# INTER CARS PUBLIC LIMITED COMPANY

# ANNUAL SEPARATE FINANCIAL STATEMENTS

# 2020

**ANNUAL SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 January to 31 December 2020**

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Financial highlights:

| *in thousand PLN* | for the period of 12 months ended on 31/12/2020 | for the period of 12 months ended on 31/12/2019 | for the period of 12 months ended on 31/12/2020 | for the period of 12 months ended on 31/12/2019 |
|---|---|---|---|---|
| | *PLN* | *PLN* | *EUR* | *EUR* |
| **Profit and loss account** *(for the period )* | | | | |
| Revenues from the sale of products, goods and materials | 6,347,832 | 6,314,289 | 1,418,764 | 1,467,825 |
| Gross profit on sales | 1,615,946 | 1,581,771 | 361,170 | 367,700 |
| Costs of license | (5,216) | (6,864) | (1,166) | (1,596) |
| Net financial revenues / costs | (1,768) | 27,785 | (395) | 6,459 |
| Operating results | 326,661 | 151,811 | 73,010 | 35,290 |
| Net profit | 222,609 | 154,975 | 49,754 | 36,026 |
| **Other financial data** | | | | |
| Operating cash flows | 152,245 | 252,287 | 34,027 | 58,647 |
| Investing cash flows | 31,709 | 56,415 | 7,087 | 13,114 |
| Financing cash flows | (182,842) | (315,017) | (40,866) | (73,229) |
| Basic profit per share | 15.71 | 10.94 | 3.51 | 2.54 |
| Sales margin | 25.46% | 25.05% | | |
| EBITDA margin | 5.71% | 3.06% | | |
| EBITDA | 362,485 | 193,142 | 81,017 | 44,140 |
| **Balance sheet (as at)** | **31/12/2020** | **31/12/2019** | **31/12/2020** | **31/12/2019** |
| Cash and cash equivalents | 19,079 | 17,967 | 4,134 | 4,219 |
| Balance sheet total | 3,633,211 | 3,486 970 | 787,295 | 818,826 |
| Interest-bearing loans and borrowings, debt securities and leasing | 1,046 306 | 1,142 042 | 226,728 | 268,179 |
| Equity | 1,790 495 | 1,567,886 | 387,990 | 368,178 |

| **Employment and branches** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Employees | 666 | 647 |
| Branches | 240 | 248 |

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

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

- for the statement of financial position items – the National Bank of Poland exchange rate of 31 December 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 Inter Cars Spółka Akcyjna (hereinafter referred to as "Inter Cars","The Company") are import and distribution of spare parts for passenger cars and utility vehicles.

2. **Registered seat**

   ul Powsińska 64

   02-903 Warsaw

   Poland

   *Central Warehouse:*

   Europejskie Centrum Logistyczne (European Logistics Centre)

   Swobodnia 35

   05-170 Zakroczym

   **Administrative data of the Company**

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

   KRS 0000008734

   NIP 1181452946

   Regon 014992887

3. **Contact details**

   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 Warsaw

## 7. Subsidiaries

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% |
| Inter Cars d.o.o. | Zaprešić (Grad Zaprešić), Croatia | Distribution of spare parts for passenger cars and commercial vehicles | full | 100% | 100% |

Subsidiaries (cont.)

| 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 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 Zak roczym, 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% |

| Indirect subsidiaries (cont) | | | | | |
|---|---|---|---|---|---|
| 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 |
| 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.

## 8. Stock exchange listings

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

## 9. Date of approval of the financial statements for publication

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

*(in thousand PLN)*

## ANNUAL SEPARATE STATEMENT OF FINANCIAL POSITION

| *(in thousand PLN)* | Note no. | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 6 | 112,281 | 119,783 |
| Right-of-use assets | 7 | 30,383 | 14,913 |
| Intangible assets | 8 | 183,731 | 187,095 |
| Investments in subordinated entities | 11 | 445,757 | 425,367 |
| Investments available for sale | | 260 | 258 |
| Receivables | 14 | 17,085 | 16,012 |
| Non-current receivables on long-term rental | 22 | 99,846 | 96,761 |
| | | **889,343** | **860,189** |
| **Current assets** | | | |
| Inventory | 13 | 1,295,136 | 1,256,345 |
| Trade and other receivables | 14 | 1,385,571 | 1,311,271 |
| Receivables on short-term rental | 22 | 44,082 | 41,198 |
| Cash and cash equivalents | 15 | 19,079 | 17,967 |
| | | **2,743,868** | **2,626 781** |
| **TOTAL ASSETS** | | **3,633,211** | **3,486 970** |
| **LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 16 | 28,336 | 28,336 |
| Share premium account | 16 | 259,530 | 259,530 |
| Supplementary capital | | 1,273,761 | 1,118,787 |
| Other reserve capitals | | 5,935 | 5,935 |
| Retained earnings from previous and current years | | 222,933 | 155,298 |
| | | **1,790 495** | **1,567,886** |
| **Long-term liabilities** | | | |
| Liabilities due to credits, loans | 18 | 536,231 | 536,487 |
| Finance lease liabilities | 18 | 27,611 | 22,517 |
| Non-current liabilities on long-term rental | 22 | 99,846 | 96,761 |
| Deferred income tax provision | 12 | 23,845 | 20,777 |
| | | **687,533** | **676,542** |
| **Short-term liabilities** | | | |
| Trade and other liabilities | 19 | 551,970 | 575,776 |
| Liabilities on credits, loans, debt securities | 18 | 476,684 | 568,810 |
| Finance lease liabilities | 18 | 5,781 | 14,228 |
| Liabilities on the short-term rental | 22 | 44,082 | 41,198 |
| Employee benefits | 20 | 18,520 | 19,487 |
| Income tax liabilities | 21 | 58,146 | 23,043 |
| | | **1,155 183** | **1,242 542** |
| **TOTAL LIABILITIES** | | **3,633,211** | **3,486 970** |

*(in thousand PLN)*

## ANNUAL SEPARATE STATEMENT OF COMPREHENSIVE INCOME

| | Note no. | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|---|
| Revenues from the sale of products, goods and materials | 23 | 6,347,832 | 6,314,289 |
| Cost of sales | 24 | (4,731,886) | (4,732,518) |
| Gross profit on sales | | **1,615,946** | **1,581,771** |
| | | | |
| Other operating revenue | 27 | 1,900 | 26,853 |
| Selling cost, general and administrative expenses | 25 | (733,094) | (795,873) |
| Costs of distribution service | 25 | (513,555) | (517,074) |
| Costs of license | 25 | (5,216) | (6,864) |
| Other operating expenses | 28 | (39,320) | (137,002) |
| Operating results | | **326,661** | **151,811** |
| | | | |
| Financial income | 29 | 8,345 | 9,528 |
| Dividends received | 29 | 47,813 | 67,548 |
| Exchange differences | 29 | (9,939) | 1,266 |
| Financial costs | 29 | (47,987) | (50,557) |
| Profit before tax | | **324,893** | **179,596** |
| Income tax | 31 | (102,284) | (24,621) |
| Net profit | | **222,609** | **154,975** |
| | | | |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Total other comprehensive income, net | | **-** | **-** |
| | | | |
| **COMPREHENSIVE INCOME** | | **222,609** | **154,975** |
| | | | |
| **Earnings per share (PLN)** | | | |
| **- basic and diluted** | 17 | 15.71 | 10.94 |
| | | | |
| **Weighted average number of shares in the year** | | 14,168,100 | 14,168,100 |

## ANNUAL SEPARATE STATEMENT OF CHANGES IN EQUITY

**for the period from 1 January 2020 to 31 December 2020**

| *(in thousand PLN)* | Share capital | Share premium account | Supplementary capital | Other reserve capitals | Retained earnings | **Total equity** |
|---|---|---|---|---|---|---|
| **As at 1 January 2020** | **28,336** | **259,530** | **1,118,787** | **5,935** | **155,298** | **1,567,886** |
| ***Statement of comprehensive income*** | | | | | | |
| Profit in the reporting period | - | - | - | - | 222,609 | **222,609** |
| ***Total comprehensive income*** | **-** | **-** | **-** | **-** | **222,609** | **222,609** |
| Distribution of prior period profit – dividend | - | - | - | - | - | **-** |
| Distribution of retained profits - carried over to supplementary capital | - | - | 154,974 | - | (154,974) | **-** |
| **As at 31 December 2020** | **28,336** | **259,530** | **1,273,761** | **5,935** | **222,933** | **1,790 495** |

*(in thousand PLN)*

## ANNUAL SEPARATE 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 | Other reserve capitals | Retained earnings | **Total equity** |
|---|---|---|---|---|---|---|
| **As at 1 January 2019** | **28,336** | **259,530** | **900,217** | **5,935** | **228,952** | **1,422,970** |
| ***Statement of comprehensive income*** | | | | | | |
| Profit in the reporting period | - | - | - | - | 154,975 | **154,975** |
| ***Total comprehensive income*** | **-** | **-** | **-** | **-** | **154,975** | **154,975** |
| **Transactions with shareholders** | | | | | | |
| Distribution of prior period profit – dividend | - | - | - | - | (10,059) | **(10,059)** |
| Distribution of retained profits - carried over to supplementary capital | - | - | 218,570 | - | (218,570) | **-** |
| **As at 31 December 2019** | **28,336** | **259,530** | **1,118,787** | **5,935** | **155,298** | **1,567,886** |

## ANNUAL SEPARATE STATEMENT OF CASH FLOWS

| *(in thousand PLN)* | **Note no.** | **01/01/2020 - 31/12/2020** | **01/01/2019- 31/12/2019** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 324,893 | 179,596 |
| Adjustments: | | | |
| Amortization and depreciation | | 35,823 | 41,331 |
| Foreign exchange gains /losses | | 6,298 | (49) |
| (Profit / loss on investing activities | | 2,269 | (356) |
| Net interest and share in profits | | 23,597 | 40,748 |
| Net dividends | 29 | (47,813) | (67,548) |
| Other adjustments, net | | (2) | (656) |
| Operating profit before changes in the working capital | | **345,065** | **193,066** |
| Increase (decrease) in inventories | | (38,791) | 95,220 |
| Increase (decrease) in receivables | 30 | (100,736) | (18,071) |
| Change in receivables under rental | | (5,969) | (137,959) |
| Change in short-term liabilities | 30 | 10,820 | (15,430) |
| Change in liabilities under rental | | 5,969 | 137,959 |
| Cash generated by operating activities | | **216,358** | **254,785** |
| Corporate income tax (paid)/returned | 30 | (64,113) | (2,498) |
| **Net cash from operating activities** | | **152,245** | **252,287** |
| **Cash flow from investment activities** | | | |
| Proceeds from the sale of plant, property, equipment and intangible assets | | 1,571 | 31,707 |
| Purchase of property, plant, equipment and intangible assets | | (23,958) | (43,934) |
| Purchase of financial assets in related and other entities | 30 | (2,594) | (173) |
| Repayment of loans granted | 30 | 15,661 | 11,229 |
| Loans granted | 30 | (7,960) | (3,656) |
| Interest received | 30 | 1,207 | 1,474 |
| Dividends received | | 47,782 | 59,768 |
| **Net cash from investing activities** | | **31,709** | **56,415** |
| **Cash flow from financing activities** | | | |
| (repayments) / proceeds from credits and leases | 30 | (49,424) | (49,455) |
| Loans granted | 30 | - | 37,000 |
| Repayment of loans and borrowings | 30 | (108,564) | (101,899) |
| Guarantee deposits received | | (50) | 299 |
| Bond redemption | | - | (150,000) |
| Interest paid | 30 | (24,804) | (40,903) |
| Dividend paid | 32 | - | (10,059) |
| **Net cash from financing activities** | | **(182,842)** | **(315,017)** |
| **Net change in cash and cash equivalents** | | **1,112** | **(6,316)** |
| **Cash and cash equivalents at the beginning of the period** | | **17,967** | **24,283** |
| **Cash and cash equivalents at the end of the period** | | **19,079** | **17,967** |

## Notes to the annual separate financial statements

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

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

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

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

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

### 2.1. Changes in IFRS and their interpretations

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

A detailed description of the IFRS 16 standard and its impact on the particular items of the financial statements and recognition of lease contracts in 2019 is provided in 3.2 Description of significant accounting principles applied g) Leases.

**Impact on the financial indicators**

Due to inclusion in 2019 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 | Borrowings | Bonds | Lease liabilities | Security deposits | Total debt | Cash and cash equivalents | Net debt |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31/12/2018** | (1,023,479) | (144,558) | (150,752) | (5,922) | (191) | (1,324,902) | 24,283 | **(1,300,619)** |
| Correction on adaptation of IFRS 16 | - | - | - | (7,090) | - | (7,090) | - | **(7,090)** |
| **Balance as at 01/01/2019** | (1,023,479) | (144,558) | (150,752) | (13,012) | (191) | (1,331,992) | 24,283 | **(1,307,709)** |
| Cash flows | 8,328 | 53,917 | 150,752 | (8,868) | 141 | 204,270 | (6,316) | **197,954** |
| New leasing agreements | - | - | - | (14,956) | - | (14,956) | - | **(14,956)** |
| Leasing agreement termination | - | - | - | - | - | - | - | **-** |
| Interest paid | 28,761 | - | - | - | - | 28,761 | - | **28,761** |
| Interest accrued | (28,761) | - | - | - | - | (28,761) | - | **(28,761)** |
| Valuation | 635 | - | - | - | - | 635 | - | **635** |
| **Balance as at 31/12/2019** | (1,014,516) | (90,640) | - | (36,836) | (50) | (1,142,042) | 17,967 | **(1,124,075)** |
| Cash flows | 104,934 | (6,698) | - | (26,000) | 50 | (71,643) | 1,112 | **73,398** |
| New leasing agreements | - | - | - | 20,310 | - | 20,310 | - | **20,310** |
| Interest paid | 18,376 | 519 | - | - | - | 18,895 | - | **18,895** |
| Interest accrued | (18,376) | (2,543) | - | - | - | (20,919) | - | **(20,919)** |
| Valuation | (1,135) | 6,299 | - | - | - | 5,165 | - | **5,165** |
| **Balance as at 31/12/2020** | (910,717) | (93,063) | - | (42,526) | - | (1,046,306) | 19,079 | **(1,027,227)** |

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

- 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. Functional and presentation currency

*(a) Presentation and functional currency*

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

*(b) Foreign currency translation differences*

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

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

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

## 3. Basis of accounting

### 3.1. Changes in the accounting policy

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

### 3.2. Significant accounting policies

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

### Tangible fixed assets

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

Property, plant and equipment include Company's assets, investment in third-party fixed assets, fixed assets under construction and third-party fixed assets accepted for use by the Company (when pursuant to a contract the potential benefits and risk resulting from their possession are substantially transferred to the Company). The above mentioned constitute assets used for delivery of goods or services and for administrative purposes or for third-party lease, and the anticipated time of their use exceeds one year. The acquisition or production cost includes the costs incurred to purchase or manufacture property, plant and equipment, including capitalized interest until a property, plant or equipment asset is handed over for permanent use. The costs incurred at a later period are recognized in the balance sheet value, if the Company is likely to obtain economic benefits. The cost of current maintenance of property, plant and equipment are recognized as profit or loss.

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

Property, plant and equipment, except for tangible assets under construction and land, are subject to depreciation. Depreciation is calculated to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives periodically reviewed by the Company. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale, it is derecognized, its residual value is higher than its carrying amount, or it is fully depreciated..

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

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

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

#### a) Goodwill

Goodwill arising on acquisition of subsidiaries is measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Other purchase costs are presented in the balance sheet in the period in which they were born by the Company.

After the initial presentation, goodwill is measured according to the purchase price less any cumulated impairment losses. In the case of investments measured using the equity method, goodwill is recognized as the carrying value of investments, while an impairment loss on this investment is not allocated to any item of assets, including goodwill, which constitutes a part of the value of the investment. Purchase of non-controlling shares is recognized as transactions with shareholders, as a result of which goodwill is not recognized with this type of transactions. Adjustments on non-controlling shares are based on the proportional value of net assets of a related entity .

### b) Intangible assets

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

*Relations with vendors.*

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

Following initial recognition, relations with suppliers are measured at acquisition cost less amortization and impairment losses, if any. Relations with suppliers acquired as a result of the merger with JC Auto S.A. are depreciated over a 12-year period, accordingly to their estimated useful economic life.

*Computer software*

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

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

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

### c) Investment property

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

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

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

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

### d) Financial instruments

1. Classification and measurement of financial assets

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

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

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

The qualification depends of the model of management of financial assets adopted by the Company and on the contractual terms of cash flows. The Company re-qualifies investments to debt instruments only when the model of managing these assets changes. Debt instruments are maintained for the purposes of contractual flows, which include solely payment of principal and interest (SPPI) are measured by the Company at amortized cost. The Company performs the SPPI test for loans granted by comparing the total of the principal and interest with the model instrument according to IFRS 9. The interest revenue is calculated by means of the effective interest rate method and shown in "interest revenue" in the financial result. Impairment write-downs are shown under the "financial assets impairment write downs." The Company assesses credit losses related to debt instruments measured at amortized cost.
In 2017 and 2018 the Company did not use external instruments for trade receivables such as factoring. In the course of an analysis of the business model for trade receivables it was determined that all trade receivables are held to be paid - the Company has not nor had plans to its trade receivables; they are all held until maturity date. The Company evaluates if the classification test according to IFSR 9, the so-called SPPI test, checking if the cash flows from receivables represent solely the principal and interest. If the test criteria are met, trade receivables are measured at amortized cost. As regards trade receivables, the Company applies a simplified approach provided for in the standard, and, consequently, measures a write-down on anticipated credit losses at an amount equal to the anticipated credit losses throughout an entire lifetime of a receivable. This approach results from the fact that the Company's receivables do not include material financial elements within the meaning of IFRS 15. For the purposes of calculation of a write-down, the Company uses a provision matrix by means of which revaluation write downs are determined for receivables classified in different overdue ranges. This method provides for historical data related to credit losses and a potential impact of material and identifiable future factors (e.g., market or macroeconomic). The probability of non-payment of a receivable is estimated based on historical data regarding previously unpaid receivables. To assess the parameter of non-payment of receivable by a customer, the Company has created 8 ranges:

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

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

*(in thousand PLN)*

| Number of days | Write-off level |
|---|---|
| Not overdue | 0.27% |
| 1-30 days | 0.68% |
| 31-60 days | 4.47% |
| 61-90 days | 7.72% |
| 91-180 days | 12.91% |
| 181-270 days | 22.50% |
| 271 – 360 days | 28.05% |
| Over 360 days | 38.19% |

As regards trade receivables, the Company provides also for an individual possibility of determining the anticipated credit losses. This regards in particular: receivables from liquidated or bankrupt debtors, receivables questioned by debtors and of which they are in default, other overdue receivables, as well as non-overdue receivables, where the risk of them being irrecoverable is significant according to the individual assessment of the Management Board (especially where the anticipated legal and collection costs related to an overdue amount are equal to or higher than such amount). In the above situations a write-down on receivables can be created up to 100% of their value.
Currently the Company does not identify negative changes on the market that might result in a negative impact of future factors on the scale of financial losses. The macroeconomic factors (GDP, unemployment) do not justify application of further portfolio write-downs regarding the status of receivables as at the balance sheet date.
Following application of the above-described method, the Company did not identify material differences between the measuring of receivables in conformity with IAS 39 as 1 January 2018 and their measuring in conformity with IFRS 9.
The Company applies a 3-level classification of financial assets in terms of their impairment, with the exception of trade receivables:

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

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

**e) Financial liabilities other than derivatives**

Debt instruments and subordinated debt are recognized as at their date. Any other financial liabilities, including liabilities measured at fair value are recognized as at the transaction date, on which the Company becomes a party to an agreement obliging it to issue a financial instrument.
Following their repayment, cancellation or expiration, financial liabilities are removed from the Company’s books.

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

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

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

### f) Impairment of assets

## Financial assets

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

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

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

Impairment losses are recognised in current period profit or loss.

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

*Non-Financial Assets*

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

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

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

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

**g) Lease**

According to the hitherto applied IAS 17 Leases, the Company 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 Company applied IFRS 19 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 Company 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 Company has decided to apply the modified retrospective approach, resulting in recognizing the accumulated initial effect of applying IFRS16 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 Company is not obliged to transform comparative data. This means that data presented at the end of 2018 was not transformed, whilst data for 2019 and 2020 is fully comparable.

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

- The Company 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 Company 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 Company has excluded the initial direct lease costs from a right-of-use asset valuation as at the date of initial application.

**The Company as a lessee**

For leases classified as operating leases in conformity with IFRS 17, the Company 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 Company 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 2020, 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 Company 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 as well as the lease receivables and 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 Company’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 Company 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.

### h) Inventory

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

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

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

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

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

### i) Cash and cash equivalents

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

### j) Equity

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

1. Share capital disclosed in the amount specified in the Company's Articles of Association and entered into the court register,
2. Share premium disclosed as a separate item under equity. Costs of share issue are charged against equity.
3. The reserve fund created pursuant to the Code of Commercial Companies,
4. The remaining reserve funds created based on the valuation of management options,
5. Retained profit, comprising retained profit from prior years and the profit or loss from the current financial period.

### k) Loans and borrowings

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

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

### l) Provisions

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

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

1. Sale of goods

The Company's main objects are the wholesale of goods thorough stationary stores and on-line sale of goods.

Inter Cars S.A. believes that the adoption of IFRS 15 has no significant bearing on the recognition of revenues and the financial results on this type of sale. The revenues will be recognized in a particular moment, i.e., when a customer gains control over goods, as is currently the case.
Due to the bonuses and returns policy applied, the Company, following the IFRS 15, decreases the value of the revenues by an estimated cost of such bonuses and returns.

2. Sale of services

Inter Cars S.A. sells services only to a limited extent and these include mainly repair services provided to fleet chains.
The Company believes that customers simultaneously receive and gain benefits resulting from the services rendered upon their completion, as these services are short-term ones. Hence, the Company continues to recognize sales revenues upon the completion of a settlement month.

The Company also implemented a procedure aimed at ensuring an on-going analysis and evaluation of the impact of the terms and conditions of new or renegotiated sales contracts on the recognition of sales revenues.
The Company also updated its Accounting Policy with respect to recognizing revenues, with the main purpose of adapting it to the IFRS 15 terminology.

### n) Operating expenses

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

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

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

Re-invoiced amounts reduce the respective cost item s of the Company

### o) Financial costs

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

### p) Income tax

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

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

Deferred tax assets are determined at the amount of corporate income tax recoverable in the future in respect of deductible temporary differences, which will result in a lower tax base in the future, and the carry forward of tax losses, taking account of the prudence principle.

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

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

*(in thousand PLN)*

### q) Measurement of the value of shares in subordinated entities

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

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

## 4. Information on business segments

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

## 5. Supplementary information

For information on key products and services and the geographical breakdown of sales, see Note 23.

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

The Company does not have key customers due to the nature of its operations. For more information see Note 14.

## 6. Tangible fixed assets

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Land | 17,505 | 17,505 |
| Buildings and structures | 57,146 | 58,782 |
| Plant and machinery | 6,522 | 7,704 |
| Vehicles | 3,010 | 5,056 |
| Other tangible assets | 22,326 | 29,189 |
| Tangible assets under construction | 5,772 | 1,547 |
| **Total property, plant and equipment** | **112,281** | **119,783** |

### Property, plant and equipment under lease agreements

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

- As at 31 December 2020 – PLN 2,792 thousand
- As at 31 December 2019 – PLN 4,115 thousand

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

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

**Borrowing costs**

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

*(in thousand PLN)*

## Property, plant and equipment (cont.)

| GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT | Land | Buildings and structures | Real estate available for sale | Plant and equipment | Vehicles | Other tangible assets | Tangible assets under construct ion | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross value as at 01 January 2019** | **17,505** | **74,809** | **40,927** | **66,991** | **10,273** | **99,543** | **7,328** | **317,376** |
| Increase: | - | 5,278 | - | 4,119 | 2,700 | 6,226 | 1,537 | **19,860** |
| Acquisition | - | 5,278 | - | 4,119 | 1,368 | 6,226 | 1,537 | **18,528** |
| Lease | - | - | - | - | 1,332 | - | - | **1,332** |
| Decrease: | - | 158 | 40,952 | 2,889 | 2,145 | 1,075 | - | **47,219** |
| Sale | - | 21 | 40,952 | 2,151 | 1,992 | 170 | - | **45,286** |
| Liquidation | - | 137 | - | 738 | 153 | 905 | - | **1,933** |
| Transfer | - | 8,012 | 25 | (119) | - | (600) | (7,318) | **-** |
| **Gross value as at 31 December 2019** | **17,505** | **87,941** | **-** | **68,102** | **10,828** | **104,094** | **1,547** | **290,017** |
| Increase: | - | 1,742 | - | 1,499 | 1,221 | 5,274 | 4,225 | **13,961** |
| Acquisition | - | 1,728 | - | 1,499 | 1,221 | 5,281 | 4,232 | **13,961** |
| Transfer | - | 14 | - | - | - | (7) | (7) | **-** |
| Decrease: | - | 1,037 | - | 8,472 | 3,130 | 12,116 | - | **24,755** |
| Sale | - | 238 | - | 288 | 2,076 | 116 | - | **2,718** |
| Liquidation | - | 799 | - | 8,184 | 1,054 | 12,000 | - | **22,037** |
| **Gross value as at 31 December 2020** | **17,505** | **88,646** | **-** | **61,129** | **8,919** | **97,252** | **5,772** | **279,223** |

*(in thousand PLN)*

**Property, plant and equipment (cont.)**

| DEPRECIATION AND IMPAIRMENT LOSSES | Land | Buildings and structures | Real estate available for sale | Plant and equipment | Vehicles | Other tangible assets | Tangible assets under construction | Total |
|---|---|---|---|---|---|---|---|---|
| **DEPRECIATION** | | | | | | | | |
| **Amortisation and impairment losses as at 01 January 2019** | **-** | **26,677** | **11,656** | **57,336** | **4,970** | **63,741** | **-** | **164,380** |
| Amortisation for period | - | 2,677 | - | 5,429 | 2,466 | 12,686 | - | **23,258** |
| Sale | - | (21) | (11,656) | (1,582) | (1,559) | (147) | - | **(14,965)** |
| Liquidation | - | (121) | - | (802) | (105) | (1,411) | - | **(2,439)** |
| Transfer to real estate available for sale | - | (53) | - | 17 | - | 36 | - | **-** |
| **Amortisation and impairment losses as at 31 December 2019** | **-** | **29,159** | **-** | **60,398** | **5,772** | **74,905** | **-** | **170,234** |
| Amortisation for period | - | 2,685 | - | 2,627 | 2,207 | 11,771 | - | **19,290** |
| Sale | - | (40) | - | (235) | (1,017) | (104) | - | **(1,396)** |
| Liquidation | - | (304) | - | (8,183) | (1,053) | (11,646) | - | **(21,186)** |
| **Amortisation and impairment losses as at 31 December 2020** | **-** | **31,500** | **-** | **54,607** | **5,909** | **74,926** | **-** | **166,942** |
| **NET VALUE** | | | | | | | | |
| As at 01 January 2019 | **17,505** | **48,132** | **29,271** | **9,655** | **5,303** | **35,801** | **7,328** | **152,995** |
| As at 31 December 2019 | **17,505** | **58,782** | **-** | **7,704** | **5,056** | **29,189** | **1,547** | **119,783** |
| As at 01 January 2020 | **17,505** | **58,782** | **-** | **7,704** | **5,056** | **29,189** | **1,547** | **119,783** |
| As at 31 December 2020 | **17,505** | **57,146** | **-** | **6,522** | **3,010** | **22,326** | **5,772** | **112,281** |

*(in thousand PLN)*

## 7. Right-of-use assets

The right-of-use assets include mainly contracts of lease of office space. As of 31 December 2020, their value amounted to PLN 30,383 thousand and as of 31 December 2019 it was PLN 14,913 thousand.

| | Office space and other | Total |
|---|---|---|
| **GROSS VALUE OF BENEFICIAL INTEREST** | | |
| **Value as at 01 January 2019** | 7,090 | **7,090** |
| Increases | 11,567 | **11,567** |
| **Value as at 31 December 2019** | **18,657** | **18,657** |
| | | |
| **Value as at 01 January 2020** | **18,657** | **18,657** |
| **Increases** | 20,780 | **20,780** |
| **Value as at 31 December 2020** | **39,437** | **39,437** |
| | | |
| **AMORTISATION AND IMPAIRMENT LOSSES** | | |
| **Amortization as at 01 January 2019** | - | **-** |
| Increases | 3,743 | **3,743** |
| **Amortization as at 31 December 2019** | **3,743** | **3,743** |
| | | |
| **Amortization as at 01 January 2020** | **3,743** | **3,743** |
| Increases | 5,311 | **5,311** |
| **Amortization as at 31 December 2020** | **9,054** | **9,054** |
| | | |
| **NET VALUE** | | |
| **As at 01 January 2019** | **7,090** | **7,090** |
| **As at 31 December 2019** | **14,913** | **14,913** |
| **As at 31 December 2020** | **30,383** | **30,383** |

## 8. Intangible assets

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Goodwill, including: | 122,937 | 122,937 |
| *- goodwill from merger with JC Auto S.A.* | *122,937* | *122,937* |
| Computer software | 10,687 | 15,382 |
| Other intangible assets, including: | 50,107 | 48,776 |
| *- relations with suppliers* | - | *232* |
| *- other* | *30,267* | *35,037* |
| *- under construction* | *19,840* | *13,507* |
| | **183,731** | **187,095** |

### Intangible assets under lease agreements

As at 31 December 2020, as in the previous year, the Company held no intangible values resulting from financial lease contracts. None of the intangible assets held by the Company is subject to limited right of use.

### Borrowing costs

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

*(in thousand PLN)*

| GROSS VALUE OF INTANGIBLE ASSETS | Computer software | Other intangible assets | Goodwill | Under construction | Total |
|---|---|---|---|---|---|
| **Gross value as at 01 January 2019** | **65,074** | **32,632** | **122,937** | **42,133** | **262,776** |
| Acquisition | 4,904 | 13,742 | - | 8,025 | **26,671** |
| Transfer from investments | 4,506 | 32,145 | - | (36,651) | - |
| Liquidation | (6) | (8,252) | - | - | **(8,258)** |
| **Gross value as at 31 December 2019** | **74,478** | **70,267** | **122,937** | **13,507** | **281,189** |
| Acquisition | 174 | 1,032 | - | 8,791 | **9,997** |
| Transfer from investments | 2,458 | - | - | (2,458) | - |
| Liquidation | (3,922) | (2,000) | - | - | **(5,922)** |
| **Gross value as at 31 December 2020** | **73,188** | **69,299** | **122,937** | **19,840** | **285,264** |
| | | | | | |
| **AMORTISATION AND IMPAIRMENT LOSSES** | | | | | |
| **Amortisation and impairment losses as at 01 January 2019** | **46,178** | **31,065** | **-** | **-** | **77,243** |
| Amortisation for period | 12,924 | 3,934 | - | **-** | **16,858** |
| Liquidation | (6) | (1) | - | **-** | **(7)** |
| **Amortisation and impairment losses as at 31 December 2019** | **59,096** | **34,998** | **-** | **-** | **94,094** |
| Amortisation for period | 5,659 | 6,033 | - | **-** | **11,692** |
| Liquidation | (2,254) | (1,999) | - | **-** | **(4,253)** |
| **Amortisation and impairment losses as at 31 December 2020** | **62,501** | **39,032** | **-** | **-** | **101,533** |
| | | | | | |
| **NET VALUE** | | | | | |
| As at 01 January 2019 | **18,896** | **1,567** | **122,937** | **42,133** | **185,533** |
| As at 31 December 2019 | **15,382** | **35,269** | **122,937** | **13,507** | **187,095** |
| As at 01 January 2020 | **15,382** | **35,269** | **122,937** | **13,507** | **187,095** |
| As at 31 December 2020 | **10,687** | **30,267** | **122,937** | **19,840** | **183,731** |

*(in thousand PLN)*

## 9. Impairment test

The Company executed the analysis of indicator of impairment investment in subsidiary companies. As a result of this analysis, the Company identified such indicator and carried out an impairment test with respect to the investments in Inter Cars Hungary, Inter Cars Croatia and Inter Cars Italy. As at 31 December 2020, the test showed no impairment.

The value in use is the estimated present value of future cash flows generated by subsidiaries. The material assumption made for the purposes of estimating the current value are presented below:

- The data used for the projection for 2021 and the next years was prepared based on the approved budget and assumes an average annual EBITDA increase of 2.3% for Hungary, Croatia and Italy during the period covered by the forecast.
- The cash flows over the next years (in the residual period) were estimated based on a rate of return of 1.2% for Inter Cars Italy and 1.1.% for Inter Cars Croatia and Inter Cars Hungary.
- The discount rates used for the calculation of the value in use were 8% for Italy and 7.1% for Croatia and Hungary, and were estimated based on the weighted average capital cost (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.

## 10. Real estate available for sale

In 2020 the Company did not have any real estate available for sale.

## 11. Investments in subordinated entities

| | 2020 | 2019 |
|---|---|---|
| **As at 1 January (gross)** | **425,978** | **426,145** |
| Increase, including: | 20,390 | 174 |
| *- increase in reserve capital in Inter Cars Hungaria Kft.* | *17,797* | *-* |
| *- increase in share capital in Inter Cars d o.o. Beograd Rakovica* | *846* | *-* |
| *- increase in share capital in Inter Cars Fleet Services Sp. z o.o.* | *995* | *-* |
| *- purchase of shares of JAG Sp. z o.o.* | *300* | *-* |
| *- new share capital in OOO Inter Cars Automobilna Technika* | *450* | *-* |
| *- purchase of shares of Partslife international Polska sp. z o.o.** | *2* | *-* |
| *- new share capital in Inter Cars Deutschland GmBH* | *-* | *53* |
| *- new share capital in Inter Cars d o.o. Beograd Rakovica* | *-* | *73* |
| *- new share capital in Inter Cars Fleet Services Sp. z o.o.* | *-* | *5* |
| *- acquisition of shares in other entities* | *-* | *43* |
| *Decrease, including:* | *-* | *(341)* |
| *- sale of shares in JC Auto s.r.o.* | *-* | *(341)* |
| **As at 31 December (gross):** | **446,368** | **425,978** |
| *- impairment on Inter Cars Hungaria Kft.* | *(611)* | *(611)* |
| **As at 31 December (net)** | **445,757** | **425,367** |

* On 12 August 2020 the Company bought 10% of shares in Partslife international Polska sp. z o.o.

### Investments in subordinated entities (cont.)

In 2020 Inter Cars S.A. purchased one company in Poland (JAG Sp. z o.o. for PLN 300 thousand) and opened up one company in Belarus. Contributions of PLN 451 thousand were made to the share capital in Inter Cars Automobilna Technika, as well as increase of share capital in:

Inter Cars d o.o. Beograd Rakovica (PLN 846 thousand), Inter Cars Fleet Services Sp. z o.o.

(PLN 995 thousand) and w Inter Cars Hungaria Kft. (PLN 124), moreover a conversion of receivables from Inter Cars Hungaria Kft. was done to supplementary capital, in the amount of PLN 17,797 thousand.

*(in thousand PLN)*

**Interest in subsidiaries as at 31/12/2020**

| Name and legal form of associate | Registered seat | Date of control take-over | Carrying number of shares (in PLN thousand) | Percentage of share capital/ total vote held | Associate's assets | Liabilities | Revenue | Net profit (loss) |
|---|---|---|---|---|---|---|---|---|
| **Inter Cars Ukraine LLC** | Khmelnitsky, Ukraine | 04.2000 | 36,532 | 100% | 140,150 | 96,447 | 470,486 | 6,255 |
| **Q-Service Sp. z o.o.** | Cząstków Mazowiecki, Poland | 04.2000 | 416 | 100% | 36,468 | 16,945 | 196,577 | 19,107 |
| **Lauber Sp. z o.o.** | Słupsk, Poland | 07.2003 | 1,565 | 100% | 68,411 | 54,453 | 80,593 | 4,213 |
| **Inter Cars Ceska Republika** | Prague, Czech Republic | 04.2004 | 13,866 | 100% | 105,160 | 75,942 | 321,982 | 4,226 |
| **Inter Cars Slovenska Republika** | Bratislava, Slovakia | 08.2005 | 21 | 100% | 110,069 | 84,150 | 341,739 | 5,760 |
| **Feber Sp. z o.o.** | Warsaw, Poland | 08.2004 | 30,011 | 100% | 42,169 | 1,325 | 65,033 | 4,538 |
| **Inter Cars Lietuva** | Vilnius, Lithuania | 09.2006 | 1,058 | 100% | 83,678 | 60,870 | 333,288 | 6,302 |
| **IC Development & Finance Sp. z o.o.** | Warsaw, Poland | 10.2006 | 3,785 | 100% | 13,367 | 17,935 | 496 | 48 |
| **Inter Cars d.o.o.** | Zagreb, Croatia | 02.2008 | 18,471 | 100% | 242,385 | 208,110 | 405,574 | 5,560 |
| **Inter Cars Hungaria Kft.** | Budapest, Hungary | 02.2008 | 50,270 | 100% | 117,974 | 87,509 | 345,253 | (2,373) |
| **Inter Cars Italia s.r.l.** | Milan, Italy | 02.2008 | 2,952 | 100% | 53,883 | 45,982 | 65,451 | 327 |
| **JC Auto S.A.** | Braine-le-Château, Belgium | 02.2008 | 1,408 | 100% | 1,396 | 138 | 158 | (280) |
| **Armatus Sp. z o.o.** | Warsaw, Poland | 02.2008 | 1,711 | 100% | 340 | 346 | 169 | (118) |
| **Inter Cars Romania s.r.l.** | Cluj-Napoca, Romania | 07.2008 | 8,581 | 100% | 465,012 | 425,157 | 889,336 | 20,305 |
| **Inter Cars Latvija SIA** | Mārupes nov., Mārupe , Latvia | 08.2010 | 12 | 100% | 113,902 | 66,136 | 405,081 | 9,080 |
| **Inter Cars Cyprus Limited** | Nicosia, Cyprus | 10.2010 | 47 | 100% | 95,433 | 235 | 0.00 | 29,051 |
| **Inter Cars Bulgaria Ltd.** | Sofia, Bulgaria | 03.2011 | 21 | 100% | 241,231 | 211,909 | 524,909 | 10,513 |
| **Cleverlog-Autoteile GmbH** | Berlin, Germany | 03.2011 | 524 | 100% | 9,165 | 4,321 | 162,746 | 1,816 |
| **Inter Cars Marketing Services Sp. z o.o.** | Warsaw, Poland | 05.2012 | 6,280 | 100% | 510,723 | 8,511 | 31,375 | (9,934) |
| **ILS Sp. z o.o.** | Swobodnia, Poland | 10.2012 | 254,804 | 100% | 372,439 | 40,587 | 432,044 | 10,859 |
| **Inter Cars Malta Holding Limited** | Qormi, Malta | 02.2013 | 19 | 100% | 194,892 | 102,868 | 327,008 | 19,233 |
| **Q-Service Truck** | Warsaw, Poland | 12.2013 | 1,500 | 100% | 18,186 | 15,756 | 76,370 | 930 |
| **Inter Cars Eesti OÜ** | Tallinn, Estonia | 12.2014 | 222 | 100% | 25,967 | 15,065 | 131,617 | 3,023 |
| **Inter Cars d o.o.** | Ljubljana, Slovenia | 12.2014 | 3,258 | 100% | 35,270 | 29,433 | 75,372 | 1,411 |
| **Inter Cars Piese Auto s.r.l.** | Kishinev, Moldova | 03.2015 | 1 | 100% | 24,798 | 23,417 | 62,033 | 897 |
| **Inter Cars d o.o.** | Sarajevo, Bosnia and Herzegovina | 10.2016 | 3,042 | 100% | 36,793 | 31,794 | 57,525 | 1,849 |
| **Inter Cars GREECE** | Attiki, Greece | 11.2016 | 2,050 | 100% | 91,923 | 87,412 | 96,179 | 1,842 |
| **Inter Cars United Kingdom - automotive technology Ltd** | Tipton, Great Britain | 09.2017 | - | 100% | 5,967 | 4,664 | 20,245 | 335 |
| **Inter Cars d o.o. Beograd Rakovica** | Belgrade, Serbia | 08.2019 | 919 | 100% | 11,845 | 12,378 | 9,521 | (1,167) |
| **Inter Cars Fleet Services Sp. z o.o.** | Warsaw, Poland | 08.2019 | 1,000 | 100% | 40,213 | 41,209 | 62,035 | (1,996) |
| **Jag Sp. z o.o.** | Warsaw, Poland | 06.2020 | 300 | 100% | 1,371 | 3,013 | 8,489 | 561 |
| **Inter Cars Automobilna Technika OOO** | Mogilev, Belarus | 07.2020 | 451 | 100% | - | - | - | - |
| | | | **445,097** | | **3,310,580** | **1,874,017** | **5,998,684** | **152,173** |

*(in thousand PLN)*

## Investments in subordinated entities (cont.)

### Interest in associates as at 31 December 2020

| Name and legal form of associate | Registered seat | Date of control take-over | Carrying number of shares (in PLN thousand) | Percentage of associate share capital/ total vote held | Associate's assets | Liabilities | Revenue | Net profit (loss) |
|---|---|---|---|---|---|---|---|---|
| Inter Cars Malta Ltd | Qormi, Malta | 02.2013 | Not applicable | 100% | 172,335 | 157,984 | 327,008 | 13,894 |
| Aurelia Auto d o | Croatia | 01.2012 | Not applicable | 100% | 682 | 1,956 | 92 | 39 |

### Share in affiliated entities – as at 31 December 2020

| Name and legal form of associate | Registered seat | Balance sheet value of shares (in thousand PLN ) | Percentage of share capital/ total vote held | Associate's assets | Liabilities | Revenue | Net profit (loss) |
|---|---|---|---|---|---|---|---|
| InterMeko Europe sp. z o.o. | Warsaw | 566 | 50% | 2,385 | 126 | 2,946 | **352** |

*(in thousand PLN)*

## 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** | **Provision** |
|---|---|---|
| Intangible assets | - | 1,378 |
| Tangible fixed assets | - | 6,583 |
| Long-term receivables | 150 | - |
| Investments in subordinated entities | 116 | - |
| Inventory | 29,480 | 15,570 |
| Trade and other receivables | 20,822 | 6,860 |
| Borrowings | - | 2,945 |
| Finance lease liabilities | 939 | - |
| Long-term liabilities | 5,659 | - |
| Trade and other payables | 20,496 | 68,171 |
| | 77,662 | 101,507 |
| | (77,662) | (77,662) |
| | **-** | **23,845** |

| **As at 31 December 2019** | **Assets** | **Provision** |
|---|---|---|
| Intangible assets | 432 | 1,166 |
| Tangible fixed assets | - | 8,038 |
| Long-term receivables | 150 | - |
| Investments in subordinated entities | 116 | - |
| Inventory | 22,170 | 15,405 |
| Trade and other receivables | 21,734 | - |
| Borrowings | 240 | 2,932 |
| Finance lease liabilities | 1,270 | - |
| Long-term liabilities | 6,462 | - |
| Trade and other payables | 12,488 | 58,298 |
| Deferred tax assets/liabilities | 65,062 | 85,839 |
| Deferred tax offset against liabilities | (65,062) | (65,062) |
| Deferred tax liabilities as disclosed in the balance sheet | **-** | **20,777** |

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

| **Change in deferred tax assets** | **2020** | **2019** |
|---|---|---|
| As at beginning of period | 65,062 | 48,226 |
| Increase / (decrease) | 12,600 | 16,836 |
| As at end of period | **77,662** | **65,062** |

*(in thousand PLN)*

**Deferred tax (cont.)**

| **Change in deferred tax liabilities** | **2020** | **2019** |
|---|---|---|
| As at beginning of period | 85,839 | 68,240 |
| committed in the reporting period | 15,668 | 17,599 |
| As at end of period | **101,507** | **85,839** |

| | **31/12/2019** | **Effect on net profit** | **31/12/2020** |
|---|---|---|---|
| Deferred tax assets | 65,062 | 12,600 | 77,662 |
| Deferred tax liabilities | (85,839) | (15,668) | (101,507) |
| | **(20,777)** | **(3,068)** | **(23,845)** |

## 13. Inventory

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Merchandise | 1,295,136 | 1,256,345 |
| | **1,295,136** | **1,256,345** |

| | | |
|---|---|---|
| Merchandise | 1,297 107 | 1,258,094 |
| Impairment losses | (1,971) | (1,749) |
| | **1,295,136** | **1,256,345** |

**Change in impairment losses on inventories**

| | **2020** | **2019** |
|---|---|---|
| As at beginning of period | (1,749) | (1,549) |
| (increase) / decrease | (222) | (200) |
| As at end of period | **(1,971)** | **(1,749)** |

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

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

The inventories of PLN 1,656 million have been pledged as collateral to secure the repayment of bank loan.

*(in thousand PLN)*

## 14. Trade and other receivables

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Trade receivables from related entities | 888,887 | 746,302 |
| Trade receivables from other entities | 429,095 | 437,307 |
| Taxes, subsidies, customs, social security, health insurance and another benefits receivable | 36,603 | 72,333 |
| Other receivables, prepayments and accrued income | 16,200 | 24,540 |
| Dividend receivables | 4,112 | 7,780 |
| Loans granted | 32,758 | 42,172 |
| **Short term trade and other receivables – gross** | **1,407,655** | **1,330 434** |

| **Change in impairment loss on trade receivables** | **2020** | **2019** |
|---|---|---|
| Status as at the beginning of the period | (19,163) | (12,538) |
| (Increase)/ Decrease, including: | (2,921) | (6,625) |
| *- new impairment losses / release* | *(2,921)* | *(6,625)* |
| **Status as at the end of the period** | **(22,084)** | **(19,163)** |
| **Short-term trade and other receivables – net** | **1,385,571** | **1,311 271** |

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

| **Maturity structure of trade receivables** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Up to 12 months | 1,317 981 | 1,183 609 |
| | **1,317 981** | **1,183 609** |

| **Currency structure of trade and other receivables (gross)** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Local currency | 462,476 | 455,400 |
| Foreign currencies | 945,179 | 875,034 |
| | **1,407,655** | **1,330 434** |
| Receivables in EUR | 932,088 | 862,962 |
| Receivables in USD | 7,670 | - |
| Receivables in GBP | 4,414 | 5,062 |
| Receivables in other currencies | 1,007 | 7,010 |
| | **945,179** | **875,034** |

*(in thousand PLN)*

**Trade and other receivables (cont.)**

| Maturity structure of receivables | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | **Gross** | **Write-offs** | **Gross** | **Write-offs** |
| Up to 180 days | 1,177,399 | 1,484 | 1,058 652 | 3,053 |
| *- matured* | *476,792* | *1,484* | *456,825* | *3,053* |
| *- unmatured* | *700,607* | - | *601,827* | - |
| From 181 to 270 days | 101,212 | 87 | 97,451 | 1,203 |
| From 271 to 360 days | 43,464 | 3,979 | 85,214 | 3,547 |
| Over 1 year | 85,580 | 16,534 | 89,117 | 11,360 |
| **Total** | **1,407,655** | **22,084** | **1,330 434** | **19,163** |

| **Loans granted** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Current loans | 32,758 | 42,171 |
| Non-current loans and borrowings | 10,745 | 8,979 |
| | **43,504** | **51,150** |

| **Non-current receivables** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Non-current loans and borrowings | 10,745 | 8,979 |
| Security deposits | 2,048 | 4,016 |
| Long-term receivables | 3,997 | 2,760 |
| Receivables from employees | 295 | 257 |
| | **17,085** | **16,012** |

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

Credit and currency risks are discussed in Note 36.

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

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

## 15. Cash and cash equivalents

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Cash in hand | 4,038 | 4,642 |
| Cash at bank | 2,516 | 2,160 |
| Cash in transit | 12,455 | 10,693 |
| Cash on accounts of the Company's Social Benefits Fund | 70 | 472 |
| **Cash** | **19,079** | **17,967** |

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| In local currency | 17,898 | 16,856 |
| In foreign currencies | 1,181 | 1,111 |
| | **19,079** | **17,967** |

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

*(in thousand PLN)*

In accordance with Polish law, Inter Cars S.A. administers the Company's Social Benefits Funds on behalf of its employees. Contributions to the Company's Social Benefits Funds are deposited in a separate account.

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

## 16. Share capital and share premium account

As at 31 December 2019 and as at 31 December 2020, the share capital of Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

| | 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 earnings per share

Net profit per share calculated based on net profit for the period in the amount of PLN 277,738 thousand (2019: PLN 154,975 thousand) and the weighted average number of shares – 14,168 thousand (2019: PLN 14,168 thousand) presented below:

| | **2020** | **2019** |
|---|---|---|
| *Weighted average number of shares* | | |
| Shares issued as at 1 January | 14,168,100 | 14,168 100 |
| Weighted average number of shares during the year | **14,168,100** | **14,168 100** |

| Basic profit per share | **2020** | **2019** |
|---|---|---|
| Net profit for period | 222,609 | 154,975 |
| Weighted average number of shares | 14,168,100 | 14,168,100 |
| Net earnings per 1 share (in PLN) | 15.71 | 10.94 |

### Diluted earnings per share

In 2020 and in the comparative period, i.e., 2019, there were no diluting factors. Therefore, the diluted profit per share equals the basic profit per share.

*(in thousand PLN)*

## 18. Liabilities due to borrowings and other debt instruments

This Note contains information on the Company's liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Company's exposure to currency, interest rate and liquidity risks, see Note 36.

**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.

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 878,687,500.00

The maximum total amount of term loans granted pursuant to the Loan Agreement amounts to PLN 565,500,000.00

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

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

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

| **Non-current** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Secured bank loans | 535,529 | 536,345 |
| Finance lease liabilities | 27,610 | 13,472 |
| Licence subscription liabilities | 703 | 9,136 |
| Sureties received | - | 51 |
| | **563,842** | **559,004** |

| **Current** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Secured bank loans | 375,188 | 478,171 |
| Loans received | 93,063 | 90,639 |
| Finance lease liabilities | 5,781 | 5,403 |
| Licence subscription liabilities | 8,433 | 8,825 |
| | **482,465** | **583,038** |

| **Current loans and borrowings at nominal value** | Contractual amount (limit) | Drawn | Maturity date |
|---|---|---|---|
| Syndicated credit | 878,688 | 376,274 | 12/11/2021 |
| Inter Cars (Cyprus) LIMITED | 81,590 | 81,590 | 31/12/2021 |
| | **960,278** | **457,864** | |

*(in thousand PLN)*

**Liabilities due to borrowings and other debt instruments (cont.)**

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

Borrowing from Inter Cars Marketing Services was paid back in full in 1Q2020.

As at 31 December 2020, total liabilities under loans and borrowings amounted to PLN 1,006,337 thousand of which PLN 797,736 thousand is denominated in PLN and 208,601 thousand is denominated in EUR.

**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 | 8.60% |
| Bank Pekao S.A. | 282,978 | 30.99% |
| Bank Handlowy S.A. | 115,937 | 12.69% |
| DNB Bank Polski S.A. | 99,736 | 10.92% |
| Bank BGŻ BNP Paibas S.A. | 93,298 | 10.22% |
| mBank S.A. | 140,183 | 15.35% |
| ING Bank Śląski S.A. | 102,608 | 11.24% |
| | **913,275** | **100%** |

The credit facility is secured with:

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

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

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

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

Inter Cars S.A. may approve and pay dividend only if the following conditions are met:

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

*(in thousand PLN)*

**Liabilities due to borrowings and other debt instruments (cont.)**

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 1.9 %.

Loan from Inter Cars Cyprus Limited is bearing an interest rate of 2.25%.

| **Finance lease** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Payments under lease agreements | 2,781 | 4,043 |
| Discount | (123) | (215) |
| Present value of liabilities under leases | **2,658** | **3,828** |

| *Payments under lease agreements* | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Up to 1 year | 1,435 | 1,898 |
| Between 1 and 5 years | 1,346 | 2,145 |
| | **2,781** | **4,043** |

| *Present value of liabilities under leases* | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Up to 1 year | 1,358 | 1,775 |
| Between 1 and 5 years | 1,300 | 2,053 |
| | **2,658** | **3,828** |

| **Finance lease IFRS 16 (beneficial interest)** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Payments under lease agreements | 34,959 | 16,880 |
| Discount | (4,226) | (1,833) |
| Present value of liabilities under leases | **30,733** | **15,047** |
| *Payments under lease agreements* | | |
| Up to 1 year | 5,594 | 4,144 |
| Between 1 and 5 years | 22,301 | 12,736 |
| Over 5 years | 7,064 | - |
| | **34,959** | **16,880** |
| *Present value of liabilities under leases* | | |
| Up to 1 year | 4,423 | 3,628 |
| Between 1 and 5 years | 20,129 | 11,419 |
| Over 5 years | 6,181 | - |
| | **30,733** | **15,047** |

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

*(in thousand PLN)*

## 19. Trade and other liabilities

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Trade payables to related entities | 403,290 | 342,898 |
| Trade payables to other entities | 101,633 | 160,550 |
| Taxes, duties, social security and another benefits payable | 60,735 | 24,018 |
| Payables on bills of exchange | - | 30,899 |
| Other payables and accrued expenses | 44,458 | 40,454 |
| | **610,116** | **598,819** |
| Trade payables before bonuses accrued for the period | 854,353 | 781,513 |
| Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period | (349,430) | (278,065) |
| **Balance sheet value of trade payables** | **504,923** | **503,448** |

| **Maturity structure of trade payables** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Up to 12 months | 504,923 | 503,448 |
| Over 12 months | - | - |
| | **504,923** | **503,448** |

As at 31 December 2020 and 2019, the Company had no VAT liabilities.

| **Currency structure of trade payables** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Local currency | 296,600 | 375,007 |
| Foreign currencies | 208,323 | 128,441 |
| | **504,923** | **503,448** |

| *Equivalent in national currency* | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Liabilities in EUR | 96,407 | 124,350 |
| Liabilities in USD | 111,635 | 3,890 |
| Liabilities in other currencies | 281 | 202 |
| | **208,323** | **128,442** |

## 20. Employee benefits

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Salaries and wages | 18,547 | 19,023 |
| Company’s Social Benefits Fund | (27) | 464 |
| | **18,520** | **19,487** |

## 21. Income tax liabilities

| **Maturity structure** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Up to 12 months | 58,146 | 23,043 |
| | **58,146** | **23,043** |

*(in thousand PLN)*

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

Premises of which the Company 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 was as follows:

| | | Inter Cars S.A. |
|---|---|---|
| | **31/12/2020** | **31/12/2019** |
| Non-current receivables on long-term rental | 99,846 | 96,761 |
| Receivables on short-term rental | 44,082 | 41,198 |
| | | |
| Non-current liabilities on long-term rental | 99,846 | 96,761 |
| Liabilities on the short-term rental | 44,082 | 41,198 |

| **Short and long-term rental** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Payments under lease agreements | 158,080 | 156,605 |
| Discount | (14,152) | (18,646) |
| Present value of liabilities under leases | **143,928** | **137,959** |
| | | |
| *Payments under lease agreements* | | |
| Up to 1 year | 48,540 | 47,037 |
| Between 1 and 5 years | 106,618 | 97,804 |
| Over 5 years | 2,922 | 11,764 |
| | **158,080** | **156,605** |
| *Present value of liabilities under leases* | | |
| Up to 1 year | 44,082 | 41,198 |
| Between 1 and 5 years | 97,199 | 86,787 |
| Over 5 years | 2,647 | 9,973 |
| | **143,928** | **137,958** |

## 23. Sales revenues

| | **01/01/2020 - 31/12/2020** | **01/01/2019- 31/12/2019** |
|---|---|---|
| Revenue from sales of goods | 6,309,906 | 6,199,537 |
| Revenue from sales of services | 37,926 | 114,717 |
| Lease of investment property | - | 35 |
| | **6,347,832** | **6,314,289** |

*(in thousand PLN)*

### Sales by product groups

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | (in thousand PLN) | (%) | (in thousand PLN) | (%) |
| **Domestic sales** | **4,296,547** | *67.70%* | **4,482,799** | *71.10%* |
| Spare parts for passenger cars | 2,476,576 | *39.00%* | 2,593,648 | *41.10%* |
| Spare parts for commercial vehicles and buses | 695,251 | *11.00%* | 679,533 | *10.80%* |
| Tyres | 679,919 | *10.70%* | 642,537 | *10.20%* |
| Garage equipment and tuning | 212,079 | *3.30%* | 206,777 | *3.30%* |
| motorcycles: vehicles, spare parts and clothing | 146,044 | *2.30%* | 128,936 | *2.00%* |
| Accessories | 16,554 | *0.30%* | 18,300 | *0.30%* |
| other, spare parts and services | 70,124 | *1.10%* | 213,068 | *3.40%* |
| **Export** | **2,051,285** | *32.30%* | **1,831,490** | *28.90%* |
| Spare parts for passenger cars | 1,238,139 | *19.50%* | 1,096,405 | *17.40%* |
| Spare parts for commercial vehicles and buses | 485,634 | *7.70%* | 431,358 | *6.80%* |
| Tyres | 111,662 | *1.80%* | 87,168 | *1.40%* |
| Garage equipment and tuning | 109,566 | *1.70%* | 78,471 | *1.20%* |
| motorcycles: vehicles, spare parts and clothing | 49,001 | *0.80%* | 42,877 | *0.70%* |
| Accessories | 13,770 | *0.20%* | 16,775 | *0.30%* |
| other, spare parts and services | 43,513 | *0.60%* | 78,436 | *1.10%* |
| **Total** | **6,347,832** | ***100.00%*** | **6,314,289** | ***100.00%*** |

In 2020 the biggest percent growth recorded sale of motorcycles and motorcycle accessories (13% in comparison to a year before) and sale of tyres (6%). Export sale recorded the biggest percent growth in sale of garage equipment and tuning (40% year on year) and tyres (28% year on year). Export sale also recorded high growth in sale of motorcycles and motorcycle accessories (14% increase YoY).

### Geographical structure of sales

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **(in thousand PLN)** | **(%)** | **(in thousand PLN)** | **(%)** |
| Domestic sales | 4,296,547 | 67.69% | 4,482,799 | 71.00% |
| Export | 2,051,285 | 32.31% | 1,831,490 | 29.00% |
| **Total** | **6,347,832** | **100%** | **6,314,289** | **100%** |

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

## 24. Cost of sales

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Cost of services and goods sold | 4,790 669 | 4,722 711 |
| Foreign exchange (gains)/losses | (58,783) | 9,807 |
| **Cost of sales** | **4,731,886** | **4,732,518** |

*(in thousand PLN)*

## 25. Selling cost, general and administrative expenses

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Amortization and depreciation | 35,823 | 41,331 |
| Materials and energy consumption | 11,746 | 14,593 |
| External services | 1,098,276 | 1,155,608 |
| Taxes and charges | 9,339 | 9,935 |
| Salaries | 66,728 | 72,195 |
| Social security and other benefits | 12,825 | 12,368 |
| Other costs by kind | 17,128 | 13,781 |
| Total costs by kind | **1,251,865** | **1,319,811** |
| (-) costs of distribution services | (513,555) | (517,074) |
| (-) costs of license fees | (5,216) | (6,864) |
| **Selling cost, general and administrative expenses** | **733,094** | **795,873** |

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

## 26. Costs of employee benefits

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Salaries under employment contracts | 65,762 | 71,743 |
| Salaries under contracts for specific work and contracts of mandate | 966 | 452 |
| Social security | 10,703 | 9,578 |
| Other employee benefits | 2,122 | 2,790 |
| Costs of employee benefits recognised as costs of sales and administrative costs | **79,553** | **84,563** |

## 27. Other operating revenue

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Profit from disposal of non-financial fixed assets | 249 | 1,570 |
| Complaints | 715 | 3,294 |
| Compensation, penalties and fines received | 317 | 1,108 |
| Non-trading bonuses | 584 | 13,531 |
| Impairment losses on past due liabilities | 35 | 6 |
| Other | - | 7,344 |
| | **1,900** | **26,853** |

## 28. Other operating expenses

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Recognised impairment losses on receivables and other impairment losses recognised | 3,144 | 1,600 |
| Past due receivables recognised as impairment losses | 1,651 | 12,827 |
| Inventory lacks | 524 | 3,218 |
| Damage to stock | 11,381 | 9,127 |
| Transfer pricing settlement | 13,474 | 102,411 |
| Other | 9,146 | 7,819 |
| | **39,320** | **137,002** |

*(in thousand PLN)*

## 29. Finance income and expenses

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| **Financial revenues** | | |
| Interest income on loans granted | 401 | 436 |
| Interest income on intra-group loans granted | 802 | 1,015 |
| Dividends received | 47,813 | 67,548 |
| Interest on long-term rental | 5,151 | 6,459 |
| Other interest | 1,991 | 1,618 |
| | **56,158** | **77,076** |

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| **Financial costs** | | |
| Interest expense under bank loans and bonds | 17,857 | 32,508 |
| Interest expense under intra-group loans | 2,618 | 2,584 |
| Interest on long-term rental | 5,729 | 6,459 |
| Interest on tax corrections from previous years | 12,973 | - |
| Other interest | 747 | 2,095 |
| Fees and commissions | 8,063 | 6,911 |
| | **47,987** | **50,557** |

| ***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 | 23,380 | - | 23,380 |
| Other | - | (587) | (587) |
| **Realised foreign exchange gains/(losses)** | **23,380** | **(587)** | **22,793** |
| Arising in connection with valuation of trade payables and receivables as at the reporting date | 35,403 | - | 35,403 |
| Other | - | (9,352) | (9,352) |
| **Unrealised foreign exchange gains/(losses)** | **35,403** | **(9,352)** | **26,051** |
| **Total foreign exchange gains/(losses)** | **58,783** | **(9,939)** | **48,844** |

| ***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 | 50 | - | 50 |
| Other | - | 588 | 588 |
| **Realised foreign exchange gains/(losses)** | **50** | **588** | **638** |
| Arising in connection with valuation of trade payables and receivables as at the reporting date | (9,857) | - | (9,857) |
| Other | - | 678 | 678 |
| **Unrealised foreign exchange gains/(losses)** | **(9,857)** | **678** | **(9,179)** |
| **Total foreign exchange gains/(losses)** | **(9,807)** | **1,266** | **(8,541)** |

*(in thousand PLN)*

## 30. Structure of cash for the statement of cash flows

### Corporate income tax paid

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Current corporate income tax disclosed in the statement of comprehensive income | (99,216) | (23,857) |
| Change in income tax payable | 35,103 | 21,359 |
| **Corporate income tax paid** | **(64,113)** | **(2,498)** |

### Increase (decrease) in receivables

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Change in trade and other receivables | (74,299) | (24,928) |
| Change in non-current receivables | (1,073) | 6,725 |
| Change in Loans granted | (7,648) | (7,648) |
| Conversion of receivables into shares | (17,797) | - |
| Sureties received | 50 | - |
| Dividend receivables | - | 7,780 |
| Other | 31 | - |
| **Increase (decrease) in receivables** | **(100,736)** | **(18,071)** |

### Change in Loans granted

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Loans granted | (7,960) | (3,656) |
| Repayment of loans granted | 15,661 | 11,229 |
| Interest received | 1,207 | 1,474 |
| Interest accrued | (1,208) | (1,422) |
| Other | (52) | 23 |
| **Change in Loans granted** | **7,648** | **7,648** |

### Change in short-term liabilities

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Change in loans, borrowings, debt securities and finance lease liabilities | (95,736) | (182,860) |
| Change in trade and other liabilities | (23,806) | (83,350) |
| Change in employee benefits liabilities | (967) | 5,034 |
| **Change in total liabilities** | **(120,509)** | **(261,176)** |
| *Including:* | | |
| Recognition of new leasing agreements IFRS 16 - right-to-use | (20,310) | (18,656) |
| Cash inflows on credits and loans | - | (37,000) |
| Repayment of loans and borrowings | 108,564 | 101,899 |
| Bond redemption | - | 150,000 |
| Financial lease contracts liabilities | 49,424 | 49,455 |
| Change in liabilities under purchase of licenses | - | - |
| Other | (6,349) | 48 |
| **Change in liabilities following adjustments, total** | **10,820** | **(15,430)** |

*(in thousand PLN)*

**Purchase of financial assets in related and other entities**

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Increase in financial assets in related and other entities | 2,594 | 173 |
| **Purchase of financial assets in related and other entities** | **2,594** | **173** |

**Net interest**

| | 01/01/2020 - 31/12/2020 | 01/01/2019-31/12/2019 |
|---|---|---|
| Interest paid | (24,804) | (41,240) |
| Interest received | 1,207 | 1,474 |
| **Net interest** | **(23,597)** | **(39,766)** |

## 31. 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.

*(in thousand PLN)*

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.

Summarizing: in 2020 in the separate annual statement, a tax correction has been recognized for the years 2014-2017 in the total amount of PLN 42.3 million. Whereas in the results of the Group, in previous reporting periods, PLN 20.1 million of income tax had been recognized in Cyprus subsidiary, and this amount was deducted from the consolidated tax for 2020.

Income tax recognised under current period profit or loss

| | **01/01/2020 - 31/12/2020** | **01/01/2019-31/12/2019** |
|---|---|---|
| Current income tax | 99,216 | 23,857 |
| Change in deferred income tax | 3,068 | 764 |
| **Income tax disclosed in statement of comprehensive income** | **102,284** | **24,621** |

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** |
|---|---|---|
| *Tax rate* | 19% | 19% |
| **Profit before tax** | **324,893** | **179,596** |
| Tax based on applicable tax rates 19% | (61,730) | (34,123) |
| Tax adjustment from previous years | (42,353) | - |
| Permanent differences | 1,799 | 9,502 |
| of which: | | |
| Dividend received | 9,084 | 12,834 |
| Representation, advertising and catering | (2,229) | (601) |
| Donation | - | (20) |
| Amortization and depreciation | (1,857) | (1,605) |
| Other non-tax deductible expenses / revenues | (3,199) | (1,106) |
| **Income tax disclosed in statement of comprehensive income** | **(102,284)** | **(24,621)** |

## 32. Dividend

In the reporting period, no dividend was distributed by Inter Cars S.A.

On 5 May 2020, the Company'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.

*(in thousand PLN)*

**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 |

## 33. 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 e.g., customs or foreign currency may be subject to inspections by bodies authorized to impose material penalties, while additional amounts determined as a result of inspections are subject to interest. Consequently, the tax risk in Poland is higher than in other countries with more developed tax systems.

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

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

### Guaranties and sureties

As at 31 December 2020, the total amount of sureties and guarantees was PLN 308,758 thousand and comprised the sureties for repayment of credits for subsidiaries and for the benefit of suppliers of subsidiaries.

| | 2020 | 2019 |
|---|---|---|
| As at beginning of period | 211,211 | 267,907 |
| Issued and increases | 140,414 | 40,939 |
| Expired | (42,867) | (97,635) |
| As at end of period | **308,758** | **211,211** |

The Company also holds a customs guarantee issued by InterRisk with respect to payment of a bid bond and a performance bond securing proper performance of contractual obligations and removal of defects in the case of supplies of spare parts for the Polish Post and Regional Police Stations.

## 34. Operating leases

Inter Cars S.A. is a party to storage and office space lease contracts.

All costs of lease of storage space related directly to the activity of the branches and covered by the Company are re-invoiced in full to the end users (entities running the branches) throughout the entire period during which they use such space (including the termination notice period). The costs of lease of office space are covered entirely by the Company.

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

Short-term and low-value lease contracts are still recognized as an operating lease, nevertheless their value is non-significant.

*(in thousand PLN)*

**Future minimum fees on an irrevocable financial lease**

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Up to 1 year | 6 | 1,001 |
| | **6** | **1,001** |

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Indefinite period | 6 | 1,001 |
| | **6** | **1,001** |

No future minimum payments under operating leases falling due in over one year are reported.

## 35. Transactions with related entities

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

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

| *Settlement* | **Receivables as at** | |
|---|---|---|
| | **31/12/2020** | **31/12/2019** |
| Inter Cars Ukraine LLC | 76,634 | 64,095 |
| Lauber Sp. z o.o. | 31,749 | 21,237 |
| Inter Cars Ceska Republika s.r.o. | 49,899 | 52,403 |
| Inter Cars Slovenska Republika s.r.o. | 39,348 | 36,467 |
| Feber Sp. z o.o. | 65 | 20 |
| Inter Cars Lietuva UAB | 46,045 | 46,453 |
| Inter Cars Italia srl | (3,047) | 520 |
| Inter Cars d.o.o. | 145,252 | 140,756 |
| JC Auto S.A. | 22 | - |
| Inter Cars Hungária Kft. | 43,746 | 46,695 |
| Inter Cars Romania s.r.l. | 274,938 | 293,387 |
| Inter Cars Latvija SIA | 41,459 | 46,698 |
| Cleverlog-Autoteile GmbH | 1,427 | 2,700 |
| Inter Cars Bulgaria Ltd. | 119,430 | 47,053 |
| Inter Cars Marketing Services Sp. z o.o. | 37 | 3 |
| ILS Sp. z o.o. | 2,980 | 3,262 |
| Inter Cars Malta Limited | (7) | (6) |
| Q-Service Truck Sp. z o.o. | 31 | 73 |
| Inter Cars Slovenia | 3,382 | 1,597 |
| Inter Cars Eesti OÜ | 3,264 | 2,359 |
| Q-Service Sp. z o.o. | 191 | 175 |
| ILS Latvijas filialie | 71 | 52 |
| IC Development & Finance Sp. z o.o. | 78 | 66 |
| Armatus sp. z o.o. | - | 1 |
| Inter cars PIESE Auto s.r.l. | (88) | (83) |
| Inter Cars Greece | 15,884 | 1,252 |
| InterMeko Europe Sp. z o.o. | 1 | 11 |
| Inter Cars d o.o. (Bosnia) | 377 | 168 |
| Inter Cars d o.o. Beograd | 354 | - |
| JAG Sp. z o.o. | 433 | - |
| Inter Cars Fleet Services Sp. z o.o. | 31,396 | - |
| Inter Cars United Kingdom - AUTOMOTIVE TECHNOLOGY LTD. | 3,202 | 3,291 |
| **Gross receivables from subsidiaries** | **928,553** | **810,705** |
| **Reserves for returns** | **(64,631)** | **(70,296)** |
| **Net receivables from subsidiaries** | **863,922** | **740,409** |

*(in thousand PLN)*

| *Settlement* | Liabilities as at | |
|---|---|---|
| | **31/12/2020** | **31/12/2019** |
| Q-service Sp. z o.o. | 23,841 | 32,045 |
| Lauber Sp. z o.o. | 13,252 | 11,240 |
| Inter Cars Česká republika s.r.o. | - | 117 |
| Inter Cars Slovenská republika s.r.o. | 37 | - |
| Feber Sp. z o.o. | 13,333 | 5,311 |
| Inter Cars Lietuva UAB | 19 | - |
| Inter Cars Italia srl. | 850 | 752 |
| Inter Cars d.o.o. | 108 | 864 |
| JC Auto S.A. | - | 403 |
| Inter Cars Hungária Kft. | (1) | 18 |
| Inter Cars Romania s.r.l. | 923 | 65 |
| Inter Cars Latvija SIA | 12 | 189 |
| Inter Cars Cyprus Ltd. | 4 | 4 |
| Inter Cars Marketing Services Sp. z o.o. | 119,678 | 93,121 |
| ILS Sp. z o.o. | 40,258 | 47,701 |
| Inter Cars Malta Holding Limited | (21) | (19) |
| Inter Cars Malta Limited | 112,820 | 107,392 |
| Q-service Truck Sp. z o.o. | 6,534 | 1,483 |
| IC Development & Finance Sp. z o.o | 1,727 | 1,535 |
| Inter Cars INT d.o.o. (Slovenia) | 72 | 236 |
| Inter Cars Eesti OÜ | 185 | 6 |
| Inter Cars Bulgaria EOOD | 44 | - |
| Armatus Sp. z o.o. | (342) | (250) |
| INTERMEKO EUROPE SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ | - | 41 |
| Inter Cars d o.o. (Bosnia) | 396 | - |
| INTER CARS PIESE AUTO S.R.L. | 11 | - |
| Inter Cars Greece | 190 | 6 |
| JAG Sp. z o.o. | 933 | - |
| Inter Cars Fleet Services Sp. z o.o. | 4,648 | - |
| **Liabilities to subsidiaries** | **339,511** | **302,260** |

*(in thousand PLN)*

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

| | Sales revenues | | Purchase of goods and services | |
|---|---|---|---|---|
| | **01/01/2020 - 31/12/2020** | **01/01/2019- 31/12/2019** | **01/01/2020 - 31/12/2020** | **01/01/2019 - 31/12/2019** |
| Inter Cars Ukraine LLC | 155,906 | 116,736 | - | - |
| Q-Service Sp. z o.o. | 158 | 568 | 196,578 | 203,513 |
| Lauber Sp. z o.o. | 8,087 | 7,650 | 79,452 | 56,265 |
| Inter Cars Ceska Republika s.r.o. | 177,778 | 159,522 | 2,965 | 4,562 |
| Inter Cars Slovenska Republika s.r.o. | 207,926 | 181,472 | 2,724 | 2,531 |
| Feber Sp. z o.o. | 757 | 687 | 6,606 | 9,464 |
| Inter Cars Lietuva UAB | 217,367 | 209,521 | 3,492 | 6,723 |
| IC Development & Finance Sp. z o.o. | 12 | 13 | 448 | 558 |
| Inter Cars Italia srl | 7,321 | 4,154 | 63 | 2,594 |
| Inter Cars d.o.o. | 108,597 | 93,553 | 6,801 | 5,051 |
| JC Auto S.A. | 131 | - | - | 4,589 |
| Inter Cars Hungária Kf. | 117,654 | 95,001 | 4,961 | 3,001 |
| Inter Cars Romania s.r.l. | 268,039 | 203,300 | 3,916 | 3,165 |
| Armatus sp. z o.o. | 4 | 4 | 169 | 731 |
| Cleverlog Autoteile BmbH | 123,584 | 87,184 | 509 | 237 |
| Inter Cars Latvija SIA | 118,183 | 106,236 | 2,464 | 3,158 |
| Inter Cars Bulgaria Ltd. | 115,524 | 93,020 | 2,437 | 1,735 |
| Inter Cars Marketing Services Sp. z o.o. | 269 | 145 | 25,163 | 12,354 |
| ILS Sp. z o.o. | 7,382 | 6,275 | 364,534 | 365,378 |
| Q-Service Truck Sp. z o.o. | 785 | 525 | 24,337 | 17,590 |
| Inter Cars INT d o.o. | 6,344 | 4,033 | 476 | 433 |
| Inter Cars Malta Ltd | 33 | 21 | 312,241 | 299,230 |
| Inter Cars Eesti OÜ | 25,747 | 20,361 | 1,033 | 841 |
| Inter Cars PIESE Auto s.r.l. | 97 | 100 | 10 | - |
| Inter Cars Greece | 17,654 | 6,684 | 176 | 6 |
| Inter Cars d o.o. (Bosnia) | 181 | - | 391 | 77 |
| Inter Cars United Kingdom - automotive technology Ltd | 16,686 | 12,886 | - | - |
| Inter Cars d o.o. Beograd | 334 | - | - | - |
| Inter Cars Fleet Services Sp. z o.o. | 11,359 | - | 2,703 | - |
| JAG Sp. z o.o. | 1,240 | - | 8,472 | - |
| | **1,715,139** | **1,409 651** | **1,053,121** | **1 ,003,786** |

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

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

| **Receivables** | **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. | - | 1,451 |
| FF-SPORT Sp. z o.o. | 44 | 44 |
| | **69** | **1,517** |

| **Liabilities** | **31/12/2020** | **31/12/2019** |
|---|---|---|
| ANPO Andrzej Oliszewski | - | 1 |
| JAG Sp. z o.o. | - | 227 |
| Ing. Tomas Kastil | - | 25 |
| | **-** | **253** |

*(in thousand PLN)*

| ***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.

| **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. | - | 2,149 |
| FF-SPORT Sp. z o.o. | 242 | 248 |
| P.H. AUTO CZĘŚCI Krzysztof Pietrzak | 2 | - |
| | **260** | **2,408** |

| **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. | - | 15,988 |
| FF-SPORT Sp. z o.o. | 39 | 40 |
| Ing. Tomas Kastil | - | 26 |
| | **288** | **16,237** |

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.

| **Loans to subsidiaries and associated entities** | **2020** | **2019** |
|---|---|---|
| Lauber Sp. z o.o. | 8,766 | 8,777 |
| IC Development & Finance Sp. z o.o. | 17,848 | 17,776 |
| Inter Cars Bulgaria Ltd. | - | 965 |
| Q-SERVICE TRUCK Sp z o.o. | 2,555 | 502 |
| Inter Cars Malta Ltd | 1 | 12,838 |
| Inter Cars Greece | - | 57 |
| Inter Cars do.o. Beograd Rakovica | 955 | 857 |
| JAG Sp z o.o. | 2,003 | - |
| Inter Cars Fleet Services Sp z o.o. | 3,239 | - |
| | **35,367** | **41,772** |

The amount of granted loans with maturity up to one year is PLN 30,134 thousand, while the amount of loans with maturity over one year totals PLN 5,234 thousand.

*(in thousand PLN)*

The loans granted to related entities bear interest at a rate equal to: 1M WIBOR (in the case of PLN-denominated loans), or EURIBOR 3M (in the case of EUR-denominated loans) plus a margin of 2%-5%.

| ***Loans granted*** | **2020** | **2019** |
|---|---|---|
| As at beginning of period | 41,772 | 48,705 |
| Loans granted | 7,250 | 859 |
| Interest accrued | 851 | 980 |
| Repayments received | (13,737) | (7,733) |
| Interest received | (821) | (1,015) |
| Balance sheet valuation | 52 | (24) |
| As at end of period | **35,367** | **41,772** |

| ***Interest accrued*** | **2020** | **2019** |
|---|---|---|
| Lauber Sp. z o.o. | 234 | 318 |
| IC Development & Finance Sp. Z o.o. | 72 | 133 |
| Inter Cars Bulgaria Ltd. | 22 | 30 |
| Q-SERVICE TRUCK Sp z o.o. | 50 | 18 |
| Inter Cars Malta Ltd | 398 | 444 |
| Inter Cars Greece | - | 31 |
| Inter Cars d o.o. Beograd Rakovica | 26 | 5 |
| JAG Sp z o.o. | 3 | - |
| Inter Cars Fleet Services Sp z o.o. | 46 | - |
| | **851** | **979** |

| ***Loans received*** | **2020** | **2019** |
|---|---|---|
| As at beginning of period | 90,471 | 144,389 |
| Loans received | - | - |
| Interest accrued | 2,618 | 2,584 |
| Interest payment | (519) | (468) |
| Repayment of funds | (5,900) | (55,300) |
| Balance sheet valuation | 6,299 | (734) |
| As at end of period | **92,969** | **90,471** |

| ***Interest accrued*** | **2020** | **2019** |
|---|---|---|
| ICMS sp. z o.o. | 28 | 962 |
| Inter Cars Cyprus LIMITED | 2,590 | 1,622 |
| | **2,618** | **2,584** |

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

| | **2020** | **2019** |
|---|---|---|
| As at beginning of period | 194,023 | 241,667 |
| Issued and increases | 135,281 | 49,991 |
| Expired | (37,990) | (97,635) |
| **As at end of period** | **291,314** | **194,023** |

*(in thousand PLN)*

Remuneration of Supervisory Board and Management Board was 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.

## 36. Financial risk management

*Credit risk*

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

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

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

As at the reporting date, there was no significant concentration of credit risks.

The carrying amount of each financial asset, including derivative financial instruments, represents the maximum credit risk exposure:

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Loans granted | 43,504 | 51,150 |
| Trade and other receivables (excluding loans granted) | 1,337,075 | 1,164,446 |
| Cash and cash equivalents (excluding cash in hand) | 15,014 | 13,325 |
| | **1,395 593** | **1,228 921** |

*Interest rate risk*

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

The Company has liabilities bearing interest at variable rates and liabilities bearing interest at fixed rates.

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) | 43,504 | 51,150 |
| Cash assets in bank accounts | 16,769 | 2,632 |
| Financial liabilities (liabilities under loans, borrowings debt securities and finance leases and factoring) | (1,604,986) | (1,195,754) |
| | **(1,544,713)** | **(1,141,972)** |

*(in thousand PLN)*

Presented below is sensitivity analysis of the net profit or loss to possible interest rate changes, assuming that other factors remain unchanged. The following data shows the impact of basis points on the Company's annual net profit or loss (no direct impact on equity).

| **Impact on net profit / loss** | **basis points increase/decrease** | as at 31 December 2020 | as at 31 December 2019 |
|---|---|---|---|
| | +100/-100 | (12,512)/12,512 | (9,250)/9,250 |
| | +200/-200 | (25,024)/25,024 | (18,500)/18,500 |

*Currency risk*

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

| | EUR | USD | Other | EUR | USD | Other |
|---|---|---|---|---|---|---|
| | **31 December 2020** | | | **31 December 2019** | | |
| Trade receivables | 932,088 | 7,670 | 5,420 | 862,962 | - | 12,072 |
| Loans granted | 955 | - | - | 1,879 | - | - |
| Cash | 878 | 119 | 204 | 245 | 158 | 708 |
| Bank credits | (115,539) | - | - | (122,318) | - | - |
| Loans received | (93,137) | - | - | (84,247) | - | - |
| Trade payables | (96,407) | (111,635) | (281) | (196,244) | (107,567) | (202) |
| **Gross balance sheet exposure** | **628,838** | **(103,846)** | **5,343** | **462,277** | **(107,409)** | **12,578** |

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

| as at 31 December 2020 | **Foreign exchange rate increase/decrease** | **Impact on net profit / loss** |
|---|---|---|
| **EUR** | +5% /-5% | 25,468 / (25,468) |
| | +10% / -10% | 50,936 / (50,936) |
| **USD** | +5% / -5% | (4,206)/4,206 |
| | +10% / -10% | (8,412)8,412 |
| **Other** | +5% / -5% | 217 / (217) |
| | +10% / -10% | 434 / (434) |

| as at 31 December 2019 | **Foreign exchange rate increase/decrease** | **Impact on net profit / loss** |
|---|---|---|
| **EUR** | +5% /-5% | 18,722 / (18,722) |
| | +10% / -10% | 37,444 / (37,444) |
| **USD** | +5% / -5% | (4,350) / 4,350 |
| | +10% / -10% | (8,700) / 8,700 |
| **Other** | +5% / -5% | 509 / (509) |
| | +10% / -10% | 1,018 / (1,018) |

*(in thousand PLN)*

*Liquidity risk*

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

The following table shows the value of current assets and liabilities and liquidity ratios as at 31 December 2020:

| | **2020** | **2019** |
|---|---|---|
| Current assets | 2,743 868 | 2,626,781 |
| Short-term liabilities | 1,155 183 | 1,242,542 |
| Surplus of current assets over short-term liabilities | 1,588 685 | 1,384,239 |
| Current ratio | 2.38 | 2.11 |
| Quick ratio | 1.25 | 1.10 |
| Cash ratio | 0.02 | 0.01 |

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.

The table below presents future payments of the Company as at 31 December 2020 by the date on the basis of discounted payments.

Managing the cash flows of Inter Cars S.A. 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 Company continually monitors the financial flows in individual countries and adjusts the financing sources accordingly, both at the Company and the local markets level. The Company finances its activities through a consortium 7. Bank financing is kept within the following proportion: 60% short-term loans and 40% long-term loans. The Company diversifies its financing sources and has issued bonds that have been subscribed for by entities other than banks. The Company also finances its liabilities from its equity, which amounted to PLN 1,790 b as at 31 December 2020. The Company reinvests financial resources gained on operational activity. To maintain liquidity, the Company keeps a stable amount of cash ranging from PLN 6 and 12 m available at its points of sale (branches).

| **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, bonds | - | | 468,251 | 535,529 | - | 1,003,780 |
| finance lease liabilities | - | 318 | 1,040 | 1,300 | - | 2,658 |
| liabilities on rental | - | 1,106 | 3,317 | 26,310 | - | 30,733 |
| subscription liabilities | - | 2,108 | 6,325 | 703 | - | 9,136 |
| trade and other payables | 73,940 | 451,936 | 26,076 | 11 | 7 | 551,970 |
| | **73,940** | **455,468** | **505,009** | **563,853** | **7** | **1,598 277** |

| **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, bonds | - | | 569,152 | 536,004 | - | 1,105 156 |
| finance lease liabilities | - | 412 | 1,363 | 2,053 | - | 3,828 |
| liabilities on rental | - | 1,140 | 2,488 | 11,419 | - | 15,047 |
| subscription liabilities | - | 2,108 | 6,325 | 9,527 | - | 17,960 |
| trade and other payables | 203,255 | 348,884 | 23,167 | 462 | 8 | 575,776 |
| | **203,255** | **352,544** | **602,495** | **559,465** | **8** | **1,717 767** |

*(in thousand PLN)*

*Capital management*

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

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

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

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

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Loan, borrowing and finance lease liabilities | 1,046,306 | 1,142,042 |
| Trade and other liabilities | 551,970 | 575,776 |
| (less) cash and cash equivalents | (19,079) | (17,967) |
| Net debt | 1,579 197 | 1,699 851 |
| Equity | 1,790 495 | 1,567,886 |
| Net debt to equity | 0.88 | 1.08 |

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

*Fair value*

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

## 37. Events subsequent to the balance sheet date

No such events.

## 38. Material evaluations and estimates

The preparation of the financial statements in conformity with the EU IFRS requires the Company's Management Board to make judgements and estimates which affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. The judgement 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 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 Company evaluates whether or not there is evidence of impairment of a receivable or a group of receivables. If the recoverable value of an asset is lower than its carrying value, the Company creates an impairment loss to the level of the current value of planned cash flows),
- Note 6/8 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

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).

- Note 11 Impairment losses on shares in subsidiaries (the Management Board evaluates whether or not there is the possibility of impairment losses on assets. If an impairment loss is identified, the recoverable value of assets must be determined),

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

## 39. Continued and discontinued operations

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

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

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

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.

## 40. Consolidated financial statements

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

*(in thousand PLN)*

# INFORMATION OF THE INTER CARS S.A. MANAGEMENT BOARD

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

The Management Board of Inter Cars S.A., having its registered seat in Warsaw ("**the Company**"), acting in conformity with § 70.1.7 of the Minister of Finance Regulation of 29 March 2018 on the current and periodical information provided by securities issuers, and on consideration as equivalent the information required by law of a non-member state, as well as based on the statement of the Company's Supervisory Board to this effect, informs that the audit firm selected to audit the Company's standalone annual financial statements for the financial year ended on 31 December 2020 was selected in conformity with the applicable regulations, including those related to the selection of an audit firm and its selection procedure.

Furthermore, the Management Board of the Company informs that:

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

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

**Maciej Oleksowicz**
CEO

**Krzysztof Soszyński**
Vice-President of the Management Board

**Piotr Zamora**
Member of the Management Board

**Wojciech Twaróg**
Member of the Management Board

**Julita Pałyska**
Person responsible for keeping the accounting books

Warsaw, 20 April 2021.