**INTER CARS S.A.**

**CONSOLIDATED ANNUAL REPORT**
**FOR THE PERIOD 1 January – 31 December 2012**

**CONTENTS**

**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 consolidated financial statements of Inter Cars S.A. Capital Group ("the Group") and the comparative data have been prepared in compliance with the International Financial Reporting Standards, as adoptedby 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 Group'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 consolidated 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:

| | for 12 months ended | | for 12 months ended | |
|---|---|---|---|---|
| | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2012 | 31 Dec 2011 |
| *('000)* | *PLN* | *PLN* | *EUR* | *EUR* |
| **Data on growth and profit** | | | | |
| Sales margin | 30,9% | 32,4% | | |
| EBITDA | 185 850 | 195 386 | 44 530 | 47 194 |
| EBITDA as a per cent of sales | 6,2% | 7,1% | | |
| Net debt/EBITDA | 2,47 | 2,25 | | |
| Basic earnings per share | 7,07 | 7,37 | 1,73 | 1,67 |
| Diluted earnings per share | 7,07 | 7,37 | 1,73 | 1,67 |
| Operating profit (loss) | 149 931 | 160 998 | 35 924 | 38 887 |
| Net profit (loss) | 100 175 | 104 376 | 24 002 | 25 211 |
| **Cash flows** | | | | |
| Net cash provided by (used in) operating activities | 76 990 | 54 326 | 18 447 | 13 121 |
| Net cash provided by (used in) investing activities | (58 797) | (47 788) | (14 088) | (11 543) |
| Net cash provided by (used in) financing activities | (41 941) | 19 370 | (10 049) | 4 679 |
| **Employment and number of affiliate branches as at** | **Dec 31 2012** | **Dec 31 2011** | | |
| Number of employees | | | | |
| Parent company | 1 340 | 1 333 | | |
| Subsidiaries | 1 064 | 935 | | |
| Subsidiaries and associates | | | | |
| Parent company | 152 | 147 | | |
| Subsidiaries | 122 | 102 | | |
| **Statement of financial position** *(as at)* | **Dec 31 2012** | **Dec 31 2011** | **Dec 31 2012** | **Dec 31 2011** |
| Cash and cash equivalents | 36 948 | 60 696 | 9 038 | 13 742 |
| Total assets | 1 548 391 | 1 547 470 | 378 746 | 350 360 |
| Loans, borrowings, finance lease liabilities | 495 383 | 501 015 | 121 174 | 113 434 |
| Equity attributable to owners of the parent | 757 247 | 668 804 | 185 227 | 151 423 |

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

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

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Internet www.kpmg.pl

*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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Inter Cars S.A. with its registered office in Warsaw, ul. Powsińska 64 ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Consolidated Financial Statements*

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated 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 Group's activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated 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 Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group'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 consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 consolidated financial statements of Inter Cars S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

**Specific Comments on Other Legal and Regulatory Requirements**

*Report on the Group's Activities*

As required under the Accounting Act, we report that the report on the Group'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 consolidated 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.

RBS Bank S.A.

ul. Grzybowska 53/57
00-950 Warsaw

ul. 1-go Sierpnia 8A
02-134 Warsaw

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

BRE Bank S.A.
ul. Królewska 14
00-950 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 of Inter Cars – consolidated on the full consolidation basis as at December 31st 2012

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

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

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

**Inter Cars Lietuva UAB**
Titnago 6
LT- 02300 Vilnus, Lithuania

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

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

**JC Auto S.A.**
Avenue de l'Artisanat 2B
1420 Brain L'Allued, Belgium

**INTER CARS LATVIJA SIA**
Dike ela 44
LV-1004 Riga. Latvia

**Inter Cars Cyprus Limited**
12 Esperidon Street
1087 Nicosia, Cyprus

**Cleverlog-Autoteile GmbH**
Meinekestrase 27
10719 Berlin, Germany

**ILS Sp. z o.o.**
Klonowa 48, Kajetany
05-830 Nadarzyn

**Inter Cars Marketing Services Sp. z o.o.**
Płowiecka 57
04-501 Warsaw

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

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

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

**IC Development&Finance Sp. z o.o.**
ul. Powsińska 64
02-903 Warsaw, Poland

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

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

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

**Amatus Sp. z o.o.**
Powsińska 64
02-903 Warsaw

**Inter Cars Hungaria Kft**
Franepan 44/B
H-1139 Budapest, Hungary

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

**Inter Cars Romania s.r.l.**
Sts.Campul Painii 3-5
400058 Cluj-Napoca. Romania

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

## 10. Associates

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

## 11. Listing

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

## 12. Date of the Authorization for Issue of the Financial Statements

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

*(PLN '000)*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | note | Dec 31 2012 | Dec 31 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 226 030 | 205 831 |
| Intangible assets | 5 | 141 845 | 141 718 |
| Investments in associates | 7 | 3 795 | 7 510 |
| Investments available for sale | 8 | 301 | 43 |
| Investment property | 6 | 27 229 | 46 355 |
| Receivables | 11 | 13 050 | 11 102 |
| Deferred tax assets | 9 | 19 771 | 10 328 |
| | | **432 021** | **422 887** |
| **Current assets** | | | |
| Inventories | 10 | 734 967 | 735 350 |
| Trade and other receivables | 11 | 343 522 | 327 493 |
| Income tax receivable | | 933 | 1 044 |
| Cash and cash equivalents | 12 | 36 948 | 60 696 |
| | | **1 116 370** | **1 124 583** |
| **TOTAL ASSETS** | | **1 548 391** | **1 547 470** |

| | note | Dec 31 2012 | Dec 31 2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 13 | 28 336 | 28 336 |
| Share capital | | | |
| Share premium | | 259 530 | 259 530 |
| Reserve capital | | 373 750 | 258 686 |
| Other reserve capital | | 5 935 | 5 935 |
| Exchange differences | | (2 400) | (838) |
| Retained earnings | | 92 096 | 117 155 |
| **Total equity attributable to equity holders of the parent** | | **757 247** | **668 804** |
| Non-controlling interests | | - | (3 853) |
| **Total equity** | | **757 247** | **664 951** |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 15 | 34 997 | 240 986 |
| Other non-current liabilities | | 322 | 1 133 |
| Deferred tax liabilities | 9 | 6 130 | 88 |
| | | **41 449** | **242 207** |
| **Current liabilities** | | | |
| Bank overdraft | 16 | 277 876 | 359 592 |
| Interest-bearing loans and borrowings | 15 | 460 386 | 260 029 |
| Employee benefits | 17 | 5 716 | 5 779 |
| Income tax payable | 18 | 5 717 | 14 912 |
| | | **749 695** | **640 312** |
| **TOTAL EQUITY AND LIABILITIES** | | **1 548 391** | **1 547 470** |

*(PLN '000)*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | note | 1 Jan – 31 Dec 2012 | 1 Jan – 31 Dec 2011 |
|---|---|---|---|
| Revenue | 20 | 3 003 106 | 2 764 514 |
| Cost of sales | 21 | (2 074 992) | (1 869 879) |
| **Gross profit on sales** | | **928 114** | **894 635** |
| Other operating income | 23 | 10 713 | 7 119 |
| Costs of sale and general administration | 22 | (441 491) | (389 484) |
| Cost of distribution service | 22 | (316 149) | (315 302) |
| Other operating expenses | 24 | (31 256) | (35 970) |
| **Results from operating activities** | | **149 931** | **160 998** |
| Finance income | 25 | 2 386 | 2 413 |
| Foreign currency exchange rate differences | 25 | (292) | (611) |
| Finance expenses | 25 | (32 381) | (32 691) |
| Gains / (Losses) on shares in affiliated companies | | - | 156 |
| **Profit before tax** | | **119 644** | **130 265** |
| Income tax expense | 27 | (19 469) | (25 889) |
| **Net profit** | | **100 175** | **104 376** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Foreign currency translation differences for foreign operations | | (1 562) | 940 |
| **Effective portion of changes in fair value of cash flow hedges** | | - | 1 100 |
| | | (1 562) | 2 040 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **98 613** | **106 416** |
| Profit attributable to: | | | |
| - owners of the Group | | 100 790 | 108 229 |
| - interests | | (615) | (3 853) |
| | | **100 175** | **104 376** |
| Total comprehensive income attributable to: | | | |
| - owners of the Group | | 99 228 | 110 269 |
| - non-controlling interests | | (615) | (3 853) |
| | | **98 613** | **106 416** |
| **Net profit** | | **100 175** | **104 376** |
| **Weighted average number of shares** | | **14 168 100** | **14 168 100** |
| **Earnings per ordinary share (PLN)** | 14 | **7,07** | **7,37** |
| **Diluted weighted average number of shares** | | **14 168 100** | **14 168 100** |
| **Diluted earnings per share (PLN)** | | **7,07** | **7,37** |

*(PLN '000)*

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

| *(PLN '000)* | Share capital | Share premium | Reserve Capital | Exchange differences | Other reserve capital | Retained earnings | **Equity attributable to equity holders of the parent** | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at 1 January 2012** | **28 336** | **259 530** | **258 686** | **(838)** | **5 935** | **117 155** | **668 804** | **(3 853)** | **664 951** |
| ***Comprehensive income for the reporting period*** | | | | | | | | | |
| Net profit for the reporting period | - | - | - | - | - | 100 790 | 100 790 | (615) | **100 175** |
| ***Other comprehensive income*** | | | | | | | | | |
| Increases and decreases in the period from: | - | - | - | - | - | - | - | - | **-** |
| - exchange differences | - | - | - | (1 562) | - | - | (1 562) | - | **(1 562)** |
| **Total comprehensive income for the reporting period** | **-** | **-** | **-** | **(1 562)** | **-** | **100 790** | **99 228** | **(615)** | **98 613** |
| ***Transactions with owners recognised directly in equity*** | | | | | | | | | |
| Dividends | - | - | - | - | - | (4 250) | **(4 250)** | - | **(4 250)** |
| Purchase of non-controllinginterests | - | - | - | - | - | (6 535) | **(6 535)** | 4 468 | **(2 067)** |
| **Total contributions by and distributions to owners of the Company** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Distribution of retained earnings – transfer to reserve capital | - | - | 115 064 | - | - | (115 064) | **-** | - | **-** |
| **As at 31 December 2012** | **28 336** | **259 530** | **373 750** | **(2 400)** | **5 935** | **92 096** | **757 247** | **-** | **757 247** |

*(PLN '000)*

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (CONT.)

| | Share capital | Share premium account | Reserve Capital | Exchange differences | Other reserve capital | Retained earnings and current year profit | **Equity attributable to equity holders of the parent** | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at January 1st 2011** | **28 336** | **259 530** | **198 387** | **(1 778)** | **4 835** | **69 225** | **558 535** | **-** | **558 535** |
| ***Comprehensive income for the reporting period*** | | | | | | | | | |
| Net profit for the reporting period | - | - | - | - | - | 108 229 | **108 229** | (3 853) | **104 376** |
| ***Other comprehensive income*** | | | | | | | | | |
| Increases and decreases in the period from: | - | - | - | - | - | - | **-** | - | **-** |
| - exchange differences | - | - | - | 940 | - | - | **940** | - | **940** |
| Other comprehensive income | - | - | - | - | 1 100 | - | **1 100** | - | **1 100** |
| **Total comprehensive income for the reporting period** | **-** | **-** | **-** | 940 | **1 100** | **108 229** | **110 269** | **(3 853)** | **106416** |
| ***Transactions with owners recognised directly in equity*** | | | | | | | | | |
| **Dividends** | | | | | | | | | |
| 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 | - | - | 60 299 | - | - | (60 707) | **-** | - | **-** |
| **As at December 31st 2011** | **28 336** | **259 530** | **258 686** | **(838)** | **5 935** | **117 155** | **668 804** | **(3 853)** | **664 951** |

*(PLN '000)*

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | note | 1 Jan – 31 Dec 2012 | 1 Jan – 31 Dec 2011 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before tax** | | **119 644** | **130 265** |
| Adjustments, including: | | | |
| Depreciation and amortisation of property, plant, equipment and intangible assets | 22 | 35 919 | 34 388 |
| (Gain)/loss on foreign currency exchange rate differences | | 1 848 | (611) |
| (Gain)/loss on disposal of property, plant and equipment | 23 | (1 690) | (351) |
| Net interest | 26 | 28 644 | 25 914 |
| (Gain)/loss on revaluation of investment property | | (197) | 4 545 |
| Transfer of real estate to inventory and other adjustments net | 26 | 18 571 | 1 816 |
| Changes in working capital | | **202 739** | **195 966** |
| Change in inventories | | 383 | (124 158) |
| Change in receivables | 26 | (12 399) | (56 262) |
| Change in current liabilities | | (81 779) | 66 347 |
| **Cash generated from operating activities** | | **108 944** | **81 893** |
| Corporate income tax paid | 26 | (31 954) | (27 567) |
| **Net cash from operating activities** | | **76 990** | **54 326** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant, and equipment, intangible assets and investment property | | 6 880 | 6 167 |
| Acquisition of property, plant and equipment, intangible assets and investment property | 4,5 | (62 072) | (45 733) |
| Acquisition/Disposal of shares in other entities | 7 | 3 516 | (3 718) |
| Acquisition/Disposal of shares in subsidiaries | | (2 067) | - |
| Repayment of loans granted | 26 | 3 089 | 5 072 |
| Loans granted | | (8 243) | (9 768) |
| Interest received | | 100 | 192 |
| **Net cash used in investing activities** | | **(58 797)** | **(47 788)** |
| **Cash flows from financing activities** | | | |
| (Decrease) /increase in loans, borrowings and debt securities | 26 | (3 137) | 81 745 |
| Decrease in finance lease liabilities | 26 | (5 333) | (6 007) |
| Interest paid | 26 | (29 221) | (26 368) |
| Dividend paid | | (4 250) | - |
| (Redemption) of debt securities (bonds) | | - | (30 000) |
| **Net cash from/(used in) financing activities** | | **(41 941)** | **19 370** |
| **Net change in net cash and cash equivalents** | | **(23 748)** | **25 908** |
| **Cash and cash equivalents at the beginning of period** | | **60 696** | **34 788** |
| **Cash and cash equivalents at the end of period** | 12 | **36 948** | **60 696** |

## Supplementary Information and Explanations to the Consolidated Financial Statements

### 1. Basis for the Preparation of Consolidated Financial Statements

### a) Statement of Compliance with IFRS

The consolidated financial statements ("financial statements") have been prepared in accordance with the International Financial Reporting Standards as adopted by 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 Group 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 Group.

**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:<br>• 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.<br>• 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.<br>• 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:<br>• offset in the statement of financial position; or<br>• subject to master netting arrangements or similar agreements. | 1 January 2013 |

| | | |
|---|---|---|
| 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.<br>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.<br>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*.<br>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:<br>• it is probable that future economic benefits will flow to the entity;<br>• the entity can identify the component of the ore body for which access has been improved; and<br>• the costs relating to the stripping activity associated with that component can be measured reliably.<br>The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.<br>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.<br>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.<br>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 |

(PLN '000)

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|---|---|---|
| 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 |
| 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.<br>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.<br>Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:<br>- 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.<br>- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.<br><br>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 |

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|---|---|---|
| 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 |
| IAS 28 *Investments in Associates and Joint Ventures* (2011) | There are limited amendments made to IAS 28 (2008):<br>• *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.<br>• *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.*<br>*The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:*<br>• *not contingent on a future event; and*<br>• *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:<br>• 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;<br>• 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;<br>• 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 | 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 |
|---|---|---|
| | with IFRS;<br>• 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.<br>• clarification on the classification and accounting of spare parts, stand-by equipment and servicing equipment;<br>• removal of inconsistencies between IAS 32 and IAS 12 in respect of distributions to holders of an equity instrument and transaction costs of an equity transaction, by clarification that IAS 12 applies to the accounting for income taxes relating to those transactions;<br>• 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:<br>• 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;<br>• 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;<br>• 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);<br>• 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.<br>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.<br>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:<br>1 obtains funds from investors to provide those investors with investment management services;<br>2 commits to its investors that its business purpose is to invest for returns solely from appreciation and/or | 1 January 2014 |

*(PLN '000)*

| **Standard/Interpretation** | **Nature of impending change in accounting policy** | **Effective date for periods beginning as the date or after that date** |
|---|---|---|
| | investment income; and<br>3 measures and evaluates the performance of substantially all of its investments on a fair value basis.<br>The amendments also set out disclosure requirements for investment entities. | |
| 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.<br>Financial assets will be classified into one of two categories on initial recognition:<br>• financial assets measured at amortized cost; or<br>• financial assets measured at fair value.<br>A financial asset is measured at amortized cost if the following two conditions are met:<br>• the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and<br>• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.<br>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. | 1 January 2015 |
| 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.<br>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.<br>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.<br>Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.<br>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). | 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 |
|---|---|---|
| | 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.<br>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.<br>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.<br>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. | |

**b) Basis of Measurement**

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

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

The consolidated financial statements of the Inter Cars Group ("the Group") cover the financial statements of Inter Cars S.A., Inter Cars Ukraine, Inter Cars Ceska Republika, Lauber Sp. z o.o., Feber Sp. z o.o., Inter Cars Slovenska Republika, Q-Service Sp. z o.o., Inter Cars Lietuva, IC Development & Finance Sp. z .o.o., Inter Cars d o.o., Inter Cars Hungaria kft., JC Auto s.r.o., Inter Cars Romania s.r.l., JC Auto S.A., JC Auto s.r.l., Armatus Sp. z o.o., Inter Cars Cyprus Limited and Inter Cars Latvija SIA, Inter Cars Bulgaria Ltd., Cleverlog- Autoteile GmbH, Inter Cars Marketing Services Sp. z o.o. and ILS Sp. z o.o. The parent company of the Group is Inter Cars S.A. (the "Company", the "parent company").

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

The presented accounting policies have been adopted by all subsidiaries of the Group. Except as described in Note 35, they have not changed in relation to the policies applied in the financial statements for 2011.

All entities are fully consolidated except for SMiOC FRENOPLAST Bułhak i Cieślawski S.A. (associate) consolidated using the equity method.

**Functional and Presentation Currencies**

*(a) Functional and Presentation 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., Feber, Lauber, Q-Service, IC Development & Finance, Fenoplast and Armatus Sp. z o.o. The functional currency for Inter Cars Ukraine is UAH, for Inter Cars Ceska Republika and JC Auto s.r.o. – CZK, for Inter Cars Slovenska Republika – SKK, for JC Auto s.r.l.,Inter Cars Cyprus Limited and JC Auto S.A. – EUR, for Inter Cars Hungaria Kft – HUF, for Inter Cars d.o.o. – HRK, for Inter Cars Romania s.r.l. – RON, for Inter Cars Latvija SIA – LVL, and for Inter Cars Lietuva – LTL.

The profit/(loss), assets and equity and liabilities of the subsidiaries which do not have PLN as their functional currency are translated into PLN as follows:

- assets and equity and liabilities included in each statement of financial position are translated at the closing exchange rate as at the reporting date,
- income and expenses included in each statement of comprehensive income are translated at average exchange rates for a given period,

- the resultant currency translation differences are disclosed as a separate item of equity.

*(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. 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.

### c) Changes in Accounting Policies

No significant changes occurred during the reporting period.

### d) Basis of Consolidation

*(a) Subsidiaries*

Subsidiaries are controlled by the parent company. Control is understood as the power to govern, whether directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. The degree of control is assessed taking into account the influence conferred by the existing and potential voting rights that can be exercised or converted as at the reporting date.

The accounts of a subsidiary are included in the consolidated financial statements starting from the day when the parent company assumes control over the subsidiary, and cease to be consolidated when the control is lost.

*(b) Consolidation Adjustments*

Balances of settlements between the Group’s subsidiaries, intra-Group transactions and all related unrealised gains or losses, and the Group’s income and expenses, are eliminated on consolidation. Unrealised gains on transactions with associated and jointly-controlled subsidiaries are eliminated from the consolidated financial statements pro rata to the Group’s equity interest in those subsidiaries. Unrealised losses are eliminated in accordance with the same rule, as long as there is no sign of impairment.

## 2. Significant Accounting Policies

The accounting policies set out below, except for the changes mentioned in Section 1 d), 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 Group (where the underlying agreement transfers substantially all the potential benefits and risks of ownership to the Group), 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 1 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 capitalisedinterest 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 Group. 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 Group 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, 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-physicalassets, whose acquisition or production cost can be estimated reliably and which will probably bring the Group 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 disclosed under expenses of the period in which they are incurred. Costs related directly to the production of unique computer software for the Group 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 Group's operations and is not to be sold in the ordinary course of the Group'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) with any change therein recognised 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 Group 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 Group's operations or start of its adaptation for intended sale.

If property is transferred from investment property to property used in the Group'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 assets, (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 traded 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 Group determines whether there is objective evidence 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 Group intends and is able to hold to maturity, excluding financial assets classified as financial instruments measured at fair value through profit or loss, investments available for sale, and loans and receivables.

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

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

*(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 asmeasured at fair value through profit or loss if the Group 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 in 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 Group 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 Group becomes a party to the contractual provisions of the instrument.

The Group 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 Group 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 Group 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).

**Impairment of Assets**

*Financial Assets*

An impairment loss on a financial asset is recognised if there is objective evidence 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 Group has a reason to suspect that a given asset's value has been impaired, it estimates its recoverable amount. The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet ready for use is established 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.

## g) Leases

*a) The Group as a Lessee*

Property, plant and equipment used under finance lease agreements which substantially transfer to the Group 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 Group as a Lessor*

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

## h) 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 value (sale price less discounts, rebates and selling costs) is lower than the relevant acquisition (production) cost.

### i) Cash and Cash Equivalents

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

### j) Equity

In the Group’s financial statements, equity comprises:

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,
6. Exchange differences – equity from currency translation of foreign entities
7. Non-controlling interests – the value of equity attributable to non-controlling shareholders.

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### k) 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,.

### l) 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.

### m) Revenue

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

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

Revenue is recognised if:

- the 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.

**n) Operating Expenses**

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

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

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

**o) 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.

**p) Income Tax Expense**

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 tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transition that is not a business combination and that affects neither accounting not taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the forseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. **Valuation of Equity Interests in Subsidiaries**

Equity interests in subsidiaries are valued using the equity method.

**q) 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.

*(PLN ‘000)*

**r) Financial Derivatives and Hedge Accounting**

The Group holds financial derivatives to hedge its interest rate risk exposure. On initial designation of the hedging item, the Group formally documents the relationship between the hedging instrument and the hedged item. The documentation includes the risk management objective and a strategy for undertaking the hedge, as well as methods to be used by the Group to asses the hedge effectiveness. The Group assesses, both at the time the hedge is undertaken and in subsequent periods, whether it is justified to expect that the hedging instruments will remain “highly effective” in offsetting changes in the fair value or cash flows attributable to the hedged risk during the entire period for which the hedge was undertaken, as well as whether actual results are within the range of 80-125%. Cash flows hedges are applied for highly probable future transactions bearing risk of changes in cash flows whose effects would be recognised as current year profit or loss.

## 3. Operating Segments

The Inter Cars Group’s core business consists in the sale of spare parts. Additionally, Feber, Lauber and IC Development companies are active in other, individually non-significant segments including production of semi-trailers, recovery of spare parts and property development activities.

The Inter Cars Group applies uniform accounting policies to all its business segments. Transactions between the segments are executed at arm’s length, and were eliminated in these consolidated annual financial statements.

### Supplementary Information

For information on key products and services and the geographical breakdown of sales, see Note 20.
The vast majority of the Company’s non-current assets are situated in Poland. The following table shows geographical location of the non-current assets:

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| Non-current assets located in Poland | 389 797 | 400 059 |
| Non-current assets located abroad | 42 224 | 22 828 |
| **Total non-current assets** | **432 021** | **422 887** |

Due to the nature of its operations, the Group does not have key customers. For more information see Note 11.

*(PLN '000)*

| | Sales of spare parts | | Other | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **Jan 1– Dec 31 2012** | **Jan 1– Dec 31 2011** | **Jan 1– Dec 31 2012** | **Jan 1– Dec 31 2011** | **Jan 1– Dec 31 2012** | **Jan 1– Dec 31 2011** | **Jan 1– Dec 31 2012** | **Jan 1– Dec 31 2011** |
| Segment's revenue from external customers | 2 941 545 | 2 697 964 | 61 561 | 66 550 | - | - | 3 003 106 | 2 764 514 |
| Inter-segment revenue | 497 375 | 437 488 | 65 518 | 25 933 | (562 893) | (463 421) | - | - |
| Interest income | 5 693 | 6 282 | 47 | 28 | (3 547) | (4 782) | 2 193 | 1 528 |
| Interest expense | (29 222) | (28 472) | (2 676) | (3 315) | 2 677 | 3 318 | (29 221) | (28 469) |
| Amortisation/Depreciation | (32 762) | (31 412) | (9 453) | (2 976) | 6 296 | - | (35 919) | (34 388) |
| **Profit before tax** | **94 375** | **148 927** | **22 607** | **(9 479)** | **2 662** | **(9 183)** | **119 644** | **130 265** |
| Equity interests in subsidiaries valued based on equity method | 3 795 | 7 304 | - | - | - | - | 3 795 | 7 304 |
| **Total assets** | **2 374 943** | **1 924 603** | **147 552** | **124 188** | **(974 104)** | **(501 321)** | **1 548 391** | **1 547 470** |
| Capital expenditures (purchase of property, plant and equipment, intangible assets and investment properties) | (56 768) | (44 667) | (3 075) | (1 066) | (2 229) | - | (62 072) | (45 733) |
| **Total liabilities** | **1 084 923** | **1 231 540** | **90 970** | **94 379** | **(384 749)** | **(443 400)** | **791 144** | **882 519** |

*(PLN '000)*

## 4. Property, Plant and Equipment

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| Land | 28 824 | 15 079 |
| Buildings and premises | 93 582 | 90 946 |
| Plant and equipment | 37 648 | 22 452 |
| Vehicles | 20 762 | 22 525 |
| Other tangible assets | 28 907 | 36 321 |
| Tangible assets under construction | 16 307 | 18 508 |
| | **226 030** | **205 831** |

### Property, Plant and Equipment Used under Lease Agreements

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

- As at 31 December 2012 – PLN 35 970 thousand
- As at 31 December 2011 – PLN 37 669 thousand

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

The Group's right to dispose of any item of property, plant and equipment held by the Group, except 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 property, plant and equipment |
|---|---|---|---|---|---|---|---|
| **GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT** | | | | | | | |
| **Gross value as at Jan 1 2011** | **14 848** | **114 559** | **54 392** | **40 781** | **78 071** | **4 989** | **307 640** |
| **Increase:** | **1 574** | **661** | **7 170** | **5 694** | **13 235** | **14 263** | **42 597** |
| Acquisition | 1 | 591 | 6 333 | 4 106 | 10 375 | 18 996 | **40 402** |
| Transfer | 1 573 | 70 | 140 | 90 | 2 860 | (4 733) | **-** |
| Lease | - | - | 697 | 1498 | - | - | **2 195** |
| **Decrease:** | **(1 057)** | **(96)** | **(199)** | **(7 568)** | **(668)** | **(74)** | **(9 662)** |
| Sale | (85) | - | (109) | (7 503) | (636) | (74) | **(8 407)** |
| Liquidation | - | (96) | (90) | (65) | (32) | - | **(283)** |
| Other | (972) | - | - | - | - | - | **(972)** |
| Exchange differences | 29 | 52 | 820 | 635 | 820 | 48 | **2 404** |
| **Gross value as at Dec 31 2011** | **15 394** | **115 176** | **62 183** | **39 542** | **91 458** | **19 226** | **342 979** |
| **Increase:** | **14 037** | **6 263** | **25 425** | **7 067** | **9 241** | **(2 949)** | **59 084** |
| Acquisition | 8 202 | 1 785 | 13 872 | 5 356 | 9 326 | 19 733 | **58 274** |
| Transfer | 5 835 | 4 478 | 9 898 | 753 | (85) | (22 682) | **(1 803)** |
| Lease | - | - | 1 655 | 958 | - | - | **2 613** |
| **Decrease:** | **(248)** | **(1 073)** | **(2 580)** | **(6 082)** | **(14 722)** | **(12)** | **(24 717)** |
| Sale | - | (1 073) | (2 259) | (6 071) | (6 635) | - | **(16 038)** |
| Liquidation | (248) | - | (321) | (11) | (8 087) | (1) | **(8 668)** |
| Other | - | - | - | - | - | (11) | **(11)** |
| Exchange differences | (109) | (120) | (789) | (630) | (1 048) | 42 | **(2 654)** |
| **Gross value as at Dec 31 2012** | **29 074** | **120 246** | **84 239** | **39 897** | **84 929** | **16 307** | **374 692** |

*(PLN '000)*

| | Land | Buildings and *premises* | Plant and equipment | Vehicles | Other tangible assets | Tangible assets under construction | Total property, plant and equipment |
|---|---|---|---|---|---|---|---|
| **Depreciation and impairment losses as at Jan 1 2011** | **225** | **20 513** | **31 210** | **13 793** | **44 056** | **-** | **109 797** |
| Depreciation for period | 92 | 3 631 | 8 642 | 6 361 | 10 630 | 470 | **29 826** |
| Sale | (42) | - | (59) | (3 432) | (451) | - | **(3 984)** |
| Liquidation | - | - | (64) | - | (31) | - | **(95)** |
| Other | 40 | - | (422) | - | 645 | - | **263** |
| Exchange differences | - | 86 | 424 | 295 | 288 | 248 | **1 341** |
| **Depreciation and impairment losses as at Dec 31 2011** | **315** | **24 230** | **39 731** | **17 017** | **55 137** | **718** | **137 148** |
| Depreciation for period | 85 | 3 779 | 8 442 | 5 788 | 13 669 | - | **31 763** |
| Sale | - | (872) | (1 455) | (3 211) | (4 888) | - | **(10 426)** |
| Liquidation | (150) | (373) | (21) | (398) | (7 600) | - | **(8 542)** |
| Other | - | - | 255 | 207 | 20 | (482) | **-** |
| Exchange differences | - | (100) | (361) | (268) | (316) | (236) | **(1 281)** |
| **Accumulated depreciation and impairment losses as at Dec 31 2012** | **250** | **26 664** | **46 591** | **19 135** | **56 022** | **-** | **148 662** |

**NET VALUE**

| | Land | Buildings and *premises* | Plant and equipment | Vehicles | Other tangible assets | Tangible assets under construction | Total property, plant and equipment |
|---|---|---|---|---|---|---|---|
| As at Jan 1 2011 | **14 623** | **94 046** | **23 182** | **26 998** | **34 015** | **4 989** | **197 843** |
| As at Dec 31 2011 | **15 079** | **90 946** | **22 452** | **22 525** | **36 321** | **18 508** | **205 831** |
| As at Jan 1 20102 | **15 079** | **90 946** | **22 452** | **22 525** | **36 321** | **18 508** | **205 831** |
| As at Dec 31 2012 | **28 824** | **93 582** | **37 648** | **20 762** | **28 907** | **16 307** | **226 030** |

*(PLN '000)*

## 5. Intangible Assets

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| Software | 8 132 | 5 495 |
| Goodwill, including: | 124 130 | 124 130 |
| *- goodwill from merger with JC Auto S.A. in 2008* | *124 130* | *124 130* |
| Other intangible assets, including: | 9 583 | 12 093 |
| *- relations with suppliers* | *6 726* | *11 365* |
| *- other* | *2 857* | *728* |
| | **141 845** | **141 718** |

### Impairment Testing

The Group's assets in cash generating units to which goodwill had been attributed were tested for impairment. The recoverable amount was determined based on an estimation of the value-in-use. No impairment was identified.

The value-in-use is the estimated present value of future cash flows generated by an entity. Material assumptions adopted for the estimation of the recoverable amount are presented below:

- Projections of cash flows used to estimate the value-in-use estimated separately for the segment Spare parts (includes goodwill)
- The data used to prepare the projections for 2013, 2014 and 2015 were based on the approved budget.
- Cash flows for 2015–2016 were estimated based on a growth rate of 4–5%, while for the remaining years the assumed growth rate was 1.5%.
- The discount rate used to calculate the value-in-use was 8.3% and was estimated based on the weighted average cost of capital.
- The excess recoverable amount over the balance sheet value amounted to PLN 465 million. The Management Board has not identified any assumptions changes to which might significantly impact the 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 2012 – PLN 511 thousand
- as at 31 December 2011 – PLN 194 thousand

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

### Borrowing Costs

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

*(PLN '000)*

| | Goodwill | Development expense | Computer software | Other intangible assets | Prepayments for intangible assets | Total |
|---|---|---|---|---|---|---|
| **GROSS VALUE OF INTANGIBLE ASSETS** | | | | | | |
| **Gross value as at Jan 1 2011** | **124 130** | **129** | **29 135** | **23 852** | **-** | **177 246** |
| Acquired | - | - | 3 112 | - | - | 3 112 |
| Other decrease | - | (129) | 756 | (627) | - | - |
| Exchange differences | - | - | 139 | - | - | 139 |
| **Gross value as at Dec 31 2011** | **124 130** | **-** | **33 142** | **23 225** | **-** | **180 497** |
| Acquired | - | - | 3 677 | 234 | - | 3 911 |
| Leased | - | - | 516 | - | - | 516 |
| Other decrease | - | - | (3) | (172) | - | (175) |
| Exchange differences | - | - | (92) | - | - | (92) |
| **Gross value as at Dec 31 2012** | **124 130** | **-** | **37 240** | **23 287** | **-** | **184 657** |
| **AMORTISATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS** | | | | | | |
| **Amortisation and impairment losses as at Jan 1 2011** | **-** | **39** | **25 546** | **8 584** | **-** | **34 169** |
| Amortisation for period | - | - | 2 014 | 2 548 | - | 4 562 |
| Decrease | - | (39) | 39 | - | - | - |
| Exchange differences | - | - | 48 | - | - | 48 |
| **Amortisation and impairment losses as at Dec 31 2011** | **-** | **-** | **27 647** | **11 132** | **-** | **38 779** |
| Amortisation for period | - | - | 1 556 | 2 714 | - | 4 270 |
| Decrease | - | - | (3) | (142) | - | (145) |
| Exchange differences | - | - | (92) | - | - | (92) |
| **Amortisation and impairment losses as at Dec 31 2012** | **-** | **-** | **29 108** | **13 704** | **-** | **42 812** |
| **NET VALUE** | | | | | | |
| As at Jan 1 2011 | **124 130** | **90** | **3 589** | **15 268** | **-** | **143 077** |
| As at Dec 31 2012 | **124 130** | **-** | **5 495** | **12 093** | **-** | **141 718** |
| As at Jan 1 2011 | **124 130** | **-** | **5 495** | **12 093** | **-** | **141 718** |
| As at Dec 31 2012 | **124 130** | **-** | **8 132** | **9 583** | **-** | **141 845** |

## 6. Investment Property

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| **As at Jan 1** | 46 355 | 49 834 |
| Increase from subsequent expenditures | - | 163 |
| Change in fair value recognised in current period profit/(loss) | 197 | (4 545) |
| Acquisition of Starachowice investment property | - | 903 |
| Transfer to inventory | (19 323) | - |
| **As at Dec 31** | **27 229** | **46 355** |

The Group commissioned a fair value valuation of properties in Lublin, Szczecin, Gdańsk, Gorzów, Starachowice and Masuria. A fair-value appraisal was performed by an independent appraiser holding recognised and relevant professional qualifications and having experience in the appraisal of investment property.

During the reporting period, investment properties located in Warsaw and Bielsko-Biała were transferred to inventory . There were no transfers of other assets to investment property. Subsequently the Group sold investment properties in Warsaw and Bielsko-Biała, bearinga loss amounting to PLN 413 thousand.

The Group can dispose of the abovementioned property without restriction. The properties contains mainly land purchased for investment purposes (establishment of a new branch or leasing).

In 2012, the property located in Gdańsk generated PLN 150 thousand in rent income, the properties in Warsaw generated PLN 40 thousand, in Gorzów generated PLN 440 thousand, in Starachowice PLN 92 thousand whereas the property in Szczecin generated PLN 425 thousand. Other investment properties did not generate any rent income for the Group.

## 7. Investments in associates

| | 2012 | 2011 |
|---|---|---|
| **As at 1 Jan** | **7 510** | **3 734** |
| Increase, including:: | (199) | 3 874 |
| *- acquisition of GALT SPV 18 Y Sp. z o.o.* | - | *210* |
| *- acquisition of shares in Polmozbyt S.A.* | - | *3 508* |
| *- share of Frenoplast's result* | *(199)* | *156* |
| *Decrease, including:* | (3 516) | (98) |
| *-sale of shares of Polmozbyt S.A.* | *(3 508)* | - |
| *- other* | *(8)* | *(98)* |
| **As at 31 Dec** | **3 795** | **7 510** |

Interests in associated entities – as at 31 December 2012

| | |
|---|---|
| **Associated entity's name and form of incorporation** | SMiOC FRENOPLAST Bułhak i Cieślawski S.A. |
| Location of registered office | Szczytno |
| Value of shares acquired (PLN '000) | 3 782 |
| Percentage of share capital/total vote held | 49% |
| Subsidiary's assets | 18 553* |
| Liabilities | 9 748* |
| Revenue | 11 449* |
| Net profit | (426)* |

* Not audited.

*(PLN '000)*

## 8. Investments available for sale

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| **As at 1 January** | **43** | **43** |
| Increase, including: | 258 | - |
| -acquisition of Partslife GmbH | 258 | - |
| **As at 31 December** | **301** | **43** |

Shares in other entities comprising shares in ATR and Partslife GmbH are not subject to trade on any market. The Group's share in ATR's share capital amounts to 3.44%.

In 2012, the Group acquired 1 share in the share capital of Partlife GmbH (Germany), constituting 2.56% of the capital.

## 9. Deferred Income 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 | - | 6 512 |
| Investment property | - | 332 |
| Inventories | 7 776 | 455 |
| Trade and other receivables | 4 208 | 5 063 |
| Tax losses | 7 368 | - |
| Finance lease liabilities | 4 740 | - |
| Trade and other payables | 11 237 | 7 431 |
| **Deferred tax assets/liabilities** | **35 329** | **21 688** |
| Deferred tax assets and liabilities offset | (15 558) | (15 558) |
| **Deferred tax assets/liabilities as disclosed in the statement of financial position** | **19 771** | **6 130** |

| **As at Dec 31 2011** | **Assets** | **Liabilities** |
|---|---|---|
| Intangible assets | - | 48 |
| Property, plant and equipment | 200 | 8 491 |
| Investment properties | 239 | |
| Inventories | 6 995 | - |
| Trade and other receivables | 4 135 | 8966 |
| Loans | - | - |
| Tax losses | 7 522 | - |
| Finance lease liabilities | 5 285 | - |
| Trade and other payables | 10 666 | 7 297 |
| **Deferred tax assets/liabilities** | **35 042** | **24 802** |
| Deferred tax assets and liabilities offset | (24 714) | (24 714) |
| **Deferred tax assets/liabilities as disclosed in the statement of financial position** | **10 328** | **88** |

In the presented periods, deferred tax was recognised for all the balancesheet items which represented temporary differences, except for unrecognized temporary difference amounting to PLN 391 015 thousand being the difference between the tax and balance sheet value of trade marks accounted for in Inter Cars Marketing Services Sp. z o.o.. As at 31 December 2012, unrecognized deferred tax asset amounted to PLN 74 293 thousand. Non-recognition of the abovementioned deferred tax asset is related to the uncertainty as to the recoverability of this asset in the future.

*(PLN '000)*

| **Change in deferred tax assets** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| As at beginning of period | 35 042 | 24 946 |
| Increase (decrease) | 287 | 10 096 |
| As at end of period | **35 329** | **35 042** |

| **Change in deferred tax liabilities** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| As at beginning of period | 24 802 | 20 604 |
| (Reversed) recognised in the period | (3 114) | 4 198 |
| As at end of period | **21 688** | **24 802** |

| | **Dec 31 2011** | **Effect on net profit** | **Dec 31 2012** |
|---|---|---|---|
| Deferred tax asset | 35 042 | 287 | 35 334 |
| Deferred tax liability | (24 802) | 3 114 | (21 688) |
| | **10 240** | **3 401** | **13 646** |

## 10. Inventories

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Materials | 17 903 | 34 159 |
| Semi-finished products and work in progress | 4 484 | 5 691 |
| Finished goods | 8 294 | 5 318 |
| Merchandise | 704 286 | 690 182 |
| | **734 967** | **735 350** |

| | | |
|---|---|---|
| Merchandise | 731 117 | 713 034 |
| Discounts charged to inventories | (25 697) | (20 766) |
| Impairment losses | (1 134) | (2 086) |
| | **704 286** | **690 182** |

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

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

The inventories amounting to PLN 576 686 thousand have been pledged as collateral to secure the repayment of a bank loan (see the Note 15).

### Change in Impairment Losses on Inventories

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| As at beginning of period | (2 086) | (654) |
| (Increase)/decrease | 952 | (1 432) |
| As at end of period | **(1 134)** | **(2 086)** |

## 11. Trade and Other Receivables

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Trade receivables | 320 745 | 299 100 |
| Taxes, subsidies, customs duty, social security, health insurance and other benefits receivable | 16 840 | 27 765 |
| Other receivables | 16 232 | 15 937 |
| Loans granted | 8 316 | 4 524 |
| **Current trade and other receivables, gross** | **362 133** | **347 326** |

*(PLN '000)*

As at 31 Decembert 2012, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly the parent company's VAT receivables in the amount of PLN 10 449 thousand (PLN 24 785 thousand in 2011).

| **Change in impairment losses on trade receivables** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| As at beginning of period | (19 833) | (12 343) |
| Increase | (2 428) | (8 774) |
| Use | 3 650 | 1 284 |
| As at end of period | **(18 611)** | **(19 833)** |
| **Current trade and other receivables, net** | **343 522** | **327 493** |

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.

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| **Maturity structure of current trade receivables, gross** | | |
| Up to 12 months | 362 133 | 347 326 |
| Over 12 months | - | - |
| | **362 133** | **347 326** |
| **Currency structure of current trade and other receivables, gross** | | |
| Polish currency | 244 322 | 205 945 |
| Foreign currencies | 117 811 | 141 381 |
| | **362 133** | **347 326** |
| Receivables in EUR | 48 233 | 71 650 |
| Receivables in USD | - | 683 |
| Receivables in other currencies | 69 578 | 69 048 |
| | **117 811** | **141 381** |

| **Maturity structure of receivables** | **Dec 31 2012** | | **Dec 31 2011** | |
|---|---|---|---|---|
| | **Gross** | **Valuation allowance** | **Gross** | **Valuation allowance** |
| up to 180 days | 334 822 | - | 321 808 | - |
| -due | 105 115 | - | 107 269 | - |
| -undue | 229 707 | - | 214 539 | |
| from 181 to 270 days | 2 267 | 290 | 3 396 | 626 |
| from 271 to 360 days | 2 788 | 1 199 | 2 519 | 647 |
| over 1 year | 22 256 | 17 122 | 19 603 | 18 560 |
| **Total** | **362 133** | **18 611** | **347 326** | **19 833** |

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| **Loans granted** | | |
| Current loans | 8 316 | 4 524 |
| Non-current loans | 6 985 | 5 199 |
| | **15 301** | **9 723** |
| **Non-current receivables** | | |
| Receivables from employees | - | 229 |
| Non-current loans | 6 985 | 5 199 |
| Security deposits | 5 273 | 4 964 |
| Other | 792 | 710 |
| | **13 050** | **11 102** |

Concentration of the credit risk related to trade receivables is limited given that the Group's customer base is large and widely dispersed,.

For more information on credit and currency risks, see Note 33.

*(PLN '000)*

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

The loans 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. Cash and Cash Equivalents

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| Cash in hand | 7 063 | 6 473 |
| Cash at bank | 25 229 | 41 463 |
| Cash in transit | 3 907 | 11 595 |
| Cash in accounts of the Group's Social Benefits Fund | 749 | 1 165 |
| **Cash and Cash Equivalents** | **36 948** | **60 696** |
| | | |
| PLN | 16 519 | 18 799 |
| Other currencies | 20 429 | 41 897 |
| | **36 948** | **60 696** |

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

## 13. Equity

As at 31 December 2012, share capital of Inter Cars S.A, the parent company, was composed of 14 168 100 Series A to F ordinary bearer shares with the par value of PLN 2 per share; 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 during the trading session on 26 May 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 | 14.05.2004 | 1999 | 400 000 | 2,00 | - |
| Series B shares | 7 695 600 | 14.05.2004 | 1999 | 15 391 200 | 2,00 | - |
| Series C shares | 104 400 | 14.05.2004 | 1999 | 208 800 | 2,00 | - |
| Series D shares | 2 153 850 | 14.05.2004 | 2001 | 4 307 700 | 6,85 | 10 448 676 |
| Series E shares | 1 667 250 | 14.05.2004 | 2002 | 3 334 500 | 8,58 | 10 966 504 |
| Series G shares | 1 875 000 | 14.03.2008 | 2007 | 3 750 000 | 122,00 | 225 000 000 |
| Series F1 shares | 10 001 | 06.08.2007 | 2008 | 20 002 | 33,59 | 315 900 |
| Series F2 shares | 30 000 | 25.06.2008 | 2008 | 60 000 | 37,13 | 1 053 900 |
| Series F1 shares | 147 332 | 06.08.2007 | 2009 | 294 664 | 33,59 | 4 654 249 |
| Series F2 shares | 127 333 | 25.06.2008 | 2009 | 254 666 | 37,13 | 4 473 208 |
| Series F3 shares | 157 334 | 21.12.2009 | 2009 | 314 668 | 18,64 | 2 618 038 |
| | **14 168 100** | | | **28 336 200** | | **259 530 475** |

### Non-controlling Interests

| | |
|---|---|
| **As at 1 Jan 2012** | **(3 853)** |
| Share in loss attributable to the minority for the period up to the date of repurchase of the non-controllinginterests | (615) |
| Repurchase of non-controlling interests | 4 468 |
| **As at 31 Dec 2012** | **0** |

*(PLN '000)*

In October 2012, non-controllinginterests in the share capital of Inter Cars Ukraine (30% of the company's share capital) were repurchased from Mr Siergiej Ovsijenko for PLN 2 067 thousand.

## 14. Earnings per ordinary 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 100 175 thousand (2011: PLN 104 376 thousand) and the weighted average number of shares of the parent company of 14 168 thousand (2011: 14 168 thousand):

| *Weighted average number of shares* | **2012** | **2011** |
|---|---|---|
| Shares outstanding as at Jan 1 | 14 168 100 | 14 168 100 |
| Effect of stock 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 | 100 175 | 104 376 |
| Weighted average number of shares | 14 168 100 | 14 168 100 |
| Net earnings per share | 7,07 | 7,37 |

### Diluted Earnings Per Share

In 2011 and 2012, there were no open motivation programs having a diluting impact on earnings per share. Consequently, diluted earnings per share are equal to basic earnings per share.

## 15. 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 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.

On 22 November 2012, amendments to the syndicated credit facility were signed so that the maturity of the short-term facility was altered in such a way that it should be repaid no later than 23 November 2013, and of the long-term facility in such a way that is should be repaid on 29 Novermber 2013 at the latest, which is illustrated in the table below. Furthermore, additional co-borrower was added to the credit facility agreement, namely the company Inter Cars Marketing Services Sp. z o.o., which was reported in the current report no 31/2011 dated 23 November 2011.

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.

| **Non-current** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Secured bank loans | 10 774 | 216 016 |
| Finance lease liabilities | 24 223 | 24 970 |
| | **34 997** | **240 986** |

*(PLN '000)*

| **Current** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Secured bank loans | 457 829 | 255 917 |
| Unsecured liabilities under debt securities (bonds) | (1 389) | (1 291) |
| Finance lease liabilities | 3 946 | 5 403 |
| | **460 386** | **260 029** |

| **Current loans and borrowings** | Contractual amount (limit) | Amount drawn | Maturity date |
|---|---|---|---|
| Bank consortium | 480 000 | 457 352 | Nov 23 and Nov 29 2013 |
| UniCredit Bank Hungary Zrt.(Inter Cars Hungaria) | 477 | 477 | Dec 31 2013 |
| | **480 477** | **457 829** | |

| **Non-current loans and borrowings** | Contractual amount (limit) | Amount drawn | Maturity date |
|---|---|---|---|
| Raiffeisen a.s.(Inter Cars Czech Republic) | 9 780 | 9 780 | Sep 30 2015 |
| UniCredit Bank Hungary Zrt.(Inter Cars Hungaria) | 1 812 | 994 | Jan 31 2016 |
| | **11 592** | **10 774** | |

As at 31 December 2012, total liabilities under loans and borrowings amounted to PLN 468 603 thousand, of which PLN 416 616 thousand was attributable to liabilities under loans and borrowings contracted in PLN, PLN 40 736 thousand was attributable to liabilities under loans and borrowings contracted in EUR, and PLN 1 471 thousand was attributable to liabilities under loans and borrowings contracted in CHF and PLN 9 780 thousand relates to financial liabilities in Czech crowns.

### Material Terms of the Syndicated Credit Facility

The table below presents banks which granted 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;

*(PLN '000)*

- 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 onWIBOR, EIRIBOR and LIBORplus bank's margin (determined at arms length) for each interest period.
As at the reporting date, the effective interest rate was 6.04 pp.

The loan granted by Fortis Bank S.A./NV Hungary is secured with a mortgage over property and a guarantee issued by Inter Cars S.A.

| **Finance lease** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Payments under lease agreements | 32 340 | 35 738 |
| Finance expense | (4 171) | (5 365) |
| Present value of lease liabilities | **28 169** | **30 373** |

| *Payments under lease agreements* | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Up to 1 year | 6 157 | 7 092 |
| 1–5 years | 26 183 | 28 646 |
| Over 5 years | - | - |
| | **32 340** | **35 738** |

*Present value of lease liabilities*

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Up to 1 year | 3 946 | 5 403 |
| 1–5 years | 24 223 | 24 970 |
| Over 5 years | - | - |
| | **28 169** | **30 373** |

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

## 16. Bank overdraft

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Trade payables due to third parties | 223 872 | 294 945 |
| Taxes, customs duty, social security and other benefits payable | 22 382 | 15 589 |
| Other payables and accrued expenses | 31 622 | 49 058 |
| | **277 876** | **359 592** |

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Trade payables before bonuses accrued for the period | 268 702 | 331 064 |
| 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** | **223 872** | **294 945** |
| | | |
| **Maturity structure of trade payables** | | |
| Up to 12 months | 223 872 | 294 945 |
| Over 12 months | - | - |
| | **223 872** | **294 945** |

Taxes, subsidies, customs duty, social security and other benefits payable as at 31 December 2012 included primarily VAT liabilities of the parent company in the amount of PLN 9 025 thousand and VAT liabilities of ICMS Sp. z o.o. amounting to PLN 5 172 thousad (2011: 10 889 thousand).

The most important items of other payables and accrued expenses as at 31 December 2012 were liabilities resulting from bonuses for customers of the parent company in the amount of PLN 1 625 thousand (2011: PLN 4 130 thousand) and lease liabilities in the amount of PLN 1 787 thousand (2011: PLN 3 371 thousand).

| **Currency structure of trade and other payables** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Local currency | 157 353 | 147 545 |
| Foreign currencies | 120 523 | 212 047 |
| | **277 876** | **359 592** |

| *equivalent in PLN* | | |
|---|---|---|
| Liabilities in EUR | 98 063 | 141 407 |
| Liabilities in USD | - | 911 |
| Liabilities in other currencies | 22 460 | 69 729 |
| | **120 523** | **212 047** |

## 17. Employee Benefits

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Salaries and wages payables | 5 032 | 4 561 |
| Company’s Social Benefits Fund | 684 | 1 218 |
| | **5 716** | **5 779** |

## 18. Income Tax Payable

| **Maturity structure of income tax payable** | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Up to 12 months | 5 717 | 14 912 |
| Over 12 months | - | - |
| | **5 717** | **14 912** |

| **Currency structure of income tax payable** | | |
|---|---|---|
| Tax liabilited in Polish currency | 2 756 | 10 731 |
| Tax liabilities in foreign currency, denominated in PLN | 2 961 | 4 181 |
| | **5 717** | **14 912** |

## 19. Share-based payments

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

## 20. Revenue

| | **Jan 1-<br>Dec 31 2012** | **Jan 1-<br>Dec 31 2011** |
|---|---|---|
| Revenue from sales of products | 62 982 | 80 106 |
| Revenue from sales of merchandise and materials | 2 863 402 | 2 604 067 |
| Revenue from sales of services | 76 000 | 79 619 |
| Lease of investment property | 722 | 722 |
| | **3 003 106** | **2 764 514** |

### Sales by Product Groups

| | **2012** | | **2011** | |
|---|---|---|---|---|
| | **(PLN ‘000)** | **(%)** | **(PLN ‘000)** | **(%)** |
| Spare parts for passenger cars | 2 120 808 | 71% | 1 941 480 | 70% |
| Spare parts for commercial vehicles and buses | 346 845 | 11% | 324 345 | 12% |
| Spare parts for motorcycles and two-wheeled vehicles | 51 235 | 2% | 54 120 | 2% |
| Other spare parts | 278 113 | 9% | 273 830 | 10% |
| Other sales | 206 105 | 7% | 170 739 | 6% |
| **Total revenue** | **3 003 106** | 100% | **2 764 514** | 100% |

Other sales include primarily revenue from lease of warehouse space and revenue from marketing services connected with the core business.

### Geographical Structure of Sales

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | (PLN '000) | (%) | (PLN '000) | (%) |
| Domestic sales | 2 049 224 | 68% | 1 978 681 | 72% |
| Export sales | 953 882 | 32% | 785 833 | 28% |
| **Total** | **3 003 106** | 100% | **2 764 514** | 100% |

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

## 21. Cost of Sales

| | Jan 1–Dec 31 2012 | Jan 1–Dec 31 2011 |
|---|---|---|
| Cost of products, merchandise and materials sold | 2 122 819 | 1 901 632 |
| Cost of products sold | 53 196 | 71 314 |
| Decrease in cost of services, products, merchandise and materials sold by the amount of discounts accrued for the period | (108 764) | (99 199) |
| Exchange differences | 7 741 | (3 868) |
| **Cost of sales** | **2 074 992** | **1 869 879** |
| | | |
| Discounts accrued for the period | 113 305 | 95 816 |
| - recognised as decrease in inventories (to be recognised at the time of sale) | (25 697) | (20 766) |
| - recognised as a decrease in cost of sales | **87 608** | **75 050** |
| Prior-period discounts recognised under cost of products, services, goods for resale and materials sold (increase in inventories) | 20 766 | 19 565 |
| Change in estimates relating to prior-period discounts | 390 | 4 584 |
| **Decrease in cost of sales by the amount of discounts receivable for the period** | **108 764** | **99 199** |
| | | |
| Discounts accrued in the period, recognised as decrease of inventories | 25 697 | 20 766 |
| **Discounts accrued in the period, to be recognised in profit or loss of future periods** | **25 697** | **20 766** |

## 22. Cost of sale and general administration

| | Jan 1–Dec 31 2012 | Jan 1– Dec31 2011 |
|---|---|---|
| Depreciation/amortisation | 35 919 | 34 388 |
| Raw materials and energy used | 74 657 | 84 895 |
| External services | 521 260 | 491 683 |
| Taxes and charges | 2 133 | 5 277 |
| Salaries and wages | 118 802 | 105 954 |
| Social security and other benefits | 29 937 | 26 285 |
| Other costs by kind | 28 128 | 27 618 |
| Total costs by kind | **810 836** | **776 100** |
| (-) Cost of products sold | (53 196) | (71 314) |
| (-) Costs of distribution services | (316 149) | (315 302) |
| Selling costs and general and administrative expenses | **441 491** | **389 484** |

*(PLN ‘000)*

## 23. Other Operating Income

| | Jan 1–Dec 31 2012 | Jan 1– Dec31 2011 |
|---|---|---|
| Gain on disposal of non-financial non-current assets | 1 690 | 351 |
| Compensation, penalties and fines received | 2 895 | 2 647 |
| Amounts charged to affiliate branches | 172 | 1 655 |
| Marketing rebates | 527 | 134 |
| Discount | 141 | 240 |
| Gains on past due liabilities | 494 | 130 |
| Deposits | 197 | - |
| Receipt of past due receivables for which impairment losses were recognised | 245 | 18 |
| Reversal of provisions | - | 300 |
| Other sales | 1 496 | 1 140 |
| Other | 2 856 | 504 |
| | **10 713** | **7 119** |

## 24. Other Operating Expenses

| | Jan 1–Dec 31 2012 | Jan 1–Dec 31 2011 |
|---|---|---|
| Recognisedallowance of receivables | 998 | 10 698 |
| Stock count differences | - | 552 |
| Damaged stock | 18 206 | 13 892 |
| Expenses related to customer complaints | 2 300 | 2 469 |
| Stock shortages | 153 | - |
| Warehouse losses | 11 | - |
| Loss on valuation of investment property | - | 4 545 |
| Insurance | 205 | 254 |
| Writen-off receivables | 2 094 | - |
| Terminated investments | 208 | - |
| Other | 7 081 | 3 560 |
| | **31 256** | **35 970** |

## 25. Finance Income and Expenses

| | Jan 1–Dec 31 2012 | Jan 1–Dec 31 2011 |
|---|---|---|
| **Finance income** | | |
| Interest on loans | 577 | 362 |
| Other interest | 1 616 | 1 166 |
| Other finance income | 193 | 885 |
| | **2 386** | **2 413** |

| **Finance expenses** | Jan 1–Dec 31 2012 | Jan 1–Dec 31 2011 |
|---|---|---|
| Interest expense under bank loans | 26 824 | 25 235 |
| Other interest | 2 397 | 2 101 |
| IRS hedging costs | - | 1 133 |
| Fees and commissions | 2 293 | 2 356 |
| Other | 867 | 1 866 |
| | **32 381** | **32 691** |

*(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 | 15 074 | (2) | 15 072 |
| **Realised exchange differences** | **15 074** | **(2)** | **15 072** |
| Arising in connection with valuation of trade payables and receivables as at the reporting date | (22 815) | (290) | (23 105) |
| **Unrealised exchange differences** | **(22 815)** | **(290)** | **(23 105)** |
| **Total exchange differences** | **(7 741)** | **(292)** | **(8 033)** |

| **Exchange differences*in the period Jan 1–Dec 31 2011*** | **Recognised under cost of sales** | **Disclosed under exchange differences** | **Total exchange differences** |
|---|---|---|---|
| Arising in connection with payment of trade payables and receivables | (17 001) | 400 | (16 601) |
| **Realised exchange differences** | **(17 001)** | **400** | **(16 601)** |
| Arising in connection with valuation of trade payables and receivables as at the reporting date | 20 869 | (1 011) | 19 858 |
| **Unrealised exchange differences** | **20 869** | **(1 011)** | **19 858** |
| **Total exchange differences** | **3 868** | **(611)** | **3 257** |

## 26. 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 | (22 870) | (31 787) |
| Change in income tax receivable | 111 | (1 044) |
| Change in income tax payable | (9 195) | 5 239 |
| **Corporate income tax paid** | **(31 954)** | **(27 567)** |

### Change in Receivables

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Change in trade and other receivables | (16 029) | (57 274) |
| Change in non-current receivables | (1 948) | (3 946) |
| Change in loans granted | 5 578 | 4 958 |
| **Change in receivables** | **(12 399)** | **(56 262)** |

### Change in Loans Granted

| | **Dec 31 2012** | **Dec 31 2011** |
|---|---|---|
| Loans granted | (8 243) | (9 768) |
| Repayment of loans granted | 3 089 | 5 072 |
| Interest received | 100 | 192 |
| Interest accrued | (524) | (454) |
| **Change in loans granted** | **(5 578)** | **(4 958)** |

*(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 | (3 137) | 51 745 |
| Payment of liabilities under finance lease agreements | (5 333) | (6 007) |
| Proceeds from issue of debt securities (bonds) | - | 30 000 |
| Redemption of debt securities (bonds) issued | - | (30 000) |
| Leases granted | 3 129 | 2 246 |
| IRS contracts valuation | - | (1 100) |
| Change in balance-sheet valuation | (344) | (611) |
| **Change in loans, borrowings, debt securities and finance lease liabilities** | **(5 685)** | **46 273** |

### Net Interest

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| Interest paid | (29 221) | (26 368) |
| Interest received | 577 | 454 |
| **Net interest** | **(28 644)** | **(25 914)** |

### Reclassification of property investment to inventories and other items

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| Exchange differences | (1 562) | 940 |
| Change in long term liabilities | 811 | 876 |
| Reclassification of property investment to inventories | 19 323 | |
| **Reclassification of property investment to inventories and other items** | **18 572** | **1 816** |

## 27. 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 | 22 870 | 31 787 |
| Change in deferred income tax | (3 401) | (5 898) |
| **Income tax disclosed in statement of comprehensive income** | **19 469** | **25 889** |

The reconciliation of the income tax expense in the 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** |
|---|---|---|
| **Profit before tax (without a share in profit/loss of associated entity)** | **119 644** | **130 265** |
| Tax based on applicable tax rates (10%/19%/20%/23%)* | (18 899) | (25 864) |
| <u>Permanent differences</u> | | |
| Non-tax deductible costs | (570) | (25) |
| **Current income tax disclosed in statement of comprehensive income** | **(19 469)** | **(25 889)** |

*(PLN '000)*

- Poland 19%, Slovakia 19%, the Czech Republic 20%, Ukraine 23%, Lithuania 20%, Cyprus 10%

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

## 28. Management Board's proposal on the allocation of the current year profit

The Management Board proposes to allocate the current year profit to the reserve capital. Due to the Syndicated Credit Facility Agreement having been signed in 2009, the payment of dividend by the Group is restricted. For details, please, refer to Note 15.

## 29. 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) | 0,3 | - |

The Annual General Shareholders Meeting of Inter Cars S.A. adopted a resolution on the allocation of the profit for 2011 to statutory capital amounting to PLN 100 088 570 and the remaining balance amounting to PLN 4 250 430 being 0,3 per share to be paid out as dividend. The dividend was paid on 1 August 2012.

The possibility of paying out dividend by the parent company is limited under a syndicated credit facility agreement of July 2009. For more information see Note 15.

## 30. Contingent Liabilities and Unrecognised Liabilities under Executed Agreements

The Company has not any contingent liabilities requiring disclosure.

## 31. 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 Group are fully re-invoiced to end users (branch operators) throughout the whole term when the area is used (including the termination notice period). As at 31 December 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 6 498 thousand and PLN 13 656 thousand respectively.

The amount of future minimum payments under operating leases falling due in up to one year totals PLN 10 823 thousand (2011: PLN 12 472 thousand), and the ones falling due in the period from one to five years is PLN 9 thousand (2011: PLN 7 463 thousand). Future minimum payments under operating leases falling due in over five years amounted to PLN 0 (2011: PLN 219 thousand).

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

## 32. Transactions with Related Parties

All transactions with the related parties are entered into at arm's length.
The Company executes 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.

*(PLN '000)*

| Purchase of goods for resale and services | Jan 1–Dec 31 2012 | Jan 1–Dec 31 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** |
| **Sales revnue** | | |
| Inter Cars Sp. 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** |

| 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 CZĘŚCI 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 |
|---|---|---|
| Frenoplast S.A. | 3 000 | 1 370 |
| | **3 000** | **1 370** |

Remuneration of the parent company's Supervisory Board and Management Board was as follows:

| | Jan 1–Dec 31 2012 | Jan 1–Dec 31 2011 |
|---|---|---|
| Supervisory Board | 221 | 203 |
| Management Board | 7 014 | 5 377 |
| | **7 235** | **5 580** |

## 33. Financial Risk Management

*Credit Risk*

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

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

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

*(PLN '000)*

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 | 15 301 | 9 723 |
| Trade and other receivables | 343 522 | 338 595 |
| Cash and cash equivalents | 36 948 | 60 696 |
| | **395 771** | **409 014** |

*Interest Rate Risk*

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

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

The Group had no open interest hedge instruments.

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

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| **Variable-rate financial instruments** | | |
| Financial assets (loans granted, excluding interest accrued) | 15 301 | 9 723 |
| Financial liabilities (liabilities under loans, borrowings, debt securities and finance leases, less bonds with fixed discount rate) | (495 383) | (501 015) |
| | **(480 082)** | **(491 292)** |

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 Group's annual net profit or loss.

| as at Dec 31 2012 | **basis points increase/decrease** | **impact on net profit/loss** |
|---|---|---|
| | + 100 / -100 | (3 945) / 3 945 |
| | + 200 / -200 | (7 890) / 7 890 |

| as at Dec 31 2011 | **basis points increase/decrease** | **impact on net profit/loss** |
|---|---|---|
| | + 100 / -100 | (4 022) / 4 022 |
| | + 200 / -200 | (8 044) / 8 044 |

*Currency Risk*

A significant portion of the Group's trade payables is denominated in foreign currencies, especially in EUR. Sales are denominated mainly in PLN as well as in UAH, EUR, CZK, LTL, LVL, HUF, HRK, BGN and RON.

In the period January 1st – December 31st 2012, the Group concluded no currency forward transactions for the sale or purchase of foreign currencies.

| | EUR | USD | other | EUR | USD | other |
|---|---|---|---|---|---|---|
| | **Dec 31 2012** | | | **Dec 31 2011** | | |
| Trade receivables | 48 233 | - | 69 578 | 71 650 | 683 | 69 048 |
| Cash | 7 186 | 19 | 13 224 | 7 814 | 19 | 34 064 |
| Bank loans | (40 736) | - | (11 251) | (7 560) | - | (2 100) |
| Trade payables | (98 063) | - | (22 460) | (141 407) | (911) | (69 746) |
| **Gross balance-sheet exposure** | **(83 380)** | **19** | **49 091** | **(69 503)** | **(209)** | **31 266** |

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

*(PLN '000)*

| as at Dec 31 2012 | **foreign exchange rate increase/decrease** | **impact on net profit/loss** |
|---|---|---|
| **EUR** | + 5% / - 5% | (3 377) / 3 377 |
| | + 10% / - 10% | (6 754) / 6 754 |
| **USD** | + 5% / - 5% | - |
| | + 10% / - 10% | - |
| **Other** | + 5% / - 5% | 1 989 / (1 989) |
| | + 10% / - 10% | 3 978 / (3 978) |

| as at Dec 31 2011 | **foreign exchange rate increase/decrease** | **impact on net profit/loss** |
|---|---|---|
| **EUR** | + 5% / - 5% | (2 815) / 2 815 |
| | + 10% / - 10% | (5 630) / 5 630 |
| **USD** | + 5% / - 5% | (8) / 8 |
| | + 10% / - 10% | (16) / 16 |
| **Other** | + 5% / - 5% | 1 266 / (1 266) |
| | + 10% / - 10% | 2 532 / (2 532) |

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 Group maintains surplus liquid cash assets and open credit lines.

Presented below are the Group's financial liabilities as at 31 December 2012 by maturity date, based on discounted payments:

| | current | up to 3 months | from 3 to 12 months | 1 to 5 years | over 5 years | total |
|---|---|---|---|---|---|---|
| interest-bearing loans and borrowings | - | 119 | 457 710 | 10 774 | - | 468 603 |
| finance lease liabilities | - | 947 | 2 999 | 24 223 | - | 28 169 |
| trade and other payables | - | 264 301 | 13 575 | - | - | 277 876 |
| | **-** | **265 367** | **474 284** | **34 997** | **-** | **774 648** |

Presented below are the Group's financial liabilities as at 31 December 2011 by maturity date, based on discounted payments:

| | current | up to 3 months | from 3 to 12 months | 1 to 5 years | over 5 years | total |
|---|---|---|---|---|---|---|
| interest-bearing loans and borrowings | - | - | 254 626 | 216 016 | - | 470 642 |
| finance lease liabilities | - | 1 758 | 3 645 | 24 970 | - | 30 373 |
| trade and other payables | 152 017 | 205 125 | 2 450 | - | - | 359 592 |
| | **152 017** | **206 883** | **260 721** | **240 986** | **-** | **860 607** |

*(PLN '000)*

*Capital Management*

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

Depending on changes in the economic environment, the Group 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 15).

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

| | Dec 31 2012 | Dec 31 2011 |
|---|---|---|
| Liabilities under loans, borrowings, and finance leases | 495 383 | 501 015 |
| Trade and other payables | 277 876 | 359 592 |
| (less) cash and cash equivalents | (36 948) | (60 696) |
| Net debt | 736 311 | 799 911 |
| Equity | 757 247 | 664 951 |
| **Net debt to equity** | **0,97** | **1,20** |

*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 | 15 301 | 15 301 | 9 723 | 9 723 |
| Financial assets available for sale | 301 | * | 43 | * |
| Trade and other receivables (excluding loansgranted) | 335 206 | 327 493 | 328 872 | 327 493 |
| Cash and cash equivalents | 36 948 | 36 948 | 60 969 | 60 969 |
| Liabilities under bank loans and borrowings (including valuation of Interest Rate Swaps) | (467 214) | (468 603) | (470 642) | (472 503) |
| Trade and other payables | (277 876) | (278 776) | (359 592) | (359 592) |
| Finance lease liabilities | (28 169) | (28 169) | (30 373) | (30 373) |
| **Net exposure** | **(385 503)** | **(388 093)** | **(459 353)** | **(464 283)** |

* 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.

## 34. 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 annexe 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.

## 35. 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 11 Doubtful debt allowance (the Company assesses at each reporting date whether there is any objective evidence of impairment. If any such evidence exists, the entity is required to do a detailed impairment calculation to determine whether an impairment loss should be recognised. The amount of the loss is measured as the difference between the asset's carrying amount and the recoverable value. Impairment is recognized to the level of present value of estimated cash flows)..
- 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)

## 36. Consolidated Financial Statements

The financial statements of Inter Cars and its subsidiaries were consolidated using the full method, excluding Frenoplast (associated entity), which was valued with the equity method.

*(a) Consolidation for period from 1 January to 31 December 2012*

The consolidated financial statements comprised the financial statements of:

- parent company: Inter Cars S.A. of Warsaw
- subsidiaries:
  1. Inter Cars Ukraine, incorporated under Ukrainian law, with registered office in Khmelnytsky, Ukraine (with Inter Cars S.A.'s 100% interest in the subsidiary's share capital),
  2. Lauber Sp. z o.o. of Słupsk (100%),
  3. Q-Service Sp. z o.o. of Warsaw (100%),
  4. Inter Cars Česká Republika of Prague (100%),
  5. Feber Sp. z o.o. of Warsaw (100%),
  6. Inter Cars Slovenska Republika of Bratislava (100%),
  7. Inter Cars Lietuva UAB of Vilnius (100%),
  8. IC Development & Finance Sp. z o.o. of Warsaw (100%),
  9. Armatus Sp. z o.o. of Warsaw (100%),
  10. JC Auto s.r.o. of Karvina-Darkow (100%),
  11. Inter Cars Hungária Kft of Budapest (100%),
  12. JC Auto S.A. of Brain-le-Chateau (100%),
  13. Inter Cars d.o.o. of Zagreb (100%),
  14. JC Auto s.r.l. of Milan (99%, with the 1% stake held by JC Auto s.r.o.),
  15. Inter Cars Romania of Cluj-Napoca (100%),
  16. Inter Cars Latvija SIA, based in Ryga (100%)
  17. Inter Cars Cyprus Ltd., based in Nicosia (100%)
  18. Inter Cars Bulgaria Ltd., based in Sofia(100%)
  19. Cleverlog-Autoteile GmbH, based in Berlin (100%)

20. Inter Cars Marketing Services Sp. z o.o., (previously Galt SPV 18 Y Sp. z o.o. based in Warsaw(100%)
21. ILS Sp. z o.o., based in Kajetany(100%*)*

*(b) Consolidation for the period from 1 January to 31 December 2011*

The consolidated financial statements comprised the accounts of:

- parent company: Inter Cars S.A. of Warsaw
- subsidiaries:

1. Inter Cars Ukraine, incorporated under the Ukrainian law, with registered office in Khmelnytsky, Ukraine (with Inter Cars S.A.'s 70% interest in the subsidiary's share capital),
2. Lauber Sp. z o.o. of Słupsk (100%),
3. Q-Service Sp. z o.o. of Warsaw (100%),
4. Inter Cars Česká Republika of Prague (100%),
5. Feber Sp. z o.o. of Warsaw (100%),
6. Inter Cars Slovenska Republika of Bratislava (100%),
7. Inter Cars Lietuva UAB of Vilnius (100%),
8. IC Development & Finance Sp. z o.o. of Warsaw (100%),
9. Armatus Sp. z o.o. of Warsaw (100%),
10. JC Auto s.r.o. of Karvina-Darkow (100%),
11. Inter Cars Hungária Kft of Budapest (100%),
12. JC Auto S.A. of Brain-le-Chateau (100%),
13. Inter Cars d.o.o. of Zagreb (100%),
14. JC Auto s.r.l. of Milan (99%, with the 1% stake held by JC Auto s.r.o.),
15. Inter Cars Romania of Cluj-Napoca (100%).
16. Inter Cars Latvija SIA, based in Ryga(100%)
17. Inter Cars Cyprus Ltd, based in Nicosia(100%)
18. Inter Cars Bulgaria Ltd.. based in Sofia(100%)
19. Cleverlog-Autoteile GmbH, based in Reinbek(90%)
20. Galt SPV 18 Y Sp.z o.o. in Warsaw(100%)

**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 ISSUER'S OPERATIONS**

*(PLN '000)*

# 1. Core Business of the Inter Cars Group

## 1.1 Summary

**The core business of the Inter Cars Group comprises import and distribution of spare parts** for cars and commercial vehicles. The Group's offering also includes equipment for repair garages and spare parts for motorcycles and tuning. The Inter Cars Group is Poland's largest independent distributor of spare parts. It operates in Poland, Ukraine, the Czech Republic, Slovakia and Latvia, and as a result of the merger with JC Auto also in Hungary, Italy, Croatia, Belgium, Romania, Latvia, Cyprus, Bulgaria and Germany.

**The Group reported growth in sales revenue of more than 9%** as compared with 2011. The improvement resulted from increased scale of operations and geographical expansion of the sales network.

In 2012, the Group opened 25 new affiliate branches; in consequence, as at December 31st 2012 its sales network included the total of 274 affiliate branches (249 in 2011), of which 152 were located in Poland and 122 abroad (as at the end of 2011 there were 147 Polish branches and 102 foreign branches).

**The gross profit on sales** in 2012 was up 4% on the previous year. The higher growth in profit, as compared to the growth in sales revenue, resulted from the increase in the **sales margin** from 30,9%

The table below sets forth **the consolidated financial highlights of the Inter Cars Group.**

| *('000)* | 2012 | 2011 | % | 2012 |
|---|---|---|---|---|
| | PLN | PLN | | Euro |
| **Statement of comprehensive income** *(for period)* | | | | |
| Sales revenue | 3 003 106 | 2 764 514 | 100,0 | 719 548 |
| Gross profit (loss) on sales | 928 114 | 894 635 | 30,9 | 222 377 |
| Net finance income/(expenses) | (30 287) | (30 733) | -1,0 | (7 257) |
| Operating profit (loss) | 149 931 | 160 998 | 5,0 | 35 924 |
| Net profit (loss) | 100 175 | 104 376 | 3,3 | 24 002 |
| **Statement of financial position** *(as at period-end)* | | | | |
| Cash and cash equivalents | 36 948 | 60 696 | 2,4 | 9 038 |
| Balance-sheet total | 1 548 391 | 1 540 470 | 100,0 | 378 746 |
| Loans, borrowings and finance lease liabilities | 495 383 | 501 015 | 32,0 | 121 174 |
| Equity attributable to owners of the parent | 757 247 | 668 804 | 48,9 | 185 227 |
| Non-controllinginterests | - | (3 853) | 0,0 | - |
| **Other financial data** | | | | |
| Net cash provided by (used in) operating activities | 76 990 | 54 326 | | 18 447 |
| Net cash provided by (used in) investing activities | (58 797) | (47 788) | | -14 088 |
| Net cash provided by (used in) financing activities | (41 941) | 19 370 | | (10 049) |
| Earnings per share | 7,07 | 7,37 | | 1,73 |
| Sales margin (1) | 30,90% | 32,40% | | |
| EBITDA margin (2) | 6,20% | 7,10% | | |

(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.

The revenue generated by Inter Cars S.A. accounted for ca. 87% of the Group's revenue (before eliminations for the purpose of consolidation). The Polish market is the Group's **primary sale market**.

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

**The Inter Cars Group's structure** results from its strategy of geographical expansion in spare parts distribution (Inter Cars Ukraine, Inter Cars Ceska Republika, Inter Cars Slovenska Republika, Inter Cars Lietuva, Inter Cars d.o.o, Inter Cars Hungaria Kft, JC Auto SA, JC Auto s.r.l, Inter Cars Romania s.r.l.) and the development of projects supporting its core business (Lauber Sp. z .o.o., Feber Sp. z o.o., Q-Service Sp. z .o.o., IC Develoment & Finance Sp. z .o.o., Armatus Sp. z o.o. and Inter Cars Cyprus Limited, Inetr Cars Marketing Sp. z o.o. and ILS Sp. z o.o.).

**The Group's primary objectives** include ongoing improvement of the quality of its goods flow management and achievement of the leading position in the CEE market. Those objectives will be pursued by supplementing the existing distribution model with additional elements (affiliate branches, regional warehouses, distribution subsidiaries outside Poland). As a result, the Group will consolidate its position as the most effective and efficient spare parts distribution channel between manufacturers and end users – garages.

**The development strategy** is based on three pillars: (1) *development of the distribution network* in Poland and abroad, (2) *development of the range of products on offer*, and (3) *development of partnership programmes*.

**The Group's strategic objective** is to create a leading automotive spare parts distribution network in Poland, with a strong representation on the new European markets. The target share in the Polish market is ca. 25%-30%.

*(PLN '000)*

## 1.2. Key Goods and Sale Markets

The table below sets forth the Group's sales revenue broken down by **type of goods.**

| | Sales of spare parts | | Other | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
| Sales proceeds from external customer segment | 2 941 545 | 2 697 964 | 61 561 | 66 550 | - | - | 3 003 106 | 2 764 514 |
| Sales between segments | 497 375 | 437 488 | 65 518 | 25 933 | (562 893) | (463 421) | - | - |
| Interest income | 5 693 | 6 282 | 47 | 28 | (3 547) | (4 782) | 2 193 | 1 528 |
| Interest expense | (29 222) | (28 472) | (2 676) | (3 315) | 2 677 | 3 318 | (29 221) | (28 469) |
| Amortization | (32 762) | (31 412) | (9 453) | (2 976) | 6 296 | - | (35 919) | (34 388) |
| **Profit before tax** | **94 375** | **148 927** | **22 607** | **(9 479)** | **2 662** | **(9 183)** | **119 644** | **130 265** |
| Interest in associated undertakings consolidated under equity method | 3 795 | 7 304 | - | - | - | - | 3 795 | 7 304 |
| **Total assets** | **2 374 943** | **1 924 603** | **147 552** | **124 188** | **(974 104)** | **(501 321)** | **1 548 391** | **1 547 470** |
| Investment expenditure (expenditures on tangible, intangible fixed assets and investment property) | (56 768) | (44 667) | (3 075) | (1 066) | (2 229) | - | (62 072) | (45 733) |
| **Total liabilities** | **1 084 923** | **1 231 540** | **90 970** | **94 379** | **(384 749)** | **(443 400)** | **791 144** | **882 519** |

Subsidiary undertakings,similarly to the parent company, sell automotive spare parts for both passenger and commercial vehicles, however, sales of spare parts for passenger vehicle is dominant in the Group's sales structure.

Approximately 68% of the Group's sales revenue in 2012 roku **was realised in Poland**.

## 1.3. Inter Cars – Parent Undertaking

*Core Business*

**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 2012 was **up over 8,7%** on the previous year. Sales revenue for the first month of the $4^{th}$ quarter was record high 257,9 million (highest monthly sales revenue in the history of Inter Cars SA).

**The sales revenue in 2012 was primarily driven by**:

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

(b) focusing on the domestic market,

(c) a significant growth in the sales of seasonal goods thanks to high availability of selected product groups,

(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.

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 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| | PLN | PLN | EUR | EUR |
| **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 |
| Licence fee | (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 |
| **Other financial data** | | | | |
| Net cash provided by (used in) operating activities | 76 990 | 8 093 | 18 447 | 13 121 |
| Net cash provided by (used in) investing activities | (58 797) | (22 691) | (14 088) | (11 543) |
| Net cash provided by (used in) financing activities | (41 941) | 18 800 | (10 049) | 4 679 |
| **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 margin (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.

### *Key Goods for Resale*

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%*** |

### *Sales Markets*

Inter Cars' **primary sale market** is the domestic market. The share of exports in the Company's total sales remained unchanged relative to 2012, at 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. In 2011 it was on the level of 57.6%.

*(PLN '000)*

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 | *94,83%* | 2 033 009 | *95,31%* |
| *Domestic* | 1 893 777 | *72,8%* | 1 814 084 | *74,08%* | 1 627 635 | *76,31%* |
| *Export* | 592 816 | *22,8%* | 508 163 | *20,75%* | 405 374 | *19,00%* |
| Other | 113 264 | *4,4%* | 126 625 | *5,17%* | 100 041 | *4,69%* |
| *Domestic* | 105 388 | *4,1%* | 107 593 | *4,40%* | 89 497 | *4,20%* |
| *Export* | 7 876 | *0,3%* | 19 032 | *0,77%* | 10 544 | *0,49%* |
| **Net sales revenue** | **2 599 857** | *100%* | **2 448 872** | *100%* | **2 133 050** | *100%* |

Other sales comprise income from services.

In 2012, the sales of automotive spare parts and garage equipment were higher by over 7% on 2011.

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

***Market Environment***

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

In 2009, sales of new vehicles were maintained at the 2008 level. 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 | 932 | 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 on comparable level with 2011. 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 Volkswagen, Fiat, Toyota, Opel, Ford.

*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.

## 1.4. Inter Cars Ukraine

*www.intercars.com.ua*

The company was established in April 2000 and started its operations in September 2000. Its rules of operation are the same as those followed by Inter Cars S.A. The business scope of Inter Cars Ukraine comprises the distribution of spare parts and accessories on the Ukrainian market. The product range does not differ from the one offered by Inter Cars S.A. 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 company is supplied by Inter Cars and directly by the manufacturers.

As at the reporting date, Inter Cars Ukraine had 20 affiliate branches.

The company's offering includes spare parts for cars and commercial vehicles.

The table below sets forth the company's sales structure.

The parent undertaking – Inter Cars – is the company's chief supplier. In 2012, goods supplied by Inter Cars represented approximately 30% of Inter Cars Ukraine's total purchases.

Inter Cars Ukraine is the second largest importer of the spare parts in the Ukraine. Its estimated share in the market is approximately 5%.

The company's key customers include shipment companies, garages, shops selling automotive parts and large automotive wholesalers.

In October 2012 30% of shares of non-controlling interest were purchased from Mr Siergiej Ovsijenko by the Group.

In 2012, the company granted no sureties or guarantees.

In 2012, the company did not issue any securities.

Seasonality has an only moderate effect on the company's sales. The sales volume is relatively lower in the first quarter.

No significant changes were made to the principal rules of the company's management.

As at 31 December 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

As at 31 December 2012, 130 persons were employed in the company. As at 31 December 2011, the headcount was 136 persons.

The company fulfils local requirements regarding the environmental protection. Pursuant to Ukrainian regulations it pays quarterly charges for environmental pollution caused by its vehicle fleet.

In 2012, the company did not distribute dividend.

The Management Board is composed of:

Vasyl Holovach – General Director

On 12 July 2012 took place the Annual Shareholders Meeting which approved the financial statements for 2011.

### 1.5. Inter Cars Ceska Republika

*www.intercars.cz*

The company was purchased in April 2004 and in November 2004 started operations involving the distribution of spare parts. It sells the spare parts on the Czech market. Its product range is similar to that of Inter Cars with the spare parts for cars representing majority of sales – 60%, commercial vehicles – 29%. The remainder is made up of such products as tyres, motorcycles, etc.

As at the reporting date, the company had 15 affiliate branches. It is working on launching new ones.

Despite extensive competition the company recorded growth in sales in 2012. Owing to the launch of regional hub in Poland the company opened new branches in northern parts of Czech Republic.

The company implemented a state-of-the-art integrated IT system that operates on-line at all the branches. Inter Cars Ceska Republika provides its customers with the IC-Katalog software in the Czech language, which allows the customers to check availability of particular products making up the company's offering on an ongoing basis.

In addition, the company successfully launched a few projects supplementing the standard sales. Implementation of the AutoCrew service system was the major achievement. Their contribution to the entire business activity is consistently growing.

The company's offering includes spare parts for cars and commercial vehicles.

In 2012, the company's chief supplier was Inter Cars. Goods provided by Inter Cars represented approximately 75% of Inter Cars Ceska Republika's total purchases. The remaining products were sourced directly from spare part manufacturers, mostly from the European Union. Deliveries from Inter Cars are carried out through the regional warehouses in Tychy and Wrocław, used also as the company's principal warehouse facilities.

Garages have a predominant share in the company’s customer structure, followed by wholesalers of spare parts.

There were no changes in the organisational or capital links. Inter Cars of Warsaw holds 100% of the company’s share capital.

The company granted no sureties or guarantees in the reporting period.

In 2012, the company did not issue any securities.

There are two periods during a year characterised by higher seasonal sales: spring and winter In spring, particular growth is seen in sales of mechanical parts, including shock absorbers and brake components. In winter, increased sales volumes of ignition system components (batteries, spar plugs, wires etc) are observed.

No significant changes were made to the principal rules of the company’s management.

As at 31 December 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 165 persons were employed in the company. As at December 31st 2011, the headcount was 147 persons.

The company’s operations do not pose a threat to the natural environment. Any produced waste is collected by an outsourcing company specialising in waste management.

In 2012, the company did not distribute dividend.

In the Management Board’s opinion, currently there are no events which may have a material bearing on the company’s future financial results.

No events having a significant impact on the assessment of the presented financial statements and the company’s financial standing occurred subsequent to the balance-sheet date.

The Management Board is composed of:
Martin Havlik – Managing Director
Martin Havlicek – Sales Director
Emil Elner – Financial Director.

On 14 June 2012, the General Shareholders Meeting of Inter Cars Ceska Republika was held. Matters on the agenda included the approval of the financial statements for 2011 and the allocation of profit for 2011 to retained profit.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

### 1.6. Lauber

*www.lauber.pl*

The company was purchased in July 2003. Its business involves the recovery of vehicle spare parts, including: alternators, starters, steering systems and booster pumps. In 2012, the recovered starters and power steering systems represented two major product groups, followed by booster pumps. In July 2007, the company’s business name was changed from Eltek to Lauber.

The recovery consists in the application of technologically advanced instruments to reconstruct mechanical systems so that the reconstructed product is as functional as a new one. Due to the spare part regeneration, a purchase of a costly new spare part and scrapping the old one can be avoided – the quality of the recovered spare parts does not differ from that of a brand new part.

The company’s principal place of business is a production plant located in Słupsk Special Economic Zone. Its operations are based on know-how, experience and consulting support gained from the cooperation with other recovery companies from Western Europe.

To maintain a strong market position and offer products with two-year guarantee period, the company applies stricter quality control systems compliant with the ISO 9001:200 Quality Management System certificate.

The company established business relations with a number of suppliers from France and China. Its chief supplier is Inter Cars, whose share in the total purchases of materials represents 27%.

In 2012, the company sold its products both on the domestic and foreign markets. The Polish market is essential for the amount of revenue generated by Lauber. In line with the adopted strategy of the Company's development, its goods are distributed on the domestic market solely through the Inter Cars network. Inter Cars' share in the company's total sales revenue accounts for 99%. The company also sell through internet. In order to increase its competitive advantage the company launched in 2011 a production line for the regeneration injection pumps and diesel injectors, and in 2012 for air-condition compressors. The first 3 quarters of 2012 the production was held in the Specil Economic Zone, and in the 4$^{th}$ quarter the company moved the production to a rented site outside of the Zone. New location provides more space thus opportunities for growth.

In 2012, there were no changes in the organisational or capital links. Inter Cars of Warsaw holds 100% of the company's share capital.

In 2012, the company granted no sureties or guarantees.

To the reporting date, the company did not issue any securities.

Impact of seasonality on the company's sales throughout a year cannot be explicitly determined.

The company operates on a growing market offering development prospects. Three major factors contribute to the upward trend – the substantial increase in the number of used cars, the optimisation of costs connected with the use of cars and growing requirements related to the environmental protection.

No significant changes were made to the principal rules of the company's management.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 75 persons were employed in the company, while as at 31 December 2011 Lauber employed 65 persons.

As a production plant, Lauber is obliged to register generated process waste, including hazardous waste. The company complies with this obligation. Moreover, as a manufacturer introducing packaged goods to the market, Lauber pays charges related to the weight of the packagings introduced to the market.

In 2012, the company did not distribute dividend.

In 2012, the company's structure was not materially modified. The objective behind the current changes in the company's sales strategy is to optimise leveraging the whole Group's potential, in particular the parent undertaking's sales network.

The Management Board is composed of:

Wojciech Kilianek – President of the Management Board

Przemysław Wołosewicz – Member of the Management Board.

The General Shareholders Meeting was held on June 28th 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the distribution of profit for 2011.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

### 1.7. Feber

The company was established in September 2004. It manufactures semi-trailers, trailers and casings for trucks.

The company's leading product is a tipping semi-trailer, offered in particular with an aluminium casing (tipper) or a steel tipper. They are available in substantially all sizes stipulated by Polish road traffic regulations.

The sales are concentrated primarily on the domestic market. The vehicles manufactured by the company are also purchased by customers on the Russian, German, Scandinavian, French and Czech markets.

The company established relationships for supplies of production materials with numerous providers. Given the high competition on the market, the company is not dependent on any single supplier. No supplier is formally linked – whether directly or indirectly – with the Company.

On 14 December 2011 share capital of Feber was increased by PLN 10 million and currently amounts to PLN 30 million. Inter Cars of Warsaw holds 100% of the company's share capital.

To the reporting date for 2010, the company granted no sureties or guarantees.

Seasonality has no material effect on the company's operations.

No significant changes were made to the principal rules of the company's management.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 145 persons were employed in the company compared to 174 persons employed as at 31 December 2011.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The Management Board is composed of:

Witold Kmieciak – President of the Management Board
Paweł Pietrzak – Vice-President of the Management Board

The General Shareholders Meeting was held on June 28th 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the distribution of profit/coverage of loss for 2011.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

### 1.8. Q-Service

www.q-service.com.pl

In 2012, the company's core business was consultancy and organisation of training and seminars on the automotive services and market. The company's good results were achieved thanks to its offering of a new form of consultancy, which involved use of experts to find attractive purchase offers for automotive goods and parts.

In 2012, the goods were bought both in Poland and abroad. The company's sole customers are companies from the Inter Cars Group.

In 2012, there were no changes in the organisational or capital links. Inter Cars of Warsaw holds 100% of the company's share capital.

In 2012, the company granted no sureties or guarantees.

Seasonality has no material effect on the company's operations.

No significant changes were made to the principal rules of the company's management.

As at December 31st 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

*(PLN '000)*

The company did not enter into transactions involving derivative financial instruments.

The company complied with environmental protection requirements.

In 2012, 1 persons were employed in the company similarly to 2011.

In 2012, the company did not distribute dividend.

The Management Board

The Management Board is composed of:

Kazimierz Neyman – President of the Management Board
Krzysztof Oleksowicz – Member of the Management Board
Robert Kierzek – Member of the Management Board.

On 28 June 2012, the General Shareholders Meeting of Q-Service was held with the following agenda: the review and approval of the Directors' Report on the company's operations in 2010 and of the financial statements for 2011, as well as granting discharge to the Management Board members in respect of their duties in 2011 and adopting a resolution on the distribution of profit for 2011.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

### 1.9. Inter Cars Slovenska Republika

*www.intercars.sk*

The company started its operations involving the distribution of spare parts in July 2005. It sells the spare parts on the Slovakian market. The company was established in June 2005.

As at the reporting date, the company had 13 affiliate branches.

On the back of its expansion and increasing sales, Inter Cars Slovenska Republika became one of the largest companies selling automotive spare parts on the Slovakian market. The rise in sales volumes is attributable to a significant growth in imports of used cars, which translated into increased demand for spare parts.

To the reporting date, 12 independent garages operating under *Auto-Crew* brand were launched.

The company's offering includes spare parts for cars and commercial vehicles.

The company's chief supplier was Inter Cars. Goods provided by Inter Cars represented approximately 77,6% of Inter Cars Slovenska Republika's total purchases. The remaining products were sourced directly from spare part manufacturers, mostly from the European Union. The deliveries from Inter Cars are carried out through the regional warehouse in Tychy, used also as the company's principal warehouse facility.

Garages have a predominant share in the company's customer structure, followed by wholesalers of spare parts.

The company's goods are covered with insurance agreements. The company has also taken out insurance with respect to its assets.

In the reporting year, the company granted no sureties or guarantees.

Seasonality has no material effect on the company's sales, apart from a slight drop in volumes in the first quarter.

No significant changes were made to the principal rules of the company's management. As at 31 December 2012, 62 persons were employed at the company's registered office.

The company's operations do not pose a threat to the natural environment. Any produced waste is collected by an outsourcing company specialising in waste management.

In the reporting year, the company's structure was not materially modified. Similarly, no restructuring work or significant long-term investment took place.

The Management Board is composed of:

Tomas Kastil – Managing Director

Martin Havlik – Sales Director.

Mr Branislav Bucko is the Inter Cars Slovenska Republika's proxy.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Inter Cars Slovenska Republika was held on Jun 29th 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the allocation of profit for 2012 to retained profit.

### 1.10. Inter Cars Lietuva

*www.intercars.lt*

Inter Cars Lietuva was established in September 2006 and started its operations in December. Currently the company has three affiliate branches. Its offering comprises spare parts for cars.

As at December 31st 2012, the parent undertaking had not advanced any loans to the company.

In 2012, the company granted no sureties or guarantees.

Seasonality has no material effect on the company's sales volumes.

As at 31December 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 66 person were employed in the company., whereas as at 31 December 2011 the company employed 49 person.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The Management Board is composed of: Artur IIkevic – Managing Director.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

On 19 March 2012 the Annual Shareholders Meeting was held and approved the prior year result and consequently prior year profit was transferred to cover the retained loss.

### 1.11. IC Development & Finance Sp. z o.o.

The company shares were purchased on October 2nd 2006. IC Development & Finance z .o.o.'s current activity consists in the lease of real property.

The table below sets forth the company's financial highlights.

| *(PLN '000)* | **2011** | **2010** | **2009** |
|---|---|---|---|
| Sales revenue | 1 444 | 3 840 | 9 092 |
| Operating profit/loss | 824 | 209 | 175 |
| Net profit/loss | (106) | (735) | (681) |

The premises in Warsaw are leased to two entities, including the parent undertaking (warehouse space).

As at 31 December 2012, the parent undertaking had advanced two loans to the company, totalling PLN 27 124 thousand. The loans were granted to purchase new real properties.

As at 31 December 2012, no sureties or guarantees had been issued to the company.

Seasonality has no material effect on the company's operations.

No significant changes were made to the principal rules of the company's management, apart from the parent undertaking assuming actual control over the company's activity.

As at December 31st 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 1 person was employed in the company.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The Management Board is composed of:

Piotr Kraska – President of the Management Board

Mr Kraska is a Member of the Management Board of Inter Cars.

The General Shareholders Meeting of IC Development & Finance Sp. z o.o. was held on June 28th 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2011.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

### 1.12. Inter Cars Hungaria kft

Inter Cars Hungaria kft was acquired as a result of the merger of Inter Cars S.A. with JC Auto S.A. on February 29th 2008. The company has five affiliate branches and is planning to open five new ones by the year-end.

The company's chief supplier was Inter Cars.

As a leader in sales of spare parts for Japanese cars on the Hungarian market, the company launched also a new broad product range offered by the Group. It also successfully introduced the IC-Katalog software in the Hungarian language, which allows the customers to check availability of particular products making up the company's offering on an ongoing basis.

In 2012, the company opened three new affiliate branches, and as at the reporting date it had eight affiliate branches and five agency branches.

As at 31 December 2012, the company was granted a surety for a long-term loan for warehouse construction.

Seasonality has no material effect on the company's operations.

No significant changes were made to the principal rules of the company's management, apart from the parent undertaking assuming the actual control over the company's activity.

As at 31 December 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 107 were employed in the company, while as at December 31$^{st}$ 2010 it employed 105 persons.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The company's Management Board is composed of: Zsolt Bereczki – Managing Director.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

### 1.13. Inter Cars d o.o.

Inter Cars d o.o. was acquired as a result of the merger of Inter Cars S.A. with JC Auto S.A. on 29 February 2008.

As at 31 December 2011, the company had 12 own affiliate branches.

As at 31 December 2012, the company granted no sureties or guarantees.

Seasonality has no material effect on the company's operations.

The company ranks fifth among the companies selling spare parts on the Croatian market and is a leader in sales of spare parts for Asian cars. Additionally, the agency branch in Rijeka was the first distributor in this area to offer a broad range of spare parts for cars and trucks, oils and garage equipment in one spot.

The company was the most dynamically growing one on the Croatian market in the last two years. In 2012, it is planning to move to its new registered office in Zagreb, situated in the heart of an industrial district, which is expected to have a positive effect on the future sales.

No significant changes were made to the principal rules of the company's management

As at December 31st 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 135 were employed in the company, while as at December 31st 2011 it employed 104 persons.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The Management Board is composed of: Robert Antoncic – Managing Director.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Inter Cars d o.o. was held on September 28th 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2011.

### 1.14. JC Auto s.r.l.

JC Auto s.r.l. was acquired as a result of the merger of Inter Cars S.A. with JC Auto S.A. on 29 February 2008.

Seasonality has no material effect on the company's operations.

No significant changes were made to the principal rules of the company's management, apart from the parent undertaking assuming the actual control over the company's activity.

As at 31 December 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 10 persons were employed in the company.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The Management Board is composed of: Carlo Scovenna – Managing Director.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Inter Cars d o.o. was held on 26 April 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2011.

### 1.15. JC Auto S.A. (Belgium)

*www.jcauto.be*

JC Auto S.A. was acquired as a result of the merger of Inter Cars S.A. with JC Auto S.A. on 29 February 2008.

Seasonality has no material effect on the company's operations.

No significant changes were made to the principal rules of the company's management, apart from the parent undertaking assuming the actual control over the company's activity.

As at December 31st 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 1 person were employed in the company, while as at 31 December 2011 it employed 2 persons.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The Management Board is composed of: Karim Cheriha – Managing Director.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

### 1.16. Armatus Sp. z o.o.

Armatus Sp. z o.o. was acquired as a result of the merger of Inter Cars S.A. with JC Auto S.A. on 29 February 2008.

In 2009, the company launched internet sales.

The company is a party to an agreement on a loan to Inter Cars. The agreement is presented in detail in the annual report of Inter Cars.

As at 31 December 2012, no sureties or guarantees were granted to the company.

Seasonality has no material effect on the company's operations.

No significant changes were made to the principal rules of the company's management.

As at 31 December 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

In 2012, the company did not distribute dividend.

The Management Board is composed of: Piotr Kraska – President of the Management Board.

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Armatus Sp. z o.o. was held on 28 June 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2011.

### 1.17. Inter Cars Romania s.r.l.

Inter Cars Romania was established in July 2008 and started its sales activity in August 2008. The company sells spare parts for cars. In 2012, it opened 32 affiliate branches.

As at December 31st 2012, the company had been advanced a loan of PLN 16 thousand by the parent undertaking.

In 2012, the company granted no sureties or guarantees.

In 2012 the company was on the 5$^{th}$ place in Romania amogst distributors of spare parts.

Seasonality has no material effect on the company's operations.

As at 31 December 2012, no agreements were in force between the Company and the management staff members, which would provide for 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.

The company did not enter into transactions involving derivative financial instruments.

As at 31 December 2012, 106 persons were employed in the company, while as at 31 December 2011 it employed 86 persons.

The company complied with environmental protection requirements.

In 2012, the company did not distribute dividend.

The Management Board is composed of:

Marius Mujdei – Managing Director

Alexandru Abahnencei – Sales Director

Ioana Platon – Financial Director

In 2012, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Inter Cars Romania s.r.l. was held on 30 May 2012. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties for 2011.

### 1.18. JC Auto s.r.o.

The company started its operations involving the distribution of spare parts in 2003. As a result of the merger of the Inter Cars and JC Auto Groups, it was decided to suspend the company's operations and move the sales network, non-current and current assets and employees to Inter Cars Ceska Republika.

### 1.19. Inter Cars Latvija SIA.

The Company was created in August 2010. The company started its operations involving the distribution of spare parts.

In 2012, the company did not distribute dividend.

In 2012 paid off a loan granted by the parent.

As at 31 December 2012 the company employed 18 person, whereas as at 31 December 2011 the company employed 9 person.

The Management Board is composed of:

Kaspars Vilumsons – Managing Director

### 1.20. Inter Cars Cyprus Limited.

Inter Cars Cyprus Limited was created in October 2009.

As at 31 December 2012, 11 persons were employed in the company similarly to 2011

### 1.21. Inter Cars Bulgaria.

Inter Cars Cyprus Limited was created in March 2011, however sales operations started in September 2011. The Company sales spare parts. As of the reporting date it had one branch.

As at 31 December 2012 the company had a loan granted by the parent company amounting to PLN 1.024 thousand.

As at 31 December 2012, 16 persons were employed.

### 1.22. Cleverlog-Autoteile GbmH.

The company Cleverlog was created in March 2011 and is owned by the parent company in 90%. The Company sales spare parts. In December 2012 Inter Cars purchased non-controlling interest.

After balance-sheet date on 6 March 2013 Mr Mariusz Mroczek was appointed the President of the company.

### 1.23. Inter Cars Marketing Sp. z o.o.

The company Cleverlog was created in May 2012 and is owned by the parent company in 100%. The Company sells marketing services.

The Board of Directors consist of:

-Krzysztof Oleksowicz – the President, Mr Krzysztof Oleksowicz is also the Board Member of Inter Cars SA

-Radoslaw Grzeskowiak - the Board Member

-Piotr Zamora – the Board Member.

### 1.24. ILS Sp. z o.o.

The company Cleverlog was created in October 2012 and is owned by the parent company in 100%. The Company sells logistic services.

The Board of Directors consist of:

-Wojciech Milewski – the President, Mr Wojciech Milewski is also the Board Member of Inter Cars SA

-Wojciech Aleksandrowicz - the Board Member

## 2. Sources of deliveries

The Group's offer comprise of good of hundreds of suppliers. These goods originates from all over the world, however, the majority of suppliers is located in the EU and Asia. The prevailing category of supplier are large multinational firms, for whom the Group becomes on of the st important customers in the Central Eastern Europe. Significant diversification of suppliers makes the Group non-dpendent one or a few suppliers- no supplier exceed a share of 10% in total sales.

## 3. Agreements Significant and Material to Inter Cars' Business and Insurance Agreements

### Significant Agreements

*(PLN '000)*

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

### Material Agreements

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

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

| No. | Agreement date | Party to the agreement |
|---|---|---|
| 1 | 24-02-2012 | Contitech Antriebssysteme GmgH |
| 2 | Annex of 17-05-2012 to agreement of 22-03-2011 | Delphi Poland S.A. |
| 3 | 06-02-2012 | Egon von Ruville |
| 4 | 11-04-2012 | Federal Mogul |
| 6 | 31-05-2012 | Robert Bosch |
| 7 | 21-05-2012 | SKF |
| 8 | 29-06-2012 | Valeo |
| 9 | Annex of 3-01-2012 to agreement of 05-01-2011 | Wix-Filtron |
| 10 | 11-06-2012 | ZF Trading |

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

| No. | Agreement date | Party to the agreement |
|---|---|---|
| 1 | 26-01-2005 | Triumph Motorcycles LTD |
| 2 | 19-12-2008 | Giantco Limited |
| 3 | 05-11-2008 | JIANGMEN DIHAO MOTORCYCLE COMPANY LTD |
| 4 | 19-12-2008 | CHONGQING HUANSONG INDUSTRIES (GROUP ) CO.,LTD |
| 5 | 09-12-2009 | CHONGQING YINXIANG MOTORCYCLE (GROUP) CO., LTD |
| 6 | 09-12-2009 | CHONGQING YUAN GROUP IMP.&EXP. CO., LTD. |

### Insurance Agreements

| 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.

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

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

Since 30 October 2008 the Company owns 49% of shares in SMiOC FRENOPLAST Bulhak i Cieslawski S.A.. Korpele 75 12-100 Szczytno- associate.

During the reporting period a new subsidiary was created created ILS Sp. z o.o.. The company GALT SPV 18Y Sp. z o.o. changed its name to Inter Cars Marketing Services Sp. z o.o.. All subsidiaries are financed by the parent company loan and receivables. Details of loans issued is present in note 8 of the Report on the Operations.

**5. Changes in Organisational or Capital Links**

During the reporting period there were changes to organisational or capital relationships:sale of share in Polmozbyt S.A., the contribution in kind into Inter Cars Marketing Services Sp. z o.o., increase of share capital and purchase of shares belonging to non-controlling interest, acquisition of shares in ILS Sp. z o.o. and the purchase of shares of 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.

*(PLN '000)*

In October 2012 non-controlling interest shares of Inter Cars Ukraine belonging to Mr Siergiej Ovsijenko were purchased (30% of shares) for PLN 2 067 thousand.

## 6. 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 undertakings are entered into at arm's length.

## 7. Loans and Borrowings

| **Short-term loans and borrowings** | Contractual amount (limit) | Amount drawn | Maturity date |
|---|---|---|---|
| Syndicated loan | 480 000 | 457 352 | 23-11-2013 |
| UniCredit Bank Hungary Zrt. (Inter Cars Hungaria) | 477 | 477 | 31-12-2013 |
| | **480 477** | **457 829** | |

| **Long-term loans and borrowings** | Contractual amount (limit) | Amount drawn | Maturity date |
|---|---|---|---|
| Raiffeisen a.s.(Inter Cars Czechy) | 9 780 | 9 780 | 30-09-2015 |
| UniCredit Bank Hungary Zrt. (Inter Cars Hungaria) | 1 812 | 994 | 31-01-2016 |
| | **11 592** | **10 774** | |

### Loan Agreements

| Agreement No.<br>Bank | Agreement date | Maturity date | Limit/loan amount (PLN) | Collateral |
|---|---|---|---|---|
| Syndicated credit facility<br>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 |
| UniCredit Bank Hungary Zrt., 1054 Budapest, Szabadsag ter 5-6 | April 29 2011 | Jan 31 2016 | 2 289 476.80 | surety for loan repayment by the parent undertaking |
| Raiffeisen AS Czechy | Sep 30 2012 | Sep 30 2015 | 9 780 000.00 | collaretalized by customer receivables equal half value of loan |

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

| Source of financing | Drawn down (PLN) | Interest |
|---|---|---|
| Polska Kasa Opieki S.A. | 169 356 | |
| ING Bank Śląski S.A. | 116 527 | |
| Bank Handlowy w Warszawie S.A. | 90 101 | WIBOR 1M + margin (short-term) |
| BRE Bank S.A. | 81 368 | |
| Raiffeisenbank AS Czechy | 9 780 | WIBOR 1M + margin |
| UniCredit Bank Hungary Zrt. | 1 471 | LIBOR + margin |
| Total | 468 603 | |

*(PLN '000)*

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

Inter Cars Hungaria Kft contracted a loan for the construction of a new logistics centre.

## 8. Loans Granted

| ***Loans to related undertakings*** | **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 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 the related undertakings amounted to PLN 61 328 thousand. The amount of loans grantedto five 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%.

## 9. 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., sureties for the benefit of suppliers of Feber Sp. z o.o, Inter Cars Bulgaria Ltd. and a surety for a loan repayment by Inter Cars Hungaria Kft.

| For | Term | Amount (PLN '000) |
|---|---|---|
| Inter Cars Hungaria Kft. | 31-01-2016 | 2 289 |
| Lauber Sp. z o.o. | 13-01-2014 | 197 |
| Feber Sp. zo.o. | Until recalled | 899 |
| Feber Sp. z o.o. | 14-04-2012 | 2 000 |
| Inter Cars Bulgaria Ltd | 05-07-2015 | 257 |
| Q-Service Sp. z o.o | 31-12-2012 | 1 226 |
| Inter Cars Ukraina | 27-12-2013 | 204 |
| | | **7 072** |

The Company holds a customs guaranties 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.

## 10. Security Issues

During the reporting period the Company did not issue any commercial bonds.

## 11. Seasonality or Cyclical Nature of Operations

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

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

## 12. Evaluation of Financial Resources Management

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

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

*(PLN '000)*

- *Current ratio* – current assets to current liabilities at end of period (demonstrates the company's ability to pay current liabilities using current assets)
- *Quick ratio* – current assets less inventories to current liabilities at end of period (demonstrates the ability to quickly accumulate cash required to cover liabilities payable in a short time)
- *Cash ratio* – cash to current liabilities at end of period (measures the ability to cover immediately payable liabilities)

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

| | **2012** | **2011** |
|---|---|---|
| Net revenue from sales of goods for resale and products | 3 003 106 | 2 764 514 |
| Gross profit on sales | 928 114 | 894 635 |
| *Gross sales margin* | *30,9%* | *32,36%* |
| Operating profit | 149 931 | 160 998 |
| *Operating margin* | *4,99%* | *5,82%* |
| *EBITDA* | 185 850 | 195 386 |
| Profit before tax | 119 644 | 130 265 |
| Net profit | 100 175 | 104 376 |
| *Net profit margin* | *3,34%* | *3,78%* |
| Balance-sheet total | 1 548 391 | 1 547 470 |
| *ROA* | *6,47%* | *6,74%* |
| Non-current assets | 432 021 | 422 887 |
| Equity attributable to owners of the parent | 757 247 | 668 804 |
| *ROE* | *13,23%* | *15,60%* |

**Sales revenue** in 2012 was **9% higher** than in 2011. Factors of particular **importance to the level of sales** in 2012 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 4% in comparison with 2011. The higher rate of growth than the sales revenue's growth was driven by the 2012 **sales margin**.

In total, **selling costs and general and administrative expenses** dropped by 13,4% in comparison with 2011. 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 in 2012 totalled PLN 316 149 thousand, accounting for 39% of all costs by type.

The structure of costs **by type** is set forth in the table below.

| | **2012** | **2011** |
|---|---|---|
| Depreciation/amortisation | 35 919 | 34 388 |
| Raw materials and energy used | 74 657 | 84 895 |
| Contracted services | 521 260 | 492 683 |
| *including: distribution services* | *316 149* | *315 302* |
| Taxes and charges | 2 133 | 5 277 |
| Salaries and wages | 118 802 | 105 954 |
| social security and other benefits | 29 937 | 26 285 |
| Other costs | 28 128 | 27 618 |
| **Total costs by type** | **810 836** | **776 100** |

*(PLN '000)*

**Cost of distribution services** – share of an affiliate branch operator in the generated margin. The affiliate branch's sales margin is shared between the branch operator and Inter Cars on a 50/50 basis. The system of affiliate branches is based on the principle of entrusting the management of a distribution outlet (affiliate branch) to an external operator. Sales are made on behalf of Inter Cars. The affiliate branch operators employ personnel and cover operating costs from their revenue, which is their share in the margin on sales of goods. The share of particular branches in the margin is settled on a monthly basis. The company provides organisational and logistics expertise, capital, spare parts suppliers, full range of goods with ensured availability and trademark. The branch operator contributes the knowledge of the local market and experienced personnel. The risk associated with the operations of a branch operator is borne by the operator, who – operating as a separate business – optimises its available resources.

In 2012, **costs by type** grew in aggregate by 4,5% in comparison with 2011.

**Finance income and expenses** include mainly interest income and expense. In 2012, the Company incurred finance expenses in the amount of PLN 29 195 thousand. As at December 31st 2012, **liabilities under loans, borrowings, debt securities and finance lease** were PLN 495 383 thousand.

**Income tax expense** includes accrued income tax in the amount of PLN 22 875 thousand as well as change in deferred tax assets and deferred tax liabilities, decreasing the income tax payable for the period by PLN 3 406 thousand. The increase in income tax payable results from the Company's use of the flat rate income tax option.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2012, the Company recognised the total of PLN 96 097 thousand under discounts. Discounts due to the Group are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 25 697 thousand was posted to inventories, and it will reduce the cost of goods for resale sold in 2013 (in particular in Q1).

**Operating profit** in 2011 was 39,7% higher than in 2010. **EBITDA** in 2011 was 7.1%.

**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. **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.

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** |
|---|---:|---:|
| Current assets | 1 116 370 | 1 124 583 |
| Cash and securities | 36 948 | 60 696 |
| Current liabilities | 749 695 | 640 312 |
| Current loans, borrowings, debt securities and finance lease liabilities | 460 386 | 260 029 |
| Adjusted current assets | 1 079 422 | 1 063 887 |
| Adjusted current liabilities | 289 309 | 380 283 |
| Net working capital | 790 113 | 687 112 |

Net working capital employed increased by approximately 15%.

*(PLN '000)*

| | 2012 | 2011 |
|---|---|---|
| Inventory cycle (in days) | 129 | 144 |
| Average collection period (in days) | 42 | 43 |
| Operating cycle (in days) | 171 | 187 |
| Average payment period (in days) | 49 | 70 |
| Cash conversion cycle (in days) | 122 | 117 |
| Current ratio | 1,49 | 1,76 |
| Quick ratio | 0,51 | 0,63 |
| Cash ratio | 0,05 | 0,09 |

**Debt ratios** are set forth in the table below.

| | 2012 | 2011 |
|---|---|---|
| Total debt ratio | 0,51 | 0,57 |
| Debt-to-equity ratio | 1,04 | 1,24 |

The Company's operations are funded with the Company's internally generated funds and bank loans. As at December 31st 2012, loans, borrowings, debt securities and finance lease liabilities totalled PLN 495 383 thousand, and **the total debt ratio** dropped to 0,51 compared to 0,57 in 2011.

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.

| | 2012 | 2011 |
|---|---|---|
| Net cash provided by (used in) operating activities | 76 990 | 54 326 |
| Net cash provided by/(used in) investing activities | (58 797) | (47 788) |
| Net cash provided by/(used in) financing activities | (41 941) | 19 370 |
| Cash and cash equivalents at end of period | 36 948 | 60 696 |

## 13. Assessment of Investment Projects Feasibility

2012 expenditure on purchases and upgrades of property, plant and equipment totalled PLN 58 161 thousand. The majority of the amount was replacement capital expenditure.
The Group's investments in 2012 were entirely financed with loans and borrowings.

The investment plan for 2013 stipulates capital expenditure on property plant and equipment, such as replacement and upgrade of means of transport, as well the upgrade of the IT system which supports management.

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

The consolidated EBITDA for the period of 12 months ended 31 December 2012 was PLN 185 850 thousand (cumulative as operating profit plus depreciation/amortisation).

In the period of twelve months of 2012 compared to 2011 stock rotation improved to 2011, decrease from 144 days to 129 days (10% improvement).

The restructuring program is being carried out for Feber. The objective of the program is to decrease production cost and increase of sales through the enforcement of sales force by the sales resources of Inter Cars Group. Sales of products in $4^{th}$ quarter generated positive profitability, however, the overall result is still negatively impacted by sales of products produced in earlier quarters. The Board expects Feber to gain positive net profitability in the whole 2012.

Record sales revenue is noted in the first month of the $4^{th}$ quarter, sales hit PLN 257,9 million (highest ever monthly sales in the history of Inter Cars SA).

(PLN '000)

***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

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.

## 15. Risk Factors and Threats; Degree of the Company's Exposure

*Risk of Changes in the Discount Policies of Spare Parts Manufacturers*

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

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

*Risk Related to Adoption of an Incorrect Strategy*

The market in which the Group operates is constantly evolving, and the direction and pace of the changes depend on a number of factors, which are often mutually exclusive. Therefore, the future position of the Group, and hence its revenue and profit, depend on its ability to develop a strategy that proves effective in the long term. Any incorrect decisions resulting from misguided judgments or the Group'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 Group maintains certain stock levels for a broad range of products. Purchases made by the Group are a function of the perceived market demand for specific product groups, and, as such, are susceptible to the risk of faulty market analysis or changes in the demand structure. Potential changes in demand, in particular a rapid decline in demand for specific product groups that were purchased by the Company in large quantities, may entail substantial losses to the Group, resulting from working capital being tied up or from the need to apply high discounts.

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

*Risk Related to Seasonal Sales*

The 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 Group.

*Risk Related to Bank Loans*

Bank loans are an important source of funding for the Group's operations. As at December 31st 2011, the Group's debt under a syndicated credit facility, bonds and finance leases totalled PLN 501 015 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 28.5 m. Loans raised by the Group are variable-rate loans, so a potential marked increase in interest rates, translating into higher reference rates for the loans, would – through higher finance expenses – reduce the Group's profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity.

*Risk of an Affiliate Branch Operator Engaging in Competitive Activity*

If an operator whose branch operation agreement has been terminated (by the operator or the 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 Group's financial performance.

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

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

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

The Management Board believes that those adverse factors will be counterbalanced by the continuously growing involvement of spare parts distributors and manufacturers in the furnishing and financing of the furnishing of independent garages, the possibility of close collaboration between licensed and independent garages, and the right of all parties to access technical information available from vehicle manufacturers on equal rights (under the new regulations), which facilitates the transfer of know-how to independent garages. In the longer perspective, it can be expected that those independent garages that cannot cope with the challenges will be eliminated, while those that have the best resources will grow, which will in fact strengthen the independent garages segment, despite the likely short-term negative changes to its size. Further, greater imports of used cars to Poland following its accession to the European Union 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 Group's performance, and in extreme cases may significantly limit its development potential, or even result in a drop in revenue and profit. Another risk resulting from the possible entry into the Polish market of major foreign distributors is the loss of strategic suppliers, for whom certain foreign distributors may be bigger customers.

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

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

*Risk Related to Customer Base Diversification by Spare Parts Manufacturers*

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

The Management Board is taking steps to develop an operational model that allows the Group to continuously expand its product range, including through the development of new segments, such as provision of garage equipment, fleet management, or semi-trailer assembly. Further, a counterbalancing factor to the expected limitations in the Polish market is the expansion into neighbouring countries, in particular Ukraine, the Czech Republic, Slovakia, Croatia, Hungary, Lithuania, Italy, Belgium and Romania.

*Risk Related to Car Manufacturers Taking over Spare Parts Production*

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

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

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

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

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

*Risk Related to the Macroeconomic Situation*

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

Similarly, the development of operations beyond Poland exposes the Group to risks that are specific to the new sales markets, in particular Ukraine, the Czech Republic, Slovakia, Hungary, Croatia, Lithuania, Italy, Belgium and Romania. An economic decline in those countries could have an indirect adverse effect on the Group's performance.

*Risk Related to Poland's Economic Policy*

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

Similarly, the economic, fiscal and monetary policy risk in the countries where the Group has foreign operations, that is in Ukraine, the Czech Republic, Slovakia, Hungary, Croatia, Lithuania, Italy, Belgium and Romania, may also have an adverse impact on the Group's performance.

*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 Group'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 Group's financial performance.

*Risk Related to Spare Parts Recovery Operations*

The risks inherent in these operations primarily include: risk connected with deficiencies of the IT solutions that support control and management, the need to maintain high stocks of production materials and the resultant risk of impairment in their value in the event of a change in customers' preferences or an increase in the competitive pressure, risk connected with the fact that the operations are based on orders, without agreements in place with key customers, and risk relating to the constantly growing competition from cheap spare parts manufacturers (Far East).

*Risk Related to Development of the Subsidiaries*

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

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

## 16. Strategy and Future Development Prospects

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

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

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

- *Expansion of the distribution network* – in Poland and abroad.
- *Expansion of the product range* – by introducing new and improving the existing product lines to meet market expectations with respect to spare parts quality, prices and technical support from their manufacturers. In order to increase revenue from sales of high quality goods with a relatively low price, sourced from spare parts manufacturers less known in Poland, the Company is systematically developing the "4-max" and "4-max Truck" brand, an inexpensive and reliable alternative for end customers.
- *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.

## 17. Changes in Key Principles of Managing the Group

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

## 18. Changes of the Company's Management or Supervisory Staff in the Previous Financial Year; Rules Governing Appointment and Removal of the Management Staff; Powers of the Management Staff, Including in Particular the Power to Adopt a Decision Concerning the Issue or Repurchase of Shares

In accordance with the Articles of Association, members of the Company's Management Board are appointed and removed by virtue of the Supervisory Board's resolution, with the exception of the first Management Board, whose members were appointed in the Company's Deed of Incorporation. The entity entitled to make a decision concerning the issue or repurchase of shares is the General Shareholders Meeting.

During the period from 1 January 2011 to 31 December 2012 the Board was comprised of:

- Robert Kierzek – President
- Krzysztof Soszyński – V-ce 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.

- 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.

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.

A Supervisory Board Resolution on a appointment or recall of a board member is taken by the absolute majority of votes when at least one half of Supervisory Board member is present. However, a resolution to suspend a Board Member is taken by a 4/5 of votes at 4/5 supervisory board's members present at a vote.

The Board takes decisions in the form of resolutions taken at Board meetings held at least twice a month. Resolutions are taken by majority of votes, the decisive vote belongs to the President of the Board, however, in case of resolutions relating to:

-market situation (including: development of distribution network, creation of purchase and sales policy) such resolution can be taken by the President or V-ce President and Board Member responsible for purchases and sales;

-issues relating to changes in assets and liabilities of the Company over 1 million PLN should be taken by all Board members (including: purchasing and disposal of the Company assets)

-other decisions relating to current operations and organization of the Company (organization holiday days, prizes, penalties) should be taken outside the Board meetings by two Board Members who are the closest to the subject being decided.

Decision relating to issue or repurchase of shares are taken according to the provisions of Commercial code of the companies, however, exclusive right to decision to the change of share capital is reserved to the General Assembly of Shareholders.

During the period from 1 January 2012 to 31 December 2012 the Supervisory Board was comprised of:

- Andrzej Oliszewski – President of Supervisory Board,
- Maciej Oleksowicz – Member,
- Piotr Płoszajski– Member,
- Jacek Klimczak – Member,
- Michał Marczak – Member.

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.

## 19. 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.

*(PLN '000)*

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 |
| | | |
| 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.

## 20. Shares

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

**As at December 31st 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.

*(PLN '000)*

| **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** | | |
| **Total** | **5 927 809** | **11 855 618** | **41,85%** | **41,85%** |

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*

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 OFE | 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%** |

*(PLN '000)*

*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 OFE | 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%** |

## 21. Agreements Known to the Company (including Agreements Executed after the Reporting Date) Which May Give Rise to Future Changes in the Proportion of Shares Held by the Existing Shareholders and Bondholders

The Company is not aware of any such agreements.

## 22. System 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 2011), no stock option plan is being implemented at the Company.

## 23. 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.

## 24. 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.

## 25. Employment

As at 31 December 2012, the Company employed 1 340 personnel. In total, the Group employed 2 404 personnel.

As at 31 December 2011, the Company had 1 333 employees. In total, the Group employed 2 268 personnel.

## 26. 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 reporting date, the Company held the following permits, in the form of administrative decisions, related to environmental protection:

*(PLN '000)*

| 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.ŚR – 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 |

## 27. 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

On 26 April 2013 Mr Wojciech Milweski submitted his resignation from the Board of Directors to the President of Supervisry Board, this resignation is effective on 30 June 2013

## 28. Forecasts for 2012

The Group did not publish any forecasts for 2012

## 29. Changes in the Group's Structure, Non-Current Investments and Restructuring

In 2011, no significant changes in the Group's structure occurred.

## 30. 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

Piotr Płoszajski

Maciej Oleksowicz

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.

## 31. Information on Court Proceedings to Which the Group 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.

## 32. 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.

*(PLN ‘000)*

## 33. Corporate Governance

The full version of the statement of compliance is available at the Issuer’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 2012 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 THE INTER CARS

## 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 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.

*(PLN '000)*

***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% |
| 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 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.

A Supervisory Board Resolution on a appointment or recall of a board member is taken by the absolute majority of votes when at least one half of Supervisory Board member is present. However, a resolution to suspend a Board Member is taken by a 4/5 of votes at 4/5 supervisory board's members present at a vote.

The Board takes decisions in the form of resolutions taken at Board meetings held at least twice a month. Resolutions are taken by majority of votes, the decisive vote belongs to the President of the Board, however, in case of resolutions relating to:

- market situation (including: development of distribution network, creation of purchase and sales policy) such resolution can be taken by the President or V-ce President and Board Member responsible for purchases and sales;
- issues relating to changes in assets and liabilities of the Company over 1 million PLN should be taken by all Board members (including: purchasing and disposal of the Company assets)
- other decisions relating to current operations and organization of the Company (organization holiday days, prizes, penalties) should be taken outside the Board meetings by two Board Members who are the closest to the subject being decided.

Decision relating to issue or repurchase of shares are taken according to the provisions of Commercial code of the companies, however, exclusive right to decision to the change of share capital is reserved to the General Assembly of Shareholders.

*(PLN '000)*

## 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

As at December 31st 2012, the 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. Group**

# Supplementary report on the audit of the consolidated financial statements Financial Year ended 31 December 2012

The supplementary report contains 12 pages
The supplementary report on the audit
of the consolidated 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 Identification of the Group

### 1.1.1 Name of the Group

Inter Cars S.A. Group

### 1.1.2 Registered office of the Parent Company of the Group

ul. Powsińska 64
02-903 Warsaw

### 1.1.3 Registration of the Parent Company 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 Parent Company

The Management Board is responsible for management of the Parent Company.

As at 31 December 2012, the Management Board of the Parent 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. Piotr Kraska resigned from the postion of Member of the Management Board, effective on 31 December 2012.

## 1.2 Information about companies comprising the Group

### 1.2.1 Companies included in the consolidated financial statements

As at 31 December 2012, the following companies were consolidated by the Group:

Parent Company:

- Inter Cars S.A.

Subsidiaries consolidated on the full consolidation basis:

- Inter Cars Ukraine LLC,
- Lauber Sp. z o.o.,
- Q-Service Sp. z o.o.,
- Inter Cars Česká Republika s.r.o.,
- Feber Sp. z o.o.,
- Inter Cars Slovenska Republika s.r.o.,
- Inter Cars Lietuva UAB,
- IC Development & Finance Sp. z o.o.,
- Armatus Sp. z o.o.,
- JC Auto s.r.o.,
- Inter Cars Hungária Kft,
- JC Auto S.A.,
- Inter Cars d.o.o.,
- JC Auto s.r.l.,
- Inter Cars Romania s.r.l.,
- Inter Cars Latvija SIA,
- Inter Cars Cyprus Limited,
- Cleverlog Autoteile GmbH,
- Inter Cars Bulgaria Ltd,
- Inter Cars Marketing Services Sp. z o.o. (previously Galt SPV 18 Y Sp. z o.o.),
- ILS Sp. z o.o.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2012, as a result of the Parent Company acquiring a controlling interest:

- ILS Sp. z o.o. – subject to consolidation for the period from 5.11.2012 to 31.12.2012.

## 1.3 Key Certified Auditor and Audit Firm Information

### 1.3.1 Key Certified Auditor information

| | |
|---|---|
| Name and surname: | Mirosław Matusik |
| Registration number: | 90048 |

### 1.3.2 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 into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

## 1.4 Prior period consolidated financial statements

The consolidated 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 consolidated financial statements were approved at the General Meeting of the Parent Entity on 28 June 2012.

The consolidated 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.

## 1.5 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 consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated 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 consolidated financial statements at the Group entities during the period from 3 to 14 December 2012 and from 4 to 22 March 2013.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated 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 Group's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the financial statements.

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

All required statements, explanations and information were provided to us by Management of the Group 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).

## 1.6 Information on audits of the financial statements of the consolidated companies

### 1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2012 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.

## 1.6.2 Other consolidated entities

| Entity's name | Authorised auditor | Financial year end | Type of auditor's opinion |
|---|---|---|---|
| Feber Sp. z o.o. | KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. | 31 December 2012 | Pending statutory audit |
| Inter Cars Ukraine LLC | n/a* | 31 December 2012 | n/a* |
| Lauber Sp. z o.o. | "REWIT" Księgowi i biegli rewidenci Sp. z o.o. | 31 December 2012 | Pending statutory audit |
| Q-Service Sp. z o.o. | n/a* | 31 December 2012 | n/a* |
| Inter Cars Česká Republika s.r.o. | AVK spol. s r.o. | 31 December 2012 | Pending statutory audit |
| Inter Cars Slovenska Republika s.r.o. | Anna Bachrata | 31 December 2012 | Unqualified opinion |
| Inter Cars Lietuva UAB | UAB Revizorius | 31 December 2012 | Unqualified opinion |
| IC Development & Finance Sp. z o.o. | n/a* | 31 December 2012 | n/a* |
| Armatus Sp. z o.o. | n/a* | 31 December 2012 | n/a* |
| JC Auto s.r.o. | n/a* | 31 December 2012 | n/a* |
| Inter Cars Hungária Kft | T/K. 96. Könyvvizsgálói, Adótanácsadó és Könyvelési Kft. | 31 December 2012 | Unqualified opinion |
| JC Auto S.A. | n/a* | 31 December 2012 | n/a* |
| Inter Cars d.o.o. | Kulic and Sperk doo | 31 December 2012 | Pending statutory audit |
| JC Auto s.r.l. | n/a* | 31 December 2012 | n/a* |
| Inter Cars Romania s.r.l. | n/a* | 31 December 2012 | Pending statutory audit |
| Inter Cars Latvija SIA | SIA Audits 55 | 31 December 2012 | Unqualified opinion |
| Inter Cars Cyprus Limited | n/a* | 31 December 2012 | Pending statutory audit |
| Cleverlog Autoteile GmbH | n/a* | 31 December 2012 | n/a* |
| Inter Cars Bulgaria Ltd. | n/a* | 31 December 2012 | Pending statutory audit |
| Inter Cars Marketing Services Sp. z o.o. | KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. | 31 December 2012 | Unqualified opinion |
| ILS SP. z o.o. | n/a** | 31 December 2012 | n/a** |

* the Company was not subject to mandatory annual audit.

**The Company was not operating in 2012

# 2 Financial analysis of the Group

## 2.1 Summary analysis of the consolidated financial statements

### 2.1.1 Consolidated 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 | 226,030 | 14.6 | 205,831 | 13.3 |
| Intangible assets | 141,845 | 9.2 | 141,718 | 9.1 |
| Investments in associates | 3,795 | 0.2 | 7,510 | 0.5 |
| Investments available for sale | 301 | - | 43 | - |
| Investment properties | 27,229 | 1.8 | 46,355 | 3.0 |
| Receivables | 13,050 | 0.8 | 11,102 | 0.7 |
| Deferred tax assets | 19,771 | 1.3 | 10,328 | 0.7 |
| **Total non-current assets** | 432,021 | 27.9 | 422,887 | 27.3 |
| **Current assets** | | | | |
| Inventories | 734,967 | 47.5 | 735,350 | 47.5 |
| Trade and other receivables | 343,522 | 22.2 | 327,493 | 21.2 |
| Income tax receivable | 933 | 0.1 | 1,044 | 0.1 |
| Cash and cash equivalents | 36,948 | 2.4 | 60,696 | 3.9 |
| **Total current assets** | 1,116,370 | 72.1 | 1,124,583 | 72.7 |
| **TOTAL ASSETS** | 1,548,391 | 100.0 | 1,547,470 | 100.0 |

| EQUITY AND LIABILITIES | 31.12.2012 PLN '000 | % of total | 31.12.2011 PLN '000 | % of total |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | 28,336 | 1.8 | 28,336 | 1.8 |
| Share premium | 259,530 | 16.8 | 259,530 | 16.8 |
| Reserve capital | 373,750 | 24.2 | 258,686 | 16.7 |
| Other reserve capital | 5,935 | 0.4 | 5,935 | 0.4 |
| Exchange differences on consolidation | (2,400) | 0.2 | (838) | - |
| Retained earnings | 92,096 | 6.0 | 117,155 | 7.6 |
| **Total equity attributable to equity holders of the parent** | 757,247 | 48.9 | 668,804 | 43.3 |
| **Non-controlling interests** | - | - | (3,853) | 0.2 |
| **Total equity** | 757,247 | 48.9 | 664,951 | 43.5 |
| **Liabilities** | | | | |
| Interest-bearing loans and borrowings | 34,997 | 2.3 | 240,986 | 15.5 |
| Other long term liabilities | 322 | - | 1,133 | 0.1 |
| Deferred tax liabilities | 6,130 | 0.4 | 88 | - |
| **Total non-current liabilities** | 41,449 | 2.7 | 242,207 | 15.6 |
| Bank overdraft | 277,876 | 18.0 | 359,592 | 23.2 |
| Interest-bearing loans and borrowings | 460,386 | 29.7 | 260,029 | 16.8 |
| Employee benefits | 5,716 | 0.4 | 5,779 | 0.4 |
| Income tax payable | 5,717 | 0.4 | 14,912 | 1.0 |
| **Total current liabilities** | 749,695 | 48.4 | 640,312 | 41.4 |
| **TOTAL EQUITY AND LIABILITIES** | 1,548,391 | 100.0 | 1,547,470 | 100.0 |

## 2.1.1. Consolidated 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 | 3,003,106 | 100.0 | 2,764,514 | 100.0 |
| Cost of sales | (2,074,992) | 69.1 | (1,869,879) | 67.6 |
| ***Gross profit on sales*** | 928,114 | 30.9 | 894,635 | 32.4 |
| Other operating income | 10,713 | 0.4 | 7,119 | 0.3 |
| Costs of sales and general administration | (441,491) | 14.7 | (389,484) | 14.1 |
| Costs of distribution service | (316,149) | 10.5 | (315,302) | 11.4 |
| Other operating expenses | (31,256) | 1.0 | (35,970) | 1.3 |
| ***Results from operating activities*** | 149,931 | 5.0 | 160,998 | 5.8 |
| Finance income | 2,386 | 0.1 | 2,413 | 0.1 |
| Foreign currency exchange rate differences | (292) | - | (611) | - |
| Finance expenses | (32,381) | 1.1 | (32,691) | 1.2 |
| Gain / (Losses) on shares in affiliated companies | - | - | 156 | - |
| ***Profit before tax*** | 119,644 | 4.0 | 130,265 | 4.7 |
| Income tax expense | (19,469) | 0.7 | (25,889) | 0.9 |
| ***Profit*** | *100,175* | 3.3 | *104,376* | 3.8 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Foreign currency translation differences for foreign operations | (1,562) | - | 940 | - |
| Effective portion of changes in fair value of cash flow hedges | - | - | 1,100 | - |
| ***Other comprehensive income for the period, net of income tax*** | (1,562) | - | 2,040 | - |
| ***Total comprehensive income for the period*** | *98,613* | 3.3 | *106,416* | 3.8 |
| **Profit attributable to:** | | | | |
| Owners of the Company | *100,790* | 3.3 | *108,229* | 3.9 |
| Non-controlling interests | *(615)* | - | *(3,853)* | 0.1 |
| | *100,175* | 3.3 | *104,376* | 3.8 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | *99,228* | 3.3 | *110,269* | 4.0 |
| Non-controlling interests | *(615)* | - | *(3,853)* | 0.1 |
| | *98,613* | 3.3 | *106,416* | 3.9 |
| Net profit | 100,175 | - | 104,376 | 3.8 |
| Weighted average number of shares | 14,168,100 | | 14,168,100 | |
| Earnings per share (PLN) | 7.07 | | 7.37 | |
| Diluted weighted average number of shares | 14,168,100 | | 14,168,100 | |
| Diluted earnings per share (PLN) | 7.07 | | 7.37 | |

## 2.2 Selected financial ratios

| | | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| 1. | **Return on sales** | | | |
| | net profit x 100% / net revenues | 3.3% | 3.8% | 2.6% |
| 2. | **Return on equity** | | | |
| | net profit x 100% / equity - net profit | 15.2% | 18.6% | 12.9% |
| 3. | **Debtors turnover** | | | |
| | average trade receivables (gross) x 365 days / net revenues | 38 days | 35 days | 32 days |
| 4. | **Debt ratio** | | | |
| | liabilities x 100% / equity and liabilities | 51.1% | 57.0% | 57.8% |
| 5. | **Current ratio** | | | |
| | current assets / current liabilities | 1.5 | 1.8 | 1.8 |

- 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 principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

## 3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Inter Cars S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327).

## 3.3 Method of consolidation

The method of consolidation is described in note 1 d of the notes to the consolidated financial statements.

## 3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 2 b of the notes to the consolidated financial statements.

## 3.5 Consolidation of equity and calculation of non-controlling interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

## 3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Inter Cars S.A. and agreed with information received from the subsidiaries.

## 3.7 Notes to the consolidated financial statements

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

## 3.8 Report of the Management Board of the Parent Company on the Group's activities

The report of the Management Board of the Parent Company on the Group'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 consolidated 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