



Dear Stockholders,

In 2017 Inter Cars broke yet another sales record with revenues exceeding PLN 6.9 billion and a growth rate of 16%. We rank second in Europe on the independent car parts distribution market. We have added 62 branches to our distribution network totalling as many as 507 points of sale in 16 European countries at the end of last year. The other segments of our business have been developing with similar dynamics.

The Polish market accounts for 61% of the Group's sales, with the passenger segment remaining the dominant one. The other segments and geographical markets appear to keep growing too.

The distribution market remains highly fragmented. We rank number 1 in Central and Eastern Europe, number 2 in Europe, and number 8 in the world in comparable segments.

Our profitability levels dropped by 6% compared with last year, with a consolidated net profit of PLN 216 m - way below our expectations. This is mainly due to the excessive overheads, additional logistics costs resulting from running 2 central warehouses in the 1st half of 2017 and maintaining too high stock levels during the first 3 quarters of the year (an increase in the number of logistic operations). We are aware of the necessity to improve price management and stock levels.

The key events on the Polish and international spare parts and repairs market in 2017 included:

In Poland:

- acquisition of shares of GAU PL by Alliance Automotive Group
- purchasing of Auto Distribution by LKQ Europe
- record-high sales of new cars
- another record-high sales by the Inter Cars Capital Group and a dynamic development of the leading distribution companies
- opening of the Inter Cars European Logistics Centre in Zakroczym and development of the logistics and warehouse facilities of the other distributors
- acquisition of the Feu Vert chain by Norauto Polska.

The European market saw some consolidation activities, including:

- acquisition of the Alliance Automotive Group by Genuine Parts Company
- acquisition of Stahlgruber by LKQ

- New shareholder of Europarts - Alpha Private Equity Funds
- acquisition of the ATU chain by Norauto.

The Polish market will likely undergo significant changes in the years to come, including a consolidation of the parts distribution segment, development of new sales channels or further investments in new technologies.

The mergers and takeovers on the spare parts distribution and production market in 2017 will result in a power shift both in Poland and the entire Europe. Problems may strike companies without a clearly defined development vision, having a limited access to capital, problems with succession or being of no interest to potential investors.

It is worth noting that Europe's 9 biggest passenger car parts distributors have a total turnover of EUR 12.6 b, accounting for no more than 9.6% of the total aftermarket segment (according to our estimates).

In the coming years, independent garages will likely merge into service chains, increase their standards, train their staff and invest in new repair technologies. This is also where we can become significantly involved and support our customers.

In our opinion, the market will be largely impacted by legislation at the EU level (e.g. telematics) and the national level (e.g. the electromobility act), although the effects of these changes will not be felt by the industry until a few years from now. The problem is and will continue to be the lack of qualified staff and a limited access to the technical data of vehicles. The growing number of fleet cars operated through car sharing chains will also be a concern.

The biggest challenge for our company in 2018 will be the optimization of activities mainly in terms of purchasing goods, managing prices, warehouses and logistics by utilizing the new logistics centres - in other words - improving the profitability by maintaining a two-digit sales growth in the years to come.

2017 saw the completion of the biggest investment in the entire history of Inter Cars. At the end of 2017, our warehouse chain included:

- a) the Inter Cars Central Warehouse (European Logistics Centre in Zakroczym), which handles the central, northern and eastern parts of Poland, as well as Lithuania, Ukraine and exports
- b) a Regional warehouse in Komorniki - dedicated for western Poland the German market (e-commerce)
- c) a regional warehouse in Sosnowiec - dedicated for southern Poland and the countries of Southern Europe
- d) a regional warehouse in Brasov - dedicated for the Romanian, Bulgarian and Greek markets
- e) a regional warehouse in Riga - dedicated for the Latvian and Estonian markets
- f) a regional warehouse in Zagreb - dedicated for Croatia, Italy (eastern part of the country), Bosnia and Herzegovina and Slovenia
- g) a regional warehouse in Budapest - dedicated for the Hungarian market.

In 2018, we plan to open a new regional warehouse in Sofia to improve our logistics in Bulgaria, help us expand in Greece and take some of the strain off of the warehouse in Brasov (Romania). We also plan to open several dozen new branches to further expand our distribution network, mainly abroad. At the end of 2017, Inter Cars had a total of 507 branches, of which 264 abroad.

I believe that Inter Cars is capable of further fast development in Poland and abroad, primarily due to our competitive advantage, scale, synergies between the segments, high fragmentation in the distribution segment and a growing number of cars in Central and Eastern Europe.

Extending our product base, sales segments, distribution networks or further expansion abroad are a few examples of our decisions. All our activities are and have always been focused on long-term gains.

At the end of 2017, Inter Cars ranked 2nd in Europe in the passenger cars market and 3rd in the trucks market, due mainly to the company's strong foundations built on:

- 1) its wide product range;
- 2) its distribution model;
- 3) its logistics;

as well as our corporate culture based on entrepreneurship and decentralised decision making.

An example of a successful investment is the B2B tires segment, which we have been developing for the past 5 years based on Inter Cars's strategy and advantage. To sum up, in 2017 Inter Cars gained a leading edge not only as a spare parts but also tire distributor in Poland.

This segment is characterized by an above-average goods turnover given the wide range of products offered: 34 tire brands in the passenger car market (including tires by all leading manufacturers) and 19 brands of truck tires.

Our strategic goal is to increase the sales of tires in the B2C segment in 2018.

Another example of a quick success is the body parts segment in Poland. Inter Cars is the only supplier capable of delivering all parts for body repairs (both body and mechanical).

Currently, Inter Cars ranks among 5 biggest distributors of car body parts in Europe (among to LKQ Europe, Van Wezel, Polcar and Prasco).

2017 was critical for the development of this segment due to the opening of a dedicated car body elements warehouse in Czosnów (i.e. in our previous main warehouse prior to moving it to Zakroczym).

Our goal in this segment is to become the leader on the Polish market in 2019 and to expand across Europe by 2023.

We have also made significant changes in the motorcycles segment. In 2017, these changes were mostly organizational, but at the beginning of 2018 we launched a new brand called "I'm Ready," which is to replace Inter Motors.

In 2017 we also commenced working on the Marine segment, which started to operate in Poland at the beginning of 2018. However, the main targets of the segment remain Croatia, Greece and Italy.

To sum up, our goal remains to keep implementing our segment-related strategies also outside Poland to ensure a further dynamic sales growth.

Our strategy is also to keep up the partnership with all our stakeholders. We keep broadening our product range, ensure its availability and distribution based on a strategic cooperation with our "premium" suppliers together with whom we have been able to continue the development of our product sales chains despite the pressure from smaller players offering their own brands.

As regards e-commerce, 2 years ago we began implementing a new application for sales based on SAP Hybris, integrating all prior sales solutions across 16 European markets. The new tool for B2B customers is already operating in Greece and Bulgaria and is scheduled for launching in the other countries, including Poland, still this year. We are also introducing thorough changes to the architecture of the main IT systems and are working toward increasing their security. Another important step is the API project related to interfaces which are to enable the external systems of our business partners to gather information electronically and place orders directly with Inter Cars.

On the other hand, we keep developing our offer and customer added values. Many internet platforms have been created in our business segment, especially in Europe. Our Motointegrator.pl platform has been the first one of its kind in Poland.

Our goal is to direct as many drivers as possible to garages. Each month, we direct some 40 thousand customers to garages, and their number continues to grow.

Through Motointegrator.pl:

- garages acquire customers and thus become loyal to IC. The transparency of the repair process benefits all of its participants:

- a car owner saves time and is provided with care in a technically complicated area - all that thanks to our online project combined with a call centre. We have developed a strategy combining Motointegrator (garage search engine and online appointments) with a new area of telematics and e-commerce for selected products. We plan to start implementing the strategy on selected markets in 2018

Our most important task is to continue our long-term strategy, i.e. development of sales chains from the Baltic sea to the Balkans, and to arrive at a revenue of PLN 10 b in 2020.

We expect a further organic expansion abroad. We have a large potential for growth based on the adopted model of development.

We believe that the basic measure of our success will be a long-term value for our stockholders resulting directly from consolidating our status as the market leader. The stronger we are as the market leader, the stronger our business model, as our leadership status will translate into bigger sales, profits, more effective capital management and, consequently, into a higher rate of return.

This has been our strategy from the very start - our goal is to satisfy all needs of our key B2B customers, i.e. garages. The strategy has been nicknamed "one stop shop."

We are going to focus on a sustainable sales growth and a long-term profitability growth. We expect a two-digit sales increase in 2018, combined with a growth in profitability compared with 2017.

2018 goals

We assume that in 2018 we will continue to grow faster than our domestic and foreign markets. These assumptions result from the optimism on the market and the advantages of Inter Cars, including: a wide range of products and their availability, effective logistics, a network of over 500 branches and the synergy effect resulting from supporting our partners by directing customers to their garages, offering fleet services and launching the Motointegrator platform, resulting in increased customer loyalty and higher margins.

In 2018 we plan to open several new branches, mostly abroad.

We believe we still have the possibility to improve our services in Poland and abroad, including product and service availability, reduction of the delivery times, implementation of IT solution for garages to facilitate the selection of parts and to help them price their services.

Despite our optimism as to the future development of the segment, we remain vigilant to the market changes and the activity of our competitors. The main challenges for Inter Cars include: market consolidation, competition on the part of car manufacturers, development of new, Internet-based business models, new car patterns related to the use of cars such as car sharing and a generational change related to our managerial and branch staff.

We are convinced that the spare parts distribution business will continue to grow due to the increasing number and complexity of cars, as well as more advanced parts and systems.

On behalf of Inter Cars, I would like to thank all our customers, shareholders, business partners and employees for their support, trust, hard work and continuous motivation.

Maciej Oleksowicz

President of the Management Board of Inter Cars SA