

APPENDIX TO THE REPORT ON THE OPERATIONS OF INTER CARS GROUP

INTER CARS S.A. MANAGEMENT BOARD'S

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

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

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

2. Non-compliance with the corporate governance principles

The Company represents that in 2016 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 rule does not apply to the Company. The Company does not have a defined policy regarding sponsorship, charity or other similar activities. However the Company currently supports sports activities and runs educational programmes for school children, and also supports charity activities. The Company does not exclude the possibility of preparing a document on sponsorship, charity and other similar activities, which would reflect Company activities in above mentioned area.

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.

Principle no. I.Z.1.16.

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

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

Recommendation I.Z.1.20

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

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

Recommendation II.Z.1.

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

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

Recommendation II.Z.7.

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

Notes: Currently the Supervisory Board is composed of five members and the Board also performs the role of the Board of Audit. Because of the above, the Company applies annex I to the Commission Recommendation of February 15th February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board only in a limited extent.

Recommendation II.Z.8.

The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

Notes: Currently the Supervisory Board is composed of five members and the Board also performs the role of the Board of Audit. The chair of the audit committee does not meet the independence criteria referred to in principle II.Z.4.

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: In current stage of development of the Company the above mentioned rule is not implemented in full, especially the internal audit function is currently not being realized in the Company. 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.

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, in current practice of the Company, persons responsible for risk management, internal audit and compliance report directly to the Board, and are regularly present at Supervisory Board meetings.

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: 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.

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.

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 Board of Supervisors declared using the above mentioned recommendation from the moment when all the systems and functions described in recommendation III.Z.1 are implemented in the Company.

Recommendation IV.R.2.

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

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

Notes: The standard is applied by the Company. Making it possible for the shareholder to exercise the voting right during the General Meeting, using means of electronic communication, can make it much easier for the shareholders to take part in AGMs. One needs to notice that, in the opinion of the company, there are many technical and legal factors, which might influence the correct course of AGM, and because of this, on the right execution of aforementioned regulation. In the opinion of the Company, current rules of participation in the AGM being in force, make it possible to exercise the rights resulting from holding shares and protecting the rights of Company's shareholders. At the same time, the Company does not exclude possibility of using the recommendation in the future, if the

shareholders express such a will, whilst currently no such will has been expressed by the shareholders.

Recommendation IV.Z.2.

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

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

Recommendation V.Z.6.

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

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

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 statements approved by the Management Board are reviewed by an independent auditor appointed by the Company's Supervisory Board from among reputable audit firms.

Communicating with the auditor, the Financial Division attempts to determine recommendations concerning improvements to the Company's internal control system, as identified during the audit of the financial statements, so as to implement them where necessary.

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.

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 Nationale-Nederlanden Otwarty Fundusz	1,896,778	1,896,778	13.39%
3.	Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	1,418,649	1,418,649	10.01%
4.	Andrzej Oliszewski	1,277,370	1,277,370	9.02%
5.	Other shareholders	5,848,582	5,848,582	41.28%
	Total number of shares / votes	14,168,100	14,168,100	100%

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

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.

As on the date of this statement the Company has not received any information about registration of the changes to the Articles by the registry court.

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 2016, the following people composed the Board of Managers:

- Robert Kierzek – President of the Management Board
- Krzysztof Soszyński – Vice-President of the Management Board
- Krzysztof Oleksowicz – Member of the Management Board
- Witold Kmiecik - Member of the Management Board
- Wojciech Twaróg - Member of the Management Board

On 19 May 2016 Mr Witold Kmiecik stepped down from his position of a Member of the Management Board of the Company. His resignation came in force as at 01 July 2016.

On 20 June 2016 the Supervisory Board of the Company appointed a new Member of the Management Board as of 1 July 2016, Mr Maciej Oleksowicz.

Between 1 July and 26 September 2016, the following people composed the Management Board:

- Robert Kierzek – President of the Management Board
- Krzysztof Soszyński – Vice-President of the Management Board
- Krzysztof Oleksowicz – Member of the Management Board
- Wojciech Twaróg - Member of the Management Board
- Maciej Oleksowicz – Member of the Management Board

On 26 September 2016 the Supervisory Board of the Company appointed another two new Members of the Management Board, Mr Piotr Zamora and Mr Tomáš Kaštil.

Between 26 September and 31 December 2016, the following people composed the Management Board:

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

On 10 April 2017 Mr Robert Kierzek handed in his resignation from the position of the President of the Management Board of the Company, remaining the Member of the Management Board of current term of office. His resignation came in force as at 01 May 2017. In a meeting on 20 April 2017 the Supervisory Board appointed Mr Maciej Oleksowicz as the President of the Management Board starting from 1 May 2017, Member of the Management Board of the current term, and Mr Robert Kierzek as the Vice-President of the Management Board, Member of the Board of current term, holding the position of the President of the Company till 30 April 2017.

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

Between 1 January and 31 January 2013, the following people composed the Supervisory Board:

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

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

The Supervisory Board is composed of five to thirteen members, appointed by the General Shareholders Meeting, which also appoints the Chairman of the Supervisory Board. From among other members, the Supervisory Board appoints the Vice-Chairman. The Supervisory Board appoints Deputy Chairman from among other members of the Supervisory Board. The number of members of the Supervisory Board is fixed by the General Meeting. In the event of block voting, the Supervisory Board is composed of thirteen members. Term of office of the Supervisory Board is 5 years and is common for all members. Members of the Supervisory Board can be appointed for subsequent terms. The Supervisory Board adopts resolutions by an absolute majority of votes, in the presence of at least half of the members. A resolution may only be considered valid if all members of the Supervisory Board have been invited to the meeting. Meetings of the Supervisory Board are held at least once a quarter. Meetings are convened with a prior written notice containing information on the place, time and proposed agenda of the meeting and served to all members at least 7 days prior to the date of the meeting. Meetings of the Supervisory Board are convened by its Chairman on their own initiative or at the request of a member of the Supervisory Board. The Supervisory Board may adopt resolutions without holding a meeting, by casting votes in writing or using means of remote communication, provided that all members of the Supervisory Board have received the draft of the resolution which is to be voted upon and have agreed to such manner of voting. Resolutions of the Supervisory Board regarding the suspension from duties of a member of the Management Board for a good reason, as well as resolutions regarding the delegation of a Supervisory Board member to temporarily perform the



duties of a Management Board member, are adopted by a majority of 4/5 of the votes cast in the presence of no less than 4/5 of the Supervisory Board members.

The Supervisory Board exercises supervision over the Company's activities in the manner stipulated in the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board adopted by the General Shareholders Meeting. The scope of powers of the Supervisory Board includes in particular: reviewing the Company's financial statements, the Directors' Report and the Management Board's recommendations concerning the distribution of profit or coverage of loss, and submitting an annual report on the findings of the above review to the General Shareholders Meeting, selecting an auditor to audit the Company's financial statements (on the basis of proposals received by the Management Board), 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.