INTER CARS S.A.

SEPARATE ANNUAL REPORT
FOR THE PERIOD January 1 – 31 December 2011

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TRANSLATION

Inter Cars S.A.

Opinion and Report of the Independent Auditor

Financial Year ended
31 December 2011

The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 9 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2011

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

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Inter Cars S.A.

We have audited the accompanying separate financial statements of Inter Cars S.A., seated in Warsaw, ul. Powsińska 64 ("the Company"), which comprise the separate statement of financial position as at 31 December 2011, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

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

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

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the Report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying separate financial statements of Inter Cars S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2011 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Other Matters

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

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original
....
Certified Auditor No. 12005
Maciej Kozysa

Signed on the Polish original
....
Certified Auditor No. 90048
Limited Liability Partner
with power of attorney
Mirosław Matusik

20 April 2012
Warsaw

TRANSLATION

Inter Cars S.A.

Report supplementing the auditor's opinion on the separate financial statements
Financial Year ended 31 December 2011

The report supplementing the auditor's opinion
contains 9 pages
Report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2011

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

Contents

1. General

1.1. General information about the Company

1.1.1. Company name

Inter Cars S.A.

1.1.2. Registered office

ul. Powsińska 64
02-903 Warsaw

1.1.3. Registration in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	23 April 2001
Registration number:	KRS 0000008734
Share capital as at balance sheet date:	PLN 28,336,200

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2011, the Management Board of the Company was comprised of the following members:

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

1.2. Auditor information

1.2.1. Key certified auditor information

Name and surname:	Mirosław Matusik
Registration number:	90048
Name and surname:	Maciej Kozysa
Registration number:	12005

1.2.2. Audit firm information

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

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms under number 3546.

1.3. Prior period financial statements

The separate financial statements for the period ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 11 May 2011 where it was resolved to allocate the profit of the prior financial year of PLN 46,004,000.00 to reserve capital.

The separate financial statements were submitted to the Registry Court on 19 May 2011 and were published in Monitor Polski B No. 73 on 9 January 2012.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Inter Cars S.A. seated in Warsaw, ul. Powsińska 64 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2011, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

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

The separate financial statements have been audited in accordance with the contract dated 27 July 2011, concluded on the basis of the resolution of the Supervisory Board dated 26 April 2011 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements in the Company's head office during the period from 5 to 23 March 2012.

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

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

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

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditors and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649).

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

2. Financial analysis of the Company

2.1. Summary of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	**31.12.2011 PLN '000**	**% of total**	**31.12.2010 PLN '000**	**% of total**
Non-current assets				
Property, plant and equipment	146 276	9,8	139 723	11,0
Intangible assets	136 786	9,1	139 675	10,9
Investments in subsidiaries	57 236	3,8	43 493	3,4
Investment property	2 019	0,1	2 768	0,2
Receivables	40 618	2,7	76 667	6,0
Deferred tax assets	-	-	182	-
Total non-current assets	382 935	25,5	402 508	31,5
Current assets				
Inventories	558 229	37,3	477 867	37,4
Trade and other receivables	538 867	36,0	382 905	30,0
Cash and cash equivalents	18 147	1,2	13 945	1,1
Total current assets	1 115 243	74,4	874 717	68,5
TOTAL ASSETS	1 498 178	100,0	1 277 225	100,0

EQUITY AND LIABILITIES	**31.12.2011 PLN '000**	**% of total**	**31.12.2010 PLN '000**	**% of total**
Equity				
Share capital	28 336	1,9	28 336	2,2
Share premium	259 530	17,3	259 530	20,3
Reserve capital	232 108	15,5	186 104	14,5
Other reserve capital	5 935	0,4	4 835	0,4
Retained earnings	104 662	7,0	46 327	3,6
Total equity	630 571	42,1	525 132	41,0
Liabilities				
Interest-bearing loans and borrowings	237 006	15,8	241 700	18,9
Deffered tax liabilities	3 418	0,2	-	-
Total non-current liabilities	240 424	16,0	241 700	18,9
Trade and other payables	356 262	23,8	288 244	22,6
Interest-bearing loans and borrowings	259 093	17,3	210 432	16,5
Employee benefits	3 150	0,2	2 405	0,2
Income tax payable	8 678	0,6	9 312	0,8
Total current liabilities	627 183	41,9	510 393	40,1
Total liabilities	867 607	57,9	752 093	59,0
TOTAL EQUITY AND LIABILITIES	1 498 178	100,0	1 277 225	100,0

2.1.2. Separate statement of comprehensive income

	01.01.2011 - 31.12.2011 PLN '000	% of total sales	01.01.2010 - 31.12.2010 PLN '000	% of total sales
CONTINUING OPERATION				
Revenue	2 448 872	100,0	2 133 050	100,0
Cost of sales	(1 758 198)	71,8	(1 516 710)	71,1
Gross profit on sales	*690 674*	*28,2*	*616 340*	*28,9*
Other operating income	3 732	0,2	4 474	0,2
Costs of sales and general administration	(289 787)	11,8	(290 415)	13,6
Costs of distribution service	(251 961)	10,3	(230 927)	10,8
Other operating expenses	(14 209)	0,6	(16 481)	0,8
Results from operating activities	*138 449*	*5,7*	*82 991*	*3,9*
Finance income	21 139	0,9	8 018	0,4
Foreign currency exchange rate differences	109	-	(490)	-
Finance expenses	(30 954)	1,3	(35 084)	1,7
Profit before income tax	*128 743*	*5,3*	*55 435*	*2,6*
Income tax expense	(24 404)	1,0	(9 431)	0,4
Net profit from continuing operations	*104 339*	*4,3*	*46 004*	*2,2*
OTHER COMPREHENSIVE INCOME				
Effective portion of changes in fair value of cash flow hedges	1 100	-	(1 100)	0,1
Other comprehensive income for the period, net of income tax	1 100	-	(1 100)	0,1
Total comprehensive income for the period	*105 439*	*4,3*	*44 904*	*2,1*
Net profit	104 339		46 004	
Weighted average number of shares	14 168 100		14 168 100	
Earnings per share (PLN)	7,36		3,25	
Diluted weighted average number of shares	14 168 100		14 168 100	
Diluted earnings per share (PLN)	7,36		3,25	

2.2. Selected financial ratios

		2011	**2010**	**2009**
1.	**Return on sales**			
	profit for the period x 100% / revenue	4,3%	2,2%	3,3%
2.	**Return on equity**			
	profit for the period x 100% / equity - profit for the period	19,8%	9,6%	14,5%
3.	**Debtors' days**			
	average trade receivables (gross) x 365 days / revenue	60 days	53 days	54 days
4.	**Debt ratio**			
	liabilities x 100% / equity and liabilities	57,9%	58,9%	60,8%
5.	**Current ratio**			
	current assets / current liabilities	1,8	1,7	2,3

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

3. Detailed report

3.1. Proper operation of the accounting system

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

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

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

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

3.2. Notes to the separate financial statements

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

3.3. Report on the Company's activities

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

3.4. Information on the opinion of the independent auditor

Based on our audit of the separate financial statements as at and for the year ended 31 December 2011, we have issued an unqualified opinion.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original	*Signed on the Polish original*
....	....
Certified Auditor No. 12005	Certified Auditor No. 90048
Maciej Kozysa	Limited Liability Partner
	with power of attorney
	Mirosław Matusik

20 April 2012
Warsaw

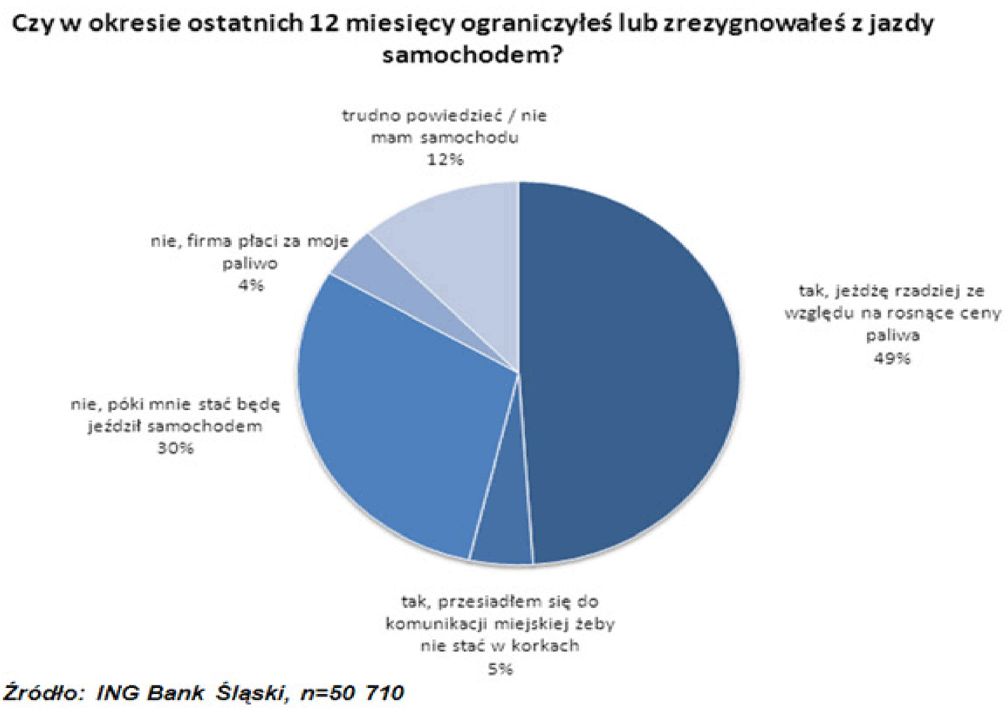
PART II
SEPARATE ANNUAL REPORT FOR THE PERIOD 1 January – 31 December 2011

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

Dear Shareholders,

The previous year was rather unfavourable for car manufacturers, especially due to the drop in sales compared to sales especially at the end of 2010 when sales soared on the basis of information related to the planned liquidation of VAT deduction on car purchase in Poland. This situation caused a lot of comments and questions as to the crisis of the industry. Consequently, we have received a number of questions from anxious investors on the condition of our business. Today, Inter Cars' results speak for themselves. Consolidated sales revenue increased by 14,6% and generated the net profit of PLN 104 million proved that although the crisis had impacted the car production segment, the segment of independent distributors continues to grow and is profitable. Unfortunately, for many motor industry is mainly understood as a car production industry, although in Poland today, in terms of generated value and the number of people employed the market comprise mainly of spare parts and car equipment manufacturers, car repair garages and independent spare parts distributors.

We see, however, that increasing fuel prices may impact negatively our business segment. Many drivers in large agglomerations give up a daily car use and revert to municipal commuting. As reported on the ING Bank Slaski's website, which was followed by other media, 58% of drivers admit having reduced usage of their cars during last 12 months and 5% of drivers have switched to municipal commuting.



Źródło: ING Bank Śląski, n=50 710

On the other hand the journal "Dziennik Gazeta Prawna" quotes on its internet portal that the growing number of new car owners decides to have their periodical controls of vehicles outside the network of official service stations (OSS). According to Alfred Franke, the President of the Association of the Independent Spare Parts Distributors, approx. 20-30% of new car owners may service their cars outside the network of official service stations. While still 4 to 5 years ago the number of vehicles under guarantee serviced outside of the network of official service stations was practically null.

Owners of new cars switch to independent services due to undoubtly lower prices and according to Tadeusz Kunce, the president of GIPA Poland, due to insufficient territorial coverage of Official Service Stations in Poland. It mainly applies to the brands that market share does not exceed 3%. These are Volvo, Mitsubishi and even Citroen and Peugeot. It has been known for some time that distance over 50 kilometres is a discouraging factor for a driver to visit a service station.

In view of these two opposite information we should ask ourselves how to take advantage of current market situation which could be seen in terms of hope or threat.

Inter Cars SA as a leader and one of the largest European spare parts distributor for passenger and commercial activity vehicles is a profitable company both in times of prosperity and crisis.

The mission of Inter Cars SA from its very beginning was to continuously increase the level of services for customers mainly through the widest accessible offer and optimalization of delivery times for repair garages. Moreover, we continue to expand our investment offer (sales support) for repair car garages in terms of garage equipment as well as we extend our training offer and technical help desk. Obviously, it would not be impossible to provide such a wide offer without cooperation of Premium spare parts manufacturers. As it is them who lead in innovation and trend setting in the industry. Owing to such close cooperation Inter Cars SA has a quick access to technical knowledge related to vehicle servicing. Therefore, Inter Cars is a guarantee for its customers for the best use of opportunities that arise in the current economic surroundings.

According to the data provided by the Polish Automotive Aftermarket Suppliers Association the value of independent passenger car market in 2010 amounted to PLN 7 billion (without oil and tyres). This means that this segment of the market has only grown as much as 2% over the year. Based on our own estimates Inter Cars SA’s share in the segment of passenger and commercial vehicle market amounted to approx. 20%.

A stable situation of Inter Cars on the Polish and neighbouring markets allows us to calmly work on optimization of operations in order to increase profitability. Therefore I see successful future ahead, especially that we continue to seek new solutions increasing our competitive advantage.

I believe that 2012 will be another successful year and for You Dear Shareholders will be a confirmation that you have made right decision to invest in Inter Cars S.A.

Robert Kierzek
President of the Management Board

Inter Cars S.A. Management Board's Statement

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

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

- The Directors' Report on the Company's operations gives a true picture of its development, achievements and standing.

- KPMG Audyt Sp. z o.o., a qualified auditor of financial statements that audited the separate annual financial statements of Inter Cars S.A. was appointed in compliance with applicable laws, and both the auditing firm and the auditor who performed the audit met the conditions required to issue an impartial and independent opinion on the reviewed financial statements, in accordance with the applicable laws.

Warsaw, April 20th 2012

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

Financial Highlights:

	For 12 months ended		For 12 months ended	
	Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010
('000)	*PLN*	*PLN*	*EUR*	*EUR*
Data on growth and profit				
Sales margin	28,2%	28,9%		
EBITDA	164 589	112 227	39 755	28 026
EBITDA as a per cent of sales	6,7%	5,3%		
Net debt/EBITDA	2,90	3,90		
Basic earnings per share	7,36	3,25	1,78	0,81
Diluted earnings per share	7,36	3,25	1,78	0,81
Operating profit (loss)	138 449	82 991	33 441	20 725
Net profit (loss)	104 339	46 004	25 202	11 488
Cash flows				
Net cash provided by (used in) operating activities	8 093	62 368	1 955	15 575
Net cash provided by (used in) investing activities	(22 691)	(11 419)	(5 481)	(2 852)
Net cash provided by (used in) financing activities	18 800	(48 617)	4 541	(12 141)
Employment and number of affiliate branches as at	**Dec 31 2011**	**Dec 31 2010**		
Number of employees	1 333	1 289		
Affiliate branches	1407	140		
Statement of financial position *(as at)*	**Dec 31 2011**	**Dec 31 2010**	**Dec 31 2011**	**Dec 31 2010**
Cash and cash equivalents	18 147	13 945	4 109	3 521
Balance-sheet total	1 498 178	1 277 225	339 200	322 507
Loans, borrowings, finance lease liabilities	496 099	452 132	112 321	114 166
Equity	630 571	525 132	142 766	132 599

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 2011: EUR 1 = PLN 4.4168, and the exchange rate quoted for December 31st 2010: EUR 1 = PLN 3.9603.
- 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 2011 and 2010, that is EUR 1 = PLN 4.1401 and EUR 1 = PLN 4.0044, 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
Piotr Płoszajski
Maciej Oleksowicz
Michał Marczak
Jacek Klimczak

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

Robert Kierzek, President of the Management Board
Krzysztof Soszyński, Vice-President of the Management Board
Krzysztof Oleksowicz
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

BNP Paribas Bank Polska S.A.
ul. Suwak 3
02-676 Warszawa

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

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

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

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

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

9. Subsidiary Undertakings

Inter Cars Ukraine
29009 Khmelnytskyi, Tolstego 1/1
Ukraine

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

Lauber Sp. z o.o.
ul. Portowa 35A
76-200 Słupsk

Inter Cars Lietuva UAB
J. Kubiliaus g. 18
Vilnius, Lithuania

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

Inter Cars d.o.o.
Radnička cesta 27
1000 Zagreb, Croatia

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

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

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

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

Inter Cars Cyprus Limited
12 Esperidon Street
1087 Nicosia, Cyprus

Galt SPV 18 Y Sp. z o.o.
ul. Lowska 17/19
00-660 Warsaw

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

Cleverlog Autoteile GmbH
Borigstr 34
Reinbek 21-465
Germany

10. Associate

Since October 30th 2008, the Company has held shares in SMiOC FRENOPLAST Bułhak i Cieślawski S.A., Korpele 75, 12-100 Szczytno. Since 1 April 2011 the Company own shares in Polmozbyt S.A. with registered site in Łódź.

11.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.).

12.Date of Approval for Publication of the Financial Statements

These separate financial statements were approved for publication by the Management Board of Inter Cars S.A. on April 20th 2012.

(PLN '000)

SEPARATE ANNUAL STATEMENT OF FINANCIAL POSITION

	note	Dec 31 2011	Dec 31 2010
ASSETS			
Non-current assets			
Property, plant and equipment	4	146 276	139 723
Intangible assets	5	136 786	139 675
Investments in subordinated undertakings	7	57 236	43 493
Investment property	6	2 019	2 768
Receivables	11	40 618	76 667
Deferred tax	9	-	182
		402 508	**402 508**
Current assets			
Inventories	9	558 229	477 867
Trade and other receivables	10	538 867	382 905
Cash and cash equivalents	11	18 147	13 945
		1 115 243	**874 717**
TOTAL ASSETS		**1 498 178**	**1 277 225**

	note	Dec 31 2011	Dec 31 2010
EQUITY AND LIABILITIES			
Equity			
Share capital	12	28 336	28 336
Share premium account	12	259 530	259 530
Statutory reserve funds		232 108	186 104
Other capital reserves		5 935	4 835
Retained earnings		104 662	46 327
		630 571	**525 132**
Non-current liabilities			
Loans, borrowings and finance lease liabilities	14	237 006	241 700
Deferred tax liabilities	8	3 418	-
		240 424	**241 700**
Current liabilities			
Trade and other payables	15	356 262	288 244
Loans, borrowings, debt securities and finance lease liabilities	14	259 093	210 432
Employee benefits	16	3 150	2 405
Income tax payable	17	8 678	9 312
		627 183	**510 393**
TOTAL EQUITY AND LIABILITIES		**1 498 178**	**1 277 225**

(PLN '000)

SEPARATE ANNUAL STATEMENT OF COMPREHENSIVE INCOME

	note	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010
Continuing operations			
Sales revenue	19	2 448 872	2 133 050
Cost of sales	20	(1 758 198)	(1 516 710)
Gross profit on sales		**690 674**	**616 340**
Other operating income	24	3 732	4 474
Selling costs and general and administrative expenses	22	(289 787)	(290 415)
Cost of distribution services	22	(251 961)	(230 927)
Other operating expenses	25	(14 209)	(16 481)
Operating profit		**138 449**	**82 991**
Finance income	25	21 139	8 018
Foreign exchange gains/(losses)	25	109	(490)
Finance expenses	25	(30 954)	(35 084)
Profit before tax		**128 743**	**55 435**
Corporate income tax	27	(24 404)	(9 431)
Net profit from continuing operations		**104 339**	**46 004**
OTHER COMPREHENSIVE INCOME		**1 100**	**(1 100)**
Other net comprehensive income for the reporting period		1 100	(1 100)
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		**105 439**	**44 904**
Net profit		**104 339**	**46 004**
Weighted average number of shares		**14 168 100**	**14 168 100**
Earnings per share (PLN)	13	**7,36**	**3,25**
Weighted average diluted number of shares		**14 168 100**	**14 168 100**
Diluted earnings per share (PLN)		**7,36**	**3,25**

(PLN '000)

ANNUAL STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium account	Statutory reserve funds	Other capital reserves	Retained earnings	**Total equity**
Equity as at January 1st 2011		**28 336**	**259 530**	**186 104**	**4 835**	**46 327**	**525 132**
Comprehensive income for the reporting period							
Net profit for the reporting period		-	-	-	-	104 339	***104 339***
Other net comprehensive income for the reporting period	33	**-**	**-**	**-**	1 100	**-**	**1 100**
Total comprehensive income for the reporting period		**-**	**-**	**-**	**1 100**	**104 339**	**105 439**
Distribution of retained earnings – transfer to statutory reserve funds		-	-	46 004	-	(46 004)	**-**
Equity as at December 31st 2011		**28 336**	**259 530**	**232 108**	**4 835**	**104 662**	**630 571**

(PLN '000)

ANNUAL STATEMENT OF CHANGES IN EQUITY (CONT.)

	Share capital	Share premium account	Statutory reserve funds	Other capital reserves	Retained earnings	**Total equity**
Equity as at January 1st 2009	**28 336**	**259 530**	**125 397**	**5 935**	**61 030**	**480 228**
Comprehensive income for the reporting period						
Net profit for the reporting period	**-**	**-**	**-**	**-**	46 004	**46 004**
Other comprehensive income of valuation of hedge instruments	**-**	**-**	**-**	(1 100)	**-**	**(1 100)**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**(1 100)**	**46 004**	**46 004**
Transactions with owners recognised directly under equity						
Contributions from and distributions to owners						
Share issue in connection with exercise of management stock options	-	-	-	-	-	**-**
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**
Distribution of retained earnings – transfer to statutory reserve funds	-	-	60 707	-	(60 707)	**-**
Equity as at December 31st 2009	**28 336**	**259 530**	**186 104**	**4 835**	**46 327**	**525 132**

(PLN '000)

SEPARATE ANNUAL STATEMENT OF CASH FLOWS

	note	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010
Cash flows from operating activities			
Profit before tax		**128 743**	**55 435**
Adjustments, including:			
Depreciation/amortisation of property, plant, equipment and intangible assets		26 140	29 236
Foreign exchange (gains)/losses		(254)	242
(Gain) on disposal of property, plant and equipment		(732)	(611)
Net interest	26	21 169	22 318
(Gain) on revaluation of investment property		749	(3 746)
Operating profit before changes in working capital		**175 815**	**102 874**
Change in inventories		(80 362)	(51 150)
Change in receivables	26	(134 680)	(6 360)
Change in trade and other payables and liabilities under employee benefits		68 763	21 885
Cash generated by operating activities		**29 536**	**67 249**
Corporate income tax paid	26	(21 443)	(4 881)
Net cash provided by (used in) operating activities		**8 093**	**62 368**
Cash flows from investment activities			
Sale of property, plant, equipment and intangible assets		1 846	3 529
Acquisition of property, plant, equipment and intangible assets	4 5	(30 787)	(19 199)
Acquisition of shares in subordinated undertakings	7	(13 743)	(2 507)
Repayment of loans advanced	26	25 578	18 091
Loans advanced	26	(6 205)	(12 091)
Interest received	26	620	758
Net cash provided by/(used in) investing activities		**(22 691)**	**(11 419)**
Cash flows from financing activities			
(Decrease) / increase in loans, borrowings and debt securities	27	80 655	12 403
Decrease in finance lease liabilities	27	(5 588)	(6 997)
Interest paid	27	(26 267)	(29 023)
Redemption of debt securities	27	(30 000)	(25 000)
Dividends paid	29	-	-
Net cash provided by/(used in) financing activities		**(18 800)**	**(48 617)**
Change in net cash and cash equivalents		**4 202**	**2 332**
Cash and cash equivalents at beginning of period		**13 945**	**11 613**
Cash and cash equivalents at end of period	12	**18 147**	**13 945**

Notes to the Separate Annual Financial Statements

1. Basis for the Preparation of Separate Annual Financial Statements

a) Statement of Compliance with IFRS

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

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

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

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

Standard/Interpretation	**Nature of impending change in accounting policy**	**Effective date for periods beginning as the date or after that date**
Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters*	The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. This exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.	1 July 2011
Amendments to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities	The Amendments contain new disclosure requirements for financial assets and liabilities that are: • offset in the statement of financial position; or • subject to master netting arrangements or similar agreements.	1 January 2013
IFRS 9 *Financial Instruments (2009)*	This Standard replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: • financial assets measured at amortized cost; or • financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: • the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever	1 January 2015

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

(PLN'000)

Standard/Interpretation	**Nature of impending change in accounting policy**	**Effective date for periods beginning as the date or after that date**
	provision of the enhanced disclosures under the amended IFRS 7 are required.	
IFRS 10 *Consolidated Financial Statements*" and IAS 27 (2011) *Separate Financial Statements*	IFRS 10 provides a new single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when (1) it is exposed or has rights to variable returns from its involvements with the investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns. The new standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).	1 January 2013
IFRS 11 *Joint Arrangements*	IFRS 11, *Joint Arrangements*, supersedes and replaces IAS 31, *Interest in Joint Ventures*. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows: - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. - a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement. IFRS 11 effectively carves out, from IAS 31, those cases in which although there is a separate vehicle for the joint arrangement, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity method. Proportionate consolidation is no longer possible.	1 January 2013

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Standard/Interpretation	**Nature of impending change in accounting policy**	**Effective date for periods beginning as the date or after that date**
IFRS 12 *Disclosure of Interests in Other Entities*	IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.	1 January 2013
IFRS 13 *Fair Value Measurement*	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.	1 January 2013
Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*	The amendments: • require that an entity presents separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of OCI are presented before related tax effects then the aggregated tax amount should be allocated between these sections. • Change the title of the *Statement of Comprehensive Income* to *Statement of Profit or Loss and Other Comprehensive Income*, however, other titles are also allowed to be used.	1 July 2012
Amendments to IAS 12 *Income taxes - Deferred Tax: Recovery of Underlying Assets*	The 2010 amendment introduces an exception to the current measurement principles based on the manner of recovery in paragraph 52 of IAS 12 for investment property measured using the fair value model in accordance with IAS 40 by introducing a rebuttable presumption that the carrying value of underlying assets would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is *depreciable* and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.	1 January 2012

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Standard/Interpretation	**Nature of impending change in accounting policy**	**Effective date for periods beginning as the date or after that date**
IAS 19 (2011) *Employee Benefits*	The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.	1 January 2013
IAS 27 (2011) *Separate Financial Statements*	IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.	1 January 2013
IAS 28 (2011) *Investments in Associates and Joint Venutres*	There are limited amendments made to IAS 28 (2008): • *Associates and joint ventures held for sale.* IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture. • *Changes in interests held in associates and joint ventures*. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.	1 January 2013
Amendments to IAS 32 Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities	The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: • not contingent on a future event; and • enforceable both in the normal course of	1 January 2014

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Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as the date or after that date
	business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.	
Amendments to IFRS 1 *First-time adopters* Government Loans	The amendments add a new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with a below-market rate of interest prospectively from the date of transition to IFRS. Alternatively, a first-time adopter may elect to apply the measurement requirements retrospectively to a government loan, if the information needed was obtained when it first accounted for that loan. This election is available on a loan-by-loan basis.	1 January 2013
IFRIC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine*	The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets. To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 *Inventories*. Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met: • it is probable that future economic benefits will flow to the entity; • the entity can identify the component of the ore body for which access has been improved; and • the costs relating to the stripping activity associated with that component can be measured reliably. The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset. The stripping activity asset shall initially be recognised at cost while after initial recognition, it shall be carried at either its cost or its revalued amount, less depreciation or amortisation and impairment losses, in the same way as the existing asset of which it is a part. The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.	1 January 2013

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, including hedge accounting;
- investment property, which is measured at fair value

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

c) Functional and Presentation Currencies

(a) Presentation and Functional Currencies

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

(b) 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

In 2011 no significant changes occurred.

2. Key Accounting Policies

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

a) Property, Plant and Equipment

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

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

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

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

Items of property, plant and equipment are depreciated using the straight-line method over the following periods:

Buildings and leasehold improvements	10–40 years
Plant and equipment	3–16 years
Vehicles	5–7 years
Other	1–5 years

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

b) Goodwill

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

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

c) Intangible Assets

Identifiable non-monetary assets without physical substance, whose acquisition or production cost can be estimated reliably and which will probably bring future economic benefits to the Company attributable directly to a given asset, are recognised as intangible assets. Intangible assets with definite useful lives are amortised over their useful lives, starting from the day when a given asset is available to be placed in service. They cease to be amortised at the earlier of: the day when a given asset is classified as available for sale (or included in a group of assets that are to be disposed of, classified as available for sale) in accordance with IFRS 5 Non-Current Assets Available for Sale and Discontinued Operations, or the day when the asset is derecognised, or when it is fully amortised. The value of an intangible asset for amortisation is determined by deducting its residual value.

Relations with Suppliers

Relations with suppliers acquired through an acquisition or business combination are initially recognised at acquisition cost. The acquisition cost of relations with suppliers acquired through mergers is equal to their fair value as at the merger date.

Following initial recognition, relations with suppliers are measured at acquisition cost less amortisation and impairment losses, if any. Relations with suppliers acquired through the merger with JC Auto S.A. are amortised over a twelve-year period, corresponding to their useful lives.

Computer Software

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

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

d) Investment Property

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

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

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

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

e) Financial Instruments

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

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

Financial instruments are initially recognised at fair value, which in the case of investments not classified as measured at fair value through profit or loss also includes transaction costs directly attributable to the acquisition or issue of the investment asset.

Financial instruments are derecognised if the rights to receive economic benefits and the risks associated with such instruments expire or are transferred to a third party.

The fair value of financial instruments which are traded on an active market is determined by reference to the closing price on the last day of trading before the reporting date.

The fair value of financial instruments which are not traded on an active market is determined using various valuation methods, including by reference to the market value of another instrument with substantially the same features that is traded on an active market, based on the expected cash flows, or option valuation models, taking into account company-specific circumstances.

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

(a) Financial Instruments Held to Maturity

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

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

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

(b) Loans and Receivables

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

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

(c) Financial Assets Available for Sale

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

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

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

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

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

f) Impairment of Assets

Financial Assets

An impairment loss on a financial asset is recognised if there is objective evidence of impairment as a result of one or more events which may have an adverse impact on future cash flows related to a given financial asset.

The amount of an impairment loss on a financial asset measured at amortised cost is estimated as the difference between the asset's carrying amount and the present value of the future cash flows, discounted using the original effective interest rate. Impairment losses on financial assets available for sale are computed by reference to the assets' present fair value.

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

Impairment losses are recognised in current period profit or loss.

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

Non-Financial Assets

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

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

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

Impairment losses on goodwill are not reversible. As far as other assets are concerned, as at each reporting date impairment losses recognised in prior periods are reviewed to determine if there is any evidence that they no longer exist or have decreased. An impairment loss recognised in prior periods is reversed if the estimates used to determine the asset's recoverable amount have changed. An impairment loss is reversed only up to the carrying amount of the asset (net of amortisation and depreciation) that would have been disclosed had no impairment loss been recognised.

g) Leases

a) The Company as a Lessee

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

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

(b) The Company as a Lessor

Income from operating leases is recognised in profit or loss on a straight-line basis over the period provided for in the relevant lease agreement. Leased assets are carried in the statement of financial position and depreciated in line with the 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 Company by its affiliate branches as compensation for the sale of goods for resale performed on behalf of the Company is recognised in the period to which it relates.

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

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

o) Finance Expenses

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

p) Corporate Income Tax

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

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

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

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

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

q) Valuation of Equity Interests in Subordinated Undertakings

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

r) Foreign Exchange Gains/Losses

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

s) Share-Based Payments

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

(PLN'000)

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

3. Business Segments

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

Supplementary Information

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

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

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

4. Property, Plant and Equipment

	Dec 31 2011	Dec 31 2010
Land	9 699	9 699
Buildings and structures	71 408	73 963
Plant and equipment	11 084	13 503
Vehicles	11 740	12 925
Other tangible assets	24 104	24 944
Tangible assets under construction	18 241	4 689
Total property, plant and equipment	**146 276**	**139 723**

Property, Plant and Equipment under Lease Agreements

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

- As at December 31st 2010 – PLN 33 103 thousand
- As at December 31st 2011 – PLN 33 206 thousand.

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

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

Borrowing Costs

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

(PLN'000)

	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT							
Gross value as at Jan 1 2010	**9 699**	**89 046**	**41 129**	**16 027**	**63 985**	**2 680**	**222 566**
Increase:		1 019	1 539	7 603	4 813	2 009	**16 982**
Acquisition	-	967	1 539	7 344	4 453	2 527	**16 829**
Transfer	-	52	-	247	219	(518)	**-**
Lease	-	-	-	12	-	-	**12**
Decrease:	-	-	4 642	3 115	145	-	**7 902**
Sale	-	-	4 642	3 115	145	-	**7 902**
Liquidation	-	-	-	-	-	-	**-**
Transfer	-	-	-	-	-	-	**-**
Gross value as at Dec 31 2010	**9 699**	**90 065**	**38 026**	**20 515**	**68 653**	**4 689**	**231 647**
Increase:	-	458	3 971	3 095	8 699	13 662	**29 885**
Acquisition	-	458	2 996	2 417	8 522	15 492	**29 885**
Transfer	-	-	975	678	177	(1 830)	**-**
Lease	-	-	-	-	-	-	**-**
Decrease:	-	96	60	3 629	398	110	**4 293**
Sale	-	-	60	3 629	398	74	**4 161**
Liquidation	-	96	-	-	-	36	**132**
Transfer	-	-	-	-	-	-	**-**
Gross value as at Dec 31 2011	**9 699**	**90 427**	**41 937**	**19 981**	**76 954**	**18 241**	**257 239**

(PLN'000)

	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	Total
Depreciation and impairment losses as at Jan 1 2010	**-**	**13 155**	**20 454**	**6 752**	**35 153**	**-**	**75 514**
Depreciation for period	-	2 947	8 635	2 819	8 677	-	**23 078**
Sale	-	-	(4 566)	(1 981)	(121)	-	**(6 668)**
Transfer	-	-	-	-	-	-	**-**
Fair value adjustment	-	-	-	-	-	-	**-**
Depreciation and impairment losses as at Dec 31 2010	**-**	**16 102**	**24 523**	**7 590**	**43 709**	**-**	**91 924**
Depreciation for period	-	2 917	6 389	3 501	9 542	-	**22 349**
Sale	-	-	(59)	(2 850)	(401)	-	**(3 310)**
Transfer	-	-	-	-	-	-	**-**
Impairment	-	-	-	-	-	-	**-**
Depreciation and impairment losses as at Dec 31 2011	**-**	**19 019**	**30 853**	**8 241**	**52 850**	**-**	**110 963**
NET VALUE							
As at Jan 1 2010	**9 699**	**75 891**	**20 675**	**9 275**	**28 832**	**2 680**	**147 052**
As at Dec 31 2010	**9 699**	**73 963**	**13 503**	**12 925**	**24 944**	**4 689**	**139 723**
As at Jan 1 2011	**9 699**	**73 963**	**13 503**	**12 925**	**24 944**	**4 689**	**139 723**
As at Dec 31 2011	**9 699**	**71 408**	**11 084**	**11 740**	**24 104**	**18 241**	**146 276**

(PLN'000)

5. Intangible Assets

	Dec 31 2011	Dec 31 2010
Goodwill, including:	122 937	122 937
- goodwill from merger with JC Auto S.A.	*122 937*	*122 937*
Software	1 756	1 470
Other intangible assets, including:	12 093	15 268
- relations with suppliers	*11 365*	*12 757*
- other	*728*	*2 511*
	136 786	**139 675**

Impairment Test

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

The value in use is the estimated present value of future cash flows generated by an entity. Material assumptions adopted at the estimation of the recoverable amount are presented below and they were not changed materially in comparison to values adopted as at December 31st 2010:

- Projections of cash flows used to estimate the value in use estimated for the whole Company, treated as a single cash generating unit.
- The data used to prepare the projections for 2012, 2013 and 2014 were based on the approved budget.
- Cash flows for 2015–2016 were estimated based on a growth rate of 4–5%, while for the remaining years the assumed growth rate was 1.5%.
- The discount rate used to calculate the value in use was 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 2010 – PLN 527 thousand
- as at December 31st 2011 – PLN 194 thousand.

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

Borrowing Costs

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

(PLN'000)

	Computer software	Other intangible assets	Goodwill	Total
GROSS INTANGIBLE ASSETS				
Gross value as at Jan 1 2010	**24 029**	**23 694**	**122 937**	**170 660**
Acquired	228	-	-	**228**
Leased	(11)	11	-	**-**
Sold	(761)	-	-	**(761)**
Gross value as at Dec 31 2010	**23 485**	**23 705**	**122 937**	**170 127**
Acquired	898	4	-	**902**
Leased	-	-	-	**-**
Transfer	631	(631)	-	**-**
Sold	-	-	-	**-**
Gross value as at Dec 31 2011	**25 014**	**23 078**	**122 937**	**171 029**
AMORTISATION AND IMPAIRMENT LOSSES				
Amortisation and impairment losses as at Jan 1 2010	**19 503**	**5 552**	-	**25 005**
Amortisation for period	3 273	2 885	-	6 158
Sold	(761)	-	-	(761)
Amortisation and impairment losses as at Dec 31 2010	**22 015**	**8 437**	-	**30 452**
Amortisation for period	1 243	2 548	-	**3 791**
Decrease due to sale	-	-	-	**-**
Amortisation and impairment losses as at Dec 31 2011	**23 258**	**10 985**	-	**34 243**
NET VALUE				
As at Jan 1 2010	**4 526**	**18 142**	**122 937**	**145 605**
As at Dec 31 2010	**1 470**	**15 268**	**122 937**	**139 675**
As at Jan 1 2011	**1 470**	**15 268**	**122 937**	**139 675**
As at Dec 31 2011	**1 756**	**12 093**	**122 937**	**136 786**

(PLN'000)

6. Investment Property

	Dec 31 2010	Dec 31 2009
As at Jan 1	2 768	2 768
Valuation	(749)	-
As at Dec 31	**2 019**	**2 768**

During 2011, there were no transfers of investment property to other assets or reclassifications of other assets to investment property.

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

In 2011, the property located in Gdańsk generated PLN 150 thousand in rent income.

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

7. Investments in Subordinated Undertakings

	2011	2010
As at Jan 1	**43 493**	**37 240**
Increase, including:	13 743	-
-new capital Inter Cars Bulgaria	*21*	-
-capital increase Feber Sp. z o.o.	*10 000*	-
-capital increase Lauber Sp. z o.o.	-	*300*
-purchase of shares GALT Sp z o.o.	*210*	-
-purchase of shares Polmozbyt S.A.	*3 508*	-
-reversal of impairment provision for share JC Auto s.r.l	-	*2 948*
-reversal of impairment provision for Armatus	-	*798*
-capital increase Inter Cars Romania s.r.l	-	*2 062*
-new capital Inter Cars Latvija	-	*10*
-new capital Inter Cars Cyprus	*4*	*43*
-new capital Cleverlog Autoteile GmbH	-	*92*
As at Dec 31	**57 236**	**43 493**

In 2010 the Company increase share capital and share premium at Inter Cars Cyprus Limited through the contribution of share in ATR (Auto-Teile Informationssystem).

Impairment Test

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

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

- The data used to prepare the projections for 2012, 2013 and 2014 were based on the approved budget.
- Cash flows for 2015–2016 were estimated based on a growth rate of 4–5%, while for the remaining years the assumed growth rate was 1.5%.
- The discount rate used to calculate the value in use was 10.5% and was estimated based on the weighted average cost of capital.

No impairment was identified based on the test.

(PLN'000)

Interests in subsidiary undertakings – as at December 31st 2011

Undertaking's name and form of incorporation	Location of registered office	Date of control take-over	Carrying amount of shares (PLN '000)	Percentage of share capital/total vote held	Undertaking's assets	Liabilities	Revenue	Net profit/ (loss)	
Inter Cars Ukraina	Khmelnytsky, Ukraine	Apr 2000	4 785	70%	47 129	63 716	85 507	(12 844)	
Q-Service Sp. z o.o.	Cząstków Mazowiecki, Poland	Apr 2000	416	100%	41 198	6 090	75 529	13 234	*
Lauber Sp. z o.o.	Słupsk, Poland	Jul 2003	1 566	100%	18 284	10 611	22 027	1 100	*
Inter Cars Ceska Republika	Prague, Czech Republic	Apr 2004	29	100%	70 266	63 560	106 512	(3 670)	
Inter Cars Slovenska Republika	Bratislava, Slovakia	Aug 2005	21	100%	32 380	8 942	111 333	4 587	
Feber Sp. z o.o.	Warsaw, Poland	Aug 2004	20 011	100%	49 580	39 466	65 929	(3 713)	
Inter Cars Lietuva	Vilnius, Lithuania	Sep 2006	1 058	100%	27 691	21 169	90 325	4 141	*
IC Development & Finance Sp. z o.o.	Warsaw, Poland	Oct 2006	3 785	100%	47 072	44 252	1 461	(121)	*
Inter Cars d.o.o.	Zagreb, Croatia	Feb 2008	563	100%	49 897	54 321	61 802	(1 717)	*
Inter Cars Hungaria Kft.	Budapest, Hungary	Feb 2008	611	100%	28 766	37 606	24 905	(6 035)	*
JC Auto s.r.l.	Milan, Italy	Feb 2008	2 948	99%	12 902	12 360	13 708	242	*
JC Auto S.A.	Brain-le-Chateau, Belgium	Feb 2008	0	100%	1 847	2 750	4 998	499	*
JC Auto s.r.o.	Karvina-Darkom, Czech Republic	Feb 2008	0	100%	5 392	8 476	0	(329)	*
Armatus Sp. z o.o.	Warsaw, Poland	Feb 2008	1 711	100%	903	104	280	(104)	*
Inter Cars Romania s.r.l.	Cluj-Napoca, Romania	Jul 2008	2 062	100%	64 091	66 251	97 958	(2 900)	*
Inter Cars Latvija SIA	Ryga, Latvija	Aug 2010	10	100%	1 957	2 289	5 424	(247)	*
Inter Cars Cyprus Limited	Nicosia, Cyprus	Oct 2009	43	100%	44 284	2 787	7 179	30 500	
Inter Cars Bulgaria Ltd.	Sofia, Bulgaria	Mar 2011	21	100%	2 793	3 315	982	(511)	
Cleverlog-Autoteile GmbH	Reibeck, Germany	Mar 2011	92	100%	40	18	9	(81)	
Galt SPV 18 Y Sp. z o.o.	Warsaw, Poland	Dec 2011	210	100%	**	**	**	**	
			49 946		**546 472**	**448 083**	**775 868**	**22 031**	

The Company Inter Cars acquired 90% of share in a newly formed company Cleverlog Autoteile GmbH and is a majority shareholder. Shares valued at 92 thousand PLN were paid up.

The Company Inter Cars SA acquired 100% of shares in the share capital of GALT SPC 18 Y Sp. z o.o.. Shares amounting 210 thousand PLN were paid up.

Interests in associated undertakings – as at December 31st 2011

Undertaking's name and form of incorporation	Location of registered office	Carrying amount of shares (PLN '000)	Percentage of share capital/total vote held	Undertaking's assets	Liabilities	Revenue	Net profit/ (loss)	
SMiOC FRENOPLAST Bułhak i Cieślawski S.A.	Szczytno, Poland	3 782	49%	18 450	9 133	11 410	318	*
Polmozbyt S.A.	Łódź	3 508	42%	9 080	2 762	5 355	1 426	***

**Unaudited.*
*** A company has not started business, does not own any material assets nor liabilities*
**** Latest accessible data for 2010*

(PLN'000)

8.Deferred Tax

Deferred Tax Assets and Liabilities

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

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

As at Dec 31 2010	**Assets**	**Liabilities**
Intangible assets	-	2 424
Property, plant and equipment	-	7 826
Inventories	2 531	-
Trade and other receivables	312	-
Investments in subsidiary undertakings	343	-
Loan	-	2 397
Finance lease liabilities	9 631	-
Trade and other payables	6 785	6 773
Deferred tax assets/liabilities	**19 602**	**19 420**
Deferred tax assets offset against liabilities	(19 420)	(19 420)
Deferred tax liabilities as disclosed in the statement of financial position	**182**	**-**

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

Change in deferred tax assets	**Dec 31 2011**	**Dec 31 2010**
As at beginning of period	19 602	16 888
Increase (decrease)	(1 205)	2 714
As at end of period	**18 397**	**19 602**

Change in deferred tax liabilities	**Dec 31 2011**	**Dec 31 2010**
As at beginning of period	19 420	21 220
(Reversed) recognised in the period	2 395	(1 800)
As at end of period	**21 815**	**19 420**

	Dec 31 2010	**Effect on net profit**	**Dec 31 2011**
Deferred tax asset	19 602	(1 205)	18 397
Deferred tax liability	(19 420)	(2 395)	(21 815)
	182	**(3 600)**	**(3 418)**

(PLN'000)

9. Inventories

	Dec 31 2011	Dec 31 2010
Goods for resale	558 229	477 867
	558 229	**477 867**

Goods for resale	575 137	492 588
Discounts charged to inventories	(14 822)	(13 902)
Impairment losses	(2 086)	(819)
	558 229	**477 867**

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

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

Change in Impairment Losses on Inventories

	Dec 31 2011	Dec 31 2010
As at beginning of period	(819)	(653)
(Increase)/decrease	(1 267)	(166)
As at end of period	**(2 086)**	**(819)**

10. Trade and Other Receivables

	Dec 31 2011	Dec 31 2010
Trade receivables from related undertakings	292 329	187 669
Trade receivables from other undertakings	179 288	148 065
Taxes, subsidies, customs duty, social security, health insurance and other benefits receivable	24 800	23 911
Other receivables, prepayments and accrued income	10 406	9 075
Loans advanced	43 204	21 844
Current trade and other receivables, gross	**550 027**	**390 564**

As at December 31st 2011, taxes, subsidies, customs duty, social security, health insurance and other benefits receivable included mainly VAT receivables in the amount of PLN 24,771 thousand (PLN 23,783 thousand in 2010).

Change in impairment losses on trade receivables	**Dec 31 2011**	**Dec 31 2010**
As at beginning of period	(7 659)	(5 706)
Increase, including:	(3 501)	(1 953)
- new impairment losses	*(3 501)*	*(1 953)*
As at end of period	**(11 160)**	**(7 659)**
Current trade and other receivables, net	**538 867**	**382 905**

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

	Dec 31 2011	Dec 31 2010
Maturity structure of trade receivables, gross		
Up to 12 months	471 617	335 734
Over 12 months	-	-
	471 617	**335 734**

(PLN'000)

Currency structure of trade and other receivables, gross		
Local currency	246 234	190 797
Foreign currencies	303 793	199 767
	550 027	**390 564**

Receivables in EUR	276 366	198 781
Receivables in USD	27 395	945
Receivables in other currencies	32	41
	303 793	**199 767**

Maturity structure of receivables	**Dec 31 2011**	
	Gross	**Impairment losses**
up to 180 days	455 642	-
from 181 to 270 days	1 396	472
from 271 to 360 days	1 287	463
over 1 year	13 292	10 225
Total	**471 617**	**11 160**

	Dec 31 2010	
	Gross	**Impairment losses**
up to 180 days	322 195	-
from 181 to 270 days	1 949	256
from 271 to 360 days	811	126
over 1 year	10 779	7 277
Total	**335 734**	**7 659**

Loans advanced	**Dec 31 2011**	**Dec 31 2010**
Current loans	43 204	21 844
Non-current loans	35 793	71 920
	78 997	**93 764**

Non-current receivables	**Dec 31 2011**	**Dec 31 2010**
Receivables from employees	229	-
Non-current loans	35 793	71 920
Security deposits	4 596	4 679
Other	-	68
	40 618	**76 667**

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

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

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

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

The loans are not secured.

11. Cash and Cash Equivalents

	Dec 31 2011	**Dec 31 2010**
Cash in hand	5 043	5 291
Cash at bank	1 012	2 577
Cash in transit	10 927	5 293
Cash in accounts of the Company's Social Benefits Fund	1 165	784
Cash	**18 147**	**13 945**

(PLN'000)

Local currency	17 753	11 919
Other currencies	394	2 026
	18 147	**13 945**

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

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

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

12. Share Capital and Share Premium Account

As at December 31st 2011, the share capital of Inter Cars S.A. was composed of 14,168,100 Series A to F ordinary bearer shares with a par value of PLN 2 per share; there are no restrictions on any rights conferred by the shares. All shares have been admitted to public trading by virtue of the decision of the Polish Securities and Exchange Commission, and introduced to trading on the Warsaw Stock Exchange. The first listing of Inter Cars S.A. shares took place on the trading session on May 26th 2004.

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

13. 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 104 339 thousand (2010: PLN 46 004 thousand) and the weighted average number of shares – 14 168 thousand (2010: 14 168 thousand):

Weighted average number of shares	**2011**	**2010**
Shares outstanding as at Jan 1	14 168 100	14 168 100
Shares issued in connection with option exercise	-	-
Weighted average number of shares during the year	**14 168 100**	**14 168 100**

Basic earnings per share	**2011**	**2010**
Net profit for period	104 339	46 004
Weighted average number of shares	14 168 100	14 168 100
Net earnings per share	7,36	3,25

(PLN'000)

Diluted Earnings Per Share

For the purpose of calculation of diluted earnings per share the Company took into account the dilutive effect of the incentive scheme. The table below presents net earnings per share calculated using the net profit for the period in the amount of PLN 104 339 thousand (2010: PLN 46 004 thousand) and weighted average number of shares (diluted) – 14 168 thousand (2010: 14 168 thousand):

Weighted average number of shares (diluted)	**2011**	**2010**
Weighted average number of shares during the year (basic)	14 168 100	14 168 100
Effect of stock option exercise	-	-
Weighted average number of shares during the year (diluted)	**14 168 100**	**14 168 100**

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	**2011**	**2010**
Net profit for period	104 339	46 004
Diluted weighted average number of shares	14 168 100	14 168 100
Net earnings per share	7,36	3,25

14.Liabilities under Loans, Borrowings and Other Debt Instruments

This Note contains information on the Company's liabilities under loans, borrowings and other debt instruments valued at amortised cost. For information on the Company's exposure to currency, interest rate and liquidity risks, see Note 32.

Syndicated Credit Facility Agreement
On 29 July 2009, a syndicated credit facility agreement for up to PLN 480m was signed by Inter Cars S.A. (the Borrower), Feber Sp. z o.o., IC Development & Finance Sp. z o.o., Inter Cars Ceska Republika s.r.o., Inter Cars Slovenska Republika s.r.o. (Co-Borrowers) and the following banks: Bank Polska Kasa Opieki S.A., ABN AMRO Bank (Polska) S.A., ING Bank Śląski S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A.

On 21 July 2011 a new annexe to the syndicated credit facility was signed adding additional co-borrower the company Q-Service Sp. z o.o..

On 23 November 2011 another annexe to the syndicated credit facility was signed so that the maturity for the short-term facility waa altered in this way that it should be repaid no later than 23 November 2012, which is illustrated in the below table. Furthermore, additional co-borrower was added to the credit facility agreement, the company Inter Cars Cyprus Limited, which was reported in the current report no 31/2011 dated 23 November 2011.The interest rate was agreed as a variable rate depending on WIBOR, EURIBOR and LIBOR rate, increased by bank margins (determined at arm's length) for each individual interest period.

Transition from short-term bilateral loans to medium-term syndicated financing provides Inter Cars S.A. and other members of the Inter Cars Group with stability and constant access to financing for a period of three years, enabling continued rapid development of the Group.

Non-current	**Dec 31 2011**	**Dec 31 2010**
Secured bank loans	215 000	350 262
Loans received	-	955
Finance lease liabilities	22 576	32 209
Settlement of commission	(570)	-
	237 006	**241 700**

(PLN'000)

Current	**Dec 31 2011**	**Dec 31 2010**
Secured bank loans	255 403	203 721
Loans received	733	999
Unsecured liabilities under debt securities (bonds)	-	-
Finance lease liabilities	4 248	5 712
Settlement of commission	(1 291)	-
	259 093	**210 432**

Current loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	265 000	255 403	Nov 23 2012
Armatus Sp. z o.o.	733	733	Dec 31 2012
	265 733	**256 136**	

Non-current loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Bank consortium	215 000	215 000	Nov 29 2013
	215 000	**215 000**	

As at December 31st 2011, total liabilities under loans and borrowings amounted to PLN 471 136 thousand of which PLN 463 576 thousand is denominated in PLN and 7 560 thousand is denominated in EUR.

Material Terms of the Syndicated Credit Facility

The table below presents banks which advanced the syndicated credit facility (including the amount drawn down as at December 31st 2011):

	Amount drawn	**Share in the amount drawn**
Polska Kasa Opieki S.A	166 100	35,3%
ABN Amro (Polska) S.A.	49 291	10,5%
ING Bank Śląski S.A.	107 548	22,9%
Bank Handlowy w Warszawie S.A.	65 666	13,9%
BRE Bank S.A.	81 798	17,4%
	470 403	**100,0%**

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;

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.

(PLN'000)

The credit facility bears interest at a variable interest rate based on WIBOR, EURIBOR and LIBOR reference rates plus bank's margin.

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

Finance lease	**Dec 31 2011**	**Dec 31 2010**
Payments under lease agreements	31 665	39 131
Finance expense	(4 841)	(6 719)
Present value of liabilities under leases	**26 824**	**32 412**

Payments under lease agreements	**Dec 31 2011**	**Dec 31 2010**
Up to 1 year	5 737	7 605
1–5 years	25 928	31 526
Over 5 years	-	-
	31 665	**39 131**

Present value of liabilities under leases	**Dec 31 2011**	**Dec 31 2010**
Up to 1 year	4 248	5 712
1–5 years	22 576	26 700
Over 5 years	-	-
	26 824	**32 412**

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 issued two tranches of bonds, the par value of issued bonds amounted to PLN 15,000 thousand each.

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

Tranche No.	Acquisition date	Maturity date	Redemption amount
93	03.03.2011	03.06 2011	15,000
94	03.06.2011	05.09.2011	15,000
			30,000

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

15.Trade and Other Payables

	Dec 31 2011	**Dec 31 2010**
Trade payables to related undertakings	59 194	38 300
Trade payables to other undertakings	242 041	205 315
Taxes, customs duty, social security and other benefits payable	11 073	17 709
Other payables and accrued expenses	43 954	26 920
	356 262	**288 244**

(PLN'000)

Trade payables before bonuses accrued for the period	337 354	276 067
Decrease in payables by the amount of bonuses due for the period to be settled in the subsequent period	(36 119)	(32 452)
Balance-sheet value of trade payables	**301 235**	**243 615**
Maturity structure of trade payables		
Up to 12 months	301 235	243 615
Over 12 months	-	-
	301 235	**243 615**

Taxes, subsidies, customs duty, social security and other benefits payable as at December 31st 2011 included primarily VAT liabilities in the amount of PLN 7 599 thousand (2010: PLN 13 208 thousand).

The most important items of other payables and accrued expenses as at December 31st 2011 were liabilities under bonuses for clients in the amount of PLN 4 999 thousand (2010: PLN 4 732 thousand), and liabilities under leases in the amount of PLN 3 371 thousand (2010: PLN 4 784).

	Dec 31 2011	**Dec 31 2010**
Currency structure of trade and other payables		
Local currency	186 706	179 534
Foreign currencies	169 556	108 710
	356 262	**288 244**
equivalent in national currency		
Liabilities in EUR	163 774	99 697
Liabilities in USD	911	2 495
Liabilities in other currencies	4 871	6 518
	169 556	**108 710**

16. Liabilities under Employee Benefits

	Dec 31 2011	**Dec 31 2010**
Salaries and wages payables	1 932	2 077
Company's Social Benefits Fund	1 218	328
	3 150	**2 405**

17. Income Tax Payable

Maturity structure	**Dec 31 2011**	**Dec 31 2010**
Up to 12 months	8 678	9 312
Over 12 months	-	-
	8 678	**9 312**

18. Share-Based Payments

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

19. Sales Revenue

	Jan 1- Dec 31 2011	**Jan 1- Dec 31 2010**
Revenue from sales of goods for resale	2 347 764	2 052 931
Revenue from sales of services	100 958	79 969
Lease of investment property	150	150
	2 448 872	**2 133 050**

(PLN'000)

Sales by Product Groups

	2011		2010	
	(PLN '000)	**(%)**	**(PLN '000)**	**(%)**
Spare parts for cars	1 725 708	70,47%	1 538 573	72,13%
Spare parts for commercial vehicles and buses	292 189	11,93%	236 021	11,06%
Spare parts for motorcycles and two-wheeled vehicles	53 711	2,19%	44 927	2,11%
Other spare parts	250 639	11,28%	213 488	10,01%
Other sales	126 625	4,13%	100 041	4,69%
Total sales revenue	**2 448 872**	100%	**2 133 050**	100%

Geographical Structure of Sales

	2011		2010	
	(PLN '000)	**(%)**	**(PLN '000)**	**(%)**
Domestic sales	1 921 677	78%	1 717 132	81%
Export sales	527 195	22%	415 918	19%
Total	**2 448 872**	100%	**2 133 050**	100%

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

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

20. Cost of Sales

	Jan 1 - Dec 31 2011	**Jan 1 - Dec 31 2010**
Cost of services and goods for resale sold	1 833 773	1 578 735
Decrease in cost of services and goods for resale by the amount of discounts receivable for the period	(65 078)	(60 958)
Foreign exchange (gains)/losses	(10 497)	(1 067)
Cost of sales	**1 758 198**	**1 516 710**
Discounts receivable for the period	65 998	59 952
- recognised under inventories (to be recognised at the time of sale)	(14 822)	(13 902)
- recognised as a decrease in cost of sales	**51 176**	**46 050**
Prior-period discounts recognised under cost of products and goods for resale sold	13 902	14 908
Change in estimates relating to prior-period discounts	-	-
Decrease in cost of services and goods for resale sold by the amount of discounts receivable for the period	**65 078**	**60 958**
Discounts accrued in the period, recognised under inventories	14 822	13 902
Discounts accrued in the period, to be recognised in profit or loss of future periods	**14 822**	**13 902**

21. Selling Costs and General and Administrative Expenses

	Jan 1- Dec 31 2011	**Jan 1- Dec 31 2010**
Depreciation/amortisation	26 140	29 236
Raw materials and energy used	17 151	13 934
Contracted services	396 487	378 880
Taxes and charges	2 930	2 173

(PLN'000)

Salaries and wages	66 746	66 053
Social security and other benefits	14 873	13 802
Other costs by type	17 421	17 264
Total costs by type	**541 748**	**521 342**
(-) Cost of distribution services	(251 961)	(230 927)
Selling costs and general and administrative expenses	**289 787**	**290 415**

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

22. Costs of Employee Benefits

	Jan 1-Dec 31 2011	**Jan 1-Dec 31 2010**
Remuneration under employment contracts	65 811	65 253
Remuneration under contracts for specific work and contracts of mandate	836	800
Social security contributions	11 713	11 222
Other employee benefits	3 259	2 580
Costs of employee benefits recognised under general and administrative expenses	**81 619**	**79 855**

23. Other Operating Income

	Jan 1-Dec 31 2011	**Jan 1-Dec 31 2010**
Gain on disposal of non-financial non-current assets	732	611
Reversal of provisions	-	850
Compensation, penalties and fines received	2 479	1 672
Marketing rebates	46	-
Discount	-	1 065
Impairment losses on past due liabilities	114	19
Receipt of past due receivables for which impairment losses were recognised	18	13
Deposit payments	-	14
Other	343	230
	3 732	**4 474**

24. Other Operating Expenses

	Jan 1–Dec 31 2011	**Jan 1–Dec 31 2010**
Recognised impairment losses on receivables and other impairment losses	4 655	6 612
Damage to stock	2 829	2 246
Expenses related to complaints	2 175	1 494
Rebates granted	2 931	2 298
Incomplete deliveries	1 015	3 024
Other	604	807
	14 209	**16 481**

(PLN'000)

25.Finance Income and Expenses

	Jan 1–Dec 31 2011	Jan 1–Dec 31 2010
Finance income		
Interest income on loans advanced	252	763
Interest income on intra-group loans advanced	4 846	5 944
Dividend received	15 290	-
Other interest	750	603
Other	1	708
	21 139	**8 018**
Finance expenses		
Interest expense under bank loans	25 134	26 687
Interest expense under intra-group loans	45	44
Other interest	1 838	2 292
Fees and commissions	2 355	3 254
IRS cost	1 133	2 807
Other	449	-
	30 954	**35 084**

Foreign exchange gains/(losses) in the period Jan 1–Dec 31 2011	**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	(8 814)	-	(8 814)
Arising in connection with repayment of loans	-	(66)	(66)
Other	-	-	-
Realised foreign exchange gains/(losses)	**(8 814)**	**(66)**	**8 880**
Arising in connection with valuation of trade payables and receivables as at the reporting date	19 311	-	19 311
Other	-	175	175
Unrealised foreign exchange gains/(losses)	**19 311**	**(490)**	**19 486**
Total foreign exchange gains/(losses)	**10 497**	**109**	**10 606**

(PLN'000)

Foreign exchange gains and losses in the period Jan 1–Dec 31 2010	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	5 422	-	5 422
Arising in connection with repayment of loans	-	-	-
Other	-	-	-
Realised foreign exchange gains/(losses)	**5 422**	**-**	**5 422**
Arising in connection with valuation of trade payables and receivables as at the reporting date	(4 355)	(490)	(4 845)
Other	-	-	-
Unrealised foreign exchange gains/(losses)	**(4 355)**	**(490)**	**(4 845)**
Total foreign exchange gains/(losses)	**1 067**	**(490)**	**577**

26. Structure of Cash for the Statement of Cash Flows

Corporate Income Tax Paid

	Dec 31 2011	Dec 31 2010
Current corporate income tax disclosed in the statement of comprehensive income	(20 804)	(13 945)
Change in income tax receivable		-
Change in income tax payable	(639)	9 064
Corporate income tax paid	**(21 443)**	**(4 881)**

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

	Dec 31 2011	Dec 31 2010
Change in trade and other receivables	(155 962)	(9 271)
Change in non-current receivables	36 049	2 858
Change in loans advanced	(14 767)	53
Change in receivables	**(134 680)**	**(6 360)**

Change in Loans Advanced

	Dec 31 2011	Dec 31 2010
Loans advanced	(6 205)	(12 091)
Repayment of loans advanced	25 578	18 091
Interest received	620	758
Interest accrued	(5 098)	(6 705)
Change in balance-sheet valuation	(128)	-
Change in loans advanced	**(14 767)**	**53**

(PLN'000)

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

	Dec 31 2011	Dec 31 2010
Amounts received (repaid) under loans, borrowings and debt securities	50 655	12 403
Payment of liabilities under finance lease agreements	(5 588)	(6 997)
Proceeds from issue of debt securities (bonds)	30 000	-
Redemption of debt securities (bonds) issued	(30 000)	(25 000)
Leases granted	-	-
IRS valuation	(1 100)	1 100
Change in balance-sheet valuation	-	1
Change in loans, borrowings, debt securities and finance lease liabilities	**43 967**	**(18 493)**

Net Interest

	Dec31 2011	Dec 31 2010
Interest paid	(26 267)	(29 023)
Interest accrued	5 098	6 705
Net interest	**(21 169)**	**(22 318)**

27. Income Tax

Income tax recognised under current period profit or loss

	Jan 1–Dec 31 2011	Jan 1–Dec 31 2010
Current income tax	(20 804)	(13 945)
Change in deferred income tax	(3 600)	4 514
Income tax disclosed in statement of comprehensive income	**(24 404)**	**(9 431)**

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 2011	Jan 1–Dec 31 2010
tax rate	19%	19%
Profit before tax	**128 743**	**55 435**
Tax based on applicable tax rates (19%)	(24 461)	(10 533)
Permanent differences	57	1 102
Income tax disclosed in statement of comprehensive income	**(24 404)**	**(9 431)**

28. Dividend per Share

	Jan 1–Dec 31 2011	Jan 1–Dec 31 2010
Dividend resolved and paid out to the reporting date	-	-
Number of shares with right to dividend as per resolution of the General Shareholders Meeting	14 168 100	14 168 100
Dividend per share (PLN)	-	-

In 2011, the Annual General Shareholders Meeting of Inter Cars S.A. adopted a resolution on the allocation of the whole profit for 2009 to statutory reserve funds.

The Management Board proposed to allocate 20% of the current period net profit for dividend. The possibility of paying out dividend by the Company is limited under a syndicated credit facility agreement. For more information see Note 14.

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.

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.

Guarantees and Sureties

As at December 31st 2011, the total amount of sureties and guarantees was PLN 8 734 thousand and comprised the sureties in respect of lease agreements of Lauber Sp. z o.o., sureties for the benefit of suppliers of Inter Cars Ceska Republika and Inter Cars Slovenska Republika, and a surety for a loan repayment for Inter Cars Hungaria Kft.

For	Term	Amount (PLN '000)
Inter Cars Hungaria Kft.	Jan 31 2016	2 456
Lauber Sp. z o.o.	Jan 13 2014	197
Feber Sp. z o.o.	Until revoked	972
Feber Sp. z o.o.	April 14 2012	2 182
Feber Sp. z o.o.	Dec 30 2012	2 650
Inter Cars Bulgaria Ltd.	July 5 2015	277
		8 734

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

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 Company are fully re-invoiced to end users (branch operators) throughout the whole term when the area is used (including the termination notice period). As at December 31st 2011, the total amount of lease rents under agreements for an indefinite term due for the termination notice periods under those agreements was PLN 5 763 thousand. The amount of lease rents under agreements for a definite term totalled PLN 1 739 thousand. As at the end of 2010, the amounts of the lease rents were PLN 5 299 thousand and PLN 10 078 thousand respectively.

(PLN'000)

The amount of future minimum payments under operating leases falling due in up to one year totals PLN 7 502 thousand (2010: PLN 9 493 thousand), and the ones falling due in the period from one to five years is null (2010: PLN 5 884 thousand). No future minimum payments under operating leases falling due in over five years are reported.

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

31. Transactions with Related Undertakings

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

Receivables from subsidiary undertakings	Dec 31 2011	Dec 31 2010
Inter Cars Ukraine	51 942	26 563
Q-Service Sp.z o.o.	-	-
Lauber Sp. z o.o.	113	354
Inter Cars Ceska Republika	54 316	31 827
Inter Cars Slovenska Republika	4 177	3 742
Feber Sp. z o.o.	6 740	7 905
Inter Cars Lietuva	15 596	11 901
IC Development & Finance Sp. z o.o.	-	220
JC Auto s.r.l.	10 426	9 326
Inter Cars d.o.o.	47 561	33 625
JC Auto S.A.	2 042	5 450
INTER CARS Hungária Kf.	34 083	21 531
JC Auto s.r.o.	7 543	7 235
Inter Cars Romania s.r.l.	54 832	25 402
Armatus Sp. z o.o.	100	273
Inter Cars Latvija SIA	1 828	602
Inter Cars Cyprus Ltd	944	1 713
Cleverlog-Autoteile GmbH	2	-
Inter Cars Bulgaria Ltd.	84	-
	292 329	**187 669**
	(3 839)	(3 746)
	288 490	**183 923**

Liabilities to subsidiary undertakings	Dec 31 2010	Dec 31 2009
Inter Cars Ukraine	1	1
Q-Service Sp. z o.o.	38 105	25 307
Lauber Sp. z o.o.	1 370	933
Inter Cars Ceska Republika	7 294	2 970
Inter Cars Slovenska Republika s.r.o.	37	595
Feber Sp. z o.o.	41	940
Inter Cars Lietuva UAB	892	82
IC Development & Finance Sp. z o.o.	83	484
JC Auto s.r.l.	96	25
Inter Cars d.o.o.	546	127
JC Auto S.A.	67	2 583
INTER CARS Hungária Kft.	1 386	383
Inter Cars Romania s.r.l.	2 036	463
5 STERNE FAHWERKSTECHNIK GMBH I. GR.	95	-
JC Auto s.r.o.	3 273	3 407
Inter Cars Latvija SIA	1	-
Inter Cars Cyprus Ltd.	3 871	-
	59 194	**38 300**

(PLN'000)

Sales revenue	**2011**	**2010**
Inter Cars Ukraine	26 484	20 892
Q-Service Sp. z o.o.	5 285	4 467
Lauber Sp. z o.o.	4 336	3 931
Inter Cars Ceska Republika	50 894	33 641
Inter Cars Slovenska Republika	54 621	44 517
Feber Sp. z o.o.	788	586
Inter Cars Lietuva	60 939	38 129
IC Development & Finance Sp. z o.o.	1	8
JC Auto s.r.l.	7 172	7 952
Inter Cars d.o.o.	23 667	15 924
JC Auto S.A.	3	10
INTER CARS Hungária Kft.	13 920	10 104
Inter Cars Romania s.r.l.	61 365	30 503
Armatus sp. z o.o	221	310
Inter Cars Latvija SIA	4 783	601
Cleverlog-Autoteile GmbH	9	-
Inter Cars Cyprus Limited	-	675
Inter Cars Bulgaria Ltd.	51	-
	314 539	**212 250**

Purchase of goods for resale and services	**2011**	**2010**
Inter Cars Ukraine	-	-
Q-Service Sp. z o.o.	73 990	61 054
Lauber Sp. z o.o.	21 431	15 492
Inter Cars Ceska Republika	7 940	3 697
Inter Cars Slovenska Republika	335	348
Feber Sp. z o.o.	3 250	2 153
Inter Cars Lietuva	8 547	579
IC Development & Finance Sp. z o.o.	1 388	1 123
JC Auto s.r.l.	63	25
Inter Cars d.o.o.	319	23
JC Auto S.A.	2 675	2 176
INTER CARS Hungaria Kft.	11 219	19
Inter Cars Romania s.r.l.	996	797
Inter Cars Cyprus Ltd.	5 668	2 377
Inter Cars Latvija SIA	24	-
	137 845	**89 863**

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	**2011**	**2010**
Inter Cars s.j.	1	15
ANPO Andrzej Oliszewski	1	3
FASTFORWARD Maciej Oleksowicz	641	569
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	213	58
AK-CAR Agnieszka Soszyńska	666	708
BEST-CAR Justyna Pietrzak	448	428
	1 970	**1 781**

(PLN'000)

Purchase of goods for resale and services	**2011**	**2010**
Inter Cars s.j.	-	27
ANPO Andrzej Oliszewski	156	155
FASTFORWARD Maciej Oleksowicz	1 803	504
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	1 840	1 810
AK-CAR Agnieszka Soszyńska	4 331	4 222
BEST-CAR Justyna Pietrzak	2 414	2 089
	10 544	**8 807**

Receivables	**Dec 31 2011**	**Dec 31 2010**
Inter Cars s.j.	56	55
FASTFORWARD Maciej Oleksowicz	83	260
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	95	-
AK-CAR Agnieszka Soszyńska	50	29
BEST-CAR Justyna Pietrzak	121	236
	405	**580**

Liabilities	**Dec 31 2011**	**Dec 31 2010**
P.H. AUTO CZĘŚCI Krzysztof Pietrzak	59	91
BEST-CAR Justyna Pietrzak	69	-
AK-CAR Agnieszka Soszyńska	196	236
FASTFORWARD Maciej Oleksowicz	15	-
	339	**327**

Loans advanced

	Dec 31 2011	**Dec 31 2010**
Loans to members of the Supervisory Board and Management Board and their relatives	-	-
Loans to subsidiary and associated undertakings	75 104	92 244
	75 104	**92 244**

Lauber Sp. z o.o.	6 864	6 228
Feber Sp. z o.o.	21 791	40 337
Inter Cars Latvija SIA	-	80
Inter Cars Romania s.r.l	16	685
IC Development & Finance Sp. z o.o.	44 039	43 652
Frenoplast S.A.	1 370	1 262
Inter Cars Bulgaria Ltd.	1 024	-
	75 104	**92 244**

The amount of advanced loans maturing in up to one year is PLN 41 194 thousand, while the amount of loans maturing in over one year totals PLN 33 910 thousand.

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

Loans advanced

	2011	**2010**
As at beginning of period	92 244	87 019
Loans advanced	2 167	11 344
Interest accrued	4 846	6 451
Repayments received	(23 853)	(12 061)
Interest received	(427)	(479)
Balance-sheet valuation	127	(30)
As at Dec 31	**75 104**	**92 244**

(PLN'000)

Interest accrued

	2011	2010
Lauber Sp. z o.o.	448	397
Feber Sp. z o.o.	1 954	3 079
Inter Cars Latvija	3	1
Inter Cars Romania	16	12
IC Development & Finance Sp. z o.o.	2 284	2 865
Frenoplast S.A.	110	97
Inter Cars Bulgaria Ltd.	31	-
	4 846	**6 451**

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

	2011	2010
As at beginning of period	8 241	12 766
Issued	14 627	5 425
Expired	(14 134)	(9 950)
As at end of period	**8 734**	**8 241**

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

	2011	2010
Supervisory Board	203	206
Management Board	2 704	3 370
	2 907	**3 576**

Remuneration of management from management of the board of the parent entity amounted to PLN 472 thousand, while remuneration of management from the management of the board of subsidiaries amounted to PLN 2 232 thousand.

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

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

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

	Dec 31 2011	Dec 31 2010
Trade and other receivables	579 485	459 572
Cash and cash equivalents	18 147	13 945
	597 632	**473 517**

(PLN'000)

Interest Rate Risk

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

The Company has liabilities bearing interest at variable rates. As at December 31st 2011, the Company had no fixed-rate liabilities.

The Company had no open interest hedge instruments.

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

Variable-rate financial instruments	**Dec 31 2011**	**Dec 31 2010**
Financial assets (loans advanced, excluding interest accrued)	61 791	81 036
Financial liabilities (liabilities under loans, borrowings, debt securities and finance leases, less bonds with fixed discount rate)	(496 099)	(452 132)
- less financial liabilities hedged with Interest Rate Swaps (IRS) as at the reporting date:	-	322 700
	(434 308)	**(48 396)**

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

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

as at Dec 31 2011	**basis points increase/decrease**	**impact on net profit/loss**
	+ 100 / -100	(392) / 392
	+ 200 / -200	(784) / 784

Currency Risk

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

	EUR	USD	Other	EUR	USD	Other
	Dec 31 2011			**Dec 31 2010**		
Trade receivables	276 366	27 395	32	198 781	945	41
Cash	374	19	1	2 026	-	-
Bank loans	(7 560)	-	-	-	-	-
Trade payables	(163 774)	(911)	(4 871)	(99 697)	(2 495)	(6 518)
Gross balance-sheet exposure	**105 406**	**26 503**	**(4 838)**	**101 110**	**(1 550)**	**(6 477)**

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

as at Dec 31 2011	**foreign exchange rate increase/decrease**	**impact on net profit/loss**
EUR	+ 5% / - 5%	4 269/ (4 269)

(PLN'000)

	+ 10% / - 10%	8 538 / (8 538)
USD	+ 5% / - 5%	1 073 / (1 073)
	+ 10% / - 10%	2 147 / (2 147)
Other	+ 5% / - 5%	(196) / 196
	+ 10% / - 10%	(392) / 392

as at Dec 31 2010	**foreign exchange rate increase/decrease**	**impact on net profit/loss**
EUR	+ 5% / - 5%	4 095 / (4 095)
	+ 10% / - 10%	8 190 / (8 190)
USD	+ 5% / - 5%	(63) / 63
	+ 10% / - 10%	(126) / 126
Other	+ 5% / - 5%	(262) / 262
	+ 10% / - 10%	(525) / 525

Liquidity Risk

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

Presented below are the Company's future payments as at December 31st 2011 by maturity date, based on discounted payments:

	current	up to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	total
interest-bearing loans and borrowings	-	-	254 845	214 430	-	469 275
finance lease liabilities	-	1 464	2 784	22 576	-	26 824
trade and other payables	143 297	210 483	2 482	-	-	356 262
	143 297	**211 497**	**260 111**	**237 006**	**-**	**852 361**

Capital Management

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

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

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

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

(PLN'000)

	Dec 31 2011	Dec 31 2010
Liabilities under loans, borrowings, and finance leases	496 099	452 132
Trade and other payables	356 262	288 244
(less) cash and cash equivalents	(18 147)	(13 945)
Net debt	834 214	726 431
Equity	630 571	525 132
Net debt to equity	1,32	1,38

Fair Value

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

	Dec 31 2011		Dec 31 2010	
	carrying amount	fair value	carrying amount	Fair value
Loans advanced	78 997	78 997	93 764	93 764
Financial assets available for sale	-	-	43	*
Trade and other receivables (excluding loans advanced)	495 663	495 663	365 808	365 808
Cash and cash equivalents	18 147	18 147	13 945	13 945
Liabilities under bank loans and borrowings (including valuation of Interest Rate Swaps)	(469 275)	(471 136)	(419 720)	(416 927)
Trade and other payables	(356 262)	(356 262)	(288 244)	(288 244)
Liabilities under bonds	-	-	-	-
Finance lease liabilities	(26 824)	(26 824)	(32 412)	(32 412)
Net exposure	**(266 816)**		**(266 816)**	

- 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

On 23 February 2012 Inter Cars SA disposed shares in Polmozbyt S.A. for PLN 3 766 thousand realizing a profit on disposal amounting to PLN 258 thousand.

34 Significant Judgments and Estimates

The preparation of the financial statements in conformity with the EU IFRS requires the Company's Management Board to make judgments and estimates which affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. The judgments and estimates are reviewed on an ongoing basis. Revisions to the estimates are recognised as profit or loss of the period in which the estimate is revised.

Information on particularly significant areas subject to judgments and estimates which affect the financial statements is disclosed in the following notes:

- Note 6 Investment property,
- Note 9 Impairment losses on inventories and discounts charged to inventories,
- Note 10 Impairment losses on receivables,

(PLN'000)

- Note 4/5 Impairment losses on property, plant and equipment and on intangible assets, estimates regarding useful lives of property, plant and equipment and of intangible assets,
- Note 7 Impairment losses on shares in subsidiary undertakings.

35 Going Concern

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

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

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

In 2009 Inter Cars concluded the syndicated loan facility. Transition from short-term bilateral loans to medium-term syndicated financing provides Inter Cars S.A. and other members of the Inter Cars Group with stability and constant access to financing for a period of three years, enabling continued rapid development of the Group.

On 23 November 2011 another annexe to the syndicated credit facility was signed so that the maturity for the short-term facility was altered in this way that it should be repaid no later than 23 November 2012. For more information see Note 14.

36 Consolidated Financial Statements

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

Robert Kierzek
President of the
Management Board

Krzysztof Soszyński
Vice-President of the
Management Board

Krzysztof Oleksowicz
Member of the
Management Board

Wojciech Milewski
Member of the
Management Board

Piotr Kraska
Member of the
Management Board

Julita Pałyska
Person responsible for
keeping the accounting books

Warsaw, April 20th 2012

PART III

REPORT ON THE OPERATIONS OF INTER CARS S.A.

1. Summary

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

The sales revenue in fourth quarter 2011 was **up 8%** on the previous year. It should be noted that sales revenue for the first month of 4 quarter amounted to record high 239 million PLN (the highest monthly sales in the history of Inter Cars).

The sales revenue in 2011 was primarily driven by:

(a) 4th quarter 2011 was the strongest period in terms of sales dynamics. The Group saw nearly 8% increase compared to 4th quarter 2010. For the period of 12 months of 2011 consolidated sales revenue increased nearly 14,8% on corresponding period of 2010,

(b) gross profit on sales for the period of 12 months of 2011 decreased by nearly 12,1% on the corresponding period of previous year, however, gross profit on sales in the period of 4Q 2010 increased by 11,8%,

(c) concentration on domestic market, share of export sales in the total sales revenue was at around 21,5%, which is by 26,8% higher than in 2010,

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

(e) a larger increase in profits from sales in comparison to the growth of sales revenue resulted primarily from a decline in operating expenses,

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

The Company is working on the **expansion of its sales network** (147 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 2011, 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 12,1% on the previous year.

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

According to the estimates of the Management Board, the **Company's share in the market** of independent distribution of spare parts for western European makes will increase to ca. 25%-30%.

(PLN'000)

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

	2011 PLN	2010 PLN	2011 EURO	2010 EURO
Separate statement of comprehensive income *(for period)*				
Sales revenue	2 448 872	2 133 050	591 501	532 677
Gross profit (loss) on sales	690 674	616 340	166 825	153 916
Cost of managerial option program	-	-	-	-
Net finance income/(expenses)	(9 706)	(27 556)	(2 344)	(6 881)
Operating profit (loss)	138 449	82 991	33 441	20 725
Net profit (loss)	104 339	46 004	25 202	11 488
Separate statement of cash flows				
Net cash provided by (used in) operating activities	8 093	62 368	1 955	15 575
Net cash provided by (used in) investing activities	(22 691)	(11 419)	(5 481)	(5 481)
Net cash provided by (used in) financing activities	18 800	(48 617)	4 541	4 541
Separate statement of financial position *(as at period-end)*	18 147	13 945	4 109	3 521
Cash and cash equivalents	1 498 178	1 277 225	339 200	322 507
Balance-sheet total	496 099	452 132	112 321	114 166
Loans, borrowings and finance lease liabilities	630 571	525 132	142 766	132 599
Equity				
Earnings per share	7,36	3,25	1,78	0,81
Sales margin (1)	28,2%	28,9%		
EBITDA as % of sales (2)	6,7%	5,3%		

(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 2011: EUR 1 = PLN 4.4168, and the exchange rate quoted for December 31st 2010: EUR 1 = PLN 3.9603.
- 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 2011 and 2010, that is EUR 1 = PLN 4.1401 and EUR 1 = PLN 4.0044, respectively.

2. Core Business of the Company

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

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

The Company's strategy consists in the sale of branded spare parts and constant extension of the spare parts offering with high-quality products from renown global manufacturers that deliver their goods to car manufacturers for the initial assembly and to licensed networks selling vehicles.

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

Goods are distributed through the logistics centre, a network of 140 own affiliate branches in Poland, regional warehouses in Poznań, Tychy and Łódź, and **foreign subsidiary undertakings in Ukraine, the Czech Republic, Slovakia, Lithuania, Hungary, Croatia, Italy and Belgium.** The Central Warehouse has all product groups available, while the affiliate branches store only fast moving products, making sure that their product range, its quality and accessibility matches local requirements.

3. Key Goods for Resale

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

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

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

	2011		2010		2009	
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Domestic sales	1 921 67	*78,47%*	1 717 132	*81,50%*	1 488 994	*80,15%*
Exports, including:	527 195	*21,53%*	415 918	*19,50%*	368 575	*19,84%*
Inter Cars Ukraine	26 484	*1,08%*	20 892	*0,98%*	17 209	*0,93%*
Inter Cars Ceska Republika	50 984	*2,08%*	33 641	*1,58%*	32 174	*1,73%*
Inter Cars Slovenska Republika	54 621	*2,23%*	44 517	*2,09%*	40 294	*2,17%*
Inter Cars Lietuva	60 939	*2,49%*	38 129	*1,79%*	18 767	*1,01%*
Inter Cars Croatia	23 667	*0,97%*	15 924	*0,75%*	13 635	*0,73%*
Inter Cars Hungaria	13 920	*0,57%*	10 104	*0,47%*	9 938	*0,53%*
Inter Cars Romania	61 365	*2,51%*	30 503	*1,43%*	11 567	*0,62%*
JC Auto Italia	7 172	*0,29%*	7 952	*0,37%*	6 348	*0,34%*
JC Auto Belgium	3	*0,00%*	10	*0,00%*	1 829	*0,10%*
Inter Cars Cyprus Limited	-	-	675	*0,03%*	-	-
Inter Cars Latvija SIA	4 783	*0,20%*	601	*0,02%*	-	-
Inter Cars Bulgaria	51	*0,00%*				
Cleverlog	9	*0,00%*				
Total	**2 448 872**	***100%***	**2 133 050**	***100%***	**1 857 569**	***100%***

4. Sales Markets

Inter Cars' **primary sale market** is the domestic market. The share of exports in the Company's total sales amounted to 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. 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 57,6%, in 2011 (as compared to 47,4% in 2010).

(PLN'000)

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

	2011		2010		2009	
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Sales of automotive spare parts and garage equipment	2 322 247	*94,8%*	2 033 009	*95,3%*	1 776 567	*95,6%*
Domestic	1 814 084	*74,2%*	1 627 635	*76,3%*	1 417 829	*76,3%*
Export	508 163	*20,8%*	405 374	*19,0%*	358 738	*19,3%*
Other	126 625	*5,2%*	100 041	*4,7%*	81 002	*4,4%*
Domestic	107 593	*4,4%*	89 497	*4,2%*	71 165	*3,9%*
Export	19 032	*0,8%*	10 544	*0,5%*	9 837	*0,5%*
Net sales revenue	**2 448 872**	*100%*	**2 133 050**	*100%*	**1 857 569**	*100%*

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

In 2011, the sales of automotive spare parts and garage equipment were higher by over 14% on 2010. similar growth was noted in 2010.

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

	2011		2010		2009	
	(PLN '000)		(PLN '000)	(%)	(PLN '000)	(%)
Spare parts for cars	1 725 708	*74,3%*	1 538 573	*75,7%*	1 379 611	*77,7%*
Spare parts for commercial vehicles and buses	292 189	*12,6%*	236 021	*11,6%*	188 420	*10,6%*
Spare parts for motorcycles and two-wheeled vehicles	53 711	*2,3%*	44 927	*2,2%*	30 845	*1,7%*
Other	250 639	*10,8%*	213 488	*10,5%*	177 691	*10,0%*
Total	**2 322 247**	*100%*	**2 033 009**	*100%*	**1 776 567**	*100,0%*

The highest growth (ca. 24%) was recorded in the **sales of commercial vehicles and buses** and made up to 13% of the total sales of spare parts.

Sales of spare part for motorcycles increased by 19,5% compared to 2010. In 2005, the Company launched the sale of *Triumph* motorbikes and commenced the organisation of a sales network operating under *InterMotors* brand. A website dedicated to the sale of motorcycles, spare parts and accessories, at *www.intermotors.pl*, was launched. At present, the sale of motorcycle parts is conducted through 22 points of sale (up to approval for publication there were already 26 points of sale).

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. 12%, driven mainly by the extension of the offering with the range of spare parts sold by JC Auto SA.

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

	2011		2010		2009	
	PLN '000	***(%)***	**PLN '000**	***(%)***	**PLN '000**	***(%)***
Domestic sales	**1 814 084**	*78,12%*	**1 627 635**	*80,1%*	**1 417 829**	*79,8%*
spare parts for cars	1 317 377	*56,73%*	1 203 999	*59,2%*	1 070 616	*60,3%*
spare parts for commercial vehicles and buses	215 056	*9,26%*	179 780	*8,9%*	147 679	*8,3%*
other, spare parts for motorcycles	281 651	*12,13%*	244 856	*12,0%*	199 534	*11,2%*
Export sales	**508 163**	*21,88%*	**405 374**	*19,9%*	**358 738**	*20,2%*
spare parts for cars	408 331	*17,58%*	334 574	*16,4%*	308 995	*17,4%*
spare parts for commercial vehicles and buses	77 133	*3,32%*	56 241	*2,8%*	40 741	*2,3%*
other, spare parts for motorcycles	22 699	*0,98%*	14 559	*0,7%*	9 002	*0,5%*
Total	**2 322 247**	*100%*	**2 033 009**	*100%*	**1 776 567**	*100%*

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

5. Market Environment

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

Key Drivers of the Market Development

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

The key **market drivers** include:

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

Distributors of Spare Parts in Poland

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

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

In the truck segment, the four leaders are:

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

The key trends in the independent spare parts distribution market in 2011 were as follows:

- **intensive development of sales networks** – the largest Polish distributors manage the total of 410 points of sale in Poland and abroad,
- **development of the product ranges –** mainly by adding new product lines, such as garage equipment and salvage spare parts,
- **development of sales support programmes** – mainly vehicle fleet programmes and loyalty schemes ('*Premium Clubs*'),
- **propriety product lines** – extending the portfolios of products sold under proprietary brands,
- **development of computer systems** – a precondition for efficient management of logistics and quick provision of data important for the customer.

These trends clearly indicate that **the number of factors which determine the competitive position of distributors is increasing.** These factors include in particular the traditional aspects of customer communication (location of points of sale) and availability (and, by extension, order lead times), but also the development of quality aspects. In practice, the improvement in customer service quality consists in the development of the product range by adding new product lines and providing "one-stop shops" for the customer, as well as the provision of on-line access to product information, starting from product availability to the technical specifications regarding product assembly. From the perspective of distributors this means that on the one hand they will benefit from higher customer loyalty and volume of purchases; on the other they face a great challenge, as they must develop the logistics base and enter new market segments, often characterised by a different "sales philosophy" and different, highly specialised competition.

Number and Structure of Vehicles Used

According to JATO Dynamics in 2011 sales of new vehicles in Europe decreased by -1,2% compared to 2010. In total in Europe 13.5 million of new vehicles was sold. The largest car market are Germany and France, the UK and Italy accordingly.

The car park of passenger vehicles in Europe is estimated to be 242 million vehicles, including 14,5 million of vehicles in Poland. That means that vehicles in Poland constitute 6% of the car park.

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

Sales of Vehicles in Poland

In 2010, 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)	2003	2004	2005	2006	2007	2008	2009	2010	2011
cars	354	318	236	239	293	320	320	333	275
commercial vehicles	39	49	47	56	79	81	52	88	61

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 2011, the number of cars imported to Poland was down by 2% in comparison with 2010. Details are presented in the following table.

cars in Poland ('000)	2004	2005	2006	2007	2008	2009	2010	2011
sales of new cars	318	236	239	293	320	320	333	275
imports of second-hand cars	828	871	817	995	1100	709	721	655
Total	1 146	1 107	1 056	1 288	1420	1029	1 055	930
imports of second-hand/sales of new cars	2,60	3,7	3,4	3,4	3,4	2,2	2,2	2,4

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

In total, the supply of cars in 2011 was down by 12% in comparison with 2010. 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 2011 included Volkswagen, Renault.

Vehicle Stock Structure

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

(a) Car Stock Structure

The structure of the Company's sales of spare parts corresponds to the structure of the stock of registered cars. Presented below is the comparison of the spare parts sales structure and the structure of the stock of cars registered in Poland.

Cars	The Company's spare parts sales		
	2009	2010	2011
(a) Western Europe	54%	57%	52%
(b) Eastern Europe	2%	0%	0%
(c) Japanese and Korean	11%	13%	10%
(d) Other	33%	30%	38%

Source: the Company.

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

6. Supply Sources

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

(PLN'000)

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

Significant Agreements

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

Material Agreements

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

No.	Agreement date	Party to the agreement
1	Jan 28 2011	Contitech Antriebssysteme GmgH
2	Mar 22 2011	Delphi Poland S.A.
3	Jan 21 2011	Egon von Ruville
4	Apr 10 2011	Federal Mogul
6	Mar 28 2011	Robert Bosch
7	Feb 04 2011	SKF
8	Mar 15 2011	Valeo
9	Jan 05 2011	Wix-Filtron
10	Jan 31 2011	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	Aug9 2011	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 2011– Aug 8 2012	Total insurance amount is PLN 695 572 311 thousand

Shareholder Agreements

The Company is not aware of any shareholder agreements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20.Galt SPV 18 Y Sp. z o.o., based in Warsaw (100%)

During the reporting period a new subsidiaries were created created in Bulgaria and Germany. Additionally, new share were acquired in GALT SPV 18Y Sp. z o.o.. All subsidiaries are financed by the parent company loan and receivables. Details of loans issued is present in note 11 of the Report on the Operations.

8. Changes in Organisational or Capital Links

During the reporting period there were no changes to organisational or capital relationships except for payment for share capital of Inter Cars Bulgaria, purchase of shares in GALT SPV 18 Y Sp. z o.o. and purchase of share in Polmozbyt S.A..

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

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

(PLN'000)

10. Loans and Borrowings

On 23 November 2011 another annexe to the syndicated credit facility was signed so that the maturity for the short-term facility waa altered in this way that it should be repaid no later than 23 November 2012, which is illustrated in the below table. Furthermore, additional co-borrower was added to the credit facility agreement, the company Inter Cars Cyprus Limited, which was reported in the current report no 31/2011 dated 23 November 2011.The interest rate was agreed as a variable rate depending on WIBOR, EURIBOR and LIBOR rate, increased by bank margins (determined at arm's length) for each individual interest period.

Short-term loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Syndicated loan	265 000	255 403	23-11-2012
Armatus Sp. z o.o.	733	733	31-12-2012
	265 733	**203 768**	

Long-term loans and borrowings	Contractual amount (limit)	Amount drawn	Maturity date
Syndicated loan	215 000	215 000	29-11-2013
	215 000	**215 000**	

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.	Jul 29 2009	See above	480,000,000.00	mortgage over Inter Cars S.A.'s real property situated in Cząstków Mazowiecki, registered pledge over inventories, surety issued by Inter Cars Ukraine, registered pledge over bank accounts

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

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

Source of finance	Agreement date	Maturity date Limit/loan amount (PLN) Collateral
Syndicated credit facility		
Bank Polska Kasa Opieki S.A.,	166 100	
ABN AMRO Bank (Polska) S.A.,	49 291	Short-term portion – WIBOR 1M +margin
ING Bank Śląski S.A.,	107 548	
Bank Handlowy of Warsaw	65 666	Long-term portion – WIBOR 3M +margin
BRE Bank S.A.	81 798	
Armatus Sp. z o.o.	733	
Total	**471 136**	

11. Loans Advanced

Loans to related parties	**Jan 1 - Dec 31 2011**	**Jan 1 - Dec 31 2010**
As at beginning of period	92 244	87 019
Loans advanced and accrued interest	7 019	17 795
Repayments received	(24 286)	(12 540)
Balance-sheet valuation	127	(30)

	75 104	**92 244**

Loan Agreements

Agreement date	Maturity date	Loan amount	Material terms and conditions of the agreement
Dec 29 2005	Dec 31 2012	PLN 5,050,000	Agreement on a loan from Inter Cars to finance Feber Sp. z o.o.'s operations and business development
Jul 9 2007	Dec 31 2010	PLN 6,750,000	Agreement on a loan from Inter Cars to finance Lauber Sp. z o.o.'s operations and business development
Oct 22 2007	Dec 31 2015	PLN 3,800,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
Nov 19 2007	Dec 31 2015	PLN 3,100,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
Dec 3 2007	Dec 31 2015	PLN 17,800,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
Jul 28 2008	Dec 31 2015	PLN 9,440,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s operations and business development
May 21 2010	Dec 31 2015	PLN 470,000	Agreement on a loan from Inter Cars to finance IC Development&Finance Sp. z o.o.'s business activity
Mar 26 2008	Dec 31 2012	PLN 41,000,000	Agreement on a loan from Inter Cars to finance Feber Sp. z o.o.'s operations and business development
Oct 29 2008	Dec 30 2012	PLN 1,150,000	Agreement on a loan from Inter Cars to finance Frenoplast S.A.'s operations and business development
Apr 6 2011	Apr 1 2012	EUR 35,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
Jul 7 2011	Dec 31 2012	EUR 100,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development
Aug 24 2011	Dec 1 2012	EUR 90,000	Agreement on a loan from Inter Cars to finance Inter Cars Bulgaria's operations and business development

As at December 31st 2011, the balance of loans advanced to related undertakings amounted to PLN 75,104 thousand and the amount of loans advanced to 5 non-related undertakings totalled PLN 3,893 thousand.

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

The loans are not secured.

12. Sureties and Guarantees Issued

As at December 31st 2011, the total amount of sureties and guarantees was PLN 8,734 thousand and comprised the sureties in respect of lease agreements of Lauber Sp. z o.o. and Inter Cars Bulgaria Ltd., sureties for the benefit of suppliers of Feber Sp. z o.o., and a surety for a loan repayment by Inter Cars Hungaria Kft.

For	Term	Amount (PLN '000)
Inter Cars Hungaria Kft.	31-01-2016	2 456
Lauber Sp. z o.o.	13-01-2014	197
Feber Sp. zo.o.	Until recalled	972
Feber Sp. z o.o.	14-04-2012	2 182
Feber Sp. Z o.o.	30-12-2012	2 650
Inter Cars Bulgaria	05-07-2015	277

(PLN'000)

	8 734

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

13. Security Issues

During the reporting period the Company issued commercial bonds with the nominal value of bonds amounted to 15 000 thousand PLN.

Below table present the issue of bonds issued after balance sheet date.

No issue	Date of isse	Date redemption	Nominal value
93	03.03.2011	03.06.2011	15 000
94	03.06.2011	05.09.2011	15 000
			30 000

Commercial bonds were denominated in PLN, as bearer securities, unpledged, dematerialized and discounted (zero coupon bonds). Redemption of bonds will be made at nominal value.

14. Seasonality or Cyclical Nature of Operations

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

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

15. Evaluation of Financial Resources Management

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

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

(PLN'000)

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

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

	2011	**2010**	**2009**
Net revenue from sales of goods for resale and products	2 448 872	2 133 050	1 857 569
Change	*1,15*	*1,15*	*1,23*
Gross profit on sales	690 674	616 340	580 017
Sales margin	*28,20%*	*28,89%*	*31,22%*
Foreign exchange gains (losses)	109	(490)	(4 314)
Operating profit	138 449	82 991	103 656
Operating margin	*5,65%*	*3,89%*	*5,58%*
EBITDA as % of sales	*6,72%*	*5,26%*	*7,02%*
Profit before tax	128 743	55 435	73 473
Net profit	104 339	46 004	60 707
Net profit margin	*4,26%*	*2,16%*	*3,27%*
Balance-sheet total	1 498 178	1 277 225	1 224 197
ROA	*6,96%*	*3,60%*	*4,96%*
Non-current assets	382 935	402 414	412 233
Equity	630 571	525 132	480 228
ROE	*19,83%*	*9,60%*	*14,48%*

Sales revenue in 2011 was **14,8% higher** than in 2010. Revenue from export sales accounted for approximately 20% of revenue from sales of goods for resale generated in 2011, which was similar to the results obtained in 2010.

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

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

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

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

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

Gross profit on sales grew by 12,1% in comparison with 2010.

In total, **selling costs and general and administrative expenses** decreased by 0,2% on the 2010 figure. The greatest-value item under the Company's costs is **distribution services**, that is the affiliate branch's share in the generated margin. Distribution costs totalled PLN 251 961 thousand, accounting for 46.5% of all costs by type.

The Company's profitability is influenced by the amount of **discounts** received from suppliers. In 2011, the Company recognised the total of PLN 51 176 thousand under discounts (46 050 thousand in 2010). Discounts due to the Company are determined at the end of the financial year relative to purchases made in the period, and recognised in correspondence with the turnover. The amount of PLN 14 822 thousand (PLN 13 902 thousand in 2010) was posted to inventories, and it will reduce the cost of goods sold (in particular in Q1 2012).

(PLN'000)

Operating profit in 2011 was nearly 67% higher than in 2010. **EBITDA** in 2011 was approximately 6,7%.

Finance income primarily includes interest income (from funds deposited in bank accounts, loans advanced, and past due receivables). **Finance expenses** are primarily costs of loans, borrowings, and bond issue. In 2009, the interest expense amounted to PLN 27 051 thousand (PLN 29 024 thousand in 2010), while the fees related to bond issues in 2011 totalled PLN 414 thousand (0 thousand in 2010). **Foreign exchange gains (losses)** are presented under two items of the statement of comprehensive income: the part corresponding to the realised foreign exchange gains (losses) on settlements of trade payables in foreign currencies is presented as an adjustment to the cost of goods for resale sold, and the balance is presented as a separate item of the statement. In 2011, foreign exchange gains presented under both items amounted to PLN 577 thousand; in 2011 the Company recognised foreign exchange losses of PLN 1 255 thousand.

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

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

	2011	**2010**	**2009**
Current assets	1 115 243	874 717	811 964
Cash and securities	18 147	13 945	11 613
Current liabilities	627 183	510 393	356 211
Current loans, borrowings, and finance lease liabilities	259 093	210 432	87 199
Adjusted current assets	1 097 096	860 772	800 351
Adjusted current liabilities	368 090	299 961	269 012
Net working capital	729 006	560 905	531 339

Net working capital employed increased by approximately 31%.

	2011	**2010**	**2009**
Inventory cycle (in days)	116	115	122
Average collection period (in days)	80	66	73
Operating cycle (in days)	196	181	195
Average payment period (in days)	74	47	50
Cash conversion cycle (in days)	122	134	145
Current ratio	1,78	1,71	2,28
Quick ratio	0,89	0,78	1,08
Cash ratio	0,03	0,03	0,03

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

The Company's operations are funded with the Company's internally generated funds and bank loans. As at December 31st 2011, loans, borrowings, debt securities and finance lease liabilities decreased to PLN 496 099 thousand (from PLN 452 625 thousand as at the end of 2010), and **the total debt ratio** was at the level of 2010 and amounted to 0.58 (0,59 in 2010), debt to equity ratio slightly decreased compared to 2010 and amounted to 1.38 in 2011 (1,43 in 2010).

Debt ratios are set forth in the table below.

	2011	**2010**	**2009**
Total debt ratio	0,58	0,59	0,61
Debt-to-equity ratio	1,38	1,43	1,55

(PLN'000)

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

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

	2011	**2010**	**2009**
Net cash provided by (used in) operating activities	8 093	62 368	104 444
Net cash provided by/(used in) investing activities	(22 691)	(11 419)	(35 897)
Net cash provided by/(used in) financing activities	18 800	(48 617)	(69 714)
Cash and cash equivalents at end of period	18 147	13 945	11 613

Net cash used in investing activities doubled in 2011 in comparison with 2010, primarily as a result of expenditure on fixed assets, intangibles and expenditures on acquiring new shares.

In 2011, Inter Cars issued 2 tranches of bonds on 03.03.2011, no 93 and on 03.06.2011, no 94, PLN 15,000 thousand each tranche. On 03.06.2011 the tranche no 93 was redeemed and on 05.09.2011 the tranche no. 94. Redemption date was correlated with the flow of funds from the sale of goods.

16. Assessment of Investment Projects Feasibility

In 2011, expenditure on purchases and upgrades of property, plant and equipment totalled PLN 17 069 thousand (PLN 16 829 thousand in 2010). The whole amount was replacement capital expenditure. The Company's investments in 2011 were financed with internally generated funds and finance leases.

The investment plan for 2012 stipulates capital expenditure on property plant and equipment and intangible assets at the same level as in 2011. The investments will include replacement and upgrade of means of transport, as well as the upgrade of the IT system which supports management.

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

On 23 November 2011 another annexe to the syndicated credit facility was signed so that the maturity for the short-term facility waa altered in this way that it should be repaid no later than 23 November 2012, which is illustrated in the below table. Furthermore, additional co-borrower was added to the credit facility agreement, the company Inter Cars Cyprus Limited, which was reported in the current report no 31/2011 dated 23 November 2011. The interest rate was agreed as a variable rate depending on WIBOR, EURIBOR and LIBOR rate, increased by bank margins (determined at arm's length) for each individual interest period.

Transition from short-term bilateral loans to medium-term syndicated financing provides Inter Cars S.A. and other members of the Inter Cars Group with stability and constant access to financing for a period of three years, enabling continued rapid development of the Group.

Inter Cars S.A.'s EBITDA (operating profit before depreciation/amortisation) for the period of 12 months ended December 31st 2010 totalled PLN 164 173 thousand (PLN 112 227 thousand in 2010) calculated as operating profit increased by amortization).

Inter Cars' sales revenue generated in Poland accounted for approximately 70% of the Group's total sales revenue (after consolidation eliminations). This percentage generally varies roughly +/- 1 percentage point between quarters, however, when results of distribution companies are analysed their share increased in 2010 by 2 percentage points up to 19,4% compared to 2009. The Polish market remains the key sales market for the Group.

In 2011, the Company established 7 new affiliate branches. As at December 31st 2011, the total number of affiliate branches was 147.

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

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

Internal Factors

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

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

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

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

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

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

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

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

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

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

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

External Factors

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

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

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

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

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

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

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

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

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

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

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

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

19. Risk Factors

Risk of Changes in the Discount Policies of Spare Parts Manufacturers

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

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

Risk Related to Adoption of an Incorrect Strategy

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

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

Risk Related to Changes in the Demand Structure

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

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

Risk Related to Seasonal Sales

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

Risk Related to Bank Loans

Bank loans are an important source of funding for the Company's operations. As at December 31st 2011, the Company's debt under bank loans, bonds and finance leases totalled PLN 496 099 thousand (452 132 thousand in 2010), and the total finance expenses relating to debt service (interest) stood at PLN 26 267 thousand (29 024 thousand in 2010). Loans raised by the Group are variable-rate loans, so a potential marked increase in interest rates, translating into higher reference rates for the loans, would – through higher finance expenses – reduce the Group's profitability and limit its capacity to generate funds to finance further development and, in extreme cases, could even threaten its liquidity. Another risk factor associated with bank financing is the risk of a bank's refusal to extend or grant lines of credit. Any reduction in the Company's ability to fund its business with bank loans resulting from a termination of or refusal to extend some of the agreements would have a material adverse effect on the Company's development prospects, its liquidity and financial performance.

Risk of an Affiliate Branch Operator Engaging in Competitive Activity

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

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

Risk Related to the IT System

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

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

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

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

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

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

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

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

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

Risk Related to Customer Base Diversification by Spare Parts Manufacturers

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

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

Risk Related to Car Manufacturers Taking over Spare Parts Production

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

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

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

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

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

Risk Related to the Macroeconomic Situation

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

Risk Related to Economic Policy

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

Risk Related to the Foreign Customers Structure

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

Risk Related to Development of the Subsidiaries

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

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

20. Strategy and Future Development Prospects

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

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

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

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

21. Changes in Key Principles of Managing the Company

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

22. Agreements Concluded between the Company and the Management Staff

As at December 31st 2011, no agreements were in force between the Company and the management staff members, which would provide for a compensation to the management staff members in case they resign or are dismissed without a good reason or in case they are removed or dismissed due to the Company being merged with another company by way of an acquisition. Employment contracts of members of the Company's Management Board may be terminated on six months' notice.

23. Remuneration of the Management Staff

Remuneration of members of the Supervisory and Management

(PLN'000)

Boards (PLN)

	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010
Andrzej Oliszewski – Chairman of the Supervisory Board	59 593	59 667
Maciej Oleksowicz – Member of the Supervisory Board	35 801	36 523
Michał Marczak – Member of the Supervisory Board	35 801	36 523
Piotr Płoszajski – Member of the Supervisory Board (until Jun 10 2010)	35 801	20 434
Jolanta Oleksowicz-Bugajewska – Member of the Supervisory Board	-	16 088
Jacek Klimczak – Member of the Supervisory Board (from Jul 18 2008)	35 801	36 523
Robert Kierzek – President of the Management Board	480 000	615 166
Krzysztof Soszyński – Vice-President of the Management Board	480 916	617 876
Krzysztof Oleksowicz – Member of the Management Board	780 000	915 006
Wojciech Milewski – Member of the Management Board	482 870	623 102
Piotr Kraska – Member of the Management Board	480 000	599 006
	2 906 583	**3 575 914**

24. Shares

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

As at December 31st 2011

The Company's supervisory and management staff held in aggregate 6 289 309 shares, conferring the right to 44.39% 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	4 682 271	9 364 542	33,05%	33,05%
Robert Kierzek	39 834	79 668	0,28%	0,28%
Krzysztof Soszyński	39 834	79 668	0,28%	0,28%
Wojciech Milewski	32 500	65 000	0,23%	0,23%
Piotr Kraska	32 500	65 000	0,23%	0,23%
	4 826 939	**9 653 878**		
Supervisory Board				
Andrzej Oliszewski	1 462 370	2 924 740	10,32%	10,32%
	1 462 370	**2 924 740**		
Total	**6 469 309**	**12 938 618**	**45,67%**	**45,67%**

As at the publication date of these financial statements

The Company's supervisory and management staff hold in aggregate 6 259 309 shares, conferring the right to 44.18% 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				

(PLN'000)

Krzysztof Oleksowicz	4 682 271	9 364 542	33,05%	33,05%
Robert Kierzek	39 834	79 668	0,28%	0,28%
Krzysztof Soszyński	39 834	79 668	0,28%	0,28%
Wojciech Milewski	32 500	65 000	0,23%	0,23%
Piotr Kraska	32 500	65 000	0,23%	0,23%
	4 826 939	**9 653 878**		
Supervisory Board				
Andrzej Oliszewski	1 432 370	2 864 740	10,11%	10,11%
	1 432 370	**2 864 740**		
Total	**6 259 309**	**12 518 618**	**44,18%**	**44,18%**

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

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

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

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

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

Special Control Powers over the Company

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

Restrictions on Transferability of Securities

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

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

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

Name	No. of shares	Aggregate par value (PLN)	Share capital held (%)	Total vote held (%)
Krzysztof Oleksowicz	4 682 271	9 364 542	33,05%	33,05%
Andrzej Oliszewski	1 462 370	2 924 740	10,32%	10,32%
ING Otwarty Fundusz Emerytalny	1 214 728	2 429 456	8,57%	8,57%
AMPLICO Otwarty Fundusz Emerytalny	903 347	1 806 694	6,38%	6,38%
AVIVA Otwarty Fundusz Emerytalny	1 303 247	2 606 494	9,20%	9,20%
Total	**9 565 963**	**19 131 926**	**67,52%**	**67,52%**

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	Share capital held	Total vote held

(PLN'000)

		(PLN)	(%)	(%)
Krzysztof Oleksowicz	4 682 271	9 364 542	33,05%	33,05%
Andrzej Oliszewski	1 432 370	2 864 740	10,11%	10,11%
ING Otwarty Fundusz Emerytalny	1 214 728	2 429 456	8,57%	8,57%
AMPLICO Otwarty Fundusz Emerytalny	903 347	1 806 694	6,38%	6,38%
AVIVA Otwarty Fundusz Emerytalny	1 303 247	2 606 494	9,20%	9,20%
Total	**9 535 963**	**19 071 926**	**67,31%**	**67,31%**

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

The Company is not aware of any such agreements.

26. System for Control of Employee Stock Option Plans

In 2009, all stock options held by the Management Board members were exercised, as reported in Note 19 to the financial statements. At present (in 2011), no stock option plan is being implemented at the Company.

27. Qualified Auditor of Financial Statements

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

On June 10th 2010, Inter Cars S.A. executed an agreement with KPMG Audyt Sp. z o.o., providing for an audit of the annual financial statements and a review of the semi-annual financial statements of the Company for 2011. The total fee envisaged in the agreement is PLN 435 thousand which includes the cost of audit of financial statements amounting to PLN 285 thousand and the cost of review of financial statements amounting to PLN 150 thousand.

28. Transactions in Financial Derivatives and Their Risk Profile

In the period from January 1st to December 31st 2011, no transactions in financial derivatives were executed other than described in Note 33 to the financial statements.

29. Employment

As at December 31st 2011, the Company employed 1 333 personnel. As at December 31st 2010, the Company had 1 289 employees.

30. Environmental Policy

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

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

No.	No. and date of decision	Issuing authority	Area covered by the decision	Scope of the decision
1	Decision No. 62 of May 27 2003 (ŚR.-7634/30/1/03)	Governor of the Nowy Dwór County	Cząstków Mazowiecki, ul. Gdańska 15, Czosnów Municipality	Permit for production and storage of hazardous waste, such as hydraulic oil, oiled cleaning cloths, oil filters, used lamps and lead-acid batteries.
2	Decision No.		Cząstków	Water permit for intake of underground

(PLN'000)

	123/2003 of December 10th 2003 (ŚR-6210/19/2/2003)	Governor of the Nowy Dwór County	Mazowiecki ul. Gdańska 15, Czosnów Municipality	water from quaternary formations at an intake located on the Company's grounds in Cząstków Mazowiecki, to be used by employees for domestic purposes other than drinking, as well as for plant watering and the water treatment facility.
3	Decision No.SR – 7634a/1/2007/zb	Governor of the Nowy Dwór County	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration and permit to collect waste of car batteries for the warehousa in Czastków Mazowiecki
4	DKR/074-E9215/08/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Enviromental Inspector for the collection of electronic waste no. E0009215W
5	DKR/074-E9215/09/ar	Superior Environmental Inspector	Cząstków Mazowiecki ul. Gdańska 15, Czosnów Municipality	Registration of the Superior Environmental Inspector for the sales and processing of used car batteries no E0009215WBW

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

On 23 February 2012 Inter Cars SA sold shares of Polmozbyt S.A. for PLN 3 766 thousand, realizing a profit of PLN 258 thousand.

32. The Management Board's Standpoint Regarding the Possibility of Meeting the Previously Published Forecasts for 2011

The Company did not publish any forecasts for 2011.

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

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

34. Management and Supervisory Bodies

As at December 31st 2011, the Company's management and supervisory bodies were composed of the following persons:

Supervisory Board

Andrzej Oliszewski, Chairman

Maciej Oleksowicz

Piotr Płoszajski

Michał Marczak

Jacek Klimczak

Management Board

Robert Kierzek, President

Krzysztof Soszyński, Vice-President

Krzysztof Oleksowicz, Member

Wojciech Milewski, Member

Piotr Kraska, Member

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

In 2011, no proceedings were brought before any court or administrative body with respect to any liabilities or claims of Inter Cars S.A. or its subsidiary undertakings whose aggregate value would represent 10% or more of the Company's equity.

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

36. Information on Average Foreign Exchange Rates

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

	2011	**2010**	**2009**
Exchange rate prevailing on December 31st	4,4168	3,9603	4,1082
Average exchange rate for the period January 1st–December 31st	4,1401	4,0044	4,3406
Highest exchange rate in the period	4,5642	4,1770	4,8999
Lowest exchange rate in the period	3,8403	3,8356	3,9170

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 2011, that is the mid exchange rate for the euro prevailing on that date, as quoted by the National Bank of Poland.

37. Corporate Governance

The full version of the statement of compliance is available at the Company's website at www.intercars.com.pl or the Warsaw Stock Exchange's website at www.gpw.pl.
Full version of the statement is attached to this report as Appendix: **"INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2011 WITH THE CORPORATE GOVERNANCE PRINCIPLES STIPULATED IN THE CODE OF BEST PRACTICE FOR WSE-LISTED COMPANIES".**

Robert Kierzek
President
of the Management Board

Krzysztof Soszyński
Vice-President
of the Management Board

Krzysztof Oleksowicz
Member
of the Management Board

Piotr Kraska
Member of the Management Board

Wojciech Milewski
Member of the Management Board

Warsaw, April 20th 2012

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

INTER CARS S.A. MANAGEMENT BOARD'S STATEMENT OF COMPLIANCE IN 2010 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 2011 the Company complied with all the applicable corporate governance principles except for the following:

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

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

B. **Section III. 6)** At least two members of the supervisory board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company, its subsidiary or an associated company cannot be deemed to meet the independence criteria mentioned in the Annex. In addition, a real and significant connection with any shareholder who has the right to exercise at least 5% of all votes at the general shareholders meeting is deemed to preclude the independence of a member of the supervisory board as understood in this rule.

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

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

(PLN'000)

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

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

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

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

The Company's financial statements and periodic reports are prepared by the Chief Accountant in accordance with the applicable laws and regulations and the accounting policies adopted by the Company; the Management Board, which is responsible for reliability and accuracy of the prepared information, reviews the financial statements and periodic reports on an ongoing basis.

The financial statements are drafted only by persons who have access to inside information, which obligates them – from the time of gaining access to such information to the publication of the financial statements – to keep confidential all data forming the basis of the financial statements. The financial data serving as the basis of the financial statements and periodic reports comes from the accounting and financial system which records accounting events in accordance with the Company's accounting policy (approved by the Management Board), which is based on the International Accounting Standards and the International Financial Reporting Standards. The Company monitors on an ongoing basis changes to laws and regulations on reporting requirements for listed companies, and prepares for their adoption appropriately in advance.

The financial statements approved by the Management Board are reviewed by an independent auditor appointed by the Company's Supervisory Board from among reputable audit firms.

Communicating with the auditor, the Financial Division attempts to determine recommendations concerning improvements to the Company's internal control system, as identified during the audit of the financial statements, so as to implement them where necessary.

The Financial Division and Division Heads prepare periodic management information reports including an analysis of the key financial data and operating ratios of the business segments, and provide them to the Management Board.

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

No.	Shareholder	No. of shares	No. of votes	Share capital held	Total vote held at the GM
1.	Krzysztof Oleksowicz	**4 682 271**	**4 682 271**	**33,05%**	**33,05%**
2.	Andrzej Oliszewski	**1 432 370**	**1 432 370**	**10,11%**	**10,11%**
3.	ING OFE (Open-Ended Pension Fund)	**1 214 728**	**1 214 728**	**8,57%**	**8,57%**
4.	AMPLICO(Open-Ended Pension Fund)	**903 347**	**903 347**	**6,38%**	**6,38%**
5.	AVIVA OFE (Open-Ended Pension Fund)	**1 303 247**	**1 303 247**	**9,20%**	**9,20%**

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 2011 to Dec 31st 2011, the Company's Management Board was composed of the following persons:

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

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 2011, the Supervisory Board was composed of five persons:

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

The Supervisory Board is composed of five to thirteen members, appointed by the General Shareholders Meeting, which also appoints the Chairman of the Supervisory Board. From among other members, the Supervisory Board appoints the Vice-Chairman. The General Shareholders Meeting decides on the number of members of the Supervisory Board. In the event of block voting, the Supervisory Board is composed of thirteen members. Members of the Supervisory Board are appointed for a five-year joint term of office, and may be reappointed.

The Supervisory Board adopts resolutions by an absolute majority of votes, in the presence of at least half of the members. A resolution may only be considered valid if all members of the Supervisory Board have been invited to the meeting. Meetings are held at least once a quarter and are convened by the Chairman of the Supervisory Board (acting on their own initiative or at the request of a member of the Supervisory Board), who sends written notifications containing information on the place, time and the proposed agenda for the meeting, to be received by all members of the Supervisory Board at least 7 (seven) days prior to the date of the meeting. The Supervisory Board may adopt resolutions without holding a meeting, by casting votes in writing or using means of remote communication, provided that all members of the Supervisory Board have received the draft of the resolution which is to be voted upon and have agreed to such manner of voting. Resolutions of the Supervisory Board regarding the suspension from duties of a member of the Management Board for a good reason, as well as resolutions regarding the delegation of a Supervisory Board member to temporarily perform the duties of a Management Board member, are adopted by a majority of 4/5 (four fifths) of the votes cast in the presence of no less than 4/5 (four fifths) of the Supervisory Board members.

The Supervisory Board exercises supervision over the Company's activities in the manner stipulated in the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board adopted by the General Shareholders Meeting. The scope of powers of the Supervisory Board includes in particular: reviewing the Company's financial statements, the Directors' Report and the Management Board's recommendations concerning the distribution of profit or coverage of loss, and submitting an annual report on the findings of the above review to the General Shareholders Meeting, selecting an auditor to audit the Company's financial statements (on the basis of proposals received by the Management Board), appointing members of the Management Board and removing them from office, appointing the President of the Management Board and (optionally) Vice-President of the Management Board from among its members, concluding contracts with members of the Management Board, establishing remuneration policies for members of the Management Board, and granting consent to acquire or dispose of real property, perpetual usufruct right to or interest in real property.

PART IV

AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS