UNIMOT Capital Group

Annual Report for 2018.

Consolidated Statements

29 March 2019

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1. SELECTED FINANCIAL DATA

Selected data from the consolidated financial statements

	in PLN thous.		in EUR thous.	
	31.12.2018	Comparable data*	31.12.2018	Comparable data*
I. Net revenues on sales of products, goods and materials	3,370,994	3,009,249	790,033	708,943
II. Profit/(loss) on operating activity	727	29,896	170	7,043
III. Gross profit/(loss)	(221)	24,000	(52)	5,654
IV. Net profit (loss) attributable to parent entity owners	110	20,705	26	4,878
V. Net profit /(loss)	(3,140)	19,515	(736)	4,597
VI. Net cash flows from operating activity	(29,200)	20,117	(6,843)	4,739
VII. Net cash flows from investment activity	(1,090)	(3,014)	(255)	(710)
VIII. Net cash flows from financial activity	(27,317)	50,204	(6,402)	11,827
IX. Total net cash flows	(57,607)	67,307	(13,501)	15,857
X. Total Assets	603,285	618,520	140,299	148,294
XI. Liabilities and provisions for liabilities	410,040	408,199	95,358	97,868
XII. Long-term liabilities	13,679	25,306	3,181	6,067
XIII. Short-term liabilities	396,361	382,893	92,177	91,801
XIV. Equity	193,245	210,321	44,941	50,426
XV. Share capital	8,198	8,198	1,907	1,966
XVI. Number of shares (thousand pcs.)	8,198	8,198	-	-
XVII. Profit (loss) per one ordinary share attributable to owners of the parent company (in PLN/EUR)**	0.01	2.68	0.00	0.63
XVIII. Diluted profit (loss) per ordinary share attributable to owners of the parent company (in PLN/EUR)**	0.01	2.68	0.00	0.63
XIX. Carrying amount per share (in PLN/ euro)***	23.57	25.66	5.48	6.15
XX. Diluted carrying amount per share (in PLN/EUR)***	23.57	25.66	5.48	6.15
XXI. Declared or paid dividend per share (in PLN/ EUR)	1.70	1.20	0.40	0.28

*Data for items relating to the statement of financial standing are presented as at 31 December 2017 and for items relating to the statement of comprehensive income and cash flow statement for the period from 1 January 2017 to 31 December 2017.

** as at 31 December 2018, the number of shares used for the calculation of earnings per ordinary share and diluted earnings per ordinary share amounted to 8,198 thousand pcs
** as at 31 December 2017, the number of shares used for the calculation of earnings per ordinary share and diluted earnings per ordinary share was 7,731 thousand
*** as at 31 December 2018, the number of shares used to calculate the carrying amount and diluted carrying amount per share was 8,198 thousand.
*** as at 31 December 2017, the number of shares used to calculate the carrying amount and diluted carrying amount per share was 8,198 thousand.

The selected financial data were translated into the euro in the following way:

Items of assets and liabilities in the statement of financial standing were converted into EUR at the average exchange rate announced by the National Bank of Poland applicable as at 31 December 2018, i.e. 4.3 PLN/EUR and for comparative data as at 31.12.2017, i.e. 4.1709 PLN/EUR.

Particular items of the profit and loss account and other comprehensive income and cash flows were converted according to the exchange rate being the arithmetic mean of the average exchange rates of the NBP effective on the last calendar day of individual months, which amounted, respectively, to 4.2669 PLN/EUR (2018), 4.2447 PLN/EUR (2017).

2. ANNUAL CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of financial standing

in thousand PLN	*Note*	31.12.2018	31.12.2017*
Fixed assets			
Tangible fixed assets	*4.9*	45,825	50,459
Intangible assets	*4.10*	18,636	20,501
Other financial assets	*4.11*	391	391
Financial derivatives	*4.21*	987	-
Other long-term receivables	*4.14*	3,753	7,078
Assets due to agreements with customers	*4.16*	5,252	-
Assets due to deferred income tax	*4.12*	1,916	2,079
Total fixed assets		**76,760**	**80,508**
Current assets			
Inventory	*4.13*	190,500	233,187
Assets due to agreements with customers	*4.16*	2,945	-
Trade receivables and other receivables	*4.15*	246,487	245,948
Other financial assets	*4.11*	141	222
Financial derivatives	*4.21*	33,190	14,842
Receivables due to income tax	*4.8*	-	1,662
Cash and equivalents	*4.18*	47,015	36,532
Other current assets	*4.17*	6,247	5,619
Total current assets		**526,525**	**538,012**
Total Assets		**603,285**	**618,520**

** The Group applied the retrospective method with the combined effect of the first application of IFRS 9 and IFRS 15 in retained earnings from 1 January 2018. According to the method selected, comparative data are not converted. Information on the application method is presented in note 3.4.*

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

Adam Sikorski *Robert Brzozowski* *Marek Moroz*

Person drawing up the financial statements

Małgorzata Walnik

The consolidated statement of financial standing should be read in conjunction with the explanatory notes, which form an integral part of the consolidated financial statements.

Consolidated statement of financial standing (continued)

in thousand PLN	*Note*	31.12.2018	31.12.2017*
Equity			
Share capital	*4.19*	8,198	8,198
Other capitals	*4.19*	174,437	163,100
Result of previous years and result of the current year	*4.19*	4,841	30,004
Equity of owners of the parent entity		**187,476**	**201,302**
Non-controlling shares		5,769	9,019
Total equity		**193,245**	**210,321**
Long-term liabilities			
Liabilities due to credits, loans and other debt instruments	*4.20*	10,004	11,674
Liabilities due to employee benefits	*4.24*	167	184
Financial derivatives	*4.21*	3,457	10,166
Provision due to deferred income tax	*4.12*	51	3,282
Total long-term liabilities		**13,679**	**25,306**
Short-term liabilities			
Overdrafts	*4.20*	215,232	140,575
Liabilities due to credits, loans and other debt instruments	*4.20*	3,573	4,097
Financial derivatives	*4.21*	8,365	19,047
Liabilities due to employee benefits	*4.24*	485	535
Liabilities due to income tax		1,112	106
Provisions	*4.25*	830	830
Liabilities due to agreements with customers	*4.26*	13,390	-
Trade liabilities and other liabilities	*4.27*	153,374	217,703
Total short-term liabilities		**396,361**	**382,893**
Total liabilities		**410,040**	**408,199**
TOTAL LIABILITIES		**603,285**	**618,520**

** The Group applied the retrospective method with the combined effect of the first application of IFRS 9 and IFRS 15 in retained earnings from 1 January 2018. According to the method selected, comparative data are not converted. Information on the application method is presented in note 3.4.*

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Consolidated statement of comprehensive income

in thousand PLN	***Note***	**01.01.2018 - 31.12.2018**	**01.01.2017-31.12.2017***
Revenue on sales	*4.1*	3,367,462	3,005,002
Profits (losses) on financial instruments hedging sales		3,532	4,247
Costs of products, goods and materials sold	*4.3*	(3,249,095)	(2,863,845)
Gross profit on sales		**121,899**	**145,404**
Other operating revenues	*4.4*	2,871	2,201
Sales costs	*4.2*	(93,937)	(95,629)
Overheads	*4.2*	(23,431)	(19,849)
Other net profits / (losses)	*4.5*	464	(10)
Other operating expenses	*4.6*	(7,139)	(2,221)
Profit/(loss) on operating activity		**727**	**29,896**
Financial revenue	*4.7*	7,530	211
Financial expenses	*4.7*	(8,478)	(6,107)
Net financial revenues / (expenses)		**(948)**	**(5,896)**
Share in the net result of affiliates		-	-
Profit/ (loss) before tax		**(221)**	**24,000**
Income tax	*4.8*	(2,919)	(4,485)
Net profit / (loss) for financial year		**(3,140)**	**19,515**
including, attributable to:			
Owners of the parent entity		110	20,705
Non-controlling shares		(3,250)	(1,190)
Net profit / (loss) for financial year		**(3,140)**	**19,515**
Other comprehensive income to be reclassified to profit or loss when certain conditions are met Valuation of hedging instruments after taking into account the tax effect		-	(3,721)
Other comprehensive net income for the financial year, after tax		-	**(3,721)**
Total comprehensive income for the financial year		**(3,140)**	**15,794**
including, attributable to:			
Owners of the parent entity		110	16,984
Non-controlling shares		(3,250)	(1,190)
Total comprehensive income for the financial year		**(3,140)**	**15,794**
Profit/(loss) per share attributable to owners of the parent entity (in PLN)		**0.01**	**2.68**
Diluted profit/(loss) per share attributable to owners of the parent entity (in PLN)		**0.01**	**2.68**

** The Group applied the retrospective method with the combined effect of the first application of IFRS 9 and IFRS 15 in retained earnings from 1 January 2018. According to the method selected, comparative data are not converted. Information on the application method is presented in note 3.4.*

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in thousand PLN	Note	01.01.2018 - 31.12.2018	01.01.2017-31.12.2017*
Cash flows from operating activities			
Profit/ (loss) before tax		**(221)**	**24,000**
Adjustments			
Depreciation of tangible fixed assets	4.9	5,122	4,675
Amortisation of intangible assets	4.10	411	198
Exchange losses/(gains)		6,567	13,586
(Profit)/loss on disposal of tangible fixed assets	4.5	(464)	10
Interest, transaction costs (related to credits and loans) and dividends net		8,013	4,955
Change in receivables	4.31	3,983	(39,709)
Change in inventory	4.13	42,687	336
Change in the status of assets due to agreements with customers	4.16	(8,197)	-
Change in the status of liabilities due to agreements with customers	4.26	13,390	-
Change in the status of short-term trade liabilities and other liabilities	4.31	(62,240)	6,686
Change in the balance of assets/(liabilities) on account of derivative instruments		(36,726)	7,211
Change in provisions	4.25	(3,231)	2,447
Change in the status of liabilities due to employee benefits	4.24	(67)	207
Write-off on goodwill		572	-
Write-off on intangible assets		4,120	-
Income tax paid/refunded		(2,919)	(4,485)
Net cash flows from operating activity		**(29,200)**	**20,117**
Cash flows from investment activities			
Proceeds from sales of tangible fixed assets		1,485	248
Interest received		239	197
Proceeds due to loans		30	14
Other proceeds/(outflows) from investment activity		-	274
Purchase of tangible fixed assets		(2,402)	(1,798)
Purchase of intangible assets		(86)	(1,778)
Loans granted		(105)	(138)
Purchase of other investments		(251)	(33)
Net cash flows from investment activity		**(1,090)**	**(3,014)**
Net cash flows from financial activity			
Net proceeds due to issue of shares		-	99,000
Incurring credits, loans and other debt instruments		25,765	35,859
Repayment of incurred credits, loans and other debt instruments		(26,964)	(63,873)
Dividends paid		(13,936)	(9,837)
Payment of liabilities arising from financial lease agreements		(3,451)	(3,053)
Interest and transaction costs (related to credits and loans) paid		(8,731)	(5,510)
Other financial expenses - costs of shares issue		-	(2,382)
Net cash flows from financial activity		**(27,317)**	**50,204**
Change in the status of cash and equivalents		**(57,607)**	**67,307**
Impact of changes due to currency exchange differences related to cash and equivalents		(6,567)	(14,811)
Change in the status of cash and equivalents		**(64,174)**	**52,496**
Cash and equivalents after decreasing by overdrafts as at 1 January	4.18	**(104,043)**	**(156,539)**
Cash and equivalents after decreasing by overdrafts as at 31 December	4.18	**(168,217)**	**(104,043)**

** The Group applied the retrospective method with the combined effect of the first application of IFRS 9 and IFRS 15 in retained earnings from 1 January 2018. According to the method selected, comparative data are not converted. Information on the application method is presented in note 3.4.*

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The consolidated statement of cash flows should be read in conjunction with the explanatory notes, which form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

in PLN thousand	Equity of parent entity owners							
	Share capital	Capital due to hedge accounting	Other capitals (including own shares)	Result of previous years	Result of the current year	**Total**	Non-controlling shares	**Total equity**
Equity as at 1 January 2017	**5,832**	**3,721**	**46,430**	**(774)**	**42,206**	**97,415**	**10,332**	**107,747**
Total income for financial year	**-**	**(3,721)**	**-**	**-**	**20,705**	**16,984**	**1,190**	**15,794**
-Net profit (loss)for the period	-	-	-	-	20,705	**20,705**	(1,190)	**19,515**
-Other total income for financial year	-	(3,721)				**(3,721)**		**(3,721)**
Transactions with parent entity owners recognised directly in equity								
Contributions from and disbursements to owners	2,366		(166)	-	(9,837)	**(7,637)**	-	**(7,637)**
Dividend	-	-	-	-	*(9,837)*	***(9,837)***	-	***(9,837)***
Issue of shares	*2,366*		*(166)*	-	-	***2,200***	-	***2,200***
Issue of shares above face value	-		94,417	-	-	**94,417**	-	**94,417**
Changes in ownership structure subordinated entities	-	-	-	-	123	**123**	(123)	-
Adjustment of previous years' result	-	-	-	10,073	(10,073)	-	-	-
Profit transfer	-		22,419	-	(22,419)	-	-	-
Equity as at 31 December 2017	**8,198**	**-**	**163,100**	**9,299**	**20,705**	**201,302**	**9,019**	**210,321**

in PLN thousand	Equity of parent entity owners							
	Share capital	Capital due to hedge accounting	Other capitals (including own shares)	Profit of previous years	Result of the current year	**Total**	Non-controlling shares	**Total equity**
Equity as at 1 January 2018	**8,198**	**-**	**163,100**	**9,299**	**20,705**	**201,302**	**9,019**	**210,321**
Effect of IFRS 15 and IFRS 9 application	-	-	-	-	-	-	-	-
Data adjusted for the impact of IFRS 15 and IFRS 9 as at 1 January 2018	**8,198**	**-**	**163,100**	**9,299**	**20,705**	**201,302**	**9,019**	**210,321**
Total income for financial year	**-**	**-**	**-**	**-**	**110**	**110**	**(3,250)**	**(3,140)**
Net profit /(loss)for the period	-	-	-	-	110	**110**	(3,250)	**(3,140)**
Transactions with parent entity owners recognised directly in equity								
Contributions from and disbursements to owners	-	-	-	-	(13,936)	**(13,936)**	-	**(13,936)**
Dividend	-	-	-	-	*(13,936)*	***(13,936)***	-	***(13,936)***
Adjustment of previous years' result	-	-	11,337	(4,568)	4,568	**-**	-	**-**
Profit transfer	-	-	11,337	-	(11,337)	**-**	-	**-**
Equity as at 31 December 2018	**8,198**	**-**	**174,437**	**4,731**	**110**	**187,476**	**5,769**	**193,245**

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The consolidated statement of changes in equity should be read in conjunction with the explanatory notes, which form an integral part of the consolidated financial statements.

3. EXPLANATORY NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

3.1 INFORMATION ON THE GROUP

Unimot Spółka Akcyjna ("Unimot", "Company", "Parent Company") with its registered office in Zawadzkie at ul. Świerklańska 2A is the Parent Company in the Unimot Capital Group ("Capital Group", "Group"). On 29 March 2011, the Company was entered in the Register of Entrepreneurs of the National Court Registerin Opole, 8th Commercial Department of the National Court Register, under the KRS number: 0000382244.

Since 7 March 2017, shares of the Company have been on the regulated market of the Warsaw Stock Exchange.

The core business of the Group is retail and wholesale of liquid and gaseous fuels, petroleum products, electricity as well as the development and construction of a natural gas distribution network.

As at the balance sheet date and as at the date of preparation of these consolidated financial statements, the composition of the Parent Company management and supervisory bodies was as follows:

Personal composition of the Management Board as at the day of drawing up these financial statements:
Adam Sikorski - President of the Management Board
Robert Brzozowski - Vice-President of the Management Board
Marek Moroz - Vice-President of the Management Board

Personal composition of the Supervisory Board as at the day of drawing up these financial statements:
Andreas Golombek - Chairman of the Supervisory Board
Bogusław Satława - Vice-Chairman of the Supervisory
Board Piotr Cieślak - Member of the Supervisory Board
Isaac Querub - Member of the Supervisory Board
Piotr Prusakiewicz - Member of the Supervisory Board
Ryszard Budzik - Member of the Supervisory Board
Dariusz Formela - Member of the Supervisory Board

The consolidated financial statements for the financial year ended 31 December 2018 include the financial statements of the Parent Company and its subsidiaries (jointly referred to as the "Group").

At 31 December 2018 Parent Company Unimot S.A. owned directly and indirectly shares in the following subsidiaries:

Name of subsidiary	Registered office	Scope of core business of the entity	Shares held and voting rights	Date of acquisition
Unimot System Sp. z o.o.	Poland	distribution of gaseous fuels in the network system	58.74%	20.01.2014
Polskie Przedsiębiorstwo Gazownicze Warszawa Sp. z o.o. (PPGW Sp. z o.o.)	Poland	distribution of gaseous fuels in the network system	58.74%	26.03.2014
Blue Cold Sp. z o.o.	Poland	production of gaseous fuels	50.76%	29.04.2014
Blue LNG Sp. z o.o.	Poland	distribution of gaseous fuels in the network system	58.74%	04.07.2014
Unimot Paliwa Sp. z o.o. *	Poland	liquid fuel distribution	100.00%	16.11.2015
Unimot Energia i Gaz Sp. z o.o. **	Poland	Distribution of electricity and liquid fuels	100.00%	30.12.2015
Unimot Energia i Gaz Sp. z o.o. SK.A. ***	Poland	liquid fuel distribution	100.00%	30.12.2015
Trader Sp. z o.o.	Poland	Distribution of electricity	100.00%	23.05.2016
Unimot Ukraine LLC	Ukraine	liquid fuel distribution	100.00%	19.04.2018
Unimot Asia LLC	China	liquid fuel distribution	100.00%	04.09.2018

** change of the company name from Tankuj24.pl Sp. z o.o. to Unimot Paliwa Sp. z o.o. on 28.03.2019.*
*** Change of the company name from Energogas Sp. z o.o. to Unimot Energia i Gaz Sp. z o.o. on 08.02.2018.*
**** Change of the name of the company from Energogas Sp. z o.o. SK.A. to Unimot Energia i Gaz Sp. z o.o. S.K.A. on 16.04.2018.*

In 2018, the following changes in the organisational structure of Unimot Capital Group took place:

- On 19 April 2018, Unimot Ukraine Limited Liability Company - a direct wholly-owned subsidiary of the Parent Company Unimot S.A. - was registered. The share capital of Unimot Ukraine LLC amounts to EUR 1,000.
- On 27 June 2018 the Parent Company Unimot S.A. increased the capital of Unimot Energia i Gaz Sp. z o.o. by taking up 1000 new shares of PLN 1,000 each, as a result of which the share capital of this company increased by PLN 1.0 million. The percentage share of Unimot S.A. in Unimot Energia i Gaz Sp. z o.o. has not changed and amounts to 100.00%.
- On 31 June 2018, the Parent Company Unimot S.A. increased the capital in Unimot Paliwa Sp. z o.o. by taking up 1500 new shares, at PLN 100 each, as a result of which the share capital of this company increased by PLN 150 thousand. Percentage share of Unimot S.A. in tankuj24.pl. Sp. z o.o. has not changed and amounts to 100.00%.
- On 4 September 2018, Unimot Asia Limited Liability Company - a direct wholly-owned subsidiary of the Parent Company Unimot S.A. - was registered. The share capital of Unimot Asia LLC amounts to EUR 200,000.
- On 9 October 2018, the Parent Company Unimot S.A. increased the capital of Unimot Paliwa Sp. z o.o., taking up 2750 new shares at PLN 100 each, as a result of which the share capital of this company increased by PLN 275 thousand. Percentage share of Unimot S.A. in tankuj24.pl. Sp. z o.o. has not changed and amounts to 100.00%.
- On 9 November 2018, the Parent Company Unimot S.A. increased the capital of Unimot Energia i Gaz Sp. z o.o. by taking up 1000 new shares of PLN 1,000 each, as a result of which the share capital of this company increased by PLN 1.0 million. The percentage share of Unimot S.A. in Unimot Energia i Gaz Sp. z o.o. has not changed and amounts to 100.00%.

Mergers executed in 2018:

No mergers in the period from 1 January to 31 December 2018.

Disposals executed in 2018:

No disposals in the period from 1 January to 31 December 2018.

3.2 Basis of preparation of the annual consolidated financial statements

(a) Going concern assumption

The financial statement was prepared with the assumption that the Company would continue its business operations within a period of at least twelve months following the balance sheet day. Due to the fact that bank loans are the predominant form of financing the Group's operations, attention should be paid to the risk of inability to raise funding for current operations from third party sources for reasons attributable to the Group and external factors. This has a significant impact on the assessment of the Group's ability to continue as a going concern.

In the period of 12 months from 31 December 2018, the following credit agreements, significant from the point of view of the Group's operations, will be renewed:

1. Bank BGŻ BNP Paribas S.A. (former Raiffeisen Bank Polska S.A.) overdraft facility, maturity date on 30 April 2019, financing of current operations
2. Bank Millenium S.A. overdraft facility, maturity date on 21 April 2019, financing of current operations,
3. mBank S.A. overdraft facility, maturity date on 28 October 2019, financing of current operations,
4. ING Bank Śląski S.A. overdraft facility, maturity date on 31 May 2019, financing of mandatory reserves of liquid fuels - diesel oil.

In the case of the above loans, the Group did not meet the terms of the agreements indicating the level of financial ratios required to maintain as at 31 December 2018. A detailed description is provided in section "4.22 ANALYSIS OF CREDIT AND LOAN AGREEMENTS". The consequences of the breach indicated in the agreements include:

- possibility to reduce the amount of available limits by the bank,
- the right to call for additional collateral,
- increasing the bank's margin,
- possibility of termination of the agreement by the bank.

As part of the risk analysis process, the Management Board of the Group also takes into account the risk related to the lack of extension of credit agreements for subsequent periods. As at the date of publication of this report, however, banks have not initiated any procedures with respect to the Group related to the violation of financial ratios, at the same time confirming their awareness of the breach of contractual terms and conditions with respect to financial ratios and declaring their intention to continue financing of the Group. The Group does not have any information that would allow it to assume the implementation of the above mentioned consequences, and in particular the most rigorous solution, i.e. the possibility for banks to use a possibility to terminate or refuse to extend the limits.

Due to the short-term nature of the agreements, the Group is in the process of applying for extension of loans with the nearest maturity dates. It should be noted that the renewal of some loans was based on data for three quarters of 2018 - also under the conditions of infringed bank covenants and, as it seems, slightly worse market outlook than at present.

The Group also assessed the consequences in the event of a significant decrease in the level of financing or a hypothetical termination of financing and the possibility of satisfying lenders as a result of such actions. Due to the fact that the liabilities on this account are covered by cash and the possibility of quick liquidation of current assets with a high degree of liquidity (liquid fuel inventories), the Group is prepared for such a scenario.

The Group assesses that in connection with the activities aimed at ensuring permanent financing of the Group's operations, the impact of the above mentioned issues on the Group's future situation is limited. Therefore, as at the date of signing the financial statements, the Group has not identified any facts or circumstances, either of the type referred to above or of any other type, that would indicate a threat to the Group's ability to continue as a going concern within 12 months after the balance sheet date as a result of an intentional or forced discontinuation or material limitation of its current operations.

(b) Statement of compliance

The consolidated financial statements were drawn up with the application of accounting principles compliant with International Financial Reporting Standards (IFRS), comprising International Accounting Standards (IAS) and Interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), approved by the European Union (EU) and applicable as at 31 December 2018.

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and available-for-sale financial assets measured at fair value.

The consolidated financial statements of the Capital Group to which the Company belongs, as a subsidiary, are prepared by Unimot Express Sp. z o.o. with its registered office in Warsaw, ul. Ks. J. Poniatowskiego 1 03-901 Warszawa.

EU IFRS contain all the International Accounting Standards, International Financial Reporting Standards and related Interpretations, except for the Standards and Interpretations listed below, which are awaiting approval by the European Union or have been approved by the EU, but have not yet entered into force.

Certain new standards, amendments to standards and interpretations which are or will be effective for reporting periods ending after 31 December 2018 have not been taken into account in drawing up these consolidated financial statements.

New accounting standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

A. Amendments to the existing standards applied for the first time in the consolidated financial statements of the Capital Group for 2018.

a) IFRS 9 "Financial Instruments"

IFRS 9 Financial Instruments - the standard introduces: a new model of impairment of financial assets based on the concept of "expected loss", changes in the principles of classification and valuation of financial instruments (in particular financial assets) and introduces a new approach to hedge accounting. The Group has implemented a new standard by actively involving organisational units responsible mainly for accounting, financial reporting and risk management.

IFRS 9, unlike IAS 39, does not require the identification of indications of impairment in order to estimate losses. In return, entities are obliged to continuously estimate credit losses from the moment of recognition of a given asset until it is derecognised from the balance sheet.

At the time of acquisition or delivery of a financial asset, the Group is required to maintain a write-down of ECL 12 months. In the case of a significant increase in credit risk until the initial recognition of an asset in the balance sheet, it is necessary to count losses in the lifetime horizon (the so-called basket 2). Such an approach causes that expected credit losses will be recognised earlier, which will ultimately translate into higher write-downs and thus ultimately affect the financial result.

An exception to the above rule are trade receivables and assets due to contracts resulting from transactions that fall within the scope of IFRS 15 (contract assets). For these categories of assets, the Group has opted for a simplified approach, under which write-downs are estimated over the lifetime horizon from the moment of initial recognition of exposures in the books.

Impact of IFRS 9 with respect to Impairment on the Group's financial standing

The new requirements for the determination of write-downs relate primarily to the following types of financial assets in the Group's balance sheet:

- ✓ trade receivables,
- ✓ loans granted and bonds purchased,
- ✓ cash.

The Group presented the above mentioned disclosure in Note 3.4.

b) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 contains requirements for both quantitative and qualitative disclosures designed to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts.

The amendments to IFRS 15 explain how to identify contractual obligations, determine whether the Group is acting on its own behalf in providing goods or services, whether it acts as an agent, and whether revenue from licensing should be recognised once or spread over time.

In addition, the changes include two additional simplifications related to the implementation of the standard.
In accordance with the new standard, the Group applies a five-step model to determine when and how much revenue is recognised. The model assumes that revenue should be recognised when (or to the extent that) entities transfer control of goods or services to the customer and to the extent that the entity will be entitled to do so for the supply of goods or services.

Depending on the fulfilment of certain criteria, revenues are recognised:

- ✓ over time in a manner that illustrates the entity's performance of the contract, or
- ✓ one-off when control of goods or services is transferred to the customer.

Impact of IFRS 15 on the Group's financial standing

In accordance with IFRS 15, the Group's revenues less costs incurred in connection with trading activities in the area of electricity were transferred to financing activities.

The Group presented the above mentioned disclosure in Note 3.4.

c) Explanation to IFRS 15 "Revenue from Contracts with Customers"

The notes to IFRS 15 "Revenue from Contracts with Customers" provide additional information and explanations concerning the main assumptions made in IFRS 15, such as identifying separate obligations, determining whether the entity acts as an intermediary (agent), or is a major supplier of goods and services (principal), and how licence revenue is recorded. In addition to the additional explanations, exemptions and simplifications have also been introduced for entities applying the new standard for the first time.

The Group presented the above mentioned disclosure in Note 3.4.

d) Amendments to IFRS 2: Share-based Payment

The amendment to IFRS 2 introduces, inter alia, guidelines on fair value measurement of liabilities arising from cash-settled share-based transactions, guidelines on reclassification of cash-settled share-based transactions into equity-settled share-based transactions, and guidelines on recognition of employee's tax liability arising from share-based transactions.

Amendments to IFRS 2 do not affect these consolidated financial statements.

e) Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts"

Amendments to IFRS 4 "Insurance Contracts" address the issue of applying the new standard IFRS 9 "Financial Instruments". The published amendments to IFRS 4 supplement the options already existing in the standards and are aimed at preventing temporary fluctuations in the performance of insurance sector entities due to the implementation of IFRS 9.

Amendments to IFRS 4 do not affect these consolidated financial statements.

f) Annual amendments to IFRS 2014 - 2016

The "Annual Amendments to IFRS 2014-2016" amend 3 standards: IFRS 12 “Disclosure of Interests in Other Entities”, IFRS 1 The Company's financial statements for the first time include the following: "First-time Adoption of IFRSs" and IAS 28 "Investments in Associates and Joint Ventures". The amendments include clarifications and changes in the scope of standards, recognition and measurement, as well as terminological and editorial changes. Amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017. Other changes are obligatory from 1 January 2018.

g) Amendments to IAS 40: Investment Property

The amendments to IAS 40 clarify the requirements related to reclassification to and from investment property.

h) IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting principles for transactions in which an entity receives or transfers advances in a foreign currency.

B. Published standards and interpretations which are not applicable yet and which were not earlier used by the Group

In these financial statements, the Group has not decided to apply the following published standards, interpretations or amendments to existing standards before their effective date:

IFRS 16 “Leases”

IFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019.

The new standard establishes the rules of recognition, measurement, presentation and disclosures related to leasing. All lease transactions result in the lessee obtaining the right to use the asset and the liability for the obligation to pay. At the same time, IFRS 16 waives the classification of operating and financial lease in accordance with IAS 17 and introduces a single model for accounting treatment of lease by the lessee. The lessee will be required to recognise:
(a) assets and liabilities for all leasing transactions entered into for a period longer than 12 months, except when the asset is of low value; and (b) depreciation of the leased asset separately from interest on the lease liability in the statement of performance.

IFRS 16, in its major part, repeats regulations of IAS 17 concerning accounting treatment of lease by a lessor. The Group will apply IFRS 16 as of 1 January 2019.

The impact of the application of IFRS 16 on the Group's consolidated financial statements is presented in Note 3.4.

C. Published standards and interpretations which are not yet in force and have not been previously applied by the Group, and which the Group believes will have no impact on its consolidated financial statements

In these consolidated financial statements, the Group did not decide to apply the following published standards, interpretations or amendments to the existing standards before their effective date. At the same time, the Group believes that the following standards and interpretations will not affect its consolidated financial statements:

a) Amendments to IFRS 9: "Right of early repayment with negative remuneration",
b) IFRS 17 “Insurance Contracts”,
c) Amendments IAS 28 “Investments in Associates and Joint Ventures”,
d) IFRIC 23: "Uncertainty over Income Tax Treatments”,
e) Annual amendments to IFRS 2015 - 2017, which introduce amendments to four standards: IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 “Borrowing Costs”,
f) IAS 19 “Employee Benefits”,
g) Changes in the scope of references to the Conceptual Assumptions in IFRS,
h) IFRS 3 “Business Combinations”.

D. Standards and interpretations that will not be approved by the European Union or their implementation has been postponed:

a) Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” with respect to the new definition of “materiality” - as at the date of these financial statements, the amendments have not been approved by the EU.

b) IFRS 14 "Regulatory Deferral Accounts" - this standard will not be endorsed by an EU decision.

c) Amendments to IFRS 10 and IAS 28 concerning sales or contribution of assets between the investor and its associates or joint ventures - the approval of those amendments has been postponed.

According to the Group's estimates, the above-mentioned new standards, amendments to the existing standards and interpretations would not have a significant impact on the consolidated financial statements if they had been applied as at the balance sheet date.

c) Significant estimates and judgments

Preparation of the consolidated financial statements in compliance with the EU IFRS requires the Management Board of the Parent Company to make professional judgments, estimates and assumptions that affect the adopted accounting policies and the presented values of assets, liabilities, income and expenses. Estimates and related assumptions are based on historical experience and other factors that are considered reasonable in given circumstances, and their results provide a basis for professional judgement as to the book value of assets and liabilities, which does not directly result from other sources. The actual value may differ from the estimated value.

Judgements, estimates and related assumptions are reviewed on an ongoing basis. A change in accounting estimates is recognised in the period in which the estimate is changed or in current and future periods if the change in estimate concerns both the current and future periods.

Significant judgements and estimates made by the Management Board with the application of EU IFRS are presented in the notes:

- ✓ note 3.2 - going concern principle,
- ✓ note 4.10 - impairment test of cash-generating units to which goodwill has been allocated,
- ✓ note 4.12 - deferred tax assets and liabilities and utilisation of tax losses,
- ✓ note 4.24 - liabilities on account of employee benefits,
- ✓ note 4.25 and 4.29 - provisions and contingent liabilities,
- ✓ note 4.28 - measurement of financial instruments.

d) Functional currency and presentation currency

The functional currency of the Parent Company and the presentation currency of these consolidated financial statements is the Polish zloty (PLN). The data in the consolidated financial statements are presented in Polish zlotys (PLN), rounded to the nearest thousand, unless otherwise stated in specific situations.

3.3 Description of Important accounting methods applied

The accounting policies set out below have been applied to all periods presented in the financial statements.

a) Consolidation rules

The consolidated financial statements of the Group comprise assets, liabilities, equity, income, expenses and cash flows of the Parent and its subsidiaries presented as if they belonged to a single entity and were prepared as at the same reporting date as the separate financial statements of the Parent Company using the same accounting policies for similar transactions and other events in similar circumstances. Subsidiaries are consolidated using the full method. Joint ventures and investments in associates are measured using the equity method.

In order to carry out full consolidation, all items of assets, liabilities, revenues and costs of the statements of the Parent Company and its subsidiaries are summed up, and then appropriate consolidation rules are carried out, including first of all:

- ✓ determination of non-controlling interest in the net profit or loss of subsidiaries for a given reporting period,
- ✓ determination and presentation of non-controlling interest in net assets of subsidiaries separately from the Parent Company's equity,
- ✓ exclusion of the balance of internal settlements between the Group entities,
- ✓ exclusion of revenues, costs and cash flows related to intragroup transactions, as well as any gains or losses resulting from intracompany transactions.

Under the equity method of accounting, upon initial recognition, an investment in an associate or joint venture is recognised at cost and the book value is increased or decreased in order to recognise the Group's share of the profits or losses of the investee recorded by the Group after the acquisition date. The Group's share in the profit or loss of the investee is recognised in the Group's profit or loss in other operating activities.

Investments in subsidiaries

Subsidiaries are entities controlled by the Parent Company. The Parent Company controls the entity where the investment was implemented when it is exposed to variable financial results by virtue of its involvement in such entity or when it has the right to variable financial results, and has the ability to influence the amount of those financial results by exercising power over such entity. In assessing the degree of control, account is taken of the impact of existing and potential voting rights that can be exercised or converted at the reporting date. The financial statements of subsidiaries are included in the consolidated financial statements from the date of obtaining control over the company until the date of its effective disposal. Non-controlling interests are presented in the consolidated statement of financial position as equity attributable to non-controlling interests, separately from equity attributable to shareholders of the Parent Company.

Investments in associates

Associates are business entities over whose operating and financial policies the Group has significant influence, but does not exercise control or joint control over them. Significant influence is the power to participate in the financial and operating policy decisions of the entity where the investment was implemented but does not control or have joint control over the policy of such entity. The Group has significant influence when it holds directly or indirectly (e.g. through subsidiaries) 20% or more of the voting rights in the entity in which the investment was made, unless it can be clearly demonstrated otherwise. The consolidated financial statements include the Group's share in the profits and losses of affiliates accounted for using the equity method, from the moment of gaining significant influence until its expiry.

Business combinations

Business combinations under common control, including the acquisition of an organised part of the business unit, are recognized by summing up individual items of assets and liabilities and revenues and costs of the combined companies as at the merger date. The effect of a business combination under common control has no impact on the consolidated financial data. Other business combinations are accounted for using the purchase method.

Application of this method consists of the following steps:

- ✓ identification of the acquirer,
- ✓ determination of the acquisition date,
- ✓ recognition and measurement of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired entity; and
- ✓ recognition and measurement of goodwill or profit from a bargain purchase.

b) Transactions in foreign currency

Transactions denominated in foreign currencies at the transaction date are recognised in the relevant functional currency using the exchange rate at the transaction date. Monetary items of assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date at the exchange rates prevailing at the day preceding such a day. Foreign exchange differences resulting from the settlement of transactions in foreign currencies and balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the financial result. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction. Non-monetary foreign currency items in the statement of financial position that are measured at fair value are translated into the functional currency at the exchange rate at the date of estimation of fair value.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and balance sheet valuation of financial assets and liabilities denominated in foreign currencies are recognized in the financial result.

c) Tangible fixed assets

Own components of tangible fixed assets

Tangible fixed assets include both fixed assets and fixed assets under construction. The initial value of tangible fixed assets is determined at purchase price or manufacturing cost. The purchase price or the manufacturing cost comprises the purchase price of the asset (i.e. the amount due to the seller less deductible taxes: on goods and services and excise duty), public charges (in the case of imports) and other costs directly related to the purchase and adaptation of the item of property, plant and equipment for use, including transport, as well as loading, unloading and storage costs. Discounts, rebates and other similar reductions and recoveries decrease the purchase price of the specific component of assets.

The cost of an item of tangible fixed assets also includes the estimated costs of its dismantling and removal as well as the costs of renovating the sites on which it was located and to which the Group is obliged in connection with its acquisition or production.

Tangible fixed assets are measured and disclosed in the statement of financial position at the end of the reporting period at the net book value, i.e. they are recognized in the books according to the purchase price or reliably estimated production cost, reduced by amortization and impairment losses and grants to assets.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset affect its initial value as part of its cost. These costs are capitalised when the inflow of economic benefits is probable and the amount of these costs can be measured reliably.

Other financing costs are captured as costs of the period in which they have been incurred.

When a particular item of tangible fixed assets consists of separate and significant components with different useful lives, those components shall be treated as separate assets.

Subsequent expenditure

The costs of replaced parts of a tangible fixed asset incurred in a later period, which can be reliably estimated and it is probable that the Group will achieve economic benefits associated with the replaced items of tangible fixed assets, are subject to capitalisation. All other expenditure is recognised in the income statement as an expense when incurred.

Depreciation

Tangible fixed assets, or significant and separate components thereof, are depreciated on a straight-line basis from the moment they are available for use, i.e. from the moment the asset is adjusted to the place and conditions necessary for its operation, for a period corresponding to the estimated period of their use, taking into account their residual value. Land is not depreciated. The Group assumes the following useful lives for particular categories of tangible fixed assets:

.1	Buildings and structures	from 10 to 40 years
.2	Technical equipment and machines	from 2 to 40 years
.3	Vehicles	from 5 to 22 years
.4	Other tangible fixed assets	from 1 to 30 years

The Group verifies the correctness of the applied useful lives, depreciation methods and residual values of fixed assets on an annual basis. Creation and reversal of revaluation write-downs on tangible fixed assets is recognised in other operating costs and revenues.

d) Items of tangible fixed assets used under lease agreements

Lease agreements, where the Company practically bears the whole risk and fully benefits from ownership of tangible fixed assets are classified as financial lease agreements. Assets acquired under financial lease agreements are initially recognised at the lower of their fair value and the present value of the minimum lease payments. After initial recognition, assets used under financial lease agreements are accounted for under the appropriate accounting policies for the group of tangible fixed assets.

Lease agreements other than financial lease agreements are treated as operating lease and assets used under these agreements are not recognised in the Group's statement of financial standing.

The Group recognises agreements concerning perpetual usufruct of land as operating lease agreements. Prepayments for perpetual usufruct of land are disclosed in a separate item of the statement of financial standing. These prepayments are written off in the financial result during the period of land use.

e) Intangible assets and goodwill

All business combinations, except for entities under common control, are accounted for using the purchase method. Goodwill is calculated as the excess of the costs incurred in a business combination over the purchaser's interest in the fair value of identifiable net assets.

After initial recognition, goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised, but is subject to annual impairment tests. Impairment losses on goodwill are not reversed in a subsequent period.

In the case of acquisitions for which a surplus of identifiable net assets over the purchase price has been established, this amount is directly charged to the financial result.

Research and development

Expenditure incurred at the research stage with a view of acquiring new scientific or technical knowledge is recognised in profit or loss when it is incurred.

Expenditure incurred on development work, the effects of which are applied in the development or production of a new or significantly improved product are activated if the production of a new product (or process) is technically possible and economically justified and the Group has the technical, financial and other resources necessary to complete the development work. Costs subject to activation include: costs of materials, salaries of employees directly involved in development works and a justified part of indirect costs directly related to the production of an intangible asset.

Other development costs are recognised in the financial result at the moment they are incurred. Capitalised development costs are recognised as intangible assets based on their purchase price less depreciation and impairment losses.

Other intangible assets

Other intangible assets acquired by the Group are initially measured at a purchase price or manufacturing cost and are disclosed in the financial statements prepared as at the end of the reporting period at net book value, i.e. less amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the asset. Other expenditures are recognised in the financial result at the moment they are incurred.

Depreciation

Intangible assets with a defined useful life are amortised on a straight-line basis from the moment they are ready for use, i.e. from the moment the asset is adjusted to the location and conditions necessary to start its operating for a period corresponding to its estimated useful life. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually. Creation and reversal of revaluation write-downs on intangible assets is recognised in other operating activities.

The estimated useful life of intangible assets is as follows:

.5	Costs of development works	from 5 to 15 years
.6	Computer software	from 2 to 5 years
.7	Acquired property rights (concessions, licenses, patents)	from 2 to 30 years
.8	Other intangible assets	2 years

f) Investment real estate

Investment real estate is the real property held for the purpose of generating rental income, an increase in its value, or both. The initial value of investment real estate is determined at a purchase price or a manufacturing cost. Investment real estate is depreciated on a straight-line basis over its useful life, taking into account its residual value. Land is not depreciated. The estimated useful life of investment real estate is the same as that of tangible fixed assets described in subparagraph c) above.

g) Non-current assets held for sale

Non-current assets (or components of a disposal group) are classified as held for sale if their book value is recovered through a highly probable sale transaction, they are available for immediate sale, and the Management Board undertakes to fulfil the plan to sell the asset (disposal group). Non-current assets or components of a group held for sale are recognised at the lower of their book value and fair value less costs to sell if their book value is recovered primarily through a sale transaction rather than through their further use.

h) Financial assets and liabilities;

Financial Instruments

Financial instruments other than derivatives

The Group recognises a financial asset or financial liability in the statement of financial standing when, and only when it becomes bound by the provisions of the instrument agreement. Financial assets purchased or sold by way of a standardised purchase or sale transaction shall be recognised or ceased to be recognised as at the trade date or settlement date, as appropriate.

TheGroup ceases to recognise a financial asset when the contractual rights to receive cash flows from the asset expire or until the rights to receive cash flows from the financial asset are transferred in a transaction transferring substantially all the significant risks and benefits of ownership. Any interest in a transferred financial asset that is created or held by the Group is treated as an asset or liability.

The Group ceases to recognise a financial asset also in the event of a significant modification of a financial asset, e.g. when an annex to an agreement on a financial asset makes it necessary to change the appropriate accounting category for that asset.

Assets and liabilities are offset against each other and disclosed in the statement of financial standing at a net amount only if the Group has a legally enforceable right to set off specific financial assets and liabilities and intends to settle the transaction at net amounts of financial assets and liabilities subject to set-off, or intends to realise simultaneously offsetting financial assets and financial liabilities.

The Group classifies financial instruments other than derivative financial assets into the following categories: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

Classification of financial assets is determined at initial recognition, depending on the nature and purpose of financial assets.

The categorisation of a financial asset into a category is based on the analysis of two equivalent criteria:

- ✓ the Group's business model in the area of financial asset management, and
- ✓ contractual cash flow characteristics of the financial asset.

Reclassification of financial assets takes place only when the business model defining how to manage these assets changes.

Derivatives embedded in financial assets (in basic agreements other than derivative instruments which are financial assets) are not subject to separation - the entire financial asset is classified in the appropriate accounting category in accordance with the criteria indicated above.

Financial assets measured according to amortised cost

Financial assets measured at amortised cost are financial assets meeting both of the following conditions:
- ✓ the financial asset is held in accordance with a business model whose objective is to maintain financial assets to generate contractual cash flows; and
- ✓ the contractual terms of a financial asset give rise to cash flows on specified dates, which are merely the repayment of principal and interest on the principal outstanding.

Assets in this category are recognised as non-current assets, provided that their term of realisation exceeds 12 months from the reporting date. Such assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost less impairment losses.

Financial assets measured at amortised cost may be sold provided that the Group's rules of compliance with the criteria of the business model, the purpose of which is to maintain financial assets to generate contractual cash flows, are met.

If financial assets measured at amortised cost are derecognised from the balance sheet, the Group discloses an analysis of gains or losses recognised in the statement of comprehensive income and resulting from the discontinued recognition of these financial assets and information on the reasons for discontinued recognition of these financial assets.

Financial assets measured at a fair value by other comprehensive income

Financial assets measured at a fair value by other comprehensive income are financial assets meeting both of the following conditions:
- ✓ the financial asset is held in accordance with a business model whose objective is both to receive contractual cash flows and to sell financial assets; and
- ✓ the contractual terms of a financial asset give rise to cash flows on specified dates, which are merely the repayment of the principal and interest on the principal outstanding.

After initial recognition, financial assets in this category are measured at a fair value, and the effects of changes in fair value, other than impairment losses and foreign exchange differences on debt instruments available for sale, are recognised in other comprehensive income and presented in equity. As at the date of derecognition of financial assets from the accounting books, the cumulative value of gains or losses recognised in equity is transferred to profit or loss for the current period.

Upon initial recognition of investments in equity instruments other than held for trading, the Company may use the possibility to relate changes in their fair value to equity, with the choice being irrevocable and made at the level of a single investment in an equity instrument.

If the Group designates equity instruments as at fair value through other comprehensive income, all gains and losses on a given instrument, including foreign exchange gains and losses (except for dividend income recognised in the statement of comprehensive income), are recognised in other comprehensive income and the Group has no possibility to reclassify them to the statement of comprehensive income.

Assets in this category are recognised as non-current assets, provided that their term of realisation exceeds 12 months from the reporting date.

Financial assets measured at a fair value by the financial result

Financial assets measured at the financial result are assets which:
- ✓ do not meet the criteria to be classified as measured at an amortised cost or measured at a fair value by other comprehensive income,
- ✓ were designated to this category under the decision of the Group at the time of initial recognition.

Financial assets do not meet the criteria for classification into other categories (i.e. they are measured at fair value through profit or loss) if they are not classified as financial assets:

- ✓ the financial asset is held in accordance with a business model whose purpose does not assume maintaining of financial assets to generate contractual cash flows (in particular when the financial asset is recognised by the Group to generate profit on its resale or is an equity instrument not designated by the Company to be measured at a fair value by other comprehensive income), or
- ✓ the contractual terms of a financial asset give rise to cash flows on specified dates, which are merely the repayment of the principal and interest on the principal outstanding.

Modifications of financial assets

If an asset not measured at a fair value through profit or loss that does not result in derecognition of the asset from the balance sheet, the Group establishes the new gross carrying amount of the asset after the modification and recognises the change in the carrying amount as a result of the modification of financial assets in relation to the gross carrying amount before the modification in the statement of comprehensive income.

IFRS 9 Financial Instruments - the standard introduces: a new model of impairment of financial assets based on the concept of "expected loss", changes in the principles of classification and valuation of financial instruments (in particular financial assets) and introduces a new approach to hedge accounting. The Group has implemented a new standard by actively involving organisational units responsible mainly for accounting, financial reporting and risk management.

Initial measurement

Upon initial recognition, the Group measures a financial asset or financial liability at its fair value, which in the case of financial assets or financial liabilities not at fair value through profit or loss is increased or decreased by transaction costs directly attributable to the acquisition or issue of such financial assets or financial liabilities.

Upon initial recognition, the Group measures trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) at their transaction price (as defined in IFRS 15).

Impairment

Impairment losses on trade receivables are recognised when there is objective evidence that the Group will not be able to obtain all amounts due under the original terms of the receivables. The indications that trade receivables are impaired are: serious financial problems of the debtor, probability that the debtor will go bankrupt or be the subject of financial reorganisation, late payments. The amount of the write-down is the difference between the book value of a given asset and the present value of estimated future cash flows, discounted at the effective interest rate. In the case of trade receivables which do not have a significant financing element, the Group applies the simplified approach required by IFRS 9 and measures impairment losses expected over the entire life of the receivable from the moment of its initial recognition. The Group uses a write-off matrix in which write-offs are calculated for trade receivables included in different age ranges or overdue periods.

At each reporting date, the Group measures the write-off for expected credit losses on account of a financial instrument in the amount equal to expected credit losses over the entire period of life, if the credit risk related to a given financial instrument has significantly increased since the initial recognition. The objective of the impairment requirements is to recognise expected credit losses over the life of all financial instruments for which there has been a significant increase in credit risk since the initial recognition, whether assessed individually or collectively, taking into account all reasonable and verifiable information, including forward-looking data.

The Group measures expected credit losses on financial instruments in a manner that takes into account:

- ✓ the unencumbered and probability-weighted amount, which is determined by assessing a range of possible outcomes,
- ✓ the time value of money, and
- ✓ reasonable information which can be documented, available without excessive cost or effort at the reporting date about past events, present conditions and projections of future economic conditions.

The book value of an asset is determined with the use of a write-off account and the amount of loss is recognised in the financial result as selling expenses. In the case of trade receivables deemed irrecoverable, a write-down is made. Subsequent repayments of previously written off receivables are recognised as selling expenses in the financial result.

Financial liabilities

The Group classifies all financial liabilities as measured after initial recognition at amortised cost, except for financial liabilities measured at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at a fair value after initial recognition.

The new IFRS 9 retains almost all the existing requirements of IAS 39 with respect to classification and measurement of financial liabilities and derecognition of financial assets and liabilities. However, IFRS 9 requires that a change in fair value relating to a change in the credit risk of a financial liability designated at initial recognition at a fair value through profit or loss should be presented in other comprehensive income. Only the remaining portion of the profit or loss on fair value measurement is to be recognised in current result of the period. Subject to the reservation, if the application of this requirement resulted in incomes and costs being out of proportion or if the financial liability resulted from loan commitments or financial guarantee agreements, the entire change in fair value would be recognised in profit or loss for the current period

i) Inventory

Stocks, including mandatory stocks, include: products, semi-finished products and work in progress, goods and materials.

Upon initial recognition, the Group measures inventories at a purchase price. At the end of the reporting period, the Group, acting as an intermediary in trade in goods in accordance with IAS 2 paragraph 3b,shall measure the carrying amount of inventories at a fair value less costs to sell.

The change in the fair value less selling expenses is presented in the cost of goods sold. Surplus or shortages in inventories identified as a result of the inventory are recognised in the cost of products, goods or materials sold.

j) Cash and equivalents

Cash and cash equivalents comprise cash in hand and short-term bank deposits. Overdraft facilities which are repayable on demand and form an integral part of the Group's cash management are recognised as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Valuation and withdrawal of foreign currency cash is determined using the FIFO method.

k) Impairment in value of non-financial assets

The book value of non-financial assets other than inventories and deferred tax assets is assessed at each reporting date to determine whether there is any indication of impairment. If there are such indications, the Group estimates the recoverable amount of individual assets. The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use is estimated at each reporting date.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment of a cash-generating unit is recognised first as a reduction in the goodwill allocated to that unit (group of units) and then as a reduction in the carrying amount of the other assets of the unit (group of units) on a pro rata basis.

The recoverable amount of assets or cash-generating units is defined as the greater of their fair value less costs to sell and their value in use. In estimating value in use, future cash flows are discounted using a pre-tax interest rate that reflects current market assessments of the time value of money and risk factors specific to the asset.

In the case of assets that do not generate independent cash flows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss on goodwill is not reversed. For other assets, an impairment loss is reversed if there has been a change in the estimates used to estimate the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount less depreciation and amortisation that would have been incurred had no impairment loss been recognised.

l) Equity; Share

capital

The share capital of the Parent Company is the share capital of the Group. The share capital is shown at the nominal value of shares issued in accordance with the Articles of Association and registered in the National Court Register.

Capital from revaluation of financial instruments

Capital from revaluation of financial instruments is related to cash flow hedge accounting.

Other capitals

Other capitals include supplementary capital and reserve capital, own shares. Supplementary capital is created from net profit write-offs in accordance with the requirements of the Commercial Companies Code. Reserve capital is created from net profit for dividend payment.

Dividends

Dividends are recognised as a liability in the period in which they are enacted.

Purchase of own shares

In the case of purchase of own shares, the amount of the payment together with the direct costs of the transaction, adjusted for the impact of taxes, is recognised as a reduction of equity. Purchased own shares are disclosed under other capitals. At the time of sale or reissue, the amounts received are recognised as an increase in equity and the gain or loss on the transaction is presented in equity.

m) Liabilities due to bank credits, loans and other debt instruments

Upon initial recognition, bank loans, borrowings and debt securities are recognised at a fair value less costs associated with obtaining the loan After initial recognition, interest-bearing loans, borrowings and debt securities are subsequently measured at amortised cost using the effective interest rate method. Any difference between the amount received (less transaction costs) and the redemption value is recognised in profit or loss using the effective interest rate method over the term of the contracts.

Fair value, estimated for disclosure purposes, is calculated based on the present value of future cash flows from the return on equity and interest, discounted at the market rate of interest at the reporting date. In the case of a finance lease, the market rate of interest is estimated based on the interest rate for a similar type of lease.

n) Employee benefits

Defined benefit plan - retirement benefits

The Group recognises provisions for retirement benefits and other employee benefits on the basis of actuarial valuation carried out as at the reporting date. The evaluation shall be carried out by an independent actuary. The basis for calculating provisions for employee benefits is determined by the Group's internal regulations and other applicable laws.

The value of provisions for employee benefits is determined using actuarial techniques and requirements specified in EU IFRS, and in particular in IAS 19 "Employee Benefits". Provisions are measured at the present value of the Group's future liabilities on account of employee benefits. Provisions are calculated using the projected unit credit method, separately for each employee.

The basis for the calculation of provisions for individual employees is the forecast value of the benefit that the Group is obliged to pay under the regulations specified above. The amount of the benefit is expected to continue until the employee acquires the benefit. The employee benefit obligation is determined on the basis of the expected increase in the value of the benefit and pro rata to the expected duration of the employee's service. The estimated value is then discounted to the reporting date.

Short-term employee benefits

Short-term employee benefit obligations are measured at no discount and are charged to costs when the benefit is delivered.

The Group creates the provision for costs in the amount of foreseen payments to employees on account of short-term cash bonuses, if the Group is legally or customarily obliged to make such payments on the basis of services rendered by employees in the past, and the liability can be reliably estimated.

o) Provisions

Provisions are recognised when an entity has a present obligation (legal or constructive) as a result of a past event and 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.

The level of the provisions is verified on an ongoing basis during the reporting period in order to adjust them to the amount of estimates consistent with the state of knowledge at that date.

p) Trade liabilities and other liabilities

Liabilities, including trade liabilities, are measured at a fair value as at the date of their origination, and then at amortised cost using the effective interest rate method. Current liabilities are not discounted.

q) Revenues

Revenues classified by the Group include, in particular:

- ✓ revenues from the sale of liquid fuels
- ✓ revenues from the sale of gaseous fuels, including the distribution of gaseous fuels
- ✓ revenues from the sale of electricity.

The Group recognises revenue in such a way as to reflect the transfer of promised goods or services to the customer in an amount that reflects the remuneration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is recognised when (or in the course of) meeting the obligation to perform by transferring the promised commodity or service (i.e. an asset) to a customer. The transfer of an asset takes place at the moment when the customer acquires control over the asset.

Revenues from the sale of gaseous fuel, distribution of gaseous fuel and sale of electricity - provided continuously

The Group transfers control over part of its services (gas and electricity supply, distribution services) over time, thus meeting its service obligations.

Every time gas fuel/electricity is supplied and consumed, a certain part of the benefits is transferred and the obligation to provide the benefits is fulfilled. The value of services provided to a given moment, in relation to other services promised under the contract, is calculated on the basis of the resultant method based on the use of a given service. The use of the service in the entire settlement period may be treated together, which means that accumulated revenues from the settlement period are recognised on a monthly basis. If the Group has the right to receive remuneration from the customer in an amount that directly corresponds to the value for the customer of services already rendered by the Group (e.g. in the case of a gas supply agreement under which the Group charges a fixed amount to the customer for each MWh), the Group recognises revenue in the amount that it has the right to invoice.

The commencement of the use of services is the moment when the Group starts recognising revenues.

The volume of revenue from the sale of gas fuel/electricity and gas distribution services results from sales evidenced by VAT invoices, plus an estimate of the electricity distribution services supplied but not invoiced in a given sales period.

The estimation of sales is made at least at the end of the reporting period.

Revenue from sales - delivery of products/services settled at a certain point in time

The Group recognises revenue from the supply of products/services such as liquid fuels, connection fees and the sale of property rights at a specific point in time. The transfer of control takes place when the contract between the parties remains and the products/goods are made available to the customer or the service has been completed.

In order to indicate the precise timing of the transfer of control, the Group shall each time consider whether or not:

- ✓ The Group has a current right to payment for an asset,
- ✓ the customer has a legal title to the asset,
- ✓ the Group has physically transferred the asset,
- ✓ the customer bears significant risks and obtains significant benefits from the ownership of the asset,
- ✓ the customer accepted the asset.

Revenue from sales - services provided on a continuous basis - passage of time

The Group transfers control over the services provided (e.g. licenses granted) over time, thus meeting the obligations to provide services.

Such services are provided on a continuous basis, so that a certain part of the benefits is transferable at any time during the provision of the service. As the value of services provided to the customer does not differ from period to period, the Group recognises revenue from the services provided based on monthly fixed payments (independent of consumption).

Recognition of revenues from sales in the amount of net remuneration (the Group as an agent)

In the case of comprehensive gas supply agreements, where the Group supplies gaseous fuel and provides distribution services, each time it is assessed whether the Group acts as a principal.

If another entity is involved in the provision of goods or services to a customer, the Group determines whether the nature of the Group's promise is an obligation to provide certain goods or services (in this case, the Group is the principal) or to have such goods or services provided to another entity (in this case, the Group is an intermediary).

If the Group that is the principal meets the obligation to provide the service, it recognises revenue at the gross amount of remuneration to which it is expected to be entitled in exchange for the goods or services transferred.

If the Group acts as an intermediary in discharging its obligation to perform, the Group recognises revenue at the amount of any fee or commission to which it is expected to be entitled in exchange for the provision of goods or services by another party. The fee or commission due to the Group may be the amount of net remuneration that the Group retains after paying remuneration to another entity in exchange for goods or services provided by that entity.

The Group acts as an intermediary charging fees to other gas market participants in distribution service agreements for selected components of the distribution service charge. As a result, the Group recognises revenues from the sale of distribution services less the Distribution Network Operator's cost of distribution services.

Assets under agreement

In the statement of financial standing, the Group recognises an asset under an agreement that is the Group's right to remuneration in exchange for goods or services that the Group has provided to a customer.

In this item, the statement of financial standing presents in particular:

- ✓ estimation of revenues from the distribution and sale of electricity performed in a given period and not yet invoiced;
- ✓ assets relating to construction work completed and delivered but not yet invoiced.

Liabilities under agreement

In the statement of financial standing, the Group recognises a liability under an agreement that is the Group's obligation to deliver to a customer goods or services in exchange for which the Group has received remuneration (or the amount of remuneration is due) from the customer.

In this item, the statement of financial standing presents in particular:

- ✓ prepaid remuneration for services not yet provided by the Group, e.g. prepaid subscription and commercial fees for distribution, services provided through the use of prepayment gas meters.

Profits (losses) on financial instruments hedging sales

Gains (losses) on financial instruments hedging sales include executed transactions in derivatives in proportion to the commodity sold.

In addition, revenues of the reporting period that affect the profit or loss of the period include:

other operating revenues, indirectly related to the conducted activity, e.g.:

- ✓ reversal of unused provisions, previously recognised as other operating expenses,
- ✓ interest income on trade and other receivables,
- ✓ revenues from reimbursement of court costs incurred,
- ✓ received donations.

financial revenues, constituting mainly revenues related to financing of operations:
- ✓ revenues and profits from financial investments,
- ✓ revenues due to dividend,
- ✓ net foreign exchange gains on financial assets,
- ✓ reversal of impairment losses on financial assets held to maturity, debt financial assets available for sale, loans and shares.

r) Costs

Costs are deemed costs of probable reduction in the reporting period of economic benefits of a reliably determined value, in the form of a decrease in the value of assets or an increase in the value of liabilities and provisions, which will lead to a decrease in equity capital or an increase in its shortage in a manner other than withdrawal of owners' funds.

Costs are recognised in profit or loss on the basis of a direct relationship between costs incurred and the achievement of specific revenues, i.e. applying the matching principle, through the calculation of prepayments and accrued expenses.

Cost of goods and materials sold comprises:
- ✓ cost of goods and materials sold,
- ✓ measurement to fair value of inventories,
- ✓ balance sheet valuation of settlements,
- ✓ realised currency translation differences,
- ✓ deficits and surpluses in the inventory,
- ✓ creation and reversal of provisions for mandatory stocks.

In addition, revenues of the reporting period that affect the profit or loss of the period include:

other operating costs, indirectly related to the conducted activity, including in particular:
- ✓ provisions for litigation, penalties and damages and other costs indirectly related to operating activities,
- ✓ costs of interest on trade and other liabilities using the effective interest rate method,
- ✓ costs of court proceedings,
- ✓ donations transferred.

financial costs related to external financing of activities, including in particular:
- ✓ interest on overdraft in the current account,
- ✓ interest on short-term and long-term loans, credits and other sources of financing,
- ✓ net foreign exchange losses related to financial assets,
- ✓ provisions for impairment losses on financial assets held to maturity, financial assets available for sale, loans and shares.

s) Other net profits / losses

Other net profits/losses are, among others, the following:

- net profits/losses on disposal of tangible fixed assets and intangible assets.

t) Lease

Payment of liabilities arising from financial lease

Payments under operating lease agreements concluded by the Group are recognised in the financial result on a straight-line basis over the lease term. Special promotional offers received are recognised in the income statement together with lease costs.

Payments on account of financial lease

Minimum lease payments on account of financial lease are apportioned between the part constituting financial cost and the part reducing the liability. The part constituting financial cost is allocated to specific periods during the lease term using the effective interest rate method.

u) Current and deferred income tax

Income tax recognised in the financial result comprises the current part and the deferred part. Income tax is recognised in the financial result, except for amounts related to items recognised in other comprehensive income or capital. In such a case, they are recognised in other comprehensive income or capital, respectively.

Current tax is the tax liability on the taxable income for a given year and adjustments to the tax relating to previous years.

Deferred tax is calculated using the balance sheet liability method, based on temporary differences between the value of assets and liabilities determined for accounting purposes and their estimated value for tax purposes. Deferred tax is not recognised for the following temporary differences: goodwill, initial recognition of assets or liabilities that affect neither accounting nor taxable profit, differences related to investments in subsidiaries to the extent that it is not probable that they will be realised in the foreseeable future. The recognised amount of deferred tax is based on expectations as to how the carrying amount of assets and liabilities will be recovered, using the tax rates in force or enacted at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

3.4 Impact of IFRS 9, IFRS 15 and IFRS 16 on annual consolidated financial statements

The Group applied the requirements of IFRS 9 and IFRS 15 with the use of a modified retrospective approach with the combined effect of the first application from 1 January 2018. In accordance with the option allowed by the standard, the Group decided not to restate comparable data. The data as at 31 December 2017 were prepared in accordance with IAS 39, IAS 18 and IAS 11.

The impact of the implementation of the new IFRS 9 and IFRS 15 on retained earnings based on data for the financial year ended 31 December 2017 was insignificant, therefore the Group did not make any capital adjustment as at 1 January 2018.

Impact of first IFRS 9 application on the Group's financial standing:

Financial assets with economic characteristics of a debt instrument

The implementation of IFRS 9 did not result in a change in the method of classification and valuation of financial assets with economic characteristics of a debt instrument.

Derivatives

IFRS 9 does not change the approach to classification and valuation of derivatives.

Equity instruments

The Group does not hold equity instruments (shares) which are financial assets within the meaning of IAS 39 and IFRS 9.

Designation / reversal of designation of financial assets assigned for measurement as at a fair value by financial result

The Group has no financial assets assigned for measurement as at a fair value by financial result. The Group does not identify financial assets that it would like to designate as at 1 January 2018 as at fair value through profit or loss in order to reduce the accounting mismatch that would otherwise arise from the measurement of financial assets at amortised cost or at fair value through other comprehensive income.

The application of IFRS 9 does not affect the existing classification and measurement of the Group's financial liabilities

Impairment of the Group's financial assets - estimation of expected credit losses in accordance with IFRS 9

Estimates of expected credit losses in accordance with IFRS 9 for loans granted, trade receivables, cash and derivatives are presented in detail in note 4.28.

Impact of first IFRS 9 and IFRS 15 application on the Group's financial results:

Consolidated statements of financial standing as at 31.12.2018

in PLN thousand	**Reported value of assets and liabilities**	**Adjust ment due to the application of IFRS 15***	**Adjust ment due to the application of IFRS 9**	**Assets and liabilities if IFRS 9 and 15 were not applied**
Fixed assets				
Tangible fixed assets	45,825	-	-	45,825
Intangible assets	18,636	-	-	18,636
Other financial assets	391	-	-	391
Financial derivatives	987	-	-	987
Other long-term receivables	3,753	-	-	3,753
Assets due to agreements with customers	5,252	(5,252)	-	-
Assets due to deferred income tax	1,916	-	-	1,916
Other assets	-	5,252	-	5,252
Total fixed assets	**76,760**	**-**	**-**	**76,760**
Current assets				
Inventory	190,500	(	-	190,500
Assets due to agreements with customers	2,945	2,945)	1	2
Trade receivables and other receivables Other	246,487	-	50	46,637
financial assets	141	-	-	141
Derivative financial instruments	33,190	-	-	33,190
Cash and cash equivalents	47,015	-	-	47,015
Other current assets	6,247	2,945	-	9,192
Total current assets	**526,525**	**-**	**150**	**526,675**
TOTAL ASSETS	**603,285**	**-**	**150**	**603,435**
Equity Share				
capital Other	8,198	-	-	8,198
capitals	174,437	-	1	174,437
Result of previous years and result of the current year	4,841	-	50	4,991
Equity of owners of the parent entity	**187,476**	**-**	**150**	**187,626**
Non-controlling shares	5,769	-	-	5,769
Total equity	**193,245**	**-**	**150**	**193,395**
Long-term liabilities				
Liabilities due to credits, loans and other debt instruments	10,004	-	-	10,004
Employee benefit liabilities Derivative financial	167	-	-	167
instruments	3,457	-	-	3,457
Provision due to deferred income tax	51	-	-	51
Total long-term liabilities	**13,679**	**-**	**-**	**13,679**
Short-term liabilities				
Overdrafts	215,232	-	-	215,232
Liabilities due to credits, loans and other debt instruments	3,573	-	-	3,573
Financial derivatives	8,365	-	-	8,365
Liabilities due to employee benefits	485	-	-	485
Liabilities due to income tax	1,112	-	-	1,112
Provisions	830	-	-	830
Liabilities due to agreements with customers	13,390	(13,390)	-	-
Trade liabilities and other liabilities	153,374	13,390	-	166,764
Total short-term liabilities	**396,361**	**-**	**-**	**396,361**
Total liabilities	**410,040**	**-**	**-**	**410,040**
TOTAL LIABILITIES	**603,285**	**-**	**150**	**603,435**

* Assets under customer agreements include capital expenditures incurred by the Group to adjust service stations to the AVIA brand in accordance with franchise agreements and trade commissions.

* Liabilities under agreements with customers include advances for deliveries.

Consolidated Statement of comprehensive income for the period from 1 January 2018 to 31 December 2018

in PLN thousand	Reported value of assets and liabilities	Adjustment due to the application of IFRS 15*	Adjustment due to the application of IFRS 9	Assets and liabilities if IFRS 9 and 15 had not been applied
Revenue on sales	3,367,462	227,053	-	3,594,515
Profits (losses) on financial instruments hedging sales	3,532	-	-	3,532
Costs of products, goods and materials sold	(3,249,095)	(219,794)	-	(3,468,889)
Gross profit on sales	**121,899**	**7,259**	**-**	**129,158**
Other operating revenues	2,871	-	-	2,871
Sales costs	(93,937)	-	150	(93,787)
Overheads	(23,431)	-	-	(23,431)
Other net profits / (losses)	464	-	-	464
Other operating expenses	(7,139)	-	-	(7,139)
Profit/(loss) on operating activity	**727**	**7,259**	**150**	**8,136**
Financial revenue	7,530	(7,259)	-	271
Financial expenses	(8,478)	-	-	(8,478)
Net financial revenues / (expenses)	**(948)**	**(7,259)**	**-**	**(8,207)**
Share in the net result of affiliates	-			
Loss before tax	**(221)**	**-**	**150**	**(71)**
Income Tax	(2,919)			(2,919)
Net loss for financial year	**(3,140)**	**-**	**150**	**(2,990)**
including, attributable to:				
Owners of the parent company	110	-	150	260
Non-controlling shares	(3,250)	-	-	(3,250)
Net loss for financial year	**(3,140)**	**-**	**150**	**(2,990)**
Other comprehensive income to be reclassified to profit or loss when certain conditions are met				
Valuation of hedging instruments after taking into account the tax effect	-	-	-	-
Other comprehensive net income for the financial year, after tax	**-**	**-**	**-**	**-**
Total comprehensive income for the financial year	**(3,140)**	**-**	**150**	**(2,990)**
including, attributable to:				
Owners of the parent company	110	-	150	260
Non-controlling shares	(3,250)	-	-	(3,250)
Total comprehensive income for the financial year	**(3,140)**	**-**	**150**	**(2,990)**
Profit/(loss) per share attributable to owners of the parent company (in PLN)	**0.01**			**0.03**
Diluted profit/(loss) per share attributable to owners of the parent company (in PLN)	**0.01**			**0.03**

* In accordance with IFRS 15, the result on realised revenues and expenses related to trading activities in the area of electricity was transferred to financing activities.

Consolidated Statement of cash flows for the period from 1 January 2018 to 31 December 2018

in PLN thousand	Reported values of assets and liabilities	Adjustment resulting from application of IFRS 15	Adjustment resulting from application of IFRS 9	Assets and liabilities if IFRS 9 and 15 had not been applied
Cash flows from operating activities				
Loss before tax	**(221)**	**-**	**150**	**(71)**
Adjustments				
Depreciation of tangible fixed assets	5,122	-	-	5,122
Amortisation of intangible assets	411	-	-	411
Exchange losses/(gains)	6,567	-	-	6,567
(Profit)/loss on disposal of tangible fixed assets	(464)	-	-	(464)
Interest, transaction costs (related to credits and loans) and dividends, net	8,013	-	-	8,013
Change in receivables	3,983	(8,197)	(150)	(4,364)
Change in inventory	42,687	-	-	42,687
Change in the status of assets due to agreements with customers	(8,197)	8,197	-	-
Change in the status of liabilities due to agreements with customers	13,390	(13,390)	-	-
Change in the status of short-term trade liabilities and other liabilities	(62,240)	13,390	-	(48,850)
Change in the balance of assets/(liabilities) on account of derivative instruments	(36,726)	-	-	(36,726)
Change in provisions	(3,231)	-	-	(3,231)
Change in the status of liabilities due to employee benefits	(67)	-	-	(67)
Write-off on goodwill	572	-	-	572
Write-off on impairment of intangible assets	4,120	-	-	4,120
Income tax paid/refunded	(2,919)	-	-	(2,919)
Cash flows from operating activities	**(29,200)**	**-**	**-**	**(29,200)**
Cash flows from investment activities				
Proceeds from sales of tangible fixed assets	1,485	-	-	1,485
Interest received	239	-	-	239
Proceeds due to loans	30	-	-	30
Purchase of tangible fixed assets	(2,402)	-	-	(2,402)
Purchase of intangible assets	(86)	-	-	(86)
Loans granted	(105)	-	-	(105)
Purchase of other investments	(251)	-	-	(251)
Net cash flows from investment activity	**(1,090)**	**-**	**-**	**(1,090)**
Net cash flows from financial activity				
Incurring credits, loans and other debt instruments	25,765	-	-	25,765
Repayment of incurred credits, loans and other debt instruments	(26,964)	-	-	(26,964)
Dividends paid	(13,936)			(13,936)
Payment of liabilities arising from financial lease agreements	(3,451)	-	-	(3,451)
Interest and transaction costs (related to credits and loans) paid	(8,731)	-	-	(8,731)
Net cash flows from financial activity	**(27,317)**	**-**	**-**	**(27,317)**
Change in the status of cash and equivalents	**-**	**-**	**-**	**-**
Impact of changes due to currency exchange differences related to cash and equivalents	(6,567)	-	-	(6,567)
Change in the status of cash and equivalents	**(64,174)**	**-**	**-**	**(64,174)**
Cash and equivalents after decreasing by overdrafts as at 1 January 2018	**(104,043)**	**-**	**-**	**(104,043)**
Cash and equivalents after decreasing by overdrafts as at 31 December 2018	**(168,217)**	**-**	**-**	**(168,217)**

Impact of first IFRS 16 application on the Group's financial standing:

IFRS 16 waives the classification of operating and financial lease in accordance with IAS 17 and introduces a single model for accounting treatment of lease by the lessee. The lessee will be required to recognise:

- ✓ assets and liabilities for all lease transactions entered into for a period longer than 12 months, except when the asset is of low value; and
- ✓ depreciation of the leased asset separately from interest on the lease liability in the statement of income.

The Group decided to implement IFRS 16 as of 1 January 2019 using the simplified approach, i.e. retrospectively with the combined effect of the first application of this standard recognised at the date of first application. The Group will not convert comparative data, but it will recognise the effect of applying this standard as an adjustment to the opening balance of retained earnings at the date of first application.

At the commencement date of the lease, the Group recognises an asset by virtue of the right to use and a liability by virtue of the lease. An asset for the right to use is measured at cost at the commencement date. At the commencement date, the Group measures the lease liability at the present value of lease payments outstanding at that date. Lease payments shall be discounted at the lease interest rate if that rate can be readily determined. Otherwise, the Group applies the lessee's marginal interest rate.

At the commencement date of the lease, the Group recognises an asset by virtue of the right to use and a liability by virtue of the lease. An asset for the right to use is measured at cost at the commencement date. At the commencement date, the Group measures the lease liability at the present value of lease payments outstanding at that date. Lease payments shall be discounted at the lease interest rate if that rate can be readily determined. Otherwise, the Group applies the lessee's marginal interest rate.

The Group has decided to present the right to use assets under the same item, which would present the relevant underlying assets if they were owned by the lessee (the Group).

The Group has decided to present lease liabilities (rights of use) under "Liabilities due to credits, loans and other debt instruments" in a separate item.

As a result of the analysis, the Group will recognise the following rights to use assets as of 1 January 2019 according to the breakdown into basic assets:

in PLN thousand	**01.01.2019**
Fixed assets (including rights to use assets)	4,468

Therefore, as of 1 January 2019, the lease liability will be recognized at the following values, broken down into long-term and short-term liabilities:

in PLN thousand	**01.01.2019**
Long-term liability due to lease (right to use assets)	3,493
Short-term liability due to lease (rights to use assets)	1,317

Therefore, there will be no impact on the result of previous years.

3.5 COVERSION OF COMPARABLE DATA FOR 2017

In 2018, the Group revised the approach to creating provisions for liabilities related to the maintenance of mandatory reserves in order to fully comply with the requirements of IAS no. 37. The Group ceased to create the above mentioned provisions due to the fact that as at a given balance sheet date it was not burdened with the "current" obligation to incur costs. Due to the above change, the Group also adjusts comparative data, which will have a retrospective effect on the net profit and equity of the Group for comparative data (also taking into account the impact on profits of previous periods).

The Group has introduced the following changes in the comparative data for 2017 in connection with the reversal of provisions for mandatory reserves.

Consolidated statement of financial standing as at 31 December 2017.
in PLN thousand

	Published data	Consequential changes	Revised data
Fixed assets			
Tangible fixed assets	50,459	-	50,459
Intangible assets	20,501	-	20,501
Investment in subsidiaries	391	-	391
Other financial assets	7,078	-	7,078
Other long-term receivables	2,079	-	2,079
Total fixed assets	**80,508**	**-**	**80,508**
Current assets			
Inventory	233,187	-	233,187
Trade receivables and other receivables	245,948	-	245,948
Other financial assets	222	-	222
Financial derivatives	14,842	-	14,842
Receivables due to income tax	1,662	-	1,662
Cash and equivalents	36,532	-	36,532
Other current assets	5,619	-	5,619
Total current assets	**538,012**	**-**	**538,012**
TOTAL ASSETS	**618,520**	**-**	**618,520**
Equity			
Share capital	8,198	-	8,198
Other capitals	163,100	-	163,100
Result of previous years and result of the current year	21,102	8,902	30,004
Equity of parent company owners	**192,400**	**8,902**	**201,302**
Non-controlling shares	9,019	-	9,019
Total equity	**201,419**	**8,902**	**210,321**
Long-term liabilities			
Liabilities due to credits, loans and other debt instruments	11,674	-	11,674
Liabilities due to employee benefits	184	-	184
Financial derivatives	10,166	-	10,166
Provision due to deferred income tax	1,194	2,088	3,282
Total long-term liabilities	**23,218**	**2,088**	**25,306**
Short-term liabilities			
Overdrafts	140,575	-	140,575
Liabilities due to credits, loans and other debt instruments	4,097	-	4,097
Financial derivatives	19,047	-	19,047
Liabilities due to employee benefits	535	-	535
Liabilities due to income tax	106	-	106
Provisions	11,820	(10,990)	830
Trade liabilities and other liabilities	217,703	-	217,703
Total short-term liabilities	**393,883**	**(10,990)**	**382,893**
Total liabilities	**417,101**	**(8,902)**	**408,199**

Consolidated profit or loss account for the period 01.01.2017 - 31.12.2017

in PLN thousand	Published data	Consequential changes	Revised data
Revenue on sales	3,005,002	-	3,005,002
Profits (losses) on financial instruments	4,247	-	4,247
hedging sales			
Costs of products, goods and materials sold	(2,860,234)	(3,611)	(2,863,845)
Gross profit on sales	**149,015**	**(3,611)**	**145,404**
Other operating revenues	2,201	-	2,201
Sales costs	(95,629)	-	(95,629)
Overheads	(19,849)	-	(19,849)
Other net profits / (losses)	(10)	-	(10)
Other operating expenses	(2,221)	-	(2,221)
Profit/(loss) on operating activity	**33,507**	**(3,611)**	**29,896**
Financial revenue	211	-	211
Financial expenses	(6,107)	-	(6,107)
Net financial revenues / (expenses)	**(5,896)**	**-**	**(5,896)**
Share in the net result of associates	**-**	**-**	**-**
Profit/ (loss) before tax	**27,611**	**(3,611)**	**24,000**
Income tax	(5,171)	686	(4,485)
Net profit / (loss) for financial year	**22,440**	**(2,925)**	**19,515**
including, attributable to:			
Owners of the parent company	23,630	(2,925)	20,705
Non-controlling shares	(1,190)	-	(1,190)
Net loss for financial year	**22,440**	**(2,925)**	**19,515**
Other comprehensive income to be reclassified to profit or loss when certain conditions are met			
Valuation of derivative instruments after taking into account the tax effect	(3,721)	-	(3,721)
Other comprehensive net income for the financial year, after tax	**(3,721)**	**-**	**(3,721)**
Total comprehensive income for the financial year	**18,719**	**(2,925)**	**15,794**
including, attributable to:			
Owners of the parent company	19,909	(2,925)	16,984
Non-controlling shares	(1,190)	-	(1,190)
Total comprehensive income for the financial year	**18,719**	**(2,925)**	**15,794**
Profit/(loss) per share attributable to owners of the parent company (in PLN)	**2,68**	**-**	**2.68**
Diluted profit/(loss) per share attributable to owners of the parent company (in PLN)	**2.68**	**-**	**2.68**

3.6 REPORTING SEGMENTS

Based on the analysis of the Group's organizational structure, its internal reporting system and the management model in place, the Management Board of the Parent Company identified the following operating segments. The Management Board of the Parent Company considers its operations from both an operational and geographical perspective.

The Management Board of the Parent Company identified the following operating segments:

1. **Trading in liquid fuels** - the Group conducts wholesale and retail sales of diesel, LPG and biofuels.
2. **Trading in gas fuels** - the Group trades in and distributes natural gas (including LNG) through TGE and its own distribution networks.
3. **Electricity trading** - the Group trades in and distributes electricity.
4. **Other operations** - this segment of the Group's operations includes, among others, activities related to the operation of service stations, as well as financial and service activities.
5. **Corporate functions** - this segment of the Group's operations covers all activities related to the functioning of the companies (overheads), other than attributable to individual business segments.

The identification of operating segments has not changed and is consistent with the principles described in the separate financial statements as at and for the financial year ended 31 December 2017. The "Trading in liquid fuels" segment is divided into "ON and Biofuels" and "LPG" and the "Other Activities" segment is divided into "Petrol Stations" and "Other". It is the same in the comparative period.

Statement of comprehensive income broken down into segments of activity

in PLN thousand **for the period from 1 January 2018 to 31 December 2018**	**Trading in liquid fuels**	**including: ON and Biofuels**	**including: LPG**	**Trading in liquid fuels**	**Electricity**	**Other activities**	**including: Fuel stations**	**including: other**	**Corporate functions**	**Settlement elimination in the Group**	**Consolidated Total**
Revenue from external customers	3,231,057	(2,929,348)	301,709	44,750	73,398	18,137	(17,972)	165	120	-	**3,367,462**
Profits (losses) on financial instruments hedging sales	3,532	3,532	-			-	-	-	-	-	**3,532**
Revenues from the Group's customers	123	123	-	7,976	8,925	-	-	-	305	(17,329)	-
Total revenue	**3,234,712**	**2,933,003**	**301,709**	**52,726**	**82,323**	**18,137**	**17,972**	**165**	**425**	**(17,329)**	**3,370,994**
Cost of goods, products and materials sold to external customers	(3,120,587)	(2,839,666)	(280,921)	(42,889)	(70,306)	(15,284)	(15,171)	(113)	(29)	-	**(3,249,095)**
Cost of goods, products and materials sold to customers from the Group	(108)	(108)	-	(7,916)	(8,925)	-	-	-	-	16,949	-
Cost of goods, products and materials sold, total	**(3,120,695)**	**(2,839,774)**	**(280,921)**	**(50,805)**	**(79,231)**	**(15,284)**	**(15,171)**	**(113)**	**(29)**	**16,949**	**(3,249,095)**
Segment result	**114,017**	**93,229**	**20,788**	**1,921**	**3,092**	**2,853**	**2,801**	**52**	**396**	**(380)**	**121,899**
Other operating revenues	2,109	1,667	442	524	85	42	42	-	111		**2,871**
Costs of sales and overheads	(92,810)	(76,936)	(15,874)	(6,394)	(5,148)	(6,029)	(5,905)	(124)	(7,547)	560	**(117,368)**
Other net profits / (losses)	427	45	382	(3)	10	10	25	(15)	28	(8)	**464**
Other operating expenses	(366)	(300)	(66)	(5,043)	(45)	(1,009)	(1,009)	-	(676)		**(7,139)**
Result on operating activities	**23,377**	**17,705**	**5,672**	**(8,995)**	**(2,006)**	**(4,133)**	**(4,046)**	**(87)**	**(7,688)**	**172**	**727**
Financial revenues	167	140	27	479	7,423	-	-	-	576	(1,115)	**7,530**
Financial expenses	(7,940)	(7,751)	(189)	(1,219)	(89)	(7)	(7)	-	(3,841)	4,618	**(8,478)**
Income Tax	-	-	-	-	-	-	-	-	-	-	**(2,919)**
Profit / (loss) for the period	**15,604**	**10,094**	**5,510**	**(9,735)**	**5,328**	**(4,140)**	**(4,053)**	**(87)**	**(10,953)**	**3,675**	**(3,140)**
Depreciation	**(1,971)**	**(980)**	**(991)**	**(2,127)**	**(160)**	**(350)**	**(345)**	**(5)**	**(925)**	**-**	**(5,533)**
EBITDA*	**25,348**	**18,685**	**6,663**	**(6,868)**	**5,412**	**(3,783)**	**(3,701)**	**(82)**	**(6,763)**	**172**	**13,517**

* *The* **EBIDTA** *ratio defined as* Earnings Before Interest, Taxes, Depreciation and Amortization

in PLN thousand **for the period from 1 January 2017 to 31 December 2017**	**Trading in liquid fuels**	**including: ON and Biofuel**	**including: LPG**	**Trading in liquid fuels**	**Electricity**	**Other activities**	**including: Fuel stations**	**including: other**	**Corporate functions**	**Settlement elimination in the Group**	**Consolidated Total**
Revenue from external customers	2,857,805	2,605,782	252,023	31,890	97,678	17,607	16,647	960	22	-	**3,005,002**
Profits (losses) on financial instruments hedging sales	4,247	4,247	-	5852		282	-	-	-	-	**4,247**
Revenues from customers from the Group	71	71	-		9,870		-	282	-	(16,075)	-
Total revenue	**2,862,123**	**2,610,100**	**252,023**	**37,742**	**107,548**	**17,889**	**16,647**	**1,242**	**22**	**(16,075)**	**3,009,249**
Cost of goods, products and materials sold to external customers	(2,725,920)	(2,495,641)	(230,279)	(29,235)	(92,514)	(16,176)	(15,239)	(937)	-	-	**(2,863,845)**
Cost of goods, products and materials sold to customers from the Group	(58)	(58)	-	(5,797)	(9,869)	-	-	-	-	15,724	-
Cost of goods, products and materials sold, total	**(2,725,978)**	**(2,495,699)**	**(230,279)**	**(35,032)**	**(102,383)**	**(16,176)**	**(15,239)**	**(937)**	**-**	**15,724**	**(2,863,845)**
Segment result	**136,145**	**114,401**	**21,744**	**2,709**	**5,166**	**1,713**	**1,408**	**305**	**22**	**(351)**	**145,404**
Other operating revenues	1,947	1,432	515	71	14	111	110	1	58	-	**2,201**
Costs of sales and overheads	(94,772)	(79,935)	(14,837)	(6,355)	(3,701)	(5,452)	(5,241)	(211)	(5,566)	368	**(115,478)**
Other net profits / (losses)	-	-	-	-	11	-	-	-	(21)	-	**(10)**
Other operating expenses	(263)	(242)	(21)	(1,845)	(20)	(23)	(23)	-	(94)	24	**(2,221)**
Result on operating activities	**43,057**	**35,656**	**7,401**	**(5,419)**	**1,469**	**(3,651)**	**(3,746)**	**95**	**(5,601)**	**41**	**29,896**
Financial revenues	177	67	110	448	36	-			193	(643)	**211**
Financial expenses	(5,673)	(5,251)	(422)	(913)	(47)	(6)	(5)	(1)	(45)	577	**(6,107)**
Income Tax	-			-	-	-			-	-	**(4,485)**
Profit / (loss) for the period	**37,561**	**30,472**	**7,089**	**(5,884)**	**1,458**	**(3,657)**	**(3,751)**	**94**	**(5,453)**	**(25)**	**19,515**
Amortisation and depreciation	**(2,012)**	**(975)**	**(1,037)**	**(1,978)**	**(91)**	**(185)**	**(179)**	**(6)**	**(607)**	**-**	**(4,873)**
EBITDA*	**45,069**	**36,631**	**8,438**	**(3,441)**	**1,559**	**(3,466)**	**(3,567)**	**101**	**(4,994)**	**41**	**34,769**

* *The* **EBIDTA** *ratio defined as* Earnings Before Interest, Taxes, Depreciation and Amortization

Statement of financial standing broken down into segments of activity

in PLN thousand 31.12.2018	Trading in liquid fuels	including: ON and Biofuel	LPG	Trading in liquid fuels	Electricity	Other activities	including: Fuel Stations	Other	Corporate functions	Consolidated Total
Assets of the segment	**442,603**	**406,047**	**36,556**	**46,139**	**55,594**	**11,097**	**10,948**	**149**	**47,851**	**603,285**
Segment liabilities	**317,958**	**287,244**	**30,714**	**17,345**	**42,007**	**991**	**1,698**	**(707)**	**31,739**	**410,040**
Main items non-cash										
Depreciation	(1,971)	(980)	(991)	(2,127)	(160)	(350)	(345)	(5)	(925)	**(5,533)**
Impairment losses for receivables	(1,320)	(1,151)	(169)	(617)		(94)	(41)	(53)	(53)	**(2,084)**
Valuation of inventories to fair value	(26,779)	(26,779)	-	-	-	-	-	-	-	**(26,779)**
Balance sheet valuation of derivatives to fair value	36,583	36,583	-	-	-	-	-	-	-	**36,583**
Balance sheet valuation of foreign exchange settlements	(7,383)	(7,383)	-	-	-	-	-	-	-	**(7,383)**
Total major non-monetary items	**(870)**	**290**	**(1,160)**	**(2,744)**	**(160)**	**(444)**	**(386)**	**(58)**	**(978)**	**(5,196)**

in PLN thousand 31.12.2017	Trading in liquid fuels	including: ON and Biofuel	LPG	Trading in gas fuels	Electricity	Other activities	including: Fuel Stations	Other	Corporate functions	Consolidated Total
Assets of the segment	**485,316**	**446,509**	**38,807**	**49,266**	**34,917**	**5,860**	**5,829**	**31**	**43,161**	**618,520**
Segment liabilities	**338,814**	**308,697**	**30,117**	**16,649**	**26,339**	**964**	**929**	**35**	**25,433**	**408,199**
Main items non-cash										
Depreciation	(2,012)	(975)	(1,037)	(1,978)	(91)	(185)	(179)	(6)	(607)	**(4,873)**
Impairment losses for receivables	(883)	(717)	(166)		-	(65)	(13)	(52)	-	**(948)**
Valuation of inventories to fair value	4,650	4,650	-	-	-	-	-	-	-	**4,650**
Balance sheet valuation of derivatives to fair value	(14,371)	(14,371)	-	-	-	-	-	-	-	**(14,371)**
Balance sheet valuation of foreign exchange settlements	10,000	10,000	-	-	-	-	-	-	-	**10,000**
Total major non-monetary items	**(2,616)**	**(1,413)**	**(1,203)**	**(1,978)**	**(91)**	**(250)**	**(192)**	**(58)**	**(607)**	**(5,542)**

Revenue from sales - breakdown by product range

in PLN thousand	**01.01.2018 - 31.12.2018**	**01.01.2017-31.12.2017**
ON + BIOFUELS	2,950,419	2,626,551
LPG	301,709	251,727
Gaseous fuels	44,750	32,186
Energy	73,398	97,678
Other	718	1,107
Total	**3,370,994**	**3,009,249**

Revenue on sales - geographical breakdown by location of final customers

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017- 31.12.2017
Poland	2,746,504	2,369,116
Czech Republic	268,164	143,993
Switzerland	-	336,382
Slovakia	3,686	6,154
Hungary	5,082	33
Austria	-	3,002
Great Britain	3,890	2,313
Denmark	1,490	49
Germany	27,707	12,101
Slovenia	102	
Netherlands	153,249	-
Estonia	352	13,815
Romania	1,280	5,790
Cyprus	22,209	-
Saudi Arabia	78,559	-
Sweden	162	-
Ukraine	3,939	-
Italy	398	-
France	7,983	11,196
Bulgaria	46,238	90,176
Lithuania	-	15,129
Total	**3,370,994**	**3,009,249**

Main customers

In the period from 1 January to 31 December 2018, none of the Group's customers exceeded 10% of revenues (in the comparable period of 2017, one of the Group's customers in the biofuel segment exceeded 10% of revenues: PLN 336,382 thousand).

Fixed assets - geographical breakdown

Tangible fixed assets of the Group are located in Poland.

Expenditure on tangible fixed assets and intangible assets

in PLN thousand	Trading in liquid fuels	including: ON and Biofuel	LPG	Trading in gas fuels	Other activities	including: Fuel Stations	Other	Functions corporate	Total
31.12.2018	1,043	75	968	1,163	72	1,055	-	1,417	**4,750**
31.12.2017	1,069	3	1,066	1,349	240	2,046	-	1,558	**6,262**

4. EXPLANATORY NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

4.1 Revenues on sales

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Revenue on sales of services	2,960	2,524
Revenue on sales of goods	3,364,502	3,002,478
Profits /(losses) on financial instruments hedging sales	3,532	4,247
Total	**3,370,994**	**3,009,249**

4.2 COSTS BY TYPE

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Amortisation and depreciation of tangible fixed assets and intangible assets	(5,533)	(4,873)
Consumption of materials and energy	(3,281)	(4,073)
External services	(84,218)	(81,655)
Taxes and fees	(2,238)	(2,912)
Payroll	(14,088)	(13,487)
Social security and other benefits	(3,207)	(2,978)
Other costs by type	(8,009)	(9,640)
Costs by type total	**(120,574)**	**(119,618)**
Cost of goods and materials sold	(3,249,095)	(2,863,845)
Change in prepayments and accruals	4,206	3,015
Other	(1,000)	1,125
Costs of products, goods and materials sold, costs of sales and overheads	**(3,366,463)**	**(2,979,323)**

4.3 Cost of goods and materials sold

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Cost of goods and materials sold	(3,210,760)	(2,895,950)
Valuation of inventories to fair value	(26,779)	4,650
Balance sheet valuation of settlements	29,200	8,689
Realised currency translation differences	(40,756)	18,766
Total	**(3,249,095)**	**(2,863,845)**

4.4 OTHER OPERATING REVENUES

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Compensations and penalties received	526	162
Compensations received due to insurance	309	88
Reimbursable costs of legal proceedings	58	204
Interest income on trade receivables	1,605	1,269
Other	373	478
Total	**2,871**	**2,201**

4.5 OTHER NET PROFITS /(LOSSES)

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Net Profit on disposal of tangible fixed assets	464	-
Net loss on disposal of tangible fixed assets	-	(10)
Total	**464**	**(10)**

4.6 OTHER OPERATING EXPENSES

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Interest expenses on non-financial liabilities	(238)	(145)
Impairment write-offs on the value of intangible assets and tangible fixed assets	(4,120)	-
Write-offs on goodwill	(572)	-
Costs of court proceedings	(94)	(237)
Contractual penalties	(102)	(1)
Donations	(31)	(70)
Cost of standstill due to failure	(1,682)	(1,703)
Road accidents	(250)	-
Other	(50)	(65)
Total	**(7,139)**	**(2,221)**

4.7 NET FINANCIAL EXPENSES

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Financial revenues		
Net profit on trading activities (electricity)	7,259	-
Interest on financial assets and financial commissions	271	211
Total financial revenues	**7,530**	**211**
Financial expenses		
Banking fees and transaction costs (related to credits and loans)	(8,477)	(6,091)
Other	(1)	(16)
Total financial expenses	**(8,478)**	**(6,107)**
Net financial expenses	**(948)**	**(5,896)**

4.8 INCOME TAX

Income tax recognised in the statement of comprehensive income:

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Current Income Tax		
Income Tax for the current year	(5,987)	(3,000)
Deferred Tax		
Creation / reversal of temporary differences	3,068	(1,485)
Income tax recognised in the statement of comprehensive income	**(2,919)**	**(4,485)**

Effective tax rate

in PLN thousand	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
(Loss)/profit before tax	**(221)**	**27,611**
Tax based on the applicable tax rate	-	(4,560)
Costs permanently excluded from tax deductible costs	*(1,588)	(406)
Permanently non-taxable income	-	380
Temporary differences from which no assets were recognised	(359)	-
Tax losses from which deferred income tax assets were not recognised	(972)	-
Other	-	101
Total	**(2,919)**	**(4,485)**
Effective tax rate	**19.0%**	**18.7%**

* including: write-off for impairment of investments PLN 671 thousand, write-off for impairment concerning intangible assets PLN 184 thousand, difference between tax depreciation and balance sheet depreciation PLN 614 thousand, representation and advertising value PLN 104 thousand.

4.9 TANGIBLE FIXED ASSETS

in PLN thousand	Land	Buildings and structures	Machines and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Status as at 01.01.2017	**1,936**	**10,766**	**14,177**	**12,257**	**2,746**	**17,947**	**59,829**
Increases due to:	-	1,947	1,373	1,738	216	(950)	**4,324**
- acquisitions	-	5	698	8	142	1,773	**2,626**
- lease	-	-	-	1,698	-	-	**1,698**
- transfer from tangible fixed assets under construction	-	1,942	675	32	74	(2,723)	**-**
Decreases due to:	-	-	(26)	(584)	(53)	(974)	**(1,637)**
- liquidation	-	-	(20)	(37)	(14)	-	**(71)**
- sale	-	-	(6)	(547)	(39)	-	**(592)**
- reclassification to intangible assets	-	-	-	-	-	(974)	**(974)**
Status as at 31.12.2017	**1,936**	**12,713**	**15,524**	**13,411**	**2,909**	**16,023**	**62,516**

in PLN thousand	Land	Buildings and structures	Machines and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Status as at 01.01.2018	**1,936**	**12,713**	**15,524**	**13,411**	**2,909**	**16,023**	**62,516**
Increases due to:	-	1,221	857	2,443	339	(196)	**4,664**
- acquisitions	-	375	204	-	126	1,422	**2,127**
- lease	-	-	-	2,443	-	-	**2,443**
- stocktaking	-	-	94	-	-	-	**94**
- transfer from tangible fixed assets under construction	-	846	559	-	213	(1,618)	**-**
Decreases due to:	-	-	(53)	(2,720)	(129)	(1)	**(2,903)**
- liquidation	-	-	-	-	(18)	(1)	**(19)**
- sale	-	-	(53)	(2,720)	(111)	-	**(2,884)**
Status as at 31.12.2018	**1,936**	**13,934**	**16,328**	**13,134**	**3,119**	**15,826**	**64,277**

Depreciation and impairment losses

in PLN thousand	Land	Buildings and structures	Machines and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Status as at 01.01.2017	**-**	**- (1,166)**	**(2,150)**	**(3,734)**	**(738)**	**-**	**(7,788)**
Depreciation of the period	-	- (487)	(1,848)	(2,158)	(182)	-	**(4,675)**
Decreases due to:	- -	-	17	379	10	-	**406**
- liquidation	- -	-	16	7	3	-	**26**
- sale	- -	-	1	372	7	-	**380**

in PLN thousand	Land	Buildings and structures	Machines and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Status as at 01.01.2018	**-**	**(1,653)**	**(3,981)**	**(5,513)**	**(910)**	**-**	**(12,057)**
Depreciation for the period	-	(583)	(2,016)	(2,326)	(197)	-	**(5,122)**
Decreases due to:	**-**	**(979)**	**(2,141)**	**1,766**	**81**	**-**	**(1,273)**
- liquidation	-	-	-	-	10	-	10
- sale	-	-	31	1,766	72	-	1,869
- write-off	-	(979)	(2,172)	-	(1)	-	(3,152)
Status as at 31.12.2018	**-**	**(3,215)**	**(8,138)**	**(6,073)**	**(1,026)**	**-**	**(18,452)**

in PLN thousand	Land	Buildings and structures	Machines and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Net value							
Status as at 01.01.2017	1,936	9,600	12,027	8,523	2,008	17,947	52,041
Status as at 31.12.2017	**1,936**	**11,060**	**11,543**	**7,898**	**1,999**	**16,023**	**50,459**
Net value							
Status as at 01.01.2018	1,936	11,060	11,543	7,898	1,999	16,023	50,459
Status as at 31.12.2018	**1,936**	**10,719**	**8,190**	**7,061**	**2,093**	**15,826**	**45,825**

Tangible fixed assets

in PLN thousand	**31.12.2018**	**31.12.2017**
Land	1,936	1,936
Buildings and structures	10,719	11,060
Machines and equipment	8,190	11,543
Means of transport	7,061	7,898
Other tangible fixed assets	2,093	1,999
Tangible fixed assets under construction	15,826	16,023
Total	**45,825**	**50,459**

in PLN thousand	**31.12.2018**	**31.12.2017**
Value of tangible fixed assets used as a collateral for liabilities	22,031	23,572

Tangible fixed assets under lease

The Group uses certain machines, production equipment and means of transport under finance lease agreements. In the case of all agreements, the Group has the possibility to purchase these fixed assets after the end of the lease term at a favourable price.

As at 31.12.2018, the net carrying amount of fixed assets used on the basis of finance lease agreements in force amounted to PLN 6,612 thousand, for means of transport (31.12.2017: PLN 7,273 thousand for means of transport and PLN 163 thousand for machinery and equipment).

Leased fixed assets also serve as a security for lease liabilities (see note 4.20).

Collaterals

As at 31 December 2018, tangible fixed assets with a carrying amount of PLN 22,031 thousand (31 December 2017: PLN 23,572 thousand) served as collaterals for bank credits and overdrafts.

4.10 INTANGIBLE ASSETS

Gross value

in PLN thousand	Goodwill	Development costs	Acquired rights	Software and other	Total
Status as at 01.01.2017	**18,454**	**-**	**-**	**387**	**18,841**
Increases due to:	-	1,235	210	493	**1,938**
- acquisitions	-	504	134	326	**964**
- reclassification from non-current assets	-	731	76	167	**974**
Decreases	-	-	-	-	**-**
Status as at 01.01.2018	**18,454**	**1,235**	**210**	**880**	**20,779**
Increases due to:	**-**	**-**	**-**	**86**	**86**
- acquisitions	-	-	-	86	*86*
Decreases due to:	**(572)**	**(1,235)**	**-**	**-**	**(1,807)**
- write-off	-	*(1,235)*	-	-	*(1,235)*
- impairment write-down on goodwill	*(572)*	-	-	-	*(572)*
Status as at 31.12.2018	**17,882**	**-**	**210**	**966**	**19,058**

Depreciation and impairment losses
in PLN thousand

	Goodwill	Development costs	Acquired rights	Software and other	Total
Status as at 01.01.2017	**-**	**-**	**-**	**(80)**	**(80)**
Depreciation for the year	-	(82)	-	(116)	**(198)**
Decreases due to:	-	-	-	-	-
Status as at 31.12.2017	**-**	**(82)**	**-**	**(196)**	**(278)**
Status as at 01.01.2018	**-**	**(82)**	**-**	**(196)**	**(278)**
Depreciation for the year	-	(185)	(42)	(184)	(411)
Decreases due to:	-	267	-	-	267
- write-off	-	267	-	-	*267*
Status as at 31.12.2018	**-**	**-**	**(42)**	**(380)**	**(422)**

in PLN thousand	Goodwill	Development costs	Acquired rights	Software and other	Total
Net value					
Status as at 01.01.2017	18,454	-	-	307	18,761
Status as at 31.12.2017	**18,454**	**1,153**	**210**	**684**	**20,501**
Net value					
Status as at 01.01.2018	18,454	1,153	210	684	20,501
Status as at 31.12.2018	**17,882**	**-**	**168**	**586**	**18,636**

Intangible assets under lease

As at 31 December 2018 and 31 December 2017 there were no intangible assets used under finance lease agreements.

Depreciation of intangible assets and impairment losses

Depreciation and impairment losses have been recognised in the financial result in the following items:

in PLN thousand	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**
Overheads	(411)	(198)
Other operating expenses	(1,807)	-
Total	**(2,218)**	**(198)**

Impairment tests of cash-generating units to which goodwill has been allocated

The following units have goodwill allocated:

in PLN thousand	**31.12.2018**	**31.12.2017**
LPG trading activities	**2,830**	**2,830**
Liquid fuel trading activities	**10,869**	**10,869**
Natural gas trading activities, including:	**879**	**1,451**
Blue Cold Sp. z o.o.	0	572
Blue LNG Sp. z o.o.	330	330
Unimot System Sp. z o.o.	40	40
PPGW Sp. z o.o.	7	7
Unimot Paliwa Sp. z o.o.	57	57
Unimot Energia i Gaz Sp. z o.o.	440	440
Unimot Energia i Gaz Sp. z o.o. SK.A.	5	5
Activity associated with electricity	**3,304**	**3,304**
Tradea Sp. z o.o.	3,304	3,304
Total	**17,882**	**18,454**

Fuel trading activities - Fair value less costs to sell of a cash-generating unit is estimated using the discounted cash flow method. The calculation of value using the discounted cash flow method is based on the results achieved in 2017 and 2018 and on the forecast of results for 2019 - 2025 prepared by the Management Board of the Parent Company.

LPG trading activities - Fair value less costs to sell of a cash-generating unit is estimated using the discounted cash flow method. The calculation of value using the discounted cash flow method is based on the results achieved in 2017 and 2018 and on the forecast of results for 2019 - 2025 prepared by the Management Board of the Parent Company.

Activity of natural gas companies - fair value of natural gas companies was calculated using the discounted cash flow method on the basis of financial statements for 2017 and 2018 and results estimated for 2019 - 2025. The cash flows were discounted using the data of the following companies: Unimot System Sp. z o.o., Blue LNG Sp. z o.o., PPGW Sp. z o.o., Blue Cold Sp. z o.o. and data covering the natural gas activities of Unimot Energia i Gaz Sp. z o.o.

Activity of natural gas companies - fair value of natural gas companies was calculated using the discounted cash flow method on the basis of financial statements for 2017 and 2018 and results estimated for 2019 - 2025. The cash flows were discounted using Tradea Sp. z o.o. data and data comprising the area of electricity of Unimot Energia and Gaz Sp. z o.o.

Basic assumptions used to calculate the fair value as at 31.12.2017:

in PLN thousand		LPG trading activities	Liquid fuel trading activities	Natural gas trading activities	Electricity trading activities
Discount rate	Weighted average of cost of equity and external capital	9.7 % - 10.3 %	8.8 % - 9.0 %	11.8 % -12.5 %	12.7%
Cost of equity		11.1%	9.9%	12.7%	12.7%
Cost of external capital		4.3%	4.3%	4.3%	4.3%

Basic assumptions used to calculate the fair value as at 31.12.2018:

in PLN thousand		LPG trading activities	Liquid fuel trading activities	Natural gas trading activities	Electricity trading activities
Discount rate	Weighted average of cost of equity and external capital	9.6 % - 10.1 %	10.0 %- 10.1 %	4.8 % - 5.4 %	12.0% - 12.6%
Cost of equity		11.01%	11.01%	5.64%	12.57%
Cost of external capital		4.21%	4.21%	4.21%	4.21%

The valuation was based on the financial results of trading in fuels, LPG, natural gas and electricity estimated by the Management Board of the Parent Company in the form of a balance sheet, profit and loss account and statement of cash flows. These forecasts are not certain as to their implementation, but were prepared in accordance with the statement of the Management Board of the Parent Company to the best of the authors' knowledge, based on all available information, therefore it was assumed that they are sufficiently accurate and complete to enable the preparation of a reliable analysis and valuation.

Basic assumptions for the estimation of financial results for the years 2019-2025, which are the basis for the valuation of activities related to trading in liquid fuels, LPG, natural gas and electricity:

1) it was assumed that the tax rates would remain at the current level and that the tax and foreign trade policy and other conditions for conducting business activity would not change;
2) legal acts regulating the fuel market, e.g: the Energy Law will not change significantly;
3) there will be no significant fluctuations in the macroeconomic situation of the country and the related demand for liquid and gaseous fuels in relation to the current situation;
4) the reference rate and margins of banks will not change significantly;
5) the scope of the "shadow economy" activity in the fuel sector will not expand significantly;
6) instruments used by the Company to hedge against foreign exchange rates and the price of diesel will eliminate foreign exchange risk and risk of diesel oil prices.
7) the legal acts regulating the electricity and natural gas market will not be subject to any significant changes;

Detailed assumptions for the estimation of financial results for the years 2019-2025, which are the basis for the valuation of activities related to trading in LPG:

1) maintaining the sales volumes of all LPG product groups in 2019 at a similar level as in 2018;
2) maintaining the average margin on sales of all LPG products in 2019 at a similar level as in 2018;
3) change in transport costs, costs of external services and production costs of cylinders proportionally to the change in the number of tons of LPG sold;
4) other costs by type in 2019 maintained at the level of their average level in 2018;
5) change in financial revenue and financial expenses (including lease income) proportionally to the change in turnover;

Detailed assumptions for the estimation of financial results for the years 2019-2025, which are the basis for the valuation of activities related to trading in liquid fuels:

1) maintaining the sales volumes of liquid fuels in 2019 at a similar level as in 2018;
2) maintaining the average margin on sales of liquid fuels in 2019 at a similar level as in 2018;
3) change in transport costs and costs of external services proportionally to the change in the number of tons of LPG sold;
4) other costs by type in 2019 maintained at the level of their average level in 2018;
5) change in financial revenue and financial expenses (including lease income) proportionally to the change in turnover;

Detailed assumptions for the estimation of financial results for the years 2019-2025, which are the basis for the valuation of activities related to trading in natural gas:

1) in Unimot System Sp. z o.o., which is developing its own natural gas distribution network, in 2019 sales volumes increased by 11 841 MWh/year due to the commissioning of new sections of the network and connection of new customers and an increase in the average margin on sales in accordance with the approved new tariff rates;
2) in PPGW Sp. z o.o., operating on the basis of the regasification station in Szepietowo, to maintain the sales volumes in 2019 at the same level as in 2018 and to increase the sales margin in accordance with the approved new tariff rates;
3) in Blue LNG Sp. z o.o., operating on the basis of regasification stations in Tuczno, Wieleń and Białowieża, to maintain the sales volumes in 2019 at the same level as in 2018 and to increase the sales margin in accordance with the approved new tariff rates;
4) in Unimot Energia i Gaz Sp. z o.o., selling natural gas to end customers, an increase in sales volumes and sales margin in accordance with the agreements signed in 2016-2018 for 2019.

Detailed assumptions for the estimation of financial results for the years 2019-2025, which are the basis for the valuation of activities related to trading in electricity:

1) in Tradea Sp. z o.o., a company operating in the wholesale energy trading business, to maintain sales volumes and average margin on sales in 2019 at a similar level as in 2018;
2) in Unimot Energia i Gaz Sp. z o.o., selling electricity to end customers, an increase in sales volumes and sales margin in accordance with the agreements signed in 2016-2018 for 2019.

As at 31 December 2018 and 31 December 2017, no impairment of goodwill was found in relation to activities related to trading in fuels, LPG and electricity. On the other hand, as at 31 December 2018, the loss of part of goodwill related to natural gas was recognised, including the loss of goodwill of Blue Cold Sp. z o.o.

Impairment of goodwill was recognised after the impairment test of property, plant and equipment as at 31 December 2018 prepared on 19 March 2019, which showed a lower recoverable amount than the balance sheet value of components constituting the liquefaction point of natural gas in Uniszki Zawadzkie - the basic asset of Blue Cold Sp. z o.o. In the conducted tests for permanent impairment of fixed assets, it was established that the fair value of fixed assets exceeds their value in use, therefore the fair value was adopted as the recoverable value.

The balance sheet value of fixed assets in the amount of PLN 7,453 thousand as at 31 December 2018 is higher than the verified fair value (obtainable from possible sale of particular assets in their current technical condition after deducting costs of sale) amounting to PLN 4,301 thousand.

The amount of the impairment loss on tangible fixed assets in Blue Cold Sp. z o.o. is PLN 3,152 thousand. Additionally, the Issuer's Management Board decided to write off the shares of Blue Cold in the amount of PLN 3,533 thousand.

The above events will affect the consolidated financial results of the Capital Group in the following manner:
- write-off for impairment in the value of tangible fixed assets and intangible assets: PLN -3,152 thous.
- write-down on goodwill: PLN - 572 thousand.

4.11 OTHER FINANCIAL ASSETS

in PLN thousand	31.12.2018	31.12.2017
Long-term investments		
Loans granted	131	131
Shares in affiliated companies not included in consolidation	260	260
Total	**391**	**391**

Short-term investments		
Loans granted	97	67
Other	44	155
Total	**141**	**222**

As at 31 December 2018 and 2017, there were no impairment losses on investments.

4.12 ASSETS AND LIABILITIES FROM THE DEFERRED INCOME TAX Recognised assets and provisions for deferred income tax

Deferred tax assets and liabilities are recognised in relation to the following items:

	Assets		Provisions		Net value	
in PLN thousand	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Fixed assets	-	-	(1,413)	(1,447)	(1,413)	(1,447)
Intangible assets	-	-	(71)	(117)	(71)	(117)
Trade receivables and other receivables	420	184	(432)	(183)	(12)	1
Liabilities due to employee benefits	186	54	(390)	-	(204)	54
Provisions for mandatory stocks	-	-	-	-	-	-
Provisions for retirement benefits	124	137	-	-	124	137
Trade liabilities and other	277	357	-	-	277	357
Other	1,704	99	(747)	(2,301)	957	(2,202)
Deductible tax losses recognised as possible to use in future periods	2,207	2,014	-	-	2,207	2,014
Assets/ provision due to deferred income tax	**4,918**	**2,845**	**(3,053)**	**(4,048)**	**1,865**	**(1,203)**
Set-off	(3,002)	(766)	3,002	766		
Assets/provision due to deferred income tax recognised in the statement of financial standing	**1,916**	**2,079**	**(51)**	**(3,282)**		

Change in transitional changes in the period

in PLN thousand	01.01.2018	Change recognised in the financial result	Change recognised in equity	31.12.2018
Fixed assets	(1,447)	34	-	(1,413)
Intangible assets	(117)	46	-	(71)
Trade receivables and other receivables	1	(13)	-	(12)
Liabilities due to employee benefits	54	(258)	-	(204)
Provisions for mandatory stocks	-	-	-	-
Provisions for retirement benefits	137	(13)	-	124
Trade liabilities and other	357	(80)	-	277
Other	(2,202)	3,159	-	957
Deductible tax losses recognised as possible to use in future periods	2,014	193	-	2,207
Total	**(1,203)**	**3,068**	**-**	**1,865**

in PLN thousand	01.01.2017	Change recognised in the financial result	Change recognised in equity	31.12.2017
Fixed assets	(1,309)	(138)	-	(1,447)
Intangible assets	-	(117)	-	(117)
Trade receivables and other receivables	(35)	36	-	1
Liabilities due to employee benefits	33	21	-	54
Provisions for mandatory stocks	-	-	-	-
Provisions for retirement benefits	97	(40)	-	137
Trade liabilities and other	253	104	-	357
Other	254	(2,456)	-	(2,202)
Deductible tax losses recognised as possible to use in future periods	989	1,025	-	2,014
Hedging instruments	(873)	-	(873)	-
Total	**(591)**	**(1,485)**	**873**	**(1,203)**

4.13 INVENTORIES

in PLN thousand	**31.12.2018**	**31.12.2017**
Materials	94	79
Goods - mandatory stocks	135,370	153,770
Goods - operational stocks	55,036	79,338
Total	**190,500**	**233,187**

Fair value measurement of inventories - level 1

in PLN thousand	**31.12.2018**	**31.12.2017**
Opening balance as at 1 January	**30,216**	**25,566**
Measurement of inventory at fair value	(23,956)	6,623
Realisation at cost of goods sold	(2,823)	(1,973)
Closing balance as at 31 December	**3,437**	**30,216**

Deadline for inventory realisation

in PLN thousand	**31.12.2018**	**31.12.2017**
With a period longer than 12 months from the end of the reporting period	-	-
Of the period up to 12 months from the end of the reporting period	(190,500)	(233,187)
Total	**190,500**	**233,187**

4.14 OTHER LONG-TERM RECEIVABLES

in PLN thousand	**31.12.2018**	**31.12.2017**
Receivables due to excise security	-	6,552
Receivables due to security	3	205
Receivables due to other deposits	3,750	321
Total	**3,753**	**7,078**

4.15 TRADE RECEIVABLES AND OTHER RECEIVABLES

in PLN thousand	**31.12.2018**	**31.12.2017**
Trade receivables	203,782	204,307
Receivables due to taxes, subsidies, customs duty, insurance, except for receivables due to income tax	4,733	7,327
Trade advances	14,028	22,217
Receivables due to excise security	16,535	5,166
Receivables due to security	202	276
Receivables due to other deposits	7,120	6,383
Other receivables	87	272
Total	**246,487**	**245,948**

As at 31.12.2018, trade and other receivables are presented in net value after deduction of revaluation write-offs in the amount of PLN 2,084 thousand (31.12.2017: PLN 948 thousand).

As at 31 December 2018, receivables with a carrying amount of PLN 137,720 thousand (31.12.2017: PLN 131,765 thousand) served as collaterals for bank credits and overdrafts.

The amount of the above mentioned balance sheet receivables as security for bank loans includes:

- ✓PLN 133,094 thousand - as a collateral for mBank receivables arising from the loan NR 23/020/15/D/LI. The assignor assigns to the Bank cash receivables (including VAT) and related claims arising from the relations between the assignor and its customers, up to the amount of the assignor's debt under the loan granted, including interest and other costs. The transfer of future receivables to the Bank takes place at the moment when the receivables being the subject of the Agreement arise. The assignor undertakes to transfer the proceeds of the contracts being the subject of the assignment to the Bank accounts specified in the agreement and assigned to the particular Debtor.
- ✓PLN 4,626 thousand - constitutes a security for the Claims Limit - Agreement on Claims Limit No. CRD/L/35701/11 of 11 August 2011, as amended, concluded with Bank BGŻ BNP Paribas SA (activity taken over by Bank BGŻ BNP Paribas from Bank Raiffeisen Polbank). In order to secure the Claims of Bank the assignor undertakes to transfer to the Bank cash receivables and related claims that exist and may arise in the future from the relations between the Bank and its debtors specified in the Annex to the Agreement. The transfer of Assigned Claims of a future or conditional nature takes place at the moment of their creation. Upon full satisfaction of the Bank's Claims and upon expiry of the period in which the Bank's Claims, whether future or contingent may arise, the Bank undertakes to transfer the Assigned Claims back to the Assignor, unless the satisfaction of the Bank's Claims has been effected from the funds obtained from the repayment of the Assigned Claims.

4.16 ASSETS DUE TO AGREEMENTS WITH CUSTOMERS

Assets arising from agreements with customers, long-term

in PLN thousand	**31.12.2018**	**31.12.2017**
Assets due to agreements with customers	5,252	-
Total	**5,252**	**-**

Assets due to agreements with customers short-term

in PLN thousand	**31.12.2018**	**31.12.2017**
Assets due to agreements with customers	2,945	-
Total	**2,945**	**-**

Assets due to agreements with customers include capital expenditures incurred by the Group to adjust service stations to the AVIA brand in accordance with franchise agreements and trade commissions.

4.17 OTHER CURRENT ASSETS Other current assets short-term

in PLN thousand	31.12.2018	31.12.2017
Prepayments	6,247	5,619
Total	**6,247**	**5,619**

Prepayments include, among others, insurance costs, subscriptions settled in time and incurred costs of realization of ncw not related to sale of goods.

4.18 CASH AND THEIR EQUIVALENTS

in PLN thousand	31.12.2018	31.12.2017
Cash at bank	46,771	36,351
Cash at bank accounts, including cash of limited availability	27	13
Cash in hand	23	14
Other cash	194	154
Cash and equivalents, value presented in the statement of financial standing	**47,015**	**36,532**
Overdrafts	(215,232)	(140,575)
Cash and equivalents, value recognised in statement of cash flows	**(168,217)**	**(104,043)**

As at 31.12.2018 and 31.12.2017, cash and cash equivalents did not constitute security for liabilities. Detailed information on the overdraft facility is presented in Note 4.22.

4.19 EQUITY Share capital

in PLN thousand	31.12.2018	31.12.2017
Registered number of shares	8,197,818	8,197,818
Nominal value per share	PLN 1	PLN 1

As at 31 December 2018, the share capital of the Parent Company consisted of 7,847,818 ordinary shares and 350,000 preference shares (31.12.2017: 7,497,818 ordinary shares and 700,000 preference shares) with a nominal value of PLN 1 per share.

The ownership structure as at 31 December 2018 is presented in the table below:

Shareholder	Number of shares	Share in capital%	Number of shares	Share in votes %
Unimot Express Sp. z o.o.	3,593,625	43.84%	3,593,625	42.04%
Zemadon Limited	1,616,661	19.72%	1,966,661	23.01%
Other	2,987,532	36.44%	2,987,532	34.95%
Total	**8,197,818**	**100.00%**	**8,547,818**	**100.00%**

Other capitals

in PLN thousand	**31.12.2018**	**31.12.2017**
Supplementary capital	174,437	163,100

Supplementary capital comprises (thous. PLN):

1. Issue of shares above nominal value - contribution of an organised part of the enterprise in 2011 – 9,600
2. Issue of shares above par value in 2012 – 120
3. Profit transfer in 2013 – 447
4. Issue of shares above nominal value - contribution of an organised part of the enterprise in 2014 – 20,017
5. Profit transfer in 2014 – 814
6. Profit transfer in 2015 – 3,094
7. Profit transfer in 2016 – 9,101
8. On 23 May 2016 The Parent Company acquired shares in Tradea Sp. z o.o. In the share purchase agreement, the Parties agreed that the Second Instalment of the Sale Price shall be paid by offering and transferring free of charge subscription warrants convertible into shares of the Parent Company with the following parameters: each subscription warrant shall entitle to subscribe for one ordinary bearer share with a nominal value of PLN 1 and at the issue price of PLN 19.50 per share. Accordingly, the Parent Company performed a conditional share capital increase by 166,021 shares at a nominal price of PLN 1 per share and an issue price of PLN 19.50 per share - 3,237
9. Issue of shares above par value - in February 2017 – 94,417
10. Implementation of the conditional capital increase in 2016 - (166)
11. Profit transfer in 2017 – 22,419
12. Profit transfer in 2018 – 11,337

Supplementary capital as at 31.12.2018 - 174,437

Non-controlling shares

in PLN thousand	**31.12.2018**	**31.12.2017**
Non-controlling shares	5,769	9,019

Dividend

On 17 May 2018, the Ordinary General Meeting of the Parent Company Unimot S.A. adopted a resolution on the distribution of the Parent Company's profit for 2017, including the decision to allocate the amount of PLN 13 936 thousand for the payment of dividend. The amount of dividend per share was PLN 1.70. The dividend day was set for 5 June 2018. The dividend was paid on 19 June 2018.

Capital of non-controlling shareholders

The table below presents information on those subsidiaries of the Group which hold significant capital of non-controlling shareholders. Capital of non-controlling shareholders, as well as profits or losses and other total income assigned to them, take into account non-controlling shareholders of both dependent companies directly from the Parent Company, as well as their subsidiaries.

31.12.2018

in PLN thousand	Unimot System Sp. z o.o	Blue Cold Sp. z o.o.	PPGW Sp. z o.o.	Blue LNG Sp. z o.o.	Total
Percentage interest in equity of non-controlling shareholders	41.26%	49.24%	41.26%	41.26%	
Fixed assets	22,705	4,302	1,550	4,446	
Current assets	9,638	253	256	573	
Long-term liabilities	(5,721)	(768)	(64)	(1,962)	
Short-term liabilities	(7,691)	(8,617)	(1,561)	(2,642)	
Net assets	**18,931**	**(4,830)**	**181**	**415**	
Capital of non-controlling shareholders	**7,811**	**(2,288)**	**75**	**171**	**5,769**
Revenue on sales	3,917	3	1,449	2,801	
Net profit / (loss)	(260)	(6,161)	(70)	(148)	
Other comprehensive income	-	-	-	-	
Profits or losses and other total comprehensive income	(260)	(6,161)	(70)	(148)	
Net profit /(loss) attributable to of non-controlling shareholders*	**(154)**	**(3,001)**	**(31)**	**(64)**	**(3,250)**
Other comprehensive income attributable to non-controlling shareholders	-	-	-	-	
Cash flows from operational activities	(1,096)	(488)	153	293	
Cash flows from investment activities	742	(15)	(48)	(180)	
Cash flows from financial activities	(649)	508	19	(122)	
Total net cash flows	**(1,003)**	**5**	**124**	**(9)**	

*net profit/(loss) attributable to non-controlling shareholders is not always equal to their percentage share in the equity of subsidiaries, due to the change in percentage share during the year.

31.12.2017

in PLN thousand	Unimot System Sp. z o.o.	Blue Cold Sp. z o.o.	PPGW Sp. z o.o.	Blue LNG Sp. z o.o.	Total
Percentage interest in equity non-controlling shareholders	41.26%	49.24%	41.26%	41.26%	
Fixed assets	26,797	9,530	1,604	4,531	
Current assets	6,403	204	213	591	
Long-term liabilities	(6,478)	(4,656)	(461)	(2,270)	
Short-term liabilities	(7,417)	(3,816)	(1,100)	(2,281)	
Net assets	**19,305**	**1,262**	**256**	**571**	
Capital of non-controlling shareholders	**7,965**	**713**	**106**	**236**	**9,019**
Revenue on sales	4,792	32	1,344	2,353	
Net profit / (loss)	(180)	(2,055)	(13)	(239)	
Other comprehensive income	-	-	-	-	
Profits or losses and other total comprehensive income	(180)	(2,055)	(13)	(239)	
Net profit /(loss) attributable to of non-controlling shareholders*	**(74)**	**(1,012)**	**(5)**	**(99)**	**(1,190)**
Other comprehensive income attributable to non-controlling shareholders	-	-	-	-	-
Cash flows from operational activities	1,643	(2,814)	21	382	
Cash flows from investment activities	(5,903)	-	43	(31)	
Cash flows from financial activities	4,652	2,813	(67)	(328)	
Total net cash flows	**392**	**(1)**	**(3)**	**23**	

*net profit/(loss) attributable to non-controlling shareholders is not always equal to their percentage share in the equity of subsidiaries, due to the change in percentage share during the year.

Profit /(loss) per share Underlying profit /(loss)

per share

The calculation of underlying profit per share as at 31 December 2018 was made on the basis of net profit attributable to ordinary shareholders of the Parent Company in the amount of PLN 110 thousand (2017: net profit of PLN 20,705 thousand). and the weighted average number of ordinary shares as at the date of preparation of the consolidated financial statements, i.e. 8 198 thousand. (2017: 7,731 thousand pcs.).

The weighted average number of shares used to calculate the diluted earnings per share as at 31 December 2018 is 8,198 thousand. (2017: 7,731 thousand pcs.).

4.20 LIABILITIES ON ACCOUNT OF CREDITS, LOANS, OTHER DEBT INSTRUMENTS AND OVERDRAFTS

The note presents data on the Group's liabilities on account of loans, borrowings and other debt instruments. Information on the exchange rate and interest rate risks to which the Group is exposed is presented in Note 4.28.

in PLN thousand	**31.12.2018**	**31.12.2017**
Long-term liabilities		
Liabilities secured on the Group assets	7,082	8,216
Liabilities due to financial leasing	2,922	3,458
	10,004	**11,674**
Short-term liabilities		
Short-term portion of secured loans on the Group assets	1,086	1,152
Other lending	326	312
Short-term part of liabilities due to financial lease	2,161	2,633
	3,573	**4,097**
Overdrafts	**215,232**	**140,575**
Total	**228,809**	**156,346**

Schedule of repayment of liabilities due to credits, loans and other debt instruments as at 31 December 2018. (excluding finance lease liabilities):

in PLN thousand	**Total**	**Below 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
Secured loans and borrowings	8,168	1,086	7,082	-	-
Other loans	326	326	-	-	-
Total	**8,494**	**1,412**	**7,082**	**-**	**-**

Schedule of repayment of liabilities due to credits, loans and other debt instruments as at 31 December 2017. (excluding finance lease liabilities):

in PLN thousand	**Total**	**Below 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
Secured credits and loans	9,368	1,152	8,216	-	-
Other lending	312	312	-	-	-
Total	**9,680**	**1,464**	**8,216**	**-**	**-**

Schedule of lease liabilities repayment:

in PLN thousand	31.12.2018			31.12.2017		
	Payments on account of financial lease	Interest	Principal	Payments on account of financial lease	Interest	Principal
From 1	2,281	120	2,161	2,791	158	2,633
to 5 years	3,019	97	2,922	3,592	134	3,458
Total	**5,300**	**217**	**5,083**	**6,383**	**292**	**6,091**

Lease agreements do not provide for contingent payments.

4.21 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments - financial assets

in PLN thousand	31.12.2018	31.12.2017
Long-term financial liabilities		
Futures contracts	987	-
Total	**987**	**-**
Short-term financial liabilities		
Futures contracts	33,190	14,842
Total	**33,190**	**14,842**

Derivative financial instruments - financial liabilities

in PLN thousand	31.12.2018	31.12.2017
Long-term financial liabilities		
Futures contracts	3,457	10,166
Total	**3,457**	**10,166**
Short-term financial liabilities		
Futures contracts	8,365	19,047
Total	**8,365**	**19,047**

Maturity schedule / settlement period of derivative financial instruments - financial liabilities as at 31 December 2018

in PLN thousand	Total	Below 1 year	1-3 years	3 - 5 years	Over 5 years
Futures contracts	11,822	8,365	3,457	-	-
Total	**11,822**	**8,365**	**3,457**	**-**	**-**

Maturity schedule / settlement period of derivative financial instruments - financial liabilities as at 31 December 2017

in PLN thousand	Total	Below 1 year	1-3 years	3 -5 years	Over 5 years
Futures contracts	29,213	19,047	10,166	-	
Total	**29,213**	**19,047**	**10,166**	**-**	

4.22 ANALYSIS OF CREDIT AND LOAN

AGREEMENTS Analysis of credit and loan agreements

as at 31.12.2018

Financing company name	Long-term part	Short-term part	Type of liability	Date of granting	Repayment term	Collaterals
BGŻ BNP Paribas S.A. (formerly Raiffeisen Bank Polska S.A.	-	3,763	Overdraft facility	2011-08-11	2019-01-14	-capped mortgage on real estate including assignment of rights under the insurance policy, registered pledge on fixed assets, power of attorney to the current account, and other accounts, assignment of receivables
Bank Millenium S.A.	-	21,013	overdraft facility	2012-09-20	2019-04-21	-joint mortgage on real estate including assignment of rights under the insurance policy, surety granted by Unimot Express Sp. z o.o., assignment of receivables
mBank S.A.	-	96,447	revolving loan	2012-10-01	2019-05-21	-joint mortgage on real estate, blank promissory note together with a promissory note declaration, assignment of receivables, assignment of rights under an insurance policy, registered pledge on Diesel oil
ING Bank Śląski S.A.	-	93,123	working capital loan	2016-03-03	2019-05-31	registered pledge on inventories, power of attorney to the current account and other accounts, assignment of receivables, assignment of rights under the insurance policy
Bank BGŻ BNP Paribas S.A.	-	-	revolving loan	2016-09-26	2026-09-26	blank promissory note together with a promissory note declaration, pledge or registered pledge on a financed or refinanced product, assignment of compensation under an insurance policy, confirmed assignment of receivables, silent assignment of receivables, registered pledge on a bank account, statement on submission to enforcement, power of attorney to dispose of financial resources on all bank accounts held with the Bank
Bank Gospodarstwa Krajowego	-	69	overdraft facility	2016-01-27	2019-01-26	blank promissory note; Unimot S.A. promissory note guarantee; BLE civil surety; contractual mortgage up to the amount of PLN 23,760,058; registered pledge on a set of future items; assignment of receivables; assignment of receivables under an insurance agreement; statement on submission to enforcement proceedings pursuant to article 777 Unimot SA, BLE, Unimot System
BGŻ BNP Paribas S.A. (formerly Raiffeisen Bank Polska S.A.	-	816	overdraft facility	2018-01-03	2019-03-31	collateral through credit limit in Unimot S.A.
Orzesko-Knurowski Bank Spółdzielczy z/s in Knurów (Wieleń)	308	148	Investment loan	2013-11-22	2022-06-20	own promissory note, contractual mortgage on real estate, assignment of policy, court registered pledge, surety from BLE SA, power of attorney to bank accounts, transfer from contracts with the recipients of Wieleń
Orzesko-Knurowski Bank Spółdzielczy z/s w Knurowie (Tuczno)	242	97	Investment loan	2014-04-03	2022-06-20	promissory note, contractual mortgage on real estate, assignment of policy, court registered pledge, surety from BLE SA, power of attorney to bank accounts, transfer from the agreement with Trumpf Mauxion Chocolates
Orzesko-Knurowski Bank Spółdzielczy z/s w Knurowie (Białowieża)	856	167	Investment loan	2016-04-08	2025-03-30	promissory note, contractual mortgage on real estate, assignment of policy, court registered pledge, surety of Unimot System Sp. z o.o. and Unimot S.A., power of attorney to accounts, transfer from agreements with recipients from Białowieża
Cooperative Development Bank in Szepietowo	-	175	Investment loan	2014-08-08	2022-09-30	bill of exchange guaranteed by Unimot S.A. and Blue Line Engineering S.A., registered pledge on real estate, power of attorney to the current account and other accounts, assignment of receivables, assignment of rights under the insurance policy
Bank Spółdzielczy in Płońsk	1,077	200	Investment loan	2014-05-14	2023-12-31	contractual mortgage, surety from Blue Line Engineering S.A., Unimot S.A., Quantum 6, assignment of receivables, power of attorney to the current account and other accounts, promissory note
Bank Gospodarstwa Krajowego	4,599	300	investment loan agreement	2016-01-27	2024-06-30	blank promissory note; Unimot S.A. promissory note guarantee; BLE civil surety; contractual mortgage up to the amount of PLN 23,760,058; registered pledge on a set of future items; assignment of receivables; assignment of receivables under an insurance agreement; statement on submission to enforcement proceedings pursuant to article 777 Unimot SA, BLE, Unimot System
Unimot Express sp. z o.o.	-	326	loan	2015-12-12	31.12.2018	no collateral
Total	**7,082**	**216,644**				

In the period covered by these annual financial statements and after the reporting date, there were no instances of capital or interest default.

The margin on borrowings and other debt instruments depends on the variable interest rate to which it relates. The margin interval analysis is presented below:
- WIBOR 1M - margin between 0.9% and 2%,
- LIBOR 1M - margin between 1.1% and 2%,
- EURIBOR 1M - margin between 1.1% and 1.45%.

Analysis of lease agreements as at 31.12.2018.

Financing company name	Long-term part	Short-term part	Type of liability	Date of granting	Repayment term	Collaterals
Millenium Leasing Sp. z o.o.	2,447	1,429	leasing	2015-11-09	2022-05-22	Promissory Note Declaration
Volkswagen Leasing Sp. z o.o.	128	119	Lease	2013-08-01	2021-01-01	Promissory Note Declaration
mLeasing Sp. z o.o.	-	184	Lease	2012-06-28	2019-07-20	Promissory Note Declaration
Volkswagen Leasing Sp. z o.o.	155	152	Lease	2013-04-13	2021-01-01	Promissory Note Declaration
Millenium Leasing Sp. z o.o.	192	277	Lease	2017-12-18	2020-12-31	Promissory Note Declaration
Total	**2,922**	**2,161**				

As at 31 December 2018, the following covenants were breached in the credit agreements held by the Parent Company and presented in current liabilities:

1. Bank BGŻ BNP Paribas S.A. (former Raiffeisen Bank Polska S.A.) covenants verified in quarterly periods on the basis of individual data of Unimot S.A:
   - Profit on sales (adjusted by the result on commodity price hedging transactions and the result on exchange rate differences) / net income on sales > 1% - value of the indicator 0.3%,
   - Interest Coverage Ratio (EBIT + depreciation/amortisation) / interest > 3 - value of the ratio 1,67.

   The consequence of the breach of covenants is the possibility for the bank to reduce the amount of available limits, as well as the right to call for additional security or increase the bank's margin.
2. mBank S.A. - covenants verified in quarterly periods on the basis of individual data of Unimot S.A:
   - Net profitability ratio = net profit / total income > 0,2 % - value of the ratio (-0,1%),
   - Ratio (EBIT [net profit + interest + income tax] + depreciation) / interest > 3 - value of Ratio 1.3. The consequence

   of the infringement is that the bank's credit premium can be increased by 0,325 % per annum.
3. Bank Millenium S.A. - covenants verified in quarterly periods on the basis of individual data of Unimot S.A:
   - Ratio (EBIT [net profit + interest + income tax] + depreciation) / interest > 2.25 - value of Ratio 1.3.

   The consequence of a breach of covenant is the possibility of increasing the bank's margin in the loan agreement by 0.5% per annum and the possibility for the bank to terminate the agreement if the breach is not remedied within the next six months.
4. ING Bank Śląski S.A. covenants verified in annual periods on the basis of consolidated data of the Unimot Group:
   - Liability ratio (EBIT [net profit + interest + income tax] + depreciation) / interest > 6 - value of Ratio 16.6.

   In the event of a breach of the covenant, the bank may suspend the disbursement of individual products under the agreement, refuse to carry out instructions given, demand immediate repayment of the loan, reduce the amount of available limit, terminate the agreement, demand the provision of a repair programme, demand additional security, charge the Issuer's account with up to 1% of the amount of the used limit under the agreement.

There were no other breaches of loan agreements. As at the date of publication of this report, banks did not initiate any procedures against the Issuer or its subsidiaries related to the infringement of covenants.

4.23 CHANGE IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

in PLN thousand	Status as at 01.01.2018	Drawings/repayments	Interest paid	Differences foreign exchange gains/losses recognised in the P&L account	Debt valuation	New financial lease agreements	Status as at 31.12.2018
Overdrafts	140,575	103,382	(7,352)	(14,055)	(7,318)	-	215,232
Bank loans	9,368	(918)	(282)	-	-	-	8,168
Short-term loans from related parties	312	14	-	-	-	-	326
Short-term loans from other entities	-	970	(905)	(65)	-	-	-
Financial lease	6,091	(3,259)	(192)	-	-	2,443	5,083
Total	**156,346**	**100,189**	**(8,731)**	**(14,120)**	**(7,318)**	**2,443**	**228,809**

in PLN thousand	Status as at 01.01.2017	Drawings/ repayments	Interest paid	Differences foreign exchange gains/losses recognised in the P&L account	Debt valuation	New financial lease agreements	Status as at 31.12.2017
Overdrafts	204,492	(22,531)	(4,544)	(22,265)	(14,577)	-	140,575
Bank loans	11,806	(2,117)	(321)	-	-	-	9,368
Short-term loans from related parties	3,713	(3,379)	(22)	-	-	-	312
Short-term loans from other entities	23,756	(22,177)	(360)	(1,219)	-	-	-
Financial lease	7,446	(2,789)	(263)	-	-	1,697	6,091
Total	**251,213**	**(52,993)**	**(5,510)**	**(23,484)**	**(14,577)**	**1,697**	**156,346**

4.24 LIABILITIES Due TO EMPLOYEE BENEFITS

in PLN thousand	31.12.2018	31.12.2017
Long-term liabilities on account of retirement and disability severance pay and other benefits	167	184
Short-term liabilities on account of retirement and disability severance pay and other benefits	485	535
Total	**652**	**719**

Employee benefits

The liabilities under retirement benefits were calculated by an independent actuary on the basis of the following assumptions:

in %	31.12.2018	31.12.2017
Discount rate	2.9%	3.3%
Future salary increase	2.0%	2.0%
Inflation	2.0%	2.0%

Changes in defined benefit obligations during the year:

in PLN thousand	Retirement severance pay	Disability severance pay	Equivalent for unused holiday, write-off to the Social Benefits Fund, post-mortem severance pay	Total
as at 1 January 2017	**32**	**4**	**476**	**512**
Costs of current employment	13	1	183	**197**
Costs of interest	1	-	3	**4**
Actuarial gains/(losses) due to change in assumptions	7	-	2	**9**
Benefits paid	(3)	-	-	**(3)**
Other actuarial gains/losses	-	-	-	**-**
Reclassification	-	-	-	**-**
as at 31 December 2017	**50**	**5**	**664**	**719**

in PLN thousand	Retirement severance pay	Disability severance pay	Equivalent for unused holiday, write-off to the Social Benefits Fund, post-mortem severance pay	Total
as at 01 January 2018	50	5	664	**719**
Costs of current employment	12	2	21	**35**
Koszty odsetek	2	-	4	**6**
Actuarial gains/(losses) due to change in assumptions	(3)	(1)	(54)	**(58)**
Benefits paid	(2)	-	(48)	**(50)**
Other actuarial gains/losses	-	-	-	**-**
as at 31 December 2018	**59**	**6**	**587**	**652**

Sensitivity of employee benefit liabilities to changes in basic assumptions

	Change in assumptions		**Impact on benefits**	
as at 31.12.2018.	**Decrease**	**Increase**	**Increase /(decrease)**	**Increase /(decrease)**
Discount rate	0.50%	0.50%	2.45%	2.18%
Future salary increase	0.50%	0.50%	2.13%	2.36%
Inflation	0.50%	0.50%	0.84%	0.98%

Costs related to changes in provisions are recognised in the financial result as general administrative expenses and other costs.

4.25 SHORT-TERM PROVISIONS

The Group is required to establish and maintain mandatory reserves in accordance with the provisions of the Act on Stocks of Petroleum, Petroleum Products and Natural Gas dated 16 February 2007 and the rules of conduct in the event of a threat to the state's fuel security and disruption of the oil market (Journal of Laws of 2016, item 1899, as amended).

Pursuant to Article 5(3) of the aforementioned Act, producers and traders create and maintain mandatory reserves of crude oil or fuels in the amounts specified in the Act, being the product of the number of days indicated in the Act and the average daily production of fuels or imports of crude oil or fuels carried out by a trader in the previous calendar year. The Group incurs the costs of maintaining these inventories each year.

In the current year the Group ceased to create provisions for the costs of maintaining mandatory reserves due to the fact that as at the balance sheet date it is not obliged to bear current costs. This obligation is forward-looking and concerns the costs incurred for storage services (which will be provided in the future).

This approach is consistent with IAS 37 Provisions, which defines an entity's obligation as a present obligation that arises from past events and whose settlement is expected to result in an outflow of resources embodying economic benefits (IAS 37.10). This is also highlighted in paragraph 37.19 of IAS 37.19, which states that only obligations arising from past events that exist independently of the entity's future activities (ie future operations) are recognised as a provision.

The legal requirement to maintain inventories in the future does not give rise to a present obligation to incur costs (the Group may avoid such costs through future business activities). Therefore, the cost of maintaining inventories is not incurred until it is incurred by the Group.

Due to the above change, the Company did not recognize this provision in the current period.

Recognition in the financial statements in accordance with IAS 8

A decision to discontinue the creation of provisions is recognised in the statement as an error of previous years. The correction of an identified error involves the need to restate comparative data in the annual financial statements and has a retrospective effect on the annual statement of comprehensive income and the annual statement of financial position.

The restatement of comparable data is presented in Note 3.5.

Other provisions

in PLN thousand	31.12.2018	31.12.2017
Opening balance as at 1 January	**830**	**-**
Provisions created in the period	-	830
Provisions used in the period	-	-
Provisions reversed in the period	-	-
Closing balance as at 31 December	**830**	**830**

As at 31 December 2018, other provisions include provisions for potential claims arising from the accession of the related company Blue Cold Sp. z o.o. to repay the credit facility for PSM ALFA sp. z o.o.

4.26 ASSETS DUE TO AGREEMENTS WITH CUSTOMERS

Assets arising from agreements with customers, short-term

in PLN thousand	31.12.2018	31.12.2017
a) to related parties		
Liabilities due to agreements with customers	-	-
	-	**-**
b) to other entities		
Liabilities due to agreements with customers	13,390	-
	13,390	**-**
Total	**13,390**	**-**

4.27 TRADE LIABILITIES AND OTHER LIABILITIES

in PLN thousand	31.12.2018	31.12.2017
Short-term		
Trade liabilities	87,081	113,317
Tax and insurance liabilities, except for income tax liabilities	62,435	75,835
Trade advances	-	25,648
Payroll liabilities	843	803
Prepayments and accruals	2,463	1,116
Other liabilities	552	984
Total	**153,374**	**217,703**

4.28 FINANCIAL INSTRUMENTS

Classification of financial instruments

in PLN thousand	Loans and receivables	Financial assets measured at fair value by financial result	Hedging instruments	Cash	Total
Assets according to the statement of financial standing as at 31.12.2018					
a) Fixed assets					
Other financial assets	131	-	-	-	131
Financial derivatives	-	987	-	-	987
Other long-term receivables	3,753	-	-	-	3,753
Assets due to agreements with customers	5,252	-	-	-	5,252
b) Current assets					
Assets due to agreements with customers	2,945	-	-	-	2,945
Receivables (excluding tax advances and receivables)	227,726	-	-	-	227,726
Other financial assets	141	-	-	-	141
Financial derivatives	-	33,190			33,190
Other current assets	6,247	-	-	-	6,247
Cash and equivalents (excluding cash at hand)	-	-	-	46,992	46,992
Total	**246,195**	**34,177**	**-**	**46,992**	**327,364**

in PLN thousand	Loans and receivables	Financial assets measured at fair value by financial result	Hedging instruments	Cash	Total
Assets according to the statement of financial standing as at 31.12.2017					
a) Fixed assets					
Other financial assets	131	-	-	-	131
Other long-term receivables	7,078	-	-	-	7,078
b) Current assets					
Receivables (excluding tax advances and receivables)	216,404	-	-	-	216,404
Other financial assets	222	-	-	-	222
Financial derivatives	-	14,842			14,842
Other current assets	5,619	-	-	-	5,619
Cash and equivalents (excluding cash at hand)	-	-	-	36,518	36,518
Total	**229,454**	**14,842**	**-**	**36,518**	**280,814**

in PLN thousand	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value by financial result	Total
Liabilities according to the statement of financial standing as at 31.12.2018			
a) Long-term liabilities			
Liabilities due to credits, loans and other debt instruments (excluding finance lease liabilities)	7,082	-	**7,082**
Liabilities due to financial lease	2,922	-	**2,922**
Financial derivatives	-	3,457	**3,457**
b) Short-term liabilities			
Liabilities due to credits, loans and other debt instruments (excluding finance lease liabilities)	1,412	-	**1,412**
Overdrafts	215,232	-	**215,232**
Liabilities due to financial lease	2,161	-	**2,161**
Financial derivatives	-	8,365	**8,365**
Trade liabilities and other financial liabilities (excluding public law liabilities)	90,939	-	**90,939**
Total	**319,748**	**11,822**	**331,570**

in PLN thousand	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value by financial result	Total
Liabilities according to the statement of financial standing as at 31.12.2017			
a) Long-term liabilities			
Liabilities due to credits, loans and other debt instruments (excluding finance lease liabilities)	8,216	-	8,216
Liabilities arising from financial lease	3,458	-	**3,458**
Financial derivatives	-	10,166	**10,166**
b) Short-term liabilities			
Liabilities due to credits, loans and other debt instruments (excluding finance lease liabilities)	1,464	-	**1,464**
Liabilities arising from financial lease	2,633	-	**2,633**
Overdraft facilities	140,575	-	**140,575**
Financial derivatives	-	19,047	**19,047**
Trade liabilities and other liabilities (excluding public-law liabilities)	141,868	-	**141,868**
Total	**298,214**	**29,213**	**327,427**

Loans and receivables include loans granted, trade and other receivables (excluding tax and prepayment receivables) as well as cash and cash equivalents.

Financial liabilities measured at amortised cost include overdrafts, borrowings and other debt instruments, trade and other payables (excluding tax liabilities).

Financial instruments measured at a fair value

Fair value

Details of the fair values of the financial instruments for which an estimate can be made are set out below:

- ✓ Cash and cash equivalents, short-term bank deposits, short-term bank credits and overdrafts: the book value of the above instruments is close to their fair value due to their fast maturity.
- ✓ Trade and other receivables, trade and other payables, trade and other payables and prepayments: the book value of the above instruments approximates their fair value due to their short-term nature.
- ✓ Long-term liabilities under credits, loans and debt instruments, except for fixed interest rate instruments: the book value of the above instruments approximates their fair value due to the variable nature of their interest rate.
- ✓ Liabilities to related parties due to fixed interest rate instruments: the book value of the above instruments is similar to their fair value due to the fact that the interest rate is similar to market rates of instruments of similar risk.
- ✓ Derivatives: the fair value is based on the market price resulting from the stock exchange quotations, if available. If the market price resulting from current quotations is not available for a given instrument, then the fair value is determined by discounting the difference between the contractual price of the instrument and the current price of the instrument, taking into account the maturity of the contract. As at 31 December 2018 and 31 December 2017, derivatives used by the Company (FX Forward and Futures) are measured at fair value from Level 1, i.e. based on data from an active market.

The main financial risks to which the Group is exposed in the course of its business are: market risks (including foreign exchange risk, fair value or cash flow risk due to changes in interest rates and price risk), credit risk and liquidity risk. Understanding the threats originating from the Group's exposure to risks, appropriate organizational structure and procedures allow for better performance of tasks. The Group on an ongoing basis identifies and measures financial risk and undertakes actions aimed at mitigating their impact on the financial situation.

Financial risk

The financial risks to which the Group is exposed in the course of its business include:

- ✓ market risks (including price risk, FX risk, interest rate risk),
- ✓ credit risk,
- ✓ liquidity risk.

Understanding the threats originating from the Group's exposure to risks, appropriate organizational structure and procedures allow for better performance of tasks. The Group on an ongoing basis identifies and measures financial risk and undertakes actions aimed at mitigating their impact on the financial situation.

Market risk

The market risk to which the Group is exposed is understood as the possibility of a negative impact on the Group's results resulting from changes in foreign exchange rates, market prices of goods and interest rates. The Group actively manages the market risk to which it is exposed. The main objectives of the market risk management process are to reduce the volatility of the financial result, increase the probability of meeting budget assumptions and decrease the probability of losing financial liquidity.

All market risk management objectives should be considered together and their achievement depends primarily on the Group's internal situation and market conditions.

The main technique used to manage market risk is hedging strategies using derivative instruments (forward contracts, futures). Natural hedging is also used. The Group applies an integrated approach to managing the market risk to which it is exposed. Examples include hedging transactions on the commodity and currency markets, which are closely related to contracts concluded on the market and are executed by the Group's existing hedging department. Since 2017, the Group has not applied the hedge accounting.

Exchange rate risk

The following exposure types are identified with respect to foreign exchange rate risk:

- ✓ transactional exposure related to the volatility of the value of cash flows in the functional currency. The source of transactional exposure to currency risk are cash flow contracts whose value in the functional currency depends on future levels of foreign currency exchange rates with respect to the functional currency. A key source of transactional exposure to currency risk is the proceeds from the sale of commodities.
- ✓ balance sheet exposure concerning the volatility of the value of selected items of the statement of financial position in the functional currency. The source of the balance sheet exposure to currency risk are the items of the statement of financial position in foreign currencies, which, under the applicable accounting principles, are subject to conversion based on the current exchange rate of the foreign currency against the functional currency in connection with the settlement or periodical valuation. The balance sheet exposure concerns in particular: receivables and liabilities denominated in foreign currencies, financial liabilities due to debt in foreign currencies, cash in foreign currencies.

In the Group, the rule of hedging of exchange rates applies for calculated prices and margins on goods purchased and sold in various currencies. The Group applies forward and swap contracts for all asset and liability items in full amount subject to the foreign exchange risk. They represent the simplest and also the most effective tools enabling to mitigate the risk of currency exchange rates volatility, from the moment of goods purchase until the moment of their sales for transactions executed in various currencies.

Group's exposure to currency risk

Data concerning balances in foreign currency as at 31 December 2018:

in PLN thousand	**in EUR**	**in USD**	**Other currencies**	**Total**
Trade receivables and other receivables	3,673	9,532	-	13,205
Cash	1,140	2,866	2	4,008
Liabilities due to credits, loans and other debt instruments	-	(186,188)	-	(186,188)
Financial derivatives	-	22,212	-	22,212
Trade liabilities and other liabilities	(3,298)	(9,030)	-	(12,328)
Exposure to foreign exchange risk related to balances in foreign currency	**1,515**	**(160,608)**	**2**	**(159,091)**

Data concerning balances in foreign currency as at 31.12.2017:

in PLN thousand	**w EUR**	**in USD**	**Other currencies**	**Total**
Trade receivables and other receivables	9,527	8,437	-	**17,964**
Cash	9,589	4,337	2	**13,928**
Liabilities due to credits, loans and other debt instruments	(1,030)	(118,060)	-	**(119,090)**
Derivative financial instruments -		(14,371)	-	**(14,371)**
Trade liabilities and other liabilities	(10,432)	(34,507)	-	**(44,939)**
Exposure to foreign exchange risk related to balances in foreign currencies	**7,654**	**(154,164)**	**2**	**(146,508)**

The increase in the Group's exposure to currency risk as at 31 December 2018 results mainly from increased balances of liabilities under loans, borrowings and other debt instruments.

Sensitivity analysis of financial instruments denominated in foreign currencies to changes in foreign exchange rates

The impact of 15% changes in foreign exchange rates on the financial result as at 31 December 2018 is presented below. The analysis was performed assuming that all other variables, in particular interest rates, remain unchanged. The analysis for 2017 was carried out in the same way.

Influence of exchange rate differences on the Group's financial result due to changes in foreign currency exchange rates:

in thousands of zlotys	Changes in foreign currency exchange rates - impact on the financial result of the year: an increase in exchange rates by 15 %	a decrease of exchange rates by 15 %
31.12.2018	(23,864)	23,864
31.12.2017	(21,976)	21,976

Price risk

The Group does not hold equity securities classified as available for sale or measured at fair value through profit or loss that are exposed to price risk.

The Group is exposed to the risk of changes in prices of fuels sold, mainly diesel oil, which in consequence may affect the Group's results. The change of prices on the world markets also has an impact on the domestic market, therefore the sale of goods may generate a loss.

The Group hedges the risk of changes in commodity prices with appropriate hedging transactions hedging the product price. For this purpose, the Group uses hedging instruments available on the market, i.e. futures contracts.

The Group's procedure for hedging the price of diesel oil assumes concluding transactions with a nominal value corresponding to 100% of the quantity of diesel oil susceptible to price risk. The strategies for entering into hedging transactions correspond to the price formulas in purchase contracts. If hedging transactions are terminated before the sale of the goods, they are rolled over or commodity swaps are entered into. The same approach is also applied to the securing of mandatory stocks of diesel fuel which is not currently marketed.

Group's exposure to price risk

Balances of open derivative transactions as at 31.12.2018:

in PLN thousand		Quantity in tonnes	Fair value
Non-financial assets as at 31.12.2018			
Inventory measured at a fair value less sales costs		96,216	190,500
Total		**96,216**	**190,500**
Financial liabilities as at 31.12.2018	**The period for which Instruments are concluded**		
Futures	January 2019-June 2021	(21,500)	(46,563)
Commodity Swap	January 2019-June 2019	(62,500)	(117,299)
Total		**(84,000)**	**(163,862)**
Exposure to price risk related to balances of derivative transactions		**12,216**	**26,638**

As at 31.12.2017:

in thousands of zlotys		Quantity in tonnes	Fair value
Non-financial assets as at 31.12.2017			
Inventory measured at a fair value less costs of sales		116,124	233,187
Total		**116,124**	**233,187**
Financial liabilities as at 31.12.2017	**Period for which the instruments are concluded**		
Futures	January 2018- July 2020	(24,100)	(42,076)
Commodity Swap	January 2018- July 2018	(82,000)	(168,593)
Total		**(106,100)**	**(210,669)**
Exposure to price risk related to balances of derivative transactions		**10,024**	**22,518**

Sensitivity analysis of derivative instruments to changes in fuel prices

The level of exposure to price risk results mainly from the level of LPG inventories, the value of which is not hedged by derivative transactions.

Weakening/strengthening the quotations of the underlying product (affecting the increase/decrease in the fair value of inventories and the increase/decrease in the fair value of derivatives) by 15% as at 31 December 2018 would result in (decrease)/increase in the financial result by the values presented below. The analysis was performed assuming that all other variables remain unchanged. The analysis for 2017 was carried out in the same way.

Impact of price differences on the Company financial result:

	Price change - impact on the financial result of the year: profit/(loss)	
in thousand PLN	**price increase by 15 %**	**price decrease by 15 %**
31.12.2018	(3,996)	3,996
31.12.2017	3,378	(3,378)

Interest rate risk

Interest rate risk is a possibility of adverse impact of changes in interest rates on the Group's results. In 2018, the Group was exposed to this type of risk in connection with granting loans and using external sources of financing.

In cooperation with many financial institutions, the Group monitors the level of interest rates on an ongoing basis, each time negotiating the level of margin of a bank or other financial institution for products subject to interest. Similarly, the Group follows the interest rate on loans granted by the Group.

The Group's exposure to the interest rate risk

in PLN thousand	**31.12.2018**	**31.12.2017**
Instruments with fixed interest rate		
Financial assets	-	-
Financial liabilities	(326)	(312)
Total	**(326)**	**(312)**

in PLN thousand	**31.12.2018**	**31.12.2017**
Instruments with floating interest rate		
Financial assets	44	155
Financial liabilities	(228,483)	(156,034)
Total	**(228,439)**	**(155,879)**

Risk of changes in interest rates to fair values and cash flows

As the Group has no material interest-bearing financial assets, the Group's income and cash flows from operating activities are largely independent of changes in market interest rates. The Group is more exposed to interest rate risk from loans and borrowings. Loans granted with variable interest rates expose the Group to interest rate risk on the side of cash flows.

Sensitivity analysis of financial instruments with variable interest rates to changes in market interest rates

A (decrease)/increase in the interest rate by 150 bp as at the reporting date would increase/(decrease) equity and profit or loss by the amount presented in the table below. The analysis was performed assuming that all other variables, in particular exchange rates, remain unchanged. The analysis for 2017 was carried out in the same way.

Impact of changes in interest rates on the Company financial result:

in thousand PLN	Interest rate change - impact on the financial result of the year: profit/(loss) increase in interest rates by 1.5 %	decline in interest rates by 1.5 %
31.12.2018	(3,427)	3,427
31.12.2017	(2,338)	2,338

<u>Credit risk</u>

Credit risk is the possibility that the Group may incur a financial loss as a result of the default of the Group's debtors.

Credit risk is mainly related to the following areas:

- ✓ with the creditworthiness of the customers with whom physical sales of goods are concluded,
- ✓ creditworthiness of financial institutions (banks/brokers) with which hedging transactions are concluded or which are intermediaries in concluding them, as well as those where free cash is invested,
- ✓ the financial condition of borrowers.

Credit risk relates in particular to the following balance sheet items:

- ✓ trade receivables,
- ✓ derivatives,
- ✓ cash and bank deposits,
- ✓ loans granted,
- ✓ sureties and guarantees granted.

Maximum exposure to credit risk

in PLN thousand	**31.12.2018**	**31.12.2017**
Loans and other financial assets	272	353
Receivables	231,479	223,482
Financial assets measured at a fair value by financial result	33,190	14,842
Cash and equivalents (excluding cash at hand)	46,992	36,518
Total	**311,933**	**275,195**

As at the reporting date, there was no significant concentration of credit risk. The book value of each financial asset represents the maximum exposure to credit risk.

Granted loans - estimation of impairment of assets

The Group has granted several educational loans to higher education institutions. The amount of estimated impairment of these loans is negligible from the point of view of the results achieved by the Group as at 31 December 2018.

Trade receivables - estimation of impairment of assets

The Group has been cooperating with a large number of customers for many years, which affects the geographical diversification of trade receivables. The Group limits its exposure to credit risk related to trade receivables by assessing and monitoring the financial standing of its counterparties and applying a system for granting credit limits in accordance with the procedure adopted by the Group. Various types of collateral are used to secure credit limits (most often these are blank promissory note with a promissory note declaration, notarial acts of submission to enforcement, mortgages, assignment of receivables). Credit risk is managed through ongoing monitoring of receivables (credit exposure against granted limits, analysis of overdue receivables) and an internal reporting system for procedure execution. Sales to customers without a limit are made in advance.

The Group insures all receivables, in 2018 receivables were insured by Atradius Credito Caucion S.A., Towarzystwo Ubezpieczeń Euler Hermes S.A. and Credendo S.A.

As at 31 December 2018, the Group had the following forms of collateral for trade receivables:

- ✓ 75.9% of receivables insured in insurance companies (93.0% as at 31 December 2017),
- ✓ 0.2% of receivables not insured with a collateral established by the counterparty (0.0% as at 31 December 2017)
- ✓ 23.9% of receivables without insurance (7.0% as at 31 December 2017).

Age structure of trade receivables Gross value

in PLN thousand	**31.12.2018**	**31.12.2017**
Not overdue	144,178	147,642
Overdue, of which	**61,688**	**57,613**
1-30 days	38,845	49,994
31-60 days	15,209	1,998
60-180 days	2,570	2,177
181-365 days	1,441	2,170
Over 365 days	3,623	1,274
Total	**205,866**	**205,255**

Impairment

in PLN thousand	**31.12.2018**	**31.12.2017**
Not overdue	(293)	(29)
Overdue, of which	**(1,791)**	**(919)**
1-30 days	(104)	(86)
31-60 days	(46)	(74)
60-180 days	(85)	(111)
181-365 days	(608)	(256)
Over 365 days	(948)	(392)
Total	**(2,084)**	**(948)**

Net value

in PLN thousand	**31.12.2018**	**31.12.2017**
Not overdue	143,885	147,613
Overdue, of which	**59,897**	**56,694**
1-30 days	38,741	49,908
31-60 days	15,163	1,924
60-180 days	2,485	2,066
181-365 days	833	1,914
Over 365 days	2,675	882
Total	**203,782**	**204,307**

Increases and decreases in revaluation write-downs on trade receivables from related parties:

in PLN thousand	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**
Opening balance as at 1 January	(948)	(480)
Creation	(3,042)	(1,643)
Use	306	79
Reversal	1,600	1,096
Closing balance as at 31 December	**(2,084)**	**(948)**

The Group applies the overriding principle, according to which a simplified approach is applied to trade receivables, under which write-downs for these exposures are always estimated at the amount of expected lifetime credit losses *(lifetime ECL)*.

The solutions assume that trade receivables cover two main groups:

1. Receivables with recognised impairment - covered by a full impairment loss according to the applicable IAS 39 solutions (receivables past due more than 180 days and receivables by virtue of issued notations) interest).
2. Receivables without recognised impairment - other trade receivables for which impairment losses are determined by estimating the expected credit loss.

For insured receivables, it is additionally assumed that in the event of partial repayment of the debtor's own receivables, the Group and the insurer share the repayment in proportion to their share in the credit risk.

For the purpose of estimating the expected credit loss, the Group applied historical cohort ratios. Cohorts were created for each homogeneous type of trade receivables and significant groups of delays, in periods for which data are available. To comply with the requirement of IFRS 9 to take into account current macroeconomic conditions, the data period on the basis of which the factors are determined is 2 years.

The table below presents the Group's trade receivables and the value of write-downs for expected credit losses under the new IFRS 9.

Note informing about the quality of financial assets (trade receivables) and realised write-offs:

	31.12.2018		
in PLN thousand	**Trade receivables without recognized loss fair**	**Trade receivables from a recognized impairment**	**Total**
Trade receivables:			
Before maturity	143,885	293	144,178
Delayed from 1 to 14 days	31,919	49	31,968
Delayed from 15 to 30 days	6,822	55	6,877
Delayed from 31 to 60 days	15,163	46	15,209
Delayed from 61 to 180 days	2,485	85	2,570
Delayed over 180 days	616	4,448	5,064
Total gross trade receivables as at 31.12.2018	**200,890**	**4,976**	**205,866**
Write-off due to credit risk	***(85)**	****(1,999)**	**(2,084)**

* amount of write-downs (estimated impairment calculated in accordance with IFRS 9) on receivables without recognised impairment loss

** amount of write-downs on impaired receivables

Note for gross trade receivables - level of receivables insurance:

in PLN thousand	**31.12.2018**
Security level:	
Non-insured trade receivables	51,138
Own contribution of insured persons' receivables	15,473
The insured part	139,255
Total	**205,866**

Significant changes in the gross balance sheet value of trade receivables and the levels of write-downs in the reporting period:

in PLN thousand	**Trade receivables without a recognized impairment**	**Trade receivables with a recognized impairment**	**Total**
Gross trade receivables at the beginning of The reporting period - 01.01.2018	**201,532**	**3,723**	**205,255**
Acquisition of new receivables	156,683	1,091	157,774
Transfer to Lifetime ECL (Impairment)	(408)	408	0
Changes resulting from the derecognition of receivables from the balance sheet (repayment or write-off) in the reporting period	(156,917)	(246)	(157,163)
Changes resulting from the measurement method of the provision	0	0	0
Gross balance of receivables at the end of the reporting period - 31.12.2018	**200,890**	**4,976**	**205,866**

Note presenting the change of write-offs on trade receivables in the reporting period:

in PLN thousand	Write-off of receivables without recognised impairment	Write-off of receivables with recognized impairment	Total
Write-off on trade receivables			
Opening balance of write-offs at the beginning of the reporting period - 01.01.2018	**(113)**	**(948)**	**(1,061)**
Transfer to Liftetime ECL (no impairment)	0	191	191
Transfer to Liftetime ECL (impairment)	0	(191)	(191)
New write-offs during the reporting period	(5)	(2,484)	(2,489)
Write-offs on receivables matured/excluded from balance sheet during the reporting period	0	(553)	(553)
Write-off of receivables written off	0	386	386
Reversal of provisions for receivables previously written off	33	1,600	1,633
Changes in risk models/parameters	0	0	0
Opening balance of write-offs at the beginning of the reporting period - 01.01.2018	**(85)**	**(1,999)**	**(2,084)**

As at 31 December 2018, trade receivables in the amount of PLN 143,885 thousand were not overdue and did not lose their value (31.12.2017: PLN 147,613 thousand). As at 31 December 2018, trade receivables in the amount of PLN 59,897 thousand (31.12.2017: PLN 56 ,694 thousand) were overdue but no impairment was found. These receivables relate mainly to customers with whom the Group has been cooperating for many years.

As at 31 December 2018, trade receivables in the amount of PLN 1,791 thousand (31.12.2017: PLN 919) thousand were overdue and their impairment was found; consequently, in 2018 they were covered by a write-down in the amount of PLN 1,791 thousand (31.12.2017: PLN 919 thousand). As at 31 December 2018, trade receivables in the amount of PLN 293 thousand (31.12.2017: were not overdue but their impairment was found (31.12.2017: PLN 29 thousand).

The Group expects that the realisation of non-overdue trade receivables by contractors will take place no later than twelve months after the end of the reporting period.

The Group estimates that the risk of non-payment of receivables by the counterparty with respect to overdue receivables and overdue receivables not covered by a write-down is negligible due to effective management of trade credit and debt collection. The Group, among other things, sets limits for individual contractors, establishes collateral and has the possibility to offset mutual receivables.

Cash - estimation of impairment of assets

The Group invests its free cash and cash equivalents only in entities operating in the financial sector. The analysis of exposure to this type of risk carried out as at 31 December 2018 for the amount of PLN 46,258 thousand, which constitutes 98.39% of the Group's total cash and cash equivalents (other cash at hand and in hand), showed that these are mostly banks with the highest, medium-high and medium rating, high equity and a leading and stable market position in Poland. The credit risk is monitored on an ongoing basis by analysing credit ratings and limiting the concentration of funds in individual financial institutions.

Level of concentration of cash and deposits, including credit rating of financial institutions (as at 31 December 2018):

in %	Moody's Rating	Fitch Rating	S&P rating	31.12.2018
Broker1	-	-	-	39.7%
Bank1	Baa1	BBB	BBB+	34.8%
Bank2	A2	A	-	12.5%
Bank3	Baa2	BBB-	-	6.0%
Bank4	Aa3	A+	A	5.5%
Other 7 Banks	-	-	-	1.5%

Despite the concentration of cash in two main entities, the Group believes that due to the good cooperation with these entities to date, the level of their ratings and the fact that they monitor their financial results and other market and non-market information indicating their financial position, the Group is not exposed to significant credit risk resulting from depositing financial resources with these institutions.

The amount of estimated impairment of cash is negligible from the point of view of the results achieved by the Group as at 31 December 2018.

In accordance with the option permitted by the standard, the Group decided not to abandon estimation of any impairment of cash for the comparable period.

Transactions in derivative instruments - estimation of impairment of assets

The Group enters into derivative transactions in entities operating in the financial sector. The analysis of exposure to this type of risk carried out as at 31 December 2018 shows that these are mostly banks with the highest, medium-high and medium rating, as well as high equity and a leading and stable market position in Poland. The credit risk is monitored on an ongoing basis by analysing credit ratings and limiting the concentration of transactions in individual financial institutions.

In order to limit cash flows and at the same time limit credit risk, the Company performs net settlements up to the level of positive balance of valuation of derivative transactions concluded with a given entity.

The level of concentration of fair value of derivative transactions including credit assessment of financial institutions

in %	Moody's Rating	Fitch Rating	S&P rating	31.12.2018
Bank1	A2	A	-	92.7%
Bank2	Baa1	BBB	BBB+	6.2%
Other	-	-	-	1.1%

Despite the concentration of credit risk related to the valuation of derivative transactions at one main entity, the Group estimates that due to the current rating of this bank and its good cooperation to date, as well as the monitoring of its financial results and other market and non-market information indicating its financial position, it is not significantly exposed to credit risk resulting from the valuation of derivative transactions.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to repay its financial liabilities when they fall due. The Group undertakes actions aimed at ensuring stable and effective financing of its operations.

In liquidity management, the Group is guided by the following principles:

- ensuring stable and diversified financing from external institutions,
- allocating financial surpluses for repayment of interest-bearing debt or effectively investing them in safe instruments,
- credit limits for trading partners,
- collection of receivables in accordance with their payment dates, or issuance of interest notes in case of overdue receivables,
- effective management of other elements of working capital.

Maturity analysis of financial liabilities including interest payments:

As at 31.12.2018

in PLN thousand	Carrying amount	Contracted value of cash flows	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years
Financial liabilities							
Liabilities due to financial lease	5,083	5,300	225	431	1,625	3,019	-
Overdraft facility	215,232	215,232	215,232	-	-	-	-
Other interest-bearing liabilities	8,494	9,182	61	369	1,559	7,193	
Financial derivatives	11,822	11,822	140	-	8,225	3,457	-
Trade liabilities and other liabilities (excluding liabilities due to taxes)	90,939	90,939	90,939	-	-	-	-
Total	**331,570**	**332,475**	**306,597**	**800**	**11,409**	**13,669**	**-**

as at 31.12.2017

in PLN thousand	Carrying amount	Contracted value of cash flows	Up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years
Financial liabilities							
Liabilities due to financial lease	6,091	6,383	257	283	2,251	3,592	-
Overdraft facility	140,575	140,575	140,575	-	-	-	-
Other interest-bearing liabilities	9,680	11,708	93	285	1,279	7,978	2,073
Financial derivatives	29,213	29,212	3,237	41	15,768	10,166	-
Trade liabilities and other liabilities (excluding liabilities due to taxes)	141,868	141,868	141,868	-	-	-	-
Total	**327,427**	**329,746**	**286,030**	**609**	**19,298**	**21,736**	**2,073**

Capital management

In order to maintain the ability to continue as a going concern, taking into account the implementation of planned investments, the Company manages its capital in such a way as to ensure future development while maximising return on capital for shareholders. The Group monitors the return on equity using the ROE (net profit/equity) ratio. The level of this ratio as at 31 December 2018 amounts to -1.6% (9.3% as at 31 December 2017, respectively).

Moreover, in the process of liquidity and capital management, the Group also pays attention to indicators:

- ✓ asset coverage ratio (equity / total assets), the level of this ratio as at 31 December 2018 is 32.0% (34.0% as at 31 December 2017).
- ✓ current liquidity ratio (current assets / current liabilities), the level of this ratio as at 31 December 2018 amounts to 1.3 (1.4 as at 31 December 2017 respectively).

In order to optimally manage capital, maintain liquidity and creditworthiness to obtain and maintain external financing, in the long run the Group strives to maintain the asset coverage ratio at a level not lower than 20% and the current liquidity ratio at a level not lower than 1.1.

4.29 CONTINGENT LIABILITIES

The Group had the following contingent liabilities as at 31 December 2018 and 31 December 2017:

Guarantees relating to the liabilities of the Parent Company Unimot S.A. towards third parties issued in the course of current operations as at 31 December 2018 and 31 December 2017 amounted to PLN 61.17 million and EUR 1.45 million, PLN 50.5 million and EUR 0.0 million, respectively. They concerned mainly: civil-law guarantees related to securing the due performance of contracts, and public-law guarantees resulting from generally binding regulations securing the correctness of conducting business activity licensed in the sector of liquid fuels and tax, customs and other receivables resulting from this activity.

The value of standby letters of credit issued at the request of the Parent Company Unimot S.A. as at 31 December 2018 and 31 December 2017 amounted to USD 0 and USD 11.76, respectively

The Parent Company Unimot S.A. granted a civil surety for the liabilities of its individually unconsolidated affiliated entity in the amounts as at 31 December 2018 and 31 December 2017, respectively PLN 1.6 million and PLN 1.6 million.

Guarantees related to liabilities of subsidiaries to third parties issued in the course of day-to-day operations as at 31 December 2018 and 31 December 2017 amounted to PLN 15.24 million and PLN 5.21 million, respectively.

As at 31 December 2018 and 31 December 2017, the related companies had sureties in respect of third parties of PLN 14.15 million and PLN 14.15 million, respectively.

4.30 RELATED ENTITIES

Identification of related entities

The Group enters into transactions with the Parent Company and related parties listed below.

Consolidated related parties:
- Unimot System Sp. z o.o.
- Blue LNG Sp. z o.o.
- Blue Cold Sp. z o.o.
- PPGW Sp. z o.o.
- Unimot Paliwa Sp. z o.o.
- Unimot Energia i Gaz Sp. z o.o.
- Unimot Energia i Gaz Sp. z o.o. SK.A.
- Tradea Sp. z o.o.
- Unimot Ukraine LLC
- Unimot Asia LLC

Non-consolidated related parties:
- Unimot Express Sp. z o.o. (parent company)
- Zemadon Limited (related party of Unimot Express Sp. z o.o.)
- Ammerviel Limited (related party: Unimot Express Sp. z o.o.)
- Unimot Truck Sp. z o.o. (related party of Unimot Express Sp. z o.o.)

in PLN thousand	**31.12.2018**	**31.12.2017**
Short-term receivables:		
- related entities (unconsolidated)	79	80
Short-term liabilities		
- related entities (unconsolidated)	196	249
Loans received		
- related entities (unconsolidated)	326	312

in PLN thousand	**31.12.2018**	**31.12.2017**
Revenue on sales of products		
- related entities (unconsolidated)	-	-
Revenues from the sale of services		
- related entities (unconsolidated)	214	307
Revenue on sales of goods and materials		
- related entities (non-consolidated)	340	416
Purchase of goods, materials and fixed assets		
- related entities (unconsolidated)	12	-
Purchase of services		
- related entities (unconsolidated)	598	706
Other revenues		
- related entities (unconsolidated)	-	-
Other expenses		
- related entities (unconsolidated)	-	-
Financial revenues		
- related entities (unconsolidated)	-	-
Financial expenses		
- related entities (non-consolidated)	150	269
Costs related to write-downs on receivables		
- related entities (non-consolidated)	-	-
Costs related to doubtful liabilities		
- related entities (unconsolidated)	-	-

Unconsolidated related entities:

PZL Sędziszów S.A. (Associate of Unimot Express Sp. z o.o.)

in PLN thousand	**31.12.2018**	**31.12.2017**
Short-term receivables:		
- related entities (unconsolidated)	236	86
Short-term liabilities		
- related entities (unconsolidated)	-	52

in PLN thousand	**31.12.2017**	**31.12.2016**
Revenue on sales of services		
- related entities (unconsolidated)	5	1
Revenue on sales of goods and materials		
- related entities (non-consolidated)	343	264
Purchase of goods, materials and fixed assets		
- related entities (unconsolidated)	-	-
Purchase of services		
- related entities (unconsolidated)	12	66
Other revenues		
- related entities (unconsolidated)	-	-
Other expenses		
- related entities (unconsolidated)	-	-
Financial revenues		
- related entities (unconsolidated)	19	14
Financial expenses		
- related entities (non-consolidated)	-	-
Costs related to write-downs on receivables		
- related entities (non-consolidated)	-	-
Costs related to doubtful liabilities		
- related entities (unconsolidated)	-	-

In the current reporting period, no individual transactions between the Companies of the Group were identified that would be significant due to their non-typical scope and value. Transactions entered into by the Group companies are part of the normal day-to-day business operations conducted on arm's length terms and conditions. These transactions related mainly to the purchase of materials and services for the needs of current operating activities (fuels, energy, lease services).

In the audited period and in the comparative period, the Group granted civil and bill-of-exchange sureties and issued guarantees for the liabilities of related parties - details in Note 4.29.

4.31 EXPLANATORY NOTE TO THE STATEMENT OF CASH FLOWS

in PLN thousand	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**
Change in receivables resulting from the statement of financial standing	**3,983**	**(40,582)**
Change in receivables from hedging instruments	-	873
Change in receivables in the statement of cash flows	**3,983**	**(39,709)**
Change in liabilities resulting from the statement of financial standing	**(63,323)**	**6,951**
Change in the status of investment liabilities	832	(14)
Change in the status of liabilities due to the purchase of shares	251	(251)
Change in liabilities in the statement of cash flows	**(62,240)**	**6,686**

4.32 EVENTS AFTER THE BALANCE SHEET DAY

No significant events occurred after the balance sheet date that were not included in these consolidated financial statements.

Zawadzkie, 29 March 2019

………………………………………	………………………………………	………………………………………
Adam Sikorski	**Robert Brzozowski**	**Marek Moroz**
President of the Board of Unimot S.A.	Vice President of the Management Board of Unimot S.A.	Vice President of the Management Board of Unimot S.A.

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Małgorzata Walnik
Person drawing up the financial statements