

BRITISH AUTOMOTIVE
HOLDING S.A.

**MANAGEMENT REPORT
ON COMPANY'S AND
GROUP'S ACTIVITIES
IN 2017**



Warsaw, 28th March 2018

TABLE OF CONTENTS

BASIC INFORMATION ABOUT THE COMPANY AND THE GROUP	3
PROFILE AND DEVELOPMENT STRATEGY OF THE COMPANY AND THE GROUP	3
AUTHORITIES OF BRITISH AUTOMOTIVE HOLDING S.A.	4
SHAREHOLDING	5
SEGMENTS OF THE CAPITAL GROUP	6
GROUP'S STRUCTURE	8
KEY FIGURES IN 2017	9
KEY EVENTS IN 2017 AND UNTIL THE DATE OF THIS REPORT	10
IMPORT SEGMENT	13
› SALES RESULTS	13
› SALES STRUCTURE	14
› CAR OFFER	14
› 2018 PREMIERES	16
DEALER SEGMENT	17
› SALES RESULTS	17
› DEVELOPMENT OF THE DEALER NETWORK	18
SPINNED OFF ACTIVITY	19
DESCRIPTION OF CAPITAL GROUP MARKETS	21
DEVELOPMENT PERSPECTIVES OF THE COMPANZ AND THE GROUP	22
KEZ RISK FACTORS	23
FINANCIAL POSITION OF THE COMPANZ AND THE GROUP	26
DIVIDEND POLICY	32
OTHER INFORMATION	34
CORPORATE GOVERNANCE	37

1. BASIC INFORMATION ABOUT THE COMPANY AND THE GROUP

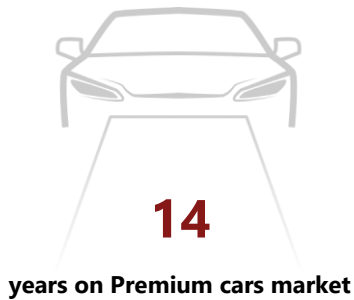
Name	British Automotive Holding Spółka Akcyjna
Head office	32 Prosta Street, 00-838 Warsaw
Registration	District Court for the Capital City of Warsaw, XII Commercial Department
National Court Register Number (KRS)	0000250733
National Business Registry Number (REGON)	011927062
Tax Number	5261211046
Core business activity	The Company conducts holding activity – is the parent company of British Automotive Holding Capital Group (Group, Capital Group), which conducts, using specialized companies, import, sale and comprehensive after-sales service of Jaguar, Land Rover and Aston Martin cars.

Until 30 November 2017, British Automotive Holding S.A. (Company) operated under the name Marvipol S.A. Until 1 December 2017 the Company was the parent Company of the capital group, operating in two basic segments: automotive and development. Following the division of the Company, effected in accordance with art. 529 paragraph 1 point 4 of the Commercial Companies Code (division by a spin off) by transferring part of Company's assets, which was an organized part of the enterprise operating as Marvipol S.A. Branch in Warsaw and conducting development activity, to Marvipol Development S.A., on 1 December 2017 the Company remained as parent company of the capital group operating in the automotive segment.

2. PROFILE AND DEVELOPMENT STRATEGY OF THE COMPANY AND THE GROUP

British Automotive Holding S.A., using its subsidiaries, conducts on polish market import and distribution of cars, spare parts and accessories as well as comprehensive service support for Jaguar, Land Rover and Aston Martin brands. Entities belonging to the Group are: the General Importer of Jaguar Land Rover, direct Dealer (Direct Dealer) of Aston Martin and dealerships on the Polish market.

Core business of the Group is import and sale of Jaguar and Land Rover cars on the Polish market. British Automotive Polska S.A., which is a General Importer of premium segment brands: Jaguar and Land Rover; conducts this activity since 2003. Status of British Automotive Polska as a General Importer of Jaguar and Land Rover is regulated by the agreement with Jaguar Land Rover consortium, concluded for an indefinite period, with 2-year notice period. Entities from the Group act also as Jaguar Land Rover dealers in Warsaw, Gdańsk, Katowice and Łódź.



Group's development strategy for 2017-2020 assumes the achievement of annual average two-digit growth in sales of Jaguar Land Rover cars. Increase in volume of cars sold is stimulated both by the strengthening of Jaguar Land Rover brands in traditional premium market segments, as well as the expansion of the product offer by new models, including models addressed to a wider group of customers.

One of the pillars of the Group's development strategy is successive strengthening and expansion of the Jaguar Land Rover dealer network in Poland and investments in the development of existing dealer facilities in order to further improve the quality of customer service, including after-sales service. Through its subsidiaries, the Group leads the development of the Jaguar Land Rover dealer network in Poland, modernizing its facilities and implementing investments in the construction of new, top-class dealer facilities.

The development plan of the Company and the Group assumes parallel investments in the development of operations and pay-out of the majority of profits to the Shareholders in the form of dividends. This goal is achieved thanks to effective management of working capital, optimal use of external financing and high cost effectiveness of the entire organization.

3. AUTHORITIES OF BRITISH AUTOMOTIVE HOLDING S.A.

Supervisory Board of the Company:

**ALEKSANDER
CHŁOPECKI**

Chairman of the
Supervisory Board

**WIESŁAW
TADEUSZ ŁATAŁA**

Vice-chairman of the
Supervisory Board

**KRZYSZTOF
BREJDAK**

Member of the
Supervisory Board

**ANDRZEJ
MALINOWSKI**

Member of the Supervisory Board

**WIESŁAW
MARIUSZ RÓŻACKI**

Member of the Supervisory Board

Management Board of the Company:



MARIUSZ KSIĄŻEK

President of the Management Board



ARKADIUSZ MIĘTKIEWICZ

Vice-president of the Management Board,
responsible for General Importer
and Direct Dealer operations



ARKADIUSZ RUTKOWSKI

Vice-president of the Management Board,
managing the dealer network



RAFAŁ SUCHAN

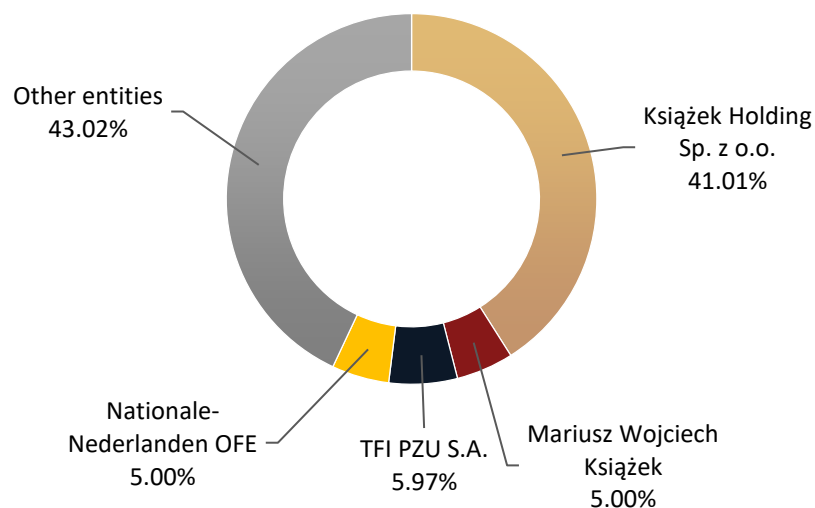
Member of the Management Board
for financial affairs

4. SHAREHOLDING

Shares of British Automotive Holding S.A. are listed on the main market of Warsaw Stock Exchange S.A. since 19 June 2008. Share capital of the Company amounts to PLN 8,310,370.40 and is divided into 41,551,852 shares with nominal value of PLN 0.2 each, including:

- 30,000,000 series A shares
- 1,184,200 series B shares
- 4,730,000 series C shares
- 614,000 series D shares
- 395,200 series E shares
- 4,628,452 series J shares

According to the best knowledge of the Management Board, Company's Shareholders that hold, as of the date of this report, significant packages of its shares are the following entities:



Shareholders	Number of shares	Number of voting rights at the Shareholders Meeting	Nominal value of shares (PLN)	Share in the Company's equity	Share in voting rights at the Shareholders Meeting
Książek Holding Sp. z o.o. *	17.039.536	17.039.536	3.407.907	41.01%	41.01%
Mariusz Wojciech Książek	2.077.592	2.077.592	415.518	5.00%	5.00%
TFI PZU S.A.	2.481.596	2.481.596	496.319	5.97%	5.97%
Nationale-Nederlanden OFE	2.078.000	2.078.000	415.600	5.00%	5.00%
Other entities	17.875.128	17.875.128	3.575.026	43.02%	43.02%
Total	41.551.852	41.551.852	8.310.370	100.00%	100.00%

*Subsidiary from Mariusz Wojciech Książek

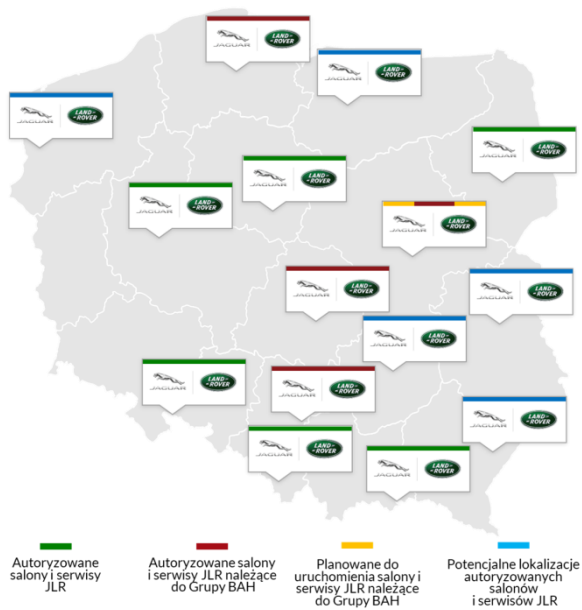
Neither the Company nor its subsidiaries hold any of the Company's own shares.

5. SEGMENTS OF THE CAPITAL GROUP

The Capital Group develops its activities within two segments: import and dealership.

As part of the import segment, Jaguar and Land Rover cars are imported by British Automotive Polska S.A., who has the status of General Importer of Jaguar Land Rover in Poland, and further sold to authorized Jaguar Land Rover dealers in Poland. British Automotive Polska manages the Jaguar Land Rover dealer network and is responsible for implementing the Jaguar Land Rover expansion strategy in

Sieć autoryzowanych salonów i serwisów Jaguar Land Rover

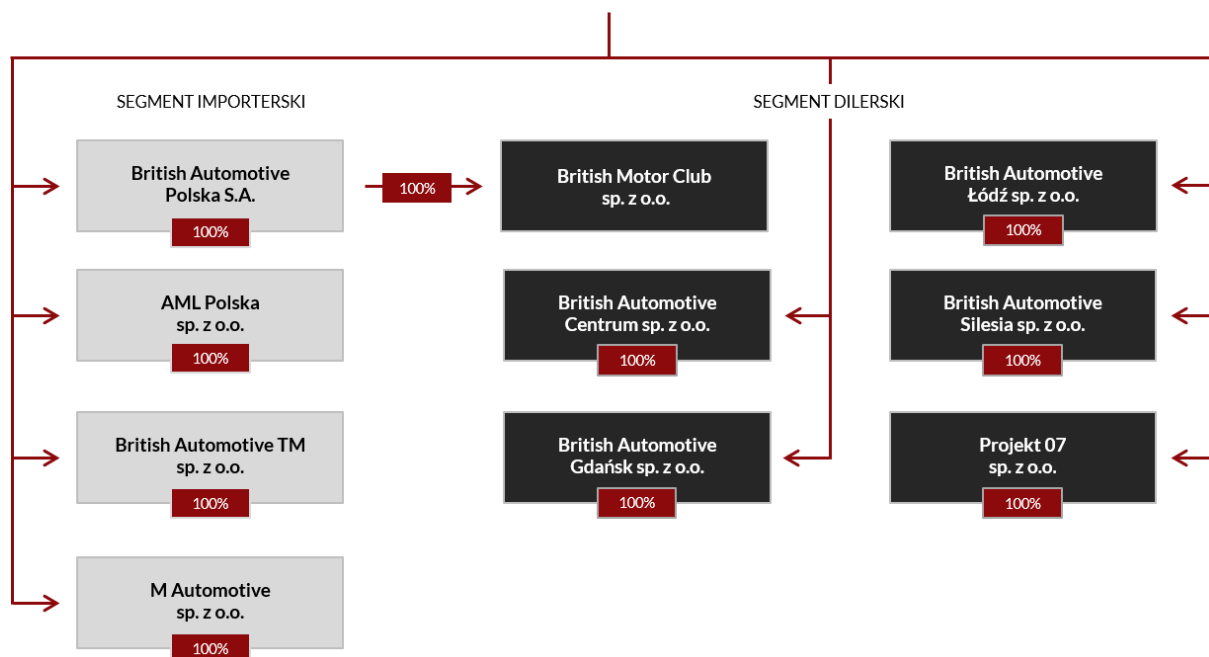


Poland. In addition, Aston Martin cars are imported, sold and serviced within the import segment of the Group.

The dealer segment is made up of specialised subsidiaries of British Automotive Holding SA, acting as authorised dealers of Jaguar Land Rover in Poland and leading authorised Jaguar Land Rover salons in Warsaw, Gdańsk, Katowice and Lodz.

Dealer companies sell Jaguar and Land Rover cars to end users as well as additional services for customers, and are responsible for their after-sales service, including warranty and post-warranty service.

6. GROUP'S STRUCTURE



7. KEY FIGURES IN 2017

2.508

JAGUAR, LAND ROVER
AND ASTON MARTIN CARS
SOLD
(IMPORTER'S SALE)

2

NEW JAGUAR, LAND ROVER
MODELS INTRODUCED FOR
SALE IN 2017

16

JAGUAR, LAND ROVER
AND ASTON MARTIN
MODELS IN OFFER
(AS OF THE DATE OF THIS REPORT)

915

JAGUAR AND LAND ROVER
CARS SOLD TO END
CUSTOMERS BY BAH DEALERS

4

BAH ENTITIES ACTING AS
JAGUAR LAND ROVER
DEALERS IN POLAND
(AS OF THE DATE OF THIS REPORT)

6

CONSTRUCTION AND
REBUILDING PROJECTS OF
SHOWROOMS IN THE
IMPLEMENTATION
(AS OF THE DATE OF THIS REPORT)

PLN 742.6m

GROUP'S INCOME FROM
CONTINUED ACIVITY

PLN 57.6m

GROUP'S
OPERATING INCOME

PLN 48.1m

GROUP'S
NET PROFIT

63%

GROUP'S ROE
IN 2017

PLN 45.7m

GROUP'S CASH
(AS OF 31.12.2017)

0.8

NET DEBT/EBITDA
RATIO
(AS OF 31.12.2017)

8. KEY EVENTS IN 2017 AND UNTIL THE DATE OF THIS REPORT

CONTINUED ACTIVITY

February 2017

- › Number of modifications for the F-PACE model and XF and XE sports sedans - new engines from the Ingenium family and solutions improving comfort and safety

March 2017

- › Global premiere of Range Rover Velar

April 2017

- › Polish premiere of Land Rover Discovery 5th generation
- › 28 April – resolution of the Management Board regarding the preparation of the motion to the General Meeting of Shareholders regarding the amount of the dividend for the fiscal year 2016 (details: current report No. 30/2017)

May 2017

- › Polish premiere of Range Rover Velar

June 2017

- › 12 June – receipt of a letter from a shareholder holding at least 1/20 of the share capital of the Company, including the submission of draft resolutions regarding matters included in the agenda of the Ordinary General Meeting convened for 30 June 2017 (details: current report No. 43/2017)
- › 21 June – presentation of the position of the Company's Management Board regarding draft resolutions proposed by the shareholder on 12 June 2017 (details: current report No. 44/2017)
- › 30 June – update of the Management Board's recommendation regarding the proposal of dividend pay-out by the Issuer (details: current report No. 47/2017)
- › 30 June – adoption by the Ordinary General Meeting of a resolution regarding the dividend pay-out (details: current report No. 49/2017)
- › 30 June – issuance by British Automotive Polska S.A. statement on the termination of the dealership and service agreement with MM Cars Sp. z o.o., which is a dealer of Jaguar and Land Rover brands in Katowice, with a 24-month notice period (details: current report No. 51/2017)

July 2017

- › 4 July – conclusion of two framework agreements: by British Automotive Łódź Sp. z o.o. with Moonde GmbH with its registered office in Verden and by British Automotive Centrum Sp. z o.o. with Impac Rent UG with its registered office in Bonn, defining the commercial terms for the purchase of cars (details: current report No. 52/2017)
- › Global premiere of Jaguar E-Pace

August 2017

- › 17 August – publication of the first notification to the Shareholders about the intention to divide the Group (details: current report No. 65/2017)

September 2017

- › 1 September – publication of the second notification to the Shareholders about the intention to divide the Group (details: current report No. 70/2017)
- › 1 September – granting a guarantee by the Company to British Automotive Polska S.A. (details: current report No. 71/2017).

October 2017

- › Pre-release Jaguar I-Pace show in Poland
- › Global premiere of new Range Rover Sport and Range Rover versions (including Plugin Hybrid version)

November 2017

- › 20 November – Extraordinary General Meeting of the Company, during which a resolution was passed about changing the company's name from Marvipol S.A. to British Automotive Holding S.A. and a resolution on the division of the Company by transferring a part of the Company's assets to Marvipol Development S.A. The competent court made the entry of the abovementioned events to the entrepreneurs register on 30 November and 1 December 2017 (details: current reports No. 88/2017, 90/2017, 93/2017 and 94/2017)
- › Pre-release Jaguar E-Pace show in Poland

December 2017

- › Polish premiere of Jaguar XF Sportbrake

January 2018

- › 9 January – resolution of the Management Board regarding the change of the Company's dividend policy (details: current report No. 7/2018, more information in point **16 of the Management Report**)
- › 9 January – resignation of Mariusz Poławski from the position of a Member of the Management Board of the Company (details: current report No. 9/2018)
- › 12 January – conclusion by British Automotive Polska S.A. and British Automotive Silesia Sp. z o.o. a package of contracts for conducting a dealer's activity in Katowice (details: current report No. 11/2018)
- › 15 January – changes in the Management Board of the Company (details: current report No. 14/2018)
- › Launch of renewed Range Rover and Range Rover Sport for sale

February 2018

- › 6 February – receipt of a signed package of documentation regarding financing of entities from the Capital Group by mBank S.A. (details: current report No. 21/2018)
- › 16 February – receipt of a signed by mBank S.A. and all entities from the Capital Group cash management agreement – so-called cash pooling (details: current report No. 23/2018)

March 2018

- › Global premiere of Jaguar I-Pace
- › 14 March – conclusion by British Automotive Polska S.A. with Bank BGŻ BNP Paribas S.A. multi-purpose credit line agreement (details: current report No. 25/2018).
- › 16 March – conclusion by British Automotive Polska S.A. with BGŻ BNP Paribas Faktoring S.A. and Bank BGŻ BNP Paribas S.A. factoring agreement (details: current report No. 26/2018).
- › 26 March – conclusion of an annex regarding financing by mBank S.A. companies from the Capital Group (details: current report No. 27/2018).

SPINNED OFF ACTIVITY

January 2017

- › 18 January – Marvipol Development 1 Sp. z o.o. and Marvipol TM Sp. z o.o. changed the Company Deed of Marvipol Development 1 spółka z ograniczoną odpowiedzialnością sp.k. (details: current reports No. 4/2017 and 8/2017)

February 2017

- › 17 February – conclusion between PDC Industrial Center 60 Sp. z o.o. and mBank S.A. loan agreement (details: current report No. 9/2017)

March 2017

- › 20 March – receipt by the Company's Management Board of a letter from the National Bank of Poland notifying on accepting the offer of Marvipol S.A. for the purchase of real estate located in Warsaw in the Wola district (details: current reports No.15/2017 i 17/2017)
- › 22 March – conclusion, in connection with the total repayment of the loan, by Marvipol Development 1 Spółka z ograniczoną odpowiedzialnością sp.k. and Bank Ochrony Środowiska S.A., agreement on the termination of the Revolving Loan Facility Agreement No. S/114/10/2015/1157/K/OVE from 18 April 2016 (details: current report No. 18/2017)
- › 22 March – conclusion between Projekt 09 Sp. z o.o. (currently Marvipol Development Unique Tower Sp. o.o.) and Bank Ochrony Środowiska S.A. Non-recourse Loan Agreement no S/75/12/2016/1157/K/KON and Non-recourse Loan Agreement no S/76/12/2016/1157/K/KON (details: current report No. 19/2017)
- › 24 March – conclusion between PDC Industrial Center 63 Sp. z o.o. and Bank BGŻ BNP Paribas S.A. credit agreement (details: current report No. 20/2017)
- › 29 March – conclusion between Projekt 09 Sp. z o.o. (now Marvipol Development Unique Tower Sp. o.o.) and a legal person of agreement on transfer of perpetual usufruct right to a land with an area of 0.6 ha, located in Warsaw, in the Wola district (details: current reports No.10/2017, 11/2017 and 21/2017)
- › 29 March – conclusion by KH 1 Sp. z o.o. and Aulos 1 Sp. z o.o. letter of intent regarding the negotiation of the terms of acquisition by KH 1 Sp. z o.o. of owned by Aulos 1 Sp. z o.o. and other shareholders shares of Soho Development S.A. During negotiations conducted based on a letter of intent, the parties did not reach a final agreement (details: current reports No.22/2017 i 26/2017)

April 2017

- › 24 April – conclusion by PDC Industrial Center 72 Sp. z o.o. and Panattoni Development Europe Sp. z o.o. agreement regarding the construction of a warehouse facility on a real estate located near Kraków (details: current reports No.12/2017, 27/2017, 28/2017, 42/2017 i 74/2017)
- › 28 April – conclusion by Industrial Center 37 Sp. z o.o. and z MEP Industrial Centre Warsaw Sp. z o.o. a company sale contract (details: current reports No.29/2017 i 69/2017)

May 2017

- › 23 May – resolution of the Management Board regarding the removal and granting of the power of attorney (details: current report No. 34/2017)
- › 31 May – conclusion with Panattoni Development Europe Sp. z o.o. letter of intent regarding further cooperation in the implementation of joint ventures involving the construction of warehouse parks (details: current report No. 36/2017)

June 2017

- › 29 June – Meeting of Bondholders of S Series Bonds issued by Marvipol SA, passed resolutions on changing the Terms of Issue and announcing a break in the Meeting of Bondholders (details: current report No. 46/2017)

July 2017

- › 12 July – conclusion by Projekt 03 Sp. z o.o. agreements with the National Bank of Poland on the sale of the right of perpetual usufruct of land with a total area of 0.4 ha, located in Warsaw, in the Wola district (details: current report No. 55/2017)
- › 25 July – resumed after the break Meeting of Bondholders of S Series Bonds, passing another resolution regarding the change of the S series Bond Terms and Conditions (details: current report No. 59/2017)

August 2017

- › 4 August – issue of 8,008 unsecured ordinary bearer series T bonds with a total issue value equal to the nominal value of PLN 80,080,000 (details: current reports No.37/2017, 58/2017, 60/2017 i 63/2017)
- › 18 August – conclusion by PDC Industrial Center 80 Sp. z o.o. and Panattoni Development Europe Sp. z o.o. agreement regarding the construction of a warehouse facility on a real estate located near Łódź (details: current reports No.56/2017, 66/2017 i 68/2017)

October 2017

- 20 October – concluding an agreement on change in the terms of issue with all Bondholders of series R bonds (details: current report No. 79/2017)

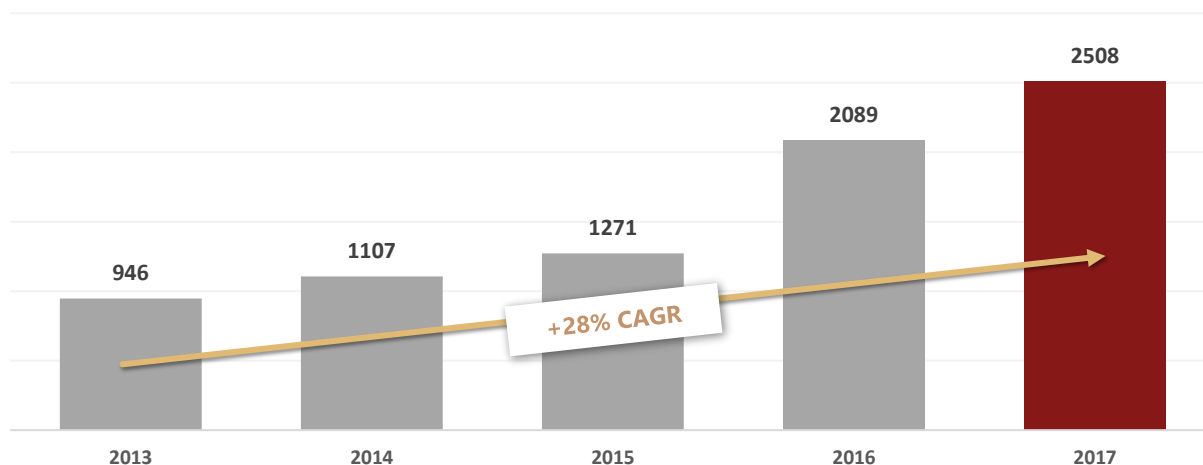
November 2017

- 13 November – issue of 6,600 unsecured series U ordinary bearer bonds with a total issue value equal to the nominal value of PLN 66,000,000 (details: current reports No. 75/2017, 81/2017, 84/2017 and 87/2017)

9. IMPORT SEGMENT

9.1. Sales results

Import sales (vol.)*



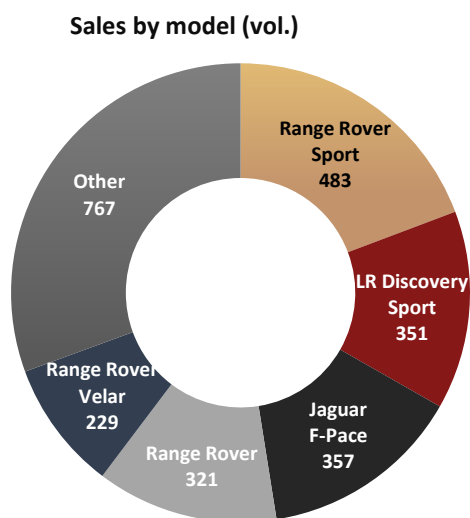
*Jaguar and Land Rover cars sales from British Automotive Polska S.A. to Jaguar Land Rover dealer network and Aston Martin cars from AML Polska sp. z o.o. to end customers.

Sales volume of Jaguar Land Rover cars from British Automotive Polska S.A. to the dealer network	2017	2016	Change
Jaguar total	691	626	10%
To unrelated dealers	445	420	6%
Land Rover total	1,808	1,455	24%
To unrelated dealers	1,011	696	45%
TOTAL	2,499	2,081	20%
TOTAL to unrelated dealers	1,456	1,116	30%

In 2017, the Group's import segment recorded over 20% growth yoy. of the volume of Jaguar Land Rover cars sold to authorized JLR dealers in Poland and end customers of Aston Martin. The growth of sales in the past year was generated by:

- growing interest in the Jaguar Land Rover offer, which translates into the strengthening of the market position in Poland,
- development of the automotive market in Poland, including the premium segment,
- premieres of new car models, allowing Jaguar Land Rover to reach a wider range of customers.

9.2. Sales structure



The best-selling in 2017 cars from the Group's offer were the most luxurious Jaguar Land Rover SUV models. Range Rover cars, with the sport version of Range Rover at the top, accounted for over 50% of the Group's import sales volume in 2017. The expansion in mid-2017 of the offer by new Land Rover premium model - Range Rover Velar, had a significant impact on sales growth, which in less than six months of active commercialization, was sold in 229 units, accounting for 9% of the segment's annual result.

Growing interest in Jaguar F-Pace, the first SUV from the Jaguar range, as well as the high sales of Land Rover Discovery Sport, a mid-range SUV, were also driving forces of sales growth.

9.3. Car offer

As at the date of this report, the British Automotive Holding Group offers its customers 16 Jaguar, Land Rover and Aston Martin models. The most important of the offered models are:



Jaguar XE

Middle class premium sports sedan, produced from 2015. Thanks to its lightweight aluminium construction and efficient drive units, the Jaguar XE stands out with its performance, low CO2 emissions and particularly low operating costs in this class.



Jaguar XF/Jaguar XF Sportbrake

The most dynamic and luxurious car of the premium segment (E class), produced (in current, second generation) from 2015. From 2017 Jaguar XF is offered, in addition to the classic business version of the sedan, also in the Sportbrake version (estate body type).



Jaguar F-PACE

The first SUV in the history of Jaguar brand (5-door crossover), introduced to the market in 2016, distinguished in its class among others unique body design, sporty performance and high usability (thanks to the record-breaking luggage space in that class).



Land Rover Discovery Sport

Compact SUV, launched for sale in Poland in 2015. Freelander's successor, distinctive in its class, with its body, economy and high driving comfort possible, among others thanks to the use of efficient, low-emission engines from the Ingenium family.



Land Rover Discovery

Comprehensive, efficient and versatile medium-sized SUV, present on the market for almost three decades. The latest, fifth generation model, shifting the model closer to the most luxurious models of the brand, was launched in 2017.



Range Rover Evoque

Compact, luxury SUV, present on the market since 2011. One of the most-awarded Land Rover models, appreciated for its unique, modern body design, driving comfort and performance. From 2016, also available in the Convertible version.



Range Rover Velar

A sophisticated and luxurious mid-size SUV, positioned between Range Rover Sport and Range Rover Evoque. Introduced in the middle of 2017, it quickly became one of the bestsellers, attracting customers including design and technological innovation.



Range Rover Sport

A sporty version of the classic Range Rover, produced since 2013. The most dynamic model in the Range Rover family, distinguished by such a sporty style and performance. From 2018 it is offered in a renewed version, including also hybrid drive.



Range Rover

A full-size SUV of the highest class, the most luxurious model of the brand. In the current, fourth generation model produced from 2012. From 2018 available on the Polish market in a renovated (visually and technologically) version, also in the hybrid drive variant.



Aston Martin

The British brand of luxury and sports cars from the highest segment. The core of the Aston Martin offer is formed by four models of the brand: DB11 (GT class), Rapide S (class F), Vanquish (super GT) and Vantage (GT), whose latest version went on sale in 2018.

9.4. 2018 Premieres

In 2018, the offer of the British Automotive Holding Group will include three new models of Jaguar and Aston Martin cars as well as new versions of already available car models.



Jaguar E-PACE

The first compact SUV in the Jaguar brand history, distinguished by attractive body design and exceptional driving characteristics, with agility in leading the way. Officially presented in Poland in January 2018, in active sales from March 2018.



Jaguar I-PACE

The first completely electric Jaguar SUV. Motors with a total power of 400 hp and AWD all-wheel drive provide I-PACE acceleration of the sports car, and efficient batteries - range up to 480 km. Polish premiere of I-Pace will take place during Poznań Motorshow 2018 (5-8.04).

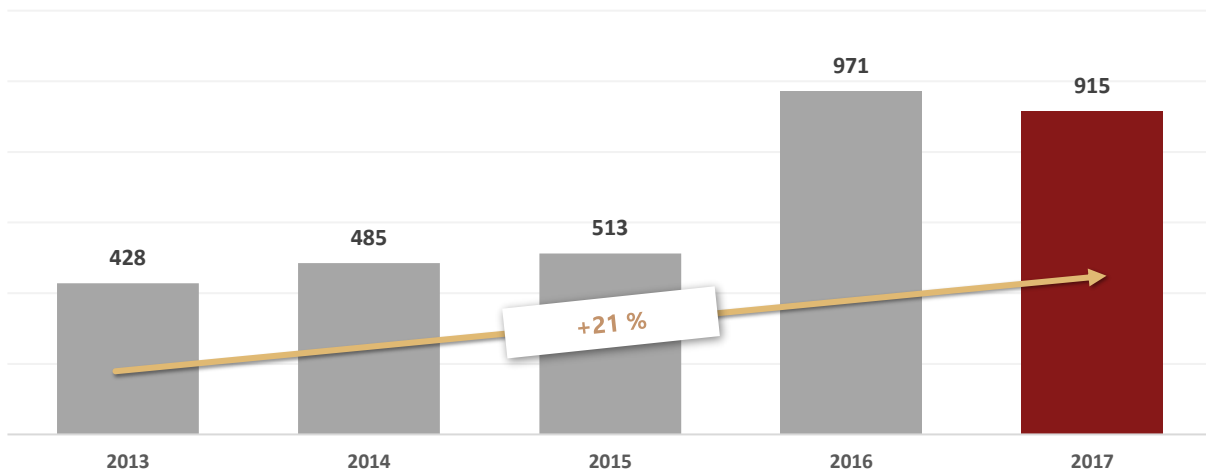
In addition, in 2018 the Group's offer will be enriched by refurbished versions of the most luxurious Land Rover models: Range Rover and Range Rover Sport, including Plug In Hybrid versions (the first hybrid models with the option of charging the battery with electricity from the network).

The plan for this year's premieres completes the launch of the new Aston Martin - Vantage model (Q1 2018).

10. DEALER SEGMENT

10.1. Sales results

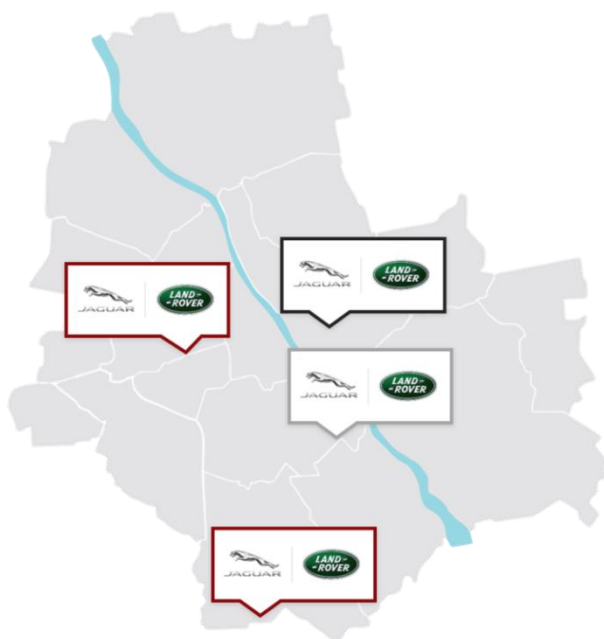
Dealer sales*



*Sale of Jaguar and Land Rover cars from British Automotive Centrum sp. z o.o., British Automotive Gdańsk sp. z o.o. and British Automotive Łódź sp. z o.o. to end customers.

In 2017, Jaguar Land Rover dealers, which are part of the Capital Group, sold to the end customers 915 Jaguar Land Rover cars, compared to 971 cars in 2016. The drop in dealer sales is related to the reconstruction of the Jaguar Land Rover showroom run by the British Automotive Centrum at Waszyngtona Street in Warsaw and the periodic limitation of its activities, as well as the effect of the high base of 2016, built, among others thanks to the car fleet sales carried out during this period.

10.2. Development of the dealer network



PRZEBUDOWYWANY SALON PRZY UL. WASZYNGTONA



OBIEKTY W BUDOWIE: BRITISH MOTOR CLUB PRZY UL. WAWELSKIEJ I SALON PRZY UL. PUŁAWSKIEJ



OBIĘKT PRZY UL. WITOSA ŚWIADCZĄCY WYŁĄCZNIE USŁUGI SPRZEDAŻOWE (BEZ USŁUG SERWISOWYCH I GWARANCYJNYCH)



While implementing the plan to expand the Jaguar Land Rover chain in Poland and at the same time strategically strengthening the Group's position within the network, the Group conducts an extensive investment

program in the dealer segment. As part of the modernization program of existing Jaguar Land Rover showrooms in accordance with the new global Jaguar Land Rover (ARCH CI) standards and the construction of new brand stores, the Group implements 6 investments in Warsaw, Gdańsk, Katowice and Łódź.

In Warsaw, the Group carries out designs for the reconstruction of the showroom at Waszyngtona Street, building the British Motor Club at Wawelska Street and the construction of a new salon at Puławska Street.

Construction works as part of the reconstruction of the showroom at Waszyngtona Street began in the fourth quarter of 2017, and their completion is planned for the second quarter of 2018. The modernised facility will allow the simultaneous exposition of 10 Jaguar Land Rover models (4 Jaguar, 6 Land Rover), it will also have 8 service stations.

Construction of the British Motor Club (showroom and motoring club) at Wawelska Street, began in the second quarter of 2017, and its completion and commissioning of the facility is planned for the second quarter of 2018. A new facility, in which cars from the Jaguar Land Rover offer will be presented and available, will have a display area allowing simultaneous presentation of 27 cars.

As part of the project to launch a new Jaguar Land Rover type 3S store (service, sales, spare parts) at Puławska Street, preparatory work was carried out in 2017. In I quarter of 2018, the Group obtained the acceptance of the car manufacturer for the showroom's location, which was the key to the implementation of the investment. The investment schedule foresees the commencement of construction works in the third quarter of 2018, and the launch of the showroom is planned for the third quarter of 2019. According to the project, the Jaguar Land Rover (7 Jaguar, 7 Land Rover) will be

presented at the ground floor of the new facility simultaneously, and on the first floor of the building there will be a showroom for used cars with space for 14 cars. The offer will be supplemented by extensive service facilities with 10 service stations.

In Gdańsk, the Group is implementing a plan to build a new store at Grunwaldzka Street and the transfer of the dealer activity to the facility currently being carried out in the rented facility at Abrahama Street. In 2017, the Group carried out preparatory work. According to the schedule, the construction of the showroom is to begin in the second quarter of 2018, and its completion is scheduled for the second quarter of 2019. The exhibition area of the new facility will allow the presentation of 14 Jaguar Land Rover cars (7 Jaguar, 7 Land Rover). On the first floor of the building there will be a showroom for used cars with space for 15 cars.

In January 2018, due to the termination of the dealership and service agreement between British Automotive Polska S.A. and MM Cars Sp. z o.o. (the current Jaguar Land Rover dealer in Katowice), the activity of Jaguar Land Rover dealer in Katowice was taken over by British Automotive Silesia Sp. z o.o., a subsidiary of the Group. Currently, Jaguar Land Rover cars are sold and serviced on this market using the current JLR store in Katowice, located at 81 Lotnisko Street, rented by British Automotive Silesia. At the same time in January this year British Automotive Silesia acquired in Katowice, at Bocheńskiego Street, a plot of land for the construction of a new 3S dealer facility that meets the latest Jaguar Land Rover standards. As at the date of this report, conceptual work is being carried out as part of the project. In the opinion of the Management Board of the Company, the preparatory work will be able to be completed in 2018, and the facility should be put into use in 2019. The initial concept of the salon assumes the creation of a facility with a display area for 14 new Jaguar Land Rovers and 14 used cars. The facility is to have comprehensive service facilities, with 10 car service stations.

In 2017, the Group carried out preparatory work as part of a project to adapt the dealer facility in Łódź to the latest Jaguar Land Rover standards. Based on market and financial analyses carried out as well as offers received for the execution of construction works, the Group decided to modernize the showroom at Przybyszewskiego Street, against the originally planned demolition of the current salon and the construction of a new object in its place. As at the day of this Report, conceptual and design works are carried out as part of the project. In the opinion of the Management Board, the reconstruction of the showroom may start in Q3 2018 and end in Q1 2019.

11. SPINNED OFF ACTIVITY

Until 30 November 2017 within the Group, property development activity was carried out in two areas: residential, within which multi-family housing and warehouse construction projects were implemented, under which the Group invested in the implementation of warehouse projects. The development activity, following the division of the Company, described in the section **'Factors and non-typical events affecting the results of the Company and the Group'** of the Report of the Management Board, has been transferred to Marvipol Development S.A.

The development activity, developed up to 30 November 2017 within the Group, in the period from 1 January to 30 November 2017, recorded consolidated revenue of PLN 149.3 million, PLN 32.2 million in operating profit and PLN 32.0 million in net profit.

As part of the housing business, in the period from January 1 to November 30 2017, 694 contracts for the sale of apartments and commercial premises were concluded and 378 residential and commercial

premises were handed over to buyers (and included in the income statement). In the analysed period, the Group companies purchased real property in Warsaw at Grzybowska Street, Siedmiogrodzka Street and Okrzei Street for housing projects, as well as implementing a plan for the geographic diversification of housing, acquired two properties in the city centre of Gdansk: at Chmielna Street and Toruńska Street.

As part of the warehouse business in the period from 1 January to 30 November 2017, the process of sale of the Konotopa warehouse project carried out by the special purpose vehicle was completed. In the analysed period, the Group continued its work as part of warehouse projects in the Grodzisk Mazowiecki commune and in the Silesian Agglomeration. In addition, the Group engaged in 2 new warehouse projects in the period from 1 January to 30 November 2017: near Krakow (construction completed in the fourth quarter of 2017) and in the Łódź region.

12. DESCRIPTION OF CAPITAL GROUP MARKETS

The car market

2017 was the highest year in the current century of sales of new cars on the Polish market. According to IBRM Samar over the last year, 486,500 new cars were registered in Poland – 16% more than in 2016. As estimated by IBRM Samar, re-exports (not included in the registration ranking) had a significant impact on last year's car sales in Poland. According to IBRM Samar, nearly 54 thousand cars purchased in Polish showrooms (11.1% of total sales) went to customers from outside Poland.

Cars dominate among customers registering

47.1 thou.

Number of premium class cars registered in Poland in 2017

Luxury goods market

The luxury goods market is one of the fastest growing areas of the economy in Poland. According to KPMG estimates (report "Luxury goods market in Poland, 2017 edition"), the market value in 2017 amounted to PLN 21 billion. KPMG predicts that in the next 4 years the market value will increase by 48%, to PLN 31 billion in 2021.

The segment of premium and luxury cars is the largest (corresponding to 58% of the market

cars in Poland. in 2017, they accounted for 68.5% registration of new passenger cars.

The market leader in terms of sales volume remains Skoda, whose share in new registrations in 2017 it was 13%. The group of 5 most-chosen car brands, responsible for nearly 47% of the market, is completed by Toyota, Volkswagen, Opel and Ford.

2017 saw a particularly dynamic growth in sales in the premium class passenger car segment in which the Group operates. According to estimates by IBRM Samar, in 2017 47.1 thousand premium class cars were registered in Poland – 25% more than the year before. The position of the leader with almost 29% share in the segment, maintained BMW. The share of Jaguar Land Rover in last year's number of registrations was close to 4%.

PLN 17 billion

Value of premium and luxury cars in 2017

value) and at the same time the fastest growing part of the luxury goods market. According to KPMG estimates, in 2017 the value of premium and luxury cars sales increased by 17%, up to PLN 12.3 billion. KPMG estimates that in the coming 4 years, this segment will grow at 12.6% average annual rate, and its value will reach in 2021 PLN 20 billion (increase in share in the total value of the market to nearly 64%).

13. DEVELOPMENT PERSPECTIVES OF THE COMPANY AND THE GROUP

13.1. Short-term perspectives

The key impact on the financial results of the Company and its Capital Group in the perspective of the next 12 months will have:

- introduction of new car models to the offer: Jaguar E-Pace and Jaguar I-Pace,
- launch of renewed versions of Land Rover flagship models: Range Rover and Range Rover Sport,
- the assumed increase in the volume of car sales from the Group's current offer,
- increase in sales potential of Jaguar Land Rover dealers belonging to the Group related to the takeover of dealer activity in Katowice, completion of the modernization of the showroom Waszyngtona Street in Warsaw and the completion of construction and commissioning of the facility at Wawelska Street in Warsaw,
- limiting the export sales of cars,
- situation on the currency market.

In the opinion of the Management Board of the Company, the Group's import segment has the potential to also maintain a medium-term, double-digit growth rate of import sales in 2018. In the opinion of the Management Board of the Company, the Group's dealer segment has the potential to significantly increase the dealer's sales volume and receipts from maintenance services in 2018. At the same time, in the opinion of the Management Board, the results of the Group's dealer segment in the first half of 2018 will take into account the negative impact of the periodic limitation in operations of the showroom at Waszyngtona Street on the sales results of the dealer, compensated with higher revenues earned in the second half of the year, among others thanks to increasing the capacity of the modernised showroom at Waszyngtona Street and the launch of the showroom at Wawelska Street in Warsaw.

13.2. Long-term perspectives

The key impact on the development and growth of the value of the Company and its Capital Group in the long-term will have:

- implementation of the Jaguar Land Rover expansion strategy in Poland, including the implementation of sales plans for the coming years, assuming a further dynamic growth in the volume of car sales and an increase in the company's share on the Polish market,
- implementation of Jaguar Land Rover's global development strategy, including further planned expansion of the Group's offer with models addressed to new customer groups, cars with hybrid and electric drives, development and implementation of autonomous cars to the offer,

- development of Jaguar Land Rover dealers belonging to the Group, including the modernization of existing facilities and the launch of new stores increasing the sales potential of dealers, enabling dynamic development of service activities and other additional services,
- the situation on the automotive market in Poland, including the impact of tax regulations and environmental factors for the development of new cars sales,
- the economic situation in Poland, affecting the development of the luxury goods market and the car market.

14. KEY RISK FACTORS

The risk of changes in prices

The Group has concluded trade agreements with car suppliers. Cars are purchased by the Group mainly after the Group has received a specific order as well as keeping stocks for consumers. Changes in car prices applied by manufacturers will result in changes in prices paid by users (internal and external dealers, and end customers).

Credit, exchange rate, and interest rate risks

The Group's exposure to credit and interest rate risk occurs in the course of the Group's business activities. The Group is exposed to the currency exchange risk connected with the purchase of cars and spare parts. Those transactions are made mainly in Euro and British Pound currencies. The Group monitors its foreign currency position and secures its settlements with car producer.

Risk of significant disruptions in cash flows

The Group, has concluded agreements with contractors, as well as trade agreements with car supplier. It has also secured financing of the ongoing projects and current operations, thus cash flows in the subsequent periods are pre-defined within the Group which allows minimizing the risk of significant disruptions in cash flows.

Financial liquidity risk

Financial liquidity management aims at securing the Group against its insolvency. This goal is accomplished through systematic projection of debts within the period of up to 4 years and subsequently through organisation of appropriate sources of funding.

Risk of changes in tax legislation

Tax regulations are subject to frequent changes. These changes may consist not only in increases of tax rates but also in introduction of new, detailed legal instruments, extension of the scope of taxation or even introduction of new tax burdens. In particular, changes of tax legislations concerning market of new and used cars, including regulations concerning excise duty, regulations concerning VAT and rules of input VAT credit by companies, which indicate 90% of end users of Marvipol Group's automotive segment, can affect either positively or negatively on sale of new cars and Group's income.

Risk relating to the application of tax legislation by tax authorities

In practice tax authorities apply the law drawing not only directly on provisions of law but also on interpretation thereof made by higher instance authorities or courts. Such interpretations are also subject to changes, they are replaced with other interpretations or are mutually contradictory. To a certain extent the above also

applies to case-law. This creates uncertainty as to how the tax authorities would apply the relevant law or as to automatic application of the law in accordance with currently available interpretations which may be incompatible with diverse, often complex actual situations occurring during economic activities. Additionally, ambiguity of many provisions of law forming the Polish tax system contributes to increase of such risk. On the one hand, it raises doubts as to the correct application of the law, on the other it makes it necessary to take account of the aforementioned interpretations to a greater extent. In addition, according to effective from 15 July 2016 so-called The general anti-avoidance clause, the tax authorities have the right to assess the tax consequences of a given activity in such a way that the tax benefit is eliminated. due to the short lifetime of the above there is a great deal of uncertainty about the way in which the above-mentioned legal provision by tax authorities. Lack of stability as far as the application of the tax legislation is concerned may negatively affect the Group's activity and its financial situation.

Risk resulting from a collapse in sales on the automotive market

The market of luxury cars sales is relatively limited as it is oriented mainly towards wealthy clients. The crisis on financial markets may result in lower demand for luxury goods, including a negative impact on the automotive segment, but it should be noticed that historically, premium market has been significantly less vulnerable to the business cycles in the economy.

Risk resulting from delays in premieres of new car models

Realization of development strategies of automotive companies of Marvipol Group is dependent on development plans of producers, which cars are being sold by above-mentioned companies, especially producer of Jaguar Land Rover cars, sales of which are the main source of

revenues of Group's automotive segment. Development plans of Jaguar Land Rover, mainly program of new car models' releases, as well as its possible modifications, are the key impact on sales planes of automotive companies of Marvipol Group and its income. Global strategy of Jaguar Land Rover Limited assumes dynamic development of revenues through another car premieres, and the moment of their implementation is dependent to the decision of the manufacturer.

Risk losing large fleet customers

The Group has several important fleet customers. The company cannot exclude that these customers will not make further purchases from Group companies in the future, which may have a material adverse effect on the financial results achieved by the Group and the failure to realize the expected sales growth.

Risk resulting from delays in car deliveries from manufacturers

Automotive companies importing Jaguar, Land Rover, Range Rover and Aston Martin cars are dependent both on the British suppliers and means of transportation that are used. Delays in deliveries of cars and their spare parts may have negative effect on the level of sales and the image of the brand.

Risk connected with car producer's decision on final shape of the product

Attractiveness of the automotive offer is hugely dependent on a car producer and its decision connected with final shape of the product. There is a possible risk, that the producer will assess the market wrongly and its projects will not be well accepted by the market. It may have a negative influence on income of the Group. Policy of Jaguar Land Rover assumes development and assurance of product attractiveness in order to realize the global strategy of Jaguar Land Rover.

Risk of terminating current importer agreements with Jaguar Land Rover Limited

Subsidiary of British Automotive Holding S.A. – British Automotive Polska Sp. z o.o., is a party in concluded with Jaguar Land Rover Limited (JLRL) Importer Agreement, subject of which is regulation of rules of serving by British Automotive Polska S.A. services of authorized importer, dealer (bidder and seller of Products) and authorized car services of Jaguar and Land Rover cars in European Economic Area. Agreement has been concluded for the indefinite period. The agreement can be terminated by each party with 24 month notice period. Moreover, JLRL can terminate the Agreement with 12 month notice period, if a necessity of reorganizing whole or part of JLRL's distribution net will occur. In particular cases the Agreement can be terminated by JLRL immediately. License Agreement ends together with the Agreement. Currently, the Group does not notice any threat of terminating the agreement, since British Automotive Polska S.A. is an exclusive importer of Jaguar and Land Rover cars for 14 years, having a unique know-how on this market, and an Importer Agreement was renewed in May 2016.

Risk connected with activities on market of non-authorized services of cars sold by the Group

Repairs offered by non-authorized car services and similar services but with lower prices might result in worse income of the Group. Long-term guarantees offered by dealers from Jaguar Land Rover Group make non-authorized services unattractive, and what is more, high standards of authorized servicers are on the level guaranteed by the manufacturer.

Risk connected with possible exit of the UK from the European Union

Exit of the UK from the European Union may have a negative impact on trade relations and the costs of cooperation with the company

Jaguar Land Rover Limited in relation to possible regulatory changes in the legal and tax system, which may lead to worsening of results achieved by entities from the Group.

Risk of changes in EU regulations concerning deals between entities from automotive industry, which are operating on various levels of distribution and production

Current European Union rules, have a considerable influence on automotive industry in Union countries, including relations between car producers and general importers of cars.

Risk connected with ineffective choice of locations for new car dealerships and incurring large capital expenditures

The Group thoroughly analyses localisations for both internal and external dealers in Poland. Only based on complex analysis and confirmation by the Producer (based on detailed analyses of the potential, prepared by specialized external entities) the decision on launching new points of sales of cars is made.

Risk of the Company incurring joint liability for the liabilities assigned in the division plan to Marvipol Development S.A.

According to art. 546 § 1 of the Commercial Companies Code, for the liabilities assigned in the division plan to the acquiring company or to the newly-established company, the other companies to which the assets of the divided company have been transferred shall be jointly and severally liable for three years from the day of the announcement of the division. This liability is limited to the net asset value allocated to each company in the division plan. The division of British Automotive Holding S.A. so-called division by separation, and thus made in the mode of art. 529 § 1 point 4 of the Commercial Companies Code, i.e. by transferring a part of the Company's assets to Marvipol

Development S.A. It should be borne in mind that the assets of the Company in the form of the Marvipol Branch were transferred only to Marvipol Development S.A. and as part of the Division there was no other company that would receive any assets of the Company as part of the process.

There are discrepancies in the doctrine and case law regarding the possibility of applying the provision of art. 546 § 1 of the Commercial Companies Code for division by separation, due to the fact that the provision concerning liability in its literal wording does not allow for jointly and severally burdening the company for the company's liabilities to the acquiring company,

as it expressly states joint and several liability for the other companies to which it has been transferred assets of the divided company. The Company did not receive any additional assets as part of the Division, but only has assets and liabilities not transferred to Marvipol Development S.A. Nevertheless, in a relationship from art. 529 § 2 of the Code of Commercial Companies, in the light of which the provisions on the division of companies applying respectively to the acquiring company or the newly-established company apply respectively to division by separation, there is a potential risk of liability for the Company.

15. FINANCIAL POSITION OF THE COMPANY AND THE GROUP

15.1. The Company – selected financial data

In PLN thou.	31.12.2017	31.12.2016
Total assets, including:	72,687	426,116
Non-current assets	71,343	47,265
Current assets	1,344	2,222
Spinned off assets	-	376,629
Equity and liabilities, including:	72,687	426,116
Equity	66,009	239,088
Short-term liabilities	6,678	429
Spinned off liabilities	-	186,589

In thou.	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Sales revenue and other	7,331	5,206
Operating Income	35,041	16,183
Net profit from continued activity	38,467	14,689
Net profit/(loss) from spinned off activity	23,368	(14,114)
Net profit for the year	61,835	575

15.2. The Company – selected financial ratios (continued activity)

	2017	2016
Profitability		
ROE net profit to equity at the end of the period	58%	30%
ROA net profit to value of assets at the end of the period	53%	30%
Liquidity		
Current ratio current assets to short-term liabilities	0.2	5.2
Quick ratio (current assets – inventory) to short-term liabilities	0.2	5.2
Debt		
Net debt (in PLN million) interest liabilities (including accrued interest) less the value of cash	2.91	-1.69
Equity coverage ratio Equity to total assets	91%	99%
Debt equity ratio Total liabilities to equity	10%	1%
Total debt ratio Total liabilities to total assets	9%	1%

15.3. Capital Group – selected financial data.

In PLN thou.	31.12.2017	31.12.2016
Total assets, including:	408,371	967,852
Non-current assets	86,617	47,742
Current assets	321,754	255,872
Spinned off assets	-	664,238
Equity and liabilities, including:	408,371	967,852
Equity	76,892	390,505
Long-term liabilities	22,300	86,264
Short-term liabilities	309,179	168,146
Spinned off liabilities	-	322,937

In PLN thou.	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Net revenues from sales and other	742,627	657,605
Operating profit	57,615	60,057
Net profit from continued activity	48,059	46,733
Net profit from spinned off operations	31,603	22,285
Net profit for the year	79,662	69,018

15.4. Capital Group – selected financial ratios (continued activity)

	2017	2016
Profitability		
Operating margin	7.8%	9.1%
ROE net profit to equity at the end of the period	63%	95%
ROA net profit to value of assets at the end of the period	12%	15%
Liquidity		
Current ratio current assets to short-term liabilities	1.0	1.5
Quick ratio (current assets – inventory) to short-term liabilities	0.5	1.1
Turnover		
Inventory turnover the value of inventories at the end of the period to revenues from continuing operations x 365 (in days)	87.1	39.9
Days sales outstanding the value of receivables at the end of the period to revenues from continuing operations x 365 (in days)	39.6	39.2
Operating cycle sum of inventories and receivables at the end of the period to revenues from continuing operations x 365 (in days)	126.7	79.1
Days payable outstanding the value of trade liabilities as at the end of the period to revenues from continuing operations x 365 (in days)	102.2	86.0
Cash conversion cycle the value of inventories and receivables at the end of the period decreased by liabilities due to deliveries at the end of the period to revenues x 365 (in days)	24.6	-6.8

	2017	2016
Debt		
Net debt (in PLN million)		
interest liabilities (including accrued interest) less the value of cash	47.6	-28.0
Net debt/EBITDA		
net interest debt to operating result plus depreciation	0.81	-0.46
Equity coverage ratio		
Equity to total assets	0.19	0.16
Debt equity ratio		
Total liabilities to equity	4.31	5.17
Total debt ratio		
Total liabilities to total assets	0.81	0.84

15.5. Financial results of the Capital Group

In 2017, the British Automotive Holding Group recognised PLN 742.6 million of consolidated revenues, 13% more than in the previous year, generating PLN 57.6 million of operating profit from continuing operations (PLN 60.1 million in 2016) and 48.1 million PLN of net profit from continuing operations (PLN 46.7 million in 2016). The increase in revenues was determined by a 20% increase in the volume of car sales in the import segment. Operating profitability in 2017 was 7.8%, compared to 9.1% a year earlier, which was influenced, by change in the mix of cars sold, as well as lower sales of the car dealer, connected with the reconstruction of the Warsaw showroom at Waszyngtona Street.

Due to the systematically growing scale of the Group's operations in 2017, the balance sheet total of the Group (adjusted by spinned off assets and liabilities) increased by 35%, to PLN 408.4 million as at 31 December 2017. Current assets of the Group increased in this period by 25%, to PLN 321.8 million, together with a 146% increase in inventories, to PLN 177.2 million. Increase in the value of inventories is related to the systematic expansion of the offer with new car models and supplementing the stock levels of cars and parts, which relatively low level in 2016, resulting in, an increase of average waiting time for the most-wanted models, was one of the barriers to brand's expansion on the Polish market.

The increase in the value of inventories combined with the reclassification of a massive portion of interest-bearing debt (overdraft due on 30.11.2018) to short-term debt has led to a periodic decrease in the Group's liquidity ratios. In opinion of the Group's Management Board, this change is of a temporary nature and fundamentally does not affect very good liquidity position of the Group. The cash conversion cycle indicator, which is low on the industry background, confirms the high efficiency of the Group's business model.

Group's interest debt remains at a low level. At the end of 2017, Group's net debt amounted to PLN 47.6 million, and the net debt to EBITDA ratio was 0.8. Bearing in mind the very good financial standing of the Group, the intention of the Management Board is to more actively use external financing sources to support Group's development, including investment implementation. Increasing the financial leverage will enable the parallel implementation of development plans, including the

extension of the dealer network, while implementing the dividend policy, which assumes the pay-out of approx. 80% of Group's net profit to the Shareholders.

15.6. Additional Information

Credits, loans and bonds

Information on the loans taken by the Capital Group is presented in Note 29 of the Consolidated Financial Statements for 2017. Information on the loans taken by the Company is presented in **Note 25** of the Standalone Financial Statements for 2017. On 30.11.2017, the loan from Bank Millennium S.A. granted to British Automotive Centrum Sp. z o.o. pursuant to the agreement on 30.09.2013 in the amount of PLN 7,400 thousand, has been repaid. Commitment as at 30 November 2017 amounted to PLN 3,636 thousand (capital and interest). Loan was refinanced with an overdraft granted by BZ WBK S.A. in accordance with the agreement on 13 November 2017 in the amount of PLN 4,000 thousand.

Information on loans contracted by the Group is presented in Note 29 of the Consolidated Financial Statements for 2017. Information on loans taken out by the Company is presented in **Note 25** of the Standalone Financial Statements for 2017.

Information on loans granted by the Group is presented in Note 22 of the Consolidated Financial Statements for 2017. Information on loans granted by the Company is presented in **Notes 18 and 35** of the Standalone Financial Statements for 2017.

Information on bonds issued, redeemed and bought back by the Company is presented in **Note 26** of the Standalone Financial Statements for 2017 and in Note 30 of the Consolidated Financial Statements for 2017. In 2017 and until the date of this report, the Issuer's subsidiaries did not issue or possessed any bonds issued, the bondholders of which would be entities from outside the Capital Group.

Securities and guarantees

In the analysed period, the Group did not receive any sureties from unrelated entities.

In the analysed period, the Company granted guarantees presented below to entities from the Group:

Sureties granted in 2017			
Issuer	For	Value (PLN thou.)	Title
The Company	mBank S.A.	20,000	Surety for British Automotive Gdańsk Sp. z o.o. in connection with loan agreement from 27.03.2017.
The Company	Jaguar Land Rover Limited	All unpaid liabilities due to the sale of Jaguar Land Rover products	Surety for British Automotive Polska S.A. in connection with the agreement between Jaguar Land Rover Limited and British Automotive Polska S.A. (Importer and Authorized Repairer Agreement).
The Company	BZ WBK S.A.	6,000	Surety for British Automotive Center Sp. z o.o. in connection with the loan agreement from 13.11.2017
The Company	BZ WBK S.A.	7,500	Surety for British Automotive Center Sp. z o.o. in connection with the loan agreement from 13.11.2017

In the analysed period, British Automotive Polska S.A. received guarantees securing dealer contracts from the following entities:

Sureties received in 2017		
Company	Type of surety	Guaranteed amount (PLN thou.)
TEAM MAREK PASIERBSKI Sp. z o. o.	Bank	2,000.00
TEAM MAREK PASIERBSKI Sp. z o. o.	Bank	700.00
R. KARLIK Spółka Komandytowa	Bank	2,200.00
Auto - Bieczko Spółka Jawna	Bank	1,600.00
Luxury Motors Agnieszka Konarzewska	Bank	1,500.00
British Car Sp. z o.o.	Bank	1,500.00

In the analysed period, the Group received guarantees for proper performance from following entities:

Sureties received in 2017		
Company	Type of surety	Guaranteed amount (PLN thou.)
JP CONTRACTING Sp. z o.o.	Bank	1,050.00
Firma Budowlana Antczak Marek Sp. z o.o.	Bank	435.00
Firma Budowlana Antczak Marek Sp. z o.o.	Bank	152.25

In the analysed period, the Company and entities from the Group did not grant any guarantees.

Management of the Group's financial resources

The Group rationally manages its financial resources and covers its liabilities on an ongoing basis. The Management prepares and systematically updates cash flow projections, considering financial needs related to the Group's development plans. Based on the analyses made, the Management Board shapes the financing structure, striving to provide the Group with liquidity with a conservative approach to business risk.

Use of funds raised from the issue of securities

In 2017, the Company, operating under the name Marvipol, issued T and U series bonds for PLN 146.08 million to finance development activities, which is developed since December 2017 as part of the Marvipol Development S.A. Capital Group. The acquired funds were and are used, to finance among others the purchase of real estate for housing projects and for investments in warehouse projects. Liabilities from bonds were transferred, as part of the division of the Company by separating the Marvipol S.A. Branch, into Marvipol Development S.A.

Assessment of the feasibility of investment plans

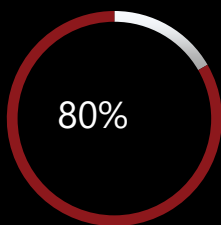
In the opinion of the Management Board of the Company, the Capital Group has resources, including financial resources (and the ability to collect them further) necessary for the implementation of ongoing and planned investment projects related to the development and modernization of the dealer network and other pro-development investments. Very good financial situation, including high cash flows from operating activities, allow the Group to finance investments from own funds as well as using external financing - loans and leasing, enabling the implementation of strategic plans, including the dynamic growth of the scale of operations.

16. DIVIDEND POLICY

On 9 January 2018 The Management Board of the Company adopted a resolution to change the current dividend policy for 2016-2020, which was in force since November 2016. The change in the dividend policy was related to completing the division of the Company and the separation of property



DIVIDEND POLICY



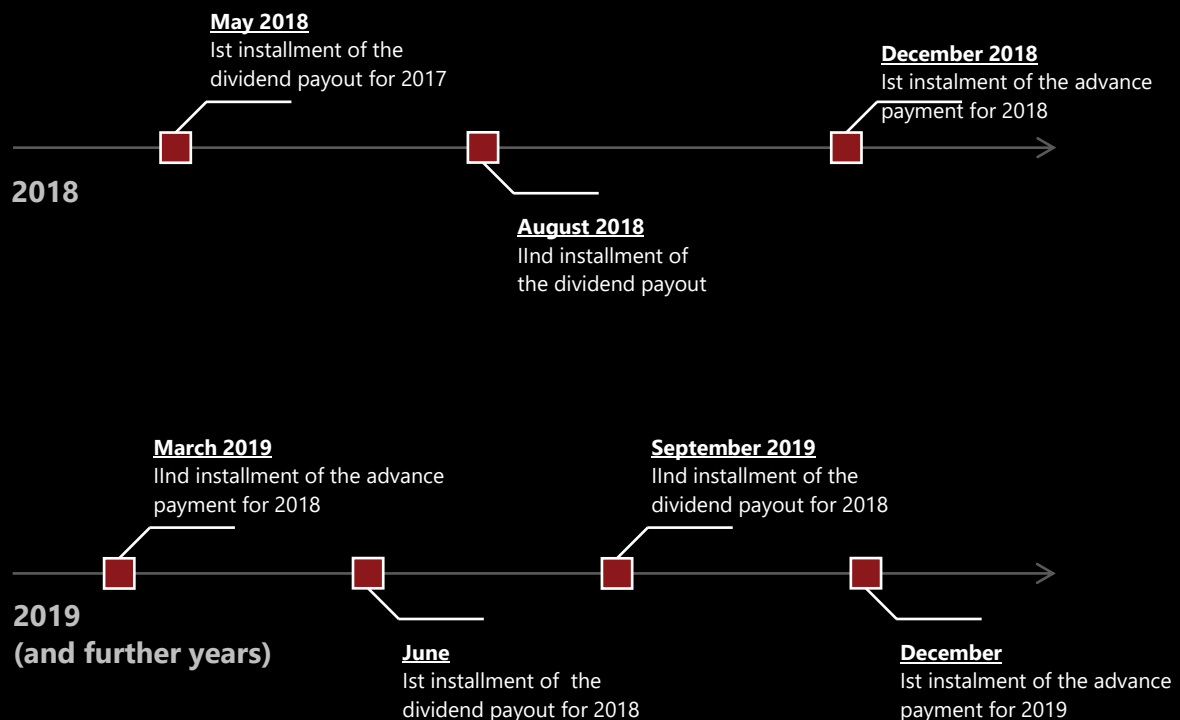
RECOMMENDED BY THE
MANAGEMENT BOARD
VALUE OF THE DIVIDEND
FOR 2017

4 TIMES IN
THE YEAR

PAYMENT OF SHARES IN PROFITS
WITHIN 12 MONTHS: DIVIDEND MAIN
PAYMENTS IN DECEMBER AND MARCH,
AND (AFTER THE AGAINST) OTHER
DIVIDEND RATINGS

2 TIMES IN
THE YEAR

DETERMINATION OF THE
RIGHT TO DIVIDEND



development completed on 1 December 2017, as well as the Management Board pursue to increase the investment attractiveness of the Company and provide the Shareholders with an attractive return on the capital entrusted to the Company by, among others, ensuring regular payments of an attractive part of the profit generated by the Capital Group.

In accordance with the dividend policy, the Management Board of the Company declares the intention of regularly recommending to the General Meeting payment of dividends from earned profit. In the opinion of the Management Board, ca. 80% of the consolidated profit of the Capital Group may be allocated to the payment of dividend starting from the profit for 2017.

Ultimately, the payment of the share in the profits of the Company, in the form of advances for dividends (in two instalments) and dividends (in two instalments) is to take place in quarterly intervals. Advance payments for dividends from profit for the current year are to be paid in December this year and in March of following year, and instalments of dividends are to be paid in June and September.

In connection with the adopted payment schedule, the determination of rights to payments (cut-off date) will take place in two dates. The first date - obtaining the right to pay the dividend, will be determined by a resolution of the Ordinary General Meeting pursuant to art. 348 § 4 of the Commercial Companies Code. The second date, i.e. the day according to which those entitled to advance dividends are determined, will be appointed by the Management Board in accordance with art. 349 § 4 of the Commercial Companies Code.

Pursuant to the adopted policy, the dividend from profit for 2017 will be paid in two instalments. Bearing in mind the time necessary to prepare and audit financial statements, the necessity of obtaining appropriate approvals of financing institutions and the willingness to make payments at the first possible date, payment and instalments of dividends may take place in May 2018, and the payment of the second instalment of the dividend - in August 2018.

The Management Board of the Company emphasizes that the advance payment of the dividend, as well as the final recommendation of the Management Board regarding the payment of the dividend and its amount, will depend on the fulfilment of the conditions specified in the Code of Commercial Companies and other legal acts, and will depend annually on the amount of net profit reported in individual financial statements of the Company, the current situation of the Company and its Capital Group, with particular focus on the level of forecasts, the current market situation, prospects, needs and costs of financing the Capital Group development and ensuring its adequate level of financial liquidity and the opinion of the Supervisory Board. Changes in the Company's investment plans related to the Company's development dynamics, development plans of car manufacturers whose companies from the Capital Group are importers and distributors as well as potential business opportunities, such as extending the Group's automotive offer with latest brands, will affect the recommended amount of the dividend. The Management Board reserves the right to subject the abovementioned policy periodic reviews and updates.

17. OTHER INFORMATION

Main customers and suppliers

Main recipients of the Group's imported products and services are Jaguar Land Rover dealers in Poland. In the dealer segment, the recipients of products and services are a diversified, variable group of clients, none of which is, considering the value of sales, a significant contractor of the Capital Group.

In the analysed period, significant contractors (recipients) of the Group, turnover with which they constituted more than 10% of consolidated revenues of the Group, were the following entities:

- Car – Master 2 Spółka z ograniczoną odpowiedzialnością Sp. k.
- R. Karlik Spółka Komandytowa

The main costs of the Group's operations are the purchase of cars sold by companies from the Group.

In the analysed period, a significant contractor (supplier) of the Group, turnover with which accounted for more than 10% of consolidated revenues of the Group, was:

- Jaguar Land Rover Limited

Due to the profile of the core business (holding activity), the Company does not have any significant suppliers or recipients of goods and services, the turnover with which would be significant from the point of view of the Company's assessment and its financial condition.

Significant contracts

The Company and entities from its Capital Group in 2017 did not conclude other significant contracts than those indicated in the ***Most important events in 2017 and until the date of approval of the report*** of the Management Board's Report on the activities of the Company and its Capital Group.

Transactions with related entities

All transactions concluded by the Company and entities from its Capital Group in 2017 with related entities were concluded on market terms.

Detailed information on transactions with related entities is presented in **Note 35** of the Standalone Financial Statements for 2017 and in Note 40 to the Consolidated Financial Statements for 2017.

Litigation, arbitration or administrative proceedings

In the analysed period, the Company and the entities included in the Group were neither the subject of any significant court, arbitration or administrative proceedings.

Significant off-balance sheet items

In addition to the sureties and guarantees described in the ***Sureties and guarantees*** section of the present report, the Company and the Group did not have any significant off-balance sheet items.

Explanation of differences between the financial results of the Company and its Capital Group and previously published forecasts

The company and the companies included in its Capital Group did not publish financial forecasts for 2017.

Major achievements in the field of research and development

In the financial year 2017, the Group did not conduct research and development projects until the date of this report.

Changes in the basic principles of management

In the 2017 financial year and until the date of this report, there were no major changes to the basic management principles of the Capital Group.

Factors and events affecting the Company and the Group

In 2017, the process of the Group's division was finalised by separating, to Marvipol Development S.A., the development activity (spinned off activity). On 1 December 2017, following the division of the Company under Art. 529 pairs 1 item 4 of the Commercial Companies Code (division by spin off), a part of the Company's assets was transferred, constituting an organised part of the enterprise, functioning as Marvipol S.A. A branch in Warsaw and an operating developer's activity, to Marvipol Development S.A. The transfer of the organised part of the enterprise was accompanied by the capital increase of Marvipol Development S.A. through issue of 41,511,852 C series shares (issue of distribution). From the day 1 December 2017, when the capital increase of Marvipol Development S.A. was registered and formal transfer of ownership of the organised part of Marvipol S.A., the Group ceased to operate in the property development segment. At the same time starting from 1 December 2017, the results of Marvipol S.A. Branch in Warsaw and its subsidiaries that carry out property development activities are not consolidated within the Group.

Contracts that may result in future changes in the proportions of shares held by shareholders and bondholders

The company and the companies comprising its Group do not have any information about the relevant agreements.

Shares of the Company held by members of the Management Board and the Supervisory Board

As of 31 December 2017, the Company's shareholders which were members of the Management Board and Supervisory Board were as below:

Person	Position	Holdings
Mariusz Książek	President of the Management Board	27,428,131 shares – via Książek Holding Sp. z o.o. and MK Holding S.a.r.l.) 2,077,592 shares – directly
Mariusz Poławski	Member of the Management Board	349,010 shares

As at the date of this report, the holders of the Company's shares which are members of the Management Board and Supervisory Board were as below:

Person	Position	Holdings
Mariusz Książek	President of the Management Board	17,039,536 shares – via Książek Holding Sp. z o.o. and MK Holding S.a.r.l.) 2,077,592 shares – directly
Arkadiusz Miętkiewicz	Vice-president of the Management Board	31,296 shares
Arkadiusz Rutkowski	Vice-president of the Management Board	43,916 shares

Remuneration of members of the Management Board and Supervisory Board

Information on the remuneration of Management Board and Supervisory Board members is presented in **Note 35** of the Standalone Financial Statements for 2017 and in Note 40 to the Consolidated Financial Statements for 2017.

Agreements concluded between the Company and the managing persons, providing compensation in the event of resignation or dismissal from the position held

As at 31 December 2017 and as at the date of this report, there were no agreements providing compensation for managing persons in the event of their resignation or dismissal from their position.

Information on consolidation

British Automotive Holding S.A. is the parent Company in the Capital Group, preparing consolidated financial statements.

The list of entities included in the Capital Group is presented in the chapter **Companies included in the British Automotive Holding Capital Group** of the Management Board Report on the activities of the Company and its Capital Group.

The information on the basis for preparation of the consolidated financial statements of the Capital Group and the financial statements of the Company is presented in Note 2 to the consolidated financial statements of the Group for 2017 and in **Note 2** of the Company's Standalone financial statements for 2017.

An entity authorised to audit financial statements

The audit of the Company's and the Group's financial statements for 2017 was carried out by CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.

Detailed information on the entity authorised to audit financial statements, the contract with which was concluded were provided in **Note 36** of the Standalone Financial Statements for 2017 and in Note 43 to the Consolidated Financial Statements of the Company for 2017.

18. CORPORATE GOVERNANCE

18.1. Principles of corporate governance

A set of corporate governance principles to which the Company is subject and the place where the text of the set of rules is publicly available

In 2017, British Automotive Holding S.A. complied with the corporate governance principles contained in the collection "Good Practices of Companies Listed on the Warsaw Stock Exchange 2016" [hereinafter: DPSN], adopted by the Warsaw Stock Exchange Supervisory Board by way of resolution No. 26/1413/2015, taken on 13 October 2015. This collection is available on the website of the Stock Exchange in Warsaw S.A. at the address: <https://www.gpw.pl/dobre-praktyki>.

The extent to which the Company departed from the provisions of corporate governance principles to which it is subject with the indication of these provisions and the reasons for this withdrawal

British Automotive Holding S.A. did not use recommendation No. I.R.2. DPSN - the Company has not adopted a policy in the area of conducting sponsoring, charity or other activities of a similar nature and does not include information in this area in the activity report. Sponsorship or charity has a place in the company, but it is limited to non-permanent and unique activities.

British Automotive Holding S.A. did not apply detailed rule No. I.Z.1.20. DPSN - The Company does not publish on its corporate website the course of the general meeting due to the current shareholding structure, as well as the cost of organizing, holding and registering the meeting, which is not justified.

British Automotive Holding S.A. did not apply recommendation III.R.1. DPSN - organisational units responsible for the internal control system, risk management system, compliance and internal audit have not been separated in the company structure, however within the current organisational structure, the above tasks are performed by other organisational units operating in the company.

British Automotive Holding S.A. did not apply detailed rule No. III.Z.2. DPSN - within the current organizational structure of the Company, tasks including risk management, internal audit and compliance are carried out by organizational units also responsible for performing other activities, therefore the persons responsible for the above tasks are not subject directly to the Management Board of the Company.

British Automotive Holding S.A. did not apply detailed rules No. III.Z.3. and III.Z.4. DPSN - no organizational unit responsible for internal audit has been separated in the company structure, so no person managing the internal audit function has been appointed.

British Automotive Holding S.A. did not apply recommendation IV.R.2. DPSN - due to the current shareholding structure, as well as not reporting certain expectations by shareholders, the Company does not allow shareholders to participate in the general meeting by means of electronic communication.

British Automotive Holding S.A. did not apply recommendation No. VI.R.1. and VI.R.2. DPSN - the Company has not adopted internal regulations setting out the remuneration policy for members of the Company's governing bodies and key managers.

British Automotive Holding S.A. did not apply detailed rule no. VI.Z.4. DPSN - the Company has not adopted internal regulations setting out the remuneration policy for members of the company's governing bodies and key managers. In the report on operations, the company presents data on the amount of remuneration paid to members of the company's bodies.

18.2. Articles of Association

Rules for changing the Issuer's statute

The amendment to the Articles of Association of British Automotive Holding SA, pursuant to § 26.1.d) of the Articles of Association, falls within the competence of the General Meeting, however, the participation of Książek Holding Sp. z o.o. with headquarters in Warsaw.

18.3. The General Meeting

The manner of operations of the General Meeting and its basic powers as well as a description of shareholders' rights and how they are exercised, in particular principles resulting from the regulations of the general meeting, if such regulations have been adopted, unless the information in this respect stems directly from the law

The General Meeting of the Company operates on the basis of the Statute, Regulations of the General Meeting (both documents available on the Company's website at: <http://ba-holding.pl/relacje-inwestorskie/lad-korporacyjny>) and the law, including the Code of Commercial Companies. Shareholders exercise their rights in the manner specified in the Statute, the Regulations of the General Meeting and applicable laws.

The General Meeting may be ordinary or extraordinary. The Ordinary General Meeting is convened by the Management Board. The Ordinary General Meeting should be held within six months after the end of the financial year. The Extraordinary General Meeting is convened by the Management Board on its own initiative or at the request of shareholders representing at least 1/20 of the share capital. The Extraordinary General Meeting may also be convened by the Supervisory Board if it considers it necessary to convene it. The convening of the Extraordinary General Meeting at the request of shareholders should take place within two weeks from the date of submitting the application.

The Supervisory Board may convene an Ordinary General Meeting if the Management Board of the Company did not convene an Ordinary General Meeting within the prescribed period. The right to convene the General Meeting is also vested in shareholders representing at least 1/2 of the share capital or at least 1/2 of all votes in the Company.

The General Meeting may adopt resolutions only on matters included in the agenda, unless the entire share capital of the Company is represented at the meeting and none of those present raises any objections regarding the adoption of a resolution not included in the agenda. A resolution on removing from the agenda or abandoning the consideration of a matter placed on the agenda is only taken if there are compelling reasons to do so. A motion regarding a photo from the agenda or omission of considering a matter placed on the agenda requires a detailed justification. A photo from the agenda or failure to consider a matter included in the agenda of the General Meeting at the

request of a shareholder or shareholders requires a resolution of the General Meeting, after the prior consent of all applicants present at the General Meeting. A resolution on removal from the agenda or failure to consider a matter placed on the agenda of the General Meeting at the request of a shareholder or shareholders requires a majority of three-quarters of votes. The Supervisory Board and a shareholder or shareholders representing at least 1/20 of the share capital may request that specific matters be placed on the agenda of the next General Meeting. The General Meeting convened at the request of shareholders should take place on the date indicated in the request, and in the event of significant obstacles - within a timeframe enabling the General Meeting to settle matters put to its agenda. Cancellation of the General Meeting in whose agenda at the request of authorized entities there were certain matters, or which was convened on such a request is possible only with the consent of the applicants. The cancellation takes place in the same manner as the convocation, in any case not later than three weeks before the originally planned date. Change of the date of the General Meeting takes place in the same mode as its cancellation.

The General Meetings are held at the registered office of the Company. It is not acceptable to participate in the General Meeting by means of electronic communication or by correspondence.

The General Meeting adopts and changes the regulations of the General Meeting; changes are effective from the next General Meeting.

To the competences of the General Meeting, except for matters explicitly mentioned in the Articles of Association or resulting from the provisions of the Code of Commercial Companies, with the provision that to adopt resolutions referred to in art. 415 § 1 - 4 of the Code of Commercial Companies, it is necessary to have in the voting participation of Książek Holding Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, belongs:

- reviewing and approving the Company's financial statements and the Management Board's report on the Company's operations;
- adopting a resolution on the distribution of profits or covering losses;
- acknowledgment of the fulfilment of duties by the members of the Company's governing bodies;
- amending the Company's Articles of Association, including changing the subject of the Company's business;
- subject to the provisions of the Statute on the target capital, increase or decrease of the Company's share capital;
- merger of the Company with another company;
- transformation of the Company;
- dissolution and liquidation of the Company;
- redemption of shares;
- giving consent to purchase own shares in the case specified in art. 362 §1 point 2 of the Code of Commercial Companies;
- issue of convertible bonds or bonds with pre-emptive rights;
- sale and lease of the enterprise or its organized part, establishment of a limited property right thereon;
- all provisions regarding claims for damages caused in connection with the establishment of the Company or the management or supervision of the Company;

- conclusion of a management contract with the parent company referred to in art. 7 of the Code of Commercial Companies;
- without prejudice to the personal rights granted to Książek Holding Spółka z ograniczoną odpowiedzialnością based in Warsaw, appointment and dismissal of members of the Supervisory Board;
- other matters proposed by the Management Board, Supervisory Board or individual shareholders.

Acquisition or disposal of ownership or perpetual usufruct of immovable property, as well as encumbrance of real estate, including the establishment of property rights limited to real estate and submitting other declarations of will with effect for the Company's rights in relation to real estate does not require the consent of the General Meeting. Issue of bonds and other securities, including through public offering, as well as undertaking all activities aimed at dematerialization, registration in the National Depository (within the meaning of the Act from 29 July 2005 on Trading Financial Instruments) and the admission of bonds and other securities for trading on a regulated market, subject to § 26 para. 1 point k of the Articles of Association and the mandatory provisions of the Code of Commercial Companies, it does not require the consent of the General Meeting. Resolutions of the General Meeting are adopted by an absolute majority of votes if the provisions of the Code of Commercial Companies or the Company Statute provide otherwise.

Voting is public. Secret voting is ordered at elections and on motions to dismiss members of the Company's bodies or liquidators, or to hold them liable, as well as in personal matters. Resolutions regarding a significant change in the subject of the Company's operations are always made in an open roll-call, with each share having one vote without any privileges or limitations. A change in the subject of the Company's operations may take place without an obligation to buy back shares if the resolution on changing the subject of the Company's operations is taken by a majority of 2/3 of votes in the presence of persons representing at least half of the share capital.

The Ordinary General Meeting is opened by the Chairman of the Supervisory Board or a person designated by him, and in the absence of any other member of the Supervisory Board or a member of the Management Board, then a chairman is elected from among those entitled to vote. Resolutions are formulated in such a way that each entitled person may appeal against them; this applies in particular to the failure to adopt a resolution on a specific matter included in the agenda.

18.4. Shareholders

Shareholders owning directly or indirectly large blocks of shares

List of Shareholders owning directly or indirectly significant blocks of shares of the Company is presented in the chapter **Shareholders of the Company** in Report of the Management Board on the operations of the Company and its Capital Group.

Holders of any securities that give special control rights

All Company shares are ordinary shares with which no special privileges are associated.

In accordance with the Company's Statute, the Shareholder of Książek Holding Sp. z o.o. with its registered office in Warsaw, apart from the rights described in this part of the Report with respect to the principles of amending the Company's Articles of Association and the rules regarding appointment and dismissal of managing persons, have the personal right to appoint and dismiss members of the Supervisory Board in the following number: (1) in the case of a five-person Supervisory Board, Książek Holding Sp. z o.o. has the personal right to appoint and dismiss three members of the Supervisory Board, including the Chairman of the Supervisory Board, and (2) in the case of a six-member and seven-person Supervisory Board of Książek Holding Sp. z o.o. has the right to appoint and dismiss four members of the Supervisory Board and to entrust a member of the Supervisory Board with the function of the Chairman of the Supervisory Board.

Personal rights of the company Książek Holding Sp. z o.o. to appointing and dismissing of a certain number of members of the Management Board or the Supervisory Board lasts as long as the company Książek Holding Sp. z o.o. is entitled to exercise rights from shares representing at least 1/5 of the share capital of the Company.

Restrictions on the exercise of voting rights, such as the limitation of the exercise of voting rights by the holders of a specific part or number of votes, time limits regarding the exercise of voting rights or subscriptions, in which, with the cooperation of the Company, capital rights related to securities are separated from the possession of securities

There are no restrictions on the exercise of the voting rights attached to the securities of British Automotive Holding S.A. All Company shares are ordinary shares that give the right to one vote at the General Meeting.

Limitations on the transfer of ownership of the issuer's securities

There are no statutory restrictions regarding the transfer of ownership of securities to British Automotive Holding S.A.

18.5. Supervisory Board and Management Board of the Company

Supervisory Board – composition

The composition of the Company's Supervisory Board is presented in the chapter **Authorities of British Automotive Holding S.A.** in Report of the Management Board on the operations of the Company and its Capital Group.

Supervisory Board – changes in composition

In 2017 and until the date of preparation of the Annual Report, there were no changes in the composition of the Company's Supervisory Board.

Supervisory Board – principles of operation

The Supervisory Board of the Company operates on the basis of the Statute, the Regulations of the Supervisory Board (both documents available on the Company's website at <http://ba-holding.pl/relacje-inwestorskie/lad-korporacyjny>) and the law, including the Code of Commercial Companies.

The Chairman of the Supervisory Board convenes meetings of the Supervisory Board and chairs them. The Supervisory Board holds meetings at least once every 4 months, not less than 3 times a year. The Chairman of the Supervisory Board is obliged to convene a meeting of the Supervisory Board within two weeks upon a written motion of the Management Board. The meeting should be held within one month of the submission of the application. In case of absence of the Chairman, he is replaced by the Vice-Chairman. The agenda of the Supervisory Board meeting should not be changed or supplemented during the meeting, unless all members of the Supervisory Board are present and agree to such a change or supplement, or it is necessary to prevent the Company from harm or concerns the assessment of a conflict of interest between a member of the Supervisory Board and the company.

The Supervisory Board adopts resolutions if at least half of its members are present at the meeting, and all its members have been invited. An invitation shall be deemed effective if it has been delivered to a member of the Supervisory Board in person or if it has been sent by courier or registered mail or by email to the address indicated in writing by the member of the Supervisory Board as the address for correspondence, at least 7 days prior to the date of the meeting, with a subject to the next sentence. In urgent or urgent cases, the invitation is considered effective if it has been delivered personally to a member of the Supervisory Board or if it has been sent by courier or registered mail or by email to the address indicated in writing by the member of the Supervisory Board as the correspondence address, at least 48 hours before the meeting. The Supervisory Board adopts resolutions by an absolute majority of votes cast, with the exception of resolutions of the Supervisory Board regarding suspending, for important reasons, the activities of individual or all members of the Management Board and delegating members of the Supervisory Board to temporarily perform the duties of members of the Management Board, for which it is necessary to cast votes for the resolution by all Members of the Supervisory Board. Resolutions on the selection of a statutory auditor to audit a Company's financial statements require for their validity that a minimum of one independent member of the Supervisory Board may vote at such resolution, provided that any of the independent members is present at a given Supervisory Board meeting. Members of the Supervisory Board may participate in adopting Supervisory Board resolutions by casting their votes in writing through another member of the Supervisory Board. Casting a vote in writing may not apply to matters introduced to the agenda during the meeting of the Supervisory Board. Subject to the law, resolutions may be adopted by the Supervisory Board in writing or using means of direct remote communication. The resolution is valid when all members of the Supervisory Board have been notified of the content of the draft resolution in a proper manner.

The statutory auditor is selected by the Supervisory Board after presenting the recommendation of the Management Board.

As part of the Supervisory Board of British Automotive Holding S.A. the Audit and Remuneration Committees operate. Both the Audit Committee and the Remuneration Committee meet as required, however, at least once in a calendar year.

Management Board – composition

The composition of the Company's Management Board is presented in the chapter **Authorities of British Automotive Holding S.A.** in Report of the Management Board on the operations of the Company and its Capital Group.

Management Board – changes in composition

In 2017, there were no changes in the composition of the Company's Management Board, while on 22 August 2017, the Supervisory Board, acting pursuant to § 21.2.j) of the Articles of Association, appointed Mr Mariusz Poławski to the Management Board and serving as a Management Board member for the next two-year term of office until 26 August 2019.

9 January 2018 Mr Mariusz Poławski resigned from the position of Member of the Management Board of the Company with effect on the day of the next meeting of the Company's Supervisory Board with the agenda including the appointment of new members of the Company's Management Board.

15 January 2018 the Supervisory Board of the Company:

- appointed Mr Arkadiusz Miętkiewicz to the Management Board of the Company and entrusted Mr Arkadiusz Miętkiewicz with the function of Vice-president of the Board,
- appointed Mr Arkadiusz Rutkowski to the Management Board of the Company and entrusted Mr Arkadiusz Rutkowski with the position of the Vice-president of the Management Board,
- appointed Mr Rafał Suchan to the Company's Management Board and entrusted Mr Rafał Suchan with the function of a Member of the Management Board.

Management Board – principles of operations

The Management Board of the Company operates on the basis of the Statute, the Regulations of the Management Board (both documents available on the Company's website at the address <http://baholding.pl/relacje-inwestorskie/lad-korporacyjny>) and legal regulations, including the Code of Commercial Companies.

The Management Board, under the leadership of the President, manages the assets and affairs of the Company, and also represents it outside. The Management Board, guided by the interest of the Company, defines the strategy and main goals of the Company's operations and submits them to the Supervisory Board, after which it is responsible for their implementation. The Management Board cares about the efficiency and transparency of the Company's management system and handling its affairs in accordance with the law. Resolutions of the Management Board are adopted by a simple majority of votes. In the event of an equal number of votes, the vote of the President of the Management Board is a casting vote. The Management Board may also adopt resolutions in writing or using means of direct remote communication. The resolution is valid when all Management Board members have been notified about the content of the draft resolution. The President of the Management Board is responsible for day-to-day management and coordination of the Management Board's work, general supervision of the timely management of matters by the Management Board, current allocation of tasks to other Management Board members, resolution of potential competence disputes among other members of the Management Board. In addition to managing matters resulting from the division of duties in the Management Board, the President of the Management Board has the right to carry out a review of each matter within the Board's competence on a timely basis. The President of the

Management Board approves the work plan of the Management Board, convenes and establishes the agenda of the meetings, guided by in particular, the motions of members of the Management Board, chair the meetings of the Management Board.

The President of the Management Board alone or the Vice-President of the Management Board, together with the Vice-President of the Management Board or a member of the Management Board or proxy, or two members of the Management Board jointly or one member of the Management Board together with a proxy shall be entitled to make statements on behalf of the Company.

Rules regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issue or purchase of shares

In accordance with the Company's Articles of Association, the Management Board consists of one to seven persons. In the case of a one-man board, the Management Board consists of the President of the Board, whereas in the case of a multi-person Board, the Management Board consists of the President of the Board, Vice-Presidents of the Board and / or Members of the Board.

Książek Holding Spółka z ograniczoną odpowiedzialnością based in Warsaw has the personal right to appoint and dismiss four members of the Management Board. Members of the Management Board appointed by the company Książek Holding Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, the company Książek Holding Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, may entrust the President or the Vice Presidents of the Management Board. These rights are exercised by way of serving a written statement to the Company on the appointment or dismissal of a given member of the Management Board or entrusting or dismissing from the function of the President of the Management Board or the Vice President of the Management Board. In the case of being appointed to the Management Board or entrusting the function of the President of the Management Board or the Vice-President of the Management Board, the statement referred to in the preceding sentence must be accompanied by a statement expressing consent of the person to be appointed to the Management Board and, respectively, holding the position of President of the Management Board or Vice-President of the Management Board. If the company Książek Holding Spółka z ograniczoną odpowiedzialnością based in Warsaw does not entrust the function of the President of the Management Board within one month from the occurrence of the event causing the necessity to make a choice, then the task of entrusting the function of the President of the Management Board or appointing a new member of the Management Board and entrusting him with the function of the President of the Management Board may be performed by the Supervisory Board. The right of the Supervisory Board referred to in the preceding sentence does not apply to the appointment of other members of the Management Board than a member of the Management Board who will be entrusted with the function of the President of the Management Board. The other members of the Management Board in the number of one to three members of the Management Board may be appointed and dismissed by the Supervisory Board, whereas the Supervisory Board appointed by the Supervisory Board may entrust the Vice-Presidents of the Management Board. The term of office of each member of the Management Board is 2 years.

In the period up to 31 May 2017, the Management Board of the Company was entitled to increase the share capital by PLN 6,200,000 (six million two hundred thousand zlotys - target capital) through one or several increases in share capital within the limits set out above (target capital), with shares issued

as part of such an increase could be acquired in exchange for cash or non-cash contributions. The Management Board of the Company does not have the authority to make decisions on the purchase of shares.

Description of the diversity policy applied to the administrative, management and supervisory bodies of the issuer

The Issuer has not developed and does not implement diversity policy. In the case of staff decisions, the Issuer's Management Board is guided in particular by the current needs of the company and the long-term interests of the Company's Shareholders. In the selection of persons holding managerial, managerial or supervisory functions, the knowledge, competencies and experience of individual candidates are decisive, while the candidate's age or gender is of secondary importance.

18.6. Internal control and risk management system

The main features of the internal control and risk management systems applied by the Company in relation to the process of preparing standalone financial statements and consolidated financial statements

The Management Board of British Automotive Holding S.A. is responsible for the implementation and functioning of the internal control system in the process of preparing financial statements and periodic reports published in accordance with the Regulation of the Minister of Finance of 19 February 2009 (as amended) on current and periodic information provided by issuers of securities and conditions recognition as equivalent of information required by the law of a non-Member State.

The internal control system in the process of preparing financial statements functions in the Company based on:

- internal procedures of the Company specifying the rules of reporting and the scope of responsibility in the process of preparing financial statements,
- reviews of the semi-annual and annual financial statements of the Company by an independent chartered auditor.

The basis for the preparation of financial statements are the accounting books, which are kept using the Symfonia financial and accounting program, ensuring the satisfaction of information needs for financial and management accounting. The company uses organizational and IT solutions that ensure proper use and protection of the software and financial data, as well as securing access to computer hardware and software. Access to the resources of the financial and accounting system, and consequently to financial reporting, is limited by appropriate authorizations granted to authorized employees only in the scope of duties performed by them.

The financial statements of the Company are prepared by a highly qualified team of employees of the Accounting Department in cooperation with the employees of the Finance Department. The correctness of the data entered into the system is verified additionally by a financial analyst, reporting directly to the Management Board of the Company. The final stage of the process is the final authorization of reports by the Company's Management Board. In the case of annual and semi-annual reports, in accordance with the applicable law, the Company subjects them to a review or audit by an independent certified auditor with recognized, adequately high qualifications. Final approval of these

reports by the General Meeting of the Company is preceded by obtaining the opinion of an independent chartered auditor.

The organization of the financial risk management system consists in the separation of units responsible for concluding various types of transactions on the market, issuing opinions on these transactions by other independent cells before their final approval by the Management Board and, as a result, reducing operational and financial costs, in which the financial risk is actually contained.

Mariusz Książek

President of the Management Board

Mariusz Poławski

Member of the Management Board until 14.01.2018

Arkadiusz Miętkiewicz

Vice-president of the Management Board

Arkadiusz Rutkowski

Vice-president of the Management Board

Rafał Suchan

Member of the Management Board



BAH
BRITISH AUTOMOTIVE HOLDING

CONTACT

British Automotive Holding S.A.

32 Prosta Street

Warsaw

+48 22 536 50 50

biuro@ba-holding.pl

<http://ba-holding.pl/>