



#### TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

## Independent Registered Auditor's Report

To the General Meeting and the Supervisory Board of Inter Cars S.A.

### Report on the audit of annual consolidated financial statements

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#### Our opinion

In our opinion, the attached annual consolidated financial statements of the Inter Cars Group („the Group”), in which Inter Cars S.A is the parent entity (“the Parent Company”):

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable and the Parent Company's Articles of Association;

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

#### What we have audited

We have audited the annual consolidated financial statements of the Inter Cars S.A. Group, which comprise:

- the consolidated statement of financial position as at 31 December 2019;

and the following prepared for the financial year from 1 January to 31 December 2019:

- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows,
- the notes comprising a description of the adopted accounting policies and other explanatory notes

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#### Basis for opinion

##### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as the National Standards on Auditing by the National Council of Statutory Auditors (“NSA”) and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (“the Act on Registered Auditors” – Journal of Laws of 2019, item 1421, as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (“the EU Regulation”

– Journal of Laws EU L158). Our responsibilities under those NSA are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Independence and ethics

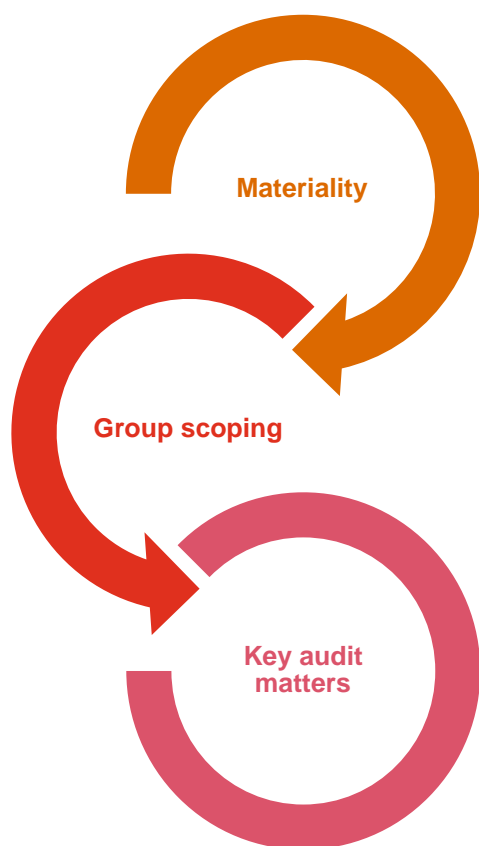
We are independent of the Group in accordance with the International Federation of Accountants'

Code of Ethics for Professional Accountants (“the IFAC Code”) as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in

accordance with these requirements and the IFAC’s Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

## Our audit approach

### Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Parent Company’s Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of

- The overall materiality threshold adopted for the purposes of our audit was set at PLN 70 000 thousand, which represents 0.8% of the Group’s sales revenue.
- We conducted the audit of the Parent Company and the following subsidiaries in Poland: – ILS Sp. z o.o., Inter Cars Marketing Services Sp. z o.o.; Q-service Sp. z o.o.; Lauber Sp. z o.o.; Feber Sp. z o.o.
- Firms from the PwC network conducted, with our supervision and according to our instructions, the audit of the group package of Inter Cars Romania s.r.l. and the audit procedures specific to the needs of the Group’s audit on the financial data of Inter Cars Bulgaria Ltd.; Inter Cars Česká republika s.r.o.; Inter Cars Slovenská republika s.r.o.; Inter Cars Lietuva UAB; Inter Cars Hungária Kft.; Inter Cars d.o.o. (Croatia); Inter Cars Latvija SIA; Inter Cars INT d.o.o. (Slovenia); Cleverlog-Autoteile GmbH, Inter Cars Malta Holding Ltd., Inter Cars Malta Ltd.
- The scope of our audit covered 92% of the Group’s revenue and 77% of the total assets of all consolidated Group companies before consolidation eliminations.
- Impairment of goodwill
- Existence and valuation of inventories

Management’s bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operated.

### Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the {consolidated} financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

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| <b>Overall Group materiality</b> | PLN 70 000 thousand (2018: PLN 63 450 thousand) |
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| <b>How we determined it</b> | 0.8% of sales revenue |
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| <b>Rationale for the materiality benchmark applied</b> | We have adopted sales revenue as the basis for determining materiality because, in our opinion, it is an indicator commonly used by the users of financial statements to evaluate the Group's operations and is a generally adopted benchmark, especially by entities showing high growth dynamics and generating sales revenue in low-margin sectors. We adopted the materiality threshold at 0.8% because, based on our professional judgement, it is within the acceptable quantitative materiality thresholds. |
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We agreed with the Audit Committee that we would report misstatements identified during our audit above PLN 3.500 thousand , as well as

misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit

We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

of the consolidated financial statements as a whole, and in forming our opinion thereon.

## Key audit matter

## How our audit addressed the key audit matter

### Impairment of goodwill

The balance of goodwill recognized in the Group's consolidated financial statements as at the balance sheet date is PLN 124 130 thousand. Goodwill has been discussed in Note 7 to the consolidated financial statements.

The Management Board performs impairment tests for goodwill attributed to a given cash generating unit at least once a year, calculating its recoverable amount under the value in use method. Conducting of impairment tests is related to the need to adopt a number of significant assumptions and making judgements concerning, among other things, the adopted strategy of a cash generating unit to which goodwill has been allocated, financial budgets and forecasts of cash flows for the coming years, including after the period covered by detailed forecasts, as well as macroeconomic and market assumptions.

As a result of the impairment tests performed, no impairment of goodwill has been recognized in the consolidated financial statements.

Bearing in mind the inherent risk of uncertainty related to significant estimates performed by the Management Board, we concluded that this issue is of key importance to our audit.

Our audit procedures comprised in particular:

- understanding and evaluating the process of estimating impairment of goodwill and the principles for establishing the cash generating units;
- analysing the impairment test performed by the Management Board of the Parent Company, in particular:
  - (a) a critical assessment of the assumptions adopted and estimates made by the Management Board for the purpose of determining value in use (a five-year projection of future cash flows and the assumed level of revenues, operating margin, discount rate applied, marginal growth rate after the forecast period, the level of revenue and operating margin), also including reference of the amounts adopted by the Management Board to independent market data;
  - (b) verification of the arithmetical correctness and methodological consistency of the valuation model based on discounted cash flows by PwC's internal valuation specialists;
- assessing the sensitivity analysis performed by the Management Board with respect to the impact of the adopted assumptions on the result of the impairment assessment;
- assessing the accuracy and completeness of disclosures concerning impairment tests in the consolidated financial statements.

### Existence and valuation of inventories

As at the balance sheet date the balance of inventories of goods for resale in the financial statements was PLN 2 062 819 thousand, representing 46.6% of the Group's assets.

Inventories have been discussed in Note 12 to the consolidated financial statements.

Inventories are located in three main warehouses (the so-called hubs) and in 561 other locations. In order to confirm the existence of inventories, the Group conducts regular counts in various locations during the year (cyclical counts).

The value of inventories is also affected by factors such as purchase prices and impairment.

Our audit procedures comprised in particular:

- understanding the accounting principles related to standard transactions in inventories;
- understanding the control procedures carried out by the Group with respect to the processes related to inventories, assessing the design of these controls and testing the effectiveness of controls verifying the appropriateness of cyclical counts, performed on a selected sample of control procedures;
- participating in selected inventory counts carried out by the Group in order to confirm

The purchase prices are very significantly affected by contractual arrangements with suppliers concerning rebates and bonuses for the purchase of goods. Rebates and bonuses are based on transaction volumes achieved which to a considerable extent are determined based on estimates as at the moment of preparing the consolidated financial statements.

Evaluation of impairment requires performing estimates and judgements in valuation of inventories, especially within the scope of determining the net selling price and estimating the saleability of a given inventory item. The accounting policy for valuation of inventories has been described in Note 3.3 to the consolidated financial statements.

Bearing in mind the inherent risk of uncertainty related to significant estimates performed by the Management Board and the materiality of inventory balances shown in the balance sheet, we concluded that this issue is of key importance to our audit

the existence and usefulness of inventories, and conducting tests on a selected sample of count sheets to warehouse balances and vice versa;

- verifying the correctness of accounting for inventory count differences in the books of account;
- understanding and evaluating the inventory valuation process performed by the Management Board, including evaluating the correctness of valuation adjustments related to rebates and bonuses granted by suppliers, and tests of detail on selected samples:
  - a) valuation of inventories at net selling prices (comparing the warehouse values to values from purchase invoices and net selling prices obtained);
  - b) amounts of rebates due but not yet received (verifying the arithmetical correctness of calculations, consistency with agreements and confirming the input data);
  - c) rebates received in the audited year (reconciliation to adjusting invoices);
  - d) discounts received on cash payment (reconciliation to bank statements);
- understanding and evaluating the process of estimating impairment of inventories by the Management Board, and evaluating the correctness of determining write-downs of inventories in the case of which the net realizable value (constituting the sales price less rebates, discounts and selling costs) is lower than the purchase price (cost of manufacture), and slow-moving inventories, including tests of detail (verifying the arithmetical correctness of calculations and comparing the carrying amounts to the actual prices on sales invoices issued after the balance sheet date) on a selected sample;
- assessing the completeness and correctness of disclosures concerning inventory write-downs.

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## Responsibility of the Management and Supervisory Board for the consolidated financial statements

The Management Board of the Parent Company is responsible for the preparation of annual consolidated financial statements that give a true and fair view of the Group's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Parent Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent Company's Management Board is

responsible for assessing the Company's Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent Company's Management Board and members of its Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2019, item 351, as amended). Members of the Supervisory Board} are responsible for overseeing the financial reporting process.

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## Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not cover an assurance on the Group's future profitability or the efficiency and effectiveness of the Parent Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's Management Board.
- Conclude on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the {consolidated} financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Other information, including the Report on the operations

### Other information

Other information comprises a Report on the Group operations for the financial year ended 31 December 2019 ("the Report on the operations") and the corporate governance statement which is a separate part of the Report on the operations, and a separate report on non-financial information (together "Other Information").

### Responsibility of the Management and Supervisory Board

The Management Board of the Parent Company is responsible for preparing Other Information in accordance with the law.

The Parent Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Group's operations including its separate parts and a separate report on non-financial information complies with the requirements of the Accounting Act.

### Registered auditor's responsibility

Our opinion on the audit of the consolidated financial statements does not cover Other Information.

In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the information in the consolidated financial statements, our knowledge obtained in our audit,

or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Parent Company and the Group provided the required information in its corporate governance statement and to inform whether the Parent Company and the Group prepared a separate report on non-financial information.

### Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the Group's operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 para. 71 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2018, item 757).

- is consistent with the information in the financial statements and the consolidated financial statements.

Moreover, based on the knowledge of the Group and its environment obtained during our audit, we have not identified any material misstatements in the Report on the Group's operations.

#### **Opinion on the corporate governance statement**

In our opinion, in its corporate governance statement, the Parent Company and Group included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the

law and with information included in the financial statements and the consolidated financial statements.

#### **Information on non-financial information**

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Parent Company and the Group have included in their Report on the operations, information on the preparation of a separate report on non-financial information referred to in Article 55(2c) of the Accounting Act and that the Company and the Group have prepared such a separate report.

We have not performed any assurance work relating to the statement separate report on non-financial information and we do not provide any assurance with regard to it.

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### **Report on other legal and regulatory requirements**

#### **Statement on the provision of non-audit services**

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Parent Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in the appendix to this report.

#### **Appointment**

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 20 June 2016 based on paragraph 14(2)(3) of the Parent Company's Articles Association, and re-appointed by resolution dated 4 June 2019. We have been auditing the Group's consolidated financial statements without interruption since the financial year ended 31 December 2016, i.e. for 4 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Piotr Wyszogrodzki.

Piotr Wyszogrodzki  
Key Registered Auditor  
No. 90091

Warsaw, 17 April 2020



***Appendix to the independent registered auditor's report on the audit of the financial statements of Inter Cars S.A. for the financial year ended 31 December 2019***

The list of non-audit services which we provided to the Company and its subsidiaries in the audited financial year:

- Review of the interim condensed consolidated financial statements of the Group and separate interim financial statements of the Parent Company for 6 months period ended on 30 June 2019;
- Translation of the financial statements for the year 2019 from Lithuanian to English by PricewaterhouseCoopers, UAB (Lithuania) for Inter Cars Lietuva, UAB;
- Support in the interpretation of new tax changes in Estonian VAT by AS PricewaterhouseCoopers (Estonia) for Inter Cars Eesti OÜ;
- Review of report for the National Packaging Register by AS PricewaterhouseCoopers (Estonia) for Inter Cars Eesti OÜ.