INTER CARS CAPITAL GROUP

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES

IN THE YEAR ENDED ON 31 DECEMBER 2015

PART III

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1. Information on basic activities of Inter Cars Group

1.1 Summary

Inter Cars Group is an importer and distributor of spare parts for cars and commercial vehicles. The Group's offering also includes equipment for repair garages and spare parts for motorcycles and tuning. Inter Cars Capital Group is the biggest in Poland independent aftermarket spare parts distributor. The Group operates in Poland, Ukraine, Czech Republic, Republic of Slovakia, Lithuania, Hungary, Italy, Croatia, Belgium, Romania, Latvia, Cyprus, Bulgaria, Estonia, Slovenia, Germany and Malta.

In 2015, Sales revenues were over 21.0% higher than in 2014. It should be noted that sales increase was mainly due to development of distribution chain.

In 2015 the Group opened 44 new branches, i.e. as at 31 December 2015 the total number of branches was 374 (2014: 330), 183 branches in Poland and 191 branches abroad, up from 169 branches in Poland and 161 abroad in 2014.

Gross profit on sales revenue went up by almost 18% in comparison to 2014. Group's sales margin was kept on the level of around 29.7%.

The basic consolidated financial data is presented in the following table.

	2015	2014	2015	2014
('000)	*PLN*	*PLN*	*EUR*	*EUR*
Profit and loss account *(for the period)*				
Sales revenues	4,795,788	3,959,230	1,146,002	945,082
Gross profit (loss) on sales	1,454,519	1,209,796	347,572	288,782
Net financial revenues / costs	(22,783)	(21,199)	(5,444)	(5,060)
Operating profit (loss)	198,757	227,101	47,495	54,210
Net profit (loss)	151,026	177,699	36,089	42,417
Other financial data				
Operating cash flows	159,044	46,160	38,005	11,019
Investing cash flows	(160,987)	(72,924)	(38,469)	(17,407)
Financing cash flows	9,130	42,396	2,182	10,120
Basic profit per share	10.66	12.54	2.55	2.99
Sales margin	30.3%	30.6%		
EBITDA margin	5.2%	6.9%		
Balance sheet *(as at)*	**31/12/2015**	**31/12/2014**	**31/12/2015**	**31/12/2014**
Cash and cash equivalents	73,016	65,829	17,134	15,444
Balance sheet total	2,506,364	2,056,682	588,141	482,529
Loans, borrowings and finance lease	804,645	636,634	188,817	149,364
Equity attributable to the shareholders of the parent entity	1,205,878	1,069,048	282,970	250,815

(1) Sales margin is defined as the quotient of gross profit on sales and sales revenue.

(2) EBITDA is defined as net profit (loss) before depreciation and amortisation, net finance income (expenses), foreign exchange gains/losses and income tax

The following exchange rates were applied to calculate selected financial data in EUR:

- for balance sheet items – the National Bank of Poland exchange rate of 31 December 2015 – 1 EUR = PLN 4.2615, and the National Bank of Poland exchange rate of 31 December 2014 – 1 EUR = PLN 4.2623
- for the profit and loss account and cash flow items – the National Bank of Poland Exchange rate constituting the average National Bank of Poland exchange rate announced on the last day of each month of 2015 and 2014, respectively: 1 EUR = PLN 4.1848 and 1 EUR = PLN 4.1893

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The revenues of Inter Cars were approx. 60% of the Capital Group's revenues (before consolidation exclusions). **Poland is the main market** of sales for the Capital Group.

The spare parts distribution market has significant growth potential. The main market drivers include the **continuous increase in the number of registered vehicles on the roads**, **liberalisation of applicable regulations** providing for access of independent spare parts distributors to licensed garages, **elimination of barriers to the import** of second-hand vehicles, **increasing complexity of repairs** due to the more widespread use of advanced technologies in the manufacturing of vehicles, and the continuously growing intensity of vehicle use, including in particular an increase in the average age of registered vehicles and the average mileage.

Structure of Inter Cars Capital Group results from strategy of geographical expansion in distribution of automotive spare parts (Inter Cars Ukraine LLC, Inter Cars Ceska Republika s.r.o., JC Auto s.r.o., Inter Cars Slovenska Republika s.r.o., Inter Cars Lietuva UAB, Inter Cars d.o.o, Inter Cars Hungaria Kft, JC Auto S.A, IC Italia s.r.l, Inter Cars Romania s.r.l., Inter Cars Latvija SIA, Inter Cars Bulgaria Ltd., Cleverlog-Autoteile GmbH, Inter Cars Eesti OÜ, Inter Cars INT d o.o., Inter Cars Piese Auto s.r.l.) and development of supporting projects for core business (Lauber Sp. z o.o., Feber Sp. z o.o., Q-Service Sp. z o.o., IC Develoment & Finance Sp. z o.o., Armatus Sp. z o.o., Inter Cars Cyprus Limited, Inter Cars Marketing Services Sp. z o.o., ILS Sp. z o.o., Inter Cars Malta Holding, Inter Cars Malta Limited, Q-Service Truck Sp. z o.o., Aurelia Auto d o o.).

The Group's primary objectives are to continuously improve the quality of management of the flow of goods and to gain the largest share in the Central and Eastern European market. To reach those objectives, the Group will expand its existing distribution model with additional elements – affiliate branches, regional warehouses and subsidiary distribution companies outside Poland. In effect, the Group will strengthen its position as the most effective and efficient spare parts distribution channel between manufacturers and end users – garages.

Group's strategy of development is based on three key elements: (1) development of distribution chain in Poland and abroad; (2) development of product range; (3) development of partner programmes.

The strategic aim of the Group is building a dominant position in Poland and in Europe in distribution of automotive spare parts, and the Group intends to obtain it by gaining a market share of around 25-30% on local markets.

The Group intends to reach its aim by organic growth in new markets as well as developing on the markets, where it has its business activities. The distribution chain is built on the basis of distributors selling merchandise on behalf of the Group.

Inter Cars is number 1 in Poland and Central and Eastern Europe, number 5 in Europe and number 10 in the world among distributors of automotive spare parts.

(in thousand PLN)

1.2. Basic goods and target markets of the Inter Cars Group

The table below sets forth Inter Cars Capital Group's sales revenue **broken down by basic types of goods**.

	Sale of spare parts		Other		Eliminations		Total	
	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014	01/01/2015 -31/12/2015	01/01/2014 -31/12/2014
Revenues from external customers	4,650,501	3,891,770	145,287	67,460	-	-	4,795,788	3,959,230
Revenues between segments	52,151	15,974	257,513	249,681	(309,664)	(265,655)	-	-
Interest income	4,343	5,111	891	8	(2,871)	(2,846)	2,363	2,273
Interest costs	(22,308)	(20,004)	(842)	(1,464)	2,871	2,846	(20,279)	(18,622)
Depreciation and amortization	(47,590)	(46,295)	(13,616)	(8,332)	11,430	12,065	(49,776)	(42,562)
Profit before tax	**259,620**	**236,030**	**3,471**	**9,397**	**(86,966)**	**(39,433)**	**176,125**	**205,994**
Shares in affiliates – using equity method	810	**672**	-	**-**	-	**-**	810	**672**
Total assets	**3,772,872**	**3,101,851**	**372,291**	**231,078**	**(1,638,799)**	**(1,276,247)**	**2,506,364**	**2,056,682**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(46,619)	(62,261)	(120,140)	(15,652)	-	-	(166,759)	(77,913)
Total commitments	**2,032,095**	**1,506,526**	**109,755**	**99,561**	**(841,364)**	**(618,453)**	**1,300,486**	**987,634**

Subsidiaries, like the parent company, offer both parts for passenger cars and trucks, with addition that the total structure of the Group's sales is dominated by parts for passenger cars.

About 67% of the sales revenues of the Group in 2015 came from the **sales in Poland.**

In 2015, **sales revenues** were 21% higher than in 2014. It should be noted that sales revenue for November 2015 amounted to record high of PLN 507 million (the highest monthly sales in the history of Inter Cars).

The sales revenue in 2015 **was primarily driven by**:

(a) broadening product range in each segment, our product range is the widest in comparison to the competition

(b) developing distribution chain in Poland and abroad. Currently we have 183 branches in Poland and 191 abroad. In 2015 we opened 44 new branches, mainly on the basis of specialists taken over from the market.

(c) development of our complete offer for customers, which we call a "One stop shop" - everything in one place. This includes a wide range of advantages, starting from attractive trade conditions, investment programs and financial programs, marketing programs, through trainings - i.e. transfer of technical knowledge to garages in cooperation with premium suppliers.

(d) inventories management system optimisation continuation, covering both stock level optimisation for individual product groups, and supply chain optimisation, which primarily involved increased role of regional distribution centres and sourcing larger supplies directly from manufacturers.

(e)gaining customers for garages we cooperate with: corporate customers – through Motointegrator Fleet, and individual customers – through Motointegrator.pl. These business operations provide the Company a steady growth, building potential for the future. Business customers obtain a new tool for gaining and servicing new customers, and our Company develops the scope of operations onto vehicle users. On German market we can observe dynamic growth of sale of automotive spare parts via Motointegrator.de

Basic commodities and products

Inter Cars offers the widest range of automotive spare parts in Central and Eastern Europe. The Group's offering includes both branded goods that are identical in terms of quality with those used in the factory assembly of vehicles, as well as significantly cheaper but good-quality goods sourced from manufacturers selling their products exclusively to the aftermarket. The product range comprises spare parts for majority of vehicles sold in Poland and Europe and manufactured in Western Europe, Japan and South Korea, as well as for selected makes manufactured in the USA.

The Group has been systematically expanding the assortment of offered goods. It is done by extending the offering in particular segments, by adding new categories to the existing segments, and by entering new markets.

The Inter Cars Group also owns Feber Sp. z o.o. - manufacturer of semi-trailer tippers and trailers.

Supplementation of Group's activity is sale of commercial vehicles and trucks made by Isuzu make, ran by the first in Poland authorized dealer of the company – Q-Service Truck Sp. z o.o. The company also became an authorized representative of ZF Friedrichshafen AG regarding the sale and servicing of manual transmissions, automated and automatic transmissions for trucks.

Inter Cars Group's **primary sale market** is Polish market. In 2015 markets in Germany and in Slovenia were the fastest growing ones.

In 2015 the Group also started its business activities in Estonia. This way the Group now operates in all Baltic States. In the centre of this region, in Latvia, the Group opened a warehouse which supplies goods to garages and to retail customers.

(in thousand PLN)

Similar warehouse operates in Romania, also delivering goods to Bulgaria. Whilst the warehouse in Croatia also supplies goods to Slovenia and Italy. Logistics operator of the warehouses in Poland, Romania and Latvia is ILS sp. z o.o. Company, which is a part of Inter Cars Group.

In the first quarter of 2017, the European Logistics Centre in Zakroczym shall start its business activity. Total value of the investment shall reach PLN 160m. The Logistics Centre is located in the Special Mazurian Economic Zone. The premises in Zakroczym will be equipped with the most modern sorting systems adapted to the needs of automotive industry.

Romania is the second biggest market of the Group, after Poland. 51 branches deliver goods to over 9,450 garages, and the Company is number 3 in the country.

The table below sets forth the **basic structure of distribution markets**

Sales revenue by distribution markets

	2015	share	2014	share
Poland	3,197,597	*66.7%*	2,800,471	*70.7%*
Romania	395,896	*8.3%*	275,807	*7.0%*
Lithuania	187,971	*3.9%*	161,407	*4.1%*
Croatia	152,402	*3.2%*	112,342	*2.8%*
Czech	150,528	*3.1%*	123,896	*3.1%*
Slovakia	147,633	*3.1%*	127,114	*3.2%*
Latvia	137,979	*2.9%*	93,706	*2.4%*
Ukraine	130,493	*2.7%*	120,031	*3.0%*
Bulgaria	119,692	*2.5%*	58,088	*1.5%*
Hungary	110,480	*2.3%*	56,218	*1.4%*
Italy	31,206	*0.7%*	22,504	*0.6%*
Germany	15,259	*0.3%*	1,959	*0.0%*
Slovenia	9,661	*0.2%*	409	*0.0%*
Estonia	6,734	*0.1%*	0	*0.0%*
Belgium	2,257	*0.0%*	5,278	*0.1%*
Total	**4,795,788**	***100.0%***	**3,959,230**	***100.0%***

The tables below set forth Inter Cars' sales revenue **broken down by basic types of goods**.

	2015	*share*	2014	*share*
Spare parts for passenger cars	3,205,776	*66.9%*	2,770,235	*70.0%*
Spare parts for commercial vehicles and buses	695,812	*14.5%*	529,672	*13.4%*
tyres	467,265	*9.7%*	284,563	*7.2%*
garage equipment	175,181	*3.7%*	144,926	*3.7%*
motorcycles and parts	96,666	*2.0%*	72,885	*1.8%*
other sale - services	88,489	*1.8%*	97,801	*2.5%*
semi-trailers - Feber	62,368	*1.3%*	56,941	*1.4%*
automobiles ISUZU	4,231	*0.1%*	2,207	*0.1%*
Sales revenue total	**4,795,788**	***100.0%***	**3,959,230**	***100.0%***

The biggest change in basic product range of the Group was recorded in Tyre segment.

The sale of Feber semi-trailers went up by almost 10%, and sale of Isuzu cars almost doubled. Spare parts for passenger cars still remain the core business. Inter Cars enters new markets with such offer, sometimes developing it with spare parts for commercial vehicles and other goods.

(in thousand PLN)

Market environment

Inter Cars operates in the segment of distribution of new spare parts, supplied mainly to garages independent of vehicle manufacturers. According to PMR report for the year 2014 the market of new spare parts, running parts and accessories in Poland amounted to PLN 18bn, an increase by 5.6% in comparison to 2013, and according to data provided by SDCM (Polish Automotive Aftermarket Distributors Association), the independent distribution segment accounts for approximately 51% of the total value of the spare parts market in Poland **The Company is the largest player in this sector.**

Key drivers of the market development

The aftermarket for spare parts is a natural spin-off of the automotive market, as vehicle repairs and replacements of consumable parts create continuous demand for spare parts. Due to the financial crisis, markets recorded a downturn in sales of new vehicles, or at best a very small increase. At the same time, the period of use of motor vehicles has extended.

The main factors influencing the **increase of the market** are the **increase in the number of cars** registered in Poland and in other European countries and driving on the roads. In the whole year 2015, in countries where the Group has its operations, the number of registered cars went up (except for Estonia) and is higher than in 2014.

	2015	2014	2015/2014
Belgium	501,066	482,939	3.8%
Bulgaria	23,500	20,359	15.4%
Czech	230,857	192,314	20.0%
Croatia	34,820	33,409	4.2%
Estonia	20,349	20,969	(3.0%)
Hungary	77,171	67,476	14.4%
Italy	1,574,872	1,360,578	15.8%
Latvia	13,765	12,452	10.5%
Lithuania	17,085	14,503	17.8%
Poland	354,975	327,709	8.3%
Romania	81,162	70,172	15.7%
Slovenia	59,450	53,296	11.5%
Slovakia	77,968	72,237	7.9%
	3,067,040	**2,728,413**	**12.4%**

Source: Acea

More and more factors decide about the competitive position of distributors. These factors include in particular the traditional aspects of customer communication (location of points of sale) and availability (and, by extension, order lead times), but also the development of quality aspects. In practice, the improvement in customer service quality consists in the development of the product range by adding new product lines and providing "one-stop shops" for the customer, as well as the provision of on-line access to product information, starting from product availability to the technical specifications regarding product assembly. From the perspective of distributors this means that on the one hand they will benefit from higher customer loyalty and volume of purchases; on the other they face a great challenge, as they must develop the logistics base and enter new market segments, often characterised by a different "sales philosophy" and different, highly specialised competition.

Inter Cars Group realizes such strategy, which is called „One Stop Shop – everything under one roof". This means that Inter Cars, being a distributor with the widest range of spare parts for passenger cars, provides its customers (servicing garages) added values in the form of marketing supports, investment support, trainings and redirects customers to garages using its fleet programme and Motointegrator.pl platform.

(in thousand PLN)

Number and structure of vehicles used

According to European Automobile Manufacturers' Association, in the year 2015 the sales of new cars in Europe went up by 2.5% in comparison to 2014 and amounted to 16.7 million pieces. Whereas in EU itself this growth amounted to 9.3%. The increase was mostly generated by Spain (+20,9%), and the UK (+6,3%), Italy (+15,8%) and Germany (+5,6%) respectively. The largest car market are still Germany and , the UK, France and Italy, respectively.

The total number of passenger cars in Europe is estimated to be 285 m, of which 14.9m are passenger cars in Poland. That means that vehicles in Poland constitute 5% of the European car fleet.

The average age of a vehicle in Europe is estimated to be 8.6 years. Vehicles in Poland are older as the average age of a vehicle is estimated to be over 14 years.

2. Supply sources

The Group's offer includes goods from a few hundred suppliers. Goods are delivered from the area of the entire world, however, mostly from suppliers from EU and Asian countries. The major category of suppliers is international concerns for which the Company is one of the largest and most important customers in Central and Eastern Europe. Given the significant diversification of the supply sources, the Group is not dependent on any single supplier or a small number of suppliers – no supplier's share in the total sales revenue exceeds 10%

3. Agreements significant and material to the Company's business and insurance agreements

Significant agreements

Inter Cars has formal written agreements governing business relations with only some of the Group's suppliers. Those are in particular agreements which stipulate terms and conditions for granting additional discounts by the Group's suppliers. The agreements do not oblige the Company to generate turnover of a specified value.

Selected substantial contracts

Inter Cars is a party to agreements material to the implementation of the Group's development strategy. They include in particular agreements with the suppliers of spare parts which specify terms and conditions for granting discounts.

Generally, the agreements are entered into for one year. In the period to the reporting date, the following agreements were effective:

No.	Date of agreement	Party
1	02/01/2015	Contitech Antriebssysteme GmgH
2	11/05/2015	Egon von Ruville
3	06/07/2015	Federal Mogul
4	02/03/2015	Robert Bosch
5	20/07/2015	SKF
6	15/03/2015	Valeo
7	Appendix of 02/01/2015 to trade agreement of 02/01/2007	Wix-Filtron
8	02/01/2015	ZF Trading

(in thousand PLN)

The material agreements for spare parts supplies concluded for an indefinite term include:

No.	Date of agreement	Party
1	26/01/2005	Triumph Motorcycles LTD
2	19/12/2008	Giantco Limited
3	05/11/2008	JIANGMEN DIHAO MOTORCYCLE COMPANY LTD
4	19/12/2008	CHONGQING HUANSONG INDUSTRIES (GROUP) CO.,LTD
5	09.12.2009	CHONGQING YINXIANG MOTORCYCLE (GROUP) CO., LTD
6	09/12/2009	CHONGQING YUAN GROUP IMP.&EXP. CO., LTD.

Insurance agreements

Date of agreement	Party	Subject matter	Material terms and conditions	Term
29/03/2016	Warta	Insurance of the Company's assets and working capital	„All in" policy: including domestic entities; all risk property insurance, electronic equipment insurance, insurance of goods in transportation (Cargo), business activity third party insurance	01/04/2016 - 31/03/2017
09/02/2016	Allianz	Third party insurance of the Board of Management	Third party insurance of the Board D&O	09/02/2016-08/02/2017

Foreign subsidiaries have their own insurance policies from their local markets.

Shareholder agreement

The Group is not aware of any shareholder agreements.

4. **Organisational or capital links between the issuer and other entities; information on the issuer's key domestic and foreign investments (securities, financial instruments, intangible assets and real property), including equity investments outside the group, as well as a description of methods of investments financing within the Group and its entities.**

Inter Cars S.A. is the parent company of the capital group comprised of the following companies, which are a subject of consolidation:

1. Inter Cars Ukraine LLC, a Ukrainian law company with registered seat in Khmelnitsky, Ukraine (100% of Inter Cars S.A.'s share in the company's capital),
2. Lauber Sp. Z.o.o with registered seat in Słupsk (100%),
3. Q-Service Sp. z o.o. with registered seat in Cząstków Mazowiecki (100%),
4. Inter Cars Ćeska Republika with registered seat in Prague (100)%,
5. Feber Sp. z o.o with registered seat in Warsaw (100%),
6. Inter Cars Slovenska Republika with registered seat in Bratislava (100%),
7. Inter Cars Lietuva UAB with registered seat in Vilnius (100%),
8. IC Development & Finance Sp. z o.o. with registered seat in Warsaw (100%),
9. Armatus Sp. z o.o. with registered seat in Warsaw (100%),
10. JC Auto s.r.o. with registered seat in Karvina - Darkom (100%),
11. Inter Cars Hungária Kft with registered seat in Budapest (100%),
12. JC Auto S.A. with registered seat in Brain L'Allued, Belgium (100%),
13. Inter Cars d.o.o. with registered seat in Zagreb (100%),
14. Inter Cars Italia with registered seat in Milan (100%) ,
15. Inter Cars Romania, with registered seat in Cluj Napoca (100%)
16. Inter Cars Latvija SIA , with registered seat in Riga (100%)
17. Inter Cars Cyprus Ltd., with registered seat in Nicosia (100%)
18. Inter Cars Bulgaria Ltd. with registered seat in Sofia (100%)
19. Cleverlog-Autoteile GmbH with registered seat in Berlin (100%)
20. Inter Cars Marketing Services Sp. z o.o. with registered seat in Warsaw (100%)

(in thousand PLN)

21. ILS Sp. z o.o. with registered seat in Kajetany (100%)
22. Inter Cars Malta Holding Limited with registered seat in Malta (100%)
23. Q-service Truck Sp. z o.o. with registered seat in Warsaw (100%)
24. Inter Cars INT d o.o., with registered seat in Ljubljana (100%)
25. Inter Cars Eesti OÜ, with registered seat in Talin (100%)
26. Inter Cars Piese Auto s.r.l. With registered seat in Kishinev (100%)

In the reporting period a new company was established - Inter Cars Piese Auto s.r.l. All the companies are financed by the parent entity either by loans or by trade credit. Details of loans issued are presented in note 8 of the Report on the Operations

5. Changes in organization associations and capital associations and their results.

In the year 2015 organizational or equity links were not changed.

6. Information on material transactions with related entities concluded on terms other than at arm's length, including information on their amounts and nature.

All transactions with related entities are executed at arm's length.

7. Loan and borrowings

Loans and borrowings as at 31/12/2015

Current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	383,000	235,275	18-11-2016
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	23,655	20,655	31-05-2016
Citibank Europe PLC (Inter Cars Česká republika s.r.o)	17,046	17,046	31-05-2016
Citibank Europe PLC (Inter Cars Slovenská republika s.r.o.)	21,307	21,305	26-03-2016
ING Bank N.V (Inter Cars Romania s.r.l.)	40,275	30,666	28-04-2016
	485,283	**324,947**	

Non-current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	270,000	270,000	18-11-2017
	270,000	**270,000**	

Loan and borrowing agreements

Agreement no. Bank	Concluded on	Term	Limit/ loan amount	Collateral
Syndicated loan agreement Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Bank Handlowy w Warszawie, mBank S.A.,	29-07-2009	18-11-2016 18-11-2017	PLN 383,000,000 PLN 270,000,000	Blank bill with declarative statement, Transfer of rights to the insurance contract of stock; mortgage over Inter Cars S.A.'s real property situated in Cząstków Mazowiecki, registered pledge over inventories, surety issued by Inter Cars Ukraine LLC, registered pledge over bank accounts.
Raiffeisenbank AS Czech	30-09-2012	31-08-2016	150,750,000 CZK	Receivables in the amount of up to 50% of the credit
Citibank Europe PLC Czech	27-08-2014	31-08-2016	PLN 4,200,000	Bank guarantee
Citibank Europe PLC Slovakia	27-03-2014	27-03-2016	PLN 5,000,000	Bank guarantee
ING Bank N.V. Romania	30-07-2014	28-04-2016	42,750,000 RON	Corporate surety

(in thousand PLN)

The credit facility bears interest at a variable rate, depending on WIBOR, ROBOR, EURIBOR, PRIBOR rates, increased by bank margins (determined at arm's length) for each individual interest period.

Source of finance	Loan amount in PLN	Interest rate
Syndicated loan agreement Polska Kasa Opieki S.A	242,956	Short-term portion - WIBOR 1M + bank margin
ING Bank Śląski S.A	109,312	Short-term portion - WIBOR 1M + bank margin
Bank Handlowy w Warszawie S.A	78,568	Short-term portion - WIBOR 1M + bank margin
mbank S.A	74,435	Short-term portion - WIBOR + bank margin
Raiffeisenbank a.s. Czech	20,656	PRIBOR 1M + margin
Citibank Europe PLC Czech	17,047	EURIBOR 1M + margin
Citibank Europe PLC Slovakia	21,307	EURIBOR 1M + margin
ING Bank N.V Romania	30,666	ROBOR 1M + margin
Total	**594,947**	

For the long-term part of the syndicated credit facility the interest rate is composed of WIBOR for 3-month deposits plus bank's margin.

The syndicated credit was used to repay debt and to finance day-to-day operations.

8. Loans granted

Loans for related entities granted by parent company	**01/01/2015 – 31/12/2015**	**01/01/2014 – 31/12/2014**
As at beginning of period	45,628	59,040
Loans granted - conversion of receivables	6,800	7,917
Interest accrued	1,281	1,652
Repayments received	(4,127)	(14,490)
Interest received	(486)	(8,530)
Balance sheet valuation	23	39
	49,120	**45,628**

Loan agreements

Date concluded	Maturity date	Amount	Material terms and conditions
09-07-2007	31-12-2016	PLN 6,750,000	Agreement on a loan from Inter Cars to finance Lauber Sp. z o.o.'s operations and business development
03-12-2007	31-12-2020	PLN 11,200,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
06-04-2011	31-12-2016	EUR 35,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
05-07-2011	31-12-2016	EUR 100,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
23-08-2011	31-12-2016	EUR 90,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
04-04-2013	31-12-2016	PLN 2,000,000	Agreement on a loan from Inter Cars to finance Launer Sp. z o.o.'s operations and business development
31-01-2014	31-01-2019	PLN 950,000	Agreement on a loan from Inter Cars to finance Q Service Truck Sp. z o.o.'s operations and business development
23-06-2014	without time-limit	PLN 6,000,000	Agreement on a loan from Inter Cars to finance Inter Cars Malta Ltd.'s working capital.
24-06-2015	without time-limit	PLN 6,800,000	Agreement on a loan from Inter Cars to finance Inter Cars Malta Ltd.'s working capital.

As at 31 December 2015, the balance of loans and borrowings for related entities was PLN 49,120 thousand, and the total value of loans and borrowings granted to 11 unrelated entities was PLN 7.386 thousand.
The loans granted to related entities bear interest at a rate equal to: 1M WIBOR or 3M EURIBOR or 3M LIBOR (in the case of EUR-denominated loans), plus a margin. The loans are not secured.

Loans granted to related entities were eliminated in consolidated financial statements.

9. Sureties and guarantees issued and other significant non-balance-sheet items by entity, type and value including sureties and guarantees issued for related entities.

(in thousand PLN)	Period covered	Status as at	
To		**31/12/2015**	**31/12/2014**
Feber Sp. z o.o.	Until further notice	938	938
Feber Sp. z o.o.	16/06/2016	2,000	2,000
Inter Cars Bulgaria Ltd.	05/07/2015	-	268
RIM Sp. z o.o.	Until further notice	20	20
Glob Cars Sp.z o.o.	Until further notice	150	150
JC Auto Kraków	Until further notice	50	50
Tomasz Zatoka APC Polska	Until further notice	170	170
Michał Wierzobolowski Fst M.	Until further notice	250	250
Intraserv	Until further notice	50	50
Ducati Motor Holding	31/03/2016	1,065	1,279
Feber Sp. z o.o.	31/12/2014	-	4,262
IC Ukraine	31/12/2014	-	426
IC Slovenia	09.10.2017	124	124
Feber Sp. z o.o.	20/10/2015	-	852
IC Slovakia	26/03/2016	21,308	21,312
IC Malta	Until further notice	585	526
IC Malta	30/06/2016	3,121	-
Małopolska police commissioner	31/10/2015	-	11
Poczta Polska S.A.	20/11/2015	-	46
Military unit, Wałcz	30/01/2015	-	13
Customs Chamber, Warsaw	31/03/2015	-	160
BP Europa SE Polish Division	29/05/2016	6,000	4,000
IC Czech	31/05/2016	17,898	17,049
IC Romania	28/04/2016	40,275	14,265
Poczta Polska S.A.	30/04/2016	21	-
PIAGGIO AND C. S.P.A.	30/06/2016	1,492	-
Poczta Polska S.A., Warszawa	09/07/2016	36	-
Poczta Polska S.A., Warszawa	25/07/2017	11	-
Poczta Polska S.A., Warszawa	20/11/2016	14	-
Komenda Wojewódzka, Wrocław	21/06/2018	1	-
RIM Sp. z o.o.	31/12/2015	337	337
Johnson Control Autobaterie Prodej	30/11/2016	511	-
IC Romania	31/12/2015	552	-
IC Romania	31/12/2016	639	-
IC Czech	31/08/2016	24,838	-
IC Croatia	31/12/2019	669	-
IC Hungary	05/07/2019	2,271	2,260
IC Hungary	05/02/2021	267	-
		125,941	**70,818**

The Company holds a guarantee issued by InterRisk and Generali TU S.A. with respect to payment of a bid bond and a performance bond securing proper performance of contractual obligations and removal of defects in the case of supplies for the Polish Post, the Police and the army.

10. Security issues

On the day of 3 October 2014, the Group signed with mBank S.A.and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds). The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 9 point 3 of Law on Bonds dated 29 June 1995 (as amended).

(in thousand PLN)

The Bonds issued in compliance with the Programme Contract will be unsecured bonds, authorizing bond holders only to receive cash benefits.

Detailed information of issuance of each series of Bonds, including their nominal value, issuance price, number of bonds, issue threshold, maturity date, interest rate, will each time be agreed and stipulated in relevant issue documents. The Company shall bare standard costs of issuance of Bonds, including the dealer commission, after each finished issuance. The Program Contract is concluded for an indefinite time.

The first series of bonds, with total value of PLN 150,000,000 (series A) was issued by the Company on 24 October 2014. The bonds include only cash benefits. Interest on Bonds are to be paid in 6-month periods (in April and October) based on WIBOR interest rate for six-month deposits and particular margin set forth in the terms and conditions of Issuance of Bonds. The Bonds shall be mature as at 24 October 2019, or in case of basis for earlier buyback, at dates stipulated in the terms and conditions of Issuance of Bonds.

Income from issuance of bonds will be used for financing current operational activity and investment activity of the Company. Favourable market conditions on issuance of bonds allowed for: a) diversified sources of financing, and b) generating cost attractive financing for the period of 5 years.

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Amount of buyback
Series A	24/10/2014	24.10.2019	150,000,000
			150,000,000

11.Seasonality or cyclical nature of operations

The Group's comprehensive income is not highly sensitive to seasonal fluctuations. The Company's broad offering of spare parts includes some items whose sales depend on the season of the year, notably winter. These are items such as winter tyres, batteries, glow plugs, aluminium wheels, fuel filters as well as radiator and windscreen washer fluids. Goods that are most susceptible to seasonality and short-term sales, such as winter tyres, are ordered from suppliers several months before the expected sales peak (suppliers offer longer payment periods and higher discounts for off-season purchase of those items).

A recurring regularity is that the relatively lowest sales are achieved in Q1 of the year.

12.Evaluation of financial resources management

The following ratios are used for the evaluation of financial resources management:

- gross sales margin – gross profit on sales to net sales revenue
- sales margin – gross profit on sales to net sales revenue
- Operating margin – operating profit to net sales revenue (measures the Group's operating efficiency)
- EBITDA – net profit (loss) before amortisation, depreciation, net finance income (expenses), currency exchange differences and income tax
- Gross profit margin – profit before tax to net sales revenue (measures the efficiency of the Group's operations considering the profit (loss) on financial operations, and the extraordinary gains (losses)
- Net profit margin – the profit available to the Group after mandatory decrease of profit (increase of loss) to net sales revenue
- return on assets (ROA) – net profit to assets (measures general assets efficiency)
- return on equity (ROE) – net profit to equity (measures the efficiency of capital employed in the company)
- total debt ratio – total liabilities to total assets
- debt-to-equity ratio – total liabilities to equity
- inventory cycle – arithmetic mean of inventories at end and at beginning of period to goods for resale and materials sold, expressed in days,
- Average collection period – arithmetic mean of trade receivables at end and at beginning of period to net sales revenue, expressed in days
- operating cycle – the sum of inventory cycle and average collection period

(in thousand PLN)

- average payment period – arithmetic mean of trade payables at end and at beginning of period to cost of goods for resale and materials sold and contracted services without distribution, expressed in days
- cash conversion cycle – difference between the operating cycle and average payment period
- current ratio – current assets to current liabilities at end of period (demonstrates the company's ability to pay current liabilities using current assets)
- quick ratio – current assets less inventories to current liabilities at end of period (demonstrates the ability to quickly accumulate cash required to cover liabilities payable in a short time)
- cash ratio – cash to current liabilities at end of period (measures the ability to cover immediately payable liabilities)

Key figures for the assessment of the Group's profitability are set forth in the table below.

	2015	2014
Net revenue from sales of goods and products	4,795,788	3,959,230
Gross profit on sales	1,454,519	1,209,796
Sales margin	*30.3%*	*30.6%*
Operating profit	198,757	227,101
Operating margin	*4.1%*	*5.7%*
EBITDA	251,098	272,211
Gross profit	176,125	205,994
Net profit	151,296	177,699
Net profit margin	*3.1%*	*4.5%*
Balance sheet total	2,506,364	2,056,682
ROA	*6.0%*	*8.6%*
Non-current assets	642,941	498,532
Equity attributable to the shareholders of the parent entity	1,205,878	1,069,048
ROE	*12.5%*	*16.6%*

In total, **selling costs and administrative expenses** increased by 27% on the 2014 figure. The greatest-value item under the Group's operating costs is **distribution services** , that is the affiliate branch's share in the generated margin. In 2015, the total distribution costs amounted to PLN 508,287 thousand i.e. 40% of total costs by type.

The chart below presents the structure of costs **by type:**

	2015	2014
Depreciation and amortization	49,776	42,562
Materials and energy consumption	100,334	105,109
External services	932,611	732,219
including: distribution service	*508,287*	*428,881*
Taxes and charges	9,245	8,327
Salaries	105,425	97,178
Social security and other benefits	31,159	27,263
Other costs by kind	62,955	39,615
Total costs by type	**1,291,505**	**1,052,318**

Distribution costs – the share of the entity managing the branch in the margin earned. The sales margin generated by a branch is divided between the branch and Inter Cars in the 50/50 ratio. The branch system is based on the assumption of entrusting management of a distribution point (branch) to external entities. Sales are made on behalf of Inter Cars. External entities (branch entities) employ workers and cover current costs of functioning from revenue, which is share in generated margin on sales of goods. Settlement of share in margin is made in monthly periods. The Company provides organizational and logistic knowledge, capital, suppliers of parts, full product range and its availability, trade mark. Branch entity contributes the knowledge of local market and experienced employees to Inter Cars. Risk of activities of a given entity (branch) is borne by the entrepreneur that, by running own business, optimizes the resources that remain at their disposal.

(in thousand PLN)

Total **costs by type** in 2015 increased by 20% as compared to 2014.

Financial revenues and costs include primarily costs and revenues due to interest. In 2015 in particular, the Group sustained costs on this account in the amount of PLN 20,279 thousand **Liabilities resulting from credits, loans, debt securities and finance lease** as at 31 December 2015 amounted to PLN 804,645 thousand.

Income tax expense includes accrued income tax in the amount of PLN 28,111 thousand, as well as a change in assets and deferred tax liabilities, decreasing the income tax payable for the period by PLN 1,583 thousand.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2015, the Group included in the result total PLN 178,658 thousand on this account. Discounts due to the Group are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 35,843 thousand was posted to inventories, and it will reduce the cost of goods sold in 2016 (in particular in Q1).

Finance income primarily includes interest income (from funds deposited in bank accounts, loans advanced, and past due receivables). **Financial costs** comprise primarily the costs of loans and borrowings. **Foreign exchange gains (losses)** are presented under two items of the statement of the profit and loss account: the part corresponding to the realised and unrealized foreign exchange gains (losses) on settlements of trade payables in foreign currencies is presented as an adjustment to the cost of goods for resale sold, and the balance is presented as a separate item of the statement.

Working capital needs and investments in property, plant and equipment are financed solely with the generated profit, proceeds from bank loans, and finance leases.

The value and structure of the working capital and **working capital** requirement are set forth in the table below

	2015	**2014**
Current assets	1,863,423	1,558,150
Cash and securities	73,016	65,829
Short-term liabilities	831,432	573,897
Current loans, borrowings and finance lease liabilities	377,167	237,164
Adjusted current assets	1,790,407	1,492,321
Adjusted current liabilities	454,265	336,733
Net working capital	1,336,142	1,155,588

Net working capital engaged increased by about 15%

	2015	**2014**
Inventory cycle in days	127	127
Average collection period in days	37	38
Operating cycle in days	164	165
Average payment cycle in days	28	27
Cash conversion cycle in days	136	138
Current ratio	2.24	2.72
Quick ratio	0.74	0.90
Cash ratio	0.09	0.11

(in thousand PLN)

Debt ratios of the Group are presented in the following table.

	2015	2014
Total debt ratio	0.52	0.48
Debt-to-equity ratio	1.08	0.92

The Group's operations are funded with the Group's internally generated funds and bank loans. As at the end of 2015, loans, borrowings, debt securities and finance lease liabilities total of PLN 804,645 thousand, and the **total debt ratio** amounted to 0.52 compared to 0.48 in 2014.

Inter Cars meets its liabilities as they fall due and the Management Board believes that are no facts or circumstances that may represent a threat to such timely meeting of Inter Cars' liabilities.

	2015	2014
Net cash from operating activities	159,044	46,160
Net cash from investing activities	(160,987)	(72,924)
Net cash from financing activities	9,130	42,396
Cash and cash equivalents at the end of the period	73,016	65,829

13. Assessment of investment project feasibility

In 2015, expenses toward purchases and modernization of plant, property and equipment amounted to PLN 166,759 thousand. (In 2014 - PLN 77,913 thousand). Expenses were mostly incurred toward the purchase of replacement assets.
In 2015, the Group's investments were financed from its own funds.

The investment plan for 2016 includes the commencement of construction of a warehouse and Logistics Centre. Estimated total cost of the investment is PLN 160m. Expected time of completion and starting business activity is the first quarter of 2017.

14. Extraordinary factors and events with a bearing on the Company's performance

On 16 November 2015 and annex to credit facility agreement was signed. The annex increased the total amount of credit available to PLN 653m. Furthermore, the Lenders agreed to extend the repayment period to 18 November 2016 (for PLN 383m - short-term part) and to 18 November 2017 (for PLN 270m - long-term part).

The consolidated EBITDA for 12 months cumulatively for the period ended on 31 December 2015 was PLN 251,098 thousand (PLN 272,211 thousand in 2014).

The revenues of Inter Cars at home accounted for app. **60% of the total revenues** of the Capital Group (taking into account consolidation exclusions). The overseas companies account for 33% of the Group's distribution activity. The Polish market remains the basic sales market for the Capital Group.

15. External and internal factors important to the Group's development

Internal factors

The Management Board believes that the following are major internal factors that affect the current and future financial performance:

(i) sales network development – it results in an increase in the number of affiliate branches and development of business contacts with end customers (garages);

(ii) ability to select the correct development strategy in the competitive and evolving market – it determines the Group's long-term growth potential in the market characterised by intense competition and changes in the spare parts distribution model, which result from the introduction of new regulations by the European Union and revisions of the operational strategies by vehicle and spare parts manufacturers;

(iii) development of loyalty schemes – launch of new and development of the existing schemes, which determine the Group's potential to enhance customer loyalty and, in effect, increase the Group's sales volume and value on the markets;

(iv) focus on a targeted product group and area of operations – a focused development strategy, enabling the Group to fully harness its potential and engage in the areas where it has the greatest competence;

(v) market knowledge – the ability to reach end customers effectively, which, thanks to the relevant experience and state-of-the-art sales support methods, gives Inter Cars Group a significant competitive edge;

(vi) development of sales support tools – continual introduction of tools and solutions that enhance customer service quality, in particular the launch of the IC-Katalog software, already used in Poland, in local language versions in the Czech Republic, Slovakia and Hungary;

(vii) qualified staff - one of the key factors behind the ability to maintain and further improve the competitive position of the Group entities;

(viii) efficiency of the goods logistics system – which translates into the ability to continuously optimise the existing processes and launch new solutions that, on the one hand, facilitate effective control and reduction of goods turnover costs in the expanding network, and on the other improve supply efficiency in the growing sales network with a very broad offering of goods;

(ix) efficiency of the IT system – a precondition to maintain the system's full capacity both to support goods turnover and to provide the information that is essential to manage the Group and meet its disclosure obligations.

External factors

The Management Board believes that the following are major external factors that affect the current and future financial performance:

(i) macroeconomic situation – it determines the scale of business activity and thus the employment rate in the national economy and the population's incomes, which translate into the current and future capacity of potential customers to purchase vehicles and cover the cost of their operation and repair;

(ii) macroeconomic situation in Ukraine, the Czech Republic, Slovakia, Romania, Bulgaria, Lithuania and Latvia – the level of spending on vehicles depends on incomes of the population and of businesses, and influences the size of the spare parts markets in those countries, and the Group's sales on those markets;

(iii) EUR and USD exchange rate fluctuations – which affect prices of goods offered by the Company and, indirectly, its financial performance;

(iv) greater customer loyalty – it results from smaller diversification of supply sources for garages, and translates into growing number and value of orders from customers, and reduced risk of a sharp decline in sales;

(v) development of independent garages – which are the Group's key customer group, and which face important challenges in view of the need to adapt to growing market requirements resulting from the increasing complexity of vehicle repairs;

(vi) changes to the distribution structure following changes in the European Union's legislation – for the Group they pose major challenges and offer opportunities to gain access to a group of customers who purchase spare parts exclusively from vehicle manufacturers; they also give independent garages access to technical information of vehicle manufacturers on equal rights with licensed garages , and thus remove material barriers to independent garages' development, which enhances growth opportunities for the independent repair services sector – the primary customer segment of the Group;

(vii) changes in the spare parts demand structure resulting from changes in car manufacturing technologies – they are expected to drive growth in demand for relatively more expensive car components and increased requirement for garage equipment;

(viii) car sales volume – it determines the demand for spare parts in the medium and long term, by affecting the number of vehicles used in the countries where the Group is present;

(ix) used car imports volume – which, in combination with sales of new cars, is the decisive factor behind the growth in the number of registered vehicles, and, consequently the demand for repair services and spare parts; the volume of used car imports, owing to their age and mileage, will more quickly drive the growth in demand for parts, but will also affect the structure of global demand, by increasing the demand for relatively cheaper parts, and, in the event of new cars being replaced by used cars to a significant degree, by causing a drop in demand from garages for workstation equipment;

(x) competition in the industry – which requires a continuous improvement in the Company's competence in terms of sales organisation, sales support mechanism, offered range of products and affiliate branch locations;

16. Risk and hazard factors, with specification of the degree of the issuer's exposure

Risk of changes in the discount policies of spare parts manufacturers

An important item that has a bearing on the Group's financial results is discounts offered by spare parts manufacturers. The discount policies favour those customers who generate substantial purchase volumes. Any changes to the policies that involve a reduction or complete abandonment of the discounts would result in a marked deterioration in the Group's performance.

The Management Board believes such a scenario is highly unlikely and the Group as a major customer can count on at least equally favour able discount terms in the future. A potential abandonment of discounts would probably lead to lower purchase prices and higher selling prices, so the Group's margin would be maintained given the Group's purchasing power and fairly easy substitution of the supply sources.

Risk related to adoption of an incorrect strategy

The market in which the Group operates is constantly evolving, and the direction and pace of the changes depend on a number of factors, which are often mutually exclusive. Therefore, the future position of the Group, and hence its revenue and profit, depend on its ability to develop a strategy that proves effective in the long term. Any incorrect decisions resulting from misguided judgements or the Group's inability to adapt to the rapidly changing market environment may adversely impact financial performance.

To minimize risk of such hazard, a continuous current analysis is conducted of all the factors determining the selection of strategy in two perspectives: short term, including terms of supply, and long-term, including strategy of creation and development of sales network so as to ensure maximally precise determination of the direction and nature of changes in the market environment.

Risk related to changes in the demand structure

The Group maintains certain stock levels for a broad range of products. Purchases made by the Group are a function of the perceived market demand for specific product groups, and, as such, are susceptible to the risk of faulty market analysis or changes in the demand structure. Potential changes in demand, in particular a rapid decline in demand for specific product groups that were purchased by the Group in large quantities, may entail substantial losses to the Group, resulting from working capital being tied up or from the need to apply high discounts.

The Management Board believes that this scenario is unlikely owing to the prevalence of linear demand change trends with respect to the Company's goods. Further, the Group pursues an active working capital management policy , the effect of which is low stock levels (in terms of value) for individual products (products are sourced from manufacturers that ensure execution of orders in a relatively short time). To note, the Group's offering does not include parts for vehicles manufactured in the former Eastern Bloc, whose production has been discontinued, which eliminates the risk of funds being tied up in stocks of spare parts for vehicles representing a diminishing market segment.

Risk related to seasonal sales

The Group's comprehensive income is not highly sensitive to seasonal fluctuations. The Company's broad offering of spare parts includes some items whose sales depend on the season of the year, notably winter. Goods that are most susceptible to seasonality and short-term sales, such as winter tyres, are ordered from suppliers several months before the expected sales peak, as a result of which, in the case of extremely adverse weather, the sales of seasonal goods may actually be lower than expected, which may have a negative bearing on the financial performance of the Group.

Risk related to bank loans

Bank loans are an important source of funding for the Group's operations. As at 31st December 2015 the Group's debt under bank loans, bonds and finance leases totalled PLN 804,645 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 20.3m. Loans raised by the Group are variable-rate loans, so a potential marked increase in interest rates, translating into higher reference rates for the loans, would – through higher finance expenses – reduce the Group's profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity.

Risk of an affiliate branch operator engaging in competitive activity

If an operator whose branch operation agreement has been terminated (by the operator or the Group) engages in a competitive activity involving the take-over of relations with customers, this may have a material adverse effect on sales in the region concerned.

In order to mitigate the risk, the agreements concluded with branch operators provide for high cash penalties in the event they engage in competitive activity after the agreement is terminated.

Risk related to the IT system

The Company's operating activities rely on smooth operation of the on-line IT system. Any problems with its correct functioning could result in lower sales volumes, or even disrupt sales altogether. This would have a negative impact on the Group's financial performance.

In order to prevent the scenario from happening, the Group has launched appropriate emergency procedures to be followed in case of system failure, including rules for creating backup copies and data retrieval, an emergency server (with the necessary network elements) and emergency communication links.

Risk related to independent garages' inability to adapt to market requirements

Given the growing complexity of assemblies in new cars, there are higher requirements on their operation and repair, both in terms of mechanics' knowledge and training, and workstation equipment needed. Independent garages are therefore under pressure to improve their qualifications and invest in equipment to have the capabilities to service new car models. Insufficient capabilities development by independent garages will shrink the Group's sales market and will have a negative impact on its financial performance.

The Management Board believes that those adverse factors will be counterbalanced by the continuously growing involvement of spare parts distributors and manufacturers in the furnishing and financing of the furnishing of independent garages, the possibility of close collaboration between licensed and independent garages, and the right of all parties to access technical information available from vehicle manufacturers on equal rights (under the new regulations), which facilitates the transfer of know-how to independent garages. In the longer perspective, it can be expected that those independent garages that cannot cope with the challenges will be eliminated, while those that have the best resources will grow, which will in fact strengthen the independent garages segment, despite the likely short-term negative changes to its size. Further, greater imports of used cars to Poland following its accession to the European Union strongly stimulated the demand for cheap and small garages, thus enabling their further growth and accumulation of the necessary knowledge and capital.

Risk that major foreign wholesalers of spare parts may enter the Polish market

The market of independent automotive spare parts distribution in Poland is dominated by Polish-owned entities. The size of the market and its good prospects indicate a growing probability that it may be entered by foreign distributors, which, by offering more attractive terms of spare parts purchase, may take up a significant share of the market. The resultant competitive pressure will adversely impact the Group's performance, and in extreme cases may significantly limit its development potential, or even result in a drop in revenue and profit. Another risk resulting from the possible entry into the Polish market of major foreign distributors is the loss of strategic suppliers, for whom certain foreign distributors may be bigger customers.

The Management Board believes the risk is not material. Potential expansion into Poland may take place primarily through acquisitions of the existing entities, therefore a rise in the competitive pressure is not likely to be significant, although it may reduce the average margin.

In view of the above, the Management Board will strive to increase sales value in a steady and dynamic manner, so that the profit level can be maintained notwithstanding a potential decline in the margins. Further, the likelihood of Inter Cars losing the possibility of making purchases from certain strategic suppliers as a result of the presence of foreign entities in the Polish market which are distributors of those manufacturers' products in other countries is limited, as spare parts manufacturers seek to diversify their customer base.

Risk related to customer base diversification by spare parts manufacturers

An important element in spare parts manufacturers' sales strategies is diversification of their wholesale customer bases, which limits the possibility of increasing market shares by individual distributors (including the Group). The Management Board believes that the maximum share in the Polish market that the Group is able to secure (in the segment of independent garages) is 25 to 30%. After this level is achieved, further revenue growth will be possible only through the entire market's increase in value, and if this is the case the Group's revenue will be more sensitive to changes in the market environment, and the possibility of growth through market consolidation will be very limited.

The Management Board is taking steps to develop an operational model that allows the Group to continuously expand its product range, including through the development of new segments, such as provision of garage equipment, fleet management, construction of semi-trailers, etc. Moreover, a counterbalance for expectations of limitations on Polish market is development of business activities, especially in Ukraine, Czech, Slovakia, Croatia, Hungary, Lithuania, Latvia, Italy, Belgium, Romania, Germany, Bulgaria, Slovenia, Estonia and Moldova.

Risk related to car manufacturers taking over spare parts production

Although access to spare parts manufactured by vehicle manufacturers is available to all potential buyers, the terms of purchase from such manufacturers would most likely be less advantageous than the terms of purchase from such specialised spare parts producers as exist under the current system, i.e. production of parts for the initial assembly and for the aftermarket by the same manufacturers. Additionally, a change to the existing spare parts production model would reduce the value of the segment of original spare parts supplied by spare parts manufacturers. This would have a material adverse effect on the Group's financial performance.

However, owing to the high degree of specialisation in developing and producing spare parts (which also implies the ability to offer competitive prices), the Management Board believes the scenario to be unlikely.

Risk related to spare parts manufacturers taking over the independent spare parts distribution network

Any acquisitions of independent spare parts distributors by those spare parts' manufacturers could entail significant changes to the distribution model with respect to spare parts offered by the individual entities, involving limitation of their sales to other networks, including the Group. In such a case the Group could lose certain supply sources, which would limit the size of its offering and undermine its competitive position.

However, as spare parts manufacturers seek to diversify their customer base, and are fairly easy to substitute, the Management Board believes that this risk factor should not pose a material threat to the Group's market position and its financial performance.

Risk related to the macroeconomic situation

The recent period was marked by a deceleration of growth in Poland's economy. Growth is threatened by a number of internal and external macroeconomic factors. Deterioration of the economic conditions could have an indirect adverse effect on the performance of the Group.

Similarly an effect on the operations outside Poland can have specific risks of the country, especially in Ukraine, Czech, Slovakia, Hungary, Croatia, Lithuania, Latvia, Italy, Belgium, Romania, Bulgaria, Slovenia, Estonia and Moldova. Deterioration of the economic conditions in aforementioned countries could have an indirect adverse effect on the performance of the Group.

Risk related to economic policy in Poland

Economic, fiscal and monetary policies in Poland largely determine the growth rate of the domestic demand, which indirectly impacts the volume of the Group's sales, and thus its financial performance. A threat to the Group's performance comes from changes that limit domestic demand, resulting in the risk of failure to achieve the assumed objectives and introducing material uncertainty with respect to long-term Group development planning in view of a possible reduced interest of potential buyers in the Group's products.

Similar threat to the Group's performance comes from the changes in economic, fiscal and monetary policies in the countries where the Group operates, i.e. in Ukraine, Czech, Slovakia, Hungary, Lithuania, Latvia, Italy, Belgium, Romania, Germany, Bulgaria, Slovenia, Estonia and Moldova.

Risk related to the foreign customers structure

The vast majority of export sales are to small foreign customers, which arrange for the transport of the purchased goods from Poland themselves. Most of these recipients come from Ukraine, due to which a substantial part of sales of the Group is exposed to risk typical of recipients' country, such as: changes in volume and structure of the market of spare parts, changes in the purchasing power of the population, stability of economic and political systems in those countries. Adverse developments in those countries, resulting in reduced or abandoned purchases, would adversely affect the Group's financial performance.

Risk related to activities regarding remanufacturing of spare parts

The risks inherent in these operations primarily include: risk connected with deficiencies of the IT solutions that support control and management, the need to maintain high stocks of production materials and the resultant risk of impairment in their value in the event of a change in customers' preferences or an increase in the competitive pressure, risk connected with the fact that the operations are based on orders, without agreements in place with key customers, and risk relating to the constantly growing competition from cheap spare parts manufacturers (Far East).

Risk related to development of the subsidiaries

Subsidiaries are established in countries where the re are reasons to expect a satisfactory rate of return on the capital employed. In practice, the parent entity invests substantial funds in the development of operations in entirely new markets, having different characteristics in terms of important operational aspects. The consequent risk run by such investments is relatively greater than it would be if the funds were invested in further development of the operations in Poland, where the parent entity has the greatest competence, resources and position.

To mitigate this risk, the parent company employs experts with local market knowledge, and makes the necessary feasibility studies and assessments of risks inherent in launching operations in a new market. At the same time, by increasing the geographical reach of its operations, the parent company is able to diversify the risk of operating in a single country, in particular Poland.

17. Strategy and Future Development Prospects

The Group's primary objectives are to continuously improve the quality of management of the flow of goods and to gain the largest share in the Central and Eastern European market. To reach those objectives, the Company will expand its existing distribution model with additional elements – affiliate branches, regional warehouses and subsidiary distribution companies outside Poland. In effect, Inter Cars S.A . will strengthen its position as the most effective and efficient spare parts distribution channel between manufacturers and end users – garages.

(in thousand PLN)

The key goal is to build a leading distribution network of automotive spare parts in Poland, with a strong representation on new European markets, delivering stable profits and allowing the business to be expanded through acquisitions in the distribution and logistics sector. The Company intends to increase its market share in Poland to 25–30%.

Inter Cars S.A. Group's strategy of development is based on three key elements:

- *Expansion of the distribution network* – in Poland and abroad.
- *Expansion of the product range* – by introducing new and improving the existing product lines to meet market expectations with respect to spare parts quality, prices and technical support from their manufacturers. In order to increase sales revenues on quality products with relatively low price, coming from less known manufacturers in Poland, the Group constantly develops private brands which are cheaper and guaranteed alternative for end users.
- *Development of partnership programmes* – which provide added value to the offering; the programmes involve development of projects supporting the Company's core business (such as fleet management, recovery of spare parts) , constant support for the building of the network of independent garages as part of the Auto Crew, Q-Service, and Q-Service Truck projects, development of projects supporting garages (investment programme, garage equipment, trainings, technical information), and development of IT systems supporting sales; those initiatives are aimed at continuous improvement of end customers' loyalty, which, in the long term, will provide the Company with a stable and growing sales market.

  We are currently working toward gaining customers for garages we cooperate with: corporate customers – through Motointegrator Fleet, and individual customers – through Motointegrator.pl. These business operations provide the company a steady growth, building potential for the future. Business customers obtain a new tool for gaining and servicing new customers, and our Company develops the scope of operations onto vehicle users.

18. Changes in key principles of managing the Group

In the reporting period, the Group did not implement any changes in the key principles of management of the Group's business.

19. Agreements concluded between the Company and the management staff

As at 31st December 2015, no agreements were in force between the Company and the management staff members, which would provide for a compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition. Employment contracts of members of the Company's Management Board may be terminated on six months' notice.

20. Remuneration of executives

Remuneration of the members of the Supervisory Board (in PLN)

	01/01/2015 – 31/12/2015	**01/01/2014 – 31/12/2014**
Andrzej Oliszewski – Chairman of the Supervisory Board	89,375	65,762
Maciej Oleksowicz – Member of the Supervisory Board	36,794	38,002
Michał Marczak – Member of the Supervisory Board	49,170	38,002
Piotr Płoszajski– Member of the Supervisory Board	48,563	38,002
Jacek Klimczak – Member of the Supervisory Board	52,944	38,002
Tomasz Rusak – Member of the Supervisory Board	14,849	-
	291,695	**217,770**

(in thousand PLN)

Remuneration of the members of the Management Board (in PLN)

	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Robert Kierzek – President of the Management Board	1,638,886	1,477,610
Krzysztof Soszyński – Vice-President of the Management Board	1,677,803	1,466,743
Krzysztof Oleksowicz– Member of the Management Board	3,255,482	1,745,210
Witold Kmieciak - Member of the Management Board	1,660,581	1,467,503
Wojciech Twaróg - Member of the Management Board	1,639,886	1,464,410
	9,872,638	**7,621,476**

In 2015 the Members of the Management Board were paid bonuses for the year 2014, in the amount of PLN 4,961 thousand.

Information on shares

Company shares and Shares in related entities held by the management and supervisory Staff.

As at 31/12/2015

The Company's supervisory and managing personnel hold a total of 5,785,475 shares, constituting 40.83% of the total vote at the General Shareholders Meeting of Inter Cars.

Shareholder	Number of shares	Total nominal value	Percentage of share in the share capital held (%)	Percentage of total vote held (%)
Management Board				
Krzysztof Oleksowicz	4,452,271	8,904,542	31.42%	31.42%
Robert Kierzek	29,834	59,668	0.21%	0.21%
Witold Kmieciak	1,000	2,000	0.01%	0.01%
	4,483,105	**8,966,210**		
Supervisory Board				
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
	1,302,370	**2,604,740**		
Total	**5,785,475**	**11,570,950**	**40.83%**	**40.83%**

As at the publication date of these financial statements

The Company's supervisory and managing personnel hold a total of 5,785,475 shares, constituting 40.83% of the total vote at the General Shareholders Meeting of Inter Cars.

Shareholder	Number of shares	Total nominal value	Percentage of share in the share capital held (%)	Percentage of total vote held (%)
Management Board				
Krzysztof Oleksowicz	4,452,271	8,904,542	31.42%	31.42%
Robert Kierzek	29,834	59,668	0.21%	0.21%
Witold Kmieciak	1,000	2,000	0.01%	0.01%
	4,483,105	**8,966,210**		
Supervisory Board				
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
	1,302,370	**2,604,740**		
Total	**5,785,475**	**11,570,950**	**40.83%**	**40.83%**

(in thousand PLN)

The managing and supervisory personnel hold no shares in the subsidiaries of Inter Cars.

For information of the total number and value of all Company shares, see Note 14 to the financial statements.

Changes in the percentages of shares held under agreements known to the Company

The Incentive Scheme implemented by virtue of a resolution of the Extraordinary General Shareholders Meeting requires execution of participation agreements with participants of the Incentive Scheme, who include members of the management bodies, managers, and employees of key importance to the implementation of the Group's strategy. As at the publication date of this report, the Incentive Scheme has been completed, therefore no changes will occur in the percentages of shares held.

The Company is not aware of any agreements concluded between its shareholders which would affect the Company's business.

Special control powers over the Company

The Company did not issue any securities conferring any special control powers.

Restrictions on transferability of securities

There are no restrictions on the transferability of any securities (shares) issued by the Company. All Company shares were admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission dated April 26th 2004.

On May 11th 2004, the Management Board of the Polish National Depository for Securities adopted Resolution No. 186/04, under which Inter Cars S.A. was granted the status of a participant of the Depository in the category ISSUER, and 11,821,100 Inter Cars S.A. shares were registered with the Depository and assigned code PL INTCS00010.

Shareholders holding 5% or more of the total vote as at the reporting date:

Shareholder	**Number of shares**	**Total nominal value**	**Percentage of share in the share capital held**	**Percentage of total vote held**
		(PLN)	**(%)**	**(%)**
Krzysztof Oleksowicz	4,452,271	8,904,542	31.42%	31.42%
AVIVA Otwarty Fundusz Emerytalny	1,682,216	3,364,432	11.87%	11.87%
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
ING Otwarty Fundusz Emerytalny	1,214,728	2,429,456	8.57%	8.57%
AXA Otwarty Fundusz Emerytalny	797,777	1,595,554	5.63%	5.63%
Total	**9,449,362**	**18,898,724**	**66.69%**	**66.69%**

Shareholders holding 5% or more of the total vote as at the date of publication of these financial statements:

Shareholder	**Number of shares**	**Total nominal value**	**Percentage of share in the share capital held**	**Percentage of total vote held**
		(PLN)	**(%)**	**(%)**
Krzysztof Oleksowicz	4,452,271	8,904,542	31.42%	31.42%
AVIVA Otwarty Fundusz Emerytalny	1,682,216	3,364,432	11.87%	11.87%
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
ING Otwarty Fundusz Emerytalny	1,214,728	2,429,456	8.57%	8.57%
Total	**8,651,585**	**17,303,170**	**61.05%**	**61.05%**

Information on purchasing own shares

In 2015, the Company did not purchase its own shares.

21. Agreements known to the Company (including agreements executed after the balance-sheet date) which may give rise to future changes in the proportion of shares held by the existing shareholders and bondholders

The Company is not aware of any such agreements

22. System of control of employee stock option plans

All stock options plans for shares held by Members of the Board were executed in the year 2009. At present (in 2015), no stock option plan is being implemented at the Group.

23. Qualified auditor of financial statements

On 23 July 2015, the Company signed an agreement with KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa to perform an audit of the annual financial statements and semi-annual financial statements for 2015. The total fee resulting from the agreement is PLN 263 thousand, of which PLN 164 thousand is the cost of audit of the annual financial statements, and PLN 99 thousand is the costs of review of the semi-annual financial statements.

Furthermore, as result of an audit of the financial statements of ILS Sp. z o.o., ICMS Sp. z o.o., Feber Sp. z o.o., Lauber Sp. z o.o., Q-Service Sp. z o.o., Inter Cars Česká republika s.r.o., Inter Cars Lietuva UAB , Inter Cars Romania s.r.l., i Inter Cars d.o.o., Inter Cars Slovenská republika s.r.o., Inter Cars Hungária Kft the total fee under the agreement amounted to PLN 475 thousand.

In 2015, the fee payable under the agreements in connection with the performance of other services was PLN 385 thousand.

24. Transactions in derivative instruments and their risk profile

From 1 January to 31 December 2015, no transactions were concluded which would be related to the financial statement.

25. Employment

As at 31 December 2015, the Company employed 363 personnel. In total the Group employed 1,967 people.

As at 31 December 2014, the Company employed 335 personnel. In total the Group employed 1,730 people.

26. Environmental policy

Inter Cars does not engage in operations which would have adverse effect on the natural environment. Accordingly, the Group is under no obligation to incur expenditure on environmental protection.

(in thousand PLN)

As at the reporting date, the Group held the following permits, in the form of administrative decisions, related to environmental protection:

No.	Number and date of decision	Issuing authority	Area covered by the decision	Scope of the decision
1	Decision no. 170/2013 of 18-12-2013 (ŚR-6341/11M/2/13)	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	The water legal permit for intake of underground water from the quaternary formations from an intake in Cząstków Mazowiecki for household and utility purposes, except for food purposes, as well as watering greenery and for the purposes of water treatment, and a permit to build a water facility – well S3.
2	DKR/074-E9215/08/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Envirnomental Inspector for the collection of electronic waste no. E0009215W
3	DKR/074-E9215/09/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Environmental Inspector for the collection of waste batteries and recycling of the same no. E0009215WBW

27. Events which may have a material bearing on the Company's future financial result and events subsequent to the balance-sheet date

In view of the present political situation in Ukraine which has lasted since 2014, the Management Board informs that all assets of the subsidiary entity Inter Cars Ukraine are secure and the company continues its normal operations.

The new regulations implemented by the government have resulted in certain restrictions related to foreign currency cash flows. As a result of an increase in the USD/UAH exchange rate, the value of liabilities to foreign suppliers and Inter Cars S.A., expressed in UAH, is increasing. Nevertheless, there is no need to create additional reserves in 2015.

28. The Management Board's standpoint on the feasibility of meeting the previously published forecasts of financial results for 2015

The Group did not publish any forecasts for 2015.

29. Changes in the Company's structure, non-current investments and restructuring

In 2015, no significant changes in the Group's structure occurred. For more information see note 5 – reports on the Company's activities.

30. Management and supervisory bodies

As at 31 December 2015, the management and supervisory bodies of the Company were composed of the following persons:

Supervisory Board
Andrzej Oliszewski, President
Piotr Płoszajski
Tomasz Rusak
Michał Marczak
Jacek Klimczak

Management Board

Robert Kierzek, President

Krzysztof Soszyński, Vice-President

Krzysztof Oleksowicz, Member of the Management Board

Wojciech Twaróg, Member of the Management Board

Witold Kmieciak, Member of the Management Board

31. Information on court proceedings to which the Group is a party

In 2015, no proceedings were brought before any court or administrative body with respect to any liabilities or claims of Inter Cars S.A. or its subsidiary undertakings, whose aggregate value would represent 10% or more of the Company's equity.

Furthermore, no proceedings are pending before any court or administrative body with respect to any liabilities or claims of Inter Cars S.A. or its subsidiaries whose aggregate value would represent 10 % or more of the Company's equity.

32. Information on average foreign exchange rates

All figures presented in these financial statements in EUR were translated at the following exchange rates:

	2015	**2014**	**2013**
Exchange rate as at 31.12	4.2615	4.2623	4.1472
Average exchange rate from 1.01 to 31.12	4.1848	4.1893	4.2110
Highest exchange rate in the period	4.3580	4.3138	4.3432
Lowest exchange rate in the period	3.9822	4.0998	4.0671

The following principles have been used to convert data presented in thousand EURO in selected financial data:

- for the items of the profit and loss account – the average exchange rate was used, defined as the arithmetic mean of the rates prevailing on the last day of each month within a given period, as quoted by the National Bank of Poland
- for the items of the balance-sheet – the exchange rate prevailing on 31/12/2015, that is the mid exchange rate for the EURO prevailing on that date, as quoted by the National Bank of Poland.

33. Corporate governance

The full version of the statement of compliance is available at the Company's website at www.intercars.com.pl or the Warsaw Stock Exchange's website at www.gpw.pl.

Full version of the statement is attached to this report as Appendix: "INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2015 WITH THE CORPORATE GOVERNANCE PRINCIPLES STIPULATED IN THE CODE OF BEST PRACTICE FOR WSE-LISTED COMPANIES".

These Board's statement on the activity of the group was approved by the Management Board of Inter Cars S.A for publication on 2 May 2016.

Robert Kierzek
President of the
Management Board

Krzysztof Soszyński
Vice-President of the
Management Board

Krzysztof Oleksowicz
Member of the
Management Board

Witold Kmieciak
Member of the
Management Board

Wojciech Twaróg
Member of the
Management Board

Warsaw, 02 May 2016

APPENDIX TO THE REPORT ON THE OPERATIONS OF INTER CARS GROUP

INTER CARS S.A. MANAGEMENT BOARD'S

STATEMENT OF COMPLIANCE IN 2015 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. 19/1307/2012 by the WSE Board on 1 January 2013, 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 2015 it complied with all the applicable corporate governance principles except for the following:

Recommendation I.5
A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.

Notes: Remuneration policy for the Supervisory Board for their participation in the operations of the company is set by the General Shareholders' Meeting, whereas remuneration rules for the Management Board are set by the Supervisory Board in the form of suitable resolutions. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company. The Company also did not present any declaration on remuneration policy on its corporate website. The decision on full compliance with the above rule in following years is to be taken by the Supervisory Board and the General Shareholders' Meeting. Notwithstanding the above, it should be noticed that the Company follows regulations on publication of information on remuneration in periodic reports, and because of the above, the Company publishes annually in interim report, relevant information on the value of remuneration for each person from supervisory and management board of the company, separately.

Recommendation I.9
The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

Notes: The members of the management and supervisory bodies are chosen and appointed based on qualifications, experience and competencies of the candidates. The members of the Supervisory Board and the Management Board are appointed by the General Meeting and the Supervisory Board, respectively. Factors such as gender are not considered when choosing the members of the Company's bodies.

Recommendation I.12

A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.

Notes: The company makes it possible for the shareholder to exercise the voting right during the meeting in person or via a proxy in the course of a General Shareholders' Meeting, outside the place the meeting takes place, using means of electronic communication, which 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.

Recommendation II. 1.7

A company should operate a corporate website and publish on it, in addition to information required by legal regulations: shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions.

Notes: The Company complies with the above-mentioned principle only regarding questions and information given to the shareholders not during a General Meeting, to the extent provided by the laws and regulations in force. The Company does not publish on its website questions asked during a General Meeting and answers to those questions given during a General Meeting. 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.

Recommendation II. 1.9a)

A company should operate a corporate website and publish on it, in addition to information required by legal regulations: (...) a record of the General Meeting in audio or video format

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.

Recommendation III.6

At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.

Notes: According to the Company, participation in the Supervisory Board, members meeting the criteria of independence, expressed in Annex II to recommendation of European Commission of 15 February 2005, on the role of non-executive directors or being members of supervisory board of stock exchange companies and commission of the (supervisory) board, must be recognized as a good corporate practice. Beginning of using the recommendation will be possible after receiving by the Company information on suitable appointment or recognition of at least two members of the Supervisory Board as meeting the criteria of being independent. In April 2015 the Company received statements of the Members of the Supervisory Board, Mr. Michał Marczak (on 17 April 2015), Mr. Piotr Płoszajski (on 17 April 2015) and Mr. Jacek Klimczak (on 24 April 2015), according to which they meet the criteria of being independent from the Company and entities with significant connections with the company listed in Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, and also in Code of Best Practice of WSE Listed Companies, and independence and impartial criteria stipulated in art. 56 part 3 point 1, 3 i 5 of Act On Auditors and Auditor's (Their) Self-Governing Bodies. Because of the above, it is appropriate to assume that the Company currently follows the aforementioned recommendation.

Recommendation III.8
Annex I to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors (...) should apply to the tasks and the operation of the committees of the supervisory board (...)

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 2005 on the role of non-executive or supervisory directors (...) only in a limited extent.

Recommendation IV.10
A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

1) *1) real-life broadcast of General Meetings;*
2) *2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.*

Notes: 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.

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.

(in thousand PLN)

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.	Krzysztof Oleksowicz	4,452,271	4,452,271	31.42%
2.	AVIVA Otwarty Fundusz Emerytalny	1,682,216	1,682,216	11.87%
3.	Andrzej Oliszewski	1,302,370	1,302,370	9.19%
4.	ING Otwarty Fundusz Emerytalny	1,214,728	1,214,728	8.57%
5.	Other shareholders	5,516,515	5,516,515	38.94%
	Total number of shares / votes	**14,168,100**	**14,168,100**	**100%**

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

There are no restrictions with respect to limitations on the voting rights attached to them. The Company's Articles of Association do not provide for any limitations on the voting rights of holders of a given percentage or number of votes.

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 change of the Articles of association needs - the General Shareholders Meeting's resolution adopted by a 3/4 majority of the votes cast - Art. 415 of the Commercial Companies Code (a material change in the Company's business requires a resolution adopted by 2/3 majority of the votes - Art. 416 of the Commercial Companies Code), - an appropriate entry into the National Court Register (Art. 430 of the Commercial Companies Code).

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

Between 1 January and 31 December 2015, 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
- Witold Kmieciak - Member of the Management Board
- Wojciech Twaróg - Member of the Management Board

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

On 1 January 2015, the following people composed the Supervisory Board:
- Andrzej Oliszewski – Chairman of the Supervisory Board
- Maciej Oleksowicz – Member 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

On 15 July 2015 Mr Maciej Oleksowicz stepped down from his position of a member of Supervisory Board of the Company. His resignation came in force as at 15 September 2015. On 08 September 2015, at Extraordinary General Meeting, Tomasz Rusak was chosen to take place of the new Member of the Supervisory board.
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.