Inter Cars S.A. Group

Independent Registered Auditor's Report

Consolidated Financial Statements

Report on Group's operations

Registered Auditor's Report on the audit of the consolidated financial statements

For the year from 1 January to 31 December 2016

Content:

Independent Registered Auditor's Report

To the Shareholders and the Supervisory Board of Inter Cars S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Inter Cars S.A. Group (hereinafter called "the Group"), having Inter Cars S.A., Powsińska 64 Street, Warsaw, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year from 1 January to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility

The Parent Company's Management Board is responsible for the preparation of these consolidated financial statements, on the basis of correctly maintained consolidation documentation, and their fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union and in accordance with the applicable regulations. The Parent Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047 as amended).

Auditor's Responsibility

Our responsibility was to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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Independent Registered Auditor's Report (cont.)

To the Shareholders and the Supervisory Board of Inter Cars S.A.

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

Opinion

In our opinion, the accompanying consolidated financial statements:

a. give a true and fair view of the Group's financial position as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards as adopted by the European Union and the applicable accounting policies;

b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133 as amended) and the Company's Memorandum of Association;

c. have been prepared on the basis of correctly maintained consolidation documentation.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Group's operations

Our opinion on the audit of the consolidated financial statements does not cover the Report on the Group's operations.

The Parent Company's Management Board is responsible for the preparation of the Report on the Group's operations in accordance with the Accounting Act and the Decree. Further, the Management Board and Supervisory Board are obliged to ensure that the Report on the Group's operations meets the requirements of the Accounting Act.

With respect to our audit of the consolidated financial statements, our responsibility was to read the Report on the Group's operations and consider whether the information included in this Report complies with the regulations of article 49 of the Accounting Act and the Decree and is consistent with the information in the related consolidated financial statements. Our responsibility was also to consider, based on the knowledge of the Group and its environment obtained during our audit, whether the Report on the Group's operations does not contain any material misstatements.

In our opinion, the information contained in the Report on the Group's operations for the year from 1 January to 31 December 2016 comply with the requirements of article 49 of the Accounting Act and the Decree and is consistent with the information in the audited consolidated financial statements.

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

Independent Registered Auditor's Report (cont.)

To the Shareholders and the Supervisory Board of Inter Cars S.A.

With respect to our audit of the consolidated financial statements, our responsibility was also to read the Group's Statement of Corporate Governance, which is a separate part of the Report on the Group's operations. In our opinion, the Group included information in accordance with the scope defined in the Decree, and information as indicated in the Decree, complies with the applicable regulations and is consistent with the information contained in the consolidated financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 28 April 2017

Dear Stockholders,

2016 was yet another year of Inter Cars's dynamic growth. We recorded a revenue of nearly PLN 6 b, marking our presence in as many as 15 countries across Europe.

In addition, last year saw a lot of changes in the Group's functioning, mainly related to the development of leading product groups (in the segments of passenger cars, trucks, tyres, batteries, body components), both at home and abroad, which are ultimately expected to secure the Group's prosperity in the years to come. Garages remained the basic distribution channel for our products and this is exactly the strategy we are going to continue in the future.

Our strategic objective is to earn a sales revenue of at least PLN 20 b in 2020. We have been focusing our efforts on customer service. We believe that the key is not a margin level but rather an increase in the market share and a stable net growth in profitability. This objective is attainable even despite the fragmentation of the European spare parts distribution market. Inter Cars continues to move fast, remaining the Central and Eastern Europe's investment leader. We are number one distributor of automotive products on the independent aftermarket in Poland and in Central and Eastern Europe, ranking 5th in Europe and 10th worldwide.

In 2016, we opened 71 new branches, which means that we now have a total of 445 branches in Central and Eastern Europe (as at the end of 2016). Poland remains our largest sales market. In 2016, the Group's revenues increased by 24.5% yoy and its profits by 52% yoy, totalling PLN 230 m.

We owe this result to a number of factors, most important of which was the implementation of strategies dedicated to our sales segments and further international expansion. We also optimized our inventories and generated a record-high operating cash flow level. Consequently, our debt ratio to EBITDA dropped from 2.94 to a safe 2.45.

In 2016, we continued our dividend distribution policy, having regard for the Group's growing demand for working capital.

The main investment was the Logistics Centre in Zakroczym and implementation of a new warehouse management system. The new logistics centre launched its operations in January 2017 and is scheduled for official opening on 31 May 2017.

The investment serves as a stepping stone for Inter Cars's further expansion in Poland and across Europe. In addition, our special purpose company ILS, which manages a chain of warehouses, will be able to offer top-level logistic services. The Zakroczym Logistics Centre boasts 50 000 square meters of storage space. The investment cost app. PLN 170 m in total, over 50 per cent of which was spent on what is to be the most modern warehouse logistics system in the automotive segment in Europe.

Presently, Inter Cars's logistics network is comprised of the new Logistics Centre in Zakroczym, supported by 8 regional distribution centres, three in Poland and one in Latvia, Ukraine, Romania, Hungary and Croatia, each.

In addition, we have been developing the idea of the so-called midi HUBS - smaller regional warehouses aimed at reducing the distribution chain for mass products such as tyres, batteries or oils.

Catering to our customers' needs, we continued developing our ‘One Stop Shop’ added value concept aimed at supporting and developing garages. A good example of our activities in this area has been the dynamic development of the 'Rent a Car' project, which allows our business partners, that is garages, to offer substitute cars to their clients while repairing theirs.

Regrettably, we were unable to realize all our plans as originally intended. For example, the Motointegrator project is far behind our ambitious schedule in terms of implementing its new functionalities. Having regard for the growing importance of the Internet, in 2017 we plan to intensity our efforts in all aspects related to the digital era. We are currently modifying our strategy for the B2C market using our advantage on the B2B market.

We have set ambitious goals for 2017. For example, we plan to keep our two-digit sales growth and net profitability at the 2016 level. By the end of 2017 Inter Cars will have developed its distribution network in 17 European countries. We plan to open new branches in Greece and Bosnia and Herzegovina.

Robert Kierzek

President of the Management Board of Inter Cars SA

INTER CARS GROUP

ANNUAL FINANCIAL STATEMENTS
2016

ANNUAL FINANCIAL STATEMENTS OF THE INTER CARS GROUP FOR THE YEAR 2016

PART II
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD from 1 January to 31 December 2016

Financial highlights

	31/12/2016 in thousand PLN	31/12/2015 in thousand PLN	31/12/2016 EUR '000	31/12/2015 EUR '000
	for the period of 12 months ended on 31 December			
Information on growth and profits				
Sales margin	30.8%	30.3%		
EBITDA	369,846	248,533	84,523	59,389
EBITDA as percentage of sales	6.2%	5.2%		
EBITDA (for 12 consecutive months)	369,846	248,533	84,523	59,389
Net debt / EBITDA	2.45	2.94		
Basic earnings per share (PLN)	16.24	10.66	3.71	2.55
Diluted earnings per share (PLN)	16.24	10.66	3.71	2.55
Operating profit	315,668	198,757	72,141	47,495
Net profit	**230,064**	**151,026**	**52,578**	**36,089**
Cash flows				
Operating cash flows	251,947	159,044	57,579	38,005
Investing cash flows	(124,312)	(160,987)	(28,410)	(38,469)
Financing cash flows	(79,225)	9,130	(18,106)	2,182
Employment and branches				
Employees				
Parent company	384	363		
Subsidiaries	2,022	1,604		
Branches				
Parent company	220	183		
Subsidiaries	225	191		

	As at		**As at**	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Consolidated statement of the financial situation	in thousand PLN	in thousand PLN	EUR '000	EUR '000
Cash and cash equivalents	121,426	73,016	27,447	17,134
Balance sheet total	3,040,077	2,506,364	687,178	588,141
Loans, borrowings and finance lease	1,025,650	804,645	231,838	188,817
Equity attributable to the shareholders of the parent entity	1,424,008	1,205,878	321,882	282,970

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

- for the statement of financial position items – the National Bank of Poland exchange rate of 31 December 2016 – EUR 1 = PLN 4.4240, and the National Bank of Poland exchange rate of 31 December 2015 – EUR 1 = PLN 4.2615
- for the comprehensive income and cash flow statement items – an exchange rate constituting the average National Bank of Poland exchange rate announced on the last day of each month of 2016 and 2015, respectively: 1 EUR = PLN 4.3757 and 1 EUR = PLN 4.1848 PLN.

Information about INTER CARS S.A.

1. Scope of activities

The principal activities of Inter Cars Spółka Akcyjna (hereinafter referred to as “Inter Cars” are import and distribution of spare parts for passenger cars and utility vehicles.

2. Registered seat

ul Powsińska 64

02-903 Warszawa

Poland

Central Warehouse:

ul. Gdańska 15

05-152 Czosnów nearby/Warsaw

3. Contact and administrative detail

The Company has been entered into the Register of Companies of the National Court Register kept by the District Court for the capital city of Warsaw, in Warsaw, XII Commercial Department of the National Court Register, under the following number:

KRS 0000008734

NIP 1181452946

Regon 014992887

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bzarzadu@intercars.eu

relacje.inwestorskie@intercars.eu

www.intercars.com.pl

4. Supervisory Board (as at the date of approval of the financial statements)

Andrzej Oliszewski, President

Piotr Płoszajski

Tomasz Rusak

Michał Marczak

Jacek Klimczak

5. Management Board (as at the date of approval of the financial statements)

Robert Kierzek, President

Krzysztof Soszyński, Vice-President

Krzysztof Oleksowicz

Wojciech Twaróg

Maciej Oleksowicz

Piotr Zamora

Tomáš Kaštil

On the day of 20 June 2016 the Supervisory Board of the Company decided to appoint Mr Maciej Oleksowicz as a Member of the Management Board of the Company as of 1 July 2016. Mr Maciej Oleksowicz replaced Mr Witold Kmieciak in the same position, who was the Member of the Management Board till 30 June 2016.

On the day of 26 September 2016 two new Members of the Board were appointed: Mr Tomáš Kaštil and Mr Piotr Zamora. Moreover, the Supervisory Board of the Company took a decision that the Board of Managers shall be composed of seven persons.

6. Statutory auditor

PricewaterhouseCoopers Sp. z o.o.
Al. Armii Ludowej 14,
00-638 Warszawa

7. Banks (as at the date of approval of the financial statements)

Bank Pekao S.A.
ul. Żwirki i Wigury 31
02-091 Warszawa

Bank Handlowy w Warszawie S.A.
ul. Senatorska 16
00-923 Warszawa

mBank S.A.
Ul. Królewska 14
00-065 Warszawa

ING Bank Śląski S.A.
Ul. Puławska 2
02-566 Warszawa

Raiffeisen Bank Polska S.A.
ul. Piękna 20
00-549 Warszawa

HSBC Bank Polska S.A.
Rondo ONZ 1
00-124 Warszawa

Raiffeisenbank a.s.
Hvezdova 1716/2b,
140 78 Praha 4

UniCredit Bank Czech Republic and Slovakia, a.s.
Želetavská 1525/1
140 00 Praha 4 - Michle

Tatra banka a.s.
Member of Raiffeisen Bank International
Hodžovo nám. 3 / P.O.Box 42 - SR
850 05 Bratislava

UniCredit Bank Czech Republic and Slovakia, a.s.
Sancova 1/A
813 33 Bratislava

DNB Bank Polska S.A.
ul. Postępu 15c
02-676 Warszawa

CaixaBank, S.A.
ul. Prosta 51
00-838 Warszawa

PKO Bank Polski Niederlassung Deutschland
Neue Mainzer Straße 52-58
60311 Frankfurt Am Main, Deutschland

Bank BGŻ BNP
ul. Suwak 3
02-676 Warszawa

8. Subsidiaries and associated entities of Inter Cars - entities included in consolidation as at 31 December 2016

As at 31 December 2016, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 32 other entities, including:

- 28 subsidiaries of Inter Cars S.A.
- 2 indirect subsidiaries of Inter Cars S.A.

The Group also holds shares in two related entities.

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2016	31/12/2015
	Parent company				
Inter Cars S.A.	Warsaw	Import and distribution of spare parts for passenger cars and commercial vehicles	full	Not applicable	Not applicable
	Direct subsidiaries				
Inter Cars Ukraine	Ukraine, Khmelnitsky	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Lauber Sp. z o.o.	Słupsk	Remanufacturing of car parts	full	100%	100%

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2016	31/12/2015
Q-service Sp. z o.o.	Cząstków Mazowiecki	Advisory services, organization of trainings and seminars related to automotive services and the automotive market	full	100%	100%
Inter Cars Česká republika s.r.o.	Czech Republic, Prague	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Feber Sp. z o.o.	Sieradz	Manufacture of motor vehicles, trailers and semi-trailers	full	100%	100%
IC Development & Finance Sp. z o.o	Warsaw	Real estate development and lease	full	100%	100%
Armatus sp. z o.o.	Warsaw	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Slovenská republika s.r.o.	Slovakia, Bratislava	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Lietuva UAB	Lithuania, Vilnus	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto s.r.o.	The Czech Republic, Karvina-Darkom	The Company does not carry out operating activities	full	100%	100%
JC Auto S.A.	Belgium, BrainL'Allued	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Hungária Kft	Hungary, Budapest	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Italia s.r.l (formerly JC Auto s.r.l.)	Italy, Milan	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Croatia, Zagreb	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Romania s.r.l.	Romania, Cluj-Napoca	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Cyprus Limited	Cyprus, Nicosia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Latvija SIA	Latvia, Riga	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Cleverlog-Autoteile GmbH	Germany, Berlin	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Bulgaria Ltd.	Bulgaria, Sofia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	Warsaw	Advertising, market and public opinion research	full	100%	100%
ILS Sp. z o.o.	Nadarzyn	Logistics services	full	100%	100%
Inter Cars Malta Holding Limited	Malta	Assets management	full	100%	100%
Q-service Truck Sp. z o.o.	Warsaw	Sale of commercial vehicles and trucks	full	100%	100%
Inter Cars INT d o.o.	Slovenia, Ljubljana	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Eesti OÜ	Estonia, Tallinn	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Piese Auto s.r.l.*	Kishinev, Moldova	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2016	31/12/2015
Inter Cars GREECE Ltd.**	Athens, Greece	Distribution of spare parts for passenger cars and commercial vehicles	Not applicable	100%	-
Inter Cars d o.o.**	Sarajevo, Bosnia and Herzegovina	Distribution of spare parts for passenger cars and commercial vehicles	Not applicable	100%	-
Indirect subsidiaries					
Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31/12/2016	31/12/2015
Inter Cars Malta Limited	Malta	Sale of spare parts and advisory services related to automotive services and the automotive market	full	100%	100%
Aurelia Auto d o o	Croatia	Distribution of spare parts and real estate rental	full	100%	100%
Associated entities					
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	Szczytno	Manufacture of friction linings and materials	equity method	49%	49%
InterMeko Europa Sp. z o.o.	Warsaw	Control and assessment of spare parts, components and accessories	equity method	50%	50%

* The company started operational activity in 1Q2016.

** The company Started operational activity in 2Q2017.

In November 2016 a subsidiary Inter Cars GREECE in Greece was established, and in December 2016 a new subsidiary Inter Cars d o.o. in Bosnia and Herzegovina was established.

In the reporting period there were no changes in the structure of the entity, including business combinations, takeovers or sales entities of the Capital Group of the Company, long-term investments, division, restructuring or cessation of business activities.

9. Associated entities

Since 30 October 2008 the Company has had shares in SMiOC FRENOPLAST Bułhak i Cieślawski S.A. Korpele 75 12-100 Szczytno.

As at 31 December 2016 the Company owned 50 % of shares in Intermeko Europa Sp. z o.o., a joint-venture company established in order to monitor the quality of goods using a laboratory.

10. Stock exchange listings

The shares of Inter Cars S.A. are listed on the Warsaw Stock Exchange in the continuous trading system.

11. Date of approval of the financial statements for publication

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 28 April 2017.

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF THE FINANCIAL SITUATION

(in thousand PLN)	**Note**	**31/12/2016**	**31/12/2015**
ASSETS			
Non-current assets			
Property, plant and equipment	5	459,679	392,802
Investment property	7	24,103	24,685
Intangible assets	6	170,469	152,070
Investments in related entities	8	1,921	810
Investments available for sales	9	301	301
Receivables	12	19,798	15,467
Deferred tax assets	10	25,898	56,806
		702,169	**642,941**
Current assets			
Inventory	11	1,510,119	1,251,716
Trade and other receivables	12	693,180	528,446
Corporate income tax receivables		13,183	10,245
Cash and cash equivalents	13	121,426	73,016
		2,337,908	**1,863,423**
TOTAL ASSETS		**3,040,077**	**2,506,364**
LIABILITIES			
Share capital	14	28,336	28,336
Share premium account	14	259,530	259,530
Statutory reserve funds		731,510	645,998
Other capital reserves		10,458	5,935
Foreign exchange gains /losses in subsidiaries		(12,088)	(10,213)
Retained earnings		406,262	276,292
Equity		**1,424,008**	**1,205,878**
Long-term liabilities			
Loan, borrowing and finance lease liabilities	16	429,476	427,478
Other long-term liabilities		7,186	8,530
Deferred income tax provision	10	16,119	33,046
		452,781	**469,054**
Short-term liabilities			
Trade and other liabilities	17	526,903	404,410
Loan, borrowing and finance lease liabilities	16	537,586	348,727
Liabilities of the factoring		58,588	63,167
Employee benefits	18	18,441	6,718
Income tax liabilities	19	21,770	8,410
		1,163,288	**831,432**
TOTAL LIABILITIES		**3,040,077**	**2,506,364**

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousand PLN)	**Note**	**for the period of 12 months ended on**	
		31/12/2016	**31/12/2015**
Sales revenues	21	5,973,459	4,795,788
Cost of sales	22	(4,131,372)	(3,341,269)
Gross profit on sales		**1,842,087**	**1,454,519**
Other operating income	24	14,899	10,190
Costs of sales and administrative costs	23	(853,196)	(723,745)
Distribution expenses	23	(640,656)	(508,287)
Other operating expenses	25	(47,466)	(33,920)
Operating profit		**315,668**	**198,757**
Financial income	26	3,738	3,063
Foreign exchange gains/losses	26	(2,971)	(368)
Financial expenses	26	(31,768)	(25,478)
Interest in associates		113	151
Profit before tax		**284,780**	**176,125**
Income tax	28	(54,716)	(25,099)
Net profit		**230,064**	**151,026**
Attributable to:			
shareholders of the parent company		230,064	151,026
		230,064	**151,026**
OTHER COMPREHENSIVE INCOME			
Items which may transferred to financial result			
Foreign exchange gains /losses		(1,875)	(4,137)
Total other comprehensive income, net		**(1,875)**	**(4,137)**
COMPREHENSIVE INCOME		**228,189**	**146,889**
Net profit attributable to:			
- the shareholders of the parent entity		230,064	151,026
		230,064	**151,026**
Comprehensive income attributable to:			
- the shareholders of the parent entity		228,189	146,889
		228,189	**146,889**
Earnings per share (PLN)			
- basic and diluted		16.24	10.66
Number of shares		14,168,100	14,168,100

ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01 January 2016 to 31 December 2016

(in thousand PLN)	Share capital	Share premium account	Statutory reserve funds	Foreign exchange gains /losses in subsidiaries	Other capital reserves	Retained earnings	**Total equity**
As at 01 January 2016	**28,336**	**259,530**	**645,998**	**(10,213)**	**5,935**	**276,292**	**1,205,878**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	230,064	**230,064**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	(1,875)	-	-	**(1,875)**
Total comprehensive income	***-***	***-***	***-***	***(1,875)***	***-***	***230,064***	***228,189***
Transactions with shareholders							
Distribution of prior period profit – dividend	-	-	-	-	-	(10,059)	***(10,059)***
Distribution of prior period profit - covering loss from reserve capitals	-	-	-	-	-		**-**
Distribution of retained profits - carried over to supplementary capital	-	-	85,512	-	4,523	(90,035)	**-**
As at 31 December 2016	**28,336**	**259,530**	**731,510**	**(12,088)**	**10,458**	**406,262**	**1,424,008**

for the period from 01 January 2015 to 31 December 2015

(in thousand PLN)	Share capital	Share premium account	Statutory reserve funds	Foreign exchange gains /losses in subsidiaries	Other capital reserves	Retained earnings	**Total equity**
As at 01 January 2015	**28,336**	**259,530**	**560,214**	**(6,076)**	**5,935**	**221,109**	**1,069,048**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	151,026	**151,026**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	(4,137)	-	-	**(4,137)**
Total comprehensive income	***-***	***-***	***-***	***(4,137)***	***-***	***151,026***	***146,889***
Transactions with shareholders							
Distribution of prior period profit – dividend	-	-	-	-	-	(10,059)	***(10,059)***
Distribution of prior period profit - covering loss from reserve capitals	-	-	(3,877)	-	-	3,877	**-**
Distribution of retained profits - carried over to supplementary capital	-	-	89,661	-	-	(89,661)	**-**
As at 31 December 2015	**28,336**	**259,530**	**645,998**	**(10,213)**	**5,935**	**276,292**	**1,205,878**

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand PLN)	Note	01/01/2016 31/12/2016	01/01/2015 31/12/2015
Cash flows from operating activities			
Profit before tax		284,780	176,125
Adjustments:			
Depreciation and amortization		54,178	49,776
Foreign exchange gains /losses		(3,135)	1,298
(Profit / loss on investing activities		(1,408)	(898)
Net interest	27	28,497	24,477
(Gain)/loss on revaluation of investment property		582	672
Dividends received		-	(26)
Other adjustments, net	27	(5,584)	304
Operating profit before changes in the working capital		**357,910**	**251,728**
Change in inventories		(258,403)	(210,875)
Change in receivables	27	(170,890)	(83,741)
Change in short-term liabilities		353,643	241,018
Cash generated by operating activities		**282,260**	**198,130**
Corporate income tax paid	27	(30,313)	(39,085)
Net cash from operating activities		**251,947**	**159,044**
Cash flow from investing activities			
Proceeds from the sale of intangible assets, investment property, property, plant and equipment		7,074	3,117
Proceeds from the sale of shares		-	-
Acquisition of intangible assets, investment property, and property, plant and equipment		(132,711)	(166,759)
Cost of acquisition of shares in other entities		(998)	-
Repayment of loans granted	27	4,449	5,664
Loans granted	27	(2,394)	(3,393)
Dividends received		-	26
Interest received	27	268	360
Net cash from investing activities		**(124,312)**	**(160,987)**
Cash flow from financing activities			
Repayment of credits and loans	27	(655,200)	-
Cash inflows on credits and loans	27	862,114	149,447
Payment of finance lease liabilities	27	(23,279)	(13,101)
Interest paid		(28,795)	(24,941)
Dividend paid		(10,059)	(10,059)
Payment of the reverse factoring		(224,006)	(92,216)
Security issues		-	-
Guarantee deposits received		-	-
Net cash from financing activities		**(79,225)**	**9,130**
Net change in cash and cash equivalents		**48,410**	**7,187**
Cash and cash equivalents at the beginning of the period		**73,016**	**65,829**
Cash and cash equivalents at the end of the period		**121,426**	**73,016**

Notes to the annual consolidated financial statements

1. Basis for the preparation of the annual consolidated financial statements

The consolidated annual financial statements (hereinafter referred to as the "financial statements") were prepared in accordance with the International Financial Reporting Standards, hereinafter referred to as "EU IFRS," approved by the European Union.

The UE IFRS include all International Accounting Standards, International Financial Reporting Standards and interpretations thereof, excluding the below-mentioned Standards and Interpretations currently awaiting EU's approval, as well as the Standards and Interpretations which have been approved by the EU but have not become effective.

The Group decided not to apply new Standards and Interpretations published and approved by the EU which will become effective following the reporting date. Furthermore, as at the reporting date the Group had not finished estimating the impact of the new Standards and Interpretations to become effective following the reporting date.

The financial statements were prepared under the assumption that the Company will continue as a going concern in the foreseeable future.

2. Impact of changes in IFRS standards and interpretation on the Group's financial statements

2nd1. Changes in IFRS and their interpretations

Changes in IFRS and their interpretation which became effective as of 01 January 2016 until the date of approval of the financial statements for publication had no material bearing on these consolidated financial statements.

2.2. Changes in IFRS and their interpretations published and approved by the EU not yet effective

The Group intends to adopt the below-mentioned new IFRS and their interpretations published by the International Financial Reporting Standards Board, which had not become effective by the date of approval of these financial statements for publication as per their effective date.

Standards and interpretations approved by the EU	Description of amendments
IFRS 9 – Financial Instruments	Amendments to classification and measurement of financial assets - replacement of currently binding financial instrument categories with two categories: valued by expected loss impairment model and fair value. Amendments in hedge accounting.
New standard IFRS 15 - Revenue from Contracts with Customers	The standard applies to all contracts with customers, excluding such, which are in the scope of other IFRS (i.e. leasing contracts, insurance and other financial instruments). IFRS 15 standardizes requirements on presenting revenues

The standard IFRS 9 Financial Instruments changes completely requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The standard will embrace, among other things, a new fair value loss model, requiring that the anticipated credit losses be recognized on deadline. In addition, the hedge accounting application principles will be updated. These changes will allow for the financial statements to better reflect the actions taken.

The analysis of implementation of IFRS 9 has not been completed yet, however, in the Group's opinion it should not have a material bearing on the financial results reported.

The purpose of IFRS 15 is to harmonize and simplify the principles of recognizing revenues by implementing a single revenue recognition model. In particular, this standard will have an influence on recognizing revenues from contracts to provide customers with separate services and/or goods.

(in thousand PLN)

With respect to disclosures required by IFRS 15, the Group believes that given the relatively uniform nature of its operations, the impact of IFRS 15 will be insignificant. Nevertheless, it considers modifying the existing disclosures if such modification enables financial statement users to get a better view of the nature, amount, revenue dates and uncertainty over revenues and cash flows resulting from contracts with customers. The Group also plans to implement a procedure aimed at ensuring an on-going analysis and evaluation of the impact of the terms and conditions of new or renegotiated sales contracts on the recognition of sales revenues.

The Group will also update its Accounting Policy with respect to recognizing revenues, with the main purpose of adapting it to the IFRS 15 terminology.

2.3. Standards and Interpretations adopted by the International Financial Reporting Standards Board (IASB), awaiting EU's approval

Standards and Interpretations awaiting EU's approval	Description of amendments
New standard IFRS 16 – Leases	The standard abolishes lease division into operating lease and financial lease. All lease contracts which meet the requirements for this type of contract shall be presented as financial lease.
New standard IFRS 14 - Regulatory deferral accounts	Accounting principles and disclosures for regulatory deferral accounts.
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses.
Amendments to IAS 7	The amendments in Disclosure Initiative.
Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28	Contain guidelines on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
Amendments to IFRS 2	Classification and measurement of share based payment transactions
Amendments to IFRS 4	Application of IFRS 9 - Financial Instruments together with IFRS 4 - Insurance Contracts.
Amendments to International Financial Reporting Standards 2014-2016;	Set of amendment to: IFRS 1 - elimination of short-term exemptions for entities applying IFRS for the first time. IFRS 12 - specifying the scope of application of disclosure requirements. IRS 28 - measuring an entity at fair value, according to financial result or individually.
Amendments to IFRS 15	The amendments specify how to: - identify liabilities, -- determine if an entity is a principal or an agent, - determine the method of recognising revenues from licenses granted (on a one-off or straight-line basis)
Amendments to IAS 40	A change in the classification of property, i.e. transfer from investment property to other asset groups.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Guidelines related to the method of determining the transaction date, i.e. the SPOT exchange rate to be applied when making or receiving an advance payment in a foreign currency.

IFRS 16 changes the principles of recognising contracts of lease. The main change is the departure from the division into the operating and financial lease. All lease contracts which meet the requirements for this type of contract shall be presented as financial lease. Implementing the standard will have the following effect:

- on the statement of financial situation: increase in the value of non-financial fixed assets and financial liabilities,
- on the statement of comprehensive income: decrease in the operating costs (other than accumulated depreciation), increase in the accumulated depreciation and financial costs.

The new standard introduces a single model of recognising a lease in a lessee's books. According to a preliminary analysis, application of IFRS 16 will result in recognising in the

(in thousand PLN)

Group's statement of financial situation the types of contracts currently treated as operating lease and not recognised in the statement of financial situation. The Group, however, has not yet completed a detailed impact analysis scheduled for 2017/2018.

2.4. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following items:

- available-for-sale financial assets and,
- investment property

- measured at fair value.

2.5. Capital Group

The consolidated financial statements of the Inter Cars SA Capital Group ("The Group") include the statements of:

Name of entity	Consolidation method	% of the Group's share in the share capital	
		31/12/2016	31/12/2015
Inter Cars S.A.	full	Not applicable	Not applicable
Inter Cars Ukraine	full	100%	100%
Q-service Sp. z o.o.	full	100%	100%
Lauber Sp. z o.o.	full	100%	100%
Inter Cars Česká republika s.r.o.	full	100%	100%
Feber Sp. z o.o.	full	100%	100%
IC Development & Finance Sp. z o.o	full	100%	100%
Armatus sp. z o.o.	full	100%	100%
Inter Cars Slovenská republika s.r.o.	full	100%	100%
Inter Cars Lietuva UAB	full	100%	100%
JC Auto s.r.o.	full	100%	100%
JC Auto S.A.	full	100%	100%
Inter Cars Hungária Kft	full	100%	100%
Inter Cars Italia s.r.l (formerly JC Auto s.r.l.)	full	100%	100%
Inter Cars d.o.o.	full	100%	100%
Inter Cars Romania s.r.l.	full	100%	100%
Inter Cars Cyprus Limited	full	100%	100%
Inter Cars Latvija SIA	full	100%	100%
Cleverlog-Autoteile GmbH	full	100%	100%
Inter Cars Bulgaria Ltd.	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	full	100%	100%
ILS Sp. z o.o.	full	100%	100%
Inter Cars Malta Holding Limited	full	100%	100%
Inter Cars Malta Limited	full	100%	100%
Q-service Truck Sp. z o.o.	full	100%	100%
Inter Cars INT d o.o.	full	100%	100%
Inter Cars Eesti OÜ	full	100%	100%
Inter Cars Piese Auto s.r.l.	full	100%	100%
Aurelia Auto d o o	full	100%	100%
InterMeko Europa Sp. z o.o.	equity method	50%	50%
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	equity method	49%	49%

The parent company is Inter Cars S.A. ("the Company / The parent entity").

Presented accounting policies were used equally in all entities comprising the Capital Group. In 2015 there were no changes to the accounting policy. Consolidation is based in the full method. Associated entities SMiOC FRENOPLAST Bułhak i Cieślawski S.A. and Intermeko Europe Sp. z o.o. are put into consolidation using equity method.

2.6. Functional and presentation currency

(a) Presentation and functional currency

All amounts in the financial statements are shown in thousand PLN, unless stated otherwise. PLN is the functional currency of Inter Cars S.A.

Assets and liabilities of foreign-based entities, including goodwill and adjustments on fair value as at the purchase date, are translated according to the average National Bank of Poland exchange rate prevailing as at the end of the reporting period. Revenues and costs of foreign-based entities, including entities operating under hyperinflation, are translated according to the average National Bank of Poland exchange rate prevailing on the transaction date. Foreign exchange translation differences are recognised under other comprehensive income and disclosed as foreign exchange translation differences of foreign-based entities. However, if the Group does not hold all shares in a foreign-based entity, a proportional part of the translation differences is recognised under non-controlling interests. If control, significant impact or joint control over an foreign-based entity is lost, the accumulated value of translation differences is reclassified to profit or loss for the current period and recognised as a profit or loss on sales of such an entity. If the Group excludes only a part of its shares in a subsidiary having foreign-based subsidiaries, but controls the remaining interests, an appropriate part of the accumulated value is attached to the non-controlling interests. If the group excludes only a part of its investment in an affiliated entity having foreign-based subsidiaries, but has a material impact or jointly controls the remaining part, an appropriate part of the accumulated value is reclassified to profit or loss for the current period.

The financial results, assets and liabilities of entities which use functional currencies other than PLN, are translated according to the following procedures:

- assets and liabilities of each disclosed balance-sheet are translated at the closing rate as at the reporting date,
- revenues and costs in each statement of comprehensive income are translated at average rates prevailing during a reporting period
- any translation differences are recognised as a separate item of equity

(b) Foreign currency transactions

Transactions presented in foreign currencies have been recognized according to the exchange rate announced at the transaction date. Foreign currency translation differences resulting from settling of these transactions and measuring of monetary assets and liabilities as at the reporting date according to the average National Bank of Poland exchange rate announced at that date, have been recognized as profit or loss, where foreign currency translation differences resulting from settlement of trade liabilities adjust the costs of sales, while the remaining foreign currency translation differences are presented in a separate position.

Non-cash balance sheet items denominated in foreign currency measured at fair value are translated as per the average exchange rate announced by the National Bank of Poland (or another bank in the case of another functional currency) at the date the fair value is measured. The non-cash items measured at historical cost in foreign currencies are translated by the Group using the exchange rate valid on the transaction date. The translation differences are recognized as profit or loss of the current period, except for differences resulting from settlement of capital instruments qualified as available for sale, financial liabilities to secure a share in the net assets of a foreign entity, which are effective, and qualified security of cash flows, recognized by the Group as other comprehensive income.

Foreign currency translation differences resulting from translation of transactions into PLN are recognized separately in the statement of comprehensive income, excluding foreign currency translation differences regarding the repayment of liabilities or payment of trade and other receivables, recognised as cost of sale.

3. Basis of accounting

3.1. Changes in the accounting policy

In the reporting period there were no changes to the accounting policy.

3.2. Principles of consolidation

(a) Subsidiary Companies

The subsidiaries are entities controlled by the Parent Company. Control is performed when the Parent Company has capacity to manage directly or indirectly the financial and operational policy of a given entity, in order to obtain the benefits arising from its activities. When evaluating the degree of control, the impact of the existing and of potential voting rights are taken into consideration, which, as the report date, may be fulfilled or may be subject to conversion.

The financial statements of subsidiaries are considered in the consolidated financial statement starting from the date of obtaining control over them up to the moment of their expiry.

b) Subsidiary entities

Investments in subsidiaries and jointly-controlled entities are measured using the equity method (investments measured by equity method), and are initially recognised at the purchase cost. The purchase cost of an investment includes transaction costs.

(c) Consolidation adjustments

The balances of internal settlements between entities of the Group, the transactions concluded within the Group as well as any unexecuted profits or losses resulting from there as well as the revenues and costs of the Group are eliminated during drawing up a consolidated financial statement. Unrealised gains on transactions with associated entities are eliminated from the consolidated financial statements pro rata to the Group's interest in such entities. The unexecuted losses are excluded from the consolidated financial statement on the same principle as the unexecuted profits, until the moment of occurrence of the premises indicating value loss.

3.3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in the financial statements:

a) Property, plant and equipment-

Property, plant and equipment include Group's assets, investment in third-party fixed assets, fixed assets under construction and third-party fixed assets accepted for use by the Group (when pursuant to a contract the potential benefits and risk resulting from their possession are substantially transferred to the Group). The above mentioned constitute assets used for delivery of goods or services and for administrative purposes or for third-party lease, and the anticipated time of their use exceeds one year.

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

The acquisition or production cost includes the costs incurred to purchase or manufacture property, plant and equipment, including capitalized interest until a property, plant or equipment asset is handed over for permanent use. The costs incurred at a later period are recognized in the balance sheet value, if the Group is likely to obtain economic benefits. The cost of current maintenance of property, plant and equipment are recognized as profit or loss.

Acquisition or production cost of an item of property, plant and equipment comprises purchase price, including import duties and non-refundable purchase taxes on the acquisition, after deducting trade discounts and rebates, any other costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as the costs of dismantling and removing the item, and restoring the site on which it is located, which the Group is obliged to incur.

Property, plant and equipment, except for tangible assets under construction and land, are subject to depreciation. Depreciation is calculated to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives periodically reviewed by the Group. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale, it is derecognized, its residual value is higher than its carrying amount, or it is fully depreciated..

Items of property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are as follows:

Buildings and leasehold improvements	10 - 40 years
Plant and machinery	3 - 16 years
Vehicles	5 - 10 years
Other fixed assets	1 year - 40 years

Gains or losses arising from the de-recognition of an item of property, plant and equipment are calculated as the difference between net proceeds from disposal and the carrying amount of the asset, and are included in profit or loss when the item is derecognized.

b) Goodwill

Goodwill arising on acquisition of subsidiaries is measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Other purchase costs are presented in the balance sheet in the period in which they were born by the Company.
After the initial presentation, goodwill is measured according to the purchase price less any cumulated impairment losses. In the case of investments measured using the equity method, goodwill is recognized as the carrying value of investments, while an impairment loss on this investment is not allocated to any item of assets, including goodwill, which constitutes a part of the value of the investment. Purchase of non-controlling shares is recognized as transactions with shareholders, as a result of which goodwill is not recognized with this type of transactions. Adjustments on non-controlling shares are based on the proportional value of net assets of a related entity .

c) Intangible assets

Identifiable non-monetary assets without physical substance, whose acquisition or production cost can be estimated reliably and which will probably bring future economic benefits to the Group attributable directly to a given asset, are recognized as intangible assets. Intangible assets with definite useful lives are amortized over their useful lives, starting from the day when a given asset is available to be placed in service. Amortisation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group of assets that is classified as held for sale) in accordance with IFRS 5 Non-Current Assets Available for Sale and Discontinued Operations, and the date that the asset is derecognized or when it is fully amortized. The amortisable amount of an intangible asset for amortization is determined after deducting its residual value.

Relations with vendors.

Relations with suppliers acquired through an acquisition or business combination are initially recognized at acquisition cost. The acquisition cost of relations with suppliers acquired through mergers is equal to their fair value as at the merger date.

Following initial recognition, relations with suppliers are measured at acquisition cost less amortization and impairment losses, if any. Relations with suppliers acquired as a result of the merger with JC Auto S.A. are depreciated over a period decided by the Board, accordingly to their estimated useful economic life.

Computer software

Software licenses are valued at acquisition cost plus the costs directly attributable to bringing them to the condition necessary for the asset to be capable of operating.

The costs related to maintaining software are recognized as the costs of the period in which they are incurred.

Costs related directly to the production of unique computer software for the Group, which will probably yield economic benefits exceeding costs beyond one year, are disclosed under intangible assets and amortized over the useful life of a given asset, however no longer than for the term of the lease agreement.

d) Investment property

Investment property is property is held to earn rentals or for capital appreciation or both, rather than for: a) use in production or supply of goods or services or for administrative purposes; or b) sale in the ordinary course of business. Initially, investment property is valued at acquisition cost, including transaction costs. After initial recognition, it is measured at fair value, and any gain or loss arising from a change in the fair value is recognised in profit or loss for the period in which it arises.

Assets are transferred to investment property only when there is a change in their use and the criteria for recognition of property under investment property are met. The Company applies the principles described in the section “Property, Plant and Equipment” to such property until the day of change in its use. Any difference between the fair value of the property as at that date and its previous carrying amount is recognized under other comprehensive income.

Property is transferred from investment property only if there is a change in its use evidenced by: a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; b) commencement of development with a view to sale, for a transfer from investment property to inventories.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property’s deemed cost for subsequent accounting is its fair value at the date of change in use.

e) Financial assets other than derivatives

Financial instruments are classified into the following categories: (a) held-to maturity financial instruments, (b) loans and receivables, (c) available for sale financial assets , (d) financial instruments measured at fair value through profit or loss.

Financial instruments are classified into the above categories depending on the purpose for which they were purchased.

As at the reporting date , financial instruments are reviewed and, if needed, reclassified. Financial instruments are initially recognized at fair value, which in the case of investments not classified as measured at fair value through profit or loss also includes transaction costs directly attributable to the acquisition or issue of the investment asset. Financial instruments are derecognized if the rights to receive economic benefits and the risks associated with such instruments expire or are transferred to a third party.

The fair value of financial instruments which are traded on an active market is determined by reference to the closing price on the last day of trading before the reporting date.

The fair value of financial instruments which are not traded on an active market is determined using various valuation methods, including by reference to the market value of another instrument with substantially the same features that is traded on an active market, based on the expected cash flows, or option valuation models , taking into account group-specific circumstances.

As at the reporting date, the Group determines whether there is objective evidence of impairment of an asset or a group of assets.

(a) Held-to-Maturity Financial Assets

Financial instruments held to maturity are financial assets other than derivatives, with fixed or determinable payments and fixed maturities, which the Group intends and is able to hold to maturity, excluding financial assets classified as financial instruments measured at fair value through profit or loss, investments available for sale, and loans and receivables.

Assets which will be sold within 12 months following the reporting date are disclosed under current assets.

Investments held to maturity are measured at amortised cost using the effective interest rate, less impairment losses.

(b) Loans and Receivables

Loans and receivables are financial assets other than derivatives, with fixed or determinable payments, which are not traded on an active market and which result from payments, delivery of goods or performance of services for the benefit of a debtor without an intention to classify such receivables as financial assets measured at fair value through profit or loss. Loans and receivables are disclosed under current assets, except for those maturing in over 12 months following the reporting date.

Trade and other receivables are measured at amortised cost using the effective interest rate, less impairment losses on doubtful receivables.

(c) Available for Sale Financial Assets

Financial assets available for sale are financial assets other than derivatives, which have been designated as available for sale or have not been classified to the (a), (b) or (d) category. Financial assets available for sale are disclosed under current assets if they are intended to be sold within 12 months following the reporting date. Financial assets available for sale are measured at fair value, except for investments in equity instruments which are not quoted on an active market and whose fair value may not be measured reliably.

Gains or losses from revaluation of financial asset s available for sale are disclosed as a separate item of equity until such financial assets are sold or their value is impaired, at which point the accumulated gains or losses previously disclosed under other comprehensive income are recognised as current period profit or loss.

(d) Financial Instruments Measured at Fair Value through Profit or Loss

An instrument is classified as one to be measured at fair value through profit or loss if it is held for trading or is designated as such at the time of its initial recognition. Financial instruments are classified as instruments measured at fair value through profit or loss if the Group actively manages such positions and makes decisions concerning their purchase or sale based on their fair value. Following initial recognition, the transaction costs related to the investments are recognised as profit or loss at the time they are incurred.

The fair value of financial instruments classified as measured at fair value through profit or loss or available for sale is their current bid price as at the reporting date.

f) Financial liabilities other than derivatives

Debt instruments and subordinated debt are recognized as at their date. Any other financial liabilities, including liabilities measured at fair value are recognized as at the transaction date, on which the Group becomes a party to an agreement obliging it to issue a financial instrument.

Following their repayment, cancellation or expiration, financial liabilities are removed from the Group’s books.

Financial assets and liabilities are offset against each other and recognized in the financial statements as a net amount only if the Group is authorized to offset particular financial assets and liabilities or intends to settle a particular transaction in net amounts of offset financial assets and liabilities items or intends to utilize financial assets subject to offsetting, and settle the financial liabilities.

The Group recognizes financial liabilities other than derivatives as other financial liabilities. Such financial liabilities are initially recognized at fair value plus directly related transactional costs. Following the initial recognition, such liabilities are valued at amortized cost using the effective interest rate method.

Other financial liabilities include loans, borrowings, debt instruments, current account credits, trade and other liabilities. For details regarding the valuation of bank loans see point I.

g) Impairment of assets

Financial assets

An impairment loss on a financial asset is recognised if there is objective evidence that there occurred one or more events which may have an adverse impact on future cash flows related to a given financial asset.

The amount of an impairment loss on a financial asset carried at amortised cost is measured as the difference between the asset’s carrying amount and the present value of the future cash flows, discounted using the original effective interest rate.

As at each reporting date, it is assessed whether objective evidence of impairment exists for financial assets that are deemed material individually. Other financial assets are divided into groups with similar credit risk and assessed for impairment collectively.

Impairment losses are recognised in current period profit or loss.

Impairment losses are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event occurring after the impairment recognition date.

An impairment loss on financial assets available for sale is recognised by relocation to profit or loss of the current period of an accumulated loss recognised in the valuation capital to fair value. The value of the accumulated loss mentioned above is calculated as a difference between the purchase price, minus depreciation and repayment of capital instalments, and the fair value minus impairment losses previously recognised as profit or loss of the current period. Changes to impairment losses related to the application of the effective interest rate method are recognised as interest revenue.

Impairment losses are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event occurring after the impairment recognition date. Impairment losses related to investments in equity instruments classified as available for sale are not reversed through profit or loss. If the fair value of debt instruments classified as available for sale increases and the increase can be objectively attributed to an event occurring after the impairment recognition date, the previously recognised impairment loss is reversed with the reversal amount disclosed under other comprehensive income.

Non-Financial Assets

The carrying amount of non-financial assets other than investment property, inventories and deferred tax asset is tested for impairment at each reporting date. If the Group has a reason to suspect that a given asset's value has been impaired, it estimates its recoverable amount. The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet ready for use is established at each reporting date.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit is higher than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets which generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. Impairment losses are recognised in current period profit or loss. Impairment of a cash-generating unit is initially recognised as a decrease in goodwill allocated to that cash-generating unit (a group of cash-generating units), and subsequently as a decrease in the carrying amount of the other assets belonging to that cash- generating unit (a group of cash-generating units) on a pro-rata basis.

The recoverable amount of assets or cash-generating units is the higher of their net realisable value and their value in use. Value in use is calculated by discounting estimated future cash flows with a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets which do not generate independent cash flows, value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

Impairment losses on goodwill are not reversible. As far as other assets are concerned at each reporting date impairment losses recognised in prior periods are reviewed to determine if there is any evidence that they no longer exist or have decreased. An impairment loss recognised in prior periods is reversed if the estimates used to determine the asset's recoverable amount have changed. An impairment loss is reversed only up to the carrying amount of the asset (net of amortisation and depreciation) that would have been disclosed had no impairment loss been recognized.

h) Lease

a) The Group as a Lessee

Property, plant and equipment used under finance lease agreements which transfer to the Group substantially all the risks and benefits resulting from ownership of the assets, are carried at the lower of the fair value of the assets or the present value of the minimum future lease payments. Lease payments are apportioned between finance expenses and reduction of the outstanding lease obligation so as to achieve a constant rate of interest in particular periods on the remaining balance of the liability. Finance expenses are recognised directly in current period profit or loss. If there is no reasonable probability that ownership of the asset will be acquired as at the end of the lease term, assets used under finance lease agreements are depreciated over the shorter of the lease term or their useful life. In other cases, property, plant and equipment are depreciated over their useful lives.

Lease agreements under which substantially all the risks and benefits resulting from ownership of the assets remain with the lessor are disclosed as operating lease agreements. The cost of lease payments is recognised on a straight-line basis in profit or loss over the lease term.

(b) The Group as a Lessor

Income from operating leases is recognised in profit or loss on a straight-line basis over the period provided for in the relevant lease agreement . Leased assets are carried in the statement of financial position and depreciated in line with the deprecation procedures followed in the case of similar asset categories.

i) Inventory

Inventories are recognised at the lower of their acquisition (production) cost or net realisable value. The cost of inventories includes all costs of acquisition and processing as well as all other costs incurred in order to bring inventories to condition available for sale.

The acquisition or production cost is determined using the FIFO method, which assumes that sales are made from the oldest available goods.

The amounts of discounts and rebates as well as other payments depending on the purchase volume reduce the purchase price regardless of the date on which they are actually granted, provided that their receipt is probable.

Net realisable value is recognised in the amount of the estimated selling price that could be obtained in the ordinary course of business, less any estimated cost of finishing the inventories and costs to sell.

The value of inventories is reduced by impairment losses recognised when the net realisable price (price less discounts, rebates and selling costs) is lower than the relevant acquisition (production) cost, determined separately for each line of inventories.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks, as well as term deposits and short-term securities maturing within three months.

k) Equity

In the Group's financial statements, the equity comprises:

1. Share capital disclosed in the amount specified in the Company's Articles of Association and entered into the court register,
2. Share issue capital disclosed as a separate item under equity. Costs of share issue are charged against equity.
3. The reserve fund created pursuant to the Code of Commercial Companies,
4. The remaining reserve funds created based on the valuation of management options,
5. Retained profit, comprising retained profit from prior years and the profit or loss from the current financial period.
6. Foreign exchange gains / losses – capital from recalculation of entities operating abroad.
7. Non-controlling interest – value of assets attributable for non-controlling shareholders.

l) Loans and borrowings

Loans and borrowings are initially recognised at acquisition cost, equal to their respective fair value, the determination of which includes cost of contracting a loan as well as discounts and bonuses received at the time of the liabilities settlement

In subsequent periods, loans and borrowings are measured at amortised cost using the effective interest rate.

m) Provisions

A provision is recognised when a group has a present obligation (whether legal or constructive) resulting from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

n) Revenue

Revenue is recognised at the fair value of economic benefits received or receivable, whose amount can be estimated reliably.

(a) Revenue from Sales of Goods for Resale and Products

Revenue is recognised if:

- the group has transferred to the buyer the significant risks and benefits of ownership,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods, products and services sold,

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised net of VAT and taking into account any discounts granted.

Sales is realized via affiliated sales chain and own chain of branches. Sales revenue is recognized upon a sale of goods to a client.

(b) Revenue from sales of services

Revenue from sales of services is recognised on a percentage of completion basis as at the reporting date. The outcome of a transaction can be estimated reliably if all of the following conditions are met:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the stage of completion of the transaction as at the reporting date can be measured reliably, and
- the costs incurred in connection with the transaction and the costs to complete the transaction can be measured reliably.

(c) Interest Income

Interest income is recognised using the effective interest rate if the receipt of interest is probable and the amount of interest can be measured reliably.

(d) Dividend

Dividend income is recognised as at the dividend record date if it is probable that the dividend will be received and the amount of dividend can be measured reliably.

o) Operating expenses

Operating expenses are disclosed in the period to which they relate, in the amount of a probable reduction of the group’s economic benefits which can be measured reliably.

The costs charged to the Group by its affiliate branches as compensation for the sale of goods for resale performed on behalf of the Group are recognised in the period to which they relate.

Expense on the lease of office and warehouse space is recognised in profit or loss in the period to which it relates.

Re-invoiced amounts reduce the respective cost item s of the Group.

p) Financial expenses

Finance expenses include primarily interest payable on borrowings, unwinding of the discount on provisions, dividend on preference shares classified as liabilities, foreign exchange losses, losses resulting from changes in the fair value of financial instruments at fair value through profit or loss, and financial assets impairment as well as gains or losses related to hedging instruments which are recognised in profit or loss. All interest payable is measured using the effective interest rate.

q) Income tax

Income tax covers the current and the deferred part. The calculation of current income tax is based on the profit of a given period determined according to the valid tax regulations. The total income tax charge is the aggregate of its current portion and deferred portion, determined with the balance-sheet method; the deferred income tax is recognised in connection with temporary differences between the values of assets and liabilities as disclosed in the accounting books and their respective values determined for tax purposes.

Deferred tax is recognised in connection with temporary differences between the carrying value of assets and liabilities, and their value determined for tax purposes. Deferred tax is not recognised in the following cases:
temporary differences resulting from initial recognition of assets or liabilities related to a transaction other than a merger, which does not affect the profit or loss of the current period nor the taxable income;
temporary differences resulting room investments in subsidiaries in the period when it is unlikely that they will be sold in a foreseeable future; temporary differences resulting from initial recognition of goodwill.

(in thousand PLN)

Deferred income tax is determined with the use of the tax rates, which, according to forecasts, will be applied when the temporary differences will reverse. The tax regulations legally or actually binding up to the reporting date will apply.
Deferred tax asset and deferred tax liability are offset if the Company holds an exercisable right to offset corporate income tax receivable and payable and if the deferred tax asset and deferred tax liability refer to the corporate income tax levied on the same taxpayer by the same tax authority.

r) Valuation of shares in affiliated entities

Shares in affiliated entities are valued according to the equity method.

4. Operating segments

The core business of the Inter Cars S.A. Capital Group is the sale of spare parts. In addition, the companies Feber, Lauber, IC Development and ILS Sp. z o.o. are active in other insignificant business segments, such as the manufacture of semi-trailers, remanufacturing of spare parts, real estate development and logistics. This segment is presented as other sales.
The Inter Cars Capital Group applies uniform accounting principles to all segments. Transactions between particular segments are carried out at arm's length.

Supplementary information

For information on key products and services and the geographical breakdown of sales, see Note 21.
The vast majority of the Group's non-current assets are situated in Poland. Information on fixed assets corresponding to the geographical breakdown is presented in the chart below:

	31/12/2016	**31/12/2015**
Fixed assets on the territory of Poland	616,547	585,140
Fixed assets outside the territory of Poland	85,622	57,801
Total fixed assets	**702,169**	**642,941**

The Group does not have key customers due to the nature of its operations. For more information see Note 12.

(in thousand PLN)

	Sale of spare parts		Other		Eliminations		Total	
	01/01/2016 -31/12/2016	01/01/2015 -31/12/2015	01/01/2016 -31/12/2016	01/01/2015 -31/12/2015	01/01/2016 -31/12/2016	01/01/2015 -31/12/2015	01/01/2016 -31/12/2016	01/01/2015 -31/12/2015
Revenues from external customers	5,555,431	4,650,501	418,028	145,287	-	-	5,973,459	4,795,788
Revenues between segments	54,966	52,151	46,969	257,513	(101,935)	(309,664)	-	-
Interest income	3,861	4,343	1,884	891	(3,627)	(2,871)	2,118	2,363
Interest costs	(28,063)	(22,308)	(765)	(842)	3,627	2,871	(25,201)	(20,279)
Depreciation and amortization	(52,024)	(47,590)	(13,584)	(13,616)	11,430	11,430	(54,178)	(49,776)
Profit before tax	**343,111**	**259,620**	**12,179**	**3,471**	**(70,510)**	**(86,966)**	**284,780**	**176,125**
Shares in affiliates – using equity method	113	810	-	-	-	-	113	810
Total assets	**4,527,265**	**3,772,872**	**423,482**	**372,291**	**(1,910,670)**	**(1,638,799)**	**3,040,077**	**2,506,364**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(59,367)	(46,619)	(73,344)	(120,140)		-	(132,711)	(166,759)
Total commitments	**2,561,054**	**2,032,095**	**118,039**	**109,755**	**(1,063,024)**	**(841,364)**	**1,616,069**	**1,300,486**

(in thousand PLN)

5. Property, plant and equipment

	31/12/2016	31/12/2015
Land	45,531	45,356
Buildings and structures	161,136	102,469
Plant and machinery	138,367	56,176
Vehicles	24,937	19,265
Other tangible assets	82,130	53,653
Tangible assets under construction	7,578	115,883
Total property, plant and equipment	**459,679**	**392,802**

Property, plant and equipment under lease agreements

The carrying amount of property, plant and equipment used under finance lease agreements is shown below:

- As at 31 December 2016 – PLN 17,548 thousand
- As at 31 December 2015 – PLN 41,970 thousand

Assets used under finance lease agreements include computer hardware, vehicles and a complex in Kajetany, used by the Group in its operating activities.

The complex in Kajetany was bought from leasing company in January 2016.

The Group's right to dispose of any item of property, plant and equipment held by the Group, except for those used under finance lease agreements, is not restricted in any way.

Borrowing costs

The borrowing costs charged to property, plant and equipment for the reporting year are not material.

(in thousand PLN)

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 01/01/2015	**29,357**	**127,711**	**120,948**	**34,059**	**102,018**	**40,404**	**454,497**
Increase:	**16,413**	**12,309**	**15,191**	**10,258**	**34,169**	**75,479**	**163,819**
Acquisition	-	582	14,932	6,104	34,099	104,523	**160,240**
Transfer	16,413	11,727	259	315	70	(29,044)	**(260)**
Lease	-	-	-	3,839	-	-	**3,839**
Decrease:	**-**	**(752)**	**(1790)**	**(7,236)**	**(1,975)**	**-**	**(11,753)**
Sale	-	(100)	(789)	(4,573)	(1,848)	-	**(7,310)**
Liquidation	-	(652)	(1,001)	(2,663)	(127)	-	**(4,443)**
Foreign exchange gains /losses in subsidiaries	15	42	(303)	(164)	194	-	**(216)**
Gross value as at 31/12/2015	**45,785**	**139,310**	**134,046**	**36,917**	**134,406**	**115,883**	**606,347**
Increase	**68**	**64,367**	**99,265**	**16,156**	**43,312**	**(108,305)**	**114,863**
Acquisition	68	211	10,890	6,586	21,660	86,946	**126,361**
Transfer	-	64,156	86,889	1,977	21,652	(195,251)	**(20,577)**
Lease	-	-	1,486	7,593	--	-	**9,079**
Decrease	**-**	**(1,109)**	**(2,369)**	**(7,065)**	**(2,778)**	**-**	**(13,321)**
Sale	-	(47)	(361)	(6,185)	(1,860)	-	**(8,453)**
Liquidation	-	(1,062)	(2,008)	(880)	(918)	-	**(4,868)**
Foreign exchange gains /losses in subsidiaries	167	195	873	165	840	-	**2,240**
Gross value as at 31/12/2016	**46,020**	**202,763**	**231,815**	**46,173**	**175,780**	**7,578**	**710,129**

AMORTISATION AND IMPAIRMENT LOSSES

	Land	Buildings	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Accumulated depreciation as at 01/01/2015	**369**	**33,546**	**65,562**	**15,763**	**69,051**	**-**	**184,291**
Depreciation and amortization	60	3,928	13,989	6,818	12,388	-	**37,183**
Sale	-	(27)	(240)	(3,169)	(641)	-	**(4,077)**
Liquidation	-	(607)	(1,442)	(1,761)	(43)	-	**(3,853)**
Transfer	-	1	1	1	(2)	-	**1**
Accumulated depreciation as at 31/12/2015	**429**	**36,841**	**77,870**	**17,652**	**80,753**	**-**	**213,545**
Amortisation for period	60	4,797	17,238	8,091	14,262	-	**44,448**
Sale	-	(11)	(266)	(3,925)	(795)	-	**(4,997)**
Liquidation	-	-	(1,394)	(582)	(570)	-	**(2,546)**
Transfer	-	-	-	-	-	-	
Accumulated depreciation as at 31/12/2016	**489**	**41,627**	**93,448**	**21,236**	**93,650**	**-**	**250,450**

NET VALUE

As at 01/01/2015	**28,988**	**94,165**	**55,386**	**18,296**	**32,967**	**40,404**	**270,206**
As at 31/12/2015	**45,356**	**102,469**	**56,176**	**19,265**	**53,653**	**115,883**	**392,802**
As at 01/01/2016	**45,356**	**102,469**	**56,176**	**19,265**	**53,653**	**115,883**	**392,802**
As at 31/12/2016	**45,531**	**161,136**	**138,367**	**24,937**	**82,130**	**7540**	**459,641**

(in thousand PLN)

6. Intangible assets

	31/12/2016	31/12/2015
Goodwill, including:	124,130	124,130
- goodwill from merger with JC Auto S.A.	*124,130*	*124,130*
Computer software	13,496	12,742
Other intangible assets, including:	10,285	12,715
- relations with suppliers	*4,407*	*5,799*
- other	*5,878*	*6,916*
Intangible assets under construction	22,558	2,483
	170,469	**152,070**

Impairment test

The Group's cash generating units were tested for impairment connected with goodwill of JC Auto S.A. Company (segment: automotive spare parts). The recoverable amount was based on an estimation of value in use. No impairment was identified based on the test.

The value in use is the estimated present value of future cash flows generated by the Group. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed materially in comparison to values adopted as at 31 December 2015:

- Projections of cash flows used to estimate the value in use estimated for the whole segment of spare parts.
- The data used to prepare the projections for 2017 was based on the approved budget and assume an increase in cash flows by about 8 to 10% annually.
- Cash flows for remaining years were estimated based on a real growth rate of 1.2%,
- The discount rate used to calculate the value in use was 8.5% and was estimated based on the weighted average cost of capita (WACC)
- The Board did not define any key assumptions, a change of which in a rational extend, might lead to a loss in value of money generating operations.

Intangible assets under lease agreements

As at 31 December 2016 the Group had no intangible assets used on the basis of finance lease agreements. As at 31 December 2015 the balance value of intangible fixed assets amounted to PLN 1,321 thousand. The finance lease contracts were signed on software used for realization of Group's operations and expired during the accounting year 2016.

None of the intangible assets held by the Group is subject to limited right of use.

Borrowing costs

The borrowing costs charged to intangible assets for the reporting year are not material.

(in thousand PLN)

	Goodwill	Computer software	Other intangible assets	Intangible assets under construction	Total
GROSS VALUE OF INTANGIBLE ASSETS					
Gross value as at 01/01/2015	**124,130**	**59,103**	**33,383**	**2,483**	**219,099**
Acquisition	-	6,519	-	-	6,519
Transfer from investments	-	260	-	-	260
Other	-	(1,409)	1,054	-	(355)
Gross value as at 31/12/2015	**124,130**	**64,473**	**34,437**	**2,483**	**225,523**
Acquisition	-	6,312	-	7,375	6,312
Transfer from investments	-	1,209	-	12,700	21,284
Other	-	(80)	-	-	(80)
Gross value as at 31/12/2016	**124,130**	**71,914**	**34,437**	**22,558**	**253,039**
AMORTISATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS					
Accumulated depreciation as at 01/01/2015	**-**	**40,049**	**21,492**	**-**	**61,541**
Amortisation for period	-	10,163	2,430	-	12,593
Foreign exchange gains /losses	-	(308)	-	-	(308)
Other	-	1,827	(2,200)	-	(373)
Accumulated depreciation as at 31/12/2015	**-**	**51,731**	**21,722**	**-**	**73,453**
Amortisation for period	-	6,547	2,430	-	8,977
Foreign exchange gains /losses	-	34	-	-	34
Other	-	106	-	-	106
Accumulated depreciation as at 31/12/2016	**-**	**58,418**	**24,152**	**-**	**82,570**
Net value					
As at 01/01/2015	**124,130**	**19,054**	**11,891**	**2,483**	**157,558**
As at 31/12/2015	**124,130**	**12,742**	**12,715**	**2,483**	**152,070**
As at 01/01/2016	**124,130**	**12,742**	**12,715**	**2,483**	**152,070**
As at 31/12/2016	**124,130**	**13,496**	**10,285**	**22,558**	**170,469**

7. Investment property

	2016	2015
Status as at 01 January 2016	24,685	25,357
Change in value measured at fair value	(582)	(672)
Status as at 31 December 2016	**24,103**	**24,685**

The Group contracted valuation to the fair value of the real estate in Lublin, Szczecin, Gdańsk, Gorzów and in the Masuria region. The valuation was carried out by an independent expert, with recognized professional qualifications, as well as being the holder of experience in valuations of investment real estate. When determining goodwill of the real property the comparative method was applied (goodwill – level 3).

The Group's title to the above property is not restricted. The real estate are purchased lands for investment (construction of branches or lease).

In 2016, the property located in Gdansk earned PLN 150 thousand, in Gorzów PLN 420 thousand, and in Szczecin PLN 420 thousand. Other real estate properties brought no income from lease. In the reported period, the cost of maintenance of above mentioned properties is at similar level to the income they brought.

8. Investments in associates

	2016	2015
Status as at 01 January 2016	**810**	**672**
Increase, including:	**1,111**	**152**
- purchase of shares in Inter Cars Greece Ltd	*776*	*-*
- purchase of shares in Inter Cars d o.o.	*222*	*-*
- share in results of InterMeko Europa Sp. z o.o.	*113*	*151*
- purchase of shares in Inter Cars Moldavia	*-*	*1*
Decrease, including:	**-**	**(14)**
- transfer of shares in Inter Cars Eesti OÜ to consolidation	*-*	*(14)*
Status as at 31 December 2016	**1,921**	**810**

Share in affiliated entities – as at 31 December 2016

Name and legal form of associate	SMiOC FRENOPLAST Bułhak i Cieślawski S.A. (not listed)	
Registered seat	Szczytno	
Value of purchased shares (in thousand PLN)	-	
Percentage of share capital/ total vote held	49%	
Associate's assets	12,757	*
Liabilities	5,900	*
Revenue	8,074	*
Net result	(170)	*
Name and legal form of associate	*InterMeko Europa sp. z o.o.* (non-quoted company)	
Registered seat	Warsaw	
Value of purchased shares (in thousand PLN)	566	
Percentage of share capital/ total vote held	50%	
Associate's assets	2,012	*
Liabilities	227	*
Revenue	2,081	*
Net result	227	*

* not audited

Due to a permanent impairment, in 2013 the Group recognized a revaluation write-down on the shares of its associate SMiOC FRENOPLAST Bułhak i Cieślawski S.A. As at 31 December 2016 the value of the write-down amounted to PLN 3,782 thousand.

9. Investments available for sales

	2016	2015
Status as at 01 January 2016	**301**	**301**
Status as at 31 December 2016	**301**	**301**

Investments available for sale are shares in other entities, i.e. ATR and Partslife GmbH, which are nor a subject of sales on any market. The Group holds 3.44% of shares in ATR and 1% in Partslife.

(in thousand PLN)

10. Deferred tax

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities were recognized for the following assets and liabilities:

As at 31 December 2016	**Assets**	**Liabilities**
Intangible assets	-	-
Property, plant and equipment	2,920	4,070
Investment property	66	-
Inventories	17,893	1,424
Trade and other receivables	5,326	8,024
Tax losses	4,659	-
Finance lease liabilities	3,200	-
Trade and other payables	17,349	28,116
Deferred tax assets/liabilities	**51,413**	**41,634**
Deferred tax offset against liabilities	(25,515)	(25,515)
Deferred tax liabilities as disclosed in the balance sheet	**25,898**	**16,119**

Assets compensation and deferred income tax provision in parent company and subsidiaries.

As at 31 December 2015	**Assets**	**Liabilities**
Intangible assets	-	1,102
Property, plant and equipment	1,170	7,974
Investment property	128	-
Inventories	13,521	265
Trade and other receivables	12,481	3,282
Tax losses	5,990	-
Finance lease liabilities	6,180	-
Trade and other payables	17,336	20,423
Deferred tax assets/liabilities	**56,806**	**33,046**
Deferred tax offset against liabilities	-	-
Deferred tax liabilities as disclosed in the balance sheet	**56,806**	**33,046**

Deferred tax presented in the periods was recognized in relation to all balance sheet positions, which constitute temporary differences, except for the temporary difference between taxable and balance sheet value of trademarks reported in related entity Inter Cars Marketing Services Sp. z o.o. amounted to PLN 266,746 thousand. As at 31 December 2016 the unrecognised asset item on deferred tax on fiscal benefit in the form of tax advantage of trademarks in related entity amounted to PLN 50,682 thousand. Aforementioned deferred tax assets were not recognized because of uncertainty of possibility of realization of related economic benefits.

Change in deferred tax assets	**31/12/2016**	**31/12/2015**
As at beginning of period	56,806	48,474
Increase	(5,393)	8,332
As at end of period	**51,413**	**56,806**

Change in deferred tax liabilities	**31/12/2016**	**31/12/2015**
As at beginning of period	33,046	26,297
committed in the reporting period	8,588	6,749
As at end of period	**41,634**	**33,046**

(in thousand PLN)

	31/12/2015	Effect on net profit	31/12/2016
Deferred tax assets	56,806	(5,393)	51,413
Deferred tax liabilities	(33,046)	(8,588)	(41,634)
	23,760	**(13,981)**	**9,779**

11. Inventory

	31/12/2016	31/12/2015
Materials	30,795	30,917
Half-products and work in progress	7,630	8,486
Finished goods	6,507	24,333
Merchandise	1,465,187	1,187,946
	1,510,119	**1,251,681**
Merchandise	1,469,737	1,189,944
Write-offs	(4,550)	(1,998)
	1,465,187	**1,187,946**

The Group receives discounts from suppliers. To the extent such discounts relate to goods for resale purchased and sold in a given period, they reduce the value of goods for resale sold. The balance of such discounts is charged to inventories.

Inventories in the form of goods for resale kept at the Central Warehouse, regional distribution centres and affiliate branches are covered by fire and all-risk insurance, as well as by insurance against burglary with theft and robbery.

Inventories with a value of PLN 961 million have been pledged as collateral to secure the repayment of bank loan (details – see note 16).

Change in impairment losses on inventories

	2016	2015
As at beginning of period	(1,998)	(1,998)
(increase) / decrease	(2,552)	-
As at end of period	**(4,550)**	**(1,998)**

12. Trade and other receivables

	31/12/2016	31/12/2015
Trade receivables	621,797	498,922
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	57,054	20,100
Other	28,765	21,403
Loans granted	1,664	3,378
Short term trade and other receivables – gross	**709,280**	**543,803**

As at 31 December 2016, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly VAT receivables in the amount of PLN 48,998 thousand.

Change in impairment loss on trade receivables	**31/12/2016**	**31/12/2015**
Status as at the beginning of the period	(15,357)	(12,975)
Increase	(2,052)	(5,107)
Used	1,309	2,725
Status as at the end of the period	**(16,100)**	**(15,357)**
Short-term trade and other receivables – net	**693,180**	**528,446**

The Group limits its credit risk by transferring a part of its responsibility for collecting trade and other receivables to affiliates who received distribution fee.

(in thousand PLN)

Maturity structure of non-current trade receivables and other receivables	**31/12/2016**	**31/12/2015**
Up to 12 months	709,280	543,803
	709,280	**543,803**

Currency structure of non-current trade and other receivables (gross)	**31/12/2016**	**31/12/2015**
Local currency	372,526	279,074
Foreign currencies	336,754	264,729
	709,280	**543,803**

Receivables in EUR	107,517	101,523
Receivables in other currencies	229,237	163,206
	336,754	**264,729**

Maturity structure of receivables	**31/12/2016**		**31/12/2015**	
	Gross	**Write-offs**	**Gross**	**Write-offs**
Up to 180 days	635,115	-	513,814	-
- matured	*172,491*	-	*184,026*	-
- unmatured	*462,624*	-	*329,788*	-
From 181 to 270 days	31,928	2,308	3,084	807
From 271 to 360 days	7,965	845	2,182	632
Over 1 year	34,272	12 94	24,723	13,918
Total	**709,280**	**16,100**	**543,803**	**15,357**

Loans granted	**31/12/2016**	**31/12/2015**
Current loans	1,664	3,378
Non-current loans and borrowings	5,536	5,556
	7,200	**8,934**

Non-current receivables	**31/12/2016**	**31/12/2015**
Non-current loans and borrowings	5,536	5,556
Security deposits	12,623	9,352
Other	1,639	559
	19,798	**15,467**

The concentration of credit risk related to trade receivables is limited given that the Group's customer base is large and widely dispersed, mainly in Poland.

Credit and currency risks are discussed in Note 33.

Non-current receivables include security deposits under lease agreements paid by the Group, as well as non-current loans.

The loans bear an interest of: 1M WIBOR or EURIBOR 3M (in the case of EUR-denominated loans), plus a margin of 1% to 5%.

The loans are not secured.

13. Cash and cash equivalents

	31/12/2016	**31/12/2015**
Cash in hand	6,632	7,585
Cash at bank	89,066	53,217
Cash in transit	25,455	11,583
Cash on accounts of the Company's Social Benefits Fund	273	631
Cash	**121,426**	**73,016**

(in thousand PLN)

Cash	**31/12/2016**	**31/12/2015**
In local currency	32,062	18,771
In foreign currencies	89,364	54,245
	121,426	**73,016**

With the exception of cash on accounts of the Group's Social Benefits Fund, Inter Cars S.A. does not hold any restricted cash.
In accordance with Polish law, Companies administer the Company's Social Benefits Funds on behalf of its employees. Contributions to the Company's Social Benefits Funds are deposited in a separate account.
The credit risk concentration with respect to cash is limited as the Group deposits cash in a number of reputable financial institutions.

14. Share capital and share premium account

As at 31 December 2016, the share capital of parent entity - Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

	Number of shares	**Date of admission to trading**	**Right to dividend (since)**	**Par value (in PLN)**	**Issue price (PLN)**	**Share premium (in PLN)**
Series A	200,000	14/05/2004	1999	400,000	2.00	-
Series B	7,695,600	14/05/2004	1999	15,391,200	2.00	-
Series C	104,400	14/05/2004	1999	208,800	2.00	-
Series D	2,153,850	14/05/2004	2001	4,307,700	6.85	10,448,676
Series E	1,667,250	14/05/2004	2002	3,334,500	8.58	10,966,504
Series G	1,875 000	14/03/2008	2007	3,750 000	122.00	225,000 000
Series F1	10,001	06/08/2007	2008	20,002	33.59	315,932
Series F2	30,000	25/06/2008	2008	60,000	37.13	1,053 900
Series F1	147,332	06/08/2007	2009	294,664	33.59	4,654 218
Series F2	127,333	25/06/2008	2009	254,666	37.13	4,473 208
Series F3	157,334	21/12/2009	2009	314,668	18.64	2,618 038
	14,168 100			**28,336 200**		**259,530 476**

15. Net profit per share

Basic earnings per share

Net profit per share calculated based on net profit for the period in the amount of PLN 230,064 thousand (2015: PLN 151,026 thousand) and the weighted average number of shares – 14,168 thousand (2015: PLN 14,168 thousand): presented below:

Weighted average number of shares	**2016**	**2015**
Shares issued as at 1 January	14,168 100	14,168 100
Shares issued in connection with option exercise	-	-
Weighted average number of shares during the year	**14,168 100**	**14,168 100**

Basic profit per share	**2016**	**2015**
Net profit for period	230,064	151,026
Weighted average number of shares	14,168,100	14,168 100
Net profit per share	16.24	10.66

Diluted earnings per share

In 2016 and 2015 there were no open motivating programs in the Group, which might have diluting influence. Therefore, the diluted profit per share equals the basic profit per share.

16. Liabilities under loans, borrowings, and finance leases

This Note contains information on the Group's liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Group's exposure to currency, interest rate and liquidity risks, see Note 33.

The syndicated credit facility agreement

On 29 July 2009, a syndicated credit facility agreement was signed by Inter Cars S.A. (the Borrower) and (with subsequent changes) Feber Sp. z o.o., IC Development & Finance Sp. z o.o.,Inter CarsCeska Republika s.r.o., Inter Cars Slovenska Republika s.r.o., ILS sp. z o.o., Inter Cars Cyprus Limited, Q-Service sp. z o.o. and Inter Cars Marketing Services Sp. z o.o (Co-Borrowers) with the following banks: Bank Polska Kasa Opieki S.A., and ING Bank Śląski S.A., Bank Handlowy w Warszawie S.A., MBank S.A.

On 20 November 2013 and annex to credit contract was signed. The annex increased the total amount of credit available to PLN 495m. Furthermore, the Lenders agreed to extend the repayment period by another year with the final maturity date falling on 20 November 2014. Moreover, an additional co-borrower was added to the credit facility agreement, the company INTER CARSROMANIA S.R.L., based in Cluj-Napoca, Romania.

On 18 November 2014 and annex to credit facility agreement was signed. The annex increased the total amount of credit available to PLN 550m. Furthermore, the Lenders agreed to extend the repayment period to 18 November 2015 (for PLN 280m - short-term part) and to 18 November 2017 (for PLN 270m - long-term part). Moreover, an additional co-borrower was added to the credit facility agreement, the company INTER CARS LIETEUVA UAB with its registered seat in Vilnius.

On 16 November 2015 an annex to credit facility was signed. The annex increases the total amount of credit available to PLN 6.53m, by increasing the amount of credit in current account B up to the amount of PLN 383m, and extending the repayment period in current account B by a year, to 18 November 2016. The credit facility bears interest at a variable interest rate based on WIBOR, EURIBOR and LIBOR reference rates plus bank's margin for each interest period. Moreover, an additional co-borrower was added to the credit facility agreement, the company Sabiedriba ar ierobezotu atbildibu "Inter Cars Latvija", with its registered seat in Riga, Latvia.

On 14 November 2016 the parent Company concluded a revolving credit and term loan agreement with its subsidiaries: Inter Cars Marketing Services Sp. z o.o., ILS Sp. z o.o., Lauber Sp. z o.o., Q-Service Truck Sp. z o.o., Inter Cars Česka Republika s.r.o., Uždaroji Akcinė Bendrovė "Inter Cars Lietuva", Inter Cars Romania S.r.l., Inter Cars Slovenská Republica s.r.o. and Inter Cars d.o.o. As borrowers and guarantors, Inter Cars (Cyprus) Limited as guarantor, and the following financial institutions: Bank BGŻ BNP Paribas S.A., Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A., CaixaBank, S.A. (Spółka Akcyjna) Division in Poland, DNB Bank Polska S.A., ING Bank Śląski S.A. And mBank S.A. („New Credit Facility Agreement"), on the basis of which the Company and other above mentioned as borrowers subsidiaries of Inter Cars S.A. received:

(1) term loans in total maximum value of PLN 500,000,000.00 (five hundred million zlotys), repayable by 14 November 2019, and

(2) revolving credit in total maximum value of PLN 600.000.000,00 (six hundred million zlotys), repayable by 14 November 2017.

The rate of interest of the credits is variable and shall depend, for each interest rate period, on WIBOR interest reference rate, plus agreed on the basis of the New Credit Facility Agreement (at arm's length) margins of the creditors.

As a collateral for the liabilities from syndicated credit facility agreement the following have been established: mortgage on land property, which belong to the Company; registered pledge over inventories; registered pledge and financial pledge over shares in share capital of ILS sp. z o.o.; financial pledge on Company's receivables; transfer of receivables of the Company from Insurance contracts. Information on collateral for the syndicated credit facility was published by the Board of Managers in current report number 32/2016.

Credit facilities granted on the basis of the New Credit Facility Agreement shall be used for repayment of currently existing debt of the Company and other entities being a part of Inter Cars Capital Group, including debt of the Company resulting from the credit facility agreement of 29 July 2009, about which the Board of Directors of the Company informed in current report no 29/2009 of 30 July 2009 („Current Credit Facility Agreement"), and for financing current business activity of the Company and the Capital Group of Inter Cars.

(in thousand PLN)

Moreover, on 14 November 2016, an annex no 14 to the syndicated loan agreement of 29 July 2009 was signed. As a result, the ultimate date of repayment of overdraft facility in account B was set to be 15 December 2016.

Bank credits concluded directly by subsidiary companies:

Inter Cars Česká republika s.r.o. Has the following credit facility agreements:

a) with Raiffeisenbank a.s. - a credit line agreement for the amount of CZK 170 m, repayable by 31 December 2017.
b) A credit line agreement with Creditbank Europe Bank for the amount of EUR 4m, repayable by 26 February 2017, renewable quarterly.

Inter Cars Slovenská republika s.r.o. signed an annex to a credit line agreement with Citibank Europe PLC for the amount of EUR 5 m, repayable by 25 May 2017.

On 28 April 2016 Inter Cars Romania s.r.l. signed an annex to a credit facility agreement with ING Bank N.V. for a line of credit, increasing the limit to RON 90 million, repayable by 28 April 2017.

A credit drawn by Inter Cars Hungaria Kft under a credit facility agreement signed on 15 September 2015 with Raiffeisen Bank Zrt. for the amount of HUF 1m, was repaid on 15 September 2016.

Non-current	**31/12/2016**	**31/12/2015**
Secured bank loans	268,816	268,702
Bonds	149,411	149,168
Finance lease liabilities	11,249	9,608
	429,476	**427,478**

Current	**31/12/2016**	**31/12/2015**
Secured bank loans	529,651	324,947
Finance lease liabilities	7,074	22,916
Factoring	58,588	63,167
Bonds	861	864
	596,174	**411,894**

Loans and borrowings as at 31/12/2016

Current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	600,000	395,625	14-11-2017
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	27,829	24,555	31-03-2017
Citibank Europe PLC (Inter Cars Česká republika s.r.o)	17,696	17,696	26-08-2017
Citibank Europe PLC (Inter Cars Slovenská republika s.r.o.)	22,120	22,120	25-05-2017
ING Bank N.V (Inter Cars Romania s.r.l.)	87,741	71,388	28-04-2017
	755,386	**531,384**	

Non-current loans and borrowings at nominal value	Contractual amount (limit)	Used	Maturity date
Syndicated credit	500,000	270,000	14-11-2019
	500,000	**270,000**	

Loans and borrowings as at 31/12/2015

Current loans and borrowings at nominal value	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**	

(in thousand PLN)

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

As at balance sheet date of 31 December 2016, total liabilities under loans and borrowings amounted to PLN 801,381 thousand of which PLN 531,922 thousand is denominated in PLN and 184,973 thousand is denominated in EUR, whereas PLN 13,028 thousand applies to credit denominated in CZK whereas PLN 71,388 thousand applies to credit denominated in RON.

Material terms of the syndicated credit facility

The syndicated credit facility was granted by the following banks (including the amount drawn as at 31 December 2016) :

	Use in nominal value	Share in the amount drawn
CaixaBank S.A.	51,509	7.8%
Bank Pekao S.A.	241,329	36.3%
Bank Handlowy S.A.	69,513	10.4%
DNB Bank Polski S.A.	75,511	11.3%
Bank BGŻ BNP Paibas S.A.	75,467	11.3%
mBank S.A.	105,096	15.8%
ING Bank Śląski S.A.	47,200	7.1%
	665,625	**100%**

The credit facility is secured with:

- mortgage on land property, which belong to Inter Cars S.A.
- registered pledge over inventories;
- registered pledge and financial pledge over shares in share capital of ILS;
- registered pledge over bank accounts,
- financial pledge on Company's receivables,
- authorization to Company's accounts in Poland,
- transfer of receivables of the Company from Insurance contracts,
- declaration on unsolicited execution,

Information on collateral for the syndicated credit facility was published by the Board of Managers in current report number 32/2016.

The credit facility agreement includes requirements with respect to a number of key ratios (calculated based on the Inter Cars Group's consolidated financial statements), and in the event the Group fails to meet these requirements, the consortium will have the right to terminate the agreement. The ratios are as follows:

- EBITDA index
- the Group's operating profit to paid interest on financial indebtedness of all Group companies;
- net debt to EBITDA;
- the Group's equity to its aggregate balance-sheet total.

As at 31 December 2016 the Group met all terms and conditions of the facility.
Inter Cars may approve and pay dividend only if the following conditions are met:

- the total amount of dividend paid for a given financial year does not exceed 40 or 60% of the net profit;
- the financial ratios are maintained at a satisfactory level and dividend payment would not result in failure to meet the requirements with respect to any of the key ratios.

The rate of interest of the credits is variable and shall depend, for each interest rate period, on WIBOR interest reference rate, plus agreed on the basis of the New Credit Facility Agreement (at arm's length) margins of the creditors.

(in thousand PLN)

The effective interest rate as at the reporting date was 2.4%.

Finance lease	**31/12/2016**	**31/12/2015**
Payments under lease agreements	19,292	33,673
Financial expense	(969)	(1,149)
Present value of liabilities under leases	**18,323**	**32,524**
Payments under lease agreements		
Up to 1 year	7,776	23,302
Between 1 and 5 years	11,516	10,371
	19,292	**33,673**
Present value of liabilities under leases		
Up to 1 year	7,074	22,648
Between 1 and 5 years	11,249	9,876
	18,323	**32,524**

Liabilities under leases are related to the lease of property, plant and equipment and intangible assets. For more information, see Notes 5 and 6.

Issuance of bonds

On the day of 3 October 2014, Inter Cars SA. 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).
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 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 Group. Favourable market conditions on issuance of bonds allowed for: a) diversification of sources of investment, 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

(in thousand PLN)

17. Trade and other liabilities

	31/12/2016	31/12/2015
Trade payables to other entities	392,782	309,220
Taxes, duties, social security and other benefits payable	41,019	43,876
Bill of exchange liabilities	48,656	27,222
Other payables and accrued expenses	44,446	24,092
	526,903	**404,410**

	31/12/2016	31/12/2015
Trade payables before bonuses accrued for the period	533,931	404,358
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(141,149)	(95,138)
Balance sheet value of trade payables	**392,782**	**309,220**
Maturity structure of trade payables		
Up to 12 months	391,782	303,866
Over 12 months	1,000	5,354
	392,782	**309,220**

Taxes, subsidies, customs duty, social security and other benefits payable as at 31 December 2016 included primarily income tax liabilities of the Parent Entity in the amount of PLN 21,770 thousand.

Currency structure of trade and other payables	31/12/2016	31/12/2015
Payables in PLN	290,299	241,753
Foreign currencies	236,604	162,657
	526,903	**404,410**
Translated into PLN		
Liabilities in EUR	108,400	89,280
Liabilities in USD	66,669	20,450
Liabilities in other currencies	61,535	52,927
	236,604	**162,657**

18. Employee benefits

	31/12/2016	31/12/2015
Salaries and wages	17,897	6,131
Company's Social Benefits Fund	544	587
	18,441	**6,718**

19. Income tax liabilities

Maturity structure of tax payables	31/12/2016	31/12/2015
Up to 12 months	21,770	8,410
	21,770	**8,410**

Currency structure of tax payables	31/12/2016	31/12/2015
Local currency	15,546	1,051
Foreign currency, denominated in PLN	6,224	7,359
	21,770	**8,410**

20. Payment in the form of own shares

Motivation program in the form of option for shares for the management has come to an end in 2009.

(in thousand PLN)

21. Sales revenues

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Revenue on the sale of products	61,579	62,368
Revenues on sales of commodities and materials	5,771 368	4,657 920
Revenue from sales of services	139,790	74,778
Lease of investment property	722	722
	5,973,459	**4,795,788**

Sales by product groups

	2016	*share*	2015	*share*
Spare parts for passenger cars	3,804 959	*63.7%*	*3,128,317*	65.2%
Spare parts for commercial vehicles and buses	945,085	*15.8%*	*709,372*	14.8%
tyres	674,950	*11.3%*	*481,013*	10.0%
garage equipment	256,830	*4.3%*	*216,911*	4.5%
motorcycles and parts	119,822	*2.0%*	*96,575*	2.0%
accessories	29,333	*0.5%*	*21,501*	0.4%
other sale - services	74,321	*1.2%*	*75,500*	1.6%
semi-trailers - Feber	61,579	*1.0%*	*62,368*	1.3%
automobiles ISUZU	6,580	*0.1%*	*4,231*	0.1%
	5,973,459	***100.0%***	***4,795,788***	**100.0%**

The other sales revenue include mainly income generated by lease of warehouse area and selling marketing services connected with basic operations.

Geographical structure of sales

	2016		**2015**	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**
Sales in Poland	3,797 494	64%	2,981 876	62%
Sales outside Poland	2,175 965	36%	1,813 912	38%
Total	**5,973,459**	**100%**	**4,795,788**	**100%**

22. Cost of sales

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Value of goods and materials sold	4,080 022	3,279 742
Sold gods	53,093	55,373
Foreign exchange (gains) / losses	(1,743)	6,154
Cost of sales	**4,131 372**	**3,341 269**

(in thousand PLN)

23. Costs of sales and administrative costs

	01/01/2016 - 31/12/2016	01/01/2015 – 31/12/2015
Depreciation and amortization	54,178	49,776
Materials and energy consumption	119,956	100,334
External services	1,175 332	932,611
Taxes and charges	12,817	9,245
Salaries	148,168	105,425
Social security and other benefits	38,384	31,159
Other costs by kind	28,624	62,955
Total costs by kind	**1,577 459**	**1,291 505**
(minus) Cost of products sold	(85,448)	(55,374)
(minus) Change in the balance of finished products and work in progress	1,841	(4,099)
(minus) Cost of distribution realized by branches	(640,656)	(508,287)
Costs of sales and administrative costs	**853,196**	**723,745**

24. Other operating income

	01/01/2016 - 31/12/2016	01/01/2015 – 31/12/2015
Gain on disposal of non-financial non-current assets	1,907	923
Compensation, penalties and fines received	2,179	2,485
Charges on branches	-	269
Marketing rebates	5,165	72
Other rebates	2,360	2,682
Impairment losses on past due liabilities	294	693
Early payment discount	412	50
Other sales	1,810	2,109
Other	772	907
	14,899	**10,190**

25. Other operating expenses

	01/01/2016 - 31/12/2016	01/01/2015 – 31/12/2015
Recognised impairment losses on receivables and other impairment losses recognised	4,742	8,586
Damage to stock	6,584	1,247
Expenses related to complaints	4,403	3,056
Inventory lacks	5,242	8,277
Compensations	2,846	-
Insurances	86	177
Past due receivables recognised as impairment losses	5,257	6,240
Impairment of stock write off	1,971	3,566
Debt collection expenses	-	-
Donations	195	66
Revaluation of non-financial assets	682	-
Claims recognized by suppliers	685	-
Rebates granted	1,208	-
Other	13,565	2,705
	47,466	**33,920**

(in thousand PLN)

26. Finance income and expenses

Financial income	**01/01/2016 - 31/12/2016**	**01/01/2015 – 31/12/2015**
Interest on loans and borrowings	295	416
Other interest	1,820	1,947
Foreign exchange gains/losses	618	497
Dividends received	-	26
Other	1,005	177
	3,738	**3,063**

Financial expenses	**01/01/2016 - 31/12/2016**	**01/01/2015 – 31/12/2015**
Interest expense under bank loans	20,192	17,883
Other interest	5,010	2,396
Fees and commissions	2,504	3,079
Foreign exchange gains/losses	3,946	707
Impairment losses for fixed assets	1,511	-
Other	1,576	1,413
	34,739	**25,478**

Foreign exchange gains/(losses) in the period from 01/01/2016 to 31/12/2016	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	542	-	542
Other	-	(329)	(329)
Realised foreign exchange gains/(losses)	**542**	**(329)**	**213**
Arising in connection with valuation of trade payables and receivables as at the reporting date	1,201	-	1,201
Other	-	(2,642)	(2,642)
Unrealised foreign exchange gains/(losses)	**1,201**	**(2,642)**	**(1,441)**
Total foreign exchange gains/(losses)	**1,743**	**(2,971)**	**(1,228)**

Foreign exchange gains/(losses) in the period from 1.01.2015 to 31.12.2015	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	(4,875)	-	(4,875)
Other	-	145	145
Realised foreign exchange gains/(losses)	**(4,875)**	**145**	**(4,730)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(1,279)	-	(1,279)
Other	-	(513)	(513)
Unrealised foreign exchange gains/(losses)	**(1,279)**	**(513)**	**(1,792)**
Total foreign exchange gains/(losses)	**(6,154)**	**(368)**	**(6,522)**

(in thousand PLN)

27. Structure of cash for the statement of cash flows

Corporate income tax paid

	31/12/2016	31/12/2015
Current corporate income tax disclosed in the statement of comprehensive income	(40,735)	(26,682)
Adjustment of comprehensive income	(2,938)	(9,573)
Change in income tax payable	13,360	(2,830)
Corporate income tax paid	**(30,313)**	**(39,085)**

Change in receivables

	31/12/2016	31/12/2015
Change in trade and other receivables	(164,825)	(77,638)
Change in non-current receivables	(4,331)	(2,068)
Change in Loans granted	(1,734)	(1,905)
Bank commissions and bonds	-	(2,130)
Change in receivables	**(170,890)**	**(83,741)**

Change in Loans granted

	31/12/2016	31/12/2015
Loans granted	(2,394)	(3,393)
Repayment of loans granted	4,449	5,664
Interest received	295	360
Interest accrued	(268)	(416)
Foreign exchange gains /losses	(348)	(310)
Change in Loans granted	**1,734**	**2523**

Change in loans, borrowings, debt securities and finance lease liabilities

	31/12/2016	31/12/2015
Repayment of loans and borrowings	(655,200)	-
Cash inflows on credits and loans	862,114	149,447
Commission on credits and loans	(2,096)	1,238
Payment of finance lease liabilities	(23,279)	(13,101)
Bonds issued	-	-
Interest on bonds issued	4,592	4,603
Paid interest for bonds	(4,595)	(4,650)
Settlement of credit and bonds commission	222	(2,070)
Granted leases	9,079	3,839
Reversed factoring	(4,579)	28,440
Change in balance sheet valuation	20	265
Change in loans, borrowings, debt securities and finance lease liabilities	**186,278**	**168,011**

Net interest

	31/12/2016	31/12/2015
Interest paid	(28,795)	(24,941)
Interest received	298	464
Net interest	**(28,497)**	**(24,477)**

(in thousand PLN)

Other adjustments, net

	31/12/2016	31/12/2015
Foreign exchange gains /losses	1,475	(4,137)
Change in other non-current liabilities	(6,193)	3,124
Net result of an associated company attributable to the Capital Group	(113)	(151)
Change of company presentation to a related company	-	14
Valuation of property	-	672
Other	(753)	782
Real estate moved to inventories and other net items	**(5,584)**	**304**

28. Income tax

Income tax recognised under current period profit or loss

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Current income tax	40,735	26,682
Change in deferred income tax	13,981	(1,583)
Income tax disclosed in statement of comprehensive income	**54,716**	**25,099**

The reconciliation of the tax deductible cost to the value representing the product of the accounting profit and the applicable tax rates is as follows:

Effective tax rate	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Gross profit (without share of the result of the affiliate)	**284,780**	**176,125**
Tax based on 19% rate	(54,108)	(33,464)
Tax rate differences (15%/12.5%/20%/23%)*	4,500	4,976
Trade mark depreciation temporary differences	7,953	7,953
Permanent differences		
Costs / incomes not subject to taxation	(13,061)	(4,564)
Current income tax disclosed in statement of comprehensive income	**(54,716)**	**(25,099)**

- Poland 19%, Slovak Republic 21%, Czech Republic 19%, Ukraine 18%, Lithuania 15%, Cyprus 12,5%, Malta 35%, Croatia 18%, Romania 16%, Latvia 15%, Bulgaria 10%, Italy 24%, Belgium 34%

Tax authorities are entitled to inspect books and accounting records. Within five years from the end of a year when a tax return is submitted, they may impose additional tax charges along with interest and other penalties. In the Management Board's opinion no circumstances occurred which could result in material liabilities on account of such charges, interest or penalties.

29. Dividend proposed by the Board of Managers

Dividend on profit in 2016

Within the reporting period and till the day of publishing of these financial statements the Company had not realized any payments on account of payout of dividend on operating profit for 2016.
Till the day of preparation of these financial statements the Board of Managers of the Company had not approved the proposal of distribution of profits for 2016. The dividend policy of the Company projects dividend payout in the amount not lower than 60% of consolidated net profit of Inter Cars S.A. Capital Group for a given accounting year.

Dividend on profit in 2015

On 16 June 2016, the General Meeting of Inter Cars S.A. adopted a resolution to pay a dividend of PLN 10,059 thousand, i.e. PLN 0.71 per share from the 2015 profit. Agreed dividend payout date was 14 July 2016 and the payout itself was realized on 28 July 2016.

(in thousand PLN)

Dividend per share

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Dividend resolved and paid out to the reporting date	10,059	10,059
Number of shares with right to dividend as per resolution of the General Shareholders Meeting	14,168 100	14,168 100
Dividend per share (in PLN)	0.71	0.71

30. Unrecognised liabilities under executed agreements

Tax liabilities

Regulations on VAT, corporate and personal income tax and social security contributions change frequently, and as a consequence often there is no possibility of relying on established regulations or legal precedents. The regulations in effect tend to be unclear, thus leading to differences in opinions as to their legal interpretation, both between state authorities and between state authorities and entrepreneurs. Tax and other settlements (customs duty or currency settlements) may be inspected by authorities entitled to impose material penalties, and any additional amounts assessed following an inspection must be paid together with interest. Consequently, the tax risk in Poland and in Central and Eastern Europe countries is higher than in other countries with more developed tax systems.

Tax settlements may be inspected for the period of five years. For this reason the amounts disclosed in the financial statements may change at a later date following final determination of their amount by tax authorities. The Company was inspected by the tax authorities.

Tax authorities are entitled to inspect books and accounting records. Within five years from the end of a year when a tax return is submitted, they may impose additional tax charges along with interest and other penalties. In the Management Board’s opinion no circumstances occurred which could result in material liabilities on account of such charges, interest or penalties.

Guaranties and sureties

As at 31 December 2016, the total amount of sureties and guarantees issued by the Parent Company for unrelated entities was PLN 21,220 thousand and comprised sureties listed below:

(in thousand PLN)	Period covered	Status as at	
To		**31/12/2016**	**31/12/2015**
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	30/06/2017	5,309	1,065
Raiffeisen-Leasing Polska	10/10/2023	250	-
BP Europa SE Polish Division	29/05/2016	-	6,000
Poczta Polska S.A.	30/04/2016	-	21
PIAGGIO AND C. S.P.A.	31/12/2016	2,212	1,492
Poczta Polska S.A., Warszawa	09/07/2016	-	36
Poczta Polska S.A., Warszawa	25/07/2017	11	11
Poczta Polska S.A., Warszawa	20/11/2016	-	14
Komenda Wojewódzka, Wrocław	21/06/2018	1	1
RIM Sp. z o.o.	31/12/2015	-	337
Johnson Control Autobaterie Prodej	30/11/2016	-	511
Poczta Polska S.A.	16/05/2017	6	-
JC Auto Kraków	31/12/2018	3,500	-
PDC Industrial Center 44 Sp. z o.o.	12/07/2017	332	-

(in thousand PLN)

MANN+HUMMEL	Until further notice	4,822	-
MALPAS	04/08/2017	389	-
LeasePlan	04/08/2017	3,698	
		21,220	**10,178**

The Parent Entity 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.

31. Operating leases

Inter Cars leases warehouse space to entities operating as affiliate branches. However, the warehouses are not owned by the Company but leased (apart from the Central Warehouse in Czosnów and the facilities in Kajetany and Gdańsk). Lease costs paid by the Company are fully re-invoiced to end users (branch operators) throughout the whole term when the area is used (including the termination notice period).

As at 31 December 2016, the total value of consolidated rents under contracts for an indefinite period of time for the notice periods of these contracts was PLN 11.314 thousand. The total value of rents under contracts for a definite period of time - PLN 48.255 thousand. As at the end of 2015 the total amount of these rents amounted to PLN 8.195 thousand and PLN 24.065 thousand respectively.

As at the end of 2015, the amounts of the lease rents were PLN 6,658 thousand and PLN 4,175 thousand, respectively. The total value of minimal future payments under operational lease up to one year is PLN 29,360 thousand (2012: PLN 22.820 thousand), and the ones falling due in the period from one to five years is PLN 21.952 thousand (2015: PLN 6.999 thousand). Future minimum payments under operating leases falling due in over five years are reported in the amount of PLN 8,256 thousand.. (2015: did not occur)

The Company re-invoices the abovementioned lease rents to the cooperating branch operators.

32. Transactions with related entities

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

The Group executed transactions with entities related to members of the Supervisory Board and the Management Board and their relatives. The value of these transactions is shown in the table below.

Sales revenues	**2016**	**2015**
ANPO Andrzej Oliszewski	1	5
FASTFORWARD Maciej Oleksowicz	24	78
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	2	114
AK-CAR Agnieszka Soszyńska	5	271
JAG Sp. z o.o.	1,718	891
Michal Kaštil	-	-
I love mama s.r.o.	-	-
	1,750	**1,359**

Purchase of goods and services	**2016**	**2015**
ANPO Andrzej Oliszewski	195	151
FASTFORWARD Maciej Oleksowicz	365	149
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	295	1,215
AK-CAR Agnieszka Soszyńska	61	1,793
JAG Sp. z o.o.	14,604	7,634
Michal Kaštil	211	-
I love mama s.r.o.	150	-
	15,881	**10,942**

Receivables	**31/12/2016**	**31/12/2015**
Inter Cars sp.j.	-	56
FASTFORWARD Maciej Oleksowicz	3	9
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	19	19
AK-CAR Agnieszka Soszyńska	4	4
JAG Sp. z o.o.	550	330
Michal Kaštil	-	-
I love mama s.r.o.	-	-
	576	**418**

Liabilities	**31/12/2016**	**31/12/2015**
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	-	25
ANPO Andrzej Oliszewski	-	-
FASTFORWARD Maciej Oleksowicz	-	29
AK-CAR Agnieszka Soszyńska	-	-
JAG Sp. z o.o.	645	550
Michal Kaštil	-	-
I love mama s.r.o.	96	-
	741	**604**

Loans granted	**31/12/2016**	**31/12/2015**
Loans to members of the Supervisory Board and Management Board and their relatives	160	-
Loans to subsidiary and associated entities	49,194	49,120
	49,354	**49,120**

Loans granted	**31/12/2016**	**31/12/2015**
Lauber Sp. z o.o.	8,750	9,107
IC Development & Finance Sp. z o.o.	25,410	25,070
SMiOC FRENOPLAST Bułhak i Cieślawski S.A	135	107
Inter Cars Bulgaria Ltd.	1,048	1,007
Q-SERVICE TRUCK Sp z o.o.	1,013	953
Inter Cars Malta Ltd	12,838	12,875
CLEVERLOG - AUTOTEILE GMBH	-	1
	49,194	**49,120**

Remuneration for acting as members of Supervisory Board and Management Board of the parent entity and affiliated companies were as follows:

(in thousand PLN)	**1.01.2016-31.12.2016**	**1.01.2015-31.12.2015**
remuneration of the members of the Supervisory Board and the Management Board		
Remuneration of the members of the Supervisory Board	309	292
Remuneration of the members of the Management Board	11,901	9,872
	12,210	**10,164**

Remuneration for acting as members of Management of the Board of the parent entity amounted to PLN 7,676 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 4,225 thousand.

33. Financial risk management

Credit risk

Credit risk is associated mainly with other receivables, cash and cash equivalents, as well as trade receivables. Cash and cash equivalents are deposited with reputable financial institutions.

Under the credit policy adopted by the Group, credit risk exposure is monitored on an on-going basis. All customers who require crediting in excess of a specified amount are assessed in terms of their creditworthiness. The Group does not require any of its customers to provide any asset-based security for financial assets.

(in thousand PLN)

The risk attributable to a significant portion of trade receivables is borne by the affiliate branch operators, with whom the Group settles accounts by sales margin sharing. The Group's credit risk is therefore additionally reduced.

As at the reporting date, there was no significant concentration of credit risks. The carrying amount of each financial asset, including derivative financial instruments, represents the maximum credit risk exposure:

	31/12/2016	**31/12/2015**
Loans granted	7,200	8,934
Trade and other receivables (excluding loans granted)	693,180	528,446
Cash and cash equivalents	114,794	65,431
	815,174	**602,811**

Interest rate risk

The Group's exposure to interest rate risk is associated mainly with variable-rate liabilities and loans granted.

The Group has liabilities bearing interest at variable rates. As at 31 December 2016, the Group did not use liabilities of fixed interest rate.

As at reporting date the Group did not have any transactions securing the risk of change of interest rate.

As at the end of the reporting period, the structure of interest-bearing financial instruments was as follows:

Variable rate financial instruments	**31/12/2016**	**31/12/2015**
Financial assets (loans granted)	7,200	8,934
Cash assets in bank accounts	89,066	53,217
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases)	(1,025,650)	(804,645)
	(929,384)	**(742,494)**

Presented below is sensitivity analysis of the net profit or loss to possible interest rate changes, assuming that other factors remain unchanged. The following data shows the impact of basis points on the Company's annual net profit or loss.

as at 31/12/2016	**basis points increase/decrease**	**Impact on net profit / loss**
	+ 100 / -100	(7,528)/ 7,528
	+ 200 / -200	(15,056)/ /15,056

as at 31/12/2015	**basis points increase/decrease**	**Impact on net profit / loss**
	+ 100 / -100	(6,014) / 6,014
	+ 200 / -200	(12,028) / 12,028

Currency risk

A significant portion of the Company's trade and services payables is denominated in foreign currencies, especially in EUR. Sales is performed mostly in PLN and also in UAH, EUR, CZK, LTL, LVL, HUF, HRK, BGN and RON. The Group did not enter any foreign currency future purchase or sales contracts between 1st January to 31 December 2016.

(in thousand PLN)

	EUR	USD	RON	Other	EUR	USD	RON	Other
		31 December 2016					**31 December 2015**	
Trade receivables	107,517	17,930	102,104	109,202	101,523	733	74,476	87,997
Cash	58,372	30	4,911	26,051	30,891	33	5,820	17,501
Bank credits	(173,449)	-	(71,388)	(24,555)	(146,984)	-	(30,666)	(20,656)
Trade payables	(108,400)	(66,669)	(29,335)	(32,200)	(89,280)	(20,450)	(5,981)	(46,946)
Gross balance sheet exposure	**(115,960)**	**(48,709)**	**6,292**	**78,498**	**(103,851)**	**(19,684)**	**43,649**	**37,896**

Presented below is sensitivity analysis of the net profit or loss to possible currency exchange rate changes, assuming that other factors remain unchanged (no direct impact on equity).

		Impact on net profit / loss	
	Foreign exchange rate increase/decrease	**as at 31/12/2016**	**as at 31/12/2015**
EUR	+ 5% / - 5%	(4,696) / 4,696	(4,206) / 4,206
	+ 10% / - 10%	(9,392) / 9,392	(8,412) / 8,412
USD	+ 5% / - 5%	(1,972) / 1,972	(797) / 797
	+ 10% / - 10%	(3,944) / 3,944	(1,594) / 1,594
RON	+ 5% / - 5%	255 / (255)	1,768 / (1,768)
	+ 10% / - 10%	510 / (510)	3,536 / (3,536)
Other	+ 5% / - 5%	3,179 / (3,179)	1,535 / (1,535)
	+ 10% / - 10%	6,358 / (6,358)	3,070 / (3,070)

Liquidity risk

In its operations the Company maintains a surplus of liquid assets and open credit lines.

Below chart presents liabilities of the Group as at 31 December 2016, by maturity:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	24,555	505,104	418,227	-	947,886
finance lease liabilities	-	1,942	5,834	11,516	-	19,292
trade and other payables	204,569	295,231	23,970	3,133	-	526,903
	204,569	**321,728**	**534,908**	**432,866**	**-**	**1,494,071**

(in thousand PLN)

Liabilities of the Group as at 31 December 2015, by maturity:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings and bonds	-	21,307	303,640	419,168	-	744,115
finance lease liabilities	-	17,234	6,068	10,371	-	33,673
trade and other payables	92,043	302,855	4,158	5,354	-	404,410
	92,043	**341,396**	**313,866**	**434,893**	**-**	**1,182 198**

Capital management

The main objective of the Group's capital management is to maintain a good credit rating and sound capital ratios to support the Group's operations and increase the shareholder value.

Depending on changes in the economic environment, the Group may adjust its capital structure by dividend pay-outs, capital repayments to shareholders, or issues of new shares.

In the reporting period, certain capital management restrictions were introduced in connection with the obtained credit facility agreement (see Note 16).

The Group analyses its equity and capital using the gearing ratio calculated as net debt to total equity plus net debt. The Group's net debt includes interest-bearing bank loans, bonds, and finance leases, as well as trade and other payables, less cash and cash equivalents. Equity includes equity attributable to owners of the Parent Entity.

	31/12/2016	**31/12/2015**
Loan, borrowing, factoring and finance lease liabilities	1,025,650	839,372
Trade and other liabilities	526,903	404,410
(less) cash and cash equivalents	(121,426)	(73,016)
Net debt	1,431 127	1,136 039
Equity	1,424,008	1,205,878
Net debt to equity	**1.00**	**0.97**

Fair value

In the opinion of the Management Board, the carrying amount of assets and liabilities is similar to their fair value.

34. Events subsequent to the balance sheet date

On 10 April 2017 Mr Robert Kierzek handed in his resignation from the position of the President of the Management Board of the Company, remaining the Member of the Management Board of current term of office. His resignation came in force as at 01 May 2017. On 20 April 2017, during the Meeting of the Supervisory Board, for the place of Mr Robert Kierzek, the Board appointed new President of the Management Board, Mr Maciej Oleksowicz, and appointed Mr Robert Kierzek as the Vice-President of the Company.

On 06 February 2017 the Company sold stocks in affiliated company SMiOC FRENOPLAST Bułhak i Cieślawski S.A .

35. Material evaluations and estimates

The preparation of the financial statements in conformity with the EU IFRS requires the Parent Entity's Management Board to make judgments and estimates which affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Real values may differ from their estimates. The judgements and estimates are reviewed on an ongoing basis. Revisions to the estimates are recognised as profit or loss of the period in which the estimate is revised. Information on particularly significant areas subject to judgements and estimates which affect the financial statements is disclosed in the following notes:

- Note 10 Deferred tax (the Management Board analyses whether or not there is a possibility of using tax losses in subsidiary companies and assesses uncertainty of forecast changes in tax laws in force),
- Note 11 Impairment losses on stock (the Management Board analyses whether or not there is a possibility of impairment of stock. In the event of identification of impairment, net obtainable values are to be evaluated),
- Note 12 Impairment loss on receivables (as at the balance sheet date, the Group evaluates whether or not there is evidence of impairment of a receivable or a group of receivables. If the recoverable value of an asset is lower than its carrying value, the Group creates an impairment loss to the level of the current value of planned cash flows),
- Note 5/6 Impairment loss on property, plant and equipment, estimates as to the useful economic life of property, plant and equipment and intangible assets (the amount of rates and impairment losses is determined based on the anticipated useful economic life of a property, plant and equipment or intangible assets item; the useful economic life periods are verified at least once during each financial year. The Management Board also evaluates whether or not there is the possibility of impairment losses on assets. If an impairment loss is identified, the recoverable value of assets must be determined).

One of important estimates of the Management Board of the Group are the estimates on trade bonuses from suppliers on purchase of trade goods. Bonuses for the Group, on realization of purchase plans, are included in expected values and included in the results proportionally to rotation of sold merchandise.

36. Continued and discontinued operations

The consolidated financial statement were prepared under the assumption that the Company will continue as a going concern in the foreseeable future.

During the reporting period the Group did not discontinue any of its activities. It does not anticipate to discontinue them in the following period.

STATEMENTS OF THE MEMBERS OF THE MANAGEMENT BOARD AND APPROVAL OF THE FINANCIAL STATEMENTS

Inter Cars S.A.

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated 19 February 2009, the Management Board of Inter Cars S.A. hereby represents as follows:

- to the best of its knowledge the annual consolidated financial statements of Inter Cars S.A. Capital Group (“Inter Cars”) and the comparative data have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union, issued and effective as at the date of these financial statements, and give a true and fair view of the assets, financial standing and financial results of Inter Cars S.A. Capital Group.

- comments to the annual report, which constitute the annual financial statements of the activities of Inter Cars S.A. Capital Group give a fair view of development, achievements and situation of Inter Cars S.A. Capital Group.

- PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością, qualified auditor of financial statements which audited the consolidated annual financial statements of Inter Cars S.A. was appointed in compliance with the applicable laws, and both the auditing firm and the auditor who performed the audit met the conditions required to issue an impartial and independent opinion on the financial statements reviewed, in accordance with the applicable laws.

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 28 April 2017.

Robert Kierzek
President of the Management Board

Krzysztof Soszyński
Vice-President of the Management Board

Krzysztof Oleksowicz
Member of the Management Board

Wojciech Twaróg
Member of the Management Board

Maciej Oleksowicz
Member of the Management Board

Piotr Zamora
Member of the Management Board

Tomáš Kaštil
Member of the Management Board

Julita Pałyska
Person responsible for keeping the accounting books

Warsaw, 28 April 2017

INTER CARS CAPITAL GROUP

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES

IN THE YEAR ENDED ON 31 December 2016

PART III

REPORT ON THE OPERATIONS OF THE INTER CARS GROUP

Below report on the operations of the Inter Cars S.A. Group (hereinafter: The Group, Company, Issuer) for the year 2016 was prepared acting pursuant to the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information published by issuers of securities and conditions for the recognition as equivalent of the information required by the legal regulations of countries that are not Member States, as amended.

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, the Czech Republic, the Republic of Slovakia, Lithuania, Hungary, Italy, Croatia, Belgium, Romania, Latvia, Cyprus, Bulgaria, Estonia, Slovenia, Germany, Bosnia and Herzegovina, Greece and Malta.

The main customer of Inter Cars S.A. are B2B contractors - automotive repair garages. The Group supports automotive repair garages in gaining final customers - the drivers. For this reason Inter Cars is launching B2C projects, which are aimed at meeting automotive needs of drivers and redirecting them to garages which are given with quality and image support from Inter Cars S.A.

The Group is constantly **developing its distribution chain** in Poland and abroad (71 new branches in 2016), continually **growing its product range** and introducing new forms of sales support. Thanks to its present structure of sales of automotive spare parts, which corresponds to the stock of vehicles registered, high availability of its offering, and use of modern sales tools, the Group is able to offer attractive terms of cooperation to its customers. The Group is a leader in the implementation of new sales support solutions.

The year 2016 is another year of dynamic **development of activities of Inter Cars subsidiaries**. The Management Board expects that the growth of the whole Group in the forthcoming years will be significantly driven by its subsidiary undertakings

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. The most important trends on the **independent spare parts distribution market** include the strong development of sales networks, extension of the range of products, development of sales support programmes, development of proprietary product lines and improvement of computer systems.

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 2016**, the Group's sales revenues were 25.0% higher than in 2015.** It should be noted that sales increase was mainly due to development of distribution chain.

In 2016, the Group opened 71 new branches, i.e. as at 31 December 2016 the total number of branches was 445 (in 2015: 374), 220 branches in Poland and 225 branches abroad, up from 183 branches in Poland and 191 abroad in 2015.

Gross profit on sales revenue went up by almost 26% in comparison to 2015. Group's sales margin was kept on the level of around 30.8%.

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

	2016	2015	2016	2015
('000)	*PLN*	*PLN*	*EUR*	*EUR*
Profit and loss account *(for the period)*				
Sales revenues	5,973,459	4,795,788	1,365,144	1,146,002
Gross profit (loss) on sales	1,842,087	1,454,519	420,981	347,572
Net financial revenues / costs	(31,001)	(22,783)	(7,085)	(5,444)
Operating profit (loss)	315,668	198,757	72,141	47,495
Net profit (loss)	230,064	151,026	52,578	36,089
Other financial data				
Operating cash flows	251,947	159,044	57,579	38,005
Investing cash flows	(124,312)	(160,987)	(28,410)	(38,469)
Financing cash flows	(79,225)	9,130	(18,106)	2,182
Basic profit per share	16.24	10.66	3.72	2.55
Sales margin	30.8%	30.3%		
EBITDA margin	6.2%	5.2%		
Balance sheet *(as at)*	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Cash and cash equivalents	121,426	73,016	27,447	17,134
Balance sheet total	3,040,077	2,506,364	687,178	588,141
Loans, borrowings and finance lease	1,025,650	804,645	231,838	188,817
Equity attributable to the shareholders of the parent entity	1,424,008	1,205,878	321,882	282,970

(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 2016 – 1 EUR = PLN 4.4240, and the National Bank of Poland exchange rate of 31 December 2015 – 1 EUR = PLN 4.2615
- 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 2016 and 2015, respectively: 1 EUR = PLN 4.3757 and 1 EUR = PLN 4.1848.

The revenues of Inter Cars were approx. 58% of the Capital Group's revenues (before consolidation exclusions). **Poland is the main market** of sales for the Capital Group.

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. (Croatia), 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., Inter Cars Greece Ltd. and Inter Cars d o.o. (Bosnia and Herzegovina) 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).

Goods are distributed through the logistics centre, a network of 220 own affiliate branches in Poland and 225 branches abroad in Ukraine, the Czech Republic, Slovakia, Lithuania, Hungary, Croatia, Italy Belgium, Romania, Latvia, Bulgaria, Germany, Estonia, Slovenia, Moldova, Bosnia and Herzegovina and Greece, and regional warehouses in Komorniki, Sosnowiec and Wrocław. The Central Warehouse has all product groups available, while the affiliate branches store only fast moving products, making sure that their product range, its quality and accessibility matches local requirements.

In 2017 the Logistics Centre in Zakroczym is starting its activities, operated by ILS Sp. z o.o. The total floor space of warehouses is 40,000 square metres, which makes it possible to locate 56,000 m2 of racks on 4 levels. The sorting capacity of the warehouse is 30k items and 2.5k parcels per hour. All this thanks to the most modern and technologically advanced sorting system, adapted to the requirements of the automotive industry. The assembly of devices was finished in May 2016.

(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**	
	01/01/2016 -31/12/2016	**01/01/2015 -31/12/2015**	**01/01/2016 -31/12/2016**	**01/01/2015 -31/12/2015**	**01/01/2016 -31/12/2016**	**01/01/2015 -31/12/2015**	**01/01/2016 -31/12/2016**	**01/01/2015 -31/12/2015**
Revenues from external customers	5,555,431	4,650,501	418,028	145,287	-	-	5,973,459	4,795,788
Revenues between segments	54,966	52,151	46,969	257,513	(101,935)	(309,664)	-	-
Interest income	3,861	4,343	1,884	891	(3,627)	(2,871)	2,118	2,363
Interest costs	(28,063)	(22,308)	(765)	(842)	3,627	2,871	(25,201)	(20,279)
Depreciation and amortization	(52,024)	(47,590)	(13,584)	(13,616)	11,430	11,430	(54,178)	(49,776)
Profit before tax	**343,111**	**259,620**	**12,179**	**3,471**	**(70,510)**	**(86,966)**	**284,780**	**176,125**
Shares in affiliates – using equity method	113	810	-	-	-	-	113	810
Total assets	**4,527,265**	**3,772,872**	**423,482**	**372,291**	**(1,910,670)**	**(1,638,799)**	**3,040,077**	**2,506,364**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(59,367)	(46,619)	(73,344)	(120,140)	-	-	(132,711)	(166,759)
Total commitments	**2,561,054**	**2,032,095**	**118,039**	**109,755**	**(1,063,024)**	**(8,461,364)**	**1,616,069**	**1,300,486**

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 60% of the sales revenues of the Group in 2016 came from the **sales in Poland.**

The sales revenue in 2016 **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 220 branches in Poland and 225 abroad. In 2016 we opened 71 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 2016 markets in Slovenia and in Estonia were the fastest growing ones.

In 2016 the Group also started its business activities in Moldova.

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

Romania is the second biggest market of the Group, after Poland. 57 branches deliver goods to over 9,450 garages, and the Company is number 3 in the country.

(in thousand PLN)

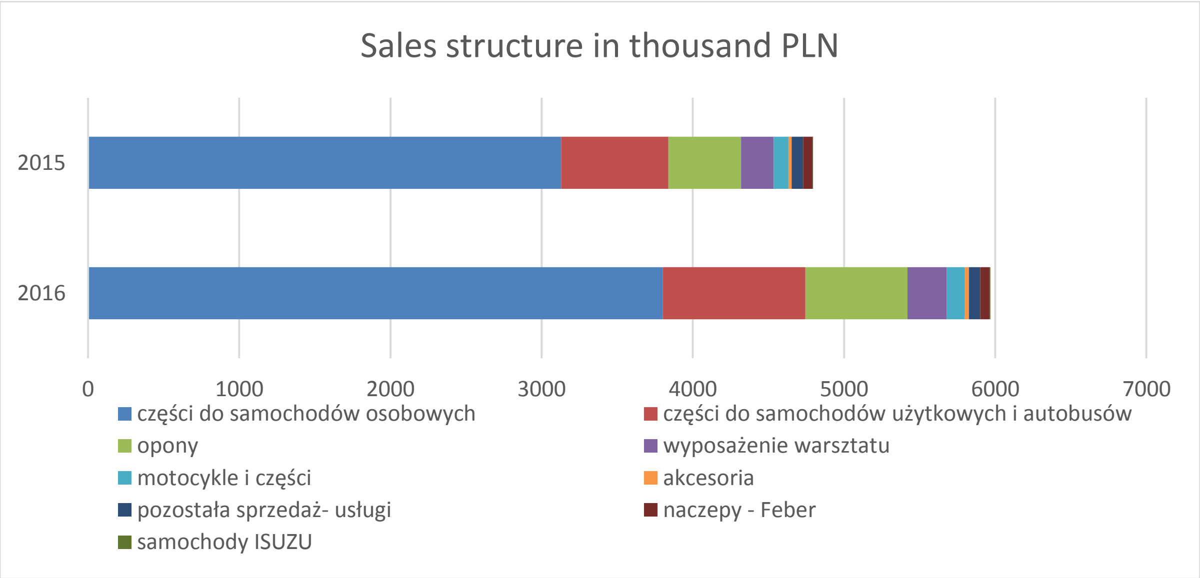
The table below sets forth the **basic structure of distribution markets.**

Sales revenue by distribution markets:

	2016	**share**	**2015**	**share**
Poland	3,797,494	*63.57%*	3,197,597	*66.70%*
Romania	548,702	*9.19%*	395,896	*8.30%*
Lithuania	237,014	*3.97%*	187,971	*3.90%*
Croatia	201,857	*3.38%*	152,402	*3.20%*
Czech	185,055	*3.10%*	150,528	*3.10%*
Bulgaria	181,341	*3.04%*	119,692	*2.50%*
Hungary	179,965	*3.01%*	110,480	*2.30%*
Slovakia	179,066	*3.00%*	147,633	*3.10%*
Latvia	163,842	*2.74%*	137,979	*2.90%*
Ukraine	155,762	*2.61%*	130,493	*2.70%*
Italy	53,259	*0.89%*	31,206	*0.70%*
Estonia	37,866	*0.63%*	6,734	*0.10%*
Germany	28,882	*0.48%*	15,259	*0.30%*
Slovenia	19,895	*0.33%*	9,661	*0.20%*
Moldova	2,694	*0.05%*	-	*0.00%*
Belgium	765	*0.01%*	2,257	*0.00%*
Total	**5,973,459**	***100.00%***	**4,795,788**	***100.00%***

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

	2016	***share***	**2015**	***share***
Spare parts for passenger cars	3,804,959	*63.7%*	3,128,317	*65.2%*
Spare parts for commercial vehicles and buses	945,085	*15.8%*	709,372	*14.8%*
tyres	674,950	*11.3%*	481,013	*10.0%*
garage equipment	256,830	*4.3%*	216,911	*4.5%*
motorcycles and parts	119,822	*2.0%*	96,575	*2.0%*
accessories	29,333	*0.5%*	21,501	*0.4%*
other sale - services	74,321	*1.2%*	75,500	*1.6%*
semi-trailers - Feber	61,579	*1.0%*	62,368	*1.3%*
automobiles ISUZU	6,580	*0.1%*	4,231	*0.1%*
	5,973,459	***100.0%***	**4,795,788**	***100.0%***



(in thousand PLN)

The biggest growth of sales in basic product range of the Group was recorded in tyre segment.

The sale of Feber semi-trailers went slightly up by almost 10%, and sale of Isuzu cars went up by over 50%. Spare parts for passenger cars still remain the core business. Inter Cars enters new markets with such offer, developing it with spare parts for commercial vehicles and other goods.

Market environment

Inter Cars operates in the segment of distribution of new spare parts, supplied mainly to garages independent of vehicle manufacturers.

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 2016, in countries where the Group has its operations, the number of registered cars went up (except for Slovenia) and is 14% higher than in 2015.

	2016	2015	2016/2015
Belgium	539,281	501,066	8%
Bulgaria	27,466	23,500	17%
Czech	259,693	230,857	12%
Croatia	44,106	34,820	27%
Estonia	22,997	20,349	13%
Hungary	96,555	77,171	25%
Italy	1,824,382	1,574,872	16%
Latvia	16,357	13,765	19%
Lithuania	20,284	17,085	19%
Poland	417,854	354,975	18%
Romania	94,919	81,162	17%
Slovenia	58,963	59,450	(1%)
Slovakia	88,165	77,968	13%
	3,511,022	**3,067,040**	**14%**

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 2016 the sales of new cars in Europe went up by 6.5% in comparison to 2015 and amounted to 15.1 million pieces. The increase was mostly generated by Germany (+4.5%), and the UK (+2.25%), France(+5.11%) and Italy (+15.8%) and Spain (+10.9%). 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 285m, of which 16.2m 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 9.75 years. Vehicles in Poland are older as the average age of a vehicle is estimated to be over 12 years.

2. Supply sources

The Group's offer includes goods from a few hundred suppliers. These goods come from all over the world, mostly, however from the vendors from the EU and Asia. 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	15/01/2016	Contitech Antriebssysteme GmgH
2	18/04/2016	Egon von Ruville
3	31/05/2016	Federal Mogul
4	02/01/2016	Robert Bosch
5	24/10/2016	SKF
6	15/03/2016	Valeo
7	Appendix of 20/12/2016 to trade agreement of 02.01.2007	Wix-Filtron
8	27/06/2016	ZF Trading

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.

(in thousand PLN)

Insurance agreements

Date of agreement	Party	Subject matter	Material terms and conditions	Term
01/04/2017	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 - 30/06/2017
01/04/2017	Ace + Allianz	Third party insurance of the Board of Management	Third party insurance of the Board D&O	01.04.2017-30.06.2018

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. (Croatia) 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%)
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 Tallinn (100%)
26. Inter Cars Piese Auto s.r.l. With registered seat in Kishinev (100%)
27. Inter Cars Greece. with registered seat in Athens (100%)
28. Inter Cars d o.o. (Bosnia and Herzegovina) with registered seat in Sarajevo (100%)

In the reporting period new companies were established - Inter Cars Greece and Inter Cars d o.o. (Bosnia and Herzegovina). 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 2016 organizational or equity links were not changed.

(in thousand PLN)

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 31/12/2016

Current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	600,000	395,625	14-11-2017
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	27,829	24,552	31-03-2017
Citibank Europe PLC (Inter Cars Česká republika s.r.o)	17,696	17,696	26-08-2017
Citibank Europe PLC (Inter Cars Slovenská republika s.r.o.)	22,120	22,120	26-03-2017
ING Bank N.V (Inter Cars Romania s.r.l.)	87,741	71,388	28-04-2017
	755,386		

Non-current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	500,000	270,000	14-11-2019
	500,000	**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.,	14-11-2016	14-11-2017 14-11-2019	PLN 600,000,000 PLN 500,000,000	List of sureties was disclosed in annex number 16 to financial report.
Raiffeisenbank AS Czech	30-09-2012	31-03-2017	178,500,000 CZK	Receivables in the amount of up to 50% of the credit
Citibank Europe PLC Czech	27-08-2014	26-08-2017	4,000,000 EUR	Bank guarantee
Citibank Europe PLC Slovakia	27-03-2014	26-03-2017	5,000,000 EUR	Corporate guarantee
ING Bank N.V. Romania	30-07-2014	28-04-2017	90,000,000 RON	Corporate surety

The credit facility bears interest at a variable rate, depending on WIBOR rate, increased by bank margins (determined at arm's length) for each individual interest period, agreed in the New Credit Facility Agreement (at arm's length).

Source of finance	Loan amount in PLN	Interest rate
CaixaBank S.A.	51,509	Short-term portion - WIBOR 1M + bank margin
Bank Pekao S.A.	241,329	Short-term portion - WIBOR 1M + bank margin
Bank Handlowy S.A.	69,513	Short-term portion - WIBOR 1M + bank margin
DNB Bank Polski S.A.	75,511	Short-term portion - WIBOR 1M + bank margin
Bank BGŻ BNP Paibas S.A.	75,467	Short-term portion - WIBOR 1M + bank margin
mBank S.A.	105,096	Short-term portion - WIBOR 1M + bank margin
ING	47,200	Short-term portion - WIBOR 1M + bank margin
Raiffeisenbank a.s. Czech	24,555	PRIBOR 1M + margin
Citibank Europe PLC Czech	17,696	EURIBOR 1M + margin
Citibank Europe PLC Slovakia	22,120	EURIBOR 1M + margin
ING Bank N.V Romania	71,388	ROBOR 1M + margin
Total	**801,384**	

(in thousand PLN)

The rate of interest of the credits is variable and shall depend, for each interest rate period, on WIBOR interest reference rate, plus agreed on the basis of the New Credit Facility Agreement (at arm's length) margins of the creditors.

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

No loan or borrowing agreement was terminated during the reporting period.

8. Loans granted

Loans for related entities granted by parent company	**01/01/2016 – 31/12/2016**	**01/01/2015 – 31/12/2015**
As at beginning of period	49,120	45,628
Loans granted - conversion of receivables	-	6,800
Loans granted	310	-
Interest accrued	1,299	1,281
Repayments received	(316)	(4,127)
Interest received	(1,255)	(486)
Balance sheet valuation	36	23
	49,194	**49,120**

Loan agreements

Date concluded	Maturity date	Amount	Material terms and conditions
09-07-2007	31-12-2017	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	31-12-2017	EUR 35,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
05-07-2011	31-12-2017	EUR 100,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
23-08-2011	31-12-2017	90,000 EUR	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
04-04-2013	31-12-2017	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	1,010,000 PLN	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 2016, the balance of loans and borrowings for related entities was PLN 49,194 thousand, and the total value of loans and borrowings granted to unrelated entities was PLN 6.239 thousand.
The loans granted to related entities bear interest at a rate equal to: 1M WIBOR (in the case of PLN-denominated loans), or EURIBOR 3M (in case of EUR-denominated loans) plus a margin of 2%-5%.

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) To	Period covered	Status as at 31/12/2016	31/12/2015
Feber Sp. z o.o.	Until further notice	973	938
Feber Sp. z o.o.	16/06/2017	2,000	2,000
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	30/06/2017	5,309	1,065
IC Ukraine	30/11/2017	531	-
IC Slovenia	09.10.2017	129	124
IC Slovakia	26/03/2017	22,120	21,308
IC Malta	Until further notice	627	585
BP Europa SE Polish Division	29/05/2016	-	6,000
IC Czech	26/08/2017	17,696	17,898
IC Romania	28/04/2017	87,741	40,275
Poczta Polska S.A.	30/04/2016	-	21
PIAGGIO AND C. S.P.A.	31/12/2016	2,212	1,492
Poczta Polska S.A., Warszawa	09/07/2016	-	36
Poczta Polska S.A., Warszawa	25/07/2017	11	11
Poczta Polska S.A., Warszawa	20/11/2016	-	14
Komenda Wojewódzka, Wrocław	21/06/2018	1	1
RIM Sp. z o.o.	31/12/2015	-	337
Johnson Control Autobaterie Prodej	30/11/2016	-	511
IC Romania	31/12/2015	-	552
MANN+HUMMEL	Until further notice	4,822	-
MALPAS	04/08/2017	389	-
LeasePlan	Until further notice	3,698	-
IC Latvia	31/12/2016	885	-
IC Croatia	31/12/2016	442	-
IC Croatia	31/12/2016	531	-
IC Romania	31/12/2016	885	-
IC Hungary	31/12/2017	71	-
IC Latvia	31/12/2017	177	-
IC Romania	31/12/2017	354	-
IC Hungary	31/12/2017	177	-
IC Croatia	01/05/2017	64	-
IC Latvia	31/12/2017	1,327	-
IC Ukraine	31/12/2017	1,106	-
IC Hungary	05/04/2022	228	-
IC Romania	31/12/2016	664	639
IC Czech	31/03/2017	29,220	24,838
IC Croatia	31/12/2019	702	669
IC Hungary	05/07/2019	2,375	2,271
IC Hungary	05/02/2021	279	267
Raiffeisen-Leasing Polska	10/10/2023	250	250
ICMS Sp. z o.o.	09/05/2017	133	-
Poczta Polska S.A.	16/05/2017	6	-
JC Auto Kraków	31/12/2018	3,500	-
ILS	30/05/2026	48,747	-
IC Hungary	05/10/2021	49	-
PDC Industrial Center 44 Sp. z o.o.	12/07/2017	332	-
IC Czech	12/06/2030	711	-
IC Italy	08/01/2017	88	-
		242,340	**122,792**

(in thousand PLN)

The Company holds a customs guarantee issued by InterRisk 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.

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).
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) diversification of sources of investment, 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)

(in thousand PLN)

- 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
- 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.

	2016	**2015**
Net revenue from sales of goods and products	5,973,459	4,795,788
Gross profit on sales	1,842,087	1,454,519
Sales margin	*30.8%*	*30.3%*
Operating profit	315,668	198,757
Operating margin	*5.3%*	*4.1%*
EBITDA	369,093	251,098
Gross profit	284,780	176,125
Net profit	230,064	151,296
Net profit margin	*3.9%*	*3.1%*
Balance sheet total	3,040,077	2,506,364
ROA	*7.5%*	*6.0%*
Non-current assets	702,169	642,941
Equity attributable to the shareholders of the parent entity	1,424,008	1,205,878
ROE	*16.2%*	*12.5%*

In total, **selling costs and administrative expenses** increased by 18% on the 2015 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 2016, the total distribution costs amounted to PLN 640,656 thousand i.e. 41% of total costs by type.

(in thousand PLN)

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

	2016	**2015**
Depreciation and amortization	54,178	49,776
Materials and energy consumption	119,956	100,334
External services	1,175,332	932,611
including: distribution service	*640,656*	*508,287*
Taxes and charges	12,817	9,245
Salaries	148,168	105,425
Social security and other benefits	38,384	31,159
Other costs by kind	28,624	62,955
Total costs by type	**1,577,459**	**1,291,505**

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, vendors 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.

Total **costs by type** in 2016 increased by 22% as compared to 2015.

Financial revenues and costs include primarily costs and revenues due to interest. In 2016 in particular, the Group sustained costs on this account in the amount of PLN 25,202 thousand. **Liabilities resulting from credits, loans, debt securities and finance lease** as at 31 December 2016 amounted to PLN 1,025,650 thousand.

Income tax expense includes accrued income tax in the amount of PLN 40,735 thousand, as well as a change in assets and deferred tax liabilities, decreasing the income tax payable for the period by PLN 13,981 thousand.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2016, the Group included in the result total PLN 269,837 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 57,574 thousand was posted to inventories, and it will reduce the cost of goods sold in 2017 (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.

(in thousand PLN)

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

	2016	**2015**
Current assets	2,337,908	1,863,423
Cash and securities	121,426	73,016
Short-term liabilities	1,163,288	831,432
Current loans, borrowings and finance lease liabilities	596,174	377,167
Adjusted current assets	2,216,482	1,790,407
Adjusted current liabilities	567,114	454,265
Net working capital	1,649,368	1,336,142

Net working capital engaged increased by about 23%

	2016	**2015**
Inventory cycle in days	186	127
Average collection period in days	37	37
Operating cycle in days	223	164
Average payment cycle in days	32	28
Cash conversion cycle in days	191	136
Current ratio	2.01	2.24
Quick ratio	0.73	0.74
Cash ratio	0.10	0.09

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

	2016	**2015**
Total debt ratio	0.54	0.52
Debt-to-equity ratio	1.00	1.08

The Group's operations are funded with the Group's internally generated funds and bank loans. As at the end of 2016, loans, borrowings, debt securities and finance lease liabilities total of PLN 1,025,650 thousand, and the **total debt ratio** amounted to 0.53 compared to 0.52 in 2015.

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.

	2016	**2015**
Net cash from operating activities	251,947	159,044
Net cash from investing activities	(124,312)	(160,987)
Net cash from financing activities	(79,225)	9,130
Cash and cash equivalents at the end of the period	121,426	73,016

In 2016, the level of cash generated on operating activities increased. This resulted mainly from increase of current liabilities. The increase of liabilities is connected with stock replenishment.

The value of funds generated on investment activity reached negative value because of capital investments on construction of the new ILS Logistics Centre in Zakroczym.

The negative cash on financing activities resulted from repayment of syndicated loan agreement and repaid liabilities on reverse factoring.

13. Assessment of investment project feasibility

In 2016, expenses toward purchases and modernization of plant, property and equipment amounted to PLN 132,673 thousand. (In 2015 - PLN 166,759 thousand). Expenses were mostly

incurred toward the construction of the ILS Logistics Centre in Zakroczym and the purchase of replacement assets.
In 2016, the Group's investments were financed from its own funds.

The investment plan for 2017 includes the completion of construction of a warehouse and Logistics Centre in Zakroczym. 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 14 November 2016 a credit agreement was signed for term loans and revolving credits. On the basis of the above mentioned agreement the following loans are provided:

- Term loans in total maximum value of PLN 500million repayable by 14 November 2019, and
- Revolving credits in total maximum value of PLN 600million repayable by 14 November 2017.

The consolidated EBITDA for 12 months cumulatively for the period ended on 31 December 2016 was PLN 369,093 thousand (PLN 251,098 thousand in 2015).

The revenues of Inter Cars at home accounted for app. **58% 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) EURO 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 2016 the Group's debt under bank loans, bonds and finance leases totalled PLN 1,025,650 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 25.2m. 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 Company's profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity. Another risk factor associated with bank financing is the risk of a bank's refusal to extend or grant lines of credit. Any reduction in the Company's ability to fund its business with bank loans resulting from a termination of or refusal to extend some of the agreements would have a material adverse effect on the Company's development prospects, its liquidity and financial performance.

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, Moldova, Greece and Bosnia and Herzegovina.

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, Moldova, Greece and Bosnia and Herzegovina. 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, Moldova, Greece and Bosnia and Herzegovina.

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 there 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.

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

(in thousand PLN)

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 2016, 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)

	01/01/2016 – 31/12/2016	**01/01/2015 – 31/12/2015**
Andrzej Oliszewski – Chairman of the Supervisory Board	96,338	89,375
Maciej Oleksowicz – Member of the Supervisory Board	-	36,794
Michał Marczak – Member of the Supervisory Board	50,602	49,170
Piotr Płoszajski– Member of the Supervisory Board	50,602	48,563
Jacek Klimczak – Member of the Supervisory Board	55,805	52,944
Tomasz Rusak – Member of the Supervisory Board	55,805	14,849
	309,151	**291,695**

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

	01/01/2016 – 31/12/2016	**01/01/2015 – 31/12/2015**
Robert Kierzek – President of the Management Board	1,845,000	1,638,886
Krzysztof Soszyński – Vice-President of the Management Board	1,843,225	1,677,803
Krzysztof Oleksowicz – Member of the Management Board	2,143,800	3,255,482
Witold Kmieciak - Member of the Management Board	933,000	1,660,581
Wojciech Twaróg - Member of the Management Board	1,845,000	1,639,886
Maciej Oleksowicz – Member of the Management Board	1,075,307	-
Piotr Zamora – Member of the Management Board	1,073,031	-
Tomáš Kaštil – Member of the Management Board	1,142,279	-
	11,900,642	**9,872,638**

(in thousand PLN)

Remuneration for acting as members of Management of the Board of the parent entity amounted to PLN 7,676 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 4,225 thousand.

As at 01 July 2016 Mr Witold Kmieciak resigned from holding a post of Member of the Management Board of the Company.

Mr Maciej Oleksowicz was appointed Member of the Management Board of the Company as at 01 July 2016. Mr Piotr Zamora and Mr Tomáš Kaštil were appointed Members of the Management Board on 26 September 2016.

Information on shares

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

As at 31/12/2016

The Company's supervisory and managing personnel hold a total of 1,323,704 shares, constituting 9.34% 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				
Robert Kierzek	19,834	39,668	0.21%	0.14%
Tomáš Kaštil	1,500	3,000	0.01%	0.01%
	21,334	**42,668**		
Supervisory Board				
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
	1,302,370	**2,604,740**		
Total	**1,323,704**	**2,647,708**	**9.34%**	**9.34%**

As at the publication date of these financial statements

The Company's supervisory and managing personnel hold a total of 1,298,704 shares, constituting 9.17% 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				
Robert Kierzek	19,834	39,668	0.21%	0.14%
Tomáš Kaštil	1,500	3,000	0.01%	0.01%
	21,334	**42,668**		
Supervisory Board				
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
	1,277,370	**2,554,740**		
Total	**1,298,704**	**2,597,408**	**9.17%**	**9.17%**

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.

(in thousand PLN)

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)	**(%)**	**(%)**
OK Automotive Investments B.V.*	3,726,721	7,453,442	26.30%	26.30%
AVIVA Otwarty Fundusz Emerytalny	1,896,778	3,793,556	13.39%	13.39%
Nationale-Nederlanden OFE and Nationale-Nederlanden DFE	1,418,649	2,837,298	10.01%	10.01%
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
Total	**8,344,518**	**16,689,036**	**58.90%**	**58.90%**

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

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)	**(%)**	**(%)**
OK Automotive Investments B.V.*	3,726,721	7,453,442	26.30%	26.30%
AVIVA Otwarty Fundusz Emerytalny	1,896,778	3,793,556	13.39%	13.39%
Nationale-Nederlanden OFE and Nationale-Nederlanden DFE	1,418,649	2,837,298	10.01%	10.01%
Andrzej Oliszewski	1,277,370	2,554,740	9.02%	9.02%
Total	**8,319,518**	**16,639,036**	**58.72%**	**58.72%**

Information on purchasing own shares

In 2016, 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 2016), no stock option plan is being implemented at the Group.

(in thousand PLN)

23. Qualified auditor of financial statements

On 28 June 2016, the Company signed an agreement with PricewaterhouseCoopers Sp. z o.o. to perform an audit of the annual financial statements and semi-annual financial statements for 2016. The total fee resulting from the agreement is PLN 285.8 thousand, of which PLN 185.8 thousand is the cost of audit of the annual financial statements, and PLN 100 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 421 thousand.

24. Transactions in derivative instruments and their risk profile

From 1 January to 31 December 2016, no transactions were concluded which would be related to the financial statement.

25. Employment

As at 31 December 2016, the Company employed 384 personnel. In total the Group employed 2,406 people.

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

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
4	Decision No. 85 of 10/05/2016 (ŚR.6341.15.2016)	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 27, Czosnów Municipality	The water legal permit for intake of underground water from an intake in Cząstków Mazowiecki on the plot of land number 361/3 belonging to Inter Cars S.A.

(in thousand PLN)

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 2016.

28. The Management Board's standpoint on the feasibility of meeting the previously published forecasts of financial results for 2016

The Group did not publish any forecasts for 2016.

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

In 2016, 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 2016, 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
Maciej Oleksowicz, Member of the Management Board
Piotr Zamora, Member of the Management Board
Tomáš Kaštil, Member of the Management Board

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

In 2016, 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:

	2016	2015	2014
Exchange rate as at 31.12	4.4240	4.2615	4.2623
Average exchange rate from 1.01 to 31.12	4.3757	4.1848	4.1893
Highest exchange rate in the period	4.5035	4.3580	4.3138
Lowest exchange rate in the period	4.2355	3.9822	4.0998

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 31/12/2016, 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 2016 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 28 April 2017.

Robert Kierzek
President of the
Management Board

Krzysztof Soszyński
Vice-President of the
Management Board

Krzysztof Oleksowicz
Member of the
Management Board

Maciej Oleksowicz
Member of the
Management Board

Wojciech Twaróg
Member of the
Management Board

Piotr Zamora
Member of the
Management Board

Tomáš Kaštil
Member of the
Management Board

Warsaw, 28 April 2017

APPENDIX TO THE REPORT ON THE OPERATIONS OF INTER CARS GROUP

INTER CARS S.A. MANAGEMENT BOARD'S

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

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

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

2. Non-compliance with the corporate governance principles

The Company represents that in 2016 it complied with all the applicable corporate governance principles except for the following:

Recommendation I.R.2.
Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

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

Recommendation I.Z.1.3.
A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation (...) a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1

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

Principle no. I.Z.1.16.
A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation (...) information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.

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

Recommendation I.Z.1.20
A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation (...) an audio or video recording of a general meeting.

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

Recommendation II.Z.1.
The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

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

Recommendation II.Z.7.
Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

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

Recommendation II.Z.8.
The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

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

Recommendation III.R.1.
The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

Notes: Currently the Company does not follow the recommendation regarding including separate units responsible for the performance of tasks in individual systems or functions in full. Some of the internal systems and functions have a diversified character, more on this topic, see explanatory notes to recommendations III.Z.1-III.Z.5.

Recommendation III.Z.1.
The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

Notes: In current stage of development of the Company the above mentioned rule is not implemented in full, especially the internal audit function is currently not being realized in the Company. Internal control and risk management systems have a dispersed character and are realized by the financial division of the Company, as well as by other organizational units, including operational division. Whilst compliance systems have been till now implemented only punctually, in selected areas.

Recommendation III.Z.2.
Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

Notes: As in current stage of development of the Company the III.Z.1 recommendation is not implemented in full, implementation of above mentioned recommendation is not possible. However, in current practice of the Company, persons responsible for risk management, internal audit and compliance report directly to the Board, and are regularly present at Supervisory Board meetings.

Recommendation III.Z.3.
The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

Notes: As in current stage of development of the Company the III.Z.1 recommendation is not implemented in full, implementation of above mentioned recommendation is not possible.

Recommendation III.Z.4.
The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

Notes: As in current stage of development of the Company the III.Z.1 recommendation is not implemented in full, implementation of above mentioned recommendation is not possible.

Recommendation III.Z.5.
The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

Notes: As in current stage of development of the Company the III.Z.1 recommendation is not implemented in full, implementation of above mentioned recommendation by the Supervisory Board is not possible. The Board of Supervisors declared using the above mentioned recommendation from the moment when all the systems and functions described in recommendation III.Z.1 are implemented in the Company.

Recommendation IV.R.2.
If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

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

Notes: The standard is applied by the Company. Making it possible for the shareholder to exercise the voting right during the General Meeting, using means of electronic communication, can make it much easier for the shareholders to take part in AGMs. One needs to notice that, in the opinion of the company, there are many technical and legal factors, which might influence the correct course of AGM, and because of this, on the right execution of aforementioned regulation. In the opinion of the Company, current rules of participation in the AGM being in force, make it possible to exercise the rights resulting from holding shares and protecting the rights of Company's shareholders. At the same time, the Company does not exclude possibility of using the recommendation in the future, if the shareholders express such a will, whilst currently no such will has been expressed by the shareholders.

Recommendation IV.Z.2.
If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

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

Recommendation V.Z.6.
In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

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

Recommendation VI.Z.4.
In this activity report, the company should report on the remuneration policy including at least the following:
1) general information about the company's remuneration system;
2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
3) information about non-financial remuneration components due to each management board member and key manager;
4) significant amendments of the remuneration policy in the last financial year or information about their absence;
5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

Notes: In periodic activity reports, the company reports on the remuneration policy required by law regulations, including remuneration of each management board member. Currently the Company does not present the report on the remuneration policy fully in line with the recommendation. At the same time, the Company does not exclude the possibility of preparing such a report in the future.

3. Key features of the Company's internal control and risk management systems used in the preparation of separate and consolidated financial statements

The Company's financial statements and periodic reports are prepared by the Chief Financial Officer Accountant in accordance with the applicable laws and regulations and the accounting policies adopted by the Company; the Management Board, which is responsible for reliability and accuracy of the prepared information, reviews the financial statements and periodic reports on an ongoing basis.

(in thousand PLN)

The financial statements are prepared only by people with access to relevant financial data. The financial data serving as the basis of the financial statements and periodic reports comes from the accounting and financial system which records accounting events in accordance with the Company's accounting policy (approved by the Management Board), which is based on the International Accounting Standards and the International Financial Reporting Standards. The Company monitors on an ongoing basis changes to laws and regulations on reporting requirements for listed companies, and prepares for their adoption appropriately in advance.
The financial statements approved by the Management Board are reviewed by an independent auditor appointed by the Company's Supervisory Board from among reputable audit firms.
Communicating with the auditor, the Financial Division attempts to determine recommendations concerning improvements to the Company's internal control system, as identified during the audit of the financial statements, so as to implement them where necessary.
The Financial Division and Division Heads prepare periodic management information reports including an analysis of the key financial data and operating ratios of the business segments, and provide them to the Management Board.

4. Shareholders directly or indirectly holding significant blocks of shares; numbers of shares and percentages of company's share capital held by such shareholders, and the numbers of votes and percentages of the total vote that such shares represent at the general shareholders meeting [as at the publication date]

No.	Shareholder	Number of shares	Number of votes at GM	% in overall number of voting shares
1.	OK Automotive Investments B.V.*	3,726,721	3,726,721	26.30%
2.	AVIVA Otwarty Fundusz Emerytalny	1,896,778	1,896,778	13.39%
3.	Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	1,418,649	1,418,649	10.01%
4.	Andrzej Oliszewski	1,277,370	1,277,370	9.02%
5.	Other shareholders	5,848,582	5,848,582	41.28%
	Total number of shares / votes	**14,168,100**	**14,168,100**	**100%**

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

5. Holders of any securities conferring special control powers, and description of those powers

There are no securities conferring special control powers over the Company.

6. Restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

On 17 March 2017, the Extraordinary Shareholders Meeting of the Company passed a resolution changing the Company's Articles of Association and adopting a consolidated text thereof. Pursuant to the resolution, §18a was incorporated into the Articles, limiting the right of the shareholders holding over 33% of the total number of votes in the Company in such a way as to prevent each of them from casting more than 33% of votes at the General Meeting. The above limitation shall not apply to determining the purchasers of significant blocks of shares as provided for in the Public Offer of Financial Instruments Act of 29 July 2005.
Furthermore, pursuant to the provisions of the Articles, this limitation shall expire if one of the shareholders purchases (on their own behalf and account) and registers at the General Meeting over 50% of the total number of votes in the Company, provided that all shares above 33% of the total number of shares in the Company and all shares above this threshold are purchased by such

shareholder in response to a call to subscribe for all shares of the Company announced in conformity with the Act.
The underlying purpose of the said limitation is to strengthen the minority shareholders in the event of a change in the controlling entity relative to their status guaranteed by the applicable law by providing them with the possibility of disinvestment and an equal participation in the bonus, which the entity intending to take control over the Company shall pay for the controlling interest.
As on the date of this statement the Company has not received any information about registration of the changes to the Articles by the registry court.

7. Restrictions on limitations of transfer of the property rights to securities of the company

There are no restrictions in the Articles of Association which apply to the shares of the Company.

8. Rules governing the appointment and removal of the company's management personnel and such personnel's powers, including in particular the power to make decisions to issue or repurchase shares

The term of office of the Management Board of the Company is four years. Its members are appointed for a common term and dismissed by a resolution of the Supervisory Board. The Board is composed of three to nine members of the Board. The number of the Members of the Management Board is established by the Supervisory Board The Member of the Board can be dismissed or suspended also by the General Meeting.
Members of the Management Board may be appointed from among the shareholders or from outside this group. The President and Vice-President of the Management Board are appointed by a resolution of the Supervisory Board. The Supervisory Board adopts a resolution to appoint the President and, possibly, Vice-President of the Management Board. The term of the Member of the Board extinguishes on the day of General Shareholders Meeting which approves financial statement for the last full accounting year when the Member was in term. The mandate of the Member of the Board also becomes void in case of death, resignation or dismissing the Member from his function in the Board.
The mandate of a member of the Management Board expires also as a result of their death, resignation or dismissal. A resolution of the Supervisory Board on suspending, for important reasons, particular members of the Management Board, as well as a resolution on appointing a member of the Board to a temporary term is adopted by a majority of 4/5 of the votes, in the presence of at least 4/5 of the composition of the Supervisory Board.
The members of the Management Board represent the Company in court and outside it. The scope of operation of the Board includes all matters of the Company not reserved for the General Meeting or the Supervisory Board. The Company is represented by two members of the Management Board or one Member of the Management Board together with a proxy.
The Members of the Management Board comply with the existing law, the Articles of Association and the Regulations of the Management Board of Inter Cars S.A, which stipulate the scope of laws and responsibilities of the Board and its operations. These Regulations are adopted by the Management Board and approved by the Supervisory Board. The Regulations of the Management Board are available on the Company's website.
Except for the provisions of the Articles of Association and the Rules of Board of Directors, the matters not exceeding the range of standard activities of the Company do not require a resolution of the Board. Should the matter described above be objected by a member of the Management Board before it is realized, it shall need a resolution of the Management Board. The resolutions are adapted by an absolute majority of votes with presence of at least a half of the Members of the Board. The Board Meetings take place not less often than once every two weeks. Members of the Management Board can take part in passing resolutions of the Board by voting in writing, through the other member of the Board. Voting in writing cannot apply to matters being entered into the agenda during the Board Meeting. Resolution of the Board can be passed also in a written form or using means of direct communication at a distance.
Decisions regarding issuing or repurchasing of shares are governed by the provisions of the Commercial Companies Code, however, the General Shareholders Meeting is exclusively authorized to make decisions regarding any changes to the Company's share capital or redemption of shares.

9. Rules governing amendments to the Company's articles or memorandum of incorporation.

The validity of an amendment to the Company's Articles of Association requires a resolution of general shareholders' meeting, taken by 3/4 majority of vote - article 415 of Code of Commercial Companies (resolution on important change of scope of activities requires a resolution taken by majority of 2/3 votes cast – art. 416 C.C.C.); and entry in the National Court Register (art. 430 C.C.C.).

10. Manner of operation of the general shareholders meeting, its basic powers and description of the shareholders' rights along with the procedure for their exercise, in particular the rules stipulated in the rules of procedure for the general shareholders meeting

The General Shareholders Meeting operates in accordance with the provisions of the Company's Articles of Association, Commercial Companies Code and the Rules of Procedure for the General Shareholders Meeting published on the Company's website.
The General Shareholders Meeting decides on matters stipulated in the Commercial Companies Code, except when under the Company's Articles of Association such matters fall within the scope of powers of the Company's other governing bodies. The following matters require a General Shareholders Meeting's resolution: changing the share capital of the Company and creating, increasing and using other capitals, funds and reserves, issue of convertible bonds or bonds conferring pre-emptive rights, amendments to the Articles of Association, retirement of shares, disposal of the Company's enterprise or its organised part, liquidation, division, merger, dissolution, or transformation of the Company, distribution of profit, coverage of loss, and creation of capital reserves, appointment and removal from office of members of the Supervisory Board, approval of the Rules of Procedure for the Supervisory Board, and establishing remuneration policies for members of the Supervisory Board delegated to perform on-going individual supervision, granting permission to sell or encumber a company or an organized part of a company under the business name Inter Cars Marketing Services Ltd. and granting permission to sell or encumber industrial rights and trademarks under the business name Inter Cars Marketing Services Ltd. and expressing approval for any change in the Company's initial capital, under the business name Inter Cars Marketing Services Ltd. and expressing approval to sell or encumber shares under the business name of Inter Cars Marketing Services Ltd." Acquisition or disposal of real property, perpetual usufruct right to or interest in real property does not require the approval of the General Shareholders Meeting.
The General Meeting is convened by the Board of Directors or, in cases and following the procedure determined in the Code of Commercial Companies, other entities. The General Meeting may be held in the seat of the Company or in Cząstków Mazowiecki (commune of Czosnów, Mazovian Province) or in Kajetany (commune of Nadarzyn, Mazovian Province). Unless the Code of Commercial Companies or any provisions of the Articles of Association do not provide for stricter conditions, the resolutions of the General Meeting are adopted with an absolute majority of votes.

11. Composition and activities of the issuer's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

11.1. Composition and Rules governing the operation of the Management Board

As at 1 January 2016, the following people composed the Board of Managers:
- Robert Kierzek – President of the Management Board
- Krzysztof Soszyński – Vice-President of the Management Board
- Krzysztof Oleksowicz– Member of the Management Board
- Witold Kmieciak - Member of the Management Board
- Wojciech Twaróg - Member of the Management Board

On 19 May 2016 Mr Witold Kmieciak stepped down from his position of a Member of the Management Board of the Company. His resignation came in force as at 01 July 2016.
On 20 June 2016 the Supervisory Board of the Company appointed a new Member of the Management Board as of 1 July 2016, Mr Maciej Oleksowicz.

Between 1 July and 26 September 2016, the following people composed the Management Board:
- Robert Kierzek – President of the Management Board
- Krzysztof Soszyński – Vice-President of the Management Board

- Krzysztof Oleksowicz – Member of the Management Board
- Wojciech Twaróg - Member of the Management Board
- Maciej Oleksowicz – Member of the Management Board

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

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

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

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

All other information on the rules of operations of the Board of Directors were included in point 8 above.

11.2. Composition and rules governing the operation of the Supervisory Board

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

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

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

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

the duties of a Management Board member, are adopted by a majority of 4/5 of the votes cast in the presence of no less than 4/5 of the Supervisory Board members.
The Supervisory Board exercises supervision over the Company's activities in the manner stipulated in the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board adopted by the General Shareholders Meeting. The scope of powers of the Supervisory Board includes in particular: reviewing the Company's financial statements, the Directors' Report and the Management Board's recommendations concerning the distribution of profit or coverage of loss, and submitting an annual report on the findings of the above review to the General Shareholders Meeting, selecting an auditor to audit the Company's financial statements (on the basis of proposals received by the Management Board), appointing members of the Management Board and removing them from office, appointing the President of the Management Board and (optionally) Vice-President of the Management Board from among its members, concluding contracts with members of the Management Board, establishing remuneration policies for members of the Management Board, and granting consent to acquire or dispose of real property, perpetual usufruct right to or interest in real property.

Inter Cars S.A.

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

To the Shareholders and the Supervisory Board of Inter Cars S.A.

This report contains 13 consecutively numbered pages and consists of:

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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I. General information about the Group

a. Inter Cars S.A. ("the Parent Company") with its seat in Warsaw, Powsińska 64 Street is the parent company of the Inter Cars S.A. Group ("the Group").

b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 17 May 1999 at the Notary Public's Office of Andrzej Przybyła in Warsaw and registered with Rep. A No. 2927/99. On 23 April 2001, the Parent Company was entered in the Register of Businesses maintained by the District Court for Capital City of Warsaw XX Business Department of the National Court Register, with the reference number KRS 0000008734.

c. The Parent Company was assigned a tax identification number (NIP) 118-14-52-946 for the purpose of making tax settlements and a REGON number 014992887 for statistical purposes.

d. As at 31 December 2016 the Parent Company's share capital amounted to PLN 28,336,200.00 and consisted of 14,168,100 shares, with a nominal value of PLN 2.00 each. Total equity as at that date amounted to PLN 1,424,008 thousand.

e. As at 31 December 2016, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
OK Automotive Investments B.V.*	3,726,721	7,453,442.00	ordinary	26.30
AVIVA Otwarty Fundusz Emerytalny	1,896,778	3,793,556.00	ordinary	13.39
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	1,418,649	2,837,298.00	ordinary	10.01
Andrzej Oliszewski	1,302,370	2,604,740.00	ordinary	9.19
Other shareholders	5,823,582	11,647,164.00	ordinary	41.11
	14,168,100	**28,336,200.00**		**100.00**

* OK Automotive Investments B.V. is subsidiary entity of Krzysztof Oleksowicz, member of the Management Board of Company.

I. General information about the Group (cont.)

f. In the audited year, the Group's operations comprised:

- import and distribution of spare parts for cars and commercial vehicles
- regeneration of car parts
- manufacture of motor vehicles, trailers and semi-trailers
- real estate development and rental services
- advertising services, market research and public opinion
- logistic services
- assets management
- sale of delivery vans and trucks
- sale of spare parts and consultancy services of automotive services and automotive market

g. During the audited year, the Management Board of the Parent Company comprised:

• Robert Kierzek	President of the Management Board
• Krzysztof Soszyński	Vice-President of the Management Board
• Krzysztof Oleksowicz	Member of the Management Board
• Wojciech Twaróg	Member of the Management Board
• Maciej Oleksowicz	Member of the Management Board from 1 July 2016
• Piotr Zamora	Member of the Management Board from 26 September 2016
• Tomáš Kaštil	Member of the Management Board from 26 September 2016
• Witold Kmieciak	Member of the Management Board to 30 June 2016

h. On 10 April 2017 Mr Robert Kierzek resigned from his position as a President of the Management Board of the Parent Company, still acting as a member of the Management Board of the Parent Company in the current parliamentary term. The resignation was made effective on 1 May 2017. On 20 April 2017, at the meeting of the Supervisory Board, in place of Mr Robert Kierzek, on the new President of the Management Board of the Parent Company was chosen Mr Maciej Oleksowicz, he will be appointed to this position from 1 May 2017.

I. General information about the Group (cont.)

i. As at 31 December 2016, the Inter Cars S.A. Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Inter Cars S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
Inter Cars Ukraine	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Q-service Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	1)	31 December 2016
Lauber Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
Inter Cars Česká republika s.r.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Audit s.r.o.	unqualified	31 December 2016
Feber Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	1)	31 December 2016
IC Development & Finance Sp. z o.o	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Armatus Sp. z o.o.	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars Slovenská Republika s.r.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Slovensko s.r.o.	unqualified	31 December 2016
Inter Cars Lietuva UAB	Subsidiary (100%)	Full	PricewaterhouseCoopers UAB	2)	31 December 2016
JC Auto s.r.o.	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
JC Auto S.A.	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars Hungária Kft	Subsidiary (100%)	Full	PricewaterhouseCoopers Könyvvizsgáló Kft	2)	31 December 2016
Inter Cars Italia s.r.l (previously JC Auto s.r.l.)	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars d.o.o. (Croatia)	Subsidiary (100%)	Full	PricewaterhouseCoopers d.o.o.	2)	31 December 2016
Inter Cars Romania s.r.l.	Subsidiary (100%)	Full	PricewaterhouseCoopers Audit SRL	2)	31 December 2016
Inter Cars Cyprus Limited	Subsidiary (100%)	Full	KPMG Limited	2)	31 December 2016
Inter Cars Latvija SIA	Subsidiary (100%)	Full	PricewaterhouseCoopers SIA	unqualified	31 December 2016
Cleverlog-Autoteile GmbH	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars Bulgaria Ltd.	Subsidiary (100%)	Full	PricewaterhouseCoopers Audit OOD	2)	31 December 2016
Inter Cars Marketing Services Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	1)	31 December 2016
ILS Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	1)	31 December 2016
Inter Cars Malta Holding Limited	Subsidiary (100%)	Full	PricewaterhouseCoopers Malta	2)	31 December 2016
Q-service Truck Sp. z o.o.	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars INT d o.o.	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars Eesti OÜ	Subsidiary (100%)	Full	TPMM Nordic OU	unqualified	31 December 2016
Inter Cars Piese Auto s.r.l *	Subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016

I. General information about the Group (cont.)

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Inter Cars Greece Ltd. **	Subsidiary (100%)	Not applicable	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars d o.o. (Bosnia and Herzegovina) **	Subsidiary (100%)	Not applicable	The Company was not subject to an audit	not applicable	31 December 2016
Inter Cars Malta Limited	Indirect subsidiary (100%)	Full	PricewaterhouseCoopers Malta	2)	31 December 2016
Aurelia Auto d o o	Indirect subsidiary (100%)	Full	The Company was not subject to an audit	not applicable	31 December 2016
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	Associate (49%)	Equity method	Radosław Bombik, Chancellery of Registered Auditor	2)	31 December 2016
InterMeko Europa Sp. z o.o.	Associate (50%)	Equity method	The Company was not subject to an audit	not applicable	31 December 2016

* The Company commenced operations in Q1 2016
** The company commenced operations in Q2 2017

1) As at the date of this report, the consolidation package was audited for the purposes of auditing the consolidated financial statements of the Group, but the separate opinion on the standalone financial statements has not been issued yet
2) As at the date of this report, the audit of the financial statements of a given company was not completed

I. General information about the Group (cont.)

j. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.

II. Information about the audit

a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Piotr Wyszogrodzki (no. 90091).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 13 of the Supervisory Board of Inter Cars S.A. dated 20 June 2016 in accordance with paragraph 14 of the Parent Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).

d. The audit was conducted in accordance with an agreement dated 28 June 2016, in the following periods:

- interim audit from 1 December to 9 December 2016;
- final audit from 27 February to 28 April 2017 (with intervals).

e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole. Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.

III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016 (selected lines)

	31.12.2016 PLN '000	31.12.2015 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2016 (%)	Structure 31.12.2015 (%)
ASSETS						
Non-current assets	702,169	642,941	59,228	9.2	23.1	25.7
Current assets	2,337,908	1,863,423	474,485	25.5	76.9	74.3
Total assets	**3,040,077**	**2,506,364**	**533,713**	**21.3**	**100.0**	**100.0**
LIABILITIES AND EQUITY						
Share capital	1,424,008	1,205,878	218,130	18.1	46.8	48.1
Long-term liabilities	452,781	469,054	(16,273)	(3.5)	14.9	18.7
Short-term liabilities	1,163,288	831,432	331,856	39.9	38.3	33.2
Total liabilities and equity	**3,040,077**	**2,506,364**	**533,713**	**21.3**	**100.0**	**100.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2016 (selected lines)

	2016 PLN '000	2015 PLN '000	Change PLN '000	Change (%)	Structure 2016 (%)	Structure 2015 (%)
Revenue	5,973,459	4,795,788	1,177,671	24.6	100.0	100.0
Costs of sales	(4,131,372)	(3,341,269)	(790,103)	23.6	(69.2)	(69.7)
Gross profit on sales	**1,842,087**	**1,454,519**	**387,568**	**26.6**	**30.8**	**30.3**
Net profit	**230,064**	**151,026**	**79,038**	**52.3**	**3.9**	**3.1**
Total comprehensive income	**228,189**	**146,889**	**81,300**	**55.3**	**3.8**	**3.1**

III. The Company's results, financial position and significant items of financial statement (cont.)

Selected ratios characterizing the Group's financial position and results

The following ratios characterise the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous year:

	2016	2015
Asset ratios		
- receivables turnover	28 days	28 days
- inventory turnover	117 days	119 days
Profitability ratios		
- net profit margin	4%	3%
- gross margin	31%	30%
- return on capital employed	16%	14%
Liability ratios		
- gearing	53%	52%
- payables turnover	13 days	13 days
	31.12.2016	**31.12.2015**
Liquidity ratios		
- current ratio	2.0	2.2
- quick ratio	0.7	0.7
Other ratios		
- effective tax rate	19.21%	14.25%

The above ratios have been calculated on the basis of the consolidated financial statements.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years.

III. The Company's results, financial position and significant items of financial statement (cont.)

The consolidated financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.8% in the audited year (deflation: -0.5% in 2015).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date:

- At the end of the financial year, the Group's total assets amounted to PLN 3,040,077 thousand. During the year total assets increased by PLN 533,713 thousand, i.e. by 21.3%. This growth was financed mainly by an increase in short-term liabilities due to loans, borrowings, debt securities and financial leasing of PLN 188,859 thousand, generated net profit of PLN 230,064 thousand and also by an increase in in trade liabilities and other liabilities of PLN 122,493 thousand. At the same time, the Parent Company paid out dividend of PLN 10,060 thousand.

- The balance of property, plant and equipment as at 31 December 2016 amounted to PLN 459,679 thousand. An increase of PLN 66,877 thousand, i.e. 17% compared to the previous year resulted mainly from construction of the new seat of ILS Sp. z o.o. in Zakroczym.

- The balance of trade receivables and other receivables as at 31 December 2016 amounted to PLN 693,180 thousand. The PLN 164,734 thousand, i.e. 31.2% increase in trade receivables and other receivables compared with the previous year was mainly due to growth in trade receivables of PLN 122,875 thousand.

- The balance of short-term liabilities due to loans, borrowings, debt securities and financial leasing as at 31 December 2016 amounted to PLN 596,174 thousand and increased compared with the previous year by PLN 219,007 thousand, i.e. 58.1%.

- Liability ratios and the structure of liabilities have not changed significantly. The gearing ratio amounted 53% (in 2015: 52%). The payables turnover ratio has not changed and amounted to 13 days.

- Revenue amounted to PLN 5,973,459 thousand, which constituted a PLN 1,177,671 thousand, i.e. 24.6% increase compared with the previous year. The Group's core activities in the current financial year consisted of sales of parts for cars. Such sales have increased by PLN 904,930 thousand, i.e. by 19% compared with the previous financial year.

III. The Company's results, financial position and significant items of financial statement (cont.)

- The cost of products, goods for resale and materials sold was the largest item of operating expenses and amounted to PLN 4,131,372 thousand in the audited year, which constituted 73.4% of operating expenses. The cost of products, goods for resale and materials sold has increased by PLN 790,103 thousand, i.e. by 23.6% compared with the previous year, mainly due to a growth in sale of products, goods and materials.

- Profitability measured with relation of net profit to sales revenue amounted to 4% and was 1 percentage point higher than in the previous year.

- The Group's liquidity has changed slightly. In the audited year, the current ratio, which amounted to 2.0 (in 2015: 2.2) decreased mainly as a result of higher dynamics of growth of short-term liabilities in relation to current assets. The quick ratio has not changed and amounted to 0.7 in the audited and previous year.

The consolidated financial statements have been prepared in accordance with the going concern principle.

IV. The independent registered auditor's statements

a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.

d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

e. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

f. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.

g. The consolidated financial statements of the Group for the year from 1 January to 31 December 2015 were approved by Resolution No. 2 passed by the General Shareholders' Meeting on 19 May 2016 and filed with the National Court Register in Warsaw on 24 June 2016.

h. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.

i. The information in the Report on Group's operations for the year from 1 January to 31 December 2016 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the consolidated financial statements.

V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the Inter Cars S.A. Group having Inter Cars S.A., Powsińska 64 Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board and the person entrusted with maintaining the books of account on 28 April 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 28 April 2017 to the Shareholders and the Supervisory Board of Inter Cars S.A., that includes the unqualified audit opinion on the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 28 April 2017

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.