



INTER CARS PUBLIC LIMITED COMPANY
ANNUAL SEPARATE FINANCIAL STATEMENTS
2021



ANNUAL SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 January to 31 December 2021

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Financial highlights:

<i>in thousand PLN</i>	for the period of 12 months ended on		for the period of 12 months ended on	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	PLN	PLN	EUR	EUR
Profit and loss account (for the period)				
Revenues from the sale of products, goods and materials	8,383,755	6,347,832	1,831,514	1,418,764
Gross profit on sales	2,140,804	1,615,946	467,680	361,170
Costs of license	(35,548)	(5,216)	(7,766)	(1,166)
Net financial revenues / costs	39,729	(1,768)	8,679	(395)
Operating results	551,466	326,661	120,473	73,010
Net profit	482,162	222,609	105,333	49,754
Other financial data				
Operating cash flows	(85,167)	152,245	(18,606)	34,027
Investing cash flows	35,998	31,709	7,864	7,087
Financing cash flows	55,584	(182,842)	12,143	(40,866)
Basic profit per share	34.03	15.71	7.43	3.51
Sales margin	25.54%	25.46%		
EBITDA margin	6.97%	5.71%		
EBITDA	584,466	362,485	127,682	81,017
Balance sheet (as at)				
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Cash and cash equivalents	25,494	19,079	5,543	4,134
Balance sheet total	4,912,877	3,887,170	1,068,156	842,327
Interest-bearing loans and borrowings, debt securities and leasing	1,182,783	1,046,306	257,160	226,728
Equity	2,252,538	1,790,495	489,746	387,990
Employment and branches				
	31/12/2021	31/12/2020		
Employees	770	666		
Branches	240	240		

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

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

- for the statement of financial position items – the National Bank of Poland exchange rate of 31 December 2021 – EUR 1 = PLN 4.5994, and the National Bank of Poland exchange rate of 31 December 2020 – EUR 1 = PLN 4.6148
- 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 2021 and 2020, respectively: 1 EUR = PLN 4.5775 and 1 EUR = PLN 4.4742.



Information about INTER CARS S.A.

1. Scope of activities

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

2. Registered seat

ul Powsińska 64
02-903 Warsaw
Poland

Central Warehouse:

Europejskie Centrum Logistyczne (European Logistics Centre)
Swobodnia 35
05-170 Zakroczym

Administrative data of the Company

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

KRS 0000008734
NIP 1181452946
Regon 014992887

3. Contact details

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

Andrzej Oliszewski, President
Piotr Płoszajski
Tomasz Rusak
Jacek Klimczak
Jacek Podgórski
Radosław Kudła

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

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

6. Statutory auditor

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

Information about Inter Cars S.A.



7. Subsidiaries

As at 31 December 2021, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 35 other entities, including:

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

The Company 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	
				31/12/2021	31/12/2020
Parent company					
Inter Cars S.A.	Warsaw, Poland	Import and distribution of spare parts for passenger cars and commercial vehicles	full	Not applicable	Not applicable
Direct subsidiaries					
Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2021	31/12/2020
Inter Cars Ukraine	Khmelnytsky, Ukraine	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Q-service Sp. z o.o.	Cząstków Mazowiecki, Poland	Advisory services, organization of trainings and seminars related to automotive services and the automotive market	full	100%	100%
Lauber Sp. z o.o.	Słupsk, Poland	Remanufacturing of car parts	full	100%	100%
Inter Cars Česká republika s.r.o.	Prague, Czech Republic	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Feber Sp. z o.o.	Warsaw, Poland	Manufacture of motor vehicles, trailers and semi-trailers	full	100%	100%
IC Development & Finance Sp. z o.o	Warsaw, Poland	Real estate development and lease	full	100%	100%
Armatus sp. z o.o.	Warsaw, Poland	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Slovenská republika s.r.o.	Bratislava, Slovakia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Lietuva UAB	Vilnius, Lithuania	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto S.A.	Braine-le-Château, Belgium	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Hungária Kft	Budapest, Hungary	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Italia s.r.l	Pero, Italy	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Zaprešić (Grad Zaprešić), Croatia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%

Information about Inter Cars S.A.

Subsidiaries (cont.)

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2021	31/12/2020
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Cyprus Limited	Nicosia, Cyprus	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Latvija SIA	Mārupes nov., Mārupe, Latvia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Cleverlog-Autoteile GmbH	Berlin, Germany	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	Częstków Mazowiecki, Poland	Advertising, market and public opinion research	full	100%	100%
ILS Sp. z o.o.	Swobodnia, municipality Zakroczym, Poland	Logistics services	full	100%	100%
Inter Cars Malta Holding Limited	Birkirkara, Malta	Assets management	full	100%	100%
Q-service Truck Sp. z o.o.	Warsaw, Poland	Sale of delivery vans and trucks	full	100%	100%
Inter Cars INT Trgovina z rezervnimi deli in opremo za motorna vozila d.o.o. Inter Cars INT d.o.o.	Ljubljana, Slovenia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Eesti OÜ	Tallinn, Estonia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars GREECE.	Ilioupoli Attiki, Greece	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Sarajevo, Bosnia and Herzegovina	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars United Kingdom - automotive technology Ltd	Tipton, Great Britain	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o. Beograd-Rakovica	Belgrade-Rakovica, Serbia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Fleet Services Sp. z o.o.	Warsaw Poland	Services for motor-vehicle fleets related to vehicle repairs	full	100%	100%
JAG Sp. z o.o.*	Warsaw, Poland	Distribution of spare parts for passenger cars and commercial vehicles	full	-	100%

Information about Inter Cars S.A.



Subsidiaries (cont.)

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2021	31/12/2020
OOO Inter Cars Automobilna Technika**	Mogilev, Belarus	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Norge AS***	Oslo, Norway	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	-
CB Dystrybucja Sp. z o.o.****	Warsaw, Poland	Point of sale management	full	100%	-
Indirect subsidiaries					
Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2021	31/12/2020
Inter Cars Malta Limited*****	Birkirkara, Malta	Sale of spare parts and advisory services related to automotive services and the automotive market	full	100%	100%
Aurelia Auto d o o*****	Vinkovci, Croatia	Distribution of spare parts and real estate rental	full	100%	100%
Associated entities					
InterMeko Europe Sp. z o.o.	Warsaw, Poland	Control and assessment of spare parts, components and accessories	equity method	50%	50%

* The Company sold on 30 June 2021

** The Company does not carry out operating activities, not consolidated in 2021.

*** The Company acquired in August 2021, has not started operating activities yet, not consolidated in 2021.

**** The Company established in August 2021, started operating activities in 4Q2021

***** 99.98% shares held by subsidiary company Inter Cars Malta Holding Limited, Inter Cars Cyprus Limited holds 1 share

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

In August 2021, a company in Norway was acquired - Inter Cars Norge AS. having its registered seat in Oslo, which will distribute spare parts and accessories for cars, buses and motorcycles on Norwegian market.

Additionally, in August 2021 the company CB Dystrybucja Sp. z o.o., based in Warsaw, was established, whose main objective will be to optimise business processes in the Group.

8. Stock exchange listings

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

9. Date of approval of the financial statements for publication

These annual separate financial statements were approved by the Management Board of Inter Cars S.A for publication on 27 April 2022.

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF FINANCIAL POSITION

(in thousand PLN)

ASSETS	Note no.	31/12/2021	31/12/2020	01/01/2020
Non-current assets			data transformed	data transformed
Tangible fixed assets	6	103,198	112,281	119,783
Right-of-use assets	7	26,573	30,383	14,913
Intangible assets	8	183,097	183,731	187,095
Investments in subordinated entities	11	508,265	445,757	425,367
Investments available for sale		258	260	258
Receivables	14	13,645	17,085	16,012
Non-current receivables on long-term rental	22	103,777	99,846	96,761
		938,813	889,343	860,189
Current assets				
Inventory	13	1,761,693	1,295,136	1,256,345
Trade and other receivables	14	2,141,491	1,639,530	1,487,838
Receivables on short-term rental	22	45,386	44,082	41,198
Cash and cash equivalents	15	25,494	19,079	17,967
		3,974,064	2,997,827	2,803,348
TOTAL ASSETS		4,912,877	3,887,170	3,663,537
LIABILITIES				
Equity				
Share capital	16	28,336	28,336	28,336
Share premium account	16	259,530	259,530	259,530
Supplementary capital		1,476,252	1,273,761	1,118,787
Other reserve capitals		5,935	5,935	5,935
Retained earnings from previous and current years		482,485	222,933	155,298
		2,252,538	1,790,495	1,567,886
Long-term liabilities				
Liabilities due to credits, loans	18	564,517	535,529	536,487
Finance lease liabilities	18	24,494	28,313	22,517
Non-current liabilities on long-term rental	22	103,777	99,846	96,761
Deferred income tax provision	12	46,704	23,845	20,777
		739,493	687,533	676,542
Short-term liabilities				
Trade and other liabilities	19	1,201,282	805,929	752,343
Liabilities on credits, loans, debt securities	18	587,797	476,684	568,810
Finance lease liabilities	18	5,975	5,781	14,228
Liabilities on the short-term rental	22	45,386	44,082	41,198
Employee benefits	20	12,446	18,520	19,487
Income tax liabilities	21	67,960	58,146	23,043
		1,920,846	1,409,142	1,419,109
TOTAL LIABILITIES		4,912,877	3,887,170	3,663,537

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note no.	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Revenues from the sale of products, goods and materials	23	8,383,755	6,347,832
Cost of sales	24	(6,242,951)	(4,731,886)
Gross profit on sales		2,140,804	1,615,946
Other operating revenue	27	12,730	1,900
Selling cost, general and administrative expenses	25	(891,903)	(733,094)
Costs of distribution service	25	(623,994)	(513,555)
Costs of license	25	(35,548)	(5,216)
Other operating expenses	28	(50,623)	(39,320)
Operating results		551,466	326,661
Financial income	29	8,887	8,345
Dividends received	29	58,359	47,813
Exchange differences	29	3,419	(9,939)
Financial costs	29	(30,936)	(47,987)
Profit before tax		591,195	324,893
Income tax	31	(109,033)	(102,284)
Net profit		482,162	222,609
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income, net		-	-
COMPREHENSIVE INCOME			
		482,162	222,609
Earnings per share (PLN)			
- basic and diluted	17	34.03	15.71
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 1 January 2021 to 31 December 2021

(in thousand PLN)

	Share capital	Share premium account	Supplementary capital	Other reserve capitals	Retained earnings	Total equity
As at 1 January 2021	28,336	259,530	1,273,761	5,935	222,933	1,790 495
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	482,162	482,162
Total comprehensive income	-	-	-	-	482,162	482,162
Distribution of prior period profit – dividend	-	-	-	-	(20,119)	(20,119)
Distribution of retained profits - carried over to supplementary capital	-	-	202,491	-	(202,491)	-
As at 31 December 2021	28,336	259,530	1,476,252	5,935	482,485	2,252,538

*(in thousand PLN)***ANNUAL SEPARATE STATEMENT OF CHANGES IN EQUITY(CONT.)****for the period from 1 January 2020 to 31 December 2020***(in thousand PLN)*

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

ANNUAL SEPARATE STATEMENT OF CASH FLOWS

<i>(in thousand PLN)</i>	Note no.	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020 <i>Transformed data</i>
Cash flows from operating activities			
Profit before tax		591,195	324,893
Adjustments:			
Amortization and depreciation		33,000	35,823
Foreign exchange gains /losses		(272)	6,298
(Profit / loss on investing activities		(472)	2,269
Net interest and share in profits		21,107	23,597
Net dividends	29	(58,359)	(47,813)
Other adjustments, net		-	(1)
Operating profit before changes in the working capital		586,199	345,066
Increase (decrease) in inventories		(466,557)	(38,791)
Increase (decrease) in receivables	30	(555,893)	(178,128)
Change in receivables under rental		(5,235)	(5,969)
Change in short-term liabilities	30	427,444	88,212
Change in liabilities under rental		5,235	5,969
Cash generated by operating activities		(8,807)	216,358
Corporate income tax (paid)/returned	30	(76,360)	(64,113)
Net cash from operating activities		(85,167)	152,245
Cash flow from investment activities			
Proceeds from the sale of plant, property, equipment and intangible assets		632	1,571
Purchase of property, plant, equipment and intangible assets		(20,548)	(23,958)
Purchase of financial assets in related and other entities	30	(8,384)	(2,594)
Repayment of loans granted	30	8,725	15,661
Loans granted	30	(3,950)	(7,960)
Interest received	30	693	1,207
Dividends received		58,360	47,782
Sale of shares in subordinated entities		470	-
Net cash from investing activities		35,998	31,709
Cash flow from financing activities			
(repayments) / proceeds from credits and leases	30	(49,828)	(49,424)
Loans granted	30	147,331	-
Repayment of loans and borrowings	30	-	(108,564)
Guarantee deposits received		-	(50)
Interest paid	30	(21,800)	(24,804)
Dividend paid	32	(20,119)	-
Net cash from financing activities		55,584	(182,842)
Net change in cash and cash equivalents		6,415	1,112
Cash and cash equivalents at the beginning of the period		19,079	17,967
Cash and cash equivalents at the end of the period		25,494	19,079

Notes to the annual separate financial statements

(in thousand PLN)

Notes to the annual separate financial statements

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

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

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

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

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

2.1. Changes in IFRS and their interpretations

The new or amended standards and interpretations applicable as of 2021 have no material bearing on the Company’s financial statements.

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

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

	Loans	Borrowings	Lease liabilities	Security deposits	Total debt	Cash and cash equivalents	Net debt
Balance as at 01/01/2020	(1,014,516)	(90,640)	(36,836)	(50)	(1,142,042)	17,967	(1,124,075)
Cash flows	104,934	(6,698)	(26,000)	50	(71,643)	1,112	73,398
Leasing agreement termination	-	-	20,310	-	20,310	-	20,310
Interest paid	18,376	519	-	-	18,895	-	18,895
Interest accrued	(18,376)	(2,543)	-	-	(20,919)	-	(20,919)
Valuation	(1,135)	6,299	-	-	5,165	-	5,165
Balance as at 31/12/2020	(910,717)	(93,063)	(42,526)	-	(1,046,306)	19,079	(1,027,227)
Balance as at 01/01/2021	(910,717)	(93,063)	(42,526)	-	(1,046,306)	19,079	(1,027,227)
Cash flows	(146,645)	-	15,957	-	(130,688)	6,415	(124,273)
New leasing agreements	-	-	(3,900)	-	(3,900)	-	(3,900)
Interest paid	14,533	1	1,256	-	15,790	-	15,790
Interest accrued	(14,533)	(1,716)	(1,256)	-	(17,505)	-	(17,505)
Valuation	(343)	198	-	-	(145)	-	(145)
Balance as at 31/12/2021	(1,057,705)	(94,580)	(30,469)	-	(1,182,754)	25,494	(1,157,260)

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

(in thousand PLN)

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform**
In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board has published the second part of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, which are applicable from 1 January 2021. The amendments address accounting issues that will arise when IBOR-based financial instruments transform to the new interest rates. The amendments introduce a number of guidelines and exemptions, in particular practical simplification for contract modifications required by the reform, which will be recognised by updating the effective interest rate, an exemption from completing hedge accounting, a temporary exemption from the need to identify the risk component, and the obligation to include additional disclosures.
- **Amendment to IFRS 4: Adaptation of IFRS 9 "Financial instruments"**
The amendment to IFRS 4 'Insurance Contracts' defers the application of IFRS 9 'Financial Instruments' until 1 January 2023 until IFRS 17 'Insurance Contracts' becomes effective.
- **Amendments to IFRS 16 "Lease"**
In connection with the coronavirus pandemic (COVID-19), an amendment to IFRS 16 was introduced in 2020, which enabled the application of a simplification to assess whether changes to leases made during the pandemic constitute lease modifications. As a result, lessees may benefit from the simplification of not applying the IFRS 16 guidance on lease modifications. As this amendment related to reductions in lease payments due on or before 30 June 2021, hence in March 2021 the Board extended the availability of the practical expedient for lease payment reductions to June 2022. The amendment is effective as of 1 April 2021 with early application permitted.

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

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

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

- **Amendments to IAS 1 "Presentation of Financial Statements"**
The Board published amendments to IAS 1, clarifying presentation of liabilities as current and non-current. Published amendment shall apply to reporting periods commencing as of 1 January 2023 or thereafter.
As at the date of preparation of these financial consolidated statements, the amendment had not been approved by the European Union.
- **Amendments to IAS 16 "Property, Plant and Equipment"**
The amendment prohibits an entity from adjusting the cost of property, plant and equipment for amounts received from the sale of items produced while the property, plant and equipment is being prepared to commence operation as intended by management. Instead, an entity will recognise the aforementioned sales proceeds and related costs directly in the income statement. Amendment shall apply to reporting periods commencing as of 1 January 2022 or thereafter.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**
The amendments to IAS 37 provide clarification on the costs that an entity considers when analysing whether a contract is an onerous contract. Amendment shall apply to reporting periods commencing as of 1 January 2022 or thereafter.

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(in thousand PLN)

- **Annual amendments to IFRS 2018 - 2020**
“Annual Improvements to IFRSs 2018-2020” introduces amendments to standards: IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and the illustrative examples to IFRS 16 “Leases”.
The Improvements contain explanations and detail out the guidelines related to recognition and measurement.
- **Amendments to IAS 1 “Presentation of Financial Statements” and the IFRS Board’s guidance on accounting policy disclosures in practice**
The amendment to IAS 1 requires disclosure of relevant information about accounting policies as defined in the standard. The amendment clarifies that information on accounting policies is relevant if, in its absence, recipients of the financial statements would not be able to understand other relevant information in the financial statements. In addition, the Board’s guidance on applying the concept of relevance in practice has also been amended to provide guidance on the application of the concept of relevance to accounting policy disclosures.
As at the date of preparation of these financial consolidated statements, the amendments had not been approved by the European Union.
- **Amendments to IAS 8 “Accounting policies, changes in accounting estimates and errors”**
In February 2021, the Board published an amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding the definition of accounting estimates. The amendment to IAS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates.
As at the date of preparation of these financial consolidated statements, the amendments had not been approved by the European Union.
- **Amendments to IAS 12 “Income Taxes”**
The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and retirement obligations. Prior to the amendment to the standard, there was ambiguity as to whether the exemption for the recognition of deferred tax recognised for the first time applied to these types of transactions, i.e. where both deferred tax assets and liabilities are recognised. The amendments to IAS 12 clarify that the exemption does not apply and the entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.
Amendment shall apply to reporting periods commencing as of 1 January 2023 or thereafter.
As at the date of preparation of these financial consolidated statements, the amendments had not been approved by the European Union.
The effective dates are those resulting from the content of the standards promulgated by the International Financial Reporting Council. The application dates of the standards in the European Union may differ from the application dates resulting from the content of the standards and are announced at the time of approval for application by the European Union.
At the date of authorisation of these consolidated financial statements for issue, management does not expect the introduction of these other standards and interpretations to have a material impact on the accounting policies applied by the Company.

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

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

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(in thousand PLN)

comprehensive income. By the decision of European Union, the IFRS standard will not be approved.

2.4. Basis of measurement

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

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

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

2.5. Functional and presentation currency

(a) Presentation and functional currency

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

(b) Foreign currency translation differences

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

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

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

3. Basis of accounting

3.1. Changes in the accounting policy

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

3.2. Changes in presentation

In the reporting period, the Group's Management changed the presentation of trade discounts due from suppliers remaining to be settled in a future period within the separate statement of financial position due to the incorrectly applied criteria for offsetting receivable and payable balances according to IAS 32 par. 42. Before the change, all trade discounts due from suppliers remaining to be settled in a future period were presented in the separate statement of financial position under trade and other payables, as a reduction thereof. After the change, trade discounts due from suppliers for which the criteria of IAS 32 par. 42 to enable their offsetting against liabilities (i.e. there is no currently enforceable right to offset) are presented under trade and other receivables.

The impact of the change in presentation in the statement of financial position as at 31 December 2020 and in the statement of cash flows for the period ended 31 December 2020 is presented in the table below:

(in thousand PLN)

Separate statement of financial position

(in thousand PLN)

	31/12/2020 <i>before change</i>	<i>change</i>	31/12/2020 <i>after change</i>
ASSETS			
Trade and other receivables	1,385,571	253,959	1,639 530
Current assets	2,743,868	253,959	2,997 827
TOTAL ASSETS	3,633,211	253,959	3,887 170
Short-term liabilities			
Trade and other liabilities	551,970	253,959	805,929
TOTAL LIABILITIES	1,155 183	253,959	1,409,142
TOTAL LIABILITIES	3,633,211	253,959	3,887,170

(in thousand PLN)

	01/01/2020 <i>before change</i>	<i>change</i>	01/01/2020 <i>after change</i>
ASSETS			
Trade and other receivables	1,311 271	176,567	1,487 838
Current assets	2,626 781	176,567	2,803 348
TOTAL ASSETS	3,486 970	176,567	3,663 537
Short-term liabilities			
Trade and other liabilities	575,776	176,567	752,343
TOTAL LIABILITIES	1,242 542	176,567	1,419 109
TOTAL LIABILITIES	3,486 970	176,567	3,663 537

Separate statement of cash flows

(in thousand PLN)

	31/12/2020 <i>before change</i>	31/12/2020 <i>change</i>	31/12/2020 <i>after change</i>
Change in trade and other receivables	(100,736)	(77,392)	(178,128)
Change in trade and other liabilities	10,820	77,392	88,212
Cash from operating activities	216,358	-	216,358
Net cash from operating activities	152,245	-	152,245

The change in presentation had no impact on net profit for 2020 or basic and diluted earnings per share.

3.3. Significant accounting policies

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

a) Tangible fixed assets

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

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(in thousand PLN)

obtain economic benefits. The cost of current maintenance of property, plant and equipment are recognized as profit or loss.

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

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

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

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

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

b) Goodwill

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

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

c) Intangible assets

Identifiable non-monetary assets without physical substance, whose acquisition or production cost can be estimated reliably and which will probably bring future economic benefits to the 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

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merger with JC Auto S.A. were depreciated over a 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.

d) Investment property

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

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

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

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

e) Financial instruments

1. Classification and measurement of financial assets

The Company has prepared a detailed analysis of its business models regarding the management of financial assets, as well as an analysis of characteristics of the cash flows resulting from the applicable contracts. In the course of analyses changes were made to the classification of the financial assets.

The Company has been recognizing financial assets in the following categories:

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

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

In 2020 and 2021 the Company did not use external instruments for trade receivables such as factoring. In the course of an analysis of the business model for trade receivables it was determined that all trade receivables are held to be paid - the Company has not nor had plans

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to its trade receivables; they are all held until maturity date. The Company evaluates if the classification test according to IFSR 9, the so-called SPPI test, checking if the cash flows from receivables represent solely the principal and interest. If the test criteria are met, trade receivables are measured at amortized cost. As regards trade receivables, the Company applies a simplified approach provided for in the standard, and, consequently, measures a write-down on anticipated credit losses at an amount equal to the anticipated credit losses throughout an entire lifetime of a receivable. This approach results from the fact that the Company's receivables do not include a material financial element within the meaning of IFRS 15. For the purposes of calculation of a write-down, the Company uses a provision matrix by means of which revaluation write downs are determined for receivables classified in different overdue ranges. This method provides for historical data related to credit losses and a potential impact of material and identifiable future factors (e.g. market or macroeconomic). The probability of non-payment of a receivable is estimated based on historical data regarding previously unpaid receivables. To assess the parameter of non-payment of receivable by a customer, the Company has created 8 ranges:

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

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

Number of days	Write-off level 2020	Write-off level 2021
Not overdue	0.27%	0.12%
1-30 days	0.68%	0.32%
31-60 days	4.47%	2.19%
61-90 days	7.72%	3.77%
91-180 days	12.91%	5.92%
181-270 days	22.50%	9.53%
271 – 360 days	28.05%	11.80%
Over 360 days	38.19%	15.67%

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

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

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

- Level 1 - balances for which there has not been a significant increase of credit risk since their initial recognition, and for which an anticipated loss is determined based on the probability of non-payment of a receivable within 12 months (i.e. the total anticipated credit loss multiplied by the probability that the loss will occur within the next 12 months);

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- Level 2- balances for which there has been a significant increase of credit risk since their initial recognition but there are no objective grounds for impairments, and for which an anticipated loss is determined based on the probability of non-payment of a receivable within an entire contractual lifetime of an asset;
- Level 3- balances with objective grounds for impairment.

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

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

f) Financial liabilities other than derivatives

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

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

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

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

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

g) Impairment of assets

Financial assets

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

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

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

Impairment losses are recognised in current period profit or loss.

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

(in thousand PLN)

Non-Financial Assets

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

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

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

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

h) Lease

According to the requirements, as of 1 January 2019, for the first time the Company applied IFRS 19 Leases. IFRS replaces the existing lease guidelines, including IAS 17 Leases. IFRS 16 introduces a single, balance-sheet-based model of recording and measuring leases. A lessor recognizes an asset representing the right of use of a specific asset and a lease obligation corresponding to the obligation of payment of lease fees.

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

A lessor recognizes lease interest costs and the depreciation of right-of-use assets separately. IFRS 16 provides for exceptions from the general lease model related to short-term lease contracts (i.e. shorter than 12 months) and lease of low-value assets (e.g. laptops).

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

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

The Company as a lessee

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

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

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

(in thousand PLN)

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

The Company as a lessor

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

For subleases classified under IAS 17 as operating leases, the Company has benefited from the simplification on first application of IFRS 16 to account for them as finance leases.

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

In 2019, the IFRS Interpretations Committee, hereinafter referred to as the "Committee," published a summary of decisions made at public meetings related to IFRS 16 interpretations regarding recognition of contracts for an indefinite period of time. The Company has analysed the impact of the Committee's decisions on its accounting policy and concluded that the decisions affect the value of the right of use as well as the lease receivables and liabilities presented in its balance sheet. According to the new approach to and interpretation of the standard, all contracts concluded for an indefinite or definite period of time with the possibility of their extension, analysed and qualified as a lease for an anticipated term of a lease contract, estimated individually for each of the contracts taking into consideration, among other things:

- potential costs related to a termination of a lease contract, including costs of entering into a new lease contract, such as the costs of its negotiation, costs of relocation, costs of identification of another base asset corresponding with the lessee's needs, costs on integrating a new asset into the Company's operations or costs of penalties for termination as well as similar costs, including costs related to returning a base asset in a condition or to a location specified in a contract, or
- existing business plans and other contracts justifying using a leased object over a given period.

Determination of the lessee's marginal interest rate

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

i) Inventory

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

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

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

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

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

The Company receives discounts on the value of purchased goods, the amount of which depends on the annual turnover with a given supplier (including participation in a purchasing group). The Company makes the current calculation of the value of the mark-up by individually referring for each contracting party the value of the received turnover bonuses to the turnover realised in the period and the inventory held from a given contracting party. The discounts calculated this way are distributed proportionally to the value of goods sold and to the value of inventory. The value of discounts, rebates and other volume-dependent payments (except

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marketing, warranty and claim discounts) is recognised as a reduction in the purchase price irrespective of the date of their actual receipt.

j) Cash and cash equivalents

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

k) Equity

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

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

l) Loans and borrowings

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

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

m) Trade payables and trade payables submitted for factoring

Trade payables represent obligations to pay for goods and services purchased in the ordinary course of business from suppliers. Trade payables are classified as current payables if the payment term is within one year (or in the ordinary course of business if longer). Otherwise, the payables are shown as non-current.

Liabilities other than financial liabilities measured at fair value through profit or loss are measured at adjusted cost at the balance sheet date. In case of short-term liabilities, this valuation corresponds to the amount payable. Liabilities, the settlement of which according to the contract takes place by issuing financial assets other than cash or by exchange for financial instruments, are valued at fair value.

Trade payables for goods are reduced by the value of trade bonuses due from suppliers up to the amount of the liability to each supplier in detail, unless the trade contract stipulates settlement by means of offsetting.

The payables to suppliers presented in the Company's Statement of Financial Position also include trade payables transferred for debt factoring, which fall into the category "trade". When a payable is transferred to debt factoring, the Company recognises a payable to a factor who, as a result of the statutory subrogation of the receivable, legally assumes the rights and obligations characteristic of trade receivables. Debt factoring is not directly regulated by IFRS and, due to its ambiguous nature, it was necessary for the Company to make a significant judgement regarding the presentation of balances placed under factoring in the statement of financial position and the presentation of the transaction in the statement of cash flows. In the Company's opinion, the following aspects were key in determining the aforementioned presentation of the balance of trade payables submitted for debt factoring as "Trade payables" together with other trade payables and not as debt payables:

- from legal point of view, when debt factoring is subrogated, the rights and obligations arising from the liabilities are transferred and not extinguished and new rights and obligations towards the factor are established,
- no additional guarantees are established in connection with the debt factoring and there is no change in the commercial terms relating to breach and cancellation of the agreement,
- the purpose of the programme is not only to improve the Company's liquidity but also to support the suppliers in obtaining more favourable financing in order to build long-term business relationships,
- the agreed payment terms as well as the payment pattern (including interest and discount) do not change with respect to trade payables to a given supplier that are not covered by debt factoring. Therefore, as well as taking into account the agreed interest and discount rate and the

Notes to the annual separate financial statements

(in thousand PLN)

term of the extended repayment, the cash flows associated with the liability submitted for debt factoring will not change by more than 10%,

- the costs associated with the debt factoring are borne exclusively by the suppliers. Suppliers bear the cost of discounting in connection with earlier (i.e. before the expiry of the basic term of 60 days as a standard) receipt of payment from the factor,
- the final terms of the factoring are negotiated between the suppliers and the bank, and Inter Cars is not a party to these agreements,
- the factor is the bank and at the moment of subrogation by the factor the creditor changes,
- the suppliers decide whether they want to present their receivables for early redemption and the factor has the right not to accept a given invoice for early financing,
- Inter Cars does not have information about which supplier and which of its invoices were financed earlier by the factor,
- the term of actual repayment of the supplier's debts covered by the factoring is longer (and is up to 180 days) than the term of repayment of the other suppliers whose debts are not factored (and is 60 days).

n) 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.

o) Revenue

The Company applies IFRS 15 Revenue from Contracts with Customers to all contracts with customers, except for leases within the scope of IFRS 16 Leases, financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The fundamental principle of IFRS 15 is to recognise revenue when goods and services are transferred to the customer, at a value that reflects the price expected by the Company in exchange for the transfer of those goods and services. These principles are applied using a five-step model:

- identification of the contract with the customer,
- identification of the performance obligation under the contract with the customer,
- identification of the transaction price,
- allocation of the transaction price to the individual performance obligations,
- recognition of revenue when the performance obligation under the contract is met.

Identification of a contract with a customer

The Company recognises a contract with a customer only when all of the following criteria are met:

- the parties to the contract have entered into an agreement (whether in writing, orally or in accordance with other customary commercial practices) and are obliged to perform their obligations;
- The Company is able to identify the rights of each party concerning the goods or services to be transferred;
- The Company is able to identify the terms of payment for the goods or services to be transferred;
- the contract has economic substance (i.e. the risk, timing or amount of the Company's future cash flows can be expected to change as a result of the contract); and
- it is probable that the Company will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

In assessing whether it is probable that an amount of consideration will be received, the Company considers only the customer's ability and intention to pay the amount of consideration in a timely manner. The amount of consideration to which the Company will be entitled may be less than the contract price if the consideration is variable because the Company may offer the customer a price concession.

Notes to the annual separate financial statements

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Identification of performance obligations

At the conclusion of the contract, the Company evaluates the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer a good or service (or bundle of goods or services) that is separable or a group of separate goods or services that are substantially the same and for which the transfer to the customer is of the same nature.

The good or service promised to the customer is distinct if both of the following conditions are met:

- the customer can benefit from the good or service either directly or through a link to other resources that are readily available to the customer, and
- the Group's obligation to transfer the good or service to the customer can be identified as separate from other obligations in the contract.

Determination of the transaction price

In determining the transaction price, the Company takes into account the terms of the contract and its customary business practices. The transaction price is the amount of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes).

Allocation of the transaction price to performance obligations

The Company attributes a transaction price to each performance obligation (or separate good or separate service) in an amount that reflects the amount of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer.

Fulfillment of performance obligations

The Company recognises revenue when it has fulfilled (or is in the process of fulfilling) its performance obligation by transferring the promised goods or services to the customer.

In respect of contracts for continuing services under which the Company has the right to receive remuneration from the customer in an amount that corresponds directly to the value to the customer of the service provided to date, the Company recognises revenue in the amount that it is entitled to invoice.

The Company is not obliged to accept returns of goods and products sold. When an asset is transferred to a customer (when the customer obtains control over the asset). The Company does not enter into agreements with customers containing variable amounts of remuneration (revenue) resulting from discounts, rebates or performance bonuses granted and does not grant customers the option to obtain additional goods or services free of charge or at a reduced price in the form of allowances or loyalty points.

Principal's remuneration vs. agent's remuneration

Based on its analysis of sales contracts, the Company has identified its role as principal in sales transactions in all areas of activity on the basis of the following:

- it exercises control over the promised goods or services prior to their transfer to the customer,
- it is obliged to deliver a performance consisting in supplying goods or services to the customer,
- the consideration is the gross amount receivable in exchange for the goods or services provided.

Sales revenue is recognised when the Company fulfils (or is in the process of fulfilling) its performance obligation by transferring the promised goods or services to the customer, where the transfer is also the gaining control of the asset.

Receivables

Under receivables, the Company recognises rights to remuneration in exchange for goods or services that it has provided to the customer, if the right is unconditional (the only condition for the remuneration to be due is the passage of a specified period of time).

Contractual obligations

Under contractual obligations, the Company recognises remuneration received or receivable from a customer that involves an obligation to provide goods or services to the customer.

Notes to the annual separate financial statements

(in thousand PLN)

Guarantees

All goods offered by the Company, regardless of the distribution channel, are covered by either a warranty or guarantee. As the Company does not use additional agreements or arrangements in the scope of guarantees, and the guarantee granted results from the necessity for the Company to ensure that the goods comply with their specification, the liabilities on this account were and are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

There is no material financing element in the Company's customer contracts.

p) 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 benefits 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.

Distribution costs – the share of the entity managing the branch in the margin earned. The sales margin generated by a branch is divided between the branch and Inter Cars in the 50/50 ratio. The branch system is based on the assumption of entrusting management of a distribution point (branch) to external entities. Sales are made on behalf of Inter Cars. External entities (branch entities) employ workers and cover current costs of functioning from revenue, which is share in generated margin on sales of goods. Settlement of share in margin is made in monthly periods. The Company provides organizational and logistic knowledge, capital, vendors of parts, full product range and its availability, trade mark. Branch entity contributes the knowledge of local market and experienced employees to Inter Cars. Risk of activities of a given entity (branch) is borne by the entrepreneur that, by running own business, optimizes the resources that remain at their disposal.

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

Re-invoiced amounts reduce the respective cost items of the Company

q) Financial costs

Finance expenses include primarily interest payable on borrowings, 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.

r) Income tax

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

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

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

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

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

Notes to the annual separate financial statements

(in thousand PLN)

s) Measurement of the value of shares in subordinated entities

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

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

4. Information on business segments

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

5. Supplementary information

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

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

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

6. Tangible fixed assets

	31/12/2021	31/12/2020
Land	17,505	17,505
Buildings and structures	60,254	57,146
Plant and machinery	5,925	6,522
Vehicles	3,971	3,010
Other tangible assets	15,256	22,326
Tangible assets under construction	287	5,772
Total property, plant and equipment	103,198	112,281

Property, plant and equipment under lease agreements

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

- As at 31 December 2021 – PLN 2,705 thousand
- As at 31 December 2020 – PLN 2,792 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 amount to PLN 0.

Notes to the annual separate financial statements

(in thousand PLN)

Property, plant and equipment (cont.)

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 01 January 2020	17,505	87,941	68,102	10,828	104,094	1,547	290,017
Increase:	-	1,742	1,499	1,221	5,274	4,225	13,961
Acquisition	-	1,728	1,499	1,221	5,281	4,232	13,961
Transfer	-	14	-	-	(7)	(7)	-
Decrease:	-	1,037	8,472	3,130	12,116	-	24,755
Sale	-	238	288	2,076	116	-	2,718
Liquidation	-	799	8,184	1,054	12,000	-	22,037
Gross value as at 31 December 2020	17,505	88,646	61,129	8,919	97,252	5,772	279,223
Increase:	-	5,855	1,901	2,787	3,168	(5,485)	8,226
Acquisition	-	-	1,901	2,787	3,168	370	8,226
Transfer	-	5,855	-	-	-	(5,855)	-
Decrease:	-	24	25,995	1,336	901	-	28,256
Sale	-	-	230	1,239	324	-	1,793
Transfer	-	13	-	-	(13)	-	-
Liquidation	-	11	25,765	97	590	-	26,463
Gross value as at 31 December 2021	17,505	94,477	37,035	10,370	99,519	287	259,193
DEPRECIATION AND IMPAIRMENT LOSSES							Total
DEPRECIATION							
Amortisation and impairment losses as at 01 January 2020	-	29,159	60,398	5,772	74,905	-	170,234
Amortisation for period	-	2,685	2,627	2,207	11,771	-	19,290
Sale	-	(40)	(235)	(1,017)	(104)	-	(1,396)
Liquidation	-	(304)	(8,183)	(1,053)	(11,646)	-	(21,186)
Amortisation and impairment losses as at 31 December 2020	-	31,500	54,607	5,909	74,926	-	166,942
Amortisation for period	-	2,734	2,491	1,749	10,226	-	17,200
Sale	-	-	(225)	(1,198)	(309)	-	(1,732)
Liquidation	-	(11)	(25,763)	(61)	(580)	-	(26,415)
Amortisation and impairment losses as at 31 December 2021	-	34,223	31,110	6,399	84,263	-	155,995
NET VALUE							
As at 01 January 2020	17,505	58,782	7,704	5,056	29,189	1,547	119,783
As at 31 December 2020	17,505	57,146	6,522	3,010	22,326	5,772	112,281
As at 01 January 2021	17,505	57,146	6,522	3,010	22,326	5,772	112,281
As at 31 December 2021	17,505	60,254	5,925	3,971	15,256	287	103,198

Notes to the annual separate financial statements

(in thousand PLN)

7. Right-of-use assets

The right-of-use assets include mainly contracts of lease of office space. As of 31 December 2021, their value amounted to PLN 26,573 thousand and as of 31 December 2020 it was PLN 30,383 thousand.

	Office space and other	Total
GROSS VALUE OF BENEFICIAL INTEREST		
Value as at 01 January 2020	18,657	18,657
Increases	20,780	20,780
Value as at 31 December 2020	39,437	39,437
Value as at 01 January 2021	39,437	39,437
Increases	1,203	1,203
Decreases	120	120
Value as at 31 December 2021	40,520	40,520
AMORTISATION AND IMPAIRMENT LOSSES		
Amortization as at 01 January 2020	3,743	3,743
Increases	5,311	5,311
Amortization as at 31 December 2020	9,054	9,054
Amortization as at 01 January 2021	9,054	9,054
Increases	4,893	4,893
Amortization as at 31 December 2021	13,947	13,947
NET VALUE		
As at 01 January 2020	14,914	14,914
As at 31 December 2020	30,383	30,383
As at 31 December 2021	26,573	26,573

8. Intangible assets

	31/12/2021	31/12/2020
Goodwill, including:	122,937	122,937
- goodwill from merger with JC Auto S.A.	122,937	122,937
Computer software	12,778	10,687
Other intangible assets, including:	47,382	50,107
- relations with suppliers	-	-
- other	33,460	30,267
- under construction	13,922	19,840
	183,097	183,731

Impairment test

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

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

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- Projections of cash flows used to estimate the value in use estimated for the whole segment of spare parts.
- The data used for the estimates for 2022 was prepared based on the approved budget and provides for a 2.2% increase of EBITDA, whereas the data for 2023-2026 prepared based on the financial forecasts of the Inter Cars Group provide for an annual increase of EBITDA of approx. 6.0% to 7.3%.
- Cash flows for remaining years were estimated based on a real growth rate of 1.2%,
- The discount rate used to calculate the value in use was 9.4% 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 6,688,422 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 2021, 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 values for the reporting year amount to PLN 0.

(in thousand PLN)

GROSS VALUE OF INTANGIBLE ASSETS	Computer software	Other intangible assets	Goodwill	Under construction	Total
Gross value as at 01 January 2020	74,478	70,267	122,937	13,507	281,189
Acquisition	174	1,032	-	8,791	9,997
Transfer from investments	2,458	-	-	(2,458)	-
Liquidation	(3,922)	(2,000)	-	-	(5,922)
Gross value as at 31 December 2020	73,188	69,299	122,937	19,840	285,264
Acquisition	4,645	-	-	16,676	21,321
Transfer from investments	2,971	8,574	-	(11,545)	-
Liquidation	(695)	-	-	(11,049)	(11,744)
Gross value as at 31 December 2021	80,109	77,873	122,937	13,922	294,841
AMORTISATION AND IMPAIRMENT LOSSES					
Amortisation and impairment losses as at 01 January 2020	59,096	34,998	-	-	94,094
Amortisation for period	5,659	6,033	-	-	11,692
Liquidation	(2,254)	(1,999)	-	-	(4,253)
Amortisation and impairment losses as at 31 December 2020	62,501	39,032	-	-	101,533
Amortisation for period	5,525	5,381	-	-	10,906
Liquidation	(695)	-	-	-	(695)
Amortisation and impairment losses as at 31 December 2021	67,331	44,413	-	-	111,744
NET VALUE					
As at 01 January 2020	15,382	35,269	122,937	13,507	187,095
As at 31 December 2020	10,687	30,267	122,937	19,840	183,731
As at 01 January 2021	10,687	30,267	122,937	19,840	183,731
As at 31 December 2021	12,778	33,460	122,937	13,922	183,097

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9. Impairment test

The Board did not define any key assumptions, a change of which in a rational extend, might lead to a loss in value of money generating operations.

10. Real estate available for sale

As at 31 December 2021 the Company did not have any real estate available for sale.

11. Investments in subordinated entities

	<u>2021</u>	<u>2020</u>
As at 1 January (gross)	446,368	425,978
Increase, including:	62,809	20,390
- purchase of shares in Inter Cars Norge AS	26	-
- new share capital in CB Dystrybucja Sp. z o.o.	5	-
- increase in share capital in Partslife international Kft	40	-
- increase in share capital in Q-service Truck Sp. z o.o.	7,535	-
- increase in share capital in Inter Cars Romania srl (receivables conversion)	54,424	-
- increase in reserve capital in Inter Cars Hungaria Kft.	-	17,797
- increase in share capital in Inter Cars d o.o. Beograd Rakovica	779	846
- increase in share capital in Inter Cars Fleet Services Sp. z o.o.	-	995
- purchase of shares of JAG Sp. z o.o.	-	300
- new share capital in OOO Inter Cars Automobilna Technika	-	450
- purchase of shares of Partslife international Polska sp. z o.o.	-	2
Decrease, including:	301	-
- sale of shares of JAG Sp. z o.o.	300	-
- sale of shares of Partslife international Polska sp. z o.o.	1	-
As at 31 December (gross):	508,876	446,368
- impairment on Inter Cars Hungaria Kft.	(611)	(611)
As at 31 December (net)	508,265	445,757

In 2021 Inter Cars S.A. acquired shares in Agardh 518 AS (renamed Inter Cars Norge AS) for PLN 26 thousand. and opened the company CB Dystrybucja Sp. zo.o. Subsequently, a payment was made to the share capital in the amount of PLN 5 thousand and capital increases in:

Inter Cars d o.o. Beograd Rakovica (PLN 779 thousand), Partslife Int. Kft. (PLN 40 thousand) and Q-Service Truck Sp. z o.o. (PLN 7,535 thousand), moreover a conversion of receivables from Inter Cars Romania srl. was done to share capital in the amount of PLN 54.423 thousand. Furthermore, in 2021 the subsidiary JAG Sp. z o.o. was sold (PLN 300 thousand) and shares in Partslife International Polska Sp. z o.o. (PLN 1 thousand).

(in thousand PLN)

Interest in subsidiaries as at 31/12/2021

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	Khmelnysky, Ukraine	04.2000	36,532	100%	201,974	125,633	579,545	26,029
Q-Service Sp. z o.o.	Cząstków Mazowiecki, Poland	04.2000	416	100%	46,881	24,088	250,895	22,378
Lauber Sp. z o.o.	Słupsk, Poland	07.2003	1,565	100%	76,042	58,039	101,493	4,046
Inter Cars Ceska Republika	Prague, Czech Republic	04.2004	13,866	100%	131,945	93,720	440,546	11,386
Inter Cars Slovenska Republika	Bratislava, Slovakia	08.2005	21	100%	128,763	99,217	423,183	9,589
Feber Sp. z o.o.	Warsaw, Poland	08.2004	30,011	100%	48,865	6,511	87,009	6,049
Inter Cars Lietuva	Vilnius, Lithuania	09.2006	1,058	100%	113,868	91,737	447,338	6,948
IC Development & Finance Sp. z o.o.	Warsaw, Poland	10.2006	3,785	100%	13,214	17,930	136	(148)
Inter Cars d.o.o.	Zagreb, Croatia	02.2008	18,471	100%	296,135	251,282	560,392	10,483
Inter Cars Hungaria Kft.	Budapest, Hungary	02.2008	50,270	100%	166,042	131,459	428,710	9,699
Inter Cars Italia s.r.l.	Milan, Italy	02.2008	2,952	100%	39,714	29,079	88,090	823
JC Auto S.A.	Braine-le-Château, Belgium	02.2008	1,408	100%	693	406	470	(997)
Armatus Sp. z o.o.	Warsaw, Poland	02.2008	1,711	100%	229	344	45	(109)
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	07.2008	63,005	100%	548,528	438,560	1,207,985	27,073
Inter Cars Latvija SIA	Mārupes nov., Mārupe, Latvia	08.2010	12	100%	154,058	93,319	585,769	13,074
Inter Cars Cyprus Limited	Nicosia, Cyprus	10.2010	47	100%	96,948	235	-	1,515
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	03.2011	21	100%	341,672	298,324	814,940	14,786
Cleverlog-Autoteile GmbH	Berlin, Germany	03.2011	524	100%	17,666	9,838	223,503	2,830
Inter Cars Marketing Services Sp. z o.o.	Warsaw, Poland	05.2012	6,280	100%	567,960	17,786	97,989	47,962
ILS Sp. z o.o.	Swobodnia, Poland	10.2012	254,804	100%	403,145	52,382	532,545	18,928
Inter Cars Malta Holding Limited	Qormi, Malta	02.2013	19	100%	356,148	237,082	503,271	27,196
Q-Service Truck	Warsaw, Poland	12.2013	9,035	100%	35,425	18,265	177,642	7,304
Inter Cars Eesti OÜ	Tallinn, Estonia	12.2014	222	100%	37,416	22,256	188,001	4,274
Inter Cars d o.o.	Ljubljana, Slovenia	12.2014	3,258	100%	53,566	45,512	116,887	2,206
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	03.2015	1	100%	41,749	33,523	108,179	6,434
Inter Cars d o.o.	Sarajevo, Bosnia & Herzegovina	10.2016	3,042	100%	55,409	47,872	87,169	2,455
Inter Cars GREECE	Attiki, Greece	11.2016	2,050	100%	178,692	170,954	225,307	3,475
Inter Cars United Kingdom - automotive technology Ltd	Tipton, Great Britain	09.2017	-	100%	7,077	5,289	23,045	411
Inter Cars d o.o. Beograd Rakovica	Belgrade, Serbia	08.2019	1,698	100%	26,434	23,736	54,190	1,674
Inter Cars Automobilna Technika OOO	Mogilev, Belarus	07.2020	451	100%	-	-	-	-
Inter Cars Fleet Services Sp. z o.o.	Warsaw, Poland	08.2019	1,000	100%	39,639	37,485	104,136	2,197
Inter Cars Norge AS	Oslo, Norway	08.2021	26	100%	-	-	-	-
CB DYSTRYBUCJA Sp. z o.o.	Warsaw, Poland	08.2021	5	100%	1,084	681	2,881	398
			507,566		4,226 981	2,482 544	8,461 291	290,368

Explanatory information is an integral part of annual separate financial statements

(in thousand PLN)

Investments in subordinated entities (cont.)

Interest in associates as at 31 December 2021

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%	340,942	320,680	503,271	20,144
Aurelia Auto d o	Croatia	01.2012	Not applicable	100%	618	1,858	94	41

Share in affiliated entities – as at 31 December 2021

Name and legal form of associate	Registered seat	Balance sheet value of shares (in thousand PLN)	Percentage of share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
InterMeko Europe sp. z o.o.	Warsaw	566	50%	3,132	199	3,689	631

(in thousand PLN)

12. Deferred tax

Deferred Tax Assets and Liabilities

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

As at 31 December 2021	Assets	Provision
Intangible assets	-	629
Tangible fixed assets	-	5793
Long-term receivables	150	-
Investments in subordinated entities	116	-
Inventory	46,239	13,383
Trade and other receivables	14,465	953
Borrowings	-	3,041
Finance lease liabilities	4654	-
Long-term liabilities	192	-
Trade and other payables	16,524	105,245
Deferred tax assets/liabilities	<u>82,340</u>	<u>129,044</u>
Deferred tax offset against liabilities	<u>(82,340)</u>	<u>(82,340)</u>
Deferred tax liabilities as disclosed in the balance sheet	<u>-</u>	<u>46,704</u>
As at 31 December 2020	Assets	Provision
Intangible assets	-	1,378
Tangible fixed assets	-	6,583
Long-term receivables	150	-
Investments in subordinated entities	116	-
Inventory	29,480	15,570
Trade and other receivables	20,822	6,860
Borrowings	-	2,945
Finance lease liabilities	939	-
Long-term liabilities	5,659	-
Trade and other payables	20,496	68,171
Deferred tax assets/liabilities	<u>77,662</u>	<u>101,507</u>
Deferred tax offset against liabilities	<u>(77,662)</u>	<u>(77,662)</u>
Deferred tax liabilities as disclosed in the balance sheet	<u>-</u>	<u>23,845</u>

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

Change in deferred tax assets	2021	2020
As at beginning of period	77,662	65,062
Increase / (decrease)	4,678	12,600
As at end of period	<u>82,340</u>	<u>77,662</u>

Deferred tax (cont.)

(in thousand PLN)

Change in deferred tax liabilities	2021	2020
As at beginning of period	101,507	85,839
committed in the reporting period	27,537	15,668
As at end of period	129,044	101,507

	31/12/2020	Effect on net profit	31/12/2021
Deferred tax assets	77,662	4,678	82,340
Deferred tax liabilities	(101,507)	(27,537)	(129,044)
	(23,845)	(22,859)	(46,704)

13. Inventory

	31/12/2021	31/12/2020
Merchandise	1,761,693	1,295,136
	1,761,693	1,295,136
Merchandise	1,764,179	1,297,107
Impairment losses	(2,486)	(1,971)
	1,761,693	1,295,136

Change in impairment losses on inventories

	2021	2020
As at beginning of period	(1,971)	(1,749)
(increase) / decrease	(515)	(222)
As at end of period	(2,486)	(1,971)

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 Group's inventories of PLN 2,284 million have been pledged as collateral to secure the repayment of bank loan.

(in thousand PLN)

14. Trade and other receivables

	31/12/2021	31/12/2020 transformed	31/12/2020
Trade receivables from related entities	1,154,043	888,886	888,887
Trade receivables from other entities	479,971	429,096	429,095
Receivables from suppliers	407,661	253,958	-
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	64,213	36,603	36,603
Other receivables, prepayments and accrued income	21,008	16,200	16,200
Dividend receivables	-	4,112	4,112
Loans granted	31,321	32,758	32,758
Short term trade and other receivables – gross	2,158,217	1,661,614	1,407,655
Change in impairment loss on trade receivables	2021	2020 transformed	2020
Status as at the beginning of the period	(22,084)	(19,163)	(19,163)
(Increase)/ Decrease, including:	5,358	(2,921)	(2,921)
- new impairment losses / release	5,358	(2,921)	(2,921)
Status as at the end of the period	(16,726)	(22,084)	(22,084)
Short-term trade and other receivables – net	2,141,491	1,639,530	1,385,571

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

	31/12/2021	31/12/2020 transformed	31/12/2020
Maturity structure of trade receivables			
Up to 12 months	2,041,675	1,571,940	1,317,981
	2,041,675	1,571,940	1,317,981
Currency structure of trade and other receivables (gross)	31/12/2021	31/12/2020	31/12/2020
Local currency	675,979	716,435	462,476
Foreign currencies	1,482,238	945,179	945,179
	2,158,217	1,661,614	1,407,655
Receivables in EUR	1,462,217	932,088	932,088
Receivables in USD	12,034	7,670	7,670
Receivables in GBP	6,077	4,414	4,414
Receivables in other currencies	1,910	1,007	1,007
	1,482,238	945,179	945,179

(in thousand PLN)

Trade and other receivables (cont.)

Maturity structure of receivables	31/12/2021		31/12/2020	
	Gross	Write-offs	Gross	Write-offs
Up to 180 days	1,882,953	844	1,431,358	1,484
- <i>matured</i>	517,639	844	476,792	1,484
- <i>unmatured</i>	1,365,314	-	954,566	-
From 181 to 270 days	118,628	(270)	101,212	87
From 271 to 360 days	77,769	(140)	43,464	3,979
Over 1 year	78,867	16,292	85,580	16,534
Total	2,158,217	16,726	1,661 614	22,084

Loans granted	31/12/2021	31/12/2020
Current loans	31,321	32,758
Non-current loans and borrowings	7,632	10,745
	38,953	43,503

Non-current receivables	31/12/2021	31/12/2020
Non-current loans and borrowings	7,632	10,745
Security deposits	1,982	2,048
Long-term receivables	3,778	3,997
Receivables from employees	253	295
	13,645	17,085

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

Credit and currency risks are discussed in Note 36.

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

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

15. Cash and cash equivalents

	31/12/2021	31/12/2020
Cash in hand	4,473	4,038
Cash at bank	7,698	1,498
On VAT split payment bank accounts	2,630	1,018
Cash in transit	10,414	12,455
Cash on accounts of the Company's Social Benefits Fund	279	70
Cash	25,494	19,079
	31/12/2021	31/12/2020
In local currency	22,334	17,898
In foreign currencies	3,160	1,181
	25,494	19,079

(in thousand PLN)

With the exception of cash on accounts of the Company's Social Benefits Fund and VAT Split payment, 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 reputable financial institutions with highest, medium-high and medium rating levels. The level of cash concentration as at 31 December 2021 taking into account the credit rating of financial institutions is as follows:

Rating AAA to AA- (highest) - 2%

Rating A+ to A- (medium-high) - 10%

Rating BBB+ to BBB (medium) - 30%

Cash in hand, cash in transit and other cash - 58%.

16. Share capital and share premium account

As at 31 December 2020 and as at 31 December 2021, the share capital of Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

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

17. Net profit per share

Basic earnings per share

Net profit per share calculated based on net profit for the period in the amount of PLN 482,163 thousand (2020: PLN 222,609 thousand) and the weighted average number of shares – 14,168 thousand (2020: PLN 14,168 thousand) presented below:

	2021	2020
Weighted average number of shares		
Shares issued as at 1 January	14,168,100	14,168,100
Weighted average number of shares during the year	<u>14,168,100</u>	<u>14,168,100</u>
Basic profit per share		
Net profit for period	482,163	222,609
Weighted average number of shares	14,168,100	14,168,100
Net earnings per 1 share (in PLN)	34.03	15.71

(in thousand PLN)

Diluted earnings per share

In 2021 and in the comparative period, i.e. 2020, there were no diluting factors. Therefore, the diluted profit per share equals the basic profit per share.

18. Liabilities due to borrowings and other debt instruments

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

The syndicated credit facility agreement:

On 4th November 2021, an annex was signed to the term and revolving facility contracts of 14 November 2016.

Under the annex, the date of repayment of the revolving credit was extended to 12 November 2022 and the maximum total amount was increased by PLN 121,686,000 and is now PLN 1,000,373,500. At the same time, the date of repayment of the term loan was extended to 14 November 2024 and the maximum total loan amount was increased by PLN 78,314,000 and is now PLN 643,814,000.00.

In addition, pursuant to the annex, DNB Bank Polska S.A. resigned from its function as the lender and ceased to be a party to the Credit Agreement, and Santander Bank Polska S.A. joined the Credit Agreement as the lender.

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

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

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

In accordance with IFRS 9, the Company performed an analysis of the present value of the new cash flows resulting from the annex concluded during the reporting period. The test concluded that the present value of the new cash flows. did not change by more than 10% compared to the present value of the cash flows of the original liability. Thus, the criterion for ceasing to recognise existing liabilities was not met. The Company made the choice to carry out only a quantitative test, without extending it to an analysis taking into account qualitative factors

Non-current	31/12/2021	31/12/2020
Secured bank loans	564,487	535,529
Finance lease liabilities	24,494	27,610
Licence subscription liabilities	-	703
Sureties received	30	-
	589,011	563,842
Current	31/12/2021	31/12/2020
Secured bank loans	493,218	375,188
Loans received	94,580	93,063
Finance lease liabilities	5,975	5,781
Licence subscription liabilities	-	8,433
	593,773	482,465

(in thousand PLN)

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

Current loans and borrowings at nominal value	Contractual amount (limit)	Drawn	Maturity date
Syndicated credit	1,000,374	495,106	12/11/2022
Inter Cars (Cyprus) LIMITED	81,317	94,655	31/12/2022
	1,081,691	589,761	
Non-current loans and borrowings at nominal value	Contractual amount (limit)	Drawn	Maturity date
Syndicated credit	643,814	565,500	14/11/2024
	643,814	565,500	

As at 31 December 2021, total liabilities under loans and borrowings amounted to PLN 1,155,261 thousand of which PLN 982,424 thousand is denominated in PLN and 172,837 thousand is denominated in EUR.

Material terms of the syndicated credit facility

A consortium credit was granted by the following banks (along with the use as at 31 December 2021):

	Use in nominal value	Share in the amount drawn
Caixa Bank S.A.	150,997	14.24%
Bank Pekao S.A.	330,190	31.13%
Bank Handlowy S.A.	121,982	11.50%
Santander	70,362	6.63%
Bank BGŻ BNP Paibas S.A.	107,662	10.15%
mBank S.A.	163,040	15.37%
ING Bank Śląski S.A.	116,373	10.97%
	1,060,606	100%

The credit facility is secured with:

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

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

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

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

(in thousand PLN)

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

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

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

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

The effective interest rate as at the reporting date was 1.5 %.

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

Finance lease	31/12/2021	31/12/2020
Payments under lease agreements	3,636	2,781
Discount	(183)	(123)
Present value of liabilities under leases	<u>3,453</u>	<u>2,658</u>
<i>Payments under lease agreements</i>		
	31/12/2021	31/12/2020
Up to 1 year	1,459	1,435
Between 1 and 5 years	2,177	1,346
	<u>3,636</u>	<u>2,781</u>
<i>Present value of liabilities under leases</i>		
	31/12/2021	31/12/2020
Up to 1 year	1,377	1,358
Between 1 and 5 years	2,076	1,300
	<u>3,453</u>	<u>2,658</u>
Finance lease IFRS 16 (beneficial interest)		
	31/12/2021	31/12/2020
Payments under lease agreements	31,242	34,959
Discount	(4,226)	(4,226)
Present value of liabilities under leases	<u>27,016</u>	<u>30,733</u>
<i>Payments under lease agreements</i>		
Up to 1 year	5,619	5,594
Between 1 and 5 years	22,468	22,301
Over 5 years	3,155	7,064
	<u>31,242</u>	<u>34,959</u>
<i>Present value of liabilities under leases</i>		
Up to 1 year	4,598	4,423
Between 1 and 5 years	19,319	20,129
Over 5 years	3,099	6,181
	<u>27,016</u>	<u>30,733</u>

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

Issuance of bonds

The Company did not issue any commercial bonds in 2021.

(in thousand PLN)

19. Trade and other liabilities

	31/12/2021	31/12/2020	31/12/2020
		<i>transformed</i>	
Trade payables to related entities	659,088	403,290	403,290
Trade payables to other entities	628,153	447,979	447,979
Receivables from suppliers	(141,697)	(92,387)	(346,346)
Taxes, duties, social security and other benefits payable	73,018	60,735	60,735
Other payables and accrued expenses	50,680	44,458	44,458
	<u>1,269,242</u>	<u>864,075</u>	<u>610,116</u>

Maturity structure of trade payables

	31/12/2021	31/12/2020	31/12/2020
Up to 12 months	1,145,544	758,881	504,923
	<u>1,145,544</u>	<u>758,881</u>	<u>504,923</u>

As at 31 December 2021 and 2020, the Company had no VAT liabilities.

Currency structure of trade payables

	31/12/2021	31/12/2020	31/12/2020
		<i>transformed</i>	
Local currency	404,121	346,311	296,600
Foreign currencies	741,423	412,570	208,323
	<u>1,145,544</u>	<u>758,881</u>	<u>504,923</u>

Equivalent in national currency

	31/12/2021	31/12/2020	31/12/2020
Liabilities in EUR	507,610	298,965	96,407
Liabilities in USD	233,607	113,324	111,635
Liabilities in other currencies	207	281	281
	<u>741,423</u>	<u>412,570</u>	<u>208,323</u>

20. Employee benefits

	31/12/2021	31/12/2020
Salaries and wages	12,109	18,547
Company's Social Benefits Fund	338	(27)
	<u>12,447</u>	<u>18,520</u>

21. Income tax liabilities

	31/12/2021	31/12/2020
Maturity structure		
Up to 12 months	67,960	58,146
	<u>67,960</u>	<u>58,146</u>

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

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

(in thousand PLN)

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

	Inter Cars S.A.	
	31/12/2021	31/12/2020
Non-current receivables on long-term rental	103,777	99,846
Receivables on short-term rental	45,386	44,082
Non-current liabilities on long-term rental	103,777	99,846
Liabilities on the short-term rental	45,386	44,082
Short and long-term rental	31/12/2021	31/12/2020
Payments under lease agreements	160,830	158,080
Discount	(11,666)	(14,152)
Present value of liabilities under leases	149,164	143,928
<i>Payments under lease agreements</i>		
Up to 1 year	49,360	48,540
Between 1 and 5 years	98,654	106,618
Over 5 years	12,816	2,922
	160,830	158,080
<i>Present value of liabilities under leases</i>		
Up to 1 year	45,386	44,082
Between 1 and 5 years	92,045	97,199
Over 5 years	11,732	2,647
	149,163	143,928

23. Sales revenues

1. Sale of goods

The Company's main objects are the wholesale of goods through stationary stores and retail business through an on-line shop.

The revenues are recognized at a specific point in time, i.e. when a customer gains control over the goods.

Due to the bonuses and returns policy applied, the Company, following the IFRS 15, decreases the value of the revenues by an estimated cost of such bonuses and returns.

2. Sale of services

The Company sells services and these include mainly repair services provided to fleet chains.

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

The Company mainly has deferred payment sales. Additionally, cash sales take place in the retail area. Payment terms not exceeding 30 days are mostly used in contracts with customers. Payment is usually due upon delivery of the good or upon completion of the service .

(in thousand PLN)

Sales revenues (cont.)

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Revenue from sales of goods	8,337,994	6,309,906
Revenue from sales of services	45,761	37,926
Lease of investment property	-	-
	8,383,755	6,347,832

Sales by product groups

	2021		2020	
	(in thousand PLN)	(%)	(in thousand PLN)	(%)
Domestic sales	5,307,117	63.30%	4,296,547	67.70%
Spare parts for passenger cars	2,956,220	35.26%	2,476,576	39.00%
Spare parts for commercial vehicles and buses	932,797	11.13%	695,251	11.00%
Tyres	975,963	11.64%	679,919	10.70%
Garage equipment and tuning	236,067	2.82%	212,079	3.30%
motorcycles: vehicles, spare parts and clothing	95,207	1.14%	146,044	2.30%
Accessories	20,169	0.24%	16,554	0.30%
other, spare parts and services	90,695	1.08%	70,124	1.10%
Export	3,076,638	36.70%	2,051,285	32.30%
Spare parts for passenger cars	1,854,628	22.12%	1,238,139	19.50%
Spare parts for commercial vehicles and buses	738,729	8.81%	485,634	7.70%
Tyres	174,186	2.08%	111,662	1.80%
Garage equipment and tuning	157,403	1.88%	109,566	1.70%
motorcycles: vehicles, spare parts and clothing	57,830	0.69%	49,001	0.80%
Accessories	17,967	0.21%	13,770	0.20%
other, spare parts and services	75,895	0.91%	43,513	0.60%
Total	8,383,755	100.00%	6,347,832	100.00%

In 2021 the biggest percent growth recorded sale of tyres (44% in comparison to a year before) and sale of spare parts for commercial vehicles and buses (34%). Export sales were also characterised by the highest growth in tyre sales (56% compared to the previous year) and sales of parts for commercial vehicles and buses (52% compared to the previous year). Export sale recorded also high growth in sale of spare parts for passenger cars (50% increase compared to the year before).

Geographical structure of sales

	2021		2020	
	(in thousand PLN)	(%)	(in thousand PLN)	(%)
Domestic sales	5,307,117	63.30%	4,296,547	67.69%
Export	3,076,638	36.70%	2,051,285	32.31%
Total	8,383,755	100%	6,347,832	100%

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

(in thousand PLN)

24. Cost of sales

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Cost of services and goods sold	6,218,017	4,790 669
Foreign exchange (gains)/losses	24,934	(58,783)
Cost of sales	6,242,951	4,731,886

25. Selling cost, general and administrative expenses

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Amortization and depreciation	33,000	35,823
Materials and energy consumption	23,046	11,746
External services	1,327,079	1,098,276
Taxes and fees	41,346	9,339
Salaries	91,195	66,728
Social security and other benefits	15,318	12,825
Other costs by kind	20,461	17,128
Total costs by kind	1,551,445	1,251,865
(-) costs of distribution services	(623,994)	(513,555)
(-) costs of license fees	(35,548)	(5,216)
Selling cost, general and administrative expenses	891,903	733,094

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

26. Costs of employee benefits

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Salaries under employment contracts	89,701	65,762
Salaries under contracts for specific work and contracts of mandate	1,494	966
Social security	12,315	10,703
Other employee benefits	3,004	2,122
Costs of employee benefits recognised as costs of sales and administrative costs	106,514	79,553

27. Other operating revenue

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Profit from disposal of non-financial fixed assets	-	249
Complaints	8,807	715
Compensation, penalties and fines received	897	317
Non-trading bonuses	1,046	584
Impairment losses on past due liabilities	1,130	35
Other	850	-
	12,730	1,900

(in thousand PLN)

28. Other operating expenses

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Loss on sale of non-financial fixed assets	1,525	-
Recognised impairment losses on receivables and other impairment losses recognised	-	3,144
Past due receivables recognised as impairment losses	4,581	1,651
Inventory lacks	6,699	524
Damage to stock	22,006	11,381
Transfer pricing settlement	13,745	13,474
Other	2,067	9,146
	50,623	39,320

29. Finance income and expenses, exchange differences and dividends received

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Financial revenues		
Interest income on loans granted	281	401
Interest income on intra-group loans granted	427	802
Interest on long-term rental	4,842	5,151
Other interest	1,337	1,991
Profit on sale of investments	2,000	-
	8,887	8,345

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Dividends received		
Dividends received	58,359	47,813
	58,359	47,813

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Financial costs		
Interest expense under bank loans and bonds	14,533	17,857
Interest expense under intra-group loans	1,791	2,618
Interest on long-term rental	6,011	5,729
Interest on tax corrections from previous years	-	12,973
Other interest	512	747
Fees and commissions	8,089	8,063
	30,936	47,987

	Recognised as cost of sales	Disclosed as foreign exchange gains / (losses)	Total foreign exchange gains/(losses)
Foreign exchange gains/losses in the period from 1.01.2021 to 31.12.2021			
Arising in connection with payment of trade payables and receivables	835	-	835
Other	-	(9)	(9)
Realised foreign exchange gains/(losses)	835	(9)	826
Arising in connection with valuation of trade payables and receivables as at the reporting date	(25,769)	-	(25,769)
Other	-	3,428	3,428
Unrealised foreign exchange gains/(losses)	(25,769)	3,428	(22,341)
Total foreign exchange gains/(losses)	(24,934)	3,419	(21,515)

(in thousand PLN)

Foreign exchange gains/(losses) in the period from 1.01.2020 to 31.12.2010	Recognised as cost of sales	Disclosed as foreign exchange gains / (losses)	Total foreign exchange gains/(losses)
Arising in connection with payment of trade payables and receivables	23,380	-	23,380
Other	-	(587)	(587)
Realised foreign exchange gains/(losses)	23,380	(587)	22,793
Arising in connection with valuation of trade payables and receivables as at the reporting date	35,403	-	35,403
Other	-	(9,352)	(9,352)
Unrealised foreign exchange gains/(losses)	35,403	(9,352)	26,051
Total foreign exchange gains/(losses)	58,783	(9,939)	48,844

30. Structure of cash for the statement of cash flows

Corporate income tax paid	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Current corporate income tax disclosed in the statement of comprehensive income	(86,175)	(99,216)
Change in income tax payable	9,815	35,103
Corporate income tax paid	(76,360)	(64,113)

Increase (decrease) in receivables	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2010 transformed	01/01/2020- 31/12/2010
Change in trade and other receivables	(507,196)	(151,691)	(74,299)
Change in non-current receivables	3,440	(1,073)	(1,073)
Change in Loans granted	(4,763)	(7,648)	(7,648)
Conversion of receivables into shares	(52,594)	(17,797)	(17,797)
Sureties received	-	50	50
Other	(15)	31	31
Increase (decrease) in receivables	(561,128)	(178,128)	(100,736)

Change in Loans granted	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Loans granted	(3,950)	(7,960)
Repayment of loans granted	8,725	15,661
Interest received	693	1,207
Interest accrued	(709)	(1,208)
Other	4	(52)
Change in Loans granted	4,763	7,648

Change in short-term liabilities	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020 transformed	01/01/2020- 31/12/2020
Change in loans, borrowings, debt securities and finance lease liabilities	136,477	(95,736)	(95,736)
Change in trade and other liabilities	395,352	53,586	(23,806)
Change in employee benefits liabilities	(6,074)	(967)	(967)
Change in total liabilities	525,755	(43,117)	(120,509)

(in thousand PLN)

Change in short-term liabilities (cont.)

Including:

Recognition of new leasing agreements IFRS 16	(1,084)	(20,310)	(20,310)
Cash inflows on credits and loans	(147,331)	-	-
Repayment of loans and borrowings	-	108,564	108,564
Financial lease contracts liabilities	49,828	49,424	49,424
Other	276	(6,349)	(6,349)
Change in liabilities following adjustments, total	427,444	88,212	10,820

Purchase of financial assets in related and other entities

	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020
Increase in financial assets in related and other entities	8,384	2,594
Purchase of financial assets in related and other entities	8,384	2,594

Net interest	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020
Interest paid	(21,800)	(24,804)
Interest received	693	1,207
Net interest	(21,107)	(23,597)

31. Income tax

In the results for the 2020, the Company recognized the outcome of customs and tax controls in the area of Corporate Income Tax for the years: 2014-2017 of PLN 42.3 million. The event is described in the Separate Financial Report for 2020.

Income tax recognised under current period profit or loss

	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020
Current income tax	86,174	99,216
Change in deferred income tax	22,859	3,068
Income tax disclosed in statement of comprehensive income	109,033	102,284

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	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020
<i>Tax rate</i>	19%	19%
Profit before tax	591,196	324,893
Tax based on applicable tax rates 19%	(112,327)	(61,730)
Tax adjustment from previous years	-	(42,353)
Permanent differences	3,294	1,799
of which:		
Dividend received	11,088	9,084
Representation, advertising and catering	(1,522)	(2,229)
Amortization and depreciation	(1,238)	(1,857)
Costs of intangible services above the limit	(3,328)	-
Other non-tax deductible expenses / revenues	(1,707)	(3,199)
Income tax disclosed in statement of comprehensive income	(109,033)	(102,284)

Explanatory information is an integral part of annual separate financial statements

(in thousand PLN)

32. Dividend

Within the reporting period and till the day of publishing of these financial statements the Company had not realized any payments on account of pay-out of dividend on operating profit for 2021. 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 2021. The dividend policy of the Company projects dividend pay-out in the amount not lower than 60% of consolidated net profit of Inter Cars S.A. Capital Group for a given accounting year.

On 27 April 2021, the Company's Management Board passed a resolution to accept the Board's motion for the distribution of the 2020 profit, in conformity with which the Board applied for the distribution of the 2020 profit in such a way, that from the net profit of PLN 222,609,760.53 for 2020, the amount of PLN 20,118,702,00, i.e. PLN 1.42 per share was paid out to the shareholders in the form of a dividend, whilst the remaining amount of the profit in the amount of PLN 202,491,058.53 was transferred to supplementary capital. The Board also took a decision to propose to the General Shareholders Meeting the day of dividend for 30 June 2021 and pay-out of the dividend for 14 July 2021.

The Company's Supervisory Board acknowledged and approved the Management Board's motion of 27 April 2021 regarding the distribution of the 2020 profit and recommended that the Company's Shareholders Meeting adopt a resolution on distributing the 2020 profit in conformity with the Management Board's motion.

The dividend was paid out on 14 July 2021.

As at the date of publication of the report, no decision on the distribution of profit for the financial year 2021 had been taken.

Dividend per share

	01/01/2021 - 31/12/2021	01/01/2020- 31/12/2020
Dividend resolved and paid out to the reporting date	20,119	-
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	1.42	-

33. Unrecognised liabilities under executed agreements

Tax liabilities

Regulations on VAT, corporate and personal income tax and social security contributions change frequently, and as a consequence often there is no possibility of relying on established regulations or legal precedents. The regulations in effect tend to be unclear, thus leading to differences in opinions as to their legal interpretation, both between state authorities and between state authorities and entrepreneurs. Tax and other settlements e.g. customs or foreign currency may be subject to inspections by bodies authorized to impose material penalties, while additional amounts determined as a result of inspections are subject to interest. Consequently, the tax risk in Poland is higher than in other countries with more developed tax systems.

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

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

(in thousand PLN)

Guaranties and sureties

As at 31 December 2021, the total amount of sureties and guarantees was PLN 406,085 thousand and comprised the sureties for repayment of credits for subsidiaries and for the benefit of suppliers of subsidiaries.

	2021	2020
As at beginning of period	308,758	211,211
Issued and increases	136,933	140,414
Expired	(39,606)	(42,867)
As at end of period	<u>406,085</u>	<u>308,758</u>

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

34. Operating leases

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

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

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

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

Future minimum fees on an irrevocable financial lease

	31/12/2021	31/12/2020
Up to 1 year	36	6
From 1 to 5 years	23	-
	<u>59</u>	<u>6</u>
	31/12/2021	31/12/2020
Indefinite period	5	6
	<u>5</u>	<u>6</u>

35. Transactions with related entities

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

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

<i>Settlement</i>	Receivables as at	
	<u>31/12/2021</u>	<u>31/12/2020</u>
Inter Cars Ukraine LLC	88,070	76,634
Lauber Sp. z o.o.	29,968	31,749
Inter Cars Ceska Republika s.r.o.	51,333	49,899
Inter Cars Slovenska Republika s.r.o.	54,867	39,348
Feber Sp. z o.o.	235	65
Inter Cars Lietuva UAB	70,138	46,045
Inter Cars Italia srl	2,848	(3,047)
Inter Cars d.o.o.	168,974	145,252

(in thousand PLN)

	Receivables as at (cont.)	
	31/12/2021	31/12/2020
JC Auto S.A.	340	22
Inter Cars Hungária Kft.	78,827	43,746
Inter Cars Romania s.r.l.	297,218	274,938
Inter Cars Latvija SIA	55,442	41,459
Cleverlog-Autoteile GmbH	3,059	1,427
Inter Cars Bulgaria Ltd.	148,875	119,430
Inter Cars Marketing Services Sp. z o.o.	-	37
ILS Sp. z o.o.	457	2,980
Inter Cars Malta Limited	79	(7)
Q-Service Truck Sp. z o.o.	79	31
Inter Cars Slovenia	5,669	3,382
Inter Cars Eesti OÜ	6,244	3,264
Q-Service Sp. z o.o.	252	191
ILS Latvijas filiālie	96	71
IC Development & Finance Sp. z o.o.	10	78
Armatus sp. z o.o.	56	-
Inter cars PIESE Auto s.r.l.	138	(88)
Inter Cars Greece	37,700	15,884
InterMeko Europe Sp. z o.o.	106	1
Inter Cars d o.o. (Bosnia)	889	377
Inter Cars d.o.o. Beograd-Rakovica	87	354
JAG Sp. z o.o.	-	433
Inter Cars Fleet Services Sp. z o.o.	34,540	31,396
Inter Cars United Kingdom - AUTOMOTIVE TECHNOLOGY LTD.	3,458	3,202
OOO "INTER CARS AUTOMOBILNA TEHNIKA	65	-
CB DYSTRYBUČJA Sp. z o.o.	311	-
INTER CARS NORGE AS	24	-
Gross receivables from subsidiaries	1,140,454	928,553
Reserves for returns	(43,217)	(64,631)
Net receivables from subsidiaries	1,097,237	863,922

Settlement

	Liabilities as at	
	31/12/2021	31/12/2020
Q-service Sp. z o.o.	42,521	23,841
Lauber Sp. z o.o.	27,590	13,252
Inter Cars Česká republika s.r.o.	599	-
Inter Cars Slovenská republika s.r.o.	869	37
Feber Sp. z o.o.	6,309	13,333
Inter Cars Lietuva UAB	275	19
Inter Cars Italia srl.	745	850
Inter Cars d.o.o.	395	108
Inter Cars Hungária Kft.	67	(1)
Inter Cars Romania s.r.l.	615	923
Inter Cars Latvija SIA	280	12
Inter Cars Cyprus Ltd.	4	4
Inter Cars Marketing Services Sp. z o.o.	188,190	119,678
ILS Sp. z o.o.	87,056	40,258
Inter Cars Malta Holding Limited	(21)	(21)
Inter Cars Malta Limited	224,989	112,820

Explanatory information is an integral part of annual separate financial statements

(in thousand PLN)

	Liabilities as at (cont.)	
	31/12/2021	31/12/2020
Cleverlog sp. z o.o.	22	-
Q-service Truck Sp. z o.o.	13,304	6,534
IC Development & Finance Sp. z o.o.	1,539	1,727
Inter Cars INT d.o.o. (Slovenia)	-	72
Inter Cars Eesti OÜ	176	185
Inter Cars Bulgaria EOOD	63	44
Armatus Sp. z o.o.	(342)	(342)
INTERMEKO EUROPE SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	56	-
Inter Cars d o.o. (Bosnia)	1,524	396
INTER CARS PIESE AUTO S.R.L.	20	11
Inter Cars Greece	1,043	190
JAG Sp. z o.o.	-	933
Inter Cars Fleet Services Sp. z o.o.	184	4,648
Inter Cars d.o.o. Beograd-Rakovica	7	-
Liabilities to subsidiaries	598,079	339,511

(in thousand PLN)

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

	Sales revenues		Purchase of goods and services	
	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020
Inter Cars Ukraine LLC	187,464	155,906	-	-
Q-Service Sp. z o.o.	238	158	250,895	196,578
Lauber Sp. z o.o.	5,147	8,087	100,493	79,452
Inter Cars Ceska Republika s.r.o.	257,100	177,778	3,485	2,965
Inter Cars Slovenska Republika s.r.o.	267,309	207,926	3,527	2,724
Feber Sp. z o.o.	825	757	10,516	6,606
Inter Cars Lietuva UAB	309,129	217,367	3,870	3,492
IC Development & Finance Sp. z o.o.	10	12	87	448
Inter Cars Italia srl	7,543	7,321	1,441	63
Inter Cars d.o.o.	166,761	108,597	12,323	6,801
JC Auto S.A.	362	131	-	-
Inter Cars Hungária Kf.	171,221	117,654	2,760	4,961
Inter Cars Romania s.r.l.	369,075	268,039	5,155	3,916
Armatus sp. z o.o.	4	4	45	169
Cleverlog Autoteile BmbH	167,389	123,584	953	509
Inter Cars Latvija SIA	187,826	118,183	5,883	2,464
Inter Cars Bulgaria Ltd.	203,859	115,524	3,446	2,437
Inter Cars Marketing Services Sp. z o.o.	123	269	62,855	25,163
ILS Sp. z o.o.	4,609	7,382	452,336	364,534
Q-Service Truck Sp. z o.o.	1,087	785	32,909	24,337
Inter Cars INT d o.o.	17,329	6,344	763	476
Inter Cars Malta Ltd	89	33	483,590	312,241
Inter Cars Eesti OÜ	49,248	25,747	1,429	1,033
Inter Cars PIESE Auto s.r.l.	323	97	40	10
Inter Cars Greece	52,427	17,654	2,608	176
Inter Cars d o.o. (Bosnia)	511	181	1,119	391
Inter Cars United Kingdom - automotive technology Ltd	17,409	16,686	-	-
Inter Cars d o.o. Beograd - Rakovica	383	334	7	-
Inter Cars Fleet Services Sp. z o.o.	18,893	11,359	1,733	2,703
JAG Sp. z o.o.	1,104	1,240	7,792	8,472
OOO Inter Cars Automobila Technika	64	-	-	-
Inter Cars NORGE AS	23	-	-	-
CB DYSTRYBUCJA Sp. z o.o.	7	-	-	-
	2,464 891	1,715,139	1,452 060	1,053,121

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:

	31/12/2021	31/12/2020
Receivables		
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	21
AK-CAR Agnieszka Soszyńska	-	4
FF-SPORT Sp. z o.o.	29	44
	29	69
Loans granted		
Loans to subsidiary and associated entities	30,826	35,367
	30,826	35,367

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

(in thousand PLN)

Sales revenues	2021	2020
ANPO Andrzej Oliszewski	2	1
FASTFORWARD Maciej Oleksowicz	6	14
AK-CAR Agnieszka Soszyńska	-	1
FF-SPORT Sp. z o.o.	287	242
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	2
	<u>295</u>	<u>260</u>

Purchase of goods and services	2021	2020
ANPO Andrzej Oliszewski	502	249
FF-SPORT Sp. z o.o.	154	39
	<u>656</u>	<u>288</u>

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

Loans to subsidiaries and associated entities	2021	2020
Lauber Sp. z o.o.	8,750	8,766
IC Development & Finance Sp. z o.o.	17,912	17,848
Q-SERVICE TRUCK Sp z o.o.	-	2,555
Inter Cars Malta Ltd	-	1
Inter Cars do.o. Beograd Rakovica	924	955
JAG Sp z o.o.	-	2,003
Inter Cars Fleet Services Sp z o.o.	3,240	3,239
	<u>30,826</u>	<u>35,367</u>

The amount of granted loans with maturity up to one year is PLN 12,914 thousand, while the amount of loans with maturity over one year totals PLN 17,912 thousand.

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

Loans granted	2021	2020
As at beginning of period	35,367	41,772
Loans granted	2698	7,250
Interest accrued	427	851
Repayments received	(5,248)	(13,737)
Interest received	(412)	(821)
Balance sheet valuation	(4)	52
As at end of period	<u>32,828</u>	<u>35,367</u>

Interest accrued	2021	2020
Lauber Sp. z o.o.	206	234
IC Development & Finance Sp. .	63	72
Inter Cars Bulgaria Ltd.	-	22
Q-SERVICE TRUCK Sp z o.o.	53	50
Inter Cars Malta Ltd	-	398
Inter Cars d o.o. Beograd Rakovica	18	26
JAG Sp z o.o.	-	3
Inter Cars Fleet Services Sp z o.o.	87	46
	<u>427</u>	<u>851</u>

Explanatory information is an integral part of annual separate financial statements

(in thousand PLN)

	2021	2020
Loans received		
As at beginning of period	92,969	90,471
Loans received	-	-
Interest accrued	1,791	2,618
Interest payment	(1)	(519)
Repayment of funds	-	(5,900)
Balance sheet valuation	(272)	6,299
As at end of period	<u>94,487</u>	<u>92,969</u>
 Interest accrued	 2021	 2020
ICMS sp. z o.o.	-	28
Inter Cars (Cyprus) LIMITED	1,791	2,590
	<u>1,791</u>	<u>2,618</u>

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:

	2021	2020
As at beginning of period	291,314	194,023
Issued and increases	136,838	135,281
Expired	(32,209)	(37,990)
As at end of period	<u>395,943</u>	<u>291,314</u>

Remuneration of Supervisory Board and Management Board was as follows:

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

(in thousand PLN)

Remuneration of the Members of the Supervisory Board and the Management Board

	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020
Remuneration of the members of the Supervisory Board	538	535
Remuneration of the members of the Management Board	14,768	10,568
	<u>15,306</u>	<u>11,103</u>

Remuneration for acting as members of Management of the Board of the parent entity amounted to PLN 8,688 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 5,841 thousand.

Moreover, Mr Krzysztof Oleksowicz, holding the position of Advisor of the Management Board, who is affiliated with Maciej Oleksowicz – received in 2021 a remuneration of PLN 960 thousand

36. Financial risk management

Credit risk

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

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

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

(in thousand PLN)

According to the Board's assessment, there is no threat of no recovery of receivables from related parties in the Group, therefore the Company does not identify credit risk related to these receivables.

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:

	31/12/2021	31/12/2020 <i>transformed</i>	31/12/2020
Loans granted	38,953	43,504	43,504
Trade and other receivables (excluding loans granted)	2,089,527	1,591,033	1,337,075
Cash and cash equivalents (excluding cash in hand)	25,494	19,079	19,079
	<u>2,153,974</u>	<u>1,653,616</u>	<u>1,399,658</u>

Interest rate risk

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

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

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

Variable rate financial instruments	31/12/2021	31/12/2020 <i>transformed</i>	31/12/2020
Financial assets (loans granted)	38,953	43,504	43,504
Cash assets in bank accounts	33,018	16,769	16,769
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases and factoring)	(1,237,292)	(1,097,098)	(1,604,986)
	<u>(1,165,320)</u>	<u>(1,036,825)</u>	<u>(1,544,713)</u>

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 31/12/2021	as at 31 December 2020 <i>transformed</i>	as at 31 December 2020
	+100/-100	(10,693)/10,693	(8,398)/8,398	(12,512)/12,512
	+200/-200	(21,385)/21,385	(16,797)/16,797	(25,024)/25,024

(in thousand PLN)

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 2021			31 December 2020 translated		
Trade receivables	1,462,217	12,034	7,987	932,088	7,670	5,420
Loans granted	924	-	-	955	-	-
Cash	2,767	76	327	878	119	204
Bank credits	(78,182)	-	-	(115,539)	-	-
Loans received	(94,655)	-	-	(93,137)	-	-
Trade payables	(168,118)	(232,462)	(207)	(106,151)	(109,945)	(281)
Gross balance sheet exposure	1,124,953	(220,352)	8,107	831,396	(102,157)	5,343

	EUR	USD	Other
	31 December 2020		
Trade receivables	932,088	7,670	5,420
Loans granted	955	-	-
Cash	878	119	204
Bank credits	(115,539)	-	-
Loans received	(93,137)	-	-
Trade payables	(96,407)	(111,635)	(281)
Gross balance sheet exposure	628,838	(103,846)	5,343

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 2021	Foreign exchange rate increase/decrease	Impact on net profit / loss
EUR	+5% / -5%	45,561 / (45,561)
	+10% / -10%	91,122 / (91,122)
USD	+5% / -5%	(8,924) / 8,924
	+10% / -10%	(17,848) / 17,848
Other	+5% / -5%	328 / (328)
	+10% / -10%	564 / (564)
Foreign exchange risk management (translated)		
as at 31 December 2020	Foreign exchange rate increase/decrease	Impact on net profit / loss
EUR	+5% / -5%	33,672 / (33,672)
	+10% / -10%	67,344 / (67,344)
USD	+5% / -5%	(4,137) / 4,137
	+10% / -10%	(8,274) / 8,274
Other	+5% / -5%	217 / (217)
	+10% / -10%	434 / (434)

(in thousand PLN)

Foreign exchange risk management

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

Liquidity risk

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

The following table shows the value of current assets and liabilities and liquidity ratios as at 31 December 2021:

	2021	2020	2020
		<i>transformed</i>	
Current assets	3,974,064	2,997,827	2,743 868
Short-term liabilities	1,920,846	1,409,142	1,155 183
Surplus of current assets over short-term liabilities	2,053 218	1,588,685	1,588 685
Current ratio	2.07	2.13	2.38
Quick ratio	1.15	1.21	1.25
Cash ratio	0.01	0.01	0.02

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

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

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

The table below presents future payments of the Company as at 31 December 2021 by the date on the basis of discounted payments.

Managing the cash flows of Inter Cars S.A. is critical for the functioning of the entire organization. The central point of this aspect of management is the cash flow planning model, covering the demand for capital, primarily including inventories as well as trade receivables and liabilities. By forecasting the demand for capital, the Company continually monitors the financial flows in individual countries and adjusts the financing sources accordingly, both at the Company and the local markets level. The Company finances its activities through a consortium 7. Bank financing is kept within the following proportion: 60% short-term loans and 40% long-term loans. The Company diversifies its financing sources and has issued bonds that have been subscribed for by entities other than banks. The Company also finances its liabilities from its equity, which amounted to PLN 2,253 b as at 31 December 2021. The Company reinvests financial resources gained on operational activity. To maintain liquidity, the Company keeps a stable amount of cash ranging from PLN 6 and 12 m available at its points of sale (- branches).

(in thousand PLN)

	2021					
	matured	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings, bonds	-	-	587,797	564,488	-	1,152,285
finance lease liabilities	-	209	1,167	2,076	-	3,452
liabilities on rental	-	1,134	3,464	22,418	-	27,016
trade and other payables	745,058	412,414	43,801	2	6	1,201,281
	745,058	413,757	636,230	588,984	6	2,384,034

	2020 transformed					
	matured	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings, bonds	-	-	468,251	535,529	-	1,003,780
finance lease liabilities	-	318	1,039	1,301	-	2,658
liabilities on rental	-	1,106	3,317	26,310	-	30,733
subscription liabilities	-	2,108	6,325	703	-	9,137
trade and other payables	327,899	451,936	26,076	11	7	805,929
	327,899	455,469	505,009	563,853	7	1,852,236

	2020					
	matured	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings, bonds	-	-	468,251	535,529	-	1,003,780
finance lease liabilities	-	318	1,040	1,300	-	2,658
liabilities on rental	-	1,106	3,317	26,310	-	30,733
subscription liabilities	-	2,108	6,325	703	-	9,136
trade and other payables	73,940	451,936	26,076	11	7	551,970
	73,940	455,468	505,009	563,853	7	1,598 277

Capital management

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

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

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

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

(in thousand PLN)

	31/12/2021	31/12/2020 <i>transformed</i>	31/12/2020
Loan, borrowing and finance lease liabilities	1,182,784	1,046,307	1,046,306
Trade and other liabilities	1,201,282	805,929	551,970
(less) cash and cash equivalents	<u>(25,494)</u>	<u>(19,079)</u>	<u>(19,079)</u>
Net debt	2,358,571	1,833,157	1,579,197
Equity	<u>2,252,538</u>	<u>1,790,495</u>	<u>1,790,495</u>
Net debt to equity	<u>1.05</u>	<u>1.02</u>	<u>0.88</u>

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

Fair value

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

37. Events subsequent to the balance sheet date

Until 24 February this year, sales in Ukraine were normal, then operations were suspended due to the start of war activities by Russia. Sales in Ukraine are now resuming gradually, with 30 branches out of 38 now operating, but sales are much lower than before 24 February 2022. Sales for March 2022 were roughly at 20% of sales the year before.

Our Ukrainian employees are showing incredible fortitude and determination, we support their efforts and our intention is to remain in Ukraine.

The Ukrainian company's sales in 2021 amounted to PLN 580 million, which represented 4.73 percent of last year's Group sales.

Due to the destruction of the central warehouse belonging to our subsidiary in Ukraine, we made an impairment charge of PLN 75 million on the value of goods and fixed assets at this location. The write-down will affect the result of the first quarter of 2022.

The total net asset value of our company in Ukraine is PLN 150 million, although it should be noted that the remaining assets not covered by the write-down are scattered in many locations, primarily where hostilities are not intense.

In Russia and Belarus we did not sell directly through subsidiaries.

38. Material evaluations and estimates

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

- Note 13 Impairment losses on stock (the Management Board analyses whether or not there is a possibility of impairment of stock. In the event of identification of impairment, net obtainable values are to be evaluated),
- Note 14 Impairment loss on receivables (as at the balance sheet date, the Company evaluates whether or not there is evidence of impairment of a receivable or a group of receivables. If the recoverable value of an asset is lower than its carrying value, the Company creates an impairment loss to the level of the current value of planned cash flows),
- Note 6/8 Impairment loss on property, plant and equipment, estimates as to the useful economic life of property, plant and equipment and intangible assets (the amount of rates

(in thousand PLN)

and impairment losses is determined based on the anticipated useful economic life of a property, plant and equipment or intangible assets item; the useful economic life periods are verified at least once during each financial year. The Management Board of the Company also evaluates whether or not there is the possibility of impairment losses on assets. If an impairment loss is identified, the recoverable value of assets must be determined).

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

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

39. Continued and discontinued operations

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

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

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

The most significant event that may affect the Company's financial results in future periods is the conduct of hostilities by the Russian Federation against Ukraine.

Due to the temporary suspension of sales in the Ukrainian company, the Company is unable to estimate at this time the lost profits in 2022. The Company believes that at present there are no indications that the Company's ability to continue as a going concern is impaired. However, the development of the situation is very dynamic and unpredictable. In connection with the above, the Company's Management Board analyses on an ongoing basis the situation related to the escalation of the armed conflict in Ukraine and does not rule out that possible new conditions and changes may significantly affect the Company's operations and financial results.

40. Consolidated financial statements

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

(in thousand PLN)

INFORMATION OF THE INTER CARS S.A. MANAGEMENT BOARD

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

The Management Board of Inter Cars S.A., having its registered seat in Warsaw (“**the Company**”), acting in conformity with § 70.1.7 of the Minister of Finance Regulation of 29 March 2018 on the current and periodical information provided by securities issuers, and on consideration as equivalent the information required by law of a non-member state, as well as based on the statement of the Company’s Supervisory Board to this effect, informs that the audit firm selected to audit the Company’s standalone annual financial statements for the financial year ended on 31 December 2021 was selected in conformity with the applicable regulations, including those related to the selection of an audit firm and its selection procedure.

Furthermore, the Management Board of the Company informs that:

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

These separate financial statements were approved by the Management Board of Inter Cars S.A for publication on 27 April 2022.

(in thousand PLN)

**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 and conditions for recognition as equivalent information required by the law of a non-Member State, dated 29 March 2018, 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.
- The comments to the annual report constituting an annual report on the activities of the Inter Cars Group gives a true and fair view of the development, achievements and situation of the Inter Cars S.A., including description of basic threats and risks.

Maciej Oleksowicz
CEO

Krzysztof Soszyński
Vice-President of the
Management Board

Wojciech Twaróg
Member of the
Management Board

Piotr Zamora
Member of the
Management Board

Julita Pałyska
Person responsible for
keeping the accounting
books

Warsaw, 28 April 2022.