

Appendix 1 to Resolution No. 7/2018 of the Supervisory Board of INTER CARS S.A. of April 26th 2018

Report by the Supervisory Board of Inter Cars S.A.

on its activities in 2017, along with the assessments prepared in accordance with the Code of Best Practice for WSE Listed Companies 2016.

The Supervisory Board of Inter Cars S.A. (the “**Company**”) submits to the General Meeting a report on its activities in the period from January 1st 2017 to December 31st 2017, along with the assessments prepared in accordance with the Code of Best Practice for WSE Listed Companies 2016. (“**WSE Best Practices**”).

I. Composition of the Supervisory Board and its committees

As at December 31st 2017, the composition of the Company’s Supervisory Board was as follows:

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

In the reporting period, the composition of the Supervisory Board did not change.

Currently, there are two members on the Supervisory Board who meet: the criteria of independence from the Company and entities with material links to the Company pursuant to Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board; the criteria specified in the WSE Best Practices; and the independence criteria specified in Art. 129.3 of the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017.

In the reporting period until September 25th 2017, there were no separate committees of advisory or consultative nature within the Supervisory Board. Pursuant to the provisions of Art. 86.3 of the now-defunct Act on Qualified Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Supervision, dated May 7th 2009, effective until June 21st 2017, as long as the Supervisory Board consisted of not more than five members, the entire Supervisory Board performed tasks of the Audit Committee within the meaning of the Act; these tasks included: (i) monitoring the financial reporting process; (ii) monitoring the effectiveness of internal control, internal audit, and risk management systems; (iii) monitoring the performance of financial auditing activities; (iv) monitoring the independence of the qualified auditor and the entity qualified to audit financial statements, also where they provided the services referred to in Art. 48.2 of the Act.

On September 25th 2017, pursuant to Art. 128 and Art. 129 of the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017, the Supervisory Board appointed the Audit Committee of the Supervisory Board (the “**Audit Committee**”).

The Audit Committee is composed of the following Supervisory Board members:

- Piotr Płoszajski – Chairman of the Committee (independent member of the Supervisory Board),
- Andrzej Oliszewski – Member of the Committee,
- Jacek Klimczak – Member of the Committee (independent member of the Supervisory Board).

In the reporting period, the composition of the Audit Committee did not change. The Audit Committee operates within the Supervisory Board and is appointed to supervise the financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, and to monitor the performance of financial audit activities.

II. Meetings of the Supervisory Board and its committees

During the reporting period, the Supervisory Board held six meetings, during which it adopted resolutions required under the applicable laws and regulations, and took positions on matters included in the agenda of the meetings. The meetings were held on March 27th, April 20th, May 15th, June 26th, September 25th and December 18th. At the meetings on March 27th and June 26th four out of five members of the Supervisory Board were present, and at the other meetings all members of the Supervisory Board were present. The Supervisory Board meetings were also attended by members of the Management Board and other representatives of the Company, which enabled the Supervisory Board to obtain comprehensive answers and explanations on matters covered by the meetings' agendas.

During the meetings, the Supervisory Board passed a number of resolutions, including resolutions to appoint new President of the Company's Management Board (Mr Maciej Oleksowicz), to adopt a new Incentive Scheme for members of the Management Board, to approve disposal of real estate, and to appoint the Audit Committee. In the reporting period, the Supervisory Board also adopted three resolutions by written ballot concerning the Supervisory Board's opinion on amendments to the Company's Articles of Association; adoption of a consolidated text of the Company's Articles of Association by the General Meeting; approval of the 'Policy and procedure for selection of an audit firm to audit financial statements'; and approval of the 'Inter Cars Group's policy and procedures for the Inter Cars Group with respect to the provision by the Auditor and the companies of its network of permitted non-audit services'.

Furthermore, during the meetings the Supervisory Board discussed other important matters presented by the Management Board; this included monitoring of the overall sales performance of the Group and analysis of development of the new sales segments.

In the reporting period, the Audit Committee held one meeting, on December 18th 2017. During the meeting, the Audit Committee discussed progress of the audit firm's work, reviewed the Company's and the Group's financial results, and analysed issues related to the identification and assessment of risks and risk management in the Company and the Group.

In addition, during the reporting period the Audit Committee passed two resolutions by written ballot concerning adoption of the 'Policy and procedure for selection of an audit firm to audit financial statements' and of the 'Inter Cars Group's policy and procedures for the Inter Cars Group with respect to the provision by the Auditor and the companies of its network of permitted non-audit services'.

III. Information on the performance of the obligations under the Commercial Companies Code, other laws and regulations, and the Company's Articles of Association

In the reporting period, the Supervisory Board exercised ongoing supervision over the Company's activities in each area of its business, remaining in direct contact with the Management Board. The Supervisory Board assessed, among other things, the Company's economic standing, financial liquidity and ability to settle liabilities. The Supervisory Board also considered opportunities for and methods of further development of the Company. As part of the supervision over the Inter Cars Group, the Supervisory Board analysed development prospects and current financial results of the Group companies. The Board issued opinions on the Group's business plans, budgets and strategic objectives, analysed the management methods and current financial condition of the Company, and discussed the implementation and delivery of the budget and material projects.

Within the prescribed deadline, the Supervisory Board assessed the Directors' Report on the Company's and the Inter Cars Group's operations in 2016, the Management Board's proposal concerning distribution of profit for 2016, as well as the separate and consolidated financial statements for the financial year 2016, and submitted a written report on results and findings of the assessment to the General Meeting.

The Supervisory Board also adopted a brief assessment of the Company's standing in accordance with the corporate governance policy applied by the Company.

In the reporting period, the Supervisory Board did not exercise its powers under Art. 383 of the Commercial Companies Code, i.e. it did not suspend, for good reason, any or all members of the Management Board, nor did it delegate Supervisory Board members to temporarily perform the duties of Management Board members.

The Supervisory Board operates in accordance with the corporate governance rules set out in the WSE Best Practices. In 2017, there were no instances of non-compliance of the Supervisory Board with the corporate governance policy applied by the Company.

IV. Assessment of the Supervisory Board's work

In the financial year from January 1st 2017 to December 31st 2017, the Supervisory Board, acting conscientiously and with due diligence, performed its duties stipulated in the Articles of Association and the Rules of Procedure for the Supervisory Board.

The role of the Supervisory Board is to exercise ongoing supervision over the Company's activities in each area of its business, in accordance with the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board adopted by the General Meeting. Additionally, the key objectives of the Supervisory Board's efforts are to supervise the Company's Management Board and monitor its activities, and to ensure stability of the Company, its controlled development and strengthening of its market position.

Taking into account the work and involvement of the Supervisory Board, and based on the findings discussed above and the Board's general activity in 2017, the Board is of the opinion that in the reporting period the Supervisory Board fulfilled its statutory duties in a proper manner and for the benefit of the Company. In 2017, the Supervisory Board exercised effective and efficient supervision over the Company, and its cooperation with the Management Board was good and properly organised. Therefore, we move that the members of the Supervisory Board be granted discharge in respect of performance of their duties in the reporting period.

V. Assessment of the Company's standing, including evaluation of its internal systems and functions

This evaluation is the Supervisory Board's assessment of the Company's standing and includes evaluation of the Company's internal control, risk management and compliance systems and the internal audit function, in accordance with the Company's corporate governance policy. The Supervisory Board performed the assessment on the basis of the Directors' Reports on the Company's and the Inter Cars Group's operations in 2017, the separate and consolidated financial statements for 2017, as well as information obtained by the Supervisory Board while performing its duties.

A. Assessment of the Company's standing

The Supervisory Board issues a positive opinion on the Management Board's achievements in 2017, which should be viewed as a good period for the entire Inter Cars Group.

In 2017, the Inter Cars Group (the „Group”) reported record-high revenue of nearly PLN 6.9bn, i.e. 16% more year on year, and delivered net profit in excess of PLN 216m.

The 6% year-on-year decline in net profit in 2017, despite the strong growth in revenue, was caused

among other factors by appreciation of the Polish złoty against the euro in Poland and in the countries in which the Group operates (Ukraine and Romania); costs related to the launch of the new Logistics Centre in Zakroczym and simultaneous operation of two central warehouses; and the Group's expansion into other European markets.

In the opinion of the Supervisory Board, the increase in sales in 2017 was achieved due to further expansion of the product portfolio in each of the segments; expansion of the distribution network in Poland and abroad; continued development of the 'One stop shop' service; and the acquisition of customers for the Group's partner workshops by Motointegrator Flota (institutional accounts) and via the motointegrator.pl website (retail customers). In 2017, the Group opened 62 new branches, and as at December 31st 2017 the sales network comprised 507 branches (2016: 445), including 243 locations in Poland and 264 locations on foreign markets.

The Supervisory Board positively assesses the Group's growth in Poland and abroad. The Group's activities help to further strengthen Inter Cars' leading position in Central and Eastern Europe. The Supervisory Board also positively assesses the results of all Group companies in 2017.

In connection with further development of the distribution network and the offering, the Group is expanding its warehousing capacity. At the end of 2017, the Company's logistics network comprised the central warehouse (the European Logistics Centre in Zakroczym), supported by six regional distribution centres, two in Poland (Komorniki, Sosnowiec) and one in each of Latvia, Romania, Hungary and Croatia. In 2018, the Group plans to open a regional warehouse in Sofia, which will improve the logistics in Bulgaria. In the opinion of the Supervisory Board, these investments help the Group to build its competitive advantage.

The Supervisory Board also positively assesses the Company's investment in the new car body parts segment. The Company is the only supplier capable of delivering all parts and components necessary for post-accident repair (both flat and mechanical). Currently, the Company is one of the five largest distributors of car body parts in Europe. Another important development in this segment of the Group's business was the opening in 2017 of a dedicated car body parts warehouse in Czosnów.

Last year's developments the motorcycle business (parts, accessories and vehicles) also deserve a mention. In 2017, changes were made in the internal organisation of the motorcycle department and, at the beginning of 2018, the Fm Ready brand was launched to replace the existing Inter Motors brand.

In 2017, the Company commenced work to develop a new Marina segment, which began its operations in Poland in early 2018. The key target markets for the segment are Croatia, Greece and Italy.

The Supervisory Board would like to emphasise that apart from distribution of parts and automotive products, the Group is also engaged in a manufacturing activity closely related to the automotive industry, which expands the distribution network's value chain. Lauber Sp. z o.o., engaged in regeneration of automotive parts and subassemblies, and Feber Sp. z o.o., a manufacturer of semi-trailers, are positive contributors to the Group's financial results. The Group's offering also includes sales of Isuzu vans and trucks by Q-Service Truck Sp. z o.o. (an authorised dealer of the brand) whose revenue increased by more than 33%.

The Supervisory Board also has a positive view of Inter Cars S.A.'s economic standing, as the Company has maintained both its financial liquidity and the ability to meet its liabilities. Assessment of the Company's financial statements for 2017, the Directors' Report on the Company's operations in 2017 and the Management Board's proposal regarding distribution of the Company's net profit for 2017 is presented in a separate report of the Supervisory Board.

B. Assessment of the internal audit, risk management and compliance systems, and of the internal audit function

The Company does not fully comply with the WSE Best Practices with respect to the implementation and maintenance of efficient internal control, risk management and compliance systems, as well as maintenance of the internal audit function. The internal control and risk management systems are dispersed and are maintained to a large extent by the Finance Division and the Operating Division, as described below.

In the case of the compliance system, certain elements of the system have already been implemented in selected areas of the organisation. In the second half of 2017, the Company started to implement the compliance programme adopted by the Management Board, which includes in particular the Code of Conduct and Good Practice, Fraud Prevention Policy, Conflict of Interest Management Policy, Information Confidentiality Policy, Anti-Mobbing Policy, and Occupational Health and Safety and Environmental Policy. The programme is designed to ensure compliance of the Company's activities with law, business standards and other market requirements by ensuring that the compliance risk is properly managed. Such processes as managing risks of fraud and conflicts of interest have been defined within the framework of the programme.

In 2017, the Company did not have an internal audit function. In the first quarter of 2018, an internal audit unit was established in the Company's structure.

The Supervisory Board reviews the internal audit and risk management systems on an ongoing basis, which includes assessment of the process of preparation of separate and consolidated financial statements. The assessment is based on information provided by the Company's Management Board, Chief Financial Officer, and the Audit Committee. The Supervisory Board also assesses components of the compliance system on an ongoing basis, with the assessment based on information provided by the Company's Management Board, the Legal Counsel, and the Audit Committee.

Financial statements and periodic reports are prepared in accordance with the applicable laws and the Company's accounting policies by the Chief Financial Officer, and are reviewed on an ongoing basis by the Management Board, which is responsible for the accuracy and consistency of information disclosed by the Company, and for the applied accounting policies. Financial statements are prepared exclusively by persons having access to relevant financial data. All financial data contained in the financial statements and interim reports are sourced from the financial and accounting system, where all business events are recorded in accordance with the Company's accounting policies (approved by the Management Board), based on International Accounting Standards and International Financial Reporting Standards. The Company continuously monitors changes to the regulatory framework and regulations applicable to stock exchange reporting, and makes preparations sufficiently in advance to incorporate any required changes. The financial reporting process is also monitored by the Audit Committee, which reviews the Company's periodic and annual reports and monitors individual stages of the process for compliance and correctness. The Audit Committee's tasks also include reviewing and giving opinions on the rules of the financial reporting systems used by the Company.

Once approved by the Management Board, financial statements are reviewed or audited by an independent auditor—audit firm, selected from among reputed audit firms and appointed by the Supervisory Board, which takes into account recommendations of the Audit Committee. Based on circumstances identified during the audit of financial statements, the Finance Division, acting in communication with the audit firm, attempts to formulate recommendations on how to enhance the Company's internal control system, for possible implementation.

The Finance Division and Division Heads prepare periodic management information reports, including analyses of key financial data and operating indicators of the business segments, and submit them to the Management Board.

Following the establishment of the internal audit unit in the first quarter of 2018, the organization and correctness of the process of preparing financial statements will be periodically audited also by the internal audit.

In view of the above, the Supervisory Board gives a positive opinion on the Company's internal control, risk management and compliance systems.

VI. Assessment of the Company's compliance with corporate governance requirements as specified in the Stock Exchange Rules and in the statutory regulations governing current and periodic information to be published by issuers of securities

In the opinion of the Supervisory Board, the Company has made every effort to ensure application of and due compliance with the disclosure requirements imposed by law and other regulations. To ensure transparency and effectiveness of its disclosure policy, the Company provided the shareholders, analysts and investors with swift and reliable access to relevant information.

The Company fully complied with the statutory disclosure requirements where they apply to current and periodic reports. In 2017, the Company published 37 current reports and 5 periodic reports. All reports are available on the Company's website at <http://inwestor.intercars.com.pl/pl/>, in the „Reports” and “Corporate Governance” sections.

In the Supervisory Board's opinion, the information disclosed by the Company is compliant with the relevant requirements and gives a true and fair view of the application of the corporate governance policy.

VII. Assessment of the reasonableness of the Company's charitable giving and sponsorship policies

The Company's charitable giving and CSR policies have been incorporated into the Responsible Business Strategy, which is described in detail in the report on non-financial information. Furthermore, as part of the compliance programme, the Company implemented a system of supervision of charitable donations provided by the Company.

The Company supports sports activities and runs educational programmes for school children, and supports charity initiatives.

To date, the Company has sponsored athletes in such disciplines as car racing, cycling, and volleyball.

The Company, in partnership with automotive vocational schools, also runs an educational programme for young students. As part of the initiative, the Company provides selected schools with modern equipment for vehicle repair and diagnostics, and holds theoretical training sessions.

Although the Company does not have a defined sponsorship and charitable giving policy, the Supervisory Board evaluates the Company's activities in this area as reasonable and desirable, to a significant extent related to its involvement in the education of school youth.

In the future, the Company may also develop a sponsorship and charitable policy document, which would reflect the Company's activities in this respect.

VIII. Final considerations

The Supervisory Board believes that the Management Board used all reasonable effort to ensure delivery of good financial results by the Inter Cars Group. Therefore, the Supervisory Board positively assesses the Management Board's efforts to further the Company's and the Inter Cars Group's key strategic objectives. The Supervisory Board recommends that the General Meeting grant discharge to all members of the Company's Management Board in respect of their duties in 2017.