354,681
Surplus of current assets over short-term liabilities	2,191,837	1,870 346
Current ratio	2.72	2.38
Quick ratio	0.98	0.86
Cash ratio	0.18	0.11

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

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

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

Cash flow management in the Inter Cars S.A. Capital Group (the "Group") is critical for the functioning of the entire organization. The central point of this aspect of management is the cash flow planning model, covering the demand for capital, primarily including inventories as well as trade receivables and liabilities. By forecasting the demand for capital, the Group continually monitors the financial flows in individual countries and adjusts the financing sources accordingly, both at the Group and the local markets level. The Group finances its business activities by a consortium of 7 banks and 2 banks out of the consortium. Bank financing is kept within the following proportion: 60% short-term loans and 40% long-term loans. The Group diversifies its financing sources and has issued bonds that have been subscribed for by entities other than banks. The Group also finances its liabilities from its equity, which amounted to PLN 2,395 b as at 31 December 2020. The Group reinvests the funds obtained from its activities. The payment of dividends is kept at a stable level. To maintain liquidity, the Group keeps a stable amount of cash ranging from PLN 13 m and PLN 25 m available at its points of sale (branches).

The surplus of operating assets shown in the consolidated financial statements for 2020 (comprising mainly short-term inventories of an average rotation of 3 months, short-term receivables, and cash) over short-term liabilities is PLN 2,192 m, PLN 321 m higher than that for 2019. This shows the Group's financial liquidity is kept at the right level.

(in thousand PLN)

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

31/12/2020	matured	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	-	484,758	535,527	-	1,020 285
finance lease liabilities	-	11,946	35,839	197,614	46,317	291,716
IFRS 16	-	17,071	51,212	198,455	9,025	275,763
IBM	-	2,108	6,325	703	-	9,136
trade and other payables	38,007	444,572	3,164	11	7	485,761
	38,007	**475,697**	**581,298**	**932,310**	**55,349**	**2,082 661**

31/12/2019	matured	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	-	576,455	565,744	-	1,142,199
finance lease liabilities	-	10,260	32,540	160,728	69,055	272,583
IFRS 16	-	16,504	47,534	174,283	14,351	252,672
IBM	-	2,109	6,325	9,527	-	17,961
trade and other payables	14,054	508,041	4,092	688	8	526,883
	14,054	**536,914**	**666,946**	**910,970**	**83,414**	**2,212,298**

Capital management

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

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

In the reporting period, certain capital management restrictions were present in connection with the obtained credit facility agreement (see Note 18).

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

	31/12/2020	**31/12/2019**
Loan, borrowing and finance lease liabilities	1,321 339	1,432 743
Trade and other liabilities	485,761	526,883
(less) cash and cash equivalents	(233,806)	(143,397)
Net debt	1,573,294	1,816,229
Equity	2,395,496	2,046,687
Net debt to equity	**0.66**	**0.89**

Fair value

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

36. Events subsequent to the balance sheet date

No such events.

37. Material evaluations and estimates

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

- Note 12 Deferred tax (the Management Board analyses whether or not there is a possibility of using tax losses in subsidiary companies and assesses uncertainty of forecast changes in tax laws in force),
- Note 13 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 14 Impairment loss on receivables (as at the balance sheet date, the Group evaluates whether or not there is evidence of impairment of a receivable or a group of receivables. If the recoverable value of an asset is lower than its carrying value, the Group creates an impairment loss to the level of the current value of planned cash flows),
- Note 6/7/8 Impairment loss on property, plant and equipment, estimates as to the useful economic life of property, plant and equipment and intangible assets (the amount of rates and impairment losses is determined based on the anticipated useful economic life of a property, plant and equipment or intangible assets item; the useful economic life periods are verified at least once during each financial year. The Management Board of the Parent Company also evaluates whether or not there is the possibility of impairment losses on assets. If an impairment loss is identified, the recoverable value of assets must be determined).

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

38. Continued and discontinued operations

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

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

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

The effects of the pandemic and of the actions undertaken by individual countries (in which entities from the Inter Cars Capital Group operate) to limit further spread of the Coronavirus will have a significant impact on the sales revenues of these entities and on the financial result of the Inter Cars Capital Group in 2021. Taking into account the constantly changing situation related to the spreading of the Coronavirus, actions undertaken by individual countries and unavailability of reliable information regarding the anticipated duration of the pandemic and social and economic effects, the Management Board of the Company is currently unable to accurately determine the impact of the SARS-CoV-2 Coronavirus on the sales levels of the Inter Cars Capital Group entities and the Company's financial result.

INFORMATION OF THE INTER CARS S.A. MANAGEMENT BOARD

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

The Management Board of Inter Cars S.A., hereinafter referred to as "the Company," having its registered seat in Warsaw, acting in conformity with § 71.1.7 of the Minister of Finance Regulation of 29 March 2018 on current and periodical information provided by securities issuers and the conditions of regarding as equivalent of the information required by the non-member state, and based on the statement of the Company's Supervisory Board to this effect, informs that the selection of an audit firm to audit the annual consolidated financial statements of the Inter Cars S.A. Capital Group for the year ended on 31 December 2020 was made in conformity with the applicable regulations, including those related to the selection of an audit firm.

Furthermore, the Management Board of the Company informs that:

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

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 20 April 2021.

Maciej Oleksowicz
CEO

Krzysztof Soszyński
Vice-President of the Management Board

Wojciech Twaróg
Member of the Management Board

Piotr Zamora
Member of the Management Board

Julita Pałyska
Person responsible for keeping the accounting books

Warsaw, 20 April 2021.