MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES INTER CARS S.A. AND THE INTER CARS S.A. CAPITAL GROUP

IN THE YEAR ENDED ON 31 December 2018

REPORT ON THE OPERATIONS OF THE INTER CARS GROUP

1. Information on basic activities of Inter Cars Group

Inter Cars Group is an importer and distributor of spare parts for cars and commercial vehicles. The Group's offering also includes equipment for repair garages and spare parts for motorcycles and tuning. Starting from 2017 the product range of the Group has been extended with Marine segment products, including, among other things, spare parts for motor-boats. Inter Cars Capital Group is the biggest in Poland independent aftermarket spare parts distributor. The Group operates in Poland, Ukraine, the Czech Republic, the Republic of Slovakia, Lithuania, Hungary, Italy, Croatia, Belgium, Romania, Latvia, Cyprus, Bulgaria, Estonia, Moldova, Slovenia, Germany, Bosnia and Herzegovina, Greece and Malta.

The main customers of Inter Cars S.A. are B2B contractors - automotive repair garages. The Group supports automotive repair garages in gaining final customers - the drivers. For this reason Inter Cars is launching B2C projects, which are aimed at meeting automotive needs of drivers and redirecting them to garages which are given with quality and image support from Inter Cars S.A.

The Group is constantly **developing its distribution chain** in Poland and abroad, 41 new branches were open in 2018 in Europe, continually **growing its product range** and introducing new forms of sales support. Thanks to its present structure of sales of automotive spare parts, which corresponds to the stock of vehicles registered, high availability of its offering, and use of modern sales tools, the Group is able to offer attractive terms of cooperation to its customers. The Group is a leader in the implementation of new sales support solutions.

The year 2018 is another year of dynamic **development of activities of Inter Cars subsidiaries**. The Management Board expects that the growth of the whole Group in the forthcoming years will be significantly driven by its subsidiary undertakings

The spare parts distribution market has significant growth potential. The main market drivers include the **continuous increase in the number of registered vehicles on the roads**, **liberalisation of applicable regulations** providing for access of independent spare parts distributors to licensed garages, **elimination of barriers to the import** of second-hand vehicles, **increasing complexity of repairs** due to the more widespread use of advanced technologies in the manufacturing of vehicles, and the continuously growing intensity of vehicle use, including in particular an increase in the average age of registered vehicles and the average mileage. The most important trends on the **independent spare parts distribution market** include the strong development of sales networks, extension of the range of products, development of sales support programmes, development of proprietary product lines and improvement of computer systems.

The Group's primary objectives are to continuously improve the quality of management of the flow of goods and to gain the largest share in the Central and Eastern European market. To reach those objectives, the Group will expand its existing distribution model with additional elements – affiliate branches, regional warehouses and subsidiary distribution companies outside Poland. In effect, the Group will strengthen its position as the most effective and efficient spare parts distribution channel between manufacturers and end users – garages.

Group's strategy of development is based on three key elements:

1. Extensive product range and high availability of products
2. The biggest branch distribution chain and efficient logistics
3. Comprehensive customer service by offering added values e.g. in the form of trainings, marketing support, investment support or support in acquiring new customers e.g. through fleet agreements or motointegrator.pl, etc.

Our strategy for 2019 is aimed primarily at increasing our profitability and, as far as the sales growth is concerned, we accept a growth of less than 10% for the entire group, as compared with other companies in the sector; this rate guarantees an increase in the market share.

This means that also in 2019 we will focus primarily on all three strategic segments, i.e. people, trucks and oils. Therefore, the increase in the other segments may be more limited. Also, we expect increased sales related to optimizing our stock turnover.

We plan to optimize our stock, i.e. improve its turnover ratio, especially with respect to the segments with the lowest rate of return. We plan to do that by optimizing the purchasing and logistics processes, such as the receipt of goods and their distribution among branches and hubs.

In this sense, optimizing the stock turnover should also translate into a reduction of our logistics costs, as well as the operating and the financial risks related to high stocks.

The Group intends to reach its aim by organic growth in new markets as well as developing on the markets, where it has its business activities. The distribution chain is built on the basis of distributors selling merchandise on behalf of the Group.

Inter Cars is number 1 in Poland and Central and Eastern Europe among distributors of automotive spare parts.

2. Financial standing of the Company and the Group for the period of 12 months ending on 31 December 2018.

2.1. Selected financial data from the consolidated report on total income of the Group

(in thousand PLN)	**for the period of 12 months ended on**		
	31/12/2018	**31/12/2017**	**change**
Revenues from the sale of products, goods and materials	7 943 253	6,908,365	15,0%
Cost of sales	(5 632 977)	(4,886,805)	15,3%
Gross profit on sales	**2 310 276**	**2,021,560**	**14,3%**
Selling cost, general and administrative expenses	(1 156 006)	(1,013,374)	14,1%
Costs of distribution service	(836 141)	(713,757)	17,1%
Operating profit	**313 382**	**294,464**	**6,4%**
Exchange differences	(3 362)	6,063	(155,5%)
Financial costs	(43 685)	(40,473)	7,9%
Profit before tax	**268 784**	**262,456**	**2,4%**
Net profit	**223 085**	**216,428**	**3,1%**
Net profit attributable to:			
- the shareholders of the parent entity	223 085	216,428	3,1%
Earnings per share (PLN)			
- basic and diluted	15,75	15.28	3,1%

Source: Consolidated Financial Statement of the Group for the year ended on 31 December 2018.

In 2018**, the Group's sales revenues were 15,0% higher than in 2017.** It should be noted that sales increase was mainly due to development of distribution chain.

In 2018, the Group opened 41 new branches, i.e. as at 31 December 2018 the total number of branches was 548 (in 2017: 507), 249 branches in Poland and 299 branches abroad, up from 243 branches in Poland and 264 abroad in 2017.

Gross profit on sales revenue went up by 14,3% in comparison to 2017.

In the Management Board's opinion the 3.1% increase in the 2018 net profit compared with 2017, despite a 15% increase in the sales revenues, resulted, among other things, from:

- the planned increase in the sales revenues of 15% - in 2018 the actual sales increase was only slightly higher than anticipated.

- the continued consolidation of the spare parts distribution market, which, in the short run, may result in some market players being inclined to accept higher sales of goods at lower prices. In our opinion, the market consolidation should result in the elimination of smaller players set on price competition only.

- a pay rise pressure - an increase in the remuneration costs has resulted in a decrease in profitability, hence the activities aimed at automation of work both at the branches and the headquarters, initiated in mid. 2018.

- the stocking-related expenses and the development of the logistics chain - in 2018 we completed huge investments in our logistics infrastructure in most countries.

2.2. Selected data from the consolidated statement of the Group's financial situation

(in thousand PLN)	31/12/2018	31/12/2017	change
ASSETS			
Non-current assets	**752 552**	**726,023**	3.7%
Inventory	2 200 789	1,771,176	24.3%
Trade and other receivables	870 763	739,360	17.8%
Cash and cash equivalents	114 725	160,915	(28.7%)
Current assets	**3 190 709**	**2,676,955**	**19.2%**
TOTAL ASSETS	**3 943 261**	**3,402,978**	**15.9%**
LIABILITIES			
Supplementary capital	983 765	832,483	18.2%
Foreign exchange gains /losses in subsidiaries	(26 318)	(26,437)	(0.5%)
Retained earnings	564 830	503,085	12.3%
Equity	**1 829 173**	**1,616,028**	**13.2%**
Loan, borrowing and finance lease liabilities	531,819	658,384	(19.2%)
Other long-term liabilities	6 206	3,116	99.2%
Deferred income tax provisions	25 037	25,497	(1.8%)
Long-term liabilities	**563,062**	**686,997**	**(18.0%)**
Liabilities of the factoring	-	-	-
Short-term liabilities	**1,551 026**	**1,099,953**	**41.0%**
TOTAL LIABILITIES	**3 943 261**	**3,402,978**	**15.9%**

The financial liquidity of the Company and its related entities remains at a proper level, and the value of the current assets is higher than that of the short-term liabilities.

(in thousand PLN)

2.3. Selected financial data from the report on total income of the Company

	for the period of 12 months ended on		Change
	31/12/2018	31/12/2017	
Revenues from the sale of products, goods and materials	6 002 371	5,295,719	13.3%
Cost of sales	(4 573 829)	(4,091,075)	11.8%
Gross profit on sales	**1 428 542**	**1,204,644**	**18.6%**
Other operating revenues	15 292	15,971	(4.3%)
Selling cost, general and administrative expenses	(697 238)	(632,597)	10.2%
Costs of distribution service	(495 515)	(443,647)	11.7%
Costs of license	(8 762)	(83,402)	(89.5%)
Other operating costs	(139 693)	(63,288)	120.7%
Operating profit	**102 626**	**(2,319)**	
Dividends received	184 685	128,390	43.8%
Exchange differences	(3 362)	6,062	(155.5%)
Financial costs	(41 918)	(42,109)	(0.5%)
Profit before tax	**244 729**	**92,846**	**163.6%**
Income tax	(16 101)	8,212	(296.1%)
Net profit	**228 628**	**101,058**	**126.2%**
Earnings per share (PLN)			
- basic and diluted	16,14	7.13	**126.4%**

2.4. Selected financial data from the separate report on financial standing of the Company

(in thousand PLN)	31/12/2018	31/12/2017	change
ASSETS			
Non-current assets	**780 957**	**751,005**	**4.0%**
Inventory	1 351 565	1,149,732	17.6%
Trade and other receivables	1 286 343	1,064,555	20.8%
Cash and cash equivalents	24 283	31,454	(22.8%)
Current assets	**2 662 191**	**2,248,497**	**18.4%**
TOTAL ASSETS	**3 443 148**	**2,999,502**	**14.8%**
LIABILITIES			
Supplementary capital	900 217	809,218	11.2%
Retained earnings	228 952	101,382	125.8%
Equity	**1 422 970**	**1,204,401**	**18.1%**
Loan, borrowing and finance lease liabilities	501 426	652,325	(23.1%)
Long-term liabilities	**521 439**	**658,843**	**(20.9%)**
Liabilities of the reverse factoring	-	-	-
Employee benefits	14 453	9,195	57.2%
Short-term liabilities	**1 498 739**	**1,136,258**	**31.9%**
TOTAL LIABILITIES	**3 443 148**	**2,999,502**	**14.8%**

Structure of Inter Cars Capital Group results from strategy of geographical expansion in distribution of automotive spare parts (Inter Cars Ukraine LLC, Inter Cars Ceska Republika s.r.o., JC Auto s.r.o., Inter Cars Slovenska Republika s.r.o., Inter Cars Lietuva UAB, Inter Cars d.o.o, Inter Cars Hungaria Kft, JC Auto S.A, IC Italia s.r.l, Inter Cars Romania s.r.l., Inter Cars Latvija SIA, Inter Cars Bulgaria Ltd., Cleverlog-Autoteile GmbH, Inter Cars Eesti OÜ, Inter Cars INT d o.o., Inter Cars Piese Auto s.r.l., Inter Cars Sole Ltd. and Inter Cars d o.o.) and development of supporting projects for core business (Lauber Sp. z o.o., Feber Sp. z o.o., Q-Service Sp. z o.o., IC Develoment & Finance Sp. z o.o., Armatus Sp. z o.o., Inter Cars Cyprus Limited, Inter Cars Marketing Services Sp. z o.o., ILS Sp. z o.o., Inter Cars Malta Holding, Inter Cars Malta Limited, Q-Service Truck Sp. z o.o., Aurelia Auto d.o.o., Inter Cars United Kingdom - automotive technology Ltd).

Goods are distributed through the logistics centre in Zakroczym, a network of 249 own affiliate branches in Poland and 299 branches abroad in Ukraine, the Czech Republic, Slovakia, Lithuania, Hungary, Croatia, Italy Belgium, Romania, Latvia, Bulgaria, Germany, Estonia, Slovenia, Moldova, Bosnia and Herzegovina and Greece, and logistics centres in Czosnów, Sosnowiec and Komorniki. The Central Warehouse has all product groups available, while the affiliate branches store only fast moving products, making sure that their product range, its quality and accessibility matches local requirements.

Finally the efficiency of automatics and processes in the ILS European Logistics and Development Centre in Zakroczym will make it possible to ship even 500,000 pieces of goods within 24 hours.

The Western Logistics Centre in Komorniki is serving internet orders from the German market (motointegrator.de). Each day the warehouse sends over 3,000 parcels to retail customers and serves local branches in the region.

3. Basic goods and target markets of the Inter Cars Group

The sales revenue in 2018 **was primarily driven by**:

(a) broadening product range in each segment, our product range is the widest in comparison to the competition

(b) development of distribution chain in Poland and abroad - in 2018 we opened 41 new branches, mainly on the basis of specialists taken over from the market.

(c) development of our complete offer for customers, which we call a "One stop shop" - everything in one place. This includes a wide range of advantages, starting from attractive trade conditions, investment programs and financial programs, marketing programs, through trainings - i.e. transfer of technical knowledge to garages in cooperation with premium suppliers.

(d) inventories management system optimisation continuation, covering both stock level optimisation for individual product groups, and supply chain optimisation, which primarily involved increased role of regional distribution centres and sourcing larger supplies directly from manufacturers.

(e) on German market we can observe dynamic growth of sale of automotive spare parts via Motointegrator.de
In the year 2018 the shop www.motointegrator.de was given a reward „TopShop2018", granted by German, and at the same time the biggest in Europe magazine in the computer industry: „Computer Bild" . Out of 7,500 spare-parts shops reviewed, motointegrator.de ranked among the few found to be worth mentioning because of their offer, customer-friendly layout, customer care quality and the speed of delivery.

Basic commodities and products

Inter Cars offers the widest range of automotive spare parts in Central and Eastern Europe. The Group's offering includes both branded goods that are identical in terms of quality with those used in the factory assembly of vehicles, as well as significantly cheaper but good-quality goods sourced from manufacturers selling their products exclusively to the aftermarket.

The product range comprises spare parts for majority of vehicles sold in Poland and Europe and manufactured in Western Europe, Japan and South Korea, as well as for selected makes manufactured in the USA.

The Group has been systematically expanding the assortment of offered goods. It is done by extending the offering in particular segments, by adding new categories to the existing segments, and by entering new markets.

The Inter Cars Group also owns Feber Sp. z o.o. - manufacturer of semi-trailer tippers and trailers.

Supplementation of Group's activity is sale of commercial vehicles and trucks made by Isuzu make, ran by the first in Poland authorized dealer of the company – Q-Service Truck Sp. z o.o. The company also became an authorized representative of ZF Friedrichshafen AG regarding the sale and servicing of manual transmissions, automated and automatic transmissions for trucks.

(in thousand PLN)

The table below sets forth Inter Cars Capital Group's sales revenue **broken down by basic types of goods**.

	Sale of spare parts		Other		Eliminations		Total	
	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017
Revenues from external customers	7 848 081	6,807,576	95 172	100,789	-	-	7 943 253	6,908,365
Revenues between segments	7 637	16,659	479 115	583,526	(486 752)	(600,185)	-	-
Interest revenue	5 464	8,030	1 527	1,555	(5 005)	(7,597)	1 986	1,988
Interest costs	(41 231)	(39,249)	(1 180)	(1,038)	5 005	7,597	(37 406)	(32,690)
Amortization and Depreciation	(56 258)	(43,410)	(34 361)	(33,540)	11 430	11,430	(79 189)	(65,520)
Profit before tax	**414 645**	**344,634**	**30 680**	**30,412**	**(176 541)**	**(112,590)**	**268 784**	**262,456**
Shares in results of affiliates – using equity method	64	20	-	-	-	-	64	20
Total assets	**5 847 058**	**5,069,086**	**496 064**	**473,739**	**(2 399 861)**	**(2,139,847)**	**3 943 261**	**3,402,978**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(102 900)	(61,857)	(14 996)	(33,468)	-	-	(117 896)	(95,325)
Total commitments	**3 533 641**	**2,937,266**	**139 822**	**142,279**	**(1 559 375)**	**(1,292,595)**	**2 114 088**	**1,786,950**

Subsidiaries, like the parent company, offer both parts for passenger cars and trucks, with addition that the total structure of the Group's sales is dominated by parts for passenger cars.

About 59% of the sales revenues of the Group in 2018 came from the **sales in Poland.**

(in thousand PLN)

Inter Cars Group's **primary sale market** is Polish market. In 2018 the fastest developing countries were Greece, Bosnia and Herzegovina and Republic of Moldova. These are new markets, which Inter Cars is just entering with its products.

The Group owns warehouses in Latvia, delivering commodity mainly to Estonia, and in Romania, delivering commodity to Bulgaria, Republic of Moldova and Greece. Whilst the warehouse in Croatia supplies goods to Italy, Republic of Slovenia and Bosnia. Logistics operator of the warehouses in Poland and Latvia is ILS sp. z o.o. Company, which is a part of Inter Cars Group.

Romania is the second biggest market of the Group, after Poland. 62 branches deliver goods to over 12,000 garages, and the Company is number 3 in the country.

Basic structure of distribution markets

Sales revenue by distribution markets:

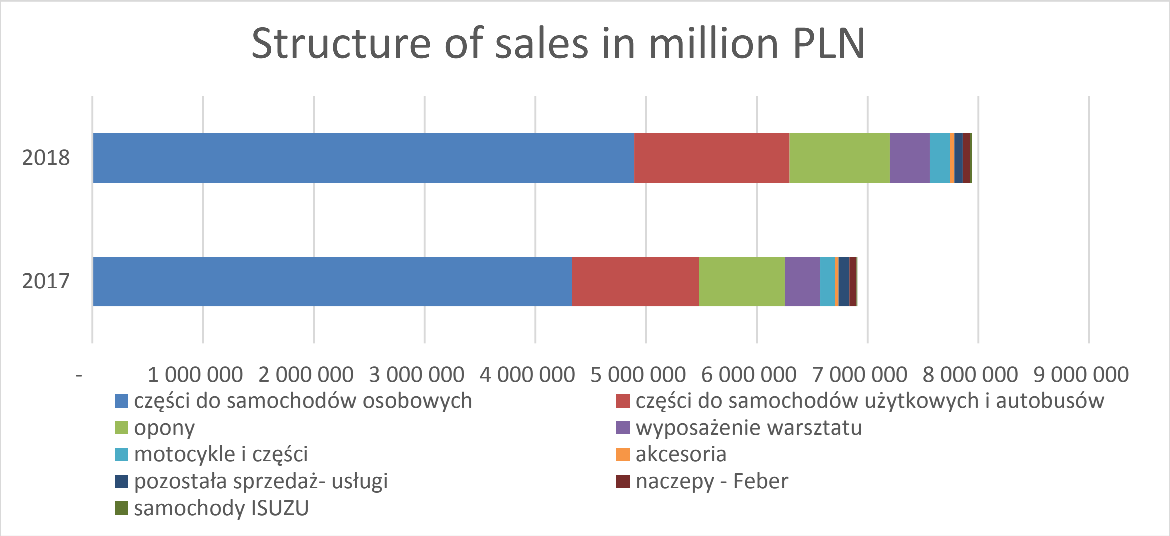
	2018	share	2017	share
Poland	4,653,155	*58.6%*	4,233,554	*61.3%*
Romania	706,150	*8.9%*	638,732	*9.3%*
Bulgaria	310,314	*3.9%*	240,880	*3.5%*
Hungary	303,365	*3.8%*	246,860	*3.6%*
Lithuania	301,238	*3.8%*	269,120	*3.9%*
Croatia	274,259	*3.5%*	234,859	*3.4%*
Latvia	259,239	*3.3%*	211,608	*3.1%*
Ukraine	257,263	*3.2%*	194,717	*2.8%*
Czech	257,244	*3.2%*	220,079	*3.2%*
Slovakia	243,380	*3.1%*	196,432	*2.8%*
Estonia	98,290	*1.2%*	50,145	*0.7%*
Italy	88,880	*1.1%*	73,821	*1.1%*
Germany	88,522	*1.1%*	51,296	*0.7%*
Slovenia	44,901	*0.6%*	30,533	*0.4%*
Moldova	26,440	*0.3%*	10,219	*0.2%*
Bosnia and Herzegovina	19,926	*0.3%*	4,916	*0.1%*
Greece	10,430	*0.1%*	580	*0.0%*
Belgium	257	*0.0%*	14	*0.0%*
Total	**7,943,253**	***100.0%***	**6,908,365**	***100.0%***

Revenue of distribution companies by location (excluding revenue of supporting companies)

(in thousand PLN)

The tables below set forth Inter Cars Group's sales revenue **broken down by basic types of goods**.

	2018	***share***	**2017**	***share***
Spare parts for passenger cars	4,893,159	*61.60%*	4,329,138	*62.70%*
Spare parts for commercial vehicles and buses	1,402,401	*17.66%*	1,149,159	*16.60%*
tyres	903,180	*11.37%*	773,936	*11.20%*
garage equipment	362,463	*4.56%*	319,328	*4.60%*
motorcycles and parts	181,756	*2.29%*	133,566	*2.00%*
accessories	41,629	*0.52%*	32,915	*0.50%*
other sale - services	73,700	*0.93%*	98,374	*1.40%*
semi-trailers - Feber	67,795	*0.85%*	63,152	*0.90%*
automobiles ISUZU	17,170	*0.22%*	8,797	*0.10%*
	7,943,253	***100.00%***	**6,908,365**	***100.00%***



The biggest growth of sales in basic product range of the Group was recorded in motorcycle segment.

Spare parts for passenger cars still remain the core business. Inter Cars enters new markets with such offer, developing it with spare parts for commercial vehicles and other goods.

Market environment

Inter Cars operates in the segment of distribution of new spare parts, supplied mainly to garages independent of vehicle manufacturers.

Key drivers of the market development

The aftermarket for spare parts is a natural spin-off of the automotive market, as vehicle repairs and replacements of consumable parts create continuous demand for spare parts.

The main factors influencing the **increase of the market** are the **increase in the number of cars** registered in Poland and in other European countries and driving on the roads. In the whole year 2018, in countries where the Group has its operations, the number of newly registered cars went up 11.3% in comparison to 2017.

(in thousand PLN)

	2018	2017	2018/2017
Belgium	549,632	546,558	+0.6%
Bulgaria	34,332	33,809	+1.5%
Czech	261,437	271,595	(3.7%)
Croatia	59,856	50,770	+17.9%
Estonia	25,387	25,618	(0.9%)
Hungary	136,594	116,265	+17.5%
Italy	1,910,025	1,970,497	(3.1%)
Latvia	16,879	16,698	+1.1%
Lithuania	32,447	25,836	+25.6%
Poland	531,889	484,190	+9.9%
Romania	130,919	105,083	+24.6%
Slovenia	72,835	62,532	+16.5%
Slovakia	98,080	95,976	+2.2%
Greece	103,431	88,115	+17.4%
Germany	3,435,778	3,441 262	(0.2%)
Ukraine	77,805	79,465	(2.1%)
	2,131,523	1,914 395	+11.3%

Source: Acea

More and more factors decide about the competitive position of distributors. These factors include in particular the traditional aspects of customer communication (location of points of sale) and availability (and, by extension, order lead times), but also the development of quality aspects. In practice, the improvement in customer service quality consists in the development of the product range by adding new product lines and providing "one-stop shops" for the customer, as well as the provision of on-line access to product information, starting from product availability to the technical specifications regarding product assembly. From the perspective of distributors this means that on the one hand they will benefit from higher customer loyalty and volume of purchases; on the other they face a great challenge, as they must develop the logistics base and enter new market segments, often characterised by a different "sales philosophy" and different, highly specialised competition.

Inter Cars Group realizes such strategy, which is called „One Stop Shop – everything under one roof". This means that Inter Cars, being a distributor with the widest range of spare parts for passenger cars, provides its customers (servicing garages) added values in the form of marketing supports, investment support, trainings and redirects customers to garages using its fleet programme and Motointegrator.pl platform.

Number and structure of vehicles used

According to European Automobile Manufacturers' Association, in the year 2018 the sales of new cars in the European Union went up only by 0.1% in comparison to 2017 and amounted to 15.1 million pieces. The result is mainly due to Germany (3.4 million pieces), followed by Great Britain (2.4 million pieces), France (2.2 million pieces) and Italy (1.9 million pieces) and Spain (1.2 million pieces). The largest car market are still Germany and , the UK, France and Italy, respectively.

The total number of passenger cars in Europe is estimated to be 259.7m, of which 16m are passenger cars in Poland. That means that vehicles in Poland constitute over 6% of the European car fleet.

The average age of a passenger car in the European Union is estimated to be 11 years. Vehicles in Poland are older as the average age of a vehicle is estimated to be approximately 17.3 years.

4. Supply sources

The Group's offer includes goods from a few hundred suppliers. These goods come from all over the world, mostly, however from the vendors from the EU and Asia. The major category of suppliers is international concerns for which the Company is one of the largest and most important customers in Central and Eastern Europe. Given the significant diversification of the supply sources, the Group is not dependent on any single supplier or a small number of suppliers – no supplier's share in the total sales revenue exceeds 10%

(in thousand PLN)

5. Agreements significant and material to the Company's business and insurance agreements

Significant agreements

Inter Cars has formal written agreements governing business relations with only some of the Group's suppliers. Those are in particular agreements which stipulate terms and conditions for granting additional discounts by the Group's suppliers. The agreements do not oblige the Company to generate turnover of a specified value.

Selected substantial contracts

Inter Cars is a party to agreements material to the implementation of the Group's development strategy. They include in particular agreements with the suppliers of spare parts which specify terms and conditions for granting discounts.

Generally, the agreements are entered into for one year. In the period to the reporting date, the following agreements were effective:

Party	Date of agreement
"SCHAEFFLER POLSKA" SP. Z O.O.	29/03/2018
ROBERT BOSCH SP. Z O.O.	02/01/2018
ZF FRIEDRICHSHAFEN AG ZF SERVICES	02/01/2018
TRW KFZ AUSRUESTUNG GMBH	10/04/2017
BP EUROPA SE SPÓŁKA EUROPEJSAKA DIVISION IN POLAND	04/01/2016
GOODYEAR DUNLOP TIRES POLSKA SP. Z O.O.	02/01/2018
CONTINENTAL OPONY POLSKA SP. Z O.O.	2013
FEBI FERDINAND BILSTEIN GMBH+CO.KG	01/03/2018
DELPHI DIESEL SYSTEMS LTD	03/09/2018
FEDERAL-MOGUL GLOBAL AFTERMARKET EMEA BVBA HUNGARIAN BRANCH OFFICE	11.2018

The material agreements for spare parts supplies concluded for an indefinite term include:

No.	Date of agreement	Party
1	26/01/2005	Triumph Motorcycles LTD
2	19/12/2008	Giantco Limited
3	05/11/2008	JIANGMEN DIHAO MOTORCYCLE COMPANY LTD
4	19/12/2008	CHONGQING HUANSONG INDUSTRIES (GROUP) CO.,LTD
5	09/12/2009	CHONGQING YINXIANG MOTORCYCLE (GROUP) CO., LTD
6	09/12/2009	CHONGQING YUAN GROUP IMP.&EXP. CO., LTD.

Insurance agreements

Date of agreement	Party	Subject matter of the Contract	Material terms and conditions	Term
01/07/2018	Warta	Insurance of the Company's assets and working capital	„All in" policy: including domestic entities; all risk property insurance, electronic equipment insurance, insurance of goods in transportation (Cargo), business activity third party insurance	01/07/2018 - 30/06/2019
01/04/2018	Ace + Allianz	Third party insurance of the Board of Management	Third party insurance of the Board D&O	01/04/2018-30/06/2019

Foreign subsidiaries have their own insurance policies from their local markets.

Shareholder agreement

The Group is not aware of any shareholder agreements.

6. Organisational or capital links between the issuer and other entities; information on the issuer's key domestic and foreign investments (securities, financial instruments, intangible assets and real property), including equity investments outside the group, as well as a description of methods of investments financing within the Group and its entities.

Inter Cars S.A. is the parent company of the capital group comprised of the following companies, which are a subject of consolidation:

1. Inter Cars Ukraine LLC, a Ukrainian law company with registered seat in Khmelnitsky, Ukraine (100% of Inter Cars S.A.'s share in the company's capital),
2. Lauber Sp. Z.o.o with registered seat in Słupsk (100%),
3. Q-Service Sp. z o.o. with registered seat in Cząstków Mazowiecki (100%),
4. Inter Cars Ćeska Republika with registered seat in Prague (100)%,
5. Feber Sp. z o.o with registered seat in Warsaw (100%),
6. Inter Cars Slovenska Republika with registered seat in Bratislava (100%),
7. Inter Cars Lietuva UAB with registered seat in Vilnius (100%),
8. IC Development & Finance Sp. z o.o. with registered seat in Warsaw (100%),
9. Armatus Sp. z o.o. with registered seat in Warsaw (100%),
10. JC Auto s.r.o. with registered seat in Karvina - Darkom (100%),
11. Inter Cars Hungária Kft with registered seat in Budapest (100%),
12. JC Auto S.A. with registered seat in Brain L'Allued, Belgium (100%),
13. Inter Cars d.o.o. with registered seat in Zagreb (100%),
14. Inter Cars Italia with registered seat in Milan (100%) ,
15. Inter Cars Romania, with registered seat in Cluj Napoca (100%)
16. Inter Cars Latvija SIA , with registered seat in Riga (100%)
17. Inter Cars Cyprus Ltd., with registered seat in Nicosia (100%)
18. Inter Cars Bulgaria Ltd. with registered seat in Sofia (100%)
19. Cleverlog-Autoteile GmbH with registered seat in Berlin (100%)
20. Inter Cars Marketing Services Sp. z o.o. with registered seat in Warsaw (100%)
21. ILS Sp. z o.o. with registered seat in Kajetany (100%)
22. Inter Cars Malta Holding Limited with registered seat in Malta (100%)
23. Q-service Truck Sp. z o.o. with registered seat in Warsaw (100%)
24. Inter Cars INT d o.o., with registered seat in Ljubljana (100%)
25. Inter Cars Eesti OÜ, with registered seat in Tallinn (100%)
26. Inter Cars Piese Auto s.r.l. with registered seat in Kishinev (100%)
27. Inter Cars GREECE. with registered seat in Athens (100%)
28. Inter Cars d o.o., with registered seat in Sarajevo (100%)
29. Inter Cars United Kingdom- Automotive technology Ltd. with registered seat in London (100%)
30. Inter Cars Malta Limited with registered seat in Malta (100% - sub-subsidiary company)
31. Aurelia Auto d.o.o. with registered seat in Croatia (100% - sub-subsidiary company).

All the companies are financed by the parent entity either by loans or by trade credit. Details of loans issued are presented in note 10 of the Report on the Operations

7. Changes in organization associations and capital associations and their results.

In the year 2018 organizational or equity links were not changed.

8. Information on material transactions with related entities concluded on terms other than at arm's length, including information on their amounts and nature.

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

(in thousand PLN)

9. Loan and borrowings

Loans and borrowings as at 31/12/2018

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	**838,000**	**560,420**	14-11-2019
Inter Cars S.A.		525,538	
Inter Cars Slovenska Republika s.r.o.		20,121	
Lauber Sp. z.o.o.		14,761	
ING Bank N.V. (Inter Cars Romania s.r.l.)	**64,603**	**54,503**	**27-12-2019**
	932,466	**640,018**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	537,000	500,000	14-11-2021
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	29,863	25,095	20-02-2020
	537,000	**500,000**	

Loan and borrowing agreements

Agreement no. Bank	Concluded on	Term	Limit/ loan amount	Collateral
Syndicated loan agreement Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Bank Handlowy w Warszawie, mBank S.A.,	14-11-2017	14-11-2019 14-11-2021	PLN 838,000,000 PLN 537,000,000	List of sureties was disclosed in annex number 16 to consolidated financial statement.
Raiffeisenbank AS Czech	30-09-2012	20-02-2020	178,500,000 CZK	Receivables in the amount of up to 50% of the credit
ING Bank N.V. (Inter Cars Romania s.r.l.)	27-08-2014	27-12-2019	90,000,000 RON	Corporate guarantee

The credit facility bears interests at a variable rate, depending on WIBOR, EURIBOR, PRIBOR, ROBOR rate, increased by bank margins (determined at arm's length) for each individual interest period, agreed in the New Credit Facility Agreement (at arm's length).

Source of finance	Loan amount in PLN	Interest rate
CaixaBank S.A.	139,492	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Bank Pekao S.A.	312,589	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Bank Handlowy S.A.	97,500	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
DNB Bank Polski S.A.	123,369	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Bank BGŻ BNP Paribas S.A.	121,396	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
mBank S.A.	149,907	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
ING Bank Śląski S.A.	96,046	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Citibank Europe PLC Slovakia	20,121	EURIBOR 1M + margin
Raiffeisenbank a.s. Czech	25,095	PRIBOR 1M + margin
ING Bank N.V (Inter Cars Romania s.r.l.)	54,503	ROBOR 1M + margin
Total	**1,140,018**	

(in thousand PLN)

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

The credit facility was used to repay debt and to finance day-to-day operations.

No loan or borrowing agreement was terminated during the reporting period.

10. Loans granted

Loans for related entities granted by parent company	1.01.2018-31.12.2018	01/01/2017 – 31/12/2017
As at beginning of period	47,709	49,194
Loans granted	646	737
Interest accrued	1,188	1,192
Repayments received	-	(2,510)
Interest received	(685)	(836)
Balance sheet valuation	(153)	(68)
	48,705	**47,709**

Loan agreements

Date concluded	Maturity date	Amount	Material terms and conditions
09-07-2007	31-12-2019	PLN 6,750,000	Agreement on a loan from Inter Cars to finance Lauber Sp. z o.o.'s operations and business development
03-12-2007	31-12-2020	9,134,000 PLN	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
06-04-2011	31-12-2019	35,000 EUR	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
05-07-2011	31-12-2019	100,000 EUR	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
23-08-2011	31-12-2019	90,000 EUR	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
04-04-2013	31-12-2019	PLN 2,000,000	Agreement on a loan from Inter Cars to finance Lauber Sp. z o.o.'s operations and business development
31-01-2014	31-01-2019	PLN 500,000	Agreement on a loan from Inter Cars to finance Q Service Truck Sp. z o.o.'s operations and business development
23-06-2014	without time-limit	PLN 6,000,000	Agreement on a loan from Inter Cars to finance Inter Cars Malta Ltd.'s working capital.
24-06-2015	without time-limit	PLN 6,800,000	Agreement on a loan from Inter Cars to finance Inter Cars Malta Ltd.'s working capital.
27-10-2017	31-12-2019	300,000 EUR	Agreement on a loan from Inter Cars to finance Inter Cars Greece Ltd.'s operations and business development.

As at 31 December 2018, the balance of loans and borrowings for related entities was PLN 48,705 thousand, and the total value of loans and borrowings granted to unrelated entities was PLN 10,094 thousand.
The loans granted to related entities bear interest at a rate equal to: 1M WIBOR (in the case of PLN-denominated loans), or EURIBOR 3M (in case of EUR-denominated loans) plus a margin of 2%-5%. Additionally two loans in PLN have fixed interest rate between 3% and 4%.

Loans granted to related entities were eliminated in consolidated financial statements.

(in thousand PLN)

11. Information on sureties and guarantees granted and received in given accounting year, including those granted to affiliated entities of the Issuer.

As at 31 December 2018 the total value of guaranties and sureties amounted to 267 907 thousand PLN and was composed mostly of guarantees and sureties for credits in related entities and sureties towards their suppliers.

	2018	2017
As at beginning of period	211,145	242,252
Issued and increases	71,125	21,582
Expired	(14,363)	(52,689)
As at end of period	**267,907**	**211,145**

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

(in thousand PLN)

List of granted guaranties and sureties in the year 2018 is presented in the table below:

To	For whom?	The subject of the guarantee/surety	from	to	Value of the guarantee/surety
Ducati Motor Holding	Ducati Motor Holding	payment for delivered goods - continuation	11/12/2013	30/04/2019	1,290
IC Ukraine	Johnson Control Autobaterie Prodej	payment for deliveries - continuation	01/11/2015	31/12/2018	430
Accolade PL I Sp. z o.o.	Accolade PL I Sp. z o.o.	Rental - continuation	13/07/2016	12/06/2019	344
LeasePlan	LeasePlan	payment guarantee		Until further notice	11,691
IC Croatia	TYC	payment for deliveries	11/04/2018	31/12/2018	172
IC Latvia	MAHLE POLSKA	payment for deliveries	15/01/2018	31/12/2018	1,290
IC Bulgaria	TRW	payment for deliveries	02/01/2018	31/12/2018	2,150
IC Hungary	TRW	payment for deliveries	02/01/2018	31/12/2018	2,150
IC Greece	TRW	payment for deliveries	02/01/2018	31/12/2018	215
ICCZ, ICS, ICHR, ICHU, ICRO, ICU, ICL, ICLAT, ICBG, ICEE, ICBA, ICSI, ICGR, ICMD	Comma Oil	payment for deliveries	01/01/2018	31/12/2018	10,750
IC Czech	Raiffeisen-Leasing	leasing guarantee	10/01/2018	31/12/2018	5,521
Teseo Logistica s.r.l.	Comma Oil	payment for deliveries	13/03/2018	31/12/2018	430
IC Hungary	MOTUL Deutschland GMBH	payment for deliveries	11/04/2018	31/12/2018	860
IC Croatia	Raiffeisenbank Austria d.d	payment for deliveries	10/04/2018	31/12/2018	19
IC Estonia	Hankook Tire Polska sp. z o.o.	payment for deliveries	12/06/2018	31/12/2019	3,010
IC Latvia	Hankook Tire Polska sp. z o.o.	payment for deliveries	12/06/2018	31/12/2019	6,020
ILS	"Plienciema centrs" LLC	payment guarantee	20/07/2018	Until further notice	17,630
IC Hungary	Goodyear Dunlop Tires	payment for deliveries	14/08/2018	11/07/2023	860
IC Romania	Abakus Sp. z o.o.	payment for deliveries	09/07/2018	31/12/2018	344
IC Latvia	Abakus Sp. z o.o.	payment for deliveries	09/07/2018	31/12/2018	323
IC Hungary	Abakus Sp. z o.o.	payment for deliveries	09/07/2018	31/12/2018	323
IC Bulgaria	Abakus Sp. z o.o.	payment for deliveries	09/07/2018	31/12/2018	323
IC Greece	Valeo Service Italia S.p.A.	payment for deliveries	06/11/2018	31/10/2019	430
IC Romania	Castrol	payment for deliveries	26/11/2018	31/12/2019	3,692

(in thousand PLN)

12. Security issues

On the day of 3 October 2014, the Group signed with mBank S.A. and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds).
The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 33 point 2 of Law on Bonds dated 15 January 2015 (as amended).
The Bonds issued in compliance with the Programme Contract will be unsecured bonds, authorizing bond holders only to receive cash benefits.
Detailed information of issuance of each series of Bonds, including their nominal value, issuance price, number of bonds, issue threshold, maturity date, interest rate, will each time be agreed and stipulated in relevant issue documents. The Company shall bare standard costs of issuance of Bonds, including the dealer commission, after each finished issuance. The Program Contract is concluded for an indefinite time.
The first series of bonds, with total value of PLN 150,000,000 (series A) was issued by the Company on 24 October 2014. The bonds include only cash benefits. Interest on Bonds are to be paid in 6-month periods (in April and October) based on WIBOR interest rate for six-month deposits and particular margin set forth in the terms and conditions of Issuance of Bonds. The Bonds shall be mature as at 24 October 2019, or in case of basis for earlier buyback, at dates stipulated in the terms and conditions of Issuance of Bonds.
Income from issuance of bonds will be used for financing current operational activity and investment activity of the Company. Favourable market conditions on issuance of bonds allowed for: a) diversified sources of financing, and b) generating cost attractive financing for the period of 5 years.

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Amount of buyback
Series A	24/10/2014	24/10/2019	150,000,000
			150,000,000

13. Seasonality or cyclical nature of operations

The Group's comprehensive income is not highly sensitive to seasonal fluctuations. The Company's broad offering of spare parts includes some items whose sales depend on the season of the year, notably winter. These are items such as winter tyres, batteries, glow plugs, aluminium wheels, fuel filters as well as radiator and windscreen washer fluids. Goods that are most susceptible to seasonality and short-term sales, such as winter tyres, are ordered from suppliers several months before the expected sales peak (suppliers offer longer payment periods and higher discounts for off-season purchase of those items).

A recurring regularity is that the relatively lowest sales are achieved in Q1 of the year.

14. Evaluation of financial resources management

The following ratios are used for the evaluation of financial resources management:

- gross sales margin – gross profit on sales to net sales revenue
- sales margin – gross profit on sales to net sales revenue
- Operating margin – operating profit to net sales revenue (measures the Group's operating efficiency)
- EBITDA – net profit (loss) before amortisation, depreciation, net finance income (expenses), currency exchange differences and income tax
- Gross profit margin – profit before tax to net sales revenue (measures the efficiency of the Group's operations considering the profit (loss) on financial operations, and the extraordinary gains (losses)
- Net profit margin – the profit available to the Group after mandatory decrease of profit (increase of loss) to net sales revenue

(in thousand PLN)

- return on assets (ROA) – net profit to assets (measures general assets efficiency)
- return on equity (ROE) – net profit to equity (measures the efficiency of capital employed in the company)
- total debt ratio – total liabilities to total assets
- debt-to-equity ratio – total liabilities to equity
- inventory cycle – arithmetic mean of inventories at end and at beginning of period to goods for resale and materials sold, expressed in days,
- average collection period – arithmetic mean of trade receivables and other service at end and at beginning of period to net sales revenue, expressed in days
- operating cycle – the sum of inventory cycle and average collection period
- average payment period – arithmetic mean of trade payables at end and at beginning of period to cost of goods for resale and materials sold and contracted services without distribution, expressed in days
- cash conversion cycle – difference between the operating cycle and average payment period
- current ratio – current assets to current liabilities at end of period (demonstrates the company's ability to pay current liabilities using current assets)
- quick ratio – current assets less inventories to current liabilities at end of period (demonstrates the ability to quickly accumulate cash required to cover liabilities payable in a short time)
- cash ratio – cash to current liabilities at end of period (measures the ability to cover immediately payable liabilities)

Key figures for the assessment of the **Group's** profitability are set forth in the table below.

	2018	**2017**
Net revenue from sales of goods and products	7,943,253	6,908,365
Gross profit on sales	2,310,276	2,021,560
Sales margin	*29.08%*	*29.26%*
Operating profit	313,382	294,464
Operating margin	*3.9%*	*4.3%*
EBITDA	392,571	359,984
Gross profit	268,784	262,456
Net profit	223,085	216,428
Net profit margin	*2.8%*	*3.1%*
Balance sheet total	3,943,261	3,402,978
ROA	*5.7%*	*6.4%*
Non-current assets	752,552	726,023
Equity attributable to the shareholders of the parent entity	1,829,173	1,616,028
ROE	*12.2%*	*13.4%*

In total, **selling costs and administrative expenses** increased by 14.0% on the 2017 figure. The greatest-value item under the Group's operating costs is **distribution services**, that is the affiliate branch's share in the generated margin. In 2018, the total distribution costs amounted to PLN 836,141 thousand i.e. 40% of total costs by type.

It is worth noticing that the cost of employment went up by almost 30%. It is caused by a noticeable increase in remunerations of highly-qualified professionals in the countries of the Group, especially in Poland, Romania and Hungary, and also the cost of employees on lower levels, e.g. workers in logistics.

(in thousand PLN)

The chart below presents the structure of costs **by type:**

	2018	2017	change
Amortization and Depreciation	79,189	65,520	20.9%
Materials and energy used	134,364	139,261	-3.5%
Outsourced services	1,498 735	1,327,848	12.9%
including: distribution service	*836,141*	*713,757*	*17.1%*
Taxes and fees	16,931	15,629	8.3%
Payroll	241,498	186,007	29.8%
Social insurance and other benefits	56,489	48,112	17.4%
Other costs by type	49,527	36,126	37.1%
Total costs by type	**2,076 333**	**1,818,503**	**14.2%**

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

Total **costs by type** in 2018 increased by 14.2% as compared to 2017.

Financial revenues and costs include primarily costs and revenues due to interest. In 2018 in particular, the Group sustained costs on this account in the amount of PLN 37,063 thousand. **Liabilities resulting from credits, loans, debt securities and finance lease** as at 31 December 2018 amounted to PLN 1,303,914 thousand.

Income tax expense includes accrued income tax in the amount of PLN 43,067 thousand, as well as a change in assets and deferred tax liabilities, increasing the income tax payable for the period by PLN 2,632 thousand.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2018, the Group recognised the total of PLN 362,366 thousand under discounts. Discounts due to the Group are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 106,937 thousand was posted to inventories, and it will reduce the cost of goods sold in 2019 (in particular in Q1).

Finance income primarily includes interest income (from funds deposited in bank accounts, loans advanced, and past due receivables). **Financial costs** comprise primarily the costs of loans and borrowings. **Foreign exchange gains (losses)** are presented under two items of the statement of the profit and loss account: the part corresponding to the realised and unrealized foreign exchange gains (losses) on settlements of trade payables in foreign currencies is presented as an adjustment to the cost of goods for resale sold, and the balance is presented as a separate item of the statement.

Working capital needs and investments in property, plant and equipment are financed solely with the generated profit, proceeds from bank loans, and finance leases.

(in thousand PLN)

The value and structure of the working capital and **working capital** requirement are set forth in the table below

	2018	**2017**
Current assets	3,190 709	2,676,955
Cash and securities	114,725	160,915
Short-term liabilities	1,551,026	1,099,953
Current loans, borrowings and finance lease liabilities	772,095	564,167
Adjusted current assets	3,075 984	2,516 040
Adjusted current liabilities	778,931	535,786
Net working capital	2,297 053	1,980 254

Net working capital engaged increased by about 16%

	2018	**2017**
Inventory cycle in days	129	123
Average collection period in days	37	38
Operating cycle in days	166	161
Average payment cycle in days	35	34
Cash conversion cycle in days	131	126
Current ratio	2.06	2.43
Quick ratio	0.64	0.82
Cash ratio	0.07	0.15

Debt ratios of the Group are presented in the following table.

	2018	**2017**
Total debt ratio	0.54	0.53
Debt-to-equity ratio	1.16	1.11

The Group's operations are funded with the Group's internally generated funds and bank loans. As at the end of 2018, loans, borrowings, debt securities and finance lease liabilities amounted to PLN 1,303,914 thousand, and the **total debt ratio** amounted to 0.54 compared to 0.53 in 2017.

Inter Cars meets its liabilities as they fall due and the Management Board believes that are no facts or circumstances that may represent a threat to such timely meeting of Inter Cars' liabilities.

	2018	**2017**
Net cash from operating activities	52,361	24,358
Net cash from investing activities	(117 897)	(92,410)
Net cash from financing activities	19 342	107,541
Cash and cash equivalents at the end of the period	114 725	160,915

In 2018 the operating cash flows were PLN 28,758 thousand higher than in the previous year . This resulted mainly from cancelling reverse factoring in the case of payments for trading goods, as well as from an increase in liabilities.

The negative value of the funds earned from investments resulted from the expenses related to the continued investments in the Zakroczym Logistics Centre and investments in replacement fixed assets.

The cash flows from financing operations were impacted by an increased use of the syndicated loan.

(in thousand PLN)

Key figures for the assessment of the **Company's** profitability are set forth in the table below.

	2018	2017
Net revenue from sales of goods and products	6,002,371	5,295,719
Change	*1.13*	*1.11*
Gross profit on sales	1,428,542	1,204,644
Sales margin	*23.80%*	*22.75%*
Exchange differences	(3,362)	6,063
Operating profit	102,626	(2,319)
Operating margin	*1.71%*	*(0.04%)*
EBITDA	*2.22%*	*0.39%*
Gross profit	244,729	92,846
Net profit	228,628	101,058
Net profit margin	*3.81%*	*1.91%*
Balance sheet total	3,443,148	2,999,502
ROA	*6.64%*	*3.37%*
Non-current assets	780,957	751,005
Equity	1,422,970	1,204,401
ROE	*16.07%*	*8.39%*

Gross sales profit was 18.59% higher than in 2017.

In total, **selling costs and administrative expenses** increased by 10.2% on the 2017 figure, without distribution cost and licence fees. The greatest-value item under the Company's costs is **distribution services** , that is the affiliate branch's share in the generated margin. In 2018, the total distribution costs amounted to PLN 495,515 thousand i.e. 41% of the total costs by type, and were 11.7% higher than in previous year.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2018, the Company recognised the total of PLN 351,542 thousand under discounts (220,071 thousand in 2017). Discounts due to the Company are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 106,937 thousand (PLN 47,256 thousand in 2017) was posted to inventories, and it will reduce the cost of goods sold (in particular in Q1 2019).

Operating results in 2018 were higher than in 2017 mostly due to

- foreign exchange gains presented as an adjustment of the value of the goods sold - PLN 8,086 thousand (in 2017 the Company recorded a foreign exchange loss of PLN 13,893 thousand resulting from adjustments in the value of the goods sold)

- a decrease in the trademark license fee costs. Due to the change of the Company's logo connected with the 25th anniversary of Inter Cars and the new trademark being used by more and more branches, there has been a decrease in the revenues from branches operating under the previous trademark subject to a license fee.

The total operating result was + PLN 82,726 thousand, resulting in a net increase of PLN 104,945 thousand.

EBITDA margin in 2018 was running at the level of around 2.2% (in 2017: 0.4%)

(in thousand PLN)

The chart below presents the structure of costs **by type:**

	2018	**2017**	**change**
Amortization and Depreciation	30,440	23,223	31.1%
Materials and energy used	11,556	10,303	12.2%
Outsourced services	1,061 088	973,509	9.0%
including: distribution service	*495,515*	*443,647*	11.7%
Taxes and fees	10,970	85,757	(87.2%)
Payroll	59,090	45,040	31.2%
Social insurance and other benefits	11,435	7,870	45.3%
Other costs by type	16,937	13,944	21.5%
Total costs by type	**1,201 515**	**1,159,646**	**3.6%**

Finance income primarily includes interest income (from funds deposited in bank accounts, loans advanced, and past due receivables).

Finance expenses are primarily costs of loans, borrowings, and bond issue. In 2018, the interest expense amounted to PLN 36,004 thousand (PLN 35,278 thousand in 2017).

Foreign exchange gains (losses) are presented under two items of the statement of the total income: the part corresponding to the realised and unrealized foreign exchange gains (losses) on settlements of trade payables in foreign currencies is presented as an adjustment to the cost of goods for resale sold, and the balance is presented as a separate item of the statement. Total exchange rate differences presented in both positions in the year 2018 were positive and amounted to PLN 4,725 thousand. In the year 2017 there were negative exchange rate differences amounting to PLN 7,830 thousand.

Working capital needs and investments in property, plant and equipment are financed solely with the generated profit, proceeds from bank loans, and finance leases.

The value and structure of the working capital and **working capital** requirement are set forth in the table below

	2018	**2017**
Current assets	2,662 191	2,248,497
Cash and cash equivalents	24,283	31,454
Short-term liabilities	1,498 739	1,136,258
Short-term loans, borrowings, debt security and finance lease liabilities	823,476	549,795
Adjusted current assets	2,637 908	2,217 043
Adjusted current liabilities	675,263	586,463
Net working capital	1,962 645	1,630 580

Net working capital engaged increased by about 20.4%

	2018	**2017**
Inventory cycle in days	100	95
Average collection period in days	71	68
Operating cycle in days	171	163
Average payment cycle in days	30	43
Cash conversion cycle in days	141	120
Current ratio	1.78	1.98
Quick ratio	0.87	0.97
Cash ratio	0.02	0.03

The Company finances its operations development from its own assets, bank credits and financial means gained from issuance of bonds. In total, at the end of 2018, liabilities on credits, loans, debt securities and finance lease amounted to PLN 1,324,902 thousand, whilst in 2017 PLN 1,202,120 thousand.

(in thousand PLN)

Total debt ratio in 2018 amounted to 0.59, similarly to 2017. Debt-to-equity ratio in 2017 amounted to 1.42.

Debt ratios are presented in the following table.

	2018	2017
Total debt ratio	0.59	0.60
Debt-to-equity ratio	1.42	1.49

Inter Cars meets its liabilities as they fall due and the Management Board believes that are no facts or circumstances that may represent a threat to such timely meeting of Inter Cars' liabilities.

The structure of **cash flows** is presented in the following table.

	2018	2017
Net cash from operating activities	(209 407)	(165,292)
Net cash from investing activities	129,884	80,489
Net cash from financing activities	72 351	90,128
Cash and cash equivalents at the end of the period	24 283	31,454

In 2018, cash flow from operating activities was negative. It was mainly due to increase of stock value and receivables.

The cash generated from investing activities reached positive levels because of receiving a dividend, which outbalanced the spendings on increase of shares in subsidiary companies.

The positive cash flows from financing operations were impacted by an increased use of the syndicated loan.

15. Assessment of investment project feasibility

In 2018, expenses toward purchases and modernization of plant, property and equipment amounted to PLN 82,407 thousand. (In 2017 - PLN 83,086 thousand). Expenses were mostly incurred toward the purchase of replacement assets.
In 2018, the Group's investments were financed from its own funds.

16. Extraordinary factors and events with a bearing on the Company's performance

On 09 November 2018 a credit agreement was signed for term loans and revolving credits. On the basis of the above mentioned agreement the following loans are provided:

- Term loans in total maximum value of PLN 537 million repayable by 14 November 2021, and
- Revolving credits in total maximum value of PLN 838 million repayable by 14 November 2019.

The consolidated EBITDA for 12 months cumulatively for the period ended on 31 December 2018 was PLN 392,571 thousand (PLN 359,984 thousand in 2017).

The revenues of Inter Cars at home accounted for app. **54% of the total revenues** of the Capital Group (taking into account consolidation exclusions). The overseas companies account for approximately 41% of the Group's distribution activity. The Polish market remains the basic sales market for the Capital Group.

17. External and internal factors important to the Group's development

Internal factors

The Management Board believes that the following are major internal factors that affect the current and future financial performance:

(i) sales network development – it results in an increase in the number of affiliate branches and development of business contacts with end customers (garages);

(ii) ability to select the correct development strategy in the competitive and evolving market – it determines the Group's long-term growth potential in the market characterised by intense competition and changes in the spare parts distribution model, which result from the introduction of new regulations by the European Union and revisions of the operational strategies by vehicle and spare parts manufacturers;

(iii) development of loyalty schemes – launch of new and development of the existing schemes, which determine the Group's potential to enhance customer loyalty and, in effect, increase the Group's sales volume and value on the markets;

(iv) focus on a targeted product group and area of operations – a focused development strategy, enabling the Group to fully harness its potential and engage in the areas where it has the greatest competence;

(v) market knowledge – the ability to reach end customers effectively, which, thanks to the relevant experience and state-of-the-art sales support methods, gives Inter Cars Group a significant competitive edge;

(vi) development of sales support tools – continual introduction of tools and solutions that enhance customer service quality, in particular the launch of the IC-Katalog software, already used in Poland, in local language versions in the Czech Republic, Slovakia and Hungary;

(vii) qualified staff - one of the key factors behind the ability to maintain and further improve the competitive position of the Group entities;

(viii) efficiency of the goods logistics system – which translates into the ability to continuously optimise the existing processes and launch new solutions that, on the one hand, facilitate effective control and reduction of goods turnover costs in the expanding network, and on the other improve supply efficiency in the growing sales network with a very broad offering of goods;

(ix) efficiency of the IT system – a precondition to maintain the system's full capacity both to support goods turnover and to provide the information that is essential to manage the Group and meet its disclosure obligations.

External factors

The Management Board believes that the following are major external factors that affect the current and future financial performance:

(i) macroeconomic situation – it determines the scale of business activity and thus the employment rate in the national economy and the population's incomes, which translate into the current and future capacity of potential customers to purchase vehicles and cover the cost of their operation and repair;

(ii) macroeconomic situation in Ukraine, the Czech Republic, Slovakia, Romania, Bulgaria, Lithuania and Latvia – the level of spending on vehicles depends on incomes of the population and of businesses, and influences the size of the spare parts markets in those countries, and the Group's sales on those markets;

(iii) EURO and USD exchange rate fluctuations – which affect prices of goods offered by the Company and, indirectly, its financial performance;

(iv) greater customer loyalty – it results from smaller diversification of supply sources for garages, and translates into growing number and value of orders from customers, and reduced risk of a sharp decline in sales;

(v) development of independent garages – which are the Group's key customer group, and which face important challenges in view of the need to adapt to growing market requirements resulting from the increasing complexity of vehicle repairs;

(vi) changes to the distribution structure following changes in the European Union's legislation – for the Group they pose major challenges and offer opportunities to gain access to a group of customers who purchase spare parts exclusively from vehicle manufacturers; they also give independent garages access to technical information of vehicle manufacturers on equal rights with licensed garages , and thus remove material barriers to independent garages' development, which enhances growth opportunities for the independent repair services sector – the primary customer segment of the Group;

(vii) changes in the spare parts demand structure resulting from changes in car manufacturing technologies – they are expected to drive growth in demand for relatively more expensive car components and increased requirement for garage equipment;

(viii) car sales volume – it determines the demand for spare parts in the medium and long term, by affecting the number of vehicles used in the countries where the Group is present;

(ix) used car imports volume – which, in combination with sales of new cars, is the decisive factor behind the growth in the number of registered vehicles, and, consequently the demand for repair services and spare parts; the volume of used car imports, owing to their age and mileage, will more quickly drive the growth in demand for parts, but will also affect the structure of global demand, by increasing the demand for relatively cheaper parts, and, in the event of new cars being replaced by used cars to a significant degree, by causing a drop in demand from garages for workstation equipment;

(x) competition in the industry – which requires a continuous improvement in the Company's competence in terms of sales organisation, sales support mechanism, offered range of products and affiliate branch locations;

18. Risk and hazard factors, with specification of the degree of the issuer's exposure

Risk of changes in the discount policies of spare parts manufacturers

An important item that has a bearing on the Group's financial results is discounts offered by spare parts manufacturers. The discount policies favour those customers who generate substantial purchase volumes. Any changes to the policies that involve a reduction or complete abandonment of the discounts would result in a marked deterioration in the Group's performance.

The Management Board believes such a scenario is highly unlikely and the Group as a major customer can count on at least equally favour able discount terms in the future. A potential abandonment of discounts would probably lead to lower purchase prices and higher selling prices, so the Group's margin would be maintained given the Group's purchasing power and fairly easy substitution of the supply sources.

Risk related to adoption of an incorrect strategy

The market in which the Group operates is constantly evolving, and the direction and pace of the changes depend on a number of factors, which are often mutually exclusive. Therefore, the future position of the Group, and hence its revenue and profit, depend on its ability to develop a strategy that proves effective in the long term. Any incorrect decisions resulting from misguided judgements or the Group's inability to adapt to the rapidly changing market environment may adversely impact financial performance.

To minimize risk of such hazard, a continuous current analysis is conducted of all the factors determining the selection of strategy in two perspectives: short term, including terms of supply, and long-term, including strategy of creation and development of sales network so as to ensure maximally precise determination of the direction and nature of changes in the market environment.

Risk related to changes in the demand structure

The Group maintains certain stock levels for a broad range of products. Purchases made by the Group are a function of the perceived market demand for specific product groups, and, as such, are susceptible to the risk of faulty market analysis or changes in the demand structure. Potential changes in demand, in particular a rapid decline in demand for specific product groups that were purchased by the Group in large quantities, may entail substantial losses to the Group, resulting from working capital being tied up or from the need to apply high discounts.

The Management Board believes that this scenario is unlikely owing to the prevalence of linear demand change trends with respect to the Company's goods. Further, the Group pursues an active working capital management policy , the effect of which is low stock levels (in terms of value) for individual products (products are sourced from manufacturers that ensure execution of orders in a relatively short time). To note, the Group's offering does not include parts for vehicles manufactured in the former Eastern Bloc, whose production has been discontinued, which eliminates the risk of funds being tied up in stocks of spare parts for vehicles representing a diminishing market segment.

Risk related to seasonal sales

The Group's comprehensive income is not highly sensitive to seasonal fluctuations. The Company's broad offering of spare parts includes some items whose sales depend on the season of the year, notably winter. Goods that are most susceptible to seasonality and short-term sales, such as winter tyres, are ordered from suppliers several months before the expected sales peak, as a result of which, in the case of extremely adverse weather, the sales of seasonal goods may actually be lower than expected, which may have a negative bearing on the financial performance of the Group.

Risk related to bank loans

Bank loans are an important source of funding for the Group's operations. As at 31st December 2018 the Group's debt under bank loans, bonds and finance leases totalled PLN 1,303,914 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 37.1m. Loans raised by the Group are variable-rate loans, so a potential marked increase in interest rates, translating into higher reference rates for the loans, would – through higher finance expenses – reduce the Company's profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity. Another risk factor associated with bank financing is the risk of a bank's refusal to extend or grant lines of credit. Any reduction in the Company's ability to fund its business with bank loans resulting from a termination of or refusal to extend some of the agreements would have a material adverse effect on the Company's development prospects, its liquidity and financial performance.

Risk of an affiliate branch operator engaging in competitive activity

If an operator whose branch operation agreement has been terminated (by the operator or the Group) engages in a competitive activity involving the take-over of relations with customers, this may have a material adverse effect on sales in the region concerned.

In order to mitigate the risk, the agreements concluded with branch operators provide for high cash penalties in the event they engage in competitive activity after the agreement is terminated.

Risk related to the IT system

The Company's operating activities rely on smooth operation of the on-line IT system. Any problems with its correct functioning could result in lower sales volumes, or even disrupt sales altogether. This would have a negative impact on the Group's financial performance.

In order to prevent the scenario from happening, the Group has launched appropriate emergency procedures to be followed in case of system failure, including rules for creating backup copies and data retrieval, an emergency server (with the necessary network elements) and emergency communication links.

Risk related to independent garages' inability to adapt to market requirements

Given the growing complexity of assemblies in new cars, there are higher requirements on their operation and repair, both in terms of mechanics' knowledge and training, and workstation equipment needed. Independent garages are therefore under pressure to improve their qualifications and invest in equipment to have the capabilities to service new car models. Insufficient capabilities development by independent garages will shrink the Group's sales market and will have a negative impact on its financial performance.

The Management Board believes that those adverse factors will be counterbalanced by the continuously growing involvement of spare parts distributors and manufacturers in the furnishing and financing of the furnishing of independent garages, the possibility of close collaboration between licensed and independent garages, and the right of all parties to access technical information available from vehicle manufacturers on equal rights (under the new regulations), which facilitates the transfer of know-how to independent garages. In the longer perspective, it can be expected that those independent garages that cannot cope with the challenges will be eliminated, while those that have the best resources will grow, which will in fact strengthen the independent garages segment, despite the likely short-term negative changes to its size. Further, greater imports of used cars to Poland following its accession to the European Union strongly stimulated the demand for cheap and small garages, thus enabling their further growth and accumulation of the necessary knowledge and capital.

Risk that major foreign wholesalers of spare parts may enter the Polish market

The market of independent automotive spare parts distribution in Poland is dominated by Polish-owned entities. The size of the market and its good prospects indicate a growing probability that it may be entered by foreign distributors, which, by offering more attractive terms of spare parts purchase, may take up a significant share of the market. The resultant competitive pressure will adversely impact the Group's performance, and in extreme cases may significantly limit its development potential, or even result in a drop in revenue and profit. Another risk resulting from the possible entry into the Polish market of major foreign distributors is the loss of strategic suppliers, for whom certain foreign distributors may be bigger customers.

The Management Board believes the risk is not material. Potential expansion into Poland may take place primarily through acquisitions of the existing entities, therefore a rise in the competitive pressure is not likely to be significant, although it may reduce the average margin.

In view of the above, the Management Board will strive to increase sales value in a steady and dynamic manner, so that the profit level can be maintained notwithstanding a potential decline in the margins. Further, the likelihood of Inter Cars losing the possibility of making purchases from certain strategic suppliers as a result of the presence of foreign entities in the Polish market which are distributors of those manufacturers' products in other countries is limited, as spare parts manufacturers seek to diversify their customer base.

Risk related to customer base diversification by spare parts manufacturers

An important element in spare parts manufacturers' sales strategies is diversification of their wholesale customer bases, which limits the possibility of increasing market shares by individual distributors (including the Group). The Management Board believes that the maximum share in the Polish market that the Group is able to secure (in the segment of independent garages) is 25 to 30%. After this level is achieved, further revenue growth will be possible only through the entire market's increase in value, and if this is the case the Group's revenue will be more sensitive to changes in the market environment, and the possibility of growth through market consolidation will be very limited.

The Management Board is taking steps to develop an operational model that allows the Group to continuously expand its product range, including through the development of new segments, such as provision of garage equipment, fleet management, construction of semi-trailers, etc. Moreover, a counterbalance for expectations of limitations on Polish market is development of business activities, especially in Ukraine, Czech, Slovakia, Croatia, Hungary, Lithuania, Latvia, Italy, Belgium, Romania, Germany, Bulgaria, Slovenia, Estonia, Moldova, Greece and Bosnia and Herzegovina.

Risk related to car manufacturers taking over spare parts production

Although access to spare parts manufactured by vehicle manufacturers is available to all potential buyers, the terms of purchase from such manufacturers would most likely be less advantageous than the terms of purchase from such specialised spare parts producers as exist under the current system, i.e. production of parts for the initial assembly and for the aftermarket by the same manufacturers. Additionally, a change to the existing spare parts production model would reduce the value of the segment of original spare parts supplied by spare parts manufacturers. This would have a material adverse effect on the Group's financial performance.

However, owing to the high degree of specialisation in developing and producing spare parts (which also implies the ability to offer competitive prices), the Management Board believes the scenario to be unlikely.

Risk related to spare parts manufacturers taking over the independent spare parts distribution network

Any acquisitions of independent spare parts distributors by those spare parts' manufacturers could entail significant changes to the distribution model with respect to spare parts offered by the individual entities, involving limitation of their sales to other networks, including the Group. In such a case the Group could lose certain supply sources, which would limit the size of its offering and undermine its competitive position.

However, as spare parts manufacturers seek to diversify their customer base, and are fairly easy to substitute, the Management Board believes that this risk factor should not pose a material threat to the Group's market position and its financial performance.

Risk related to the macroeconomic situation

The recent macroeconomic indicators prove that both the Polish economy, as well as the economies of the Euro-zone countries, is slowing down. The global economic centres have reduced the economic growth forecasts for Europe. The uncertainty related to the global GDP growth is additionally fuelled by the protectionist policies of the USA (including potential sanctions on certain economic sectors of the Euro-zone) and the risk of a hard Brexit. A deterioration of the economic situation in the Euro zone and, indirectly, also in Poland, could have a negative effect on the Group's results.

Risk related to economic policy in Poland

Economic, fiscal and monetary policies in Poland largely determine the growth rate of the domestic demand, which indirectly impacts the volume of the Group's sales, and thus its financial performance. A threat to the Group's performance comes from changes that limit domestic demand, resulting in the risk of failure to achieve the assumed objectives and introducing material uncertainty with respect to long-term Group development planning in view of a possible reduced interest of potential buyers in the Group's products.

Similar threat to the Group's performance comes from the changes in economic, fiscal and monetary policies in the countries where the Group operates, i.e. in Ukraine, Czech, Slovakia, Hungary, Lithuania, Latvia, Italy, Belgium, Romania, Germany, Bulgaria, Slovenia, Estonia, Moldova, Greece and Bosnia and Herzegovina.

Risk related to the foreign customers structure

The vast majority of export sales are to small foreign customers, which arrange for the transport of the purchased goods from Poland themselves. Most of these recipients come from Ukraine, due to which a substantial part of sales of the Group is exposed to risk typical of recipients' country, such as: changes in volume and structure of the market of spare parts, changes in the purchasing power of the population, stability of economic and political systems in those countries. Adverse developments in those countries, resulting in reduced or abandoned purchases, would adversely affect the Group's financial performance.

Risk related to activities regarding remanufacturing of spare parts

The risks inherent in these operations primarily include: risk connected with deficiencies of the IT solutions that support control and management, the need to maintain high stocks of production materials and the resultant risk of impairment in their value in the event of a change in customers' preferences or an increase in the competitive pressure, risk connected with the fact that the operations are based on orders, without agreements in place with key customers, and risk relating to the constantly growing competition from cheap spare parts manufacturers (Far East).

Risk related to development of the subsidiaries

Subsidiaries are established in countries where there are reasons to expect a satisfactory rate of return on the capital employed. In practice, the parent entity invests substantial funds in the development of operations in entirely new markets, having different characteristics in terms of important operational aspects. The consequent risk run by such investments is relatively greater than it would be if the funds were invested in further development of the operations in Poland, where the parent entity has the greatest competence, resources and position.

To mitigate this risk, the parent company employs experts with local market knowledge, and makes the necessary feasibility studies and assessments of risks inherent in launching operations in a new market. At the same time, by increasing the geographical reach of its operations, the parent company is able to diversify the risk of operating in a single country, in particular Poland.

19. Strategy and Future Development Prospects

The strategy of Inter Cars Group for upcoming years is based on three pillars:

1. Development of Inter Cars Group is also development of internal and external customers' business.

Development of partnership programmes – which provide added value to the offering; the programmes involve development of projects supporting the Company's core business (such as fleet management, recovery of spare parts) , constant support for the building of the network of independent garages as part of the Auto Crew, Q-Service, and Q-Service Truck projects, development of projects supporting garages (investment programme, garage equipment, trainings, technical information), and development of IT systems supporting sales; those initiatives are aimed at continuous improvement of end customers' loyalty, which, in the long term, will provide the Company with a stable and growing sales market.

2. Inter Cars Group is comprehensive supplier of products and services for its business and retail customers.

Expansion of the product range – by introducing new and improving the existing product lines to meet market expectations with respect to spare parts quality, prices and technical support from their manufacturers. In order to increase sales revenues on quality products with relatively low price, coming from less known manufacturers in Poland, the Group constantly develops private brands which are cheaper and guaranteed alternative for end users.

3. Keeping profitability of the Company on all levels of management, which is a guarantee of further dynamic growth in all segments.

Inter Cars Group is introducing a new e-commerce platform, a B2B system, which is to replace, among others: IC-Katalog. The platform is already implemented in partner garages of Inter Cars in Greece and Bulgaria. In another 14 countries it will be introduced consecutively till the end of the next year. Ultimately the platform will be available for over 100 thousand garages in 16 countries.

The new, uniform e-commerce system will make it possible to optimize the cost of sale, and will also speed up implementation of innovations for new markets, such as new B2C and B2B2C sales models.

A challenge shall also be implementation of segment strategy outside Poland, which should make it possible to realize dynamic growth not only in core segment of passenger cars, but also in other segments, such as heavy goods vehicles, tires, garage equipment, etc.

The strategy is realized by all companies of the Group.

One-Stop-Shop

The idea of our strategy is heading towards the one-stop-shop model. This applies not only to continuous development of Company's product range, but also development of partner programmes, which are a substantial added value for the key customers. Besides the sale of automotive spare parts and accessories, we are delivering to garages also the necessary tools and garage equipment. As a part of after-sales activities we are organizing trainings and offer comprehensive services, helping garages in their activities. Using Motointegrator and Motointegrator Fleet projects we are also redirecting drivers to our trade partners.

Wishing to provide services in a more integrated manner, we are investing in development of Rent A Car service, thanks to which garages associated in Inter Cars Group will be able to offer their customers replacement cars, and eventually also car rental.

(in thousand PLN)

The key goal is to build a leading distribution network of automotive spare parts in Poland, with a strong representation on new European markets, delivering stable profits and allowing the business to be expanded through acquisitions in the distribution and logistics sector. The Company intends to increase its market share in Poland to 25–30%.

20. Changes in key principles of managing the Group

In the reporting period, the Group did not implement any changes in the key principles of management of the Group's business.

21. Agreements concluded between the Company and the management staff

As at 31st December 2018, no agreements were in force between the Company and the management staff members, which would provide for a compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition. Employment contracts of members of the Company's Management Board may be terminated on six months' notice.

22. Remuneration of executives

Remuneration of the members of the Supervisory Board (in PLN)

	1.01.2018-31.12.2018	01/01/2017 – 31/12/2017
Andrzej Oliszewski – Chairman of the Supervisory Board	169,919	98,494
Michał Marczak – Member of the Supervisory Board	52,170	50,602
Piotr Płoszajski– Member of the Supervisory Board	136,845	51,252
Jacek Klimczak – Member of the Supervisory Board	125,057	55,805
Tomasz Rusak – Member of the Supervisory Board	56,420	55,154
	540,411	**311,306**

Remuneration of the members of the Management Board (in PLN)

	1.01.2018-31.12.2018	01/01/2017 – 31/12/2017
Maciej Oleksowicz – President of the Management Board	1,751 534	1,715 688
Robert Kierzek – Vice-Chairman of the Management Board	918,059	1,720,073
Krzysztof Soszyński – Vice-President of the Management Board	1,752 578	1,716,636
Krzysztof Oleksowicz – Member of the Management Board	2,061,397	2,025,453
Wojciech Twaróg - Member of the Management Board	1,773 621	1,709,617
Piotr Zamora – Member of the Management Board	1,728 424	1,737,898
Tomáš Kaštil – Member of the Management Board	1,698,000	1,672,000
	11,683,714	**12,297,365**

On 26 June 2017, the Company's Supervisory Board passed a resolution adopting an Incentive Scheme for the members of the Company's Management Board. It became effective as of the beginning of the financial year of 2017 and shall remain in force until repealed. The scheme has the form of an additional remuneration payable to the members of the Company's Management Board for performing their duties (hereinafter referred to as "the Cash Bonus"). The Cash Bonus is calculated as a percentage of the consolidated net profit of the Inter Cars S.A. Capital Group.

If the net profit for a given financial year is lower than 80% of the net profit for the previous financial year, a member of the Board shall not be entitled to the Cash Bonus for such year.
The Cash Bonus is granted following the approval by the Ordinary Shareholders Meeting of the Company of the consolidated financial statements of the Inter Cars S.A. Capital Group for a given financial year.

Information on agreements concluded between the Company and the management staff members, which would provide for a compensation to the management staff

(in thousand PLN)

members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

The non-competition agreements entered into with the members of the Management Board and approved on 26 June 2017 by virtue of a resolution of the Company's Supervisory Board (hereinafter referred to as "the Agreements") regulate the issues related to refraining from engaging in activities competitive to those carried out by the Company following ceasing to perform the duties of a member of the Management Board in return for a compensation. During the term of the non-competition period, i.e. 12 months of the date of ceasing to perform the duties of a member of the Management Board, the members of the Management Board are entitled to a compensation of 80% of twelve times the average monthly remuneration paid or payable to a member of the Management Board by the Company or entities from the Inter Cars S.A. Capital Group during the 36 months immediately preceding the date of ceasing to perform the said duties ("hereinafter referred to as "the Base"), calculated in conformity with the said Agreements.

Furthermore, the Agreements provide for an additional severance pay in the event of a dismissal of member of the Management Board or in the event of such member not being appointed for a subsequent term of office during a period of 24 months of the date of a hostile takeover or a change of control. In such cases, a member of the Management Board is entitled to e severance pay of 60 times the Base in the event of a hostile takeover, and 12 times the Base in the event of a change of control. According to the Agreements, a hostile takeover refers to a situation where an entity other than a shareholder, holding as at the date of signing the Agreements at least twenty-five percent (25%) of the Company's stocks, controlling entities of such shareholder, subsidiaries of such shareholder or subsidiaries of entities controlling such shareholder or their legal successors (hereinafter referred to as "the Key Shareholder"), acquires, directly or indirectly, at least thirty-three percent (33%) of the Company's total stock without the consent of the Key Shareholder or another entity to which the Key Shareholder sells the shares it holds in the Company. According to the Agreements, a change of control refers to a situation where a direct or indirect share of any Key Shareholder in the total number of the Company's shares decreases below five percent (5%).

Information on shares

Company shares and Shares in related entities held by the management and supervisory Staff.

As at 31/12/2018

The Company's supervisory and managing personnel hold a total of 5,005,591 shares, constituting 35.33% of the total vote at the General Shareholders Meeting of Inter Cars.

The managing and supervisory personnel hold no shares in the subsidiaries of Inter Cars.

Shareholder	Number of shares	Total nominal value	Percentage of share in the share capital held (%)	Percentage of total vote held (%)
Management Board				
Krzysztof Oleksowicz*	3,726,721	7,453,442	26.30%	26.30%
Tomaš Kaštil	1,500	3,000	0.01%	0.01%
	3,728,221	**7,456,442**		
Supervisory Board				
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
	1,277,370	**2,554,740**		
Total	**5,005,591**	**10,011,182**	**35.33%**	**35.33%**

* Directly by OK Automotive Investments B.V.

(in thousand PLN)

As at the publication date of these financial statements

The Company's supervisory and managing personnel hold a total of 5,005,591 shares, constituting 35.33% of the total vote at the General Shareholders Meeting of Inter Cars.

Shareholder	Number of shares	Total nominal value	Percentage of share in the share capital held (%)	Percentage of total vote held (%)
Management Board				
Krzysztof Oleksowicz*	3,726,721	7,453,442	26.30%	26.30%
Tomaš Kaštil	1,500	3,000	0.01%	0.01%
	3,728,221	**7,456,442**		
Supervisory Board				
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
	1,277,370	**2,554,740**		
Total	**5,005,591**	**10,011,182**	**35.33%**	**35.33%**

* Directly by OK Automotive Investments B.V.

The managing and supervisory personnel hold no shares in the subsidiaries of Inter Cars.

For information of the total number and value of all Company shares, see Note 14 to the financial statements.

Changes in the percentages of shares held under agreements known to the Company

The Incentive Scheme implemented by virtue of a resolution of the Extraordinary General Shareholders Meeting requires execution of participation agreements with participants of the Incentive Scheme, who include members of the management bodies, managers, and employees of key importance to the implementation of the Group's strategy. As at the publication date of this report, the Incentive Scheme has been completed, therefore no changes will occur in the percentages of shares held.

The Company is not aware of any agreements concluded between its shareholders which would affect the Company's business.

Special control powers over the Company

The Company did not issue any securities conferring any special control powers.

Restrictions on transferability of securities

There are no restrictions on the transferability of any securities (shares) issued by the Company. All Company shares were admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission dated April 26th 2004.

. On May 11th 2004, the Management Board of the Polish National Depository for Securities adopted Resolution No. 186/04, under which Inter Cars S.A. was granted the status of a participant of the Depository in the category ISSUER, and 11,821,100 Inter Cars S.A. shares were registered with the Depository and assigned code PL INTCS00010.

Shareholders holding 5% or more of the total vote as at the reporting date:

Shareholder	**Number of shares**	**Total nominal value (PLN)**	**Percentage of share in the share capital held (%)**	**Percentage of total vote held (%)**
OK Automotive Investments B.V.*	3,726,721	7,453,442	26.30%	26.30%
AVIVA Otwarty Fundusz Emerytalny	1,896,778	3,793,556	13.39%	13.39%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	1,416,799	2,833,598	9.99%	9.99%
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
Immersion Capital LLP**	748,776	1,497,552	5.29%	5.29%
Total	**9,066,444**	**18,132,888**	**63.99%**	**63.99%**

*OK Automotive Investments B.V. is a company which is dependent from Krzysztof Oleksowicz, Member of the Management Board of the Company

Shareholders holding 5% or more of the total vote as at the date of publication of these financial statements:

Shareholder	Number of shares	Total nominal value (PLN)	Percentage of share in the share capital held (%)	Percentage of total vote held (%)
OK Automotive Investments B.V.*	3,726,721	7,453,442	26.30%	26.30%
AVIVA Otwarty Fundusz Emerytalny	1,896,778	3,793,556	13.39%	13.39%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	1,416,799	2,833,598	9.99%	9.99%
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
Immersion Capital LLP**	748,776	1,497,552	5.29%	5.29%
Total	**9,066,444**	**18,132,888**	**63.99%**	**63.99%**

*OK Automotive Investments B.V. is a company which is dependent from Krzysztof Oleksowicz, Member of the Management Board of the Company

Information on purchasing own shares

In 2018, the Company did not purchase its own shares.

23. Agreements known to the Company (including agreements executed after the balance- sheet date) which may give rise to future changes in the proportion of shares held by the existing shareholders and bondholders

The Company is not aware of any such agreements

24. System of control of employee stock option plans

All stock options plans for shares held by Members of the Board were executed in the year 2009. At present (in 2018), no stock option plan is being implemented at the Group.

25. Qualified auditor of financial statements

On 28 June 2016 the Company signed an agreement with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers sp. z o.o.) to carry out an annual and a semi-annual audit of the Company's financial statements for 2016, 2017 and 2018. The total fee in 2018 resulting from the agreement is PLN 403 thousand, of which PLN 303 thousand is the cost of audit of the annual financial statements, and PLN 100 thousand is the costs of review of the semi-annual financial statements.

Furthermore, as result of an audit of the financial statements of Polish subsidiary companies - ILS Sp. z o.o., ICMS Sp. z o.o., Feber Sp. z o.o., Lauber Sp. z o.o., Q-Service Sp. z o.o. The total fee under the total fee under the agreement amounted to PLN 125 thousand. Furthermore, as result of an audit of the financial statements of foreign subsidiary companies – Inter Cars d o.o. (Bosnia and Herzegovina), Inter Cars Bulgaria Ltd., Inter Cars d.o.o. (Croatia), Inter Cars Česká republika s.r.o., Inter Cars Eesti OU, Inter Cars Lietuva UAB, Cars Latvija SIA, Cleverlog-Autoteile GmbH, Inter Cars Romania s.r.l., Inter Cars Slovenská republika s.r.o., Inter Cars INT d o.o. (Slovenia), Inter Cars Ukraine LLC, Inter Cars Hungária Kft, Inter Cars Italia S.r.l. the total fee under the agreement amounted to EUR 264 thousand of which EUR 54 thousand was paid by the Company.

The total fee in 2017 resulting from the agreement was PLN 416 thousand, of which PLN 316 thousand is the cost of audit of the annual financial statements, and PLN 100 thousand is the costs of review of the semi-annual financial statements.

Furthermore, as result of an audit of the financial statements of ILS Sp. z o.o., ICMS Sp. z o.o., Feber Sp. z o.o., Lauber Sp. z o.o., Q-Service Sp. z o.o., Inter Cars Česká republika s.r.o., Inter Cars Lietuva UAB , Inter Cars Romania s.r.l., and Inter Cars d.o.o., Inter Cars

(in thousand PLN)

Slovenská republika s.r.o., Inter Cars Hungária Kft, Inter Cars Bulgaria Ltd. and Inter Cars Latvija SIA the total fee under the agreement amounted to PLN 769 thousand, of which PLN 214 thousand was paid by the Company.

Furthermore, as result of providing additional services for Inter Cars S.A. the fee amounted to PLN 100 thousand.

26. Transactions in derivative instruments and their risk profile

From 1 January to 31 December 2018, no transactions were concluded which would be related to the financial statement.

27. Headcount

As at 31 December 2018, the Company employed 572 personnel. In total the Group employed 3,391 people.

As at 31 December 2017, the Company employed 489 personnel. In total the Group employed 3,061 people.

28. Environmental policy

Inter Cars does not engage in operations which would have adverse effect on the natural environment. Accordingly, the Group is under no obligation to incur expenditure on environmental protection.

As at the reporting date, the Group held the following permits, in the form of administrative decisions, related to environmental protection:

No.	Number and date of decision	Issuing authority	Area covered by the decision	Scope of the decision
1	Decision no. 170/2013 of 18-12-2013 (ŚR-6341/11M/2/13)	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	The water legal permit for intake of underground water from the quaternary formations from an intake in Cząstków Mazowiecki for household and utility purposes, except for food purposes, as well as watering greenery and for the purposes of water treatment, and a permit to build a water facility – well S3.
2	DKR/074-E9215/08/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Environmental Inspector for the collection of electronic waste no. E0009215W
3	DKR/074-E9215/09/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Environmental Inspector for the collection of waste batteries and recycling of the same no. E0009215WBW
4	Decision No. 85 of 10/05/2016 (ŚR.6341.15.2016)	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 27, Czosnów Municipality	The water legal permit for intake of underground water from an intake in Cząstków Mazowiecki on the plot of land number 361/3 belonging to Inter Cars S.A.

29. Events which may have a material bearing on the Company's future financial result and events subsequent to the balance-sheet date

In view of the present political situation in Ukraine which has lasted since 2014, the Management Board informs that all assets of the subsidiary entity Inter Cars Ukraine are secure and the company continues its normal operations.

The new regulations implemented by the government have resulted in certain restrictions related to foreign currency cash flows. As a result of an increase in the USD/UAH exchange rate, the value of liabilities to foreign suppliers and Inter Cars S.A., expressed in UAH, is increasing. Nevertheless, there is no need to create additional reserves in 2018.

30. The Management Board's standpoint on the feasibility of meeting the previously published forecasts of financial results for 2018

The Group did not publish any forecasts for 2018.

31. Changes in the Company's structure, non-current investments and restructuring

In 2018, no significant changes in the Group's structure occurred. For more information see note 5 – reports on the Company's activities.

32. Management and supervisory bodies

As at 31 December 2018, the management and supervisory bodies of the Company were composed of the following persons:

Supervisory Board

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

Management Board

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

33. Information on court proceedings to which the Group is a party

In 2018, no proceedings were brought before any court or administrative body with respect to any liabilities or claims of Inter Cars S.A. or its subsidiary undertakings, whose aggregate value would represent 10% or more of the Company's equity.

Furthermore, no proceedings are pending before any court or administrative body with respect to any liabilities or claims of Inter Cars S.A. or its subsidiaries whose aggregate value would represent 10 % or more of the Company's equity.

34. Information on average foreign exchange rates

All figures presented in these financial statements in EUR were translated at the following exchange rates:

	2018	**2017**
Exchange rate as at 31.12	4.3000	4.1709
Average exchange rate from 1.01 to 31.12	4.2669	4.2447
Highest exchange rate in the period	4.3978	4.4157
Lowest exchange rate in the period	4.1423	4.1709

The following principles have been used to convert data presented in thousand EUROS in selected financial data:

- for the items of the profit and loss account – the average exchange rate was used, defined as the arithmetic mean of the rates prevailing on the last day of each month within a given period, as quoted by the National Bank of Poland
- for the items of the balance-sheet – the exchange rate prevailing on 31/12/2018, that is the mid exchange rate for the EURO prevailing on that date, as quoted by the National Bank of Poland.

35. Corporate governance

The full version of the statement of compliance is available at the Company's website at www.intercars.com.pl or the Warsaw Stock Exchange's website at www.gpw.pl.

Full version of the statement is attached to this report as Appendix: "INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2018 WITH THE CORPORATE GOVERNANCE PRINCIPLES STIPULATED IN THE CODE OF BEST PRACTICE FOR WSE-LISTED COMPANIES".

36. Non-financial information statement

In pursuance of the Accounting Act, the Company presents a separate statement of non-financial information of Inter Cars S.A. and the Inter Cars S.A. Capital Group. The non-financial report was prepared in conformity with the Global Reporting Initiative standards. In conformity with Art. 49b of the Accounting Act, the non-financial report is available on the Company's website at http://inwestor.intercars.com.pl/pl/raporty/raporty-niefinansowe/).

37. Key research and development achievements information

The Companies forming the Capital Group do not carry out any research activities.

38. Management Board's information related to selecting an audit firm to audit the annual financial statements in conformity with the regulations, including those related to the selection of an audit firm and the selection procedure

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

Furthermore, the Management Board of the Company informs that:

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

This Board's statement on the activity of the group was approved by the Management Board of Inter Cars S.A for publication on 17 April 2018.

....

Maciej Oleksowicz
CEO

....

Krzysztof Soszyński
Vice-President of the Management Board

....

Krzysztof Oleksowicz
Member of the Management Board

....

Piotr Zamora
Member of the Management Board

....

Wojciech Twaróg
Member of the Management Board

....

Tomáš Kaštil
Member of the Management Board

Warsaw, 17 April 2018

APPENDIX TO THE REPORT ON THE OPERATIONS OF INTER CARS GROUP

INTER CARS S.A. MANAGEMENT BOARD'S

STATEMENT OF COMPLIANCE IN 2014 WITH THE CORPORATE GOVERNANCE PRINCIPLES STIPULATED IN THE CODE OF BEST PRACTICE FOR WSE-LISTED COMPANIES

1. Corporate Governance Principles Adopted by Inter Cars S.A.

Board of Directors of Inter Cars S.A. ("**the Company**") informs that, in connection with entry into force of the amended "Code of Best Practice of WSE Listed Companies" adopted by Resolution no. 26/1413/2015 by the WSE Board on 01 January 2016, it adopted the corporate governance principles as laid out in the aforementioned document. The contents of the document are available at the website of the Warsaw Stock Exchange. http://www.corp-gov.gpw.pl/.

2. Non-compliance with the corporate governance principles

The Company represents that in 2018 it complied with all the applicable corporate governance principles except for the following:

Recommendation I.R.2.
Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

Notes: The policy related to the Company's charity activity and social involvement is subject to the Corporate Responsibility Strategy described in the non-financial information section of the financial statements. The Company supports sports activities and runs educational programmes addressed to schools and is involved in charity activities. The Company does not exclude the possibility of preparing a document on sponsorship, charity or other similar activities, which would reflect Company activities in above mentioned area. In addition, a system of supervision over the donations made by the company has been introduced within its compliance programme.

Recommendation I.Z.1.3.
A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation (...) a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1

Notes: The Management Board runs the activities of the Company and represents it outside. Adequately to resolutions of the Rules of the Management Board, the principle of joint action is one of the basic rules of activity of the Board, that is why currently full implementation of the rule by the Company is not possible.

Recommendation I.Z.1.16.
A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation (...) information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.

Notes: The Company realizes a transparent and effective policy of communication, providing suitable communication with investors and analysts, using traditional methods. In the opinion of the Company, current methods of communicating to the shareholders and investors the course of the General Meeting are enough to become familiar with matters being discussed during a General Meeting. At the same time, the Company does not exclude the possibility of future live broadcast of the General Meeting on the website, whilst currently no such expectations of the Shareholders have been registered.

Recommendation I.Z.1.20
A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation (...) an audio or video recording of a general meeting.

Notes: The Company realizes a transparent and effective policy of communication, providing suitable communication with investors and analysts, using traditional methods. In the opinion of the Company, current methods of communicating to the shareholders and investors the course of the General Meeting are enough to become familiar with matters being discussed during a General Meeting. At the same time, the Company does not exclude the possibility of future registering the General Meeting and publishing the recordings on the website in audio or video format, whilst currently no such expectations of the Shareholders have been registered.

Recommendation II.Z.1.
The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

Notes: The Management Board runs the activities of the Company and represents it outside. Adequately to resolutions of the Rules of the Management Board, the principle of joint action is one of the basic rules of activity of the Board, that is why currently full implementation of the rule by the Company is not possible.

Recommendation II.Z.7.
Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

Notes:

Because of the above, the Company applies annex I to the Commission Recommendation of 15th February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board only in a limited extent. Besides the Audit Committee, within the Supervisory Board of the Company, no other committees have been appointed.

Recommendation III.R.1.
The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

Notes: Currently the Company does not follow the recommendation regarding including separate units responsible for the performance of tasks in individual systems or functions in full. Some of the internal systems and functions have a diversified character, more on this topic, see explanatory notes to recommendations III.Z.1-III.Z.5.

Recommendation III.Z.1.
The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

Notes: At the present stage of development the Company does not apply the said principle to the full extent. Internal control and risk management systems have a dispersed character and are realized by the financial division of the Company, as well as by other organizational units, including operational division. Whilst compliance systems have been till now implemented only punctually, in selected areas.

In the second half of 2017 the Company began implementation of the compliance programme adopted by the Management Board , which in particular includes the Code of Conduct and Good Practice, the Abuse Prevention Policy, the Conflict of Interest Prevention Policy, the Confidentiality Policy, the Mobbing Prevention Policy and the Occupational Health and Safety and Environment Protection Policy. The programme is aimed at ensuring the Company's compliance with the law, business standards and other market requirements through appropriate management of the non-compliance risk. Within the programme a process of managing the abuse risk and the conflict of interest has been implemented.
In the first quarter of 2018 a separate internal audit unit was created within the Company's structure.

Recommendation III.Z.2.
Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

Notes: As in current stage of development of the Company the III.Z.1 recommendation is not implemented in full, implementation of above mentioned recommendation is not possible. However, currently the persons responsible for risk management, compliance and internal audit substantially report directly to the Management Board and regularly attend the meetings of the Supervisory Board or the Audit Committee.

Recommendation III.Z.3.
The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

Notes:

The internal audit unit was created in 2018 and operates in compliance with the international Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, including the Professional Practice of Internal Auditing, the Code of Ethics and the Internal Audit Definition.

Recommendation III.Z.4.
The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

Notes:.
The internal audit unit was created in the first quarter of 2018. So far, the unit has evaluated the selected areas of the Company's activity and has presented reports to this effect.

Recommendation III.Z.5.
The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.
Notes:

The internal audit unit was created in the first quarter of 2018. The Supervisory Board Audit Committee monitors the internal audit unit and its tasks.

Recommendation IV.R.2.

If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1) *real-life broadcast of the general meeting;*
2) *real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;*
3) *exercise of the right to vote during a general meeting either in person or through a plenipotentiary.*

Notes: The standard is applied by the Company. Making it possible for the shareholder to exercise the voting right during the General Meeting, using means of electronic communication, can make it much easier for the shareholders to take part in AGMs. One needs to notice that, in the opinion of the company, there are many technical and legal factors, which might influence the correct course of AGM, and because of this, on the right execution of aforementioned regulation. In the opinion of the Company, current rules of participation in the AGM being in force, make it possible to exercise the rights resulting from holding shares and protecting the rights of Company's shareholders. At the same time, the Company does not exclude possibility of using the recommendation in the future, if the shareholders express such a will, whilst currently no such will has been expressed by the shareholders.

Recommendation IV.Z.2.

If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

Notes: The standard is applied by the Company. The Company realizes a transparent and effective policy of communication, providing suitable communication with investors and analysts, using traditional methods. In the opinion of the Company, current methods of communicating to the shareholders and investors the course of the General Meeting are enough to become familiar with matters being discussed during a General Meeting. At the same time, the Company does not exclude the possibility of future live broadcast of the General Meeting on the website, whilst currently no such expectations of the Shareholders have been registered.

Recommendation V.Z.6.

In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

Notes: The matters of conflict of interest in the Company are addressed punctually, in relation to the most important areas. The management board and the supervisory board decided on implementing the rules of chapter V of Best Practice in their activities. Furthermore, internal regulations define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise.

In the second half of 2017, the Company began implementation of the compliance programme adopted by the Management Board. The programme includes, among other things, a policy of managing a conflict of interest. The document defines the notion of a conflict of interest and lays out the mode of operation in the event of occurrence of such conflict or its risk. The policy also provides for a permanent supervision over managing a conflict of interest.

Recommendation VI.Z.4.

In this activity report, the company should report on the remuneration policy including at least the following:

1) general information about the company's remuneration system;

2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
3) information about non-financial remuneration components due to each management board member and key manager;
4) significant amendments of the remuneration policy in the last financial year or information about their absence;
5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

Notes: In periodic activity reports, the company reports on the remuneration policy required by law regulations, including remuneration of each management board member. Currently the Company does not present the report on the remuneration policy fully in line with the recommendation. At the same time, the Company does not exclude the possibility of preparing such a report in the future.

3. Key features of the Company's internal control and risk management systems used in the preparation of separate and consolidated financial statements

The Company's financial statements and periodic reports are prepared by the Chief Financial Officer Accountant in accordance with the applicable laws and regulations and the accounting policies adopted by the Company; the Management Board, which is responsible for reliability and accuracy of the prepared information, reviews the financial statements and periodic reports on an ongoing basis.
The financial statements are prepared only by people with access to relevant financial data. The financial data serving as the basis of the financial statements and periodic reports comes from the accounting and financial system which records accounting events in accordance with the Company's accounting policy (approved by the Management Board), which is based on the International Accounting Standards and the International Financial Reporting Standards. The Company monitors on an ongoing basis changes to laws and regulations on reporting requirements for listed companies, and prepares for their adoption appropriately in advance.
The financial reporting process is also monitored by the Company Supervisory Board Audit Committee, which reviews the interim and annual financial statements of the Company and controls the correctness of particular stages of financial reporting. The Audit Committee is also responsible for verifying the functioning of the financial reporting systems applied by the Company and issuing opinions thereon.
Financial statements approved by the Management Board are subject to approval by an independent auditor - an audit firm selected by the Company's Supervisory Board from among reputed audit firms, having regard for the recommendation of the Supervisory Board Audit Committee.
Based on the circumstances identified in the course of auditing the financial statements, the Company's Financial Division, in cooperation with an audit firm, attempts to prepare recommendations related to improving the Company's internal control system with a view to their potential implementation.
The Financial Division and Division Heads prepare periodic management information reports including an analysis of the key financial data and operating ratios of the business segments, and provide them to the Management Board.
Since the creation of the separate internal audit control unit in 2018, the organization and correctness of preparing the financial statements have also been subject to periodical audits carried out by the said unit.

(in thousand PLN)

4. Shareholders directly or indirectly holding significant blocks of shares; numbers of shares and percentages of company's share capital held by such shareholders, and the numbers of votes and percentages of the total vote that such shares represent at the general shareholders meeting [as at the publication date]

No.	Shareholder	Number of shares	Number of votes at GM	% in overall number of voting shares
1.	OK Automotive Investments B.V.*	3,726,721	3,726,721	26.30%
2.	AVIVA Otwarty Fundusz Emerytalny	1,896,778	1,896,778	13.39%
3.	Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	1,416,799	1,416,799	9.99%
4.	Andrzej Oliszewski	1,277,370	1,277,370	9.02%
5.	Immersion Capital LLP**	748,776	748,776	5.29%
5.	Other shareholders	5,101,656	5,101,656	36.01%
	Total number of shares / votes	**14,168,100**	**14,168 100**	**100%**

*OK Automotive Investments B.V. is a company which is dependent from Krzysztof Oleksowicz, Member of the Management Board of the Company
**Immersion Capital LLP – operates on behalf and for Immersion Capital Master Fund Limited managed by it.

5. Holders of any securities conferring special control powers, and description of those powers

There are no securities conferring special control powers over the Company.

6. Restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

On 17 March 2017, the Extraordinary Shareholders Meeting of the Company passed a resolution changing the Company's Articles of Association and adopting a consolidated text thereof. Pursuant to the resolution, §18a was incorporated into the Articles, limiting the right of the shareholders holding over 33% of the total number of votes in the Company in such a way as to prevent each of them from casting more than 33% of votes at the General Meeting. The above limitation shall not apply to determining the purchasers of significant blocks of shares as provided for in the Public Offer of Financial Instruments Act of 29 July 2005.
Furthermore, pursuant to the provisions of the Articles, this limitation shall expire if one of the shareholders purchases (on their own behalf and account) and registers at the General Meeting over 50% of the total number of votes in the Company, provided that all shares above 33% of the total number of shares in the Company and all shares above this threshold are purchased by such shareholder in response to a call to subscribe for all shares of the Company announced in conformity with the Act.
The underlying purpose of the said limitation is to strengthen the minority shareholders in the event of a change in the controlling entity relative to their status guaranteed by the applicable law by providing them with the possibility of disinvestment and an equal participation in the bonus, which the entity intending to take control over the Company shall pay for the controlling interest.
The change of Status of the Company was registered by the registry court - District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register, on 17 May 2017.

7. Restrictions on limitations of transfer of the property rights to securities of the company

There are no restrictions in the Articles of Association which apply to the shares of the Company.

8. Rules governing the appointment and removal of the company's management personnel and such personnel's powers, including in particular the power to make decisions to issue or repurchase shares

The term of office of the Management Board of the Company is four years. Its members are appointed for a common term and dismissed by a resolution of the Supervisory Board. The Board is composed of three to nine members of the Board. The number of the Members of the Management Board is established by the Supervisory Board The Member of the Board can be dismissed or suspended also by the General Meeting.

Members of the Management Board may be appointed from among the shareholders or from outside this group. The President and Vice-President of the Management Board are appointed by a resolution of the Supervisory Board. The Supervisory Board adopts a resolution to appoint the President and, possibly, Vice-President of the Management Board. The term of the Member of the Board extinguishes on the day of General Shareholders Meeting which approves financial statement for the last full accounting year when the Member was in term. The mandate of the Member of the Board also becomes void in case of death, resignation or dismissing the Member from his function in the Board.

The mandate of a member of the Management Board expires also as a result of their death, resignation or dismissal. A resolution of the Supervisory Board on suspending, for important reasons, particular members of the Management Board, as well as a resolution on appointing a member of the Board to a temporary term is adopted by a majority of 4/5 of the votes, in the presence of at least 4/5 of the composition of the Supervisory Board.

The members of the Management Board represent the Company in court and outside it. The scope of operation of the Board includes all matters of the Company not reserved for the General Meeting or the Supervisory Board. The Company is represented by two members of the Management Board or one Member of the Management Board together with a proxy.

The Members of the Management Board comply with the existing law, the Articles of Association and the Regulations of the Management Board of Inter Cars S.A, which stipulate the scope of laws and responsibilities of the Board and its operations. These Regulations are adopted by the Management Board and approved by the Supervisory Board. The Regulations of the Management Board are available on the Company's website.

Except for the provisions of the Articles of Association and the Rules of Board of Directors, the matters not exceeding the range of standard activities of the Company do not require a resolution of the Board. Should the matter described above be objected by a member of the Management Board before it is realized, it shall need a resolution of the Management Board. The resolutions are adapted by an absolute majority of votes with presence of at least a half of the Members of the Board. The Board Meetings take place not less often than once every two weeks. Members of the Management Board can take part in passing resolutions of the Board by voting in writing, through the other member of the Board. Voting in writing cannot apply to matters being entered into the agenda during the Board Meeting. Resolution of the Board can be passed also in a written form or using means of direct communication at a distance.

Decisions regarding issuing or repurchasing of shares are governed by the provisions of the Commercial Companies Code, however, the General Shareholders Meeting is exclusively authorized to make decisions regarding any changes to the Company's share capital or redemption of shares.

9. Rules governing amendments to the Company's articles or memorandum of incorporation.

The validity of an amendment to the Company's Articles of Association requires a resolution of general shareholders' meeting, taken by 3/4 majority of vote - article 415 of Code of Commercial Companies (resolution on important change of scope of activities requires a resolution taken by majority of 2/3 votes cast – art. 416 C.C.C.); and entry in the National Court Register (art. 430 C.C.C.).

10. Manner of operation of the general shareholders meeting, its basic powers and description of the shareholders' rights along with the procedure for their exercise, in particular the rules stipulated in the rules of procedure for the general shareholders meeting

The General Shareholders Meeting operates in accordance with the provisions of the Company's Articles of Association, Commercial Companies Code and the Rules of Procedure for the General Shareholders Meeting published on the Company's website.
The General Shareholders Meeting decides on matters stipulated in the Commercial Companies Code, except when under the Company's Articles of Association such matters fall within the scope of powers of the Company's other governing bodies. The following matters require a General Shareholders Meeting's resolution: changing the share capital of the Company and creating, increasing and using other capitals, funds and reserves, issue of convertible bonds or bonds conferring pre-emptive rights, amendments to the Articles of Association, retirement of shares, disposal of the Company's enterprise or its organised part, liquidation, division, merger, dissolution, or transformation of the Company, distribution of profit, coverage of loss, and creation of capital reserves, appointment and removal from office of members of the Supervisory Board, approval of the Rules of Procedure for the Supervisory Board, and establishing remuneration policies for members of the Supervisory Board delegated to perform on-going individual supervision, granting permission to sell or encumber a company or an organized part of a company under the business name Inter Cars Marketing Services Ltd. and granting permission to sell or encumber industrial rights and trademarks under the business name Inter Cars Marketing Services Ltd. and expressing approval for any change in the Company's initial capital, under the business name Inter Cars Marketing Services Ltd. and expressing approval to sell or encumber shares under the business name of Inter Cars Marketing Services Ltd." Acquisition or disposal of real property, perpetual usufruct right to or interest in real property does not require the approval of the General Shareholders Meeting.
The General Meeting is convened by the Board of Directors or, in cases and following the procedure determined in the Code of Commercial Companies, other entities. The General Meeting may be held in the seat of the Company or in Cząstków Mazowiecki (commune of Czosnów, Mazovian Province) or in Kajetany (commune of Nadarzyn, Mazovian Province). Unless the Code of Commercial Companies or any provisions of the Articles of Association do not provide for stricter conditions, the resolutions of the General Meeting are adopted with an absolute majority of votes.

11. Composition and activities of the issuer's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

11.1. Composition and Rules governing the operation of the Management Board

As at 01 January 2018, the following people composed the Board of Managers:
1) Maciej Oleksowicz – President of the Management Board;
2) Krzysztof Soszyński – Vice-President of the Management Board;
3) Robert Kierzek – Vice-President of the Management Board;
4) Krzysztof Oleksowicz – Member of the Management Board;
5) Wojciech Twaróg - Member of the Management Board;
6) Piotr Zamora – Member of the Management Board;
7) Tomáš Kaštil – Member of the Management Board.

On the day of 26 April 2018, Mr Robert Kierzek handed a statement on his resignation from applying for renewal of his term in the office as the Member of the Management Board. The statement was handed in to the Supervisory Board, to the Chairman of the Supervisory Board. His term was terminated as at the date of the Ordinary Shareholders Meeting of the Company convened to approve the Company's financial statements for the financial year 2017 and held on 21 June 2018.

On the day of 4 June 2018, the Supervisory Board of Company Inter Cars S.A. appointed the Board of Managers of the Company for a period of 4 years in the office, which started on the day of an Annual General Shareholders Meeting confirming the financial statements for the year 2017, i.e. on 21 June 2018, composed of:

1) Maciej Oleksowicz – President of the Management Board;
2) Krzysztof Soszyński – Vice-President of the Management Board;
3) Krzysztof Oleksowicz – Member of the Management Board;
4) Wojciech Twaróg - Member of the Management Board;
5) Piotr Zamora – Member of the Management Board;
6) Tomáš Kaštil – Member of the Management Board.

As at the date of publication of these financial statements the personal composition of the Board of Directors remained unchanged.

All other information on the rules of operations of the Board of Directors were included in point 8 above.

11.2. Composition and rules governing the operation of the Supervisory Board and its committees

Between 1 January and 31 December 2018, the following people composed the Supervisory Board:

- Andrzej Oliszewski – Chairman of the Supervisory Board,
- Piotr Płoszajski – Member of the Supervisory Board,
- Jacek Klimczak – Member of the Supervisory Board
- Michał Marczak – Member of the Supervisory Board
- Tomasz Rusak – Member of the Supervisory Board

As at the date of publication of these financial statements the personal composition of the Supervisory Board remained unchanged.

The Supervisory Board is composed of five to thirteen members, appointed by the General Shareholders Meeting, which also appoints the Chairman of the Supervisory Board. From among other members, the Supervisory Board appoints the Vice-Chairman. The Supervisory Board appoints Deputy Chairman from among other members of the Supervisory Board. The number of members of the Supervisory Board is fixed by the General Meeting. In the event of block voting, the Supervisory Board is composed of thirteen members. Term of office of the Supervisory Board is 5 years and is common for all members. Members of the Supervisory Board can be appointed for subsequent terms.
The Supervisory Board adopts resolutions by an absolute majority of votes, in the presence of at least half of the members. A resolution may only be considered valid if all members of the Supervisory Board have been invited to the meeting. Meetings of the Supervisory Board are held at least once a quarter. Meetings are convened with a prior written notice containing information on the place, time and proposed agenda of the meeting and served to all members at least 7 days prior to the date of the meeting. Meetings of the Supervisory Board are convened by its Chairman on their own initiative or at the request of a member of the Supervisory Board. The Supervisory Board may adopt resolutions without holding a meeting, by casting votes in writing or using means of remote communication, provided that all members of the Supervisory Board have received the draft of the resolution which is to be voted upon and have agreed to such manner of voting. Resolutions of the Supervisory Board regarding the suspension from duties of a member of the Management Board for a good reason, as well as resolutions regarding the delegation of a Supervisory Board member to temporarily perform the duties of a Management Board member, are adopted by a majority of 4/5 of the votes cast in the presence of no less than 4/5 of the Supervisory Board members.
The Supervisory Board exercises supervision over the Company's activities in the manner stipulated in the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board adopted by the General Shareholders Meeting. The scope of powers of the Supervisory Board includes in particular: reviewing the Company's financial statements, the Directors' Report and the Management Board's recommendations concerning the distribution of profit or coverage of loss, and submitting an annual report on the findings of the above review to the General Shareholders Meeting, selecting an auditing

(in thousand PLN)

company to audit the Company's financial statements, appointing members of the Management Board and removing them from office, appointing the President of the Management Board and (optionally) Vice-President of the Management Board from among its members, concluding contracts with members of the Management Board, establishing remuneration policies for members of the Management Board, and granting consent to acquire or dispose of real property, perpetual usufruct right to or interest in real property.

Audit Committee

On 25 September 2017, the Supervisory Board appointed an Audit Committee of the Supervisory Board of the Company.
The Audit Committee is composed of the following Members of the Supervisory Board of Inter Cars S.A.:

- Piotr Płoszajski – Chairman of the Committee;
- Jacek Klimczak – Member of the Committee;
- Andrzej Oliszewski – Member of the Committee.

As at the date of publication of these financial statements the personal composition of the Audit Committee remained unchanged.
The Audit Committee is composed of at least three members, including the Chairman of the Audit Committee, appointed by the Supervisory Board from among its members.
The majority of the members of the present Audit Committee, including its Chairman, meet the independence criterion within the meaning of Art. 129.3 of the Act on Statutory Auditors, Audit Companies and Public Supervision of 11 May 2017 (hereinafter referred to as "the Act"), at least one member has the knowledge and the skill related to accounting or auditing financial statements, and at least one member has the knowledge and the skill related to the automotive industry.

	Meets the independence criterion within the meaning of Art. 129.3 of the Act	***Has the knowledge and the skill related to accounting or auditing financial statements***		***Has the knowledge and the skill related to the automotive industry***	
		Meets the criteria	*Acquisition method*	*Meets the criteria*	*Acquisition method*
Piotr Płoszajski	yes	yes	holds the title of dr hab. conferred by the Warsaw School of Economics, head of the Management Theory Department between 1994-2018	no	-
Andrzej Oliszewski	no	no	-	yes	graduated from the Production Economics Department of the Warsaw School of Planning and Statistics (currently Warsaw School of Economics); co-founder of Inter Cars, since 1990 present in the automotive business, first as a partner at Inter Cars Partnership , since 1990 member of the Supervisory Board of Inter Cars S.A.
Jacek Klimczak	yes	yes	legal advisor, graduate of the Krakow University of Economics majoring in banking, passed all exams organized by the Association of Chartered Certified Accountant (ACCA) in accounting, finance, taxes and management	no	-

The Audit Committee meetings are held at least four times a year.

In 2018, the Committee held five meetings.

The opinions and recommendations of the Audit Committee are adopted in the form of resolutions. The resolutions are adapted by an absolute majority of votes with presence of at least a half of the Members of the Audit Committee. Resolution of the Committee can be passed also in a written form or using means of direct communication at a distance.

The Audit Committee of the Supervisory Board is appointed to supervise the financial reporting process, the efficiency of the internal control systems, the internal audit and risk management, as well as to monitor the financial revision activities.

In performance of its duties, the Audit Committee may demand that the Company provide explanations, information or submit the required documentation.

In 2018, the audit company, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. z, having its registered seat in Warsaw, including the entities belonging to the audit firm's chain, provided to the companies from the Inter Cars S.A. Capital Group services other than an audit. The Audit Committee evaluated the independence of the audit firm and each time expressed its consent for the performance of such services.

Underlying assumptions behind appointing an audit firm:

(i) ensuring a transparent, reliable and fair selection of an audit firm, conforming to the principle of rotation of an audit firm and a key chartered accountant;

(ii) carrying out of an audit firm selection process by the Audit Committee and preparing recommendation for the Company's Supervisory Board on selection of an audit firm, which, if not related to a renewal of an audit order, includes no fewer than two audit firms to choose from, a justification and an indication of why one of them is preferable;

(iii) selecting an audit firm by the Supervisory Board based on the recommendations of the Audit Committee.

The underlying assumptions of provision by the audit firm, the entities related to such audit firm or a member of such audit firm's chain, of permitted services other than an audit:

(i) ensuring compliance with respect to ordering and provision of permitted services other than an audit;

(ii) having in place a procedure of acceptance of provision by an audit firm of permitted services other than an audit, requiring a consent of the Audit Committee expressed against an application filed by a company from the Inter Cars S.A. Capital Group; identification of persons responsible for specific activities to be carried out when purchasing permitted services other than an audit.

On 4 June 2018, the Company's Supervisory Board, following a recommendation of the Audit Committee, adopted a resolution to extend the agreement to audit the Company's financial statements previously concluded with the audit firm PricewaterhouseCoopers sp. z o.o., having its registered seat in Warsaw (currently PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. having its registered seat in Warsaw) for 2018.
The audit firm was selected following the Supervisory Board having read the recommendation of the Audit Committee prepared in conformity with the law and the Company's internal regulations. The audit firm was selected in conformity with the Company's By-laws and the applicable law.

12. Description of the diversity applied with respect to the administrative, managing and supervisory bodies of the issuer with regard to aspects such as age, sex or professional education, goals of the diversity policy, the method of its implementation and its effects during the reporting period; if the issuer does not apply such policy, it should provide a statement explaining the reasons for doing so.

The Company does not have in place any defined policy of diversity applied with respect to administrative, managing and supervisory bodies. The decision not to prepare the policy results from the Company's many years of experience in managing human resources, which proves that natural selection of staff based on market mechanisms, without applying any special preferential terms or restrictions, allows the Company to maintain a strongly motivated and efficient team of employees. The criteria applied by the Company with respect to hiring staff, including managerial staff, are satisfactory from the point of view of the diversity criterion.

In addition, the Company applies and acts in conformity with the applicable regulations and internal rules governing this area, such as the Code of Conduct and Good Practices. The Code implements the principle of equal treatment irrespective of sex, age race, point of view, health, trade union membership, employment record, appearance or sexual orientation. Furthermore, the Company applies clear and fair promotion criteria.