INTER CARS PUBLIC LIMITED COMPANY

ANNUAL SEPARATE FINANCIAL STATEMENTS
2017

ANNUAL SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD from 1 January to 31 December 2017

Financial highlights:

in thousand PLN	for the period of 12 months ended on 31/12/2017	for the period of 12 months ended on 31/12/2016	for the period of 12 months ended on 31/12/2017	for the period of 12 months ended on 31/12/2016
	PLN	*PLN*	*EUR*	*EUR*
Profit and loss account *(for the period)*				
Sales revenues	5,295,719	4,779,523	1,247,607	1,092,288
Gross profit on sales	1,204,644	1,127,687	283,799	257,716
License fees	(83,402)	(75,162)	(19,648)	(17,177)
Net financial revenues / costs	95,165	50,220	22,420	11,477
Operating results	(2,319)	70,494	(546)	16,110
Net profit	101,058	109,391	23,808	25,000
Other financial data				
Operating cash flows	(165,292)	114,919	(38,941)	26,263
Investing cash flows	80,489	9,201	18,962	2,103
Financing cash flows	90,128	(113,974)	21,233	(26,047)
Basic profit per share	7.13	7.72	1.68	1.76
Sales margin	22.7%	23.6%		
EBITDA margin	0.4%	2.0%		
Balance sheet *(as at)*	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Cash and cash equivalents	31,454	26,129	7,541	5,906
Balance sheet total	2,999,502	2,659,319	719,150	601,112
Loans, borrowings, debt security and finance lease liabilities	1,202,120	962,498	288,216	217,563
Equity	1,204,401	1,113,402	288,763	251,673

Employment and branches	**31/12/2017**	**31/12/2016**
Employees	489	384
Branches	243	220

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","The Company") are import and distribution of spare parts for passenger cars and utility vehicles.

2. **Registered seat**

   ul Powsińska 64

   02-903 Warsaw

   Poland

   Central Warehouse:

   ul. Gdańska 15

   05-152 Czosnów nearby/Warsaw

3. **Administrative data of the Company**

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

   KRS 0000008734

   NIP 1181452946

   Regon 014992887

4. **Contact details**

   tel. (+48-22) 714 19 16

   fax. (+48-22) 714 19 18

   bzarzadu@intercars.eu

   relacje.inwestorskie@intercars.eu

   www.intercars.com.pl

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

   Andrzej Oliszewski, President

   Piotr Płoszajski

   Tomasz Rusak

   Michał Marczak

   Jacek Klimczak

6. **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..

7. Statutory auditor

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

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

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

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

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

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

ING Bank Śląski S.A.
ul. Puławska 2
02-566 Warsaw

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

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

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

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

Bank BGŻ BNP Paribas
ul. Suwak 3
02-676 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

9. Subsidiaries

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

- 29 subsidiaries of Inter Cars S.A.
- 2 indirect subsidiaries of Inter Cars S.A.

The Group also holds shares in one related entity.

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2017	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					
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 Ukraine	Ukraine, Khmelnitsky	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
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%
Lauber Sp. z o.o.	Słupsk	Remanufacturing of car parts	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.	Warsaw	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, Vilnus	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto s.r.o.	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	Italy, Milan	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Croatia, Zapresic	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 delivery vans 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%

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 Eesti OÜ	Estonia, Tallin	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars GREECE.**	Athens, Greece	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.*	Sarajevo, Bosnia and Herzegovina	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars United Kingdom - automotive technology Ltd ***	London, Great Britain	Distribution of spare parts for passenger cars and commercial vehicles	Not applicable	100%	-
Indirect subsidiaries					
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 Cieślawski 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 Cieślawski S.A

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

ANNUAL SEPARATE STATEMENT OF FINANCIAL POSITION

(in thousand PLN)	Note no.	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	145,968	140,536
Intangible assets	7	167,116	155,330
Investment property	8	1,991	1,991
Investments in subordinated entities	9	416,106	404,099
Investments available for sales		258	258
Receivables	12	19,566	23,951
		751,005	**726,165**
Current assets			
Inventory	11	1,149,732	989,288
Trade and other receivables	12	1,064,555	907,639
Corporate income tax receivables		2,756	10,098
Cash and cash equivalents	13	31,454	26,129
		2,248,497	**1,933,154**
TOTAL ASSETS		**2,999,502**	**2,659,319**
LIABILITIES			
Equity			
Share capital	14	28,336	28,336
Share premium account	14	259,530	259,530
Statutory reserve funds		809,218	709,886
Other capital reserves		5,935	5,935
Retained earnings from previous and current years		101,382	109,715
		1,204,401	**1,113,402**
Long-term liabilities			
Loan, borrowing and finance lease liabilities	16	652,325	423,244
Deferred income tax provision	10	6,518	16,058
		658,843	**439,302**
Short-term liabilities			
Trade and other liabilities	17	577,268	502,949
Loans, borrowings, debt security and finance lease liabilities	16	549,795	539,254
Liabilities of the reverse factoring		-	58,588
Employee benefits	18	9,195	5,824
Income tax liabilities	19	-	-
		1,136,258	**1,106,615**
TOTAL LIABILITIES		**2,999,502**	**2,659,319**

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note no.	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Sales revenues	20	5,295,719	4,779,523
Cost of sales	21	(4,091,075)	(3,651,836)
Gross profit on sales		**1,204,644**	**1,127,687**
Other operating income	24	15,971	6,364
Costs of sales and administrative costs	22	(632,597)	(522,954)
Distribution expenses	22	(443,647)	(420,696)
License fees	22	(83,402)	(75,162)
Other operating expenses	25	(63,288)	(44,745)
Operating results		**(2,319)**	**70,494**
Financial income	26	2,822	2,932
Dividends received	26	128,390	78,833
Foreign exchange gains/losses	26	6,062	(3,168)
Financial expenses	26	(42,109)	(28,377)
Profit before tax		**92,846**	**120,714**
Income tax	28	8,212	(11,323)
Net profit		**101,058**	**109,391**
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income, net		**-**	**-**
COMPREHENSIVE INCOME		**101,058**	**109,391**
Earnings per share (PLN)			
- basic and diluted	15	7.13	7.72
Weighted average number of shares in the year		14,168,100	14,168,100

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period from 01 January 2017 to 31 December 2017

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

ANNUAL SEPARATE STATEMENT OF CHANGES IN EQUITY (continued)

for the period from 01 January 2016 to 31 December 2016

(in thousand PLN)	Share capital	Share premium account	Statutory reserve funds	Other capital reserves	Retained earnings	**Total equity**
As at 01 January 2016	**28,336**	**259,530**	**626,032**	**5,935**	**94,238**	**1,014,071**
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	109,391	**109,391**
Total comprehensive income	**-**	**-**	**-**	**-**	**109,391**	**109,391**
Transactions with shareholders						
Distribution of prior period profit – dividend	-	-	-	-	(10,060)	**(10,060)**
Distribution of retained profits - carried over to supplementary capital	-	-	83,854	-	(83,854)	**-**
As at 31 December 2016	**28,336**	**259,530**	**709,886**	**5,935**	**109,715**	**1,113,402**

ANNUAL SEPARATE CASH FLOW STATEMENT

(in thousand PLN)	**Note**	**1.01.2017-31.12.2017**	**1.01.2016-31.12.2016**
Cash flows from operating activities			
Profit before tax		92,846	120,714
Adjustments:			
Depreciation and amortization		23,223	23,919
Foreign exchange gains /losses		501	(395)
(Profit / loss on investing activities		1,580	(36)
Net interest and share in profits		33,286	21,473
Net dividends	26	(128,390)	(78,833)
Gain/loss on revaluation of investment property		-	57
Other adjustments, net		(130)	(798)
Operating profit before changes in the working capital		**22,916**	**86,101**
Change in inventories		(160,447)	(122,769)
Change in receivables	27	(153,876)	(176,144)
Change in short-term liabilities	27	120,102	333,043
Cash generated by operating activities		**(171,305)**	**120,231**
Corporate income tax paid		6,013	(5,312)
Net cash from operating activities		**(165,292)**	**114,919**
Cash flow from investing activities			
Proceeds from the sale of plant, property, equipment and intangible assets		799	1,236
Purchase of property, plant, equipment and intangible assets		(40,270)	(28,789)
Purchase of financial assets in related and other entities	27	(12,007)	(45,997)
Repayment of loans granted	27	3,824	3,570
Loans granted	27	(1,237)	(1,160)
Interest received	27	990	1,508
Dividends received		128,390	78,833
Net cash from investing activities		**80,489**	**9,201**
Cash flow from financing activities			
(repayments) / proceeds from credits and leases	27	(4,087)	(20,532)
Loans received	27	236,185	816,847
Repayment of loans and borrowings	27	-	(655,200)
Guarantee deposits received		(29)	-
Payment of the reverse factoring		(101,000)	(224,005)
Interest paid	27	(30,882)	(21,024)
Dividend paid	29	(10,059)	(10,060)
Net cash from financing activities		**90,128**	**(113,974)**
Net change in cash and cash equivalents		**5,325**	**10,146**
Cash and cash equivalents at the beginning of the period		**26,129**	**15,983**
Cash and cash equivalents at the end of the period		**31,454**	**26,129**

Notes to the annual separate financial statements

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

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

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

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

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

2.1. Changes in IFRS and their interpretations

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

Standards and interpretations approved by the EU	Description of amendments
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.
Standards and interpretations approved by the EU	**Description of amendments**
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)

(in thousand PLN)

Comments to IFRS 15 - Revenue from Contracts with Customers	The explanations provide additional information and explanations related to the main assumptions included in IFRS 15, including identification of separate duties, explanations as to whether an entity is an intermediary or the main supplier of 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: 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: IFRS 1 - elimination of short-term exemptions for entities applying IFRS for the first time. IRS 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 Company intends to apply IFRS 9 as of its effective date, i.e. As of 1 January 2018.
In 2017, the Company assessed the impact of implementation of IFRS 9 on the accounting principles applied by Inter Cars S.A. to the Company's activity or its financial result.
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 Company applies IFRS 9 for the first time.
The Company 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 Company 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 Company 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 Company has analysed the hitherto methodology of making write-down on receivables, which provided for an individual and an index-based approach based on historical profitability statistics and believes that upon the first application of the standard the receivables will not change significantly.

3. Hedge accounting

The Company 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 Company 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 Company's main objects are the wholesale of goods thorough stationary stores and online 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 Company 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 Company 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 Company believes that customers simultaneously receive and gain benefits resulting from the services rendered upon their completion, as these services are short-term ones. Hence, the Company will continue to recognize sales revenues upon the completion of a settlement month.
Due to the above, the Company 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 Company 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 Company will also update its Accounting Policy with respect to recognizing revenues, with the main purpose of adapting it to the IFRS 15 terminology.

(in thousand PLN)

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

The 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: 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,
- investment property measured at fair value.

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

2.5. Functional and presentation currency

(a) Presentation and functional currency

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

(b) Foreign currency translation differences

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

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

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

3. Basis of accounting

3.1. Changes in the accounting policy

In 2017 there were no changes to the accounting policy.

3.2. Significant accounting policies

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

Property, plant and equipment

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

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

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

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

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

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

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

a) Goodwill

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

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

b) Intangible assets

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

Relations with vendors.

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

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

Computer software

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

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

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

c) Investment property

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

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

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

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

d) Financial Instruments

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

Financial assets and liabilities are recognized when the Company becomes a party to a financial instrument.

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

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

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

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

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

(a) Held-to-Maturity Financial Assets

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

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

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

(b) Loans and Receivables

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

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

(c) Available for Sale Financial Assets

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

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

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

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

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

e) Financial liabilities other than derivatives

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

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

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

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

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

f) Impairment of assets

Financial assets

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

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

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

Impairment losses are recognised in current period profit or loss.

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

Non-Financial Assets

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

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

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

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

g) Lease

a) The Company as a Lessee

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

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

(b) The Company as a Lessor

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

h) Inventory

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

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

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

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

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

i) Cash and cash equivalents

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

j) Equity

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

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

k) Loans and borrowings

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

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

l) Provisions

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

m) Revenue

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

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

Revenue is recognised if:

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

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

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

(b) Revenue from sales of services

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

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

(c) Interest Income

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

(d) Dividend

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

n) Operating expenses

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

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

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

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

o) Financial 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.

(in thousand PLN)

p) Income tax

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

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

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

Deferred tax liability is recognised in the amount of income tax to be paid in the future in connection with taxable temporary differences which will increase future taxable income.

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

q) Measurement of the value of shares in subordinated entities

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

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

4. Information on business segments

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

5. Supplementary information

For information on key products and services and the geographical breakdown of sales, see Note 20.

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

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

6. Property, plant and equipment

	31/12/2017	31/12/2016
Land	23,760	23,760
Buildings and structures	69,860	71,557
Plant and machinery	10,708	11,656
Vehicles	3,753	3,778
Other tangible assets	32,170	27,262
Tangible assets under construction	5,717	2,523
Total property, plant and equipment	**145,968**	**140,536**

Property, plant and equipment under lease agreements

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

(in thousand PLN)

- As at 31 December 2017 – PLN 6,892 thousand
- As at 31 December 2016 – PLN 8,480 thousand

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

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

Borrowing costs

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

	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT							
Gross value as at 01 January 2016	**23,760**	**104,486**	**61,021**	**9,069**	**57,288**	**15,776**	**271,400**
Increase:	-	352	1,637	1,277	16,543	(12,505)	**7,304**
Acquisition	-	61	1,422	872	16,324	1,381	**20,060**
Transfer	-	291	215	-	219	-	**725**
Transfer to intangible assets	-	-	-	-	-	(13,886)	**(13,886)**
Lease	-	-	-	405	-	-	**405**
Decrease:	-	47	672	2,946	797	748	**5,210**
Sale	-	47	199	2,946	93	-	**3,285**
Transfer	-	-	-	-	216	748	**964**
Liquidation	-	-	473	-	488	-	**961**
Gross value as at 31 December 2016	**23,760**	**104,791**	**61,986**	**7,400**	**73,034**	**2,523**	**273,494**
Increase:	-	1,424	3,475	2,550	14,377	3,194	**25,020**
Acquisition	-	268	3,475	329	14,377	4,350	**22,799**
Transfer	-	1,156	-	-	-	(1,156)	**-**
Transfer to intangible assets	-	-	-	-	-	-	**-**
Lease	-	-	-	2,221	-	-	**2,221**
Decrease:	-	-	192	1,234	286	-	**1,712**
Sale	-	-	112	1,138	286	-	**1,536**
Transfer	-	-	-	-	-	-	**-**
Liquidation	-	-	80	96	-	-	**176**
Gross value as at 31 December 2017	**23,760**	**106,215**	**65,269**	**8,716**	**87,125**	**5,717**	**296,802**

(in thousand PLN)

DEPRECIATION AND IMPAIRMENT LOSSES DEPRECIATION	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Amortisation and impairment losses as at 01 January 2016	**-**	**30,025**	**45,480**	**3,835**	**39,347**	-	**118,687**
Amortisation for period	-	3,220	5,462	2,188	6,933	-	**17,803**
Sale	-	(11)	(144)	(2,401)	(93)	-	**(2,649)**
Liquidation	-	-	(468)	-	(415)	-	**(883)**
Amortisation and impairment losses as at 31 December 2016	**-**	**33,234**	**50,330**	**3,622**	**45,772**	-	**132,958**
Amortisation for period	-	3,121	4,394	2,087	9,388	-	**18,990**
Sale	-	-	(83)	(681)	(204)	-	**(968)**
Liquidation	-	-	(80)	(66)	-	-	**(146)**
Amortisation and impairment losses as at 31 December 2017	**-**	**36,355**	**54,561**	**4,962**	**54,956**	-	**150,834**
NET VALUE							
As at 01 January 2016	**23,760**	**74,461**	**15,541**	**5,234**	**17,941**	**15,776**	**152,713**
As at 31 December 2016	**23,760**	**71,557**	**11,656**	**3,778**	**27,262**	**2,523**	**140,536**
As at 01 January 2017	**23,760**	**71,557**	**11,656**	**3,778**	**27,262**	**2,523**	**140,536**
As at 31 December 2017	**23,760**	**69,860**	**10,708**	**3,754**	**32,169**	**5,717**	**145,968**

7. Intangible assets

	31/12/2017	31/12/2016
Goodwill, including:	122,937	122,937
- goodwill from merger with JC Auto S.A.	*122,937*	*122,937*
Computer software	3,611	3,088
Other intangible assets, including:	40,568	29,305
- relations with suppliers	*3,015*	*4,407*
- other	*3,786*	*4,824*
- under construction	*33,767*	*20,074*
	167,116	**155,330**

Impairment test

The Company’s cash generating units were tested for impairment, connected with value of JC Auto SA Company. 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 an entity. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed materially in comparison to values adopted as at 31 December 2017:

- Projections of cash flows used to estimate the value in use estimated for the whole Company, treated as a single cash generating unit.
- 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 13-17%.

(in thousand PLN)

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

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

Borrowing costs

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

GROSS VALUE OF INTANGIBLE ASSETS	Computer software	Other intangible assets	Goodwill	Under construction	Total
Gross value as at 01 January 2016	**41,143**	**33,032**	**122,937**	**-**	**197,112**
Acquisition	1,857	-	-	7,375	**9,232**
Transfer from investments	1,187	-	-	(1,187)	-
Transfer from fixed assets	-	-	-	13,886	**13,886**
Gross value as at 31 December 2016	**44,187**	**33,032**	**122,937**	**20,074**	**220,230**
Acquisition	321	-	-	15,698	**16,019**
Transfer from investments	2,005	-	-	(2,005)	-
Liquidation	(1,142)	-	-	-	**(1,142)**
Gross value as at 31 December 2017	**45,371**	**33,032**	**122,937**	**33,767**	**235,107**
AMORTISATION AND IMPAIRMENT LOSSES					
Amortisation and impairment losses as at 01 January 2016	**37,415**	**21,371**	**-**	**-**	**58,786**
Amortisation for period	3,684	2,430	-	**-**	**6,114**
Amortisation and impairment losses as at 31 December 2016	**41,099**	**23,801**	**-**	**-**	**64,900**
Amortisation for period	1,803	2,430	-	**-**	**4,233**
Liquidation	(1,142)	-	-	**-**	**(1,142)**
Amortisation and impairment losses as at 31 December 2017	**41,760**	**26,231**	**-**	**-**	**67,991**
NET VALUE					
As at 01 January 2016	**3,728**	**11,661**	**122,937**	**-**	**138,326**
As at 31 December 2016	**3,088**	**9,231**	**122,937**	**20,074**	**155,330**
As at 01 January 2017	**3,088**	**9,231**	**122,937**	**20,074**	**155,330**
As at 31 December 2017	**3,611**	**6,801**	**122,937**	**33,767**	**167,116**

8. Investment property

	2017	2016
As at 1 January	**1,991**	**2,048**
Measured at fair value	-	(57)
As at 31 December	**1,991**	**1,991**

(in thousand PLN)

During 2017, there were no transfers of investment property to other assets or reclassifications of other assets to investment property. Investment property includes real property located in Gdańsk, which is held for lease to third parties.

As at the reporting date, the Company conducted fair-value measurement of the property. The Company conducted, as at the reporting day, valuation of the fair value of the real estate in Gdańsk. When determining goodwill of the real property located in Gdańsk (acquired as a result of merger), the comparative method was applied (goodwill – level 3).

In 2017, as well as in 2016, the property located in Gdańsk earned PLN 150 thousand.

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

9. Investments in subordinated entities

	2017	2016
As at 1 January (gross)	**414,881**	**356,344**
Increase, including:	8,225	58,537
- capital increase in Inter Cars d o.o. with its registered seat in Sarajevo in Bosnia and Herzegovina	734	-
- Sale of shares in FRENOPLAST	(3,782)	-
- Increase in share capital in Inter Cars Greece	1,273	-
- increase in reserve capital in Inter Cars Hungaria Kft.	-	*12,540*
- purchase of shares in Inter Cars GREECE with its registered seat in Athens, Greece.	-	*776*
- increase in share capital in ILS Sp. z o.o.	*10,000*	*45,000*
- purchase of shares in Inter Cars d o.o. with registered seat in Sarajevo in Bosnia and Herzegovina	-	*221*
As at 31 December (gross):	**423,106**	**414,881**
- write-down on Frenoplast	-	(3,782)
- write-down on Inter Cars Ukraina	(7,000)	(7,000)
As at 31 December (net)	**416,106**	**404,099**

In 2017 Inter Cars increased share capital in ILS Sp. z o.o. and Inter Cars d o.o. (Bosnia and Herzegovina) and in Inter Cars Greece.

On 6 February 2017, the Company sold stocks in affiliated company SMiOC FRENOPLAST Bułhak i Cieślawski S.A and impairment losses for the value of those shares were used.

Impairment test

The Company executed the analysis of indicator of impairment investment in subsidiary companies. As a result of this analysis, the Company identified such indicator and carried out an impairment test with respect to the investments in Inter Cars Ukraine, Inter Cars Hungary and Inter Cars Croatia. As at 31.12.2017, the test showed no impairment.

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

- The data applied for this purpose for 2018 and the subsequent years was prepared based on the approved budget and provide for an EBITDA increase of 3-16% during the forecasted period.
- Cash flows for remaining years (in residual period) were estimated based on a growth rate of 1.2%.
- The discount rates applied to calculate the useful value were as follows: 17% for Ukraine and &% for Croatia and Hungary; they were estimated based on the weighted average capital cost (WACC).

Interest in subsidiaries as at 31/12/2017

Name and legal form of associate	Registered seat	Date of control take-over	Carrying amount of shares (in PLN thousand)	Percentage of share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
Inter Cars Ukraine LLC	Khmelnytsky, Ukraine	04.2000	29,531	100%	62,070	47,675	194,717	2,757
Q-Service Sp. z o.o.	Cząstków Mazowiecki	04.2000	416	100%	31,134	16,655	161,559	14,063
Lauber Sp. z o.o.	Słupsk	07.2003	1,565	100%	55,595	46,090	55,302	1,263
Inter Cars Ceska Republika	Prague, Czech Republic	04.2004	13,866	100%	112,916	92,748	223,712	3,157
Inter Cars Slovenska Republika	Bratislava, Slovakia	08.2005	21	100%	76,452	59,996	197,788	3,202
Feber Sp. z o.o.	Warsaw	08.2004	30,011	100%	45,168	8,980	74,745	4,504
Inter Cars Lietuva	Vilnius, Lithuania	09.2006	1,058	100%	62,486	44,944	284,243	3,845
IC Development & Finance Sp. z o.o.	Warsaw	10.2006	3,785	100%	21,668	23,818	3,040	(129)
Inter Cars d.o.o.	Zagreb, Croatia	02.2008	18,471	100%	135,187	120,057	273,978	4,334
Inter Cars Hungaria Kft.	Budapest, Hungary	02.2008	32,473	100%	112,394	98,635	331,356	8,736
Inter Cars Italia s.r.l.	Milan, Italy	02.2008	2,952	100%	40,480	34,711	73,982	1,144
JC Auto S.A.	Brain L'Allued, Belgium	02.2008	1,408	100%	1,283	330	14	(266)
JC Auto s.r.o.	Karvina-Darkom, Czech	02.2008	-	100%	787	4,990	-	(45)
Armatus Sp. z o.o.	Warsaw	02.2008	1,711	100%	1,041	453	6,149	8
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	07.2008	8,581	100%	378,574	352,798	807,920	11,059
Inter Cars Latvija SIA	Riga, Latvia	08.2010	12	100%	104,362	83,327	381,808	7,663
Inter Cars Cyprus Limited	Nicosia, Cyprus	10.2010	47	100%	112,819	9,653	-	26,477
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	03.2011	21	100%	77,330	69,553	241,350	4,034
Cleverlog-Autoteile GmbH	Berlin, Germany	03.2011	524	100%	4,101	2,568	51,296	609
Inter Cars Marketing Services Sp. z o.o.	Warsaw, Poland	05.2012	6,280	100%	590,675	11,369	134,498	64,432
ILS Sp. z o.o.	Kajetany, Poland	10.2012	244,804	100%	341,945	48,897	392,112	14,331
Inter Cars Malta Holding Limited	Qormi, Malta	02.2013	19	100%	92,071	84,473	251,089	8,851
Q-Service Truck	Warsaw, Poland	12.2013	1,500	100%	5,675	3,125	24,641	1,118
Inter Cars Eesti OÜ	Tallinn, Estonia	12.2014	222	100%	17,285	15,069	50,330	1,119
Inter Cars d o.o.	Ljubljana, Slovenia	12.2014	3,258	100%	14,953	10,965	30,674	687
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	03.2015	1	100%	6,566	6,304	10,219	133
Inter Cars d o.o.	Sarajevo, Bosnia and Herzegovina	10.2016	221	100%	5,749	5,601	4,916	(791)
Inter Cars GREECE	Athens, Greece	11.2016	776	100%	3,586	3,568	580	(2,015)
Inter Cars United Kingdom - automotive technology Ltd	London, Great Britain	09.2017	-	100%	-	-	-	-
			403,534		**2,514,352**	**1,307,352**	**4,262,018**	**184,280**

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

Interest in associates as at 31/12/2017

Name and legal form of associate	Registered seat	Date of control take-over	Carrying amount of shares (in PLN thousand)	Percentage of associate share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
Inter Cars Malta Ltd	Qormi, Malta	02.2013	Not applicable	100%	91,854	81,772	251,036	5,707
Aurelia Auto d o o	Croatia	01.2012	Not applicable	100%	1,360	3,715	135	(59)

Share in affiliated entities – as at 31/12/2017

Name and legal form of associate	Registered seat	Balance sheet value of shares (in thousand PLN)	Percentage of share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
InterMeko Europa sp. z o.o.	Warsaw	566	50%	1,897	97	1,893	40

(in thousand PLN)

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

As at 31 December 2016	Assets	Provisions
Intangible assets	155	-
Property, plant and equipment	-	3,977
Long-term debts	232	-
Investments in subordinated entities	2,412	-
Inventories	8,179	1,425
Trade and other receivables	3,949	3,524
Borrowings	129	2,791
Cash and cash equivalents	52	-
Finance lease liabilities	949	-
Long-term liabilities	-	402
Trade and other payables	9,234	29,230
Deferred tax assets/liabilities	25,291	41,349
Deferred tax offset against liabilities	(25,291)	(25,291)
Deferred tax liabilities as disclosed in the balance sheet	-	16,058

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

Change in deferred tax assets	2017	2016
As at beginning of period	25,291	26,258
Increase / (decrease)	10,249	(967)
As at end of period	**35,540**	**25,291**

Change in deferred tax liabilities	2017	2016
As at beginning of period	41,349	32,894
committed in the reporting period	709	8,455
As at end of period	**42,058**	**41,349**

(in thousand PLN)

	31/12/2016	Effect on net profit	31/12/2017
Deferred tax assets	25,291	10,249	35,540
Deferred tax liabilities	(41,349)	(709)	(42,058)
	(16,058)	**9,540**	**(6,518)**

11. Inventory

	31/12/2017	31/12/2016
Merchandise	1,149,732	989,288
	1,149,732	**989,288**

Merchandise	1,151,281	990,837
Impairment losses	(1,549)	(1,549)
	1,149,732	**989,288**

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

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

The inventories of PLN 1,105 million have been pledged as collateral to secure the repayment of bank loan.

Change in impairment losses on inventories

	2017	2016
As at beginning of period	(1,549)	(1,549)
(increase) / decrease	-	-
As at end of period	**(1,549)**	**(1,549)**

12. Trade and other receivables

	31/12/2017	31/12/2016
Trade receivables from related entities	619,488	536,608
Trade receivables from other entities	368,124	304,692
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	45,965	38,344
Other receivables, prepayments and accrued income	7,587	6,652
Loans granted	39,013	37,488
Short term trade and other receivables – gross	**1,080,178**	**923,784**

Change in impairment loss on trade receivables	**2017**	**2016**
Status as at the beginning of the period	(16,145)	(15,038)
((Increase))/ Decrease, including:	522	(1,107)
- new impairment losses / release	*522*	*(1,107)*
Status as at the end of the period	**(15,623)**	**(16,145)**
Short-term trade and other receivables – net	**1,064,555**	**907,639**

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

(in thousand PLN)

Maturity structure of trade receivables	31/12/2017	31/12/2016
Up to 12 months	987,612	841,300
	987,612	**841,300**

Currency structure of trade and other receivables (gross)	31/12/2017	31/12/2016
Local currency	402,165	387,932
Foreign currencies	678,013	535,852
	1,080,178	**923,784**
Receivables in EUR	671,563	527,508
Receivables in USD	4,090	7,374
Receivables in other currencies	2,360	970
	678,013	**535,852**

Maturity structure of trade receivables	31/12/2017		31/12/2016	
	Gross	Impairment losses	Gross	Impairment losses
Up to 180 days, including:	850,969	-	774,301	-
- matured	*407,194*	-	*327,771*	-
- unmatured	*443,775*	-	*446,530*	-
From 181 to 270 days	86,995	185	29,952	1,844
From 271 to 360 days	17,608	210	7,068	494
Over one year	32,040	15,228	29,979	13,807
Total	**987,612**	**15,623**	**841,300**	**16,145**

Loans granted	31/12/2017	31/12/2016
Current loans	39,013	37,488
Non-current loans and borrowings	12,923	16,686
	51,936	**54,174**

Non-current receivables	31/12/2017	31/12/2016
Non-current loans and borrowings	12,923	16,686
Security deposits	3,549	4,246
Long-term debts	2,810	2,738
Receivables from employees	284	281
	19,566	**23,951**

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

Credit and currency risks are discussed in Note 33.

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

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

(in thousand PLN)

13. Cash and cash equivalents

	31/12/2017	31/12/2016
Cash in hand	6,403	4,526
Cash at bank	2,147	3,055
Cash in transit	22,737	18,275
Cash on accounts of the Company's Social Benefits Fund	167	273
Cash	**31,454**	**26,129**

	31/12/2017	31/12/2016
In local currency	29,355	24,779
In foreign currencies	2,099	1,350
	31,454	**26,129**

With the exception of cash on accounts of the Company's Social Benefits Fund, Inter Cars S.A. does not hold any restricted cash.
In accordance with Polish law, Inter Cars S.A. administers the Company's Social Benefits Funds on behalf of its employees. Contributions to the Company's Social Benefits Funds are deposited in a separate account.
The credit risk concentration with respect to cash is limited as the Company deposits cash in a number of reputable financial institutions.

14. Share capital and share premium account

As at 31 December 2016 and as at 31 December 2017, the share capital of Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

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

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 101,058 thousand (2016: PLN 109,391 thousand) and the weighted average number of shares – 14,168 thousand (2016: PLN 14,168 thousand): presented below:

(in thousand PLN)

Weighted average number of shares	**2017**	**2016**
Shares issued as at 1 January	14,168,100	14,168,100
Weighted average number of shares during the year	**14,168,100**	**14,168,100**

Basic profit per share	**2017**	**2016**
Net profit for period	101,058	109,391
Weighted average number of shares	14,168,100	14,168,100
Net profit per share	7.13	7.72

Diluted earnings per share

In 2017 and in the comparative period, i.e 20126, there were no diluting factors. Therefore, the diluted profit per share equals the basic profit per share.

16. Liabilities due to borrowings and other debt instruments

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

The syndicated credit facility agreement:

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

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

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

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

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

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

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

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

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

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

Non-current	**31/12/2017**	**31/12/2016**
Secured bank loans	499,024	268,816
Issuance of bonds	149,753	149,390
Finance lease liabilities	3,342	4,993
Loans received	-	-
Sureties received	206	45
	652,325	**423,244**

Current	**31/12/2017**	**31/12/2016**
Secured bank loans	404,722	393,900
Issuance of bonds	864	861
Loans received	140,608	141,005
Liabilities of the reverse factoring	-	58,588
Finance lease liabilities	3,601	3,488
	549,795	**597,842**

Current loans and borrowings at nominal value	Contractual amount (limit)	Drawn	Maturity date
Syndicated credit	775,000	404,805	14/11/2018
Inter Cars (Cyprus) LIMITED	79,675	79,278	31/12/2018
Inter Cars Marketing Services	61,330	61,330	31/12/2018
	916,005	**545,413**	

An annex setting the ultimate date of repayment of the loan from Inter Cars Marketing Services to be 31 December 2018 was signed.

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

As at 31 December 2017, total liabilities under loans and borrowings amounted to PLN 1,045,413 thousand of which PLN 909,680 thousand is denominated in PLN and 135,733 thousand is denominated in EUR.

Material terms of the syndicated credit facility

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

	Use in nominal value	**Share in the amount drawn**
CaixaBank S.A.	121,980	13.48%
Bank Pekao S.A.	240,972	26 63%
Bank Handlowy S.A.	98,810	10.92%
DNB Bank Polski S.A.	127,406	14.08%
Bank BGŻ BNP Paibas S.A.	117,819	13.02%
mBank S.A.	119,160	13.17%
ING Bank Śląski S.A.	78,658	8.70%
	904,805	**100.00%**

The credit facility is secured with:

– a mortgage on land owned by Inter Cars S.A. worth PLN 46,269 thousand according to a valuation of 28.03.2017.

(in thousand PLN)

- 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 in current report number 32/2016.

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

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

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

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

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

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

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

-

Finance lease	**31/12/2017**	**31/12/2016**
Payments under lease agreements	7,211	8,874
Financial expense	(268)	(393)
Present value of liabilities under leases	**6,943**	**8,481**

Payments under lease agreements	**31/12/2017**	**31/12/2016**
Up to 1 year	3,648	3,759
Between 1 and 5 years	3,563	5,115
	7,211	**8,874**

Present value of liabilities under leases	**31/12/2017**	**31/12/2016**
Up to 1 year	3,601	3,488
Between 1 and 5 years	3,342	4,993
	6,943	**8,481**

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

(in thousand PLN)

Issuance of bonds

On the day of 3 October 2014, Inter Cars SA. signed with mBank S.A.and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds).
The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 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 bare standard costs of issuance of Bonds, including the dealer commission, after each finished issuance. The Program Contract is concluded for an indefinite time.

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

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

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Buyback amount in nominal value
Series A	24/10/2014	24.10.2019	150,000,000
			150,000,000

17. Trade and other liabilities

	31/12/2017	31/12/2016
Trade payables to related entities	248,746	191,061
Trade payables to other entities	262,331	239,488
Taxes, duties, social security and other benefits payable	5,546	1,749
Payables on bills of exchange	49,399	48,656
Other payables and accrued expenses	11,246	21,995
	577,268	**502,949**
Trade payables before bonuses accrued for the period	632,307	571,698
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(121,231)	(141,149)
Balance sheet value of trade payables	**511,076**	**430,549**

	31/12/2017	31/12/2016
Maturity structure of trade payables		
Up to 12 months	510,818	429,549
Over 12 months	258	1,000
	511,076	**430,549**

(in thousand PLN)

As at 31 December 2017 and 2016, the Company had not VAT liabilities.

Currency structure of trade and other payables	**31/12/2017**	**31/12/2016**
Local currency	360,334	273,949
Foreign currencies	150,742	156,600
	511,076	**430,549**
Equivalent in national currency		
Liabilities in EUR	102,550	115,367
Liabilities in USD	47,654	40,724
Liabilities in other currencies	538	509
	150,742	**156,600**

18. Employee benefits

	31/12/2017	**31/12/2016**
Salaries and wages	8,885	5,441
Company's Social Benefits Fund	310	383
	9,195	**5,824**

19. Income tax liabilities

Maturity structure	**31/12/2017**	**31/12/2016**
Up to 12 months	-	-
	-	**-**

20. Sales revenue

	01/01/2017 - 31/12/2017	**01/01/2016 - 31/12/2016**
Revenue from sales of goods	5,154,795	4,647,276
Revenue from sales of services	140,774	132,097
Lease of investment property	150	150
	5,295,719	**4,779,523**

(in thousand PLN)

Sales by product groups

	2017 (in thousand PLN)	2017 (%)	2016 (in thousand PLN)	2016 (%)
Domestic sales	**3,767,077**	*71.1%*	**3,379,822**	*70.7%*
Spare parts for passenger cars	2,326,398	*43.9%*	2,101,027	*44.0%*
Spare parts for commercial vehicles and buses	579,387	*10.9%*	499,018	*10.4%*
tyres	514,647	*9.7%*	439,465	*9.2%*
Garage equipment and tuning	204,814	*3.9%*	172,579	*3.6%*
motorcycles: vehicles, spare parts and clothing	97,169	*1.8%*	96,842	*2.0%*
accessories	19,128	*0.4%*	18,686	*0.4%*
other, spare parts and services	25,534	*0.5%*	52,205	*1.1%*
Export	**1,528,642**	*28.9%*	**1,399,701**	*29.3%*
Spare parts for passenger cars	932,228	*17.6%*	887,155	*18.6%*
Spare parts for commercial vehicles and buses	331,330	*6.2%*	274,584	*5.7%*
tyres	130,607	*2.5%*	138,412	*2.9%*
Garage equipment and tuning	73,661	*1.4%*	57,498	*1.2%*
motorcycles: vehicles, spare parts and clothing	29,856	*0.6%*	17,818	*0.4%*
accessories	9,957	*0.2%*	7,669	*0.2%*
other, spare parts and services	21,003	*0.4%*	16,565	*0.3%*
Total	**5,295,719**	***100.00%***	**4,779,523**	***100.00%***

In 2017 the biggest percent growth recorded sale of garage equipment (19% in comparison to a year before) and sale of tyres (17%). However export sale recorded the biggest growth in sale of spare parts for motorbikes (68% in comparison to a year before) and sale of accessories (30%).

Geographical structure of sales

	2017 (in thousand PLN)	2017 (%)	2016 (in thousand PLN)	2016 (%)
Domestic sales	3,767,077	71.13%	3,379,822	70.7%
Export	1,528,642	28.87%	1,399,701	29.3%
Total	**5,295,719**	100%	**4,779,523**	100%

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

21. Cost of sales

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Cost of services and goods sold	4,077,182	3,656,715
Foreign exchange (gains)/losses	13,893	(4,879)
Cost of sales	**4,091,075**	**3,651,836**

(in thousand PLN)

22. Costs of sales and administrative costs

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Depreciation and amortization	23,223	23,919
Materials and energy consumption	10,303	10,422
External services	973,509	851,466
Taxes and charges	85,757	77,317
Salaries	45,040	37,978
Social security and other benefits	7,870	6,635
Other costs by kind	13,944	11,075
Total costs by kind	**1,159,646**	**1,018,812**
(-) costs of distribution services	(443,647)	(420,696)
(-) costs of license fees	(83,402)	(75,162)
Costs of sales and administrative costs	**632,597**	**522,954**

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

23. Costs of employee benefits

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Salaries under employment contracts	44,361	37,129
Salaries under contracts for specific work and contracts of mandate	679	779
Social security	5,972	5,194
Other employee benefits	1,898	1,511
Costs of employee benefits recognised as costs of sales and administrative costs	**52,910**	**44,613**

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	230	454
Complaints	2,346	-
Compensation, penalties and fines received	994	638
Non-trading bonuses	5,114	5,252
Impairment losses on past due liabilities	3	20
Other	7,284	-
	15,971	**6,364**

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	979	4,606
Past due receivables recognised as impairment losses	481	971
Inventory lacks	2,240	4,957
Expenses related to complaints	-	4,223
Damage to stock	8,117	6,219
Transfer pricing settlement	45,052	13,656
Other	6,419	10,113
	63,288	**44,745**

(in thousand PLN)

26. Finance income and expenses

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Financial income		
Interest income on loans granted	188	295
Interest income on intra-group loans granted	1,204	1,256
Dividends received	128,390	78,833
Commissions	166	-
Other interest	1,264	1,381
	131,212	**81,765**

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Financial expenses		
Interest expense under bank loans and bonds	28,743	18,681
Interest expense under intra-group loans	5,618	2,973
Other interest	917	2,708
Fees and commissions	6,831	2,504
Agreement discount	-	1,222
Credit facility valuation	-	289
	42,109	**28,377**

Foreign exchange gains/(losses) in the period from 01/01/2017 to 31/12/2017	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	815	-	816
Other	-	1,651	1,651
Realised foreign exchange gains/(losses)	**815**	**1,651**	**2,467**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(14,708)	-	(14,708)
Other	-	4,411	4,411
Unrealised foreign exchange gains/(losses)	**(14,708)**	**4,411**	**(10,297)**
Total foreign exchange gains/(losses)	**(13,893)**	**6,062**	**(7,830)**

Foreign exchange gains and losses in the period from 01/01/2016 to 31/12/2016	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	3,766	-	3,766
Other	-	(329)	(329)
Realised foreign exchange gains/(losses)	**3,766**	**(329)**	**3,437**
Arising in connection with valuation of trade payables and receivables as at the reporting date	1,113	-	1,113
Other	-	(2,840)	(2,840)
Unrealised foreign exchange gains/(losses)	**1,113**	**(2,840)**	**(1,727)**
Total foreign exchange gains/(losses)	**4,879**	**(3,169)**	**1,710**

(in thousand PLN)

27. Structure of cash for the statement of cash flows

Corporate income tax paid

	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Current corporate income tax disclosed in the statement of comprehensive income	(1,329)	(1,901)
Adjustment of comprehensive income	7,342	(3,411)
Change in income tax payable	-	-
Corporate income tax paid	**6,013**	**(5,312)**

Change in receivables

	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Change in trade and other receivables	(156,917)	(155,454)
Conversion of receivables into a loan	-	-
Conversion of receivables for capital increase	-	(12,540)
Change in non-current receivables	4,385	(3,701)
Change in Loans granted	(2,239)	(2,332)
Settlement of bank commissions and bonds	895	(2,119)
Change in investment receivables	-	-
Change in receivables	**(153,876)**	**(176,146)**

Change in Loans granted

	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Loans granted	(1,237)	(1,160)
Repayment of loans granted	3,824	3,570
Interest received	990	1,508
Interest accrued	(1,406)	(1,550)
Other	68	(36)
Change in Loans granted	**2,239**	**2,332**

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

	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Cash inflows on credits and loans	236,185	816,847
Repayment of loans and borrowings	-	(655,200)
New finance lease agreements	2,550	344
Payment of liabilities under finance lease agreements	(4,087)	(20,471)
Settlement of credit and bonds commission	896	2,119
Repaid commission on rose credit	-	(3,500)
Accrued and unpaid interest	4,083	-
Other	(5)	(560)
IRS valuation	-	1,420
Change in loans, borrowings, debt securities and finance lease liabilities	**239,622**	**140,999**

(in thousand PLN)

Change in short-term liabilities

	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Change in trade and other liabilities	74,319	74,303
Change in trade and other liabilities and reverse factoring	42,412	254,155
Change in employee benefits liabilities	3,371	4,585
Change in short-term liabilities	**120,102**	**333,043**

Purchase of financial assets in related and other entities

	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Increase in financial assets in related and other entities	12,007	45,997
Purchase of financial assets in related and other entities	**12,007**	**45,997**

Net interest

	1.01.2017-31.12.2017	1.01.2016-31.12.2016
Interest paid	(31,871)	(22,532)
Interest received	990	1,508
Net interest	**(30,881)**	**(21,024)**

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	(1,329)	(1,901)
Change in deferred income tax	9,541	(9,422)
Income tax disclosed in statement of comprehensive income	**8,212**	**(11,323)**

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

Effective tax rate	**01/01/2017 - 31/12/2017**	**01/01/2016 - 31/12/2016**
Tax rate	19%	19%
Profit before tax	**92,846**	**120,714**
Tax based on applicable tax rates(19%)	(17,641)	(22,936)
Permanent differences	25,853	11,613
of which:		
Dividend received	24,394	14,978
Representation, advertising and catering	(674)	(609)
Receivables revaluation write-off	-	(665)
Depreciation and amortization	(264)	(672)
Other non-tax deductible expenses / revenues	2,397	(1,419)
Income tax disclosed in statement of comprehensive income	**8,212**	**(11,323)**

(in thousand PLN)

29. Dividend

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	10,060
Number of shares with right to dividend as per resolution of the General Shareholders Meeting	14,168,100	14,168,100
Dividend per share (in PLN)	0.71	0.71

Dividend on profit in 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.

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 is higher than in other countries with more developed tax systems.

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

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

Guaranties and sureties

As at 31 December 2017, the total amount of sureties and guarantees was PLN 211,145 thousand and comprised the sureties for repayment of credits for subsidiaries and for the benefit of suppliers of subsidiaries.

(in thousand PLN)

(in thousand PLN) To	Period covered	Status as at 31/12/2017	31/12/2016
Feber Sp. z o.o.	Until further notice	918	973
Feber Sp. z o.o.	16/06/2018	2,000	2,000
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
IC Ukraine	30/11/2017	-	531
IC Slovenia	09.10.2017	-	129
IC Slovakia	26/03/2017	-	22,120
IC Malta	Until further notice	522	627
IC Czech	24/12/2017	-	17,696
IC Romania	Until further notice	80,577	87,741
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
RIM Sp. z o.o.	31/01/2019	390	-
IC Croatia	31/12/2019	671	702
IC Hungary	05/07/2019	2,245	2,375
IC Hungary	05/02/2021	264	279
Raiffeisen-Leasing Polska	10/10/2023	250	250
IC Romania	31/12/2016	-	664
IC Czech	31/12/2018	27,744	29,220
ICMS Sp. z o.o.	09/05/2017	-	133
Poczta Polska S.A.	16/05/2017	-	6
JC Auto Kraków	31/12/2018	3,500	3,500
ILS	30/05/2026	45,959	48,747
IC Hungary	05/10/2021	46	49
PDC Industrial Center 44 Sp. z o.o.	12/06/2018	313	332

(in thousand PLN)

(in thousand PLN)	Period covered	Status as at	
To		**31/12/2017**	**31/12/2016**
IC Czech	12/06/2030	709	711
IC Italy	08/01/2017	-	88
MANN+HUMMEL	Until further notice	4,546	4,822
MALPAS	10/07/2018	367	389
LeasePlan	Until further notice	11,036	3,698
IC Latvia	31/12/2016	-	885
IC Croatia	31/12/2016	-	442
IC Croatia	31/12/2016	-	531
IC Romania	31/12/2016	-	885
IC Hungary	31/12/2017	67	71
IC Latvia	31/12/2017	167	177
IC Romania	31/12/2017	334	354
IC Hungary	31/12/2017	167	177
IC Croatia	01/05/2017	-	64
IC Latvia	31/12/2017	1,251	1,327
IC Ukraine	31/12/2017	1,043	1,106
IC Hungary	05/04/2022	215	228
COMMA Oil	31/12/2017	8,342	-
IC Hungary	06/06/2022	59	-
IC Hungary	31/01/2018	2,085	-
IC Croatia	31/12/2017	2,085	-
IC Romania	31/12/2017	4,171	-
IC Latvia	31/12/2017	1,043	-
IC Ukraine	31/12/2017	834	-
IC Hungary	05/09/2022	189	-
IC Croatia, IC Romania, IC Latvia, IC Ukraine	31/12/2017	417	-
IC Hungary	31/12/2017	104	-
IC Romania	31/12/2017	250	-
IC Ukraine	31/12/2018	417	-
IC Bulgaria	21/12/2022	152	-
IC Romania	31/12/2018	1,043	-
		211,145	**242,252**

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

31. Operating leases

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

Future minimum fees on an irrevocable financial lease

	31/12/2017	**31/12/2016**
Up to 1 year	27,295	19,657
Between 1 and 5 years	2,893	3,292
	30,188	**22,949**

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

(in thousand PLN)

	31/12/2017	31/12/2016
Indefinite period	10,735	10,772
Definite period	19,453	12,177
	30,188	**22,949**

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

32. Transactions with related entities

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

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

Settlement	**Receivables as at**	
	31/12/2017	**31/12/2016**
Inter Cars Ukraine LLC	40,064	25,594
Lauber Sp. z o.o.	13,253	15,261
Inter Cars Ceska Republika	31,100	19,930
Inter Cars Slovenska Republika	30,259	28,949
Feber Sp. z o.o.	3	168
Inter Cars Lietuva UAB	27,783	19,238
Inter Cars Italia srl	24,693	27,266
Inter Cars d.o.o.	97,882	77,752
JC Auto S.A.	220	227
Inter Cars Hungária Kft.	47,426	31,144
JC Auto s.r.o.	4,032	4,276
Inter Cars Romania s.r.l.	240,526	179,180
Inter Cars Latvija SIA	66,686	69,625
Inter Cars Cyprus Ltd.	-	354
Cleverlog-Autoteile GmbH	1,808	3,713
Inter Cars Bulgaria Ltd.	5,995	9,003
Inter Cars Marketing Services Sp. z o.o.	465	223
ILS Sp. z o.o.	12,126	3,540
Inter Cars Malta Holding Limited	1,043	1,106
Inter Cars Malta Limited	17,076	18,832
Q-Service Truck Sp. z o.o.	47	26
Inter Cars Slovenia	1,462	317
Inter Cars Eesti OÜ	2,603	754
Q-Service Sp. z o.o.	17	56
ILS Latvijas filialie	12	52
IC Development & Finance Sp. z o.o.	32	22
Armatus sp. z o.o.	583	-
Gross receivables from subsidiaries	**667,194**	**536,608**
Revaluation write-down on receivables (JC Auto s.r.o.)	(4,009)	**(4,009)**
Reserves for returns	**(43,697)**	**-**
Net receivables from subsidiaries	**619,488**	**532,599**

	Liabilities as at	
	31/12/2017	**31/12/2016**
Q-Service Sp. z o.o.	27,158	21,125
Lauber Sp. z o.o.	4,319	4,824
Inter Cars Ceska Republika	747	4,144
Inter Cars Slovenska Republika	237	638
Feber Sp. z o.o.	7,871	4,722
Inter Cars Lietuva UAB	855	464
Inter Cars Italia srl	1,438	6,029
Inter Cars d.o.o.	971	4,647
JC Auto S.A.	-	63
INTER CARS Hungária Kft.	3,166	3,615

(in thousand PLN)

Inter Cars Romania s.r.l.	2,910	4,408
Inter Cars Latvija SIA	536	520
Inter Cars Cyprus Ltd.	4	757
Inter Cars Marketing Services Sp. z o.o.	104,697	82,167
ILS Sp. z o.o.	44,723	17,455
Inter Cars Malta Holding Limited	(19)	(20)
Inter Cars Malta Limited	43,851	33,444
Q-Service Truck Sp. z o.o.	1,098	761
IC Development & Finance Sp. z o.o.	1,324	792
Inter Cars INT d o.o.	293	23
Inter Cars Eesti OÜ	894	575
Cleverlog Autoteile GMBH	597	40
Inter Cars Bulgaria EOOD	1,036	128
Intermeko Europe Sp. z o.o.	41	
Armatus Sp. z o.o.	-	(260)
Liabilities to subsidiaries	**248,747**	**191,061**

	Sales revenues		**Purchase of goods and services**	
	1.01.2017-31.12.2017	**1.01.2016-31.12.2016**	**1.01.2017-31.12.2017**	**1.01.2016-31.12.2016**
Inter Cars Ukraine LLC	67,885	47,220	-	-
Q-Service Sp. z o.o.	5,977	4,010	161,545	94,805
Lauber Sp. z o.o.	7,641	6,514	41,981	39,786
Inter Cars Ceska Republika	144,733	121,223	3,078	3,392
Inter Cars Slovenska Republika	121,307	110,045	1,955	2,073
Feber Sp. z o.o.	1,140	956	7,165	7,516
Inter Cars Lietuva UAB	76,568	56,337	14,600	13,820
IC Development & Finance Sp. z o.o.	11	20	998	1,019
Inter Cars Italia srl	21,808	19,357	319	155
Inter Cars d.o.o.	100,206	85,052	2,380	3,049
JC Auto S.A.	6	-	0	65
Inter Cars Hungária Kf.	133,469	131,137	85,905	73,670
Inter Cars Romania s.r.l.	274,426	283,447	5,416	9,804
Armatus sp. z o.o.	5	4	5,604	8,086
Cleverlog Autoteile BmbH	38,805	22,543	59	102
Inter Cars Latvija SIA	137,690	154,969	2,975	1,529
Inter Cars Bulgaria EOOD	22,411	15,608	557	632
Inter Cars Marketing Services Sp. z o.o.	212	443	124,470	101,180
ILS Sp. z o.o.	7,065	8,044	344,003	277,590
Q-Service Truck Sp. z o.o.	475	502	15,042	11,529
Inter Cars INT d o.o.	8,299	2,893	158	124
Inter Cars Malta Ltd	2	5	236,472	156,921
Inter Cars Eesti OÜ	10,106	1,605	204	-
ILS Latvijas filialie	63	125	-	-
ILS Codlea srl.	-	161	-	-
	1,180,309	**1,072,220**	**1,054,886**	**806,847**

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

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

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

(in thousand PLN)

Sales revenues	**2017**	**2016**
ANPO Andrzej Oliszewski	1	1
FASTFORWARD Maciej Oleksowicz	6	24
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	2	2
AK-CAR Agnieszka Soszyńska	15	5
JAG Sp. z o.o.	1,699	1,718
FF-SPORT Sp. z o.o.	429	479
	2,152	**2,229**

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	26	61
JAG Sp. z o.o.	12,749	14,604
FF-SPORT Sp. z o.o.	19	117
	12,974	**15,637**

Receivables	**31/12/2017**	**31/12/2016**
Inter Cars sp.j.	-	-
FASTFORWARD Maciej Oleksowicz	-	3
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	20	19
AK-CAR Agnieszka Soszyńska	17	4
JAG Sp. z o.o.	834	550
FF-SPORT Sp. z o.o.	35	21
	906	**597**

Liabilities	**31/12/2017**	**31/12/2016**
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	-
ANPO Andrzej Oliszewski	2	-
FASTFORWARD Maciej Oleksowicz	-	-
FF-SPORT Sp. z o.o.	-	-
JAG Sp. z o.o.	-	645
	2	**645**

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
	47,709	**49,354**

Loans to subsidiaries and associated entities		
Lauber Sp. z o.o.	8,804	8,750
IC Development & Finance Sp. z o.o.	23,761	25,410
SMiOC FRENOPLAST Bułhak i Cieślawski S.A	-	34
JAG Sp. Z o.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	629	-
	47,709	**49,194**

The amount of granted loans with maturity up to one year is PLN 37,874 thousand, while the amount of loans with maturity over one year totals PLN 9,835 thousand.

(in thousand PLN)

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

Loans granted	**2017**	**2016**
As at beginning of period	49,194	49,120
Loans granted	737	310
Interest accrued	1,192	1,299
Repayments received	(2,510)	(316)
Interest received	(836)	(1,255)
Balance sheet valuation	(68)	36
As at end of period	**47,709**	**49,194**

Interest accrued	**2017**	**2016**
Lauber Sp. z o.o.	320	318
IC Development & Finance Sp. Z o.o.	352	406
Frenoplast S.A.	-	43
Inter Cars Bulgaria Ltd.	50	52
Q-SERVICE TRUCK Sp z o.o.	23	35
Inter Cars Malta Ltd	444	445
Inter Cars Greece	3	-
	1,192	**1,299**

Loans received	**31/12/2017**	**31/12/2016**
Loans from members of the Supervisory Board and Management Board and their relatives	-	-
Loans from subsidiaries and associated entities	140,608	141,005
	140,608	**141,005**

Loans from subsidiaries and associated entities		
Inter Cars (Cyprus) LIMITED	79,278	79,675
Inter Cars Marketing Services	61,330	61,330
	140,608	**141,005**

Loans received	**2017**	**2016**
As at beginning of period	141,005	138,838
Loans received	-	-
Interest accrued	5,618	2,974
Interest payment	(1,535)	(1,481)
Repayment of funds	-	(2,200)
Balance sheet valuation	(4,480)	2,874
As at end of period	**140,608**	**141,005**

Interest accrued	**2017**	**2016**
ICMS sp. z o.o.	1,536	1,539
Inter Cars (Cyprus) LIMITED	4,082	1,371
Feber Sp. z o.o.	-	47
ILS Sp. z o.o.	-	17
	5,618	**2,974**

(in thousand PLN)

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

	2017	**2016**
As at beginning of period	221,120	115,485
Issued and increases	9,171	109,308
Expired	(109,136)	(3,673)
As at end of period	**121,155**	**221,120**

Remuneration of Supervisory Board and Management Board was as follows:

(in thousand PLN)	**1.01.2017-31.12.2017**	**1.01.2016-31.12.2016**
remuneration of the members of the Supervisory Board and the Management Board		
Remuneration of the members of the Supervisory Board	311	309
Remuneration of the members of the Management Board	12,297	11,901
	12,609	**12,210**

33. Financial risk management

Credit risk

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

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

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

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

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

	31/12/2017	**31/12/2016**
Loans granted	51,936	54,174
Trade and other receivables (excluding loans granted)	971,989	825,155
Cash and cash equivalents (excluding cash in hand)	25,051	21,603
	1,048,976	**900,490**

Interest rate risk

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

The Company has liabilities bearing interest at variable rates. As at 31 December 2017, the Company had no fixed-rate liabilities.

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

(in thousand PLN)

Variable rate financial instruments	**31/12/2017**	**31/12/2016**
Financial assets (loans granted)	51,936	54,174
Cash assets in bank accounts	2,314	3,328
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases and factoring)	(1,202,120)	(1,021,086)
	(1,147,870)	**(963,584)**

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

Impact on net profit / loss	**basis points increase/decrease**	as at 31/12/2017	as at 31/12/2016
	+ 100 / -100	(9,298) / 9,298	(7,805) / 7,805
	+ 200 / -200	(18,596) / 18,596	(15,610) / 15,610

Currency risk

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

	EUR	USD	Other	EUR	USD	Other
	31 December 2017			**31 December 2016**		
Trade receivables	669,996	4,090	2,360	527,508	7,374	970
Loans granted	1,567	-	-	1,048	-	-
Cash	1,518	65	516	1,052	30	268
Bank credits	(56,455)	-	-	(133,633)	-	-
Loans received	(79,278)	-	-	(83,723)	-	-
Trade payables	(102,551)	(47,654)	(538)	(115,367)	(40,724)	(509)
Gross balance sheet exposure	**434,797**	**(43,499)**	**2,338**	**196,885**	**(33,320)**	**729**

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

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

as at 31/12/2016	**Foreign exchange rate increase/decrease**	**Impact on net profit / loss**
EUR	+ 5% / - 5%	7,974 / (7,974)

(in thousand PLN)

	+ 10% / - 10%	15,948 / (15,948)
USD	+ 5% / - 5%	(1,349) / 1,349
	+ 10% / - 10%	(2,698) / 2,698
Other	+ 5% / - 5%	30 / (30)
	+ 10% / - 10%	60 / (60)

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	2,248,497	1,933,154
Short-term liabilities	1,136,258	1,106,615
Surplus of current assets over short-term liabilities	1,112,239	826,539
Current ratio	1.98	1.75
Quick ratio	0.97	0.85
Cash ratio	0.03	0.02

Presented below are the Company's future payments as at 31 December 2017 by maturity date, based on discounted payments:

2017	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings, bonds	-	-	546,194	648,983	-	1,195,177
finance lease liabilities	-	937	2,664	3,342	-	6,943
trade and other payables	171,124	381,643	24,243	258	-	577,268
	171,124	**382,580**	**573,101**	**652,583**	**-**	**1,779,388**

2016	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	-	-	535,766	418,251	-	954,017
finance lease liabilities	-	925	2,562	4,993	-	8,480
trade and other payables	105,477	373,882	22,590	1,000	-	502,949
	105,477	**374,807**	**560,918**	**424,244**	**-**	**1,465,446**

Capital management

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

(in thousand PLN)

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

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

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

	31/12/2017	**31/12/2016**
Loan, borrowing and finance lease liabilities	1,202,120	1,021,086
Trade and other liabilities	577,268	502,949
(less) cash and cash equivalents	(31,454)	(26,129)
Net debt	1,747,934	1,497,906
Equity	1,204,401	1,113,402
Net debt to equity	1.45	1.35

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 Company's Management Board to make judgments and estimates which affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. The judgements and estimates are reviewed on an ongoing basis. Revisions to the estimates are recognised as profit or loss of the period in which the estimate is revised. Information on particularly significant areas subject to judgements and estimates which affect the financial statements is disclosed in the following notes:

- Note 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 Company evaluates whether or not there is evidence of impairment of a receivable or a group of receivables. If the recoverable value of an asset is lower than its carrying value, the Company creates an impairment loss to the level of the current value of planned cash flows,
- Note 6/7 Impairment loss on property, plant and equipment, estimates as to the useful economic life of property, plant and equipment and intangible assets (the amount of rates and impairment losses is determined based on the anticipated useful economic life of a property, plant and equipment or intangible assets item; the useful economic life periods are verified at least once during each financial year. The Management Board also evaluates whether or not there is the possibility of impairment losses on assets. If an impairment loss is identified, the recoverable value of assets must be determined),

- Note 9 Impairment losses on shares in subsidiaries (the Management Board evaluates whether or not there is the possibility of impairment losses on assets. If an impairment loss is identified, the recoverable value of assets must be determined),

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

36. Continued and discontinued operations

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

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

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

37. Consolidated financial statements

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

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

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 separate annual financial statements of Inter Cars S.A. ("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.

- comments to the annual report, which constitute the annual financial statements of the activities of Inter Cars S.A. give a fair view of development, achievements and situation of Inter Cars S.A.

- PricewaterhouseCoopers Sp. z o.o. , qualified auditor of financial statements which audited the separate 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

(in thousand PLN)

These separate 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