

INTER CARS S.A.

**SEPARATE ANNUAL REPORT
FOR THE PERIOD January 1st–December 31st 2009**



CONTENTS

PART I AUDITOR’S OPINION2

PART II LETTER FROM PRESIDENT OF THE MANAGEMENT BOARD6
MANAGEMENT BOARD’S STATEMENT8
FINANCIAL HIGHLIGHTS9
INFORMATION ON INTER CARS S.A.....10
SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD JANUARY
1ST–DECEMBER 31ST 2009.....14

PART III REPORT ON THE OPERATIONS OF INTER CARS S.A.64

PART IV AUDITOR’S REPORT ON THE ANNUAL FINANCIAL STATEMENTS.....95

AUDITOR'S OPINION

PART II

SEPARATE ANNUAL REPORT FOR THE PERIOD January 1st – December 31st 2009

Letter from President of the Management Board of Inter Cars S.A.	6
Inter Cars S.A. Management Board’s Statement	8
Financial Highlights:	9
Information on INTER CARS S.A.	10
1. Business Profile	11
2. Registered Office	11
3. Contact Data	11
4. Supervisory Board (as at the date of approval of these financial statements)	11
5. Management Board (as at the date of approval of these financial statements)	11
6. Auditor	11
7. Lawyers	11
8. Banks (as at the date of approval of these financial statements)	12
9. Subsidiary Undertakings	12
10. Listing	13
11. Date of Approval for Publication of the Financial Statements	13
SEPARATE ANNUAL STATEMENT OF FINANCIAL POSITION	14
SEPARATE ANNUAL STATEMENT OF COMPREHENSIVE INCOME	15
ANNUAL STATEMENT OF CHANGES IN EQUITY	16
ANNUAL STATEMENT OF CHANGES IN EQUITY (CONT.)	17
SEPARATE ANNUAL STATEMENT OF CASH FLOWS	18
SEPARATE ANNUAL STATEMENT OF FINANCIAL POSITION AT THE BEGINNING OF THE MOST RECENT COMPARATIVE PERIOD	19
Notes to the Separate Annual Financial Statements	20
1. Basis for the Preparation of Separate Annual Financial Statements	20
2. Key Accounting Policies	25
3. Business Segments	32
4. Property, Plant and Equipment	32
5. Intangible Assets	35
6. Investment Property	37
7. Investments in Subordinated Undertakings	37
8. Investments Available for Sale	39
9. Deferred Income Tax	39
10. Inventories	40
11. Trade and Other Receivables	40
12. Cash and Cash Equivalents	42
13. Share Capital and Share Premium Account	42
14. Net Earnings Per Share	43
15. Liabilities under Loans, Borrowings and Other Debt Instruments	44
16. Trade and Other Payables	46
17. Liabilities under Employee Benefits	47
18. Income Tax Payable	47
19. Share-Based Payments	47
20. Sales Revenue	47
21. Cost of Sales	48

22.	Selling Costs and General and Administrative Expenses.....	49
23.	Costs of Employee Benefits	49
24.	Other Operating Income	49
25.	Other Operating Expenses.....	50
26.	Finance Income and Expenses.....	50
27.	Structure of Cash for the Statement of Cash Flows.....	51
28.	Income Tax	52
29.	Dividend per Share.....	52
30.	Contingent Liabilities and Unrecognised Liabilities under Executed Agreements	53
31.	Operating Leases.....	53
32.	Transactions with Related Undertakings.....	54
33.	Financial Risk Management.....	57
34.	Events Subsequent to the Balance-Sheet Date.....	61
35.	Significant Judgments and Estimates	61
36.	Change in the Presentation of Financial Data.....	62
37.	Going Concern.....	62
38.	Consolidated Financial Statements	62

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

Dear Shareholders,

The year 2009 was one of the most successful ones in the operating history of Inter Cars S.A., which, let me frankly admit, came as a surprise. Expecting only a modest growth, if at all, we focused on reducing general and administrative expenses. The market, however, is anything but predictable, and as each new month unfolded we were able to report – with great pleasure and delight – record-high sales figures. It has always been my belief that the independent market for automotive parts and services is pretty immune to economic downturns, regardless of their source. Not only did it prove immune, but it manifested an ability to develop despite unfavourable market conditions.

According to a report by Stowarzyszenie Dystrybutorów Części Motoryzacyjnych (Polish Automotive Aftermarket Suppliers Association, SDCM), the independent automotive aftermarket grew from PLN 22bn in 2008 to almost PLN 25bn in 2009. Since 2004, the market has experienced an over PLN 13bn growth, with Inter Cars S.A. emerging as the main beneficiary of the upward trend. In 2009, we posted sales revenue of over PLN 2bn, up by almost 19% year on year. We managed to substantially outperform our major competitor, which posted PLN 700m-worth of sales.

A combination of factors contributed to the 2009 success. The economic slowdown was one of them. On the back of repeated messages of concern about the impending economic crisis heralded by the media, many households and businesses started to shift into the cost-efficiency mode. According to the SDCM's report, in Poland car expenses are the second-largest item in a family budget. In 2009, the average motorist in Poland spent PLN 1,486 on car maintenance, compared with PLN 1,354 a year earlier. The average cost of car parts alone was PLN 730 (relative to PLN 703 in 2008), a major portion of which was spent on goods sourced from the independent automotive aftermarket. Suffice it to say that the share of independent automotive parts manufacturers in the auto repair market is 70%. It appears that this market trend – a growing market share – will continue in the years to come.

Businesses followed the steps of consumers and began to cut fleet operating costs. According to our in-house estimates, almost 400 thousand vehicles migrated from the OEM service stations to independent garages in 2009. The automotive fleet services division of Inter Cars S.A. reported an over 80% year-on-year rise in sales revenue, a visible sign of an ever-stronger movement from the OEM to independent segment of the automotive market.

The market-migration trend is additionally driven by a growing awareness that original spare parts are not only those bearing the trademark of a vehicle manufacturer but also those produced according to the manufacturer's specifications and standards. Such a definition of original spare parts is given in the explanatory brochure for Commission Regulation (EC) No. 1400/2002, commonly known as GVO. Although the regulation is due to expire in May 2010, it is to be superseded with legislation which not only upholds the advantageous regulatory framework (e.g. the definition of original spare parts), but goes even further and abolishes the rule whereunder warranty repair services may be provided only if OEM-branded spare parts are used in a vehicle. We expect the trend of movement from the OEM to independent segment to prevail, albeit to a lesser extent than in 2009.

We hesitate to believe that the 2010 figures will be as spectacular as those reported in 2009, yet we anticipate a sustained business growth. Inter Cars S.A. has always been the pioneer in business solutions for the auto parts distribution market. We intend to continue as a provider of innovation, exploring new ways of improving our flexibility and competitive advantage.

A new solution, designed to complement our existing distribution channels, is the *Motointegrator* online platform, which facilitates communication between customers and repair service providers. It enables customers to select suitable spare parts and a garage where the repair work is to take place.

Letter from President of the Management Board

Dedicated consultants provide customers with support in selecting the spare parts. In addition, we intend to furnish motorists who join our *Motointegrator* platform with an access to comprehensive packages, including insurance policies, assistance service, and other products. We expect that over the next five years *Motointegrator* will become an important distribution channel, and will additionally reinforce loyalty of our partner auto-service stations.

An area of some concern is the heavy vehicles market. The financial collapse of many companies from the Polish transport industry translated into a drop in truck repair spending. The previous year was severely felt by all market participants involved in the distribution of heavy vehicles. The undiversified business profiles of key players in this market make them vulnerable. Should the tendency continue, they will be exposed to significant losses, given the business expansion policies they followed until recently. Capitalising on the weakness of its rivals, Inter Cars S.A. may soon emerge as the leader in the truck segment as well.

To conclude, I wish to thank all our shareholders for their trust put in the Company. Those who refused to question the Company's value were proven right last year when our stock price climbed from below PLN 30 in January to over PLN 80 in December. I would like to ensure you that our goals are set high, and, as I have said on many occasions, our ultimate objective is to achieve the leading position on the European market. Nothing stimulates growth more than challenging yet attainable goals.

Krzysztof Oleksowicz
President of the Management Board

Inter Cars S.A. Management Board's Statement

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

- to the best of its knowledge the separate annual financial statements of Inter Cars S.A. ("the Company") and the comparative data have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union, issued and effective as at the date of these financial statements, and give a fair and clear view of the Company's assets, financial standing and financial results.
- The Directors' Report on the Company's operations in 2009 gives a true picture of its development, achievements and standing.
- KPMG Audyt Sp. z o.o., a qualified auditor of financial statements that audited the separate annual financial statements of Inter Cars S.A. was appointed in compliance with applicable laws, and both the auditing firm and the auditor who performed the audit met the conditions required to issue an impartial and independent opinion on the reviewed financial statements, in accordance with the applicable laws.

Warsaw, April 20th 2010

Krzysztof Oleksowicz

President of the Management Board

Robert Kierzek

Vice-President of the Management Board

Krzysztof Soszyński

Vice-President of the Management Board

Piotr Kraska

Member of the Management Board

Wojciech Milewski

Member of the Management Board

Financial Highlights

Financial Highlights:

('000)	<i>For 12 months ended</i>		<i>For 12 months ended</i>	
	Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008
	<i>PLN</i>	<i>PLN</i>	<i>EUR</i>	<i>EUR</i>
Data on growth and profit				
Sales margin	31.2%	30.1%		
EBITDA	130 316	86 154	30,023	24,392
EBITDA as a per cent of sales	7.0%	5.7%		
Net debt/EBITDA	3.52	5.82		
Basic earnings per share	4.40	1.71	1.01	0.48
Diluted earnings per share	4.32	1.68	1.00	0.48
Operating profit (loss)	103,656	62,580	23,881	17,718
Net profit (loss)	60,707	22,912	13,986	6,487
Cash flows				
Net cash provided by (used in) operating activities	104,444	74,697	24,062	21,148
Net cash provided by (used in) investing activities	(35,897)	(58,690)	(8,270)	(16,616)
Net cash provided by (used in) financing activities	(69,714)	(16,400)	(16,061)	(4,643)
Employment and number of affiliate branches as at				
	Dec 31 2009	Dec 31 2008		
Number of employees	1,274	1,303		
Affiliate branches	126	115		
Statement of financial position (as at)				
	Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008
Cash and cash equivalents	11,613	12,780	2,827	3,063
Balance-sheet total	1,224,197	1,185,592	297,989	284,151
Loans, borrowings, finance lease liabilities	470,625	514,234	114,557	123,247
Equity	480,228	406,912	116,895	97,525

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 2009: EUR 1 = PLN 4.1082, and the exchange rate quoted for December 31st 2008: EUR 1 = PLN 4.1724.
- 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 2009 and 2008, that is EUR 1 = PLN 4.3406 and EUR 1 = PLN 3.5321, respectively.

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 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.com.pl
relacje.inwestorskie@intercars.com.pl
www.intercars.com.pl

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

Andrzej Oliszewski, Chairman of the Supervisory Board
Jolanta Oleksowicz-Bugajewska
Maciej Oleksowicz
Michał Marczak
Jacek Klimczak

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

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

6. Auditor

KPMG Audyt Sp. z o.o.
ul. Chłodna 51
00-867 Warsaw

7. Lawyers

W. Olewniczak i Doradcy Kancelaria Prawna Spółka Komandytowa
ul. Marszałkowska 115
Warsaw
Joanna Wasilewska & Partnerzy, Kancelaria Radców Prawnych,
ul. Źródłana 11 a
Poznań

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

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

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

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

Kredyt Bank S.A.
ul. Kasprzaka 2/8
01-211 Warsaw

Bank Zachodni WBK S.A.
ul. Rynek 9/11
50-950 Wrocław

ABN Amro S.A.
ul. 1-go Sierpnia 8A
02-134 Warsaw

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

Fortis Bank S.A.
ul. Postępu 15
02-676 Warsaw

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

EFG Eurobank Ergasias S.A.
ul. Mokotowska 19
00-560 Warsaw

9. Subsidiary Undertakings

Inter Cars Ukraine

29009 Khmelnytskyi, Tolstego 1/1
Ukraine

Inter Cars Ceska Republika

Nowodworska 1010/14
142 01 Prague, Czech Republic

Lauber Sp. z o.o.

ul. Portowa 35A
76-200 Słupsk

Inter Cars Lietuva UAB

J. Kubiliaus g. 18
Vilnius, Lithuania

Inter Cars Romania s.r.l.

Corneliu Coposu 167A
400235 Cluj-Napoca, Romania

Inter Cars d.o.o.

Radnička cesta 27
1000 Zagreb, Croatia

ARMATUS Sp. z o.o.

ul. Powsińska 64
02-903 Warsaw

JC Auto s.r.o.

Lazensky park 10, c.p. 329
735 03 Karvina- Darkom, Czech Republic

Feber Sp. z o.o.

ul. Powsińska 64
02-903 Warsaw

Q-Service Sp. z o.o.

ul. Gdańska 15
05-152 Cząstków Mazowiecki

Inter Cars Slovenská Republika s.r.o.

Ivánska cesta 2
Bratislava, Slovakia

IC Development&Finance Sp. z o.o.

ul. Dorodna 33
03-195 Warsaw

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.

Rue du Parc Industriel 3D
1440 Brain-le-Chateau, Belgium

5 STERNE FAHWERKSTECHNIK GMBH

Storkower Str 175
10369 Berlin, Germany

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

10. Listing

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

11. Date of Approval for Publication of the Financial Statements

These separate financial statements were approved for publication by the Management Board of Inter Cars S.A. on April 20th 2010.

(PLN '000)

SEPARATE ANNUAL STATEMENT OF FINANCIAL POSITION

	note	Dec 31 2009	Dec 31 2008 restated
ASSETS			
Non-current assets			
Property, plant and equipment	4	147,052	138,571
Intangible assets	5	145,605	149,916
Investments in subordinated undertakings	7	37,240	37,240
Investments available for sale	8	43	43
Investment property	6	2,768	2,768
Receivables	11	79,525	65,522
		412,233	394,060
Current assets			
Inventories	10	426,717	471,098
Trade and other receivables	11	373,634	307,440
Income tax receivable		-	214
Cash and cash equivalents	12	11,613	12,780
		811,964	791,532
TOTAL ASSETS		1,224,197	1,185,592
	note	Dec 31 2009	Dec 31 2008 restated
EQUITY AND LIABILITIES			
Equity			
Share capital	13	28,336	27,472
Share premium account	13	259,530	247,785
Statutory reserve funds		125,397	102,485
Other capital reserves		5,935	5,935
Retained earnings		61,030	23,235
		480,228	406,912
Non-current liabilities			
Loans, borrowings and finance lease liabilities	15	383,426	110,276
Deferred tax liabilities	9	4,332	3,692
		387,758	113,968
Current liabilities			
Trade and other payables	16	267,109	259,282
Loans, borrowings, debt securities and finance lease liabilities	15	87,199	403,958
Employee benefits	17	1,655	1,472
Income tax payable	18	248	-
		356,211	664,712
TOTAL EQUITY AND LIABILITIES		1,224,197	1,185,592

Notes are an integral part of the separate annual financial statements.

(PLN '000)

SEPARATE ANNUAL STATEMENT OF COMPREHENSIVE INCOME

	note	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Continuing operations			Restated
Sales revenue	20	1,857,569	1,507,416
Cost of sales	21	(1,277,552)	(1,053,859)
Gross profit on sales		580,017	453,557
Other operating income	24	3,777	14,483
Selling costs and general and administrative expenses	22	(255,861)	(218,202)
Cost of distribution services	22	(211,010)	(174,213)
Cost of management stock option plan		-	(743)
Other operating expenses	25	(13,267)	(12,302)
Operating profit		103,656	62,580
Finance income	26	5,674	4,707
Foreign exchange gains/(losses)	26	(4,314)	(8,655)
Finance expenses	26	(31,543)	(31,602)
Profit before tax		73,473	27,030
Corporate income tax	28	(12,766)	(4,118)
Net profit from continuing operations		60,707	22,912
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		60,707	22,912
Net profit		60,707	22,912
Weighted average number of shares		13,787,685	13,400,267
Earnings per share (PLN)	14	4.40	1.71
Weighted average diluted number of shares		14,059,011	13,667,585
Diluted earnings per share (PLN)		4.32	1.68

(PLN '000)

ANNUAL STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Statutory reserve funds	Other capital reserves	Retained earnings	Total equity
Equity as at January 1st 2008	23,642	21,415	65,163	5,192	47,095	162,507
<i>Comprehensive income for the reporting period</i>						
Net profit for the reporting period	-	-	-	-	22,912	22,912
Total comprehensive income for the reporting period	-	-	-	-	22,912	22,912
<i>Transactions with owners recognised directly under equity</i>						
Contributions from and distributions to owners						
Share issue in connection with merger with JC Auto	3,750	225,000	-	-	-	228,750
Share issue in connection with exercise of management stock options	80	1,370	-	-	-	1,450
Distribution of retained earnings – dividend	-	-	-	-	(9,450)	(9,450)
Capital reserve created in connection with the management stock option plan	-	-	-	743	-	743
Total contributions from and distributions to owners	3,830	226,370	-	743	(9,450)	221,493
Distribution of retained earnings – transfer to statutory reserve funds	-	-	37,322	-	(37,322)	-
Equity as at December 31st 2008	27,472	247,785	102,485	5,935	23,235	406,912

Notes are an integral part of the separate annual financial statements.

(PLN '000)

ANNUAL STATEMENT OF CHANGES IN EQUITY (CONT.)

	Share capital	Share premium account	Statutory reserve funds	Other capital reserves	Retained earnings	Total equity
Equity as at January 1st 2009	27,472	247,785	102,485	5,935	23,235	406,912
<i>Comprehensive income for the reporting period</i>						
Net profit for the reporting period	-	-	-	-	60,707	60,707
Total comprehensive income for the reporting period	-	-	-	-	60,707	60,707
<i>Transactions with owners recognised directly under equity</i>						
Contributions from and distributions to owners						
Share issue in connection with exercise of management stock options	864	11,745	-	-	-	12,609
Total contributions from and distributions to owners	864	11,745	-	-	-	12,609
Distribution of retained earnings – transfer to statutory reserve funds	-	-	22,912	-	(22,912)	-
Equity as at December 31st 2009	28,336	259,530	125,397	5,935	61,030	480,228

(PLN '000)

SEPARATE ANNUAL STATEMENT OF CASH FLOWS

	note	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008 restated
Cash flows from operating activities			
Profit before tax		73,473	27,030
Adjustments, including:			
Depreciation/amortisation of property, plant, equipment and intangible assets		26,660	23,574
Foreign exchange (gains)/losses		410	10,899
(Gain) on disposal of property, plant and equipment		359	(4,347)
Net interest	27	23,231	23,471
(Gain) on revaluation of investment property		-	(212)
Other adjustments net		-	743
Operating profit before changes in working capital		124,133	81,158
Change in inventories		44,381	(56,878)
Change in receivables	27	(60,415)	(79,539)
Change in trade and other payables and liabilities under employee benefits		8,010	143,579
Cash generated by operating activities		116,109	88,320
Corporate income tax paid	27	(11,665)	(13,623)
Net cash provided by (used in) operating activities		104,444	74,697
Cash flows from investment activities			
Sale of property, plant, equipment and intangible assets		5,741	16,501
Acquisition of property, plant, equipment and intangible assets	4 5	(26,889)	(37,133)
Acquisition of shares in subordinated undertakings	7	-	(5,691)
Repayment of loans advanced	27	10,896	12,487
Loans advanced	27	(27,657)	(46,465)
Interest received	27	2,012	1,110
Other items, net		-	501
Net cash provided by/(used in) investing activities		(35,897)	(58,690)
Cash flows from financing activities			
Net proceeds from share issue	13	12,609	1,450
(Decrease) / increase in loans, borrowings and debt securities	27	(69,107)	83,745
Decrease in finance lease liabilities	27	(9,934)	(9,635)
Interest paid	27	(28,282)	(27,678)
Proceeds from debt securities (bonds) issue	27	86,700	(54,832)
Redemption of debt securities	27	(61,700)	-
Dividends paid	29	-	(9,450)
Net cash provided by/(used in) financing activities		(69,714)	(16,400)
Change in net cash and cash equivalents		(1,167)	(393)
Cash and cash equivalents at beginning of period		12,780	13,173
Cash and cash equivalents at end of period	12	11,613	12,780

Notes are an integral part of the separate annual financial statements.

(PLN '000)

SEPARATE ANNUAL STATEMENT OF FINANCIAL POSITION AT THE BEGINNING OF THE MOST RECENT COMPARATIVE PERIOD

	Dec 31 2009	Dec 31 2008	Dec 31 2007
		restated	restated
ASSETS			
Non-current assets			
Property, plant and equipment	147,052	138,571	72,011
Intangible assets	145,605	149,916	7,000
Investments in subordinated undertakings	37,240	37,240	30,876
Investments available for sale	43	43	43
Investment property	2,768	2,768	11,145
Receivables	79,525	65,522	31,192
	412,233	394,060	152,267
Current assets			
Inventories	426,717	471,098	411,522
Trade and other receivables	373,634	307,440	190,686
Income tax receivable	-	214	-
Cash and cash equivalents	11,613	12,780	13,173
	811,964	791,532	615,381
TOTAL ASSETS	1,224,197	1,185,592	767,648
	Dec 31 2009	Dec 31 2008	Dec 31 2007
		restated	restated
EQUITY AND LIABILITIES			
Equity			
Share capital	28,336	27,472	23,642
Share premium account	259,530	247,785	21,415
Statutory reserve funds	125,397	102,485	65,163
Other capital reserves	5,935	5,935	5,192
Retained earnings	61,030	23,235	47,095
	480,228	406,912	162,507
Non-current liabilities			
Loans, borrowings and finance lease liabilities	383,426	110,276	38,748
Deferred tax liabilities	4,332	3,692	1,077
	387,758	113,968	39,825
Current liabilities			
Trade and other payables	267,109	259,282	251,415
Loans, borrowings, debt securities and finance lease liabilities	87,199	403,958	304,737
Employee benefits	1,655	1,472	437
Income tax payable	248	-	8,727
	356,211	664,712	565,316
TOTAL EQUITY AND LIABILITIES	1,224,197	1,185,592	767 648

Notes are an integral part of the separate annual financial statements.

Notes

(PLN'000)

Notes to the Separate Annual Financial Statements**1. Basis for the Preparation of Separate Annual Financial Statements****a) Statement of Compliance with IFRS**

The separate annual financial statements (“financial statements”) have been prepared in accordance with the International Financial Reporting Standards as endorsed 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 Company has not opted for early application of the new standards and interpretations that have been published and endorsed by the EU but come into force after the reporting date. Furthermore, as at the reporting date, the assessment of potential impact of the new standards and interpretations which come into force subsequent to the reporting date has not yet been completed by the Company.

EU-endorsed standards and interpretations which have not come into force and have not been reflected in the financial statements

Standards and Interpretations endorsed by the EU	Anticipated change in accounting policies	Effective for periods beginning on or after:
<i>Amendments to International Financial Reporting Standards 2008: amendments to IFRS 5 Non-Current Assets Held for Sale</i>	IFRS 5 has been amended to specify as follows: <ul style="list-style-type: none"> • An entity that is committed to a sale involving loss of control over a subsidiary is required to classify all of the assets and liabilities of that subsidiary as held for sale, provided that the criteria stipulated in Par. 6–8 are met. • Disclosures concerning discontinued operations are required if a subsidiary undertaking constitutes a disposal group meeting the definition of discontinued operations? 	July 1st 2009
Revised IFRS 1 <i>First-Time Adoption of IFRSs</i>	The revision consists in changing the structure of the Standard (without changing its technical content), so that all exceptions previously listed in its main body are now listed in the relevant appendices.	July 1st 2009 Under Commission Regulation (EC) No. 1136/2009, each company should apply the revised IFRS 1 no later than from the commencement date of its first financial year starting after December 31st 2009
Revised IFRS 3 <i>Business Combinations</i>	The scope of the Standard has been changed and the definition of a “business” expanded. The revised Standard contains also other potentially material changes, such as: <ul style="list-style-type: none"> • Any consideration, including contingent consideration, provided by the buyer is recognised and measured at acquisition-date fair value. • Subsequent changes in contingent consideration should be recognised in profit or loss for period. • Transaction costs other than costs incurred to issue debt or equity securities should be recognised in profit or loss for period. • The acquirer may measure minority interests at fair value at the acquisition date (full goodwill) or as its proportionate interest in the fair value of identifiable assets and liabilities for each transaction. 	July 1st 2009 Under Commission Regulation (EC) No. 495/2009, each company should apply the revised IFRS 3 no later than from the commencement date of its first financial year starting after June 30th 2009.

Notes

(PLN'000)

Amendments to IAS 27 <i>Consolidated and Separate Financial Statements</i>	In revised IAS 27, the term "minority interests" has been replaced with "non-controlling interests", defined as "the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also changes the recognition of non-controlling interests, loss of control over a subsidiary, as well as attribution of profits or losses and other comprehensive income to controlling interests or non-controlling interests.	July 1st Under Commission Regulation (EC) No. 494/2009, each company should apply the revised IAS 27 no later than from the commencement date of its first financial year starting after June 30th 2009.
Amendment to IAS 32 <i>Classification of Rights Issues</i>	Under the amendment, rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are classified as equity instruments, provided such rights, options or warrants are offered <i>pro rata</i> to all existing owners of the same class of the entity's non-derivative equity instruments.	February 1st 2010 Under Commission Regulation (EC) No. 1293/2009, each company should apply the amended IAS 32 no later than from the commencement date of its first financial year starting after January 31st 2010.
Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	The amendment clarifies the application of the existing rules for determining whether a specific risk or portion of cash flows is eligible for designation as a hedged item. When designating the hedging relationship it should be possible to clearly identify and reliably estimate the risk or portion of cash flows; inflation may be designated as a hedged item only in exceptional circumstances.	July 1st 2009 Under Commission Regulation (EC) No. 839/2009, each company should apply the amended IAS 39 no later than from the commencement date of its first financial year starting after June 30th 2009.
IFRIC 12 <i>Service Concession Arrangements</i>	IFRIC 12 sets guidelines for private sector operators regarding recognition and measurement of arrangements whereby a government or other body grants contracts for the supply of public services to private operators.	January 1st 2008 Under the Commission Regulation (EC) No. 254/2009, each company should apply IFRIC 12 no later than from the commencement date of its first financial year starting after the date of entry into force of the Regulation, i.e. March 28th 2009.
IFRIC 15 <i>Agreements for the Construction of Real Estate</i>	IFRIC 15 clarifies that revenue under real estate construction agreements is recognised as construction progress by reference to the state of completion in the following circumstances: <ul style="list-style-type: none"> • The agreement meets the definition of a construction contract under IAS 11.3; • The agreement concerns only the provision of services in accordance with IAS 18 (i.e. the entity is not obliged to supply building materials); and • The agreement provides for sale of goods, while revenue recognition criteria under IAS 18.14 are met on an ongoing basis as the construction progresses In all other cases, revenue is recognised when all the revenue recognition criteria under IAS 18.14 are met (i.e. after completion of construction or supply).	January 1st 2009 Under the Commission Regulation (EC) No. 636/2009, each company should apply the amendments no later than from the commencement date of its first financial year starting after December 31st 2009.
IFRIC 16 <i>Hedges of a Net Investment</i>	IFRIC 16 clarifies the following: risks that qualify as hedged items; where, within a group, hedged instruments can be held, whether the consolidation method applied affects the effectiveness of hedging,	October 1st 2008 Under the Commission

Notes

(PLN'000)

<i>in a Foreign Operation</i>	possible forms of a hedged instrument and amounts that can be reclassified from equity to profit or loss for period upon disposal of the investment in a foreign operation.	Regulation (EC) No. 460/2009, each company should apply IFRIC 16 no later than from the commencement date of its first financial year starting after June 30th 2009.
IFRIC 17 <i>Distributions of Non-Cash Assets to Owners</i>	IFRIC 17 concerns distribution of non-cash dividend to shareholders. In accordance with the Interpretation, a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the assets to be distributed. The carrying amount of dividend payable should be recognised as at each balance-sheet date. Changes in the carrying amount should be recognised in equity as dividend adjustment. When the dividend is paid, the entity should recognise any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.	July 1st 2009 Under Commission Regulation (EC) No. 1142/2009, each company should apply the amendments no later than from the commencement date of its first financial year starting after October 31st 2009.
IFRIC 18 <i>Transfers of Assets from Customers</i>	IFRIC 18 concerns agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The Interpretation also concerns agreements where an entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment. The recipient recognises a non-current asset if it meets the definition of an asset. The corresponding entry is revenue. The moment of revenue recognition depends on specific facts and circumstances related to the agreement.	July 1st 2009 Under Commission Regulation (EC) No. 1164/2009, each company should apply the amendments no later than from the commencement date of its first financial year starting after October 31st 2009.

Standards and interpretations which are still awaiting endorsement by the EU and whose impact on the financial statements has not yet been fully assessed by the Company

Standards and Interpretations awaiting endorsement by the EU	Anticipated change in accounting policies	Effective for periods beginning on or after:
<i>Amendments to International Financial Reporting Standards 2009</i>	Amendments to International Financial Reporting Standards 2009 comprise 15 amendments to 12 Standards.	January 1st 2010, except amendments to IFRIC 9 <i>Reassessment of Embedded Derivatives</i> – Scope of IFRIC 9 and amended IFRS 3, IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i> (change in the restrictions applying to holding of hedging instruments by a foreign operation which itself is being hedged), IAS 38 <i>Intangible Assets</i> (additional amendments resulting from amended IFRS 3), IFRS 2 <i>Share-Based Payments</i> – Scope of IFRS 2 and amended IFRS 3 <i>Business Combinations</i> – where the effective date is July 1st 2009, and IAS 18 <i>Income</i> (determination when an entity acts as an agent and when it acts as a party to an agreement) – where the effective date has not been specified.

Notes

(PLN'000)

Amendment to IFRS 1 <i>First-Time Adoption of International Financial Reporting Standards – Additional Exemptions for First-Time Adopters</i>	The amendment provides for two additional exemptions, which first-time adopters of IFRS may use at their option. They relate to: <ul style="list-style-type: none"> • Determination of deemed cost for gas assets; • Reassessment of the determination whether an arrangement contains a lease; • Determination of deemed cost for operations subject to rate regulation. 	January 1st 2010
Amendment to IFRS 2 <i>Share-Based Payments – Group Cash-Settled Share-Based Payment Transactions</i>	The most important effect of the amended IFRS 2 is that any entity that receives goods or services in a share-based payment transaction which is settled in cash or other assets by another member of the group or the entity's shareholder, is obliged to account for such goods or services in its financial statements. To date, group share-based payment transactions have not been regulated by IFRS 2.	January 1st 2010
IFRS 9 <i>Financial Instruments</i>	The Standard was issued following a comprehensive review of the accounting treatment of financial instruments. The new Standard, which is narrower in scope than the existing regulations, will replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . It will only address classification and measurement of financial assets.	January 1st 2013
Revised IAS 24 <i>Related Party Disclosures</i>	The revised Standard addresses mainly the requirement to disclose related-party transactions concluded by state-controlled entities and sets out the definition of "a related party".	January 1st 2011
Amendment to IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i>	Under the amended IFRIC 14, a prepayment for a pension plan with a minimum funding requirement should be recognised as an asset.	January 1st 2011
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity</i>	Pursuant to IFRIC 19, equity instruments issued to settle a financial liability (in a debt for equity swap) are regarded as "consideration" within the meaning of IAS 39.41. Such equity instruments should be measured at fair value, while the difference between the carrying amount of the financial liability extinguished and the value of the equity instrument should be recognised in current period's profit or loss.	July 1st 2010

b) Basis of Measurement

These financial statements were prepared in compliance with the historical cost convention, with the exception of:

- financial instruments measured at fair value through profit or loss, which are measured at fair value
- financial instruments available for sale, which are measured at fair value
- investment property, which is measured at fair value

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

c) Functional and Presentation Currencies

(a) Presentation and Functional Currencies

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

Notes

(PLN'000)

(b) Foreign Exchange Gains and Losses

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 mid exchange rate quoted by the NBP on that date are recognised as current period profit or loss, while foreign exchange gains or losses arising from the settlement are charged against costs of products, goods for resale and materials sold, and other foreign exchange gains or losses are disclosed as a separate item.

d) Changes in Accounting Policies

With effect from January 1st 2009, the Company changed its accounting policies regarding the following areas:

- determination and presentation of operating segments
- presentation of financial statements
- borrowing costs
- presentation of accruals and deferrals and provisions

Determination and Presentation of Operating Segments

As of January 1st 2009 the Company determines and presents operating segments based on the information that is internally provided to its chief operating decision makers. This change in the accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously, operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*.

Comparative segment information has been restated in conformity with the transitional requirements of the standard. Since the change in the accounting policy impacts only the presentation and disclosure aspect of the financial statements and some elements of the Notes, there is no impact on earnings per share.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of the operating segments for which financial information can be identified are reviewed regularly by the management to make decisions about resources to be allocated and to assess their performance.

Segment results reported to the management include items directly attributable to a segment as well as those that can be allocated to it on a reasonable basis. Unallocated items comprise mainly general and administrative assets (principally the parent undertaking's head-office), office expenses and income tax assets and liabilities.

Presentation of Financial Statements

The Company applies revised IAS 1 *Presentation of Financial Statements (2007)*, effective for annual periods beginning on or after January 1st 2009. As a result, the Company presents in the separate statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the separate statement of comprehensive income.

The comparative information has been restated in line with the revised standard. Given that the change in the accounting policy following from the application of revised IAS 1 relates only to the presentation and disclosure aspect of the financial statements, its application does not affect earnings per share.

Notes

(PLN'000)

Borrowing Costs

With respect to qualified assets whose capitalisation begins subsequently to January 1st 2009, the Company capitalises borrowing costs which can be directly attributable to the acquisition, construction or production of a qualified asset as a part of the cost of that asset's acquisition or production cost. Previously, the Company expensed borrowing costs in the period in which they were incurred. Changes in the accounting policies in this respect follow from the implementation of IAS 23 Borrowing Costs, in accordance with the transitional requirements of IAS 23; comparative data was not restated. This change in the accounting policy does not have a material bearing on earnings per share.

The Company capitalises borrowing costs relating to tangible assets under construction.

Presentation of Accruals and Deferrals and Provisions

Having reviewed the contents of individual items of the statement of financial position, including in particular provisions, accruals and deferrals and prepayments, the Management Board decided to change the manner of their presentation starting from January 1st 2009. Currently, prepayments are presented under trade and other receivables. Provisions and current prepayments and accrued income which, in the Company's opinion, comply with the definition of liabilities, are disclosed under trade and other payables. With a view to ensuring data comparability, the comparative data as at December 31st 2009 was restated and a restated statement of financial position as at December 31st 2007 was presented. For more information on the restatement, see Note 36.

2. Key Accounting Policies

The accounting policies presented below, with the exception of the changes described in Section 1 d), were applied to all the periods presented in the financial statements.

a) Property, Plant and Equipment

Property, plant and equipment are valued at acquisition or production cost, less accumulated depreciation charges and impairment losses. Land is not depreciated.

Property, plant and equipment include own assets, leasehold improvements, tangible assets under construction, and third-party tangible assets used by the company (where the underlying agreement transfers substantially all the potential benefits and risks of ownership to the company), and comprise assets which are used for the purposes of supplying goods or providing services, for administrative purposes, or to be leased to third parties, and which are expected to be used for more than one year. The acquisition or production cost comprises the cost incurred to purchase or produce an item of property, plant and equipment, including capitalised interest accrued until the date on which the asset is placed in service. Subsequent expenditure is added to the carrying amount of an asset when it is probable that future economic benefits will flow to the Company. Costs of day-to-day maintenance of property, plant and equipment are disclosed as current period profit or loss.

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

Property, plant and equipment, except for tangible assets under construction and land, are subject to depreciation. Depreciation charges are calculated using the acquisition or production cost less the residual value of the asset, based on the length of its useful life as assumed and periodically reviewed by the Company, beginning from the moment when the asset is available to be placed in service until the earlier of: the day when 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

Notes

(PLN'000)

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 net proceeds from disposal and the carrying amount of the asset, and are recognised in current period profit or loss.

b) Goodwill

Goodwill acquired in a business combination is initially recognised at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is recognised at cost less any accumulated impairment losses.

c) Intangible Assets

Identifiable non-monetary assets without physical substance, whose acquisition or production cost can be estimated reliably and which will probably bring future economic benefits to the Company 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 when a given asset is available to be placed in service. They cease to be amortised at the earlier of: the day when a given 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 Available for Sale and Discontinued Operations, or the day when the asset is derecognised, or when it is fully amortised. The value of an intangible asset for amortisation 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 a twelve-year period, corresponding to their useful lives.

Computer Software

Software licences are valued at acquisition cost plus the cost of bringing them to working condition.

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 Company, which will probably yield economic benefits exceeding costs beyond 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 comprises property generating rent income, property held with a view to realising benefits from the appreciation of its value, or both, which is not used in the Company's operations and is not to be sold in the ordinary course of the Company's business. Initially, investment property is valued at acquisition cost, including transaction costs. Following initial recognition, it is recognised at fair value, and any gains or losses on changes in the fair value are posted as profit or loss in the period in which they originated.

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

Notes

(PLN'000)

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

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

e) Financial Instruments

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

Financial instruments are classified into the above categories depending on the purpose for which they were purchased. As at the reporting date, financial instruments are reviewed and, if needed, reclassified.

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

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

(a) Financial Instruments Held to Maturity

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

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

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

(b) Loans and Receivables

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

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

(c) Financial Assets Available for Sale

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

Notes

(PLN'000)

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

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

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

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

f) 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. Impairment losses on financial assets available for sale are computed by reference to the assets' present fair value.

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

Impairment losses are recognised in current period profit or loss.

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

Non-Financial Assets

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

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

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

Notes

(PLN'000)

Impairment losses on goodwill are not reversible. 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 Company as a Lessee

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

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

(b) The Company as a Lessor

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

h) Inventories

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

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

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

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

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

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) Share Capital

Share capital is disclosed in the amount specified in the Company's Articles of Association and entered in the court register.

Share premium account is disclosed as a separate item under equity.

Costs of share issue are charged against the capital.

Notes

(PLN'000)

k) Loans and Borrowings

Loans and borrowings are initially recognised at acquisition cost, equal to their respective fair values.

In subsequent periods, loans and borrowings are measured at amortised cost using the effective interest rate, the determination of which includes cost of contracting a loan as well as discounts and bonuses received at the time of the liabilities settlement.

l) Provisions

A provision is recognised 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 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.

Revenue from domestic sales is recognised at the time of supply of the goods for resale or products. Revenue from exports is recognised at the time of delivery of goods for resale or products to the buyer.

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.

Notes

(PLN'000)

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 Company by its affiliate branches as compensation for the sale of goods for resale performed on behalf of the Company is recognised in the period to which it relates.

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

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

o) Finance Expenses

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

p) Corporate Income Tax

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

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

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

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

Deferred tax asset and deferred tax liability are offset in the separate statement of financial position if the Company holds an exercisable right to offset corporate income tax receivable and payable and if the deferred tax asset and deferred tax liability refer to the corporate income tax levied on the same taxpayer by the same tax authority.

q) Valuation of Equity Interests in Subordinated Undertakings

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

r) Foreign Exchange Gains/Losses

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

s) Share-Based Payments

As part of a programme providing for share-based payments the Group's employees have the right to acquire shares in the parent undertaking. The fair value of a stock option granted is disclosed under salaries and wages expense, with a corresponding increase in equity. The fair value is measured as at the date of option granting and settled over the vesting period. The fair value of options is estimated with use of the binomial tree valuation, with due regard to the conditions on which the options have been granted. The amount charged to costs is adjusted to reflect the number of options outstanding at a given time, with the exception of a situation where the right to an option expires because the price of the underlying shares has not reached a vesting level.

Notes*(PLN'000)*

Rights to participate in the appreciation of the value of the shares are granted to members of the Management Team. The fair value of the amounts payable to such persons is disclosed as cost, with a corresponding increase in liabilities. The fair value is initially measured as at the option grant date and settled over the vesting period. The fair value of the right to participate in the appreciation of the value of the shares is computed using the Black-Scholes model, based on the assumed vesting dates and conditions on which the respective instruments have been granted. The valuation of the liability is reviewed as at each reporting date and as at the settlement date. Any changes in the fair value of the liability are disclosed as personnel cost.

3. Business Segments

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

Supplementary Information

For information on key products and services and the geographical breakdown of sales, see Note 20.

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

The Company does not have key customers due to the nature of its operations. For more information see Note 33.

4. Property, Plant and Equipment

	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
Land	9,699	9,699
Buildings and structures	75,891	76,030
Plant and equipment	20,675	16,641
Vehicles	9,275	11,741
Other tangible assets	28,832	20,312
Tangible assets under construction	<u>2,680</u>	<u>4,148</u>
Total property, plant and equipment	<u>147,052</u>	<u>138,571</u>

Property, Plant and Equipment under Lease Agreements

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

- As at December 31st 2008 – PLN 36,362 thousand
- As at December 31st 2009 – PLN 42,340 thousand.

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

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

Changes in Estimates

The Company analysed the useful lives of warehouse equipment (racks). Following the analysis, the Company expects that the useful lives of the equipment will be equal to ten years from the purchase date (previously estimated useful life: five years). As a result of the change in estimates, the effect of a change in depreciation charges on the current period operating profit is approximately PLN 1,800 thousand.

Borrowing Costs

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

Notes

(PLN'000)

	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT							
Gross value as at Jan 1 2008	5,448	46,793	25,091	9,709	28,624	3,698	119,363
Increase:	4,251	39,396	12,963	10,755	20,086	3,102	90,553
Acquisition	595	1,160	3,524	6,318	7,167	13,913	32,677
Transfer	-	6,452	372	140	3,847	(10,811)	-
Acquisition through merger	3,656	31,784	6,594	4,297	9,072	-	55,403
Lease	-	-	2,473	-	-	-	2,473
Decrease:	-	3	474	2,810	368	2,652	6,307
Sale	-	3	401	2,806	366	-	3,576
Liquidation	-	-	73	4	2	-	79
Transfer	-	-	-	-	-	2,652	2,652
Gross value as at Dec 31 2008	9,699	86,186	37,580	17,654	48,342	4,148	203,609
Increase:	-	4,396	13,825	1,773	16,475	(1,468)	35,001
Acquisition	-	755	5,619	1,252	2,917	14,614	25,157
Transfer	-	3,641	576	-	13,217	(16,631)	803
Lease	-	-	7,630	521	341	549	9,041
Decrease:	-	1,536	10,276	3,400	832	-	16,044
Sale	-	1,536	10,276	3,400	832	-	16,044
Liquidation	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
Gross value as at Dec 31 2009	9,699	89,046	41,129	16,027	63,985	2,680	222,566

Notes are an integral part of the separate annual financial statements.

Notes

(PLN'000)

	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Depreciation and impairment losses as at Jan 1 2008	-	7,770	15,138	5,323	20,051	-	48,282
Depreciation for period	-	2,423	5,879	2,415	8,201	-	18,918
Sale	-	-	(110)	(1,825)	(222)	-	(2,157)
Transfer	-	(37)	32	-	-	-	(5)
Depreciation and impairment losses as at Dec 31 2008	-	10,156	20,939	5,913	28,030	-	65,038
Depreciation for period	-	2,847	7,353	2,675	7,546	-	20,421
Sale	-	(245)	(7,834)	(1,839)	(423)	-	(10,341)
Transfer	-	-	(4)	3	-	-	(1)
Measurement at fair value	-	397	-	-	-	-	397
Depreciation and impairment losses as at Dec 31 2009	-	13,155	20,454	6,752	35,153	-	75,514
NET VALUE							
As at Jan 1 2008	5,448	39,023	9,953	4,386	8,573	3,698	71,081
As at Dec 31 2008	9,699	76,030	16,641	11,741	20,312	4,148	138,571
As at Jan 1 2009	9,699	76,030	16,641	11,741	20,312	4,148	138,571
As at Dec 31 2009	9,699	75,891	20,675	9,275	28,832	2,680	147,052

Notes are an integral part of the separate annual financial statements.

Notes

(PLN'000)

5. Intangible Assets

	Dec 31 2009	Dec 31 2008
Goodwill, including:	122,937	122,937
- goodwill from merger with JC Auto S.A.	122,937	122,937
Software	4,526	5,861
Other intangible assets, including:	18,142	21,118
- relations with suppliers	14,149	15,503
- other	3,993	5,615
	145,605	149,916

Impairment Test

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

The value in use is the estimated present value of future cash flows generated by an entity. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed materially in comparison to values adopted as at December 31st 2008:

- Projections of cash flows used to estimate the value in use estimated for the whole Company, treated as a single cash generating unit.
- The data used to prepare the projections for 2010–2011 were based on the approved budget.
- Cash flows for 2012–2013 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 10.5% and was estimated based on the weighted average cost of capital.

Intangible Assets Used under Lease Agreements

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

- as at December 31st 2008 – PLN 2,243 thousand
- as at December 31st 2009 – PLN 2,366 thousand.

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

Borrowing Costs

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

Notes

(PLN'000)

	Computer software	Other intangible assets	Goodwill	Total
GROSS INTANGIBLE ASSETS				
Gross value as at Jan 1 2008	17,412	3,863	-	21,275
Acquired	2,390	1,918	-	4,308
Acquired through merger with JC Auto S.A., including:	1,495	17,913	122,937	142,345
- relations with suppliers acquired through merger with JC Auto S.A.	-	16,700	-	16,700
- other	1,495	1,213	122,937	125,645
Transfer from tangible assets under construction	919	-	-	919
Gross value as at Dec 31 2008	22,216	23,694	122,937	168,847
Acquired	1,732	-	-	1,732
Leased	1,000	-	-	1,000
Sold	(919)	-	-	(919)
Gross value as at Dec 31 2009	24,029	23,694	122,937	170,660
AMORTISATION AND IMPAIRMENT LOSSES				
Amortisation and impairment losses as at Jan 1 2008	14,012	263	-	14,275
Amortisation for period	2,343	2,313	-	4,656
Amortisation and impairment losses as at Dec 31 2008	16,355	2,576	-	18,931
Amortisation for period	3,263	2,976	-	6,239
Decrease due to sale	(115)	-	-	(115)
Amortisation and impairment losses as at Dec 31 2009	19,503	5,552	-	25,055
NET VALUE				
As at Jan 1 2008	3,400	3,600	-	7,000
As at Dec 31 2008	5,861	21,118	122,937	149,916
As at Jan 1 2009	5,861	21,118	122,937	149,916
As at Dec 31 2009	4,526	18,142	122,937	145,605

Notes are an integral part of the separate annual financial statements.

Notes

(PLN'000)

6. Investment Property

	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
As at Jan 1	2,768	11,145
Acquisition	-	-
Acquisition through merger with JC Auto S.A.	-	2,659
Measurement at fair value	-	109
Sale	-	(11,145)
As at Dec 31	<u><u>2,768</u></u>	<u><u>2,768</u></u>

During 2009, there were no transfers of investment property to other assets or reclassifications of other assets to investment property.

Investment property includes real property located in Gdańsk, which is held for lease to third parties. As at the reporting date, the Company conducted fair-value measurement of the property. The fair-value measurement of the property (acquired through merger) was performed by a property appraiser using the comparative method.

In 2009, the property located in Gdańsk generated PLN 150 thousand in rent income.

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

7. Investments in Subordinated Undertakings

	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
As at Jan 1	37,240	30,876
Increase, including:	-	6,364
- acquisition of Fenoplast,	-	3,782
- share capital increase at Inter Cars Lietuva	-	494
- acquisition of shares in subsidiaries due to merger with JC Auto S.A.	-	2,088
As at Dec 31	<u><u>37,240</u></u>	<u><u>37,240</u></u>

Impairment Test

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

No impairment was identified based on the test.

Notes

(PLN'000)

Interests in subsidiary undertakings – as at December 31st 2009

Undertaking's name and form of incorporation	Location of registered office	Date of control take-over	Carrying amount of shares (PLN '000)	Percentage of share capital/total vote held	Undertaking's assets	Liabilities	Revenue	Net profit/(loss)
Inter Cars Ukraina	Khmelnysky, Ukraine	Apr 2000	4,785	70%	28,958	34,518	71,816	744
Q-Service Sp. z o.o.	Cząstków Mazowiecki, Poland	Apr 2000	416	100%	16,989	4,147	50,601	5,384 *
Lauber Sp. z o.o.	Ślupsk, Poland	Jul 2003	1,266	100%	13,594	10,393	12,506	(287) *
Inter Cars Ceska Republika	Prague, Czech Republic	Apr 2004	29	100%	39,732	33,207	73,717	1,964
Inter Cars Slovenska Republika	Bratislava, Slovakia	Aug 2005	21	100%	25,150	13,577	84,747	4,979
Feber Sp. z o.o.	Warsaw, Poland	Aug 2004	20,011	100%	76,173	62,053	112,247	(8,814)
Inter Cars Lietuva	Vilnius, Lithuania	Sep 2006	1,058	100%	8,950	8,976	26,148	133 *
IC Development & Finance Sp. z o.o.	Warsaw, Poland	Oct 2006	3,785	100%	47,022	43,327	9,092	(681) *
Inter Cars d.o.o.	Zagreb, Croatia	Feb 2008	563	100%	23,145	23,526	26,731	(748) *
Inter Cars Hungaria Kft.	Budapest, Hungary	Feb 2008	611	100%	17,647	16,397	12,542	(1,117) *
JC Auto s.r.l.	Milan, Italy	Feb 2008	0	99%	8,697	8,569	9,261	3 *
JC Auto S.A.	Braine-le-Chateau, Belgium	Feb 2008	0	100%	6,010	6,581	7,807	(634) *
JC Auto s.r.o.	Karvina-Darkom, Czech Republic	Feb 2008	0	100%	5,385	8,403	0	0 *
Armatus Sp. z o.o.	Warsaw, Poland	Feb 2008	913	100%	1,064	103	103	(4) *
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	Jul 2008	0	100%	9,922	10,322	13,855	84 *
5 Sterne Fahrwerkstechnik GmbH	Berlin, Germany	Feb 2008	0	100%	-	-	-	- *
			33,458		328,438	284,099	511,173	1,006

Interests in associated undertakings – as at December 31st 2009

Undertaking's name and form of incorporation	Location of registered office	Carrying amount of shares (PLN '000)	Percentage of share capital/total vote held	Undertaking's assets	Liabilities	Revenue	Net profit/(loss)
SMIOC FRENOPLAST Bułhak i Cieślowski S.A.	Szczytno, Poland	3,782	49%	13,167	4,303	9,266	105 *

*Unaudited.

Notes

(PLN'000)

8. Investments Available for Sale

	Dec 31 2009	Dec 31 2008
Interests in other undertakings	43	43
End of period	43	43

Interests in other undertakings include an interest in ATR (Auto-Teile-Informationssystem). The Company's interest in ATR's share capital amounts to 3.7%.

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 2009	Assets	Liabilities
Intangible assets	-	2,758
Property, plant and equipment	-	8,188
Inventories	4,708	-
Trade and other receivables	-	1,303
Investments in subsidiary undertakings	1,062	-
Loan	-	1,313
Liabilities under employee benefits	196	-
Liabilities under loans and borrowings	-	74
Finance lease liabilities	7,484	-
Trade and other payables	3,438	7,584
Deferred tax assets/liabilities	16,888	21,220
Deferred tax assets offset against liabilities	(16,888)	(16,888)
Deferred tax liabilities as disclosed in the statement of financial position	-	4,332
As at Dec 31 2008	Assets	Liabilities
Intangible assets	-	3,022
Property, plant and equipment	-	8,011
Inventories	4,076	-
Trade and other receivables	-	1,336
Investments in subsidiary undertakings	1,062	-
Loan	-	684
Liabilities under employee benefits	247	-
Liabilities under loans and borrowings	2,101	-
Finance lease liabilities	7,484	-
Trade and other payables	1,419	7,028
Deferred tax assets/liabilities	16,389	20,081
Deferred tax assets offset against liabilities	(16,389)	(16,389)
Deferred tax liabilities as disclosed in the statement of financial position	-	3,692

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

Change in deferred tax assets	Dec 31 2009	Dec 31 2008
As at beginning of period	16,389	5,978
Increase (decrease)	(1,498)	10,411
As at end of period	14,891	16,389

Notes*(PLN'000)*

Change in deferred tax liabilities	Dec 31 2009	Dec 31 2008
As at beginning of period	20,081	7,055
(Reversed) recognised in the period	<u>(858)</u>	<u>13,026</u>
As at end of period	<u>19,223</u>	<u>20,081</u>

	Dec 31 2008	Effect on net profit	Dec 31 2009
Deferred tax asset	16,389	(1,498)	14,891
Deferred tax liability	<u>(20,081)</u>	<u>858</u>	<u>(19,223)</u>
	<u>(3,692)</u>	<u>(640)</u>	<u>(4,332)</u>

10. Inventories

	Dec 31 2009	Dec 31 2008
Goods for resale	<u>426,717</u>	<u>471,098</u>
	<u>426,717</u>	<u>471,098</u>
Goods for resale	442,278	493,214
Discounts charged to inventories	(14,908)	(21,263)
Impairment losses	<u>(653)</u>	<u>(853)</u>
	<u>426,717</u>	<u>471,098</u>

Inter Cars S.A. 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 have been pledged as collateral to secure the repayment of a bank loan.

Change in Impairment Losses on Inventories

	Dec 31 2009	Dec 30 2008
As at beginning of period	(853)	(780)
(Increase)/decrease	<u>200</u>	<u>(73)</u>
As at end of period	<u>(653)</u>	<u>(853)</u>

11. Trade and Other Receivables

	Dec 31 2009	Dec 31 2008
Trade receivables from related undertakings	143,746	137,781
Trade receivables from other undertakings	142,926	126,908
Taxes, subsidies, customs duty, social security, health insurance and other benefits receivable	63,635	27,803
Other receivables, prepayments and accrued income	9,983	6,978
Loans advanced	<u>19,050</u>	<u>11,212</u>
Current trade and other receivables, gross	<u>379,340</u>	<u>310,682</u>

As at December 31st 2009, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly VAT receivables in the amount of PLN 62,405 thousand (PLN 26,574 thousand in 2008).

Notes

(PLN'000)

	Dec 31 2009	Dec 31 2008
Change in impairment losses on trade receivables		
As at beginning of period	(3,242)	(1,998)
Increase, including:	(2,464)	(1,244)
- <i>new impairment losses</i>	<u>(2,464)</u>	<u>(1,244)</u>
As at end of period	<u>(5,706)</u>	<u>(3,242)</u>
Current trade and other receivables, net	<u>373,634</u>	<u>307,440</u>

In accordance with the terms of cooperation between the Company and the entities operating its affiliate branches, as set out in the relevant distribution agreements, the branch operators assume substantially all the risk related to impairment of receivables.

	Dec 31 2009	Dec 31 2008
Maturity structure of trade receivables, gross		
Up to 12 months	286,672	264,689
Over 12 months	-	-
	<u>286,672</u>	<u>264,689</u>

	Dec 31 2009	Dec 31 2008
Currency structure of trade and other receivables, gross		
Local currency	212,045	138,739
Foreign currencies	<u>167,295</u>	<u>171,943</u>
	<u>379,340</u>	<u>310,682</u>

	Dec 31 2009	Dec 31 2008
Receivables in EUR	155,390	154,817
Receivables in USD	11,484	16,285
Receivables in other currencies	<u>421</u>	<u>841</u>
	<u>167,295</u>	<u>171,943</u>

	Dec 31 2009	
	Gross	Impairment losses
up to 180 days	223,499	-
from 181 to 270 days	22,199	235
from 271 to 360 days	13,177	383
over 1 year	<u>27,797</u>	<u>5,088</u>
Total	<u>286,672</u>	<u>5,706</u>

	Dec 31 2008	
	Gross	Impairment losses
up to 180 days	200,681	-
from 181 to 270 days	17,016	195
from 271 to 360 days	15,576	714
over 1 year	<u>31,416</u>	<u>2,333</u>
Total	<u>264,689</u>	<u>3,242</u>

	Dec 31 2009	Dec 31 2008
Loans advanced		
Current loans	19,050	11,212
Non-current loans	<u>74,661</u>	<u>62,717</u>
	<u>93,711</u>	<u>73,929</u>

	Dec 31 2009	Dec 31 2008
Non-current receivables		
Receivables from employees	524	579
Non-current loans	74,661	62,717
Security deposits	<u>4,340</u>	<u>2,226</u>
	<u>79,525</u>	<u>65,522</u>

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

Notes

(PLN'000)

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

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

The loans advanced to related undertakings 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 2009	Dec 31 2008
Cash in hand	5,160	4,314
Cash at bank	2,356	5,423
Cash in transit	3,358	2,991
Cash in accounts of the Company's Social Benefits Fund	739	52
Cash	<u>11,613</u>	<u>12,780</u>
Local currency	10,687	9,701
Other currencies	926	3,079
	<u>11,613</u>	<u>12,780</u>

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

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

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

13. Share Capital and Share Premium Account

As at December 31st 2009, the share capital of Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with a par value of PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission, and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on May 26th 2004.

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

As at December 31st 2009, Series A to G shares were registered by the registry court. However, as at the balance-sheet date and by the date of approval of these financial statements, part of Series F1, F2 and F3 shares were not registered, as presented in the table below:

Notes

(PLN'000)

	Number of shares	Par value (PLN)	Issue price (PLN)	Date of acquisition by eligible persons
Series F1 shares	1	2	33.59	Dec 29 2009
Series F2 shares	127,333	254,666	37.13	Dec 29 2009
Series F3 shares	157,334	314,668	18.64	Dec 29 2009
	284,668	284,668		

14. Net Earnings Per Share**Basic Earnings Per Share**

The table below presents net earnings per share calculated using the net profit for the period in the amount of PLN 60,707 thousand (2008: PLN 22,912 thousand) and the weighted average number of shares – 13,788 thousand (2008: 13,400 thousand):

<i>Weighted average number of shares</i>	2009	2008
Shares outstanding as at Jan 1	13,736,100	11,821,100
Shares issued in connection with merger	-	1,562,500
Shares issued in connection with option exercise	51,585	16,667
Weighted average number of shares during the year	13,787,685	13,400,267
Basic earnings per share	2009	2008
Net profit for period	60,707	22,912
Weighted average number of shares	13,787,685	13,400,267
Net earnings per share	4.40	1.71

Diluted Earnings Per Share

For the purpose of calculation of diluted earnings per share the Company took into account the dilutive effect of the incentive scheme. The table below presents net earnings per share calculated using the net profit for the period in the amount of PLN 60,707 thousand (2008: PLN 22,912 thousand) and weighted average number of shares (diluted) – 14,059 thousand (2008: 13,668 thousand):

<i>Weighted average number of shares (diluted)</i>	2009	2008
Weighted average number of shares during the year (basic)	13,787,685	13,400,267
Effect of stock option exercise	271,326	267,318
Weighted average number of shares during the year (diluted)	14,059,011	13,667,585

The average market price of shares used to calculate the dilutive effect on the earnings per share ratio was computed based on the trading prices of the Company shares on the stock exchange.

<i>Diluted earnings per share</i>	2009	2008
Net profit for period	60,707	22,912
Diluted weighted average number of shares	14,059,011	13,667,585
Net earnings per share	4.32	1.68

Notes

(PLN'000)

15. Liabilities under Loans, Borrowings and Other Debt Instruments

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 31.

Non-current	Dec 31 2009	Dec 31 2008
Secured bank loans	350,262	78,493
Loans received	955	906
Finance lease liabilities	32,209	30,877
	383,426	110,276

Current	Dec 31 2009	Dec 31 2008
Secured bank loans	55,000	395,533
Unsecured liabilities under debt securities (bonds)	25,000	-
Finance lease liabilities	7,199	8,425
	87,199	403,958

Current loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	55,000	55,000	Dec 31 2010
	55,000	55,000	

Non-current loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	425,000	350,262	Jul 29 2011
Armatus Sp. z o.o.	955	955	Jan 31 2011
	425,955	351,217	

As at December 31st 2009, total liabilities under loans and borrowings amounted to PLN 406,217 thousand, of which PLN 396,569 thousand was attributable to liabilities under loans and borrowings contracted in PLN and PLN 9,648 thousand was attributable to liabilities under loans and borrowings contracted in EUR.

Material Terms of the Syndicated Credit Facility

The table below presents banks which advanced the syndicated credit facility (including the amount drawn down as at December 31st 2009):

	Amount drawn	Share in the amount drawn
Polska Kasa Opieki S.A.	109,974	27%
ABN Amro (Polska) S.A.	80,696	20%
ING Bank Śląski S.A.	78,177	19%
Bank Handlowy w Warszawie S.A.	48,607	12%
BRE Bank S.A.	67,808	17%
EFG Eurobank Ergasias S.A., Branch in Poland	20,000	5%
	405,262	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:

Notes*(PLN'000)*

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

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

- the total amount of dividend paid for a given financial year does not exceed 20% of the net profit;
- the financial ratios are maintained at a satisfactory level and dividend payment would not result in failure to meet the requirements with respect to any of the key ratios.

The credit facility bears interest at a variable interest rate based on 3M WIBOR, O/N WIBOR or LIBOR reference rates plus bank's margin determined based on the debt/EBITDA ratio. Under the credit facility agreement, the Company is obliged to hedge against interest rate fluctuations by executing IRS contracts with the banks. For more information, see Note 33.

As at the reporting date, the effective interest rate was the reference rate plus 2.84 pp.

The loan advanced by Armatus Sp. z o.o. bears interest at a variable rate based on 1M WIBOR.

Finance lease	Dec 31 2009	Dec 31 2008
<i>Payments under lease agreements</i>	48,467	49,050
Finance expense	(9,058)	(9,748)
Present value of liabilities under leases	<u><u>39,409</u></u>	<u><u>39,302</u></u>
<i>Payments under lease agreements</i>	Dec 31 2009	Dec 31 2008
Up to 1 year	7,599	10,172
1–5 years	26,000	20,323
Over 5 years	14,868	18,555
	<u><u>48,467</u></u>	<u><u>49,050</u></u>
<i>Present value of liabilities under leases</i>	Dec 31 2009	Dec 31 2008
Up to 1 year	7,199	8,425
1–5 years	21,508	13,287
Over 5 years	10,702	17,590
	<u><u>39,409</u></u>	<u><u>39,302</u></u>

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

Bonds

During the year the Company financed its operations with short-term bonds. The par value of issued and redeemed bonds amounted to PLN 61,700 thousand.

The table presents information on the bonds issued and outstanding as at the reporting date.

<u>Tranche No.</u>	<u>Acquisition date</u>	<u>Maturity date</u>	<u>Redemption amount</u>
92	Aug 31 2009	May 31 2010	25,000
			<u><u>25,000</u></u>

Notes*(PLN'000)*

The bonds were issued in the Polish zloty as unsecured, discount (zero-coupon) bearer securities in book-entry form. The bonds will be redeemed at par value at the registered office of the issue agent. The discount rate is 7.92%.

16. Trade and Other Payables

	Dec 31 2009	Dec 31 2008
Trade payables to related undertakings	22,063	37,582
Trade payables to other undertakings	197,150	199,519
Taxes, customs duty, social security and other benefits payable	23,417	9,096
Other payables and accrued expenses	<u>24,479</u>	<u>13,085</u>
	<u>267,109</u>	<u>259,282</u>
Trade payables before bonuses accrued for the period	259,112	274,084
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	<u>(39,899)</u>	<u>(36,983)</u>
Balance-sheet value of trade payables	<u>219,213</u>	<u>237,101</u>
Maturity structure of trade payables		
Up to 12 months	219,213	237,101
Over 12 months	<u>-</u>	<u>-</u>
	<u>219,213</u>	<u>237,101</u>

Taxes, subsidies, customs duty, social security and other benefits payable as at December 31st 2009 included primarily VAT liabilities in the amount of PLN 19,636 thousand (2008: PLN 9,573 thousand).

The most important items of other payables and accrued expenses as at December 31st 2009 were liabilities under bonuses for clients in the amount of PLN 6,108 thousand (2008: PLN 2,704 thousand), and liabilities under leases in the amount of PLN 4,829 thousand (2008: PLN 0).

	Dec 31 2009	Dec 31 2008
Currency structure of trade and other payables		
Local currency	143,322	116,687
Foreign currencies	<u>123,787</u>	<u>142,595</u>
	<u>267,109</u>	<u>259,282</u>
<i>equivalent in national currency</i>		
Liabilities in EUR	116,976	128,827
Liabilities in USD	4,859	5,875
Liabilities in other currencies	<u>1,952</u>	<u>7,893</u>
	<u>123,787</u>	<u>142,595</u>

Notes

(PLN'000)

17. Liabilities under Employee Benefits

	Dec 31 2009	Dec 31 2008
Salaries and wages payables	206	534
Company's Social Benefits Fund	1,449	938
	<u>1,655</u>	<u>1,472</u>

18. Income Tax Payable

Maturity structure	Dec 31 2009	Dec 31 2008
Up to 12 months	248	-
Over 12 months	-	-
	<u>248</u>	<u>-</u>

19. Share-Based Payments

On February 6th 2006, the Extraordinary General Shareholders Meeting of the Company introduced an Incentive Scheme for members of the management bodies, managers, and employees of key importance to the implementation of the Inter Cars Group's strategy. On December 8th 2006, the Extraordinary General Shareholders Meeting of the Company made changes to the Incentive Scheme, which were announced on December 8th 2006 in current report No. 31/2006.

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Options outstanding as at Jan 1	29.19	432,000	29.76	472,000	35.95	472,000
Options exercised in the period	29.19	(432,000)	36.25	(40,000)	-	-
Options outstanding as at Dec 31	-	-	29.19	432,000	35.95	472,000
Options exercisable as at Dec 31	-	-	38.00	254,667	33.39	157,334
	Total	Jan 1- Dec 31 2009	Jan 1- Dec 31 2008	Jan 1- Dec 31 2007	Jan 1- Dec 31 2006	
Cost of options granted	5,935	-	743	3,330	1,862	

As at January 1st 2009, the number of exercisable options was 432,000 and the weighted average exercise price amounted to PLN 29.19.

As at December 31st 2009, all the options were exercised and converted into Series F1, F2 and F3 shares, as presented in the table included in Note 13.

20. Sales Revenue

	Jan 1- Dec 31 2009	Jan 1- Dec 31 2008
Revenue from sales of goods for resale	1,791,807	1,453,208
Revenue from sales of services	65,612	54,133
Lease of investment property	150	75
	<u>1,857,569</u>	<u>1,507,416</u>

(PLN'000)

Sales by Product Groups

	2009		2008	
	(PLN '000)	(%)	(PLN '000)	(%)
Spare parts for cars	1,379,611	74%	1,097,549	73%
Spare parts for commercial vehicles and buses	188,420	10%	186,756	12%
Spare parts for motorcycles and two-wheeled vehicles	30,845	2%	19,866	1%
Other spare parts	177,691	10%	137,953	9%
Other sales	81,002	4%	65,292	4%
Total sales revenue	1,857,569	100%	1,507,416	100%

Geographical Structure of Sales

	2009		2008	
	(PLN '000)	(%)	(PLN '000)	(%)
Domestic sales	1,488,994	80%	1,206,003	80%
Export sales	368,575	20%	301,413	20%
Total	1,857,569	100%	1,507,416	100%

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

For a detailed description of the sales structure and the key factors affecting sales value, see the Directors' Report on the Operations of Inter Cars S.A.

21. Cost of Sales

	Jan 1 - Dec 31 2009	Jan 1 - Dec 31 2008
Cost of services and goods for resale sold	1,346,893	1,104,533
Decrease in cost of services and goods for resale by the amount of discounts receivable for the period	(63,772)	(47,353)
Foreign exchange (gains)/losses	(5,569)	(3,321)
Cost of sales	1,277,552	1,053,859
Discounts receivable for the period	57,417	54,224
- recognised under inventories (to be recognised at the time of sale)	(14,908)	(21,263)
- recognised as a decrease in cost of sales	42,509	32,961
Prior-period discounts recognised under cost of products and goods for resale sold	21,263	13,285
Change in estimates relating to prior-period discounts	-	1,107
Decrease in cost of services and goods for resale sold by the amount of discounts receivable for the period	63,772	47,353
Discounts accrued in the period, recognised under inventories	14,908	21,263
Discounts accrued in the period, to be recognised in profit or loss of future periods	14,908	21,263

Notes*(PLN'000)***22. Selling Costs and General and Administrative Expenses**

	Jan 1- Dec 31 2009	Jan 1- Dec 31 2008
Depreciation/amortisation	26,660	23,574
Raw materials and energy used	10,504	11,261
Contracted services	329,030	264,737
Taxes and charges	1,990	1,889
Salaries and wages	67,183	65,531
Social security and other benefits	13,548	14,012
Other costs by type	17,956	12,154
Total costs by type	466,871	393,158
(-) Cost of distribution services	(211,010)	(174,213)
(-) Cost of incentive scheme	-	(743)
Selling costs and general and administrative expenses	255,861	218,202

Cost of distribution services is an item of contracted services presented under costs by type. In 2008, salaries and wages included costs related to implementation of the incentive scheme referred to in Note 19.

23. Costs of Employee Benefits

	Jan 1- Dec 31 2009	Jan 1- Dec 31 2008
Remuneration under employment contracts	66,249	64,254
Remuneration under contracts for specific work and contracts of mandate	934	1,277
Social security contributions	10,905	10,354
Other employee benefits	2,643	3,658
Costs of employee benefits recognised under general and administrative expenses	80,731	79,543

24. Other Operating Income

	Jan 1- Dec 31 2009	Jan 1- Dec 31 2008
Gain on disposal of non-financial non-current assets	-	4,347
Compensation, penalties and fines received	518	246
Surplus inventories in warehouse	525	857
Amounts charged to affiliate branches	50	4
Marketing rebates	885	784
Reversal of impairment losses	-	2,339
Discount	1,219	5,427
Impairment losses on past due liabilities	90	80
Receipt of past due receivables for which impairment losses were recognised	51	23
Deposit payments	77	55
Valuation of property	-	212
Other	362	109
	3,777	14,483

Notes

(PLN'000)

25. Other Operating Expenses

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Loss on disposal of non-current non-financial assets	359	-
Recognised impairment losses on receivables and other impairment losses	5,634	-
Damage to stock	2,224	1,665
Expenses related to complaints	401	863
Rebates granted	-	1,746
Impairment losses on past due receivables	2,543	5,053
Impairment losses on inventories	1,855	1,094
Compensation	79	276
Incomplete deliveries	-	1,398
Other	172	207
	<u>13,267</u>	<u>12,302</u>

26. Finance Income and Expenses

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Finance income		
Interest income on loans advanced	694	838
Interest income on intra-group loans advanced	4,358	3,369
Other interest	622	500
	<u>5,674</u>	<u>4,707</u>
Finance expenses		
Interest expense under bank loans	25,832	25,167
Interest expense under intra-group loans	44	52
Other interest	2,406	2,459
Fees and commissions	3,261	3,924
	<u>31,543</u>	<u>31,602</u>

Foreign exchange gains/(losses) in the period Jan 1–Dec 31 2009

	Recognised under cost of sales	Disclosed under foreign exchange gains/(losses)	Total foreign exchange gains/(los ses)
Arising in connection with payment of trade payables and receivables	5,741	-	5,741
Arising in connection with repayment of loans	-	(4,730)	(4,730)
Other	-	10	10
Realised foreign exchange gains/(losses)	<u>5,741</u>	<u>(4,720)</u>	<u>1,021</u>
Arising in connection with valuation of trade payables and receivables as at the reporting date	(172)	-	(172)
Other	-	406	406
Unrealised foreign exchange gains/(losses)	<u>(172)</u>	<u>406</u>	<u>234</u>
Total foreign exchange gains/(losses)	<u>5,569</u>	<u>(4,314)</u>	<u>1,255</u>

(PLN'000)

Foreign exchange gains and losses in the period Jan 1–Dec 31 2008	Recognised under cost of sales	Disclosed under foreign exchange gains/(losses)	Total foreign exchange gains/(losses)
Arising in connection with payment of trade payables and receivables	(5,526)	-	(5,526)
Arising in connection with repayment of loans	-	2,281	2,281
Realised foreign exchange gains/(losses)	(5,526)	2,281	(3,245)
Arising in connection with valuation of trade payables and receivables as at the reporting date	8,847	-	8,847
Other	-	232	232
Arising in connection with valuation of liabilities under foreign-currency bank loans as at the reporting date	-	(11,168)	(11,168)
Unrealised foreign exchange gains/(losses)	8,847	(10,936)	(2,089)
Total foreign exchange gains/(losses)	3,321	(8,655)	(5,334)

27. Structure of Cash for the Statement of Cash Flows

Corporate Income Tax Paid

	Dec 31 2009	Dec 31 2008
Current corporate income tax disclosed in the statement of comprehensive income	(12,126)	(4,589)
Change in income tax receivable	214	214
Change in income tax payable	247	(9,248)
Corporate income tax paid	(11,665)	(13,623)

Change in Receivables (Except Loans Advanced and Income Tax Receivable)

	Dec 31 2009	Dec 31 2008
Change in trade and other receivables	66,194	116,754
Change in non-current receivables	14,003	34,330
Change in loans advanced	(19,782)	(37,222)
Other, including receivables taken over from JC Auto	-	(34,323)
Change in receivables	60,415	79,539

Change in Loans Advanced

	Dec 31 2009	Dec 31 2008
Loans advanced	(27,657)	(46,465)
Repayment of loans advanced	10,896	12,487
Interest received	2,012	1,110
Interest accrued	(5,051)	(4,207)
Change in balance-sheet valuation	18	(147)
Change in loans advanced	(19,782)	(37,222)

Notes

(PLN'000)

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

	Dec 31 2009	Dec 31 2008
Amounts received (repaid) under loans, borrowings and debt securities	(69,107)	83,745
Payment of liabilities under finance lease agreements	(9,934)	(9,635)
Proceeds from issue of debt securities (bonds)	86,700	-
Redemption of debt securities (bonds) issued	(61,700)	(54,832)
Leases granted	10,041	2,455
Change in balance-sheet valuation	391	11,047
Change in loans, borrowings, debt securities and finance lease liabilities	(43,609)	32,780

Net Interest

	Dec 31 2009	Dec 31 2008
Interest paid	(28,282)	(27,678)
Interest accrued	5,051	4,207
Net interest	(23,231)	(23,471)

28. Income Tax

Income tax recognised under current period profit or loss

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Current income tax	12,126	4,588
Change in deferred income tax	640	(470)
Income tax disclosed in statement of comprehensive income	12,766	4,118

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

Effective tax rate	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
<i>tax rate</i>	19%	19%
Profit before tax	73,473	27,030
Tax based on applicable tax rates (19%)	(13,960)	(5,136)
Permanent differences	1,194	1,018
Income tax disclosed in statement of comprehensive income	(12,766)	(4,118)

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

29. Dividend per Share

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Dividend resolved and paid out to the reporting date	-	9,450
Number of shares with right to dividend as per resolution of	14,168,100	13,696,100

Notes

(PLN'000)

the General Shareholders Meeting

Dividend per share (PLN) - 0.69

In 2009, the Annual General Shareholders Meeting of Inter Cars S.A. adopted a resolution on the allocation of the whole profit for 2008 to statutory reserve funds.

On July 18th 2008, the Annual General Shareholders Meeting of Inter Cars S.A. adopted a resolution on the distribution of dividend for 2007 in the amount of PLN 9,450,309.00 (PLN 0.69 per share). The dividend record date was August 5th 2008 and the dividend payment date was August 21st 2008.

The Management Board proposed to allocate the current period net profit to statutory reserve funds. The possibility of paying out dividend by the 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**Tax Liabilities**

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

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

Guarantees and Sureties

As at December 31st 2009, the total amount of sureties and guarantees was PLN 12,766 thousand and comprised the sureties in respect of lease agreements of Lauber Sp. z o.o., sureties for the benefit of suppliers of Inter Cars Ceska Republika and Inter Cars Slovenska Republika, and a surety for a loan repayment by Inter Cars Hungaria Kft. and Inter Cars Slovenska Republika.

For	Term	Amount (PLN '000)
Inter Cars Hungaria Kft.	Feb 20 2016	4,065
Lauber Sp. z o.o.	Sep 26 2011	197
Inter Cars Ceska Republika and Inter Cars Slovenska Republika	Dec 31 2010	4,108
Inter Cars Slovenska Republika	Jun 24 2010	4,396

12,766

The Company held a customs guarantee issued by TU Allianz Polska S.A. in the amount of PLN 1,000 thousand, and guaranties issued by Generali TU S.A. with respect to payment of bid bonds and performance bonds securing proper performance of contractual obligations and removal of defects in the case of supplies for the Police.

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 Czostnów and the facilities in Kajetany and Gdańsk). Any lease costs paid by the Company are fully re-invoiced to end users (branch operators) throughout the whole term when the area

Notes*(PLN'000)*

is used (including the termination notice period). As at December 31st 2009, the total amount of lease rents under agreements for an indefinite term due for the termination notice periods under those agreements was PLN 6,429 thousand. The amount of lease rents under agreements for a definite term totalled PLN 9,297 thousand. As at the end of 2008, the amounts of the lease rents were PLN 4,127 thousand and PLN 17,899 thousand respectively.

The amount of future minimum payments under operating leases falling due in up to one year totals PLN 10,493 thousand (2008: PLN 11,062 thousand), and the ones falling due in the period from one to five years is PLN 5,233 thousand (2008: PLN 10,963 thousand). No future minimum payments under operating leases falling due in over five years are reported.

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

32. Transactions with Related Undertakings

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

Receivables from subsidiary undertakings	Dec 31 2009	Dec 31 2008
Inter Cars Ukraine	26,699	25,308
Lauber Sp. z o.o.	2,150	1,093
Inter Cars Ceska Republika	27,645	46,257
Inter Cars Slovenska Republika	8,113	9,397
Feber Sp. z o.o.	7,331	7,082
Inter Cars Lietuva	8,166	7,195
IC Development & Finance Sp. z o.o.	215	210
JC Auto s.r.l.	7,554	3,759
Inter Cars d.o.o.	20,725	15,932
JC Auto S.A.	5,644	4,810
INTER CARS Hungária Kf.	13,131	7,587
JC Auto s.r.o.	8,246	8,377
Inter Cars Romania s.r.l.	8,039	771
Armatus Sp. z o.o.	88	3
	143,746	137,781
Liabilities to subsidiary undertakings	Dec 31 2009	Dec 31 2008
Inter Cars Ukraine	1	-
Q-Service Sp. z o.o.	14,756	8,759
Lauber Sp. z o.o.	1,491	-
Inter Cars Ceska Republika	481	23,826
Inter Cars Slovenska Republika	260	378
Inter Cars Lietuva	5	-
IC Development & Finance Sp. z o.o.	59	122
JC Auto s.r.l.	-	92
Inter Cars d.o.o.	53	17
JC Auto S.A.	896	416
INTER CARS Hungária Kft.	377	383
Inter Cars Romania s.r.l.	61	-
5 STERNE FAHWERKSTECHNIK GMBH I. GR.	89	-
JC Auto s.r.o.	3,534	3,589
	22,063	37,582

Notes*(PLN'000)*

Sales revenue	2009	2008
Inter Cars Ukraine	17,209	15,425
Q-Service Sp. z o.o.	3,452	2
Lauber Sp. z o.o.	4,013	2,233
Inter Cars Ceska Republika	32,174	21,673
Inter Cars Slovenska Republika	40,294	26,920
Feber Sp. z o.o.	464	1,117
Inter Cars Lietuva	18,767	9,376
IC Development & Finance Sp. z o.o.	6	173
JC Auto s.r.l.	6,348	1,757
Inter Cars d.o.o.	13,635	9,208
JC Auto S.A.	1,829	958
INTER CARS Hungária Kft.	9,938	4,349
Inter Cars Romania s.r.l.	11,567	667
Armatus sp. z o.o.	103	2
	159,799	93,860

Purchase of goods for resale and services	2009	2008
Inter Cars Ukraine	1	-
Q-Service Sp. z o.o.	49,967	33,131
Lauber Sp. z o.o.	12,542	10,324
Inter Cars Ceska Republika	2,323	16,880
Inter Cars Slovenska Republika	268	191
Feber Sp. z o.o.	312	1
Inter Cars Lietuva	344	772
IC Development & Finance Sp. z o.o.	316	305
JC Auto s.r.l.	15	1,455
Inter Cars d.o.o.	37	23
JC Auto S.A.	841	2,796
JC Auto s.r.o.	-	32
Inter Cars Romania s.r.l.	63	-
	67,029	65,910

All transactions with the related undertakings are entered into at arm's length.

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

Sales revenue	2009	2008
Inter Cars s.j.	36	37
ANPO Andrzej Oliszewski	-	2
FASTFORWARD Maciej Oleksowicz	444	110
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	52	70
AK-CAR Agnieszka Soszyńska	651	691
BEST-CAR Justyna Pietrzak	488	392
	1,671	1,302

Purchase of goods for resale and services	2009	2008
Inter Cars s.j.	27	227
ANPO Andrzej Oliszewski	155	148
FASTFORWARD Maciej Oleksowicz	504	337
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	1,810	1,768
AK-CAR Agnieszka Soszyńska	4,222	3,697
BEST-CAR Justyna Pietrzak	2,089	1,784
	8,807	7,961

Notes*(PLN'000)*

Receivables	Dec 31 2009	Dec 31 2008
Inter Cars s.j.	38	43
FASTFORWARD Maciej Oleksowicz	110	9
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	1	31
AK-CAR Agnieszka Soszyńska	70	222
BEST-CAR Justyna Pietrzak	111	115
	<u>330</u>	<u>420</u>

Liabilities	Dec 31 2009	Dec 31 2008
Inter Cars s.j.	-	66
ANPO Andrzej Oliszewski	-	2
FASTFORWARD Maciej Oleksowicz	-	-
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	55	108
AK-CAR Agnieszka Soszyńska	151	194
BEST-CAR Justyna Pietrzak	48	75
	<u>254</u>	<u>445</u>

Loans advanced

	Dec 31 2009	Dec 31 2008
Loans to members of the Supervisory Board and Management Board and their relatives	-	-
Loans to subsidiary and associated undertakings	87,019	66,653
	<u>87,019</u>	<u>66,653</u>

Lauber Sp. z o.o.	4,394	252
Feber Sp. z o.o.	37,957	21,506
JC Auto S.A.	-	149
Inter Cars Romania	719	728
IC Development & Finance Sp. z o.o.	42,785	42,849
Frenoplast S.A.	1,164	1,169
	<u>87,019</u>	<u>66,653</u>

The amount of advanced loans maturing in up to one year is PLN 11,618 thousand, while the amount of loans maturing in over one year totals PLN 75,401 thousand.

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

Loans advanced

	2009	2008
As at beginning of period	66,653	29,824
From merger with JC Auto S.A.	-	785
Loans advanced	27,500	41,575
Interest accrued	4,442	3,368
Repayments received	(10,200)	(8,664)
Interest received	(1,251)	(384)
Balance-sheet valuation	(125)	149
As at Dec 31	<u>87,019</u>	<u>66,653</u>

Notes

(PLN'000)

Interest accrued

	2009	2008
Lauber Sp. z o.o.	142	25
Feber Sp. z o.o.	1,759	1,017
JC Auto S.A. (Be)	-	25
JC Auto s.r.l.	-	2
Inter Cars Romania	20	19
IC Development & Finance Sp. z o.o.	2,436	2,261
Frenoplast S.A.	85	19
	<u>4,442</u>	<u>3,368</u>

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

	2009	2008
As at beginning of period	37,515	28,192
Issued	8 504	9,323
Expired	(33,253)	-
As at end of period	<u>12,766</u>	<u>37,515</u>

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

	2009	2008
Supervisory Board	208	167
Management Board	2,650	2,486
	<u>2,858</u>	<u>2,653</u>

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

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

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

	Dec 31 2009	Dec 31 2008
Trade and other receivables	453,159	371,318
Cash and cash equivalents	11,613	12,780
	<u>464,772</u>	<u>384,098</u>

Interest Rate Risk

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

Notes

(PLN'000)

The Company has liabilities bearing interest at variable rates. As at December 31st 2009, the Company had no fixed-rate liabilities.

In connection with the obtained syndicated credit facility, the Company is required to hedge its interest rate risks by entering into Interest Rate Swap (IRS) contracts. As at the reporting date, the Company was party to the following IRS transactions:

Bank	Value of the hedged item	Term of the contract	Reference rate	Fixed interest rate acc. to contract
BRE	55,417	until Jun 30 2011	3M WIBOR	4.98
ING	63,333	until Jun 30 2011	3M WIBOR	4.99
PKO	98,958	until Jun 30 2011	3M WIBOR	4.98
Total	217,708			

The above transactions were concluded near the end of the reporting period, and their subsequent measurement as at the balance-sheet date was therefore immaterial. Hedge accounting was applied to these transactions (cash flow hedges).

The Company uses financial derivatives to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid (combined) instrument is not measured at fair value through profit or loss.

Material interest rate hedge transactions were concluded also subsequent to the balance-sheet date.

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

Variable-rate financial instruments	Dec 31 2009	Dec 31 2008
Financial assets (loans advanced, excluding interest accrued)	86,930	70,187
Financial liabilities (liabilities under loans, borrowings, debt securities and finance leases, less bonds with fixed discount rate)	(445,625)	(514,234)
- less financial liabilities hedged with Interest Rate Swaps (IRS) as at the reporting date:	217,708	-
	(140,987)	(444,047)

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

as at Dec 31 2009	basis points	
	increase/decrease	impact on net profit/loss
	+ 100 / -100	(1,142) / 1,142
	+ 200 / -200	(2,284) / 2,284
as at Dec 31 2008	basis points	
	increase/decrease	impact on net profit/loss
	+ 100 / -100	(3,597) / 3,597
	+ 200 / -200	(7,194) / 7,194

Notes

(PLN'000)

Currency Risk

A significant portion of the Company's trade payables is denominated in foreign currencies, especially in EUR. Sales are denominated mainly in PLN. In the period January 1st – December 31st 2009, the Company concluded no currency forward transactions for the sale or purchase of foreign currencies.

	EUR	USD	Other	EUR	USD	Other
	Dec 31 2009			Dec 31 2008		
Trade receivables	155,390	11,484	421	154,817	16,285	841
Cash	888	23	15	3,079	-	-
Bank loans	(9,648)	-	-	(18,051)	-	-
Trade payables	(116,976)	(4,859)	(1,952)	(128,827)	(5,875)	(7,893)
Gross balance-sheet exposure	29,654	6,648	(1,516)	11,018	10,410	(7,052)

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

	foreign exchange rate	impact on net profit/loss
	increase/decrease	
as at Dec 31 2009		
EUR	+ 5% / - 5%	1,201 / (1,201)
	+ 10% / - 10%	2,402 / (2,402)
USD	+ 5% / - 5%	269 / (269)
	+ 10% / - 10%	538 / (538)
Other	+ 5% / - 5%	(61) / 61
	+ 10% / - 10%	(122) / 122
	foreign exchange rate	impact on net profit/loss
	increase/decrease	
as at Dec 31 2008		
EUR	+ 5% / - 5%	446 / (446)
	+ 10% / - 10%	892 / (892)
USD	+ 5% / - 5%	422 / (422)
	+ 10% / - 10%	844 / (844)
Other	+ 5% / - 5%	(286) / 286
	+ 10% / - 10%	(572) / 572

Notes

(PLN'000)

Liquidity Risk

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

Presented below are the Company's future payments as at December 31st 2009 by maturity date, based on discounted payments:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	total
interest-bearing loans and borrowings	-	10,000	45,000	350,262	-	405,262
bonds	-	-	25,000	-	-	25,000
finance lease liabilities	-	2,021	5,178	21,508	10,702	39,409
trade and other payables	121,787	144,044	1,278	-	-	267,109
	121,787	156,065	76,456	371,770	10,702	736,780

As the amounts of liabilities on Interest Rate Swaps valuation were immaterial, they are not presented in the above table.

Capital Management

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

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

In the reporting period, certain capital management restrictions were introduced in connection with the obtained credit facility agreement (see Note 15).

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

	Dec 31 2009	Dec 31 2008
Liabilities under loans, borrowings, and finance leases	470,625	514,234
Trade and other payables	267,109	259,282
(less) cash and cash equivalents	(11,613)	(12,780)
Net debt	726,121	760,736
Equity	480,228	406,912
Net debt to equity	1.51	1.87

Notes

(PLN'000)

Fair Value

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

	Dec 31 2009		Dec 31 2008	
	carrying amount	fair value	restated carrying amount	Fair value
Loans advanced	93,711	93,711	73,929	73,929
Financial assets available for sale	43	*	43	*
Trade and other receivables (excluding loans advanced)	359,448	359,448	371,104	371,104
Cash and cash equivalents	11,613	11,613	12,780	12,780
Liabilities under bank loans and borrowings (including valuation of Interest Rate Swaps)	406,217	409,545	474,026	474,026
Trade and other payables	267,109	267,109	246,307	246,307
Liabilities under bonds	25,000	25,000	-	-
Finance lease liabilities	39,409	39,409	39,302	39,302
Net exposure	(272,920)		(373,850)	

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

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

34. Events Subsequent to the Balance-Sheet Date

No such events occurred.

35. Significant Judgments and Estimates

The preparation of the financial statements in conformity with the EU IFRS requires the 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 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 3 Investment property,
- Note 9 Impairment losses on inventories and discounts charged to inventories,
- Note 10 Impairment losses on receivables,
- 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,
- Note 7 Impairment losses on shares in subsidiary undertakings.

Notes*(PLN'000)***36. Change in the Presentation of Financial Data**

In the financial statements prepared as at December 31st 2008 the presentation of provisions, accruals and deferrals, and prepayments was changed. The restatements are presented in the tables below.

Selected data from the statement of financial position	Approved report	Change	Restated
	Dec 31 2008		Dec 31 2008
ASSETS			
Trade and other receivables	305,582	1,858	307,440
Prepayments	1,858	(1,858)	-
	307,440	-	307,440
EQUITY AND LIABILITIES			
Provisions (non-current)	35	(35)	-
Trade and other payables	246,307	12,975	259,282
Provisions	1,341	(1,341)	-
Current accruals and deferred income	11,599	(11,599)	-
	259,282	0	259,282

37. Going Concern

The Company's objective in the capital risk management is to safeguard its ability to continue as a going concern so that it can generate return for the shareholders, and to maintain an optimum capital structure to reduce the cost of capital.

The financial statements were drawn up on the assumption that the Company would continue as a going concern in the foreseeable future. In the Management Board's opinion, there are no circumstances which indicate that there is a threat to the Company continuing as a going concern.

As at the end of the financial year, the Company and Inter Cars Group financed its operations (and operations of the Group companies) primarily with bank loans.

In 2009, Inter Cars executed a two-year syndicated credit facility agreement. Transition from short-term bilateral loans to mid-term syndicated financing provides Inter Cars S.A. and other members of the Inter Cars Group with stability and constant access to financing for a period of two years, up to a maximum amount of PLN 480m, thus enabling the continued rapid development of the Group. The final maturity date for the facility is July 29th 2011. For more information see Note 15.

38. Consolidated Financial Statements

As the parent undertaking, Inter Cars S.A. prepares consolidated financial statements.

The financial statements of the Company and its subsidiary undertakings were consolidated using the full method, excluding FRENOPLAST (associated undertaking), which was valued with the equity method.

Notes

(PLN'000)

Krzysztof Oleksowicz

President of the
Management Board

Robert Kierzek

Vice-President of the
Management Board

Krzysztof Soszyński

Vice-President of the
Management Board

Wojciech Milewski

Member of the
Management Board

Piotr Kraska

Member of the
Management Board

Julita Pałyska

Person responsible for
keeping the accounting books

Warsaw, April 20th 2010

Report on the Operations of Inter Cars S.A.

(PLN'000)

PART III

REPORT ON THE OPERATIONS OF INTER CARS S.A.

1.	Summary	65
2.	Core Business of the Company	66
3.	Key Goods for Resale	67
4.	Sales Markets	67
5.	Market Environment	69
6.	Supply Sources	71
7.	Agreements Significant and Material to Inter Cars' Business and Insurance Agreements.....	71
8.	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	72
9.	Changes in Organisational or Capital Links	72
10.	Material Transactions Entered into by the Issuer with Related Parties Other than Arm's Length Transactions; Amounts and Nature of such Transactions	72
11.	Loans and Borrowings.....	73
12.	Loans Advanced	73
13.	Sureties and Guarantees Issued.....	74
14.	Security Issues.....	74
15.	Seasonality or Cyclical Nature of Operations	74
16.	Evaluation of Financial Resources Management	74
17.	Assessment of Investment Projects Feasibility	77
18.	Extraordinary Factors and Events Which Have a Bearing on the Performance	78
19.	External and Internal Factors Important to the Company's Development	78
20.	Risk Factors	80
21.	Strategy and Future Development Prospects.....	83
22.	Changes in Key Principles of Managing the Group.....	84
23.	Agreements Concluded between the Company and the Management Staff.....	84
24.	Remuneration of the Management Staff.....	84
25.	Shares	85
26.	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.....	86
27.	System for Control of Employee Stock Option Plans	86
28.	Qualified Auditor of Financial Statements	87
29.	Transactions in Financial Derivatives and Their Risk Profile.....	87
30.	Employment	87
31.	Environmental Policy.....	87
32.	Events Which May Have a Material Bearing on the Issuer's Future Results and Events After the Balance-Sheet Date	87
33.	The Management Board's Standpoint Regarding the Possibility of Meeting the Previously Published Forecasts for 2009	87
34.	Changes in the Company's Structure, Non-Current Investments and Restructuring.....	87
35.	Management and Supervisory Bodies.....	88
36.	Information on Court Proceedings to Which the Group is a Party	88
37.	Information on Average Foreign Exchange Rates.....	88
33.	Corporate Governance.....	88

APPENDIX TO THE REPORT ON THE OPERATIONS OF INTER CARS S.A. **Błąd! Nie zdefiniowano zakładek.**

1. Summary

Inter Cars is an importer and distributor of spare parts for cars and commercial vehicles.

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

The sales revenue in 2009 was up **23%** on the previous year. The share of exports in the sales of goods for resale was comparable to that in 2008 and stood at ca. 20%.

The sales revenue in 2009 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** (126 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 2009, 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 28% 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 30.1% in 2008 to 31.2% in 2009.

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.**

	2009	2008	2009	2008
	PLN	PLN	EURO	EURO
Separate statement of comprehensive income				
<i>(for period)</i>				
Sales revenue	1,857,569	1,507,416	427,952	426,776
Gross profit (loss) on sales	580,017	453,557	133,626	128,410
Cost of management stock option plan	-	(743)	-	(210)
Net finance income/(expenses)	(30,183)	(35,550)	(6,954)	(10,065)
Operating profit (loss)	103,656	62,580	23,881	17,718
Net profit (loss)	60,707	22,912	13,986	6,487
Separate statement of cash flows				
Net cash provided by (used in) operating activities	104,444	74,697	24,062	21,148
Net cash provided by (used in) investing activities	(35,897)	(58,690)	(8,270)	(16,616)
Net cash provided by (used in) financing activities	(69,714)	(16,400)	(16,061)	(4,643)
Separate statement of financial position <i>(as at period-end)</i>				
Cash and cash equivalents	11,613	12,780	2,827	3,063
Balance-sheet total	1,224,197	1,185,592	297,989	284,151
Loans, borrowings and finance lease liabilities	470,625	514,234	114,557	123,247
Equity	480,228	406,912	116,895	97,525
Earnings per share	4.40	1.71	1.01	0.48
Sales margin (1)	31.2%	30.1%		
EBITDA as % of sales (2)	7.0%	5.7%		

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

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

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

- for the items of the statement of financial position – the exchange rate quoted by the National Bank of Poland for December 31st 2009: EUR 1 = PLN 4.1082, and the exchange rate quoted for December 31st 2008: EUR 1 = PLN 4.1724.
- 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 2009 and 2008, that is EUR 1 = PLN 4.3406 and EUR 1 = PLN 3.5321, respectively.

2. Core Business of the Company

Inter Cars is an importer and distributor of spare parts for cars and commercial vehicles. The Company's offering comprises also equipment for garages, in particular equipment used in maintenance and repair of cars, and spare parts for motorcycles and tuning. The product range includes primarily spare parts for vehicles manufactured in Europe, Japan and South Korea. **Inter Cars offers the widest range of automotive spare parts in Eastern Europe**, including both original parts (as defined in BER 1400/2001) and spare parts of a comparable quality.

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

The Company's strategy consists in the sale of branded spare parts and constant extension of the spare parts offering with high-quality products from renown global

(PLN'000)

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

The Company's objective is to create a leading automotive spare parts distribution network in Poland, with a strong representation on the new European markets, which would yield sustainable profits and enable expansion by taking over market shares of other entities operating in the distribution and logistics industry. **The target share in the Polish market is approximately 25%–30% around 2012–2014.**

Goods are distributed through the logistics centre, a network of 126 own affiliate branches in Poland, regional warehouses in Poznań, Tychy and Łódź, and foreign subsidiary undertakings in Ukraine, the Czech Republic, Slovakia, Lithuania, Hungary, Croatia, Italy and Belgium. The Central Warehouse has all product groups available, while the affiliate branches store only fast moving products, making sure that their product range, its quality and accessibility matches local requirements.

3. Key Goods for Resale

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

The Company's offering is constantly extended by increasing product range in individual categories and supplementing it with new ones, as well as by looking for new markets.

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

	2009		2008		2007	
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Domestic sales	1,488,994	80.15%	1,206,003	80.00%	905,344	78.67%
Exports, including:	368,575	19.84%	301,413	20.00%	245,530	21.33%
<i>Inter Cars Ukraine</i>	17,209	0.93%	15,425	1.02%	11,189	0.97%
<i>Inter Cars Ceska Republika</i>	32,174	1.73%	21,673	1.44%	18,345	1.59%
<i>Inter Cars Slovenska Republika</i>	40,294	2.17%	26,812	1.79%	17,467	1.52%
<i>Inter Cars Lietuva</i>	18,767	1.01%	9,376	0.62%	5,273	0.46%
<i>Inter Cars Croatia</i>	13,635	0.73%	9,208	0.61%	-	-
<i>Inter Cars Hungaria</i>	9,938	0.53%	4,349	0.29%	-	-
<i>Inter Cars Romania</i>	11,567	0.62%	667	0.04%	-	-
<i>JC Auto Italia</i>	6,348	0.34%	1,757	0.12%	-	-
<i>JC Auto Belgium</i>	1,829	0.10%	958	0.06%	-	-
Total	1,857,569	100%	1,507,416	100%	1,150,874	100%

4. 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 2008, at 20%. 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, thanks to, among other things, the merger with JC Auto SA in 2008. 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 41.17% in 2009 (as compared to 29.96% in 2008).

(PLN'000)

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

	2009		2008		2007	
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Sales of automotive spare parts and garage equipment	1,776,567	95.6%	1,442,124	95.67%	1,092,229	94.9%
<i>Domestic</i>	1,417,829	76.3%	1,147,768	76.14%	840,174	73.0%
<i>Export</i>	358,738	19.3%	294,356	19.53%	252,055	21.9%
Other	81,002	4.4%	65,292	4.33%	58,645	5.1%
<i>Domestic</i>	71,165	3.9%	58,235	3.86%	54,028	4.7%
<i>Export</i>	9,837	0.5%	7,057	0.47%	4,617	0.4%
Net sales revenue	1,857,569	100%	1,507,416	100%	1,150,874	100.0%

Other sales comprise income from cost re-invoicing and sales of marketing services related to the core business.

In 2009, the sales of automotive spare parts and garage equipment were higher by over 23% on 2008.

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

	2009		2008		2007	
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Spare parts for cars	1,379,611	77.7%	1,097,549	76.1%	797,209	73.0%
Spare parts for commercial vehicles and buses	188,420	10.6%	186,756	12.9%	180,767	16.6%
Spare parts for motorcycles and two-wheeled vehicles	30,845	1.7%	19,866	1.4%	13,887	1.3%
Other	177,691	10.0%	137,953	9.6%	100,366	9.2%
Total	1,776,567	100.0%	1,442,124	100.0%	1,092,229	100.0%

The highest growth (ca. 55%) and the lowest volume were recorded in the **sales of spare parts for motorcycles**. In 2005, the Company launched the sale of *Triumph* motorbikes and commenced the organisation of a sales network operating under *InterMotors* brand. A website dedicated to the sale of motorcycles, spare parts and accessories, at www.intermotors.pl, was launched. At present, the sale of motorcycle parts is conducted through 20 points of sale.

In 2009, Inter Cars launched the sale of INCA scooters, motorcycles, quads and UTV vehicles. In spite of the season having been commenced as late as in May 2009, the sales of scooters have been increasing at an ever growing rate. New models of scooters will be added to the offering in 2010.

In the first season of operation, a network of dealers was created, which included ca. 100 points of sale and service shops in Poland. The network has been developing dynamically and at present comprises ca. 150 outlets.

The sales of **spare parts for cars** increased by ca. 26%, driven mainly by the extension of the offering with the range of spare parts sold by JC Auto SA.

The sales of **spare parts for commercial vehicles** increased by 1% in 2009 as compared with 2008, and represented ca.11% of the Company's total sales of spare parts.

(PLN'000)

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

	2009		2008		2007	
	PLN '000	(%)	PLN '000	(%)	PLN '000	(%)
Domestic sales	1,417,829	79.8%	1,147,768	79.6%	840,175	76.9%
spare parts for cars	1,070,616	60.3%	854,143	59.2%	600,502	55.0%
spare parts for commercial vehicles and buses	147,679	8.3%	142,226	9.9%	129,546	11.9%
other, spare parts for motorcycles	199,534	11.2%	151,399	10.5%	110,127	10.1%
Export sales	358,738	20.2%	294,356	20.4%	252,054	23.1%
spare parts for cars	308,995	17.4%	243,406	16.9%	196,707	18.0%
spare parts for commercial vehicles and buses	40,741	2.3%	44,530	3.1%	51,221	4.7%
other, spare parts for motorcycles	9,002	0.5%	6,420	0.4%	4,126	0.4%
Total	1,776,567	100%	1,442,124	100%	1,092,229	100.0%

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

5. Market Environment

Inter Cars operates in the segment of distribution of new spare parts, supplied mainly to garages independent of vehicle manufacturers. According to data provided by Stowarzyszenie Dystrybutorów Części Motoryzacyjnych (Polish Automotive Aftermarket Suppliers Association), the independent distribution segment accounts for approximately 51% of the total value of the spare parts market in Poland. **The Company is the largest player in this sector.**

Key Drivers of the Market Development

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

The key **market drivers** include:

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

Report on the Operations of Inter Cars S.A.

(PLN'000)

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 2008 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

The number of vehicles is constantly rising – up by 59 million vehicles, i.e. about 38% in the European Union in the period from 1990 to 2004. In the same period in Poland – up by about 6.7 million, i.e. by about 128%.

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)	2001	002	2003	2004	2005	2006	2007	2008	2009
cars	327	08	354	318	236	239	293	320	320
commercial vehicles	35	2	39	49	47	56	79	81	52

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

At the same time, the stable level of new **car** sales was accompanied by an increase in the so-called "car shopping tourism", fuelled by the weakening zloty. Imports of second-hand cars

Report on the Operations of Inter Cars S.A.

(PLN'000)

also dropped. In 2009, the number of cars imported to Poland was down by 35% in comparison with 2008. Details are presented in the following table.

	2002	2003	2004	2005	2006	2007	2008	2009
cars in Poland ('000)								
sales of new cars	308	354	318	236	239	293	320	320
imports of second-hand cars	179	33	828	871	817	995	1100	709
Total	487	387	1 146	1 107	1 056	1 288	1420	1029
imports of second-hand/sales of new cars	0.58	0.09	2.60	3.7	3.4	3.4	3.4	2.2

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

In total, the supply of cars in 2009 was down by 27% in comparison with 2008. 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 2009 included Volkswagen, Opel, Ford, Renault, and Audi.

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		
	2007	2008	2009
(a) Western Europe	75%	58%	54%
(b) Eastern Europe	5%	3%	2%
(c) Japanese and Korean	2%	10%	11%
(d) Other	18%	29%	33%

Source: the Company.

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

6. Supply Sources

The Company's offering includes goods provided by several hundred suppliers from all over the world, with the majority coming from the EU and Asian countries. The major category of suppliers is international concerns for which the Company is one of the largest and most important customers in Central and Eastern Europe. Given the significant diversification of the supply sources, the Company is not dependent on any single supplier or a small number of suppliers – no supplier's share in the total sales revenue exceeds 10%.

7. Agreements Significant and Material to Inter Cars' Business and Insurance Agreements

Significant Agreements

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

Material Agreements

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

(PLN'000)

entered into for one year. In the period to the balance-sheet date, the following agreements were effective:

No.	Agreement date	Party to the agreement
1	Feb 4 2009	Contitech Antriebssysteme GmgH
2	Jan 9 2009	Delphi Poland S.A.
3	Jan 22 2009	Egon von Ruville
4	Apr 16 2009	Federal Mogul
6	Jul 1 2009	Robert Bosch
7	Feb 26 2009	SKF
8	Apr 16 2009	Valeo
9	Jan 2 2009	Wix-Filtron
10	Jul 15 2009	ZF Trading

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

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

Insurance Agreements

No.	Agreement date	Party to the agreement	Subject matter	Material terms and conditions	Term	Materiality criterion
1	Aug 9 2009	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 2009– Aug 8 2010	Total insurance amount is PLN 759,378,330 thousand

Shareholder Agreements

The Company is not aware of any shareholder agreements.

8. 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

None.

9. Changes in Organisational or Capital Links

No changes in organisational or capital links occurred in the reporting period.

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

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

(PLN'000)

11. Loans and Borrowings

	Dec 31 2009		Maturity date
	Contractual amount (limit)	Amount drawn	
Short-term loans and borrowings (currency)			
Bank consortium	55,000	55,000	Dec 31 2010
	55,000	55,000	
Long-term loans and borrowings (currency)	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	425,000	350,262	Jul 29 2011
Armatus Sp. z o.o.	955	955	Jan 31 2011
	425,955	351,217	

Loan Agreements

Agreement No. Bank	Agreement date	Maturity date	Limit/loan amount (PLN)	Collateral
Syndicated credit facility Bank Polska Kasa Opieki S.A., ABN AMRO Bank (Polska) S.A., ING Bank Śląski S.A., Bank Handlowy of Warsaw, BRE Bank S.A., EFG Eurobank Ergasias S.A., Branch in Poland	Jul 29 2009	Jul 29 2011	480,000,000.00	Mortgage over Inter Cars S.A.'s real property situated in Cząstków Mazowiecki, registered pledge over assets, surety issued by Inter Cars Ukraine, registered pledge over bank accounts

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

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

12. Loans Advanced

Loans to related parties	Jan 1 - Dec 31 2009	Jan 1 - Dec 31 2008
As at beginning of period	66,653	29,824
From merger with JC Auto S.A.	-	785
Loans advanced and accrued interest	31,857	44,944
Repayments received	(11,451)	(9,048)
Balance-sheet valuation	(40)	148
	87,019	66,653

Loan Agreements

Agreement date	Maturity date	Loan amount	Material terms and conditions of the agreement
Dec 29 2005	Dec 31 2012	PLN 5,050,000	Agreement on a loan from Inter Cars to finance Feber Sp. z o.o.'s operations and business development
Jul 9 2007	Dec 31 2010	PLN 4,250,000	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 3,900,000	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

(PLN'000)

Feb 27 2008	Dec 31 2015	PLN 1,200,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
Aug 1 2008	Dec 31 2015	PLN 11,900,000	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 31,500,000	Agreement on a loan from Inter Cars to finance Feber Sp. z o.o.'s operations and business development
Jul 23 2008	Jul 31 2010	EUR 170,000	Agreement on a loan from Inter Cars to finance IC Romania's operations and business development
Oct 29 2008	Dec 30 2010	PLN 1,150,000	Agreement on a loan from Inter Cars to finance Frenoplast S.A.'s operations and business development

As at December 31st 2009, the balance of loans advanced to related undertakings amounted to PLN 85,854 thousand and the amount of loans advanced to nine non-related undertakings totalled PLN 7,857 thousand.

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

The loans are not secured.

13. Sureties and Guarantees Issued

As at December 31st 2009, the total amount of sureties and guarantees was PLN 12,766 thousand and comprised the sureties in respect of lease agreements of Lauber Sp. z o.o., sureties for the benefit of suppliers of Inter Cars Ceska Republika and Inter Cars Slovenska Republika, and a surety for a loan repayment by Inter Cars Hungaria Kft. and Inter Cars Slovenska Republika.

For	Term	Amount (PLN '000)
Inter Cars Hungaria Kft.	Feb 20 2016	4,065
Lauber Sp. z o.o.	Sep 26 2011	197
Inter Cars Ceska Republika and Inter Cars Slovenska Republika	Dec 31 2010	4,108
Inter Cars Slovenska Republika	Jun 24 2010	4,396
		12,766

The Company holds a customs guarantee issued by TU Allianz Polska S.A. in the amount of PLN 1,000 thousand, and 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.

14. Security Issues

For detailed information see Note 13 to the financial statements.

Proceeds from the securities issues, made as part of the incentive scheme for managers, were used to finance the Company's day-to-day operations.

15. 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.

16. Evaluation of Financial Resources Management

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

Report on the Operations of Inter Cars S.A.

(PLN'000)

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

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

	2009	2008	2007
Net revenue from sales of goods for resale and products	1,857,569	1,507,416	1,150,874
<i>Change</i>	<i>1.23</i>	<i>1.31</i>	<i>1.26</i>
Gross profit on sales	580,017	453,557	306,101
<i>Gross sales margin</i>	<i>31.22%</i>	<i>30.09%</i>	<i>26.60%</i>
Foreign exchange gains (losses)	(4,314)	(8,655)	3,389
Operating profit	103,656	62,580	66,375
<i>Operating margin</i>	<i>5.58%</i>	<i>4.15%</i>	<i>5.77%</i>
<i>EBITDA as % of sales</i>	<i>7.02%</i>	<i>5.72%</i>	<i>6.82%</i>
Profit before tax	73,473	27,030	59,047
Net profit	60,707	22,912	46,773
<i>Net profit margin</i>	<i>3.27%</i>	<i>1.52%</i>	<i>4.06%</i>
Balance-sheet total	1,224,197	1,185,592	767,648
<i>ROA</i>	<i>4.96%</i>	<i>1.93%</i>	<i>6.09%</i>
Non-current assets	412,233	394,060	152,267
Equity	480,228	406,912	162,507
<i>ROE</i>	<i>12.64%</i>	<i>5.63%</i>	<i>28.78%</i>

Sales revenue in 2009 was **23% higher** than in 2008. Revenue from export sales accounted for approximately 20% of revenue from sales of goods for resale generated in 2009, which was similar to the results obtained in 2008.

Factors of particular **importance to the level of sales** in 2009 were:

Report on the Operations of Inter Cars S.A.

(PLN'000)

- (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 172% in comparison with 2008.

In total, **selling costs and general and administrative expenses** grew by 17% on the 2008 figure, which followed chiefly from a 47.7% increase in other costs by type (including lease rents and costs of services rendered in connection with trade fairs organised by the Company) and a 24.3% increase in the cost of contracted services. This was primarily attributable to higher costs of operating and developing the IT system and goods logistics system (transport and warehouse facilities).

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 2009 totalled PLN 211,010 thousand, accounting for 45.2% of all costs by type.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2009, the Company recognised the total of PLN 42,509 thousand under discounts. Discounts due to the Company are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 14,908 thousand was posted to inventories, and it will reduce the cost of goods for resale sold in 2009 (in particular in Q1).

Operating profit in 2009 was nearly 66% higher than in 2008. **EBITDA** in 2009 was approximately 7.0%.

Finance income primarily includes interest income (from funds deposited in bank accounts, loans advanced, and past due receivables). **Finance expenses** are primarily costs of loans, borrowings, and bond issue. In 2009, the interest expense amounted to PLN 28,282 thousand (PLN 27,678 thousand in 2008), while the fees related to bond issues in 2009 totalled PLN 1,297 thousand. **Foreign exchange gains (losses)** are presented under two items of the statement of comprehensive income: the part corresponding to the realised foreign exchange gains (losses) on settlements of trade payables in foreign currencies is presented as an adjustment to the cost of goods for resale sold, and the balance is presented as a separate item of the statement. In 2009, foreign exchange gains presented under both items amounted to PLN 1,255 thousand; in 2008 the Company recognised foreign exchange losses of PLN 5,334 thousand.

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

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

	2009	2008	2007
Current assets	811,964	791,532	615,381
Cash and securities	11,613	12,780	13,173
Current liabilities	356,211	664,712	565,316
Current loans, borrowings, and finance lease liabilities	87,199	403,958	304,737
Adjusted current assets	800,351	778,752	602,208
Adjusted current liabilities	269,012	260,719	260,579
Net working capital	531,339	518,033	341,629

Net working capital employed increased by approximately 2%.

Report on the Operations of Inter Cars S.A.

(PLN'000)

	2009	2008	2007
Inventory cycle (in days)	122	163	178
Average collection period (in days)	73	74	60
Operating cycle (in days)	195	237	238
Average payment period (in days)	50	68	88
Cash conversion cycle (in days)	145	169	150
Current ratio	2.28	1.19	1.09
Quick ratio	1.08	0.48	0.36
Cash ratio	0.03	0.02	0.02

The Company is currently one of the most important clients of many spare parts manufacturers, who offer discounts for large purchases over a year and timely settlement of liabilities. As part of the Company's policy to maximise discounts, the **average payment period** has been shortened in recent quarters, as the discounts more than offset the additional working capital costs.

The Company's operations are funded with the Company's internally generated funds and bank loans. As at December 31st 2009, loans, borrowings, debt securities and finance lease liabilities decreased to PLN 470,625 thousand (from PLN 514,234 thousand as at the end of 2008), and **the total debt ratio** was down to 0.61, from 0.66 in 2008.

Debt ratios are set forth in the table below.

	2009	2008	2007
Total debt ratio	0.61	0.66	0.79
Debt-to-equity ratio	1.55	1.93	3.72

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

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

	2009	2008	2007
Net cash provided by (used in) operating activities	104,444	74,697	(52,110)
Net cash provided by/(used in) investing activities	(35,897)	(58,690)	(70,289)
Net cash provided by/(used in) financing activities	(69,714)	(16,400)	124,311
Cash and cash equivalents at end of period	11,613	12,780	13,173

In 2009, net cash used in investing activities decreased in comparison with 2008, primarily as a result of sale of real property and lower costs of acquiring new shares and granting loans than the ones incurred in the previous years.

In 2009, Inter Cars issued short term bonds, totalling PLN 86,700 thousand. As at December 31st 2009, PLN 25,000 thousand tranche 92 was outstanding, with the due date being May 31st 2010. The due date of redemption was correlated with the flow of funds from the sale of goods. Following the signature of a syndicated credit facility agreement by the Company, liabilities under loans and borrowings decreased. Hence the substantial drop in cash flows from financing activities.

17. Assessment of Investment Projects Feasibility

In 2008, expenditure on purchases and upgrades of property, plant and equipment totalled PLN 26,889 thousand. The whole amount was replacement capital expenditure. The Company's investments in 2009 were financed with internally generated funds and finance leases.

The investment plan for 2010 stipulates capital expenditure on property plant and equipment and intangible assets at the same level as in 2009. The investments will include replacement and upgrade of means of transport, as well as the upgrade of the IT system which supports management.

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

The execution of a two-year syndicated credit facility agreement was definitely the most important event in 2009. Transition from short-term bilateral loans to medium-term syndicated financing provides Inter Cars S.A. and other members of the Inter Cars Group with stability and constant access to financing for a period of two years. The amount of the financing is sufficient to enable continued rapid development of the Group. On July 29th 2009, the 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. (as 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. The maturity date for the facility is July 29th 2011. Noteworthy is the fact that Bank Handlowy is involved in the syndicate, although it had not participated in the financing of the Group's operations prior to the execution of the agreement.

Inter Cars S.A.'s EBITDA (operating profit before depreciation/amortisation) for the period of 12 months ended December 31st 2009 totalled PLN 130,316 thousand.

Q4 saw a significant improvement (12%) in the inventory cycle as compared with Q3 2009. Inventories as at December 31st 2009 dropped by PLN 49m in comparison with September 30th 2009, whereas the inventory cycle for Q3 and Q4 2009 was shorter by 17 days (11%), an improvement from 148 to 131 days.

Declines in the sector of global manufacturers of trucks reach 70%. Faber experienced a sharp drop (61%) in revenue from sales of semi-trailers and casings. While we are witnessing the first symptoms of recovery, it will not translate into improved sales revenue until 2010.

Export sales have for many years been stable at approx. 25% of the Group's total sales revenue. In the export sales structure, the share of Ukraine is diminishing in favour of mainly Slovakia and the Czech Republic.

In 2009, the Company established 11 new affiliate branches. As at December 31st 2009, the total number of affiliate branches was 126.

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

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

Internal Factors

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

- (i) *merger of Inter Cars and JC Auto* – on July 13th 2007, Inter Cars S.A. and JC Auto signed an agreement concerning the merger of both companies. The long-term objective of the merger is to establish a company that will be a leader on the European market of automotive spare parts distribution. The Management Boards of both companies point to the synergies following from the merger, which is supposed to bring a significant reduction of the costs of operations, accompanied by an increase in the aggregate turnover and profit of the merged company. The core business of the two companies consists in the distribution of automotive spare parts and provision of repair services;
- (ii) *sales network development* – it results in an increase in the number of affiliate branches and development of business contacts with end customers (garages);
- (iii) *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

Report on the Operations of Inter Cars S.A.

(PLN'000)

the introduction of new regulations by the European Union and revisions of the operational strategies by vehicle and spare parts manufacturers;

- (iv) *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;
- (v) *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;
- (vi) *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;
- (vii) *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;
- (viii) *qualified staff* – one of the key factors behind the ability to maintain and further improve the competitive position of the Group entities;
- (ix) *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;
- (x) *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;

Report on the Operations of Inter Cars S.A.

(PLN'000)

- (vii) *changes in the spare parts demand structure resulting from changes in car manufacturing technologies* – they are expected to drive growth in demand for relatively more expensive car components and increased requirement for garage equipment;
- (viii) *car sales volume* – it determines the demand for spare parts in the medium and long term, by affecting the number of vehicles used in the countries where the Group is present;
- (ix) *used car imports volume* – which, in combination with sales of new cars, is the decisive factor behind the growth in the number of registered vehicles, and, consequently the demand for repair services and spare parts; the volume of used car imports, owing to their age and mileage, will more quickly drive the growth in demand for parts, but will also affect the structure of global demand, by increasing the demand for relatively cheaper parts, and, in the event of new cars being replaced by used cars to a significant degree, by causing a drop in demand from garages for workstation equipment;
- (x) *competition in the industry* – which requires a continuous improvement in the Company's competence in terms of sales organisation, sales support mechanism, offered range of products and affiliate branch locations;

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

20. Risk Factors

Risk of Changes in the Discount Policies of Spare Parts Manufacturers

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

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

Risk Related to Adoption of an Incorrect Strategy

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

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

Risk Related to Changes in the Demand Structure

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

The Management Board believes that this scenario is unlikely owing to the prevalence of linear demand change trends with respect to the Company's goods. Further, the Company

Report on the Operations of Inter Cars S.A.

(PLN'000)

pursues an active working capital management policy, the effect of which is low stock levels (in terms of value) for individual products (products are sourced from manufacturers that ensure execution of orders in a relatively short time). To note, the Company's offering does not include parts for vehicles manufactured in the former Eastern Bloc, whose production has been discontinued, which eliminates the risk of funds being tied up in stocks of spare parts for vehicles representing a diminishing market segment.

Risk Related to Seasonal Sales

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

Risk Related to Bank Loans

Bank loans are an important source of funding for the Company's operations. As at December 31st 2009, the Company's debt under bank loans, bonds and finance leases totalled PLN 470,625 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 28,282 thousand. Loans raised by the Group are variable-rate loans, so a potential marked increase in interest rates, translating into higher reference rates for the loans, would – through higher finance expenses – reduce the Group's profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity. Another risk factor associated with bank financing is the risk of a bank's refusal to extend or grant lines of credit. Any reduction in the Company's ability to fund its business with bank loans resulting from a termination of or refusal to extend some of the agreements would have a material adverse effect on the Company's development prospects, its liquidity and financial performance.

Risk of an Affiliate Branch Operator Engaging in Competitive Activity

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

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

Risk Related to the IT System

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

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

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

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

The Management Board believes that those adverse factors will be counterbalanced by the continuously growing involvement of spare parts distributors and manufacturers in the furnishing and financing of the furnishing of independent garages, the possibility of close collaboration between licensed and independent garages, and the right of all parties to access technical information available from vehicle manufacturers on equal rights (under the new

Report on the Operations of Inter Cars S.A.

(PLN'000)

regulations), which facilitates the transfer of know-how to independent garages. In the longer perspective, it can be expected that those independent garages that cannot cope with the challenges will be eliminated, while those that have the best resources will grow, which will in fact strengthen the independent garages segment, despite the likely short-term negative changes to its size. Further, greater imports of used cars to Poland following its accession to the European Union strongly stimulated the demand for cheap and small garages, thus enabling their further growth and accumulation of the necessary knowledge and capital.

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

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

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

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

Risk Related to Customer Base Diversification by Spare Parts Manufacturers

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

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

Risk Related to Car Manufacturers Taking over Spare Parts Production

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

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

Report on the Operations of Inter Cars S.A.

(PLN'000)

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

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

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

Risk Related to the Macroeconomic Situation

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

Risk Related to Economic Policy

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

Risk Related to the Foreign Customers Structure

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

Risk Related to Development of the Subsidiaries

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

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

21. 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%.

Report on the Operations of Inter Cars S.A.*(PLN'000)*

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.

22. Changes in Key Principles of Managing the Company

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

23. Agreements Concluded between the Company and the Management Staff

As at December 31st 2009, 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.

24. Remuneration of the Management Staff

Remuneration of members of the Supervisory and Management Boards (PLN)

	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Andrzej Oliszewski – Chairman of the Supervisory Board	58,521	34,851
Maciej Oleksowicz – Member of the Supervisory Board	37,404	29,043
Michał Marczak – Member of the Supervisory Board	37,374	29,043
Wanda Oleksowicz – Member of the Supervisory Board (until Feb 28 2008)	-	20,318
Jolanta Oleksowicz-Bugajewska – Member of the Supervisory Board	37,374	29,043
Jerzy Grabowiecki – Member of the Supervisory Board (until Jul 18 2008)	-	9,924
Jacek Klimczak – Member of the Supervisory Board (from Jul 18 2008)	37,374	14,299
Krzysztof Oleksowicz – President of the Management Board	838,000	722,000
Robert Kierzek – Vice-President of the Management Board	492,000	424,000
Wojciech Milewski – Member of the Management Board	426,000	358,000
Krzysztof Soszyński – Vice-President of the Management Board	492,000	424,000
Piotr Kraska – Member of the Management Board	402,000	334,000
Tomasz Zadroga – Member of the Management Board (until Jul 31 2008)	-	224,000
	2,858,047	2,652,521

Report on the Operations of Inter Cars S.A.

(PLN'000)

25. Shares

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

As at December 31st 2009

The Company's supervisory and management staff held in aggregate 7,333,581 shares, conferring the right to 51.77% of the total vote at the General Shareholders Meeting of Inter Cars S.A.

<i>Name</i>	As at reporting date	Aggregate par value	Share capital held (%)	Total vote held (%)
Management Board				
Krzysztof Oleksowicz	4,972,271	9,944,542	35.09%	35.09%
Robert Kierzek	74,834	149,668	0.53%	0.53%
Krzysztof Soszyński	74,834	149,668	0.53%	0.53%
Wojciech Milewski	67,500	135,000	0.48%	0.48%
Piotr Kraska	67,500	135,000	0.48%	0.48%
	5,256,939	10,513,878		
Supervisory Board				
Andrzej Oliszewski	1,532,370	3,064,740	10.82%	10.82%
Jolanta Oleksowicz-Bugajewska	524,272	1,048,544	3.70%	3.7%
Maciej Oleksowicz	20,000	40,000	0.14%	0.14%
	2,076,642	4,153,284		
Total	7,333,581	14,667,162	51.77%	51.77%

As at the publication date of these financial statements

The Company's supervisory and management staff hold in aggregate 7,258,581 shares, conferring the right to 51.23% of the total vote at the General Shareholders Meeting of Inter Cars S.A.

<i>Name</i>	As at publication date	Aggregate par value	Share capital held (%)	Total vote held (%)
Management Board				
Krzysztof Oleksowicz	4,972,271	9,944,542	35.09%	35.09%
Robert Kierzek	74,834	149,668	0.53%	0.53%
Krzysztof Soszyński	74,834	149,668	0.53%	0.53%
Wojciech Milewski	67,500	135,000	0.48%	0.48%
Piotr Kraska	67,500	135,000	0.48%	0.48%
	5,256,939	10,513,878		
Supervisory Board				
Andrzej Oliszewski	1,502,370	3,064,740	10.60%	10.60%
Jolanta Oleksowicz-Bugajewska	499,272	998,544	3.52%	3.52%
	2,001,642	4,003,284		
Total	7,258,581	14,517,162	51.23%	51.23%

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

Report on the Operations of Inter Cars S.A.

(PLN'000)

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	4,972,271	9,944,542	35.09%	35.09%
Andrzej Oliszewski	1,532,370	3,064,740	10.82%	10.82%
AIG	1,122,802	2,245,604	7.92%	7.92%
ING	745,342	1,490,684	5.26%	5.26%
AVIVA Otwarty Fundusz Emerytalny	696,107	1,392,214	4.91%	4.91%
Total	9,068,892	18,137,784	64.00%	64.00%

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	4,972,271	9,944,542	35.09%	35.09%
Andrzej Oliszewski	1,502,370	3,064,740	10.60%	10.60%
AIG	1,007,628	2,015,256	7.11%	7.11%
ING	1,187,431	2,374,862	8.38%	8.38%
AVIVA Otwarty Fundusz Emerytalny	898,963	1,797,926	6.34%	6.34%
<i>Total</i>	9,568,663	19,137,326	67.52%	67.52%

26. Agreements Known to the Company (Including Agreements Executed after the Balance-Sheet Date) Which May Give Rise to Future Changes in the Proportion of Shares Held by the Existing Shareholders and Bondholders

The Company is not aware of any such agreements.

27. 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, no stock option plan is being implemented at the Company.

(PLN'000)

28. Qualified Auditor of Financial Statements

On June 26th 2009, 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 2009. The total fee envisaged in the agreement is PLN 435 thousand.

On June 30th 2008, 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 2008. The total fee envisaged in the agreement is PLN 450 thousand.

29. Transactions in Financial Derivatives and Their Risk Profile

In the period from January 1st to December 31st 2009, no transactions in financial derivatives were executed other than described in Note 33 to the financial statements.

30. Employment

As at December 31st 2009, the Company employed 1,274 personnel. As at December 31st 2008, the Company had 1,303 employees.

31. Environmental Policy

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

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

No.	No. and date of decision	Issuing authority	Area covered by the decision	Scope of the decision
1	Decision No. 62 of May 27 2003 (ŚR.-7634/30/1/03)	Governor of the Nowy Dwór County	Cząstków Mazowiecki, ul. Gdańska 15, Czosnów Municipality	Permit for production and storage of hazardous waste, such as hydraulic oil, oiled cleaning cloths, oil filters, used lamps and lead-acid batteries.
2	Decision No. 123/2003 of December 10th 2003 (ŚR-6210/19/2/2003)	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Water permit for intake of underground water from quaternary formations at an intake located on the Company's grounds in Cząstków Mazowiecki, to be used by employees for domestic purposes other than drinking, as well as for plant watering and the water treatment facility.

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

See Note 14.

33. The Management Board's Standpoint Regarding the Possibility of Meeting the Previously Published Forecasts for 2009

The Company did not publish any forecasts for 2009.

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

In 2009, no significant changes in the Company's structure occurred.

(PLN'000)

35. Management and Supervisory Bodies

As at December 31st 2009, the Company's management and supervisory bodies were composed of the following persons:

Supervisory Board

Andrzej Oliszewski, Chairman
Jolanta Oleksowicz-Bugajewska
Maciej Oleksowicz
Michał Marczak
Jacek Klimczak

Management Board

Krzysztof Oleksowicz, President
Robert Kierzek, Vice-President
Krzysztof Soszyński, Member
Wojciech Milewski, Member
Piotr Kraska, Member

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

In 2009, 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.

37. Information on Average Foreign Exchange Rates

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

	2009	2008	2007
Exchange rate prevailing on December 31st	4.1082	4.1724	3.5820
Average exchange rate for the period January 1st–December 31st	4.3406	3.5321	3.7768
Highest exchange rate in the period	4.8999	4.1824	3.9385
Lowest exchange rate in the period	3.9170	3.2026	3.5699

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 2009, that is the mid exchange rate for the euro prevailing on that date, as quoted by the National Bank of Poland.

38. Corporate Governance

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

Full version of the statement is attached to this report as Appendix: "INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2009 WITH THE CORPORATE GOVERNANCE PRINCIPLES STIPULATED IN THE CODE OF BEST PRACTICE FOR WSE-LISTED COMPANIES".

(PLN'000)

Krzysztof Oleksowicz
President
of the Management Board

Robert Kierzek
Vice-President
of the Management Board

Krzysztof Soszyński
Vice-President
of the Management
Board

Piotr Kraska
Member of the
Management Board

Wojciech Milewski
Member of the
Management Board

Warsaw, April 20th 2010

(PLN'000)

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

INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2009 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 2009 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 to 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.

Report on the Operations of Inter Cars S.A.

(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	4,972,271	4,972,271	35.09%	35.09%
2.	Andrzej Oliszewski	1,502,370	1,502,370	10.60%	10.60%
3.	ING OFE (Open-Ended Pension Fund)	1,007,628	1,007,628	7.11%	7.11%
4.	AIG OFE (Open-Ended Pension Fund)	1,187,431	1,187,431	8.38%	8.38%
5.	AVIVA OFE (Open-Ended Pension Fund)	898,963	898,963	6.34%	6.34%

Report on the Operations of Inter Cars S.A.

(PLN'000)

5. Holders of any Securities Conferring Special Control Powers, and Description of Those Powers

There are no securities conferring special control powers over the Company. There are no restrictions with respect to the transfer of the Company shares or limitations on the voting rights attached to them.

6. Restrictions on Voting Rights, such as Limitations of the Voting Rights of Holders of a Given Percentage or Number of Votes, Deadlines for Exercising Voting Rights, or Systems Whereby, with the Company's Cooperation, the Financial Rights Attaching to Securities are Separated from the Holding of Securities

The Company's Articles of Association do not provide for any limitations on the voting rights of holders of a given percentage or number of votes.

7. Rules Governing the Appointment and Removal of the Company's Management Personnel and Such Personnel's Powers, Including in Particular the Power to Make Decisions to Issue or Repurchase Shares

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

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

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

- the General Shareholders Meeting's resolution adopted by a three-fourths (3/4) majority of the votes cast (Art. 415 of the Commercial Companies Code), in the form of a notary deed (a material change in the Company's business requires a resolution adopted by two-thirds (2/3) majority of the votes (Art. 416 of the Commercial Companies Code)),
- an appropriate entry into the National Court Register (Art. 430 of the Commercial Companies Code).

9. Manner of Operation of the General Shareholders Meeting, its Basic Powers and Description of the Shareholders' Rights along with the Procedure for their Exercise, in Particular the Rules Stipulated in the Rules of Procedure for the General Shareholders Meeting

The Management Board of Inter Cars S.A. reports that the General Shareholders Meeting operates in accordance with the provisions of the Company's Articles of Association, Commercial Companies Code and the Rules of Procedure for the General Shareholders Meeting published on the Company's website.

The General Shareholders Meeting decides on matters stipulated in the Commercial Companies Code, except when under the Company's Articles of Association such matters fall within the scope of powers of the Company's other governing bodies. The following matters require a General Shareholders Meeting's resolution: changing the share capital of the Company and creating, increasing and using other capitals, funds and reserves, issue of convertible bonds or bonds conferring pre-emptive rights, amendments to the Articles of Association, retirement of shares, disposal of the Company's enterprise or its organised part, liquidation, division, merger, dissolution, or transformation of the Company, distribution of profit, coverage of loss, and creation of capital reserves, appointment and removal from office of members of the Supervisory Board, approval of the Rules of Procedure for the Supervisory Board, and establishing remuneration policies for members of the Supervisory Board delegated to perform on-going individual supervision. Acquisition or disposal of real property, perpetual usufruct right to or interest in real property does not require the approval of the General Shareholders Meeting.

The General Shareholders Meeting is convened by the Company's Management Board or, in the cases and manner stipulated in the Commercial Companies Code, by other entities, and may be

Report on the Operations of Inter Cars S.A.

(PLN'000)

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 January 1st 2009 to December 31st 2009, the Company's Management Board was composed of the following persons:

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

10.2. Composition and Rules Governing Operation of the Supervisory Board

As at December 31st 2009, the Supervisory Board was composed of five persons:

- Andrzej Oliszewski – Chairman of the Supervisory Board,
- Maciej Oleksowicz – Member of the Supervisory Board,
- Jolanta Oleksowicz – Bugajewska – 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.

Report on the Operations of Inter Cars S.A.

(PLN'000)

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.

PART IV

AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS