

## **Appendix to Resolution No. 10/2017 of the Supervisory Board of INTER CARS S.A. of May 15th 2017**

### ***Report of the Supervisory Board of Inter Cars S.A.***

*on its activities in 2016, 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 2016 to December 31st 2016, 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**

As at December 31st 2016, 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 three members of 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 February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board; as well as the criteria specified in the WSE Best Practices; and the criteria of impartiality and independence specified in Art. 56.3.1, Art. 56.3.3 and Art. Art. 56.3.5 of the Act on Qualified Auditors and Their Self-Government.

In the reporting period, there were no separate committees of advisory or consultative nature within the Supervisory Board. Pursuant to the provisions of Art. 86.3 of the Act on Qualified Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Supervision, dated May 7th 2009, as long as the Supervisory Board consists of not more than five members, the entire Supervisory Board shall perform tasks of the Audit Committee within the meaning of the Act; these tasks include: (i) monitoring the financial reporting process; (ii) monitoring the effectiveness of the internal control, internal audit and risk management systems; (iii) monitoring financial auditing procedures; (iv) monitoring the independence of the auditor and the entity qualified to audit financial statements, also where they provide the services referred to in Art. 48.2 of the Act.

#### **II. Meetings of the Supervisory Board**

In the reporting period, the Supervisory Board held five 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 14th, May 19th, June 20th, September 26th and December 15th. At the meetings on September 26th and

December 15th 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 members of the Company's Management Board (Mr Maciej Oleksowicz, Mr Piotr Zamora and Mr Tomáš Kaštil), and to determine the remuneration for Management Board members. In the reporting period, the Supervisory Board passed a resolution by written ballot to grant consent to the pledging of shares in Inter Cars Marketing Services sp. z o.o. by the General Meeting as security for the bank financing obtained by the Company.

The Supervisory Board also discussed other material matters presented by the Management Board, e.g. the Board monitored the Group's general sales performance, supervised the progress of construction of the Logistics Centre in Zakroczym, and provided opinions on the establishment of a new operating structure within the Group (segments covering individual product groups).

### **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 supervision of the Inter Cars Group, the Supervisory Board analysed the growth prospects and current financial results of the Group companies. Moreover, as part of its supervisory activities, the Board issued opinions on the Group's draft business plans, financial plans and strategic assumptions, analysed the management methods applied by the Company and the organisation's current financial situation, and also discussed implementation of the budget and significant projects.

Within the prescribed deadline, the Supervisory Board assessed the Directors' Report on the Company's and the Inter Cars Group's operations in 2015, the Management Board's proposal concerning distribution of profit for 2015, as well as the separate and consolidated financial statements for the financial year 2015, 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 2016,

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 2016 to December 31st 2016, 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 2016, 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 2016, 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 2016, the separate and consolidated financial statements for 2016, 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 2016, which should be viewed as a good period for the entire Inter Cars Group.

In 2016, the Inter Cars Group reported record-high revenue of nearly PLN 6bn and net profit of over PLN 230m, which represents a 24.5% year-on-year increase in the Group's revenue and a 52% year-on-year increase in net profit earned by the Group.

In 2016, the Group opened 71 new branches, and as at December 31st 2016 the sales network comprised 445 branches (2015: 374), including 220 locations in Poland and 225 locations on foreign markets.

In the opinion of the Supervisory Board, the results in 2016 were mainly driven by further expansion of the product offering and introduction of new forms of sales support. Given that

the current structure of sales of spare parts corresponds to the structure of the entire body of registered vehicles, and due to the high availability of goods and the use of modern sales tools, the Group is able to offer competitive trading terms to its customers.

The Supervisory Board positively assesses the Group's growth in Poland and abroad. In 2016, Slovenia and Estonia were the most dynamically growing markets. In 2016, the Group launched sales in Moldova. The Group's activities help to further strengthen Inter Cars' leading position in Central and Eastern Europe. The Supervisory Board also positively assesses the financial results of all Group companies in 2016.

The Group is expanding its warehousing capacity to support the continued development of the distribution network and of the offering. In 2016, the main investment project was the launch of the Logistics Centre in Zakroczym and roll-out of a new warehouse management system. The Company's logistics network currently comprises the new Logistics Centre in Zakroczym, supported by eight regional distribution centres: three in Poland, and one in each of Latvia, Ukraine, Romania, Hungary, and Croatia. In the opinion of the Supervisory Board, these investments help the Group to build its competitive advantage.

The development of a comprehensive "One Stop Shop" offering in 2016 also had a significant positive effect on the Company's sales results. The offering comprises a wide range of benefits, from attractive trading terms to investment and finance programmes to marketing programmes and training.

The Supervisory Board also positively assesses the Management Board's plans to further develop the Motointegrator project through intensified work on modifying the strategy for the B2C area by leveraging Inter Cars's advantage on the B2B market.

The Supervisory Board would like to emphasise that apart from distribution of parts and automotive products, the Inter Cars 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.

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 2016, the Directors' Report on the Company's operations in 2016 and the Management Board's proposal regarding distribution of the Company's net profit for 2016 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. As a result, the Company's compliance with the law is monitored on an ongoing basis at the Management Board level, with particular business unit involved in the process.

No separate internal audit function has been established at the Company. The Supervisory Board monitors on an ongoing basis whether there is an actual need for establishing such a function within the organisation. In the opinion of the Supervisory Board, there is currently no need for such unit to be established at the Company.

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 and the Chief Financial Officer. 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 and the Legal Counsel.

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.

Once approved by the Management Board, the financial statements are reviewed or audited by an independent auditor appointed by the Supervisory Board from among reputed auditing firms. Based on circumstances identified during the audit of financial statements, the Finance Division, acting in communication with the auditor, 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.

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 2016, the Company published 40 current reports, 5 periodic reports and one corporate governance report. All reports are available on the Company's website at <http://inwestor.intercars.com.pl/pl/>, in the "Reports" and "Corporate Governance" sections.

On January 4th 2016, the Company published a report on the scope of application of recommendations and principles set out in the WSE Best Practices effective as of January 1st 2016.

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 has no defined policy on sponsorship and charitable activities. However, 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, among other things, 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 2016.

**Supervisory Board of Inter Cars S.A.**