

INTER CARS GROUP
ANNUAL FINANCIAL STATEMENTS
2017



ANNUAL FINANCIAL STATEMENTS OF THE INTER CARS GROUP FOR THE YEAR 2017

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in thousand PLN

PART II

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Financial highlights

in thousand PLN

Financial highlights

	<i>for the period of 12 months ended on 31 December</i>			
	<u>31/12/2017</u>	<u>31/12/2016</u>	<u>31/12/2017</u>	<u>31/12/2016</u>
	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Information on growth and profits				
Sales margin	29.3%	30.8%		
EBITDA	359,984	369,846	84,808	84,523
EBITDA as percentage of sales	5.2%	6.2%		
EBITDA (for 12 consecutive months)	359,984	369,846	84,808	84,523
Net debt / EBITDA	2.95	2.45		
Basic earnings per share (PLN)	15.28	16.24	3.60	3.71
Diluted earnings per share (PLN)	15.28	16.24	3.60	3.71
Operating profit	294,464	315,668	69,372	72,141
Net profit	216,428	230,064	50,988	52,578
Cash flows				
Operating cash flows	24,358	251,947	5,738	57,579
Investing cash flows	(92,410)	(124,312)	(21,771)	(28,410)
Financing cash flows	107,541	(79,225)	25,335	(18,106)
Employment and branches				
Employees				
Parent company	489	384		
Subsidiaries	2,608	2,022		
Branches				
Parent company	243	220		
Subsidiaries	264	225		

	As at		As at	
	<u>31/12/2017</u>	<u>31/12/2016</u>	<u>31/12/2017</u>	<u>31/12/2016</u>
	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Consolidated statement of the financial situation				
Cash and cash equivalents	160,915	121,426	38,580	27,447
Balance sheet total	3,402,978	3,040,077	815,886	687,178
Loans, borrowings, finance lease and factoring	1,222,551	1,025,650	293,114	231,838
Equity attributable to the shareholders of the parent entity	1,616,028	1,424,008	387,453	321,882

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 2017 – EUR 1 = PLN 4.1709, and the National Bank of Poland exchange rate of 31 December 2016 – EUR 1 = PLN 4.4240
- 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 2017 and 2016, respectively: 1 EUR = PLN 4.2447 and 1 EUR = PLN 4.3757.

Information about INTER CARS S.A.

1. Scope of activities

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

2. Registered seat

ul Powsińska 64
02-903 Warsaw
Poland
Central Warehouse:
ul. Gdańska 15
05-152 Czosnów nearby/Warsaw

3. Contact and administrative detail

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

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

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

Andrzej Oliszewski, President
Piotr Płoszajski
Tomasz Rusak
Michał Marczak
Jacek Klimczak

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

Maciej Oleksowicz, President
Robert Kierzek, Vice-President
Krzysztof Soszyński, Vice-President
Krzysztof Oleksowicz, Member of the Management Board
Wojciech Twaróg, Member of the Management Board
Piotr Zamora, Member of the Management Board
Tomáš Kaštil, Member of the Management Board

On 10 April 2017 Mr Robert Kierzek handed in his resignation from the position of the President of the Management Board of the Company, remaining the Member of the Management Board of current term of office. His resignation came in force as at 01 May 2017. On 20 April 2017, during the Meeting of the Supervisory Board, for the place of Mr Robert Kierzek, the Board appointed new President of the Management Board, Mr Maciej Oleksowicz, who took the position as of 01 May 2017, and appointed Mr Robert Kierzek as the Vice-President of the Company.

6. Statutory auditor

PricewaterhouseCoopers Sp. z o.o.
Ul. Lecha Kaczyńskiego 14,
00-638 Warsaw

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

Bank Pekao S.A. ul. Żwirki i Wigury 31 02-091 Warsaw	mBank S.A. ul. Królewska 14 00-950 Warsaw
Bank Handlowy w Warszawie S.A. ul. Senatorska 16 00-923 Warsaw	Raiffeisen Bank Polska S.A. ul. Grzybowska 78 00-844 Warsaw
ING Bank Śląski S.A. ul. Sokolska 34 40-086 Katowice	HSBC Bank Polska S.A. Rondo ONZ 1 00-124 Warsaw
UniCredit Bank Czech Republic and Slovakia, a.s. Želetavská 1525/1 140 00 Praha 4 - Michle	Tatra Banka a.s. Hodzovo nam. 3 911 06 Bratislava
UniCredit Bank Czech Republic and Slovakia, a.s. Sancova 1/A 813 33 Bratislava	Bank BGŻ BNP Paribas ul. Kasprzaka 10/16 01-211 Warsaw
DNB Bank Polska S.A. ul. Postępu 15c 02-676 Warsaw	CaixaBank, S.A. ul. Prosta 51 00-838 Warsaw
PKO Bank Polski Niederlassung Deutschland Neue Mainzer Straße 52-58 60311 Frankfurt Am Main, Deutschland	

8. Subsidiaries and associated entities of Inter Cars - entities included in consolidation as at 31 December 2017

As at 31 December 2017, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 32 other entities, including:

- 29 subsidiaries of Inter Cars S.A.
 - 2 indirect subsidiaries of Inter Cars S.A.
- The Group also holds shares in one related entity.

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2017	31/12/2016
Parent company					
Inter Cars S.A.	Warsaw	Import and distribution of spare parts for passenger cars and commercial vehicles	full	Not applicable	Not applicable
Direct subsidiaries					
Inter Cars Ukraine	Ukraine, Khmel'nitsky	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Lauber Sp. z o.o.	Ślupsk	Remanufacturing of car parts	full	100%	100%

Information about the INTER CARS GROUP

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2017	31/12/2016
Q-service Sp. z o.o.	Cząstków Mazowiecki	Advisory services, organization of trainings and seminars related to automotive services and the automotive market	full	100%	100%
Inter Cars Česká republika s.r.o.	Czech Republic, Prague	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Feber Sp. z o.o.	Sieradz	Manufacture of motor vehicles, trailers and semi-trailers	full	100%	100%
IC Development & Finance Sp. z o.o.	Warsaw	Real estate development and lease	full	100%	100%
Armatus sp. z o.o.	Warsaw	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Slovenská republika s.r.o.	Slovakia, Bratislava	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Lietuva UAB	Lithuania, Vilnius	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto s.r.o.	The Czech Republic, Karvina-Darkom	The Company does not carry out operating activities	full	100%	100%
JC Auto S.A.	Belgium, BrainL'Allued	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Hungária Kft	Hungary, Budapest	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Italia s.r.l. (formerly JC Auto s.r.l.)	Italy, Milan	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Croatia, Zagreb	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Romania s.r.l.	Romania, Cluj-Napoca	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Cyprus Limited	Cyprus, Nicosia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Latvija SIA	Latvia, Riga	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Cleverlog-Autoteile GmbH	Germany, Berlin	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Bulgaria Ltd.	Bulgaria, Sofia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	Warsaw	Advertising, market and public opinion research	full	100%	100%
ILS Sp. z o.o.	Nadarzyn	Logistics services	full	100%	100%
Inter Cars Malta Holding Limited	Malta	Assets management	full	100%	100%
Q-service Truck Sp. z o.o.	Warsaw	Sale of commercial vehicles and trucks	full	100%	100%
Inter Cars INT d o.o.	Slovenia, Ljubljana	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Eesti OÜ	Estonia, Tallinn	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%

Information about the INTER CARS GROUP

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2017	31/12/2016
Inter Cars GREECE Ltd.**	Athens, Greece	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d o.o.*	Sarajevo, Bosnia and Herzegovina	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars United Kingdom - automotive technology Ltd ***	London, Great Britain	Distribution of spare parts for passenger cars and commercial vehicles	Not applicable	100%	-
Indirect subsidiaries					
Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2017	31/12/2016
Inter Cars Malta Limited	Malta	Sale of spare parts and advisory services related to automotive services and the automotive market	full	100%	100%
Aurelia Auto d o o	Croatia	Distribution of spare parts and real estate rental	full	100%	100%
Associated entities					
SMiOC FRENOPLAST Bułhak i Cieślowski S.A.	Szczytno	Manufacture of friction linings and materials	****	****	49%
InterMeko Europa Sp. z o.o.	Warsaw	Control and assessment of spare parts, components and accessories	equity method	50%	50%

* The company started operational activity in 2Q2017.

** The company started operational activity in 3Q2017.

*** The Company does not carry out operational activity

**** On 06 February 2017 the Company sold stocks in affiliated company SMiOC FRENOPLAST Bułhak i Cieślowski S.A

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

9. Associated entities

As at 31 December 2017 the Company owned 50 % of shares in Intermeko Europa Sp. z o.o., a joint-venture company established in order to monitor the quality of goods using a laboratory.

10. Stock exchange listings

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

11. Date of approval of the financial statements for publication

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 17 April 2018.

*(in thousand PLN)***ANNUAL CONSOLIDATED STATEMENT OF THE FINANCIAL SITUATION**

<i>(in thousand PLN)</i>	Note	<u>31/12/2017</u>	<u>31/12/2016</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	478,150	459,679
Investment property	7	21,530	24,103
Intangible assets	6	180,959	170,469
Investments in related entities	8	924	1,921
Investments available for sales	9	301	301
Receivables	12	20,014	19,798
Deferred tax assets	10	24,145	25,898
		<u>726,023</u>	<u>702,169</u>
Current assets			
Inventory	11	1,771,176	1,510,119
Trade and other receivables	12	739,360	693,180
Corporate income tax receivables		5,504	13,183
Cash and cash equivalents	13	160,915	121,426
		<u>2,676,955</u>	<u>2,337,908</u>
TOTAL ASSETS		<u><u>3,402,978</u></u>	<u><u>3,040,077</u></u>
LIABILITIES			
Share capital	14	28,336	28,336
Share premium account	14	259,530	259,530
Statutory reserve funds		832,483	731,510
Other capital reserves		19,030	10,458
Foreign exchange gains /losses in subsidiaries		(26,437)	(12,088)
Retained earnings		503,086	406,262
Equity		<u>1,616,028</u>	<u>1,424,008</u>
Long-term liabilities			
Loan, borrowing and finance lease liabilities	16	658,384	429,476
Other long-term liabilities		3,116	7,186
Deferred income tax provision	10	25,497	16,119
		<u>686,997</u>	<u>452,781</u>
Short-term liabilities			
Trade and other liabilities	17	490,304	526,903
Loan, borrowing and finance lease liabilities	16	564,167	537,586
Liabilities of the factoring		-	58,588
Employee benefits	18	21,314	18,441
Income tax liabilities	19	24,168	21,770
		<u>1,099,953</u>	<u>1,163,288</u>
TOTAL LIABILITIES		<u><u>3,402,978</u></u>	<u><u>3,040,077</u></u>

*(in thousand PLN)***ANNUAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>(in thousand PLN)</i>	Note	for the period of 12 months ended on	
		<u>31/12/2017</u>	<u>31/12/2016</u>
Sales revenues	21	6,908,365	5,973,459
Cost of sales	22	(4,886,805)	(4,131,372)
Gross profit on sales		2,021,560	1,842,087
Other operating income	24	31,621	14,899
Costs of sales and administrative costs	23	(1,013,374)	(853,196)
Distribution expenses	23	(713,757)	(640,656)
Other operating expenses	25	(31,586)	(47,466)
Operating profit		294,464	315,668
Financial income	26	2,382	3,738
Foreign exchange gains/losses	26	6,063	(2,971)
Financial expenses	26	(40,473)	(31,768)
Interest in associates		20	113
Profit before tax		262,456	284,780
Income tax	28	(46,028)	(54,716)
Net profit		216,428	230,064
Attributable to:			
shareholders of the parent company		216,428	230,064
		216,428	230,064
OTHER COMPREHENSIVE INCOME			
<i>Items which may transferred to financial result</i>			
Foreign exchange gains /losses		(14,349)	(1,875)
Total other comprehensive income, net		(14,349)	(1,875)
COMPREHENSIVE INCOME		202,079	228,189
Net profit attributable to:			
- the shareholders of the parent entity		216,428	230,064
		216,428	230,064
Comprehensive income attributable to:			
- the shareholders of the parent entity		202,079	228,189
		202,079	228,189
Earnings per share (PLN)			
- basic and diluted		15.28	16.24
Weighted average number of shares		14,168,100	14,168,100

Notes to the annual consolidated financial statements*(in thousand PLN)***ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the period from 01 January 2017 to 31 December 2017

<i>(in thousand PLN)</i>	Share capital	Share premium account	Statutory reserve funds	Foreign exchange gains /losses in subsidiaries	Other capital reserves	Retained earnings	Total equity
As at 01 January 2017	28,336	259,530	731,510	(12,088)	10,458	406,262	1,424,008
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	216,428	216,428
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	(14,349)	-	-	(14,349)
Total comprehensive income	-	-	-	(14,349)	-	216,428	202,079
Transactions with shareholders							
Distribution of prior period profit – dividend	-	-	-	-	-	(10,059)	(10,059)
Distribution of prior period profit - covering loss from reserve capitals	-	-	-	-	-	-	-
Distribution of retained profits - transfer to supplementary and reserve capital	-	-	100,973	-	8,572	(109,545)	-
As at 31 December 2017	28,336	259,530	832,483	(26,437)	19,030	503,086	1,616,028

for the period from 01 January 2016 to 31 December 2016

<i>(in thousand PLN)</i>	Share capital	Share premium account	Statutory reserve funds	Foreign exchange gains /losses in subsidiaries	Other capital reserves	Retained earnings	Total equity
As at 01 January 2016	28,336	259,530	645,998	(10,213)	5,935	276,292	1,205,878
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	230,064	230,064
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	(1,875)	-	-	(1,875)
Total comprehensive income	-	-	-	(1,875)	-	230,064	228,189
Transactions with shareholders							
Distribution of prior period profit – dividend	-	-	-	-	-	(10,059)	(10,059)
Distribution of prior period profit - covering loss from reserve capitals	-	-	-	-	-	-	-
Distribution of retained profits - transfer to supplementary and reserve capital	-	-	85,512	-	4,523	(90,035)	-
As at 31 December 2016	28,336	259,530	731,510	(12,088)	10,458	406,262	1,424,008

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand PLN)

	Note	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Cash flows from operating activities			
Profit before tax		262,456	284,780
Adjustments:			
Depreciation and amortization		65,520	54,178
Foreign exchange gains /losses		284	(3,135)
(Profit / loss on investing activities		-	(1,408)
Net interest	27	36,945	28,497
(Gain)/loss on revaluation of investment property		573	582
Dividends received		-	-
Other adjustments, net	27	(16,796)	(5,584)
Operating profit before changes in the working capital		348,982	357,910
Change in inventories		(261,057)	(258,403)
Change in receivables	27	(47,431)	(170,890)
Change in short-term liabilities		8,685	353,643
Cash generated by operating activities		49,179	282,260
Corporate income tax paid	27	(24,821)	(30,313)
Net cash from operating activities		24,358	251,947
Cash flow from investing activities			
Proceeds from the sale of intangible assets, investment property, property, plant and equipment		2,000	7,074
Proceeds from the sale of shares		-	-
Acquisition of intangible assets, investment property, and property, plant and equipment		(95,325)	(132,711)
Cost of acquisition of shares in other entities		-	(998)
Repayment of loans granted	27	1,715	4,449
Loans granted	27	(938)	(2,394)
Dividends received		-	-
Interest received	27	138	268
Net cash from investing activities		(92,410)	(124,312)
Cash flow from financing activities			
Repayment of credits and loans	27	(1,135)	(655,200)
Cash inflows on credits and loans	27	263,643	862,114
Payment of finance lease liabilities	27	(6,803)	(23,279)
Interest paid		(37,105)	(28,795)
Dividend paid		(10,059)	(10,059)
Payment of the reverse factoring		(101,000)	(224,006)
Security issues		-	-
Guarantee deposits received		-	-
Net cash from financing activities		107,541	(79,225)
Net change in cash and cash equivalents		39,489	48,410
Cash and cash equivalents at the beginning of the period		121,426	73,016
Cash and cash equivalents at the end of the period		160,915	121,426

Notes to the annual consolidated financial statements

(in thousand PLN)

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

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

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

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

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

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

2.1. Changes in IFRS and their interpretations

Changes of International Financial Reporting Standards and interpretations used for the first time in 2017 accounting year is presented in below chart:

Standards and interpretations approved by the EU	Description of amendments
Amendments to IAS 7 - Statement of cash flows	This change introduces the requirement to disclose changes to liabilities resulting from financial operations in the statement of cash flows, including changes constituting both cash flows and non-cash changes.
Amendments to IAS 12 - Income tax	The change provides details related to the recognition of deferred tax on unrealised losses on debt instruments recognized at fair value.
Amendments to the International Financial Reporting Standards 2014-2016;	Amendments related to: IFRS 12 - specifying the scope of application of disclosure requirements. (disclosure of shares in other entities)

Above amendments had no crucial impact on the financial statements.

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

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

Standards and interpretations approved by the EU	Description of amendments
IFRS 9 – Financial Instruments	Amendments to classification and measurement of financial assets - replacement of currently binding financial instrument categories with two categories: valued by expected loss impairment model and fair value. Amendments in hedge accounting.
New standard IFRS 15 - Revenue from Contracts with Customers	The standard applies to all contracts with customers, excluding such, which are in the scope of other IFRS (i.e. leasing contracts, insurance and other financial instruments). IFRS 15 standardizes requirements on recognition of revenues (one off or settled in time)
Comments to IFRS 15 - Revenue from Contracts with Customers	The explanations provide additional information and explanations related to the main assumptions included in IFRS 15, including identification of separate duties, explanations as to whether an entity is an intermediary or the main supplier of

Notes to the annual consolidated financial statements*(in thousand PLN)*

	goods and services, as well as the method of recognizing revenues on licenses. In addition to the above, exemptions and simplifications were introduced for entities applying the new standard for the first time.
IFRS 16 - Lease	The standard abolishes lease division into operating lease and financial lease. All lease contracts which meet the requirements for this type of contract shall be presented as financial lease. The lessee shall recognize: <ul style="list-style-type: none"> a) Assets and liabilities for all lease transactions exceeding a period of 12 months, except for situations when an asset has a low value; and b) Depreciation of a leased asset in the report on results separately from the interest on a lease liability
Amendments to IFRS 4	Application of IFRS 9 - Financial Instruments together with IFRS 4 - Insurance Contracts.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Guidelines related to the method of determining the transaction date, i.e. the SPOT exchange rate to be applied when making or receiving an advance payment in a foreign currency.
Amendments to the International Financial Reporting Standards 2014-2016;	Amendments related to: <ul style="list-style-type: none"> IFRS 1 - elimination of short-term exemptions for entities applying IFRS for the first time. IFRS 28 - measuring an entity at fair value, according to financial result or individually.
Amendments to IFRS 2	Classification and measurement of share based payment transactions
Amendments to IAS 40	A change in the classification of property, i.e. transfer from investment property to other asset groups.
Amendments to the IFRS 9 - prepayment with negative compensation	This amendment allows entities to measure their financial assets with the so-called prepayment with negative compensation at an amortized cost or fair value through other total income, provided that a specific condition is met - instead of measuring them at fair value through the financial result

The standard IFRS 9 Financial Instruments changes completely requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The standard will embrace, among other things, a new fair value loss model, requiring that the anticipated credit losses be recognized on deadline. In addition, the hedge accounting application principles will be updated. These changes will allow for the financial statements to better reflect the actions taken.

The Group intends to apply IFRS 9 as of its effective date, i.e. As of 1 January 2018.

In 2017, band assessed the impact of implementation of IFRS 9 on the accounting principles applied by Inter Cars S.A. to the Group's activity or its financial result.

This assessment is based on the currently available information and may be subject to changes resulting from obtaining rational and documentable additional information in the period in which the Group applies IFRS 9 for the first time.

The Group does not expect a significant impact of IFRS 9 on the statement of its financial situation and equity.

1. Classification and measurement of financial assets

The Group does not expect a significant impact on the statement of its financial situation and equities in connection with the application of IFRS 9 to classification and valuation.

Trade receivables are maintained for the purpose of obtaining financial flows resulting from the agreement and the Group does not sell its trade receivables through factoring - they will continue to be measured at an amortized cost through the financial result.

2. Impairment

As regards the credit risk, the Group has analysed the hitherto methodology of making write-down on receivables, which provided for an individual and an index-based approach based

(in thousand PLN)

on historical profitability statistics and believes that upon the first application of the standard the receivables will not change significantly.

3. Hedge accounting

The Group does not use hedge accounting.

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

The new standard applies to different reporting periods commencing on 1 January 2018 and thereafter.

The Group intends to apply 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 Group's main objects are the wholesale of goods through stationary stores and on-line sale of goods.

Inter Cars S.A. believes that the adoption of IFRS 15 will have no significant bearing on the recognition of revenues and the financial results on this type of sale. The revenues will be recognized in a particular moment, i.e. when a customer gains control over goods, as is currently the case.

Due to the bonuses and returns policy applied, the Group decreases the value of the revenues by an estimated cost of such bonuses and returns. This methodology will continue to be applied in conformity with IFRS 15.

Due to the above, the Group expects no bearing of IFRS 15 on the separate financial statements for 2017.

2. Sale of goods and services

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

The Group believes that customers simultaneously receive and gain benefits resulting from the services rendered upon their completion, as these services are short-term ones. Hence, the Group will continue to recognize sales revenues upon the completion of a settlement month.

Due to the above, the Group expects no bearing of IFRS 15 on the separate financial statements for 2017.

Nevertheless, it considers modifying the existing disclosures if such modification enables financial statement users to get a better view of the nature, amount, revenue dates and uncertainty over revenues and cash flows resulting from contracts with customers. The Group also plans to implement a procedure aimed at ensuring an on-going analysis and evaluation of the impact of the terms and conditions of new or renegotiated sales contracts on the recognition of sales revenues.

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

IFRS 16 changes the principles of recognising contracts of lease. According to IFR 16, a contract is a contract of lease, if a lessee is entitled to be in control over an identified asset

(in thousand PLN)

for a specified period of time, including gaining economic benefits therefrom, against a consideration. The main change is the departure from the division into the operating and financial lease. All lease contracts which meet the requirements for this type of contract shall be presented as financial lease. Implementing the standard will have the following effect:

- on the statement of financial situation: increase in the value of non-financial fixed assets and financial liabilities,

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

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

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

The value of the lease payments by their maturity date as of 31.12.2017 is presented in note 31.

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

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

Standards and Interpretations awaiting EU's approval	Description of amendments
Amendments to IAS 28 – Investments in associates and joint ventures; evaluation of long-term investments	These amendments explain that as regards long-term investments in an associate or a joint-venture to which the equity method does not apply, the companies apply IFRS 9. Additionally, the Board has published an example illustrating the application of the IFRS 9 and IAS 28 requirements to long-term investments in an associate or a joint-venture.
IFRS 17 - Insurance	The standard will replace the currently applied IFSR 4, which allows for different methods of settling insurance contracts. Insurance liabilities will be recognized according to their fair value and not according to their historical cost.
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28	Contain guidelines on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
IFRIC 23 - Uncertainty connected with tax recognition	The interpretation provides explanations as to how the recognition and measurement requirements of IAS 12 are to be applied in the event of an uncertainty related to recognizing the income tax.
IAS 19 Employee benefits	Amendments to the standard define the requirements related to recognizing a modification, limitation or settlement of a specific benefit programme.
Annual amendments to IFRS 2015 - 2017	Amendments related to 4 standards: Amendments related to 4 standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

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 and,
- investment property measured at fair value.

(in thousand PLN)

2.5. Capital Group

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

Name of entity	Consolidation method	% of the Group's share in the share capital	
		31/12/2017	31/12/2016
Inter Cars S.A.	full	Not applicable	Not applicable
Inter Cars Ukraine	full	100%	100%
Q-service Sp. z o.o.	full	100%	100%
Lauber Sp. z o.o.	full	100%	100%
Inter Cars Česká republika s.r.o.	full	100%	100%
Feber Sp. z o.o.	full	100%	100%
IC Development & Finance Sp. z o.o	full	100%	100%
Armatus sp. z o.o.	full	100%	100%
Inter Cars Slovenská republika s.r.o.	full	100%	100%
Inter Cars Lietuva UAB	full	100%	100%
JC Auto s.r.o.	full	100%	100%
JC Auto S.A.	full	100%	100%
Inter Cars Hungária Kft	full	100%	100%
Inter Cars Italia s.r.l (formerly JC Auto s.r.l.)	full	100%	100%
Inter Cars d.o.o.	full	100%	100%
Inter Cars Romania s.r.l.	full	100%	100%
Inter Cars Cyprus Limited	full	100%	100%
Inter Cars Latvija SIA	full	100%	100%
Cleverlog-Autoteile GmbH	full	100%	100%
Inter Cars Bulgaria Ltd.	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	full	100%	100%
ILS Sp. z o.o.	full	100%	100%
Inter Cars Malta Holding Limited	full	100%	100%
Inter Cars Malta Limited	full	100%	100%
Q-service Truck Sp. z o.o.	full	100%	100%
Inter Cars INT d o.o.	full	100%	100%
Inter Cars Eesti OÜ	full	100%	100%
Inter Cars Piese Auto s.r.l.	full	100%	100%
Inter Cars GREECE	full	100%	100%
Inter Cars d.o.o. (Bosnia and Herzegovina)	full	100%	100%
Aurelia Auto d o o	full	100%	100%
InterMeko Europa Sp. z o.o.	equity method	50%	50%

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

Presented accounting policies were used equally in all entities comprising the Capital Group. In 2016 there were no changes to the accounting policy. Consolidation is based in the full method. Associated company InterMeko Europa Sp. z o.o. was estimated with equity method.

2.6. Functional and presentation currency

(a) Presentation and functional currency

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

Assets and liabilities of foreign-based entities, including goodwill and adjustments on fair value as at the purchase date, are translated according to the average National Bank of Poland exchange rate prevailing as at the end of the reporting period. Revenues and costs of foreign-based entities, including entities operating under hyperinflation, are translated according to the average National Bank of Poland exchange rate prevailing on the transaction date. Foreign exchange translation differences are recognised under other comprehensive income and disclosed as foreign exchange translation differences of foreign-based entities. However, if the Group does not hold all shares in a foreign-based entity, a proportional part of the translation differences is recognised under non-controlling interests. If control, significant impact or joint

(in thousand PLN)

control over an foreign-based entity is lost, the accumulated value of translation differences is reclassified to profit or loss for the current period and recognised as a profit or loss on sales of such an entity. If the Group excludes only a part of its shares in a subsidiary having foreign-based subsidiaries, but controls the remaining interests, an appropriate part of the accumulated value is attached to the non-controlling interests. If the group excludes only a part of its investment in an affiliated entity having foreign-based subsidiaries, but has a material impact or jointly controls the remaining part, an appropriate part of the accumulated value is reclassified to profit or loss for the current period.

The financial results, assets and liabilities of entities which use functional currencies other than PLN, are translated according to the following procedures:

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

(b) Foreign currency transactions

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

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

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

3. Basis of accounting

3.1. Changes in the accounting policy

In the reporting period there were no changes to the accounting policy.

3.2. Principles of consolidation

(a) Subsidiary Companies

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

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

b) Subsidiary entities

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

(c) Consolidation adjustments

(in thousand PLN)

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

3.3. Significant accounting policies

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

a) Property, plant and equipment

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

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

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

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

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

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

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

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

b) Goodwill

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

After the initial presentation, goodwill is measured according to the purchase price less any cumulated impairment losses. In the case of investments measured using the equity method,

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(in thousand PLN)

goodwill is recognized as the carrying value of investments, while an impairment loss on this investment is not allocated to any item of assets, including goodwill, which constitutes a part of the value of the investment. Purchase of non-controlling shares is recognized as transactions with shareholders, as a result of which goodwill is not recognized with this type of transactions. Adjustments on non-controlling shares are based on the proportional value of net assets of a related entity .

c) Intangible assets

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

Relations with vendors.

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

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

Computer software

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

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

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

d) Investment property

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

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

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

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

(in thousand PLN)

e) Financial assets other than derivatives

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

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

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

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

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

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

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

(a) Held-to-Maturity Financial Assets

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

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

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

(b) Loans and Receivables

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

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

(c) Available for Sale Financial Assets

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

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

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

An instrument is classified as one to be measured at fair value through profit or loss if it is held for trading or is designated as such at the time of its initial recognition. Financial instruments are

(in thousand PLN)

classified as instruments measured at fair value through profit or loss if the Group actively manages such positions and makes decisions concerning their purchase or sale based on their fair value. Following initial recognition, the transaction costs related to the investments are recognised as profit or loss at the time they are incurred.

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

f) Financial liabilities other than derivatives

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

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

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

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

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

g) Impairment of assets

Financial assets

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

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

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

Impairment losses are recognised in current period profit or loss.

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

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

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

(in thousand PLN)

Non-Financial Assets

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

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

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

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

h) Lease

a) The Group as a Lessee

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

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

(b) The Group as a Lessor

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

i) Inventory

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

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

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(in thousand PLN)

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

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

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

j) Cash and cash equivalents

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

k) Equity

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

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

l) Loans and borrowings

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

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

m) Provisions

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

n) Revenue

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

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

Revenue is recognised if:

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

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

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

(in thousand PLN)

(b) Revenue from sales of services

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

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

(c) Interest Income

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

(d) Dividend

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

o) Operating expenses

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

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

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

Re-invoiced amounts reduce the respective cost items of the Group.

p) Financial expenses

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

q) Income tax

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

Deferred tax is recognised in connection with temporary differences between the carrying value of assets and liabilities, and their value determined for tax purposes. Deferred tax is not recognised in the following cases:

temporary differences resulting from initial recognition of assets or liabilities related to a transaction other than a merger, which does not affect the profit or loss of the current period nor the taxable income;

temporary differences resulting from investments in subsidiaries in the period when it is unlikely that they will be sold in a foreseeable future;

temporary differences resulting from initial recognition of goodwill.

Deferred income tax is determined with the use of the tax rates, which, according to forecasts, will be applied when the temporary differences will reverse. The tax regulations legally or actually binding up to the reporting date will apply.

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

(in thousand PLN)

r) Valuation of shares in affiliated entities

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

4. Operating segments

The core business of the Inter Cars S.A. Capital Group is the sale of spare parts. In addition, the companies Feber, Lauber, IC Development & Finance, Q-Service Truck, Inter Cars Marketing Services and ILS Sp. z o.o. are active in other insignificant business segments, such as the manufacture of semi-trailers, remanufacturing of spare parts, real estate development, running repair garages, marketing activities and logistics. This segment is presented as other sales.

The Inter Cars Capital Group applies uniform accounting principles to all segments. Transactions between particular segments are carried out at arm's length.

Supplementary information

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

The vast majority of the Group's non-current assets are situated in Poland. Information on fixed assets corresponding to the geographical breakdown is presented in the chart below:

	<u>31/12/2017</u>	<u>31/12/2016</u>
Fixed assets on the territory of Poland	636,584	616,547
Fixed assets outside the territory of Poland	89,439	85,622
Total fixed assets	<u>726,023</u>	<u>702,169</u>

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

Notes to the annual consolidated financial statements*(in thousand PLN)*

	Sale of spare parts		Other		Eliminations		Total	
	01/01/2017	01/01/2016	01/01/2017	01/01/2016	01/01/2017	01/01/2016	01/01/2017	01/01/2016
	-31/12/2017	-31/12/2016	-31/12/2017	-31/12/2016	-31/12/2017	-31/12/2016	-31/12/2017	-31/12/2016
Revenues from external customers	6,807,576	5,874,233	100,789	99,226	-	-	6,908,365	5,973,459
Revenues between segments	16,659	16,627	583,526	485,550	(600,185)	(502,177)	-	-
Interest income	8,030	3,861	1,555	1,884	(7,597)	(3,627)	1,988	2,118
Interest costs	(39,249)	(28,010)	(1,038)	(818)	7,597	3,627	(32,690)	(25,201)
Depreciation and amortization	(43,410)	(39,308)	(33,540)	(26,300)	11,430	11,430	(65,520)	(54,178)
Profit before tax	344,634	343,111	30,412	12,179	(112,590)	(70,510)	262,456	284,780
Shares in results of affiliates – using equity method	20	113	-	-	-	-	20	113
Total assets	5,069,086	4,527,265	473,739	423,482	(2,139,847)	(1,910,670)	3,402,978	3,040,077
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(61,857)	(59,367)	(33,468)	(73,344)	-	-	(95,325)	(132,711)
Total commitments	2,937,266	2,561,054	142,279	118,039	(1,292,595)	(1,063,024)	1,786,950	1,616,069

Notes to the annual consolidated financial statements*(in thousand PLN)***5. Property, plant and equipment**

	31/12/2017	31/12/2016
Land	46,264	45,531
Buildings and structures	180,405	161,136
Plant and machinery	129,489	138,367
Vehicles	23,853	24,937
Other tangible assets	90,310	82,130
Tangible assets under construction	7,829	7,578
Total property, plant and equipment	478,150	459,679

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 2017 – PLN 16,576 thousand
- As at 31 December 2016 – PLN 17,548 thousand

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

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

Borrowing costs

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

Notes to the annual consolidated financial statements*(in thousand PLN)***GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 01/01/2016	45,785	139,310	134,046	36,917	134,406	115,883	606,347
Increase:	68	64,367	99,265	16,156	43,312	(108,305)	114,863
Acquisition	68	211	10,890	6,586	21,660	86,946	126,361
Transfer	-	64,156	86,889	1,977	21,652	(195,251)	(20,577)
Lease	-	-	1,486	7,593	-	-	9,079
Decrease:	-	(1,109)	(2,369)	(7,065)	(2,778)	-	(13,321)
Sale	-	(47)	(361)	(6,185)	(1,860)	-	(8,453)
Liquidation	-	(1,062)	(2,008)	(880)	(918)	-	(4,868)
Foreign exchange gains /losses in subsidiaries	167	195	873	165	840	-	2,240
Gross value as at 31/12/2016	46,020	202,763	231,815	46,173	175,780	7,578	710,129
Increase	988	25,780	17,793	10,369	30,183	(104)	85,009
Acquisition	988	19,772	20,143	8,664	28,916	4,602	83,085
Transfer	-	6,008	(2,744)	(3,193)	1,267	(4,706)	(3,368)
Lease	-	-	394	4,898	-	-	5,292
Decrease	-	-	(2,770)	(3,914)	(1,835)	-	(8,519)
Sale	-	-	(2,676)	(3,818)	(1,642)	-	(8,136)
Liquidation	-	-	(94)	(96)	(193)	-	(383)
Foreign exchange gains /losses in subsidiaries	(195)	(447)	(2,400)	(749)	(1,366)	355	(4,802)
Gross value as at 31/12/2017	46,813	228,096	244,438	51,879	202,762	7,829	781,817

AMORTISATION AND IMPAIRMENT LOSSES

	Land	Buildings	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Accumulated depreciation as at 01/01/2016	429	36,841	77,870	17,652	80,753	-	213,545
Depreciation and amortization	60	4,797	17,238	8,091	14,262	-	44,448
Sale	-	(11)	(266)	(3,925)	(795)	-	(4,997)
Liquidation	-	-	(1,394)	(582)	(570)	-	(2,546)
Transfer	-	-	-	-	-	-	-
Accumulated depreciation as at 31/12/2016	489	41,627	93,448	21,236	93,650	-	250,450
Amortisation for period	60	6,064	23,001	9,194	19,516	-	57,835
Sale	-	-	(1,405)	(2,337)	(712)	-	(4,454)
Liquidation	-	-	(94)	(67)	(2)	-	(163)
Transfer	-	-	-	-	-	-	-
Accumulated depreciation as at 31/12/2017	549	47,691	114,949	28,026	112,452	-	303,667

NET VALUE

As at 01/01/2016	45,356	102,469	56,176	19,265	53,653	115,883	392,802
As at 31/12/2016	45,531	161,136	138,367	24,937	82,130	7,578	459,679
As at 01/01/2017	45,531	161,136	138,367	24,937	82,130	7,578	459,679
As at 31/12/2017	46,264	180,405	129,489	23,853	90,310	7,829	478,150

Notes to the annual consolidated financial statements*(in thousand PLN)***6. Intangible assets**

	<u>31/12/2017</u>	<u>31/12/2016</u>
Goodwill, including:	124,130	124,130
- goodwill from merger with JC Auto S.A.	124,130	124,130
Computer software	12,724	13,496
Other intangible assets, including:	7,855	10,285
- relations with suppliers	3,015	4,407
- other	4,840	5,878
Intangible assets under construction	36,250	22,558
	<u>180,959</u>	<u>170,469</u>

Impairment test

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

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

- Projections of cash flows used to estimate the value in use estimated for the whole segment of spare parts.
- The data used for the estimates for 2018 was prepared based on the approved budget and provides for a 27% increase of EBITDA, whereas the data for 2019-2022 prepared based on the financial forecasts of the Inter Cars Group provide for an annual increase of EBITDA of approx. 13-17%.
- Cash flows for remaining years were estimated based on a real growth rate of 1.2%.
- The discount rate used to calculate the value in use was 8.6% and was estimated based on the weighted average cost of capital (WACC)
- The surplus of the recoverable value over the book value of the tested assets amounted to PLN 596,577 thousand.
- The Board did not define any key assumptions, a change of which in a rational extend, might lead to a loss in value of money generating operations.

Intangible assets under lease agreements

As at 31 December 2017 the Group had no intangible assets used on the basis of finance lease agreements. The finance lease contracts were signed on software used for realization of Group's operations and expired during the accounting year 2016.

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

Borrowing costs

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

Notes to the annual consolidated financial statements*(in thousand PLN)*

	Goodwill	Computer software	Other intangible assets	Intangible assets under construction	Total
GROSS VALUE OF INTANGIBLE ASSETS					
Gross value as at 01/01/2016	124,130	64,473	34,437	2,483	225,523
Acquisition	-	6,312	-	7,375	13,687
Transfer from investments	-	1,209	-	12,700	13,909
Other	-	(80)	-	-	(80)
Gross value as at 31/12/2016	124,130	71,914	34,437	22,558	253,039
Acquisition	-	2,805	-	15,697	18,502
Transfer from investments	-	2,005	-	(2,005)	-
Liquidation	-	(1,392)	-	-	(1,392)
Gross value as at 31/12/2017	124,130	75,332	34,437	36,250	270,149
AMORTISATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS					
Accumulated depreciation as at 01/01/2016	-	51,731	21,722	-	73,453
Amortisation for period	-	6,547	2,430	-	8,977
Foreign exchange gains /losses	-	34	-	-	34
Other	-	106	-	-	106
Accumulated depreciation as at 31/12/2016	-	58,418	24,152	-	82,570
Amortisation for period	-	5,256	2,430	-	7,686
Foreign exchange gains /losses	-	131	-	-	131
Liquidation	-	(1,197)	-	-	(1,197)
Accumulated depreciation as at 31/12/2017	-	62,608	26,582	-	89,190
Net value					
As at 01/01/2016	124,130	12,742	12,715	2,483	152,070
As at 31/12/2016	124,130	13,504	10,277	22,558	170,469
As at 01/01/2017	124,130	13,504	10,277	22,558	170,469
As at 31/12/2017	124,130	12,724	7,855	36,250	180,959

7. Investment property

	2017	2016
Status as at 01 January 2017	24,103	24,685
Change in value measured at fair value	(573)	(582)
Sale of real property	(2,000)	-
Status as at 31 December 2017	21,530	24,103

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

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

In 2017, the property located in Gdansk earned PLN 150 thousand, in Gorzów PLN 420 thousand, and in Szczecin PLN 420 thousand. Other real estate properties brought no income from lease. In the reported period, the cost of maintenance of above mentioned properties is at similar level to the income they brought.

Notes to the annual consolidated financial statements*(in thousand PLN)***8. Investments in associates**

	<u>2017</u>	<u>2016</u>
Status as at 01 January 2016	1,921	810
Increase, including:	-	1,111
- purchase of shares in Inter Cars Greece Ltd	-	776
- purchase of shares in Inter Cars d o.o.	-	222
- share in results of InterMeko Europa Sp. z o.o.	-	113
Decrease, including:	(997)	-
- transfer of shares in Inter Cars d o.o. (Bosnia and Herzegovina) to consolidation	(221)	-
- transfer of shares in Inter Cars Greece Ltd to consolidation	(776)	-
Status as at 31 December 2017	<u>924</u>	<u>1,921</u>

Shares in associated entity – as at 31 December 2017

Name and legal form of associate	<i>InterMeko Europa sp. z o.o. (non-quoted company)</i>
Registered seat	Warsaw
Value of purchased shares (in thousand PLN)	566
Percentage of share capital/ total vote held	50%
Associate's assets	1,897 *
Liabilities	227 *
Revenue	1,893 *
Net result	40 *

* not audited

9. Investments available for sales

	<u>2017</u>	<u>2016</u>
As at 1 January	301	301
As at 31 December	<u>301</u>	<u>301</u>

Investments available for sale are shares in other entities, i.e. ATR and Partslife GmbH, which are not a subject of sales on any market. The Group holds 3.44% of shares in ATR and 1% in Partslife.

10. Deferred tax**Deferred Tax Assets and Liabilities**

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

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

(in thousand PLN)

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

As at 31 December 2016	Assets	Liabilities
Intangible assets	-	-
Property, plant and equipment	2,920	4,070
Investment property	66	-
Inventories	17,893	1,424
Trade and other receivables	5,326	8,024
Tax losses	4,659	-
Finance lease liabilities	3,200	-
Trade and other payables	17,349	28,116
Deferred tax assets/liabilities	51,413	41,634
Deferred tax offset against liabilities	(25,515)	(25,515)
Deferred tax liabilities as disclosed in the balance sheet	25,898	16,119

Deferred tax presented in the periods was recognized in relation to all balance sheet positions, which constitute temporary differences, except for the temporary difference between taxable and balance sheet value of trademarks reported in related entity Inter Cars Marketing Services Sp. z o.o. amounted to PLN 225,186 thousand. As at 31 December 2016 the unrecognised asset item on deferred tax on fiscal benefit in the form of tax advantage of trademarks in related entity amounted to PLN 266,746 thousand. Aforementioned deferred tax assets were not recognized because of uncertainty of possibility of realization of related economic benefits. Moreover, as at 31 December 2017, in daughter company ILS Sp. z o.o. an active asset on deferred tax in the amount of PLN 90 million was not recognized. The asset was created in the result of an investment of the Company in a special Economic Zone in Zakroczym, on which a tax allowance is executable. Because of uncertainty of estimated future pecuniary advantages, the Group did not decide to make an asset for this tax allowance. Terms of execution of the tax allowance were described in the Permission number 152/2014 of 25 June 2016 issued for the Company, for running business activities in the Warmian-Mazurian Special Economic Zone. The Company is entitled to deduct the taxes on income by maximum amount of 50% of qualified spendings. Possibility of execution becomes void as at 31 December 2026 and the Company can only use the take advantage only after qualified investment spendings have been born in the amount of at least PLN 155 million till 31 December 2018, and current employment has been increased by at least 200 positions, and the level is kept on this level till at least 31 December 2023.

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

Change in deferred tax assets	31/12/2017	31/12/2016
As at beginning of period	51,413	56,806
Increase	3,726	(5,393)
As at end of period	55,139	51,413

Change in deferred tax liabilities	31/12/2017	31/12/2016
As at beginning of period	41,634	33,046
committed in the reporting period	14,857	8,588
As at end of period	56,491	41,634

	31/12/2016	Effect on net profit	31/12/2017
Deferred tax assets	51,413	3,726	55,139
Deferred tax liabilities	(41,634)	(14,857)	(56,491)
	9,779	(11,131)	(1,352)

Notes to the annual consolidated financial statements*(in thousand PLN)***11. Inventory**

	<u>31/12/2017</u>	<u>31/12/2016</u>
Materials	32,591	30,795
Half-products and work in progress	3,116	7,630
Finished goods	11,131	6,507
Merchandise	<u>1,724,338</u>	<u>1,465,187</u>
	<u>1,771,176</u>	<u>1,510,119</u>
Merchandise	1,729,216	1,469,737
Write-offs	<u>(4,878)</u>	<u>(4,550)</u>
	<u>1,724,338</u>	<u>1,465,187</u>

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

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

Inventories with a value of PLN 1,105 million have been pledged as collateral to secure the repayment of bank loan (details – see note 16).

Change in impairment losses on inventories

	<u>2017</u>	<u>2016</u>
As at beginning of period	(4,550)	(1,998)
(increase) / decrease	<u>(328)</u>	<u>(2,552)</u>
As at end of period	<u>(4,878)</u>	<u>(4,550)</u>

12. Trade and other receivables

	<u>31/12/2017</u>	<u>31/12/2016</u>
Trade receivables	644,818	621,797
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	63,585	57,054
Other receivables and accrued expenses	43,988	28,765
Loans granted	<u>2,086</u>	<u>1,664</u>
Short term trade and other receivables – gross	<u>754,477</u>	<u>709,280</u>

As at 31 December 2017, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly VAT receivables in the amount of PLN 60,618 thousand.

Change in impairment loss on trade receivables	<u>31/12/2017</u>	<u>31/12/2016</u>
Status as at the beginning of the period	(16,100)	(15,357)
Increase	(2,208)	(2,052)
Used	<u>3,191</u>	<u>1,309</u>
Status as at the end of the period	<u>(15,117)</u>	<u>(16,100)</u>
Short-term trade and other receivables – net	<u>739,360</u>	<u>693,180</u>

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

Maturity structure of non-current trade receivables and other receivables	<u>31/12/2017</u>	<u>31/12/2016</u>
Up to 12 months	754,477	709,280
	<u>754,477</u>	<u>709,280</u>

Notes to the annual consolidated financial statements*(in thousand PLN)*

Currency structure of non-current trade and other receivables (gross)	31/12/2017	31/12/2016
Local currency	462,660	372,526
Foreign currencies	291,817	336,754
	754,477	709,280
Receivables in EUR	66,620	107,517
Receivables in other currencies	225,197	229,237
	291,817	336,754

Maturity structure of receivables	31/12/2017		31/12/2016	
	Gross	Write-offs	Gross	Write-offs
Up to 180 days	722,969	-	635,115	-
- <i>matured</i>	244,664	-	172,491	-
- <i>unmatured</i>	478,305	-	462,624	-
From 181 to 270 days	1,815	701	31,928	2,308
From 271 to 360 days	2,260	404	7,965	845
Over 1 year	27,433	14,012	34,272	12,947
Total	754,477	15,117	709,280	16,100

Loans granted	31/12/2017	31/12/2016
Current loans	2,086	1,664
Non-current loans and borrowings	4,079	5,536
	6,165	7,200

Non-current receivables	31/12/2017	31/12/2016
Non-current loans and borrowings	4,079	5,536
Security deposits	14,242	12,623
Other	1,693	1,639
	20,014	19,798

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

Credit and currency risks are discussed in Note 33.

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

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

The loans are not secured.

13. Cash and cash equivalents

	31/12/2017	31/12/2016
Cash in hand	8,660	6,632
Cash at bank	125,503	89,066
Cash in transit	26,585	25,455
Cash on accounts of the Company's Social Benefits Fund	167	273
Cash	160,915	121,426
Cash	31/12/2017	31/12/2016
In local currency	39,488	32,062
In foreign currencies	121,427	89,364
	160,915	121,426

Notes to the annual consolidated financial statements*(in thousand PLN)*

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

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

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

14. Share capital and share premium account

As at 31 December 2017, the share capital of parent entity - Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

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

15. Net profit per share**Basic earnings per share**

Net profit per share calculated based on net profit for the period in the amount of PLN 216,428 thousand (2016: PLN 230,064 thousand) and the weighted average number of shares – 14,168 thousand (2016: PLN 14,168 thousand): presented below:

<i>Weighted average number of shares</i>	2017	2016
Shares issued as at 1 January	14,168,100	14,168,100
Shares issued in connection with option exercise	-	-
Weighted average number of shares during the year	14,168,100	14,168,100
<i>Basic profit per share</i>	2017	2016
Net profit for period	216,428	230,064
Weighted average number of shares	14,168,100	14,168,100
Net profit per share	15.28	16.24

Diluted earnings per share

In 2017 and 2016 there were no open motivating programs in the Group, which might have diluting influence. Therefore, the diluted profit per share equals the basic profit per share.

(in thousand PLN)

16. Liabilities under loans, borrowings, and finance leases

This Note contains information on the Group's liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Group's exposure to currency, interest rate and liquidity risks, see Note 33.

The syndicated credit facility agreement

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

- (1) extend the final repayment date of the term loans granted pursuant to the Loan Agreement until 14 November 2020 and
- (2) extend the final repayment date of revolving loans granted pursuant to the Loan Agreement until 14 November 2018.

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

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

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

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

Bank credits concluded directly by subsidiary companies:

Inter Cars Česká republika s.r.o. has a credit line agreement with Raiffeisenbank a.s. for the amount of CZK 178.5m, repayable by 31 December 2018.

Inter Cars Romania s.r.l. has a credit line facility with RON 90m limit in Bank ING Bank N.V. repayable by 27 December 2018.

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

	31/12/2017	31/12/2016
Non-current		
Secured bank loans	499,024	268,816
Bonds	149,754	149,411
Finance lease liabilities	9,606	11,249
	658,384	429,476
Current		
Secured bank loans	556,222	529,651
Finance lease liabilities	7,081	7,074
Factoring	-	58,588
Bonds	864	861
	564,167	596,174

Loans and borrowings as at 31/12/2017

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

Notes to the annual consolidated financial statements*(in thousand PLN)*

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

Loans and borrowings as at 31/12/2016

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	600,000	395,625	14-11-2017
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	27,829	24,555	31-03-2017
Citibank Europe PLC (Inter Cars Česká republika s.r.o)	17,696	17,696	26-08-2017
Citibank Europe PLC (Inter Cars Slovenská republika s.r.o.)	22,120	22,120	25-05-2017
ING Bank N.V (Inter Cars Romania s.r.l.)	87,741	71,388	28-04-2017
	755,386	531,384	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	500,000	270,000	14-11-2019
	500,000	270,000	

As at balance sheet date of 31 December 2017, total liabilities under loans and borrowings amounted to PLN 1,056,320 thousand of which PLN 863,213 thousand is denominated in PLN and 93,824 thousand is denominated in EUR, whereas PLN 24,465 thousand applies to credit denominated in CZK, whereas PLN 74,818 thousand applies to credit denominated in RON.

Material terms of the syndicated credit facility

The syndicated credit facility was granted by the following banks (including the amount drawn as at 31 December 2017) :

	Use in nominal value	Share in the amount drawn
CaixaBank S.A.	121,980	12.75%
Bank Pekao S.A.	240,972	25.18%
Bank Handlowy S.A.	98,810	10.32%
DNB Bank Polski S.A.	127,406	13.31%
Bank BGŻ BNP Paibas S.A.	117,819	12.32%
mBank S.A.	134,023	14.00%
ING Bank Śląski S.A.	78,658	8.22%
Citibank Europe PLC Czech	16,684	1.74%
Citibank Europe PLC Slovakia	20,685	2.16%
	957,037	100%

The credit facility is secured with:

- mortgage on land property, which belong to Inter Cars S.A. worth PLN 46,269 thousand, according to an estimate dated 28 March 2017.
- registered pledge over inventories;
- registered pledge and financial pledge over shares in share capital of ILS;
- registered pledge over bank accounts,
- financial pledge on Company's receivables,
- authorization to Company's accounts in Poland,
- transfer of receivables of the Company from Insurance contracts,
- declaration on unsolicited execution,

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

The credit facility agreement includes requirements with respect to a number of key ratios (calculated based on the Inter Cars Group's consolidated financial statements), and in the event

(in thousand PLN)

the Group fails to meet these requirements, the consortium will have the right to terminate the agreement. The ratios are as follows:

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

As at 31 December 2017 the Group met all terms and conditions of the facility.

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

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

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

The effective interest rate as at the reporting date was 3.2%.

Finance lease	<u>31/12/2017</u>	<u>31/12/2016</u>
Payments under lease agreements	17,179	19,292
Financial expense	(492)	(969)
Present value of liabilities under leases	<u>16,687</u>	<u>18,323</u>
<i>Payments under lease agreements</i>		
Up to 1 year	7,347	7,776
Between 1 and 5 years	9,832	11,516
	<u>17,179</u>	<u>19,292</u>
<i>Present value of liabilities under leases</i>		
Up to 1 year	7,081	7,074
Between 1 and 5 years	9,606	11,249
	<u>16,687</u>	<u>18,323</u>

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

Issuance of bonds

On the day of 3 October 2014, the parent entity signed with mBank S.A. and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds).

The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 9 point 3 of Law on Bonds dated 29 June 1995 (as amended).

The Bonds issued in compliance with the Programme Contract will be unsecured bonds, authorizing bond holders only to receive cash benefits.

Detailed information of issuance of each series of Bonds, including their nominal value, issuance price, number of bonds, issue threshold, maturity date, interest rate, will each time be agreed and stipulated in relevant issue documents. The Company shall bear standard costs of issuance of Bonds, including the dealer commission, after each finished issuance. The Programme Contract is concluded for an indefinite time.

The first series of bonds, with total value of PLN 150,000,000 (series A) was issued by the Company on 24 October 2014. The bonds include only cash benefits. Interest on Bonds are to be paid in 6-month periods based on WIBOR interest rate for six-month deposits and particular margin set forth in the terms and conditions of Issuance of Bonds. The Bonds shall be mature as at 24 October 2019, or

Notes to the annual consolidated financial statements*(in thousand PLN)*

in case of basis for earlier buyback, at dates stipulated in the terms and conditions of Issuance of Bonds.

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

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Amount of buyback
Series A	24/10/2014	24.10.2019	150,000,000
			150,000,000

17. Trade and other liabilities

	31/12/2017	31/12/2016
Trade payables to other entities	357,377	392,782
Taxes, duties, social security and other benefits payable	41,060	41,019
Bill of exchange liabilities	49,399	48,656
Other payables and accrued expenses	42,468	44,446
	490,304	526,903
	31/12/2017	31/12/2016
Trade payables before bonuses accrued for the period	553,221	533,931
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(195,844)	(141,149)
Balance sheet value of trade payables	357,377	392,782
Maturity structure of trade payables		
Up to 12 months	356,377	391,782
Over 12 months	1,000	1,000
	357,377	392,782

Taxes, subsidies, customs duty, social security and other benefits payable as at 31 December 2017 included primarily income tax liabilities of the Parent Entity in the amount of PLN 24,168 thousand.

	31/12/2017	31/12/2016
Currency structure of trade and other payables		
Payables in PLN	232,662	290,299
Foreign currencies	257,642	236,604
	490,304	526,903
<i>Translated into PLN</i>	31/12/2017	31/12/2016
Liabilities in EUR	134,405	108,400
Liabilities in USD	49,310	66,669
Liabilities in other currencies	73,927	61,535
	257,642	236,604

18. Employee benefits

	31/12/2017	31/12/2016
Salaries and wages	20,901	17,897
Company's Social Benefits Fund	413	544
	21,314	18,441

19. Income tax liabilities

	31/12/2017	31/12/2016
Maturity structure of tax payables		
Up to 12 months	24,168	21,770
	24,168	21,770

Notes to the annual consolidated financial statements*(in thousand PLN)*

Currency structure of tax payables	31/12/2017	31/12/2016
Local currency	6,652	15,546
Foreign currency, denominated in PLN	17,516	6,224
	24,168	21,770

20. Payment in the form of own shares

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

21. Sales revenues

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Revenue on the sale of products	63,152	61,579
Revenues on sales of commodities and materials	6,688,171	5,771,368
Revenue from sales of services	156,320	139,790
Lease of investment property	722	722
	6,908,365	5,973,459

Sales by product groups

	2017	<i>share</i>	2016	<i>share</i>
Spare parts for passenger cars	4,329,138	62.7%	3,804,959	63.7%
Spare parts for commercial vehicles and buses	1,149,159	16.7%	945,085	15.8%
tyres	773,936	11.2%	674,950	11.3%
garage equipment	319,328	4.6%	256,830	4.3%
motorcycles and parts	133,566	1.9%	119,822	2.0%
accessories	32,915	0.5%	29,333	0.5%
other sale - services	98,374	1.4%	74,321	1.3%
semi-trailers - Feber	63,152	0.9%	61,579	1.0%
automobiles ISUZU	8,797	0.1%	6,580	0.1%
	6,908,365	100.0%	5,973,459	100.0%

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

Geographical structure of sales

	2017		2016	
	(in thousand PLN)	(%)	(in thousand PLN)	(%)
Sales in Poland	4,233,554	61%	3,797,494	64%
Sales outside Poland	2,674,811	39%	2,175,965	36%
Total	6,908,365	100%	5,973,459	100%

22. Cost of sales

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Value of goods and materials sold	4,814,709	4,080,022
Sold gods	55,925	53,093
Foreign exchange (gains) / losses	16,171	(1,743)
Cost of sales	4,886,805	4,131,372

Notes to the annual consolidated financial statements*(in thousand PLN)***23. Costs of sales and administrative costs**

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Depreciation and amortization	65,520	54,178
Materials and energy consumption	139,261	119,956
External services	1,327,848	1,175,332
Taxes and charges	15,629	12,817
Salaries	186,007	148,168
Social security and other benefits	48,112	38,384
Other costs by kind	36,126	28,624
Total costs by kind	1,818,503	1,577,459
(minus) Cost of products sold	(91,388)	(85,448)
(minus) Change in the balance of finished products and work in progress	16	1,841
(minus) Cost of distribution realized by branches	(713,757)	(640,656)
Costs of sales and administrative costs	1,013,374	853,196

24. Other operating income

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Gain on disposal of non-financial non-current assets	1,167	1,907
Compensation, penalties and fines received	1,737	2,179
Marketing rebates	5,982	5,165
Other rebates	2,356	2,360
Impairment losses on past due liabilities	59	294
Early payment discount	207	412
Other sales	8,138	1,810
Reversal of provisions	5,592	-
Other	6,383	772
	31,621	14,899

25. Other operating expenses

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Recognised impairment losses on receivables and other impairment losses recognised	-	4,742
Damage to stock	2,888	6,584
Expenses related to complaints	-	4,403
Inventory lacks	5,758	5,242
Compensations	-	2,846
Insurances	402	86
Past due receivables recognised as impairment losses	754	5,257
Impairment of stock write off	-	1,971
Debt collection expenses	-	-
Donations	-	195
Revaluation of non-financial assets	770	682
Claims recognized by suppliers	706	685
Rebates granted	1,827	1,208
Loss on previous years*	4,034	-
Liquidation of intangible assets	1,802	-
Other	12,645	13,565
	31,586	47,466

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

Notes to the annual consolidated financial statements*(in thousand PLN)***26. Finance income and expenses**

	<u>01/01/2017 - 31/12/2017</u>	<u>01/01/2016 - 31/12/2016</u>
Financial income		
Interest on loans and borrowings	188	295
Other interest	1,791	1,820
Foreign exchange gains/losses	6,063	618
Dividends received	-	-
Other	403	1,005
	<u>8,445</u>	<u>3,738</u>
Financial expenses		
Interest expense under bank loans	31,111	20,192
Other interest	1,581	5,010
Fees and commissions	6,830	2,504
Foreign exchange gains/losses	-	3,946
Impairment losses for fixed assets	-	1,511
Other	951	1,576
	<u>40,473</u>	<u>34,739</u>

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

	Recognised as cost of sales	Disclosed as foreign exchange gains / (losses)	Total foreign exchange gains/(losse s)
Foreign exchange gains/(losses) in the period from 01/01/2016 to 31/12/2016			
Arising in connection with payment of trade payables and receivables	542	-	542
Other	-	(329)	(329)
Realised foreign exchange gains/(losses)	<u>542</u>	<u>(329)</u>	<u>213</u>
Arising in connection with valuation of trade payables and receivables as at the reporting date	1,201	-	1,201
Other	-	(2,642)	(2,642)
Unrealised foreign exchange gains/(losses)	<u>1,201</u>	<u>(2,642)</u>	<u>(1,441)</u>
Total foreign exchange gains/(losses)	<u><u>1,743</u></u>	<u><u>(2,971)</u></u>	<u><u>(1,228)</u></u>

Notes to the annual consolidated financial statements*(in thousand PLN)***27. Structure of cash for the statement of cash flows****Corporate income tax paid**

	31/12/2017	31/12/2016
Current corporate income tax disclosed in the statement of comprehensive income	(34,898)	(40,735)
Adjustment of comprehensive income	7,679	(2,938)
Change in income tax payable	2,398	13,360
Corporate income tax paid	(24,821)	(30,313)

Change in receivables

	31/12/2017	31/12/2016
Change in trade and other receivables	(46,180)	(164,825)
Change in non-current receivables	(216)	(4,331)
Change in Loans granted	(1,035)	(1,734)
Bank commissions and bonds	-	-
Change in receivables	(47,431)	(170,890)

Change in Loans granted

	31/12/2017	31/12/2016
Loans granted	(938)	(2,394)
Repayment of loans granted	1,715	4,449
Interest received	138	295
Interest accrued	(163)	(268)
Foreign exchange gains /losses	283	(348)
Change in Loans granted	1,035	1,734

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

	31/12/2017	31/12/2016
Repayment of loans and borrowings	(1,135)	(655,200)
Cash inflows on credits and loans	263,643	862,114
Commission on credits and loans	1,850	(2,096)
Exchange gains/losses on credit valuation	(7,579)	20
Payment of finance lease liabilities	(6,806)	(23,279)
Interest on bonds issued	4,634	4,592
Paid interest for bonds	(4,631)	(4,595)
Settlement of credit and bonds commission	343	222
Granted leases	5,170	9,079
Reversed factoring	(58,588)	(4,579)
Change in loans, borrowings, debt securities and finance lease liabilities	196,901	186,278

Net interest

	31/12/2017	31/12/2016
Interest paid	(37,105)	(28,795)
Interest received	138	298
Net interest	(36,967)	(28,497)

Other adjustments, net

	31/12/2017	31/12/2016
Foreign exchange gains /losses	(14,349)	1,475
Change in other non-current liabilities	(3,746)	(6,193)
Net result of an associated company attributable to the Capital Group	(20)	(113)
Change of company presentation to a related company	997	-
Valuation of property	-	-
Other	322	(753)
Real estate moved to inventories and other net items	(16,796)	(5,584)

Notes to the annual consolidated financial statements*(in thousand PLN)***28. Income tax**

Income tax recognised under current period profit or loss

	01/01/2017 – 31/12/2017	01/01/2016 - 31/12/2016
Current income tax	34,897	40,735
Change in deferred income tax	11,131	13,981
Income tax disclosed in statement of comprehensive income	46,028	54,716

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:

	01/01/2017 – 31/12/2017	01/01/2016 - 31/12/2016
Effective tax rate		
Gross profit (without share of the result of the affiliate)	262,456	284,780
Tax based on 19% rate	(49,867)	(54,108)
Tax rates gains/losses *	1,455	4,500
Trade mark depreciation temporary differences	7,896	7,953
<u>Permanent differences</u>		
Costs / incomes not subject to taxation	(5,512)	(13,061)
Current income tax disclosed in statement of comprehensive income	(46,028)	(54,716)

- Poland 19%, Republic of Slovakia 21%, Czech Republic 19%, Ukraine 18%, Lithuania 15%, Cyprus 12.5%, Malta 35%, Croatia 18%, Romania 16%, Latvia 15%, Bulgaria 10%, Italy 24%, Greece 29%, Bosnia and Herzegovina 10%, Moldova 12%, Estonia 20%, Slovenia 19%, Germany 29.79%, Hungary 9%.

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

29. Dividend proposed by the Board of Managers**Dividend on profit in 2017**

Within the reporting period and till the day of publishing of these financial statements the Company had not realized any payments on account of payout of dividend on operating profit for 2017.

Till the day of preparation of these financial statements the Board of Managers of the Company had not approved the proposal of distribution of profits for 2017. The dividend policy of the Company projects dividend payout in the amount not lower than 60% of consolidated net profit of Inter Cars S.A. Capital Group for a given accounting year.

Dividend on profit in 2016

On 12 June 2017, the General Meeting of Inter Cars S.A. adopted a resolution to pay a dividend of PLN 10,059 thousand , i.e. PLN 0.71 per share from the 2016 profit. Agreed dividend payout date was to be 30 June 2017 and the payout itself was realized on 14 July 2017.

Dividend per share

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Dividend resolved and paid out to the reporting date	10,059	10,059
Number of shares with right to dividend as per resolution of the General Shareholders Meeting	14,168,100	14,168,100
Dividend per share (in PLN)	0.71	0.71

Notes to the annual consolidated financial statements*(in thousand PLN)***30. Unrecognised liabilities under executed agreements****Tax liabilities**

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

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

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

Guaranties and sureties

As at 31 December 2017, the total amount of sureties and guarantees issued by the Parent Company for unrelated entities was PLN 22,109 thousand and comprised sureties listed below:

<i>(in thousand PLN)</i>	Period covered	Status as at	
To		31/12/2017	31/12/2016
RIM Sp. z o.o.	Until further notice	20	20
Glob Cars Sp.z o.o.	Until further notice	150	150
JC Auto Kraków	Until further notice	50	50
Tomasz Zatoka APC Polska	Until further notice	170	170
Michał Wierzobolowski Fst M.	Until further notice	250	250
Intraserv	Until further notice	50	50
Ducati Motor Holding	20/06/2018	1,877	5,309
Raiffeisen-Leasing Polska	10/10/2023	250	250
PIAGGIO AND C. S.P.A.	31/03/2018	2,085	2,212
Poczta Polska S.A., Warszawa	25/07/2017	-	11
Komenda Wojewódzka, Wrocław	21/06/2018	1	1
Poczta Polska S.A.	16/05/2017	-	6
JC Auto Kraków	31/12/2018	3,500	3,500
PDC Industrial Center 44 Sp. z o.o.	12/06/2018	313	332
MANN+HUMMEL	Until further notice	4,546	4,822
MALPAS	10/07/2018	367	389
LeasePlan	Until further notice	11,036	3,698
COMMA Oil	31/12/2017	8,342	-
RIM Sp. z o.o.	31/01/2019	390	-
		33,397	21,220

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

31. Operating leases

Inter Cars leases warehouse space to entities operating as affiliate branches. However, the warehouses are not owned by the Group but leased (apart from the Central Warehouse in Czosnów and the facilities in Kajetany and Gdańsk). Lease costs paid by the Group are fully re-

Notes to the annual consolidated financial statements*(in thousand PLN)*

invoiced to end users (branch operators) throughout the whole term when the area is used (including the termination notice period).

Future minimum fees on an irrevocable financial lease

	31/12/2017	31/12/2016
Up to 1 year	38,779	29,360
Between 1 and 5 years	12,854	21,952
Over 5 years	982	8,257
	<u>52,615</u>	<u>59,569</u>
	31/12/2017	31/12/2016
Indefinite period	11,784	11,314
Definite period	40,831	48,255
	<u>52,615</u>	<u>59,569</u>

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

32. Transactions with related entities

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

The Group executed transactions with entities related to members of the Supervisory Board and the Management Board and their relatives. The value of these transactions is shown in the table below.

Sales revenues	2017	2016
ANPO Andrzej Oliszewski	1	1
FASTFORWARD Maciej Oleksowicz	11	24
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	4	2
AK-CAR Agnieszka Soszyńska	31	5
JAG Sp. z o.o.	2,034	1,718
Michał Kaštil	1	-
	<u>2,082</u>	<u>1,750</u>
Purchase of goods and services	2017	2016
ANPO Andrzej Oliszewski	157	195
FASTFORWARD Maciej Oleksowicz	3	365
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	20	295
AK-CAR Agnieszka Soszyńska	31	61
JAG Sp. z o.o.	18,463	14,604
Michał Kaštil	210	211
I love mama s.r.o.	11	150
	<u>18,895</u>	<u>15,881</u>
Receivables	31/12/2017	31/12/2016
FASTFORWARD Maciej Oleksowicz	-	3
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	20	19
AK-CAR Agnieszka Soszyńska	17	4
JAG Sp. z o.o.	816	550
	<u>853</u>	<u>576</u>
Liabilities	31/12/2017	31/12/2016
ANPO Andrzej Oliszewski	2	-
JAG Sp. z o.o.	-	645
Michał Kaštil	90	-
I love mama s.r.o.	8	96
	<u>100</u>	<u>741</u>
Loans granted	31/12/2017	31/12/2016
Loans to members of the Supervisory Board and Management Board and their relatives	201	160
Loans to subsidiary and associated entities	47,508	49,194

Notes to the annual consolidated financial statements*(in thousand PLN)*

	<u>47,709</u>	<u>49,354</u>
Loans granted	31/12/2017	31/12/2016
Lauber Sp. z o.o.	8,804	8,750
IC Development & Finance Sp. z o.o.	23,761	25,410
SMiOC FRENOPLAST Bułhak i Cieślowski S.A	-	34
JAG Sp. Zo.o.	201	101
Inter Cars Bulgaria Ltd.	938	1,048
Q-SERVICE TRUCK Sp z o.o.	502	1,013
Inter Cars Malta Ltd	12,875	12,838
Inter Cars Greece	628	-
	<u>47,709</u>	<u>49,194</u>

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

<i>(in thousand PLN)</i>	<u>1.01.2017- 31.12.2017</u>	<u>1.01.2016- 31.12.2016</u>
<i>remuneration of the members of the Supervisory Board and the Management Board</i>		
Remuneration of the members of the Supervisory Board	311	309
Remuneration of the members of the Management Board	12,297	11,901
	<u>12,608</u>	<u>12,210</u>

Remuneration for acting as members of Management of the Board of the parent entity amounted to PLN 7,887 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 4,410 thousand.

33. Financial risk management*Credit risk*

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

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

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

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

	<u>31/12/2017</u>	<u>31/12/2016</u>
Loans granted	6,165	7,200
Trade and other receivables (excluding loans granted)	737,274	693,180
Cash and cash equivalents	152,255	114,794
	<u>895,694</u>	<u>815,174</u>

Interest rate risk

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

The Group has liabilities bearing interest at variable rates. As at 31 December 2017, the Group did not use liabilities of fixed interest rate.

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

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

Notes to the annual consolidated financial statements*(in thousand PLN)*

Variable rate financial instruments	31/12/2017	31/12/2016
Financial assets (loans granted)	6,165	7,200
Cash assets in bank accounts	125,503	89,066
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases)	(1,222,551)	(1,025,650)
	(1,090,883)	(929,384)

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

as at 31/12/2017	basis points increase/decrease	Impact on net profit / loss
	+ 100 / -100	(8,836)/ 8,836
	+ 200 / -200	(17,672)/ 17,672
as at 31/12/2016	basis points increase/decrease	Impact on net profit / loss
	+ 100 / -100	(7,528)/ 7,528
	+ 200 / -200	(15,056)/ 15,056

Currency risk

A significant portion of the Company's trade and services payables is denominated in foreign currencies, especially in EUR. Sales is performed mostly in PLN and also in UAH, EUR, CZK, LTL, LVL, HUF, HRK, BGN, RON, MDL and BAM. The Group did not enter any foreign currency future purchase or sales contracts between 1st January to 31 December 2017.

	EUR	USD	RON	Other	EUR	USD	RON	Other
	31 December 2017				31 December 2016			
Trade receivables	66,620	4,090	100,374	120,733	107,517	17,930	102,104	109,202
Cash	70,636	30	4,765	45,996	58,372	30	4,911	26,051
Bank credits	(93,824)	-	(74,818)	(24,465)	(173,449)	-	(71,388)	(24,555)
Trade payables	(134,405)	(49,310)	(22,457)	(51,470)	(108,400)	(66,669)	(29,335)	(32,200)
Gross balance sheet exposure	(90,973)	(45,190)	7,864	90,794	(115,960)	(48,709)	6,292	78,498

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

currency	Foreign exchange rate increase/decrease	Impact on net profit / loss	
		as at 31/12/2017	as at 31/12/2016
EUR	+ 5% / - 5%	(3,684) / 3,684	(4,696) / 4,696
	+ 10% / - 10%	(7,368) / 7,368	(9,392) / 9,392
USD	+ 5% / - 5%	(1,830) / 1,830	(1,972) / 1,972
	+ 10% / - 10%	(3,660) / 3,660	(3,944) / 3,944

Notes to the annual consolidated financial statements*(in thousand PLN)*

RON	+ 5% / - 5%	318 / (318)	255 / (255)
	+ 10% / - 10%	636 / (636)	510 / (510)
Other	+ 5% / - 5%	3,677 / (3,677)	3,179 / (3,179)
	+ 10% / - 10%	7,354 / (7,354)	6,358 / (6,358)

Liquidity risk

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

The following table shows the value of current assets and liabilities and liquidity ratios as at 31.12.2017.

	2017	2016
Current assets	2,676,955	2,337,908
Short-term liabilities	1,099,953	1,163,288
Surplus of current assets over short-term liabilities	1,577,002	1,174,620
Current ratio	2.43	2.01
Quick ratio	0.82	0.73
Cash ratio	0.15	0.10

Below chart presents liabilities of the Group as at 31 December 2017, by maturity:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	-	557,086	648,778	-	1,205,864
finance lease liabilities	-	1,977	5,104	9,606	-	16,687
trade and other payables	203,661	219,308	67,335	-	-	490,304
	203,661	221,285	629,525	658,384	-	1,712,855

Liabilities of the Group as at 31 December 2016, by maturity:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	24,555	505,104	418,227	-	947,886
finance lease liabilities	-	1,942	5,834	11,516	-	19,292
trade and other payables	204,569	295,231	23,970	3,133	-	526,903
	204,569	321,728	534,908	432,876	-	1,494,081

Capital management

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

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

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

The Group analyses its equity and capital using the gearing ratio calculated as net debt to total equity plus net debt. The Group's net debt includes interest-bearing bank loans, bonds, and finance

Notes to the annual consolidated financial statements*(in thousand PLN)*

leases, as well as trade and other payables, less cash and cash equivalents. Equity includes equity attributable to owners of the Parent Entity.

	<u>31/12/2017</u>	<u>31/12/2016</u>
Loan, borrowing, factoring and finance lease liabilities	1,222,551	1,025,650
Trade and other liabilities	490,304	526,903
(less) cash and cash equivalents	<u>(160,915)</u>	<u>(121,426)</u>
Net debt	1,551,940	1,431,127
Equity	1,616,028	1,424,008
Net debt to equity	<u>0.96</u>	<u>1.00</u>

Fair value

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

34. Events subsequent to the balance sheet date

No such events.

35. Material evaluations and estimates

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

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

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

36. Continued and discontinued operations

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

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

STATEMENTS OF THE MEMBERS OF THE MANAGEMENT BOARD AND APPROVAL OF THE FINANCIAL STATEMENTS

Inter Cars S.A.

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated 19 February 2009, the Management Board of Inter Cars S.A. hereby represents as follows:

- to the best of its knowledge the annual consolidated financial statements of Inter Cars S.A. Capital Group ("Inter Cars") and the comparative data have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union, issued and effective as at the date of these financial statements, and give a true and fair view of the assets, financial standing and financial results of Inter Cars S.A. Capital Group.
- comments to the annual report, which constitute the annual financial statements of the activities of Inter Cars S.A. Capital Group give a fair view of development, achievements and situation of Inter Cars S.A. Capital Group.
- PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością, qualified auditor of financial statements which audited the consolidated annual financial statements of Inter Cars S.A. was appointed in compliance with the applicable laws, and both the auditing firm and the auditor who performed the audit met the conditions required to issue an impartial and independent opinion on the financial statements reviewed, in accordance with the applicable laws.

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 17 April 2018.

Maciej Oleksowicz

CEO

Krzysztof Soszyński

Vice-President of the
Management Board

Robert Kierzek

Vice-President of the
Management Board

Wojciech Twaróg

Member of the
Management Board

Krzysztof Oleksowicz

Member of the
Management Board

Piotr Zamora

Member of the
Management Board

Tomáš Kaštil

Member of the
Management Board

Julita Pałyska

Person responsible for
keeping the accounting books

Warsaw, 17 April 2018