

**CAPITAL GROUP OF
INTER CARS**

*Extended
consolidated quarterly report
for 1st quarter 2014*



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inter cars 
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Selected consolidated financial data of the Inter Cars Group

	<i>for the period of 3 months ended on</i>		<i>for the period of 3 months ended on</i>	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	PLN'000	PLN'000	in thousand EUR	in thousand EUR
Information on growth and profits				
Sales margin	30,56%	31,70%		
EBITDA	54 939	41 369	13 114	9 912
EBITDA as percentage of sales	6,29%	6,00%		
EBITDA (for 12 consecutive months)	245 951	178 786	58 708	42 835
Net debt / EBITDA	1,92	2,29		
Basic earnings per share (PLN)	2,36	1,52	0,56	0,36
Diluted earnings per share (PLN)	2,36	1,52	0,56	0,36
Operating profit	44 058	32 796	10 517	7 858
Net profit	33 473	21 513	7 990	5 154
Cash flows				
Operating cash flows	(20 931)	62 191	(4 996)	14 900
Investing cash flows	(12 025)	(3 233)	(2 870)	(775)
Financing cash flows	49 074	(46 158)	11 714	(11 059)
Employment and branches				
Employees				
Parent company	331	472		
Subsidiaries	1 323	1 088		
Branches				
Parent company	157	152		
Subsidiaries	131	125		
Consolidated statement of the financial situation				
	As at		As at	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	PLN'000	PLN'000	in thousand EUR	in thousand EUR
Cash and cash equivalents	66 315	50 197	15 898	12 104
Balance sheet total	1 896 292	1 696 612	454 605	409 098
Loans, borrowings and finance lease	538 929	479 726	129 199	115 675
Equity attributable to the shareholders of the parent entity	936 103	903 766	224 415	217 922

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

- *for balance sheet items* – the National Bank of Poland exchange rate of 31 March 2014 – 1 EUR = PLN 4.1713, and the National Bank of Poland exchange rate of 29 March 2013 – 1 EUR = PLN 4.1774
- *for the profit and loss account and cash flow items* – the National Bank of Poland Exchange rate constituting the average National Bank of Poland exchange rate announced on the last day of each month of the first quarter of 2014 and 2013, respectively: 1 EUR = PLN 4.1894 and 1 EUR = PLN 4.1738 PLN.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE INTER CARS GROUP

Consolidated statement of the financial situation

(in thousand PLN)

	<u>31.03.2014</u> <i>(not audited)</i>	<u>31.12.2013</u> <i>(audited)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	225 485	219 446
Investment property	25 825	25 825
Intangible assets	160 893	160 861
Investments in related entities	41	45
Investments available for sale	301	301
Receivables	12 658	11 722
Deferred tax assets	31 373	26 922
	<u>456 576</u>	<u>445 122</u>
Current assets		
Inventory	972 219	818 513
Trade and other receivables	401 182	377 002
Corporate income tax receivables	-	5 778
Cash and cash equivalents	66 315	50 197
	<u>1 439 716</u>	<u>1 251 490</u>
TOTAL ASSETS	<u>1 896 292</u>	<u>1 696 612</u>
LIABILITIES		
Share capital	28 336	28 336
Share premium account	259 530	259 530
Statutory reserve capital	446 251	446 251
Other reserve funds	5 935	5 935
Foreign exchange gains /losses	(4 855)	(3 718)
Retained profit	200 906	167 432
Equity attributable to the shareholders of the parent entity	<u>936 103</u>	<u>903 766</u>
Non-controlling interest	-	-
Total equity	<u>936 103</u>	<u>903 766</u>
Long-term liabilities		
Loan, borrowing and finance lease liabilities	42 049	41 040
Other long-term liabilities	348	284
Deferred corporate income tax reserve	3 348	8 750
	<u>45 745</u>	<u>50 074</u>
Short-term liabilities		
Trade and other liabilities	399 751	285 670
Loan, borrowing and finance lease liabilities	496 880	438 686
Employee benefits	11 032	11 949
Deferred corporate income tax	6 781	6 467
	<u>914 444</u>	<u>742 772</u>
TOTAL LIABILITIES	<u>1 896 292</u>	<u>1 696 612</u>

Consolidated statement of comprehensive income

(in thousand PLN)

	for the period of 3 months ended on	
	31.03.2014	31.03.2013
Continued activity		
Revenues from the sale of products, goods and materials	873 955	684 016
Costs of products, goods and materials sold	(606 864)	(466 845)
Gross sales profit	267 091	217 171
Other operating income	2 344	-
Selling costs, general and administration expenses	(125 924)	(103 889)
Costs of distribution services	(97 489)	(77 312)
Costs of the management options scheme	-	-
Other operating expenses	(1 964)	(3 174)
Operating profit	44 058	32 796
Financial income	519	587
Foreign exchange differences	372	68
Financial expenses	(5 637)	(8 290)
Interest in associates	-	-
Profit before tax	39 312	25 161
Corporate income tax	(5 839)	(3 648)
Net profit	33 473	21 513
Attributable to:		
shareholders of the parent company	33 473	21 513
minority shareholders	-	-
	33 473	21 513
OTHER COMPREHENSIVE INCOME		
Foreign exchange gains /losses	(1 137)	1 101
Total other comprehensive income, net	(1 137)	1 101
TOTAL INCOME	32 336	22 614
Net profit attributable to:		
- shareholders of the parent company	32 336	22 614
- minority interests	-	-
	32 336	22 614
Comprehensive income attributable to:		
- shareholders of the parent company	32 336	22 614
- minority interests	-	-
	32 336	22 614
Earnings per share (PLN)		
- basic	2,36	1,52
- diluted	2,36	1,52
Number of shares	14 168 100	14 168 100
Number of shares to be diluted	14 168 100	14 168 100

Consolidated statement of changes in equity

for the period from 1 January 2014 to 31 March 2014

<i>(in thousand PLN)</i>	Share capital	Share premium account	Statutory reserve capital	Foreign exchange gains /losses	Other capital reserves	Retained profit	Equity attributable to the shareholders of the parent entity
As at 1 January 2014	28 336	259 530	446 251	(3 718)	5 935	167 432	903 766
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	33 473	33 473
Other comprehensive income							
Foreign exchange gains /losses	-	-	-	(1 137)	-	-	(1 137)
Total comprehensive income	-	-	-	(1 137)	-	33 473	32 336
As at 31 March 2014	28 336	259 530	446 251	(4 855)	5 935	200 905	936 102

for the period from 1 January 2013 to 31 March 2013

<i>(in thousand PLN)</i>	Share capital	Share premium account	Statutory reserve capital	Foreign exchange gains /losses	Other capital reserves	Retained profit	Equity attributable to the shareholders of the parent entity
As at 1 January 2013	28 336	259 530	373 750	(2 400)	5 935	92 096	757 247
Statement of comprehensive income							
Profit in the reporting period	-	-	-	-	-	21 513	21 513
Other comprehensive income							
Foreign exchange gains /losses	-	-	-	1 101	-	-	1 101
Total comprehensive income	-	-	-	1 101	-	21 513	22 614
As at 31 March 2013	28 336	259 530	373 750	(1 299)	5 935	113 609	779 861

Consolidated statement of cash flows

(in thousand PLN)

	1.01.2014 – 31.03.2014	1.01.2013 – 31.03.2013
Operating cash flows		
Profit before tax	39 312	25 161
Adjustments:		
Depreciation and amortization	10 881	8 571
Foreign exchange gains /losses	(765)	1 169
(Profit / loss on investing activities	(358)	(586)
Net interest	4 316	5 718
Other adjustments, net	-	(1 933)
Operating profit before changes in the working capital	53 386	38 100
Change in inventories	(153 705)	(80 216)
Change in receivables	(25 116)	(11 941)
Change in short-term liabilities	113 164	122 338
Cash generated by operating activities	(12 271)	68 281
Corporate income tax paid	(8 660)	(6 090)
Net cash from operating activities	(20 931)	62 191
Cash flow from investing activities		
Proceeds from the sale of intangible assets, investment property, property, plant and equipment	719	1 701
Acquisition of intangible assets, investment property, and property, plant and equipment	(11 956)	(10 647)
Repayment of loans and borrowings	1 517	9 524
Loans granted	(2 409)	(4 003)
Interest paid	104	192
Net cash from investing activities	(12 025)	(3 233)
Cash flow from financing activities		
(repayments) / proceeds from loans and borrowings	56 636	(38 701)
Repayment of finance lease liabilities	(3 158)	(1 595)
Interest paid	(4 404)	(5 862)
Net cash from financing activities	49 074	(46 158)
Net change in cash and cash equivalents	16 118	12 800
Cash and cash equivalents at the beginning of the period	50 197	36 948
Cash and cash equivalents at the end of the period	66 315	49 748

Explanatory notes to the interim condensed financial statements for the period of 3 months ended on 31 March 2014**I. Information in the Inter Cars Capital Group****Scope of activities**

The principal activities of Grupa Kapitałowa Inter Cars Spółka Akcyjna (hereinafter referred to as "the Group," "the Inter Cars Capital Group," the Inter Cars Group") are import and distribution of spare parts for passenger cars and commercial vehicles.

Registered seat – the parent entity

Inter Cars S.A.
ul. Powsińska 64
02-903 Warszawa
Poland

Central Warehouse:

ul. Gdańska 15
05-152 Czosnów k/Warszawy

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Supervisory Board

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

Management Board

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

Statutory auditor

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

II. Composition of the Capital Group

The parent company, Inter Cars S.A. ("the Company") is registered in Poland. The interim consolidated financial statements for the period ended on 31 March 2013 contain information about the company, its subsidiaries referred to as the Inter Cars Capital Group ("the Group"), and about the Group's share in related entities.

The consolidated financial statements of the Inter Cars Capital Group for the period ended on 31 December 2013 are available at www.intercars.com.pl.

As at 31 December 2014, the following entities comprised the Inter Cars Capital Group: Inter Cars S.A. as the parent entity, and 25 other entities, including:

- 26 subsidiaries of Inter Cars S.A.
- 1 indirect subsidiary of Inter Cars S.A.

The Group also holds shares in a related entity.

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31.03.2014	31.03.2013
Parent company					
Inter Cars S.A.	Warsaw	Import and distribution of spare parts for passenger cars and commercial vehicles	Not applicable	Not applicable	Not applicable
Direct subsidiaries					
Inter Cars Ukraine	Ukraine, Khmelnytsky	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Q-service Sp. z o.o.	Cząstków Mazowiecki	Advisory services, organization of trainings and seminars related to automotive services and the automotive market	full	100%	100%
Lauber Sp. z o.o.	Słupsk	Remanufacturing of car parts	full	100%	100%
Inter Cars Česká republika s.r.o.	Czech Republic, Prague	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Feber Sp. z o.o.	Warsaw	Manufacture of motor vehicles, trailers and semi-trailers	full	100%	100%
IC Development & Finance Sp. z o.o.	Warsaw	Real estate development and lease	full	100%	100%
Armatus sp. z o.o.	Warsaw	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Slovenská republika s.r.o.	Slovakia, Bratislava	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Lietuva UAB	Lithuania, Vilnius	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
JC Auto s.r.o.	Czech Republic, Karvina-Darkom	The Company does not carry out operating activities	full	100%	100%
JC Auto S.A.	Belgium, BrainL'Allued	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Hungária Kft	Hungary, Budapest	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Italia s.r.l. (formerly JC Auto s.r.l.)	Italy, Milan	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%

Name of entity	Registered seat	Scope of activities	Consolidation method	% of the Group's share in the share capital	
				31.03.2014	31.03.2013
Inter Cars d.o.o.	Croatia, Zagreb	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Romania s.r.l.	Romania, Cluj-Napoca	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Cyprus Limited	Cyprus, Nicosia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Latvija SIA	Latvia, Riga	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Cleverlog-Autoteile GmbH	Germany, Berlin	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Bulgaria Ltd.	Bulgaria, Sofia	Distribution of spare parts for passenger cars and commercial vehicles	full	100%	100%
Inter Cars Marketing Services Sp. z o.o.	Warsaw	Advertising, market and public opinion research	full	100%	100%
ILS Sp. z o.o.	Nadarzyn	Logistics services	full	100%	100%
Inter Cars Malta Holding Limited	Malta	Assets management	full	100%	100%
Q-service Truck Sp. z o.o.	Warsaw	Sale of delivery vans and trucks	full	100%	-
InterMeko Europa Sp. z o.o.	Warsaw	Control and assessment of spare parts, components and accessories	Not applicable	100%	-
Inter Cars d.o.o. (Slovenia)	Slovenia, Ljubljana	Distribution of spare parts for passenger cars and commercial vehicles	Not applicable	100%	-
Indirect subsidiaries					
Inter Cars Malta Limited	Malta	Sale of spare parts and advisory services related to automotive services and the automotive market	full	100%	100%
SMiOC FRENOPLAST Bułhak i Cieślowski S.A.	Szczytno	Manufacture of friction linings and materials	equity method	49%	49%

Stock exchange listings

The shares of Inter Cars S.A., i.e. the parent entity, are listed on the Warsaw Stock Exchange in the continuous trading system.

III. Declaration of compliance with IFRS

The condensed interim consolidated financial statements of the Inter Cars Capital Group were prepared for the period of 3 months ended on 31 March 2014.

The condensed interim financial statements covering first quarter of 2014 comply with the requirements of the International Accounting Standard IAS 34 "Interim Financial Reporting" related to interim financial statements.

The condensed interim financial statements of the Group are published together with the condensed standalone interim financial statements. The condensed standalone interim financial statements of the Company should be read together with the condensed interim consolidated financial statements of the Group in order to have a comprehensive view of the financial result and the financial situation of the company.

Preparation of financial statements in accordance with IFRS requires application of specific accounting estimates. It also requires from the Management Board to use its own judgement with regard to application of the accounting standards adopted by the Group. The areas a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in note 14.

The condensed interim consolidated financial statements and the condensed interim standalone financial statements were approved for publication by the Management Board on 15 May 2014.

IV. Basis for preparing the condensed interim consolidated financial statements

With the exception of the changes described in "Changes to the accounting principles," these condensed interim financial statements were prepared by the Inter Cars Capital Group in accordance with the same accounting standards as those applied by the Group to prepare the consolidated financial statements for the period ended on 31st December 2013.

The condensed interim consolidated financial statements were prepared under the assumption that Group will continue as a going concern in the foreseeable future and that there are no circumstances indicating a threat to the continuance of its operations.

All values presented in the condensed interim financial statements are quoted in PLN '000, unless otherwise indicated.

V. Changes to the accounting principles

During the reporting period the Group made no changes to the accounting principles.

vi. Foreign Exchange rates applied to calculate the figures for 1 quarter of 2014

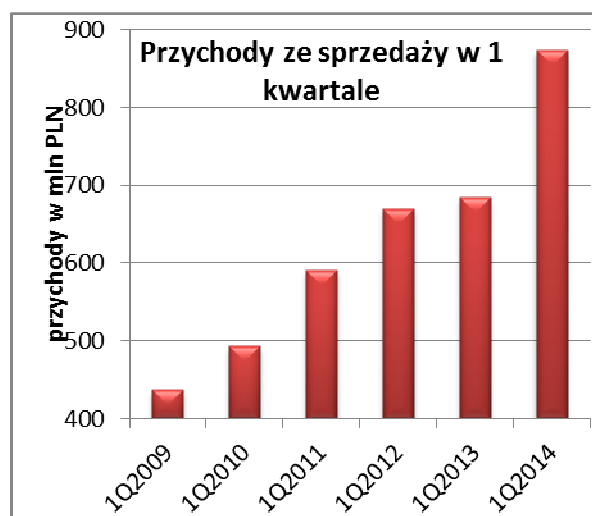
All financial figures presented in the report in EUR were translated according to the following exchange rates:

	2014	2013
Exchange rate as at 31 March	4,1713	4,1774
Average exchange rate in the period from 1 January to 31 March ...	4,1894	4,1738

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

- the figures resulting from the profit and loss account – the average exchange rate constituting the arithmetic mean of the exchange rates announced by President of the National Bank of Poland on the last day of each month of a given period;
- the figures resulting from the balance sheet – the exchange rate as at 31 March constituting the average EUR exchange rate announced on 31 March the President of the National Bank of Poland;
- for translating the value of the share capital – the average EUR exchange rates applicable on the day on which an increase in the share capital was registered.

REPORT ON THE ACTIVITIES OF THE INTER CARS CAPITAL GROUP



1. Summary of activities and consolidated and standalone financial results for Q1 2014

Summary of financial results of the Inter Cars Group

- In Q1 2014, the Group recorded a **27.8% growth in consolidated sales revenues** compared to the same period of 2013.
- Export sales understood as sales by the overseas distribution companies, and direct sales by Inter Cars S.A. to foreign clients (mainly to Eastern European markets) increased by nearly **31.5%** compared to the analogous period of 2013.
- The revenues of Inter Cars at home accounted for app. 65% of the total revenues of the Capital Group (taking into account consolidation exclusions). The overseas companies account for 26.4% of the Group's distribution activity. The Polish market remains the basic sales market for the Capital Group.
- **The consolidated sales margin** went down to **30.6%** from **31.7%**, a decrease by **1.1 p.p.** compared to the same period of 2013. The margin was influenced by currency exchange rates for transactions regarding trade payables and receivables. If we eliminate those currency differences in compared periods the margin would go down by 1.04 p.p. Decrease in margin also results from bigger share in sales of the

market segments in which the Group realizes lower margin: tyres and spare parts for commercial vehicles.

- The costs of sales and administration increased by 21,2% compared to the same period of 2013, with sales revenues 27,8% higher, and the ratio of sales costs to revenues decreased from 15.2% to 14.4% compared to Q1 of last year. Such level of costs of sales and administration is similar to the one in 2013.
- In Q1 the effective tax rate was 14.85% and was equal to the anticipated tax rate for 2014.

Revenues increased in all geographical markets (except for Ukraine). The Company has been consistently expanding its business in Central and Eastern Europe. This market displays a large potential of growth and a net profitability higher than the domestic market. The highest sales dynamics after 1 quarter of 2014 – compared to the same period of the previous year – (after translation to PLN and consolidation exclusions) was recorded by companies in the following countries: Latvia (177%), Bulgaria (101%), Hungary (74%), Romania (52%), Croatia (31%), Lithuania (29%). It should be noted that among companies the biggest impact on the Group's revenues are Slovakia (13%) and the Czech Republic (9%). Sales revenues in Ukraine expressed in local currency went up by 29.5%, but because of depreciation of Ukrainian currency (from UAH 1 = PLN 0.3896 in 2013 to UAH 1 = PLN 0.3080 in 2014 – almost 21%) after translating into reporting currency the sales revenues of Ukrainian subsidiary went down by 0.4%.

The underlying financial data of the Inter Cars S.A. Group for 1 quarter of 2014 were as follows:

	for the period of 3 months ended on		for the period of 3 months ended on	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
(in thousand)	PLN	PLN	EUR	EUR
Profit and loss account (for the period)				
Sales income	873 955	684 016	208 611	163 883
Gross profit (loss) on sales	267 091	217 171	63 754	52 032
Net financial revenues / costs	(4 746)	(7 635)	(1 133)	(1 829)
Operating profit (loss)	44 058	32 796	10 517	7 858
Net profit (loss)	33 473	21 513	7 990	5 154
Other financial data				
Operating cash flows	(20 931)	62 191	(4 996)	14 900
Investing cash flows	(12 025)	(3 233)	(2 870)	(775)
Financing cash flows	49 074	(46 158)	11 714	(11 059)
Basic profit per share	2,36	1,52	0,56	0,36
Sales margin	30,56%	31,70%		
EBITDA margin	6,29%	6,00%		
Balance sheet (as at)				
Cash and cash equivalents	66 315	50 197	15 898	12 104
Balance sheet total	1 896 292	1 696 612	15 898	409 098
Loans, borrowings and finance lease	538 929	479 726	129 199	115 675
Equity attributable to the shareholders of the parent entity	936 103	903 766	224 415	217 922
Non-controlling interest	-	-	-	-

Overview of the financial results of the parent company – Inter Cars

The underlying financial data of Inter Cars S.A. were as follows:

	for the period of 3 months ended on		for the period of 3 months ended on	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
(in thousand)	PLN	PLN	EUR	EUR
Profit and loss account (for the period)				
Sales income	747 083	582 926	178 327	139 663
Gross profit (loss) on sales	198 064	159 967	47 277	38 326
License fees	(11 712)	(9 168)	(2 796)	(2 197)
Net financial revenues / costs	(3 784)	(6 581)	(903)	(1 577)
Operating profit (loss)	27 377	17 187	6 535	4 118
Net profit (loss)	18 569	8 405	4 432	2 014
Other financial data				
Operating cash flows	(22 020)	57 844	(5 256)	13 859
Investing cash flows	(3 381)	(5 883)	(807)	(1 409)
Financing cash flows	33 957	(44 794)	8 105	(10 732)
Basic profit per share	1,31	0,59	0,31	0,14
Sales margin	26,5%	27,4%		
EBITDA margin	4,5%	3,9%		
Balance sheet (as at)				
Cash and cash equivalents	24 358	15 802	5 839	3 810
Balance sheet total	1 815 705	1 629 695	435 285	392 963
Loans, borrowings and finance lease	559 000	503 441	134 011	121 393
Equity	863 174	844 606	206 932	203 657

The sales revenues in Q1 2014 were **28.2%** higher than in the same period of last year.

The gross sales profit was **23.8%** higher than in the same period of 2013. The gross sales profit in Q1 2014 remained at a level of 26.5%, but in comparison to the same period of 2013 it went down by 0.9 p.p. The reason for the decrease is an increase of sales of lower margin goods, such as tyres and spare parts for commercial vehicles.

Distribution service costs – the share of the branch managing entity in the margin. The sales margin generated by a branch is divided between the branch and Inter Cars in the 50/50 ratio. The branch system is based on the assumption of entrusting management of a distribution point (branch) to external entities. Sales are made on behalf of Inter Cars.

Financial revenues and costs include primarily costs and revenues due to interest on credits. In Q1 2014, the Company incurred PLN 4,470k of these costs (in Q1 2013 it was PLN 6,558k).

Liabilities resulting from credits, loans, debt securities and finance lease as at 31 March 2014 amounted to PLN 559,000k.

2. Factors and events of a non-recurring nature having a material bearing on the financial result, and a description of the Company's material achievements and failures along with a list of related key events

The major events affecting the current and future business activity of the Inter Cars Group:

- Consolidated EBITDA for the period of 12 months cumulatively for the period ended on 31 March 2014 was PLN 245,951k (cumulatively, as operating profit plus depreciation) and was higher by PLN 67,165k than in 2013.
- The net debt /EBITDA ratio was 1.92 compared to 2.29 as at 31 March 2013.
- Regarding current events in Ukraine, they are influencing not only results of the Subsidiary in Ukraine, but also the demand for exported goods from Polish branches and evaluation of export receivables of the Company. But as at the balance sheet date there was no need of generating write-downs on assets of the Group.

Meanwhile, reacting to currency changes in Ukraine and potential risks resulting from the Ukrainian military conflict with Russia, we have stopped selling goods on credit to Ukrainian customers and increased prices, following depreciation of hryvnya currency. We have also taken actions aimed to decrease our exposition in Ukrainian market, by among others, decreasing stock levels and returning slow movers back to Poland.

3. Material evaluations and estimates

The preparation of the condensed consolidated interim financial statements in conformity with the EU IFRS requires the Company's Management Board to use evaluations and estimates that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses. The judgments and estimates are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimate is revised.

Information on particularly significant areas that are subject to evaluations and estimates and that affect the interim financial statements did not change from the information presented in the annual financial statements as at 31st December 2013.

4. Seasonality

Sales revenues display a slight degree of seasonality, with Q1 usually constituting app. 21% of the annual sales revenues.

5. Information on business segments

The Inter Cars Group's structure has been shaped by the strategy of geographical expansion adopted for distribution of spare parts (Inter Cars Ukraine, Inter Cars Ceska Republika, Inter Cars Slovenska epublika, Inter Cars Lietuva, JC Auto s.r.o., Inter Cars Hungaria Kft, Inter Cars d.o.o., JC Auto s.r.l., JC Auto S.A. and Inter Cars Romania s.r.l., Smartlog-Autoteile GmbH) and development of projects supporting the Group's core business (Lauber Sp. z o.o., Feber Sp. z o.o., Q-Service Sp. z o.o., Armatus Sp. z o.o. and IC Development & Finance Sp. z o.o.), Inter Cars Cyprus Limited and ILS Sp. z o.o., Inter Cars Malta Holding Ltd., Q-Service Truck Sp. z o.o. and InterMeko Europa Sp. z o.o.

The abovementioned entities were consolidated with the full method as at 31 March 2014. Financial data of FRENOPLAST was consolidated with the equity method, whereas InterMeko Europa and Inter Cars d. o.o. (Slovenia) were not consolidated, as they did not perform operating activities in Q1 2014.

The core business of the Inter Cars S.A. Capital Group is the sale of spare parts. Additionally Feber, Lauber, IC Development, ILS, Q-Service Truck and InterMeko Europa Companies perform activities in such areas as: manufacturing semitrailers, automotive spare parts remanufacturing, property developer operations and providing logistic services and sales of commercial vehicles.

The Inter Cars Capital Group applies uniform accounting principles to all segments. Transactions between particular segments are carried out at arm's length. The above-mentioned transactions were eliminated from these condensed consolidated quarterly financial statements.

Information on business segments for the period of 3 months ended on 31 March 2014

	Sale of spare parts	Other segments	Eliminations	Total
External sales	857 034	16 921	-	873 955
Inter-segment sales	3 499	56 113	(59 612)	-
Profit before tax	39 541	6 565	(6 794)	39 312

for the period of 3 months ended on 31 March 2013

	Sale of spare parts	Other segments	Eliminations	Total
External sales	672 661	11 355	-	684 016
Inter-segment sales	1 349	19 706	(21 055)	-
Profit before tax	15 183	9 293	685	25 161

Assets by operating segments

	Status as at 31.03.14	Status as at 31.03.13
Sale of spare parts segment	1 748 967	1 548 711
Other segments	202 367	165 973
Eliminations	(55 042)	(58 829)
	1 896 292	1 655 855

6. Dividend

In the reporting period, no dividend was distributed by Inter Cars S.A.

The Management Board recommended a payment of dividend from the 2013 profit of PLN 10m.

7. Liabilities due to borrowings and other debt instruments

The syndicated credit facility agreement

On July 29th 2009, a syndicated credit facility agreement was signed by Inter Cars S.A. (the Borrower) and 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 20th November 2013 an annex to syndicated credit agreement was signed, by which the credit facility limit was increased and the maturity date set as 20th November 2014. The credit facility bears interest at a variable interest rate based on WIBOR, EURIBOR and LIBOR reference rates plus bank's margin for each interest period.

Bank credits	amount as per	carrying amount as per	maturity date
	the agreement (limit)	31.03.14	
	in thousand PLN	in thousand PLN	
Syndicated credit	495 000	471 555	Short-term portion 20.11.2014
		471 555	

The Company did not issue any commercial bonds in the reporting period.

8. Contingent liabilities and sureties

Contingent liabilities, granted security and unrecognized liabilities did not change materially from those described in the financial statements as at 31 December 2013.

Sureties issued by Inter Cars S.A. as at 31st March 2014:

<i>(in thousand PLN)</i>		Valid until	Status as at	
To			31.03.2014	31.12.2013
Lauber Sp. z o.o.		2014-01-13	-	197
Feber Sp. z o.o.		Until further notice	918	912
Feber Sp. z o.o.		2014-05-23	2 000	2 000
Inter Cars Bulgaria Ltd.		2015-07-05	262	260
RIM Sp. z o.o.		Until further notice	20	20
Glob Cars Sp.z o.o.		Until further notice	150	150
JC Auto Kraków		Until further notice	50	50
Tomasz Zatoka APC Polska		Until further notice	170	170
Michał Wierzobolowski Fst M.		Until further notice	250	250
Intraserv		Until further notice	50	50
Ducati Motor Holding		2014-07-31	3 337	311
Feber Europarts		2014-12-31	4 171	4147
IC UKRAINE		2014-12-31	417	-
IC Slovakia		2015-03-27	20 856	-
ICMS		2014-09-30	160	-
			32 811	8 517

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

The Capital Group Inter Cars S.A. did not publish any forecasts of financial results.

10. The List of shareholders holding at least 5% of the total number of votes as at the date of release of these statements

Shareholder	Number of shares as at	Total nominal value	Percentage of share in the share capital held	Percentage of total vote held
		(PLN)	(%)	(%)
Krzysztof Oleksowicz	4 472 271	8 944 542	31,57%	31,57%
Andrzej Oliszewski	1 302 370	2 604 740	9,19%	9,19%
ING Otwarty Fundusz Emerytalny	1 214 728	2 429 456	8,57%	8,57%
AMPLICO Otwarty Fundusz Emerytalny	850 000	1 700 000	6,00%	6,00%
AVIVA Otwarty Fundusz Emerytalny	1 429 607	2 859 214	10,09%	10,09%
AXA Otwarty Fundusz Emerytalny	943 491	1 886 982	6,66%	6,66%
Total	10 212 467	20 424 934	72,08%	72,08%

Until the date of release of these financial statements, the Company had not received any other shareholding notifications.

11. Changes in the number of shares and rights to shares (options) in Inter Cars S.A. held by the Company's management and supervisory personnel since the publication of the most recent quarterly report.

The Company's supervisory and managing personnel hold a total of 5,815,309 shares, constituting 41.05% of the total vote at the General Shareholders Meeting of Inter Cars.

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

Shareholder	Number of shares as at	Total nominal value	Percentage of share in the share capital held	Percentage of total vote held
		(PLN)	(%)	(%)
Krzysztof Oleksowicz	4 472 271	8 964 542	31,57%	31,57%
Andrzej Oliszewski	1 302 370	2 604 740	9,19%	9,19%
Robert Kierzek	29 834	59 668	0,21%	0,21%
Krzysztof Soszyński	9 834	19 668	0,07%	0,07%
Witold Kmiecik	1 000	2 000	0,01%	0,01%
Total	5 815 309	11 650 618	41,05%	41,05%

Changes in ownership of the Company shares held by the Company's management and supervisory personnel since the publication of the most recent quarterly report:

Shareholder	Number of shares as at	Increases	Decreases	Number of shares as at
	as at			as at
	25.04.2014			15.05.2014
Krzysztof Oleksowicz	4 472 271	-	-	4 472 271
Andrzej Oliszewski	1 302 370	-	-	1 302 370
Robert Kierzek	29 834	-	-	29 834
Krzysztof Soszyński	9 834	-	-	9 834
Witold Kmiecik	1 000	-	-	1 000
Total	5 815 309	-	-	5 815 309

12. Information on court, arbitration and administrative proceedings

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

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

13. Transactions with related entities

<i>(PLN '000)</i>	1.01.2014 – 31.03.2014	1.01.2013 – 31.03.2013
<i>Remuneration of the members of the Supervisory Board and the Management Board</i>		
Remuneration of the members of the Supervisory Board	55	54
Remuneration of the members of the Management Board	607	636
	242	690
	1.01.2014- 31.12.2014	1.01.2013- 31.03.2013
<i>Transactions with related entities</i>		
Income on sales to related entities	340	426
Purchase of goods and services from related entities	1 867	2 372
	31.03.2014	31.12.2013
<i>Settlements with related entities</i>		
Receivables from related entities	282	818
Liabilities to related entities	466	199

80% of the goods and services purchased from related entities relates to the standard distribution service settled based on the same principles as those applicable to all branches. Placement in this category results from the family ties between a branch director and one of the members of the management Board of Inter Cars S.A.

14. Other information which the Company deems relevant for the assessment of its personnel, assets, financial position and financial result or changes in any of the foregoing, and for the assessment of the Company's ability to perform its obligations

This information is included in the section entitled "Factors and events of a non-recurring nature having a material bearing on the financial result, and a description of the Company's material achievements and failures along with a list of related key events."

15. Events subsequent to the balance sheet day as at which the report was prepared which may have a material bearing on the Company's future financial results

No such events.

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

All transactions with related entities were concluded at arm's length.

17. Information on granting a credit or surety by the Company or an affiliated subsidiary - if the total value of credits and sureties amount to at least 10% of the total value of shareholder's equity.

In the reporting period the Company did not grant any sureties nor warranties whose aggregate value would represent 10% or more of the Company's equity.

18. Changes in the structure of the business entity

In the reporting period, no material changes were introduced in the structure of the business entity nor its Capital Group.

19. Factors which in the Company's opinion will affect its financial results in the period covering at least the next quarter.

Factors which in the Management Board's opinion will affect the Company's financial results in Q2 2014 include:

- ✓ *trends in the foreign exchange rates, mainly EUR, USD and YEN against PLN, UAH, HUF, CZK, SKK, LTL, HRK and RON;*
- ✓ trends in the demand from export customers, related mainly to political and legal situation in Ukraine;
- ✓ changes in interest rates, which will determine the amount of interest on contracted loans and thus affect the financial expenses ;
- ✓ planned improvement in the stock turnover, which should reduce the financial costs by lowering the requirement for inventory financing;
- ✓ *optimization of logistics processes related to cost reductions;*
- ✓ enhanced awareness of the Inter Cars brand and obtaining new customers, which will contribute to the development of operating activities;

INTERIM FINANCIAL STATEMENTS OF INTER CARS S.A..
Statement of financial position

<i>(in thousand PLN)</i>	31.03.2014 <i>(not audited)</i>	31.12.2013 <i>(audited)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	145 207	139 391
Intangible assets	151 951	154 474
Investment property	2 100	2 100
Investments in subordinated entities	176 655	176 654
Investments available for sale	258	258
Receivables	20 184	18 580
Deferred corporate income tax	-	-
	496 355	491 457
Current assets		
Inventory	751 241	608 822
Trade and other receivables	543 751	508 181
Corporate income tax receivables	-	5 433
Cash and cash equivalents	24 358	15 802
	1 319 350	1 138 238
TOTAL ASSETS	1 815 705	1 629 695
LIABILITIES		
Equity		
Share capital	28 336	28 336
Share premium account	259 530	259 530
Statutory reserve capital	404 697	404 697
Other capital reserves	5 935	5 935
Retained profit	164 676	146 108
	863 174	844 606
Long-term liabilities		
Loan, borrowing and finance lease liabilities	52 010	52 406
Deferred corporate income tax reserve	1 088	7 888
	53 098	60 294
Short-term liabilities		
Trade and other liabilities	389 123	272 483
Loans, borrowings, debt security and finance lease liabilities	506 990	451 035
Employee benefits	462	1 277
Deferred corporate income tax	2 858	-
	899 433	724 795
TOTAL LIABILITIES	1 815 705	1 629 695

Statement of comprehensive income

<i>(in thousand PLN)</i>	for the period of 3 months ended on	
	31.03.2014	31.03.2013
Continued activity		
Revenues from the sale of products, goods and materials	747 083	582 926
Costs of products, goods and materials sold	<u>(549 019)</u>	<u>(422 959)</u>
Gross sales profit	198 064	159 967
Other operating income	3 556	
Selling costs, general and administration expenses	(82 953)	(74 111)
Costs of distribution services	(76 218)	(59 430)
License fees	(11 712)	(9 168)
Other operating expenses	<u>(3 360)</u>	<u>(71)</u>
Operating profit	27 377	17 187
Financial income	684	832
Dividends received	-	-
Foreign exchange differences	372	68
Financial expenses	<u>(4 840)</u>	<u>(7 481)</u>
Profit before tax	23 593	10 606
Corporate income tax	<u>(5 024)</u>	<u>(2 201)</u>
Net profit	18 569	8 405
OTHER COMPREHENSIVE INCOME		
	-	-
Total other comprehensive income, net	<u>0</u>	<u>0</u>
TOTAL INCOME	18 569	8 405
Earnings per share (PLN)		
- basic	1,31	0,59
- diluted	1,31	0,59
Number of shares	14 168 100	14 168 100
Number of shares to be diluted	14 168 100	14 168 100

Statement of changes in equity

for the period from 1 March 2014 to 31 March 2014

(in thousand PLN)

	Share capital	Share premium account	Statutory reserve capital	Other capital reserves	Retained profit	Total
Shareholder's equity as at 1st January 2014	28 336	259 530	404 697	5 935	146 108	844 606
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	18 569	18 569
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income in the reporting period	-	-	-	-	18 569	18 569
Distribution of retained earnings – transfer to statutory reserve funds	-	-	-	-	-	-
Shareholder's equity as at 31st March 2014	28 336	259 530	404 697	5 935	164 677	863 175

for the period from 1 March 2013 to 31 March 2013

(PLN '000)

	Share capital	Share premium account	Statutory reserve capital	Other capital reserves	Retained profit	Total
Shareholder's equity as at 1st January 2013	28 336	259 530	332 196	5 935	72 825	698 822
Statement of comprehensive income						
Profit in the reporting period	-	-	-	-	8 405	8 405
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income in the reporting period	-	-	-	-	8 405	8 405
Distribution of retained earnings – transfer to statutory reserve funds	-	-	-	-	-	-
Shareholder's equity as at 31st March 2013	28 336	259 530	332 196	5 935	81 230	707 227

Statement of cash flows

(in thousand PLN)

	1.01.2014 – 31.03.2014	1.01.2013 – 31.03.2013
	□	□
Operating cash flows		
Profit (loss) before tax	23 593	10 606
Adjustments:		
Depreciation and amortization	6 256	5 709
Foreign exchange gains /losses	11	(38)
(Profit / loss on investing activities	(266)	(348)
Net interest and share in profits	3 901	5 049
Other adjustments, net	(18)	602
Operating profit before changes in the working capital	33 477	21 580
Change in inventories	(142 419)	(69 856)
Change in receivables	(34 738)	(17 408)
Change in short-term liabilities	125 193	126 329
Cash generated by operating activities	(18 487)	60 645
Corporate income tax paid	(3 533)	(2 801)
Net cash from operating activities	(22 020)	57 844
Cash flow from investing activities		
Proceeds from the sale of plant, property, equipment and intangible assets	594	820
Purchase of plant, property, equipment and intangible assets	(7 527)	(8 046)
Sale of shares in subordinated entities	-	408
Purchase of financial assets in related and other entities	-	(19)
Repayment of loans and borrowings	6 427	3 639
Loans granted	(3 039)	(2 950)
Interest paid	164	265
Net cash from investing activities	(3 381)	(5 883)
Cash flow from financing activities		
(repayments) / proceeds from credits and leases	(1 944)	(1 036)
Loans granted	14 723	-
Repayment of loans and borrowings	25 648	(38 012)
Interest paid	(4 470)	(5 746)
Net cash from financing activities	33 957	(44 794)
Net change in cash and cash equivalents	8 556	7 167
Cash and cash equivalents at the beginning of the period	15 802	12 790
Cash and cash equivalents at the end of the period	24 358	19 957

1. Accounting principles

The accounting principles applied by Inter Cars are the same as those applied by the Group, with the exception of interest in subsidiaries, valued at the historical costs minus revaluation write-downs.

2. Investments in subordinated entities

Investments in subordinated entities as at 30.09.2013	176 643
<i>No changes</i>	
Investments in subordinated entities as at 31.03.2014	176 643

3. Transactions with related entities in the condensed standalone financial statements

	Sales income		Purchase of goods and services	
	1.01.2014 – 31.03.2014	1.01.2013 – 31.03.2013	1.01.2014 – 31.03.2014	1.01.2013 – 31.03.2013
Inter Cars Ukraine LLC	4 584	4 460		
Q-Service Sp. z o.o.	820	286	24 461	17 387
Lauber Sp. z o.o.	1 203	1 156	8 789	5 999
Inter Cars Ceska Republika	14 103	11 971	969	492
Inter Cars Slovenska Republika	13 811	13 212	353	592
Feber Sp. z o.o.	129	127	13 574	6 536
Inter Cars Lietuva UAB	23 345	18 523	4 307	597
IC Development & Finance Sp. z o.o.	-	-	316	293
JC Auto s.r.l.	1 662	2 364	7	1 751
Inter Cars d.o.o.	8 757	6 032	317	-
JC Auto S.A.	229	89	-	1 930
Inter Cars Hungária Kf.	7 076	3 292	320	160
Inter Cars Romania s.r.l.	29 799	19 533	5 756	370
Armatus sp. z o.o.	11	18	1 350	0
Cleverlog Autoteile BmbH	31	46	8	0
Inter Cars Latvija SIA	10 960	4 126	194	59
Inter Cars Bulgaria Ltd.	1 187	668	17	0
Inter Cars Marketing Services Sp. z o.o.	30	15	21 702	3 321
Inter Cars Cyprus Ltd	0	0	0	0
ILS Sp. z o.o.	28	0	28 784	0
Q-Service Truck Sp. z o.o.	252	0	299	0
Malta Sp z o.o.	0	0	6 422	0
	118 015	85 918	117 945	39 487

 Transactions with related entities in the condensed standalone financial statements (continued)

<i>settlements</i>	Receivables as at		Liabilities as at	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Inter Cars Ukraine LLC	17 428	16 889	-	-
Q-service Sp. z o.o.	372	-	14 963	7 846
Lauber Sp. z o.o.	5 468	3 881	5 143	2 584
Inter Cars Ceska Republika	5 412	5 404	315	102
Inter Cars Slovenska Republika	6 611	6 108	-	-
Feber Sp. z o.o.	129	81	6 561	1 250
Inter Cars Lietuva UAB	6 717	7 830	1 158	250
Armatus sp. z o.o.	3	-	-	-
IC Development & Finance Sp. z o.o.	-	-	192	-
JC Auto s.r.l. (Italy)	8 312	8 600	71	732
Inter Cars d.o.o. (Croatia)	31 538	28 390	299	-
JC Auto S.A. (Belgium)	-	-	314	563
INTER CARS Hungária Kft.	35 630	32 336	22	-
JC Auto s.r.o.	4 032	4 009	-	-
Inter Cars Romania s.r.l.	105 702	97 309	1 122	89
Inter Cars Latvija SIA	26 096	23 629	4	19
Inter Cars Cyprus Ltd.	-	-	3 178	3 160
Cleverlog-Autoteile GmbH	23	94	-	-
Inter Cars Bulgaria Ltd.	3 045	2 743	8	-
Inter Cars Marketing Services Sp. z o.o.	76	9	19 135	26 368
ILS Sp. z o.o.	54	78	7 467	22 414
Inter Cars Malta Holding Limited	-	1 037	(19)	(19)
Inter Cars Malta Limited	-	8 033	3 522	-
InterMeko Europa Sp. z o.o.	-	-	40	-
Q-service Truck Sp. z o.o.	125	-	120	-
Gross receivables from subsidiaries	256 773	246 460	63 616	65 358
Revaluation write-down on receivables (JC Auto s.r.o.)	(4 009)	(4 009)	-	-
Net receivables from subsidiaries	252 764	242 451	63 616	65 358

Settlements on loans and borrowings

<i>Receivables from subsidiaries</i>	31.03.2014	31.12.2013
Lauber Sp. z o.o.	8 849	8 750
Feber Sp. z o.o.	18 148	23 198
IC Development & Finance Sp. z o.o.	26 215	26 065
SMiOC FRENOPLAST Buřhak i Cieřlawski S.A	3 089	3 092
Inter Cars Bulgaria Ltd.	988	982
Q-Service Truck Sp z o.o.	853	-
Gross receivables on loans	58 143	62 087
Revaluation write-down on loans	(1 557)	(1 557)
Net receivables on loans	56 586	60 530

Liabilities to subsidiaries

Inter Cars (Cyprus) Limited	27 531	12 856
Q-SERVICE Sp. z o.o.	4 266	4 234
Inter Cars Marketing Services Sp. z o.o.	23 996	23 823
	55 793	40 913