INTER CARS S.A.

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

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AUDITOR'S OPINION

PART II
CONSOLIDATED ANNUAL REPORT FOR THE PERIOD January 1st – December 31st 2009

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 the 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 in Poland and abroad. Our foreign operations have a particularly strong potential for increasing the Company's market shares, as some markets for automotive parts and services in which we are present (including Romania) are not yet fully fledged, and our market rivals have to cope with difficulties arising from a hasty consolidation process (which resulted in a dramatic decline in sales).

Obviously, hoping for our competitors to fail is not a point of reference in defining our growth strategy. Inter Cars S.A. has always been the pioneer in business solutions for the auto parts distribution market, and aims 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. 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.

In 2010, we expect to see first tax savings derived from synergies among our subsidiary companies.

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 consolidated 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 consolidated 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	*Robert Kierzek*
President of the Management Board	*Vice-President of the Management Board*
Krzysztof Soszyński	*Piotr Kraska*
Vice-President of the Management Board	*Member of the Management Board*
Wojciech Milewski	
Member of the Management Board	

Financial Highlights:

('000)	*for 12 months ended* Dec 31 2009 *PLN*	Dec 31 2008 *PLN*	*for 12 months ended* Dec 31 2009 *EUR*	Dec 31 2008 *EUR*
Data on growth and profit				
Sales margin	34.2%	30.8%		
EBITDA	150,297	103,078	34,626	29,183
EBITDA as a per cent of sales	7.3%	5.9%		
Net debt/EBITDA	4.91	4.98		
Basic earnings per share	4.95	1.90	1.14	0.54
Diluted earnings per share	4.85	1.86	1.12	0.53
Operating profit (loss)	119,872	75,369	27,616	21,338
Net profit (loss)	68,222	25,417	15,717	7,196
Cash flows				
Net cash provided by (used in) operating activities	109,793	69,871	25,294	19,782
Net cash provided by (used in) investing activities	(19,728)	(55,627)	(4,545)	(15,749)
Net cash provided by (used in) financing activities	(87,623)	(12,201)	(20,187)	(3,454)
Employment and number of affiliate branches as at	**Dec 31 2009**	**Dec 31 2008**		
Number of employees				
Parent undertaking	1,274	1,303		
Related undertakings	755	738		
Affiliate branches				
Parent undertaking	126	115		
Related undertakings	62	51		
Statement of financial position *(as at)*	**Dec 31 2009**	**Dec 31 2008**	**Dec 31 2009**	**Dec 31 2008**
Cash and cash equivalents	27,364	24,922	6,661	5,973
Balance-sheet total	1,272,993	1,227,722	309,866	294,248
Loans, borrowings, finance lease liabilities	474,393	538,586	115,475	129,083
Equity attributable to owners of the parent	498,891	418,125	121,438	100,212

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. Źródlana 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. Related Undertakings of Inter Cars – Consolidated as at December 31st 2009

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

(PLN '000)

CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION

	note	Dec 31 2009	Dec 31 2008 restated
ASSETS			
Non-current assets			
Property, plant and equipment	4	197,439	181,295
Intangible assets	5	148,324	152,321
Investments in associated undertakings	7	3,822	3,770
Investments available for sale	8	43	43
Investment property	6	53,437	57,328
Receivables	11	6,682	6,027
Deferred tax assets	9	350	282
		410,097	**401,066**
Current assets			
Inventories	10	565,616	587,900
Trade and other receivables	11	269,437	213,477
Income tax receivable		479	357
Cash and cash equivalents	12	27,364	24,922
		862,896	**826,656**
TOTAL ASSETS		**1,272,993**	**1,227,722**

	note	Dec 31 2009	Dec 31 2008 restated
EQUITY AND LIABILITIES			
Equity	13		
Share capital		28,336	27,472
Share premium account	13	259,530	247,785
Statutory reserve funds	13	137,680	104,595
Other capital reserves	13	5,935	5,935
Currency translation differences on consolidation		1,161	1,226
Retained earnings and current year profit	14	66,249	31,112
Equity attributable to owners of the parent		**498,891**	**418,125**
Non-controlling interests		**-**	**-**
Total equity		**498,891**	**418,125**
Non-current liabilities			
Loans, borrowings and finance lease liabilities	15	386,058	113,462
Other non-current liabilities	16	219	155
Deferred tax liabilities	9	3,616	5,182
		389,893	**118,799**
Current liabilities			
Trade and other payables	16	291,567	262,122
Loans, borrowings, debt securities and finance lease liabilities	15	88,335	425,124
Employee benefits	17	3,007	2,573
Income tax payable	18	1,300	979
		384,209	**690,798**
TOTAL EQUITY AND LIABILITIES		**1,272,993**	**1,227,722**

(PLN '000)

CONSOLIDATED ANNUAL STATEMENT OF COMPREHENSIVE INCOME

	note	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008 restated
Continuing operations			
Sales revenue	20	2,065,634	1,737,956
Cost of sales	21	(1,359,112)	(1,202,945)
Gross profit on sales		**706,522**	**535,011**
Other operating income	23	8,366	25,183
Selling costs and general and administrative expenses	22	(334,789)	(273,582)
Cost of distribution services		(243,773)	(195,566)
Cost of managment stock option plan		-	(743)
Other operating expenses	24	(16,454)	(14,934)
Operating profit		**119,872**	**75,369**
Finance income	25	1,548	1,658
Foreign exchange gains/(losses)	25	(4,373)	(9,043)
Finance expenses	25	(32,790)	(33,477)
Profit (loss) on interests in associated undertakings		51	(106)
Profit before tax		**84,308**	**34,401**
Corporate income tax	27	(16,086)	(8,984)
Net profit from continuing operations		**68,222**	**25,417**
OTHER COMPREHENSIVE INCOME			
Currency translation differences		(65)	3,146
Other net comprehensive income for the reporting period		**(65)**	**3,146**
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		**68,157**	**28,563**
Net profit attributable to:			
- owners of the parent		68,222	26,568
- non-controlling interests		-	(1,151)
		68,222	**25,417**
Comprehensive income attributable to:			
- owners of the parent		68,157	29,714
- non-controlling interests		-	(1,151)
		68,157	**28,563**
Net profit		**68,222**	**25,417**
Weighted average number of shares		**13,787,685**	**13,400,267**
Earnings per ordinary share (PLN)	14	**4.95**	**1.90**
Weighted average diluted number of shares		**14,059,011**	**13,667,585**
Diluted earnings per share (PLN)		**4.85**	**1.86**

(PLN '000)

ANNUAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(PLN '000)	Share capital	Share premium account	Statutory reserve funds	Currency translation differences	Other capital reserves	Retained earnings and current year profit	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1st 2008	**23,642**	**21,415**	**65,975**	**(1,920)**	**5,192**	**52,608**	**166,912**	**1,151**	**168,063**
Comprehensive income for the reporting period									
Net profit for the reporting period	-	-	-	-	-	26,568	**26,568**	(1,151)	**25,417**
Other comprehensive income									
Increase and decrease in the period:									
- currency translation differences	-	-	-	3,146	-	-	**3,146**	-	**3,146**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**3,146**	**-**	**26,568**	**29,714**	**(1,151)**	**28,563**
Transactions with owners recognised directly under equity									
Contributions from and distributions to owners									
Share issue in connection with merger with JC Auto	3,750	225,000	-	-	-	-	**228,750**	-	**228,750**
Share issue in connection with exercise of management stock options	80	1,370	-	-	-	-	**1,450**	-	**1,450**
Distribution of retained earnings – dividend	-	-	-	-	-	(9,450)	**(9,450)**	-	**(9,450)**
Capital reserve created in connection with the management stock option plan	-	-	-	-	743	-	**743**	-	**743**
Total contributions from and distributions to owners	**3,830**	**226,370**	**-**	**-**	**743**	**(9,450)**	**221,493**	**-**	**221,493**
Distribution of retained earnings – transfer to statutory reserve funds	-	-	38,620	-	-	(38,620)	**-**	-	**-**
2007 adjustment	-	-	-	-	-	6	**6**	-	**6**
As at December 31st 2008	**27,472**	**247,785**	**104,595**	**1,226**	**5,935**	**31,112**	**418,125**	**-**	**418,125**

(PLN '000)

ANNUAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (CONT.)

	Share capital	Share premium account	Statutory reserve funds	Currency translation differences	Other capital reserves	Retained earnings and current year profit	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1st 2009	**27,472**	**247,785**	**104,595**	**1,226**	**5,935**	**31,112**	**418,125**	**-**	**418,125**
Comprehensive income for the reporting period									
Net profit for the reporting period	-	-	-	-	-	68,222	**68,222**	-	**68,222**
Other comprehensive income									
Increase and decrease in the period:									
- currency translation differences	-	-	-	(65)	-	-	**(65)**	-	**(65)**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**(65)**	**-**	**68,222**	**68,157**	**-**	**68,157**
Transactions with owners recognised directly under equity									
Contributions from and distributions to owners									
Share issue in connection with exercise of management stock options	864	11,745	-	-	-	-	**12,609**	-	**12,609**
Total contributions from and distributions to owners	**864**	**11,745**	**-**	**-**	**-**	**-**	**12,609**	**-**	**12,609**
Distribution of retained earnings – transfer to statutory reserve funds	-	-	33,085	-	-	(33,085)	**-**	-	**-**
As at December 31st 2009	**28,336**	**259,530**	**137,680**	**1,161**	**5,935**	**66,249**	**498,891**	**-**	**498,891**

(PLN '000)

CONSOLIDATED 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		**84,308**	**34,401**
Adjustments, including:			
Depreciation/amortisation of property, plant, equipment and intangible assets		30,425	27,709
Foreign exchange (gains)/losses		(4,373)	11,672
(Gain)/loss on disposal of property, plant and equipment		1,140	(4,464)
Net interest	26	28,447	28,164
(Gain) on revaluation of investment property	6	(1,922)	(7,078)
Other adjustments net		(328)	3,905
Operating profit before changes in working capital		**137,697**	**94,309**
Change in inventories		16,413	(91,448)
Change in receivables	26	(56,983)	(39,349)
Change in current liabilities		30,188	124,279
Cash generated by operating activities		**127,315**	**87,791**
Corporate income tax paid	26	(17,522)	(17,920)
Net cash provided by (used in) operating activities		**109,793**	**69,871**
Cash flows from investment activities			
Sale of property, plant, equipment and intangible assets		14,413	17,628
Acquisition of property, plant, equipment and intangible assets	4 5	(35,193)	(70,889)
Acquisition of shares in subordinated undertakings	7	-	(3,676)
Cash taken over from JC Auto S.A., less acquisition cost		-	2,800
Repayment of loans advanced	26	723	3,676
Loans advanced	26	(431)	(5,893)
Interest received	26	760	727
Net cash provided by/(used in) investing activities		**(19,728)**	**(55,627)**
Cash flows from financing activities			
Net proceeds from share issue	13	12,609	1,450
(Decrease) / increase in loans, borrowings and debt securities	26	(84,960)	89,261
Decrease in finance lease liabilities	26	(11,130)	(9,608)
Interest paid	26	(29,142)	(29,022)
Proceeds from debt securities (bonds) issue	26	86,700	-
(Redemption) of debt securities (bonds)	26	(61,700)	(54,832)
Dividends paid	28	-	(9,450)
Net cash provided by/(used in) financing activities		**(87,623)**	**(12,201)**
Change in net cash and cash equivalents		**2,442**	**2,043**
Cash and cash equivalents at beginning of period		**24,922**	**22,879**
Cash and cash equivalents at end of period	11	**27,364**	**24,922**

(PLN '000)

Consolidated annual statement of financial position at the beginning of the most recent comparative period

	Dec 31 2009	Dec 31 2008 restated	Dec 31 2007 restated
ASSETS			
Non-current assets			
Property, plant and equipment	197,439	181,295	90,596
Intangible assets	148,324	152,321	7,789
Investments in subordinated undertakings	3,822	3,770	-
Investments available for sale	43	43	43
Investment property	53,437	57,328	43,319
Receivables	6,682	6,027	3,840
Deferred tax assets	350	282	7,591
	410,097	**401,066**	**153,178**
Current assets			
Inventories	565,616	587,900	482,693
Trade and other receivables	269,437	213,477	156,960
Income tax receivable	479	357	-
Cash and cash equivalents	27,364	24,922	22,879
	862,896	**826,656**	**662,532**
TOTAL ASSETS	**1,272,993**	**1,227,722**	**815,710**

	Dec 31 2009	Dec 31 2008 restated	Dec 31 2007 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	137,680	104,595	65,975
Other capital reserves	5,935	5,935	5,192
Currency translation differences on consolidation	1,161	1,226	(1,920)
Retained earnings	66,249	31,112	52,608
Equity attributable to owners of the parent	**498,891**	**418,125**	**166,912**
Non-controlling interests	**-**	**-**	**1,151**
Total equity	**498,891**	**418,125**	**168,063**
Non-current liabilities			
Loans, borrowings and finance lease liabilities	386,058	113,462	38,794
Other non-current liabilities	219	155	-
Deferred tax liabilities	3,616	5,182	8,568
	389,893	**118,799**	**47,362**
Current liabilities			
Trade and other payables	291,567	262,122	270,830
Loans, borrowings, debt securities and finance lease liabilities	88,335	425,124	318,574
Employee benefits	3,007	2,573	818
Income tax payable	1,300	979	10,063
	384,209	**690,798**	**600,285**
TOTAL EQUITY AND LIABILITIES	**1,272,993**	**1,227,722**	**815,710**

(PLN '000)

Notes to the Consolidated Annual Financial Statements

1. Basis for the Preparation of Consolidated Annual Financial Statements

a) Statement of Compliance with IFRS

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

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

Standards and Interpretations endorsed by the EU	**Anticipated change in accounting policies**	**Effective for periods beginning on or after:**
Amendments to International Financial Reporting Standards 2008: amendments to IFRS 5 Non-Current Assets Held for Sale	IFRS 5 has been amended to specify as follows: • 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 *First-Time Adoption of IFRSs*	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 *Business Combinations*	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: • 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.
Amendments to IAS 27 *Consolidated and Separate Financial Statements*	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	July 1st Under Commission Regulation

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	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.	(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 *Classification of Rights Issues*	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 *pro rata* 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 *Financial Instruments: Recognition and Measurement*	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 *Service Concession Arrangements*	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 *Agreements for the Construction of Real Estate*	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: • 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 *Hedges of a Net Investment in a Foreign Operation*	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, 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.	October 1st 2008 Under the Commission 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 *Distributions of Non-Cash Assets to Owners*	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	July 1st 2009 Under Commission Regulation (EC) No. 1142/2009, each company should apply the amendments no later than from

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	distributed. The carrying amount of dividend payable should be recognised as at each reporting 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.	the commencement date of its first financial year starting after October 31st 2009.
IFRIC 18 *Transfers of Assets from Customers*	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 Group

Standards and Interpretations awaiting endorsement by the EU	**Anticipated change in accounting policies**	**Effective for periods beginning on or after:**
Amendments to International Financial Reporting Standards 2009	Amendments to International Financial Reporting Standards 2009 comprise 15 amendments to 12 Standards.	January 1st 2010, except amendments to IFRIC 9 *Reassessment of Embedded Derivatives* – Scope of IFRIC 9 and amended IFRS 3, IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (change in the restrictions applying to holding of hedging instruments by a foreign operation which itself is being hedged), IAS 38 *Intangible Assets* (additional amendments resulting from amended IFRS 3), IFRS 2 *Share-Based Payments* – Scope of IFRS 2 and amended IFRS 3 *Business Combinations* – where the effective date is July 1st 2009, and IAS 18 *Income* (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.
Amendment to IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Additional Exemptions for First-Time Adopters*	The amendment provides for two additional exemptions, which first-time adopters of IFRS may use at their option. They relate to: • 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 *Share-Based Payments – Group Cash-Settled Share-Based Payment Transactions*	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	January 1st 2010

	regulated by IFRS 2.	
IFRS 9 *Financial Instruments*	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 *Financial Instruments: Recognition and Measurement*. It will only address classification and measurement of financial assets.	January 1st 2013
Revised IAS 24 *Related Party Disclosures*	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 *Prepayments of a Minimum Funding Requirement*	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 *Extinguishing Financial Liabilities with Equity*	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

The consolidated financial statements of the Inter Cars Group (“the Group”) cover the financial statements of Inter Cars S.A., Inter Cars Ukraine, Inter Cars Ceska Republika, Lauber Sp. z o.o., Feber Sp. z o.o., Inter Cars Slovenska Republika, Q-Service Sp. z o.o., Inter Cars Lietuva, IC Development & Finance Sp. z .o.o., Inter Cars d o.o., Inter Cars Hungaria kft., JC Auto s.r.o., Inter Cars Romania s.r.l., JC Auto S.A., JC Auto s.r.l., Armatus Sp. z o.o., 5 STERNE FAHWERKSTECHNIK GMBH and SMiOC FRENOPLAST Bułhak i Cieślawski S.A. The parent undertaking of the Group is Inter Cars S.A. (the “Company”, the “parent undertaking”).

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

The presented accounting policies have been adopted by all undertakings belonging to the Group. Except as described in Note 35, they did not change in relation to the policies applied in the financial statements for 2008.

c) Functional and Presentation Currencies

(a) Presentation and Functional Currencies

All amounts in these financial statements are stated in the Polish złoty (“PLN”) and are rounded off to the nearest full thousand. The Polish złoty is the functional currency of Inter Cars S.A., Feber, Lauber, Q-Service, IC Development & Finance, Fenoplast and Armatus Sp. z o.o. The functional currency for Inter Cars Ukraine is UAH, for Inter Cars Ceska Republika and JC Auto s.r.o. – CZK, for Inter Cars Slovenska Republika – SKK, for JC Auto s.r.l. and JC Auto S.A. – EUR, for Inter Cars Hungaria Kft – HUF, for Inter Cars d.o.o. – HRK, for Inter Cars Romania s.r.l. – RON, and for Inter Cars Lietuva – LTL.

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

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

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

Borrowing Costs

With respect to qualified assets whose capitalisation begins subsequently to January 1st 2009, the Group 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.

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Previously, the Group 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 Group 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 35.

e) Basis of Consolidation

(a) Subsidiary Undertakings

Subsidiary undertakings are the undertakings controlled by the parent undertaking. Control is understood as the power to govern, whether directly or indirectly, the financial and operational policies of an undertaking in order to derive benefits from its operations. The degree of control is assessed taking into account the influence conferred by the existing and potential voting rights that can be exercised or converted as at the reporting date.

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

(b) Consolidation Adjustments

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

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 Group. Costs of day-to-day maintenance of property, plant and equipment are disclosed as current period profit or loss.

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

Property, plant and equipment, except for tangible assets under construction and land, are subject to depreciation. Depreciation charges are calculated using the acquisition or production cost less the residual value of the asset, based on the length of its 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
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 Group 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 Group, 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.

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 Group 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 Group intends and is able to hold to maturity, excluding financial assets classified as financial instruments measured at fair value through profit or loss, investments available for sale, and loans and receivables.

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

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

(b) Loans and Receivables

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

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

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

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

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

f) 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 Group has a reason to suspect that a given asset's value has been impaired, it estimates its recoverable amount. The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet ready for use is established as at each reporting date.

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

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

Impairment losses on goodwill are not 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 Group as a Lessee

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

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

(b) The Group as a Lessor

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

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.

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.

n) Operating Expenses

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

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

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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 Group 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 Associated Undertakings

Equity interests in associated undertakings are valued using the equity method.

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.

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.

t) Financial Derivatives and Hedge Accounting

The Group 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.

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

3. Business Segments

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

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

Supplementary Information

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

	Dec 31 2009	Dec 31 2008
Non-current assets located in Poland	390,428	382,268
Non-current assets located abroad	19,669	18,798
Total non-current assets	**410,097**	**401,066**

The Company does not have key customers due to the nature of its operations. For more information see Note 32.

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	Sales of spare parts		Other		Eliminations		Total	
	Jan 1– Dec 31 2009	**Jan 1– Dec 31 2008**	**Jan 1– Dec 31 2009**	**Jan 1– Dec 31 2008**	**Jan 1– Dec 31 2009**	**Jan 1– Dec 31 2008**	**Jan 1– Dec 31 2009**	**Jan 1– Dec 31 2008**
Segment's revenue from external customers	2,016,049	1,632,893	49,585	105,063	-	-	2,065,634	1,737,956
Inter-segment revenue	231,880	118,040	65,106	44,427	(296,986)	(162,467)	-	-
Interest income	5,894	4,917	-	89	(4,400)	(3,401)	1,494	1,605
Interest expense	(28,633)	(28,269)	(3,148)	(2,149)	2,642	1,320	(29,139)	(29,098)
Amortisation/Depreciation	(28,513)	(26,487)	(1,912)	(1,222)	-	-	(30,425)	(27,709)
Profit before tax	**85,383**	**36,304**	**(709)**	**,7,685**	**(366)**	**(2,954)**	**84,308**	**41,035**
Equity interests in associated undertakings valued with equity method	3,727	3,676	-	-	-	-	3,727	3,676
Total assets	**1,381,353**	**1,357,202**	**175,997**	**161,410**	**(284,357)**	**(290,890)**	**1,272,993,**	**1,227,722**
Capital expenditure (purchase of property, plant and equipment, intangible assets and investment properties)	30,538	38,388	4,655	32,501	-	-	35,193	70,889
Total liabilities	**922,034**	**946,222**	**105,390**	**105,006**	**(253,322)**	**(241,631)**	**774,102**	**809,597**

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4. Property, Plant and Equipment

	Dec 31 2009	Dec 31 2008
Land	14,985	13,721
Buildings and structures	94,733	84,354
Plant and equipment	29,681	24,220
Vehicles	18,640	16,174
Other tangible assets	34,339	23,059
Tangible assets under construction	5,061	19,701
Prepayments for tangible assets under construction	-	66
	197,439	**181,295**

Property, Plant and Equipment Used under Lease Agreements

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

- As at December 31st 2009 – PLN 43,539 thousand
- As at December 31st 2008 – PLN 45,311 thousand

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

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

Changes in Estimates

The Group analysed the useful lives of warehouse equipment. Following the analysis, the Group 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.

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	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total property, plant and equipment
GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT							
Gross value as at Jan 1 2008	**5,643**	**53,125**	**31,748**	**12,730**	**31,883**	**7,422**	**142,551**
Increase:	**7,574**	**44,545**	**16,690**	**14,875**	**22,449**	**14,617**	**120,750**
Acquisition	595	1,514	5,258	8,642	8,282	24,149	**48,440**
Merger with JC Auto S.A.	6,683	36,469	7,189	4,941	9,665	1,060	**66,007**
Transfer	296	6,562	1,770	289	4,502	(10,592)	**2,827**
Lease	-	-	2,473	1,003	-	-	**3,476**
Decrease:	**-**	**(309)**	**(648)**	**(3,203)**	**(486)**	**(2,634)**	**(7,280)**
Sale	-	(309)	(564)	(3,187)	(484)	(1)	**(4,545)**
Liquidation	-	-	(84)	(13)	(2)	(14)	**(113)**
Transfer	-	-	-	-	-	(1,305)	**(1,305)**
Other	-	-	-	(3)	-	(1,314)	**(1,317)**
Currency translation differences	524	418	512	423	(2)	296	**2,171**
Gross value as at Dec 31 2008	**13,741**	**97,779**	**48,302**	**24,825**	**53,844**	**19,701**	**258,192**
Increase:	**1,399**	**15,483**	**17,226**	**9,430**	**17,471**	**(14,538)**	**46,471**
Acquisition	72	979	6,925	1,563	3,915	15,716	**29,170**
Transfer	1,327	14,504	2,671	6,178	13,215	(30,803)	**7,092**
Lease	-	-	7,630	1,689	341	549	**10,209**
Decrease:	**-**	**(1,536)**	**(10,547)**	**(4,354)**	**(854)**	**-**	**(17,291)**
Sale	-	(1,536)	(10,418)	(3,652)	(842)	-	**(16,448)**
Liquidation	-	-	(129)	(702)	(12)	-	**(843)**
Currency translation differences	(122)	(127)	(121)	(106)	(69)	(102)	**(647)**
Gross value as at Dec 31 2009	**15,018**	**111,599**	**54,860**	**29,795**	**70,392**	**5,061**	**286,725**

(PLN '000)

	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total property, plant and equipment
Depreciation and impairment losses as at Jan 1 2008	**-**	**8,866**	**17,398**	**6,770**	**21,599**	**-**	**54,633**
Depreciation for period	20	2,609	7,187	3,731	9,027	-	**22,574**
Sale	-	(24)	(199)	(2,022)	(299)	-	**(2,544)**
Liquidation	-	-	(2)	-	(14)	-	**(16)**
Other	-	(37)	(212)	-	244	-	**(5)**
Currency translation differences	-	10	(90)	172	228	-	**320**
Valuation	-	2,001	-	-	-	-	**2,001**
Depreciation and impairment losses as at Dec 31 2008	**20**	**13,425**	**24,082**	**8,651**	**30,785**	**-**	**76,963**
Depreciation for period	13	3,559	9,400	4,680	6,032	-	**23,684**
Sale	-	(245)	(8,124)	(1,936)	(432)	-	**(10,737)**
Liquidation	-	-	(75)	(55)	(12)	-	**(142)**
Other	-	139	(9)	(22)	(239)	-	**(131)**
Currency translation differences	-	(12)	(95)	(163)	(81)	-	**(351)**
Accumulated depreciation and impairment losses as at Dec 31 2009	**33**	**16,866**	**25,179**	**11,155**	**36,053**	**-**	**89,286**
NET VALUE							
As at Jan 1 2008	**5,643**	**44,259**	**14,350**	**5,960**	**10,284**	**7,422**	**87,918**
As at Dec 31 2008	**13,721**	**84,354**	**24,220**	**16,174**	**23,059**	**19,701**	**181,229**
As at Jan 1 2009	**13,721**	**84,354**	**24,220**	**16,174**	**23,059**	**19,701**	**181,229**
As at Dec 31 2009	**14,985**	**94,733**	**29,681**	**18,640**	**34,339**	**5,061**	**197,439**

(PLN '000)

5. Intangible Assets

	Dec 31 2009	Dec 31 2008
Software	5,962	6,905
Research and development expense	90	129
Goodwill, including:	124,130	124,130
- goodwill from merger with JC Auto S.A.	124,130	124,130
Other intangible assets, including:	18,142	21,127
- relations with suppliers	*14,149*	*15,503*
- other	*3,993*	*5,624*
Prepayments for intangible assets	-	30
	148,324	**152,321**

Impairment Test

The Group's assets in 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 significantly in comparison to values adopted as at December 31st 2008:

- Projections of cash flows used to estimate the value in use estimated separately for the segments Spare parts (includes goodwill) and Other
- 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 Group's activities.

Borrowing Costs

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

(PLN '000)

	Goodwill	Development expense	Computer software	Other intangible assets	Prepayments for intangible assets	Total
GROSS INTANGIBLE ASSETS						
Gross value as at Jan 1 2008	**-**	**-**	**19,497**	**4,004**	**3**	**23,504**
Acquired	-	10	3,126	1,927	30	**5,093**
Produced internally	-	119	-	-	-	**119**
Acquired through merger with JC Auto S.A., including:	124,130	-	1,497	17,913	-	**143,540**
- relations with suppliers acquired through merger with JC Auto S.A.	-	-	-	*16,700*	-	***16,700***
- other	*124,130*	-	*1,497*	*1,213*	-	***126,840***
Other decrease	-	-	(4)	-	(3)	**(7)**
Transfer from investments	-	-	919	-	-	**919**
Gross value as at Dec 31 2008	**124,130**	**129**	**25,035**	**23,844**	**30**	**173,168**
Acquired	-	-	2,585	-	109	2,694
Leased	-	-	1,000	-	-	1,000
Other decrease	-	-	(889)	(10)	(139)	(1,038)
Currency translation differences	-	-	(61)	-	-	(61)
Gross value as at Dec 31 2009	**124,130**	**129**	**27,670**	**23,834**	**-**	**175,763**

(PLN '000)

AMORTISATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS

Amortisation and impairment losses as at Jan 1 2008	**-**	**-**	**15,320**	**395**	**-**	**15,715**
Amortisation for period	**-**	**-**	2,813	2,322	-	**5,135**
Decrease	**-**	**-**	(3)	-	**-**	**(3)**
Amortisation and impairment losses as at Dec 31 2008	**-**	**-**	**18,130**	**2,717**	**-**	**20,847**
Amortisation for period	-	39	3,726	2,976	-	6,741
Decrease	-	-	(107)	-	-	(107)
Currency translation differences	-	-	(41)	(1)	-	(42)
Amortisation and impairment losses as at Dec 31 2009	**-**	**39**	**21,708**	**5,692**	**-**	**27,439**
NET VALUE						
As at Jan 1 2008	**-**	**-**	**4,177**	**3,609**	**3**	**7,789**
As at Dec 31 2008	**124,130**	**129**	**6,905**	**21,127**	**30**	**152,321**
As at Jan 1 2009	**124,130**	**129**	**6,905**	**21,127**	**30**	**152,321**
As at Dec 31 2009	**124,130**	**90**	**5,962**	**18,142**	**-**	**148,324**

6. Investment Property

	Dec 31 2009	Dec 31 2008
As at Jan 1	57,328	43,319
Acquisition through business combination	-	2,659
Increase related to subsequent expenses	3,329	12,423
Acquisition	-	3,096
Change in fair value recognised in current period profit/(loss)	1,922	6,976
Sale	(9,142)	(11,145)
As at Dec 31	**53,437**	**57,328**

Increase related to subsequent expenses included chiefly the expenditure incurred on the construction of buildings and structures for a new affiliate branch.

During the financial year, the Group sold real properties located in Bielsko-Biała and Rzeszów.

The Group commissioned a fair-value appraisal of its real properties located in Warsaw, Lublin, Bielsko-Biała, Szczecin, Gdańsk, Gorzów, Rzeszów and the Masuria region. The exercise was performed by an independent appraiser holding recognised and relevant professional qualifications who had experience in the appraisal of investment property.

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

In 2009, the property located in Gdańsk generated PLN 150 thousand in rent income, the properties in Warsaw and in Bielsko-Biała generated PLN 180 thousand each, whereas the property in Szczecin generated PLN 156 thousand.

The Group's title to the above properties is not restricted. The other real properties did not generate any rent income for the Group. They included land acquired for investment purposes (construction of premises for an affiliate branch or leasing). The value of the land as at December 31st 2009 was PLN 40,290 thousand.

7. Investments in Subordinated Undertakings

	2009	2008
As at Jan 1	**3,770**	**-**
Increase, including::	52	3,676
- acquisition of Frenoplast,	-	3,782
- share in net profit/(loss) of Frenoplast	52	(106)
- other	-	94
As at Dec 31	**3,822**	**3,770**

Interests in associated undertakings – as at December 31st 2009

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

* Unaudited.

(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 Group'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	-	8,460
Inventories	5,295	702
Trade and other receivables	406	1,303
Liabilities under employee benefits	335	-
Cash	-	74
Tax losses	687	-
Finance lease liabilities	7,484	-
Trade and other payables	3,440	7,616
Deferred tax assets/liabilities	**17,647**	**20,913**
Deferred tax assets offset against liabilities	(17,297)	(17,297)
Deferred tax assets/liabilities as disclosed in the statement of financial position	**350**	**3,616**

As at Dec 31 2008	**Assets**	**Liabilities**
Intangible assets	-	3,022
Property, plant and equipment	-	8,379
Inventories	4,781	897
Trade and other receivables	96	2,106
Liabilities under loans and borrowings	2,101	4
Liabilities under employee benefits	247	-
Tax losses	-	-
Finance lease liabilities	7,540	-
Trade and other payables	1,785	7,042
Deferred tax assets/liabilities	**16,550**	**21,450**
Deferred tax assets offset against liabilities	(16,268)	(16,268)
Deferred tax assets/liabilities as disclosed in the statement of financial position	**282**	**5,182**

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

(PLN '000)

Change in deferred tax assets	**Dec 31 2009**	**Dec 31 2008**
As at beginning of period	16,550	7,591
Increase (decrease)	1,097	8,959
As at end of period	**17,647**	**16,550**

Change in deferred tax liabilities	**Dec 31 2009**	**Dec 31 2008**
As at beginning of period	21,450	8,568
(Reversed) recognised in the period	(537)	12,882
As at end of period	**20,913**	**21,450**

	Dec 31 2008	**Effect on net profit**	**Dec 31 2009**
Deferred tax asset	16,550	1,097	18,960
Deferred tax liability	(21,450)	537	(22,226)
	(4,900)	**1,634**	**(3,266)**

10. Inventories

	Dec 31 2009	**Dec 31 2008**
Materials	37,825	28,612
Semi-finished products and work in progress	22,595	16,100
Finished products	4,576	6,491
Goods for resale	500,620	536,697
	565,616	**587,900**

Goods for resale	516,747	559,112
Discounts charged to inventories	(15,193)	(21,281)
Impairment losses	(934)	(1,134)
	500,620	**536,697**

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

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

The inventories have been pledged as collateral to secure the repayment of a bank loan.

Change in Impairment Losses on Inventories

	Dec 31 2009	**Dec 31 2008**
As at beginning of period	(1,134)	(953)
(Increase)/decrease	200	(181)
As at end of period	**(934)**	**(1,134)**

11. Trade and Other Receivables

	Dec 31 2009	**Dec 31 2008**
Trade receivables	189,624	160,563
Taxes, subsidies, customs duty, social security, health insurance and other benefits receivable	67,835	41,216
Other receivables	12,037	9,383
Loans advanced	7,677	6,703
Current trade and other receivables, gross	**277,173**	**217,865**

(PLN '000)

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

Change in impairment losses on trade receivables	**Dec 31 2009**	**Dec 31 2008**
As at beginning of period	(4,388)	(2,339)
Increase	(3,586)	(2,108)
Decrease	238	59
As at end of period	**(7,736)**	**(4,388)**
Current trade and other receivables, net	**269,437**	**213,477**

In accordance with the terms of cooperation between Inter Cars 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 current trade receivables, gross		
Up to 12 months	277,173	217,865
Over 12 months	-	-
	277,173	**217,865**
Currency structure of current trade and other receivables, gross		
Polish currency	185,588	128,666
Foreign currencies	91,585	89,199
	277,173	**217,865**
Receivables in EUR	51,343	50,217
Receivables in USD	11,484	16,285
Receivables in other currencies	28,758	22,697
	91,585	**89,199**

Maturity structure of receivables	**Dec 31 2009**	
	Gross	**Impairment losses**
up to 180 days	257,301	-
from 181 to 270 days	3,873	542
from 271 to 360 days	2,655	565
over 1 year	13,344	6,629
Total	**277,173**	**7,736**

Maturity structure of receivables	**Dec 31 2008**	
	Gross	**Impairment losses**
up to 180 days	201,381	-
from 181 to 270 days	6,234	1,369
from 271 to 360 days	3,561	466
over 1 year	6,689	2,553
Total	**217,865**	**4,388**

	Dec 31 2009	**Dec 31 2008**
Loans advanced		
Current loans	7,677	6,703
Non-current loans	411	1,742
	8,088	**8,445**
Non-current receivables		
Receivables from employees	524	579
Non-current loans	411	1,742

(PLN '000)		
Security deposits	4,390	2,226
Other	1,357	1,480
	6,682	**6,027**

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

For a discussion of credit and currency risks, see Note 32.

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

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

The loans are not secured.

12. Cash and Cash Equivalents

	Dec 31 2009	**Dec 31 2008**
Cash in hand	6,218	4,906
Cash at bank	16,212	16,922
Cash in transit	4,195	3,042
Cash in accounts of the Company's Social Benefits Fund	739	52
Cash	**27,364**	**24,922**
PLN	11,484	9,907
Other currencies	15,880	15,015
	27,364	**24,922**

With the exception of cash in accounts of the Company's Social Benefits Fund, the Group does not hold any restricted cash.
In accordance with Polish law, companies registered in Poland are required to administer 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 Group 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, the parent undertaking, was composed of 14,168,100 Series A to F ordinary bearer shares with a par value of PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission, and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on May 26th 2004.

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

(PLN '000)

As at December 31st 2009, Series A to G shares were registered by the registry court. However, as at the reporting 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:

	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	**569,336**		

Non-Controlling Interests

As at Jan 1 2008	**1,151**
Share of non-controlling interests in profit/(loss) for period Jan 1 – Dec 31 2008	(1,151)
As at Dec 31 2008	**-**
Share of non-controlling interests in profit/(loss) for period Jan 1 – Dec 31 2009	-
As at Dec 31 2009	**-**

Non-controlling interests comprise shares held by Mr Siergiej Ovsijenko in the share capital of Inter Cars Ukraine (30% of the company's share capital).

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 68,222 thousand (2008: PLN 25,417 thousand) and the weighted average number of shares of the parent undertaking – 13,785 thousand (2008: 13,400 thousand):

Weighted average number of shares	**2009**	**2008**
Shares outstanding as at Jan 1	13,736,100	11,821,100
Shares issued in connection with merger	-	1,562,500
Effect of stock 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	68,222	25,417
Weighted average number of shares	13,787,685	13,400,267
Net earnings per share	4.95	1.90

Diluted Earnings Per Share

For the purpose of calculation of diluted earnings per share the Group 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 68,222 thousand (2008: PLN 25,417 thousand) and weighted average number of shares (diluted) – 14,059 thousand (2008: 13,668 thousand):

Weighted average number of shares (diluted)	**2009**	**2008**
Weighted average number of shares during the year (basic)	13,787,685	13,400,267
Shares issued in connection with option exercise	271,326	267,318
Weighted average number of shares during the year (diluted)	**14,059,011**	**13,667,585**

(PLN '000)

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.

Diluted earnings per share	**2009**	**2008**
Net profit for period	68,222	25,417
Diluted weighted average number of shares	14,059,011	13,667,585
Net earnings per share	4.85	1.86

15. Liabilities under Loans, Borrowings and Other Debt Instruments

This Note contains information on the Group'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 32.

Non-current	**Dec 31 2009**	**Dec 31 2008**
Secured bank loans	352,996	81,817
Finance lease liabilities	33,062	31,645
	386,058	**113,462**

Current	**Dec 31 2009**	**Dec 31 2008**
Secured bank loans	55,603	416,115
Unsecured liabilities under debt securities (bonds)	25,000	-
Finance lease liabilities	7,732	9,009
	88,335	**425,124**

Current loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	55,000	55,000	Dec 31 2010
Fortis Bank S.A./NV Hungary (Inter Cars Hungaria)	603	603	Dec 31 2010
	55,603	**55,603**	

Non-current loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	425,000	350,262	Jul 29 2011
Fortis Bank S.A./NV Hungary (Inter Cars Hungaria)	3,187	2,734	Jan 20 2016
	428,187	**352,996**	

As at December 31st 2009, total liabilities under loans and borrowings amounted to PLN 408,599 thousand, of which PLN 395,614 thousand was attributable to liabilities under loans and borrowings contracted in PLN, PLN 9,648 thousand was attributable to liabilities under loans and borrowings contracted in EUR, and PLN 3,337 thousand was attributable to liabilities under loans and borrowings contracted in HUF.

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%**

(PLN '000)

The credit facility is secured with:
- mortgage over Inter Cars S.A.'s real property located in Cząstków Mazowiecki;
- registered pledge over inventories;
- surety issued by Inter Cars Ukraine;
- registered pledge over bank accounts.

The credit facility agreement includes requirements with respect to a number of key ratios (calculated based on the Inter Cars Group's consolidated financial statements), and in the event the Group fails to meet these requirements, the consortium will have the right to terminate the agreement. The ratios are as follows:
- the Group's operating profit to paid interest on financial indebtedness of all Group companies;
- net debt to EBITDA;
- the Group's equity to its 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 32.
As at the reporting date, the effective interest rate was the reference rate plus 2.84 pp.

The loan advanced by Fortis Bank S.A./NV Hungary is secured with a mortgage over real property and a guarantee issued by Inter Cars S.A. The loan bears interest based on LIBOR plus 1.5%.

Finance lease	**Dec 31 2009**	**Dec 31 2008**
Payments under lease agreements	50,084	50,661
Finance expense	(9,290)	(10,007)
Present value of liabilities under leases	**40,794**	**40,654**

Payments under lease agreements	**Dec 31 2009**	**Dec 31 2008**
Up to 1 year	8,161	11,059
1–5 years	27,055	21,047
Over 5 years	14,868	18,555
	50,084	**50,661**

Present value of liabilities under leases	**Dec 31 2009**	**Dec 31 2008**
Up to 1 year	7,732	9,009
1–5 years	22,381	14,055
Over 5 years	10,681	17,590
	40,794	**40,654**

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.

(PLN '000)

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

The bonds were issued in the Polish złoty 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 other undertakings	235,872	236,875
Taxes, customs duty, social security and other benefits payable	26,551	10,483
Other payables and accrued expenses	29,144	14,764
	291,567	**262,122**

	Dec 31 2009	Dec 31 2008
Trade payables before bonuses accrued for the period	275,717	273,538
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(39,845)	(36,663)
Balance-sheet value of trade payables	**235,872**	**236,875**
Maturity structure of trade payables		
Up to 12 months	235,872	236,875
Over 12 months	-	-
	235,872	**236,875**

Taxes, subsidies, customs duty, social security and other benefits payable as at December 31st 2009 included primarily VAT liabilities of the parent undertaking 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 of the parent undertaking 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).

Currency structure of trade and other payables	Dec 31 2009	Dec 31 2008
Local currency	148,790	127,867
Foreign currencies	142,777	134,255
	291,567	**262,122**
equivalent in national currency		
Liabilities in EUR	123,589	110,724
Liabilities in USD	4,859	5,875
Liabilities in other currencies	14,329	17,656
	142,777	**134,255**

Other Non-Current Liabilities

	Dec 31 2009	Dec 31 2008
Other	219	155
Other non-current liabilities	**219**	**155**

17. Liabilities under Employee Benefits

	Dec 31 2009	Dec 31 2008
Salaries and wages payables	1,558	1,634
Company's Social Benefits Fund	1,449	939
	3,007	**2,573**

(PLN '000)

18. Income Tax Payable

Maturity structure of income tax payable	Dec 31 2009	Dec 31 2008
Up to 12 months	1,300	979
Over 12 months	-	-
	1,300	**979**

Currency structure of income tax payable		
Polish currency	808	87
Foreign currency, denominated in PLN	492	892
	1,300	**979**

19. Share-Based Payments

On February 6th 2006, the Extraordinary General Shareholders Meeting of the parent undertaking introduced an Incentive Scheme for members of the management bodies, managers, and employees of key importance to the implementation of the Group's strategy. On December 8th 2006, the Extraordinary General Shareholders Meeting of the parent undertaking 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)**	-	-
Unexercised options	-	-	-	**-**	-	-
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 products	55,645	115,335
Revenue from sales of goods for resale and materials	1,944,309	1,562,167
Revenue from sales of services	65,008	59,858
Lease of investment property	672	696
	2,065,634	**1,737,956**

(PLN '000)

Sales by Product Groups

	2009 (PLN '000)	2009 (%)	2008 (PLN '000)	2008 (%)
Spare parts for cars	1,493,048	72%	1,192,663	69%
Spare parts for commercial vehicles and buses	210,058	10%	206,658	12%
Spare parts for motorcycles and two-wheeled vehicles	31,598	2%	20,837	1%
Other spare parts	178,233	9%	136,399	8%
Other sales	152,697	7%	181,399	10%
Total sales revenue	**2,065,634**	100%	**1,737,956**	100%

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

Geographical Structure of Sales

	2009 (PLN '000)	2009 (%)	2008 (PLN '000)	2008 (%)
Domestic sales	1,747,596	85%	1,518,576	87%
Export sales	318,038	15%	219,380	13%
Total	**2,065,634**	100%	**1,737,956**	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 the Inter Cars Group.

21. Cost of Sales

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Cost of products, goods for resale and materials sold	1,428,575	1,244,244
Decrease in cost of services, products, goods for resale and materials sold by the amount of discounts receivable for the period	(64,745)	(47,862)
Foreign exchange (gains)/losses	(4,718)	6,563
Cost of sales	**1,359,112**	**1,202,945**
Discounts receivable for the period	57,854	54,751
- recognised under inventories (to be recognised at the time of sale)	(15,193)	(21,281)
- recognised as a decrease in cost of sales	**42,661**	**33,470**
Prior-period discounts recognised under cost of products, services, goods for resale and materials sold (increase in inventories)	21,281	13,285
Change in estimates relating to prior-period discounts	803	1,107
Decrease in cost of sales by the amount of discounts receivable for the period	**64,745**	**47,862**
Discounts accrued in the period, recognised under inventories	15,193	21,281
Discounts accrued in the period, to be recognised in profit or loss of future periods	**15,193**	**21,281**

(PLN '000)

22. Selling Costs and General and Administrative Expenses

	Jan 1–Dec 31 2009	Jan 1– Dec31 2008
Depreciation/amortisation	30,425	27,709
Raw materials and energy used	63,144	105,942
Contracted services	385,598	310,119
Taxes and charges	3,580	2,634
Salaries and wages	93,268	88,110
Social security and other benefits	22,214	21,066
Other costs by type	23,073	16,768
Total costs by type	**621,302**	**572,348**
(-) Cost of products sold	(42,740)	(112,480)
(-) Change in finished products and work in progress	-	10,023
(-) Cost of distribution services	(243,773)	(195,566)
(-) Cost of incentive scheme	-	(743)
Selling costs and general and administrative expenses	**334,789**	**273,582**

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. Other Operating Income

	Jan 1–Dec 31 2009	Jan 1– Dec31 2008
Complaints accepted by suppliers	-	9
Gain on disposal of non-financial non-current assets	-	4,455
Compensation, penalties and fines received	652	246
Subsidies	-	581
Amounts charged to affiliate branches	1,329	1,006
Marketing rebates	1,590	784
Discount	1,029	5,475
Impairment losses on past due liabilities	217	91
Deposit payments	77	55
Receipt of past due receivables for which impairment losses were recognised	51	23
Reversal of impairment losses	664	2,548
Reversed warehouse valuation	-	211
Surplus inventories in warehouse	73	1,659
Revaluation of investment property	1,922	7,078
Other	762	962
	8,366	**25,183**

24. Other Operating Expenses

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Recognised impairment losses on receivables	6,350	975
Loss on disposal of non-financial non-current assets	424	69
Complaints accepted by suppliers	-	14
Damage to stock	2,224	1,665
Expenses related to complaints	410	923
Rebates granted	-	1,746
Impairment losses on past due receivables	3,444	5,190
Impairment losses on inventories	2,390	1,105
Compensation	79	276
Donations	4	36
Damage due to automobile accidents	-	60
Scrapping	110	130
Reinvoiced amounts	87	865
Incomplete deliveries	-	1,398
Other	932	482
	16,454	**14,934**

(PLN '000)

25. Finance Income and Expenses

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Finance income		
Interest on loans	695	842
Other interest	799	763
Other finance income	54	53
	1,548	**1,658**
Finance expenses		
Interest expense under bank loans	26,494	26,456
Other interest	2,645	2,642
Fees and commissions	3,651	4,379
	32,790	**33,477**

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/(losses)**
Arising in connection with payment of trade payables and receivables	3,501	-	3,501
Arising in connection with repayment of loans	-	(4,730)	(4,730)
Other	-	11	10
Realised foreign exchange gains/(losses)	**3,501**	**(4,719)**	**(1,219)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	1,217	-	1,217
Other	-	346	346
Unrealised foreign exchange gains/(losses)	**1,217**	**346**	**1,563**
Total foreign exchange gains/(losses)	**4,718**	**(4,373)**	**344**

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	(5,625)	-	(5,625)
Arising in connection with repayment of foreign-currency bank loans	-	2,377	2,377
Realised foreign exchange gains/(losses)	**(5,625)**	**2,377**	**(3,248)**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(938)	-	(938)
Arising in connection with valuation of liabilities under foreign-currency bank loans as at the reporting date	-	(11,672)	(11,672)
Arising in connection with valuation of cash as at the reporting date	-	252	252
Unrealised foreign exchange gains/(losses)	(938)	**(11,420)**	**(12,358)**
Total foreign exchange gains/(losses)	**(6,563)**	**(9,043)**	**(15,606)**

(PLN '000)

26. 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	(17,720)	(9,134)
Change in income tax receivable	(122)	(357)
Change in income tax payable	320	(9,606)
Other, including settlements taken over from JC Auto	-	1,177
Corporate income tax paid	**(17,522)**	**(17,920)**

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

	Dec 31 2009	Dec 31 2008
Change in trade and other receivables	(55,960)	56,517
Change in non-current receivables	(655)	2,187
Change in loans advanced	(357)	(2,348)
Other, including settlements taken over from JC Auto	(11)	(17,007)
Change in receivables	**(56,983)**	**39,349**

Change in Loans Advanced

	Dec 31 2009	Dec 31 2008
Loans advanced	(431)	(5 893)
Repayment of loans advanced	723	3 676
Interest received	760	727
Interest accrued	(695)	(858)
Change in loans advanced	**357**	**(2,348)**

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

	Dec 31 2009	Dec 31 2009
Amounts received (repaid) under loans, borrowings and debt securities	(84,960)	89,261
Payment of liabilities under finance lease agreements	(11,130)	(9,608)
Proceeds from issue of debt securities (bonds)	86,700	-
Redemption of debt securities (bonds) issued	(61,700)	(54,832)
Leases granted	11,271	3,476
Change in balance-sheet valuation	(4,373)	11,672
Change in loans, borrowings, debt securities and finance lease liabilities	**(64,192)**	**39,969**

Net Interest

	Dec 31 2009	Dec 31 2009
Interest paid	(29,142)	(29,022)
Interest accrued	695	858
Net interest	**(28,447)**	**(28,164)**

27. Income Tax

Income tax recognised under current period profit or loss

	Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
Current income tax	17,720	9,134
Change in deferred income tax	(1,634)	(150)
Income tax disclosed in statement of comprehensive income	**16,086**	**8,984**

(PLN '000)

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**
Profit before tax (without share in profit/loss of associated undertaking)	**84,308**	**34,401**
Tax based on applicable tax rates (15%/19%/24%/25%)*	(14,500)	(5,933)
Permanent differences		
Non-tax deductible costs	(3,220)	(3,227)
Recognition of tax relief relating to state aid in Special Economic Zone	-	176
Current income tax disclosed in statement of comprehensive income	**(17,720)**	**(8,984)**

- Poland 19%, Slovakia 19%, the Czech Republic 24%, Ukraine 25%, Lithuania 15%

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

28. 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 the General Shareholders Meeting	14,168,100	13,696,100
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 parent undertaking's Management Board proposed to allocate the current period net profit to statutory reserve funds. The possibility of paying out dividend by the parent undertaking is limited under a syndicated credit facility agreement of July 2009. For more information see Note 15.

29. 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.

(PLN '000)

Guarantees and Sureties

As at December 31st 2009, the Group 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.

30. Operating Leases

Inter Cars leases warehouse space to entities operating affiliate branches; however, the warehouses are not owned by the Company but leased (apart from the Central Warehouse in Czosnów and the facilities in Kajetany and Gdańsk). Any lease costs paid by the Group are fully re-invoiced to end users (branch operators) throughout the whole term when the area is used (including the termination notice period). As at 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 rent costs to the cooperating branch operators.

31. Transactions with Related Undertakings

The total amount of transactions and unsettled balances with related undertakings was eliminated in the consolidation.
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	**Jan 1–Dec 31 2009**	**Jan 1–Dec 31 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	694
BEST-CAR Justyna Pietrzak	488	392
	1,671	**1,302**
Purchase of goods for resale and services		
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**

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
	330	**420**

(PLN '000)

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
	254	**445**

Loans advanced	**Dec 31 2009**	**Dec 31 2008**
Frenoplast S.A.	1,164	1,169
	1,164	**1,169**

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

	Jan 1–Dec 31 2009	**Jan 1–Dec 31 2008**
Supervisory Board	208	167
Management Board	2,650	2,486
	2,858	**2,653**

32. Financial Risk Management

Credit Risk

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

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

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

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

	Dec 31 2009	**Dec 31 2008**
Trade and other receivables	276,119	219,504
Cash and cash equivalents	27,364	24,922
	303,483	**244,426**

Interest Rate Risk

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

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

In connection with the obtained syndicated credit facility, the Group is required to hedge its interest rate risks by entering into Interest Rate Swap (IRS) contracts. As at the reporting date, the Group 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
Pekao	98,958	until Jun 30 2011	3M WIBOR	4.98
Total	**217,708**			

(PLN '000)

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

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:

	Dec 31 2009	Dec 31 2008
Variable-rate financial instruments		
Financial assets (loans advanced, excluding interest accrued)	7,677	6,703
Financial liabilities (liabilities under loans, borrowings, debt securities and finance leases, less bonds with fixed discount rate)	(449,393)	(538,586)
- less financial liabilities hedged with Interest Rate Swaps (IRS) as at the reporting date:	217,708	-
	(224,008)	**(531,883)**

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

as at Dec 31 2009	**basis points increase/decrease**	**impact on net profit/loss**
	+ 100 / -100	(1,814) / 1,814
	+ 200 / -200	(3,629) / 3,629

as at Dec 31 2008	**basis points increase/decrease**	**impact on net profit/loss**
	+ 100 / -100	(4,308) / 4,308
	+ 200 / -200	(8,617) / 8,617

Currency Risk

A significant portion of the Group's trade payables is denominated in foreign currencies, especially in EUR. Sales are denominated mainly in PLN as well as in UAH, EUR, CZK, LTL, HUF, HRK and RON. In the period January 1st – December 31st 2009, the Group 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	51,343	11,484	28,785	50,217	16,285	22,697
Cash	5,543	21	10,316	6,117	73	8,825
Bank loans	(9,648)	-	(3,337)	(18,051)	-	(3,960)
Trade payables	(123,589)	(4,859)	(14,329)	(110,724)	(5,875)	(17,656)
Gross balance-sheet exposure	**(76,351)**	**6,646**	**21,435**	**(72,441)**	**10,483**	**9,906**

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

as at Dec 31 2009	**foreign exchange rate increase/decrease**	**impact on net profit/loss**
EUR	+ 5% / - 5%	(3,092) / 3,092
	+ 10% / - 10%	(6,184) / 6,184
USD	+ 5% / - 5%	269 / (269)
	+ 10% / - 10%	538 / (538)
Other	+ 5% / - 5%	868 / (868)
	+ 10% / - 10%	1,736 / (1,736)

(PLN '000)

as at Dec 31 2008	**foreign exchange rate increase/decrease**	**impact on net profit/loss**
EUR	+ 5% / - 5%	(2,933) / 2,933
	+ 10% / - 10%	(5,867) / 5,867
USD	+ 5% / - 5%	425 / (425)
	+ 10% / - 10%	849 / (849)
Other	+ 5% / - 5%	401 / (401)
	+ 10% / - 10%	802 / (802)

Liquidity Risk

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

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

	current	up to 3 months	from 3 to 12 months	1 to 5 years	over 5 years	total
interest-bearing loans and borrowings	-	10,152	45,451	352,215	781	408,599
bonds	-	-	25,000	-	-	25,000
finance lease liabilities	-	1,933	5,799	22,381	10,681	40,794
trade and other payables	115,435	150,566	25,566	-	-	291,567
	115,435	**162,651**	**101,816**	**374,596**	**11,462**	**765,960**

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

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

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

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

	Dec 31 2009	**Dec 31 2008**
Liabilities under loans, borrowings, and finance leases	474,393	538,586
Trade and other payables	291,567	262,122
(less) cash and cash equivalents	(27,364)	(24,922)
Net debt	738,596	775,786
Equity	498,891	418,125
Net debt to equity	**1.48**	**1.86**

(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	carrying amount	fair value
Loans advanced	8,088	8,088	8,445	8,445
Financial assets available for sale	43	*	43	*
Trade and other receivables (excluding loans advanced)	268,031	268,031	211,059	211,059
Cash and cash equivalents	27,364	27,364	24,922	24,922
Liabilities under bank loans and borrowings (including valuation of Interest Rate Swaps)	(408,599)	(411,928)	(497,932)	(497,932)
Trade and other payables	(291,567)	(291,567)	(262,122)	(262,122)
Liabilities under bonds	(25,000)	(25,000)	-	-
Finance lease liabilities	(40,794)	(40,794)	(40,654)	(40,654)
Net exposure	**(462,434)**		**(556,239)**	

* 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.

33. Events Subsequent to the Balance-Sheet Date

No such events occurred.

34. Significant Judgments and Estimates

The preparation of the financial statements in conformity with the EU IFRS requires the parent undertaking'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.

35. 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.

Statement of financial position	Approved report	Change	Restated
	Dec 31 2008		**Dec 31 2008**
ASSETS			
Receivables (non-current)	4,547	1,480	6,027
Prepayments and accrued income (non-current)	1,480	(1,480)	-
	6,027	**-**	**6,027**
Trade and other receivables	**210,405**	**3,072**	**213,477**
Prepayments	**3,072**	**(3,072)**	**-**
	213,477	**-**	**213,477**

(PLN '000)

EQUITY AND LIABILITIES	Dec 31 2008		Dec 31 2008
Provisions	148	(148)	-
Non-current accruals and deferred income	7	(7)	-
Other non-current liabilities	-	155	155
	155	**-**	**155**
Trade and other payables	247,684	14,438	262,122
Provisions	1,621	(1,621)	-
Current accruals and deferred income	12,817	(12,817)	-
	262,122	**-**	**262,122**

36. Going Concern

The Group'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 Group 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 Group 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.

37. Consolidated Financial Statements

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

(a) Consolidation for period from January 1st to December 31st 2009

The consolidated financial statements comprised the accounts of:

- parent undertaking: Inter Cars S.A. of Warsaw
- subsidiary undertakings:
  1. Inter Cars Ukraine, incorporated under Ukrainian law, with registered office in Khmelnytsky, Ukraine (with Inter Cars S.A.'s 70% interest in the undertaking's share capital),
  2. Lauber Sp. z o.o. of Słupsk (100%),
  3. Q-Service Sp. z o.o. of Warsaw (100%),
  4. Inter Cars Česká Republika of Prague (100%),
  5. Feber Sp. z o.o. of Warsaw (100%),
  6. Inter Cars Slovenska Republika of Bratislava (100%),
  7. Inter Cars Lietuva UAB of Vilnius (100%),
  8. IC Development & Finance Sp. z o.o. of Warsaw (100%),
  9. Armatus Sp. z o.o. of Warsaw (100%),
  10. JC Auto s.r.o. of Karvina-Darkow (100%),
  11. Inter Cars Hungária Kft of Budapest (100%),
  12. JC Auto S.A. of Brain-le-Chateau (100%),
  13. Inter Cars d.o.o. of Zagreb (100%),
  14. JC Auto s.r.l. of Milan (99%, with the 1% stake held by JC Auto s.r.o.),
  15. Inter Cars Romania of Cluj-Napoca (100%).

(PLN ‘000)

(b) Consolidation for the period from January 1st to December 31st 2008

The consolidated financial statements comprised the accounts of:

- parent undertaking: Inter Cars S.A. of Warsaw
- subsidiary undertakings:
  1. Inter Cars Ukraine, incorporated under the Ukrainian law, with registered office in Khmelnytsky, Ukraine (with Inter Cars S.A.’s 70% interest in the undertaking’s share capital),
  2. Lauber Sp. z o.o. of Słupsk (100%),
  3. Q-Service Sp. z o.o. of Warsaw (100%),
  4. Inter Cars Česká Republika of Prague (100%),
  5. Feber Sp. z o.o. of Warsaw (100%),
  6. Inter Cars Slovenska Republika of Bratislava (100%),
  7. Inter Cars Lietuva UAB of Vilnius (100%),
  8. IC Development & Finance Sp. z o.o. of Warsaw (100%),
  9. Armatus Sp. z o.o. of Warsaw (100%),
  10. JC Auto s.r.o. of Karvina-Darkow (100%),
  11. Inter Cars Hungária Kft of Budapest (100%),
  12. JC Auto S.A. of Brain-le-Chateau (100%),
  13. Inter Cars d.o.o. of Zagreb (100%),
  14. JC Auto s.r.l. of Milan (99%, with the 1% stake held by JC Auto s.r.o.),
  15. Inter Cars Romania of Cluj-Napoca (100%).

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

PART III
REPORT ON THE ISSUER'S OPERATIONS

1. Core Business of the Inter Cars Group

1.1 Summary

The core business of the Inter Cars Group comprises import and distribution of spare parts for cars and commercial vehicles. The Group's offering also includes equipment for repair garages and spare parts for motorcycles and tuning. The Inter Cars Group is Poland's largest independent distributor of spare parts. It operates in Poland, Ukraine, the Czech Republic, Slovakia and Latvia, and as a result of the merger with JC Auto also in Hungary, Italy, Croatia, Belgium and Romania. The Group's composition did not change in 2009.

The Group reported growth in sales revenue of more than 19% as compared with 2008. The improvement resulted from increased scale of operations and geographical expansion of the sales network.

In 2009, the Group opened 27 new affiliate branches; in consequence, as at December 31st 2009 its sales network included the total of 193 affiliate branches (166 in 2008), of which 123 were located in Poland and 70 abroad (as at the end of 2008 there were 115 Polish branches and 51 foreign branches).

The gross profit on sales in 2009 was up 32% 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 30.8% in 2008 to 34.2% in 2009.

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

('000)	2009 PLN	2008 PLN	2009 Euro
Statement of comprehensive income *(for period)*			
Sales revenue	2,065,634	1,737,956	475,887
Gross profit (loss) on sales	706,522	535,011	162,771
Cost of management stock option plan	-	(743)	-
Net finance income/(expenses)	(35,615)	(40,862)	(8,205)
Operating profit (loss)	84,308	75,369	19,423
Net profit (loss)	68,222	25,417	15,717
Statement of financial position *(as at period-end)*			
Cash and cash equivalents	27,364	24,922	6,661
Balance-sheet total	1,272,993	1,227,722	309,866
Loans, borrowings and finance lease liabilities	474,393	538,586	115,475
Equity attributable to owners of the parent	498,891	418,125	121,438
Minority interests	-	-	-
Other financial data			
Net cash provided by (used in) operating activities	109,793	69,871	25,294
Net cash provided by (used in) investing activities	(19,728)	(55,627)	(4,545)
Net cash provided by (used in) financing activities	(87,623)	(12,201)	(20,187)
Earnings per share	4.95	1.90	1.2
Sales margin (1)	34.2%	30.8%	-
EBITDA margin (2)	7.3%	5.9%	-

(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.

(PLN '000)

The revenue generated by Inter Cars S.A. accounted for ca. 79% of the Group's revenue (before eliminations for the purpose of consolidation). The Polish market is the Group's **primary sale market**.

Inter Cars **issued short-term bonds**. Proceeds from the issues were used to finance the Company's day-to-day operations. The favourable terms of the issues generated cost savings, as compared with financing from bank loans. Additionally, the bond issue programme enabled the Company to reinforce its image of a reliable and stable issuer of debt securities, as perceived by potential investors.

As at the reporting date the Group's financial liabilities under bonds in issue amounted to ca. PLN 25m.

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

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

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

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

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

1.2. Key Goods and Sale Markets

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

	2009		**2008**	
	(PLN '000)	**%**	**(PLN '000)**	**%**
Sale of spare parts and garage equipment	1,912,937	*92.61*	1,556,557	*89.56*
Cars	1,493,048	*72.28*	1,192,663	*68.62*
Trucks	210,058	*10.17*	206,658	*11.89*
Motorcycles	31,598	*1.53*	20,837	*1.20*
Other	178,233	*8.63*	136,399	*7.85*
Other revenue	152,697	*7.39*	181,399	*10.44*
Net sales revenue	**2,065,634**	*100.00*	**1,737,956**	*100.00*

The subsidiaries, as well as the parent undertaking, trade in spare parts for both cars and trucks; however, spare parts for cars constitute the majority of the Group's total sales structure.

(PLN '000)

In 2009, ca. 85% of the Group's sales revenue (before eliminations) was generated by **sales in Poland**.

1.3. Inter Cars – Parent Undertaking

Core Business

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

The sales revenue in 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 PLN	2008 PLN	2009 EUR	2008 EUR
Statement of comprehensive income *(for period)*				
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
Other financial data				
Net cash provided by (used in) operating activities	103,826	74,697	24,062	21,148
Net cash provided by (used in) investing activities	(35,279)	(58,690)	(8,270)	(16,616)
Net cash provided by (used in) financing activities	(69,714)	(16,400)	(16,061)	(4,643)
Statement of financial position *(as at period-end)*				
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 margin (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.

Key Goods for Resale

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	*80.16%*	1,206,003	*80.00%*	905,344	*78.67%*
Exports, including:	368,575	*19.84%*	301,413	*20.00%*	245,530	*21.33%*
Inter Cars Ukraine	17,209	*0.93%*	15,425	*1.02%*	11,189	*0.97%*
Inter Cars Ceska Republika	32,174	*1.73%*	21,673	*1.44%*	18,345	*1.59%*
Inter Cars Slovenska Republika	40,294	*2.17%*	26,812	*1.79%*	17,467	*1.52%*
Inter Cars Lietuva	18,767	*1.01%*	9,376	*0.62%*	5,273	*0.46%*
Inter Cars Croatia	13,635	*0.73%*	9,208	*0.61%*	-	-
Inter Cars Hungaria	9,938	*0.53%*	4,349	*0.29%*	-	-
Inter Cars Romania	11,567	*0.62%*	667	*0.04%*	-	-
JC Auto Italia	6,348	*0.34%*	1,757	*0.12%*	-	-
JC Auto Belgium	1,829	*0.10%*	958	*0.06%*	-	-
Total	**1,857,569**	***100%***	**1,507,416**	*100%*	**1,150,874**	*100%*

Sales Markets

Inter Cars' **primary sale market** is the domestic market. The share of exports in the Company's total sales remained unchanged relative to 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 29.93% 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	*95.64%*	1,442,124	*95.67%*	1,092,229	*94.9%*
Domestic	1,417,829	*76.33%*	1,147,768	*76.14%*	840,174	*73.0%*
Export	358,738	*19.31%*	294,356	*19.53%*	252,055	*21.9%*
Other	81,002	*4.36%*	65,292	*4.33%*	58,645	*5.1%*
Domestic	71,165	*3.83%*	58,235	*3.86%*	54,028	*4.7%*
Export	9,837	*0.53%*	7,057	*0.47%*	4,617	*0.4%*
Net sales revenue	**1,857,569**	*100.0%*	**1,507,416**	*100.0%*	**1,150,874**	*100.0%*

Other sales comprise income from cost reinvoicing 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)**	**(%)**
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.

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.

Market Environment

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

Key Drivers of the Market Development

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

The key **market drivers** include:

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

Distributors of Spare Parts in Poland

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

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

In the truck segment, the four leaders are:

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

The key trends in the independent spare parts distribution market in 2009 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**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
cars	327	308	354	318	236	239	293	320	320
commercial vehicles	35	32	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 złoty. Imports of second-hand cars 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.

cars in Poland ('000)	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
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.

(PLN ‘000)

(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.

1.4. Inter Cars Ukraine

www.intercars.com.ua

The company was established in April 2000 and started its operations in September 2000. Its rules of operation are the same as those followed by Inter Cars S.A. The business scope of Inter Cars Ukraine comprises the distribution of spare parts and accessories on the Ukrainian market. The product range does not differ from the one offered by Inter Cars S.A. The company’s offering includes both branded goods that are identical in terms of quality with those used in the factory assembly of vehicles, as well as significantly cheaper but good-quality goods sourced from manufacturers selling their products exclusively to the aftermarket. The company is supplied by Inter Cars and directly by the manufacturers.

As at the reporting date, Inter Cars Ukraine had 16 affiliate branches.

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

(PLN ’000)	**2009**	**2008**	**2007**
Sales revenue	71,816	68,827	54,361
Operating profit	5,671	1,691	1,593
Net profit	744	(11,351)	(1,130)

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

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

	2009		**2008**	
	(UAH ’000)	**(%)**	**(UAH ’000)**	**(%)**
spare parts for cars	106,184	*66*	83,809	*63*
spare parts for commercial vehicles and buses	55,225	*34*	49,738	*37*
Total	161,409	*100*	133,547	*100*

The parent undertaking – Inter Cars – is the company’s chief supplier. In 2009, goods supplied by Inter Cars represented approximately 30% of Inter Cars Ukraine’s total purchases.

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

The company’s key customers include shipment companies, garages, shops selling automotive parts and large automotive wholesalers. No customer’ share in the company’s total sales exceeds 10%.

In 2009, there were no changes in the organisational or capital links. Inter Cars of Warsaw holds 70% of the company’s share capital. The remaining 30% is held by Mr Siergiej Ovsijenko, the Chief Executive Officer.

In 2009, the company granted no sureties or guarantees.

In 2009, the company did not issue any securities.

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

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

As at December 31st 2009, 176 persons were employed in the company. As at December 31st 2008, the headcount was 187 persons.

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

In 2009, the company did not distribute dividend.

The Management Board is composed of:

Siergiej Ovsijenko – Chief Executive Officer

Vasyl Holonach – Procurement and Logistics Director

Stanislav Lukyanenko – Sales and Marketing Director

Vladislav Bugra – Director of Truck Part Sales Department

The Supervisory Board is composed of:

Marcin Pawłowski - Chairman of the Supervisory Board

Krzysztof Oleksowicz - Member of the Supervisory Board

Natella Ovsijenko - Member of the Supervisory Board.

1.5. Inter Cars Ceska Republika

www.intercars.cz

The company was purchased in July 2004 and in November 2004 started operations involving the distribution of spare parts. It sells the spare parts on the Czech market. Its product range is similar to that of Inter Cars with the spare parts for cars representing majority of sales.

As at the reporting date, the company had 13 affiliate branches. It is working on launching new ones.

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

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

In 2009,

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

(PLN '000)	**2009**	**2008**	**2007**
Sales revenue	73,717	71,066	59,101
Operating profit	2,071	2,850	2,486
Net profit	1,964	1,535	2,133

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

(PLN '000)

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

	2009		2008	
	(CZK '000)	*(%)*	**(CZK '000)**	*(%)*
spare parts for cars	327,309	*73*	402,170	*80*
spare parts for commercial vehicles and buses	60,119	*13*	55,320	*11*
spare parts for motorcycles and other spare parts	13,850	*3*	13,456	*3*
other sales	48,488	*11*	32,711	*6*
Total	**449,766**	*100*	**503,657**	*100*

In 2009, the company's chief supplier was Inter Cars. Goods provided by Inter Cars represented approximately 62% of Inter Cars Ceska Republika's total purchases. The remaining products were sourced directly from spare part manufacturers, mostly from the European Union. Deliveries from Inter Cars are carried out through the regional warehouses in Tychy and Wrocław, used also as the company's principal warehouse facilities.

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

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

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

In 2009, the company did not issue any securities.

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

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 103 persons were employed in the company. As at December 31st 2008, the headcount was 92 persons.

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

In 2009, the company did not distribute dividend.

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

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

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

On June 18th 2009, the General Shareholders Meeting of Inter Cars Ceska Republika was held. Matters on the agenda included the approval of the financial statements for 2008 and the allocation of profit for 2008 to retained profit.

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

(PLN '000)

1.6. Lauber

www.lauber.pl

The company was purchased in July 2003. Its business involves the recovery of vehicle spare parts, including: alternators, starters, steering systems and booster pumps. In 2006, the recovered starters and power steering systems represented two major product groups, followed by booster pumps. In July 2007, the company's business name was changed from Eltek to Lauber.

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

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

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

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

(PLN '000)	**2009**	**2008**
Sales revenue	12,506	12,063
Operating profit	(38)	1,741
Net profit	(287)	1,320

The company established business relations with a number of suppliers. Its chief supplier is Inter Cars, whose share in the total purchases of materials represents 30%.

In 2009, the company sold its products both on the domestic and foreign markets. The Polish market is essential for the amount of revenue generated by Lauber. In line with the adopted strategy of the Company's development, its goods are distributed on the domestic market solely through the Inter Cars network. Inter Cars' share in the company's total sales revenue accounts for 77%.

In 2009, the company exported its products primarily to France, Italy and Germany.

In 2009, there were no changes in the organisational or capital links. Inter Cars of Warsaw holds 100% of the company's share capital.

In 2009, the company granted no sureties or guarantees.

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

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

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

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

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

As at December 31st 2009, 68 persons were employed in the company.

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

In 2009, the company did not distribute dividend.

In 2009, the company's structure was not materially modified. The objective behind the current changes in the company's sales strategy is to optimise leveraging the whole Group's potential, in particular the parent undertaking's sales network.

The Management Board is composed of:

Wojciech Kilianek – President of the Management Board

Przemysław Wołosewicz – Member of the Management Board.

The General Shareholders Meeting was held on June 30th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the distribution of profit for 2008.

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

1.7. Feber

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

The table below sets forth the company's financial highlights (before consolidation eliminations):

(PLN '000)	2009	2008
Sales revenue	112,247	112,868
Operating profit/loss	(8,452)	5,630
Net profit/loss	(8,814)	3,468

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

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

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

In 2009, there were no changes in the organisational or capital links. Inter Cars of Warsaw holds 100% of the company's share capital.

To the reporting date for 2009, the company granted no sureties or guarantees.

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

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

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

As at December 31st 2009, 234 persons were employed in the company.

The company complied with environmental protection requirements.

In 2008, the company did not distribute dividend.

The Management Board is composed of:

Piotr Kraska – President of the Management Board
Paweł Pietrzak – Vice-President of the Management Board

The General Shareholders Meeting was held on June 30th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the distribution of profit/coverage of loss for 2008.

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

1.8. Q-Service

www.q-service.com.pl

In 2009, the company's core business was consultancy and organisation of training and seminars on the automotive services and market. The company's good results were achieved thanks to its offering of a new form of consultancy, which involved use of experts to find attractive purchase offers for automotive goods and parts. In 2009, the goods were bought both in Poland and abroad. The company's sole customers are companies from the Inter Cars Group.

The table below sets forth the company's financial highlights

(PLN '000)	2009	2008	2007
Sales revenue	50,601	34,570	26,743
Operating profit	6,850	4,614	3,686
Net profit	5,384	3,458	3,102

In 2009, there were no changes in the organisational or capital links. Inter Cars of Warsaw holds 100% of the company's share capital.

In 2009, the company granted no sureties or guarantees.

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

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

The company complied with environmental protection requirements.

In 2009, 2 persons were employed in the company.

In 2009, the company did not distribute dividend.

The Management Board

The Management Board is composed of:

Kazimierz Neyman – President of the Management Board

Krzysztof Oleksowicz – Member of the Management Board

Robert Kierzek – Member of the Management Board.

On June 30th 2009, the General Shareholders Meeting of Q-Service was held with the following agenda: the review and approval of the Directors' Report on the company's operations in 2008 and of the financial statements for 2008, as well as granting discharge to the Management Board members in respect of their duties in 2008 and adopting a resolution on the distribution of profit for 2008.

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

1.9. Inter Cars Slovenska Republika

www.intercars.sk

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

As at the reporting date, the company had 12 affiliate branches, 2 of them launched in 2009.

(PLN '000)

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

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

The table below sets forth the company's financial highlights (before consolidation eliminations):

(PLN '000)	**2009**	**2008**	**2007**
Sales revenue	84,747	52,357	33,617
Operating profit	6,562	3,597	1,975
Net profit	4,979	3,427	1,664

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

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

	2009		**2008**	
	(EUR '000)	**(%)**	**(EUR '000 translated at SKK/EUR rate of 30.1260)**	**(%)**
spare parts for cars	17,023	*87*	13,613	*88*
spare parts for commercial vehicles and buses	767	*4*	841	*6*
other	1,734	*9*	842	*6*
Total	**19,524**	*100*	**15,296**	*100*

The company's chief supplier was Inter Cars. Goods provided by Inter Cars represented approximately 74% of Inter Cars Slovenska Republika's total purchases. The remaining products were sourced directly from spare part manufacturers, mostly from the European Union. The deliveries from Inter Cars are carried out through the regional warehouse in Tychy, used also as the company's principal warehouse facility.

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

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

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

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

No significant changes were made to the principal rules of the company's management. As at December 31st 2009, 10 persons were employed at the company's registered office. As at December 31st 2008, the headcount was 10 persons.

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

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

The Management Board is composed of:

Tomas Kastil – Managing Director

Martin Havlik – Sales Director.

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

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

(PLN '000)

The General Shareholders Meeting of Inter Cars Slovenska Republika was held on June 18th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the allocation of profit for 2008 to retained profit.

1.10. Inter Cars Lietuva

www.intercars.lt

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

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

(PLN '000)	2009	2008	2007
Sales revenue	26,148	14,699	5,754
Operating profit	142	(560)	(536)
Net profit	133	(559)	(538)

As at December 31st 2009, the parent undertaking had not advanced any loans to the company.

In 2009, the company granted no sureties or guarantees.

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 13 persons were employed in the company.

The company complied with environmental protection requirements.

In 2009, the company did not distribute dividend.

The Management Board is composed of: Tomasz Piluch – Managing Director.

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

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

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

In 2009, the following real properties were sold:

- real property located in Rzeszów,
- real property located in Bielsko-Biała.

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

(PLN '000)	2009	2008	2007
Sales revenue	9,092	450	148
Operating profit/loss	175	66	(26)
Net profit/loss	(681)	(120)	(75)

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

As at December 31st 2009, the parent undertaking had advanced two loans to the company, totalling PLN 42,785 thousand. The loans were granted to purchase new real properties.

As at December 31st 2009, no sureties or guarantees had been issued to the company.

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

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 1 person was employed in the company.

The company complied with environmental protection requirements.

In 2009, the company did not distribute dividend.

The Management Board is composed of:

Piotr Kraska – President of the Management Board

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

The General Shareholders Meeting of IC Development & Finance Sp. z o.o. was held on June 30th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2008.

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of IC Development & Finance Sp. z o.o. was held on June 30th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2008.

1.12. Inter Cars Hungaria kft

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

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

(PLN '000)	**2009**	**Mar 1–Dec 31 2008**
Sales revenue	12,542	8,290
Operating profit	(1,298)	222
Net profit	(1,117)	(275)

The company's chief supplier was Inter Cars. Goods provided by Inter Cars represented approximately 92% of Inter Cars Hungaria kft's total purchases.

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

In 2009, the company opened three new affiliate branches, and as at the reporting date it had eight affiliate branches and five agency branches.

As at December 31st 2009, the company was granted a surety for a long-term loan for warehouse construction.

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

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

(PLN '000)

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 72 were employed in the company.

The company complied with environmental protection requirements.

In 2009, the company did not distribute dividend.

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

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Inter Cars Hungaria kft was held on June 18th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2008.

1.13. Inter Cars d o.o.

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

As at December 31st 2009, the company had four own affiliate branches and one agency branch, and is planning to open another six affiliate branches in 2010.

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

(PLN '000)	**2009**	**Mar 1–Dec 31 2008**
Sales revenue	26,731	15,891
Operating profit	(754)	(679)
Net profit	(748)	(821)

As at December 31st 2009, the company granted no sureties or guarantees.

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

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

The company was the most dynamically growing one on the Croatian market in the last two years. In 2010, it is planning to move to its new registered office in Zagreb, situated in the heart of an industrial district, which is expected to have a positive effect on the future sales.

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

As at December 31st 2008, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 90 were employed in the company.

The company complied with environmental protection requirements.

In 2009, the company did not distribute dividend.

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

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Inter Cars d o.o. was held on June 18th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2008.

1.14. JC Auto s.r.l.

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

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

(PLN '000)	**2009**	**Mar 1–Dec 31 2008**
Sales revenue	9,261	4,552
Operating profit	33	(297)
Net profit	3	(305)

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

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 5 persons were employed in the company.

The company complied with environmental protection requirements.

In 2009, the company did not distribute dividend.

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

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

1.15. JC Auto S.A. (Belgium)

www.jcauto.be

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

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

(PLN '000)	**2009**	**Mar 1–Dec 31 2008**
Sales revenue	7,807	7,734
Operating profit	(617)	846
Net profit	(634)	809

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

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 7 persons were employed in the company

(PLN '000)

The company complied with environmental protection requirements.

In 2009, the company did not distribute dividend.

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

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

1.16. Armatus Sp. z o.o.

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

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

(PLN '000)	2009	Mar 1–Dec 31 2008
Sales revenue	103	-
Operating profit	(48)	(46)
Net profit	(4)	9

In 2009, the company launched internet sales.

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

As at December 31st 2009, no sureties or guarantees were granted to the company.

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

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

As at December 31st 2009, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

In 2009, the company did not distribute dividend.

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

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Armatus Sp. z o.o. was held on June 30th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2008.

1.17. Inter Cars Romania s.r.l.

Inter Cars Romania was established in July 2008 and started its sales activity in August 2008. The company sells spare parts for cars. In 2009, it opened five affiliate branches.

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

(PLN '000)	2009	2008
Sales revenue	13,855	366
Operating profit	198	(322)
Net profit	84	(472)

As at December 31st 2009, the company had been advanced a loan of PLN 718 thousand by the parent undertaking.

In 2008, the company granted no sureties or guarantees.

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

(PLN '000)

As at December 31st 2008, no agreements were in force between the Company and the management staff members, which would provide for compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition.

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

As at December 31st 2009, 15 persons were employed in the company

The company complied with environmental protection requirements.

In 2009, the company did not distribute dividend.

The Management Board is composed of:

Marius Mujdei – Managing Director

Alexandru Abahnencei – Managing Director.

In 2009, no litigation, arbitration or administrative proceedings were pending, to which the company would be a party.

The General Shareholders Meeting of Inter Cars Romania s.r.l. was held on June 18th 2009. The agenda included the review and approval of the Directors' Report on the company's operations and the financial statements, as well as granting discharge to the Management Board members in respect of their duties and adopting a resolution on the coverage of loss for 2008.

1.18. JC Auto sro.

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

2. Supply Sources

The Group'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%.

3. 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 Group's suppliers. Those are in particular agreements which stipulate terms and conditions for granting additional discounts by the Company's suppliers. The agreements do not oblige the Group to generate turnover of a specified value.

Material Agreements

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

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

No.	Agreement date	Party to the agreement
1	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

(PLN '000)

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.

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

None.

5. Changes in Organisational or Capital Links

None.

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

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

7. Loans and Borrowings

Short-term loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	55,000	55,000	Dec 31 2010
Fortis Bank SA/NV Hungary (Inter Cars Hungaria)	603	603	Dec 31 2010
	55,603	**55,603**	

Long-term loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	425,000	350,262	Jul 29 2011
Fortis Bank SA/NV Hungary (Inter Cars Hungaria)	3,187	2,733	Jan 20 2016
	428,187	**352,996**	

(PLN '000)

Loan Agreements

Agreement No. Bank	Agreement date	Maturity date	Limit/loan amount (PLN)	Collateral
Syndicated credit facility Bank Polska Kasa Opieki S.A., 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 inventories, surety issued by Inter Cars Ukraine, registered pledge over bank accounts
Fortis Bank SA/NV Hungary H-1052 Budapest, Deák Ferenc Street 15	Jan 18 2006	Jan 20 2016	3,790,000.00	surety for loan repayment by the parent undertaking

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

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

8. Loans Advanced

Loans to related undertakings	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	31,942	44,944
Repayments received	(11,451)	(9,048)
Balance-sheet valuation	(125)	148
	87,019	**66,653**

Loan Agreements

Agreement date	Loan amount	Material terms and conditions of the agreement
Dec 29 2005	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	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	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	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	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
Feb 27 2008	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	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	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	EUR 170,000	Agreement on a loan from Inter Cars to finance IC Romania's operations and business development
Oct 29 2008	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 the related undertakings amounted to PLN 85,854 thousand.

The amount of loans advanced to nine non-related undertakings totalled PLN 7,857 thousand.

9. 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

(PLN '000)

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.

10. Security Issues

For detailed information see Note 14 to the financial statements.

11. Seasonality or Cyclical Nature of Operations

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

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

12. Evaluation of Financial Resources Management

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

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

(PLN '000)

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

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

	2009	**2008**
Net revenue from sales of goods for resale and products	2,065,634	1,737,956
Gross profit on sales	706,522	535,011
Gross sales margin	*34.20%*	*30.78%*
Operating profit	119,872	75,369
Operating margin	*5.80%*	*4.34%*
EBITDA	150,297	103,078
Profit before tax	84,308	34,401
Net profit	68,222	25,417
Net profit margin	*3,30%*	*1.46%*
Balance-sheet total	1,272,993	1,227,722
ROA	*5.36%*	*2.07%*
Non-current assets	410 097	401 066
Equity attributable to owners of the parent	498 891	418 125
ROE	*13.67%*	*6.08%*

Sales revenue in 2009 was **19% higher** than in 2008. Factors of particular **importance to the level of sales** in 2009 were:

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

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

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

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

Gross profit on sales grew by 32% in comparison with 2008. The higher rate of growth than the sales revenue's growth was driven by the 2009 **sales margin**.

In total, **selling costs and general and administrative expenses** grew by 22% in comparison with 2008. 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 243,773 thousand, accounting for 39% of all costs by type.

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

	2009	**2008**
Depreciation/amortisation	30,425	27,709
Raw materials and energy used	63,144	105,942
Contracted services	385,598	310,119
including: distribution services	*243,773*	*195,566*
Taxes and charges	3,580	2,634
Salaries and wages	93,268	88,110
including: management stock options	*0*	*743*
social security and other benefits	22,214	21,066
Other costs	23,073	16,768
Total costs by type	**621,302**	**572,348**

(PLN '000)

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

In 2009, **costs by type** grew in aggregate by 9% in comparison with 2008. The primary driver of the upward cost trend was an increase in other costs (by 38%), followed by contracted services (up by 24%).

Another cost item that influenced the overall growth in costs was salaries and wages, which were almost 6% higher than in 2008. After eliminating the cost of distribution and the cost of the management stock option plan (salaries and wages), in 2009 costs by type were **0.4% higher** year on year.

Finance income and expenses include mainly interest income and expense. In 2009, the Company incurred finance expenses in the amount of PLN 29,139 thousand. As at December 31st 2009, **liabilities under loans, borrowings, debt securities and finance lease** were PLN 474,393 thousand. In the period from January 1st to December 31st 2009, the Company issued short-term debt securities in 4 tranches, totalling PLN 86,700 thousand. Foreign exchange gains posted to the 2009 financial result totalled PLN 344 thousand.

Income tax expense includes accrued income tax in the amount of PLN 17,720 thousand as well as change in deferred tax assets and deferred tax liabilities, decreasing the income tax payable for the period by PLN 1,634 thousand. The increase in income tax payable results from the Company's use of the flat rate income tax option.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2009, the Company recognised the total of PLN 64,745 thousand under discounts, which represents a 35% rise in comparison with 2008 (PLN 47,862 thousand). Discounts due to the Group are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 15,193 thousand was posted to inventories, and it will reduce the cost of goods for resale sold in 2010 (in particular in Q1).

Operating profit in 2009 was 59% higher than in 2008. **EBITDA** in 2009 was 7.3%.

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. **Foreign exchange gains (losses)** are presented under two items of the statement of comprehensive income: the part corresponding to the realised foreign exchange gains (losses) on settlements of trade payables in foreign currencies is presented as an adjustment to the cost of goods for resale sold, and the balance is presented as a separate item of the statement.

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

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

	2009	**2008**
Current assets	862,896	826,656
Cash and securities	27,364	24,922
Current liabilities	384,209	690,798
Current loans, borrowings, debt securities and finance lease liabilities	88,335	425,124
Adjusted current assets	835,532	801,734
Adjusted current liabilities	295,874	265,674
Net working capital	539,658	536,060

(PLN '000)

Net working capital employed increased by approximately 1%.

	2009	2008
Inventory cycle (in days)	152	178
Average collection period (in days)	49	44
Operating cycle (in days)	201	223
Average payment period (in days)	63	75
Cash conversion cycle (in days)	138	147
Current ratio	2.92	3.11
Quick ratio	1.00	0.9
Cash ratio	0.09	0.09

Debt ratios are set forth in the table below.

	2009	2008
Total debt ratio	0.61	0.66
Debt-to-equity ratio	1.55	1.94

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 totalled PLN 474,393 thousand, and **the total debt ratio** was down to 0.61, from 0.66 in 2008.

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.

	2009	2008
Net cash provided by (used in) operating activities	109,793	69,871
Net cash provided by/(used in) investing activities	(19,728)	(55,627)
Net cash provided by/(used in) financing activities	(87,623)	(12,201)
Cash and cash equivalents at end of period	27,364	24,922

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.

13. Assessment of Investment Projects Feasibility

2009 expenditure on purchases and upgrades of property, plant and equipment totalled PLN 35,193 thousand. The majority of the amount was replacement capital expenditure.
The Group's investments in 2009 were entirely financed with loans and borrowings.

The investment plan for 2010 stipulates capital expenditure on property plant and equipment, such as replacement and upgrade of means of transport, as well the upgrade of the IT system which supports management.

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

2009 was record breaking for the Company in terms of the operating, pre-tax and net profit. Net profit for 2009 was higher than the net profit reported for 2006, which was the best ever result.

Operating profit in Q4 2009 rose by 40% year on year.

Gross profit on sales in Q4 grew by 14% year on year.

The Group recorded a 19% year-on-year growth in sales revenue. Sales of the foreign distribution companies (measured in PLN, after consolidation eliminations) increased by 30%

year on year. The growth rate of the Group's export revenue was driven by a marked increase in revenue generated by the Slovakian, Lithuanian and Croatian operations, as well the recently established company in Romania. The growth rate was adversely affected by a drop in sales of Feber (down by 62%).

Inter Cars' revenue from the Polish market accounted for approximately 75% of the total Group's revenue (taking into account consolidation eliminations). The Polish market remains the primary sale market for the Group.

Consolidated EBITDA (operating profit before depreciation/amortisation) for the period of 12 months ended December 31st 2009 totalled PLN 150,297 thousand.

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.

External and Internal Factors Important to the Group's Development

Internal Factors

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

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

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

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

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

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

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

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

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

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

External Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk of Changes in the Discount Policies of Spare Parts Manufacturers

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

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

Risk Related to Adoption of an Incorrect Strategy

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

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

Risk Related to Changes in the Demand Structure

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

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

Risk Related to Seasonal Sales

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

Risk Related to Bank Loans

Bank loans are an important source of funding for the Group's operations. As at December 31st 2009, the Group's debt under a syndicated credit facility, bonds and finance leases totalled PLN 408,599 thousand, and the total finance expenses relating to debt service (interest) stood at PLN 29.1m. Loans raised by the Group are variable-rate loans, so a potential marked increase in interest rates, translating into higher reference rates for the loans, would – through higher finance expenses – reduce the Group's profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity.

Risk of an Affiliate Branch Operator Engaging in Competitive Activity

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

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

Risk Related to the IT System

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

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

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

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

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

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

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

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

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

Risk Related to Customer Base Diversification by Spare Parts Manufacturers

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

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

Risk Related to Car Manufacturers Taking over Spare Parts Production

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

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

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

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

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

Risk Related to the Macroeconomic Situation

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

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

Risk Related to Poland's Economic Policy

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

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

Risk Related to the Foreign Customers Structure

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

Risk Related to Spare Parts Recovery Operations

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

Risk Related to Development of the Subsidiaries

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

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

16. Strategy and Future Development Prospects

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

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

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

- *Expansion of the distribution network* – in Poland and abroad.
- *Expansion of the product range* – by introducing new and improving the existing product lines to meet market expectations with respect to spare parts quality, prices and technical support from their manufacturers. In order to increase revenue from sales of high quality goods with a relatively low price, sourced from spare parts manufacturers less known in Poland, the Company is systematically developing the "4-max" and "4-max Truck" brand, an inexpensive and reliable alternative for end customers.
- *Development of partnership programmes* – which provide added value to the offering; the programmes involve development of projects supporting the Company's core business (such as fleet management, recovery of spare parts), constant support for the building of the network of independent garages as part of the Auto Crew*,* Q-Service*,* and Q-Service Truck projects, development of projects supporting garages (investment programme, garage equipment, trainings, technical information), and development of IT

(PLN '000)

systems supporting sales; those initiatives are aimed at continuous improvement of end customers' loyalty, which, in the long term, will provide the Company with a stable and growing sales market.

17. Changes in Key Principles of Managing the Group

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

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

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

In 2009, no changes occurred in the composition of the Group's management and supervisory staff.

19. 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.

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**

(PLN '000)

20. 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.

Name	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.

Name	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 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.

(PLN '000)

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%
Total	**9,568,663**	**19,137,326**	**67.52%**	**67.52%**

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

The Company is not aware of any such agreements.

22. System for Control of Employee Stock Option Plans

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

23. 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.

(PLN '000)

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.

24. 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 32 to the financial statements.

25. Employment

As at December 31st 2009, the Company employed 1,274 personnel. In total, the Group employed 2,015 personnel.

As at December 31st 2008, the Company had 1,303 employees. In total, the Group employed 2,041 personnel.

26. Environmental Policy

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

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

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.

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

See Note 14.

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

The Group did not publish any forecasts for 2009.

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

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

30. 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

31. Information on Court Proceedings to Which the Group 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.

32. 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.

33. Corporate Governance

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

Full version of the statement is attached to this report as Appendix: "INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 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

APPENDIX TO THE REPORT ON THE OPERATIONS OF THE INTER CARS GROUP

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 the Company's Articles of Association, the Supervisory Board is composed of 5 to 13 members appointed by the General Shareholders Meeting. Currently the Supervisory Board is composed of five members. Members of the Supervisory Board are appointed based on a vote in which all the interested and eligible Shareholders participate. Information regarding candidates for members of the Supervisory Board and their professional careers and qualifications is published in advance and submitted to the General Shareholders Meeting during its proceedings. Members of the Supervisory Board are appointed based on an independent decision of the Shareholders present at the Meeting and there are no reasonable grounds to introduce any restrictions regarding selection of the candidates.

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

(PLN '000)

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

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

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

3. Key Features of the Company's Internal Control and Risk Management Systems Used in the Preparation of Separate and Consolidated Financial Statements

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

4. Shareholders Directly or Indirectly Holding Significant Blocks of Shares; Numbers of Shares and Percentages of Company's Share Capital Held by Such Shareholders, and the Numbers of Votes and Percentages of the Total Vote that Such Shares Represent at the General Shareholders Meeting as at the Publication Date

	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%**

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Composition and Activities of the Issuer's Management, Supervisory and Administrative Bodies or of their Committees; Changes in their Composition in the Last Financial Year

10.1. Composition and Rules Governing Operation of the Management Board

In the period from 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.

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