Inter Cars S.A.

Independent Registered Auditor's Report

Financial Statements

Report on Company's operations

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

For the year from 1 January to 31 December 2016

Content:

Independent Registered Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements of Inter Cars S.A. (hereinafter called "the Company"), Powsińska 64 Street, Warsaw, which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity, the 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 Company's Management Board is responsible for the preparation of these financial statements, on the basis of correctly maintained books of account, 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 Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

Independent Registered Auditor's Report (cont.)

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

Opinion

In our opinion, the accompanying financial statements:

a. give a true and fair view of the Company'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 books of account.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Company's operations

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

The Company's Management Board is responsible for the preparation of the Report on the Company'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 Company's operations meets the requirements of the Accounting Act.

With respect to our audit of the financial statements, our responsibility was to read the Report on the Company'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 financial statements. Our responsibility was also to consider, based on the knowledge of the Company and its environment obtained during our audit, whether the Report on the Company's operations does not contain any material misstatements.

In our opinion, the information contained in the Report on the Company'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 financial statements.

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

With respect to our audit of the financial statements, our responsibility was also to read the Company's Statement of Corporate Governance, which is a separate part of the Report on the Company's operations. In our opinion, the Company 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 financial statements.

Independent Registered Auditor's Report (cont.)

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

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 PUBLIC LIMITED COMPANY

ANNUAL SEPARATE FINANCIAL STATEMENTS
2016

INTER CARS S.A. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2016

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

Financial highlights:

in thousand PLN	for the period of 12 months ended on		for the period of 12 months ended on	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	PLN	*PLN*	*EUR*	*EUR*
Profit and loss account *(for the period)*				
Sales revenues	4,779,523	3,974,204	1,092,288	949,676
Gross profit on sales	1,127,687	951,761	257,716	227,433
License fees	(75,162)	(62,595)	(17,177)	(14,958)
Net financial revenues / costs	50,220	72,241	11,477	17,263
Operating profit	70,494	26,771	16,110	6,397
Net profit	109,391	93,913	25,000	22,441
Other financial data				
Operating cash flows	114,919	39,093	26,263	9,342
Investing cash flows	9,201	(66,777)	2,103	(15,957)
Financing cash flows	(113,974)	23,581	(26,047)	5,635
Basic profit per share	7.72	6.63	1.76	1.58
Sales margin	23.6%	23.9%		
EBITDA margin	2.0%	1.4%		
Balance sheet ***(as at)***	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Cash and cash equivalents	26,129	15,983	5,906	3,751
Balance sheet total	2,659,319	2,300,531	601,112	539,841
Loans, borrowings, debt security and finance lease liabilities	962,498	821,499	217,563	192,772
Equity	1,113,402	1,014,071	251,673	237,961

Employment and branches	31/12/2016	31/12/2015
Employees	384	363
Branches	220	183

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.

Information about INTER CARS S.A.

1. Scope of activities

The principal activities of Inter Cars Spółka Akcyjna (hereinafter referred to as “Inter Cars”,”The Company”) 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. Administrative data of the Company

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

4. Contact details

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bzarzadu@intercars.eu
relacje.inwestorskie@intercars.eu
www.intercars.com.pl

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

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

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

Robert Kierzek, President
Krzysztof Soszyński, Vice-President
Krzysztof Oleksowicz
Maciej Oleksowicz
Wojciech Twaróg
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.

7. Statutory auditor

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

8. 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

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

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

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

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

mBank S.A.
Ul. Królewska 14
00-065 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

Bank BGŻ BNP
ul. Suwak 3
02-676 Warszawa

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

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

9. Subsidiaries

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:

- 30 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				
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 Ukraine	Ukraine, Khmelnitsky	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
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%
Lauber Sp. z o.o.	Słupsk	Remanufacturing of car parts	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%

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 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%
Inter Cars GREECE.**	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%	-
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.

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

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.

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

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF FINANCIAL POSITION

(in thousand PLN)	Note no.	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	140,536	152,713
Intangible assets	7	155,330	138,326
Investment property	8	1,991	2,048
Investments in subordinated entities	9	404,099	345,562
Investments available for sales		258	258
Receivables	12	23,951	20,250
		726,165	**659,157**
Current assets			
Inventory	11	989,288	866,519
Trade and other receivables	12	907,639	752,185
Corporate income tax receivables		10,098	6,687
Cash and cash equivalents	13	26,129	15,983
		1,933,154	**1,641,374**
TOTAL ASSETS		**2,659,319**	**2,300,531**
LIABILITIES			
Equity			
Share capital	14	28,336	28,336
Share premium account	14	259,530	259,530
Statutory reserve funds		709,886	626,032
Other capital reserves		5,935	5,935
Retained earnings		109,715	94,238
		1,113,402	**1,014,071**
Long-term liabilities			
Loan, borrowing and finance lease liabilities	16	423,244	425,736
Deferred income tax provision	10	16,058	6,636
		439,302	**432,372**
Short-term liabilities			
Trade and other liabilities	17	502,949	393,919
Loans, borrowings, debt security and finance lease liabilities	16	539,254	395,763
Liabilities of the reverse factoring		58,588	63,167
Employee benefits	18	5,824	1,239
Income tax liabilities	19	-	-
		1,106,615	**854,088**
TOTAL LIABILITIES		**2,659,319**	**2,300,531**

(in thousand PLN)

ANNUAL SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note no.	1.01.2016-31.12.2016	1.01.2015-31.12.2015
Sales revenues	20	4,779,523	3,974,204
Cost of sales	21	(3,651,836)	(3,022,443)
Gross profit on sales		**1,127,687**	**951,761**
Other operating income	24	6,364	4,149
Costs of sales and administrative costs	22	(522,954)	(490,181)
Distribution expenses	22	(420,696)	(354,698)
License fees	22	(75,162)	(62,595)
Other operating expenses	25	(44,745)	(21,665)
Operating profit		**70,494**	**26,771**
Financial income	26	2,932	3,251
Dividends received	26	78,833	91,628
Foreign exchange gains/losses	26	(3,168)	(403)
Financial expenses	26	(28,377)	(22,235)
Profit before tax		**120,714**	**99,012**
Income tax	28	(11,323)	(5,099)
Net profit		**109,391**	**93,913**
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income, net		**-**	**-**
COMPREHENSIVE INCOME		**109,391**	**93,913**
Earnings per share (PLN)			
- basic and diluted	15	7.72	6.63
Weighted average number of shares in the year		14,168,100	14,168,100

(in thousand PLN)

ANNUAL SEPARATE 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	Other capital reserves	Retained earnings	**Total equity**
As at 01 January 2016	**28,336**	**259,530**	**626,032**	**5,935**	**94,238**	**1,014,071**
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	109,391	**109,391**
Total comprehensive income	**-**	**-**	**-**	**-**	**109,391**	**109,391**
Transactions with shareholders						
Distribution of prior period profit – dividend	-	-	-	-	(10,060)	**(10,060)**
Distribution of retained profits - carried over to supplementary capital	-	-	83,854	-	(83,854)	**-**
As at 31 December 2016	**28,336**	**259,530**	**709,886**	**5,935**	**109,715**	**1,113,402**

ANNUAL SEPARATE STATEMENT OF CHANGES IN EQUITY (continued)

for the period from 01 January 2015 to 31 December 2015

(in thousand PLN)	Share capital	Share premium account	Statutory reserve funds	Other capital reserves	Retained earnings	**Total equity**
As at 01 January 2015	**28,336**	**259,530**	**540,422**	**5,935**	**95,993**	**930,216**
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	93,913	**93,913**
Total comprehensive income	**-**	**-**	**-**	**-**	***93,913***	**93,913**
Transactions with shareholders						
Distribution of prior period profit – dividend	-	-	-	-	(10,058)	**(10,058)**
Distribution of retained profits - carried over to supplementary capital	-	-	85,610	-	(85,610)	**-**
As at 31 December 2015	**28,336**	**259,530**	**626,032**	**5,935**	**94,238**	**1,014,071**

ANNUAL SEPARATE CASH FLOW STATEMENT

(in thousand PLN)	Note	1.01.2016-31.12.2016	1.01.2015-31.12.2015
Cash flows from operating activities			
Profit before tax		120,714	99,012
Adjustments:			
Depreciation and amortization		23,919	27,870
Foreign exchange gains /losses		(395)	574
(Profit / loss on investing activities		(36)	46
Net interest and share in profits	27	21,473	23,457
Net dividends	26	(78,833)	(91,628)
Gain/loss on revaluation of investment property		57	86
Other adjustments, net		(798)	272
Operating profit before changes in the working capital		**86,101**	**59,689**
Change in inventories		(122,769)	(121,136)
Change in receivables	27	(176,144)	(171,540)
Change in short-term liabilities	27	333,043	285,665
Cash generated by operating activities		**120,231**	**52,678**
Corporate income tax paid		(5,312)	(13,585)
Net cash from operating activities		**114,919**	**39,093**
Cash flow from investing activities			
Proceeds from the sale of plant, property, equipment and intangible assets		1,236	6,588
Purchase of property, plant, equipment and intangible assets		(28,789)	(24,836)
Purchase of financial assets in related and other entities	27	(45,997)	(145,955)
Sales of financial assets in related and other entities		-	-
Repayment of loans granted	27	3,570	8,388
Loans granted	27	(1,160)	(3,393)
Interest received	27	1,508	803
Dividends received		78,833	91,628
Net cash from investing activities		**9,201**	**(66,777)**
Cash flow from financing activities			
(repayments) / proceeds from credits and leases	27	(20,532)	(10,864)
Loans received	27	816,847	220,157
Repayment of loans and borrowings	27	(655,200)	(58,057)
Guarantee deposits received	27	-	(40)
Payment of the reverse factoring		(224,005)	(92,217)
Interest paid	27	(21,024)	(25,340)
Dividend paid	29	(10,060)	(10,058)
Security issues		-	-
Net cash from financing activities		**(113,974)**	**23,581**
Net change in cash and cash equivalents		**10,146**	**(4,103)**
Cash and cash equivalents at the beginning of the period		**15,983**	**20,086**
Cash and cash equivalents at the end of the period		**26,129**	**15,983**

Notes to the annual separate financial statements

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

The separate 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 Company 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 Company had not finished estimating the impact of all the new Standards and Interpretations to become effective following the reporting date.

2. Impact of changes in IFRS standards and interpretation on the Company'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 separate financial statements.

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

The Company 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 Company'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.

With respect to disclosures required by IFRS 15, the Company believes that given the relatively uniform nature of its operations, the impact of IFRS 15 will be insignificant.

(in thousand PLN)

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 Company 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 Company 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 the International Financial Reporting Standards 2014-2016;	Amendments related 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 Company's statement of financial situation the types of contracts currently treated as operating lease and not recognised in the statement of financial situation. The Company, 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,
- investment property measured at fair value.

All amounts in the financial statements are shown in thousand PLN, unless stated otherwise.

2.5. Functional and presentation currency

(a) Presentation and functional currency

These financial statements are presented in Polish zloty („PLN") which is the Company's functional currency. PLN is the functional currency of Inter Cars S.A.

(b) Foreign currency translation differences

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 Company 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 Company 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

3rd1. Changes in the accounting policy

In 2016 there were no changes to the accounting policy.

3.2. Significant accounting policies

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

Property, plant and equipment

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

Property, plant and equipment include Company's assets, investment in third-party fixed assets, fixed assets under construction and third-party fixed assets accepted for use by the Company (when pursuant to a contract the potential benefits and risk resulting from their possession are substantially transferred to the Company). 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. 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 Company 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 Company 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 Company. 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 - 40 years

Gains or losses arising from the derecognition 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.

a) 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 .

b) 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 Company 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 12-year period, 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 Company, 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.

c) 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.

d) Financial Instruments

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 company-specific circumstances.

As at the reporting date, the Company 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 Company 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 assets 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 Company 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.

e) 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 Company 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 Company’s books.

Financial assets and liabilities are offset against each other and recognized in the financial statements as a net amount only if the Company 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 Company 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 k).

f) 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. Impairment losses on financial assets available for sale are measured by reference to the assets' present fair value.

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. 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 Company 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.

g) Lease

a) The Company as a Lessee

Property, plant and equipment used under finance lease agreements which transfer to the Company 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 Company 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.

h) 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 their present location and condition.

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.

i) 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.

j) Equity

In the Company'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 premium 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.

k) 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.

l) Provisions

A provision is recognised when an entity 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.

m) 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 entity 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 entity,
- 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.

Domestic sales are carried out through a chain of affiliate branches, with whom distribution agreements have been signed. Sales revenue is recognized upon a sale of goods to a client. Revenue from exports is recognised at the time of delivery of goods for resale or products to the buyer (Customer).

(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 entity,
- 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.

n) Operating expenses

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

The costs charged to the Company by its affiliate branches as compensation for the sale of goods for resale performed on behalf of the Company 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 Company

o) 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.

p) 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 income tax is determined with use of the tax rates effective for the year in which a given tax obligation originated, based on the tax regulations applicable in the year in which the deferred tax asset and liability are settled.

Deferred tax asset is disclosed in the amount expected to be deducted from income tax due in the future in connection with deductible temporary differences which will reduce the taxable income in the future and the deductible tax loss determined in accordance with the prudence principle.

Deferred tax liability is recognised in the amount of income tax to be paid in the future in connection with taxable temporary differences which will increase future taxable income.

Deferred tax asset and deferred tax liability are offset in the separate statement of financial position 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.

q) Measurement of the value of shares in subordinated entities

Equity interests in subordinated undertakings are valued at acquisition cost less impairment losses.

The price of purchase of shares in subordinated entities taken up against an in-kind contribution is determined based on the carrying value of the contribution as at its date. The value is assessed on the basis of data included in the separate financial statements.

4. Information on business segments

Information about operating segments is presented in the consolidated financial statements of the Inter Cars S.A. Capital Group as operating segments are identified at the Group level.

5. Supplementary information

For information on key products and services and the geographical breakdown of sales, see Note 20.

The vast majority of the Company's non-current assets are situated in Poland. The Company is unable to identify separate groups of assets corresponding to the geographical breakdown of sales.

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

(in thousand PLN)

6. Property, plant and equipment

	31/12/2016	31/12/2015
Land	23,760	23,760
Buildings and structures	71,557	74,461
Plant and machinery	11,656	15,541
Vehicles	3,778	5,234
Other tangible assets	27,262	17,941
Tangible assets under construction	2,523	15,776
Total property, plant and equipment	**140,536**	**152,713**

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 8,480 thousand
- As at 31 December 2015 – PLN 37,198 thousand

Assets used under finance lease agreements include computer hardware and vehicles, used by the Company in its operating activities.

The Company’s right to dispose of any item of property, plant and equipment held by the Company, 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.

	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT							
Gross value as at 01 January 2015	**23,760**	**104,307**	**60,580**	**7,800**	**47,917**	**6,431**	**250,795**
Increase:	-	585	1,702	3,677	9,430	9,345	**24,739**
Acquisition	-	141	1,579	854	9,068	10,534	**22,176**
Transfer	-	444	123	-	362	(1,189)	**(260)**
Lease	-	-	-	2,823	-	-	**2,823**
Decrease:	-	406	1,261	2,408	59	-	**4,134**
Sale	-	100	265	2,390	49	-	**2,804**
Liquidation	-	306	996	18	10	-	**1,330**
Gross value as at 31 December 2015	**23,760**	**104,486**	**61,021**	**9,069**	**57,288**	**15,776**	**271,400**
Increase:	-	352	1,637	1,277	16,543	(12,505)	**7,304**
Acquisition	-	61	1,422	872	16,324	1,381	**20,060**
Transfer	-	291	215	-	219	-	**725**
Transfer to intangible assets	-	-	-	-	-	(13,886)	**(13,886)**
Lease	-	-	-	405	-	-	**405**
Decrease:	-	47	672	2,946	797	748	**5,210**
Sale	-	47	199	2,946	93	-	**3,285**
Transfer	-	-	-	-	216	748	**964**
Liquidation	-	-	473	-	488	-	**961**
Gross value as at 31 December 2016	**23,760**	**104,791**	**61,986**	**7,400**	**73,035**	**2,523**	**273,494**

(in thousand PLN)

DEPRECIATION AND IMPAIRMENT LOSSES DEPRECIATION	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Amortisation and impairment losses as at 01 January 2015	**-**	**26,982**	**39,625**	**3,306**	**34,013**	-	**103,926**
Amortisation for period	-	3,348	7,084	2,308	5,382	-	**18,122**
Sale	-	(27)	(237)	(1,774)	(38)	-	**(2,076)**
Liquidation	-	(278)	(992)	(5)	(10)	-	**(1,285)**
Amortisation and impairment losses as at 31 December 2015	**-**	**30,025**	**45,480**	**3,835**	**39,347**	-	**118,687**
Amortisation for period	-	3,220	5,462	2,188	6,933	-	**17,803**
Sale	-	(11)	(144)	(2,401)	(93)	-	**(2,649)**
Liquidation	-	-	(468)	-	(415)	-	**(883)**
Amortisation and impairment losses as at 31 December 2016	**-**	**33,234**	**50,330**	**3,622**	**45,772**	-	**132,958**
NET VALUE							
As at 01 January 2015	**23,760**	**77,325**	**20,955**	**4,494**	**13,904**	**6,431**	**146,869**
As at 31 December 2015	**23,760**	**74,461**	**15,541**	**5,234**	**17,941**	**15,776**	**152,713**
As at 01 January 2016	**23,760**	**74,461**	**15,541**	**5,234**	**17,941**	**15,776**	**152,713**
As at 31 December 2016	**23,760**	**71,557**	**11,656**	**3,778**	**27,263**	**2,523**	**140,536**

7. Intangible assets

	31/12/2016	**31/12/2015**
Goodwill, including:	122,937	122,937
- goodwill from merger with JC Auto S.A.	*122,937*	*122,937*
Computer software	3,087	3,728
Other intangible assets, including:	29,305	11,661
- relations with suppliers	*4,407*	*5,799*
- other	*4,824*	*5,862*
- under construction	*20,074*	*-*
	155,330	**138,326**

Impairment test

The Company's cash generating units were tested for impairment, connected with value of JC Auto SA Company. 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 an entity. 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 Company, treated as a single cash generating unit.
- The data used to prepare the projections for 2017 was based on the approved budget and assume an increase in cash flows by about 8-10% 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.

(in thousand PLN)

Intangible assets under lease agreements

As at 31 December 2016 the Company 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 Company's operations and expired during the accounting year 2016.

None of the intangible assets held by the Company, except for those subject to finance lease agreements, is subject limited right of use.

Borrowing costs

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

GROSS VALUE OF INTANGIBLE ASSETS	Computer software	Other intangible assets	Goodwill	Under construction	Total
Gross value as at 01 January 2015	**38,223**	**33,032**	**122,937**	**-**	**194,192**
Acquisition	2,660	-	-	**-**	**2,660**
Transfer from investments	260	-	-	-	260
Gross value as at 31 December 2015	**41,143**	**33,032**	**122,937**	**-**	**197,112**
Acquisition	1,856	-	-	7,375	**9,231**
Transfer from investments	1,187	-	-	(1,187)	-
Transfer from fixed assets	-	-	-	13,886	**13,886**
Gross value as at 31 December 2016	**44,186**	**33,032**	**122,937**	**20,074**	**220,229**
AMORTISATION AND IMPAIRMENT LOSSES					
Amortisation and impairment losses as at 01 January 2015	**30,095**	**18,941**	**-**	**-**	**49,036**
Amortisation for period	7,320	2,430	-	**-**	**9,750**
Amortisation and impairment losses as at 31 December 2015	**37,415**	**21,371**	**-**	**-**	**58,786**
Amortisation for period	3,684	2,430	-	**-**	**6,114**
Amortisation and impairment losses as at 31 December 2016	41,099	23,801	-	-	**64,900**
NET VALUE					
As at 01 January 2015	**8,128**	**14,091**	**122,937**	**-**	**145,156**
As at 31 December 2015	**3,728**	**11,661**	**122,937**	**-**	**138,326**
As at 01 January 2016	**3,728**	**11,661**	**122,937**	**-**	**138,326**
As at 31 December 2016	**3,087**	**9,231**	**122,937**	**20,074**	**155,330**

8. Investment property

	2016	2015
As at 1 January	**2,048**	**2,134**
Measured at fair value	(57)	(86)
As at 31 December	**1,991**	**2,048**

During 2016, there were no transfers of investment property to other assets or reclassifications of other assets to investment property. Investment property includes real property located in Gdańsk, which is held for lease to third parties.

As at the reporting date, the Company conducted fair-value measurement of the property. The Company conducted, as at the reporting day, valuation of the fair value of the real estate in Gdańsk. When determining goodwill of the real property located in Gdańsk (acquired as a result of merger), the comparative method was applied (goodwill – level 3).

In 2016, as well as in 2015, the property located in Gdańsk earned PLN 150 thousand.

The Company's title to the above property is not restricted.

(in thousand PLN)

9. Investments in subordinated entities

	2016	2015
As at 1 January	**356,344**	**210,389**
Increase, including:	58,537	145,955
- increase in share capital of Inter Cars Romania s.r.l.	*-*	*6,520*
- increase in share capital in Inter Cars d o.o., with its registered seat in Ljubljana in Slovenia	*-*	*3,226*
- increase in reserve capital in Inter Cars Hungaria Kft.	*12,540*	*-*
- capital increase in Q-Service Truck	*-*	*1,000*
- purchase of shares in Inter Cars GREECE with its registered seat in Athens, Greece.	*776*	*-*
- increase in share capital in ILS Sp. z o.o.	*45,000*	*135,000*
- increase in share capital in Inter Cars Eesti OÜ, with registered seat in Tallinn, Estonia	*-*	*208*
- purchase of shares in Inter Cars d o.o. with registered seat in Sarajevo in Bosnia and Herzegovina	*221*	*-*
- purchase of shares in Inter Cars PIESE Auto s.r.l.., with registered seat in Kishinev in Moldavia	*-*	*1*
Total:	**414,881**	**356,344**
- write-down on Frenoplast	(3,782)	(3,782)
- write-down on Inter Cars Ukraina	(7,000)	(7,000)
As at 31 December	**404,099**	**345,562**

In 2016, Inter Cars took shares in newly-established companies: Inter Cars d o.o. in Bosnia and Herzegovina and Inter Cars GREECE. In Greece.

In 2016 Inter Cars increased share capital in ILS Sp. z o.o. and share and reserve capital in Inter Cars Hungaria Kft.

Impairment test

The Company executed the analysis of indicator of impairment in subsidiary companies. As a result of the analysis, the Company realized an impairment test for the shares of Inter Cars Ukraine as at 31 December 2014. According to Company’s assessment there are no reasons for repeating the test as at 31/12/2016.

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

- The data used to prepare the projections for 2016 and 2017 were based on the approved budget and assume an increase in cash flows by about 25% annually.
- Cash flows for remaining years were estimated based on a growth rate of 1.2%,
- The discount rate used to calculate the value in use was between 15% and 30% and was estimated based on the weighted average cost of capital (WACC)

Interest in subsidiaries as at 31/12/2016

Name and legal form of associate	Registered seat	Date of control take-over	Carrying amount of shares (in PLN thousand)	Percentage of share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
Inter Cars Ukraine LLC	Khmelnytsky, Ukraine	04.2000	29,531	100%	49,163	34,163	155,762	6,141
Q-Service Sp. z o.o.	Cząstków Mazowiecki	04.2000	416	100%	28,417	11,137	96,188	15,860
Lauber Sp. z o.o.	Słupsk	07.2003	1,565	100%	40,109	31,867	47,828	(1,780)
Inter Cars Ceska Republika	Prague, Czech Republic	04.2004	13,866	100%	95,963	79,034	190,175	4,337
Inter Cars Slovenska Republika	Bratislava, Slovakia	08.2005	21	100%	75,983	58,719	181,469	3,081
Feber Sp. z o.o.	Warsaw	08.2004	30,011	100%	40,785	7,392	72,896	2,330
Inter Cars Lietuva	Vilnius, Lithuania	09.2006	1,058	100%	54,696	36,055	252,301	3,851
IC Development & Finance Sp. z o.o.	Warsaw	10.2006	3,785	100%	23,525	25,573	1,194	(1,264)
Inter Cars d.o.o.	Zagreb, Croatia	02.2008	18,471	100%	110,848	97,487	224,757	5,202
Inter Cars Hungaria Kft.	Budapest, Hungary	02.2008	32,473	100%	87,932	82,447	254,343	3,679
Inter Cars Italia s.r.l.	Milan, Italy	02.2008	2,952	100%	39,471	34,669	53,426	1,616
JC Auto S.A.	Brain L'Allued, Belgium	02.2008	1,408	100%	1,655	405	765	(285)
JC Auto s.r.o.	Karvina-Darkom, Czech	02.2008	-	100%	1,051	5,220	-	(303)
Armatus Sp. z o.o.	Warsaw	02.2008	1,711	100%	849	269	8,092	(53)
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	07.2008	8,581	100%	314,602	298,231	679,473	5,297
Inter Cars Latvija SIA	Riga, Latvia	08.2010	12	100%	102,140	87,804	332,674	6,312
Inter Cars Cyprus Limited	Nicosia, Cyprus	10.2010	47	100%	153,490	24,047	-	56,379
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	03.2011	21	100%	57,582	53,543	181,916	3,617
Cleverlog-Autoteile GmbH	Berlin, Germany	03.2011	524	100%	5,583	4,622	28,882	3,104
Inter Cars Marketing Services Sp. z o.o.	Warsaw, Poland	05.2012	6,280	100%	577,288	9,342	112,283	58,825
ILS Sp. z o.o.	Kajetany, Poland	10.2012	244,804	100%	311,650	34,427	330,407	9,368
Inter Cars Malta Holding Limited	Qormi, Malta	02.2013	19	100%	60,851	61,404	166,732	11,145
Q-Service Truck	Warsaw, Poland	12.2013	1,500	100%	4,582	3,150	20,189	286
Inter Cars Eesti OÜ	Tallinn, Estonia	12.2014	222	100%	8,672	7,487	37,887	881
Inter Cars d o.o.	Ljubljana, Slovenia	12.2014	3,258	100%	10,458	6,945	20,238	324
Inter Cars Piese Auto s.r.l.	Kishinev, Moldova	03.2015	1	100%	2,606	2,473	2,694	126
Inter Cars d o.o.	Sarajevo, Bosnia and Herzegovina	10.2016	221	100%	-	-	-	-
Inter Cars GREECE	Athens, Greece	11.2016	776	100%	-	-	-	-
			403,534		**2,259,951**	**1,097,912**	**3,452,571**	**198,076**

Due to a permanent impairment, in 2014 the Company recognized a revaluation write-down on the shares of its associate Inter Cars Ukraine LLC.

Interest in associates as at 31/12/2016

Name and legal form of associate	Registered seat	Date of control take-over	Carrying amount of shares (in PLN thousand)	Percentage of associate share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
Inter Cars Malta Ltd	Qormi, Malta	02.2013	Not applicable	100%	61,302	59,713	166,573	13,262
Aurelia Auto d o o	Croatia	01.2012	Not applicable	100%	1,360	3,715	135	(59)

Share in affiliated entities – as at 31/12/2016

Name and legal form of associate	Registered seat	Balance sheet value of shares (in thousand PLN)	Percentage of share capital/ total vote held	Associate's assets	Liabilities	Revenue	Net profit (loss)
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	Szczytno	-	49%	12,757	5,900	8,074	(170)
InterMeko Europa sp. z o.o.	Warsaw	566	50%	2,012	227	2,081	227

Due to a permanent impairment, in 2013 the Company recognized a revaluation write-down on the shares of its associate SMiOC FRENOPLAST Bułhak i Cieślawski S.A.

(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	Provisions
Intangible assets	155	-
Property, plant and equipment	-	3,977
Long-term debts	232	-
Investments in subordinated entities	2,412	-
Inventories	8,179	1,425
Trade and other receivables	3,949	3,524
Borrowings	129	2,791
Cash and cash equivalents	52	-
Finance lease liabilities	949	-
Long-term liabilities	-	402
Trade and other payables	9,234	29,230
Deferred tax assets/liabilities	**25,291**	**41,349**
Deferred tax offset against liabilities	(25,291)	(25,291)
Deferred tax liabilities as disclosed in the balance sheet	**-**	**16,058**

As at 31 December 2015	Assets	Provisions
Intangible assets	-	1,102
Property, plant and equipment	1,170	7,319
Investments in subordinated entities	2,049	-
Inventories	6,054	265
Trade and other receivables	2,195	3,785
Finance lease liabilities	5,435	-
Trade and other payables	9,355	20,423
Deferred tax assets/liabilities	**26,258**	**32,894**
Deferred tax offset against liabilities	(26,258)	(26,258)
Deferred tax liabilities as disclosed in the balance sheet	**-**	**6,636**

In the presented periods, deferred tax was recognized for all the balance-sheet items which represented temporary differences

Change in deferred tax assets	2016	2015
As at beginning of period	26,258	17,573
(decrease) / increase	(967)	8,685
As at end of period	**25,291**	**26,258**
Change in deferred tax liabilities		
As at beginning of period	32,894	24,899
(reversed) / recognized in the period	8,455	7,995
As at end of period	**41,349**	**32,894**

(in thousand PLN)

	31/12/2015	Effect on net profit	31/12/2016
Deferred tax assets	26,258	(967)	25,291
Deferred tax liabilities	(32,894)	(8,455)	(41,349)
	(6,636)	**(9,422)**	**(16,058)**

11. Inventory

	31/12/2016	31/12/2015
Merchandise	989,288	866,519
	989,288	**866,519**

Merchandise	990,837	868,068
Impairment losses	(1,549)	(1,549)
	989,288	**866,519**

Inter Cars S.A. 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.

The inventories of PLN 961 million have been pledged as collateral to secure the repayment of bank loan.

Change in impairment losses on inventories

	2016	2015
As at beginning of period	(1,549)	(1,549)
(increase) / decrease	-	-
As at end of period	**(1,549)**	**(1,549)**

12. Trade and other receivables

	31/12/2016	31/12/2015
Trade receivables from related entities	536,608	469,028
Trade receivables from other entities	304,692	252,885
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	38,344	-
Other receivables, prepayments and accrued income	6,652	5,496
Loans granted	37,488	39,814
Short term trade and other receivables – gross	**923,784**	**767,223**

Change in impairment loss on trade receivables	**2016**	**2015**
Status as at the beginning of the period	(15,038)	(11,126)
(Increase)/ Decrease, including:	(1,107)	(3,912)
- new impairment losses / release	*(1,107)*	*(3,912)*
Status as at the end of the period	**(16,145)**	**(15,038)**
Short-term trade and other receivables – net	**907,639**	**752,185**

The Company 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 trade receivables	31/12/2016	31/12/2015
Up to 12 months	841,300	721,913
	841,300	**721,913**

Currency structure of trade and other receivables (gross)	31/12/2016	31/12/2015
Local currency	387,932	312,132
Foreign currencies	535,852	455,092
	923,784	**767,223**
Receivables in EUR	527,508	433,579
Receivables in USD	7,374	21,143
Receivables in other currencies	970	369
	535,852	**455,092**

Maturity structure of trade receivables	31/12/2016		31/12/2015	
	Gross	Impairment losses	Gross	Impairment losses
Up to 180 days, including:	774,301	-	698,715	-
- matured	*327,771*	-	*395,315*	-
- unmatured	*446,530*	-	*303,400*	-
From 181 to 270 days	29,952	1,844	1,761	528
From 271 to 360 days	7,068	494	984	383
Over one year	29,979	13,807	20,453	14,127
Total	**841,300**	**16,145**	**721,913**	**15,038**

Loans granted	31/12/2016	31/12/2015
Current loans	37,488	39,814
Non-current loans and borrowings	16,686	16,691
	54,174	**56,505**

Non-current receivables	31/12/2016	31/12/2015
Non-current loans and borrowings	16,686	16,691
Security deposits	4,246	3,219
Long-term debts	2,738	-
Receivables from employees	281	340
	23,951	**20,250**

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

Credit and currency risks are discussed in Note 33.

Non-current receivables include mostly security deposits under lease agreements paid by the Company, as well as non-current loans granted mainly to related entities.

The loans granted to related entities bear interest at a rate equal to: 1M WIBOR or EURIBOR 3M (in the case of EUR-denominated loans), plus a margin of 2% to 5%. The loans are not secured.

(in thousand PLN)

13. Cash and cash equivalents

	31/12/2016	31/12/2015
Cash in hand	4,526	5,477
Cash at bank	3,055	1,744
Cash in transit	18,275	8,477
Cash on accounts of the Company's Social Benefits Fund	273	285
Cash	**26,129**	**15,983**

	31/12/2016	31/12/2015
In local currency	24,779	15,507
In foreign currencies	1,350	476
	26,129	**15,983**

With the exception of cash on accounts of the Company's Social Benefits Fund, Inter Cars S.A. does not hold any restricted cash.
In accordance with Polish law, Inter Cars S.A. administers 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 Company deposits cash in a number of reputable financial institutions.

14. Share capital and share premium account

As at 31 December 2015 and as at 31 December 2016, the share capital of 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 thousand 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 109,391 thousand (20125: PLN 93,913 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
Weighted average number of shares during the year	**14,168,100**	**14,168,100**

(in thousand PLN)

Basic profit per share	2016	2015
Net profit for period	109,391	93,913
Weighted average number of shares	14,168,100	14,168,100
Net profit per share	7.72	6.63

Diluted earnings per share

In 2016 and in the comparative period, i.e 2015, there were no diluting factors. Therefore, the diluted profit per share equals the basic profit per share.

16. Liabilities due to borrowings and other debt instruments

This Note contains information on the Company's liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Company's exposure to currency, interest rate and liquidity risks, see Note 32.

The syndicated credit facility agreement:

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.

Credit facilities granted on the basis of the New Credit Facility Agreement were 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.

Moreover, on 14 November 2016, an annex no 14 to the syndicated loan agreement of 29 July 2009 was signed. extending the ultimate date of repayment of the credit in current account B and it is set to be 15 December 2016. On the strength of above mentioned annex of 14 December 2016, the Company repaid its previous syndicated loan.

Non-current	**31/12/2016**	**31/12/2015**
Secured bank loans	268,816	268,702
Issuance of bonds	149,390	149,168
Finance lease liabilities	4,993	7,821
Loans received	-	-
Sureties received	45	45
	423,244	**425,736**

(in thousand PLN)

Current	**31/12/2016**	**31/12/2015**
Secured bank loans	393,900	235,275
Issuance of bonds	861	864
Loans received	141,005	138,838
Liabilities of the reverse factoring	58,588	63,167
Finance lease liabilities	3,488	20,786
	597,842	**458,930**

Because the significance of reverse factoring is increasing, the Group took a decision to present this item as a separate line of financial liabilities. As at 31 December 2015 the amount of reverse factoring was presented in the lines of trade and other liabilities in the amount of PLN 34,727 thousand and in credit, loans and leasing liabilities in the amount of PLN 28,440 thousand.

Current loans and borrowings at nominal value	Contractual amount (limit)	Drawn	Maturity date
Syndicated credit	600,000	395,625	14/11/2017
Inter Cars (Cyprus) LIMITED	79,675	79,675	31/12/2017
Inter Cars Marketing Services	61,330	61,330	31/12/2016
	741,005	**536,630**	

An annex setting the ultimate date of repayment of the loan from Inter Cars Marketing Services to be 31 December 2017 was signed.

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

As at 31 December 2016, total liabilities under loans and borrowings amounted to PLN 803,721 thousand of which PLN 590,413 thousand is denominated in PLN and 213,308 thousand is denominated in EUR.

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,

(in thousand PLN)

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.

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.

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

Loans received from ICMS sp. z o.o., Feber sp. z o.o. and Inter Cars Cyprus bear interest at a variable rate based on WIBOR 1M and 2.25% for loans denominated in EUR.

Finance lease	**31/12/2016**	**31/12/2015**
Payments under lease agreements	8,874	29,463
Financial expense	(393)	(856)
Present value of liabilities under leases	**8,481**	**28,607**

Payments under lease agreements	**31/12/2016**	**31/12/2015**
Up to 1 year	3,759	8,168
Between 1 and 5 years	5,115	21,295
	8,874	**29,463**

Present value of liabilities under leases	**31/12/2016**	**31/12/2015**
Up to 1 year	3,488	20,786
Between 1 and 5 years	4,993	7,821
	8,481	**28,607**

Liabilities under leases are related to the lease of property, plant and equipment and intangible assets. For more information, see Notes 6 and 7.

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.

(in thousand PLN)

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

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

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

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Buyback amount in nominal value
Series A	24/10/2014	24.10.2019	150,000,000
			150,000,000

17. Trade and other liabilities

	31/12/2016	**31/12/2015**
Trade payables to related entities	191,061	126,797
Trade payables to other entities	239,488	209,110
Taxes, duties, social security and other benefits payable	1,749	18,613
Payables on bills of exchange	48,656	27,222
Other payables and accrued expenses	21,995	12,177
	502,949	**393,919**
Trade payables before bonuses accrued for the period	571,698	431,045
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	**430,549**	**335,907**
Maturity structure of trade payables		
Up to 12 months	429,549	330,553
Over 12 months	1,000	5,354
	430,549	**335,907**

Taxes, subsidies, customs duty, social security and other benefits payable as at 31 December 2015 included primarily VAT liabilities in the amount of PLN 16,753 thousand whilst as at 31/12/2016 the Company had no such payables.

Currency structure of trade and other payables	**31/12/2016**	**31/12/2015**
Local currency	273,949	201,483
Foreign currencies	156,600	134,424
	430,549	**335,907**
Equivalent in national currency		
Liabilities in EUR	115,367	123,754
Liabilities in USD	40,724	10,029
Liabilities in other currencies	509	642
	156,600	**134,424**

(in thousand PLN)

18. Employee benefits

	31/12/2016	31/12/2015
Salaries and wages	5,441	801
Company's Social Benefits Fund	383	438
	5,824	**1,239**

19. Income tax liabilities

Maturity structure	**31/12/2016**	**31/12/2015**
Up to 12 months	-	-
	-	**-**

20. Sales revenue

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Revenue from sales of goods	4,647,276	3,868,311
Revenue from sales of services	132,097	105,743
Lease of investment property	150	150
	4,779,523	**3,974,204**

Sales by product groups

	2016		2015	
	(in thousand PLN)	*(%)*	(in thousand PLN)	*(%)*
Domestic sales	**3,379,822**	*70.7%*	**2,837,101**	*71.4%*
Spare parts for passenger cars	2,101,027	*44.0%*	1,832,789	*46.1%*
Spare parts for commercial vehicles and buses	499,018	*10.4%*	389,603	*9.8%*
tyres	439,465	*9.2%*	313,692	*7.9%*
Garage equipment and tuning	172,579	*3.6%*	161,509	*4.1%*
motorcycles: vehicles, spare parts and clothing	96,842	*2.0%*	82,496	*2.1%*
accessories	18,686	*0.4%*	14,499	*0.4%*
other, spare parts and services	52,205	*1.1%*	42,513	*1.1%*
Export	**1,399,701**	*29.3%*	**1,137,103**	*28.6%*
Spare parts for passenger cars	887,155	*18.6%*	753,068	*18.9%*
Spare parts for commercial vehicles and buses	274,584	*5.7%*	214,223	*5.4%*
tyres	138,412	*2.9%*	100,121	*2.5%*
Garage equipment and tuning	57,498	*1.2%*	38,228	*1.0%*
motorcycles: vehicles, spare parts and clothing	17,818	*0.4%*	10,388	*0.3%*
accessories	7,669	*0.2%*	5,272	*0.1%*
other, spare parts and services	16,565	*0.3%*	15,803	*0.4%*
Total	**4,779,523**	***100.00%***	**3,974,204**	***100.00%***

In 2016 the biggest percent growth recorded sale of tyres (39% in comparison to a year before) and sale of spare parts for commercial vehicles and buses (39%). However export sale recorded the biggest growth in sale of spare parts for motorbikes (77% in comparison to a year before) and sale of garage equipment (77%).

(in thousand PLN)

Geographical structure of sales

	2016		2015	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**
Domestic sales	3,379,822	70.7%	2,837,101	71.4%
Export	1,399,701	29.3%	1,137,103	28.6%
Total	**4,779,523**	100%	**3,974,204**	100%

Export includes primarily sales to the neighbouring countries, i.e. to Ukraine, the Czech Republic, Slovakia and Lithuania, and to other European countries, i.e.: Latvia, Hungary, Croatia, Romania, Estonia and Moldova.

21. Cost of sales

	01/01/2016 – 31/12/2016	**01/01/2015 – 31/12/2015**
Cost of services and goods sold	3,656,715	3,016,765
Foreign exchange (gains) / losses	(4,879)	5,678
Cost of sales	**3,651,836**	**3,022,443**

22. Costs of sales and administrative costs

	01/01/2016 - 31/12/2016	**01/01/2015 - 31/12/2015**
Depreciation and amortization	23,919	27,870
Materials and energy consumption	10,422	13,215
External services	851,466	752,073
Taxes and charges	77,317	64,846
Salaries	37,978	30,516
Social security and other benefits	6,635	6,579
Other costs by kind	11,075	12,375
Total costs by kind	**1,018,812**	**907,474**
(-) costs of distribution services	(420,696)	(354,698)
(-) costs of license fees	(75,162)	(62,595)
Costs of sales and administrative costs	**522,954**	**490,181**

Costs of distribution services is an item of external services presented under costs by kind.

23. Costs of employee benefits

	01/01/2016 - 31/12/2016	**01/01/2015 - 31/12/2015**
Salaries under employment contracts	37,129	29,610
Salaries under contracts for specific work and contracts of mandate	779	907
Social security	5,194	4,922
Other employee benefits	1,511	1,656
Costs of employee benefits recognised as costs of sales and administrative costs	**44,613**	**37,095**

(in thousand PLN)

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	454	129
Reversal of provisions	-	1,526
Compensation, penalties and fines received	638	370
Non-trading bonuses	5,252	1,825
Impairment losses on past due liabilities	20	59
Other	-	241
	6,364	**4,149**

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	4,606	8,520
Past due receivables recognised as impairment losses	971	2,423
Inventory lacks	4,957	7,572
Expenses related to complaints	4,223	2,050
Damage to stock	6,219	-
Transfer pricing settlement	13,656	-
Other	10,113	1,100
	44,745	**21,665**

26. Finance income and expenses

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Financial income		
Interest income on loans granted	295	416
Interest income on intra-group loans granted	1,256	1,219
Dividends received	78,833	91,628
Other interest	1,381	1,616
	81,765	**94,879**

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Financial expenses		
Interest expense under bank loans and bonds	18,681	16,698
Interest expense under intra-group loans	2,973	906
Other interest	2,708	1,980
Fees and commissions	2,504	2,651
Agreement discount	1,222	-
Credit facility valuation	289	-
	28,377	**22,235**

(in thousand PLN)

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	3,766	-	3,766
Other	-	(329)	(329)
Realised foreign exchange gains/(losses)	**3,766**	**(329)**	**3,437**
Arising in connection with valuation of trade payables and receivables as at the reporting date	1,113	-	1,113
Other	-	(2,840)	(2,840)
Unrealised foreign exchange gains/(losses)	**1,113**	**(2,840)**	**(1,727)**
Total foreign exchange gains/(losses)	**4,879**	**(3,169)**	**1,710**

Foreign exchange gains and losses in the period from 01/01/2015 ***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	(5,763)	-	(5,763)
Other	-	110	110
Realised foreign exchange gains/(losses)	**(5,763)**	**110**	**(5,653)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	85	-	85
Other	-	(513)	(513)
Unrealised foreign exchange gains/(losses)	**85**	**(513)**	**(428)**
Total foreign exchange gains/(losses)	**(5,678)**	**(403)**	**(6,081)**

27. Structure of cash for the statement of cash flows

Corporate income tax paid

	1.01.2016-31.12.2016	**1.01.2015-31.12.2015**
Current corporate income tax disclosed in the statement of comprehensive income	(1,901)	(5,788)
Adjustment of comprehensive income	(3,411)	(6,687)
Change in income tax payable	-	(1,110)
Corporate income tax paid	**(5,312)**	**(13,585)**

Change in receivables

	1.01.2016-31.12.2016	**1.01.2015-31.12.2015**
Change in trade and other receivables	(155,454)	(169,551)
Conversion of receivables into a loan	-	(6,800)
Conversion of receivables for capital increase	(12,540)	
Change in non-current receivables	(3,701)	10,168
Change in Loans granted	(2,332)	2,636
Settlement of bank commissions and bonds	(2,119)	(2,130)
Change in investment receivables	-	(5,863)
Change in receivables	**(176,146)**	**(171,540)**

(in thousand PLN)

Change in Loans granted

	1.01.2016-31.12.2016	1.01.2015-31.12.2015
Loans granted	(1,160)	(3,393)
Conversion of receivables into a loan	-	(6,800)
Repayment of loans granted	3,570	8,388
Interest received	1,508	803
Interest accrued	(1,550)	(1,634)
Other	(36)	-
Change in Loans granted	**2,332**	**(2,636)**

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

	1.01.2016-31.12.2016	1.01.2015-31.12.2015
Cash inflows on credits and loans	816,847	220,157
Repayment of loans and borrowings	(655,200)	(58,057)
New finance lease agreements	344	2,823
Payment of liabilities under finance lease agreements	(20,471)	(10,864)
Interest accrued	-	5,510
Settlement of credit and bonds commission	2,119	(2,130)
Repaid commission on rose credit	(3,500)	
Other	(560)	(40)
IRS valuation	1,420	838
Change in loans, borrowings, debt securities and finance lease liabilities	**140,999**	**158,237**

Change in short-term liabilities

	1.01.2016-31.12.2016	1.01.2015-31.12.2015
Change in trade and other liabilities	74,303	164,725
Change in trade and other liabilities and reverse factoring	254,155	120,655
Change in employee benefits liabilities	4,585	285
Change in short-term liabilities	**333,043**	**285,665**

Purchase of financial assets in related and other entities

	1.01.2016-31.12.2016	1.01.2015-31.12.2015
Increase in financial assets in related and other entities	45,997	145,955
Purchase of financial assets in related and other entities	**45,997**	**145,955**

Net interest

	1.01.2016-31.12.2016	1.01.2015-31.12.2015
Interest paid	(22,532)	(25,340)
Interest received	1,508	803
Net interest	**(21,024)**	**(24,537)**

(in thousand PLN)

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	(1,901)	(5,788)
Change in deferred income tax	(9,422)	689
Income tax disclosed in statement of comprehensive income	**(11,323)**	**(5,099)**

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**
Tax rate	19%	19%
Profit before tax	**120,714**	**99,012**
Tax based on applicable tax rates(19%)	(22,936)	(18,812)
Permanent differences	11,613	13,713
of which:		
Dividend received	14,978	17,409
Representation, advertising and catering	(609)	(970)
Receivables written off	-	(177)
Receivables revaluation write-off	(665)	-
Depreciation and amortization	(672)	-
Other non-tax deductible expenses	(1,419)	(2,549)
Income tax disclosed in statement of comprehensive income	**(11,323)**	**(5,099)**

29. Dividend

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 to be 14 July 2016 and the payout itself was realized on 28 July 2016.

Dividend per share

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Dividend resolved and paid out to the reporting date	10,060	10,058
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

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.

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 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 was PLN 242,340 thousand and comprised the sureties for repayment of credits for subsidiaries and for the benefit of suppliers of subsidiaries.

(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
IC Malta	30/06/2016	-	3,121
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
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

(in thousand PLN)

(in thousand PLN)		Status as at	
To	Period covered	**31/12/2016**	**31/12/2015**
IC Hungary	05/02/2021	279	267
Raiffeisen-Leasing Polska	10/10/2023	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	-
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	-
		242,252	**125,663**

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.

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 rents under contracts for an indefinite period of time for the notice periods of these contracts was PLN 10,772 thousand. The total value of rents under contracts for a definite period of time - PLN 12,177 thousand. As at the end of 2015 the total amount of these rents amounted to PLN 7,666 thousand and PLN 10,280 thousand respectively.

The total value of minimal future payments under operational lease up to one year is PLN 19,657 thousand (2012: PLN 15,505 thousand), and the ones falling due in the period from one to five years is PLN 3,292 thousand (2015: PLN 2,441 thousand). No future minimum payments under operating leases falling due in over five years are reported.

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 total amount of transactions and unsettled balances with related parties was as follows:

(in thousand PLN)

Settlement	Receivables as at	
	31/12/2016	**31/12/2015**
Inter Cars Ukraine LLC	25,594	20,411
Lauber Sp. z o.o.	15,261	17,320
Inter Cars Ceska Republika	19,930	14,071
Inter Cars Slovenska Republika	28,949	26,660
Feber Sp. z o.o.	168	121
Inter Cars Lietuva UAB	19,238	18,174
Inter Cars Italia srl	27,266	17,850
Inter Cars d.o.o.	77,752	62,498
JC Auto S.A.	227	219
INTER CARS Hungária Kft.	31,144	31,065
JC Auto s.r.o.	4,276	4,119
Inter Cars Romania s.r.l.	179,180	168,585
Inter Cars Latvija SIA	69,625	58,933
Inter Cars Cyprus Ltd.	354	334
Cleverlog-Autoteile GmbH	3,713	4,215
Inter Cars Bulgaria Ltd.	9,003	5,505
Inter Cars Marketing Services Sp. z o.o.	223	129
ILS Sp. z o.o.	3,540	1,591
Inter Cars Malta Holding Limited	1,106	1,043
Inter Cars Malta Limited	18,832	15,417
Q-service Truck Sp. z o.o.	26	25
Inter Cars Slovenia	317	325
Inter Cars Eesti OÜ	754	230
Q-service Sp. z o.o.	56	188
ILS Latvijas filialie	52	-
IC Development & Finance Sp. z o.o.	22	-
Gross receivables from subsidiaries	**536,608**	**469,028**
Revaluation write-down on receivables (JC Auto s.r.o.)	**(4,009)**	**(4,009)**
Net receivables from subsidiaries	**532,599**	**465,019**

	Liabilities as at	
	31/12/2016	**31/12/2015**
Q-service Sp. z o.o.	21,125	12,269
Lauber Sp. z o.o.	4,824	2,991
Inter Cars Ceska Republika	4,144	5,622
Inter Cars Slovenska Republika	638	343
Feber Sp. z o.o.	4,722	1,917
Inter Cars Lietuva UAB	464	23
Inter Cars Italia srl	6,029	2,625
Inter Cars d.o.o.	4,647	4,219
JC Auto S.A.	63	-
INTER CARS Hungária Kft.	3,615	15,625
Inter Cars Romania s.r.l.	4,408	12,914
Inter Cars Latvija SIA	520	959
Inter Cars Cyprus Ltd.	757	1,902
Inter Cars Marketing Services Sp. z o.o.	82,167	27,093
ILS Sp. z o.o.	17,455	20,804
Inter Cars Malta Holding Limited	(20)	(19)
Inter Cars Malta Limited	33,444	14,925
Q-service Truck Sp. z o.o.	761	708
IC Development & Finance Sp. z o.o.	792	359
Inter Cars INT d o.o.	23	854
Inter Cars Eesti OÜ	575	653
Cleverlog Autoteile GMBH	40	11
Inter Cars Bulgaria EOOD	128	-
Armatus Sp. z o.o.	(260)	-
Liabilities to subsidiaries	**191,061**	**126,797**

(in thousand PLN)

	Sales revenues		Purchase of goods and services	
	1.01.2016-31.12.2016	**1.01.2015-31.12.2015**	**1.01.2016-31.12.2016**	**1.01.2015-31.12.2015**
Inter Cars Ukraine LLC	47,220	36,518	-	-
Q-Service Sp. z o.o.	4,010	1,301	94,805	83,847
Lauber Sp. z o.o.	6,514	6,684	39,786	36,002
Inter Cars Ceska Republika	121,223	94,569	3,392	9,302
Inter Cars Slovenska Republika	110,045	90,929	2,073	2,884
Feber Sp. z o.o.	956	824	7,516	29,992
Inter Cars Lietuva UAB	56,337	59,624	13,820	18,272
IC Development & Finance Sp. z o.o.	20	-	1,019	1,124
Inter Cars Italia srl	19,357	12,762	155	258
Inter Cars d.o.o.	85,052	81,005	3,049	3,650
JC Auto S.A.	-	97	65	184
Inter Cars Hungária Kf.	131,137	90,810	73,670	65,380
Inter Cars Romania s.r.l.	283,447	250,927	9,804	14,693
Armatus sp. z o.o.	4	7	8,086	7,416
Cleverlog Autoteile BmbH	22,543	13,211	102	11
Inter Cars Latvija SIA	154,969	114,618	1,529	1,861
Inter Cars Bulgaria EOOD	15,608	13,779	632	423
Inter Cars Marketing Services Sp. z o.o.	443	354	101,180	108,929
ILS Sp. z o.o.	8,044	8,358	277,590	234,438
Q-Service Truck Sp. z o.o.	502	630	11,529	5,269
Inter Cars INT d o.o.	2,893	1,791	124	19
Inter Cars Malta Ltd	5	3	156,921	115,009
Inter Cars Eesti OÜ	1,605	226	-	-
ILS Latvijas filialie	125	-	-	-
ILS Codlea srl.	161	-	-	-
	1,072,220	**879,027**	**806,847**	**738,963**

Purchase covers primarily purchase of spare parts, transport and logistics services and fees related to the use of Inter Car's trademark.

The Company 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**

(in thousand PLN)

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	**49,119**

Loans to subsidiaries and associated entities		
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	34	107
JAG Sp. Z o.o.	101	-
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**

The amount of granted loans with maturity up to one year is PLN 36,974 thousand, while the amount of loans with maturity over one year totals PLN 12,380 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%. Additionally two loans in PLN have fixed interest rate between 3% and 4%.

Loans granted	**2016**	**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
As at end of period	**49,194**	**49,119**

(in thousand PLN)

Interest accrued	**2016**	**2015**
Lauber Sp. z o.o.	318	326
Feber Sp. Z o.o.	-	15
IC Development & Finance Sp. Z o.o.	406	436
Frenoplast S.A.	43	62
Inter Cars Bulgaria Ltd.	52	48
Q-SERVICE TRUCK Sp z o.o.	35	46
Inter Cars Malta Ltd	445	347
CLEVERLOG - AUTOTEILE GMBH	-	1
	1,299	**1,281**

Loans received	**31.12.2016**	**31.12.2015**
Loans from members of the Supervisory Board and Management Board and their relatives	-	-
Loans from subsidiary and associated entities	141 005	138 838
	141 005	**138 838**

Loans from subsidiary and associated entities		
Inter Cars (Cyprus) LIMITED	79 675	78 304
Inter Cars Marketing Services	61 330	60 534
	141 005	**138 838**

Loans received	**2016**	**2015**
As at beginning of period	138,838	103,900
Loans received	-	92,681
Interest accrued	2,974	906
Interest payment	(1,481)	(1,106)
Repayment of funds	(2,200)	(58,057)
Balance sheet valuation	2,874	514
As at end of period	**141,005**	**138,838**

Interest accrued	**2016**	**2015**
ICMS sp. z o.o.	1,539	849
Inter Cars (Cyprus) LIMITED	1,371	
Q-Service sp. z o.o.	-	57
Feber Sp. z o.o.	47	-
ILS Sp. z o.o.	17	-
	2,974	**906**

Guarantees and sureties issued as well as other agreements under which payments are to be made or services are to be provided to the related entities:

	2016	**2015**
As at beginning of period	115,485	64,282
Issued and increases	109,308	57,011
Expired	(3,673)	(5,808)
As at end of period	**221,120**	**115,485**

Remuneration of Supervisory Board and Management Board was 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 and loans granted to related entities. Cash and cash equivalents are deposited with reputable financial institutions.

Under the credit policy adopted by the Company, 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 Company does not require any of its customers to provide any asset-based security for financial assets.

The risk attributable to a significant portion of trade receivables is borne by the affiliate branch operators, with whom the Company settles accounts by sales margin sharing. The Company'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	54,174	56,505
Trade and other receivables (excluding loans granted)	825,155	706,875
Cash and cash equivalents (excluding cash in hand)	21,603	10,506
	900,490	**773,886**

Interest rate risk

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

The Company has liabilities bearing interest at variable rates. As at 31 December 2016, the Company had no fixed-rate liabilities.

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)	54,174	56,505
Cash assets in bank accounts	3,328	1,744
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases and factoring)	(1,021,086)	(884,666)
	(963,584)	**(826,417)**

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 (no direct impact on equity).

(in thousand PLN)

Impact on net profit / loss	**basis points increase/decrease**	as at 31/12/2016	as at 31/12/2015
	+ 100 / -100	(7,805) / 7,805	(6,694) / 6,694
	+ 200 / -200	(15,610) / 15,610	(13,388) / 13,388

Currency risk

A significant portion of the Company's trade payables is denominated in foreign currencies, especially in EUR. Sales are denominated mainly in PLN.

	EUR	USD	Other	EUR	USD	Other
	31 December 2016			**31 December 2015**		
Trade receivables	527,508	7,374	970	433,579	21,143	369
Loans granted	1,048	-	-	1,007	-	-
Cash	1,052	30	268	247	33	196
Bank credits	(133,633)	-	-	(108,630)	-	-
Loans received	(83,723)	-	-	(77,601)	-	-
Trade payables	(115,367)	(40,724)	(509)	(123,754)	(10,029)	(642)
Gross balance sheet exposure	**196,885**	**(33,320)**	**729**	**124,849**	**11,147**	**(77)**

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

As at 31 December 2016	**Foreign exchange rate increase/decrease**	**Impact on net profit / loss**
EUR	+ 5% / - 5%	7,974 / (7,974)
	+ 10% / - 10%	15,948 / (15,948)
USD	+ 5% / - 5%	(1,349) / 1,349
	+ 10% / - 10%	(2,698) / 2,698
Other	+ 5% / - 5%	30 / (30)
	+ 10% / - 10%	60 / (60)

as at 31/12/2015	**Foreign exchange rate increase/decrease**	**Impact on net profit / loss**
EUR	+ 5% / - 5%	5,056 / (5,056)
	+ 10% / - 10%	10,112 / (10,112)
USD	+ 5% / - 5%	451 / (451)
	+ 10% / - 10%	902 / (902)
Other	+ 5% / - 5%	(3) / 3
	+ 10% / - 10%	(6) / 6

(in thousand PLN)

Liquidity risk

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

Presented below are the Company's future payments as at 31 December 2016 by maturity date, based on discounted payments:

2016

	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, bonds	-	-	535,766	418,251	-	954,017
finance lease liabilities	-	925	2,562	4,993	-	8,480
trade and other payables	105,477	373,882	22,590	1,000	-	502,949
	105,477	**374,807**	**560,918**	**424,244**	**-**	**1,465,446**

2015

	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	-	-	403,416	417,915	-	821,331
finance lease liabilities	-	16,734	4,375	8,168	-	29,277
trade and other payables	62,065	325,791	14,837	5,354	-	408,047
	62,065	**342,525**	**422,628**	**431,437**	**-**	**1,258,655**

Capital management

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

Depending on changes in the economic environment, the Company may adjust its capital structure by dividend payouts, 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 Company 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 Company.

	31/12/2016	**31/12/2015**
Loan, borrowing and finance lease liabilities	1,021,086	884,666
Trade and other liabilities	502,949	393,919
(less) cash and cash equivalents	(26,129)	(15,983)
Net debt	1,497,906	1,262,602
Equity	1,113,402	1,014,071
Net debt to equity	1.35	1.25

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, who takes the position as of 01 May 2017, 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 Company'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. 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 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 Company 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 Company creates an impairment loss to the level of the current value of planned cash flows,
- Note 6/7 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),
- Note 9 Impairment losses on shares in subsidiaries (the Management Board 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 Company are the estimates on trade bonuses from suppliers on purchase of trade goods. Bonuses for the Company, 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 Company's objective is to safeguard its ability to continue as a going concern so that it can generate return for the shareholders, and to maintain an optimum capital structure to reduce the cost of capital.

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

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

(in thousand PLN)

37. Consolidated financial statements

As the parent entity, Inter Cars S.A. prepares consolidated financial statements. The consolidation covers financial statements of the Company and its subsidiaries.

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

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 separate annual financial statements of Inter Cars S.A. ("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.

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

- PricewaterhouseCoopers Sp. z o.o. , qualified auditor of financial statements which audited the separate 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 separate 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 PUBLIC LIMITED COMPANY

MANAGEMENT BOARD’S REPORT ON THE ACTIVITIES

IN THE YEAR ENDED ON 31 December 2016

REPORT ON THE OPERATIONS OF INTER CARS S.A.

Below report on the operations of the Inter Cars S.A. Company (hereinafter: the Company, Firm, 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. Basic information on Inter Cars S.A. Company

Inter Cars S.A. Company, with registered seat in Warsaw at ul. Powsińska 64, and central warehouse in Czosnów.

Inter Cars is the biggest in Poland importer and distributor of spare parts for cars and commercial vehicles. The Company's offering also includes lubricants and greases, equipment for repair garages and spare parts for motorcycles and tuning. Inter Cars offers the widest range of automotive parts in Eastern Europe. The offer includes both original parts in the manufacturer's packaging ("parts for the initial assembly") and spare parts of a comparable quality independent manufacturers declare that the parts are of "the same" quality as the original parts).

The main customer of Inter Cars S.A. are B2B contractors - automotive repair garages. The Company 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 Company is systematically working on **the expansion of its sales network** (220 affiliate branches as at the end of December 2016), **extension of its product offering**, and implementation of new sales support schemes. Thanks to its present structure of sales of automotive spare parts, which corresponds to the stock of vehicles registered in Poland, high availability of its offering, and use of modern sales tools, the Company is able to offer attractive terms of cooperation to its customers. Inter Cars 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 basic financial data is presented in the following table.

	2016	2015	2016	2015
('000)	*PLN*	*PLN*	*EUR*	*EUR*
Separate statement of comprehensive income*(for period)*				
Sales revenues	4,779,523	3,974,204	1,092,288	949,676
Gross profit on sales	1,127,687	951,761	256,727	227,433
License fees	(75,162)	(62,595)	(17,177)	(14,958)
Net financial revenues / costs	50,220	72,241	11,477	17,263
Operating profit	70,494	26,771	16,110	6,397
Net profit	109,391	93,913	25,000	22,441
Separate statement of cash flows				
Operating cash flows	114,919	39,093	26,492	9,342
Investing cash flows	9,201	(66,777)	1,874	(15,957)
Financing cash flows	(113,974)	23,581	(26,047)	5,635
Separate statement of financial standing (as at end of period)				
Cash and cash equivalents	26,129	15,983	5,906	3,751
Balance sheet total	2,659,319	2,300,531	601,112	539,841
Loans, borrowings, debt security and finance lease liabilities	1,021,086	884,666	230,806	207,595
Equity	1,113,402	1,014,071	251,673	237,961
Basic profit per share	7.72	6.63	1.76	1.58
Sales margin (1)	23.6%	23.9%		
EBITDA as % of sales (2)	2.0%	1.4%		

(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 the 4 quarters of 2016 and 2015: 1 EUR = PLN 4.3757 and 1 EUR = PLN 4.1848.

2. Company activity characteristics

The continuous increase in the number of vehicles in Poland, including imported second-hand cars, liberalisation of applicable regulations providing for access of independent spare parts distribution networks to licensed repair garages and changes in technologies employed in the manufacturing of vehicles, offer exceptional growth opportunities for the spare parts distribution industry. The Management Board expects the Company's income to grow steadily, as the product offering corresponds to the structure of sales of new and used cars and of the stock of vehicles.

The Company's strategy consists in the sale of branded spare parts (premium parts) and constant extension of the spare parts offering with high-quality products from renown global manufacturers that deliver their goods to car manufacturers for the initial assembly and to licensed networks selling vehicles.

The Company's objective is to create a leading automotive spare parts distribution network in Poland, with a strong representation on the new European markets, which would yield sustainable profits and enable expansion by taking over market shares of other entities operating in the distribution and logistics industry.

Goods are distributed through the logistics centre, a network of 220 own affiliate branches in Poland, regional warehouses in Komorniki, Sosnowiec and Wrocław, and **foreign subsidiary undertakings in Ukraine, Czech, Slovakia, Lithuania, Hungary, Croatia, Italy Belgium, Romania, Latvia, Bulgaria, Germany, Estonia, Slovenia, Moldova, Bosnia and Herzegovina and Greece**. 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 shall start its business activity. 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 pre 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.

3. Basic goods

Inter Cars offers the widest range of automotive spare parts in Central and Eastern Europe. The company'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 manufactured in Western Europe, Japan and South Korea, as well as for selected makes manufactured in the USA.

The Company 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.

4. Sales markets

Inter Cars' **primary sale market** is the domestic market.

The share of export sale in total sale of the Company amounted to 29.30% and was higher by 0.7 percent in comparison to 2015.

The share of sales to subsidiaries with the total values of export sales was 75.4% in 2016. In 2015, this share reached a similar level

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

	2016		**2015**		**2014**	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**	**(in thousand PLN)**	**(%)**
Sale of automotive spare parts and garage equipment	4,710,753	*98.6%*	3,915,888	*98.5%*	3,315,346	*97.6%*
Domestic	*3,327,617*	*69.6%*	*2,794,588*	*70.4%*	*2,427,932*	*71.5%*
Export	*1,383,136*	*28.9%*	*1,121,300*	*28.2%*	*887,414*	*26.1%*
Other	68,770	*1.4%*	58,316	*1.5%*	82,705	*2.4%*
Domestic	*52,205*	*1.1%*	*42,513*	*1.1%*	*64,798*	*1.9%*
Export	*16,565*	*0.3%*	*15,803*	*0.4%*	*17,907*	*0.5%*
Net sales revenue	**4,779,523**	***100.0%***	**3,974,204**	***100.0%***	**3,398,051**	***100.00%***

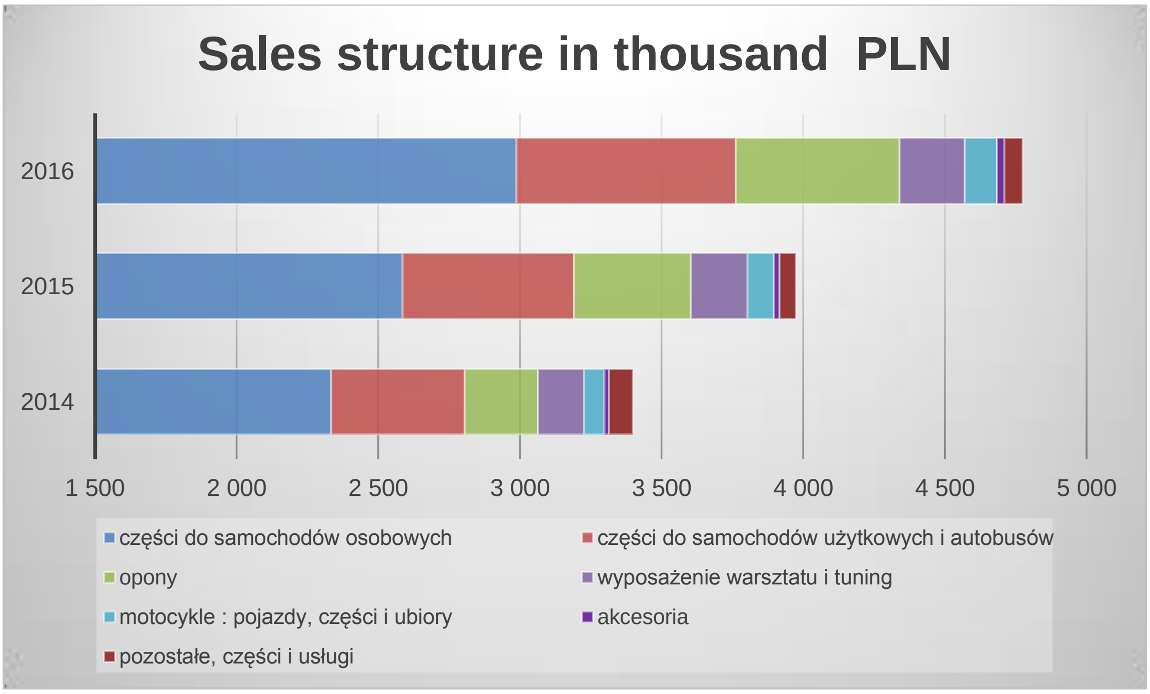
Other sales comprise income from the sale of services.

Sales of car parts and garage equipment in 2016 was higher by 20% than in 2015.

The table below sets forth the sales of **spare parts** for cars and motorcycles and garage equipment, broken down by type of vehicle.

	2016		2015		2014	
	(in thousand PLN)	(%)	(in thousand PLN)	*(%)*	(in thousand PLN)	*(%)*
Spare parts for passenger cars	2,988,182	*62.5%*	2,585,856	*65.1%*	2,333,643	*68.7%*
Spare parts for commercial vehicles and buses	773,602	*16.2%*	603,827	*15.2%*	470,851	*13.9%*
tyres	577,877	*12.1%*	413,813	*10.4%*	258,781	*7.6%*
Garage equipment and tuning	230,077	*4.8%*	199,737	*5.0%*	164,616	*4.8%*
motorcycles: vehicles, spare parts and clothing	114,660	*2.4%*	92,884	*2.3%*	70,793	*2.1%*
accessories	26,355	*0.6%*	19,771	*0.5%*	16,661	*0.5%*
other, spare parts and services	68,770	*1.4%*	58,316	*1.5%*	82,705	*2.4%*
Total	**4,779,523**	*100%*	**3,974,204**	*100%*	**3,398,051**	*100%*

The highest growth in sales was recorded in **tyre segment and segment of spare parts for commercial vehicles and buses.** The sales of spare parts for motorcycles and one-track vehicles went up by 23%, whilst the sales of **spare parts for passenger cars** (which constitutes around 63% of total sales of spare parts realized by the Company) went up by 16% in comparison to 2015.



The Company is not dependent on any of its customers – no customer has a more than 10% share in total sales revenue.

5. Market environment

Inter Cars operates in the segment of distribution of new spare parts, supplied mainly to garages independent of vehicle manufacturers. As per data provided by Stowarzyszenie Dystrybutorów Części Motoryzacyjnych (Polish Automotive Aftermarket Distributors Association), the independent distribution segment accounts for approximately 51% of the total value of the spare parts market in Poland. **The Company is the largest player in this sector.**

Key drivers of the market development

The aftermarket for spare parts is a natural spin-off of the automotive market, as vehicle repairs and replacements of consumable parts create continuous demand for spare parts. The year 2016 has been the best year for 16 years now regarding the number of new vehicles sold to the public. In the whole 2016 there were 416.1 thousand new passenger cars, 59.8 thousand commercial vehicles, 26.6 thousand trucks, 25.8 thousand motorbikes, 23.9 thousand mopeds and 2.0 thousand buses registered in Poland. All categories, except for mopeds, register a double-digit growth last year. The period also brought higher production in factories located on the territory of Poland. 681.8 thousand motor vehicles left assembly lines, an increase by 3.2% YoY.

The **key market drivers** include:

- **constant increase in the number of vehicles** registered and used in Poland,
- **liberalisation of regulations** – providing for access of independent spare parts distributors to licensed garages (Regulation on the exclusion of certain vertical agreements in the automotive sector from the overall ban on agreements restricting competition, – effective since November 1st 2003),
- **elimination of import barriers**– increasing the demand for spare parts owing to the higher breakdown rate of used vehicles compared to new vehicles, driving up the demand for services offered by independent garages, which represent the main group of the Company's customers, and increasing the value of the market on which the Company operates by accelerated elimination of the segment of spare parts for vehicles manufactured in the former Eastern Bloc,
- **more complex repairs** – owing to the widespread application of advanced technologies in the manufacturing of vehicles,
- **continuously growing intensity of vehicle use** – in particular an increase in the average age of registered vehicles and the average mileage.

Distributors of spare parts in Poland

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 S.A. 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.

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 285 m, 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 vehicle in Europe is estimated to be around 9.75 years with a growing tendency, whilst the average age of a vehicle in Poland is 12 years (on the basis of SAMAR report).

In 2016, 49.5% of all new registered passenger cars in Central Europe were Diesels, 45.8% petrol engine cars, whilst vehicles with hybrid drivetrain registered in 2016were 2.1%, and with electric one 1.5%. The remaining 1.2% were cars run by alternative fuels.

Sale of vehicles in Poland

The figures regarding the sales of new vehicles in Poland, broken down by vehicle types, are presented in the following table.

Sale of new vehicles ('000)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Passenger	333	277	273	290	327	355	416
Commercial	88	43	39	42	45	53	60

Source: Polish Automotive Industry Association

In 2016, the number of passenger cars imported to Poland was over 60 thousand higher than in 2015, i.e. double the number than the year before.

Detailed figures are presented in the following table

Passenger cars in Poland ('000)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Sale of new cars	333	277	273	290	327	355	416
Import of second-hand cars	721	655	657	712	749	792	1,038
Total	1,055	930	930	1,002	1,076	1,147	1,454
Import of second-hand / sale of new cars	2.2	2.4	2.4	2.5	2.3	2.2	2.5

Source: Polish Automotive Industry Association

Total supply of passenger cars in 2016 was almost 27% higher than in 2015. At the same time, however, approximately 65% of this supply were second-hand cars, namely such that brake relatively more often as well as are a traditional target group of the Company's customers.

In the **structure of second-hand** imported cars, vehicles manufactured in the Western Europe are the main group. As quoted by SAMAR the most often imported vehicle makes in 2016 were Volkswagen, Opel, Audi, Ford and Renault.

Vehicle park structure

The Company's product range is adjusted to the market demand. Detailed data is presented below.

(a) car park structure

The structure of the Company's sales of spare parts corresponds to the structure of the stock of registered cars. Presented below is the comparison of the spare parts sales structure and the structure of the stock of cars registered in Poland.

Passenger cars	**The Company's spare parts sales**		
	2016	**2015**	**2014**
(a) Western Europe	55%	54%	53%
(b) Eastern Europe	1%	1%	1%
(c) Japanese and Korean	8%	8%	8%
(d) Other	36%	37%	38%

Source: Company

The group "other" includes a product group of a significant value and volume, namely the group of universal spare parts, i.e. those used for different car makes and types, including for cars made in Western Europe, Japan and Korea. This category includes such products as tyres, oils and lubricants, whose share in the Company's sales is growing

(in thousand PLN)

6. Supply sources

The Company'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 Company is not dependent on any single supplier or a small number of suppliers – no supplier's share in the total sales revenue exceeds 10%

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 Company's suppliers. Those are in particular agreements which stipulate terms and conditions for granting additional discounts by the Company'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 Company'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 balance-sheet 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 - Schaeffler
3	31/05/2016	Federal Mogul
4	02/01/2016	Robert Bosch
5	24/10/2016	SKF
6	15/03/2016	Valeo
7	annex of 20/12/2016 (contract 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

Shareholder agreement

The Company is not aware of any shareholder agreements.

7. 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

Inter Cars S.A. is the parent company of the capital group comprised of the following companies:

1. Inter Cars Ukraine LLC, a Ukrainian law company with registered seat in Khmelnitsky, Ukraine (100% of Inter Cars S.A.'s share in the company's capital),
2. Lauber Sp. Z.o.o with registered seat in Słupsk (100%),
3. Q-Service Sp. z o.o. with registered seat in Cząstków Mazowiecki (100%),
4. Inter Cars Ćeska Republika with registered seat in Prague (100)%,
5. Feber Sp. z o.o with registered seat in Warsaw (100%),
6. Inter Cars Slovenska Republika with registered seat in Bratislava (100%),
7. Inter Cars Lietuva UAB with registered seat in Vilnius (100%),
8. IC Development & Finance Sp. z o.o. with registered seat in Warsaw (100%),
9. Armatus Sp. z o.o. with registered seat in Warsaw (100%),
10. JC Auto s.r.o. with registered seat in Karvina - Darkom (100%),
11. Inter Cars Hungária Kft with registered seat in Budapest (100%),
12. JC Auto S.A. with registered seat in Brain L'Allued, Belgium (100%),
13. Inter Cars d.o.o. with registered seat in Zagreb (100%),
14. Inter Cars Italy s.r.l. 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 Ltd. with registered seat in Athens (100%)
28. Inter Cars d o.o., with registered seat in Sarajevo (100%)

In the reporting period two new subsidiaries were established: Inter Cars Greece Ltd. and Inter Cars d o.o All the companies are financed by the parent entity either by loans or by trade credit. Details of loans issued are presented in note 11 of the Report on the Operations

8. Changes in organizational or capital links

In the year 2016 organizational or equity links were not changed.

(in thousand PLN)

9. 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 were concluded at arm's length. See note 32 of the Financial Statements.

10. Loan and borrowings

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.

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.

Previous syndicated loan was paid off in full on 14/12/2016.

Current loans and borrowings at nominal value	Contractual amount (limit)	Drawn	Maturity date
Syndicated credit	600,000	395,625	14/11/2017
Inter Cars (Cyprus) LIMITED	79,675	79,675	31.12.2017
Inter Cars Marketing Services	61,330	61,330	31/12/2016
	741,005	**536,630**	

An annex to the loan agreement with Inter Cars Marketing Services has been signed, setting the terminal date of repayment to 31 December 2017.

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

(in thousand PLN)

Loan and borrowing agreements

Agreement no. Bank	Concluded on	Term	Limit 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	600,000 thousand PLN 500,000 thousand PLN	List of sureties was disclosed in annex number 16 to financial report.
ICMS Sp. z o.o.	28/12/2015	31/12/2017	61,200 thousand PLN	No data
Inter Cars Cyprus	29.10.2013 18.03.2014 29.07.2014 15/06/2015	31/12/2017 31/12/2017 31/12/2017 31/12/2017	3,100 thousand. EUR 3,500 thousand. EUR 4,100 thousand. EUR 7,000 thousand EUR	No data

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.

Source of finance	Loan amount in PLN	Interest rate
Syndicated loan agreement		
CaixaBank S.A.	51,509	Short-term portion - WIBOR 1M + bank margin
Bank PKO 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
Borrowings		
ICMS sp. z o.o.	61,330	WIBOR 1M + margin
Inter Cars (Cyprus) LIMITED	79,675	Margin
Total	**806,630**	

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.

11. Loans granted

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 11,900,000	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	EUR 90,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
04-04-2013	31-12-2017	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	PLN 1,010,000	Agreement on a loan from Inter Cars to finance Q Service Truck Sp. z o.o.'s operations and business development
23-06-2014	without time-limit	PLN 6,000,000	Agreement on a loan from Inter Cars to finance Inter Cars Malta Ltd.'s working capital.
24-06-2015	without time-limit	PLN 6,800,000	Agreement on a loan from Inter Cars to finance Inter Cars Malta Ltd.'s working capital.

As at 31 December 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 15 unrelated entities was PLN 4,921 thousand.
The loans granted to related entities bear interest at a rate equal to: 1M WIBOR or 3M EURIBOR (in the case of EUR-denominated loans), plus a margin. The loans are not secured.

12. Sureties and guaranties issued

As at 31 December 2016, the total amount of sureties and guarantees was PLN 242,475 thousand and comprised the sureties for repayment of credits for subsidiaries and for the benefit of their suppliers.

(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
IC Malta	30/06/2016	-	3,121
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
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	-
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	-

(in thousand PLN)

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	-
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	-
		242,252	**125,663**

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 Police and the army.

13. Security issues

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 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

14. Seasonality or cyclical nature of operations

The Company'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

15. 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 Company'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 Company's operations considering the profit (loss) on financial operations, and the extraordinary gains (losses)
- net profit margin – the profit available to the Company 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)

(in thousand PLN)

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

	2016	**2015**
Net sales revenues	4,779,523	3,974,204
Change	*1.20*	*1.17*
Gross profit on sales	1,127,687	951,761
Sales margin	*23.59%*	*23.95%*
Foreign exchange gains/losses	(3,168)	(403)
Operating profit	70,494	26,771
Operating margin	*1.47%*	*0.67%*
EBITDA as percentage of sales	*1.98%*	*1.39%*
Gross profit	120,714	99,012
Net profit	109,391	93,913
Net profit margin	*2.29%*	*2.36%*
Balance sheet total	2,659,319	2,300,531
ROA	*4.11%*	*4.08%*
Non-current assets	726,165	659,157
Equity (current year profit)	1,113,402	1,014,071
ROE	*9.82%*	*9.26%*

Gross sales profit was over 18% higher than in 2015.

In total, **selling costs and administrative expenses** increased by 6.7% on the 2015 figure, without distribution cost and licence fees. The greatest-value item under the Company's costs is **distribution services** , that is the affiliate branch's share in the generated margin. In 2016, the total distribution costs amounted to PLN 420,696 thousand i.e. 41.3% of the total costs by type, and were 18.6% higher than in previous year.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2016, the Company recognised the total of PLN 207,094 thousand under discounts (141,602 thousand in 2015). Discounts due to the Company 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 41,747 thousand (PLN 30,448 thousand in 2015) was posted to inventories, and it will not reduce the cost of goods sold (in particular in Q1 2017).

Operating profit in 2016 was higher than in 2015 by 163%. **EBITDA** margin in 2016 was running at the level of around 2% (approx. 1.4% in 2015).

Finance income primarily includes interest income (from funds deposited in bank accounts, loans advanced, and past due receivables).

Finance expenses are primarily costs of loans, borrowings, and bond issue. In 2016, the interest expense amounted to PLN 24,361 thousand (PLN 19,584 thousand in 2015).

Foreign exchange gains (losses) are presented under two items of the statement of the total income: 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. Total exchange rate differences presented in both positions in the year 2016 were positive and amounted to PLN 1,710 thousand. In the year 2015 there were negative exchange rate differences amounting to PLN 6,081 thousand.

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	1,933,154	1,641,374
Cash and cash equivalents	26,129	15,983
Short-term liabilities	1,106,615	854,088
Short-term loans, borrowings, debt security and finance lease liabilities	539,254	424,202
Adjusted current assets	1,907,025	1,625,391
Adjusted current liabilities	508,773	429,886
Net working capital	1,398,252	1,195,505

Net working capital engaged increased by about 17%

	2016	2015
Inventory cycle in days	93	97
Average collection period in days	63	61
Operating cycle in days	156	158
Average payment cycle in days	38	31
Cash conversion cycle in days	119	127
Current ratio	1.75	1.92
Quick ratio	0.85	0.91
Cash ratio	0.02	0.02

The Company finances its operations development from its own assets, bank credits and financial means gained from issuance of bonds. In total, at the end of 2016, liabilities on credits, loans, debt securities and finance lease amounted to PLN 1,021,086 thousand, whilst in 2015 PLN 849,938 thousand. **Total debt ratio** in 2016 amounted to 0.58 (in 2015: 0.56), whilst debt-to-equity ratio went up in 2016 and amounted to 1.39 (in 2015: 1.27).

Debt ratios are presented in the following table.

	2016	2015
Total debt ratio	0.58	0.56
Debt-to-equity ratio	1.39	1.27

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.

The structure of **cash flows** is presented in the following table.

	2016	2015
Net cash from operating activities	114,919	39,093
Net cash from investing activities	9,201	(66,777)
Net cash from financing activities	(113,974)	23,581
Cash and cash equivalents at the end of the period	26,129	15,983

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 cash generated from investing activities reached positive levels because of receiving a dividend, which outbalanced the spendings on increase of shares in subsidiary companies.

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

16. Assessment of investment project feasibility

In 2016, expenses toward purchases and modernization of plant, property and equipment amounted to PLN 29,789 thousand (PLN 24,836 in 2015). Expenses were incurred toward the purchase of replacement assets. In 2016, the Company's investments were financed from its own funds.

17. 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 unit EBITDA for 12 months cumulatively for the period ended on 31 December 2016 was PLN 94,413 thousand (PLN 54,641 thousand in 2015) (measured as a profit on operating activity plus depreciation).

18. External and internal factors important to the Company's development

Inter Cars will continue its strategy of focusing on the sector of independent distribution of spare parts in Poland and abroad. During the financial year, no changes occurred in the Company's strategy and the key factors determining its implementation. They remained unchanged in relation to the ones presented in the past periods. The most material external and internal drivers of the Company's growth and ability to achieve a stable cash-flow model are set forth below.

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 Company'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 Company's potential to enhance customer loyalty and, in effect, increase the Company'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 Company 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 a significant competitive edge;

(vi) *Development of sales support tools* – constant implementation of tools and solutions increasing the level of customer service,

(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 Company 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 Company's sales on those markets;

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

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

(v) development of independent garages – which are the Company'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 Company 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 Company;

(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 Company 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;

Of major importance for the Company's development will also be the factors that have a bearing on the development of the subsidiaries, which are major customers of the Company. Factors relevant to those entities' development are discussed in the consolidated report on the Group's operations.

19. Risk factors

Risk of changes in the discount policies of spare parts manufacturers

An important item that has a bearing on the Company'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 Company's performance.

The Management Board believes such a scenario is highly unlikely and the Company 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 Company's margin would be maintained given the Company's purchasing power and fairly easy substitution of the supply sources.

Risk related to adoption of an incorrect strategy

The market in which the Company 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 Company, 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 judgments or the Company'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 Company maintains certain stock levels for a broad range of products. Purchases made by the Company 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 Company in large quantities, may entail substantial losses to the Company, 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 Company 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 Company'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 Company'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 Company.

Risk related to bank loans

Bank loans are an important source of funding for the Company's operations.

As at 31 December 2016, the Company's debt under bank loans, bonds and finance leases totalled PLN 1,021,086 thousand (849,939 thousand in 2015), and the total finance expenses relating to debt service (interest) stood at PLN 24,361 thousand (19,584 thousand in 2015).

Loans raised by the Company 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 Company) 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 Company's financial performance.

In order to prevent the scenario from happening, the Company 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 Company'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 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 Company'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 Company). The Management Board believes that the maximum share in the Polish market that the Company 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 Company'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 Company to continuously expand its product range, including through the development of new segments, such as provision of garage equipment, fleet management, etc.

Risk related to car manufacturers taking over spare parts production

According to the press, some vehicle manufacturers are considering the possibility of increasing their production of spare parts. Currently, vehicle manufacturers satisfy about 20-23% of the demand for spare parts on the EU markets. 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 Company'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 Company. In such a case the Company 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 Company'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 Inter Cars.

Risk related to economic policy

Economic, fiscal and monetary policies largely determine the growth rate of the domestic demand, which indirectly impacts the volume of the Company's sales, and thus its financial performance. A threat to the Company'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 Company development planning in view of a possible reduced interest of potential buyers in the Company's products.

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 Company 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 Company's financial performance.

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 Company 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 Company has the greatest competence, resources and position.

To mitigate this risk, the 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 Company is able to diversify the risk of operating in a single country, in particular Poland.

20. Strategy and Future Development Prospects

The Company'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.'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 revenue from sales of high quality goods with a relatively low price, sourced from spare parts manufacturers less known in Poland, the Company is systematically developing the "4-max" and "4-max Truck" brand, an inexpensive and reliable alternative for end customers. 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.
- *Development of partnership programmes* – which provide added value to the offering; the programmes involve development of projects supporting the Company's core business (such as fleet management, recovery of spare parts) , constant support for the building of the network of independent garages as part of the Auto Crew, Q-Service, and Q-Service Truck projects, development of projects supporting garages (investment programme, garage equipment, trainings, technical information), and development of IT systems supporting sales; those initiatives are aimed at continuous improvement of end customers' loyalty, which, in the long term, will provide the Company with a stable and growing sales market.

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

(in thousand PLN)

21. Changes in key principles of managing the Company

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

22. 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.

23. 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	-
Tomas Kastil – Member of the Management Board	1,142,279	-
	11,900,642	**9,872,638**

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.

(in thousand PLN)

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	0.14%	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	0.14%	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.

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.

(in thousand PLN)

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.

24. 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

25. 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 Company.

26. 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.

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

(in thousand PLN)

27. 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.

28. Employment

As at 31 December 2016, the Company employed 384 personnel. As at 31 December 2015, the Company had 363 employees.

29. Environmental policy

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

As at the balance-sheet date, the Company 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.

30. Events which may have a material bearing on the Company's future financial results 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.

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

The Company did not publish any forecasts for 2016.

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

In 2016, no significant changes in the Company's structure occurred. For more information see note 8 – reports on the Company's activities.

33. 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

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

34. Information on court proceedings, to which the Company 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.

35. 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.

36. 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:

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 INTER CARS S.A. COMPANY 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.

Recommendation 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.
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

(in thousand PLN)

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. 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.

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 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 financial statements for the year from 1 January to 31 December 2016

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

This report contains 10 consecutively numbered pages and consists of:

pwc

I. General information about the Company

a. Inter Cars S.A. ("the Company") has its seat in Warsaw, Powsińska 64 street.

b. The 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 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 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 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 1,113,402 thousand.

e. As at 31 December 2016, the 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 the Company.

f. During the year the Company's operations comprised import and distribution of spare parts for cars and commercial vehicles.

g. During the year the Management Board of the 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

I. General information about the Company (cont.)

h. On 10 April 2017 Mr Robert Kierzek resigned from his position as a President of the Management Board, still acting as a member of the Management Board 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 was chosen Mr Maciej Oleksowicz, he will be appointed to this position from 1 May 2017.

i. The Company has the following related entities:

Inter Cars Ukraine	-	subsidiary
Q-service Sp. z o.o.	-	subsidiary
Lauber Sp. z o.o.	-	subsidiary
Inter Cars Česká republika s.r.o.	-	subsidiary
Feber Sp. z o.o.	-	subsidiary
IC Development & Finance Sp. z o.o	-	subsidiary
Armatus Sp. z o.o.	-	subsidiary
Inter Cars Slovenská republika s.r.o.	-	subsidiary
Inter Cars Lietuva UAB	-	subsidiary
JC Auto s.r.o.	-	subsidiary
JC Auto S.A.	-	subsidiary
Inter Cars Hungária Kft	-	subsidiary
Inter Cars Italia s.r.l (previously JC Auto s.r.l.)	-	subsidiary
Inter Cars d.o.o. (Croatia)	-	subsidiary
Inter Cars Romania s.r.l.	-	subsidiary
Inter Cars Cyprus Limited	-	subsidiary
Inter Cars Latvija SIA	-	subsidiary
Cleverlog-Autoteile GmbH	-	subsidiary
Inter Cars Bulgaria Ltd.	-	subsidiary
Inter Cars Marketing Services Sp. z o.o.	-	subsidiary
ILS Sp. z o.o.	-	subsidiary
Inter Cars Malta Holding Limited	-	subsidiary
Q-service Truck Sp. z o.o.	-	subsidiary
Inter Cars INT d.o.o.	-	subsidiary
Inter Cars Eesti OÜ	-	subsidiary
Inter Cars Piese Auto s.r.l.	-	subsidiary
Inter Cars Greece Ltd.	-	subsidiary
Inter Cars d.o.o. (Bosnia and Herzegovina)	-	subsidiary
Inter Cars Malta Limited	-	subsidiary
Aurelia Auto d.o.o.	-	subsidiary
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	-	associate
InterMeko Europa Sp. z o.o.	-	associate

I. General information about the Company (cont.)

j. The 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 financial statements in accordance with IFRS as adopted by the European Union as of 2005.

   The decision to prepare the Company's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 1 passed on 21 January 2005.

k. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 28 April 2017. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

a. The audit of the financial statements 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 Piotr Wyszogrodzki (no. 90091).

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

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity 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 6 March to 28 April 2017.

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 financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the 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 financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped 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 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 Company's results, financial position and significant items of financial statements

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

			Change		Structure	
	31.12.2016 PLN '000	31.12.2015 PLN '000	PLN '000	(%)	31.12.2016 (%)	31.12.2015 (%)
ASSETS						
Non-current assets	726,165	659,157	67,008	10.2	27.3	28.7
Current assets	1,933,154	1,641,374	291,780	17.8	72.7	71.3
Total assets	**2,659,319**	**2,300,531**	**358,788**	**15.6**	**100.0**	**100.0**
LIABILITIES AND EQUITY						
Equity	1,113,402	1,014,071	99,331	9.8	41.9	44.1
Long-term liabilities	439,302	432,372	6,930	1.6	16.5	18.8
Short-term liabilities	1,106,615	854,088	252,527	29.6	41.6	37.1
Total liabilities and equity	**2,659,319**	**2,300,531**	**358,788**	**15.6**	**100.0**	**100.0**

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

			Change		Structure	
	2016 PLN '000	2015 PLN '000	PLN '000	(%)	2016 (%)	2015 (%)
Revenue	4,779,523	3,974,204	805,319	20.3	100.0	100.0
Cost of sales	(3,651,836)	(3,022,443)	(629,393)	20.8	(76.4)	(76.1)
Gross profit on sales	**1,127,687**	**951,761**	**175,926**	**18.5**	**23.6**	**23.9**
Net profit	**109,391**	**93,913**	**15,478**	**16.5**	**2.3**	**2.4**
Total comprehensive income	**109,391**	**93,913**	**15,478**	**16.5**	**2.3**	**2.4**

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

Selected ratios characterising the Company's financial position and results

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

	2016	2015
Asset ratios		
- receivables turnover	49 days	47 days
- inventory turnover	93 days	98 days
Profitability ratios		
- net profit margin	2%	2%
- gross margin	24%	24%
- return on capital employed	10%	10%
Liability ratios		
- gearing	58%	56%
- payables turnover	26 days	22 days
	31.12.2016	**31.12.2015**
Liquidity ratios		
- current ratio	1.7	1.9
- quick ratio	0.9	0.9
Other ratios		
- effective tax rate	9.4%	5.1%

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

It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company'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 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 financial statements.

- At the end of the financial year, the Company's total assets amounted to PLN 2,659,319 thousand. During the year total assets increased by PLN 358,788 thousand, i.e. by 15.6%. This growth was financed mainly by an increase in short-term liabilities due to loans, borrowings, debt securities and financial leasing of PLN 143,491 thousand, generated net profit of PLN 109,391 thousand and also by an increase in trade liabilities and other liabilities of PLN 74,303 thousand. At the same time, the Company paid out dividend of PLN 10,060 thousand.

- The balance of trade receivables and other receivables as at 31 December 2016 amounted to PLN 907,639 thousand. The PLN 155,454 thousand, i.e. 20.7% increase in trade receivables and other receivables compared with the previous year was mainly due to growth in trade receivables of PLN 119,387 thousand.

- Liability ratios and the structure of liabilities have changed. The gearing ratio increased from 56% at the end of the previous year to 58% at the end of the current year. The payables turnover ratio increased from 22 days to 26 days, respectively.

- Revenue amounted to PLN 4,779,523 thousand, which constituted a PLN 805,319 thousand, i.e. 20.3% increase compared with the previous year. The Company's core activities in the current financial year consisted of sales of parts for cars. Such sales have increased by PLN 402,326 thousand, i.e. by 15.6% compared with the previous financial year.

- The cost of products, goods for resale and materials sold was the largest item of operating expenses and amounted to PLN 3,651,836 thousand in the audited year, which constituted 78.2% of operating expenses. The cost of products, goods for resale and materials sold has increased by PLN 629 thousand, i.e. by 20.8% 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 2% and has not changed compared to the previous year.

- The Company's liquidity has changed slightly. In the audited year, the current ratio, which amounted to 1.7 (in 2015: 1.9) 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 0.9 in the audited and previous year.

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.

IV. The independent registered auditor's statement

a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data 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 financial statements of the Company for the year from 1 January to 31 December 2015 were approved by Resolution No. 3 passed by the General Shareholders' Meeting on 16 June 2016 and filed with the National Court Register in Warsaw on 24 June 2016.

d. We have assessed the operation of the accounting system. Our assessment covered in particular:
   - the accuracy of the documentation relating to business transactions;
   - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
   - the methods used for controlling access to data and the computerised data processing system;
   - the safeguarding of the accounting documentation, books of account, and financial statements.

   This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

e. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.

f. The information in the Report on Company's operations for the year ended 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the financial statements.

V. Final information

This report has been prepared in connection with our audit of the financial statements of Inter Cars S.A., Powsińska 64 street, Warsaw. The financial statements were signed by the 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 General Shareholders' Meeting and the Supervisory Board of Inter Cars S.A., that includes the unqualified audit opinion on the said financial statements. The opinion on the 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 financial statements as a whole.

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.