INTER CARS S.A.

SEPARATE ANNUAL REPORT
FOR THE PERIOD January 1 – 31 December 2012

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

Dear Shareholders,

2012 was not an easy year for the vehicle repairs and spare parts market. For the first time since 1990, that is, from the beginning of the economic transition in Poland, we experienced a slowdown in the market growth, maybe even a slight decline. In view of this, Inter Cars S.A., with a turnover of almost 9%, proved its distribution strategy to be right. The company's historic decision to address its offer directly to garages has made Inter Cars S.A. the market leader in Poland. Likewise, our decision to expand to Europe's emerging markets allowed us to generate a substantial growth even in the time of the market downturn. Thanks to the increased revenues generated by our overseas subsidiaries, our company is becoming less and less dependent on the situation on our biggest market, i.e. Poland. We expect that by 2017 the revenues generated by our foreign subsidiaries will account for 50% of our total spare parts sales. Inter Cars S.A. aims at arriving at the most comprehensive product offer possible, in other words, we want to be able to offer anything that a modern garage needs. Although our offer of vehicle spare parts is the biggest in Europe, we should continue to develop, as there are still product groups where Inter Cars S.A. can increase its assortment and its market share. Our offer includes both Premium brand products provided by original equipment suppliers, as well as cheaper parts, under the so-called economy brands. By profiling our offer this way, we are able to meet the varied expectations of the market: customers seeking top quality original spare parts have a wide range of Premium brands to chose from, constituting an attractive alternative to the usually more expensive parts offered by Authorized Repair Centres. In turn, customers seeking savings are very eager to buy cheaper spare parts of comparable quality, constituting a reasonable choice in the case of older vehicles. Such division of Inter Cars S.A.'s offer makes our company resistant – to a certain extent – to the risk of sales decreases resulting from changes in the vehicle purchasing trends and in the overall financial situation of the society. Each time drivers seek savings, the demand for more expensive parts decreases, which, however, is compensated by an increase in the demand for cheaper products.
Another goal we would like to attain is the development of our logistics. Despite the huge competition, we have managed to grow, little by little, and gain a reputation of a company capable of delivering spare parts to garages nationwide faster than any other distributor. The development of our overseas subsidiaries has helped us expand to the promising markets of Central and Eastern Europe.
In order to make the most of what we have managed to build over the years, we have decided to create ILS, an independent entity capable of offering top standard logistics and warehousing services to our business partners. I believe the benefits of outsourcing of this type of service are all too obvious to anyone. But what makes ILS stand out among its competitors is its perfect knowledge of the needs of the vehicle parts market.
Our strategy for the next two years will focus on the development of the sale of goods other than those constituting our main area of activity, i.e. the sale of spare parts for

passenger vehicles. We find this market segment very prospective, both at home and abroad; so far our foreign subsidiaries have sold mainly spare parts for passenger vehicles. It seems that the era of two-digit growth figures has come to an end. Although the neighbouring markets may still take us by surprise, the volume of our sales and the position we have reached in particular markets have brought us to the conclusion that we should seek further development in pursuing activities aimed at optimizing our profits. This does not mean that we are going to forgo our investment in innovations such as the e-commerce channel. We continue to be driven by the passion to be pioneers, consistent with the philosophy of our founder, Krzysztof Oleksowicz. Inter Cars S.A. was born out of passion for crossing borders and extending possibilities.

Robert Kierzek
President of the Management Board

Inter Cars S.A. Management Board's Statement

In compliance with the requirements laid down in the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities the Management Board of Inter Cars S.A. hereby represents that:

- to the best of its knowledge the separate financial statements of Inter Cars S.A. ("the Company") and the comparative data have been prepared in compliance with the International Financial Reporting Standards, as adopted by the European Union, issued and effective as at the date of these financial statements, and give a fair and clear view of the Company's assets, financial position and financial results.

- The Management Board's Report on the Company's Activities gives a true picture of its development, achievements and position.

- •KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., a certified auditor of financial statements that audited the separate 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 fulfill the independence requirements to issue an independent opinion on the audited financial statements, in accordance with the applicable laws.

Warsaw, 26 April 2013

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 Milewski	
Member of the Management Board	

Financial Highlights:

('000)	For 12 months ended Dec 31 2012 PLN	Dec 31 2011 PLN	For 12 months ended Dec 31 2012 EUR	Dec 31 2011 EUR
Data on growth and profit				
Sales margin	26,7%	28,2%		
EBITDA	117 366	164 589	28 121	39 755
EBITDA as a percent of sales	4,5%	6,7%		
Net debt/EBITDA	3,99	2,90		
Basic earnings per share	5,12	7,36	1,23	1,78
Diluted earnings per share	5,12	7,36	1,23	1,78
Operating profit (loss)	92 318	138 449	22 120	33 441
Net profit (loss)	72 501	104 339	17 371	25 202
Cash flows				
Net cash provided by (used in) operating activities	104 870	8 093	25 127	1 955
Net cash provided by (used in) investing activities	(60 719)	(22 691)	(14 548)	(5 481)
Net cash provided by (used in) financing activities	(49 508)	18 800	(11 862)	4 541
Employment and number of affiliate branches as at	**Dec 31 2012**	**Dec 31 2011**		
Number of employees	1 340	1 333		
Affiliate branches	152	147		
Statement of financial position *(as at)*	**Dec 31 2012**	**Dec 31 2011**	**Dec 31 2012**	**Dec 31 2011**
Cash and cash equivalents	12 790	18 147	3 129	4 109
Total assets	1 484 993	1 498 178	363 239	339 200
Loans, borrowings, finance lease liabilities	480 660	496 099	117 573	112 321
Equity	698 822	630 571	170 936	142 766

The following exchange rates were applied to translate the figures presented under the financial highlights into the euro:

- for the items of the statement of financial position – the exchange rate published by the National Bank of Poland for December 31st 2012: EUR 1 = PLN 4.0882, and the exchange rate published for December 31st 2011: EUR 1 = PLN 4.4168.
- for the items of the statement of comprehensive income and cash flows – the average of the exchange rates published by the National Bank of Poland for the last day of each month of the four quarters of 2012 and 2011, that is EUR 1 = PLN 4.1736 and EUR 1 = PLN 4.1401, respectively.

PART II
SEPARATE ANNUAL REPORT FOR THE PERIOD 1 January – 31 December 2012

KPMG Audyt
Spółka z ograniczoną
odpowiedzialnością sp.k.
ul. Chłodna 51
00-867 Warszawa
Poland

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This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Inter Cars S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Inter Cars S.A., with its registered office in Warsaw, ul. Powsińska 64 ("the Company"), which comprise the separate statement of financial position as at 31 December 2012, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Company's activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013 No. 47, item 330) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

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

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

Opinion

In our opinion, the accompanying separate financial statements of Inter Cars S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2012 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specified Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act, we report that the report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No. 33, item 259 with amendments) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

....
Mirosław Matusik
Key Certified Auditor
Registration No. 90048
Limited Liability Partner with power of attorney

26 April 2013

Information on INTER CARS S.A.

1. Business Profile

The core business of Inter Cars Spółka Akcyjna ("Inter Cars") comprises import and distribution of spare parts for passenger cars and commercial vehicles.

2. Registered Office

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

3. Contact Data

Phone No. (+48-22) 714 19 16
Fax No. (+49-22) 714 19 18
bzarzadu@intercars.eu
relacje.inwestorskie@intercars.eu
www.intercars.com.pl

4. Supervisory Board (as at the date of authorization for issue of the financial statements)

Andrzej Oliszewski, Chairman of the Supervisory Board
Piotr Płoszajski
Maciej Oleksowicz
Michał Marczak
Jacek Klimczak

5. Management Board (as at the date of authorization for issue of the financial statements)

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

6. Certified Auditor

KPMG Audyt Sp. z ograniczoną odpowiedzialnością, Sp. k.
ul. Chłodna 51
00-867 Warsaw

7. Lawyers

W. Olewniczak i Doradcy Kancelaria Prawna Spółka Komandytowa
ul. Marszałkowska 115
Warsaw

8. Banks (as at the date of authorization for issue 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 Warszawa

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

BRE Bank S.A.
ul. Senatorska 18
00-950 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

9. Subsidiaries

Inter Cars Ukraine LLC
29009 Khmelnytskyi, Tolstego 1/1
Ukraine

Feber Sp. z o.o.
ul. Powsińska 64
02-903 Warsaw

Inter Cars Ceska Republika
Nowodworska 1010/14
142 01 Prague, Czech Republic

Q-Service Sp. z o.o.
ul. Gdańska 15
05-152 Cząstków Mazowiecki

Lauber Sp. z o.o.
ul. Braci Staniuków 40
76-200 Słupsk

Inter Cars Slovenská Republika s.r.o.
Ivánska cesta 2
Bratislava, Slovakia

Inter Cars Lietuva UAB
Titnago 6
Vilnius, Lithuania

IC Development&Finance Sp. z o.o.
ul. Powsińska 64
02-903 Warszawa

JC Auto s.r.l.
Viale A.Doria 48/A
20124 Milan, Italy

ARMATUS Sp. z o.o.
ul. Powsińska 64
02-903 Warsaw

Inter Cars d.o.o.
Velimira Skorpika 3a/1
1000 Zagreb, Croatia

Inter Cars Hungaria Kft.
Klapka Utca 4
H-1134 Budapest, Hungary

JC Auto S.A.
Avenue de l'Artisanat 2B
1420 Braine L'Alleud, Belgium

JC Auto s.r.o.
Lazensky park 10, c.p. 329
735 03 Karvina- Darkom, Czech Republic

INTER CARS LATVIJA SIA
Biekensalas Str.7
LV-1004 Ryga, Latvia

Inter Cars Romania s.r.l.
Corneliu Coposu 167A
400235 Cluj-Napoca, Romania

Inter Cars Cyprus Limited
12 Esperidon Street
1087 Nicosia, Cyprus

Inter Cars Bulgaria Ltd.
Alexander Malinov #91 4/404
1715 Sofia, Bulgaria

Cleverlog Autoteile GmbH
Borigstr 34
Reinbek 21-465, Germany

Inter Cars Marketing Services Sp. z o.o.
ul.Płowiecka 57
04-501 Warszawa

ILS Sp. Z o.o.
Ul. Klonowa 48, Kajetany
05-830 Nadarzyn

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

10. Listing

Shares of Inter Cars S.A. (the parent company) are listed in the continuous trading system at the Warsaw Stock Exchange.

11. Date of the Authorization for Issue of the Financial Statements

These separate financial statements were authorized for issue by the Management Board of Inter Cars S.A. on 26 April 2013.

(PLN '000)

SEPARATE STATEMENT OF FINANCIAL POSITION

	note	Dec 31 2012	Dec 31 2011
ASSETS			
Non-current assets			
Property, plant and equipment	4	166 050	146 276
Intangible assets	5	134 904	136 786
Investments in subsidiaries	7	111 699	57 236
Investments available for sale		258	-
Investment property	6	2 121	2 019
Receivables	10	23 313	40 618
		438 345	**382 935**
Current assets			
Inventories	9	582 224	558 229
Trade and other receivables	10	451 634	538 867
Cash and cash equivalents	11	12 790	18 147
		1 046 648	**1 115 243**
TOTAL ASSETS		**1 484 993**	**1 498 178**

	note	Dec 31 2012	Dec 31 2011
EQUITY AND LIABILITIES			
Equity			
Share capital	12	28 336	28 336
Share premium	12	259 530	259 530
Reserve capital		332 196	232 108
Other reserve capital		5 935	5 935
Retained earnings		72 825	104 662
		698 822	**630 571**
Non-current liabilities			
Interest-bearing loans and borrowings	14	21 286	237 006
Deferred tax liabilities	8	2 857	3 418
		24 143	**240 424**
Current liabilities			
Trade and other payables	15	298 272	356 262
Interest-bearing loans and borrowings	14	459 374	259 093
Employee benefits	16	2 659	3 150
Income tax payable	17	1 723	8 678
		762 028	**627 183**
TOTAL EQUITY AND LIABILITIES		**1 484 993**	**1 498 178**

(PLN '000)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	note	Jan 1 – Dec 31 2012	Jan 1 – Dec 31 2011
Revenue	19	2 599 857	2 448 872
Cost of sales	20	(1 906 878)	(1 758 198)
Gross profit on sales		**692 979**	**690 674**
Other operating income	23	8 697	3 732
Costs of sale and general administration	21	(331 442)	(289 787)
Cost of distribution services	21	(242 549)	(251 961)
License fees	21	(23 400)	-
Other operating expenses	24	(11 967)	(14 209)
Results from operating activities		**92 318**	**138 449**
Finance income	25	25 154	21 139
Foreign currency exchange rate differences	25	(334)	109
Finance expenses	25	(30 690)	(30 954)
Profit before tax		**86 448**	**128 743**
Income tax expense	27	(13 947)	(24 404)
Net profit		**72 501**	**104 339**
OTHER COMPREHENSIVE INCOME		-	**1 100**
Effective portion of changes in fair value of cash flows hedges		-	1 100
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**72 501**	**105 439**
Net profit		**72 501**	**104 339**
Weighted average number of shares		**14 168 100**	**14 168 100**
Earnings per share (PLN)	13	**5,12**	**7,36**
Diluted weighted average number of shares		**14 168 100**	**14 168 100**
Diluted earnings per share (PLN)	13	**5,12**	**7,36**

(PLN '000)

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Reserve Capital	Other reserve capital	Retained earnings	**Total equity**
Equity as at 1 January 2012		**28 336**	**259 530**	**232 108**	**5 935**	**104 662**	**630 571**
Comprehensive income for the reporting period							
Net profit for the reporting period		-	-	-	-	72 501	***72 501***
Other net comprehensive income for the reporting period		**-**	**-**	**-**	-	**-**	**-**
Total comprehensive income for the reporting period		**-**	**-**	**-**	**-**	**72 501**	**72 501**
Dividend		-	-	-	-	(4 250)	**(4 250)**
Distribution of retained earnings – transfer to reserve capital		-	-	100 088	-	(100 088)	**-**
Equity as at 31 December 2012		**28 336**	**259 530**	**332 196**	**5 935**	**72 825**	**698 822**

(PLN '000)

STATEMENT OF CHANGES IN EQUITY (CONT.)

	Share capital	Share premium account	Reserve Capital	Other reserve capital	Retained earnings	**Total equity**
Equity as at January 1st 2011	**28 336**	**259 530**	**186 104**	**4 835**	**46 327**	**525 132**
Comprehensive income for the reporting period						
Net profit for the reporting period	-	-	-	-	104 339	**104 339**
Other comprehensive income from valuation of hedge instruments	**-**	**-**	**-**	1 100	**-**	**1 100**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**1 100**	**104 339**	**105 439**
Transactions with owners recognised directly in equity						
Dividend	-	-	-	-	-	**-**
Share issue in connection with exercise of management stock options	-	-	-	-	-	**-**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**
Distribution of retained earnings – transfer to reserve capital	-	-	46 004	-	(46 004)	**-**
Equity as at December 31st 2011	**28 336**	**259 530**	**232 108**	**5 935**	**104 662**	**630 571**

(PLN ‘000)

SEPARATE STATEMENT OF CASH FLOWS

	note	Jan 1 – Dec 31 2012	Jan 1 – Dec 31 2011
Cash flows from operating activities			
Profit before tax		**86 448**	**128 743**
Adjustments, including:			
Depreciation and amortisation of property, plant, equipment and intangible assets	21	24 979	26 140
(Gain)/Loss on foreign currency exchange rate differences	25	(332)	(254)
(Gain)/Loss on disposal of property, plant and equipment	23	(1 774)	(732)
Net interest	26	23 987	21 169
Dividends net	25	(20 056)	-
(Gain)/Loss on revaluation of investment		(102)	749
Other		1 007	-
Changes in working capital		**114 157**	**175 815**
Change in inventories		(23 995)	(80 362)
Change in receivables	26	94 091	(134 680)
Change in trade and other payables and employee benefits		(58 481)	68 763
Cash generated from operating activities		**125 772**	**29 536**
Corporate income tax paid		(20 902)	(21 443)
Net cash from operating activities		**104 870**	**8 093**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, intangible assets and investment property		6 852	1 846
Acquisition of property, plant and equipment ,intangible assets, and investment property	4 5	(47 648)	(30 787)
Sales of shares in subsidiaries		3 100	-
Acquisition of shares in subsidiaries	7	(58 116)	(13 743)
Repayment of loans granted	26	24 485	25 578
Loans granted	26	(10 275)	(6 205)
Interest received	26	620	758
Dividend received	25	20 056	-
Net cash used in investing activities		**(60 719)**	**(22 691)**
Cash flows from financing activities			
(Decrease) / increase in loans, borrowings and debt securities	26	(12 843)	80 655
Decrease in finance lease liabilities	26	(4 172)	(5 588)
Interest paid	26	(28 243)	(26 267)
Redemption of debt securities	26	-	(30 000)
Dividends paid	-	(4 250)	-
Net cash from/(used in) financing activities		**(49 508)**	**18 800**
Change in net cash and cash equivalents		**(5 357)**	**4 202**
Cash and cash equivalents at the beginning of period		**18 147**	**13 945**
Cash and cash equivalents at the end of period	11	**12 790**	**18 147**

Supplementary Information and Explanations to the Separate Financial Statements

1. Basis for the Preparation of Separate Annual Financial Statements

a) Statement of Compliance with IFRS

The separate financial statements ("financial statements") have been prepared in accordance with the International Financial Reporting Standards, as adoptedby the European Union ("EU IFRS").

The EU IFRS include all International Accounting Standards and International Financial Reporting Standards, along with their interpretations, except for the standards and interpretations listed below which await endorsement by the European Union or which have been endorsed by the EU but have not come into force.

The Company has not opted for early application of the new standards and interpretations that have been published and endorsed by the EU but come into force after the reporting date. Furthermore, as at the reporting date, the assessment of potential impact of the new standards and interpretations which come into force subsequent to the reporting date has not yet been completed by the Company.

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2012

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as the date or after that date
Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*	The amendments: • require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects then the aggregated tax amount should be allocated between these sections. • change the title of the *Statement of Comprehensive Income* to *Statement of Profit or Loss and Other Comprehensive Income*, however, other titles are also allowed to be used.	1 July 2012
IAS 19 *Employee Benefits* (2011)	• The amendments require actuarial gains and losses to be recognised immediately in other comprehensive income. • The amendments remove the corridor method previously applicable to recognising actuarial gains and losses, and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendments also require the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.	1 January 2013
Amendments to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities	The Amendments contain new disclosure requirements for financial assets and liabilities that are: • offset in the statement of financial position; or • subject to master netting arrangements or similar agreements.	1 January 2013

(PLN'000)

IFRS 13 *Fair Value Measurement*	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.	1 January 2013
IFRIC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine*	The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets. To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 *Inventories*. Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met: • it is probable that future economic benefits will flow to the entity; • the entity can identify the component of the ore body for which access has been improved; and • the costs relating to the stripping activity associated with that component can be measured reliably. The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset. The stripping activity asset shall initially be recognised at cost while after initial recognition, while subsequently it shall be carried either at its cost or at its revalued amount, less depreciation or amortisation and impairment losses, in the same way as the existing asset of which it is a part. The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.	1 January 2013
Amendments to IFRS 1 *First-time adopters* Government Loans	The amendments add a new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with a below-market rate of interest prospectively from the date of transition to IFRS. Alternatively, a first-time adopter may elect to apply the measurement requirements retrospectively to a government loan, if the information needed was obtained when it first accounted for that loan. This election is available on a loan-by-loan basis.	1 January 2013
Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters*	The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. The exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.	1 January 2013

(PLN'000)

Amendments to IAS 12 *Income taxes - Deferred Tax: Recovery of Underlying Assets*	The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is *depreciable* and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.	1 January 2013
IFRS 10 *Consolidated Financial Statements*	IFRS 10 provides a new single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with the investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between the power and returns. The new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).	1 January 2014
IFRS 11 *Joint Arrangements*	IFRS 11, *Joint Arrangements*, supersedes and replaces IAS 31, *Interest in Joint Ventures*. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows: - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. - a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement. IFRS 11 effectively carves out from IAS 31, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity method. Proportionate consolidation is no longer possible.	1 January 2014
IFRS 12 *Disclosure of Interests in Other Entities*	IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.	1 January 2014
IAS 27 *Separate Financial Statements* (2011)	IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.	1 January 2014

(PLN'000)

IAS 28 *Investments in Associates and Joint Ventures* (2011)	There are limited amendments made to IAS 28 (2008): • *Associates and joint ventures held for sale.* IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture. • *Changes in interests held in associates and joint ventures*. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.	1 January 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.	1 January 2014

Standards and interpretations not yet endorsed by the EU as at 5 March 2013

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as the date or after that date
Improvements to IFRS (2009-2011)	The *Improvements to IFRSs (2009-2011)* contains 7 amendments to 5 standards, with consequential amendments to other standards and interpretations. The main changes relate to: • repeated application of IFRS 1 – a repeated adopter that elects not to apply IFRS 1 has to apply IFRS retrospectively in accordance with IAS 8, as if it had never stopped applying IFRS; • clarification that first-time adopter of IFRS choosing to apply borrowing costs exemptions should not restate the borrowing cost component that was capitalized under previous GAAP and should account for borrowing cost incurred on or after the date of transition (or an earlier date, as permitted by IAS 23) in accordance with IAS 23; • clarification that only one comparative period, which is the preceding period, is required to a complete set of financial statements; however if additional comparative information is prepared it should be accompanied by related notes and be in accordance with IFRS; • clarification that the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or reclassification has a material effect upon the information in that statement of financial position and except for the disclosures required under IAS 8, other notes related to the opening statement of financial position are no longer required. • clarification on the classification and accounting of spare parts, stand-by equipment and servicing equipment; • removal of inconsistencies between IAS 32 and IAS 12 in respect of distributions to holders of an equity instrument	1 January 2013

(PLN'000)

Standard/Interpretation	**Nature of impending change in accounting policy**	**Effective date for periods beginning as the date or after that date**
	and transaction costs of an equity transaction, by clarification that IAS 12 applies to the accounting for income taxes relating to those transactions; • additional disclosure required of a measure of total assets and liabilities for a particular reportable segment for interim financial reporting.	
Amendments to IFRS 10, IFRS 11 and IFRS 12: *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	The amendments: • define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees; • limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged; • requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required); • will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.	1 January 2013
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them. The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated. An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity: 1 obtains funds from investors to provide those investors with investment management services; 2 commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and 3 measures and evaluates the performance of substantially all of its investments on a fair value basis. The amendments also set out disclosure requirements for investment entities.	1 January 2014
IFRS 9 *Financial Instruments (2009)*	This Standard replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: • financial assets measured at amortized cost; or • financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: • the assets is held within a business model whose objective is to hold assets in order to collect contractual	1 January 2015

(PLN'000)

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as the date or after that date
	cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.	
Additions to IFRS 9 *Financial Instruments (2010)*	The 2010 additions to IFRS 9 replace the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities. The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity. Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.	1 January 2015
Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*	These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 *Financial Instruments* (2009) and IFRS 9 *Financial Instruments* (2010). The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9. If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application. If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7. If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required.	1 January 2015

b) Basis of Measurement

These financial statements have been prepared on the historial cost basis except for:

- financial assets available for sale;
- investment property
  - measured at fair value

All amounts in these financial statements are presented in thousands of Polish zloty, unless stated otherwise.

c) Functional and Presentation Currencies

(a) Presentation and Functional Currencies

All amounts in these financial statements are stated in the Polish złoty ("PLN") and are rounded off to the nearest full thousand. The Polish złoty is the functional currency of Inter Cars S.A..

(b) Transactions in Foreign Currencies

Transactions denominated in foreign currencies are recognised after translation at the exchange rate prevailing on the transaction date. Gains or losses arising from the settlement of such transactions and from valuation of monetary assets and liabilities as at the reporting date at the average exchange rate published by the NBP on that date are recognised as profit or loss in the current period, while foreign exchange gains or losses arising from the settlement of trade liabilities are charged against costs of sales, and other foreign exchange gains or losses are disclosed as a separate item in the statement of comprehensive income.

d) Changes in Accounting Policies

In 2012 no significant changes occurred.

2. Significant Accounting Policies

The accounting policies set out below were applied consistently to all the periods presented in the financial statements.

a) Property, Plant and Equipment

Property, plant and equipment include own assets, leasehold improvements, tangible assets under construction, and third-party tangible assets used by the company (where the underlying agreement transfers substantially all the potential benefits and risks of ownership to the company), and comprise assets which are used for the purposes of supplying goods or providing services, for administrative purposes, or are leased to third parties, and the useful life of which exceed one year.

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

The acquisition or production cost comprises the cost incurred to purchase or produce an item of property, plant and equipment, including capitalised interest accrued until the date from which the asset is available for use.. Subsequent expenditure is added to the carrying amount of an asset when it is probable that future economic benefits will flow to the Company. Costs of day-to-day maintenance of property, plant and equipment are disclosed as current period profit or loss.

Acquisition or production cost of an item of property, plant and equipment comprises acquisition price, including import duties and non-refundable taxes on the acquisition, less any discounts and rebates, any other costs directly attributable to adapting the item to a location and condition enabling its use in accordance with the management's intentions, as well as the estimated costs of its dismantling, its removal and restoration of its site, which the Company is obliged to incur.

Property, plant and equipment, except for tangible assets under construction and land, are subject to depreciation. Depreciation charges are calculated using the acquisition or production cost less the residual value of the asset, based on the length of its estimated and periodically reviewed by the Company useful life. An asset is depreciated from the moment it is available for use until the earliest of the following occurs: the asset is classified as available for sale, it is derecognised, 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 the following periods:

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 derecognition of an item of property, plant and equipment are calculated as the difference between the net proceeds from its disposal and its carrying amount of the asset, and are recognised in the current period profit or loss.

b) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. The fair value of the purchase price does not include the amounts related to the settlement of the previously existing interrelationships, which in principle are recognised in the current period profit or loss. Costs related to the purchase, other than those concerning issues of debt or capital instruments, are recognised a cost in the period in which they were incurred.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole. Purchases of non-controlling interests are recognised as transactions with owners, which means that in such cases goodwill is not recognised. Adjustments to non-controlling interests are calculated based on the proportional value of subsidiaries' assets.

c) Intangible Assets

Identifiable non-monetary, non-physical assets, whose acquisition or production cost can be estimated reliably and which will probably bring the Company future economic benefits attributable directly to a given asset, are recognised as intangible assets. Intangible assets with definite useful lives are amortised over their useful lives, starting from the day a given asset is available for use. They cease to be amortised when the earliest of the following occurs: an asset is classified as available for sale (or included in a group of assets that are to be disposed of, classified as available for sale) in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, it is derecognised, or it is fully amortised. The value of an intangible asset to be amortised is determined by deducting its residual value.

Relations with Suppliers

Relations with suppliers acquired through an acquisition or business combination are initially recognised 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 amortisation and impairment losses, if any. Relations with suppliers acquired through the merger with JC Auto S.A. are amortised over their useful lives estimated by the Management.

Computer Software

Software licences are valued at their acquisition cost plus the cost of adapting them for use.

Costs associated with development and maintenance of computer software are as expensed in the period in which they are incurred. Costs related directly to the production of unique computer software for the Company, which will probably be yielding economic benefits exceeding costs for over one year, are disclosed under intangible assets and amortised over the useful life of a given asset, however not longer than for the term of the lease agreement.

d) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both which is not used in the Company's operations and is not to be sold in the ordinary course of the Company's business. Initially, investment property is valued at cost, and subsequently at fair value (verified at the end of each business year by valuations of an independent expert) wtih any change therein recognized in profit or loss.

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

Property is transferred from investment property only if there is a change in its use, confirmed by the start of its occupancy for the Company's operations or start of its adaptation for intended sale.

If property is transferred from investment property to property used in the Company's operations or to inventories, the cost of the property adopted in order to recognise it in the new asset category is equal to the fair value of the property determined as at the day of the change in use.

e) Non-derivative Financial Assets

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

Financial instruments are initially recognised 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 a given investment asset.

Financial instruments are derecognised 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 on an active market with substantially the same features, based on the expected cash flows, or option valuation models, taking into account company-specific circumstances.

As at the reporting date, the Company determines whether there is any indicator of impairment of an asset or a group of assets.

(a) Held-to-maturity Financial Instruments

Held-to-maturity financial assets are non-derivative financial assets, with fixed or determinable payments and fixed maturities, which the Company intends and is able to hold to maturity, excluding financial assets classified as financial instruments measured at fair value through profit or loss, investments available for sale, and loans and receivables.

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

Investments held to maturity are measured at amortised cost using the effective interest rate.

(b) Loans and Receivables

Loans and receivables are financial assets other than derivatives, with fixed or determinable payments, which are not quoted in 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

Available-for-sale financial assets are non-derivative financial assets, which have been designated as available-for-sale or have not been classified in the (a), (b) or (d) category. Available-for-sale financial assets are disclosed under current assets if they are intended to be sold within 12 months following the reporting date. Available-for-sale financial assets 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 available-for-sale financial assets 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 classified as held for trading or is intended to be classified as such following its initial recognition. Financial instruments are classified as instruments measured at fair value through profit or loss if the Company actively manages such investments and makes purchase and sale decisions based on their fair value. Following initial recognition, the transaction costs related to investments are recognised as profit or loss when incurred.

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

f) Non –derivative Financial Liabilities

The Company initially recognises debt securities and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts, or intends either to settle them on a net basis or to realise them asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables. For details on valuation of bank loans and borrowings, please, refer to section l).

g) Impairment of Assets

Financial Assets

An impairment loss on a financial asset is recognised if there is objective indicator of impairment as a result of 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 measured at amortised cost is estimated 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

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

Impairment losses are recognised in current period profit or loss.

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

Non-Financial Assets

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

h) Leases

a) The Company as a Lessee

Property, plant and equipment used under finance lease agreements which substantially transfer to the Company all the risks and rewards of ownership of the assets, are carried at the lower of the fair value of the assets and 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 and 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 rewards of ownership of the assets remain with the lessor are disclosed as operating lease agreements. The cost of lease payments is recognised on a straight-line basis in profit or loss over the lease term.

(b) The Company as a Lessor

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

i) Inventories

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

The inventory balance is determined assuming that the assets being disposed of are those acquired earliest by the entity (FIFO principle).

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 the estimated selling price that could be obtained in the ordinary course of business, less any estimated costs of making inventory sellable and costs necessary to finalise the transaction.

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) Share Capital

In the Company's financial statements, equity is:

1. Share capital disclosed in the amount specified in the Company's Articles of Association and entered in the court register.
2. Share premium disclosed as a separate item under equity. Costs of issue decrease the equity,
3. Reserve capital, created pursuant to the Commercial Companies' Code,
4. Other reserve capitals, created from the valuation of management options,
5. Retained earnings, comprising retained earnings from prior periods and the current period profit or loss,

l) Loans and Borrowings

Loans and borrowings are initially recognised at acquisition cost, equal to their respective fair values, the determination of which includes costs 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 created when an entity has a present obligation (whether legal or constructive) resulting from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 and merchandise

Revenue is recognised if:

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

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

In the case of sales made through the network of affiliate branches with which the Company has signed cooperation agreements, sales revenue is recognised at the time the goods or products are released to the end customer.

(b) Revenue from Sales of Services

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

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

(c) Interest Income

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

(d) Dividend

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

o) Operating Expenses

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

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

Office lease and warehouse space lease expenses are recognised in profit or loss in the period to which they relate.

Re-invoiced amounts reduce the respective cost items of the Company.

p) Finance Expenses

Finance expenses include primarily interest payable on borrowings, reversal of the discount on provisions, 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) Corporate Income Tax

Income tax expense comprises current and deferred tax. The current portion of corporate income tax is computed based on the profit for the period, determined in accordance with the applicable tax regulations. The total income tax charge is the aggregate of its current portion and deferred portion, determined with the balance-sheet method; the deferred income tax is recognised in connection with temporary differences between the values of assets and liabilities as disclosed in the accounting books and their respective values determined for tax purposes.

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

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

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

Deferred tax asset and deferred tax liability are offset in the balance sheet 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.

(PLN'000)

r) Valuation of Equity Interests in Subsidiaries

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

s) Exchange Differences

Exchange differences relating to translation of business transactions into PLN are recognised in the statement of comprehensive income under a separate item, with the exception of exchange differences connected with trade liabilities paid or trade receivables received which are charged to costs of products, goods for resale and materials sold.

3. Operating Segments

Inter Cars S.A.'s core business consists in the sale of spare parts and accessories for motor vehicles (the sale of spare parts). The Company has not identified any other business segments.

Supplementary Information

For information on key products and services and the geographical breakdown of sales, see Note 19.

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

The Company does not have key customers due to the nature of its operations. For more information see Note 10.

4. Property, Plant and Equipment

	Dec 31 2012	Dec 31 2011
Land	23 723	9 699
Buildings and premises	74 769	71 408
Plant and equipment	24 428	11 084
Vehicles	7 404	11 740
Other tangible assets	19 838	24 104
Tangible assets under construction	15 888	18 241
Total property, plant and equipment	**166 050**	**146 276**

Property, Plant and Equipment under Lease Agreements

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

- As at December 31st 2012 – PLN 31 581 thousand
- As at December 31st 2011 – PLN 33 206 thousand.

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

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

(PLN'000)

	Land	Buildings and premises	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT							
Gross value as at Jan 1 2011	**9 699**	**90 065**	**38 026**	**20 515**	**68 653**	**4 689**	**231 647**
Increase:	-	458	3 971	3 095	8 699	13 662	**29 885**
Acquisition	-	458	2 996	2 417	8 522	15 492	**29 885**
Transfer	-	-	975	678	177	(1 830)	**-**
Decrease:	-	96	60	3 629	398	110	**4 293**
Sale	-	-	60	3 629	398	74	**4 161**
Liquidation	-	96	-	-	-	36	**132**
Gross value as at Dec 31 2011	**9 699**	**90 427**	**41 937**	**19 981**	**76 954**	**18 241**	**257 239**
Increase:	14 024	6 661	19 311	1 468	7 148	(2 353)	**46 259**
Acquisition	8 189	1 566	10 872	1 468	4 986	19 572	**46 653**
Transfer	5 835	5 095	7 380	-	2 162	(21 925)	**(1 453)**
Lease	-	-	1 059	-	-	-	**1 059**
Decrease:	-	1 073	1 705	5 306	14 435	-	**22 519**
Sale	-	1 073	1 629	3 733	6 634	-	**13 069**
Liquidation	-	-	-	-	7 733	-	**7 733**
Transfer to subsidiary – IC MS	-	-	76	1 573	68	-	**1 717**
Gross value as at Dec 31 2012	**23 723**	**96 015**	**59 543**	**16 143**	**69 667**	**15 888**	**280 979**

(PLN'000)

	Land	Buildings and premises	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Depreciation and impairment losses as at Jan 1 2011	**-**	**16 102**	**24 523**	**7 590**	**43 709**	**-**	**91 924**
Depreciation for period	-	2 917	6 389	3 501	9 542	-	**22 349**
Sale	-	-	(59)	(2 850)	(401)	-	**(3 310)**
Depreciation and impairment losses as at Dec 31 2011	**-**	**19 019**	**30 853**	**8 241**	**52 850**	**-**	**110 963**
Depreciation for period	-	3 099	5 735	3 206	9 576	-	**21 616**
Sale	-	(872)	(1 419)	(2 386)	(4 797)	-	**(9 474)**
Transfer	-	-	-	-	(7 733)	-	**(7 733)**
Impairment	-	-	(54)	(322)	(67)	-	**(443)**
Depreciation and impairment losses as at Dec 31 2012	**-**	**21 246**	**35 115**	**8 739**	**49 829**	**-**	**114 929**
NET BOOK VALUE							
As at Jan 1 2011	**9 699**	**73 963**	**13 503**	**12 925**	**24 944**	**4 689**	**139 723**
As at Dec 31 2011	**9 699**	**71 408**	**11 084**	**11 740**	**24 104**	**18 241**	**146 276**
As at Jan 1 2012	**9 699**	**71 408**	**11 084**	**11 740**	**24 104**	**18 241**	**146 276**
As at Dec 31 2012	**23 723**	**74 769**	**24 428**	**7 404**	**19 838**	**15 888**	**166 050**

(PLN'000)

5. Intangible Assets

	Dec 31 2012	Dec 31 2011
Goodwill, including:	122 937	122 937
- goodwill from merger with JC Auto S.A. in 2008	*122 937*	*122 937*
Software	2 544	1 756
Other intangible assets, including:	9 423	12 093
- relations with suppliers	*6 726*	*11 365*
- other	*2 697*	*728*
	134 904	**136 786**

Impairment Testing

The Company's cash generating units were tested for impairment. The recoverable amount was based on an estimation of value in use. No impairment was identified based on the test.

The value in use is the estimated present value of future cash flows generated by an entity. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed materially in comparison to values adopted as at December 31st 2011:

- Projections of cash flows used to estimate the value in use estimated for the whole Company, treated as a single cash generating unit.
- The data used to prepare the projections for 2013 and 2014 were based on the approved budget.
- Cash flows for 2013–2014 were estimated based on a growth rate of around 10%, while for the remaining years the assumed growth rate was 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 capital (WACC).
- The excess recoverable amount over the balance sheet value amounted to PLN 823 million. The Board has not identified any changes to assumptions having direct impact on test results.

Intangible Assets Used under Lease Agreements

The net value of intangible assets used under finance lease agreements was as follows:

- as at 31 December 2011 – PLN 194 thousand
- as at 31 December 2012 – PLN 510,8 thousand.

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

Borrowing Costs

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

(PLN'000)

GROSS VALUE OF INTANGIBLE ASSETS	Software	Other intangibles	Goodwill	Total
Gross value as at Jan 1 2011	**23 485**	**23 705**	**122 937**	**170 127**
Acquired	898	4	-	**902**
Sold	631	(631)	-	**-**
Gross value as at Dec 31 2011	**25 014**	**23 078**	**122 937**	**171 029**
Acquired	965	30	-	**995**
Leased	516	-	-	**516**
Transfer	(5 044)	(172)	-	**(5 216)**
Gross value as at Dec 31 2012	**21 451**	**22 936**	**122 937**	**167 324**
AMORTISATION AND IMPAIRMENT LOSSES				
Amortisation and impairment losses as at Jan 1 2011	**22 015**	**8 437**	-	**30 452**
Amortisation for period	1 243	2 548	-	**3 791**
Amortisation and impairment losses as at Dec 31 2011	**23 258**	**10 985**	-	**34 243**
Amortisation for period	693	2 670	-	**3 363**
Decrease due to sale	(5 044)	(142)	-	**(5 186)**
Amortisation and impairment losses as at Dec 31 2012	**18 907**	**13 513**	-	**32 420**
NET VALUE				
As at Jan 1 2011	**1 470**	**15 268**	**122 937**	**139 675**
As at Dec 31 2011	**1 756**	**12 093**	**122 937**	**136 786**
As at Jan 1 2012	**1 756**	**12 093**	**122 937**	**136 786**
As at Dec 31 2012	**2 544**	**9 423**	**122 937**	**134 904**

(PLN'000)

6. Investment Property

	Dec 31 2012	Dec 31 2011
As at Jan 1	**2 019**	**2 768**
Valuation	102	(749)
As at Dec 31	**2 121**	**2 019**

During 2012, there were no transfers of investment property to other assets or reclassifications of other assets to investment property.

Investment property includes real property located in Gdańsk, which is held for lease to third parties. As at the reporting date, the Company valued the property at fair value. The valuation was performed by a property appraiser using the comparative method.

In 2012, the property located in Gdańsk generated PLN 150 thousand in rent income.

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

7. Investments in subsidiaries

	2012	2011
As at Jan 1	**57 236**	**43 493**
Increase, including:	-	13 743
-new capital Inter Cars Bulgaria	-	*21*
-capital increase Feber Sp. z o.o.	-	*10 000*
-purchase of shares GALT	-	*210*
-purchase of shares Polmozbyt S.A.	-	*3 508*
-capital increase in Inter Cars Cyprus Limited	-	*4*
-sale of shares Polmozbyt S.A.	(3 508)	-
-contribution to Inter Cars Marketing Services Sp. z o.o.	6 070	-
-capital increase in Inter Cars Ukraine	29 942	-
-repurchase of non-controlling interest in Inter Cars Ukraine	1 805	-
-additional payment to reserve capital of Inter Cars d.o.o.	9 575	-
-additional payment to reserve capital of Inter Cars Hungary	10 451	-
-purchase of shares in ILS Sp. z o.o.	5	-
-repurchase of shares in Cleverlog Autoteile GmbH	10	-
-decrease of impairment allowance for investment in subsidiaries	113	-
As at Dec 31	**111 699**	**57 236**

Impairment Testing

The Company's investments in subsidiaries for which indications of potential impairment were identified were tested for impairment.

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

- The data used to prepare the projections for 2013 and 2014 were based on the approved budget and assume growth rate of around 10%
- Cash flows for for the remaining years the assumed growth rate was 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 capital (WACC).
- The increase in discount rate to the level of 81% or the decrease of forecasted sales dynamics by 3% would result in impairment provision. For the investment in Feber the decrease of growth rate from 1.2% to 1,09% after the budgeted period (beyond 2014) or the increase of weighted average cost of capital by 0,1% would result in impairment provision.

No impairment was identified based on the test.

(PLN'000)

Interests in subsidiaries – as at December 31st 2012

Subsidiary's name and form of incorporation	Location of registered office	Date of control take-over	Carrying amount of shares (PLN '000)	Percentage of share capital/total vote held	Subsidiary's assets	Liabilities	Revenue	Net profit/ (loss)	
Inter Cars Ukraina	Khmelnytsky, Ukraine	Apr 2000	36 531	100%	36 077	24 155	115 416	(2 104)	
Q-Service Sp. z o.o.	Cząstków Mazowiecki, Poland	Apr 2000	416	100%	51 424	6 342	61 833	9 975	*
Lauber Sp. z o.o.	Słupsk, Poland	Jul 2003	1 565	100%	23 006	14 034	28 091	1 299	*
Inter Cars Ceska Republika	Prague, Czech Republic	Apr 2004	29	100%	39 838	33 647	109 048	(116)	
Inter Cars Slovenska Republika	Bratislava, Slovakia	Aug 2005	21	100%	32 346	9 513	110 580	1 045	
Feber Sp. z o.o.	Warsaw, Poland	Aug 2004	30 011	100%	52 802	39 462	64 726	764	
Inter Cars Lietuva	Vilnius, Lithuania	Sep 2006	1 058	100%	27 684	17 995	120 629	3 717	*
IC Development & Finance Sp. z o.o.	Warsaw, Poland	Oct 2006	3 785	100%	26 941	27 651	21 042	(3 530)	*
Inter Cars d.o.o.	Zagreb, Croatia	Feb 2008	9 575	100%	42 116	41 873	72 564	(5 217)	*
Inter Cars Hungaria Kft.	Budapest, Hungary	Feb 2008	10 330	100%	22 600	23 469	26 048	(2 154)	*
JC Auto s.r.l.	Milan, Italy	Feb 2008	2 947	99%	12 117	10 470	20 686	1 175	*
JC Auto S.A.	Brain-le-Chateau, Belgium	Feb 2008	1 408	100%	3 533	3 315	5 593	1 084	*
JC Auto s.r.o.	Karvina-Darkom, Czech Republic	Feb 2008	0	100%	1 766	4 839	-	(146)	*
Armatus Sp. z o.o.	Warsaw, Poland	Feb 2008	1 711	100%	661	81	136	(219)	*
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	Jul 2008	2 062	100%	69 213	75 272	149 126	(4 206)	*
Inter Cars Latvija SIA	Ryga, Latvija	Aug 2010	12	100%	4 552	4 706	16 875	154	*
Inter Cars Cyprus Limited	Nicosia, Cyprus	Oct 2009	47	100%	61 752	4 161	1 347	16 490	
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	Mar 2011	21	100%	6 573	7 472	9 348	(502)	
Cleverlog-Autoteile GmbH	Reibeck, Germany	Mar 2011	102	100%	74	93	216	(37)	
Inter Cars Marketing Services Sp. z o.o.	Warsaw, Poland	May 2012	6 280	100%	512 346	9 906	32 837	13 949	
ILS Sp. z o.o.	Kajetany, Poland	Oct 2012	5	100%	1	3	-	(7)	
			107 917		**1 027 422**	**358 459**	**966 141**	**31 414**	

In 2012 the Company Inter Cars acquired new shares in Inter Cars Marketing Services Sp. z o.o. through the contribution in kind, which was reported in the current report no. 14/2012 dated 31 May 2012.

The Company increased share capital of its subsidiary Inter Cars Ukraine, which was reported in the current report no. 36/2012 date 14 November 2012.

The Company Inter Cars SA paid up reserve capital of Inter Cars d.o.o. and Inter Cars Hungaria Kft.

Interests in associated entities – as at December 31st 2012

Entity's name and form of incorporation	Location of registered office	Carrying amount of shares (PLN '000)	Percentage of share capital/total vote held	Entity's assets	Liabilities	Revenue	Net profit/ (loss)	
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	Szczytno, Poland	3 782	49%	18 553	9 748	11 449	(426)	*

**Not audited.*

(PLN'000)

8. Deferred Tax

Deferred Tax Assets and Liabilities

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

As at Dec 31 2012	**Assets**	**Liabilities**
Intangible assets	-	1 895
Property, plant and equipment	-	5 792
Inventories	3 974	455
Trade and other receivables	3 139	3 921
Finance lease liabilities	4 603	-
Trade and other payables	7 668	10 178
Deferred tax assets/liabilities	**19 384**	**22 241**
Deferred tax assets and liabilities offset	(19 384)	(19 384)
Deferred tax liabilities as disclosed in the statement of financial position	**-**	**2 857**

As at Dec 31 2011	**Assets**	**Liabilities**
Intangible assets	-	2 159
Property, plant and equipment	-	5 615
Inventories	2 761	-
Trade and other receivables	2 056	6 989
Finance lease liabilities	5 097	-
Trade and other payables	8 483	7 052
Deferred tax assets/liabilities	**19 602**	**21 815**
Deferred tax assets and liabilities offset	(18 397)	(18 397)
Deferred tax liabilities as disclosed in the statement of financial position	**-**	**3 418**

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

Change in deferred tax assets	**Dec 31 2012**	**Dec 31 2011**
As at beginning of period	18 397	19 602
Increase (decrease)	987	(1 205)
As at end of period	**19 384**	**18 397**

Change in deferred tax liabilities	**Dec 31 2012**	**Dec 31 2011**
As at beginning of period	21 815	19 420
(Reversed) recognised in the period	426	2 395
As at end of period	**22 241**	**21 815**

	Dec 31 2011	**Effect on net profit**	**Dec 31 2012**
Deferred tax asset	18 397	987	19 384
Deferred tax liability	(21 815)	(426)	(22 241)
	(3 418)	**561**	**(2 857)**

(PLN'000)

9. Inventories

	Dec 31 2012	Dec 31 2011
Merchandise	582 224	558 229
	582 224	**558 229**

Merchandise	602 290	575 137
Discounts charged to inventories	(19 160)	(14 822)
Impairment losses	(906)	(2 086)
	582 224	**558 229**

Inter Cars S.A. receives discounts from suppliers. To the extent such discounts relate to merchandise purchased and sold in a given period, they reduce the value of goods sold. The remaining balance of such discounts is charged to inventories.
Inventories in the form of merchandise kept at the Central Warehouse, regional distribution centres and affiliate branches are covered by fire and all-risk insurance, as well as by insurance against burglary with theft and robbery.

The inventories amounting to PLN 576 686 thousand have been pledged as collateral to secure the repayment of a bank loan (see note 14).

Change in Impairment Losses on Inventories

	Dec 31 2012	Dec 31 2011
As at beginning of period	(2 086)	(819)
(Increase)/decrease	1 180	(1 267)
As at end of period	**(906)**	**(2 086)**

10. Trade and Other Receivables

	Dec 31 2012	Dec 31 2011
Trade receivables from related parties	202 004	292 329
Trade receivables from other parties	196 543	179 288
Taxes, subsidies, customs duty, social security, health insurance and other benefits receivable	10 492	24 800
Other receivables, prepayments and accrued income	5 547	10 406
Loans granted	49 973	43 204
Current trade and other receivables, gross	**464 559**	**550 027**

As at December 31st 2012, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly VAT receivables in the amount of PLN 10,449 thousand (PLN 24,771 thousand in 2011).

Change in impairment losses on trade receivables	**Dec 31 2012**	**Dec 31 2011**
As at beginning of period	(11 160)	(7 659)
Increase, including:	(1 765)	(3 501)
- new impairment losses	*(1 765)*	*(3 501)*
As at end of period	**(12 925)**	**(11 160)**
Current trade and other receivables, net	**451 634**	**538 867**

The Group mitigates the credit risk by transfering part of the responsibility for collection of trade receivables to affiliates, with which it settles up on a margin division basis.

(PLN'000)

	Dec 31 2012	Dec 31 2011
Maturity structure of trade receivables, gross		
Up to 12 months	398 547	471 617
Over 12 months	-	-
	398 547	**471 617**

Currency structure of trade and other receivables, gross		
Local currency	257 373	246 234
Foreign currencies	207 186	303 793
	464 559	**550 027**
Receivables in EUR	193 388	276 366
Receivables in USD	13 732	27 395
Receivables in other currencies	66	32
	207 186	**303 793**

Maturity structure of receivables	**Dec 31 2012**	
	Gross	**Impairment losses**
up to 180 days including:	382 547	-
-due	*161 493*	-
-undue	*221 054*	-
from 181 to 270 days	1 089	110
from 271 to 360 days	1 863	743
over 1 year	13 048	12 073
Total	**398 547**	**12 925**

	Dec 31 2011	
	Gross	**Impairment losses**
up to 180 days	455 642	-
-due	*170 058*	-
-undue	*285 584*	-
from 181 to 270 days	1 396	472
from 271 to 360 days	1 287	463
over 1 year	13 292	10 225
Total	**471 617**	**11 160**

Loans granted	**Dec 31 2012**	**Dec 31 2011**
Current loans	49 973	43 204
Non-current loans	18 169	35 793
	68 142	**78 997**

Non-current receivables	**Dec 31 2012**	**Dec 31 2011**
Receivables from employees	-	229
Non-current loans	18 169	35 793
Security deposits	5 144	4 596
	23 313	**40 618**

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

For a discussion of credit and currency risks, see Note 33.

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

The loans granted to related parties bear interest at a rate equal to 1M WIBOR or 3M LIBOR or EURIBOR 3M (in the case of EUR-denominated loans), plus a margin of 1%-5%.

(PLN'000)

The loans are not secured.

11. Cash and Cash Equivalents

	Dec 31 2012	Dec 31 2011
Cash in hand	5 056	5 043
Cash at bank	3 682	1 012
Cash in transit	3 304	10 927
Cash in accounts of the Company's Social Benefits Fund	748	1 165
Cash	**12 790**	**18 147**
Local currency	12 151	17 753
Other currencies	639	394
	12 790	**18 147**

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

In accordance with Polish law, Inter Cars S.A. administers the Company's Social Benefits Funds on behalf of their employees. Contributions to the Company's Social Benefits Funds are deposited in a separate account.

The credit risk concentration with respect cash is limited as the Company deposits cash in a number of reputable financial institutions.

12. Share Capital and Share Premium

As at December 31st 2012, the share capital of Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with a par value of 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 May 26th 2004.

	Number of shares	Date of admission to trading	Right to dividend (since)	Par value (PLN)	Issue price (PLN)	Share premium (PLN)
Series A shares	200,000	May 14 2004	1999	400,000	2.00	-
Series B shares	7 695 600	May 14 2004	1999	15 391 200	2.00	-
Series C shares	104 400	May 14 2004	1999	208 800	2.00	-
Series D shares	2 153 850	May 14 2004	2001	4 307 700	6.85	10 448 676
Series E shares	1 667 250	May 14 2004	2002	3 334 500	8.58	10 966 504
Series G shares	1 875 000	Mar 14 2008	2007	3 750 000	122.00	225 000 000
Series F1 shares	10 001	Aug 6 2007	2008	20 002	33.59	315 900
Series F2 shares	30 000	Jun 25 2008	2008	60 000	37.13	1 053 900
Series F1 shares	147 332	Aug 6 2007	2009	294 664	33.59	4 654 249
Series F2 shares	127 333	Jun 25 2008	2009	254 666	37.13	4 473 208
Series F3 shares	157 334	Dec 21 2009	2009	314 668	18.64	2 618 038
	14 168 100			**28 336 200**		**259 530 475**

13. Earnings Per Share

Basic Earnings Per Share

The table below presents net earnings per share calculated using the net profit for the period in the amount of PLN 72 501 thousand (2011: PLN 104 339 thousand) and the weighted average number of shares – 14 168 thousand (2011: 14 168 thousand):

(PLN'000)

Weighted average number of shares	**2012**	**2011**
Shares outstanding as at Jan 1	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 earnings per share	**2012**	**2011**
Net profit for period	72 501	104 339
Weighted average number of shares	14 168 100	14 168 100
Earnings per share	5,12	7,36

Diluted Earnings Per Share

In 2012 and in the comparable period 2011 there were no dilutive factors. Therefore diluted earnings per share is equal to earning per share.

14. Interest-bearing loans and borrowings

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

Syndicated Credit Facility Agreement
On 29 July 2009, a syndicated credit facility agreement was signed by Inter Cars S.A. (the Borrower), 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. (Co-Borrowers) and the following banks: Bank Polska Kasa Opieki S.A., ABN AMRO Bank (Polska) S.A., ING Bank Śląski S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A.

On 22 November 2012 annexes to the syndicated credit facility were signed so that the maturity for the long-term facility was altered in this way that it should be repaid no later than 29 November 2013 and the short-term facility should be repaid no later than 23 November 2013, which is illustrated in the below table. Furthermore, additional co-borrower was added to the credit facility agreement, the company Inter Cars Marketing Services Sp. z o.o., which was reported in the current report no 39/2012 dated 23 November 2012.
The interest rate was agreed as a variable rate depending on WIBOR, EURIBOR and LIBOR rate, increased by bank margins (determined at arm's length) for each individual interest period.

On 2 April 2013 an additional co-borrower was added to the credit facility agreement, the company ILS Sp. z o.o..

Non-current	**Dec 31 2012**	**Dec 31 2011**
Secured bank loans	-	215 000
Finance lease liabilities	21 286	22 576
Settlement of loan commission	-	(570)
	21 286	**237 006**

Current	**Dec 31 2012**	**Dec 31 2011**
Secured bank loans	457 352	255 403
Loans received	469	733
Finance lease liabilities	2 942	4 248
Settlement of loan commission	(1 389)	(1 291)
	459 374	**259 093**

Current loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	480 000	457 352	Nov 23 and Nov 29 2013
Armatus Sp. z o.o.	469	469	Dec 31 2013
	480 469	**457 821**	

As at 31 December 2012 total liabilities under loans and borrowings amounted to PLN 457 821 thousand of which PLN 417 085 thousand is denominated in PLN and 40 736 thousand is denominated in EUR.

Material Terms of the Syndicated Credit Facility

The table below presents banks which advanced the syndicated credit facility (including the amount drawn down as at December 31st 2012):

	Amount drawn	**Share in the amount drawn**
Polska Kasa Opieki S.A	169 356	37%
ING Bank Śląski S.A.	116 527	25%
Bank Handlowy w Warszawie S.A.	90 101	20%
BRE Bank S.A.	81 368	18%
	457 352	**100%**

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;
- registered pledge over bank accounts.

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 total assets;
- inventories pledged as collateral to the amount drawn down under the credit 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 20% 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 (set at the market level) for each interest period.
Effective rate amounted to 5.8% at the reporting date.
The loan advanced for Armatus Sp. z o.o. bears interest at a variable rate based on 1M WIBOR.

Finance lease	**Dec 31 2012**	**Dec 31 2011**
Payments under lease agreements	27 771	31 665
Finance expense	(3 543)	(4 841)
Present value of *lease* liabilities	**24 228**	**26 824**

(PLN'000)

Payments under lease agreements	**Dec 31 2012**	**Dec 31 2011**
Up to 1 year	4 443	5 737
1–5 years	23 328	25 928
Over 5 years	-	-
	27 771	**31 665**

Present value of lease liabilities		
	Dec 31 2011	**Dec 31 2010**
Up to 1 year	2 942	4 248
1–5 years	21 286	22 576
Over 5 years	-	-
	24 228	**26 824**

Lease liabilities are related to the lease of property, plant and equipment and intangible assets. For more information, see Notes 4 and 5.

15. Trade and Other Payables

	Dec 31 2012	**Dec 31 2011**
Trade payables due to related parties	84 402	59 194
Trade payables to third parties	178 117	242 041
Taxes, customs duty, social security and other benefits payable	9 326	11 073
Other payables and accrued expenses	26 427	43 954
	298 272	**356 262**
Trade payables before bonuses accrued for the period	307 349	337 354
Decrease in payables by the amount of accrued bonuses for the period to be settled in the subsequent period	(44 830)	(36 119)
Balance-sheet value of trade payables	**262 519**	**301 235**
Maturity structure of trade payables		
Up to 12 months	262 519	301 235
Over 12 months	-	-
	262 519	**301 235**

Taxes, subsidies, customs duty, social security and other benefits payable as at 31 December 2012 included primarily VAT liabilities in the amount of PLN 9 025 thousand (2011: PLN 7 599 thousand).

The most important items of other payables and accrued expenses as at 31 December 2012 were liabilities resulting from bonuses for clients in the amount of PLN 1 625 thousand (2011: PLN 4 999 thousand), and lease liabilities in the amount of PLN 1 787 thousand (2011: PLN 3 371).

	Dec 31 2012	**Dec 31 2011**
Currency structure of trade and other payables		
Local currency	203 663	186 706
Foreign currencies	94 609	169 556
	298 272	**356 262**
equivalent in PLN		
Liabilities in EUR	94 127	163 774
Liabilities in USD	-	911
Liabilities in other currencies	482	4 871
	94 609	**169 556**

16. Employee Benefits

	Dec 31 2012	Dec 31 2011
Salaries and wages payables	1 975	1 932
Company's Social Benefits Fund	684	1 218
	2 659	**3 150**

17. Income Tax Payable

Maturity structure	**Dec 31 2012**	**Dec 31 2011**
Up to 12 months	1 723	8 678
Over 12 months	-	-
	1 723	**8 678**

18. Share-Based Payments

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

19. Revenue

	Jan 1- Dec 31 2012	Jan 1- Dec 31 2011
Revenue from sales of merchandise	2 510 946	2 347 764
Revenue from sales of services	88 761	100 958
Lease of investment property	150	150
	2 599 857	**2 448 872**

Sales by Product Groups

	2012		**2011**	
	(PLN '000)	**(%)**	**(PLN '000)**	**(%)**
Spare parts for passenger cars	1 864 639	71,72%	1 725 708	70,47%
Spare parts for commercial vehicles and buses	310 849	11,96%	292 189	11,93%
Spare parts for motorcycles and two-wheeled vehicles	49 915	1,92%	53 711	2,19%
Other spare parts	261 189	10,05%	250 639	11,28%
Other sales	113 265	4,36%	126 625	4,13%
Total revenue	**2 599 857**	100%	**2 448 872**	100%

Geographical Structure of Sales

	2012		**2011**	
	(PLN '000)	**(%)**	**(PLN '000)**	**(%)**
Domestic sales	1 999 164	77%	1 921 677	78%
Export sales	600 693	23%	527 195	22%
Total	**2 599 857**	100%	**2 448 872**	100%

Export sales represent chiefly sales to Poland's neighbouring countries, that is the Czech Republic, Slovakia, Lithuania and Ukraine.

(PLN'000)

20. Cost of Sales

	Jan 1 - Dec 31 2012	Jan 1 - Dec 31 2011
Cost of services and merchandise sold	1 978 709	1 833 773
Decrease in cost of services and merchandise by the amount of discounts accrued for the period	(81 467)	(65 078)
Exchange differences	9 636	(10 497)
Cost of sales	**1 906 878**	**1 758 198**
Discounts accrued for the period	85 805	65 998
Recognised under inventories (to be recognised at the time of sale)	(19 160)	(14 822)
Recognised as a decrease in cost of sales	**66 645**	**51 176**
Prior-period discounts recognised under cost of products and goods for resale sold in the current prriod	14 822	13 902
Decrease in cost of services and merchandise by the amount of discounts receivable for the period	**81 467**	**65 078**
Discounts accrued in the period, recognised as decrease of inventories	19 160	14 822
Discounts accrued in the period, to be recognised in profit or loss of future periods	**19 160**	**14 822**

21. Cost of sale and general administration

	Jan 1- Dec 31 2012	Jan 1- Dec 31 2011
Depreciation/amortisation	24 979	26 140
Raw materials and energy	18 462	17 151
External services	422 358	396 487
Taxes and charges	26 748	2 930
Salaries and wages	70 549	66 746
Social security and other benefits	16 424	14 873
Other costs by kind	17 871	17 421
Total costs by kind	**597 391**	**541 748**
(-) Cost of distribution services	(242 549)	(251 961)
(-) Cost of license fees	(23 400)	-
Selling costs and general and administrative expenses	**331 442**	**289 787**

Cost of distribution services is an item of external services presented under costs by type.

22. Costs of Employee Benefits

	Jan 1- Dec 31 2012	Jan 1- Dec 31 2011
Remuneration under employment contracts	70 115	65 811
Remuneration under contracts for specific work and contracts of mandate	434	836
Social security contributions	13 257	11 713
Other employee benefits	3 167	3 259
Costs of employee benefits recognised under general and administrative expenses	**86 973**	**81 619**

(PLN'000)

24. Other Operating Income

	Jan 1-Dec 31 2012	Jan 1-Dec 31 2011
Gain on disposal of non-financial non-current assets	1 774	732
Reversal of provisions	686	-
Compensation, penalties and fines received	2 671	2 479
Marketing rebates	19	46
Revaluation of investment property	102	-
Write-off of liabilities	8	114
Receipt of past due receivables for which impairment losses were recognised	156	18
Other	3 281	343
	8 697	**3 732**

25. Other Operating Expenses

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Recognised allowance of receivables and other impairment losses	786	4 655
Damage to stock	3 374	2 829
Expenses related to complaints	2 300	2 175
Rebates granted	3 287	2 931
Stock differences	-	1 015
Incomplete deliveries	1 535	-
Terminated investments	208	-
Other	477	604
	11 967	**14 209**

26. Finance Income and Expenses

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Finance income		
Interest income on loans granted	577	252
Interest income on intra-group loans granted	3 680	4 846
Dividend received	20 056	15 290
Other interest	841	750
Other		1
	25 154	**21 139**
Finance expenses		
Interest expense under bank loans	26 723	25 134
Interest expense under intra-group loans	10	45
Other interest	1 596	1 838
Fees and commissions	2 291	2 355
IRS hedging cost	-	1 133
Other	70	449
	30 690	**30 954**

(PLN'000)

Exchange differences in the period Jan 1–Dec 31 2012	**Recognised under cost of sales**	**Disclosed under exchange differences**	**Total exchange differences**
Arising in connection with payment of trade payables and receivables	11 311	-	11 311
Other		(2)	(2)
Realised exchange differences	**11 311**	**(2)**	**11 309**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(20 947)	-	(20 947)
Other		(332)	(332)
Unrealised exchange differences	**(20 947)**	**(332)**	**(21 279)**
Total exchange differences	**(9 636)**	**(334)**	**(9 970)**

Exchange differencesin the period Jan 1–Dec 31 2011	**Recognised under cost of sales**	**Disclosed under exchange differences**	**Total exchange difference s**
Arising in connection with payment of trade payables and receivables	(8 814)	-	(8 814)
Arising in connection with repayment of loans	-	(66)	(66)
Realised exchange differences	**(8 814)**	**(66)**	**(8 880)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	19 311	-	19 311
Other	-	175	175
Unrealised exchange differences	**19 311**	**175**	**19 486**
Total exchange differences	**10 497**	**109**	**10 606**

27. Structure of Cash for the Statement of Cash Flows

Corporate Income Tax Paid

	Dec 31 2012	**Dec 31 2011**
Current corporate income tax disclosed in the statement of comprehensive income	(13 947)	(20 804)
Change in income tax receivable	-	-
Change in income tax payable	(6 955)	(639)
Corporate income tax paid	**(20 902)**	**(21 443)**

Change in Receivables

	Dec 31 2012	**Dec 31 2011**
Change in trade and other receivables	87 233	(155 962)
Change in non-current receivables	17 305	36 049
Change in loans granted	(10 855)	(14 767)
Change in investment receivables	408	-
Change in receivables	**94 091**	**(134 680)**

Change in Loans Granted

	Dec 31 2012	**Dec 31 2011**
Loans granted	(10 275)	(6 205)
Repayment of loans granted	24 485	25 578
Interest received	827	620
Interest accrued	(4 204)	(5 098)
Change in balance-sheet valuation	22	(128)
Change in loans granted	**(10 855)**	**(14 767)**

(PLN'000)

Change in Loans, Borrowings, Debt Securities and Finance Lease Liabilities

	Dec 31 2012	Dec 31 2011
Amounts received (repaid) under loans, borrowings and debt securities	(12 843)	50 655
Payment of liabilities under finance lease agreements	(4 172)	(5 588)
Proceeds from issue of debt securities (bonds)	-	30 000
Redemption of debt securities (bonds) issued	-	(30 000)
IRS valuation	-	(1 100)
Change in loans, borrowings, debt securities and finance lease liabilities	**(17 015)**	**43 967**

Net Interest

	Dec31 2012	Dec 31 2011
Interest paid	(28 243)	(26 267)
Interest received	4 256	5 098
Net interest	**(23 987)**	**(21 169)**

28. Income Tax expense

Income tax recognised under current period profit or loss

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Current income tax	(14 508)	(20 804)
Change in deferred income tax	561	(3 600)
Income tax disclosed in statement of comprehensive income	**(13 947)**	**(24 404)**

The reconciliation of the income tax expense in statement of comprehensive income to the value representing the product of the accounting profit and the applicable tax rates is as follows:

Effective tax rate

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
tax rate	19%	19%
Profit before tax	**86 448**	**128 743**
Tax based on applicable tax rates (19%)	(16 425)	(24 461)
Permanent differences	2 478	57
including:		
Dividend received	3 810	-
Representation and marketing expenses	(1 079)	-
Other	(253)	-
Income tax disclosed in statement of comprehensive income	**(13 947)**	**(24 404)**

29. Profit distribution

The Management Board proposed to allocate the current period net profit for reserve capital. The possibility of paying out dividend by the Company is limited under a syndicated credit facility agreement. For more information see Note 14.

(PLN'000)

30. Dividend per Share

	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Dividend approved and paid out to the reporting date	4 250	-
Number of shares with right to dividend as per resolution of the General Shareholders Meeting	14 168 100	14 168 100
Dividend per share (PLN)	0,30	-

The Annual General Shareholders Meeting of Inter Cars S.A. adopted a resolution on the allocation of the whole profit for 2011 to reserve capital amounting to PLN 100 088 570 and the remainder amounting to PLN 4 250 430, being 0,30 per share to be paid out as dividend. The dividend was paid out on 1 August 2012.

31. Contingent Liabilities and Unrecognised Liabilities under Executed Agreements

Guarantees and Sureties

As at December 31st 2012, the total amount of sureties and guarantees was PLN 7 072 thousand and comprised the sureties in respect of lease agreements of Lauber Sp. z o.o. and Inter Cars Bulgaria Ltd, sureties for the benefit of suppliers of Feber Sp. z o.o., IC Ukraine adn Q-Service and a surety for a loan repayment for Inter Cars Hungaria Kft.

For	Term	31.12.2012	31.12.2011
Inter Cars Hungaria Kft.	Jan 31 2016	2 289	2 456
Lauber Sp. z o.o.	Jan 13 2014	197	197
Feber Sp. z o.o.	Until revoked	899	972
Inter Cars Ukraina	Dec 27 2013	204	-
Q-Service Sp. z o.o.	Dec 31 2012	1 226	-
Feber Sp. z o.o.	Dec 30 2012	-	2 650
Feber Sp. z o.o.	Apr 14 2013	2 000	2 182
Inter Cars Bulgaria Ltd.	July 5 2015	257	277
		7 072	**8 734**

The Company held a customs guarantee issued by Generali TU S.A. with respect to payment of bid bonds and performance bonds securing proper performance of contractual obligations and removal of defects in the case of supplies for the Police.

32. Operating Leases

Inter Cars leases warehouse space to entities operating 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). Any 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 December 31st 2012, the total amount of lease rents under agreements for an indefinite term due for the termination notice periods under those agreements was PLN 6 658 thousand. The amount of lease rents under agreements for a definite term totalled PLN 4 175 thousand. As at the end of 2011, the amounts of the lease rents were PLN 5 763 thousand and PLN 1 739 thousand respectively.

The amount of future minimum payments under operating leases falling due in up to one year totals PLN 10 833 thousand (2011: PLN 7 502 thousand), and the ones falling due in the period from one to five years is PLN 9 thousand (2011: none). 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.

(PLN'000)

33. Transactions with Related Parties

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

Receivables from subsidiaries	**Dec 31 2012**	**Dec 31 2011**
Inter Cars Ukraine	13 817	51 942
Q-Service Sp.z o.o.	4 915	-
Lauber Sp. z o.o.	2 177	113
Inter Cars Ceska Republika	17 416	54 316
Inter Cars Slovenska Republika	4 870	4 177
Feber Sp. z o.o.	5 299	6 740
Inter Cars Lietuva	14 256	15 596
JC Auto s.r.l.	7 624	10 426
Inter Cars d.o.o.	34 621	47 561
JC Auto S.A.	1 891	2 042
INTER CARS Hungária Kf.	19 996	34 083
JC Auto s.r.o.	3 952	7 543
Inter Cars Romania s.r.l.	64 292	54 832
Armatus Sp. z o.o.	77	100
Inter Cars Latvija SIA	4 055	1 828
Inter Cars Cyprus Ltd	-	944
Cleverlog-Autoteile GmbH	51	2
Inter Cars Bulgaria Ltd.	2 183	84
Inter Cars Marketing Services Sp. z o.o.	512	-
Receivables from subsidiaries gross	**202 004**	**292 329**
Impairment allowance (JC Auto s.r.o.)	**(3 951)**	**(3 839)**
Receivables from subsidiaries net	**198 053**	**288 490**

Liabilities to subsidiaries	**Dec 31 2012**	**Dec 31 2011**
Inter Cars Ukraine	-	1
Q-Service Sp. z o.o.	46 911	38 105
Lauber Sp. z o.o.	2 408	1 370
Inter Cars Ceska Republika	850	7 294
Inter Cars Slovenska Republika s.r.o.	267	37
Feber Sp. z o.o.	1 360	41
Inter Cars Lietuva UAB	179	892
IC Development & Finance Sp. z o.o.	467	83
JC Auto s.r.l.	-	96
Inter Cars d.o.o.	110	546
JC Auto S.A.	1 796	67
INTER CARS Hungária Kft.	42	1 386
Inter Cars Romania s.r.l.	672	2 036
5 STERNE FAHWERKSTECHNIK GMBH I. GR.	-	95
JC Auto s.r.o.	-	3 273
Inter Cars Latvija SIA	4	1
Inter Cars Cyprus Ltd.	3 110	3 871
Inter cars Bulgaria Ltd.	3	-
Inter Cars Marketing Services Sp. z o.o.	26 223	-
	84 402	**59 194**

(PLN'000)

Sales revenue	1.01.2012-31.12.2012	1.01.2011-31.12.2011
Inter Cars Ukraine	23 850	26 484
Q-Service Sp. z o.o.	5 282	5 285
Lauber Sp. z o.o.	6 106	4 336
Inter Cars Ceska Republika	55 866	50 894
Inter Cars Slovenska Republika	59 032	54 621
Feber Sp. z o.o.	718	788
Inter Cars Lietuva	82 045	60 939
IC Development & Finance Sp. z o.o.	-	1
JC Auto s.r.l.	7 855	7 172
Inter Cars d.o.o.	21 183	23 667
JC Auto S.A.	1	3
INTER CARS Hungária Kft.	11 572	13 920
Inter Cars Romania s.r.l.	72 552	61 365
Armatus sp. z o.o	107	221
Inter Cars Latvija SIA	14 848	4 783
Cleverlog-Autoteile GmbH	119	9
Inter Cars Bulgaria Ltd.	2 175	51
Inter Cars Marketing Services Sp. z o.o.	427	-
	363 738	**314 539**

Purchase of merchandise and services	1.01.2012-31.12.2012	1.01.2011-31.12.2011
Q-Service Sp. z o.o.	58 859	73 990
Lauber Sp. z o.o.	25 618	21 431
Inter Cars Ceska Republika	7 608	7 940
Inter Cars Slovenska Republika	1 933	335
Feber Sp. z o.o.	24 447	3 250
Inter Cars Lietuva	7 900	8 547
IC Development & Finance Sp. z o.o.	1 201	1 388
JC Auto s.r.l.	4 271	63
Inter Cars d.o.o.	2 287	319
JC Auto S.A.	3 607	2 675
INTER CARS Romania s.r.i..	8 191	11 219
Inter Cars Hungaria Kft.	1 764	996
Inter Cars Cyprus Ltd.	1 347	5 668
Inter Cars Latvija SIA	125	24
Inter Cars Marketing Services Sp. z o.o.	28 798	-
Inter Cars Bulgaria Ltd.	3	-
	177 959	**137 845**

The Company executed transactions with entities related to members of the Supervisory Board and the Management Board and their relatives. The table below sets forth the value of the transactions.

Sales revenue	2012	2011
Inter Cars s.j.	-	1
ANPO Andrzej Oliszewski	1	1
FASTFORWARD Maciej Oleksowicz	222	641
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	213	213
AK-CAR Agnieszka Soszyńska	747	666
BEST-CAR Justyna Pietrzak	437	448
	1 620	**1 970**

(PLN'000)

Purchase of goods for resale and services	**2012**	**2011**
ANPO Andrzej Oliszewski	159	158
FASTFORWARD Maciej Oleksowicz	1 777	1 968
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	2 589	2 509
AK-CAR Agnieszka Soszyńska	4 075	4 497
BEST-CAR Justyna Pietrzak	2 197	2 230
	10 797	**11 362**

Receivables	**Dec 31 2012**	**Dec 31 2011**
Inter Cars s.j.	56	56
FASTFORWARD Maciej Oleksowicz	47	83
BEST-CAR Justyna Pietrzak	119	95
P.H.AUTO CZESCI Krzysztof Pietrzak	65	50
AK-CAR Agnieszka Soszyńska	301	121
	588	**405**

Liabilities	**Dec 31 2012**	**Dec 31 2011**
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	10	59
BEST-CAR Justyna Pietrzak	171	69
AK-CAR Agnieszka Soszyńska	155	196
FASTFORWARD Maciej Oleksowicz	-	15
	336	**339**

Loans granted

	Dec 31 2012	**Dec 31 2011**
Loans to members of the Supervisory Board and Management Board and their relatives	-	-
Loans to subsidiary and associated entities	61 328	75 104
	61 328	**75 104**
Lauber Sp. z o.o.	6 787	6 864
Feber Sp. z o.o.	23 415	21 791
Inter Cars Romania s.r.l	-	16
IC Development & Finance Sp. z o.o.	27 124	44 039
SMiOC FRENOPLAST Bułhak i Cieślewski S.A.	3 000	1 370
Inter Cars Bulgaria Ltd.	1 002	1 024
	61 328	**75 104**

The amount of granted loans maturing in up to one year is PLN 43 319 thousand, while the amount of loans maturing in over one year totals PLN 18 009 thousand.

The loans to related parties bear interest at a rate equal to 1M WIBOR or 3M LIBOR (in the case of EUR-denominated loans) interest, plus a margin of 1%-5%.

Loans granted

	2012	**2011**
As at beginning of period	75 104	92 244
Loans granted	6 940	2 167
Interest accrued	3 862	4 846
Repayments received	(23 950)	(23 853)
Interest received	(553)	(427)
Balance-sheet valuation	(75)	127
As at Dec 31	**61 328**	**75 104**

(PLN'000)

Interest accrued

	2012	2011
Lauber Sp. z o.o.	460	448
Feber Sp. z o.o.	1 234	1 954
Inter Cars Latvija	-	3
Inter Cars Romania	-	16
IC Development & Finance Sp. z o.o.	1 986	2 284
Frenoplast S.A.	130	110
Inter Cars Bulgaria Ltd.	52	31
	3 862	**4 846**

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

	2012	2011
As at beginning of period	8 734	8 241
Issued	2 204	14 627
Expired	(3 866)	(14 134)
As at end of period	**7 072**	**8 734**

Remuneration of the Supervisory Board and Management Board was as follows:

	2012	2011
Supervisory Board	221	203
Management Board	7 014	5 377
	7 235	**5 580**

Remuneration of management from management of the board of the parent entity amounted to PLN 461 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 2 932 thousand.

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

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

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

	Dec 31 2012	Dec 31 2011
Loans granted	68 142	78 997
Trade and other receivables	474 947	579 485
Cash and cash equivalents	12 790	18 147
	555 879	**676 629**

(PLN'000)

Interest Rate Risk

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

The Company has liabilities bearing interest at variable rates. As at 31 December 2012, the Company had no fixed-rate liabilities.

The Company had no open interest hedge instruments.

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

Variable-rate financial instruments	Dec 31 2012	Dec 31 2011
Financial assets (loansgranted)	60 142	78 997
Financial liabilities (bank loans, loans, commercial debt, finance lease reduced by fixed rate debt)	(480 660)	(496 099)
	(414 972)	**(398 515)**

Presented below is sensitivity analysis of the net profit or loss to possible interest rate changes, assuming that other factors remain unchanged. The following data shows the impact of basis points on the Company's annual net profit or loss (no direct impact on equity).

as at Dec 31 2012	basis points increase/decrease	impact on net profit/loss
	+ 100 / -100	(3 508) / 3 508
	+ 200 / -200	(7 016) / 7016

as at Dec 31 2011	basis points increase/decrease	impact on net profit/loss
	+ 100 / -100	(3 518)/ 3 518
	+ 200 / -200	(7 036)/ 7 036

Currency Risk

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

	EUR	USD	Other	EUR	USD	Other
	Dec 31 2012			Dec 31 2011		
Trade receivables	193 388	13 732	66	276 366	27 395	32
Cash	592	36	11	374	19	1
Bank loans	(40 736)	-	-	(7 560)	-	-
Trade payables	(94 127)	-	(482)	(163 774)	(911)	(4 871)
Gross balance-sheet exposure	**59 118**	**13 767**	**(405)**	**105 406**	**26 503**	**(4 838)**

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

(PLN'000)

as at Dec 31 2012	foreign exchange rate increase/decrease	impact on net profit/loss
EUR	+ 5% / - 5%	2 956 / (2 956)
	+ 10% / - 10%	5 912 / (5 912)
USD	+ 5% / - 5%	688 / (688)
	+ 10% / - 10%	1 377 / (1 377)
Other	+ 5% / - 5%	(20) / 20
	+ 10% / - 10%	(41) / 41

as at Dec 31 2011	foreign exchange rate increase/decrease	impact on net profit/loss
EUR	+ 5% / - 5%	4 269 / (4 269)
	+ 10% / - 10%	8 538 / (8 538)
USD	+ 5% / - 5%	1 073 / (1 073)
	+ 10% / - 10%	2 147 / (2 147)
Other	+ 5% / - 5%	(196) / 196
	+ 10% / - 10%	(392) / 392

The following exchange rates were applied to translate the figures presented under the financial highlights into the euro:

for the items of the statement of financial position – the exchange rate published by the National Bank of Poland for 31 December 2012: EUR 1 = PLN 4.0882, and the exchange rate published for 31 December 2011: EUR 1 = PLN 4.4168.

for the items of growth, profit and cash flows – the average of the exchange rates published by the National Bank of Poland for the last day of each month of the four quarters of 2012 and 2011, that is EUR 1 = PLN 4.1736 and EUR 1 = PLN 4.1401.

Liquidity Risk

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

Presented below are the Company's future payments as at December 31st 2012 by maturity date, based on discounted payments:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	total
interest-bearing loans and borrowings	-	-	456 432	-	-	456 432
finance lease liabilities	-	714	2 228	21 286	-	24 228
trade and other payables	122 309	170 339	5 624	-	-	298 272
	122 309	**171 053**	**464 284**	**21 286**	**-**	**778 932**

(PLN'000)

Capital Management

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

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

In the reporting period, certain capital management restrictions were introduced in connection with the obtained credit facility agreement (see Note 14).

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

	Dec 31 2012	**Dec 31 2011**
Liabilities under loans, borrowings, and finance leases	480 660	496 099
Trade and other payables	298 272	356 262
(less) cash and cash equivalents	(12 790)	(18 147)
Net debt	766 142	834 214
Equity	698 822	630 571
Net debt to equity	1,10	1,32

Fair Value

Presented below are the fair values and carrying amounts of financial assets and liabilities.

	Dec 31 2012		**Dec 31 2011**	
	carrying amount	fair value	carrying amount	Fair value
Loans granted	68 142	68 142	78 997	78 997
Financial assets available for sale	258	*	-	-
Trade and other receivables (excluding loansgranted)	406 594	406 594	495 663	495 663
Cash and cash equivalents	12 790	12 790	18 147	18 147
Liabilities under bank loans and borrowings (including valuation of Interest Rate Swaps)	(456 432)	(457 821)	(469 275)	(471 136)
Trade and other payables	(298 272)	(298 272)	(356 262)	(356 262)
Liabilities under bonds	-	-	-	-
Finance lease liabilities	(24 227)	(24 227)	(26 824)	(26 824)
Net exposure	**(291 148)**	**(292 794)**	**(259 554)**	**(261 415)**

- Assets available for sale comprise shares in a company that cannot be reliably measured at fair value owing to the specific nature of the company's business.

According to the Management Board, the carrying amounts of financial assets and liabilities are close to their fair values.

35. Subsequent Events to the Balance-Sheet Date

On 2 April 2013 the company Inter Cars S.A. contributed to ILS Sp. z o.o. with registered seat in Kajetany, an organized part of enterprise in the form of a separate logistic department. The contribution took place on 2 April 2013 and covered fully the capital increase amounting to PLN 56 995 000,00 in the above company ILS Sp. z o.o.. Inter Cars own 100% of shares in ILS Sp. z o.o..

On 2 April 2013 an annex to the syndicated loans agreement was signed, by virtue of which ILS Sp. z o.o. became a co-debtor to this agreement.

On 26 April 2013 the Board Member Mr Wojciech Milewski handed to the President of Supervisory Board his resignation being effective 30 June 2013.

36. Significant Judgments and Estimates

The preparation of the financial statements in conformity with the EU IFRS requires the parent company's Management Board to make judgments and estimates which affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. The actual values may differ from the estimates. The judgments 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 judgments and estimates which affect the financial statements is disclosed in the following notes:

- Note 9 Deferred income tax, (The Management Board assesses if the possibility of temporary differences realization and utilization of tax loss carryforward is probable and assesses the uncertainty of potential changes in binding tax regulations)
- Note 10 Inventories allowance (Management assesses that an entity's assets are not carried at more than their recoverable amount; potential impairment requires determination of inventory recoverable amounts),
- Note 4/5 Impairment losses on property, plant and equipment and on intangible assets, estimates regarding useful lives of property, plant and equipment and of intangible assets (The level of depreciation rates is set based on the estimated useful life of an asset, while useful lifes are subject for review at least on a yearly basis.At the end of each reporting period, the Management assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated),
- Note 7Allowances for shares in subsidiaries (the Management assesses whether there are indicators for possible impairment of assets, in case impairment is identified it requires to estimate the recoverable amount of assets).

37. Consolidated Financial Statements

As the parent company, Inter Cars S.A. prepared consolidated financial statements. Consolidation includes the financial statements of the parent company and its subsidiaries.

Robert Kierzek
President of the
Management Board

Krzysztof Soszyński
Vice-President of the
Management Board

Krzysztof Oleksowicz
Member of the
Management Board

Wojciech Milewski
Member of the
Management Board

Witold Kmieciak
Member of the
Management Board

Julita Pałyska
Person responsible for
keeping the accounting books

Warsaw, 26 April 2013

PART III

REPORT ON THE OPERATIONS OF INTER CARS S.A.

1. Summary

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 spare parts in Eastern Europe**, including both original parts in the manufacturer's packaging ("parts for the initial assembly") and spare parts of a comparable quality (independent manufacturers declare that the parts are of "the same" quality as the original parts).

The sales revenue in fourth quarter 2012 was **up 8,7%** on the previous year. It should be noted that sales revenue for the first month of 4 quarter amounted to record high 257 million PLN (the highest monthly sales in the history of Inter Cars).

The sales revenue in 2012 was primarily driven by:

(a) 1st quarter 2012 was the strongest period in terms of sales dynamics. The Group saw nearly 9,4% increase compared prior year. For the period of 12 months of 2012 consolidated sales revenue increased nearly 5,9% on corresponding period of 2011,

(b) gross profit on sales for the period of 12 months of 2012 increased by nearly 0,3% on the corresponding period of previous year, however, gross profit on sales in the period of 4Q 2012 increased by 4,7%,

(c) concentration on domestic market, share of export sales in the total sales revenue was at around 23%, which is by 1,5% higher than in 2011,

(d) sales of foreign subsidiaries increased by 16% in 2012 compared to 2011,

(e) significant increase in sales of seasonal products due to higher availability in the given group of products, especially tyres,

(f) 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.

The Company is working on the **expansion of its sales network** (152 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.

In 2012, the dynamic **growth of the Company's subsidiaries continued.** The Management Board expects that the growth of the whole Group in the forthcoming years will be significantly driven by its subsidiary undertakings.

The gross profit on sales was up 0,3% on the previous year.

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%.

(PLN'000)

The table below sets forth **the Company's financial highlights**.

	2012 PLN	2011 PLN	2012 EURO	2011 EURO
Separate statement of comprehensive income *(for period)*				
Sales revenue	2 599 857	2 448 872	622 929	591 501
Gross profit (loss) on sales	692 979	690 674	166 039	166 825
Cost of managerial option program	(23 400)	-	(5 607)	-
Net finance income/(expenses)	(5 870)	(9 706)	(1 406)	(2 344)
Operating profit (loss)	92 318	138 449	22 120	33 441
Net profit (loss)	72 501	104 339	17 371	25 202
Separate statement of cash flows				
Net cash provided by (used in) operating activities	104 870	8 093	25 127	1 955
Net cash provided by (used in) investing activities	(60 719)	(22 691)	(14 548)	(5 481)
Net cash provided by (used in) financing activities	(49 508)	18 800	(11 862)	4 541
Separate statement of financial position *(as at*				
period-end)	12 790	18 147	3 129	4 109
Cash and cash equivalents	1 484 993	1 498 178	363 239	339 200
Balance-sheet total	480 660	496 099	117 573	112 321
Loans, borrowings and finance lease liabilities	698 822	630 571	170 936	142 766
Equity				
Earnings per share	5,12	7,36	1,23	1,78
Sales margin (1)	26,7%	28,2%		
EBITDA as % of sales (2)	4,5%	6,7%		

(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 translate the figures presented under the financial highlights into the euro:

- for the items of the statement of financial position – the exchange rate quoted by the National Bank of Poland for December 31st 2012: EUR 1 = PLN 4.0882, and the exchange rate quoted for December 31st 2011: EUR 1 = PLN 4.4168.
- for the items of growth, profit and cash flows – the average of the exchange rates quoted by the National Bank of Poland for the last day of each month of the four quarters of 2012 and 2011, that is EUR 1 = PLN 4.1736 and EUR 1 = PLN 4.1401, respectively.

2. 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 renown global manufacturers that deliver their goods to car manufacturers for the initial assembly and to licensed networks selling vehicles.

The Company's objective is to create a leading automotive spare parts distribution network in Poland, with a strong representation on the new European markets, which would yield sustainable profits and enable expansion by taking over market shares of other entities operating in the distribution and logistics industry. **The target share in the Polish market is approximately 25%–30% around 2013–2015.**

Goods are distributed through the logistics centre, a network of 152 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, Latvija, 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.

3. Key Goods for Resale

Inter Cars offers the widest range of automotive spare parts in 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's offering is constantly extended by increasing product range in individual categories and supplementing it with new ones, as well as by looking for new markets.

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

	2012		2011		2010	
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Domestic sales	1 999 164	*76,90%*	1 921 677	*78,47%*	1 717 132	*80,50%*
Exports, including:	600 693	*23,10%*	527 195	*21,53%*	415 918	*19,50%*
Inter Cars Ukraine	23 850	*0,92%*	26 484	*1,08%*	20 892	*0,98%*
Inter Cars Ceska Republika	55 866	*2,15%*	50 894	*2,08%*	33 641	*1,58%*
Inter Cars Slovenska Republika	59 032	*2,27%*	54 621	*2,23%*	44 517	*2,09%*
Inter Cars Lietuva	82 045	*3,16%*	60 939	*2,49%*	38 129	*1,79%*
Inter Cars Croatia	21 183	*0,81%*	23 667	*0,97%*	15 924	*0,75%*
Inter Cars Hungaria	11 572	*0,45%*	13 920	*0,57%*	10 104	*0,47%*
Inter Cars Romania	72 552	*2,79%*	61 365	*2,51%*	30 503	*1,43%*
JC Auto Italia	7 855	*0,30%*	7 172	*0,29%*	7 952	*0,37%*
JC Auto Belgium	1	*0,00%*	3	*0,00%*	10	*0,00%*
Inter Cars Cyprus Limited	-	-	-	-	675	*0,03%*
Inter Cars Latvija SIA	14 848	*0,57%*	4 783	*0,20%*	601	*0,02%*
Inter Cars Bulgaria	2 175	*0,08%*	51	*0,00%*	-	-
Cleverlog	119	*0,00%*	9	*0,00%*	-	-
Total	**2 599 857**	***100%***	**2 448 872**	***100%***	**2 133 050**	***100%***

4. Sales Markets

Inter Cars' **primary sale market** is the domestic market. The share of exports in the Company's total sales amounted to 23,1%. A number of reasons lay behind the higher growth recorded in the domestic sales than in export sales. Firstly, the sales network on the Polish market developed more rapidly than the sales network outside Poland. Secondly, independent imports in Ukraine dropped due to the introduction of stricter customs regulations and closer monitoring of the cross-border trade between Poland and Ukraine. The share of sales to subsidiary undertakings in the total export sales amounted to 58,5%, in 2012 (as compared to 57,6% in 2011).

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

	2012		2011		2010	
	(PLN '000)	**(%)**	**(PLN '000)**	**(%)**	**(PLN '000)**	**(%)**
Sales of automotive spare parts and garage equipment	2 486 593	*95,6%*	2 322 247	*94,8%*	2 033 009	*95,3%*
Domestic	1 893 777	*72,8%*	1 814 084	*74,2%*	1 627 635	*76,3%*
Export	592 816	*22,8%*	508 163	*20,8%*	405 374	*19,0%*
Other	113 264	*4,4%*	126 625	*5,2%*	100 041	*4,7%*
Domestic	105 388	*4,1%*	107 593	*4,4%*	89 497	*4,2%*
Export	7 876	*0,3%*	19 032	*0,8%*	10 544	*0,5%*
Net sales revenue	**2 599 857**	*100%*	**2 448 872**	*100%*	**2 133 050**	*100%*

Other sales comprise income from the sale of services related to the core business.

In 2012, the sales of automotive spare parts and garage equipment were higher by over 7% on 2011. A growth of over 14% was noted in 2011.

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

	2012		2011		2010	
	(PLN '000)		**(PLN '000)**	**(%)**	**(PLN '000)**	**(%)**
Spare parts for cars	1 864 639	*75,0%*	1 725 708	*74,3%*	1 538 573	*75,7%*
Spare parts for commercial vehicles and buses	310 850	*12,5%*	292 189	*12,6%*	236 021	*11,6%*
Spare parts for motorcycles and two-wheeled vehicles	49 915	*2,0%*	53 711	*2,3%*	44 927	*2,2%*
Other	261 189	*10,5%*	250 639	*10,8%*	213 488	*10,5%*
Total	**2 486 593**	*100%*	**2 322 247**	*100%*	**2 033 009**	*100%*

The highest growth was recorded in the **sales of commercial vehicles and buses** and made up to 75% of the total sales of spare parts.

Sales of spare part for motorcycles decreased by 7% compared to 2011. In 2005, the Company launched the sale of *Triumph* motorbikes and commenced the organisation of a sales network operating under *InterMotors* brand. A website dedicated to the sale of motorcycles, spare parts and accessories, at *www.intermotors.pl*, was launched. At present, the sale of motorcycle parts is conducted through 22 points of sale (up to approval for publication there were already 26 points of sale), including 6 fully devoted to to sales of motorcycles and its accessories.

The sales of **spare parts for cars** increased by ca. 6,4%, driven mainly by the extension of the offering with the range of spare parts sold by JC Auto SA.

The structure of sales of spare parts, including export sales, is presented below:

	2012		2011		2010	
	PLN '000	***(%)***	**PLN '000**	***(%)***	**PLN '000**	***(%)***
Domestic sales	**1 893 777**	*76,2%*	**1 814 084**	*78,1%*	**1 627 635**	*80,1%*
spare parts for cars	1 394 599	*56,1%*	1 317 377	*56,7%*	1 203 999	*59,2%*
spare parts for commercial vehicles and buses	217 889	*8,8%*	215 056	*9,3%*	179 780	*8,9%*
other, spare parts for motorcycles	281 289	*11,3%*	281 651	*12,1%*	244 856	*12,0%*
Export sales	**592 816**	*23,8%*	**508 163**	*21,9%*	**405 374**	*19,9%*
spare parts for cars	470 040	*18,9%*	408 331	*17,6%*	334 574	*16,4%*
spare parts for commercial vehicles and buses	92 962	*3,7%*	77 133	*3,3%*	56 241	*2,8%*
other, spare parts for motorcycles	29 814	*1,2%*	22 699	*1,0%*	14 559	*0,7%*
Total	**2 486 593**	*100%*	**2 322 247**	*100%*	**2 033 009**	*100%*

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

5. Market Environment

Inter Cars operates in the segment of distribution of new spare parts, supplied mainly to garages independent of vehicle manufacturers. According to data provided by Stowarzyszenie Dystrybutorów Części Motoryzacyjnych (Polish Automotive Aftermarket Suppliers 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 key **market drivers** include:

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

Distributors of Spare Parts in Poland

The Polish spare parts distribution market remains relatively fragmented, but consolidation trends can be observed. According to data provided by Moto Focus, the largest spare parts distributors in Poland in the car segment include:

1. Inter Cars
2. Fota
3. AD Polska
4. Group Auto Union Polska

In the truck segment, the four leaders are:

1. Opoltrans
2. Suder&Suder
3. Autos
4. Inter Cars

The key trends in the independent spare parts distribution market in 2012 were as follows:

- **intensive development of sales networks** – the largest Polish distributors manage the total of 410 points of sale in Poland and abroad,
- **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*'),
- **propriety 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 JATO Dynamics in 2012 sales of new vehicles in Europe decreased by -8,2% compared to 2011. In total in Europe 12.1 million of new vehicles was sold. The largest car market are Germany and France, the UK and Italy accordingly.

The car park of passenger vehicles in Europe is estimated to be 280 million vehicles, including 13,8 million of vehicles in Poland. That means that vehicles in Poland constitute 5% of the car park.

The average age of a vehicle in Europe is estimated to be 8,2 years. Vehicles in Poland are older as the average age of a vehicle is estimated to be over 11 years.

Sales of Vehicles in Poland

Presented below are the volumes of sales of new vehicles in Poland by category:

Sales of new vehicles ('000)	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
cars	318	236	239	293	320	320	333	277	273
commercial vehicles	49	47	56	79	81	52	88	43	39

Source: Instytut Badań Rynku Motoryzacyjnego Samar (Samar Automotive Market Research Institute)

In 2012 the number of cars imported to Poland was down by 3% in comparison with 2011. Details are presented in the following table.

cars in Poland ('000)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
sales of new cars	236	239	293	320	320	333	277	273
imports of second-hand cars	871	817	995	1100	709	721	655	657
Total	1 107	1 056	1 288	1420	1029	1 055	930	930
imports of second-hand/sales of new cars	3,7	3,4	3,4	3,4	2,2	2,2	2,4	2,4

Source: Instytut Badań Rynku Motoryzacyjnego Samar (Samar Automotive Market Research Institute)

In total, the supply of cars in 2012 was comparable to prior year. At the same time, used cars accounted for nearly 70% of total supply – this group includes cars with higher breakdown rate, representing the traditional target group for the Company.

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 2012 included Skoda, Volkswagen, Fiat, Toyota, Opel and Ford.

(PLN'000)

Vehicle Stock Structure

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

(a) Car Stock 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.

Cars	The Company's spare parts sales		
	2010	**2011**	**2012**
(a) Western Europe	57%	52%	51%
(b) Eastern Europe	0%	0%	0%
(c) Japanese and Korean	13%	10%	10%
(d) Other	30%	38%	39%

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.

6. Supply Sources

The Company's offering includes goods provided by several hundred suppliers from all over the world, with the majority coming from the 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%.

Agreements Significant and Material to Inter Cars' 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 Company's development strategy. They include in particular agreements with the suppliers of spare parts which specify terms and conditions for granting discounts. Generally, the agreements are entered into for one year. In the period to the balance-sheet date, the following agreements were effective:

No.	Agreement date	Party to the agreement
1	Feb 24 2012	Contitech Antriebssysteme GmgH
2	Annex dated May 17 2012, agreem. April 7 2011	Delphi Poland S.A.
3	Feb 06 2012	Egon von Ruville
4	Apr 11 2012	Federal Mogul
6	May 31 2012	Robert Bosch
7	May 21 2012	SKF
8	Jun 29 2012	Valeo
9	Annex dated Jan 3 2012, agreem. Jan 2 2007	Wix-Filtron
10	Jun 11 2012	ZF Trading

(PLN'000)

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

No.	Agreement date	Party to the agreement
1	Jan 26 2005	Triumph Motorcycles LTD
2	Dec 19 2008	Giantco Limited
3	Nov 5 2008	JIANGMEN DIHAO MOTORCYCLE COMPANY LTD
4	Dec 19 2008	CHONGQING HUANSONG INDUSTRIES (GROUP) CO., LTD
5	Dec 9 2009	CHONGQING YINXIANG MOTORCYCLE (GROUP) CO., LTD
6	Dec 9 2009	CHONGQING YUAN GROUP IMP.&EXP. CO., LTD.

Insurance Agreements

No.	Agreement date	Party to the agreement	Subject matter	Material terms and conditions	Term	Materiality criterion
1	Aug 9 2012	TU Compensa	Insurance of the Company's assets and working capital	Insurance against fire and other natural disasters, and against burglary with theft and robbery	Aug 9 2012– Aug 8 2013	Total insurance amount is PLN 629 405 000 thousand

Shareholder Agreements

The Company is not aware of any shareholder agreements.

7. **Organisational or Capital Links between the Issuer and Other Entities; Information on the Issuer's Key Domestic and Foreign Investments (Securities, Financial Instruments, Intangible Assets and Real Property), Including Equity Investments outside the Group, as well as a Description of Methods of Investments Financing**

The Company Inter Cars is the parent company of the Group which consist of:

1.Inter Cars Ukraine LLC, ukrainian entiry, based in Chmielnicki in Ukraine (70% share is owned by Inter Cars S.A.),

2.Lauber Sp. z o.o. based in Słupsk (100%),

3.Q-Service Sp. z o.o. based in Warsaw (100%),

4.Inter Cars Česká Republika s.r.o. based in Prague (100%),

5.Feber Sp. z o.o. based in Warsaw (100%),

6.Inter Cars Slovenska Republika s.r.o. based in Bratislava (100%),

7.Inter Cars Lietuva UAB based in Vilno in Lethuania (100%),

8.IC Development & Finance Sp. z o.o. based in Warsaw (100%),

9.Armatus Sp. z o.o. based in Warsaw (100%),

10.JC Auto s.r.o. based in Karvina – Darkow in Czech Republic (100%),

11.Inter Cars Hungária Kft based in Budapest in Hungary (100%),

12.JC Auto S.A. based in Brain-le-Chateau in Belgium (100%),

13.Inter Cars d.o.o. based in Zagreb in Croatia (100%),

14.JC Auto s.r.l. based in Milan (99% is owned by Inter Cars SA) (1% is owned by JC Auto s.r.o.),

15.Inter Cars Romania s.r.l., based in Cluj Napoca in Romania (100%)

16.Inter Cars Latvija SIA , based in Ryga in Latvia (100%)

17.Inter Cars Cyprus Ltd., based in Nicosia in Cyprus (100%)

18.Inter Cars Bulgaria Ltd., based in Sofia (100%)

19.Cleverlog-Autoteile GmbH, based in Reinbek (90%)

20.Inter Cars Marketing Services Sp. z o.o., based in Warsaw (100%)

(PLN'000)

21.ILS Sp. z o.o., based in Kajetany(100%)

During the reporting period 2 new subsidiaries were created Inter Cars Marketing Services Sp. z o.o. and ILS Sp. z o.o.. All subsidiaries are financed by the parent company loan and receivables. Details of loans issued is present in note 11 of the Report on the Operations.

8. Changes in Organisational or Capital Links

During the reporting period there were no changes to organisational or capital relationships except for sales of share in Polmozbyt S.A., contribution in kind to Inter Cars Marketing Services Sp. z o.o., capital increase and repurchase of non-controllinginterest, purchase of ILS Sp. z o.o. and purchase of shares in Cleverlog Autoteile GmbH.

On 2 October 2011 Inter Cars S.A. separated its marketing division responsible for marketing, advertisement and for management of intellectual properties. The branch was registered in Commercial register.

The branch undertakes marketing activities for the Company and its customers and manages trademarks including the brand of the parent company and is responsible for brand security and its development.

Apart from operations on the territory of Poland the branch involves in coordination and setting of rules governing the use of trademarks by subsidiaries of the capital group.

On 30 May 2012 the Company contributed an organized part of enterprise to Inter Cars Marketing Services Sp. z o.o. (ICMS) in the form of contribution in kind. In the stand-alone financial statements of Inter Cars S.A. shares in ICMS received in return for the contribution were valued at its balance sheet value equal of value of net assets contributed.

Furthermore, during the reporting period the following changes in capital links took place:

-share capital increase and repurchase of non-controllinginterest in Inter Cars Ukraine

-purchase of 100% of share in ILS Sp. z o.o.

9. Material Transactions Entered into by the Issuer with Related Parties Other than Arm's Length Transactions; Amounts and Nature of such Transactions

All transactions with the related parties are entered into at arm's length. Refer to note no. 31.

10. Loans and Borrowings

On 22 November 2012 another annexe to the syndicated credit facility was signed so that the maturity for the short-term facility was altered in this way that it should be repaid no later than on 29 November 2013 and in the short-term part the repayment should be no later than on 23 November 2013. Interest rate was agreed as a variable rate depending on WIBOR, EURIBOR and LIBOR rate, increased by bank margins (determined at arm's length) for each individual interest period.

Short-term loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Syndicated loan	480 000	457 352	23, 29 Nov 2013
Armatus Sp. z o.o.	469	469	31 Dec 2013
	480 469	**457 821**	

(PLN'000)

Loan Agreements

Agreement No. Bank	Agreement date	Maturity date	Limit/loan amount (PLN)	Collateral
Syndicated credit facility Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Bank Handlowy of Warsaw, BRE Bank S.A.	Jul 29 2009	See above	480,000,000.00	mortgage over Inter Cars S.A.'s real property situated in Cząstków Mazowiecki, registered pledge over inventories, surety issued by Inter Cars Ukraine, registered pledge over bank accounts

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

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

Source of finance	Agreement date	Maturity date Limit/loan amount (PLN) Collateral
Syndicated credit facility Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Bank Handlowy of Warsaw, BRE Bank S.A.	 169 356 116 527 90 101 81 368	Short-term portion – WIBOR 1M +margin
Armatus Sp. z o.o.	469	WIBOR 1M + margin
Total	**457 821**	

11. Loans granted

Loans to related parties	Jan 1 - Dec 31 2012	Jan 1 - Dec 31 2011
As at beginning of period	75 104	92 244
Loans grantedand accrued interest	10 802	7 019
Repayments received	(24 503)	(24 286)
Balance-sheet valuation	(75)	127
	61 328	**75 104**

Loan Agreements

Agreement date	Maturity date	Loan amount	Material terms and conditions of the agreement
Jun 09 2007	Dec 31 2013	PLN 6 750 000	Agreement on a loan from Inter Cars to finance Lauber Sp. z o.o.'s operations and business development
Oct 22 2007	Dec 31 2015	PLN 3 800,000	Agreement on a loan from Inter Cars to finance IC Development& Finance Sp. z o.o.'s operations and business development
Nov 19 2007	Dec 31 2015	PLN 3,100,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
Dec 3 2007	Dec 31 2015	PLN 17,800,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
Jul 28 2008	Dec 31 2015	PLN 9,440,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
May 21 2010	Dec 31 2015	PLN 470,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s business activity
Mar 26 2008	Dec 31 2012	PLN 41,000,000	Agreement on a loan from Inter Cars to finance Feber Sp. z o.o.'s operations and business development
Oct 29 2008	Dec 30 2012	PLN 1,150,000	Agreement on a loan from Inter Cars to finance

(PLN'000)

			Frenoplast S.A.'s operations and business development
Oct 31 2012	Mar 31 2013	EUR 1 500 000	Agreement on a loan from Inter Cars to finance Frenoplast S.A.'s operations and business development
Apr 6 2011	Dec 31 2013	EUR 35 000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
Jul 5 2011	Dec 31 2013	EUR 100 000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
Aug 24 2011	Dec 1 2012	EUR 90,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development

As at 31 December 2012, the balance of loans grantedto related undertakings amounted to PLN 61 328 thousand and the amount of loans grantedto 5 non-related undertakings totalled PLN 6 813 thousand.

The loans grantedto related parties bear interest at a rate equal to 1M WIBOR or 3M LIBOR (in the case of EUR-denominated loans), plus a margin of 1%-4%.

The loans are not secured.

12. Sureties and Guarantees Issued

As at December 31st 2012, the total amount of sureties and guarantees was PLN 7,072 thousand and comprised the sureties in respect of lease agreements of Lauber Sp. z o.o. and Inter Cars Bulgaria Ltd., sureties for the benefit of suppliers of Feber Sp. z o.o., and a surety for a loan repayment by Inter Cars Hungaria Kft.

For	Term	31 Dec 2012	31 Dec 2011
Inter Cars Hungaria Kft.	31-01-2016	2 289	2 456
Lauber Sp. z o.o.	13-01-2014	197	197
Feber Sp. zo.o.	Until recalled	899	972
Inter Cars Ukraina	27-12-2013	204	-
Q – Service Sp.z o.o.	31-12-2012	1 226	-
Feber Sp. z o.o.	30-12-2012	-	2 650
Feber Sp. z o.o.	14-04-2013	2 000	2 182
Inter Cars Bulgaria Ltd.	05-07-2015	257	277
		7 072	**8 734**

The Company holds a customs guarantee issued by 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 Police.

13. Security Issues

During the reporting period the Company did not issue any commercial bonds.
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14. Seasonality or Cyclical Nature of Operations

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

(PLN'000)

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

15. Evaluation of Financial Resources Management

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

- *Gross sales margin* – gross profit on sales to net sales revenue
- *sales margin* – gross profit on sales to net sales revenue
- *Operating margin* – operating profit to net sales revenue (measures the Company's operating efficiency)
- *EBITDA* – net profit (loss) before amortisation, depreciation, net finance income (expenses), currency exchange differences and income tax
- *Gross profit margin* – profit before tax to net sales revenue (measures the efficiency of the Company's operations considering the profit (loss) on financial operations, and the extraordinary gains (losses)
- *Net profit margin* – the profit available to the Company after mandatory decrease of profit (increase of loss) to net sales revenue
- *Return on assets (ROA)* – net profit to assets (measures general assets efficiency)
- *Return on equity (ROE)* – net profit to equity (measures the efficiency of capital employed in the company)
- *Total debt ratio* – total liabilities to total assets
- *Debt-to-equity ratio* – total liabilities to equity
- *Inventory cycle* – 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 Company's profitability are set forth in the table below.

	2012	**2011**	**2010**
Net revenue from sales of goods for resale and products	2 599 857	2 448 872	2 133 050
Change	*1,06*	*1,15*	*1,15*
Gross profit on sales	692 979	690 674	616 340
Sales margin	*26 65%*	*28,20%*	*28,89%*
Foreign exchange gains (losses)	(334)	109	(490)
Operating profit	92 318	138 449	82 991
Operating margin	*3,55%*	*5,65%*	*3,89%*
EBITDA as % of sales	*4,51%*	*6,72%*	*5,26%*
Profit before tax	86 448	128 743	55 435
Net profit	72 501	104 339	46 004
Net profit margin	*2,79%*	*4,26%*	*2,16%*
Balance-sheet total	1 484 993	1 498 178	1 277 225
ROA	*4,88%*	*6,96%*	*3,60%*
Non-current assets	438 345	392 935	402 414
Equity	698 822	630 571	525 132
ROE	*11 58%*	*19,83%*	*9,60%*

(PLN'000)

Sales revenue in 2012 was **6,17% higher** than in 2011. Factors of particular **importance to the level of sales** were:

(a) continued development of the regional sales support system (sales representatives), resulting in an increased number of active customers,

(b) establishment of new affiliate branches and intensified operations of the existing ones,

(c) significant increase in seasonal goods sales due to high availability of the selected product groups ("Akcja Zima" (Codename: Winter)"),

(d) inventories management system optimisation, 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.

Gross profit on sales grew by 0,33% in comparison with 2011.

In total, **selling costs and general and administrative expenses** increased by 14,9% on the 2011 figure. The greatest-value item under the Company's costs is **distribution services**, that is the affiliate branch's share in the generated margin. Distribution costs totalled PLN 242 549 thousand, accounting for 40.5% of all costs by kind and decreased by 3,74% compared to prior year.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2012 the Company recognised the total of PLN 66 645 thousand under discounts (51 176 thousand in 2011). Discounts due to the Company are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 19 160 thousand (PLN 14 822 thousand in 2011) was posted to inventories, and it will reduce the cost of goods sold (in particular in Q1 2013).

Operating profit in 2012 was nearly 33,5% higher than in 2011. **EBITDA** in 2012 was approximately 4,5%.

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

Finance expenses are primarily costs of loans, borrowings, and bond issue. For 2013 the interest expense amounted to PLN 28 329 thousand (PLN 27 051 thousand for 2011), while the fees related to bond issues in 2012 totalled PLN 0 thousand (414 thousand in 2011). **Foreign exchange gains (losses)** are presented under two items of the statement of comprehensive income: the part corresponding to the realised 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. In 2012 foreign exchange gains presented under both items amounted to PLN 9 970 thousand; in 2011 the Company recognised foreign exchange losses of PLN 10 606 thousand.

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

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

	2012	**2011**	**2010**
Current assets	1 046 648	1 115 243	874 717
Cash and securities	12 790	18 147	13 945
Current liabilities	762 028	627 183	510 393
Current loans, borrowings, and finance lease liabilities	459 374	259 093	210 432
Adjusted current assets	1 033 858	1 097 096	860 772
Adjusted current liabilities	302 654	368 090	299 961
Net working capital	731 204	729 006	560 905

(PLN'000)

Net working capital employed increased by approximately 2,6%.

	2012	2011	2010
Inventory cycle (in days)	111	116	115
Average collection period (in days)	63	80	66
Operating cycle (in days)	174	196	181
Average payment period (in days)	57	74	47
Cash conversion cycle (in days)	117	122	134
Current ratio	1,37	1,78	1,71
Quick ratio	0,61	0,89	0,78
Cash ratio	0,02	0,03	0,03

The Company's operations are funded with the Company's internally generated funds and bank loans. As at December 31st 2011, loans, borrowings, debt securities and finance lease liabilities decreased to PLN 496 099 thousand (from PLN 452 625 thousand as at the end of 2010), and **the total debt ratio** was at the level of 2012 and amounted to 0.53 (0,58 in 2011), debt to equity ratio slightly decreased compared to 2011 and amounted to 1.12 in 2011 (1,38 in 2011).

Debt ratios are set forth in the table below.

	2012	2011	2010
Total debt ratio	0,53	0,58	0,59
Debt-to-equity ratio	1,12	1,38	1,43

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.

Structure of **cash flows** is set forth in the table below.

	2012	2011	2010
Net cash provided by (used in) operating activities	104 870	8 093	62 368
Net cash provided by/(used in) investing activities	(60 719)	(22 691)	(11 419)
Net cash provided by/(used in) financing activities	(49 508)	18 800	(48 617)
Cash and cash equivalents at end of period	12 790	18 147	13 945

Net cash used in operating activities increased significantly in 2012 in comparison with 2011, primarily as a result of decrease of receivable due (PLN 94 91 thousand), decrease of liabilities due (PLN 60 719 thousand). The drop resulted from more effective vindication which enabled the company to pay payable earlier. As a result early payment discounts were obtained from suppliers.

Net cash used in investing activities tripled in 2012 in comparison with 2011, primarily as a result of investment expenditures for tangible and intangible fixed assets and higher expenditure on shares of other companies than in previous years.

The decrease of cash provided by financing activities resulted mainly from repayments of bank overdraft facility.

16. Assessment of Investment Projects Feasibility

In 2012, expenditure on purchases and upgrades of property, plant and equipment totalled PLN 47 648 thousand (PLN 29 885 thousand in 2011). The whole amount was replacement capital expenditure. The Company's investments in 2012 were financed with internally generated funds and finance leases.

The investment plan for 2013 stipulates capital expenditure on property plant and equipment and intangible assets at the same level as in 2012. The investments will include replacement and upgrade of means of transport, as well as the upgrade of the IT system which supports management.

17. Extraordinary Factors and Events Which Have a Bearing on the Performance

On 29 July 2009, a syndicated credit facility agreement for up to PLN 480m was signed by Inter Cars S.A. (the Borrower), 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. (Co-Borrowers) and the following banks: Bank Polska Kasa Opieki S.A., ABN AMRO Bank (Polska) S.A., ING Bank Śląski S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A. In 4th quarter 2009 EFG Eurobank Ergiasas S.A. joined the consortium of banks.

On 22 November 2012 annexes to the syndicated credit facility were signed so that the maturity for the long-term facility was altered in this way the short-term facility should be repaid no later than 23 November 2013. Furthermore bank margin was reduced.

Commitment of each bank was also changed as RBS Bank (Polska) SA loan was paid off by the simultaneous increased commitment of remaining banks of the consortium.

Furthermore, additional co-borrower was added to the credit facility agreement, the company Inter Cars Marketing Services Sp. z o.o., which was reported in the current report no 39/2012 dated 23 November 2012.
The interest rate was agreed as a variable rate depending on WIBOR, EURIBOR and LIBOR rate, increased by bank margins (determined at arm's length) for each individual interest period.

Inter Cars S.A.'s EBITDA for the period of 12 months ended 31 December 2012 totalled PLN 117 366 thousand (PLN 164 173 thousand in 2011) calculated as operating profit increased by amortization).

Inter Cars' sales revenue generated in Poland accounted for approximately 66% of the Group's total sales revenue (after consolidation eliminations) and in comparison to 2011 decreased by 3,3 percentage points to 23,95% compared to 20,8% in 2009. The Polish market remains the key sales market for the Group.

In 2012, the Company established 5 new affiliate branches. As at 31 December 2012, the total number of affiliate branches was 152.

18. External and Internal Factors Important to the Company's Development

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

Internal Factors

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

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

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

(iii) *development of loyalty schemes* – launch of new and development of the existing schemes, which determine the Company's potential to enhance customer loyalty and, in effect, increase the 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 and Lithuania* – 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 Company's development will also be the factors that have a bearing on the development of the subsidiaries, which are major customers of the Company. Factors relevant to those entities' development are discussed in the consolidated report on the Group's operations.

19. Risk Factors

Risk of Changes in the Discount Policies of Spare Parts Manufacturers

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

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

Risk Related to Adoption of an Incorrect Strategy

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

In order to mitigate the risk, the Company analyses on an ongoing basis all factors relevant to selection of the strategy. The analysis is based on two approaches: short-term, pertaining to the supply terms, and long-term, encompassing the strategy for the sales network creation and development, to allow maximum accuracy in determining the direction and nature of changes in the market environment.

Risk Related to Changes in the Demand Structure

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

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

Risk Related to Seasonal Sales

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

Risk Related to Bank Loans

Bank loans are an important source of funding for the Company's operations. As at 31 December 2012, the Company's debt under bank loans, bonds and finance leases totalled PLN 480 660 thousand (496 099 thousand in 2011), and the total finance expenses relating to debt service (interest) stood at PLN 28 479 thousand (26 267 thousand in 2011). 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. Another risk factor associated with bank financing is the risk of a bank's refusal to extend or grant lines of credit. Any reduction in the Company's ability to fund its business with bank loans resulting from a termination of or refusal to extend some of the agreements would have a material adverse effect on the Company's development prospects, its liquidity and financial performance.

Risk of an Affiliate Branch Operator Engaging in Competitive Activity

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

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

Risk Related to the IT System

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

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

Risk Related to Independent Garages' Inability to Adapt to Market Requirements

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

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

Risk that Major Foreign Wholesalers of Spare Parts May Enter the Polish Market

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

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

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

Risk Related to Customer Base Diversification by Spare Parts Manufacturers

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

The Management Board is taking steps to develop an operational model that allows the Company to continuously expand its product range, including through the development of new segments, such as provision of garage equipment, fleet management, etc.

Risk Related to Car Manufacturers Taking over Spare Parts Production

According to the press, some vehicle manufacturers are considering the possibility of increasing their production of spare parts. Currently, vehicle manufacturers satisfy about 20-23% of the demand for spare parts on the EU markets. Although access to spare parts manufactured by vehicle manufacturers is available to all potential buyers, the terms of purchase from such manufacturers would most likely be less advantageous than the terms of purchase from such specialised spare parts producers as exist under the current system, i.e. production of parts for the initial assembly and for the aftermarket by the same manufacturers. Additionally, a change to the existing spare parts production model would reduce the value of the segment of original spare parts supplied by spare parts manufacturers. This would have a material adverse effect on the Company's financial performance.

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

Risk Related to Spare Parts Manufacturers Taking over the Independent Spare Parts Distribution Network

Any acquisitions of independent spare parts distributors by those spare parts' manufacturers could entail significant changes to the distribution model with respect to spare parts offered by the individual entities, involving limitation of their sales to other networks, including the

Company. In such a case the Company could lose certain supply sources, which would limit the size of its offering and undermine its competitive position.

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

Risk Related to the Macroeconomic Situation

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

Risk Related to Economic Policy

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

Risk Related to the Foreign Customers Structure

The vast majority of export sales are to small foreign customers, which arrange for the transport of the purchased goods from Poland themselves. Most of the customers come from Ukraine, and therefore a significant share of the Company's sales is exposed to risks specific to the customers' country, such as: changes in the size and structure of the spare parts market, changes in the population's purchasing power, as well as economic and political system stability. Adverse developments in those countries, resulting in reduced or abandoned purchases, would adversely affect the Company's financial performance.

Risk Related to Development of the Subsidiaries

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

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

20. Strategy and Future Development Prospects

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

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

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

- *Expansion of the distribution network* – in Poland and abroad.
- *Expansion of the product range* – by introducing new and improving the existing product lines to meet market expectations with respect to spare parts quality, prices and technical support from their manufacturers. In order to increase revenue from sales of high quality

(PLN'000)

goods with a relatively low price, sourced from spare parts manufacturers less known in Poland, the Company is systematically developing the "4-max" and "4-max Truck" brand, an inexpensive and reliable alternative for end customers.

- *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.

21. Changes in Key Principles of Managing the Company

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

22. Agreements Concluded between the Company and the Management Staff

As at 31 December 2012, no agreements were in force between the Company and the management staff members, which would provide for a compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition. Employment contracts of members of the Company's Management Board may be terminated on six months' notice.

23. Remuneration of the Management Staff

Remuneration of members of the Supervisory and Management Boards (PLN)	**Jan 1 – Dec 31 2012**	**Jan 1 – Dec 31 2011**
Andrzej Oliszewski – Chairman of the Supervisory Board	64 824	59 593
Maciej Oleksowicz – Member of the Supervisory Board	39 020	35 801
Michał Marczak – Member of the Supervisory Board	39 020	35 801
Piotr Płoszajski – Member of the Supervisory Board	39 020	35 801
Jacek Klimczak – Member of the Supervisory Board	39 020	35 801
Remuneration of the Board members (PLN)		
Robert Kierzek – President of the Management Board	480 000	1 014 500
Krzysztof Soszyński – Vice-President of the Management Board	480 000	1 015 416
Krzysztof Oleksowicz – Member of the Management Board	775 000	1 315 000
Wojciech Milewski – Member of the Management Board	478 000	1 017 370
Piotr Kraska – Member of the Management Board	576 000	1 014 500
Witold Kmieciak – Member of the Management Board	603 800	-
	3 392 800	**5 376 786**

Provision for the management bonus was accounted for in the consolidated financial statement for 2012 amounting to PLN 3.621 thousand. Bonus will be allocated to Board members by the Supervisory Board according to the motivation program.

24. Shares

Company Shares and Shares in Related Undertakings Held by the Management and Supervisory Staff

(PLN'000)

As at 31 December 2012

The Company's supervisory and management staff held in aggregate 6 060 309 shares, conferring the right to 42.78% of the total vote at the General Shareholders Meeting of Inter Cars S.A.

Name	As at reporting date	Aggregate par value	Share capital held (%)	Total vote held (%)
Management Board				
Krzysztof Oleksowicz	4 482 271	8 964 542	31,64%	31,64%
Robert Kierzek	39 834	79 668	0,28%	0,28%
Krzysztof Soszyński	39 834	79 668	0,28%	0,28%
Wojciech Milewski	32 500	65 000	0,23%	0,23%
Piotr Kraska	32 500	65 000	0,23%	0,23%
Witold Kmieciak	1 000	2 000	0,01%	0,01%
	4 627 939	**9 255 878**		
Supervisory Board				
Andrzej Oliszewski	1 432 370	2 864 740	10,11%	10,11%
	1 432 370	**2 864 740**		
Total	**6 060 309**	**12 120 618**	**42,78%**	**42,78%**

As at the publication date of these financial statements

The Company's supervisory and management staff hold in aggregate 5 927 809 shares, conferring the right to 41.85% of the total vote at the General Shareholders Meeting of Inter Cars S.A.

Name	As at publication date	Aggregate par value	Share capital held (%)	Total vote held (%)
Management Board				
Krzysztof Oleksowicz	4 482 271	8 964 542	31,64%	31,64%
Robert Kierzek	29 834	59 668	0,21%	0,21%
Krzysztof Soszyński	9 834	19 668	0,07%	0,07%
Wojciech Milewski	2 500	5 000	0,02%	0,02%
Witold Kmieciak	1 000	2 000	0,01%	0,01%
	4 525 439	**9 050 878**		
Supervisory Board				
Andrzej Oliszewski	1 402 370	2 804 740	9,90%	9,90%
	1 402 370	**2 804 740**		
	5 927 809	**11 855 618**	**41,85%**	**41,85%**

Total

On 30 October 2012 Mr Piotr Kraska, the Board Member, Financial Director submitted a resignation from his function, effective 31 December 2012, which was reported in the current report no 34/2012.

On 26 April 2013 Mr Wojciech Milewski the Board Member, submitted his resignation to the President of the Supervisory Board from his function, effective 31 June 2013, which was reported in the current report no 18/2013.

The management and supervisory staff hold no shares or other equity interests in any subsidiary undertakings of Inter Cars S.A.

For information of the total number and value of all Company shares, see Note 13 to the financial statements.

Changes in the Percentages of Shares Held under Agreements Known to the Company

(PLN'000)

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

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

Special Control Powers over the Company

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

Restrictions on Transferability of Securities

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

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

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

Name	No. of shares	Aggregate par value (PLN)	Share capital held (%)	Total vote held (%)
Krzysztof Oleksowicz	4 482 271	8 964 542	31,64%	31,64%
Andrzej Oliszewski	1 432 370	2 864 740	10,11%	10,11%
ING OFE	1 214 728	2 429 456	8,57%	8,57%
AMPLICO Otwarty Fundusz Emerytalny	903 347	1 806 694	6,38%	6,38%
AVIVA OFE	1 303 247	2 606 494	9,20%	9,20%
AXA OFE	713 916	1 427 832	5,04%	5,04%
Total	**10 049 879**	**20 099 758**	**70,94%**	**70,94%**

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

Name	No. of shares	Aggregate par value (PLN)	Share capital held (%)	Total vote held (%)
Krzysztof Oleksowicz	4 482 271	8 964 542	31,64%	31,64%
Andrzej Oliszewski	1 402 370	2 804 740	9,90%	9,90%
ING OFE	1 214 728	2 429 456	8,57%	8,57%
AMPLICO Otwarty Fundusz Emerytalny	903 347	1 806 694	6,38%	6,38%
AVIVA OFE	1 429 607	2 859 214	10,09%	10,09%
AXA OFE	713 916	1 427 832	5,04%	5,04%
Total	**10 146 239**	**20 292 478**	**71,62%**	**71,62%**

25. 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.

26. System for Control of Employee Stock Option Plans

In 2009, all stock options held by the Management Board members were exercised, as reported in Note 19 to the financial statements. At present (in 2012), no stock option plan is being implemented at the Company.

(PLN'000)

27. Qualified Auditor of Financial Statements

On 18 July 2012, Inter Cars S.A. executed an agreement with KPMG Audyt Sp. z o.o., providing for an audit of the annual financial statements and a review of the semi-annual financial statements of the Company for 2012. The total fee envisaged in the agreement is PLN 435 thousand which includes the cost of the annual audit amounting to PLN 285 thousand and the cost of semi-annual review of financial statements amounting to PLN 150 thousand.

On 27 June 2011, Inter Cars S.A. executed an agreement with KPMG Audyt Sp. z o.o., providing for an audit of the annual financial statements and a review of the semi-annual financial statements of the Company for 2011. The total fee envisaged in the agreement is PLN 435 thousand which includes the cost of annual audit of financial statements amounting to PLN 285 thousand and the cost of semi-annual review of financial statements amounting to PLN 150 thousand.

28. Transactions in Financial Derivatives and Their Risk Profile

In the period from 1 January to 31 December 2012, no transactions in financial derivatives were executed.

29. Employment

As at 31 December 2012, the Company employed 1 340 personnel. As at 31 December 2011, the Company had 1 333 employees.

30. Environmental Policy

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

As at the balance-sheet date, the Company held the following permits, in the form of administrative decisions, related to environmental protection:

No.	No. and date of decision	Issuing authority	Area covered by the decision	Scope of the decision
1	Decision No. 62 of May 27 2003 (ŚR.-7634/30/1/03)	Governor of the Nowy Dwór County	Cząstków Mazowiecki, ul. Gdańska 15, Czosnów Municipality	Permit for production and storage of hazardous waste, such as hydraulic oil, oiled cleaning cloths, oil filters, used lamps and lead-acid batteries.
2	Decision No. 123/2003 of December 10th 2003 (ŚR-6210/19/2/2003)	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Water permit for intake of underground water from quaternary formations at an intake located on the Company's grounds in Cząstków Mazowiecki, to be used by employees for domestic purposes other than drinking, as well as for plant watering and the water treatment facility.
3	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 warehousa in Czastków Mazowiecki
4	DKR/074-E9215/08/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Enviromental Inspector for the collection of electronic waste no. E0009215W
5	DKR/074-E9215/09/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Environmental Inspector for the sales and processing of used car batteries no E0009215WBW

31. Events Which May Have a Material Bearing on the Issuer's Future Results and Events After the Balance-Sheet Date

On 2 April 2013 the company Inter Cars S.A. contributed to ILS Sp. z o.o. with registered siege in Kajetany, an organized part of enterprise in the form of a separate logistic department. The contribution took place on 2 April 2012 and covered fully the capital increase amounting to PLN 56 995 000,00 in the above company ILS Sp. z o.o.. Inter Cars own 100% of shares in ILS Sp. z o.o..

On 2 April 2013 an annexe to the syndicated loans agreement was signed, by virtue of which ILS Sp. z o.o. became a co-debtor to this agreement

32. The Management Board's Standpoint Regarding the Possibility of Meeting the Previously Published Forecasts for 2012

The Company did not publish any forecasts for 2012.

33. Changes in the Company's Structure, Non-Current Investments and Restructuring

In 2012, no significant changes in the Company's structure occurred. More information is presented in the Note 8 of the management report.

34. Management and Supervisory Bodies

As at 31 December 2012, the Company's management and supervisory bodies were composed of the following persons:

Supervisory Board

Andrzej Oliszewski, Chairman

Maciej Oleksowicz

Piotr Płoszajski

Michał Marczak

Jacek Klimczak

Management Board

Robert Kierzek, President

Krzysztof Soszyński, Vice-President

Krzysztof Oleksowicz, Member

Wojciech Milewski, Member

Piotr Kraska, Member

Witold Kmieciak, Member

On 28 August 2012 the Supervisory Board appointed Mr Witold Kmieciak to the Board of Directors, which was reported in the current report no 29/2012.

On 30 October 2012 Mr Piotr Kraska, the Board Member, Financial Director submitted a resignation from his function, effective 31 December 2012, which was reported in the current report no 34/2012.

On 2 January 2013 Mr Piotr Zamora was appointed to the function of financial director of Inter Cars S.A. replacing Mr Piotr Kraska stepping aside.

On 26 April 2013 Mr Wojciech Milewski the Board Member, submitted his resignation to the President of the Supervisory Board from his function, effective 30 June 2013, which was reported in the current report no 18/2013.

35. Information on Court Proceedings to Which the Company is a Party

In 2012 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.

Moreover, no proceedings are pending 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.

36. Information on Average Foreign Exchange Rates

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

	2012	**2011**	**2010**
Exchange rate prevailing on December 31st	4,0882	4,4168	3,9603
Average exchange rate for the period January 1st–December 31st	4,1736	4,1401	4,0044
Highest exchange rate in the period	4,5135	4,5642	4,1770
Lowest exchange rate in the period	4,0465	3,8403	3,8356

The following rules were followed when translating the figures presented under the financial highlights in EUR '000:

- for the items of the statement of comprehensive income – 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 statement of financial position – the exchange rate prevailing on December 31st 2012, that is the mid exchange rate for the euro prevailing on that date, as quoted by the National Bank of Poland.

37. 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 2011 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 Milewski
Member of the
Management Board

Warsaw, 26 April 2013

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

INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2012 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.

Inter Cars S.A. adopted the corporate governance rules set forth in the document "Best Practices for WSE-Listed Companies" published at **www.corp-gov.pl**.

2. Corporate Governance Principles which Inter Cars S.A. Did Not Comply with

The Management Board of Inter Cars S.A. represents that in 2012 the Company complied with all the applicable corporate governance principles except for the following:

A. **Section I. 1)** Companies should pursue a transparent and effective information policy using both traditional methods and new and constantly improved technologies ensuring fast, secure and broad access to information. Using such communication methods to the broadest extent possible, companies should communicate with investors and analysts, enable on-line broadcasts of general shareholders meetings over the Internet, record general shareholders meetings and publish the recordings on the company's website.

NOTE:
The Company pursues a transparent and effective information policy that ensures proper communication with investors and analysts using traditional methods, and therefore it has decided not to broadcast general shareholders meetings over the Internet or record the general shareholders meetings and publish the recordings on its website.

B. **Section 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 February 15th 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, its subsidiary or an associated company cannot be deemed to meet the independence criteria mentioned in the Annex. In addition, a real and significant connection with any shareholder who has the right to exercise at least 5% of all votes at the general shareholders meeting is deemed to preclude the independence of a member of the supervisory board as understood in this rule.

NOTE:
According the Company's Articles of Association, the Supervisory Board is composed of 5 to 13 members appointed by the General Shareholders Meeting. Currently the Supervisory Board is composed of five members. Members of the Supervisory Board are appointed based on a vote in which all the interested and eligible Shareholders participate. Information regarding candidates for members of the Supervisory Board and their professional careers and qualifications is published in advance and submitted to the General Shareholders Meeting during its proceedings. Members of the Supervisory Board are appointed based on an independent decision of the Shareholders

(PLN'000)

present at the Meeting and there are no reasonable grounds to introduce any restrictions regarding selection of the candidates.

C. **Section III. 7)** The supervisory board should establish at least an audit committee. The committee should include at least one member independent of the company and entities with significant connections with the company, who has qualifications in accounting and finance. In companies where the supervisory board consists of the minimum number of members required by law, the tasks of the committee may be performed by the supervisory board.

NOTE:
The current Supervisory Board is comprised of five members and performs the tasks of the audit committee.

D. **Section 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.

NOTE:
Since the entire Supervisory Board performs the tasks of the audit committee, and the Management Board does not have powers to appoint its members, the Company has chosen not to comply with the provisions of Annex I to the Commission Recommendation.

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 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 drafted only by persons who have access to inside information, which obligates them – from the time of gaining access to such information to the publication of the financial statements – to keep confidential all data forming the basis of the financial statements. 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	No. of shares	No. of votes	Share capital held	Total vote held at the GM
1.	Krzysztof Oleksowicz	4.482.271	4.482.271	31,64%	31,64%
2.	Andrzej Oliszewski	1.402.370	1.402.370	9,90%	9,90%

(PLN'000)

3.	ING OFE	1.214.728	1.214.728	8,57%	8,57%
4.	AMPLICO OFE	903.347	903.347	6,38%	6,38%
5.	AVIVA OFE	1.429.607	1.429.607	10,09%	10,09%
6.	AXA OFE	713.916	713.916	5,04%	5,04%
7.	OTHERS	4.021.861	4.021.861	28,39%	28,39%

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. There are no restrictions with respect to the transfer of the Company shares or limitations on the voting rights attached to them.

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

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. 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

Members of the Management Board are appointed, removed from office and suspended from duties by the Supervisory Board in accordance with the rules set forth in the Commercial Companies Code and the Company's Articles of Association.

8. Rules Governing Amendments to the Company's Articles of Association

The validity of an amendment to the Company's Articles of Association requires:

- the General Shareholders Meeting's resolution adopted by a three-fourths (3/4) majority of the votes cast (Art. 415 of the Commercial Companies Code), in the form of a notary deed (a material change in the Company's business requires a resolution adopted by two-thirds (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).

9. 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 Management Board of Inter Cars S.A. reports that 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. 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 Shareholders Meeting is convened by the Company's Management Board or, in the cases and manner stipulated in the Commercial Companies Code, by other entities, and may be held at the Company's registered office, or in Cząstków Mazowiecki (Czosnów municipality, Province of Warsaw) or Kajetany (Nadarzyn municipality, Province of Warsaw). The General Shareholders Meeting adopts resolutions by an absolute majority of votes, unless the Commercial Companies Code or the Company's Articles of Association require more stringent rules governing adoption of a resolution.

10. 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

10.1. Composition and Rules Governing Operation of the Management Board

In the period from 1 January 2012 to 31 December 2012, the Company's Management Board was composed of the following persons:

- Robert Kierzek– President of the Management Board,
- Krzysztof Soszyński – Vice-President of the Management Board,
- Krzysztof Oleksowicz – Member of the Management Board,
- Wojciech Milewski – Member of the Management Board,
- Piotr Kraska – Member of the Management Board.

On 28 August 2012 the Supervisory Board appointed Mr Witold Kmieciak to the Board of Directors, which was reported in the current report no 29/2012.

On 30 October 2012 Mr Piotr Kraska, the Board Member, Financial Director submitted a resignation from his function, effective 31 December 2012, which was reported in the current report no 34/2012.

From 1 January 2013 the Board of Directors consist of:

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

On 26 April 2013 Mr Wojciech Milewski the Board Member, submitted his resignation to the President of the Supervisory Board from his function, effective 31 June 2013, which was reported in the current report no 18/2013.

Members of the Management Board are appointed for a three-year joint term of office. The Management Board manages the Company and represents it in and out of court. The Management Board is responsible for all issues which, under the applicable provisions of law or the Company's Articles of Association, do not fall within the scope of powers of the General Shareholders Meeting or the Company's Supervisory Board. The Management Board manages the Company's assets and rights, and is required to perform its responsibilities with due professional care, strictly observing the provisions of law. Resolutions of the Management Board are adopted by majority of votes. In the event of a voting tie, the President of the Management Board has the casting vote. The scope of powers and duties of the Management Board and the rules governing its activities are stipulated in the Rules of Procedure for the Management Board, adopted by the Management Board and approved by the Supervisory Board. Full text of the Rules of Procedure for the Management Board is available on the Company's website. The following persons are authorised to make representations and sign documents on behalf of the Company: the President of the Management Board acting individually, two members of the Management Board acting jointly, or a Member of the Management Board acting jointly with the proxy. The remuneration policies for the members of the Management Board are established by the Supervisory Board.

10.2. Composition and Rules Governing Operation of the Supervisory Board

Supervisory Board was composed of five persons:

- 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.

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 General Shareholders Meeting decides on the number of members of the Supervisory Board. In the event of block voting, the Supervisory Board is composed of thirteen members. Members of the Supervisory Board are appointed for a five-year joint term of office, and may be reappointed.

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 are held at least once a quarter and are convened by the Chairman of the Supervisory Board (acting on their own initiative or at the request of a member of the Supervisory Board), who sends written notifications containing information on the place, time and the proposed agenda for the meeting, to be received by all members of the Supervisory Board at least 7 (seven) days prior to the date of the meeting. 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 (four fifths) of the votes cast in the presence of no less than 4/5 (four fifths) 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.

TRANSLATION

Inter Cars S.A.

Supplementary report on the audit of the separate financial statements

Financial Year ended 31 December 2012

The supplementary report contains 9 pages
The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2012

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation

Contents

1. General

1.1. General information about the Company

1.1.1. Company name

Inter Cars S.A.

1.1.2. Registered office

ul. Powsińska 64
02-903 Warsaw

1.1.3. Registration in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	23 April 2001
Registration number:	KRS 0000008734
Share capital as at the end of reporting period:	PLN 28,336,200.00

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2012, the Management Board of the Company was comprised of the following members:

- 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 Milewski – Member of the Management Board.

On 28 August 2012 Mr. Witold Kmieciak was appointed to the position of Member of the Management Board of Inter Cars S.A.

On 30 October 2012 Mr. Piort Kraska resigned from the position of Member of the Management Board, effective on 31 December 2012.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname:	Mirosław Matusik
Registration number:	90048

1.2.2. Audit Firm information

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000339379
Registration court:	District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number:	527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2011 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 28 June 2012 where it was resolved to allocate the net profit for the prior financial year of PLN 104,339,000.00 as follows:

- PLN 4,250,430.00 to be paid as a dividend,
- PLN 100,088,570.00 to reserve capital.

The separate financial statements were submitted to the Registry Court on 12 July 2012 and were published in Monitor Polski B No. 2278 on 27 September 2012.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Inter Cars S.A. with its registered office in Warsaw, ul. Powsińska 64 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2012, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 21 January 2005.

The separate financial statements have been audited in accordance with the contract dated 18 July 2012, concluded on the basis of the resolution of the Supervisory Board dated 10 May 2012 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013 No. 47, item 330) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company during the period from 3 to 14 December 2012 and from 4 to 22 March 2013.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Self-Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2012 PLN '000	% of total	31.12.2011 PLN '000	% of total
Non-current assets				
Property, plant and equipment	166,050	11.2	146,276	9.8
Intangible assets	134,904	9.1	136,786	9.1
Investments in subsidiaries	111,699	7.5	57,236	3.8
Investments avaiable for sale	258	-	-	-
Investment property	2,121	0.1	2,019	0.2
Receivables	23,313	1.6	40,618	2.7
Total non-current assets	438,345	29.5	382,935	25.6
Current assets				
Inventories	582,224	39.2	558,229	37.2
Trade and other receivables	451,634	30.4	538,867	36.0
Cash and cash equivalents	12,790	0.9	18,147	1.2
Total current assets	1,046,648	70.5	1,115,243	74.4
TOTAL ASSETS	1,484,993	100.0	1,498,178	100.0

EQUITY AND LIABILITIES	31.12.2012 PLN '000	% of total	31.12.2011 PLN '000	% of total
Equity				
Share capital	28,336	1.9	28,336	1.9
Share premium	259,530	17.5	259,530	17.3
Reserve capital	332,196	22.4	232,108	15.5
Other reserve capital	5,935	0.4	5,935	0.4
Retained earnings	72,825	4.9	104,662	7.0
Total equity	698,822	47.1	630,571	42.1
Liabilities				
Interest-bearing loans and borrowings	21,286	1.4	237,006	15.8
Deffered tax liabilities	2,857	0.2	3,418	0.2
Total non-current liabilities	24,143	1.6	240,424	16.0
Trade and other payables	298,272	20.1	356,262	23.8
Interest-bearing loans and borrowings	459,374	30.9	259,093	17.3
Employee benefits	2,659	0.2	3,150	0.2
Income tax payable	1,723	0.1	8,678	0.6
Total current liabilities	762,028	51.3	627,183	41.9
TOTAL EQUITY AND LIABILITIES	1,484,993	100.0	1,498,178	100.0

2.1.2. Separate statement of comprehensive income

	01.01.2012 - 31.12.2012 PLN '000	% of total sales	01.01.2011 - 31.12.2011 PLN '000	% of total sales
Revenue	2,599,857	100.0	2,448,872	100.0
Cost of sales	(1,906,878)	73.4	(1,758,198)	71.8
Gross profit on sales	*692,979*	*26.6*	*690,674*	*28.2*
Other operating income	8,697	0.3	3,732	0.2
Costs of sales and general administration	(331,442)	12.8	(289,787)	11.8
Costs of distribution service	(242,549)	9.3	(251,961)	10.3
Licence fees	(23,400)	0.9	-	-
Other operating expenses	(11,967)	0.5	(14,209)	0.6
Results from operating activities	*92,318*	*3.5*	*138,449*	*5.7*
Finance income	25,154	1.0	21,139	0.9
Foreign currency exchange rate differences	(334)	-	109	-
Finance expenses	(30,690)	1.2	(30,954)	1.3
Profit before income tax	*86,448*	*3.3*	*128,743*	*5.3*
Income tax expense	(13,947)	0.5	(24,404)	1.0
Profit	*72,501*	*2.8*	*104,339*	*4.3*
OTHER COMPREHENSIVE INCOME				
Effective portion of changes in fair value of cash flow hedges	-	-	1,100	-
Other comprehensive income for the period, net of income tax	-	-	1,100	-
Total comprehensive income for the period	*72,501*	*2.8*	*105,439*	*4.3*
Net profit	72,501		104,339	
Weighted average number of shares	14,168,100		14,168,100	
Earnings per share (PLN)	5.12		7.36	
Diluted weighted average number of shares	14,168,100		14,168,100	
Diluted earnings per share (PLN)	5.12		7.36	

2.2. Selected financial ratios

		2012	2011	2010
1.	**Return on sales**			
	profit for the period x 100% / revenue	2.8%	4.3%	2.2%
2.	**Return on equity**			
	profit for the period x 100% / equity - profit for the period	11.6%	19.8%	9.6%
3.	**Debtors' days**			
	average trade receivables (gross) x 365 days / revenue	61 days	60 days	53 days
4.	**Debt ratio**			
	liabilities x 100% / equity and liabilities	52.9%	57.9%	58.9%
5.	**Current ratio**			
	current assets / current liabilities	1.4	1.8	1.7

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No. 33, item 259 with amendments) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

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Mirosław Matusik
Key Certified Auditor
Registration No. 90048
Limited Liability Partner with power of attorney

26 April 2013