

**ANNUAL WRITTEN REPORT OF THE SUPERVISORY BOARD OF
EUROCASH SPÓŁKA AKCYJNA
FOR 2006**

**To the General Meeting of Shareholders
of Eurocash Spółka Akcyjna (the “Company”)**

The report covers the fiscal year from January 1st, 2006 through December 31st, 2006.

In 2006 the following persons were the members of the Supervisory Board of the Company:

Mr. João Borges de Assunção	Chairman of the Supervisory Board
Mr. Eduardo Aguinaga de Moraes	Member of the Supervisory Board
Mr. Geoffrey Crossley	Member of the Supervisory Board
Mr. Ryszard Wojnowski	Member of the Supervisory Board
Mr. Janusz Lisowski	Member of the Supervisory Board
Mr. António José Santos Silva Casanova	Member of the Supervisory Board

On January 23, 2006, Mr. Geoffrey Crossley resigned from the Supervisory Board, effective from March 6, 2006. On March 3, 2006 Politra B.V. (on the basis of § 13 Sec. 2 of the Statute) appointed Mr. António José Santos Silva Casanova for the vacant position of the Supervisory Board member, effective from March 6, 2006. Mr. António José Santos Silva Casanova stated that he meets the criteria of an “independent” member of the Supervisory Board. By virtue of the Supervisory Board resolution dated April 24, 2006 Mr. Casanova was also appointed the Chairman of the Remuneration Committee and a member of the Audit Committee.

1. Information on the Supervisory Board's activities.

The Supervisory Board fulfilled its duties according to the Commercial Companies Code and the Company's Statute.

Pursuant to § 13.12 of the Company's Statute, in 2006 the Supervisory Board held 4 meetings: on April 24th, October 16th and November 27th and November 28th, and 9 conference calls on February 13th, March 14th, April 3rd, April 10th, May 12th, July 26th, August 11th, September 14th and September 29th.

Pursuant to § 13.8 of the Company's Statute, by virtue of resolutions adopted on March 14th and April 10th, 2006, the Supervisory Board introduced several changes to “By-laws of the Supervisory Board of Eurocash S.A.” which were approved by the Ordinary General Shareholders Meeting of April 25th, 2006. The majority of changes resulted from the replacement of the 1997 Polish Law on Public Trading in Securities with three new acts in 2005 and reflected pertinent regulatory amendments as regards terminology and functioning of Polish public companies. Further, some changes were introduced to reflect respective amendments to §13.3 and 13.9 of the Statutes.

2. Supervisory Board opinion on the Company's SAR-report, including the financial statement for 2006 set the Management Board's report on the operations of the Company in 2006 and on the proposal of the Management Board concerning the distribution of profits for 2006.

2.1 Opinion on the financial statements.

Pursuant to Art. 382 § 3 of the Commercial Companies Code, the Supervisory Board of the Company conducted the analysis of the financial statement of the Company for 2006, including the balance sheet for the amount of PLN 593,271,318.72 (five hundred and ninety three million two hundred and seventy one thousand three hundred and eighteen zlotys and seventy two groszes), the profit and loss statement of the Company showing the net profit in the amount of PLN 35,879,233.15 (thirty five million eight hundred and seventy nine thousand two hundred and thirty three zlotys and fifteen groszes) and the cash flow report indicating an increase of net cash in the amount of PLN 73,954,050.05 (seventy three million nine hundred and fifty four thousand fifty zlotys and 5 groszes).

The Supervisory Board is of the opinion that the submitted financial statements for 2006, including balance sheet, profit and loss statement and cash flow report, truly and properly represent the result of the Company's business activity for the above fiscal year, as well as the property and financial standing of the Company as of December 31, 2006.

According to the above, the Supervisory Board adopted a resolution recommending that the General Meeting of Shareholders approved the Company's financial statement for 2006.

2.2 Opinion on the Management Board's report on the operations of the Company in 2006.

The financial statements of the Company are accompanied by a written Management Board's report on the operations of the Company in 2006.

The Supervisory Board is of the opinion that the presented report of the Management Board is true and comprehensive. After the analysis of the Management Board report, the Supervisory Board adopted a resolution recommending that the General Meeting of Shareholders approved the Management Board report and acknowledged the fulfilment of duties by the members of the Management Board.

2.3 Opinion on the proposal of the Management Board on distribution of profits.

Upon examination of the proposal of the Management Board of the Company to distribute profits for 2006, the Supervisory Board adopted a resolution recommending to the General Meeting of Shareholders that the Company's profits for 2006 amounting to PLN 35,879,233.15 (thirty five million eight hundred and seventy nine thousand two hundred and thirty three zlotys and fifteen groszes) increased by retained earnings of PLN 658,983.39 (six hundred and fifty eight thousand nine hundred and eighty three zlotys and thirty nine groszes) be distributed in the following manner:

- (a) PLN 29,380,660 (twenty nine million three hundred and eighty thousand six hundred and sixty zlotys) be distributed as dividend in the amount of PLN 0.23 (twenty three groszes) per one Company share; the shareholders of record on July 19, 2007 shall be eligible to receive the dividend to be payable by August 9, 2007;
- (b) PLN 7,157,556,54 (seven million one hundred and fifty seven thousand five hundred and fifty six zlotys fifty four groszes) be transferred to Company's supplementary capital, of which PLN 2,923,057 (two million nine hundred and twenty three thousand fifty seven zlotys) constitutes 8% of the net profit required to be transferred to the supplementary capital pursuant to Art. 396 § 1 of the Commercial Companies Code.

3. Report on Audit Committee's activities.

The Audit Committee has its responsibilities defined in § 10 of the "By-laws of the Supervisory Board" One of such responsibilities is to issue an annual report on its activities. The Audit Committee met twice in 2006, the minimum number of meetings determined in the "By-laws of the Supervisory Board of Eurocash S.A."

During the conference call held on September 29, 2006, the Audit Committee reviewed the audited financial statement for the period January – June 2006, as required by the "By-laws of the Supervisory Board of Eurocash S.A.". The Audit Committee recommended that the Supervisory Board issue a positive opinion on the first half 2006 Financial Statement Management Report.

During the second meeting on November 27, 2006, the Audit Committee members discussed with the external auditors mainly the following topics:

- (a) accounting and tax consequences of the prospective merger of the Company and KDWT SA; and
- (b) review of the related – party transactions between the Company and its affiliates and subsidiaries.

The external auditors provided an overview of (a) above, and expressed their view that inter-company transactions are at market prices, and, therefore, represent equitable business practices and within tax procedures.

Final remarks: The Audit Committee is of the opinion that it performed its responsibilities in 2006, and that the auditors, not having other commercial relations with the Company, can perform their duties in an independent manner.

4. Report on Remuneration Committee's activities.

The Remuneration Committee held one meeting in 2006 (on November 27) which is the minimum required by "By-laws of the Supervisory Board of Eurocash S.A.". On April 24, 2006 the former Chairman of the Remuneration Committee – Mr. Geoffrey Crossley was replaced by Mr. António José Santos Silva Casanova.

During the said meeting on November 27, 2006 the Remuneration Committee discussed the policy of remunerations for the Management Board and resolved that this is in line with the corporate governance rules, namely it corresponds to the size of the Company's business enterprise, is in reasonable relation to business results, the scope of liability in a given function, taking into account the level of remuneration of members of management boards in similar companies on a similar market.

Remuneration Committee reports that it has obtained full disclosure and access to all necessary information regarding both Company's policy regarding remuneration of Management Board members and its application. The Committee was satisfied that no material departure from stated Management policy has taken place, and expresses appreciation for Management's rigorous approach to alignment of performance incentives with Company objectives.

Final remarks: Based on the above, the Remuneration Committee expresses a positive opinion on the mechanisms used to apply Management Board remuneration policy during 2006, and confirm that remuneration payments made during 2006 are in compliance with this policy.

5. Concise evaluation of the Company's standing.

The Supervisory having analysed the financial statements, Eurocash results and the plans for future developments, has given positive opinion on the Company's standing and prospects of development thereof. Concurrently the Supervisory Board recommended to the General Assembly to acknowledge fulfilment of the Management Board Duties in 2006.

The more detailed comments are highlighted in the following points:

Key financial results: In the fiscal year of 2006 the Company achieved relevant economic results. These results are expressed in, among others, net profit in the amount of PLN 41.6 million, an increase of about 28% as compared to 2005. Profits per ordinary share have increased to PLN 0.33 as compared to PLN 0.25 in 2005. These results are a combination of factors. First, starting in the 2nd quarter of 2006 the Company consolidates the activity of KDWT, second starting on August 16th the Company includes the results of Delikatesy Centrum, finally the activities of the traditional Eurocash business also increased during 2006. Since the profit margins are different in the various businesses, the changes in profit margins in 2006 reflect the different composition of businesses of the Company in addition to changes in performance in the traditional wholesale business of the Company. The Company has generated cash flow from operations of PLN 38.3 million, a decline from PLN 91.2 million generated in 2005. Investments in 2006 have used cash flow in the amount of PLN 91.0 million. This reflects the acquisitions of KDWT and Delikatesy Centrum. The consolidated sales revenue of the Company increased over 90% in 2006 to PLN 3,237.0 million reflecting these acquisitions. Finally, in the wholesale business, sales growth has remained healthy in 2006. Net income from sales has reached PLN 1,978.4 million in 2006, an increase of 17.3% as compared to 2005. On the other hand Cost of Products, Goods and materials sold has reached PLN 1,720.9 in 2006, an increase of 18.1% as compared to 2005. These differential growth rates explain the slight decrease

inprofitability in 2006 to 13.0%. Increase in like for like sales (on a same-store basis) was 5.9% in 2005.

Other relevant developments: The Company has added two important new business formats to its portfolio: KDWT for the distribution of tobacco products and Delikatesy Centrum which is a wholesale distribution format with higher levels of service for a more demanding retail franchise. The Company has increased its number of cash and carry stores to 96. The Company owns the master franchise of about 2,400 “abc” grocery stores, an increase from 2005. The number of Delikatesy Centrum franchise stores has increased to 235 and the number of branches of KDWT has increased to 61, with 3 distribution centres.

Final comments: The Company has a solid asset base that generates sales and profits in an efficient manner. It has virtually no long-term debt (PLN 19.3 million) and its overall debt position is comfortable. Eurocash S.A. is in a good position to take advantage of the expected growth in the Polish market as well as its natural consolidation developments, and its overall debt position is comfortable. The Company is pursuing a solid and ambitious wholesale distribution strategy in Poland without taking any retail risk.

The Report of the Supervisory Board of the Company was adopted in accordance with § 14.2.(iii) of the Company’s Statute and § 5.7 of the “By-Laws of the Supervisory Board of Eurocash S.A.”