INTER CARS S.A.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 January to 31 December 2014

15. edycja
Giełdowa Spółka
Roku 2013

inter cars

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Letter from President of the Board of Directors
Inter Cars S.A.

Dear Shareholders, Employees, Friends,

Another good year have gone by. Inter Cars generated sales revenue of over PLN 3.9bn and a profit of PLN 177 million, an increase by 20% in comparison to previous year. The whole Management Board is much satisfied with these above average results. We were also appreciated by the investors, which was seen in the share price, which at the end of 2014 reached the level of PLN 220.

We are growing faster than our competitors on most geographical markets. Our subsidiaries, which are located in 12 countries, are either already market leaders or will become ones in a couple of years.

Below we are presenting the main events which had influence on the result in the previous year.

Sales increase in the main segment of operations, i.e. domestic sales of automotive spare parts, grew by 11.7%. It was higher than increase of other distributors declared in the same segment, i.e. 5.3%. Data of the Central Vehicle Registry shows that vehicle fleet in 2014 grew by 3%. This means that the market of automotive spare parts and repairs in 2014 was a growing one. The average age of a car is still 11 years, which shows that we do not differ much from the average European or World age of a car, and also proves that the market environment favours the development of our Company.

Starting from the previous year we are recording increased competition in the segment of passenger cars. This situation is a result of decrease in export sales to such countries as Russia, Byelorussia and Ukraine, caused by the "Ukrainian crisis". As a result, the distributors offer most of their products on domestic market, what increases the market pressure.

The success in 2014 is mainly due to development of the product range. According to our estimates, we have the widest automotive product range in Europe. Constant development of the product range, by adding new segments, ensures Inter Cars with dynamic growth and builds potential for the future, which is best confirmed with our current results. For instance, the tyre segment. On a non-growing market, many small, monoculture distributors (specializing mostly in tyres) have more and more problems competing with fast-reacting companies, such as Inter Cars. The example of tyres and spare parts for heavy goods vehicles show that, constant analysis of market environment, modification of the strategy and determination in operations based on solid foundations of the company - efficient logistics and financial stability, speeds up the market consolidation.
Very soon we can become an important market player in the country, and very soon also abroad, in the segments which till now were only additional business.

The average growth of foreign distribution subsidiaries is over 25%. They do not only take advantage of growth on local markets, but also win the market share from their competitors. This leads directly to strengthening the company as a market leader in the countries of Middle and Eastern Europe.

Entering other geographical markets was a form of business diversification and a part of development strategy which characterized with higher increase than the increase of competitors in Western Europe.

We are much pleased with the results of all our distribution companies recorded in 2014. It is a good forecast for the coming years.

Because of further development of distribution chain, we are constantly increasing our warehousing premises. These investments build up our competitive advantage. The main investments in the coming year are: construction of the new Logistics Centre in Zakroczym, implementation of the new Warehouse Management System ("WMS") in logistics.

The Logistics Centre in Zakroczym will be launched in the middle of the next year. Investment expenditure for this purpose, this and the following year, shall reach over PLN 150 million, of which over a half shall be spent on modern inner-warehouse logistics. The system of sorters used in the new Logistics Centre is an innovation in automotive distribution industry in this part of Europe.

Inter Cars continues to grow and develop the main part of its “One Stop Shop” strategy, aimed at providing a comprehensive offer to garages. We started with distribution of mechanical parts, developing the product range with another goods and a wide range of advantages for the Customers. Servicing garages development support using investment and marketing contracts, the Young HR programme for young mechanics, modern training centre or the Bio-Service programme offering comprehensive waste management and disposal, are just some of the operations with which we are supporting our business environment.

Motointegrator is another project creating our competitive advantage. It is a telephone and Internet service designed for individual drivers and fleet owners, which helps to realize the purchase of automotive goods and services in repair garages, authorized by Inter Cars SA. The project is realized on the basis of almost 5,000 garages with Motointegrator Partner quality mark. Currently it is the biggest in Middle and Eastern Europe automotive programme.

Inter Cars is not only distribution of automotive parts and products, but also manufacturing operations, closely connected with the automotive industry, which increases our added value chain. Lauber, dealing in remanufacturing of automotive spare parts and components and Feber, manufacturing semi-trailers, are companies, which additionally contribute to results of Inter Cars.

Looking at the perspectives, in the whole year 2015 we are expecting an increase higher than the market, in the main product categories and expansion in assortment categories, such as tyres, spare parts for heavy goods vehicles.

The year 2015 is a very special year for our Company. We are celebrating the 25th anniversary of establishment. I am sure that it will be an occasion of communicating very good results as well as new ideas for further development of our business in the following years.

On behalf of my own, the Management Board and staff of Inter Cars S.A., I would like to assure you that your trust inspires and encourages us to work even harder.

Yours faithfully,

Robert Kierzek

President of the Management Board

Statement of the members of the Management Board
Inter Cars S.A.

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

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

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

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

Warsaw, 30 April 2015

Robert Kierzek	*Krzysztof Soszyński*
President of the Management Board	*Vice-President of the Management Board*
Krzysztof Oleksowicz	*Witold Kmieciak*
Member of the Management Board	*Member of the Management Board*
Wojciech Twaróg	
Member of the Management Board	

Financial highlights

	for the period of 12 months ended on 31 December			
	31.12.2014 in thousand PLN	31.12.2013 in thousand PLN	31.12.2014 in thousand EUR	31.12.2013 in thousand EUR
Information on growth and profits				
Sales margin	30.6%	31.6%		
EBITDA	269,663	232,379	64,369	55,184
EBITDA as percentage of sales	6.8%	6.6%		
EBITDA (for 12 consecutive months)	269,663	232,379	64,369	55,184
Net debt / EBITDA	2.12	1.85		
Basic earnings per share (PLN)	12.54	10.43	2.99	2.48
Diluted earnings per share (PLN)	12.54	10.43	2.99	2.48
Operating profit	227,101	193,282	54,210	45,899
Net profit	**177,699**	**147,837**	**42,417**	**35,107**
Cash flows				
Operating cash flows	46,160	101,649	11,019	24,139
Investing cash flows	(72,924)	(38,596)	(17,407)	(9,166)
Financing cash flows	42,396	(49,804)	10,120	(11,827)
Employment and branches				
Employees				
Parent company	335	364		
Subsidiaries	1,395	1,258		
Branches				
Parent company	169	156		
Subsidiaries	161	134		

	As at		**As at**	
Consolidated statement of the financial situation	31.12.2014 in thousand PLN	31.12.2013 in thousand PLN	31.12.2014 in thousand EUR	31.12.2013 in thousand EUR
Cash and cash equivalents	65,829	50,197	15,444	12,104
Balance sheet total	2,056,682	1,696,612	482,529	409,098
Loans, borrowings and finance lease	636,634	479,726	149,364	115,675
Equity attributable to the shareholders of the parent entity	1,069,048	903,766	250,815	217,922

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

- for the statement of financial position items – the National Bank of Poland exchange rate of 31 December 2014 – EUR 1 = PLN 4.2623, and the National Bank of Poland exchange rate of 31 December 2013 – EUR 1 = PLN 4,1472
- for the comprehensive income and cash flow statement items – an exchange rate constituting the National Bank Exchange Rate announced on the last day of each month of the 4 quarters of 2014 and 2013: 1 EUR = PLN 4.1893 and 1 EUR = PLN 4,2110.

PART II
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD from 1 January to 31 December 2014

Information about INTER CARS S.A.

1. Scope of activities

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

2. Registered seat

ul Powsińska 64
02-903 Warsaw
Poland
Central Warehouse:
ul. Gdańska 15
05-152 Czosnów nearby/Warsaw

3. Contact details

tel. (+48-22) 714 19 16
fax. (+48-22) 714 19 18
bzarzadu@intercars.eu
relacje.inwestorskie@intercars.eu
www.intercars.com.pl

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

Andrzej Oliszewski, President
Piotr Płoszajski
Maciej Oleksowicz
Michał Marczak
Jacek Klimczak

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

Robert Kierzek, President
Krzysztof Soszyński, Vice-President
Krzysztof Oleksowicz
Wojciech Twaróg
Witold Kmieciak

6. Statutory auditor

KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa
ul. Chłodna 51
00-867 Warsaw

(in thousand PLN)

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

Bank Pekao S.A.
ul. Grzybowska 53/57
00-950 Warsaw

RBS Bank (Polska) S.A.
ul. 1-go Sierpnia 8A
02-134 Warsaw

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

BRE Bank S.A
Ul. Królewska 14
00-065 Warsaw

ING Bank Śląski S.A
Pl. Trzech Krzyży 10/14
00-499 Warsaw

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

HSBC Bank Polska S.A.
ul. Marszałkowska 89
00-693 Warsaw

Centralny Dom Maklerski PEKAO SA
Wołoska 18
02-675 Warsaw

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

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

8. Subsidiaries and associated entities of Inter Cars - entities included in consolidation as at 31 December 2014

As at 31 December 2014, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 29 other entities, including:

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

The Group also holds shares in two related entities.

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31.12.2014	31.12.2013
Parent company					
Inter Cars S.A.	Warsaw	Import and distribution of spare parts for passenger cars and commercial vehicles	full	Not applicable	Not applicable
Direct subsidiaries					
Inter Cars Ukraine	Ukraine, Khmelnitsky	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Q-service Sp. z o.o.	Cząstków Mazowiecki	Advisory services, organization of trainings and seminars related to automotive services and the automotive market	full	100%	100%
Lauber Sp. z o.o.	Słupsk	Remanufacturing of car parts	full	100%	100%
Inter Cars Česká republika s.r.o.	Czech Republic, Prague	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Feber Sp. z o.o.	Warsaw	Manufacture of motor vehicles, trailers and semi-trailers	full	100%	100%
IC Development & Finance Sp. z o.o	Warsaw	Real estate development and lease	full	100%	100%
Armatus sp. z o.o.	Warsaw	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%

(in thousand PLN)

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31.12.2014	31.12.2013
Inter Cars Slovenská republika s.r.o.	Slovakia, Bratislava	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Lietuva UAB	Lithuania, Vilnus	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto s.r.o.	Czech Republic, Karvina-Darkom	The Company does not carry out operating activities	full	100%	100%
JC Auto S.A.	Belgium, BrainL'Allued	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Hungária Kft	Hungary, Budapest	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Italia s.r.l (formerly JC Auto s.r.l.)	Italy, Milan	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars d.o.o.	Croatia, Zagreb	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Romania s.r.l.	Romania, Cluj-Napoca	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Cyprus Limited	Cyprus, Nicosia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Latvija SIA	Latvia, Riga	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Cleverlog-Autoteile GmbH	Germany, Berlin	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Bulgaria Ltd.	Bulgaria, Sofia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	Warsaw	Advertising, market and public opinion research	full	100%	100%
ILS Sp. z o.o.	Nadarzyn	Logistics services	full	100%	100%
Inter Cars Malta Holding Limited	Malta	Assets management	full	100%	100%
Q-service Truck Sp. z o.o.	Warsaw	Sale of delivery vans and trucks	full	100%	100%
Inter Cars d o.o.(Slovenia)*	Slovenia, Ljubljana	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	-
Cleverlog Eesti OÜ (Estonia) **	Estonia, Tallinn	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	-
Indirect subsidiaries					
Inter Cars Malta Limited	Malta	Sale of spare parts and advisory services related to automotive services and the automotive market	full	100%	100%
Aurelia Auto d o o	Croatia	Distribution of spare parts and real estate rental	full	100%	100%
Associated entities					
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	Szczytno	Manufacture of friction linings and materials	equity method	49%	49%
InterMeko Europa Sp. z o.o.	Warsaw	Control and assessment of spare parts, components and accessories	equity method	50%	-

* The company started operational activity in 2Q2014.

** The company started operational activity in 1Q2015.

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

9. Associated entities

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

10. Stock exchange listings

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

11. Date of approval of the financial statements for publication

These annual consolidated financial statements were approved by the Management Board of Inter Cars S.A for publication on 30 April 2015.

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF THE FINANCIAL SITUATION

(in thousand PLN)	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	270,206	219,446
Investment property	7	25,357	25,825
Intangible assets	6	157,558	160,861
Investments in related entities	8	672	45
Investments available for sales	9	301	301
Receivables	12	13,399	11,722
Deferred tax assets	10	31,039	26,922
		498,532	**445,122**
Current assets			
Inventories	11	1,040,841	818,513
Trade and other receivables	12	450,808	377,002
Corporate income tax receivables		672	5,778
Cash and cash equivalents	13	65,829	50,197
		1,558,150	**1,251,490**
TOTAL ASSETS		**2,056,682**	**1,696,612**
LIABILITIES			
Share capital	14	28,336	28,336
Share premium account	14	259,530	259,530
Statutory reserve funds		560,214	446,251
Other capital reserves		5,935	5,935
Foreign exchange gains /losses in subsidiaries		(6,076)	(3,718)
Retained earnings		221,109	167,432
Equity		**1,069,048**	**903,766**
Long-term liabilities			
Loan, borrowing and finance lease liabilities	16	399,470	41,040
Other long-term liabilities		5,405	284
Deferred corporate income tax reserve	10	8,862	8,750
		413,737	**50,074**
Short-term liabilities			
Trade and other liabilities	17	313,733	285,670
Loan, borrowing and finance lease liabilities	16	237,164	438,686
Employee benefits	18	11,759	11,949
Income tax liabilities	19	11,241	6,467
		573,897	**742,772**
TOTAL LIABILITIES		**2,056,682**	**1,696,612**

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousand PLN)	Note	for the period of 12 months ended on	
		31.12.2014	31.12.2013
Sales revenues	21	3,959,230	3,512,647
Cost of sales	22	(2,749,434)	(2,402,524)
Gross profit on sales		**1,209,796**	**1,110,123**
Other operating income	24	8,345	6,290
Costs of sales and administrative costs	23	(546,404)	(505,764)
Distribution expenses	23	(428,881)	(387,428)
Other operating expenses	25	(15,755)	(29,939)
Operating profit		**227,101**	**193,282**
Financial income	26	2,591	1,882
Foreign exchange gains/losses	26	(2,456)	192
Financial expenses	26	(21,334)	(24,238)
Interest in associates		92	(13)
Profit before tax		**205,994**	**171,105**
Income tax	28	(28,295)	(23,268)
Net profit		**177,699**	**147,837**
Attributable to:			
shareholders of the parent company		177,699	147,837
minority shareholders		-	-
		177,699	**147,837**
OTHER COMPREHENSIVE INCOME			
Items which may transferred to financial result			
Foreign exchange gains /losses		(2,358)	(1,318)
Total other comprehensive income, net		**(2,358)**	**(1,318)**
COMPREHENSIVE INCOME		**175,341**	**146,519**
Net profit attributable to:			
- the shareholders of the parent entity		177,699	147,837
- non-controlling interests		-	-
		177,699	**147,837**
Comprehensive income attributable to:			
- the shareholders of the parent entity		175,341	146,519
- non-controlling interests		-	-
		175,341	**146,519**
Earnings per share (PLN)			
- basic and diluted		12.54	10.43
Number of shares		14,168,100	14,168,100

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2014 to 31 December 2014

(in thousand PLN)	Share capital	Share premium account	Statutory reserve funds	Foreign exchange gains /losses in subsidiaries	Other capital reserves	Retained earnings	**Total equity**
As at 1 January 2014	**28,336**	**259,530**	**446,251**	**(3,718)**	**5,935**	**167,432**	**903,766**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	177,699	**177,699**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	(2,358)	-	-	**(2,358)**
Total comprehensive income	***-***	***-***	***-***	***(2,358)***	***-***	***177,699***	***175,341***
Transactions with shareholders							
Distribution of prior period profit – dividend	**-**	**-**	-	**-**	**-**	(10,059)	***(10,059)***
Distribution of retained earnings – transfer to statutory reserve funds	-	-	113,963	-	-	(113,963)	**-**
As at 31 December 2014	**28,336**	**259,530**	**560,214**	**(6,076)**	**5,935**	**221,109**	**1,069,048**

ANNUAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the period from 01 January 2013 to 31 December 2013

(in thousand PLN)	Share capital	Share premium account	Statutory reserve funds	Foreign exchange gains /losses in subsidiaries	Other capital reserves	Retained earnings	**Total equity**
As at 01 January 2013	**28,336**	**259,530**	**373,750**	**(2,400)**	**5,935**	**92,096**	**757,247**
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	147,837	**147,837**
Other comprehensive income							
Foreign exchange gains /losses in subsidiaries	-	-	-	(1,318)	-	-	**(1,318)**
Total comprehensive income	***-***	***-***	***-***	***(1,318)***	***-***	***147,837***	***146,519***
Transactions with shareholders							
Distribution of retained earnings – transfer to statutory reserve funds	-	-	72,501	-	-	(72,501)	**-**
As at 31 December 2013	**28,336**	**259,530**	**446,251**	**(3,718)**	**5,935**	**167,432**	**903,766**

(in thousand PLN)

ANNUAL CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand PLN)	**Note**	**01.01.2014 31.12.2014**	**01.01.2013 31.12.2013**
Cash flows from operating activities			
Profit before tax		205,994	171,105
Adjustments:			
Depreciation and amortization		42,562	39,097
Foreign exchange gains /losses		2,299	(1,126)
(Profit / loss on investing activities		(466)	12,272
Net interest	27	19,100	18,031
(Gain)/loss on revaluation of investment property		(407)	1,404
Dividends received		(21)	(15)
Other adjustments, net	27	3,499	(406)
Operating profit before changes in the working capital		**272,560**	**240,362**
Change in inventories		(222,883)	(83,546)
Change in receivables		(74,797)	(37,300)
Change in short-term liabilities		93,700	14,027
Cash generated by operating activities		**68,580**	**133,543**
Corporate income tax paid	27	(22,420)	(31,894)
Net cash from operating activities		**46,160**	**101,649**
Cash flow from investing activities			
Proceeds from the sale of intangible assets, investment property, property, plant and equipment		5,673	5,277
Proceeds from the sale of shares		20	-
Acquisition of intangible assets, investment property, and property, plant and equipment		(77,913)	(44,797)
Cost of acquisition of shares in other entities		(560)	(45)
Repayment of loans granted	27	4,973	6,716
Loans granted	27	(5,746)	(7,015)
Dividends received		21	15
Interest received	27	608	1,253
Net cash from investing activities		**(72,924)**	**(38,596)**
Cash flow from financing activities			
Repayment of credits and loans	27	(73,521)	(25,443)
Cash inflows on credits and loans	27	71,049	2,341
Payment of finance lease liabilities	27	(10,709)	(7,453)
Interest paid	27	(18,622)	(19,249)
Dividend paid		(10,059)	-
Payment of the reverse factoring		(65,827)	-
Security issues		150,000	-
Guarantee deposits received		85	-
Net cash from financing activities		**42,396**	**(49,804)**
Net change in cash and cash equivalents		**15,632**	**13,249**
Cash and cash equivalents at the beginning of the period		**50,197**	**36,948**
Cash and cash equivalents at the end of the period		**65,829**	**50,197**

(in thousand PLN)

Notes to the annual consolidated financial statements

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

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

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

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

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

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

2.1. Changes in IFRS and their interpretations

Changes in IFRS and their interpretation which became effective as of 01 January 2014 until the date of approval of the financial statements for publication had no material bearing on these consolidated financial statements.

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

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

Standards and interpretations approved by the EU	Potential bearing on the financial statements
Interpretation by IFRS IC 21 – Public Fees	no bearing expected
Changes to IAS 19 Employee benefits - Programs of particular benefits: Employees’ premiums	no bearing expected
Changes to IFRS 2010-2012; 2011-2013	no bearing expected

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

Standards and Interpretations awaiting EU’s approval
New standard IFRS 9 – Financial Instruments
New standard IFRS 14 - Regulatory deferral accounts
New standard IFRS 15 - Revenue from Contracts with Customers
Changes to IFRS 11 – Joint Arrangements Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture: Agriculture - Bearer Plants

(in thousand PLN)

Amendments to IAS 27 – separate financial statements Equity Method in Separate Financial Statements

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to International Financial Reporting Standards 2012-2014

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception

Amendments to IAS 1 - Presentation of Financial Statements Disclosure Initiative

The new standard IFRS 9 Financial Instruments changes completely requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The changes can potentially influence future financial statements of the Company. As at the date of the statements, the standard IFRS 9 has not been approved by the European Union and its influence on future financial statements of the Company is unknown.

no bearing anticipated

2.4. Basis of measurement

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

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

- measured at fair value.

2.5. Capital Group

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

Name of entity	Consolidation method	% of the Group's share in the share capital	
		31.12.2014	31.12.2013
Inter Cars S.A.	full	Not applicable	Not applicable
Inter Cars Ukraine	full	100%	100%
Q-service Sp. z o.o.	full	100%	100%
Lauber Sp. z o.o.	full	100%	100%
Inter Cars Česká republika s.r.o.	full	100%	100%
Feber Sp. z o.o.	full	100%	100%
IC Development & Finance Sp. z o.o	full	100%	100%
Armatus sp. z o.o.	full	100%	100%
Inter Cars Slovenská republika s.r.o.	full	100%	100%
Inter Cars Lietuva UAB	full	100%	100%
JC Auto s.r.o.	full	100%	100%
JC Auto S.A.	full	100%	100%
Inter Cars Hungária Kft	full	100%	100%
Inter Cars Italia s.r.l (formerly JC Auto s.r.l.)	full	100%	100%
Inter Cars d.o.o.	full	100%	100%
Inter Cars Romania s.r.l.	full	100%	100%
Inter Cars Cyprus Limited	full	100%	100%

Name of entity	Consolidation method	% of the Group's share in the share capital	
		31.12.2014	31.12.2013
Inter Cars Latvija SIA	full	100%	100%
Cleverlog-Autoteile GmbH	full	100%	100%
Inter Cars Bulgaria Ltd.	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	full	100%	100%
ILS Sp. z o.o.	full	100%	100%
Inter Cars Malta Holding Limited	full	100%	100%
Inter Cars Malta Limited	full	100%	100%
Q-service Truck Sp. z o.o.	full	100%	100%
Inter Cars d o.o.(Slovenia)*	full	100%	-
Cleverlog Eesti OÜ (Estonia) **	full	100%	-
Aurelia Auto d o o	full	100%	100%
InterMeko Europa Sp. z o.o.	equity method	50%	-
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	equity method	49%	49%

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

Presented accounting policies were used equally in all entities comprising the Capital Group. In 2013 there were no changes to the accounting policy. Consolidation is based in the full method. Associated entities SMiOC FRENOPLAST Bułhak i Cieślawski S.A. and Intermeko Europe Sp. z o.o. are put into consolidation using equity method.

2.6. Functional and presentation currency

(a) Presentation and functional currency

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

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

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

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

(b) Foreign currency transactions

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

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

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

3. Basis of accounting

3.1. Changes in the accounting policy

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

3.2. Principles of consolidation

(a) Subsidiary Companies

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

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

b) Subsidiary entities

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

(c) Consolidation adjustments

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

3.3. Significant accounting policies

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

a) Property, plant and equipment

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

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

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

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

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

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

Buildings and leasehold improvements	10 - 40 years
Plant and equipment	3 - 16 years
Vehicles	5 - 7 years
Other	1 - 5 years

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

b) Goodwill

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

c) Intangible assets

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

Relations with suppliers

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

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

Computer software

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

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

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

d) Investment property

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

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

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

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

e) Financial assets other than derivatives

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

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

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

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

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

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

(a) Held-to-Maturity Financial Assets

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

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

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

(b) Loans and Receivables

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

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

(c) Available for Sale Financial Assets

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

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

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

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

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

f) Financial liabilities other than derivatives

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

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

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

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

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

g) Impairment of assets

Financial assets

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

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

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

Impairment losses are recognised in current period profit or loss.

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

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

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

Non-Financial Assets

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

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

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

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

h) Lease

a) The Group as a Lessee

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

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

(b) The Group as a Lessor

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

i) Inventories

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

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

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

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

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

j) Cash and cash equivalents

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

k) Equity

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

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

l) Loans and borrowings

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

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

m) Provisions

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

n) Revenue

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

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

Revenue is recognised if:

- the group has transferred to the buyer the significant risks and benefits of ownership,
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods, products and services sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the group,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

(b) Revenue from sales of services

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

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

(c) Interest Income

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

(d) Dividend

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

o) Operating expenses

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

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

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

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

(in thousand PLN)

p) Financial expenses

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

q) Income tax

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

Deferred tax is recognised in connection with temporary differences between the carrying value of assets and liabilities, and their value determined for tax purposes. Deferred tax is not recognised in the following cases:
temporary differences resulting from initial recognition of assets or liabilities related to a transaction other than a merger, which does not affect the profit or loss of the current period nor the taxable income;
temporary differences resulting room investments in subsidiaries in the period when it is unlikely that they will be sold in a foreseeable future;
temporary differences resulting from initial recognition of goodwill.
Deferred income tax is determined with the use of the tax rates, which, according to forecasts, will be applied when the temporary differences will reverse. The tax regulations legally or actually binding up to the reporting date will apply.
Deferred tax asset and deferred tax liability are offset if the Company holds an exercisable right to offset corporate income tax receivable and payable and if the deferred tax asset and deferred tax liability refer to the corporate income tax levied on the same taxpayer by the same tax authority.

r) Valuation of shares in affiliated entities

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

4. Operating segments

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

Supplementary information

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

	31.12.2014	**31.12.2013**
Fixed assets on the territory of Poland	450,255	403,236
Fixed assets outside the territory of Poland	48,277	41,886
Total fixed assets	**498,532**	**445,122**

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

(in thousand PLN)

	Sale of spare parts		Other		Eliminations		Total	
	01.01.2014 -31.12.2014	**01.01.2013 -31.12.2013**	**01.01.2014 -31.12.2014**	**01.01.2013 -31.12.2013**	**01.01.2014 -31.12.2014**	**01.01.2013 -31.12.2013**	**01.01.2014 -31.12.2014**	**01.01.2013 -31.12.2013**
Revenues from external customers	3,891,770	3,461,550	67,460	51,097	-	-	3,959,230	3,512,647
Revenues between segments	15,974	19,020	249,681	170,639	(265,655)	189,848	-	-
Interest income	5,111	3,093	8	84	(2,846)	(2,066)	2,273	1,111
Interest costs	(20,004)	(19,278)	(1,464)	(2,037)	2,846	2,066	(18,622)	(19,249)
Depreciation and amortization	(46,295)	(40,165)	(8,332)	(5,679)	12,065	6,747	(42,562)	(39,097)
Profit before tax	**236,030**	**244,567**	**9,397**	**7,167**	**(39,433)**	**(80,629)**	**205,994**	**171,105**
Shares in affiliates – using equity method	**638**	-	**-**	-	**-**	-	**638**	-
Total assets	**3,101,851**	**2,643,671**	**231,078**	**186,050**	**(1,276,247)**	**(1,133,109)**	**2,056,682**	**1,696,612**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(62,261)	(35,762)	(15,652)	(9,035)	-	-	(77,913)	(44,797)
Total commitments	**1,506,526**	**1,134,130**	**99,561**	**88,993**	**(618,453)**	**(430,277)**	**987,634**	**792,846**

(in thousand PLN)

5. Property, plant and equipment

	31.12.2014	31.12.2013
Land	28,988	37,284
Buildings and structures	94,165	96,305
Plant and equipment	55,386	39,728
Vehicles	18,296	16,983
Other tangible assets	32,967	26,813
Tangible assets under construction	40,404	2,333
Total property, plant and equipment	**270,206**	**219,446**

Property, plant and equipment under lease agreements

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

- 31 December 2014 – PLN 46,569 thousand,
- 31 December 2013 – PLN 37,076 thousand,

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

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

Borrowing costs

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

(in thousand PLN)

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT	**Land**	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other tangible assets**	**Tangible assets under construction**	**Total**
Gross value as at 01 January 2013	**29,074**	**120,246**	**84,239**	**39,897**	**84,929**	**16,307**	**374,692**
Increase:	**8,711**	**8,279**	**13,419**	**6,778**	**9,329**	**4,741**	**51,257**
Acquisition	7,846	8,172	5,438	3,974	9,627	7,267	**42,324**
Transfer	865	107	1,795	57	(298)	(2,526)	**-**
Lease	-	-	6,186	2,747	-	-	**8,933**
Decrease:	**(195)**	**(2,152)**	**(2,624)**	**(14,063)**	**(7,277)**	**(18,767)**	**(45,078)**
Sale	(195)	(2,065)	(488)	(7,153)	(201)	(162)	**(10,264)**
Liquidation	-	(87)	(2,136)	(6,910)	(7,076)	(252)	**(16,461)**
Transfer	-	-	-	-	-	(18,353)	**(18,353)**
Foreign exchange gains /losses in subsidiaries	3	(5)	(52)	(32)	20	52	**(14)**
Gross value as at 31 December 2013	**37,593**	**126,368**	**94,982**	**32,580**	**87,001**	**2,333**	**380,857**
Increase	**(8,166)**	**2,106**	**28,078**	**10,263**	**16,363**	**38,347**	**87,027**
Acquisition	10	561	16,165	4,684	15,755	32,382	**69,593**
Transfer	(8,176)	1,545	300	(242)	608	5,965	**-**
Lease	-	-	11,613	5,266	-	-	**16,879**
Internally generated	-	-	-	555	-	-	**555**
Decrease	**-**	**(583)**	**(1,173)**	**(8,322)**	**(1,158)**	**(325)**	**(11,561)**
Sale	-	-	(904)	(7,520)	(322)	-	**(8,746)**
Liquidation	-	(583)	(269)	(802)	(836)	(325)	**(2,815)**
Foreign exchange gains /losses in subsidiaries	(70)	(180)	(939)	(462)	(188)	49	**(1,790)**
Gross value as at 31 December 2014	**29,357**	**127,711**	**120,948**	**34,059**	**102,018**	**40,404**	**454,533**

(in thousand PLN)

AMORTISATION AND IMPAIRMENT LOSSES	**Land**	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other tangible assets**	**Tangible assets under construction**	**Total**
Amortisation and impairment losses as at 1 January 2013	**250**	**26,664**	**46,591**	**19,135**	**56,022**	**-**	**148,662**
Amortisation for period	59	3,807	10,390	5,277	12,301	-	**31,834**
Sale	-	(328)	(488)	(4,335)	(184)	-	**(5,335)**
Liquidation	-	(87)	(2,136)	(4,464)	(6,610)	-	**(13,297)**
Transfer	-	-	1,155	182	(1,337)	-	**-**
Foreign exchange gains /losses in subsidiaries	-	7	(258)	(198)	(4)		**(453)**
Amortisation and impairment losses as at 31 December 2013	**309**	**30,063**	**55,254**	**15,597**	**60,188**	**-**	**161,411**
Amortisation for period	60	4,045	11,567	5,176	10,055	-	**30,939**
Sale	-	-	(495)	(5,004)	(90)	-	**(5,589)**
Liquidation	-	(583)	(227)	-	(830)	-	**(1,640)**
Foreign exchange gains /losses in subsidiaries	-	21	(537)	(6)	(272)	-	**(794)**
Amortisation and impairment losses as at 31 December 2014	**369**	**33,546**	**65,562**	**15,763**	**69,051**	**-**	**184,327**

NET VALUE:

As at 1 January 2013	**28,824**	**93,582**	**37,648**	**20,762**	**28,907**	**16,307**	**226,030**
As at 31 December 2013	**37,284**	**96,305**	**39,728**	**16,983**	**26,813**	**2,333**	**219,446**
As at 01 January 2014	**37,284**	**96,305**	**39,728**	**16,983**	**26,813**	**2,333**	**219,446**
As at 31 December 2014	**28,988**	**94,165**	**55,386**	**18,296**	**32,967**	**40,404**	**270,206**

(in thousand PLN)

6. Intangible assets

	31.12.2014	**31.12.2013**
Goodwill, including:	124,130	124,130
- goodwill from merger with JC Auto S.A.	*124,130*	*124,130*
Computer software	19,054	20,210
Other intangible assets, including:	11,891	16,521
- relations with suppliers	*7,190*	*8,582*
- other	*4,701*	*7,939*
Intangible assets under construction	2,483	-
	157,558	**160,861**

Impairment test

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

The value in use is the estimated present value of future cash flows generated by the Group. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed materially in comparison to values adopted as at 31 December 2013:

- Projections of cash flows used to estimate the value in use estimated for the whole segment of spare parts.
- The data used to prepare the projections for 2015 and 2016 were based on the approved budget and assume an increase in cash flows by about -10% annually.
- Cash flows for remaining years were estimated based on a growth rate of 1.2%,
- The discount rate used to calculate the value in use was 8.5% and was estimated based on the weighted average cost of capita (WACC)
- The Board did not define any key assumptions, a change of which in a rational extend, might lead to a loss in value of money generating operations.

Intangible assets under lease agreements

The net value of intangible assets used under lease agreements as at:

- 31 December 2014 – PLN 3,391 thousand,
- 31 December 2013 – PLN 5,463 thousand,

The finance lease agreements refer to the software used in the Group's activities.

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

Borrowing costs

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

(in thousand PLN)

	Goodwill	Computer software	Other intangible assets	Intangible assets under construction	Total
GROSS VALUE OF INTANGIBLE ASSETS					
Gross value as at 01 January 2013	**124,130**	**37,240**	**23,287**	**-**	**184,657**
Acquisition	-	2,473	-	-	2,473
Lease	-	5,702	-	-	5,702
Transfer between groups	-	(1,790)	1,790	-	-
Transfer from investments	-	9,798	8,555	-	18,353
Other	-	(157)	(249)	-	(406)
Gross value as at 31 December 2013	**124,130**	**53,266**	**33,383**	**-**	**210,779**
Acquisition	-	5,837	-	2,483	8,320
Gross value as at 31 December 2014	**124,130**	**59,103**	**33,383**	**2,483**	**219,099**
AMORTISATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS					
Amortisation and impairment losses as at 1 January 2013	**-**	**29,108**	**13,704**	**-**	**42,812**
Amortisation for period	-	4,857	2,406	-	7,263
Transfer between groups	-	(752)	752	-	-
Decreases	-	(157)	-	-	(157)
Amortisation and impairment losses as at 31 December 2013	**-**	**33,056**	**16,862**	**-**	**49,918**
Amortisation for period	-	6,993	4,630	-	11,623
Amortisation and impairment losses as at 31 December 2014	**-**	**40,049**	**21,492**	**-**	**61,541**
Net value					
As at 1 January 2013	**124,130**	**8,132**	**9,583**	**-**	**141,845**
As at 31 December 2013	**124,130**	**20,210**	**16,521**	**-**	**160,861**
As at 01 January 2014	**124,130**	**20,210**	**16,521**	**-**	**160,861**
As at 31 December 2014	**124,130**	**19,054**	**11,891**	**2,483**	**157,558**

7. Investment property

	2014	2013
As at 1 January	25,825	27,229
Change in value measured at fair value	407	(1,404)
Sale of real property	(875)	
As at 31 December	**25,357**	**25,825**

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

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

In 2014, the property located in Gdansk earned PLN 150 thousand, in Gorzów PLN 480 thousand, and in Szczecin PLN 420 thousand. Other real estate properties brought no income from lease. In the reported period, the cost of maintenance of above mentioned properties is at similar level to the income they brought.

8. Investments in associates

	2014	2013
As at 1 January	**45**	**3,795**
Increase, including:	**652**	**32**
- purchase of shares in Q-service Truck Sp. z o.o.	*-*	*5*
- purchase of shares of InterMeko Europa Sp. z o.o.	*546*	*40*
- share in results of InterMeko Europa Sp. z o.o.	*92*	*-*
- share in results of Frenoplast	*-*	*(13)*
- shares in Cleverlog Eesti OÜ, with its registered seat in Tallinn	*14*	-
Decrease, including:	**(25)**	**(3,782)**
- write-downs on Frenoplast sp. z o.o.	*-*	*(3,782)*
- sale of shares in InterMeko Europa Sp. z o.o.	*(20)*	-
- transfer of shares in QST to consolidation	*(5)*	-
As at 31 December	**672**	**45**

Share in affiliated entities – as at 31 December 2014

Name and legal form of associate	SMiOC FRENOPLAST Bułhak i Cieślawski S.A. (not listed)	
Registered seat	Szczytno	
Value of purchased shares (in thousand PLN)	3,782	
Percentage of share capital/ total vote held	49%	
Associate's assets	14,661	*
Liabilities	7,468	*
Revenue	8,988	*
Net total	(378)	*
Name and legal form of associate	*InterMeko Europa sp. z o.o.* (non-quoted company)	
Registered seat	Warsaw	
Value of purchased shares (in thousand PLN)	566	
Percentage of share capital/ total vote held	50%	
Associate's assets	2,617	*
Liabilities	1,302	*
Revenue	633	*
Net total	183	*

* not audited

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

9. Investments available for sales

	2014	2013
As at 1 January	**301**	**301**
As at 31 December	**301**	**301**

Shares in other entities are shares in ATR and Partslife GmbH, which are nor a subject of sales on any market. The Group holds 3.44% of shares in ATR and 1% in Partslife.

10. Deferred tax

Deferred Tax Assets and Liabilities

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

(in thousand PLN)

As at 31 December 2014	Assets	Liabilities
Intangible assets	-	644
Property, plant and equipment	1,260	8,391
Investment property	-	146
Inventories	9,550	265
Trade and other receivables	5,078	2,613
Tax losses	14,116	-
Finance lease liabilities	7,889	-
Trade and other payables	10,581	14,238
Deferred tax assets/liabilities	**48,474**	**26,297**
Deferred tax offset against liabilities	(17,435)	(17,435)
Deferred tax liabilities as disclosed in the balance sheet	**31,039**	**8,862**

As at 31 December 2013	Assets	Liabilities
Intangible assets	-	2,052
Property, plant and equipment	-	6,253
Investment property	-	69
Inventories	5,189	-
Trade and other receivables	6,956	4,136
Tax losses	9,604	-
Finance lease liabilities	6,717	-
Trade and other payables	13,183	10,967
Deferred tax assets/liabilities	**41,649**	**23,477**
Deferred tax offset against liabilities	(14,727)	(14,727)
Deferred tax liabilities as disclosed in the balance sheet	**26,922**	**8,750**

Deferred tax presented in the periods was recognized in relation to all balance sheet positions, which constitute temporary differences, except for an unrecognised asset on the temporary difference, amounting to PLN 349,861 thousand, between taxable and balance sheet value of trademarks reported in related entity Inter Cars Marketing Services Sp. z o.o. As at 31 December 2014 the unrecognised asset item on deferred tax on fiscal benefit in the form of amortisation of trademarks in related entity amounted to PLN 66,474 thousand. Aforementioned deferred tax assets were not recognized because of uncertainty of possibility of realization of related economic benefits.

Change in deferred tax assets	31.12.2014	31.12.2013
As at beginning of period	41,649	35,329
increase	6,825	6,320
As at end of period	**48,474**	**41,649**

Change in deferred tax liabilities	31.12.2014	31.12.2013
As at beginning of period	23,477	21,688
committed in the reporting period	2,820	1,789
As at end of period	**26,297**	**23,477**

	31.12.2013	Effect on net profit	31.12.2014
Deferred tax assets	41,649	6,825	48,474
Deferred tax liabilities	(23,477)	(2,820)	(26,297)
	18,172	**4,005**	**22,177**

(in thousand PLN)

11. Inventories

	31.12.2014	31.12.2013
Materials	24,081	22,781
Half-products and work in progress	10,691	6,011
Finished goods	14,929	7,008
Merchandise	991,140	782,713
	1,040,841	**818,513**
Merchandise	991,721	783,478
Impairment	(581)	(765)
	991,140	**782,713**

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

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

Inventories with a value of PLN 688.6 million have been pledged as collateral to secure the repayment of bank loan (details – see note 16).

Change in impairment losses on inventories

	2014	2013
As at beginning of period	(765)	(1,134)
(increase) / decrease	184	369
As at end of period	**(581)**	**(765)**

12. Trade and other receivables

	31.12.2014	31.12.2013
Trade receivables	405,575	348,047
Taxes, subsidies, customs, social security, health insurance and other benefits receivable	24,577	19,274
Other	27,354	16,742
Loans granted	6,277	5,567
Short term trade and other receivables – gross	**463,783**	**389,630**

As at 31st December 2014, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly VAT receivables in the amount of PLN 23,070 thousand.

Change in impairment loss on trade receivables	**31.12.2014**	**31.12.2013**
Status as at the beginning of the period	(12,628)	(14,659)
Increase	(2,556)	(1,735)
Used	2,209	3,766
Status as at the end of the period	**(12,975)**	**(12,628)**
Short-term trade and other receivables – net	**450,808**	**377,002**

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

	31.12.2014	31.12.2013
Maturity structure of non-current trade receivables and other		
Up to 12 months	463,783	389,630
	463,783	**389,630**

(in thousand PLN)

Currency structure of non-current trade and other receivables (gross)	**31.12.2014**	**31.12.2013**
Local currency	306,084	294,588
Foreign currencies	157,699	95,042
	463,783	**389,630**

Receivables in EUR	26,325	12,850
Receivables in other currencies	131,374	82,192
	157,699	**95,042**

Maturity structure of receivables	**31.12.2014**		**31.12.2013**	
	Gross	**Impairment**	**Gross**	**Impairment**
Up to 180 days	437,785	-	363,809	-
- matured	*102,530*	-	*183,893*	-
- unmatured	*335,255*	-	*179,916*	-
From 181 to 270 days	3,408	1,214	2,525	367
From 271 to 360 days	1,848	810	1,683	656
Over 1 year	20,742	10,951	21,613	11,605
Total	**463,783**	**12,975**	**389,630**	**12,628**

Loans granted	**31.12.2014**	**31.12.2013**
Current loans	6,277	5,567
Non-current loans and borrowings	4,562	4,586
	10,839	**10,153**

Non-current receivables	**31.12.2014**	**31.12.2013**
Receivables from employees	-	-
Non-current loans and borrowings	4,562	4,586
Security deposits	7,748	4,636
Other	1,089	2,500
	13,399	**11,722**

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

Credit and currency risks are discussed in Note 33.

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

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

The loans are not secured.

13. Cash and cash equivalents

	31.12.2014	**31.12.2013**
Cash in hand	9,296	6,109
Cash at bank	39,013	33,851
Cash in transit	17,166	10,040
Cash on accounts of the Company's Social Benefits Fund	354	197
Cash	**65,829**	**50,197**

Cash	**31.12.2014**	**31.12.2013**
In local currency	25,049	20,645
In foreign currencies	40,780	29,552
	65,829	**50,197**

With the exception of cash on accounts of the Group's Social Benefits Fund, Inter Cars S.A. does not hold any restricted cash.

(in thousand PLN)

In accordance with Polish law, Companies administer the Company's Social Benefits Funds on behalf of its employees. Contributions to the Company's Social Benefits Funds are deposited in a separate account.
The credit risk concentration with respect to cash is limited as the Group deposits cash in a number of reputable financial institutions.

14. Share capital and share premium account

As at 31st December 2014, the share capital of parent entity - Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with par value PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on 26th May 2004.

	Number of shares	**Date of admission to trading**	**Right to dividend (since)**	**Par value (in PLN)**	**Issue price (PLN)**	**Share premium (in PLN)**
Series A	200,000	14.05.2004	1999	400,000	2.00	-
Series B	7,695,600	14.05.2004	1999	15,391,200	2.00	-
Series C	104,400	14.05.2004	1999	208,800	2.00	-
Series D	2,153,850	14.05.2004	2001	4,307,700	6.85	10,448,676
Series E	1,667,250	14.05.2004	2002	3,334,500	8.58	10,966,504
Series G	1,875,000	14.03.2008	2007	3,750,000	122.00	225,000,000
Series F1	10,001	06.08.2007	2008	20,002	33.59	315,900
Series F2	30,000	25.06.2008	2008	60,000	37.13	1,053,900
Series F1	147,332	06.08.2007	2009	294,664	33.59	4,654,249
Series F2	127,333	25.06.2008	2009	254,666	37.13	4,473,208
Series F3	157,334	21.12.2009	2009	314,668	18.64	2,618,038
	14,168,100			**28,336,200**		**259,530,475**

15. Net profit per share

Basic earnings per share

Net profit per share calculated based on net profit for the period in the amount of PLN 177,699 thousand (2013: PLN 147,837 thousand) and the weighted average number of shares – 14,168 thousand (2013: PLN 14,168 thousand): presented below:

Weighted average number of shares	**2014**	**2013**
Shares issued as at 1 January	14,168,100	14,168,100
Shares issued in connection with option exercise	-	-
Weighted average number of shares during the year	**14,168,100**	**14,168,100**

Basic profit per share	**2014**	**2013**
Net profit for period	177,699	147,837
Weighted average number of shares	14,168,100	14,168,100
Net profit per share	12.54	10.43

Diluted earnings per share

In 2014 and 2013 there were no open motivating programs in the Group, which might have diluting influence. Therefore, the diluted profit per share equals the basic profit per share.

16. Liabilities under loans, borrowings, and finance leases

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

The syndicated credit facility agreement

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

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

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

The credit facility bears interest at a variable interest rate based on WIBOR, EURIBOR and LIBOR reference rates plus bank's margin for each interest period.

	31.12.2014	31.12.2013
Non-current		
Secured bank loans	235,000	13,115
Bonds	150,000	-
Finance lease liabilities	14,470	27,925
	399,470	**41,040**

Current	**31.12.2014**	**31.12.2013**
Secured bank loans	209,202	431,260
Finance lease liabilities	27,051	7,426
Bonds	911	-
	237,164	**438,686**

Current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	280,000	142,739	18-11-2015
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	18,444	14,600	30-04-2015
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	1,537	-	31-12-2014
Citibank Europe PLC (Inter Cars Slovenská republika s.r.o.)	21,312	21,312	26-03-2015
Citibank Europe PLC (Inter Cars Česká republika s.r.o)	19,180	17,045	20-08-2015
ING Bank N.V (Inter Cars Romania s.r.l.)	14,265	13,506	30-07-2015
	354,738	**209,202**	

Non-current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	270,000	235,000	18-11-2017
	270,000	**235,000**	

As at 31 December 2014, total liabilities under loans and borrowings amounted to PLN 444,202 thousand of which PLN 296,809 thousand is denominated in PLN and 119,287 thousand is denominated in EUR, whereas PLN 14,600 thousand applies to credit denominated in CZK whereas PLN 13,506 thousand applies to credit denominated in RON.

Material terms of the syndicated credit facility

The syndicated credit facility was granted by the following banks (including the amount drawn as at 31 December 2014):

(in thousand PLN)

	Used	Share in the amount drawn
Polska Kasa Opieki S.A	183,349	48.54%
ING Bank Śląski S.A.	74,473	19.72%
Bank Handlowy w Warszawie S.A.	60,345	15.98%
BRE Bank S.A.	59,572	15.76%
	377,739	**100.00%**

The credit facility is secured with:

- mortgage over Inter Cars S.A.'s real property located in Cząstków Mazowiecki;
- registered pledge over inventories;
- surety issued by Inter Cars Ukraine LLC;
- registered pledge over bank accounts,
- blank bill with declarative statement,
- transfer of rights to the insurance contract of stock.

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

- the Group's operating profit to paid interest on financial indebtedness of all Group companies;
- net debt to EBITDA;
- the Group's equity to its aggregate balance-sheet total;
- inventories pledged as security to the amount drawn down under the credit facility;

As at 31 December 2014 the Group met all terms and conditions of the facility.

Inter Cars may approve and pay dividend only if the following conditions are met:

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

The credit facility bears interest at a variable interest rate based on WIBOR, EURIBOR and LIBOR reference rates plus bank's margin for each interest period.
The effective interest rate as at the reporting date was 3.7%.

Finance lease	**31.12.2014**	**31.12.2013**
Payments under lease agreements	44,480	38,845
Financial expense	(2,959)	(3,494)
Present value of liabilities under leases	**41,521**	**35,351**
Payments under lease agreements		
Up to 1 year	28,995	10,404
Between 1 and 5 years	15,485	28,441
	44,480	**38,845**
Present value of liabilities under leases		
Up to 1 year	27,051	7,426
Between 1 and 5 years	14,470	27,925
	41,521	**35,351**

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

Issuance of bonds

On the day of 3 October 2014, Inter Cars SA. signed with mBank S.A. and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds).

(in thousand PLN)

The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 9 point 3 of Law on Bonds dated 29 June 1995 (as amended).

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

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

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

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

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Amount of buyback
Series A	24.10.2014	24.10.2019	150,000,000
			150,000,000

17. Trade and other liabilities

	31.12.2014	**31.12.2013**
Trade payables to other entities	233,980	214,490
Taxes, duties, social security and other benefits payable	32,334	44,132
Bill of exchange liabilities	30,773	-
Other payables and accrued expenses	16,646	27,048
	313,733	**285,670**

	31.12.2014	**31.12.2013**
Trade payables before bonuses accrued for the period	308,914	283,010
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(74,934)	(68,520)
Balance sheet value of trade payables	**233,980**	**214,490**
Maturity structure of trade payables		
Up to 12 months	233,189	214,289
Over 12 months	791	201
	233,980	**214,490**

Taxes, subsidies, customs duty, social security and other benefits payable as at 31 December 2014 included primarily VAT liabilities in the amount of PLN 9,671 thousand and ICMS Sp. z o.o. in the amount of PLN 3,118 thousand, Inter Cars Romania – PLN 4,277 thousand (total 2014: PLN 17,066 thousand).

Currency structure of trade and other payables	**31.12.2014**	**31.12.2013**
Payables in PLN	171,746	97,169
Foreign currencies	141,987	188,501
	313,733	**285,670**
Translated into PLN		
Liabilities in EUR	92,928	151,897
Liabilities in USD	8,447	-
Liabilities in other currencies	40,612	36,604
	141,987	**188,501**

18. Employee benefits

	31.12.2014	**31.12.2013**
Salaries and wages	11,173	11,338
Company's Social Benefits Fund	586	611
	11,759	**11,949**

19. Income tax liabilities

Maturity structure of tax payables	**31.12.2014**	**31.12.2013**
Up to 12 months	11,241	6,467
	11,241	**6,467**

Currency structure of tax payables	**31.12.2014**	**31.12.2013**
Local currency	4,997	3,717
Foreign currency, denominated in PLN	6,244	2,750
	11,241	**6,467**

20. Payment in the form of own shares

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

21. Sales revenues

	1.1.2014-31.12.2014	**1.1.2013-31.12.2013**
Revenue on the sale of products	87,249	73,226
Revenues on sales of commodities and materials	3,734,786	3,346,069
Revenue from sales of services	136,145	92,245
Lease of investment property	1,050	1,107
	3,959,230	**3,512,647**

Sales by product groups

	2014		**2013**		**2012**	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**	**(in thousand PLN)**	**(%)**
Spare parts for passenger cars	2,760,079	70%	2,559,636	73%	2,144,249	71%
Spare parts for commercial vehicles and buses	555,404	14%	466,707	13%	354,303	12%
Spare parts for motorcycles, single-track vehicles	63,390	1%	50,525	1%	50,783	2%
Other parts	310,163	8%	269,201	8%	314,067	10%
Other sales	270,194	7%	166,578	5%	139,704	5%
Total sales revenue	**3,959,230**	**100%**	**3,512,647**	**100%**	**3,003,106**	**100%**

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

Geographical structure of sales

	2014		2013		2012	
	(in thousand PLN)	(%)	(in thousand PLN)	(%)	(in thousand PLN)	(%)
Domestic sales	2,591,042	65%	2,342,718	67%	2,049,224	68%
Export	1,368,188	35%	1,169,929	33%	953,882	32%
Total	**3,959,230**	**100%**	**3,512,647**	100%	**3,003,106**	100%

Export sales include mostly sales to customers in neighbouring countries, i.e.: mostly to Czech, Slovakia, Lithuania, Ukraine and also to Romania.

22. Cost of sales

	1.01.2014 – 31.12.2014	1.01.2013 – 31.12.2013
Sold goods and services	2,657,870	2,340,885
Sold gods	73,356	57,665
Foreign exchange (gains) / losses	18,208	3,974
Cost of sales	**2,749,434**	**2,402,524**

23. Costs of sales and administrative costs

	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
Depreciation and amortization	42,562	39,097
Raw materials and energy used	105,109	85,952
External services	732,219	657,590
Taxes and charges	8,372	7,218
Salaries	97,178	100,734
Social security and other benefits	27,263	26,475
Other costs by kind	39,615	34,177
Total costs by kind	**1,052,318**	**951,243**
(minus) Cost of products sold	(73,356)	(57,665)
(minus) Change in the balance of finished products and work in progress	(3,677)	(386)
(minus) Cost of distribution realized by branches	(428,881)	(387,428)
Costs of sales and administrative costs	**546,404**	**505,764**

24. Other operating income

	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
Gain on disposal of non-financial non-current assets	1,641	348
Compensation, penalties and fines received	526	299
Charges on branches	676	-
Marketing rebates	-	867
Other rebates	2,905	595
Impairment losses on past due liabilities	-	-
Valuation of property	373	-
Receipt of past due receivables for which impairment losses were recognised	120	588
Reversal of provisions	-	-
Other sales	689	2,590
Complaints	-	-
Other	1,415	1,003
	8,345	**6,290**

(in thousand PLN)

25. Other operating expenses

	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
Recognised impairment losses on receivables and other impairment losses recognised	3,030	8,811
Impairment losses on assets	-	9,433
Damage to stock	137	-
Expenses related to complaints	99	-
Inventory lacks	7,221	3,858
Compensations	3	-
Valuation of investment property	-	1,383
Insurances	77	-
Past due receivables recognised as impairment losses	2,395	2,600
Debt collection expenses	768	-
Donations	267	-
Other	1,758	3,854
	15,755	**29,939**

26. Finance income and expenses

Financial income	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
Interest on loans and borrowings	433	479
Other interest	1,840	632
Dividends received	20	15
Other	298	756
	2,591	**1,882**

Financial expenses	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
Interest expense under bank loans	14,596	17,267
Other interest	4,026	1,982
Fees and commissions	1,750	2,122
Other	962	2,867
	21,334	**24,238**

Foreign exchange gains/(losses) in the period from 1.01.2014 to 31.12.2014	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	(16,570)	-	(16,570)
Arising in connection with repayment of liabilities -on bank credits denominated in foreign currencies		(157)	(157)
Realised foreign exchange gains/(losses)	**(16,570)**	**(157)**	**(16,727)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(1,638)	-	(1,638)
Arising in connection with valuation of liabilities on bank credits denominated in foreign currencies		(2,299)	(2,299)
Unrealised foreign exchange gains/(losses)	**(1,638)**	**(2,299)**	**(3,937)**
Total foreign exchange gains/(losses)	**(18,208)**	**(2,456)**	**(20,664)**

(in thousand PLN)

Foreign exchange gains/(losses) in the period from 1.01.2013 to 31.12.2013	**Recognised as cost of sales**	**Disclosed as foreign exchange gains / (losses)**	**Total foreign exchange gains/(losses)**
Arising in connection with payment of trade payables and receivables	926	-	926
Other	-	(7)	(7)
Realised foreign exchange gains/(losses)	**926**	**(7)**	**919**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(4,900)	-	(4,900)
Other	-	199	199
Unrealised foreign exchange gains/(losses)	**(4,900)**	**199**	**(4,701)**
Total foreign exchange gains/(losses)	**(3,974)**	**192**	**(3,782)**

27. Structure of cash for the statement of cash flows

Corporate income tax paid

	31.12.2014	**31.12.2013**
Current corporate income tax disclosed in the statement of comprehensive income	32,300	27,799
Adjustment of comprehensive income	(5,106)	4,845
Change in income tax payable	(4,774)	(750)
Corporate income tax paid	**22,420**	**31,894**

Change in receivables

	31.12.2014	**31.12.2013**
Change in trade and other receivables	(73,806)	(33,480)
Change in non-current receivables	1,677	1,328
Change in Loans granted	(686)	(5,148)
Change in receivables	**74,797**	**(37,300)**

Change in Loans granted

	31.12.2014	**31.12.2013**
Loans granted	(5,746)	(7,015)
Repayment of loans granted	4,973	6,716
Interest received	608	1,253
Interest accrued	(433)	(1,218)
Write-downs on Loans granted	-	5,412
Foreign exchange gains /losses	(88)	
Change in Loans granted	**(686)**	**5,148**

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

	31.12.2014	**31.12.2013**
Repayment of loans and borrowings	(73,521)	(25,443)
Cash inflows on credits and loans	71,049	2,341
Payment of finance lease liabilities	(10,709)	(7,453)
Bonds issued	150,000	-
Interest on bonds issued	911	-
Granted leases	16,879	14,635
Commission	-	1,389
Change in balance sheet valuation	2,299	(1,126)
Change in loans, borrowings, debt securities and finance lease liabilities	**156,908**	**(15,657)**

(in thousand PLN)

Net interest

	31.12.2014	31.12.2013
Interest paid	(19,533)	(19,249)
Interest received	433	1,218
Net interest	**(19,100)**	**(18,031)**

Other adjustments, net

	31.12.2014	31.12.2013
Foreign exchange gains /losses	(1,450)	(1,757)
Change in other non-current liabilities	5,036	(38)
Net result of an associated company attributable to the Capital Group	(92)	-
Change of company presentation to a related company	5	-
Commission	-	1,389
Real estate moved to inventories and other net items	**3,499**	**(406)**

28. Income tax

Income tax recognised under current period profit or loss

	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
Current income tax	32,300	27,799
Change in deferred income tax	(4,005)	(4,531)
Income tax disclosed in statement of comprehensive income	**28,295**	**23,268**

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

Effective tax rate	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
Gross profit (without share of the result of the affiliate)	**205,902**	**171,105**
Tax based on 19% rate	(39,121)	(32,510)
Tax rate differences (15%/12.5%/20%/23%)*	1,970	1,051
Trade mark depreciation tax profits	7,953	7,953
<u>Permanent differences</u>		
Costs / incomes not subject to taxation	903	238
Current income tax disclosed in statement of comprehensive income	**(28,295)**	**(23,268)**

- Poland 19%, Slovak Republic23%, Czech Republic 20%, Ukraine 18%, Lithuania 15%, Cyprus 12,5%, Malta 5%, Croatia 20%, Romania 16%, Latvia 15%, Bulgaria 10%, Italy 31%, Belgium 34%

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

29. Dividend proposed by the Board of Managers

On 14 July 2014 Inter Cars S.A. paid out to the shareholders of the company a dividend amounting to PLN 10,059 thousand, i.e. PLN 0.71 per share.

Dividend per share

	1.01.2014 – 31.12.2014	1.01.2013 – 31.12.2013
Dividend resolved and paid out to the reporting date	10,059	-
Number of shares with right to dividend as per resolution of the General Shareholders Meeting	14,168,100	-
Dividend per share (in PLN)	0.71	-

The General Shareholders Meeting adopted a resolution on the allocation the profit for the financial year ended on 31 December 2013 in the amount of PLN 135,725 thousand to reserve equity, and PLN 10,059 thousand for the payment of the dividend.

Because of syndicated loan agreement concluded in July 2009, the parent company has limited possibilities of paying out the dividend. More information to be found in Note no 16.

30. Unrecognised liabilities under executed agreements

Tax liabilities

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

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

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

Guaranties and sureties

As at 31 December 2014, the total amount of sureties and guarantees was PLN 6,199 thousand and comprised sureties listed below:

(in thousand PLN)	Period covered	Status as at	
To		**31.12.2014**	**31.12.2013**
RIM Sp. z o.o.	Until further notice	20	20
Glob Cars Sp. z o.o.	Until further notice	150	150
JC Auto Kraków	Until further notice	50	50
Tomasz Zatoka APC Polska	Until further notice	170	170
Michał Wierzobolowski Fst M.	Until further notice	250	250
Intraserv	Until further notice	50	50
Ducati Motor Holding	31.07.2015	1,279	311
Małopolska police commissioner	2015-10-31	11	-
Poczta Polska S.A.	2015-11-20	46	-
Military unit, Wałcz	2015-01-30	13	-
Customs Chamber, Warsaw	2015-03-31	160	-
BP Europa SE Polish Division	2015-05-30	4,000	-
		6,199	**1,001**

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

31. Operating leases

Inter Cars leases warehouse space to entities operating as affiliate branches. However, the warehouses are not owned by the Company but leased (apart from the Central Warehouse in Czosnów and the facilities in Kajetany and Gdańsk). Lease costs paid by the Company are fully re-invoiced to end users (branch operators) throughout the whole term when the area is used (including the termination notice period). As at 31 December 2014, the total value of rents under contracts for an indefinite period of time for the notice periods of these contracts was PLN 7.146 thousand. The total value of rents under contracts for a definite period of time - PLN 6.253

thousand. At the end of 2013, the value of these rents was PLN 7.680 thousand and PLN 4.293 thousand, respectively

As at the end of 2013, the amounts of the lease rents were PLN 6,658 thousand and PLN 4,175 thousand, respectively. The total value of minimal future payments under operational lease up to one year is PLN 13.399 thousand (2012: PLN 11.973 thousand), and the ones falling due in the period from one to five years is null (2013: PLN 0 thousand). No future minimum payments under operating leases falling due in over five years are reported.

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

32. Transactions with related entities

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

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

Sales revenues	**2014**	**2013**
ANPO Andrzej Oliszewski	1	-
FASTFORWARD Maciej Oleksowicz	160	240
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	190	12
AK-CAR Agnieszka Soszyńska	685	658
BEST-CAR Justyna Pietrzak	-	274
	1,036	**1,184**

Purchase of goods and services	**2014**	**2013**
ANPO Andrzej Oliszewski	150	160
FASTFORWARD Maciej Oleksowicz	140	2
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	2,772	2,721
AK-CAR Agnieszka Soszyńska	4,359	4,623
BEST-CAR Justyna Pietrzak	-	2,546
	7,421	**10,052**

Receivables	**31.12.2014**	**31.12.2013**
Inter Cars sp.j.	56	56
FASTFORWARD Maciej Oleksowicz	71	71
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	49	40
BEST-CAR Justyna Pietrzak	-	40
AK-CAR Agnieszka Soszyńska	128	127
	304	**334**

Liabilities	**31.12.2014**	**31.12.2013**
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	134	82
ANPO Andrzej Oliszewski	2	-
BEST-CAR Justyna Pietrzak	-	139
AK-CAR Agnieszka Soszyńska	251	231
	387	**452**

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

(in thousand PLN)	**01.01.2014-31.12.2014**	**01.01.2013-31.12.2013**
Remuneration of the members of the Supervisory Board and the Management Board		
Remuneration of the members of the Supervisory Board	218	216
Remuneration of the members of the Management Board	7,621	7,257
	7,839	7,473

(in thousand PLN)

33. Financial risk management

Credit risk

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

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

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

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

	31.12.2014	**31.12.2013**
Loans granted	10,839	10,153
Trade and other receivables (excluding loans granted)	453,367	377,002
Cash and cash equivalents	65,829	50,197
	530,035	**437,352**

Interest rate risk

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

The Group has liabilities bearing interest at variable rates. As at 31 December 2014, the Group did not use liabilities of fixed interest rate.

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

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

Variable rate financial instruments	**31.12.2014**	**31.12.2013**
Financial assets (loans granted)	10,839	10,153
Financial liabilities (liabilities under loans, borrowings debt securities and finance leases)	(636,634)	(479,726)
	(625,795)	**(469,573)**

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

as at 31 December 2014	**basis points increase/decrease**	**Impact on net profit / loss**
	+ 100 / -100	(5 068) / 5 068
	+ 200 / -200	(10 135) / 10 135

as at 31 December 2013	**basis points increase/decrease**	**Impact on net profit / loss**
	+ 100 / -100	(3 804) / 3 804
	+ 200 / -200	(7 608) / 7 608

(in thousand PLN)

Currency risk

A significant portion of the Company's trade payables is denominated in foreign currencies, especially in EUR. Sales is performed mostly in PLN and also in UAH, EUR, CZK, LTL, LVL, HUF, HRK, BGN and RON. The Group did not enter any foreign currency future purchase or sales contracts from 1 January to 31 December 2014.

	EUR	USD	Other	EUR	USD	Other
	31 December 2014			**31 December 2013**		
Trade receivables	26,325	-	131,374	12,850	-	82,192
Cash	19,889	437	20,454	10,897	437	18,218
Bank credits	(119,287)		(28,106)	(37,906)	-	(13,115)
Trade payables	(92,928)	(8,447)	(40,612)	(151,897)	-	(36,604)
Gross balance sheet exposure	**(166,001)**	**(8,010)**	**83,110**	**(166,056)**	**437**	**50,691**

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

		Impact on net profit / loss	
	Foreign exchange rate increase/decrease	**as at 31 December 2014**	**as at 31/12/2013**
EUR	+ 5% / - 5%	(6 723) / 6 723	(6 725) / 6 725
	+ 10% / - 10%	(13 446) / 13 446	(13 450) / 13 450
USD	+ 5% / - 5%	(324) / 324	18 / (18)
	+ 10% / - 10%	(649) / 649	36 / (36)
Other	+ 5% / - 5%	3,366 / (3,366)	2,053 / (2,053)
	+ 10% / - 10%	6,732 / (6,732)	4,106 / (4,106)

Liquidity risk

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

Below chart presents liabilities of the Group as at 31 December 2014, by maturity:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings	-	-	210,113	385,000	-	595,113
finance lease liabilities	-	2,822	24,229	14,470	-	41,521
trade and other payables	21,700	284,233	7,009	791	-	313,733
	21,700	**287,055**	**240,351**	**400,261**	**-**	**950,367**

Liabilities of the Group as at 31 December 2013, by maturity:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	more than: 5 years	Total
interest-bearing loans and borrowings	-	-	431,260	13,115	-	444,375
finance lease liabilities	-	1,846	5,580	27,925	-	35,351
trade and other payables	65,607	217,588	2,274	201	-	285,670
	65,607	**219,434**	**439,114**	**41,241**	**-**	**765,396**

(in thousand PLN)

Capital management

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

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

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

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

	31.12.2014	**31.12.2013**
Loan, borrowing and finance lease liabilities	636,634	479,726
Trade and other liabilities	313,733	285,670
(less) cash and cash equivalents	(65,829)	(50,197)
Net debt	884,538	715,199
Equity	1,069,048	903,766
Net debt to equity	**0.83**	**0.79**

Fair value

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

34. Events subsequent to the balance sheet date

No such events.

35. Material evaluations and estimates

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

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

36. Continued and discontinued operations

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

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

Robert Kierzek
President of the
Management Board

Krzysztof Soszyński
Vice-President of the
Management Board

Krzysztof Oleksowicz
Member of the
Management Board

Wojciech Twaróg
Member of the
Management Board

Witold Kmieciak
Member of the
Management Board

Julita Pałyska
Person responsible for
keeping the accounting books

Warsaw, 30 April 2015

REPORT ON THE OPERATIONS OF INTER CARS S.A.

(in thousand PLN)

1. Information on basic activities of Inter Cars Group

1.1 Summary

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

In 2013, Sales revenues were 13.0% higher than in 2013. It should be noted that sales increase was mainly due to development of distribution chain.

In 2014 the Group opened 40 new branches, i.e. as at 31 December 2014 the total number of branches was 330 (2013: 290), 169 branches in Poland and 161 branches abroad, up from 156 branches in Poland and 134 abroad in 2013.

Gross profit on sales revenue went up by almost 9% in comparison to 2013. Group's sales margin was kept on the level of around 30.56%.

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

	2014	2013	2014	2013
('000)	*PLN*	*PLN*	*EUR*	*EUR*
Profit and loss account *(for the period)*				
Sales revenues	3,959,230	3,512,647	945,082	834,160
Gross profit (loss) on sales	1,209,796	1,110,123	288,782	263,625
Net financial revenues / costs	(21,199)	(22,164)	(5,060)	(5,263)
Operating profit (loss)	227,101	193,282	54,210	45,899
Net profit (loss)	177,699	147,837	42,417	35,107
Other financial data				
Operating cash flows	46,160	101,649	11,019	24,139
Investing cash flows	(72,924)	(38,596)	(17,407)	(9,166)
Financing cash flows	42,396	(49,804)	10,120	(11,827)
Basic profit per share	12.54	10.43	2.99	2.48
Sales margin	30.6%	31.6%		
EBITDA margin	6.8%	6.6%		
Balance sheet *(as at)*	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Cash and cash equivalents	65,829	50,197	15,444	12,104
Balance sheet total	2,056,682	1,696,612	482,529	409,098
Loans, borrowings and finance lease	636,634	479,726	149,364	115,675
Equity attributable to the shareholders of the parent entity	1,069,048	903,766	250,815	217,922

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

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

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

- for balance-sheet items – the National Bank of Poland exchange rate of 31 December 2014 – EUR 1 = PLN 4,2623, and the National Bank of Poland exchange rate of 31 December 2013 – EUR 1 = PLN 4,1472
- for the profit and loss account and cash flow items – the National Bank of Poland Exchange rate constituting the average National Bank of Poland exchange rate announced on the last day of each month of the 4 quarters of 2014 and 2013: EUR 1 = PLN 4,1893 and EUR 1 = PLN 4,211, respectively.

The revenues of Inter Cars were approx. 64% of the Capital Group's revenues (before consolidation exclusions). **Poland is the main market** of sales for the Capital Group.

The spare parts distribution market has significant growth potential. The main market drivers include the **continuous increase in the number of registered vehicles on the roads**, **liberalisation of applicable regulations** providing for access of independent spare parts distributors to licensed garages, **elimination of barriers to the import** of second-hand vehicles, **increasing complexity of repairs** due to the more widespread use of advanced technologies in the manufacturing of vehicles, and the continuously growing intensity of vehicle use, including in particular an increase in the average age of registered vehicles and the average mileage. The most important trends on the **independent spare parts distribution market** include the strong development of sales networks, extension of the range of products, development of sales support programmes, development of proprietary product lines and improvement of computer systems.

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

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

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

A strategic purpose of the Group is building a distribution system of spare parts for vehicles prevalent in Poland, at the same time with strong representation on the new European markets. The Group intends to increase its market share in Poland to 25–30%.

(in thousand PLN)

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

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

	Sale of spare parts		Other		Eliminations		Total	
	01.01.2014 -31.12.2014	01.01.2013 -31.12.2013	01.01.2014 -31.12.2014	01.01.2013 -31.12.2013	01.01.2014 -31.12.2014	01.01.2013 -31.12.2013	01.01.2014 -31.12.2014	01.01.2013 -31.12.2013
Revenues from external customers	3,891,770	3,461,550	67,460	51,097	-	-	3,959,230	3,512,647
Revenues between segments	15,974	19,020	249,681	170,639	(265,655)	189,848	-	-
Interest income	5,111	3,093	8	84	(2,846)	(2,066)	2,273	1,111
Interest costs	(20,004)	(19,278)	(1,464)	(2,037)	2,846	2,066	(18,622)	(19,249)
Depreciation and amortization	(46,295)	(40,165)	(8,332)	(5,679)	12,065	6,747	(42,562)	(39,097)
Profit before tax	**236,030**	**244,567**	**9,397**	**7,167**	**(39,433)**	**(80,629)**	**205,994**	**171,105**
Shares in affiliates – using equity method	**638**	-	**-**	-	**-**	-	**638**	-
Total assets	**3,101,851**	**2,643,671**	**231,078**	**186,050**	**(1,276,247)**	**(1,133,109)**	**2,056,682**	**1,696,612**
Capital expenditure (for purchasing tangible assets, intangible assets and investment property)	(62,261)	(35,762)	(15,652)	(9,035)	-	-	(77,913)	(44,797)
Total commitments	**1,506,526**	**1,134,130**	**99,561**	**88,993**	**(618,453)**	**(430,277)**	**987,634**	**792,846**

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

About 65% of the sales revenues of the Group in 2014 came from the **sales in Poland.**

Statement of activities of important entities of the Group.

1.3. Inter Cars – parent company

Core business of the Company

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

In 2014, **sales revenues** were **10,8%** higher than in 2013. It should be noted that sales revenue for November 2014 amounted to record high of PLN 347,3 million (the highest monthly sales in the history of Inter Cars).

The sales revenue in 2014 **was primarily driven by**:

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

(b) developing distribution chain in Poland and abroad. Currently we have 169 branches in Poland and 161 abroad. In 2014 we opened 40 new branches, mainly on the basis of specialists taken over from the market.

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

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

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

The Company is working on **the expansion of its sales network** (169 affiliate branches as at the end of December), **extension of its product offering**, and implementation of new sales support schemes. Thanks to its present structure of sales of automotive spare parts, which corresponds to the stock of vehicles registered in Poland, high availability of its offering, and use of modern sales tools, the Company is able to offer attractive terms of cooperation to its customers. Inter Cars is a leader in the implementation of new sales support solutions

The year 2014 is another year of dynamic **development of activities of Inter Cars subsidiaries**. The Management Board expects that the growth of the whole Group in the forthcoming years will be significantly driven by its subsidiary undertakings

Inter Cars S.A.'s Gross profit on sales increased by 5,4%compared to 2013.

(in thousand PLN)

The spare parts distribution market has significant growth potential. The main market drivers include the **continuous increase in the number of registered vehicles on the roads**, **liberalisation of applicable regulations** providing for access of independent spare parts distributors to licensed garages, **elimination of barriers to the import** of second-hand vehicles, **increasing complexity of repairs** due to the more widespread use of advanced technologies in the manufacturing of vehicles, and the continuously growing intensity of vehicle use, including in particular an increase in the average age of registered vehicles and the average mileage. The most important trends on the **independent spare parts distribution market** include the strong development of sales networks, extension of the range of products, development of sales support programmes, development of proprietary product lines and improvement of computer systems.

According to the estimates of the Management Board, **the Company's share** in the market of independent distribution of spare parts for western European makes will increase to ca. 25%-30% over the next few years.

The basic financial data is presented in the following table.

	2014	2013	2014	2013
	PLN	PLN	EUR	EUR
Separate statement of comprehensive income*(for period)*				
Sales revenues	3,398,051	3,067,579	811,126	726,468
Gross profit (loss) on sales	858,436	814,210	204,912	193,353
License fees	(52,606)	(47,419)	(12,557)	(11,261)
Net financial revenues / costs	29,631	68,460	7,073	16,403
Operating profit (loss)	78,759	96,027	18,800	22,804
Net profit (loss)	95,669	145,784	22,837	34,620
Separate statement of cash flows				
Operating cash flows	(68,973)	(5,869)	(16,464)	(1,394)
Investing cash flows	15,171	18,083	3,621	4,294
Financing cash flows	58,086	(9,202)	13,865	(2,185)
Separate statement of financial standing (as at end of period)				
Cash and cash equivalents	20,086	15,802	4,712	3,810
Balance sheet total	1,872,545	1,629,695	439,327	392,963
Loans, borrowings and finance lease	669,018	503,441	156,962	121,393
Equity	930,216	844,606	218,243	203,657
Basic profit per share	6.75	10.29	1.61	2.44
Sales margin (1)	25.30%	26.50%		
EBITDA as % of sales (2)	3.1%	3.8%		

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

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

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

- for balance-sheet items – the National Bank of Poland exchange rate of 31 December 2014 – EUR 1 = PLN 4,2623, and the National Bank of Poland exchange rate of 31 December 2013 – EUR 1 = PLN 4,1472
- for the profit and loss account and cash flow items – the National Bank of Poland Exchange rate constituting the average National Bank of Poland exchange rate announced on the last day of each month of the 4 quarters of 2014 and 2013: EUR 1 = PLN 4,1893 and EUR 1 = PLN 4,211, respectively.

Core business of the Company

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

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

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

Goods are distributed through the logistics centre, a network of 169 own affiliate branches in Poland, regional warehouses in Poznań, Tychy and Łódź, and foreign subsidiary undertakings in Ukraine, the Czech Republic, Slovakia, Lithuania, Hungary, Croatia, Italy Belgium, Romania, Latvia, Bulgaria and Germany. The Central Warehouse has all product groups available, while the affiliate branches store only fast moving products, making sure that their product range, its quality and accessibility matches local requirements.

Basic goods

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

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

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

	2014		**2013**	
	(in thousand PLN)	**(%)**	**(in thousand PLN)**	**(%)**
Domestic sales	2,492,569	*73.35%*	2,277,446	*74.24%*
Exports, including:	905,482	*26.65%*	790,133	*25.76%*
Inter Cars Ukraine LLC	27,259	*0.80%*	29,090	*0.95%*
Inter Cars Ceska Republika	80,194	*2.36%*	69,019	*2.25%*
Inter Cars Slovenska Republika	75,601	*2.22%*	67,921	*2.21%*
Inter Cars Lietuva	72,798	*2.14%*	100,999	*3.29%*
Inter Cars Croatia	46,399	*1.37%*	29,477	*0.96%*
Inter Cars Hungaria	47,887	*1.41%*	21,977	*0.72%*
Inter Cars Romania	180,010	*5.30%*	118,594	*3.87%*
JC Auto Italia	7,960	*0.23%*	6,422	*0.21%*
JC Auto Belgium	684	*0.02%*	161	*0.01%*
Inter Cars Latvija SIA	96,304	*2.83%*	43,598	*1.42%*
Inter Cars Bulgaria	11,082	*0.33%*	4,164	*0.14%*
Cleverlog	1,399	*0.04%*	194	*0.01%*
ILS Latvija	58	*0.00%*	-	-
ILS Romania	67	*0.00%*	-	-
Inter Cars Slovenia	406	*0.01%*	-	-
Total	**3,398,051**	***100%***	**3,067,579**	***100%***

Sales markets

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

The share of exports in the Company's total sales amounted to 26.65%.

The share of sales to subsidiaries with the total values of export sales was 75.7% in 2014. In 2013, this share reached the level of 66.9%.

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

	2014 (in thousand PLN)	(%)	2013 (in thousand PLN)	(%)	2012 (in thousand PLN)	(%)
Sale of automotive spare parts and garage equipment	3,295,815	*96.99%*	2,974,557	*97.00%*	2,510,946	*96.60%*
Domestic	*2,453,093*	*72.19%*	2,196,597	*71.60%*	1,898,184	*73.00%*
Export	*842,722*	*24.80%*	777,959	*25.40%*	612,762	*23.60%*
Other	102,236	*3.01%*	93,022	*3.00%*	88,911	*3.40%*
Domestic	*62,749*	*1.85%*	80,849	*2.60%*	73,596	*2.80%*
Export	*39,487*	*1.16%*	12,173	*0.40%*	15,315	*0.60%*
Net sales revenue	**3,398,051**	***100.00%***	**3,067,579**	***100.00%***	**2,599,857**	***100.00%***

Other sales comprise income from the sale of services.

Sales of car parts and garage equipment in 2014 was higher by 11% than in 2013. In 2013, sales increased by more than 21%.

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

Market environment

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

Key drivers of the market development

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

The main factors influencing the **increase of the market** are the **increase in the number of cars** registered in Poland and in other European countries and driving on the roads. In the whole year 2014, in countries where the Group has its operations, the number of registered cars went up (except for Belgium) and is higher than in 2013.

	2014	**2013**	**2012**	**2014/2013**	**2013/2012**
Belgium	482,939	486,065	486,737	-0.6%	-0.1%
Bulgaria	21,188	19,352	19,419	9.5%	-0.3%
Czech	192,314	164,736	174,009	16.7%	-5.3%
Hungary	67,480	56,139	53,059	20.2%	5.8%
Italy	1,359,616	1,303,534	1,403,010	4.3%	-7.1%
Latvia	12,452	10,637	10,664	17.1%	-0.3%
Lithuania	14,461	12,152	12,170	19.0%	-0.1%
Poland	325,047	289,913	272,719	12.1%	6.3%
Romania	70,172	57,710	66,436	21.6%	-13.1%
Slovakia	72,252	66,000	69,268	9.5%	-4.7%
	2,617,921	**2,466,238**	**2,567,491**	**6.2%**	**-3.9%**

Other factors influencing growth of the market are:

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

The key trends in the independent spare parts distribution market in 2013 were as follows:

- **intensive growth of the sales chain**
- **development of the product ranges** – mainly by adding new product lines, such as garage equipment and salvage spare parts,
- **development of sales support programmes** – mainly vehicle fleet programmes and loyalty schemes ('Premium Clubs')
- **own product lines** – extending the portfolios of products sold under proprietary brands,
- **development of computer systems** – a precondition for efficient management of logistics and quick provision of data important for the customer

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

Number and structure of vehicles used

According to ACEA, in 2014, the sales of new cars in Europe increased by 5.7% compared to 2013. The total number of new cars purchased in Europe last year was 12.6 m. The largest car market are Germany and , the UK, France and Italy, respectively.

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

The average age of a vehicle in Europe is estimated to be 8.6 years.

Sale of vehicles in Poland

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

Sale of new vehicles ('000)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Passenger	320	320	333	277	273	290	327
Commercial	81	52	88	43	39	42	45

Source: Polish Automotive Industry Association

In 2014, the number of passenger cars imported was 12% higher than in 2013.

Detailed figures are presented in the following table

Passenger cars in Poland ('000)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Sale of new cars	320	320	333	277	273	290	327
Import of second-hand cars	1100	709	721	655	657	712	749
Total	1,420	1,029	1055	930	930	1,002	1,076
Import of second-hand / sale of new cars	3.4	2.2	2.2	2.4	2.4	2.5	2.3

Source: Polish Automotive Industry Association

Total supply of passenger cars in 2014 was over 7% higher than in 2013. At the same time, however, approximately 70 % of this supply were second-hand cars, namely such that brake relatively more often as well as are a traditional target group of the Company's customers.

In the **structure of second-hand** imported cars, vehicles manufactured in the Western Europe are the main group. According to Samar Automotive Market Research Institute, the key makes imported in 2014 included Skoda, Volkswagen, Toyota and Opel.

Vehicle park structure

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

(a) car park structure

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

Passenger cars	**The Company's spare parts sales**			
	2011	**2012**	**2013**	**2014**
(a) Western Europe	52%	51%	60%	53%
(b) Eastern Europe	0%	0%	0%	1%
(c) Japanese and Korean	10%	10%	9%	8%
(d) Other	38%	39%	31%	38%

Source: the Company

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

2. Supply sources

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

(in thousand PLN)

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

Significant agreements

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

Material agreements

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

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

No.	Date of agreement	Party
1	11.04.2013	Contitech Antriebssysteme GmgH
2	14.05.2014	Egon von Ruville
3	contract 14.03.2014, appendix 12.10.2014	Federal Mogul
4	01.03.2014	Robert Bosch
5	29.04.2014	SKF
6	21.01.2014	Valeo
7	appendix of 03.01.2013 to trade agreement of 02.01.2007	Wix-Filtron
8	01.01.2014	ZF Trading

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

No.	Date of agreement	Party
1	26.01.2005	Triumph Motorcycles LTD
2	19.12.2008	Giantco Limited
3	05.11.2008	JIANGMEN DIHAO MOTORCYCLE COMPANY LTD
4	19.12.2008	CHONGQING HUANSONG INDUSTRIES (GROUP) CO.,LTD
5	09.12.2009	CHONGQING YINXIANG MOTORCYCLE (GROUP) CO., LTD
6	09.12.2009	CHONGQING YUAN GROUP IMP.&EXP. CO., LTD.

Insurance agreements

Date of agreement	Party	Subject matter	Material terms and conditions	Term	Materiality / significance criterion
09.08.2014	Warta	Insurance of the Company's assets and working capital	Assets contingency insurance/ profit loss insurance/ electronic equipment insurance/ insurance on cargo	09.08.2014-31.03.2016	Total insurance amount is PLN 2,413,795.

Shareholder agreement

The Company is not aware of any shareholder agreements.

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

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

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

1. Inter Cars Ukraine LLC, a Ukrainian law company with registered seat in Khmelnitsky, Ukraine (100% of Inter Cars S.A.'s share in the company's capital),
2. Lauber Sp. Z.o.o with registered seat in Słupsk (100%),
3. Q-Service Sp. z o.o. with registered seat in Cząstków Mazowiecki (100%),
4. Inter Cars Ćeska Republika with registered seat in Prague (100)%,
5. Feber Sp. z o.o with registered seat in Warsaw (100%),
6. Inter Cars Slovenska Republika with registered seat in Bratislava (100%),
7. Inter Cars Lietuva UAB with registered seat in Vilnius (100%),
8. IC Development & Finance Sp. z o.o. with registered seat in Warsaw (100%),
9. Armatus Sp. z o.o. with registered seat in Warsaw (100%),
10. JC Auto s.r.o. with registered seat in Karvina - Darkom (100%),
11. Inter Cars Hungária Kft with registered seat in Budapest (100%),
12. JC Auto S.A. with registered seat in Brain L'Allued, Belgium (100%),
13. Inter Cars d.o.o. with registered seat in Zagreb (100%),
14. Inter Cars Italia with registered seat in Milan (99%) (1% owned by JC Auto s.r.o.),
15. Inter Cars Romania, with registered seat in Cluj Napoca (100%)
16. Inter Cars Latvija SIA , with registered seat in Riga (100%)
17. Inter Cars Cyprus Ltd., with registered seat in Nicosia (100%)
18. Inter Cars Bulgaria Ltd. with registered seat in Sofia (100%)
19. Cleverlog-Autoteile GmbH with registered seat in Reinbek (100%)
20. Inter Cars Marketing Services Sp. z o.o. with registered seat in Warsaw (100%)
21. ILS Sp. z o.o. with registered seat in Kajetany (100%)
22. Inter Cars Malta Holding Limited with registered seat in Malta (100%)
23. Q-service Truck Sp. z o.o. with registered seat in Warsaw (100 %)
24. Inter Cars d o.o., with registered seat in Ljubljana (100 %)
25. Cleverlog Eesti OÜ, with registered seat in Tallinn (100%)
26. Inter Cars Malta Limited with registered seat in Malta (100%)
27. Aurelia Auto d o o with registered seat in Croatia (100%)

Two new companies were established in the reporting period: Cleverlog Eesti OÜ and Inter Cars
d o.o.(Slovenia). All the companies are financed by the parent entity either by loans or by trade credit. Details of loans issued are presented in note 8 of the Report on the Operations

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

In the year 2014 organizational or equity links were not changed.

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

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

(in thousand PLN)

7. Loan and borrowings

Current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	280,000	142,739	18-11-2015
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	18,444	14,600	30-04-2015
Raiffeisen a.s. (Inter Cars Česká republika s.r.o)	1,537	-	31-12-2014
Citibank Europe PLC (Inter Cars Slovenská republika s.r.o.)	21,312	21,312	26-03-2015
Citibank Europe PLC (Inter Cars Česká republika s.r.o)	19,180	17,045	20-08-2015
ING Bank N.V (Inter Cars Romania s.r.l.)	14,265	13,506	30-07-2015
	354,738	**209,202**	

Non-current loans and borrowings	Contractual amount (limit)	Used	Maturity date
Syndicated credit	270,000	235,000	18-11-2017
	270,000	**235,000**	

Loan and borrowing agreements

Agreement no. Bank	Concluded on	Term	Limit/ loan amount	Collateral
Syndicated loan agreement Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Bank Handlowy w Warszawie, BRE Bank S.A.,	29.07.2009	18.11.2015 18.11.2017	280,000 thousand. PLN 270,000 thousand. PLN	Mortgage over Inter Cars S.A.'s real property situated in Cząstków Mazowiecki, registered pledge over inventories, surety issued by Inter Cars Ukraine LLC, registered pledge over bank accounts, blank bill with promissory note declaration. Transfer of rights to the insurance contract of stock.
Raiffeisenbank AS Czech	30-09-2012	30-09-2015	120,000,000 CZK	Receivables in the amount of up to 50% of the credit
Citibank Europe PLC Czech	27-08-2014	30-04-2015	EUR 4,500,000	Bank guarantee
Citibank Europe PLC Slovakia	27-03-2014	27-03-2015	EUR 5,000,000	Bank guarantee
ING Bank N.V. Romania	30-07-2014	30-07-2015	15,000,000 RON	Corporate surety

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

Source of finance	Loan amount in PLN	Interest rate
Syndicated loan agreement Polska Kasa Opieki S.A	183,349	Short-term portion - WIBOR 1M + bank margin
ING Bank Śląski S.A	74,473	Short-term portion - WIBOR 1M + bank margin
Bank Handlowy w Warszawie S.A	60,345	Short-term portion - WIBOR 1M + bank margin
BRE Bank S.A	59,572	Short-term portion - WIBOR + bank margin
Raiffeisenbank a.s. Czech	14,600	PRIBOR 1M + margin
Citibank Europe PLC Czech	17,045	EURIBOR 1M + margin
Citibank Europe PLC Slovakia	21,312	EURIBOR 1M + margin
ING Bank N.V Romania	13,506	ROBOR 1M + margin
Total	**444,202**	

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

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

(in thousand PLN)

8. Loans granted

Loans to associates	1.01.2014 – 31.12.2014	1.01.2013 – 31.12.2013
As at beginning of period	59,040	61,328
Granted loans and interest charged	9,569	4,107
Repayments received	(23,020)	(3,349)
Write-offs	-	(3,059)
Balance sheet valuation	39	13
	45,628	**59,040**

Loan agreements

Date concluded	Maturity date	Amount	Material terms and conditions
09-07-2007	31-12-2015	PLN 6,750,000	Agreement on a loan from Inter Cars to finance Lauber Sp. z o.o.'s operations and business development
03-12-2007	31-12-2015	PLN 11,900,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
26-03-2008	31-12-2020	PLN 3,000,000	Agreement on a loan from Inter Cars to finance Feber Sp. z o.o.'s operations and business development
06-04-2011	31-12-2015	EUR 35,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
05-07-2011	31-12-2015	EUR 100,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
23-08-2011	31-12-2015	EUR 90,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
11-08-2014	11-08-2024	EUR 300,000	Agreement on a loan from Inter Cars to finance Cleverlog's operations and business development
04-04-2013	31-12-2015	PLN 2,000,000	Agreement on a loan from Inter Cars to finance Lauber Sp. z o.o.'s operations and business development
31-01-2014	31-01-2019	PLN 1,250,000	Agreement on a loan from Inter Cars to finance Q Service Truck Sp. z o.o.'s operations and business development
23-06-2014	23-06-2015	PLN 6,000,000	Agreement on a loan from Inter Cars to finance Inter Cars Malta Ltd.'s operations and business development

As at 31 December 2014, the balance of loans and borrowings for related entities was PLN 31.963 thousand, and the total value of loans and borrowings granted to 13 unrelated entities was PLN 8.241 thousand.
The loans granted to related entities bear interest at a rate equal to: 1M WIBOR or 3M EURIBOR or 3M LIBOR (in the case of EUR-denominated loans), plus a margin. The loans are not secured.

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

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

(in thousand PLN) To	Period covered	Status as at 31.12.2014	31.12.2013
Lauber Sp. z o.o.	2014-01-13	-	197
Feber Sp. z o.o.	Until further notice	938	912
Feber Sp. z o.o.	2015-05-23	2,000	2,000
Inter Cars Bulgaria Ltd.	2015-07-05	268	260
RIM Sp. z o.o.	Until further notice	20	20
Glob Cars Sp. z o.o.	Until further notice	150	150
JC Auto Kraków	Until further notice	50	50
Tomasz Zatoka APC Polska	Until further notice	170	170
Michał Wierzobolowski Fst M.	Until further notice	250	250
Intraserv	Until further notice	50	50
Ducati Motor Holding	31.07.2015	1,279	311
Feber Sp. z o.o.	31.12.2014	4,262	4,147
IC Ukraine	31.12.2014	426	-
IC Slovenia	09.10.2017	124	-
Feber Sp. z o.o.	2015-10-20	852	-
IC Slovakia	2015-03-27	21,312	-
IC Malta	Until further notice	526	-
Małopolska police commissioner	2015-10-31	11	-
Poczta Polska S.A.	2015-11-20	46	-
Military unit, Wałcz	2015-01-30	13	-
Customs Chamber, Warsaw	2015-03-31	160	-
BP Europa SE Polish Division	2015-05-30	4,000	-
IC Czech	2015-08-27	17,049	-
IC Romania	2015-07-30	14,265	-
		68,221	**8,517**

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

10. Security issues

On the day of 3 October 2014, the Group signed with mBank S.A. and Bank Handlowy w Warszawie S.A. a contract ("Programme Contract") regarding issuance of bonds by the Company up to the maximum amount of PLN 500,000,000 and servicing by mBank S.A. the issuance of bonds offered between the companies from the Group (so called inter-group bonds).
The Programme Contract makes it possible for the Company to issue Bonds offered within private offers for some investors (with no obligation of preparing issue prospectus) on the basis of art. 9 point 3 of Law on Bonds dated 29 June 1995 (as amended).
The Bonds issued in compliance with the Programme Contract will be unsecured bonds, authorizing bond holders only to receive cash benefits.
Detailed information of issuance of each series of Bonds, including their nominal value, issuance price, number of bonds, issue threshold, maturity date, interest rate, will each time be agreed and stipulated in relevant issue documents. The Company shall bare standard costs of issuance of Bonds, including the dealer commission, after each finished issuance. The Program Contract is concluded for an indefinite time.
The first series of bonds, with total value of PLN 150,000,000 (series A) was issued by the Company on 24 October 2014. The bonds include only cash benefits. Interest on Bonds are to be paid in 6-month periods based on WIBOR interest rate for six-month deposits and particular margin set forth in the terms and conditions of Issuance of Bonds. The Bonds shall be mature as at 24 October 2019, or in case of basis for earlier buyback, at dates stipulated in the terms and conditions of Issuance of Bonds.
Income from issuance of bonds will be used for financing current operational activity and investment activity of the Company. Favourable market conditions on issuance of bonds allowed for: a) diversified sources of financing, and b) generating cost attractive financing for the period of 5 years.

Below chart presents Bonds issued and planned buyback dates:

Tranche number	Date of issuance	Maturity date	Amount of buyback
Series A	24.10.2014	24.10.2019	150,000,000
			150,000,000

11. Seasonality or cyclical nature of operations

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

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

12. Evaluation of financial resources management

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

- Gross sales margin – gross profit on sales to net sales revenue
- sales margin – gross profit on sales to net sales revenue
- Operating margin – operating profit to net sales revenue (measures the Group's operating efficiency)
- EBITDA – net profit (loss) before amortisation, depreciation, net finance income (expenses), currency exchange differences and income tax
- Gross profit margin – profit before tax to net sales revenue (measures the efficiency of the Group's operations considering the profit (loss) on financial operations, and the extraordinary gains (losses)
- Net profit margin – the profit available to the Group after mandatory decrease of profit (increase of loss) to net sales revenue
- Return on assets (ROA) – net profit to assets (measures general assets efficiency)
- Return on equity (ROE) – net profit to equity (measures the efficiency of capital employed in the company)
- Total debt ratio – total liabilities to total assets
- Debt-to-equity ratio – total liabilities to equity
- Inventory cycle – inventories at end of period to goods for resale and materials sold, expressed in days
- Average collection period – trade receivables at end of period to net sales revenue, expressed in days,
- Operating cycle – the sum of inventory cycle and average collection period
- Average payment period – trade payables at end of period to cost of goods for resale and materials sold and contracted services, expressed in days,
- Cash conversion cycle – difference between the operating cycle and average payment period
- Current ratio – current assets to current liabilities at end of period (demonstrates the company's ability to pay current liabilities using current assets)
- Quick ratio – current assets less inventories to current liabilities at end of period (demonstrates the ability to quickly accumulate cash required to cover liabilities payable in a short time)
- Cash ratio – cash to current liabilities at end of period (measures the ability to cover immediately payable liabilities)

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

(in thousand PLN)

	2014	2013
Net revenue from sales of goods and products	3,959,230	3,512,647
Gross profit on sales	1,209,796	1,110,123
Sales margin	*30.56%*	*31.60%*
Operating profit	227,101	193,282
Operating margin	*5.74%*	*5.50%*
EBITDA	269,663	232,379
Gross profit	205,994	171,105
Net profit	177,699	147,837
Net profit margin	*4.49%*	*4.21%*
Balance sheet total	2,056,682	1,696,612
ROA	*8.64%*	*8.71%*
Non-current assets	498,532	445,122
Equity attributable to the shareholders of the parent entity	1,069,048	903,766
ROE	*16.62%*	*16.36%*

In total, **selling costs and administrative expenses** increased by 8% on the 2013 figure. The greatest-value item under the Group's operating costs is **distribution services** that is the affiliate branch's share in the generated margin. In 2014, the total distribution costs amounted to PLN 428,881 thousand i.e. 41% of total costs by type.

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

	2014	2013
Depreciation and amortization	42,562	39,097
Raw materials and energy used	105,109	85,952
External services	732,219	657,590
including: distribution service	*428,881*	*387,428*
Taxes and charges	8,327	7,218
Salaries	97,178	100,734
Social security and other benefits	27,263	26,475
Other costs by kind	39,615	34,177
Total costs by type	**1,052,318**	**951,243**

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

Total **costs by type** in 2014 increased by 10.6% as compared to 2013.

Financial revenues and costs include primarily costs and revenues due to interest. In 2014 in particular, the Group sustained costs on this account in the amount of PLN 18,622 thousand **Liabilities resulting from credits, loans, debt securities and finance lease** as at 31 December 2014 amounted to PLN 636,634 thousand.

(in thousand PLN)

Income tax expense includes accrued income tax in the amount of PLN 32,300 thousand, as well as a change in assets and deferred tax liabilities, decreasing the income tax payable for the period by PLN 4,005 thousand.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2014, the Group included in the result total PLN 152,024 thousand on this account. Discounts due to the Group are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 32,481 thousand was posted to inventories, and it will reduce the cost of goods sold in 2015 (in particular in Q1).

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

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

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

	2014	**2013**
Current assets	1,558,150	1,251,490
Cash and securities	65,829	50,197
Short-term liabilities	573,897	742,772
Current loans, borrowings and finance lease liabilities	237,164	438,686
Adjusted current assets	1,492,321	1,201,293
Adjusted current liabilities	336,733	304,086
Net working capital	1,155,588	897,207

Net working capital engaged increased by about 29%

	2014	**2013**
Inventory cycle in days	138	124
Average collection period in days	37	36
Operating cycle in days	175	160
Average payment cycle in days	41	43
Cash conversion cycle in days	134	117
Current ratio	2.72	1.68
Quick ratio	0.90	0.60
Cash ratio	0.11	0.07

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

	2014	**2013**
Total debt ratio	0.48	0.47
Debt-to-equity ratio	0.92	0.88

The Group's operations are funded with the Group's internally generated funds and bank loans. As at the end of 2014, loans, borrowings, debt securities and finance lease liabilities total of PLN 636,634 thousand, and the **total debt ratio** amounted to 0.48 compared to the same level in 2013 (0.47).

(in thousand PLN)

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

	2014	2013
Net cash from operating activities	46,160	101,649
Net cash from investing activities	(72,924)	(38,596)
Net cash from financing activities	42,396	(49,804)
Cash and cash equivalents at the end of the period	65,829	50,197

13. Assessment of investment project feasibility

In 2014, expenses toward purchases and modernization of plant, property and equipment amounted to PLN 77,913 thousand. Expenditures were incurred primarily on purchase of replacement fixed assets.
In 2014, the Group's investments were financed from its own funds.

The investment plan for 2015 includes the commencement of construction of a warehouse and Logistics Centre. Estimated total cost of the investment is PLN 155m. Expected time of completion is the end of 2018.

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

On 18 November 2014 and annex to credit facility agreement was signed. The annex increased the total amount of credit available to PLN 550m. Furthermore, the Lenders agreed to extend the repayment period to 18 November 2015 (for PLN 280m - short-term part) and to 18 November 2017 (for PLN 270m - long-term part).

The consolidated EBITDA for 12 months cumulatively for the period ended on 31 December 2014 was PLN 269,663 thousand (PLN 232,397 thousand in 2013) (measured as a profit on operating activity plus depreciation).

The revenues of Inter Cars at home accounted for app. 65% of the total revenues of the Capital Group (taking into account consolidation exclusions). The overseas companies account for 35% of the Group's distribution activity. The Polish market remains the basic sales market for the Capital Group.

External and internal factors important to the Group's development

Internal factors

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

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

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

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

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

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

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

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

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

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

External factors

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk of changes in the discount policies of spare parts manufacturers

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

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

Risk related to adoption of an incorrect strategy

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

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

Risk related to changes in the demand structure

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

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

Risk related to seasonal sales

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

Risk related to bank loans

Bank loans are an important source of funding for the Group's operations. As at 31st December 2014 the Group's debt under bank loans, bonds and finance leases totalled PLN 636,634 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 14.6m. Loans raised by the Group are variable-rate loans, so a potential marked increase in interest rates, translating into higher reference rates for the loans, would – through higher finance expenses – reduce the Group’s profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity.

Risk of an affiliate branch operator engaging in competitive activity

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

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

Risk related to the IT system

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

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

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

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

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

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

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

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

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

Risk related to customer base diversification by spare parts manufacturers

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

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

Risk related to car manufacturers taking over spare parts production

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

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

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

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

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

Risk related to the macroeconomic situation

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

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

Risk related to economic policy in Poland

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

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

Risk related to the foreign customers structure

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

Risk related to activities regarding remanufacturing of spare parts

The risk associated with these activities covers, above all: risk related to failures of IT solutions supporting control and management, the risk associated with the need to maintain high stock of production materials and, at the same time, the risk associated with their impairment in the case of changing customer preferences or growing competitive pressure by other entities, the risk associated with activities based on the system of orders without permanent contracts with key recipients as well as the risk related to a permanent increase in competitive pressure, including from manufacturers of cheap parts (Far East).

Risk related to development of the subsidiaries

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

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

16. Strategy and Future Development Prospects

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

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

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

- *Expansion of the distribution network* – in Poland and abroad.
- *Expansion of the product range* – by introducing new and improving the existing product lines to meet market expectations with respect to spare parts quality, prices and

(in thousand PLN)

technical support from their manufacturers. In order to increase sales revenues on quality products with relatively low price, coming from less known manufacturers in Poland, the Group constantly develops private brands which are cheaper and guaranteed alternative for end users.

- *Development of partnership programmes* – which provide added value to the offering; the programmes involve development of projects supporting the Company's core business (such as fleet management, recovery of spare parts) , constant support for the building of the network of independent garages as part of the Auto Crew, Q-Service, and Q-Service Truck projects, development of projects supporting garages (investment programme, garage equipment, trainings, technical information), and development of IT systems supporting sales; those initiatives are aimed at continuous improvement of end customers' loyalty, which, in the long term, will provide the Company with a stable and growing sales market.

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

17. Changes in key principles of managing the Group

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

18. Agreements concluded between the Company and the management staff

As at 31st December 2014, no agreements were in force between the Company and the management staff members, which would provide for a compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition. Employment contracts of members of the Company's Management Board may be terminated on six months' notice.

19. Remuneration of executives

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

	1.01.2014 – 31.12.2014	**01.1.2013 – 31.12.2013**
Andrzej Oliszewski – Chairman of the Supervisory Board	65,762	64,634
Maciej Oleksowicz – Member of the Supervisory Board	38,002	37,862
Michał Marczak – Member of the Supervisory Board	38,002	37,862
Piotr Płoszajski– Member of the Supervisory Board	38,002	37,862
Jacek Klimczak – Member of the Supervisory Board	38,002	37,862
	217,770	**216,082**

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

Remuneration of the members of the Management Board (in PLN)	**1.01.2014 – 31.12.2014**	**01.1.2013 – 31.12.2013**
Robert Kierzek – President of the Management Board	1,477,610	1,396,612
Krzysztof Soszyński – Vice-President of the Management Board	1,466,743	1,305,240
Krzysztof Oleksowicz– Member of the Management Board	1,745,210	1,592,551
Wojciech Milewski – Member of the Management Board	-	642,088
Witold Kmieciak – Member of the Management Board	1,467,503	1,299,861
Wojciech Twaróg – Member of the Management Board	1,464,410	1,021,121
	7,621,475	**7,257,473**

A provision for bonuses for the Members of the Management Board was created for 2014 in the amount of PLN 4,988 thousand, to be distributed by the Supervisory Board following approval of the financial statements in accordance with the regulations of the motivation scheme. Additionally in 2014 the Members of the Management Board were paid bonuses for the year 2013, in the amount of PLN 4,517 thousand.

(in thousand PLN)

Information on shares

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

As at 31.12.2014

The Company's supervisory and managing personnel hold a total of 5,810,309 shares, constituting 41.01% of the total vote at the General Shareholders Meeting of Inter Cars.

Shareholder	Number of shares	Total nominal value	Percentage of share in the share capital held (%)	Percentage of total vote held (%)
Management Board				
Krzysztof Oleksowicz	4,472,271	8,944,542	31.57%	31.57%
Robert Kierzek	29,834	59,668	0.21%	0.21%
Krzysztof Soszyński	4,834	9,668	0.03%	0.03%
Witold Kmieciak	1,000	2,000	0.01%	0.01%
	4,507,939	**9,015,878**		
Supervisory Board				
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
	1,302,370	**2,604,740**		
Total	**5,810,309**	**11,620,618**	**41.01%**	**41.01%**

As at the publication date of these financial statements

The Company's supervisory and managing personnel hold a total of 5,800,309 shares, constituting 40.94% of the total vote at the General Shareholders Meeting of Inter Cars.

Shareholder	Number of shares	Total nominal value	Percentage of share in the share capital held (%)	Percentage of total vote held (%)
Management Board				
Krzysztof Oleksowicz	4,462,271	8,924,542	31.50%	31.50%
Robert Kierzek	29,834	59,668	0.21%	0.21%
Krzysztof Soszyński	4,834	9,668	0.03%	0.03%
Witold Kmieciak	1,000	2,000	0.01%	0.01%
	4,497,939	**8,995,878**		
Supervisory Board				
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
	1,302,370	**2,604,740**		
Total	**5,800,309**	**11,600,618**	**40.94%**	**40.94%**

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

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

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

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

(in thousand PLN)

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

Special control powers over the Company

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

Restrictions on transferability of securities

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

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

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

Shareholder	**Number of shares**	**Total nominal value**	**Percentage of share in the share capital held**	**Percentage of total vote held**
		(PLN)	**(%)**	**(%)**
Krzysztof Oleksowicz	4,472,271	8,944,542	31.57%	31.57%
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
Amplico Otwarty Fundusz Emerytalny	780,765	1,560,530	5.51%	5.51%
ING Otwarty Fundusz Emerytalny	1,214,728	2,429,456	8.57%	8.57%
AVIVA Otwarty Fundusz Emerytalny	1,429,607	2,859,214	10.09%	10.09%
AXA Otwarty Fundusz Emerytalny	713,916	1,427,832	5.04%	5.04%
Total	**9,913,657**	**19,827,314**	**69.97%**	**69.97%**

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

Shareholder	**Number of shares**	**Total nominal value**	**Percentage of share in the share capital held**	**Percentage of total vote held**
		(PLN)	***(%)***	***(%)***
Krzysztof Oleksowicz	4,462,271	8,924,542	31.50%	31.50%
Andrzej Oliszewski	1,302,370	2,604,740	9.19%	9.19%
ING Otwarty Fundusz Emerytalny	1,214,728	2,429,456	8.57%	8.57%
AVIVA Otwarty Fundusz Emerytalny	1,429,607	2,859,214	10.09%	10.09%
AXA Otwarty Fundusz Emerytalny	713,916	1,427,832	5.04%	5.04%
Total	**9,122,892**	**18,245,784**	**64.39%**	**64.39%**

Information on purchasing own shares

In 2014, the Company did not purchase its own shares.

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

The Company is not aware of any such agreements

21. System of control of employee stock option plans

All stock options plans for shares held by Members of the Board were executed in the year 2009. At present (in 2014), no stock option plan is being implemented at the Group.

22. Qualified auditor of financial statements

On 04.07.2014, the Company signed an agreement with KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa to perform an audit of the annual financial statements and semi-annual financial statements for 2014. The total fee resulting from the agreement is PLN 288 thousand, of which PLN 178 thousand is the cost of audit of the annual financial statements, and PLN 110 thousand is the costs of review of the semi-annual financial statements.

(in thousand PLN)

On 24 July 2013, the Company signed an agreement with KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa to perform an audit of the annual financial statements and semi-annual financial statements for 2013. The total fee resulting from the agreement is PLN 298 thousand, of which PLN 193.7 thousand is the cost of audit of the annual financial statements, and PLN 104.3 thousand is the costs of review of the semi-annual financial statements.

Furthermore, as result of an audit of the financial statements of ILS Sp. z o.o., ICMS Sp. z o.o., Feber Sp. z o.o., Lauber Sp. z o.o., Q-Service Sp. z o.o., Inter Cars Česká republika s.r.o., Inter Cars Lietuva UAB , Inter Cars Romania s.r.l., i Inter Cars d.o.o., the total fee under the agreement amounted to PLN 385 thousand.

In 2014, the fee payable under the agreements in connection with the performance of other services was PLN 465.6 thousand.

23. Transactions in derivative instruments and their risk profile

From 1 January to 31 December 2014, no transactions were concluded which would be related to the financial statement.

24. Employment

As at 31 December 2014, the Company employed 335 personnel. In total the Group employed 1.730 people.

As at 31 December 2013, the Company employed 364 personnel. In total the Group employed 1,622 people.

25. Environmental policy

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

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

No.	Number and date of decision	Issuing authority	Area covered by the decision	Scope of the decision
1	Decision no. 170/2013 of 18-12-2013 (ŚR-6341/11M/2/13)	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	The water legal permit for intake of underground water from the quaternary formations from an intake in Cząstków Mazowiecki for household and utility purposes, except for food purposes, as well as watering greenery and for the purposes of water treatment, and a permit to build a water facility – well S3.
2	Decision No.SR – 7634a/1/2007/zb	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration and permit to collect waste of car batteries for the warehouse in Czastków Mazowiecki
3	DKR/074-E9215/08/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Environmental Inspector for the collection of electronic waste no. E0009215W
4	DKR/074-E9215/09/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Environmental Inspector for the collection of waste batteries and recycling of the same no. E0009215WBW

(in thousand PLN)

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

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

The new regulations implemented by the government have resulted in certain restrictions related to foreign currency cash flows. As a result of an increase in the USD/UAH exchange rate, the value of liabilities to foreign suppliers and Inter Cars S.A., expressed in UAH, is increasing. Nevertheless, there is no need to create additional reserves in 2014.

27. The Management Board's standpoint on the feasibility of meeting the previously published forecasts of financial results for 2014

The Group did not publish any forecasts for 2014.

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

In 2014, no significant changes in the Group's structure occurred. For more information see note 5 – reports on the Company's activities.

29. Management and supervisory bodies

As at 31 December 2013, the management and supervisory bodies of the Company were composed of the following persons:

Supervisory Board
Andrzej Oliszewski, President
Piotr Płoszajski
Maciej Oleksowicz
Michał Marczak
Jacek Klimczak

Management Board
Robert Kierzek, President
Krzysztof Soszyński, Vice-President
Krzysztof Oleksowicz, Member of the Management Board
Wojciech Twaróg, Member of the Management Board
Witold Kmieciak, Member of the Management Board

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

In 2014, no proceedings were brought before any court or administrative body with respect to any liabilities or claims of Inter Cars S.A. or its subsidiary undertakings, whose aggregate value would represent 10% or more of the Company's equity.

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

31. Information on average foreign exchange rates

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

	2014	**2013**	**2012**
Exchange rate as at 31.12	4.2623	4.1472	4.0882
Average exchange rate from 1.01 to 31.12	4.1893	4.2110	4.1736
Highest exchange rate in the period	4.3138	4.3432	4.5135
Lowest exchange rate in the period	4.0998	4.0671	4.0465

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

- for the items of the profit and loss account – the average exchange rate was used, defined as the arithmetic mean of the rates prevailing on the last day of each month within a given period, as quoted by the National Bank of Poland
- for the items of the balance-sheet – the exchange rate prevailing on 31 December 2014, that is the mid exchange rate for the EURO prevailing on that date, as quoted by the National Bank of Poland.

32. Corporate governance

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

Full version of the statement is attached to this report as Appendix: "INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2014 WITH THE CORPORATE GOVERNANCE PRINCIPLES STIPULATED IN THE CODE OF BEST PRACTICE FOR WSE-LISTED COMPANIES".

Robert Kierzek
President of the
Management Board

Krzysztof Soszyński
Vice-President of the
Management Board

Krzysztof Oleksowicz
Member of the
Management Board

Witold Kmieciak
Member of the
Management Board

Wojciech Twaróg
Member of the
Management Board

Warsaw, 30 April 2015

APPENDIX TO THE REPORT ON THE OPERATIONS OF INTER CARS S.A.

INTER CARS S.A. MANAGEMENT BOARD'S

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

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

Board of Directors of Inter Cars S.A. ("**the Company**") informs that, in connection with entry into force of the amended "Code of Best Practice of WSE Listed Companies" adopted by Resolution no. 19/1307/2012 by the WSE Board on 1 January 2013, it adopted the corporate governance principles as laid out in the aforementioned document. The contents of the document are available at the website of the Warsaw Stock Exchange. http://www.corp-gov.gpw.pl/.

2. Non-compliance with the corporate governance principles

The Company represents that in 2014 it complied with all the applicable corporate governance principles except for the following:

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

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

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

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

Recommendation I.12

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

Notes: The company makes it possible for the shareholder to exercise the voting right during the meeting in person or via a proxy in the course of a General Shareholders' Meeting, outside the place the meeting takes place, using means of electronic communication, which can make it much easier for the shareholders to take part in AGMs. One needs to notice that, in the opinion of the company, there are many technical and legal factors, which might influence the correct course of AGM, and because of this, on the right execution of aforementioned regulation. In the opinion of the Company, current rules of participation in the AGM being in force, make it possible to exercise the rights resulting from holding shares and protecting the rights of Company's shareholders. At the same time, the Company does not exclude possibility of using the recommendation in the future, if the shareholders express such a will.

Recommendation II. 1.7

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

Notes: The Company complies with the above-mentioned principle only regarding questions and information given to the shareholders not during a General Meeting, to the extent provided by the laws and regulations in force. The Company does not publish on its website questions asked during a General Meeting and answers to those questions given during a General Meeting. In the opinion of the Company, current methods of communicating to the shareholders and investors the course of the General Meeting are enough to become familiar with matters being discussed during a General Meeting.

Recommendation II. 1.9a)

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

Notes: The Company realizes a transparent and effective policy of communication, providing suitable communication with investors and analysts, using traditional methods. In the opinion of the Company, current methods of communicating to the shareholders and investors the course of the General Meeting are enough to become familiar with matters being discussed during a General Meeting. At the same time, the Company does not exclude the possibility of future registering the General Meeting and publishing the recordings on the website in audio or video format.

Recommendation III.6

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

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

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

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

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

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

Notes: Making it possible for the shareholder to exercise the voting right during the General Meeting, using means of electronic communication, can make it much easier for the shareholders to take part in AGMs. One needs to notice that, in the opinion of the company, there are many technical and legal factors, which might influence the correct course of AGM, and because of this, on the right execution of aforementioned regulation. In the opinion of the Company, current rules of participation in the AGM being in force, make it possible to exercise the rights resulting from holding shares and protecting the rights of Company's shareholders. At the same time, the Company does not exclude possibility of using the recommendation in the future, if the shareholders express such a will.

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

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

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

No.	Shareholder	Number of	Number of	% in overall

(in thousand PLN)

		shares	votes at GM	number of voting shares
1	Krzysztof Oleksowicz	4.462.271	4.462.271	31.50%
2	Andrzej Oliszewski	1.302.370	1.302.370	9.19%
3	ING Otwarty Fundusz Emerytalny	1.214.728	1.214.728	8.57%
4	AVIVA Otwarty Fundusz Emerytalny	1.429.607	1.429.607	10.09%
5	AXA Otwarty Fundusz Emerytalny	713,916	713.916	5.04%
6	Other shareholders	5.045.208	5.045.208	35.61%
	Total number of shares / votes	**14.168.100**	**14.168.100**	**100%**

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

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

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

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

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

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

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

The term of office of the Management Board of the Company is four years. Its members are appointed for a common term and dismissed by a resolution of the Supervisory Board. The Board is composed of three to nine members of the Board. The number of the Members of the Management Board is established by the Supervisory Board The Member of the Board can be dismissed or suspended also by the General Meeting.

Members of the Management Board may be appointed from among the shareholders or from outside this group. The President and Vice-President of the Management Board are appointed by a resolution of the Supervisory Board. The Supervisory Board adopts a resolution to appoint the President and, possibly, Vice-President of the Management Board. The term of the Member of the Board extinguishes on the day of General Shareholders Meeting which approves financial statement for the last full accounting year when the Member was in term. The mandate of the Member of the Board also becomes void in case of death, resignation or dismissing the Member from his function in the Board.

The mandate of a member of the Management Board expires also as a result of their death, resignation or dismissal. A resolution of the Supervisory Board on suspending, for important reasons, particular members of the Management Board, as well as a resolution on appointing a member of the Board to a temporary term is adopted by a majority of 4/5 of the votes, in the presence of at least 4/5 of the composition of the Supervisory Board.

The members of the Management Board represent the Company in court and outside it. The scope of operation of the Board includes all matters of the Company not reserved for the General Meeting or the Supervisory Board. The Company is represented by two members of the Management Board or one Member of the Management Board together with a proxy.

The Members of the Management Board comply with the existing law, the Articles of Association and the Regulations of the Management Board of Inter Cars S.A, which stipulate the scope of laws and responsibilities of the Board and its operations. These Regulations are adopted by the Management Board and approved by the Supervisory Board. The Regulations of the Management Board are available on the Company's website.

Except for the provisions of the Articles of Association and the Rules of Board of Directors, the matters not exceeding the range of standard activities of the Company do not require a resolution of the Board. Should the matter described above be objected by a member of the Management Board before it is realized, it shall need a resolution of the Management Board. The resolutions are adapted

by an absolute majority of votes with presence of at least a half of the Members of the Board. The Board Meetings take place not less often than once every two weeks. Members of the Management Board can take part in passing resolutions of the Board by voting in writing, through the other member of the Board. Voting in writing cannot apply to matters being entered into the agenda during the Board Meeting. Resolution of the Board can be passed also in a written form or using means of direct communication at a distance.
Decisions regarding issuing or repurchasing of shares are governed by the provisions of the Commercial Companies Code, however, the General Shareholders Meeting is exclusively authorized to make decisions regarding any changes to the Company's share capital or redemption of shares.

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

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

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

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

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

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

Between 1 January and 31 January 2014, the following people composed the Management Board:

- Robert Kierzek – President of the Management Board
- Krzysztof Soszyński – Vice-President of the Management Board
- Krzysztof Oleksowicz – Member of the Management Board,
- Witold Kmieciak – Member of the Management Board
- Wojciech Twaróg – Member of the Management Board

On the day of 11 December 2014, the Supervisory Board, as a result of adopting by the Extraordinary General Meeting which was held on 1 December 2014, resolution no 3 on changing the articles of association ("**Resolution of EGM**"), which particularly included the change of par. 11 point 2 sentence 1 of the Articles of Association, by changing the current term of office of the Management Board from three years to four years, on the day of registration by suitable registry court the changes of the articles of association resulting from the Resolution of EGM ("**Registration Day**"), decided to dismiss all Members of the Management Board from their current term in the office, and also on the Registration Day decided to appoint the same people as Members of the Board of Directors, appointed for a four-year period of a common term of office: Robert Kierzek, Krzysztof Soszyński, Krzysztof Oleksowicz, Witold Kmieciak and Wojciech Twaróg. Moreover, by the decision of the supervisory board, Robert Kierzek will still be holding the position of the President of the Board, while Krzysztof Soszyński will still be the Vice-President of the Board of Directors. The registration day was 19 December 2014.

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

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

Between 1 January and 31 January 2014, the following people composed the Supervisory Board:
- Andrzej Oliszewski – Chairman of the Supervisory Board
- Maciej Oleksowicz – Member of the Supervisory Board
- Piotr Płoszajski – Member of the Supervisory Board,
- Jacek Klimczak – Member of the Supervisory Board
- Michał Marczak – Member of the Supervisory Board

On the day of 26 May 2014, the Shareholders' Meeting agreed that the Supervisory Board of the company for the 5th term of office will be composed of 5 members. On the same day, the Shareholders' Meeting appointed the following people for another term of office of the Supervisory Board: Andrzej Oliszewski, Jacek Klimczak, Michał Marczak, Maciej Oleksowicz and Piotr Płoszajski. At the same time, the Shareholders' Meeting appointed Andrzej Oliszewski as the Chairman of the Supervisory Board.
The Supervisory Board is composed of five to thirteen members, appointed by the General Shareholders Meeting, which also appoints the Chairman of the Supervisory Board. From among other members, the Supervisory Board appoints the Vice-Chairman. The Supervisory Board appoints Deputy Chairman from among other members of the Supervisory Board. The number of members of the Supervisory Board is fixed by the General Meeting. In the event of block voting, the Supervisory Board is composed of thirteen members. Term of office of the Supervisory Board is 5 years and is common for all members. Members of the Supervisory Board can be appointed for subsequent terms.
The Supervisory Board adopts resolutions by an absolute majority of votes, in the presence of at least half of the members. A resolution may only be considered valid if all members of the Supervisory Board have been invited to the meeting. Meetings of the Supervisory Board are held at least once a quarter. Meetings are convened with a prior written notice containing information on the place, time and proposed agenda of the meeting and served to all members at least 7 days prior to the date of the meeting. Meetings of the Supervisory Board are convened by its Chairman on their own initiative or at the request of a member of the Supervisory Board. The Supervisory Board may adopt resolutions without holding a meeting, by casting votes in writing or using means of remote communication, provided that all members of the Supervisory Board have received the draft of the resolution which is to be voted upon and have agreed to such manner of voting. Resolutions of the Supervisory Board regarding the suspension from duties of a member of the Management Board for a good reason, as well as resolutions regarding the delegation of a Supervisory Board member to temporarily perform the duties of a Management Board member, are adopted by a majority of 4/5 of the votes cast in the presence of no less than 4/5 of the Supervisory Board members.
The Supervisory Board exercises supervision over the Company’s activities in the manner stipulated in the Commercial Companies Code, the Company’s Articles of Association and the Rules of Procedure for the Supervisory Board adopted by the General Shareholders Meeting. The scope of powers of the Supervisory Board includes in particular: reviewing the Company’s financial statements, the Directors’ Report and the Management Board’s recommendations concerning the distribution of profit or coverage of loss, and submitting an annual report on the findings of the above review to the General Shareholders Meeting, selecting an auditor to audit the Company’s financial statements (on the basis of proposals received by the Management Board), appointing members of the Management Board and

removing them from office, appointing the President of the Management Board and (optionally) Vice-President of the Management Board from among its members, concluding contracts with members of the Management Board, establishing remuneration policies for members of the Management Board, and granting consent to acquire or dispose of real property, perpetual usufruct right to or interest in real property.