

## *Independent Registered Auditor's Report*

To the General Meeting and the Supervisory Board of Inter Cars S.A.

### Our opinion

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In our opinion, the attached annual financial statements of Inter Cars S.A. ("the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account, in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" – consolidated text, Journal of Laws of 2019, item 351, as amended).

Our opinion is consistent with our additional report to the Audit Committee, issued on the date of this report.

#### *What we have audited*

We have audited the annual financial statements of Inter Cars S.A., which comprise:

- the statement of financial position as at 31 December 2018;

and the following prepared for the financial year from 1 January to 31 December 2018:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows, and
- the notes comprising a description of the adopted accounting policies and other explanatory notes.

### Basis for opinion

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#### *Basis for opinion*

We conducted our audit in accordance with the International Standards on Auditing adopted as the National Standards on Auditing ("NSA") by the National Council of Statutory Auditors and pursuant to the provisions of the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089, as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities ("the EU Regulation" – Journal of Laws EU L158). Our responsibilities under the NSA are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

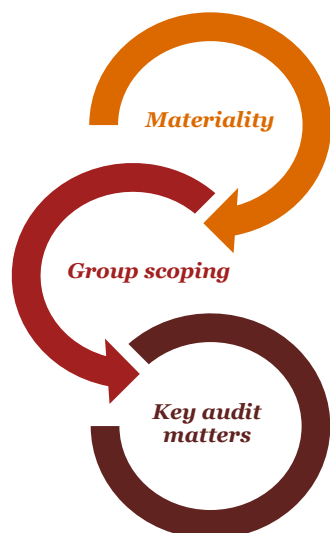
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and ethics*

We are independent of the Company in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

## Our audit approach

### Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 48 000 thousand, which represents 0.8% of the Company's sales revenue.
- We have audited the Company's annual financial statements for the period ended 31 December 2018.
- Impairment of goodwill
- Impairment write-downs of investments in subsidiaries and loans granted to subsidiaries
- Existence and valuation of inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's opinion. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

### Overall materiality

PLN 48 000 thousand (2017: PLN 42 300 thousand)

### Basis for determination

0.8% of sales revenue

### Rationale for the materiality benchmark applied

We have adopted sales revenue as the basis for determining materiality because, in our opinion, it is an indicator commonly



used by the users of financial statements to evaluate the Company's operations and is a generally adopted benchmark, especially by entities showing high growth dynamics and generating sales revenue in low-margin sectors. We adopted the materiality threshold at 0.8% because, based on our professional judgement, it is within the acceptable quantitative materiality thresholds.

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## Key audit matters

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Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. They include the most significant assessed types of risk of material misstatements, including the assessed types of risk of material misstatements resulting from fraud. These matters were addressed in the

context of our audit of the financial statements as a whole, and in formulating our opinion thereon. We also summarized our response to these types of risk and, when deemed appropriate, we presented the most important observations relating to these types of risk. We do not provide a separate opinion on these matters.

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### *Key audit matter*

### *How our audit addressed the key audit matter*

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#### *Impairment of goodwill*

The balance of goodwill recognized in the Company's financial statements as at the balance sheet date is PLN 122 937 thousand. Goodwill has been discussed in Note 7 to the financial statements.

The Management Board performs impairment tests for goodwill attributed to a given cash generating unit at least once a year, calculating its recoverable amount under the value in use method. Conducting of impairment tests is related to the need to adopt a number of significant assumptions and making judgements concerning, among other things, the adopted strategy of a cash generating unit to which goodwill has been allocated, financial budgets and forecasts of cash flows for the coming years, including after the period covered by detailed forecasts, as well as macroeconomic and market assumptions.

As a result of the impairment tests performed, no impairment of goodwill has been recognized in the financial statements.

Bearing in mind the inherent risk of uncertainty related to significant estimates performed by the Management Board, we concluded that this issue is of key importance to our audit.

Our audit procedures comprised in particular:

- understanding and evaluating the process of estimating impairment of goodwill and the principles for establishing the cash generating units;
- analysing the impairment test performed by the Management Board, in particular:
  - (a) a critical assessment of the assumptions adopted and estimates made by the Company's Management Board for the purpose of determining value in use (a five-year projection of future cash flows and the assumed level of revenues, operating margin, the discount rate applied, marginal growth rate after the forecast period, the level of revenue and operating margin), also including reference of the amounts adopted by the Management Board to independent market data;
  - (b) verification of the arithmetical correctness and methodological consistency of the valuation model based on discounted cash flows by PwC's internal valuation specialists;
- assessing the sensitivity analysis performed by the Management Board with respect to the impact of the adopted assumptions on the result of the impairment assessment;
- assessing the accuracy and completeness of disclosures concerning impairment tests in the financial statements.

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*Impairment write-downs of investments in subsidiaries and loans granted to subsidiaries*

As at the balance sheet date, investments in subsidiaries and loans granted to subsidiaries recognized in the financial statements amounted to PLN 418 194 thousand (investments) and PLN 48 708 thousand (loans), respectively, and impairment write-downs of investments in subsidiaries and loans recorded in previous years totalled PLN 7 953 thousand. Investments in subsidiaries and impairment write-downs have been discussed in Note 10 to the financial statements, and loans granted to subsidiaries in Note 33.

The correct determination of impairment write-downs of investments in subsidiaries and loans granted to subsidiaries is an area requiring significant judgement of the Management Board. Identifying the indications of impairment and determining the recoverable amount for interests in subsidiaries require the Management Board to estimate, among other things, the expected future cash flows, market prices and expected net selling prices. In the case of loans, the Company needs to identify credit risk and estimate the probability of default, using the expected credit losses method. Applying different valuation techniques and different assumptions may result in arriving at significantly different estimates of impairment write-downs of investments in subsidiaries and loans granted. The methodology of recording impairment allowances has been described in the accounting policies in Note 3.2 to the financial statements.

Based on the tests performed, the Management Board did not identify the need to record an additional write-down of investments above the amount already recorded in previous years. With reference to an impairment write-down of loans granted, after calculating the write-down using the expected credit losses method, the Management Board decided that the amount of the write-down is immaterial and decided not to record it in the financial statements.

Bearing in mind the inherent risk of uncertainty related to significant estimates performed by the Management Board and the materiality of amounts of investments in subsidiaries and loan granted to subsidiaries and shown in the balance sheet, we concluded that this issue is of key importance to our audit.

Our audit procedures comprised in particular:

- understanding and evaluating the process as part of which the Management Board identifies indications of impairment of investments in subsidiaries and the credit risk assessment process adopted for calculating the expected credit loss and identifying the impairment of loans granted;
- on identifying indications of impairment of investments, we analysed the impairment tests performed by the Management Board, in particular: (a) we analysed the forecasts concerning future cash flows, (b) we considered the reasonableness of the adopted assumptions based on our knowledge, practice and experience and we compared the estimates against external evidence where available, and we checked the realization of the estimates from the previous period, (c) we verified the arithmetical correctness of models used for performing the tests;
- recalculating the impairment write-down of loans granted using the assumptions concerning credit risk assessment in order to compare it with the calculations of the Management Board and evaluate possible differences;
- evaluate the completeness of and correctness of disclosures concerning impairment write-downs of loans and investments in subsidiaries.



### *Existence and valuation of inventories*

As at the balance sheet date the balance of inventories of goods for resale in the financial statements was PLN 1 351 565 thousand, representing 38.7% of the Company's assets. Inventories have been discussed in Note 12 to the financial statements.

Inventories are located in three main warehouses (the so-called hubs) and in more than 240 other locations. In order to confirm the existence of inventories, the Company conducts regular counts in various locations during the year (cyclical counts).

The value of inventories is also affected by factors such as purchase prices and impairment. The purchase prices are very significantly affected by contractual arrangements with suppliers concerning rebates and bonuses for the purchase of goods. Rebates and bonuses are based on transaction volumes achieved which to a considerable extent are determined based on estimates as at the moment of preparing the financial statements.

Evaluation of impairment requires performing estimates and judgements in the valuation of inventories, especially within the scope of determining the net selling price and estimating the saleability of a given inventory item. The accounting policy for the valuation of inventories has been described in Note 3.2 to the financial statements.

Bearing in mind the inherent risk of uncertainty related to significant estimates performed by the Management Board and the materiality of inventory balances shown in the balance sheet, we concluded that this issue is of key importance to our audit.

Our audit procedures comprised in particular:

- understanding the accounting principles related to standard transactions in inventories;
- understanding the control procedures carried out by the Company with respect to the processes related to inventories, assessing the design of these controls and testing the effectiveness of controls verifying the appropriateness of cyclical counts, performed on a selected sample of control procedures;
- participating in selected inventory counts carried out by the Company in order to confirm the existence and usefulness of inventories, and conducting tests on a selected sample of count sheets to warehouse balances and vice versa;
- verifying the correctness of accounting for inventory count differences in the books of account;
- understanding and evaluating the inventory valuation process performed by the Management Board, including evaluating the correctness of valuation adjustments related to rebates and bonuses granted by suppliers, and tests of detail on selected samples:
  - a) valuation of inventories at net selling prices (comparing the warehouse values to values from purchase invoices and net selling prices obtained);
  - b) amounts of rebates due but not yet received (verifying the arithmetical correctness of calculations, consistency with agreements and confirming the input data);
  - c) rebates received in the audited year (reconciliation to adjusting invoices);
  - d) discounts received on cash payment (reconciliation to bank statements);
- understanding and evaluating the process of estimating the impairment of inventories by the Management Board, and evaluating the correctness of determining write-downs of inventories in the case of which the net realizable value (constituting the sales price less rebates, discounts and selling costs) is lower than the purchase price (cost of manufacture), and slow-moving inventories, including tests of detail (verifying the arithmetical correctness of calculations and comparing the carrying amounts to the actual prices on sales invoices issued after the balance sheet date) on a selected sample;
- assessing the completeness and correctness of disclosures concerning inventory write-downs.



## Responsibility of the Management and Supervisory Board for the financial statements

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The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for

assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. The members of the Supervisory Board are responsible for overseeing the financial reporting process.

## Auditor's responsibility for the audit of the financial statements

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the National Standards on Auditing will always detect a material misstatement when it exists. Misstatements can result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the National Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board;
- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention, in our registered auditor's report, to the related disclosures in the financial statements or, if such disclosures are



inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that ensures fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with the

relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, we inform about related safeguards.

From among the matters communicated to the Audit Committee, we determined those matters that were of most significance in the audit of the financial statements for the current period and were, therefore, considered the key audit matters. We describe these matters in our registered auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other information, including the Report on the operations

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### *Other information*

Other information comprises a Report on operations of the Company and the Inter Cars Group ("the Group") for the financial year ended 31 December 2018 ("the Aggregate Report on the operations") and the corporate governance statement which is a separate part of the Aggregate Report on the operations, and a separate aggregate report of the Company and the Group on non-financial information (together "Other Information").

### *Responsibility of the Management and Supervisory Board*

The Management Board of the Company is responsible for preparing Other Information in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Aggregate Report on the operations, including its separate part and a separate report on non-financial information, complies with the requirements of the Accounting Act.

### *Registered auditor's responsibility*

Our opinion on the audit of the financial statements does not cover Other Information.

In connection with our audit of the financial statements and the consolidated financial statements of the Group, our responsibility is to

read Other Information and consider whether or not it is materially inconsistent with the information in the financial statements and the consolidated financial statements, according to the knowledge gained during our audit, or whether it seems to be otherwise materially misstated. If, based on the work performed, we identified a material misstatement of Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Aggregate Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements and the annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Company and the Group provided the required information in its corporate governance statement and to inform whether the Company and the Group prepared a separate report on non-financial information.



### ***Opinion on the Report on the operations***

Based on the work we carried out during the audit, in our opinion, the Aggregate Report on the operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and paragraphs 70 and 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State (“Regulation on current information” – Journal of Laws of 2018, item 757);
- is consistent with the information in the financial statements and the consolidated financial statements.

Moreover, based on the knowledge of the Company and the Group and their environment obtained during our audit, we have not identified any material misstatements in the Aggregate Report on the operations.

### ***Opinion on the corporate governance statement***

In our opinion, in its corporate governance statement, the Company included information set out in paragraph 70 clause 6.5 of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70 clause 6(5)(c)-(f), (h) and (i) of the said Regulation included in the corporate governance statement is consistent with the applicable provisions of the law and with information

included in the financial statements and the consolidated financial statements.

### ***Information on non-financial information***

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Company and the Group have included in their Aggregate Report on the operations, information on the preparation of a separate report on non-financial information referred to in Article 55(2c) of the Accounting Act and that the Company and the Group have prepared such a separate report.

We have not performed any assurance work relating to the statement {separate report} on non-financial information and we do not provide any assurance with regard to it.

## **Report on other legal and regulatory requirements**

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### ***Statement on the provision of non-audit services***

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU Regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in the Appendix to these financial statements.

### ***Appointment of the registered audit company***

We were appointed for the first time to audit the annual financial statements of the Company by Resolution of the Supervisory Board of 20 June 2016 based on paragraph 14(2)(3) of the Company’s Articles of Association, and re-appointed by resolution of 4 June 2018. We have been auditing the Company’s financial statements without interruption since the financial year ended 31 December 2016, i.e. for 3 consecutive years.





The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers sp. z o.o.), entered on the list of Registered Audit Companies with the number 144, the result of which is this registered auditor's report, is Piotr Wyszogrodzki.

Piotr Wyszogrodzki  
Key Registered Auditor  
No. 90091

Warsaw, 18 April 2019



***Appendix to the independent registered auditor's report on the audit of the financial statements of Inter Cars S.A. for the financial year ended 31 December 2018***

The list of non-audit services which we provided to the Company and its subsidiaries in the audited financial year:

- Review of the bi-annual condensed consolidated financial statements of the Group and separate financial statements of the Parent Company;
- Translation of the financial statements for the years 2017 and 2018 from Lithuanian to English by PricewaterhouseCoopers, UAB for Inter Cars Lietuva, UAB;
- Conducting a training on the International Financial Reporting Standard 16 by PricewaterhouseCoopers Slovensko s.r.o. for Inter Cars Slovenska republika s.r.o.;
- Assistance in preparing the local transfer pricing documentation for 2018 by PricewaterhouseCoopers d.o.o. Sarajevo for Inter Cars d.o.o. Sarajevo.