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 2020

REPORT ON THE OPERATIONS OF THE INTER CARS GROUP

Table of contents

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 company is the biggest in Poland independent automotive 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, Serbia, Great Britain and Malta.

The main customer 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.

Despite difficult economic situation resulting from SARS-CoV2 coronavirus pandemic, the Group opened 14 new branches in Europe. Besides that, as a result of restructuring of the distribution chain, 18 branches were closed down.

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.

2020 is the year of dynamic **growth of operations of the Inter Cars subsidiaries,** despite difficulties connected with local restrictions and prohibitions of travel for citizens 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 demand for spare parts for commercial vehicles**, **liberalisation of applicable regulations** providing for access of independent spare parts distributors to authorized 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 leading position on the 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

In 2020 consolidated revenue went up by 4.5 percent, to PLN 9.2 billion.

Despite the coronavirus pandemic, the Group continues to operate on all geographical markets.

In the year 2021, the Group does not plan any bigger investments, as the economic situation is not stable.

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 2020.

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**		
	31/12/2020	**31/12/2019**	**Change**
Revenues from the sale of products, goods and materials	9,159,166	8,764,261	4.5%
Cost of sales	(6,416,323)	(6,181,624)	3.8%
Gross profit on sales	**2,742,843**	**2,582,637**	**6.2%**
Selling cost, general and administrative expenses	(1,239,496)	(1,306,377)	(5.1%)
Costs of distribution service	(972,599)	(917,324)	6.0%
Operating profit	**507,076**	**331,944**	**52.8%**
Exchange differences	(9,939)	1,266	885.1%
Financial costs	(66,729)	(66,595)	0.2%
Profit before tax	**444,474**	**279,529**	**59.0%**
Net profit	**333,320**	**227,096**	**46.8%**
Net profit attributable to:			
- the shareholders of the parent entity	333,320	227,096	46.8%
Earnings per share (PLN)			
- basic and diluted	23.53	16.03	46.8%

Source: Consolidated Financial Statement of the Group for the year ended on 31 December 2020.

In 2020**, the Group's sales revenues were 4.5% higher than in 2019.** It should be noted that sales increase was mainly due to development of distribution chain.

In 2020 the Group opened 14 new branches (18 were closed), i.e., as at 31 December 2020 the total number of branches was 557 (2019: 561), 240 branches in Poland and 317 branches abroad, up from 248 branches in Poland and 313 abroad in 2019.

Gross profit on sales revenue went up by 6.2% in comparison to 2019.

In the Management Board's opinion, the 46.8% increase in the 2020 net profit compared with 2019, despite a 4.5% increase in the sales revenues, resulted, among other things, from:

- ordering multiple internal processes, crucial for customer service, improving stock rotation and decreasing stock levels,

- the main factors influencing the level of results of the Group in 2020 were the decisions taken by the Board of Managers, involving limitation of operating costs by, among other things, stopping realization of projects, limiting marketing activities, reducing employment and working hours of the employees. As a result of these decisions the profitability of the Group has been improved.
- limiting Group's debt, measured by net debt to EBITDA ratio,
- Capital Group debt ratio as at 31 December 2020, expressed as net debt to EBITDA ratio, as at 31 December 2020 amounted to approximately 1.7.
- estimated stock level in Capital Group of the Company as at 31 December 2020 amounted to PLN 2,223 million and was higher by approx. 7.8% in comparison to the level as at the end of 2019.

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

(in thousand PLN)	31/12/2020	31/12/2019	change
ASSETS			
Non-current assets	**1,213,941**	**1,198,866**	**1.3%**
Inventory	2,223,117	2,062,819	7.8%
Trade and other receivables	939,746	954,773	-1.6%
Cash and cash equivalents	233,806	143,397	63.0%
Current assets	**3,464,910**	**3,225 027**	**7.4%**
TOTAL ASSETS	**4,678,851**	**4,423 893**	**5.8%**
LIABILITIES			
Supplementary capital	1,377,736	1,219,990	12.9%
Foreign exchange gains /losses in subsidiaries	(10,352)	(25,841)	59.9%
Retained earnings	711,482	545,850	30.3%
Equity	**2,395,496**	**2,046,687**	**17.0%**
Loan, borrowing and finance lease liabilities	780,393	804,664	-3.0%
Other long-term liabilities	7,131	8,160	-12.6%
Deferred income tax provision	15,438	21,067	-26.7%
Long-term liabilities	**1,010,282**	**1,022,525**	**-1.2%**
Liabilities of the factoring	-	-	0.0%
Short-term liabilities	**1,273,073**	**1,354,681**	**-6.0%**
TOTAL LIABILITIES	**4,678,851**	**4,423 893**	**5.8%**

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 31/12/2020	31/12/2019	Change
Revenues from the sale of products, goods and materials	6,347,832	6,314,289	0.5%
Cost of sales	(4,731,886)	(4,732,518)	0.0%
Gross profit on sales	**1,615,946**	**1,581,771**	**2.2%**
Other operating revenues	1,900	26,853	(92.9%)
Selling cost, general and administrative expenses	(733,094)	(795,873)	(7.9%)
Costs of distribution service	(513,555)	(517,074)	(0.7%)
Costs of license	(5,216)	(6,864)	(24.0%)
Other operating costs	(39,320)	(137,002)	(71.3%)
Operating profit	**326,661**	**151,811**	**115.2%**
Dividends received	47,813	67,548	(29.2%)
Exchange differences	(9,939)	1,266	885.1%
Financial costs	(47,987)	(50,557)	5.1%
Profit before tax	**324,893**	**179,596**	**80.9%**
Income tax	(102,284)	(24,621)	315.4%
Net profit	**222,609**	**154,975**	**43.6%**
Earnings per share (PLN)			
- basic and diluted	15.71	10.94	43.6%

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

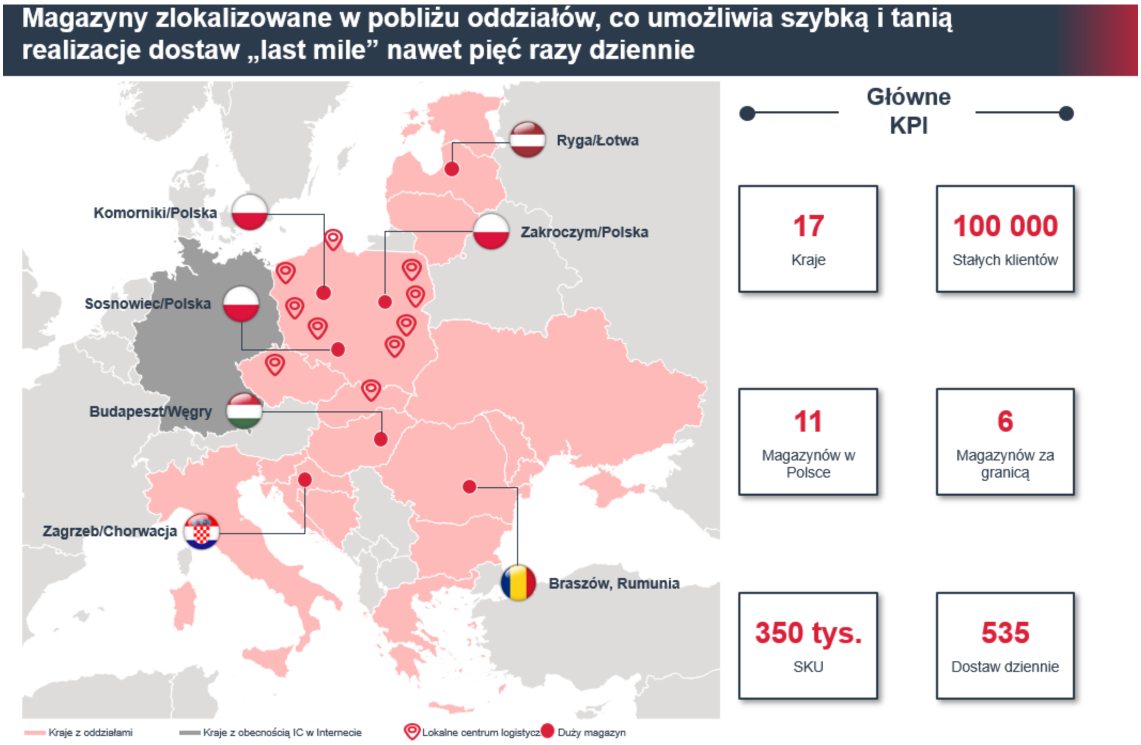
(in thousand PLN)	31/12/2020	31/12/2019	Change
ASSETS			
Non-current assets	**889,343**	**860,189**	**3.4%**
Inventory	1,295,136	1,256,345	3.1%
Trade and other receivables	1,385,571	1,311,271	5.7%
Cash and cash equivalents	19,079	17,967	6.2%
Current assets	**2,743,868**	**2,626,781**	**4.5%**
TOTAL ASSETS	**3,633,211**	**3,486,970**	**4.2%**
LIABILITIES			
Supplementary capital	1,273,761	1,118,787	13.9%
Retained earnings	222,933	155,298	43.6%
Equity	**1,790,495**	**1,567,886**	**14.2%**
Liabilities due to credits, loans	536,231	536,487	0.0%
Finance lease liabilities	27,611	22,517	22.6%
Long-term liabilities	**687,533**	**676,542**	**1.6%**
Employee benefits	18,520	19,487	-5.0%
Short-term liabilities	**1,155,183**	**1,242,542**	**-7.0%**
TOTAL LIABILITIES	**3,633,211**	**3,486,970**	**4.2%**

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., 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 d o.o. Inter Cars GREECE, Inter Cars United Kingdom - automotive technology Ltd and Inter Cars d.o.o. Beograd-Rakovica; JAG Sp. z o.o., OOO Inter

Cars Automobilna Technika) 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 Fleet Services Sp. z o.o.).

Goods are distributed through the logistics centre in Zakroczym, a network of 240 own affiliate branches in Poland and 317 branches abroad in Ukraine, the Czech Republic, Slovakia, Lithuania, Hungary, Croatia, Italy Belgium, Romania, Latvia, Bulgaria, Germany, Estonia, Slovenia, Moldova, Bosnia and Herzegovina, Greece, Great Britain and Serbia, and logistics centres in Czosnów, Sosnowiec and Komorniki, in Croatia, Romania, Bulgaria and Latvia. 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.

On the turn of 2019 and 2020 the development of central warehouse in Zakroczym was completed. The efficiency of automatics and processes in the ILS European Logistics and Development Centre will make it possible to ship even 500,000 pieces of goods within 24 hours.



Source: Group's own data

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

The sales revenue in 2020 **was primarily driven by**:

(a) the main factor influencing the revenue and the results of the Group in 2020 was struggle with the consequences of the SARS-CoV-2 pandemic, including, most importantly, a slowdown in sales resulting from smaller demand in Poland. Despite rapid decrease in sales at the end of the first quarter, the Group generated results on a higher level in comparison to the previous year. As at the end of reporting period, the markets which recorded a decrease in sales were Croatia and Italy. Sales growth in all remaining countries, compared to 2019, had a positive value. This means that decreasing trend from the beginning of the pandemic has been upturned. As revenues in Poland constitute the biggest share in the revenues of the whole Group, the consolidated revenue growth reached 4.5%,

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

(c) optimization of distribution chain in Poland and abroad - in 2020 we opened 14 new branches abroad (18 were closed down),

(d) 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,

(e) 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,

(f) on German market we can observe dynamic growth of sale of automotive spare parts via Motointegrator.de platform.

Revenue increase in the shop dedicated for this market goes in line with Customer satisfaction, regularly confirmed by them on most popular German portals and ranks (TrustedShops, TrustPilot), with high assessments of convenience, safety and comfort of purchases.

Also, in the year 2020 the Motointegrator shop was third time given a reward „TrendShop2020"("before TopShop"), granted by German, and at the same time the biggest in Europe, magazine in the computer industry: „Computer Bild". e-commerce platform, as one of not many shops selling automotive spare parts, was recognized as worth an award and recommendation, not only because of its extensive and market adapted product range, but also because of quality of the service and speed of delivery.

Safety of transactions and top service level in each stage of order realization was also appreciated by a well-known and recognized in Germany IT industry magazine: „CHIP", which this year announced motointegrator.de to be the best in its industry and granted it a reward and a certificate: „Leading Shop 2021".

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, ran by the first in Poland authorized dealer of the company – Q-Service Truck Sp. z o.o. The Company is also an authorized representative of ZF Friedrichshafen AG regarding the sale and servicing of manual transmissions, automated and automatic transmissions for trucks..

Q-Service Truck Sp. z o.o. despite negative impact of the pandemic on sale of commercial vehicles, continued its activities increasing sale, reaching the result of 152 vehicles sold and delivered to customers in 2020. Unfortunately, market breakdown in the first and second quarter of 2020 caused by the Covid 19 pandemic, resulted in the need of revising plans for development of the sales/servicing chain, postponing them to 2021.

(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	
	01/01/2020 -31/12/2020	**01/01/2019 -31/12/2019**	**01/01/2020 -31/12/2020**	**01/01/2019 -31/12/2019**	**01/01/2020 -31/12/2020**	**01/01/2019 -31/12/2019**	**01/01/2020 -31/12/2020**	**01/01/2019 -31/12/2019**
Revenues from external customers	9,031,261	8,648,580	127,905	115,681	-	-	9,159 166	8,764,261
Revenues between segments	8,019	6,698	520,373	481,305	(528,392)	(488,003)	-	-
Interest revenue	17,184	15,485	14	841	(4,125)	(4,090)	13,073	12,236
Interest costs	(60,316)	(61,464)	(578)	(858)	3,989	4,091	(56,905)	(58,231)
Amortization and depreciation	(103,945)	(104,881)	(38,635)	(36,749)	11,430	11,430	(131,150)	(130,200)
Profit before tax	**461,874**	312,830	**29,215**	15,914	**(46,615)**	(49,215)	**444,474**	279,529
Shares in results of affiliates – using equity method	-	-	-	-	-	-	-	-
Total assets	**6,518 825**	**6,054,202**	**515,095**	**507,474**	**(2,355,069)**	**(2,137,783)**	**4,678 851**	**4,423,893**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(73,326)	(145,054)	-	-	-	-	(73,326)	(145,054)
Total liabilities	**3,667,216**	**3,540,367**	**138,748**	**149,577**	**(1,522,609)**	**(1,312,738)**	**2,283 355**	**2,377,206**

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 51% of the sales revenues of the Group in 2020 came from the **sales in Poland.**

(in thousand PLN)

Inter Cars Group's **primary sale market** is Polish market. In 2020 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. Additionally, on the German market (Cleverlog company) we recorded sales increase of 40.2% in 2020, in comparison to 2019, resulting from development of Internet sales channel.

The Group owns warehouses in Latvia, delivering commodity mainly to Estonia, in Romania, delivering commodity to Bulgaria, Republic of Moldova and in Bulgaria, delivering commodity to Serbia and Greece. Whilst the regional 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. 60 branches deliver goods to over 12,000 garages, and the Company is number 3 in the country.

Basic structure of distribution markets

Sales revenues in a given country:

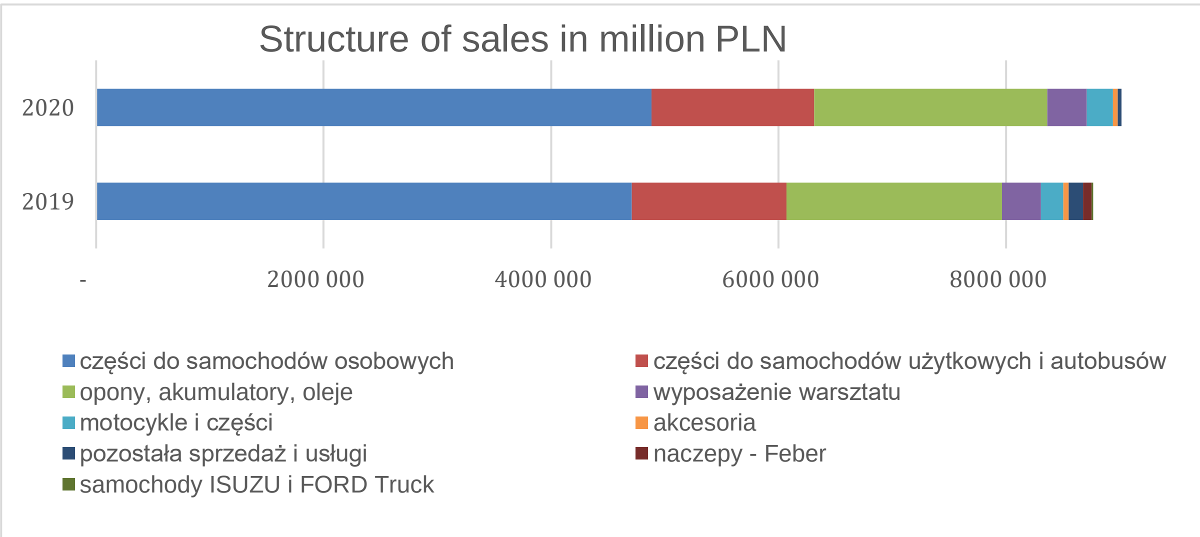
	2020	**share**	**2019**	**Share**
Poland	4,617,942	51.4%	4,868,665	56.1%
Romania	804,393	9.0%	733,545	8.5%
Bulgaria	484,091	5.4%	387,669	4.5%
Ukraine	470,433	5.2%	379,079	4.4%
Hungary	338,641	3.8%	328,868	3.8%
Lithuania	326,047	3.6%	315,468	3.6%
Slovakia	332,931	3.7%	295,635	3.4%
Latvia	334,938	3.7%	294,049	3.4%
Croatia	280,814	3.1%	284,528	3.3%
Czech	314,053	3.5%	283,152	3.3%
Germany	162,746	1.8%	116,054	1.3%
Estonia	128,771	1.4%	115,504	1.3%
Italy	64,240	0.7%	81,477	0.9%
Slovenia	71,358	0.8%	58,883	0.7%
Moldova	62,033	0.7%	44,157	0.5%
Greece	96,179	1.1%	40,286	0.5%
Bosnia and Herzegovina	56,662	0.6%	39,292	0.5%
Great Britain	20,245	0.2%	14,518	0.2%
Serbia	9,521	0.1%	-	-
Belgium	-	0.0%	2	0.0%
Total	**8,976,036**	**100.0%**	**8,680,832**	**100.0%**

Revenue of distribution companies by location (excluding revenue of supporting companies and some distribution companies which share is minor)

(in thousand PLN)

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

	2020	***share***	**2019**	***Share***
Spare parts for passenger cars	4,880 622	*53.29%*	4,707,073	*53.71%*
Spare parts for commercial vehicles and buses	1,433 082	*15.65%*	1,360,824	*15.53%*
tyres, batteries and lubricants	2,048 038	*22.36%*	1,897,416	*21.65%*
garage equipment	349,425	*3.82%*	338,970	*3.87%*
motorcycles and parts	227,380	*2.48%*	199,806	*2.28%*
Accessories	43,723	*0.48%*	46,987	*0.54%*
other sale - services	102,460	*1.12%*	127,279	*1.45%*
semi-trailers - Feber	55,395	*0.60%*	71,201	*0.81%*
ISUZU and FORD Truck automobiles	19,041	*0.21%*	14,704	*0.17%*
	9,159 166	***100.00%***	**8,764,261**	***100.00%***



The biggest increase in the basic offer of the Group was recorded in the segment of spare parts for passenger cars, that is why it remains a leader among the segments. 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.

One of the factors influencing the **situation of the market** is the **number of cars** registered in Poland and in other European countries and driving on the roads. In the whole year 2020, in countries where the Group has its operations, the number of newly registered cars went down by 23.8% in comparison to 2019 according to ACEA report. All this is the result of Europe-wide pandemic.

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 2020 the sales of new cars in the European Union went down by 23.7% in comparison to 2019 and amounted to 9.9 million pieces. The largest car market are still Germany and France, UK and Italy, respectively.

The total number of passenger cars in Europe in 2018 was estimated to be 267.8 million vehicles, of which 23.4 million were passenger cars in Poland, constituting 8% of the European fleet of vehicles.

The average age of a passenger car in the European Union is estimated to be 10.8 years. Vehicles in Poland are older as the average age of a vehicle is estimated to be approximately 13.9 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
ROBERT BOSCH SP. Z O.O.	06/08/2020
SCHAEFFLER POLSKA SP. Z O.O.	02/12/2020
ZF AUTOMOTIVE SYSTEMS POLAND SP. Z O.O.	03.112020
TRW KFZ AUSRUSTUNG GMBH	02/11/2020
BP EUROPA SE DIVISION IN POLAND	2016 for 5 years (till 2020), annex on 27/10/2020 extending till 31/12/2021
FEBI FERDINAND BILSTEIN GMBH+CO.KG	05/03/2020
CONTINENTAL AFTERMARKET & SERVICES GMBH	ATE -30/09/2020, VOD - in 2018 for an indefinite period of time
VALEO SERVICE EASTERN EUROPE SP. Z O.O.	06/10/2020
GOODYEAR POLSKA SP. Z O.O.	14/05/2020
MANN+HUMMEL FT POLAND SP. Z O.O. SP. K.	24/08/2020

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

No.	Date of agreement	Party
1	04/04/2019	Facet SRL
2	02/01/2019	Olsa Parts SRL
3	02/01/2019	SENCOM GMBH
4	08/10/2019	AIR TOP ITALIA SRL
5	02/01/2019	KAWE B.V.
6	05/11/2019	MOTIP

(in thousand PLN)

Insurance agreements

Date of agreement	Party	Subject matter of the Contract	Material terms and conditions	Term
01/07/2020	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	01/07/2020 - 30/06/2021
01/07/2020	Allianz+Chubb+Generali	Third party insurance of the Board of Management	Third party insurance of the Board D&O	01/07/2020-30/06/2021
01/07/2020	Warta	Third Party Insurance on business activity	Civil liability of the Company.	01/07/2020-30/06/2021

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. Inter Cars Hungária Kft with registered seat in Budapest (100%);
11. JC Auto S.A. with registered seat in Braine-le-Château, Belgium (100%);
12. Inter Cars d.o.o. with registered seat in Zagreb (100%);
13. Inter Cars Italia with registered seat in Milan (100%);
14. Inter Cars Romania, with registered seat in Cluj Napoca (100%);
15. Inter Cars Latvija SIA , with registered seat in Mārupes nov., Mārupe (100%);
16. Inter Cars Cyprus Ltd., with registered seat in Nicosia (100%);
17. Inter Cars Bulgaria Ltd. with registered seat in Sofia (100%);
18. Cleverlog-Autoteile GmbH with registered seat in Berlin (100%);
19. Inter Cars Marketing Services Sp. z o.o. with registered seat in Warsaw (100%);
20. ILS Sp. z o.o. with registered seat in Zakroczym (100%);
21. Inter Cars Malta Holding Limited with registered seat in Birkirkara in Malta (100%);
22. Q-service Truck Sp. z o.o. with registered seat in Warsaw (100%);
23. Inter Cars INT d o.o., with registered seat in Ljubljana (100%);
24. Inter Cars Eesti OÜ, with registered seat in Tallinn (100%);
25. Inter Cars Piese Auto s.r.l. with registered seat in Kishinev (100%);
26. Inter Cars GREECE with registered seat in Athens (100%);
27. Inter Cars d o.o. with registered seat in Sarajevo (100%);

(in thousand PLN)

28. Inter Cars United Kingdom- Automotive technology Ltd. with registered seat in London (100%);
29. Inter Cars d.o.o. Beograd-Rakovica in Belgrade-Rakovica (100%);
30. Inter Cars Fleet Services Sp. z o.o. in Warsaw (100%);
31. JAG Sp. z o.o. in Warsaw (100%);
32. OOO Inter Cars Automobilna Technika in Belarus (100% - The Company does not carry out operating activities)
33. Inter Cars Malta Limited with registered seat in Birkirkara in Malta (100% - sub-subsidiary company);
34. Aurelia Auto d.o.o. with registered seat in Croatia (100% - sub-subsidiary company).
35. InterMeko Europe Sp. z o.o. in Warsaw (50% - affiliated 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 2020 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.

9. Loan and borrowings

Loans and borrowings as at 31/12/2020

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	**878,688**	**413,884**	**12/11/2021**
Inter Cars S.A.		376,274	
Inter Cars Slovenska Republika s.r.o.		28,276	
Lauber Sp. z.o.o.		9,334	
ING Bank N.V. (Inter Cars Romania s.r.l.)	**66,353**	**61,474**	**11/11/2021**
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	**26,295**	**7,585**	**28/02/2021**
SKB Banka (ICSI - Inter Cars INT D o.o.)	**9,230**	**2,769**	**30/09/2021**
	980,566	**485,712**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	565,500	537,000	14/11/2022
	565,500	**537,000**	

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.,	14/11/2016	12/11/2021 14/11/2022	PLN 878,687,500 PLN 565,500,000	List of sureties was disclosed in annex number 16 to consolidated financial statement.
Raiffeisenbank AS Czech	30/09/2012	28/02/2021	150,000,000 CZK	Receivables in the amount of up to 50% of the credit
SKB Banka (ICSI - Inter Cars INT D o.o.)	04/12/2020	30/09/2021	2,000,000 EUR	Corporate guarantee
ING Bank N.V. (Inter Cars Romania s.r.l.)	27/08/2014	11/11/2021	70,000,000 RON	Collateral on stocks

(in thousand PLN)

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.	78,535	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Bank Pekao S.A.	282,977	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Bank Handlowy S.A.	115,937	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
DNB Bank Polski S.A.	99,736	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Bank BGŻ BNP Paribas S.A.	93,298	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
mBank S.A.	140,183	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
ING Bank Śląski S.A.	102,608	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Lauber Sp z o.o.	9,334	Short-term portion - WIBOR 1M + bank margin, long-term portion - WIBOR 3M + bank margin
Citibank Europe PLC Slovakia	28,276	EURIBOR 1M + margin
Raiffeisenbank a.s. Czech	7,585	PRIBOR 1M + margin
ING Bank N.V (Inter Cars Romania s.r.l.)	61,474	ROBOR 1M + margin
SKB Banka (ICSI - Inter Cars INT D o.o.)	2,769	Bank margin
Total	**1,022 712**	

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	**1/1/2020 - 31/12/2020**	**1/1/2019 – 31/12/2019**
As at beginning of period	41,772	48,705
Loans granted	7,250	859
Interest accrued	851	979
Repayments received	(13,737)	(7,733)
Interest received	(821)	(1,015)
Balance sheet valuation	52	(24)
	35,367	**41,772**

(in thousand PLN)

Loan agreements

Date concluded	Maturity date	Amount	Material terms and conditions
09-07-2007	31-12-2021	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	31-12-2021	PLN 2,683,711.31	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
04-04-2013	31-12-2021	PLN 2,000,000	Agreement on a loan from Inter Cars to finance Lauber's operations and business development .
31-01-2014	31-01-2023	PLN 2,550,000	Agreement on a loan from Inter Cars to finance Q Service Truck Sp.z o.o.'s operations and business development .
04-10-2019	31-12-2021	200,000 EUR	Agreement on a loan from Inter Cars to finance Inter Cars d.o.o's operations and business development Beograd
02/12/2020	31/12/2021	PLN 2,000,000	Agreement on a loan from Inter Cars to finance JAG Sp. z o.o.'s operations and business development
30/04/2020	30/04/2021	PLN 4,000,000	Agreement on a loan from Inter Cars to finance INTER CARS FLEET SERVICES Sp z o.o.'s operations and business development.

As at 31 December 2020, the balance of loans and borrowings for related entities was PLN 35,367 thousand, and the total value of loans and borrowings granted to unrelated entities was PLN 8,136 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%.

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

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 2020, the total amount of sureties and guarantees was PLN 308,758 thousand and comprised the sureties for repayment of credits for subsidiaries and for the benefit of suppliers of subsidiaries.

	2020	2019
As at beginning of period	211,211	267,907
Issued and increases	140,414	40,939
Expired	(42,867)	(97,635)
As at end of period	**308,758**	**211,211**

The Company holds a 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, the Police regional headquarters and the Warsaw Airport.

(in thousand PLN)

List of granted guaranties and sureties in the year 2020 is presented in the table below:

To	For whom?	The subject of the guarantee/surety	from	to	Value of the guarantee/surety
Accolade PL VII Sp. z o.o.	Accolade PL VII Sp. z o.o.	rental Białystok	2020/01/17	2021/02/26	327,651
PDC Industrial Center 68 Sp. z o.o.	PDC Industrial Center 68 Sp. z o.o.	rental Łódź	2020/02/19	2021/07/31	646,072
IC Serbia	TRW	payment for deliveries	2020/04/08	2020/12/31	230,740
IC Romania	Castrol	payment for deliveries	2020/01/02	2020/12/31	3,791,600
IC Slovenia	SKB Banka	credit guarantee	2020/12/08	2020/12/12	9,229,600
IC Bulgaria	Raiffeisenbank	credit guarantee	2020/10/20	2020/31/12	69,222,000
IC Ukraine	Kuttenkeuler GmbH	payment for deliveries	2020/04/02	2020/12/31	922,960
IC Hungary	Raiffeisen leasing	leasing guarantee	2020/05/15	2024/09/05	199,684
IC Hungary	Raiffeisen leasing	leasing guarantee	2020/05/15	2024/09/05	199,684
IC Hungary	Raiffeisen leasing	leasing guarantee	2020/05/15	2024/09/05	199,684
IC Moldova	Castrol lubricants	payment for deliveries	2020/06/09	2020/12/31	692,220
IC Serbia	Raiffeisen leasing d.o.o. Belgrade	leasing guarantee	2020/05/21	2025/05/21	44,770
IC Serbia	Raiffeisen leasing d.o.o. Belgrade	leasing guarantee/blank bill for leasing	2020/08/03	2025/08/03	49,803
IC Greece	Clarios Italia Srl	payment for deliveries	2020/07/01	2020/12/31	461,480
IC Bulgaria	Goodyear Dunlop Tires Romania srl.	payment for deliveries	2020/09/16	2020/12/31	3,539,552
IC Croatia	Total CROATIA	payment for deliveries	2020/08/10	2020/12/31	1,245,996
IC Croatia	Valeo Service Italia SpA	payment for deliveries	2020/09/25	2020/12/31	461,480
IC Bulgaria	GMT	payment for deliveries	2020/12/03	2021/12/31	2,307,400
IC Greece	Orlen	payment for deliveries	2020/09/30	2020/12/31	461,480
IC Serbia	Raiffeissen Leasing doo	Lease	2020/10/08	2026/10/31	1,384,440
IC Ukraine	Ravensberger	payment for deliveries	2020/12/02	2021/12/31	922,960
BEREA Sp. z o.o.	BEREA Sp. z o.o.	rent guarantee	2020/04/29	2021/07/31	1,545,958
QST	ISUZU TRUCKS Polska Sp z o.o.	payment for deliveries	2020/07/15	2021/10/01	1,000,000
QST	ISUZU BENELUX S.A.	payment for deliveries	2020/03/14	2022/03/31	500,000
IC Hungary	IC Slovakia	loan guarantee	2020/01/01	2020/12/31	23,074,000

12. Security issues

In 2020 the company did not issue securities.

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
- 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 short-term 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 together with provision for deferred tax liabilities)

(in thousand PLN)

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

	2020	2019
Net revenue from sales of goods and products	9,159 166	8,764,261
Gross profit on sales	2,742 843	2,582,637
Sales margin	*29.95%*	*29.5%*
Operating profit	507,076	331,944
Operating margin	*5.5%*	*3.8%*
EBITDA	638,226	462,144
Gross profit	444,474	279,529
Net profit	333,320	227,096
Net profit margin	*3.6%*	*2.6%*
Balance sheet total	4,678 851	4,423 893
ROA	*7.1%*	*5.1%*
Non-current assets	1,213,941	1,198,866
Equity attributable to the shareholders of the parent entity	2,395,496	2,046,687
ROE	*13.9%*	*11.1%*

In total, **selling costs and administrative expenses** went down by 5.1% compared to 2019. The greatest-value item under the Group's operating costs is **distribution services**, that is the affiliate branch's share in the generated margin. Together costs of distribution in 2020 reached PLN 972,599 thousand, i.e., 44.0% of total costs by type.

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

	2020	2019	change
Amortization and depreciation	131,150	130,200	0.7%
Materials and energy used	145,983	152,425	-4.2%
Outsourced services, including:	1,643,950	1,627,247	1.0%
distribution services	*972,599*	*917,324*	6.0%
other services	*671,351*	*709,923*	-5.43%
Taxes and fees	15,124	20,457	-26.1%
Payroll	252,664	275,292	-8.2%
Social insurance and other benefits	57,204	55,688	2.7%
Other costs by type	63,097	66,881	-5.7%
Total costs by type	**2,309 172**	**2,328 190**	**-0.8%**

Total **costs by type** in 2020 went down by 0.8% compared to 2019.

In 2020, the Group was granted economical support in some of the countries where the Group is running its business activities. Having complied precisely specified conditions, the Group received an anti-crisis donation in the amount of PLN 9,622 thousand. Aforementioned donations and reduction of working hours, together with reduction of employment, resulted in lower cost of employment by 8.20%, compared to 2019.

The cost of other services went down by 5.43% compared to the year before, mainly due to decisions taken by the Board of Managers on putting on hold some marketing projects, IT projects and some other projects.

Whereas the decrease compared to the same period a year before of the total costs by type by 5.70% and cost of materials and energy consumption by 4.20% is mainly due to introduction of a total lockdown in most countries, in the first several weeks of the COVID-19 pandemic. Restrictions connected with prohibition of travelling, including crossing the borders and business travels, organization of meetings, limitation of using offices and shift to remote work resulted not only in lower administration costs, but also costs of entertainment in the whole Group.

(in thousand PLN)

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.

Financial revenues and costs include primarily costs and revenues due to interest. In 2020 in particular, the Group sustained costs on this account in the amount of PLN 57,028 thousand, (PLN 58,231 thousand in 2019). **Liabilities resulting from credits, loans, debt securities and finance lease** as at 31 December 2020 amounted to PLN 1,321,339 thousand.

Income tax expense includes accrued income tax in the amount of PLN 111,814 thousand, as well as a change in assets and deferred tax liabilities, decreasing the income tax payable for the period by PLN 660 thousand.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2020, the Group recognised the total of PLN 484,013 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 rotation of goods. The amount of PLN 167,198 thousand was posted to inventories, and it will reduce the cost of goods sold in 2021 (in particular in Q1).

Financial revenues include, first of all, revenues under interest (under funds on bank accounts, under loans and receivables past the expiration date). **Financial costs** comprise primarily the costs of interest on loans and borrowings. **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.

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

	2020	**2019**
Current assets	3,464 910	3,225,027
Cash and securities	233,806	143,397
Short-term liabilities	1,273 073	1,354,681
Current loans, borrowings and finance lease liabilities	540,946	628,079
Adjusted current assets	3,231 104	3,081,630
Adjusted current liabilities	732,127	726,602
Net working capital	2,498 977	2,355,028

Net working capital engaged increased by about 6.1%

	2020	**2019**
Inventory cycle in days	122	89
Average collection period in days	38	38
Operating cycle in days	160	127
Average payment cycle in days	26	27
Cash conversion cycle in days	134	100
Current ratio	2.72	2.38
Quick ratio	0.98	0.83
Cash ratio	0.18	0.11

(in thousand PLN)

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

	2020	2019
Total debt ratio	0.49	0.54
Debt-to-equity ratio	0.95	1.16

The Group's operations are funded with the Group's internally generated funds and bank loans. As at the end of 2020, loans, borrowings, debt securities and finance lease liabilities total of PLN 1,321,339 thousand, and the **total debt ratio** amounted to 0.49 and is lower compared to 2019.

Debt-to-equity ratio went down compared to 2019 and equals 0.95.

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.

	2020	2019
Net cash from operating activities	444,399	458,537
Net cash from investing activities	(71,497)	(105,266)
Net cash from financing activities	(282,493)	(324,600)
Cash and cash equivalents at the end of the period	233,806	143,397

In 2020 the operating cash flows were PLN 14,136 thousand lower than in the previous year .

Cash generated on investment activities had negative value, because of purchase of fixed assets needed for operational activity and purchase of intangible fixed assets.

The cash flows from financing operations were impacted by a decreased use of the syndicated loan.

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

	2020	2019
Net revenue from sales of goods and products	6,347 832	6,314,289
Change	*1.01*	*1.44*
Gross profit on sales	1,615 946	1,581,771
Sales margin	*25.46%*	25.05%
Exchange differences	(9,807)	1,266
Operating profit	326,661	151,811
Operating margin	*5.15%*	*2.40%*
EBITDA	*5.71%*	*3.06%*
Gross profit	324,893	179,596
Net profit	222,609	154,975
Net profit margin	*3.51%*	*2.45%*
Balance sheet total	3,633 211	3,486,970
ROA	*6.13%*	*4.44%*
Non-current assets	889,343	860,189
Equity	1,790 495	1,567,886
ROE	*12.43%*	*9.88%*

Gross sales profit was 54.98% higher than in 2019.

In total, **selling costs and administrative expenses** decreased by 1.15% on the 2019 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 2020, the total distribution costs amounted to PLN 513,555 thousand i.e., 41% of the total costs by type, and were 0.7% lower than in previous year.

(in thousand PLN)

Operating results in 2020 were higher than in 2019 mostly due to limitation of operating cost, also resulting from putting realization of projects on hold and positive exchange differences, which were caused by lower value of PLN compared to EURO.

EBITDA margin in 2020 was running at the level of around 5.71% (in 2019: 3.06%)

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

	2020	**2019**	**Change**
Amortization and depreciation	35,823	41,331	-13.3%
Materials and energy used	11,746	14,593	-19.5%
Outsourced services	1,098,276	1,155,607	-5.0%
including: distribution service	*513,555*	517,074	*-0.7%*
Taxes and fees	9,339	9,935	-6.0%
Payroll	66,728	72,195	-7.6%
Social insurance and other benefits	12,825	12,368	3.7%
Other costs by type	17,128	13,781	24.3%
Total costs by type	**1,251 865**	**1,319,811**	**-5.1%**

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 2019, the interest expense amounted to PLN 39,925 thousand (PLN 43,908 thousand in 2019).

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 2020 were negative and amounted to PLN 9,807 thousand. In the year 2019 there were also negative exchange rate differences amounting to PLN 8,541 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:

	2020	**2019**
Current assets	2,743 868	2,626,781
Cash and cash equivalents	19,079	17,967
Short-term liabilities	1,155 183	1,242,542
Short-term loans, borrowings, debt security and finance lease liabilities	482,465	583,038
Adjusted current assets	2,724 789	2,608,814
Adjusted current liabilities	672,718	659,504
Net working capital	2,052 071	1,949,310

Net working capital engaged increased by about 5.27%

	2020	**2019**
Inventory cycle in days	98	101
Average collection period in days	78	75
Operating cycle in days	176	176
Average payment cycle in days	38	42
Cash conversion cycle in days	137	134
Current ratio	2.38	2.11
Quick ratio	1.25	1.10
Cash ratio	0.02	0.01

(in thousand PLN)

The Company's operations are funded with the Company's internally generated funds and bank loans. In total, at the end of 2020, liabilities on credits, loans, debt securities and finance lease amounted to PLN 1,046,306 thousand, whilst in 2019 PLN 1,142,042 thousand.

Total debt ratio in 2020 amounted to 0.51, by 0.04 less than in 2019. Debt-to-equity ratio in 2020 amounted to 1.03.

Debt ratios are presented in the following table.

	2020	**2019**
Total debt ratio	0.51	0.55
Debt-to-equity ratio	1.03	1.22

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.

	2020	**2019**
Net cash from operating activities	152,245	252,287
Net cash from investing activities	31,709	56,415
Net cash from financing activities	(182,842)	(315,017)
Cash and cash equivalents at the end of the period	19,079	17,967

In 2020, cash flow from operating activities was positive. It was mainly due to decrease in value of short-term receivables.

The value of funds generated on investment activity was positive thanks to dividends received, repayment of loans and borrowings and proceeds from the sale of plant, property, equipment and intangible assets.

The cash flows from financing operations were impacted by a decreased use of the syndicated loan.

15. Assessment of investment project feasibility

In 2020, expenses toward purchases and modernization of plant, property and equipment amounted to PLN 73,326 thousand. (In 2019 - PLN 145,054 thousand). Expenses were mostly incurred toward the purchase of replacement assets.
In 2020, the Group's investments were financed from its own funds.

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

The outbreak of pandemic had significant impact on the results of the Group in 2020. Local economy sectors being "put into hibernation", prohibition on travels, problems with availability of spare parts at manufacturers, these are some of the problems that the Group had to face.

Because of the above, the Group was forced to reduce employment, temporarily limit working hours and remuneration, cut costs and put on hold some projects. All this resulted in reduction of costs, increasing profitability. It turned out that after the first wave of the pandemic and temporary decrease in revenue, garages came back to their normal activity and continued repairing motor vehicles. On all main markets, in 4Q2020, sale of spare parts was higher, compared to 4Q2019.

In 2020, the Group was granted economical support in some of the countries where the Group is running its business activities. Having complied precisely specified conditions, the Group received an anti-crisis donation in the amount of PLN 9,622 thousand. Aforementioned donations and reduction of working hours, together with reduction of employment, resulted in lower cost of employment by 8.20%, compared to 2019.

The consolidated EBITDA for 12 months cumulatively for the period ended on 31 December 2020 was PLN 638,226 thousand (PLN 462,143 thousand in 2019).

The revenues of Inter Cars at home accounted for approx. 52% of the total revenues of the Capital Group (taking into account consolidation exclusions). The overseas companies account for approximately 48% 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 31 December 2020 the Group's debt under bank loans, bonds and finance leases amounted to PLN 1,321,339 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 56.9 million. 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.

We care for cyber security of the Group (we have improved the system of cyber protection against hacker attacks). We have successfully implemented GDPR and proper data protection.

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 , Serbia and Bosnia and Herzegovina.

The increasingly stricter requirements on the part of the regulatory authorities regarding, among other things, Audit Committees and financial reporting, including external audit monitoring, increase the costs and the legal risk.

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.

The risk of digitisation

Nowadays digitisation and robotization are very important for the development of the company, implementing solutions which digitise processes, "big data" and the use of technology in business and finance. It is very important to follow technological development and keep up with the changing business environment.

Pandemic risk

It is connected with current pandemic situation in the world. Pandemic influenced many suppliers of automotive spare parts, resulting in possible breaks in manufacturing process that might have influence on availability of goods.

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.

(in thousand PLN)

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 working in partner garages of Inter Cars in 14 countries, where Inter Cars is running its business activities. 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.

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 31 December 2020, 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

On 8 June 2020, the Ordinary General Meeting of Shareholders adopted the policy of remuneration of the Members of the Management Board and the Supervisory Board.

The remuneration is presented using accrual and cash method (paid out plus due bonus)

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

	01.1.2020-31.12.2020	**01.1.2019-31.12.2019**
Andrzej Oliszewski – Chairman of the Supervisory Board	139,200	135,000
Michał Marczak – Member of the Supervisory Board in 2019	-	22,133
Jacek Podgórski – Member of the Supervisory Board	96,000	50,400
Radosław Kudła – Member of the Supervisory Board	62,800	25,867
Piotr Płoszajski– Member of the Supervisory Board	108,000	108,000
Jacek Klimczak – Member of the Supervisory Board	81,200	96,000
Tomasz Rusak – Member of the Supervisory Board	48,000	48,000
	535,200	**485,400**

(in thousand PLN)

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

	01.1.2020-31.12.2020	01.1.2019-31.12.2019
Maciej Oleksowicz – President of the Management Board	2,278 837	1,732 589
Krzysztof Soszyński – Vice-President of the Management Board	2,280 837	1,732,992
Krzysztof Oleksowicz– Member of the Management Board till 2019	-	2,041,809
Wojciech Twaróg - Member of the Management Board	2,251 766	1,719,664
Piotr Zamora – Member of the Management Board	2,258,649	1,719,963
Tomáš Kaštil – Member of the Management Board till 31/08/2020	1,497,618	1,678,469
	10,567,708	**10,625,486**

Total remuneration of the members of the Management Board in 2019 amounted to PLN 9,525,111. The difference of PLN 1,100,375 resulted from an unpaid bonus. Taking into consideration pandemic situation, that we had to face in 2020, Mr Krzysztof Oleksowicz took a decision on resignation from bonus meant for him.

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.

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 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%).

(in thousand PLN)

Information on shares

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

As at 31/12/2020

The Company's supervisory and managing personnel hold a total of 5,004,091 shares, constituting 35.32% 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				
Maciej Oleksowicz*	3,726,721	7,453,442	26.30%	26.30%
	3,726,721	**7,456,442**		
Supervisory Board				
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
	1,277,370	**2,554,740**		
Total	**5,004 091**	**10,011,182**	**35.32%**	**35.32%**

* Directly by OK Automotive Investments B.V.

As at the publication date of these financial statements

The Company's supervisory and managing personnel hold a total of 5,004,091 shares, constituting 35.32% 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				
Maciej Oleksowicz*	3,726,721	7,453,442	26.30%	26.30%
	3,726,721	**7,456,442**		
Supervisory Board				
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
	1,277,370	**2,554,740**		
Total	**5,004 091**	**10,011,182**	**35.32%**	**35.32%**

* 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.

(in thousand PLN)

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 Aviva Santander	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 Maciej Oleksowicz, President of the Management Board of the Company

**Immersion Capital LLP- operates on behalf and for Immersion Capital Master Fund Limited managed by it.

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 Aviva Santander	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 Maciej Oleksowicz, President of the Management Board of the Company

**Immersion Capital LLP- operates on behalf and for Immersion Capital Master Fund Limited managed by it.

Information on purchasing own shares

In 2020, 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 2020), no stock option plan is being implemented at the Group.

25. Qualified auditor of financial statements

On 05 August 2019 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 2019 and 2020. The total fee in 2020 resulting from the agreement is PLN 480 thousand, of which PLN 200 thousand is the cost of audit of the annual separate financial statements, and PLN 160 thousand is the costs of audit of the consolidated annual financial statements and PLN 120 thousand is the cost of audit of semi-annual separate 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 150 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., Inter Cars Malta Ltd. & Inter Cars Malta Holding Ltd, the total fee under the agreements amounted to 271.75 thousand EUR

The total fee in 2019 resulting from the agreement was 480 thousand, of which PLN 200 thousand was the cost of audit of the annual financial statements, and PLN 160 thousand was the costs of audit of the consolidated annual financial statements and PLN 120 thousand was the cost of audit of semi-annual separate 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 150 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., Inter Cars Malta Ltd. & Inter Cars Malta Holding Ltd, the total fee under the agreements amounted to 271.75 thousand EUR

Furthermore, as result of providing additional services for Inter Cars S.A. the fee amounted to PLN 12.5 thousand, on non-audit services that were approved by the Audit Committee in 2020.

26. Transactions in derivative instruments and their risk profile

From 1 January to 31 December 2020, no transactions were concluded which would be related to the financial statement.

27. Headcount

As at 31 December 2020, the Company employed 666 personnel. In total the Group employed 3,378 people.

As at 31 December 2019, the Company employed 647 personnel. In total the Group employed 3,412 people.

(in thousand PLN)

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 dated 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 Envirnomental 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

The most significant event that may impact the Company's financial results over the next periods is the spreading of third wave of the SARS-CoV-2 Coronavirus pandemic.

The effects of the Coronavirus pandemic and of the actions undertaken by individual countries (in which entities from the Inter Cars Capital Group operate) to limit further spread of the disease will have a significant impact on the sales revenues of these entities and on the financial result of the Inter Cars Capital Group in 2021. Taking into account the constantly changing situation related to the spreading of the Coronavirus, actions undertaken by individual countries and unavailability of reliable information regarding the anticipated duration of the pandemic and social and economic effects, the Management Board of the Company is currently unable to accurately determine the impact of the SARS-CoV-2 Coronavirus on the future sales levels of the Inter Cars Capital Group entities and the Company's financial result.

30. The Management Board's standpoint on the feasibility of meeting the previously published forecasts of financial results for 2020

The Group did not publish any forecasts for 2020.

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

In 2020, 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 2020, the management and supervisory bodies of the Company were composed of the following persons:

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

Management Board
Maciej Oleksowicz, President of the Management Board
Krzysztof Soszyński, Vice-President 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 - till 31 August 2020.

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

In 2020, 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:

	2020	**2019**
Exchange rate as at 31.12	4.6148	4.2585
Average exchange rate from 1.01 to 31.12	4.4742	4.3018
Highest exchange rate in the period	4.6330	4.3891
Lowest exchange rate in the period	4.2279	4.2406

The following principles have been used to convert data presented in thousand EURO 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 31/12/2020*, 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 2020 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. ("the Company") informs that on 29 May 2019, it received information that on the same day, the Company's Supervisory Board adopted a resolution on extending the agreement to audit financial statements and hire PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k., having its registered seat in Warsaw (formerly PricewaterhouseCoopers sp. z o.o., having its registered seat in Warsaw) at 11 Polna street, 00-633 Warszawa, national court registry number 0000750050, entered into the list of audit firms kept by the Polish Chamber of Statutory Auditors under number 144 ("PwC"):

(i) to audit the separate financial statements of the Company and the consolidated financial statements of the Inter Cars S.A. Capital Group for the period from 1 January 2019 to 31 December 2019 and from 1 January 2020 to 31 December 2020; and

(ii) to review the separate financial statements of the Company and the consolidated financial statements of the Inter Cars S.A. Capital Group for the period from 1 January 2019 to 30 June 2019 and from 1 January 2020 to 30 June 2020.

Furthermore, the Company's Supervisory Board's resolution calls on the Management Board to enter into appropriate agreements with PwC to extend the term of the hitherto agreement by two years. PwC was also hired to audit the separate financial statements of the key entities of the Inter Cars S.A. capital group other than Inter Cars S.A. for the years 2019 and 2010.

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. The Company used services of PwC in the area of auditing and reviewing financial statements up to the year 2004 and in the years 2016– 2019.

These Board's statement on the activity of the group was approved by the Management Board of Inter Cars S.A for publication on 20 April 2021.

Maciej Oleksowicz
CEO

Krzysztof Soszyński
Vice-President of the Management Board

Wojciech Twaróg
Member of the Management Board

Piotr Zamora
Member of the Management Board

Warsaw, 21 April 2021

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 2020 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 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 in a limited extent. The Company have not implemented all the detailed requirements on operations of the Committee listed in above Annex I. The Company does not exclude that it will take up suitable actions in the future, aimed at implementing objective recommendations.

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.

Starting from the second half of 2017 the Company has had a programme of the compliance 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:. 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. The internal audit unit was created in the first quarter of 2018. The unit evaluates the selected areas of the Company's activity and presents 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: As in current stage of development of the Company the III.Z.1 recommendation is not implemented in full, implementation of above mentioned recommendation by the Supervisory Board is not possible. 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 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.

Starting from the second half of 2017, the Company has had 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 Aviva Santander	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 Maciej Oleksowicz, President of the Management Board of the Company.
**Immersion Capital LLP – operates on behalf and for Immersion Capital Master Fund Limited managed by it.

The list of shareholders was prepared based on notifications received in accordance with art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws of 2005, No. 184 item 1539, as amended), and art. 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("MAR Regulation").

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 1 January 2020, 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) Wojciech Twaróg - Member of the Management Board;
4) Piotr Zamora – Member of the Management Board;
5) Tomáš Kaštil – Member of the Management Board.

On 26 August 2020, the Company received from Mr. Tomáš Kaštil, a Member of the Company's Management Board - a letter of resignation from his position as a Member of the Management Board, effective as of 1 September 2020. With the resolution dated 10 September 2020 the Supervisory Board of the Company decided that starting from 1 September 2020 the Board of Managers of the Company shall be composed of four people.

1) Maciej Oleksowicz – President of the Management Board;
2) Krzysztof Soszyński – Vice-President of the Management Board;

3) Wojciech Twaróg - Member of the Management Board;
4) Piotr Zamora – 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

As at 1 January 2020, the following people composed the Supervisory Board:

1) Andrzej Oliszewski – Chairman of the Supervisory Board
2) Jacek Podgórski – Member of the Supervisory Board
3) Radosław Kudła – Member of the Supervisory Board
4) Tomasz Rusak – Member of the Supervisory Board
5) Piotr Płoszajski – Member of the Supervisory Board
6) Jacek Klimczak – 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 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.

As at 1January 2019 the following Members of the Supervisory Board composed the Audit Committee of the Company:

1) Piotr Płoszajski – Chairman of the Committee;
2) Jacek Klimczak – Member of the Committee;
3) Andrzej Oliszewski – Member of the Committee;
4) Jacek Podgórski – member of the Committee.

On 7 September 2020, the Company and the Supervisory Board received from Mr. Jacek Klimczak, a Member of the Company's Audit Committee - a letter of resignation from his position as a Member of the Supervisory Bard Audit Committee, effective as of 10 September 2020. Given the above, on 10 September 2020, the Supervisory Board of the Company appointed Mr. Radosław Kudła as the Member of the Audit Committee.

As at the day of publication of the report, the following Members of the Supervisory Board composed the Audit Committee of the Company:

1) Piotr Płoszajski – Chairman of the Committee;
2) Andrzej Oliszewski – Member of the Committee;
3) Jacek Podgórski – Member of the Committee;
4) Radosław Kudła – Member of the Committee.

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. (assistant professor) 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 Podgórski	yes	yes	graduate of the University of Lodz, Faculty of Economic and Social Sciences; completed post-graduate studies at the University of Warsaw in the field of management, attended numerous training courses in finance, tax law and management, as part of his professional duties, among other things, he supervised the restructuring processes of capital groups, managed liquidity, credit and currency risks, was responsible for the bank's syndicated loan portfolio and financing companies from the large enterprise sector.	No	-
Radosław Kudła	yes	yes	Graduate of Szkoła Główna Handlowa (SGH Warsaw School of Economics), faculty: Finance and Banking. Holds a title of CFA Charterholder, and took part in numerous trainings in the valuation of derivatives and structured products. Professional experience gathered in financial institutions, including 6 years as a member of the Management Board of national bank.	No	-

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

In 2020, the Committee held six 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 2020, the entities belonging to the audit company, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. z, having its registered seat in Warsaw, provided to the companies from the Inter Cars S.A. Capital Group allowed 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 29 May 2019, 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 Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. with registered seat in Warsaw (formerly PricewaterhouseCoopers sp. z o.o. with registered seat in Warsaw) for another two years, i.e., 2019 and 2020.
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.