EUROCASH S.A.

SEPARATE ANNUAL REPORT FOR 2010

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the report of the above-mentioned Polish Company.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

KOMORNIKI, 8th April 2011

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Dear Stakeholders,

As is by now customary I am writing to summarize the year of 2010 and share my perspective for 2011.

Once more we had a very exciting and challenging year: we negotiated 3 very important acquisitions which will allow us to have stronger leadership in the wholesale market but more importantly will give us the tools to increase the competitiveness of Polish independent retailers in their daily fight against discounters and hypermarkets.

Acquisition of Premium Distributors gave us leadership in alcohol, a major category for any independent retailer in Poland. Later with Polcater we also gained leadership in the HoReCa segment and got a business which will be critical in future to supply our clients with a different assortment to the one they have today. At year end we concluded the negotiations with Emperia Holding for taking-over Tradis, through which we became the 2nd biggest food distributor in Poland just after Biedronka, and which will give us a very strong leadership position in distribution of Branded products.

Now with pro-forma sales of around PLN 14 billion I think we are in the first line to defend independent retailers from so called " modern distribution", giving consumers a real alternative to the lack of assortment of discounters or to the inconvenience of buying in 10.000 sqm stores. Independent retailers in our franchise systems will become the real modern trade of the future, where we can associate Polish entrepreneurship with excellent service, competitive prices and convenient shopping. I believe in 2010 we gave the first steps to redefine food retail in Poland.

In terms of our daily business the year was affected by several negative events, such as the worst winter in the last few years, the unfortunate Smolensk accident, the May floods or even the extraordinary tough climate of December. These events prevented us from achieving our budget but I am proud of the way all our Formats were not resigned and kept fighting till the last minute of the year. I should give special congratulations both to the excellent work of KDWT which has clearly become the reference in impulse products and has been a great investment by our Group, as well as to the fighting spirit of our Cash & Carry division which once more showed real leadership in the market.

In 2011, lots of challenges await us- the beginning of Premium Distributors' restructuring and integration of Tradis will surely be the most relevant- but we have a great team of people which is confident, understands our mission and have leadership instincts, so I'm confident that this will be a great decisive year. It will be a year to consolidate what we have to exploit synergies rather than to expand into new businesses.

Finally i wish to thank also our Investors who gave us full support when we were fighting to acquire Tradis, as well as to our employees and clients whom we could always count on when we needed them. I sincerely hope to prove deserving of the trust deposited by all of you in our Project.

Your sincerely

Luis Amaral

President of the Management Board

Eurocash S.A.

SELECTED SEPARATE FINANCIAL DATA

	for the period 01.01.2010 to 31.12.2010 PLN	for the period 01.01.2009 to 31.12.2009 PLN	for the period 01.01.2010 to 31.12.2010 EUR	for the period 01.01.2009 to 31.12.2009 EUR
Sales	5 000 189 079	4 631 062 152	1 251 737 115	1 070 196 694
Operating profit	96 356 744	102 608 004	24 121 750	23 711 784
Profit before income tax	71 115 851	88 941 091	17 802 997	20 553 484
Profit for the period on continued operations	63 149 188	70 788 587	15 808 639	16 358 604
Profit for the period	63 149 188	70 788 587	15 808 639	16 358 604
Net cash from oparating activities	145 199 508	165 776 286	36 348 948	38 309 405
Net cash used in investing activities	(449 815 343)	(110 962 739)	(112 605 854)	(25 642 488)
Net cash used in financing activities	342 219 963	(29 949 647)	85 670 646	(6 921 093)
Net change in cash and cash equivalents	37 604 128	24 863 900	9 413 741	5 745 823
Weighted average number of shares	136 276 586	135 203 460	136 276 586	135 203 460
Weighted average diluted number of shares	137 853 556	135 897 909	137 853 556	135 897 909
EPS (in PLN / EUR)	0,46	0,52	0,12	0,12
Diluted EPS (in PLN / EUR)	0,46	0,52	0,11	0,12
Average PLN / EUR rate*			3,9946	4,3273
	-		-	

	as at 31.12.2010 PLN	as at 31.12.2009 PLN	as at 31.12.2010 EUR	as at 31.12.2009 EUR
Assets	1 712 916 224	1 265 998 427	432 521 835	308 163 777
Non-current liabilities	340 463 533	40 474 716	85 969 127	9 852 178
Current liabilities	1 047 087 971	925 135 504	264 396 124	225 192 421
Equity	325 364 719	300 388 207	82 156 584	73 119 178
Share capital	136 429 761	134 704 736	34 449 350	32 789 235
Number of shares	136 352 068	134 627 043	136 352 068	134 627 043
Diluted number of shares	138 831 318	138 633 818	138 831 318	138 633 818
Book value per share (in PLN / EUR)	2,39	2,23	0,60	0,54
Diluted book value per share (in PLN / EUR)	2,34	2,17	0,59	0,53
Declared or paid dividend (in PLN / EUR)***	50 396 800	40 050 683	12 725 501	9 748 961
Declared or paid dividend per share (in PLN / EUR)	0,37	0,30	0,09	0,07
PLN / EUR rate at the end of the period**			3,9603	4,1082

* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland,
** Balance sheet items and book value per share have been converted using the official mid-rates announced by the National Bank of Poland prevailing on the balance sheet date.
*** Dividend for 2009 year, as at 30 June 2010 was paid for employees who was shareholders Parent Company as at 15 June 2010

Eurocash S.A.

Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2010

The opinion contains 3 pages
The report supplementing the auditor's opinion
contains 10 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 2010

KPMG Audyt Sp. z o.o.
Biuro w Poznaniu
ul. Roosevelta 18
60-829 Poznań
Poland

Telefon +48 61 845 46 00
Fax +48 61 845 46 01
E-mail poznan@kpmg.pl
Internet www.kpmg.pl

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 Eurocash S.A.

We have audited the accompanying separate financial statements of Eurocash S.A., seated in Komorniki, 11 Wiśniowa Street ("the Company"), which comprise the separate statement of financial position as at 31 December 2010, the separate income statement and 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 separate 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 separate 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 separate 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 separate financial statements and whether the separate 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 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 separate 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 separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 Eurocash S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2010 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) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Sp. z o.o. registration number 458
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original	*Signed on the Polish original*
....	....
Certified Auditor No. 90095 Wojciech Drzymała	Certified Auditor No. 90061 Marek Gajdziński

Poznań, 8 April 2011

KPMG

TRANSLATION

Eurocash S.A.

Report supplementing
the auditor's opinion
on the separate financial
statements
Financial Year ended
31 December 2010

The report supplementing the auditor's opinion
contains 10 pages
Report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2010

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Contents

1. General

1.1. General information about the Company

1.1.1. Company name

Eurocash S.A.

1.1.2. Registered office

11 Wiśniowa Street
62-052 Komorniki

1.1.3. Registration in the National Court Register

Registration court:	District Court Poznań – Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register
Date:	30 July 2004
Registration number:	KRS 0000213765
Initial capital as at balance sheet date:	PLN 136.429.761

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2010, the Management Board of the Company was comprised of the following members:

- Luis Manuel Conceicao do Amaral – President of the Board,
- Rui Amaral – Member of the Board,
- Arnaldo Guerreiro – Member of the Board,
- Pedro Martinho – Member of the Board,
- Katarzyna Kopaczewska – Member of the Board,
- Ryszard Majer – Member of the Board,
- Jacek Owczarek – Member of the Board.

1.2. Auditor information

1.2.1. Key certified auditors information

Name and surname:	Marek Gajdziński
Registration number:	90061
Name and surname:	Wojciech Drzymała
Registration number:	90095

1.2.2. Audit firm information

Name:	KPMG Audyt Sp. z o.o.
Registered office:	Warsaw
Address:	ul. Chłodna 51, 00-867 Warsaw

Registration number:	KRS 0000104753
Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Share capital:	PLN 125,000
NIP number:	526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of audit firms under number 458.

1.3. Prior period financial statements

Comparative figures of the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2010 include, as a result of mergers conducted during the year ended 31 December 2010, financial information from financial statements of the Company, Przedsiębiorstwo Handlowe Batna Sp. z o.o. and Eurocash Dystrybucja Sp. z o.o. Financial statements as at and for the year ended 31 December 2009, based on which the comparative figures of the separate financial statements were restated as described in the note 3 of other explanatory notes to the separate financial statements, were audited by KPMG Audyt Sp. z o.o. and received unqualified opinions.

The separate financial statements of Eurocash S.A. were approved at the General Meeting on 2 June 2010 where it was resolved to allocate the profit for the prior financial year of PLN 62.299.893 as follows:

- a maximum of PLN 51,000,000 was allocated to pay a dividend of PLN 0,37 per share,
- the remaining part of the net profit was allocated to the reserve capital.

The separate financial statements of Eurocash S.A. were submitted to the Registry Court on 14 June 2010 and were published in Monitor Polski B No. 1901 on 7 October 2010.

The financial statements of Przedsiębiorstwo Handlowe Batna Sp. z o.o. were approved at the Shareholders' Meeting on 28 June 2010 where it was resolved to allocate the profit for the prior financial year of PLN 5.697.538,41 to the reserve capital.

The financial statements of Przedsiębiorstwo Handlowe Batna Sp. z o.o. were submitted to the Registry Court on 14 July 2010 and were published in Monitor Polski B No. 220 on 7 February 2011.

The financial statements of Eurocash Dystrybucja Sp. z o.o. were approved at the Shareholders' Meeting on 29 June 2010 where it was resolved to allocate the profit for the prior financial year of PLN 7.457.216 to cover accumulated losses from previous years.

The financial statements of Eurocash Dystrybucja Sp. z o.o. were submitted to the Registry Court on 14 July 2010 and were published in Monitor Polski B No. 201 on 4 February 2011.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Eurocash S.A. seated in Komorniki, 11 Wiśniowa Street and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2010, the separate income statement and 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 General Meeting of Eurocash S.A. dated 11 April 2005.

The separate financial statements have been audited in accordance with the contract dated 16 July 2010, concluded on the basis of the resolution of Supervisory Board dated 10 May 2007 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 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 29 November to 10 December 2010 and from 31 January to 25 February 2011.

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 Sp. z o.o. 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 Sp. z o.o.

2. Financial analysis of the Company

2.1. Summary of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2010 PLN '000	% of total	31.12.2009 PLN '000 not audited restated*	% of total
Non-current assets (long-term)	**899 225,1**	**52,5**	**453 744,9**	**35,8**
Goodwill	96 024,5	5,6	96 024,5	7,6
Intangible assets	36 785,0	2,2	98 089,2	7,8
Property, plant and equipment	190 796,0	11,1	182 497,6	14,4
Investments in subsidiaries	554 728,8	32,4	68 657,3	5,4
Investments in associates	3 464,3	0,2	3 464,3	0,3
Other long-term financial assets	6 247,5	0,4	-	-
Long-term receivables	1 801,9	0,1	1 892,2	0,2
Deferred tax assets	6 880,0	0,4	2 637,9	0,2
Other long-term prepayments	2 497,1	0,2	481,9	0,0
Current assets (short-term)	**813 691,1**	**47,5**	**812 253,5**	**64,2**
Inventories	300 778,5	17,6	290 334,1	22,9
Trade receivables	297 878,7	17,4	305 986,4	24,2
Income tax receivable	4 048,1	0,2	-	-
Other short-term receivables	12 907,8	0,8	23 482,0	1,9
Short-term financial assets in subsidiaries	-	-	38 660,1	3,1
Other short-term financial assets	3 000,0	0,2	-	-
Short-term prepayments	7 818,6	0,5	4 135,6	0,3
Cash and cash equivalents	187 259,4	10,9	149 655,3	11,8
TOTAL ASSETS	1 712 916,2	100,0	1 265 998,4	100,0

EQUITY AND LIABILITIES	31.12.2010 PLN '000	% of total	31.12.2009 PLN '000 not audited restated*	% of total
Equity	**325 364,7**	**19,0**	**300 388,2**	**23,7**
Share capital	136 429,8	8,0	134 704,7	10,6
Treasury shares	(1 115,5)	0,1	(1 115,5)	0,1
Reserve capital	105 539,2	6,2	82 105,5	6,5
Treasury shares reserve	12 884,5	0,8	12 884,5	1,0
Hedging loss	(4 645,0)	0,3	(4 645,0)	0,4
Retained earnings	76 271,8	4,5	76 454,0	6,0
Accumulated profit	13 122,6	0,8	5 665,4	0,5
Profit for the period	63 149,2	3,7	70 788,6	5,6
Liabilities	**1 387 551,5**	**81,0**	**965 610,2**	**76,3**
Non-current liabilities	**340 463,5**	**19,9**	**40 474,7**	**3,2**
Long-term loans and borrowings	299 894,0	17,5	-	-
Long-term financial liabilities	22 521,1	1,3	22 420,6	1,8
Other long-term liabilities	400,0	0,0	400,0	0,0
Employee benefits	504,4	0,0	510,1	0,0
Other long-term provisions	17 144,0	1,0	17 144,0	1,4
Current liabilities	**1 047 088,0**	**61,1**	**925 135,5**	**73,1**
Loans and provisions	98 484,3	5,8	-	-
Short-term financial liabilities	37 241,7	2,2	37 243,8	2,9
Trade payables	817 104,9	47,7	824 431,8	65,1
Current tax liabilities	-	-	10 173,9	0,8
Other short-term payables	67 808,9	4,0	18 145,9	1,4
Current employee benefits	11 893,1	0,7	18 763,8	1,5
Provisions	14 555,2	0,9	16 376,2	1,3
TOTAL EQUITY AND LIABILITIES	1 712 916,2	100,0	1 265 998,4	100,0

*) Restatement of comparative figures is described in note 3 of other explanatory notes to the separate financial statements.

2.1.2. Separate income statement

	1.01.2010 - 31.12.2010 PLN '000	% of total sales	1.01.2009 - 31.12.2009 PLN '000 not audited restated*	% of total sales
Sales	**5 000 189,1**	100,0	**4 631 062,2**	100,0
Sales of goods	4 793 554,4	95,9	4 503 089,6	97,2
Sales of services	206 634,6	4,1	127 972,6	2,8
Cost of sales	**(4 434 713,3)**	88,7	**(4 108 615,4)**	88,7
Cost of goods sold	(4 424 904,2)	88,5	(4 108 615,4)	88,7
Cost of services sold	(9 809,1)	0,2	-	-
Gross profit	**565 475,8**	11,3	**522 446,8**	11,3
Selling expenses	(335 474,8)	6,7	(296 579,4)	6,4
General and administrative expenses	(125 374,2)	2,5	(116 048,3)	2,5
Profit on sales	**104 626,7**	9,2	**109 819,1**	8,9
Other operating income	21 969,9	0,4	24 102,9	0,5
Other operating expenses	(30 239,9)	0,6	(31 314,0)	0,7
Operating profit	**96 356,7**	1,9	**102 608,0**	2,2
Finance income	3 839,4	0,1	5 227,9	0,1
Finance costs	(29 080,3)	0,6	(18 894,8)	0,4
Profit before tax	**71 115,9**	1,4	**88 941,1**	1,9
Income tax expense	(7 966,7)	0,2	(18 152,5)	0,4
Profit for the period	**63 149,2**	1,3	**70 788,6**	1,5
Earnings per share				
Basic earnings per share (PLN)	0,46	-	0,53	-
Diluted earnings per share (PLN)	0,46	-	0,53	-

*) Restatement of comparative figures is described in note 3 of other explanatory notes to the separate financial statements.

2.2. Selected financial ratios

		2010	2009 not audited restated*	2008
1.	**Return on sales**			
	profit for the period x 100% / revenue	1,3%	1,5%	1,8%
2.	**Return on equity**			
	profit for the period x 100% / equity - profit for the period	24,1%	30,8%	32,5%
3.	**Debtors' days**			
	average trade receivables (gross) x 365 days / revenue	23 days	22 days	21 days
4.	**Debt ratio**			
	liabilities x 100% / equity and liabilities	81,0%	76,3%	74,8%
5.	**Current ratio**			
	current assets / current liabilities	0,8	0,9	0,8

*) Restatement of comparative figures is described in note 3 of other explanatory notes to the separate financial statements.

- Current assets exclude receivables due in more than 12 months.
- Current liabilities are comprised of short-term provisions for liabilities, short-term liabilities (excluding liabilities due in more than 12 months) and other short-term accruals.
- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables to related and other parties 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) 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 2010, we have issued an unqualified opinion.

On behalf of KPMG Audyt Sp. z o.o. registration number 458
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original	*Signed on the Polish original*
....	....
Certified Auditor No. 90095 Wojciech Drzymała	Certified Auditor No. 90061 Marek Gajdziński

Poznań, 8 April 2011

EUROCASH S.A.

SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the report of the above-mentioned Polish Company.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

KOMORNIKI, 08 April 2011

CONTENTS

GENERAL INFORMATION

1. INFORMATION ABOUT THE COMPANY

NAME

EUROCASH Spółka Akcyjna

REGISTERED OFFICE

Ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRY COURT

District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register,
Registration number: KRS 00000213765

PERIOD FOR WHICH THE COMPANY WAS ESTABLISHED

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period 1 January 2010 – 31 December 2010 and comparable periods:
1 January 2009 – 31 December 2009.

2. BOARDS OF THE COMPANY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2010 the Company's Management Board consisted of the following members:

Luis Manuel Conceicao Do Amaral – President of the Management Board,
Rui Amaral – Member of the Management Board,
Arnaldo Guerreiro – Member of the Management Board,
Pedro Martinho – Member of the Management Board,
Katarzyna Kopaczewska – Member of the Management Board,
Ryszard Majer – Member of the Management Board,
Jacek Owczarek – Member of the Management Board.

2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 31 December 2010 the Company's Supervisory Board consisted of the following members:

João Borges de Assunção – President of the Supervisory Board,
Eduardo Aguinaga de Moraes – Member of the Supervisory Board,
António José Santos Silva Casanova – Member of the Supervisory Board,
Ryszard Wojnowski – Member of the Supervisory Board,
Janusz Lisowski – Member of the Supervisory Board.

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the membership of the Management and Supervisory Board in the reporting period.

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010

	Note	Year for the period from 01.01.2010 to 31.12.2010	Year for the period from 01.01.2009 to 31.12.2009 Transformed
Sales		**5 000 189 079**	**4 631 062 152**
Sales of goods	28	4 793 554 436	4 503 089 566
Sales of services	28	206 634 643	127 972 586
Costs of sales		**(4 434 713 310)**	**(4 108 615 359)**
Costs of goods sold		(4 424 904 243)	(4 108 615 359)
Costs of services sold		(9 809 067)	-
Gross profit		**565 475 769**	**522 446 793**
Selling expenses	29	(335 474 807)	(296 579 405)
General and administrative expenses	29	(125 374 228)	(116 048 298)
Profit on sales		**104 626 733**	**109 819 091**
Other operating income	30	21 969 873	24 102 906
Other operating expenses	30	(30 239 863)	(31 313 992)
Operating profit		**96 356 744**	**102 608 004**
Financial income	31	3 839 378	5 227 869
Financial costs	31	(29 080 271)	(18 894 782)
Profit before income tax		**71 115 851**	**88 941 091**
Income tax expense	25	(7 966 663)	(18 152 504)
Profit for the period		**63 149 188**	**70 788 587**

NET EARNINGS PER SHARE

		PLN / share	PLN / share
Net profit (loss) on continued operations		63 149 188	70 788 587
Weighted average number of shares	32	136 276 586	135 203 460
Weighted average diluted number of shares	32	137 853 556	135 897 909
- basic	32	0,46	0,52
- diluted	32	0,46	0,52

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010

	Year for the period from 01.01.2010 to 31.12.2010	Year for the period from 01.01.2009 to 31.12.2009 Transformed
Profit for the period	**63 149 188**	**70 788 587**
Other comprehensive income for the period	**-**	**-**
Total comprehensive income for the period	**63 149 188**	**70 788 587**

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT OF THE FINANCIAL POSITION AS AT 31.12.2010

Assets	Note	as at 31.12.2010	as at 31.12.2009 Transformed
Non-current assets (long-term)		**899 225 067**	**453 744 924**
Goodwill	4	96 024 468	96 024 468
Intangible assets	4	36 784 996	98 089 215
Property, plant and equipment	5	190 796 022	182 497 628
Investments in subsidiary companies	8	554 728 775	68 657 327
Investments in equity investees	9	3 464 300	3 464 300
Other long-term investments	10	6 247 500	-
Long-term receivables	11	1 801 896	1 892 150
Deferred tax assets	26	6 880 010	2 637 937
Other long-term prepayments	27	2 497 099	481 900
Current assets (short-term)		**813 691 157**	**812 253 503**
Invetories	12	300 778 541	290 334 093
Trade receivables	13	297 878 741	305 986 407
Current tax assets	13	4 048 090	-
Other short-term receivables	13	12 907 770	23 481 998
Short-term financial assets in subsidiary companies	14	-	38 660 158
Other short-term investments	15	3 000 000	-
Short-term prepayments	16	7 818 615	4 135 574
Cash and cash equivalents	17	187 259 401	149 655 273
Total assets		**1 712 916 224**	**1 265 998 427**

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT OF THE FINANCIAL POSITION AS AT 31.12.2010

Equity and liabilities	Note	as at 31.12.2010	as at 31.12.2009 Transformed
Equity		**325 364 719**	**300 388 207**
Share capital	18	136 429 761	134 704 736
Treasury shares	19	(1 115 507)	(1 115 507)
Reserve capital	19	105 539 159	82 105 488
Treasury shares reserve	19	12 884 493	12 884 493
Hedging reserve	19	(4 645 000)	(4 645 000)
Retained earnings		76 271 814	76 453 997
Accumulated profit from previous years		13 122 625	5 665 410
Profit for the period		63 149 188	70 788 587
Liabilities		**1 387 551 505**	**965 610 220**
Non-current liabilities		**340 463 533**	**40 474 716**
Long-term loans and borrowings	23	299 894 015	-
Other long-term financial liabilities	24	22 521 098	22 420 612
Other long-term liabilities	22	400 000	400 000
Employee benefits	21	504 420	510 104
Provisions	21	17 144 000	17 144 000
Current liabilities		**1 047 087 971**	**925 135 504**
Loans and borrowings	23	98 484 256	-
Short-term financial liabilities	24	37 241 663	37 243 772
Trade liabilities	22	817 104 869	824 431 847
Current tax liabilities	22	-	10 173 933
Other short-term payables	22	67 808 891	18 145 917
Current employee benefits	21	11 893 078	18 763 831
Provisions	21	14 555 215	16 376 205
Total equity and liabilities		**1 712 916 224**	**1 265 998 427**

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2010

		as at 31.12.2010	as at 31.12.2009
Book value		**325 364 719**	**300 388 207**
Number of shares		136 352 068	134 627 043
Diluted number of shares		138 831 318	138 633 818
Book value per share	33	**2,39**	**2,23**
Diluted book value per share	33	**2,34**	**2,17**

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010

	Year for the period from 01.01.2010 to 31.12.2010	Year for the period from 01.01.2009 to 31.12.2009 Transformed
Cash flow from operating activities		
Profit before tax	**71 115 851**	**88 941 091**
Adjustments for:	**78 789 851**	**61 748 639**
Depreciation and amorization	47 810 408	42 744 318
Equity-settled shared share-based payment transactions	3 227 302	4 350 940
(Gain) loss on sale of property, plant and equipment	1 027 345	(691 945)
Interest expenses	27 899 309	16 746 251
Interest received	(1 174 514)	(1 400 926)
Operating cash before changes in working capital	**149 905 701**	**150 689 729**
Changes in inventories	(14 559 021)	(51 101 769)
Changes in receivables	18 321 412	(43 931 437)
Changes in payables	45 211 264	122 153 933
Changes in provisions and emploee benefits	(14 409 694)	11 758 254
Other adjustments	97 250	-
Operating cash	**184 566 912**	**189 568 711**
Interest paid	(13 721 094)	(6 222 954)
Income tax paid	(25 646 310)	(17 569 471)
Net cash from oparating activities	**145 199 508**	**165 776 286**
Cash flow from investing activities		
Short-term financial assets in subsidiary companies	38 660 158	(38 660 158)
Received Interests - cash pooling	1 174 514	1 400 926
Acquisition of intangible assets	(5 055 255)	(5 457 413)
Acquisition of property, plant and equipment	(46 694 477)	(43 994 986)
Proceeds from sale of property, plant and eqiupment	6 360 068	792 613
Acquisition of investment property	-	(37 766 428)
Proceeds from sale of investment property	-	38 900 000
Acquisition of subsidiarieses, net of cash acquired	(435 012 851)	(31 677 294)
Disposal of subsidiaries	-	5 500 000
Loans granted	(72 497 500)	-
Repayment received of granted loans	63 250 000	-
Net cash used in investing activities	**(449 815 343)**	**(110 962 739)**
cash flows from financing activities		
Proceeds from issue of share capital	12 360 362	18 097 312
Repurchase oftreasury shares	-	(1 115 507)
Financing for franchising	1 182 689	4 796 586
Proceeds from loans and borrowings	394 882 487	-
Repayment of borrowings	-	(10 518)
Payment of finance lease liabilities	(8 002 574)	(8 329 525)
Interest of finance lease	(2 017 087)	(2 259 270)
Interests on loans and borrowings	(5 789 114)	(1 078 043)
Dividends paid	(50 396 800)	(40 050 682)
Net cash used in financing activities	**342 219 963**	**(29 949 647)**
Net change in cash and cash equivalents	**37 604 128**	**24 863 900**
Cash and cash equivalents at the beginning of the period	149 655 273	124 791 373
Cash and cash equivalents at the end of the period	**187 259 401**	**149 655 273**

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2010 TO 31.12.2010

	Share capital	Treasury shares	Reserve capital	Treasure shares reserve	Hedge reserve	Retained earnings	Total
Changes in equity in the period from 1 January to 31 December 2009							
Balance as at 1 January 2009	**130 777 550**	**-**	**56 949 542**	**-**	**(4 645 000)**	**65 235 466**	**248 317 557**
Total comprehensive income for the reporting period							
Profit for the period from 1 January to 31 December 2009	-	-	-	-	-	70 788 587	**70 788 587**
Total comprehensive incomefor the period from 1 January to 31 December 2009	**-**	**-**	**-**	**-**	**-**	**70 788 587**	**70 788 587**
Transaction with Owners of the Company, recognized directly i equity							
Additional payments from and payments for owners							
Dividends paid	-	-	-	-	-	(40 050 682)	**(40 050 682)**
Transfer to reserve capital	-	-	19 519 374	-	-	(19 519 374)	**-**
Equity-settled share based payment transactions	-	-	4 350 940	-	-	-	**4 350 940**
Share options excercised	3 927 186	-	14 170 126	-	-	-	**18 097 312**
Share buy-back plan	-	-	(14 000 000)	14 000 000	-	-	**-**
Treasury shares acquired	-	(1 115 507)	1 115 507	(1 115 507)	-	-	**(1 115 507)**
Merger with subsidairy company							**-**
Other	-	-	-	-	-	-	**-**
Total transaction with Owners of the Company recognized directly in equity	**3 927 186**	**(1 115 507)**	**25 155 946**	**12 884 493**	**-**	**(59 570 056)**	**(18 717 937)**
Balance as at 31 December 2009	**134 704 736**	**(1 115 507)**	**82 105 488**	**12 884 493**	**(4 645 000)**	**76 453 997**	**300 388 207**
Changes in equity in the period from 1 January to 31 December 2010							
Balance as at 01 January 2010	**134 704 736**	**(1 115 507)**	**82 105 488**	**12 884 493**	**(4 645 000)**	**76 453 997**	**300 388 207**
Impact od change in accounting	-	-	(3 336 827)	-	-	-	**(3 336 827)**
Balance as at 01.01.2010 after changes	**134 704 736**	**(1 115 507)**	**78 768 661**	**12 884 493**	**(4 645 000)**	**76 453 997**	**297 051 380**
Total comprehensive income for the reporting period							
Profit for the period from 1 January to 31 December 2010	-	-	-	-	-	63 149 188	**63 149 188**
Total comprehensive income for the period from 1 January to 31 December 2010	**-**	**-**	**-**	**-**	**-**	**63 149 188**	**63 149 188**
Transaction with Owners of the Company, recognized directly i equity							
Dividends paid	-	-	-	-	-	(50 396 800)	**(50 396 800)**
Transfer to reserve capital	-	-	11 903 092	-	-	(11 903 092)	**-**
Equity-settled share based payment transactions	-	-	3 227 302	-	-	-	**3 227 302**
Share options excercised	1 725 025	-	10 635 337	-	-	-	**12 360 362**
Equity - EC with Batna	-	-	1 004 766	-	-	(1 004 766)	**-**
Other	-	-	-	-	**-**	(26 713)	**(26 713)**
Total transaction with Owners of the Company recognized directly in equity	**1 725 025**	**-**	**26 770 498**	**-**	**-**	**(63 331 371)**	**(34 835 848)**
Balance as at 31 December 2010	**136 429 761**	**(1 115 507)**	**105 539 159**	**12 884 493**	**(4 645 000)**	**76 271 814**	**325 364 720**

SUPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 8 April 2011 the separate financial statements of Eurocash S.A. for the period from 1 January 2010 to 31 December 2010 were authorised for issue by the management Board. According to the information included in the report no. 05/2011 dated 26 January 2011 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its separate financial statements on 8 April 2011.

Eurocash S.A. is a listed company and its shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (“EU IFRSs”).

In preparing these separate financial statements the Company has not applied any of the new Standards and Interpretations, which have already been published and approved by the European Union but are not yet effective for the year ended 31 December 2010. Moreover, the Company has not yet completed its analysis of the possible impact of those new Standards and Interpretations on the separate financial statements prepared for the period in which the new Standards and Interpretations will be applied for the first time.

All amounts are expressed in Polish zloty (unless indicated otherwise)

1.3. IMPACT OF NEW STANDARDS AND INTERPRETATIONS ON THE FINANCIAL STATEMENTS OF THE COMPANY

Standards and interpretations adopted by the EU

Standards and Interpretations adopted by the EU	Type of expected changes in accounting policies	Potential impact on the financial statements	Date of entry into force for periods beginning on and after
Amendments to International Financial Reporting Standards 2010	Amendments to International Financial Reporting Standards in 2010 include 11 amendments to 6 standards and 1 interpretation	It is not expected that many of these changes have a significant impact on the Group's financial statements. For this reason, below is a description of the changes that will affect the financial statements.	1 January 2011, with the exception of amendments to IFRS 3 *Business Consolidation*-Transitional provisions concerning contingent consideration in case of mergers taking place before the entry into force of the revised standard, the valuation of non-controlling interests, not subject to modification and voluntarily modified programs share-based payments, IAS 27 *Consolidated and Separate Financial Statements* - Transitional provisions relating to amendments to IAS 21, IAS 28 and IAS 31, which occurred as a result of amendments to IAS 27 - where the date of entry into force is 1 July 2010
Amendments to IFRS 1 - *Limited exemption for disclosures under IFRS 7 for entities applying IFRS for the first time*	The change concerns the exemption from disclosure for a period of comparative information required by the revised IFRS 7 for units applying IFRS for the first time. This exemption applies where the first financial statements have been prepared for the period beginning before 1 January 2010	The revised standard will have no impact on the Group's financial statements because it does not apply IFRS for the first time	1 July 2010 In accordance with Commission Regulation No 574/2010 all units shall apply the amendments to IFRS 1 and IFRS 7, the latest with the start of its first financial year starting after 30 June

All amounts are expressed in Polish zloty (unless indicated otherwise)

Standards and Interpretations adopted by the EU	Type of expected changes in accounting policies	Potential impact on the financial statements	Date of entry into force for periods beginning on and after
			2010
Revised IAS 24 *disclosures concerning related parties*	The change exempts the disclosure of amounts of transactions with related parties, the amount of balances, including contingent liabilities of (a) government, which exercises control or joint control over the reporting unit or has a significant impact on it, and (b) another entity that is a related party Because the same government exercises control or joint control over the reporting unit and the other entity or has no significant impact. The revised Standard requires entities that benefit from the exemption, to make specific disclosures. Revised standard also amends the definition of related entity, in this way, that this definition covers more entities such as associates of the controlling shareholder and entities controlled or jointly controlled by members of key management personnel.	The revised IAS 24 does not apply to the financial statements of the Group since the Group is not controlled by the government. Furthermore, it is not expected that an updated definition of related parties will mean the emergence of new linkages, the disclosure in the financial statements would be due.	January 2011 In accordance with Commission Regulation No 632/2010 all entities shall apply the revised standard commencement date of its first financial year starting after 31 December 2010
Amendments to IAS 32 Classification of subscription rights	The change requires that the rights, options, warrants to purchase a number of own equity instruments for a specified amount in any currency accounted for equity instruments if the entity offers above. rights, options and warrants pro rata current owners of the same class of equity instruments other than derivatives.	Amendments to IAS 32 does not concern the Group's financial statements, due to the fact that the Group has not issued any such instruments in the past .	February 1, 2010 According to Commission Regulation No. 1293/2009 all units apply those changes no later than the commencement of its first financial year starting after 31 January 2010
The amendments to IFRIC 14: Prepayment of the minimum funding requirement	Amended IFRIC 14 applies to the accounting treatment of prepayments when there is a minimum funding requirement. In line with these changes, an entity is required to include such payments as an asset in this context that obtains future economic benefits arising from prepayments made available as a reduction in future contributions in the periods in which payments in respect of minimum funding requirement would be required in the absence of a previous payment.	The amendments to IFRIC 14 does not apply to financial statements, due to the fact that the Group has no defined benefit plans with the minimum funding requirement.	1 January 2011 In accordance with Commission Regulation No 633/2010 all units use the latest of these changes with the launch of its first financial year starting after 31 December 2010

All amounts are expressed in Polish zloty (unless indicated otherwise)

Standards and Interpretations adopted by the EU	**Type of expected changes in accounting policies**	**Potential impact on the financial statements**	**Date of entry into force for periods beginning on and after**
IFRIC 19 Termination of financial obligations in respect of Equity Instruments	Interpretation specifies that the equity instruments issued to the creditor in order to cover all or part of a financial liability in the form of "debt for equity swap, " a payment in accordance with IAS 39.41. On initial recognition, equity instruments issued in order to meet financial obligations, are valued at fair value of these instruments, unless their fair value can not be reliably determined. In this case, an equity instrument should be priced to reflect the fair value of liabilities, which expired by its emissions. The difference between the carrying amount of financial liability which has expired (or part of that commitment), and an initial valuation of equity instruments should be included in the earnings of the current period.	In the current period, the Group has not issued equity instruments in order to meet financial obligations. Because of this the interpretation will not have a significant impact on the comparative information disclosed in the financial statements for the year ended 31 December 2010, due to the fact that the interpretation may apply only to transactions that took place in the future, it is not possible To pre-determine the impact of using interpretation.	1 July 2010 In accordance with Commission Regulation No 662/2010 all units IFRIC 19 commencement date of its first financial year starting after 30 June 2010

Standards and interpretations not yet endorsed by the EU

Standards and Interpretations are pending approval by the EU	Type of expected changes in accounting policies	Potential impact on the financial statements	Date of entry into force for periods beginning on and after
Amendments to IFRS 1 Hyperinflation and the removal of a fixed date for applying IFRS for the first time	The change adds an exemption, which may be applied on the date of transition for entities operating in hyperinflationary economies. This exemption permits an entity to measure the assets and liabilities held before stabilizing functional currency at fair value, and then use that fair value as deemed cost of those assets and liabilities for the first report of financial position under IFRS.	This change will not affect the Group's financial statements because the Grouphas not applied IFRS for the first time and does not operate in a hyperinflationary economy.	July 1, 2011.
Amendments to IFRS 7 disclosures - Transfers of financial assets	Change requires disclosure of information that enables users of financial statements: • understand the relationship between the transferred financial asset that has not been entirely excluded from the financial statements and its related financial obligations, and • assess the nature and risks involved in it and the degree held by an entity involved in the asset off. Change defines a 'maintained commitment "to apply the disclosure requirements.	The Group does not expect the change to IFRS 7 will have a significant impact on the financial statements due to the nature of the Group and the nature of financial assets held.	1 July 2011
IFRS 9 Financial Instruments	The new standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, on the classification and valuation of financial assets. Eliminates the existing standard IAS 39 categories: held to maturity, available-for-sale and loans and receivables. On initial recognition financial assets are classified into one of two categories: • Financial assets carried at amortized cost, or	The Group does not expect that IFRS 9 will have a significant impact on the financial statements. It is expected that due to the nature of the Group and the nature of financial assets held, the principles of classification and valuation of financial assets of the Group will not change under the influence of application of IFRS 9	1 January 2013

Standards and Interpretations are pending approval by the EU	Type of expected changes in accounting policies	Potential impact on the financial statements	Date of entry into force for periods beginning on and after
	• Financial assets at fair value. Financial assets are measured at amortized cost if the following two conditions: the assets are held within the business model, which aims to maintain assets in order to obtain the flows under the contract, and the contract terms will result in certain moments, only cash payment representing principal and interest on the unpaid portion of the capital. Gains and losses on financial assets at fair value are recognized in profit or loss for the current period, except when an investment in an equity instrument is not intended for trading. IFRS 9 gives the possibility of a decision on the valuation of such financial instruments, on initial recognition, at fair value through other comprehensive income. Such a decision would be irreversible. The selection of such can be made for each instrument separately. The values recognized in other comprehensive income may not be in the later periods reclassified to profit and loss account.		
Amendments to IFRS 9 Financial Instruments (issued 2010)	Amendments to IFRS 9 of 2010, amend the guidance provided in IAS 39 Financial Instruments: Recognition and Measurement on the classification and valuation of financial liabilities and the exclusion of financial assets and financial liabilities. Standard retains almost all the existing requirements of IAS 39 relating to the classification and valuation of financial liabilities and off the financial assets and financial liabilities. The Standard requires that the change in fair value changes in credit risk on financial liabilities designated upon initial recognition as at fair value through profit or loss were presented in other comprehensive income. The rest of the profit or loss from fair value recognized in profit or loss for the current period. Where the application of this requirement leads to lack of matching of income and expenses, then the entire change in fair value is recognized in profit or loss for the current period.	The Group does not expect that IFRS 9 (2010) will have a significant impact on the financial statements. It is expected that due to the nature of the Group and the nature of financial assets held, the principles of classification and valuation of financial liabilities will not change under the influence of application of IFRS 9	1 January 2013

Standards and Interpretations are pending approval by the EU	Type of expected changes in accounting policies	Potential impact on the financial statements	Date of entry into force for periods beginning on and after
	The values presented in other comprehensive income will not change later in the gain or loss. They may, however, be reclassified to equity. In accordance with IFRS 9 Measurement of derivative financial instruments, which are interrelated and must be settled by delivery of unquoted equity instruments whose value can not be reliably determined should be made at fair value.		
Amendments to IAS 12 Taxation - Deferred tax: The future realization of the asset	Amendment of 2010, provides for an exception to the current deferred tax valuation rules contained in paragraph 52 of IAS 12, based on the method of implementation. The exception relates to deferred tax on investment properties are measured at fair value model in accordance with IAS 40 by introducing the assumption that the way to the carrying amount of these assets will only be for sale. Intentions of the board will have no meaning, except that the investment property will be amortized and will be maintained within the business model, whose goal will be consumed by essentially all the economic benefits of the asset over a period of his life. This is the only case when this assumption will be able to be rejected.	The Group does not expect the change will have significant impact on the financial statements because it will not affect the Group's accounting policies. The principle of valuing assets and deferred tax liabilities relating to investment properties at fair value in accordance with IAS 40 will not change.	1 January 2012

1.4. BASIS OF PREPARATION, FUNCTIONAL AND PRESENTATION CURRENCY

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

These separate financial statements are presented in PLN, which is the Company's functional and presentation currency. All financial information presented in PLN has been rounded to the nearest PLN (unless it is otherwise indicated).

1.5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with UE IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are made based on historical experience and other factors accepted as reasonable in given circumstances, and the results of estimates and judgements are a basis for the determination of the carrying value of assets and liabilities not resulting directly from other sources. Actual results may differ from those estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

The accounting policies and methods of calculation set out below have been applied consistently to all periods presented in these separate financial statements, and have been applied consistently by Company entities, except for the following changes:

a) **Method of valuation of inventory expenditures**

As of January 1, 2010, the Company changed the principles of inventory valuation. First in-first out (FIFO), which was used previously, has been replaced with the weighted average method. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The Company follows the same method in determining acquisition prices for all inventory items.
The Comapny believes that the current method of calculating the values of inventories provides more useful and reliable information concerning the Group's financial standing and earnings. Detailed information concerning change of inventory valuation is presented in Note 1.

1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP

Eurocash S.A. Group is comprised of Eurocash S.A. and and its subsidiary companies: KDWT S.A., Eurocash Franczyza Sp. z o.o., Nasze Sklepy Sp. z o.o. w likwidacji, Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., Eurocash S.A. Sp. Komandytowa, Przedsiębiorstwo Dystrybucji Alkoholi AGIS S.A., Astor Sp. z o.o., Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., Delikates Sp. z o.o., Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex S.A., Onufry S.A., Panta-Hurt Sp. z o.o., Polskie

Hurtownie Alkoholi Sp. z o.o., Premium Distributors Sp. z o.o., Saol Dystrybucja Sp. z o.o., Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. and the associate PayUp Polska S.A.

Eurocash S.A. is a Parent Entity, registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register; registration number: 00000213765; located in Komorniki, ul. Wiśniowa 11.

The main business activity of the Parent Entity is non-specialized wholesale trade (PKD 4690Z).
Shares of Eurocash S.A. are traded on Warsaw Stock Exchange.

Subsidiaries comprise:

- KDWT S.A., registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register, registration number: 0000040385, located in Komorniki, ul. Wiśniowa 11,
- Eurocash Franczyza Sp. z o.o., registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register; registration number: 0000259846; located in Komorniki, ul. Wiśniowa 11,
- Nasze Sklepy Sp. z o.o. w likwidacji, registered in the District Court in Lublin; XI Commercial Department of the National Court Register; registration number: 0000000139; located in Biała Podlaska, ul. Kąpielowa 18,
- Eurocash Trade 1 Sp. z o.o. registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register; registration number: 0000329002; located in Komorniki, ul. Wiśniowa 11,
- Eurocash Trade 2 Sp. z o.o. registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register; registration number: 0000329037; located in Komorniki, ul. Wiśniowa 11,
- Eurocash S.A. Sp. Komandytowa registered in the District Court Poznań - Nowe Miasto and Wilda; VIII Commercial Department of the National Court Register; registration number 0000346187; located in Komorniki, ul. Wiśniowa 11,
- Przedsiębiorstwo Dystrybucji Alkoholi AGIS S.A., registered in the District Court Toruń, VII Commercial Department of the National Court Register, registration number 0000103408, located in Toruń, ul. Polna 52,
- Astor Sp. z o.o., registered in the District Court Olsztyn, VIII Commercial Department of the National Court Register, registration number 0000035560, located in Olsztyn, ul. Żelazna 4,
- Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., registered in the District Court Szczecin - Centrum, XIII Commercial Department of the National Court Register, registration number 0000035408, located in Stargard Szczeciński, ul. Grunwaldzka 3,
- Damianex S.A., registered in the District Court Rzeszów, XII Commercial Department of the National Court Register, registration number 0000108201, located in Przeworsk, ul. Głęboka 34,
- Delikates Sp. z o.o., registered in the District Court Poznań Nowe Miasto and Wilda w Poznaniu, IX Commercial Department of the National Court Register, registration number 0000108575, located in Konin, ul. Zakładowa 11,
- Miro Sp. z o.o., registered in the District Court Wrocław - Fabryczna , IX Commercial Department of the National Court Register, registration number 0000065440, located in Ząbkowice Śląskie, ul. Jasna 42,

- MTC Sp. z o.o., registered in the District Court Białystok, XII Commercial Department of the National Court Register, registration number 0000141499, located in Białystok, ul. Elewatorska 20,
- Multi-Ex S.A., registered in the District Court Warszawa, XIII Commercial Department of the National Court Register, registration number 0000034424, located in Warszawa, ul. Bokserska 66A,
- Onufry S.A., registered in the District Court Gdańsk - Północ, VII Commercial Department of the National Court Register, registration number 0000044301, located in Gdańsk, ul. Jabłoniowa 64,
- Panta-Hurt Sp. z o.o., registered in the District Court Warszawa, XVI Commercial Department of the National Court Register, registration number 0000065197, located in Mińsk Mazowiecki, Choszczówka Stojecka 11A,
- Polskie Hurtownie Alkoholi Sp. z o.o., registered in the District Court Zielona Góra, VIII Commercial Department of the National Court Register, registration number 0000072448, located in Zielona Góra, ul. Gen. Józefa Sowińskiego 42A,
- Premium Distributors Sp. z o.o., registered in the District Court Warszawa, XIII Commercial Department of the National Court Register, registration number 0000287947, located in Warszawa, ul. Bokserska 66a,
- Saol Dystrybucja Sp. z o.o., registered in the District Court Katowice - Wschód, VIII Commercial Department of the National Court Register, registration number 0000207117, located in Sosnowiec, ul. Orląt Lwowski 146,
- Przedsiębiorstwo Handlu Spożywczego Sp. z o.o., registered in the District Court Zielona Góra, VIII Commercial Department of the National Court Register, registration number 0000103619, located in Świebodzin, ul. Grottgera 5.

PayUp Polska S.A. is an associate registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register, registration number: 0000299000, located in Komorniki, ul. Wiśniowa 11.

Eurocash S.A. prepares consolidated financial statements of Eurocash S.A. Group which were authorized by the Management Board on 8 April 2011.

1.8. GOING CONCERN ASSUMPTION

The financial statements were prepared under the assumption that the Company will continue to operate as a going concern for the foreseeable future. There is no evidence indicating that the Company will not be able to continue its activities as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

The separate financial statements have been prepared on the historical cost basis except for the following items:

- derivative financial instruments measured at fair value,
- financial instruments at fair value through profit or loss measured at fair value,
- available-for-sale financial assets measured at fair value.

The most significant accounting policies applied by Eurocash S.A. are presented in points 2.2-2.34.

2.2. REPORTING PERIOD

The Company's year end reporting period is a calendar year.

2.3. FORMAT AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements are prepared as at the date of closing the account books and as at each other reporting date.

In particular, the separate financial statements are comprised of:

- General information
- Separate income statement
- Separate statement of comprehensive income
- Separate statement of the financial position
- Separate statement of cash flows
- Separate statement on changes in equity
- Supplementary information to the separate statements

2.4. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency of Group entities (PLN) at exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the average exchange rate of the National Polish Bank at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the average exchange rate of the National Polish Bank at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at average exchange rate of the National Polish Bank at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.5. INTANGIBLE ASSETS

Definition

Intangible assets include property rights acquired by the Company, with an anticipated economic useful life exceeding one year, intended to be used by the Company itself, in particular:

- Goodwill,
- Software licences,
- Copyrights,
- Concessions, patents, utility and decorative designs and trademarks,
- Know-how,
- Other intangible assets.

Initial measurement of intangible assets

The initial value of intangible assets is the acquisition cost, which includes the purchase price and other expenditure directly attributable to acquiring the intangible assets.

Subsequent expenditure

Subsequent expenditure on components of intangible assets is capitalized only when it increases the future economic benefits associated with the item. Other costs including expenditures on internally generated intangible assets such as: trademarks, goodwill and brands are recognized in profit or loss as incurred.

Amortization

Amortization of intangible assets is calculated for all intangible assets, excluding goodwill and intangible assets with an indefinite useful life. While determining the useful life, the period of generating economic benefits in taken into consideration. If it is hard to determine the reasonable economic useful time or there is no certainty of any expected measurable benefits, according to prudence principle the intangible assets should be recognized in profit or loss for the period.

The following amortization rates are adopted for intangible assets:

- licenses – software 33,3%
- copyrights 20%
- trademarks 5% - 10%
- know-how 10%
- other intangible assets 20%

Review of amortization rates and possible impairment

Amortization rates adopted for intangible assets are subject to review at least at each annual reporting date causing respective adjustment of future amortization.

The Company assesses at least at each reporting date whether there is any indication that an asset may be impaired. Impairment losses are recognized in other operating expenses in the period they occurred.

In accordance with the IAS 36 requirements referring to impairment tests for intangible assets with indefinite useful lives and goodwill, the Company tests such intangible assets for impairment by comparing the carrying value of the specified item with its recoverable amount, regardless of any impairment indication.

Measurement of intangible assets as at the reporting date

As at the reporting date the Company measures the intangible assets at the acquisition cost less accumulated amortization and any accumulated impairment losses.

2.6. PROPERTY, PLANT AND EQUIPMENT

Definition

Property, plant and equipment include tangible assets held by the Company for economical use (useful and intended to be used by the Company), the expected useful lives of which exceed one year.

Property, plant and equipment shall include in particular:
- Land
- Buildings and constructions,
- Technical equipment and machinery,
- Vehicles,
- Other tangible fixed assets (furniture etc.),
- Fixed assets under construction.

The initial measurement of tangible fixed assets

The initial value of tangible fixed assets is the acquisition cost comprising purchase price including the amount due to seller (excluding deductible VAT and excise tax) and, in case of import, additional public charges.

The acquisition cost includes expenditures directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to a working condition for their intended use, including transport, loading, discharging, storage and market introduction costs, minus rebates, discounts, and other similar price reductions and refunds. When determination of the acquisition cost of an asset is impossible, in particular when the asset is received free of charge or donated, its value shall be determined on the basis of the selling price of an identical or similar item i.e. its fair value.

The manufacturing cost of fixed assets under construction includes all expenditures incurred from the date the construction, assembly, adaptation or improvement commenced until the reporting date or the day of the bringing the asset into use, plus:
- non-deductible VAT and excise duty,
- costs of obligations incurred for financing of the asset together with the exchange rate differences, decreased by the revenues obtained,
- if required – the estimation of the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent expenditure

Subsequent expenditures on replacing parts of an item of property, plant and equipment are capitalized and increase the initially recognized cost of an asset. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the removed parts of assets is derecognized. Expenditures on the day-to-day maintenance of property, plant and equipment are recognized as a gain or loss for the period in which they were incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Tangible fixed assets, excluding lands and fixed assets under construction, are depreciated monthly for the period of economical useful life, using a straight-line method and following depreciation rates:

▪ buildings and constructions	2,5% - 4,5%
▪ investments in third parties' property, plant and equipment	10%
▪ technical equipment and machinery	10% - 60%
▪ vehicles	14% - 20%
▪ other tangible fixed assets	20%

Depreciation commences in the month in which the asset was brought into use.

Gain or loss on disposal, liquidation or usage cessation of an item of property, plant and equipment are determined as the difference between the proceeds from disposal and the carrying amount of the assets, and are recognized net in profit and loss.

Review of depreciation rates and possible impairment

Depreciation rates are subject to analysis at the end of each financial year causing respective adjustment of future depreciation.

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. Impairment losses are charged into other operating expenses in the period the impairment loss was determined. Impairment occurs when no future economic benefits are expected to flow to the Company from the asset e.g. in case of liquidation or usage cessation of the asset. Impairment losses are charged into other operating expenses not later than at the reporting date, in the period the impairment loss was determined.

Measurement of property, plant and equipment as at the reporting date

Tangible fixed assets are recognized as at the reporting date at cost i.e. either at acquisition price or construction cost less accumulated depreciation and any accumulated impairment losses.

Tangible fixed assets under construction are presented in the financial statements at cost of manufacturing less impairment losses. The cost of manufacturing includes charges and borrowing costs capitalized in accordance with accounting policy.

The stocktaking of tangible fixed assets

The stocktaking of tangible fixed assets is performed every four years.

2.7. BORROWING COSTS

Borrowing costs that are directly attributable to acquiring or manufacturing the qualifying assets shall be capitalized on relevant assets until the date of bringing them into use. These costs are diminished by gains resulted from temporary investment of funds obtained for manufacturing the specified asset.

Borrowing costs include interest and other cost incurred by the Company due to borrowing funds.

Any other borrowing costs are recognized in profit or loss in the period they have occurred.

2.8. LEASE CONTRACTS

The finance lease takes place if the lease contract transfers substantially all the risks and rewards of ownership of the asset to the lessee.

Any other kinds of lease contracts are treated as operating leases.

Assets used on the basis of finance lease contracts are qualified in the same way as the Company's assets. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments should be split into capital and interest components so as to produce a constant periodic rate of interest on the remaining balance of the finance lease liability.

Outstanding lease payments are recognized in the statement of financial position as financial liabilities divided into short- and long-term parts.

Depreciation methods applied for leased assets are consistent with the accounting policies applied for the Company's owned assets. Depreciation is calculated in accordance with IAS 16 and IAS 38. If there is no reasonable assurance that the lessee will obtain ownership of the asset by the end of the lease term, the asset is depreciated over a shorter of the following periods: duration of the lease contract or economic useful life of the asset.
Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease contract when the adjustment is confirmed.

If the Company uses the assets on the basis of operating lease contract, the asset is not recognized in the financial statements and lease payments are recognized as an expense in profit or loss for the period.

2.9. INVESTMENT PROPERTY

Investment property comprises property held in order to earn rentals or derive economic benefits resulting from capital appreciation.
Investment property is initially measured at its manufacturing or acquisition costs after taking into account transaction costs. As at the reporting date investment property is measured at acquisition or manufacturing cost less accumulated depreciation and any accumulated impairment losses.

2.10. SHARES IN ACCOCIATES AND SUBSIDIARIES

Shares are measured by acquiring costs. As the reporting date shares are measures at acquisition or manufacturing cost less accumulated impairment losses

2.11. LONG-TERM RECEIVABLES

Definition

Long-term receivables comprise receivables due within more than 12 months of the reporting date. The part of long-term receivables which will be paid during next financial year is recognized as current receivables.
Long-term receivables are mostly deposits paid related to renting contracts and bank guarantees and prepayments for tangible fixed assets.

Measurement of long-term receivables

As at the reporting date long-term receivables are measured at amortized cost using effective interest rate less allowances, if any.

2.12. LONG-TERM PREPAYMENTS

Long-term prepayments comprise expenditures incurred to the reporting date, constituting costs of future financial periods within more than 12 months of the reporting date.

The analysis of long-term prepayments is performed at every reporting date. The part of prepayments which will be realized within 12 months of the reporting date is presented in short-term prepayments.

The mentioned above analysis is performed by the Company taking into consideration rational indicators and professional knowledge about each type of prepayments.

2.13. NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The Company classifies a non-current asset or disposal group comprising assets and liabilities as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through its continuing use.
This situation takes place if following conditions are fulfilled:

- the asset is available for immediate sale in its present condition and its sale is highly probable,
- there must be commitment to a plan to sell by an appropriate level of management,
- that plan must have been initiated,
- the assets (or disposal Company) must be actively marketed at a reasonable price that is reasonable in relation to the asset's fair value,
- there must be an expectation that the sale will be completed within one year of the classification of assets or a disposal Company as held for sale, and activities required to fulfil the plan indicate that it is unlikely to provide significant changes to the plan or that the plan will be obsolete.

2.14. INVENTORIES

Definition

Inventories are assets:

- held for sale in the ordinary course of business (goods),
- materials or supplies purchased to be consumed for own use.

Initial measurement

The purchase price shall be determined using the weighted average method. Under the weighted average purchase price or production cost of each item is calculated on a weighted average purchase price or cost of similar items at beginning of the of the period and the purchase price or cost of similar items purchased or produced during the period the Company shall use the same method to set prices purchase for all items.

Acquisition cost comprises purchase price and other costs incurred for the purpose of bringing the inventories to their existing location and condition.
Purchase costs comprise actual purchase price, import duties, other non-deductible taxes and other directly attributable costs.
Cash, value or volume discounts and rebates should be deducted from the acquisition cost.

Measurement of inventories as at the reporting date

Inventories are measured at the lower of cost and net realisable value. Acquisition or construction cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

The Company identifies following circumstances that lead to write-down of the inventories:

- decline of net realisable value (damage, expired etc.)
- the level of inventories exceeding the demand and selling possibilities,
- low rotation of inventories,
- selling prices of inventories are below their carrying amounts – net realisable value.

If the acquisition cost is higher than the net selling price as at the reporting date, the inventories are written down to the value of their selling prices.

The amount of any write-down of inventories is recognised in other operating expenses.

2.15. NON DERIVATIVE FINANCIAL INSTRUMENTS

At initial recognition financial instruments are measured at fair value plus directly attributable transaction costs, except when the instrument is classified as at fair value through profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The fair value of financial instruments quoted in an active market is their quoted closing bid price at the reporting date.

However, if the transaction is not based on market terms, the fair value is determined by using the valuation techniques which include comparison with market value of similar financial instrument being quoted in the active market, based on estimated cash flows or valuation models of options taking into account circumstances specific to the Company.
As at the reporting date, the Company determines whether indicators of assets' impairment occurred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

The classification of financial instruments depends on the purpose of purchase.

(a) Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intention and ability to hold to maturity, other than:
- those that the Company designates upon initial recognition as at fair value through profit or loss;
- those that the Company designates as available-for-sale;
- those that meet the definition of receivables and loans.

Those assets that are expected to be sold within 12 months of the reporting date are recognized as current assets.

Investments held-to-maturity are measured at amortised cost using the effective interest rate less impairment losses, if any.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, arising as a result of cash expenditures, supplying goods or rendering services, which are not intended to be recognized as assets measured at fair value through profit or loss.
The assets are recognized as current assets excluding those that maturity date exceeds 12 months of the reporting date.
Financial assets classified as loans and receivables are subsequently measured at amortised cost using the effective interest method less impairment losses if any.
Loans and receivables comprise trade receivables and other receivables

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not designated as (a), (b) and (d) categories. They are recognized as current assets if there is an intention to dispose them within 12 months of the reporting date. Available-for-sale assets are measured at fair value excluding instruments not possessing market price quoting from an active market and fair value of which cannot be measured reliably.

Available-for-sale financial assets' fair value changes, other than resulting from impairment, are recognized in other operating income and presented in equity as a separate line item. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(d) Financial assets and liabilities designated as at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. All profits and losses concerning those investments are recognized in profit or loss of current financial period.

Financial liabilities
Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method, excluding:
(a) financial liabilities designated as at fair value through profit or loss,
(b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified to be derecognized,
(c) financial guarantees contracts,
(d) obligations to give low-interest or interest-free loans.

2.16. DERIVATIVES

The Company uses derivatives to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for as a stand-alone derivative if:
- the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract,

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative,
- the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

At the moment of initial recognition of the hedging position, the Company formally documents the relationship between the hedging instrument and hedged item. This documentation contains the purpose of risk management as well as methods that will be used to assess the hedging instrument effectiveness.

The hedge is assessed by the Company at the inception and on an ongoing basis as highly effective if following conditions are met:

- the hedge is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated
- the actual results of hedge are within a range of 80-125% (retrospective effectiveness)

Hedging of future transaction cash flows is applied for highly probable transactions exposed to cash flow changes risk that would be recognized as a profit or loss of current reporting period.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss account as incurred. Subsequent to initial recognition the Company measures derivatives at fair value, gains and losses resulting from the change of fair value are recognized in the way described below.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

2.17. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

Trade receivables comprise receivables resulting from realized supplies or rendered services due within 12 months and more than 12 months of the reporting date.

Other short-term receivables

Other short-term receivables comprise receivables due within 12 months of the reporting date excluding trade receivables.

Measurement of trade receivables and other receivables at the reporting date

Trade receivables and other receivables are measured at fair value at the initial recognition date and are subsequently measured at amortised cost using effective interest method less bad debts allowance.

Irrecoverable receivables are written-off into profit or loss at the moment of ascertainment of their recoverability.

Penalty interests related to receivables not paid by Company's customers are recognized at the moment of obtaining cash by the Company.

Measurement of receivables denominated in foreign currency as at the reporting date

In accordance with IAS 21 foreign currency receivables are translated at the closing rate at the date of the Company's financial statements. The amount of exchange differences is recognized in profit or loss as other finance income or other finance costs.

Bad debts allowance

The value of receivables shall be adjusted by a bad-debts allowance for:

- receivables from debtors put into liquidation or declared bankruptcy - up to the amount of the debts not covered by a guarantee or other payment security declared to a liquidator or judge commissioner in bankruptcy proceedings,
- receivables from debtors with dismissed bankruptcy declaration case if the debtor's property is not sufficient to cover the costs of bankruptcy proceedings - in the full amount,
- debts questioned as to their amounts owed or being in arrears with the repayment thereof and repayment of which, according to the evaluation of the debtor's financial situation, in the contractual amount is not probable - up to the amount of the debt not covered by the guarantee or other payment security,
- debts overdue or not overdue but of a considerable degree of uncollectability – decreased by a reliably measured amount of an allowance,
- court proceeded debts – in the full amount of debts.

The amount of allowance derives not only from the events taking place before the reporting date but also events subsequent to the date of the financial statements' authorization, if those events relate to the debts which existed before the reporting date.

The bad-debts allowance is recognized in other operating expenses or finance costs, depending on the relevant receivable.

2.18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, call deposits and restricted cash. Bank overdrafts repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.19. SHORT-TERM PREPAYMENTS

Short-term prepayments comprise all expenditures incurred until the reporting date, which constitute future costs due to be settled within 12 months from the end of reporting period.

Short-term prepayments are analyzed at each reporting date. Prepayments, which will be expensed within the period of 12 months of the reporting date, should be presented as short-term prepayments.
The assessment is made by the Company, taking into consideration reasonable circumstances and knowledge about each position of prepayments.

Short-term prepayments include mainly:
- rent prepayments,
- electric energy and central heating prepayments,
- subscription prepayments,
- prepayments for other services (e.g. telecommunications),
- advance payments for lease of equipment.

2.20. IMPAIRMENT

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed by the Company at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include:
- default or delinquency by a debtor,
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise,
- indications that a debtor or issuer will enter bankruptcy,
- the disappearance of an active market for a security,
- for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment.
All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.
In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

2.21. EQUITY

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

The amount reserved for repurchase of share capital, based on the Shareholders' Meeting's resolution, is presented in equity as separate capital reserves.

2.22. LONG-TERM LIABILITIES

Long-term liabilities comprise liabilities due to be settled after 12 months from the end of ther reporting period.

Long-term liabilities include mainly:

- loans and borrowings,
- finance lease liabilities,
- deposits from subtenants of wholesale surface.

Measurement of the long-term liabilities

At as the reporting date long-term liabilities are measured at amortized cost using the effective interest method.

Measurement of long-term liabilities denominated in foreign currency

According to IAS 21 foreign currency liabilities are measured at least as at the reporting date using the spot exchange rate.

Foreign currency gains and losses from valuation of long-term liabilities are recognized in finance income or costs accordingly.

2.23. SHORT-TERM LIABILITIES

Short-term liabilities comprise liabilities due to be settled within 12 months from the end of reporting period.

Short-term liabilities include mainly:

- loans and borrowings,
- finance lease liabilities,
- trade payables,
- taxation, social security and other benefits payables,
- payroll payables,
- liabilities due to financing of franchisees.

Measurement of the short-term liabilities

At the reporting date short-term liabilities are measured at amortized cost using the effective interest method.

Measurement of short-term liabilities denominated in foreign currency

According to IAS 21 foreign currency liabilities are measured at least as at the reporting date using the spot exchange rate.

Foreign currency gains and losses from valuation of short-term liabilities are recognized in finance income or expenses accordingly.

2.24. LOANS

The Company initially recognizes bank and other loans and debt securities at fair value of cash received decreased by any directly attributable transaction costs.

Subsequent to initial recognition loans and debt securities are measured at amortized cost using the effective interest method.

2.25. PROVISIONS

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Using the provisions may be made according to the time flow or benefit size. Time and method of settlement should be adequate to the character of expenses, according to the prudence method.

Provisions lower the expenses for the period, in which it was affirmed that the liabilities would not arise.

2.26. SALES

Sales are measured at fair value of the consideration received or receivable and represent receivables for goods provided and services rendered in the course of ordinary activities, net of rebates, value added tax and other taxes related to sales (excise tax).

Goods sold

Revenue from the sale of goods is recognized on condition that:

- the significant risk and rewards of ownership have been transferred to the buyer,
- there is no continuing management involvement with the goods and there is no effective control over those goods,
- the amount of revenue can be measured reliably,
- there is probability that the transaction will result in revenue,
- the associated costs and possible return of goods can be estimated reliably,
- recovery of the consideration is probable.

Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The outcome of transaction can be measured reliably on condition that:

- the amount of revenue can be measured reliably,
- there is probability that the transaction will result in revenue,
- the stage of completion of the transaction at the reporting date can be assessed reliably,
- the associated costs and costs of closing the transaction can be estimated reliably.

When the outcome of the transaction cannot be measured reliably, revenue from services rendered is recognized only to the extent of contract costs incurred that are likely to be recoverable.

2.27. FINANCE INCOME AND COSTS

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss.

Interest income

Interest income is recognized as it accrues in profit or loss on accrual basis, using the effective interest method.

Dividend income

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

2.28. EMPLOYEE BENEFITS

Long-term employee benefits

The Company recognizes expenses regarding pension plans and other employee benefits for the post-employment period by defining benefit pension obligation.

In accordance with IAS 19 Employee benefits the calculation is performed using the projected unit credit method. The calculation is performed by a qualified actuary. The liability is recognized on an accrual basis and measured in the discounted present value of benefits, that employees have earned as at the reporting date, adjusted by personnel and demographic movements indexes.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company recognizes liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.29. SHARE-BASED PAYMENT TRANSACTIONS

The share-based payment transactions allow employees to cover share of the controlling company. The fair value of share-based payment awards granted to employees is recognized as separate position in profit or loss as an employee expense, with a corresponding increase in equity (reserve capital). The fair value is measured as at the grant date and recognized over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met.

The fair value of the employee share options rights is measured using Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holders' behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2.30. INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment or tax payable in respect of previous years. Taxable profit (loss) differs from the accounting profit (loss) regarding the elimination of taxable income and expenses related to future years and income and expenses which will never be taxable. Tax liabilities are calculated based on tax rates effective during the reporting period.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liability is recognized for all taxable positive temporary differences and deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill and on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, excluding transactions related to mergers and acquisitions.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is recognized in profit or loss, except items recognized directly in equity or other comprehensive income. Then, deferred tax is expensed directly in equity or other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

2.31. DISCOUNTINUED OPERATIONS

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative period.

2.32. EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.33. COMBINATION OF ENTITIES UNDER COMMON CONTROL

Combinations resulting from the transfer of shares in subsidiaries, which are under common control with a shareholder who also controls the group that owns the company, are recognized as if the acquisition took place at the beginning of the earliest comparative period or the date of the establishment of joint control if it happened later. For this purpose, comparative figures are restated. Acquired assets and liabilities are recorded at book value in the consolidated financial statement of the Group Eurocash SA

2.34. OPERATING SEGMENTS

In accordance with IFRS 8 “Segment reporting”, the Company resigned from presentation of operational segments. Information and financial data about operational segments are presented in the consolidated financial statements of Eurocash Group.

All amounts are expressed in Polish zloty (unless indicated otherwise)

3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2010 TO 31.12.2010

NOTE 1.
CHANGE IN ACCOUNTING POLICY - METHOD TO DETERMINE PRICES OF STOCKS

As at 1 January 2010 the Company changed the principles of determining acquisition prices of inventories.
Inventories are currently carried at weighted average prices in the separate statement of financial position. In the separate statement of financial position as at 31 December 2009, these were valuated based on first in-first out method. The impact of change of valuation principles on the amount of equity as at 1 January 2010 is PLN -3,336,827, and the difference was presented in the reserve capital.
According to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Company implemented the change as at 1 January 2010. Therefore, the Company made appropriate adjustments to opening data as at 1 January 2010. These adjustments are presented below:

Table nr 1

STATEMENT OF THE FINANCIAL POSITION

As at 01.01.2010	Value before restatement	Restatement value	Restated value
Deferred income tax assets	2 637 937	782 712	3 420 649
Invetories	290 334 093	(4 119 539)	286 214 554
Supplementary capital	82 105 488	(3 336 827)	78 768 661

Due to the fact that determination of the effect of change of accounting policies on prior reporting periods is not feasible, the Company did not adjust the remaining comparative figures.

NOTE 2.
ACQUISATION OF COMPANIES

I Founding of company „Eurocash Spółka Akcyjna Spółka komandytowa"

On 29 January 2010 in the course of Eurocash Group reorganization under intellectual property management scheme, certain identifiable trademarks of Eurocash S.A. Group companies were transferred as a non-cash contribution to a newly established limited partnership "Eurocash Spółka Akcyjna Spółka Komandytowa" in which Eurocash S.A. is the general partner. The partnership was established under the terms of its articles of association dated 3 December 2009 and registered in the National Court Register on 14 January 2010.

GENERAL INFORMATION ABOUT ESTABLISHMENT OF THE UNITS

1.	Name of acquired company	Eurocash S.A. Spółka Komandytowa
2.	Core business	Intellectual property management (PKD 7740Z)
3.	Date of establishment	3 December 2009 r.
4.	Registration date	14 January 2010 r.
5.	Acquired stake (%)	66,574%
6.	Equities of ventures	360 749 077,40 PLN

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 2

ACQUISITION COST

	as at 14.01.2010	as at 22.12.2010
Cash	5 000	5 000
Trade marks (book value)	44 658 597	54 658 597
VAT	43 307 851	45 507 851
	87 971 449	**100 171 449**

On 22 December 2010 Eurocash S.A. made an additional non-cash contribution to Eurocash Spółka Akcyjna Sp. k. in the form of the Batna trademark, with a net value of PLN 10,000,000, resulting in a change of percentage of shares taken up in Eurocash Spółka Akcyjna Sp. k., from 66.574% to 67.668%.

In the separate financial statement of Eurocash S.A. contributed non-cash contributions were valued at current book value, transferred by contribution, of registered trademarks, that were previously acquired and shown in separate financial statement of the Company in the acquisition value less than fair value.
In connection with the additional tax benefit resulting from the possibility tax depreciation of fair value, higher than the current book value of those trademarks, arisen temporary difference of income tax, that gives possibility the recognition of deferred income tax in the amount of 19.063.986 PLN. However taking into consideration uncertainty regarding the tax legislation the income tax asset has not been recognized.

II Acquisition of further shares and opening the winding-up procedure at Sieć Detalistów „Nasze Sklepy" Sp. z o.o.

On 12 May 2010 Eurocash S.A. signed a final agreement to acquire shares in Sieć Detalistów „Nasze Sklepy" Sp. z o.o. (currently in liquidation) in course of execution of the Preliminary Contract of Sale from 14 May 2008. Eurocash S.A. acquired 90 shares in the company for a total amount of PLN 1,757,896, including PLN 1,757,235 paid in 2008 as an advance under the preliminary contract.

According to Resolution No. 9 of the Ordinary Shareholders' Meeting of Sieć Detalistów „Nasze Sklepy" Sp. z o.o. dated 5 July 2010, a decision was taken to liquidate the company and to announce opening of winding-up proceedings as of the date of passing the resolution by the shareholders. Winding up will be conducted under business name "Sieć Detalistów „Nasze Sklepy" Spółka z ograniczoną odpowiedzialnością w likwidacji [Limited Liability Company in Liquidation]". Ireneusz Ługowski, Pedro Martinho and Jacek Owczarek were appointed as liquidators of the company.
Liquidation was registered by the Registration Court in Lublin on 20 October 2010.
Prior business of Sieć Detalistów „Nasze Sklepy" Sp. z o.o. was incorporated into the organizational structure of Eurocash S.A.

III Acquisition of shares and stocks in Premium Distributors (PD) Group companies

On 2 August 2010, pursuant to a promised contract, Eurocash S.A. acquired from Carey Agri International Poland Sp. z o.o. 100% of shares and stocks in Premium Distributors (PD) Group companies (distribution companies), namely: Damianex S.A., Astor Sp. z o.o., Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., Delikates Sp. z o.o., Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex S.A., Onufry S.A., Panta-Hurt Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A., Przedsiębiorstwo Handlu Spożywczego Sp. z o.o., Saol Dystrybucja Sp. z o.o., and Premium Distributors Sp. z o.o.

All amounts are expressed in Polish zloty (unless indicated otherwise)

The preliminary agreement concerning the above was signed on April 8.

On 21 May 2010, approval was given by the Office for Competition and Consumer Protection to the contemplated transaction. According to the preliminary agreement, the purchase price of the aforementioned distribution companies was initially determined as PLN 400 million, with the assumption of zero debt and zero cash. The price was adjusted according to the events identified in the preliminary agreement. Eurocash S.A. decided to finance this acquisition with a loan granted by ING Bank Śląski and with own funds. Total payment to Carey Agri International Poland Sp. z o.o. amounted to PLN 385,900,000.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	**PD Group:** Przedsiębiorstwo Dystrybucji Alkoholi AGIS S.A. Astor Sp. z o.o. Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o. Damianex S.A. Delikates Sp. z o.o. Miro Sp. z o.o. MTC Sp. z o.o. Multi-Ex S.A. Onufry S.A. Panta-Hurt Sp. z o.o. Polskie Hurtownie Alkoholi Sp. z o.o. Premium Distributors Sp. z o.o. Saol Dystrybucja Sp. z o.o. Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.
2.	Acquisition date	2 August 2010
3.	Takeover date	2 August 2010
4.	Acquired stake (%)	100 % shares
5.	Acquisition cost	385 900 000 PLN

Table nr 3

ACQUISITION COST

	as at 02.08.2010
Loan	340 500 000
Own resources	45 400 000
Cash	**385 900 000**

Until 31 December 2010 whole price has been paid.

Net assets acquired

Details are presented in consolidated financial statement of Eurocash Group.

IV Preliminary agreement acquisition the company Pol Cater Holding Sp. z o.o.

On 28 July 2010 Eurocash S.A. and Dansk A/S concluded a preliminary agreement obligating the conclusion, to 30 June 2011, an agreement of the sale of 100% of the shares in company Pol Cater Sp. z o.o. The condition for the signing of the share purchase agreement shall be the obtaining by the Company of consent from the Head of the Office of Competition and Consumer Protection.

Eurocash intends to finance the acquisition from its own resources.

V Signing of an investment agreement between Eurocash S.A. and Emperia Holding S.A.

The Management Board of Eurocash S.A., a joint-stock company duly located and operating in Komorniki, Poland ("Eurocash"), acting pursuant to Article 57(3) with reference to Article 56(1.1) of the Offering Act, hereby informs that an investment agreement was signed on 21 December 2010 between Eurocash and Emperia Holding S.A., a joint-stock company duly located and operating in Lublin, Poland ("Emperia") (hereinafter referred to as the "Investment Agreement" or the "Agreement"). Fulfillment of the obligation to communicate the information concerning execution of the Agreement to the Warsaw Stock Exchange and to the public, pursuant to Article 56(1) of the Offering Act, was postponed pursuant to Article 57(1) of the above referenced Act. Under the Investment Agreement, Eurocash and Emperia (hereinafter jointly referred to as the "Parties") agreed to close a transaction in which Emperia shall sell to Eurocash shares and stocks held by Emperia, whether directly or indirectly, in the following companies operating in the field of wholesale distribution of foodstuffs and retail franchise network:

1. Tradis Sp. z o.o., a limited liability company located in Lublin
2. Detal Koncept Sp. z o.o., a limited liability company located in Lublin
3. Euro Sklep S.A., a joint-stock company located in Bielsko-Biała
4. Partnerski Serwis Detaliczny S.A., a joint-stock company located in Warsaw
5. DEF Sp. z o.o., a limited liability company located in Białystok
6. Ambra Sp. z o.o., a limited liability company located in Czechowice-Dziedzice
7. Lewiatan Podlasie Sp. z o.o., a limited liability company located in Białystok
8. Lewiatan Śląsk Sp. z o.o., a limited liability company located in Sosnowiec
9. Lewiatan Zachód Sp. z o.o., a limited liability company located in Stargard Szczeciński
10. Lewiatan Północ Sp. z o.o., a limited liability company located in Gdańsk
11. Drogerie Koliber Sp. z o.o., a limited liability company located in Gliwice
12. Lewiatan Kujawy Sp. z o.o., a limited liability company located in Włocławek 3
13. Lewiatan Orbita Sp. z o.o., a limited liability company located in Olsztyn
14. Lewiatan Wielkopolska Sp. z o.o., a limited liability company located in Poznań
15. Lewiatan Holding S.A., a joint-stock company located in Włocławek
16. Lewiatan Brda Sp. z o.o., a limited liability company located in Tuchola
17. Lewiatan Opole Sp. z o.o., a limited liability company located in Opole

(hereinafter referred to as "Distribution Companies", where the shares and stocks are hereinafter jointly referred to as the "Shares"). Shares in Distribution Companies will be sold either through: (i) contribution of part of the Shares to cover the increased share capital of Eurocash in exchange for new issue shares of Eurocash, taken up by Emperia at an issue price per share of PLN 22.21 (representing up to 14% of the initial capital fo Eurocash), and sale of the remaining shares by Emperia to Eurocash, or through (ii) sale by Emperia of all Shares to Eurocash in the circumstances defined in the Agreement. The actual structure of the transaction will depend on occurrence of the circumstances prescribed in the Agreement for this purpose.

The Parties agreed that the Agreement would be executed on the basis of fulfillment of a condition precedent until 5 January 2011 at the latest ("Condition Precedent"), i.e. passing a resolution by the Supervisory Board of Eurocash until that date to the effect of approval of acquisition of Shares on the terms offered in the Agreement and exclusion of preemptive rights to Eurocash shares offered to Emperia. The Supervisory Board of Eurocash passed the aforementioned resolution on 3 January 2011.

The value of Shares in Distribution Companies which were acquired by Eurocash was determined on the basis of the amount of PLN 925,975,000 ("Baseline Value") agreed by the Parties. The Baseline Value, and therefore the price payable by Eurocash for the Shares, may be adjusted on the basis of the opinion which shall be issued until 28 February 2011 by an auditor jointly elected by the Parties ("Auditor"). The principles of determining the adjustments, and the circumstances in which the price payable for the Shares by Eurocash may vary, are defined in the Investment Agreement. If the actually executed variant of transaction involves a non-cash contribution of a part of the Shares to cover the increased initial capital of Eurocash in exchange for new issue shares of Eurocash taken up by Emperia and sale of the remaining part of Shares by Emperia to Eurocash, a part of the price for the Shares will be paid in new shares of Eurocash. However, in the circumstances prescribed in the Agreement, the whole price for the Shares can be paid in cash.

The Investment Agreement contains certain provisions entitling each Party to exercise their contractual right to terminate, however this right may be exercised not later than 9 months after signing the Investment Agreement.

Eurocash is entitled to terminate the Agreement in the circumstances prescribed therein against payment of a termination fee of PLN 200,000,000. Unless Eurocash exercises its right to terminate the Agreement within the prescribed deadline, the right to terminate shall be vested in Emperia. Should Emperia exercise its right to terminate, Eurocash shall pay to Emperia an amount of PLN 200,000,000 as a lump sum compensation. Similar rules of exercising the right to terminate shall apply in the event of non-payment by Eurocash, depending on the actual structure of transaction, for a certain part or for all Shares sold by Emperia.

Emperia shall pay liquidated damages in the event of any breach by Emperia of its obligation not to dispose of any Shares during the period preceding the Closing Date (i.e. the effective date of the agreement whereunder Eurocash shall acquire the Shares, irrespective of the actual type of transaction), Emperia shall pay one-time liquidated damages to Eurocash in the amount of PLN 200,000,000 for such breach, notwithstanding the number of instances of such breach, and Eurocash shall be entitled to pursue indemnity in excess of the prescribed liquidated damages. Furthermore, liquidated damages will be charged in case of breach by Emperia of no-competition undertakings.

The Parties have included customary representations and warranties in the agreement. These warranties specifically refer to the Shares and business activities of the Distribution Companies. Any breach of the aforesaid warranties shall provide grounds for compensatory liability on terms prescribed in the Agreement. Liability of the Parties under the Investment Agreement is capped as prescribed by the Agreement.

It is the intention of the Parties that Eurocash shares offered to Emperia took part in dividend paid to Eurocash shareholders in 2010. Unless such dividend is paid for the new shares, the price paid by Eurocash for the Shares will be increased accordingly. Furthermore, if Eurocash Group operational and financial goals agreed jointly by the Parties and stated in the Agreement are achieved in 2011 and 2012, Eurocash agreed to cause allocation of further 1,000,000 shares to Emperia for each of the above mentioned years.

The net profits of Distribution Companies in 2011, until the Closing Date, calculated according to the formula specified in the Investment Agreement, shall be distributed equally between Emperia and Eurocash. As soon as the amount of these profits is determined by the Auditor, the part of profits allocated to Emperia shall be paid as an additional payment to the price for sold Shares.

The Parties agreed to arrange and sign a number of contracts before the Closing Date which ensure uninterrupted business operation of Emperia Group and Eurocash Group for a specified period of time after the Closing Date, particularly such as: distribution contract, lease contract, maintenance contracts, and licensing contracts.

A permission from the President of the Office for Competition and Consumer Protection is required for acquisition of the Shares by Eurocash, and the Parties agreed to undertake all necessary steps to cause such permission to be given within 3 months of signing the Investment Agreement. In addition, Eurocash agreed to support election of one person nominated by Emperia to the Supervisory Board of Eurocash by the General Meeting of Shareholders.

Because the Promised Contract had not been signed until the date of publication of these consolidated financial statements, and the process of temporary clearing of acquisition prices of Emperia Holding S.A. Group companies, and because the Company is currently determining the fair value of net assets of the acquired companies as at the acquisition date, the Company is not able to present any detailed disclosures as required in this respect by IFRS 3 Business combinations.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 3.
MERGER OF COMPANIES

1. Business combination of Eurocash S.A. with subsidiary Przedsiębiorstwo Handlowe Batna Sp. z o.o.

Pursuant to Resolution No. 19 of the Ordinary General Meeting of Shareholders of Eurocash S.A. dated 2 June 2010, and pursuant to Resolution No. 1 of the Extraordinary General Meeting of Shareholders of Przedsiębiorstwo Handlowe Batna Sp. z o.o. dated 2 June 2010, Eurocash S.A. and Przedsiębiorstwo Handlowe Batna Sp. z o.o. were combined through acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o. by Eurocash S.A., i.e. through transfer of all assets of Przedsiębiorstwo Handlowe Batna Sp. z o.o. as the acquired company to Eurocash S.A. as the acquiring company (combination through acquisition).
The total number of shares from which votes were cast at the Ordinary General Meeting of Shareholders of Eurocash S.A. is 85,249,265, which constitutes 62.91% of the initial capital.
The merger of the companies will allow for the maximisation of the profits of the merging companies.
In particular, as a result of the merger, the administrative costs will be reduced, including the costs of managing the companies. The incorporation will allow for reaching the effect of synergy and will enable the smooth movement of resources without the need to create additional transactions between the companies (as related companies) functioning until now as separate entities.
Basic information about the company being acquired is presented in the table below:

GENERAL INFORMATION ABOUT BUSINESS ACQUISITION OF THE ENTITIES

1.	Name of acquired company	Przedsiębiorstwo Handlowe Batna Sp. z o.o.
2.	Core business	Wholesale of dairy products, eggs and edible oils and fats (PKD 4633Z)
3.	Acquisition date	30 November 2009
4.	Takeover date	01 July 2010
5.	% of acquired shares	100 % shares
6.	% of voting rights	100%

Because the acquiring company was holding 100% shares in Przedsiębiorstwo Handlowe Batna Sp. z o.o. as the acquired company, the acquisition occurred without involving an increase of share capital of Eurocash S.A.
The connection equity is presented in the table below:

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 4

CAPITAL CONNECTION PH BATNA SP. Z O.O.

	Closing balance PH Batna as at 30.06.2010	Shares Eurocash S.A. as at 30.06.2010	Adjustments to opening balance sheet Eurocash after the merger as at 01.07.2010	**Balance Eurocash after adjustment**
Assets	**1 002 895**	**45 060 405**	**(6 882 887)**	**39 180 412**
Goodwill	1 002 895	-	28 177 517	29 180 412
Other intangible fixed assets	-	-	10 000 000	10 000 000
Investments in subsidiary companies	-	45 060 405	(45 060 405)	-
Liabilities	**13 878 565**	**-**	**(6 882 887)**	**6 995 678**
Share capital	4 050 000	-	(4 050 000)	-
Treasury shares	-	-	-	-
Supplementary capital	5 737 654	-	(4 732 887)	1 004 767
Net profit (loss) of the current year	4 090 911	-	-	4 090 911
Deferred income tax provision	-	-	1 900 000	1 900 000

Goodwill is attributable to the fact that with acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o., the Group gains new locations and is able to extend its cash&carry distribution channels. The acquired company operates in and around Warsaw, i.e. in a territory of yet insignificant presence of the Group, at the following three key locations: Bronisze, Okęcie and Ząbki, with a total warehouse area of approximately 7,600 sq. m.

The gross value of long-term and short-term receivables at the date of acquisition with PH Batna amounted 9.058.232 PLN, of which the amount of PLN 345.746 is as bad debts.

2. Business combination of Eurocash S.A. with subsidiary Eurocash Dystrybucja Sp. z o.o.

Pursuant to Resolution No. 5 of the Extraordinary General Meeting of Shareholders of Eurocash S.A. dated 11 August 2010, and pursuant to a resolution of the Extraordinary General Meeting of Shareholders of Eurocash Dystrybucja Sp. z o.o. dated 11 August 2010, Eurocash S.A. and Eurocash Dystrybucja Sp. z o.o. were combined through transfer of all assets of Eurocash Dystrybucja Sp. z o.o. as the acquired company to Eurocash S.A. as the acquiring company (combination through acquisition).
On 1 September 2010 the acquisition was recorded in the National Court Register.
The total number of shares from which votes were cast at the Extraordinary General Meeting of Shareholders of Eurocash S.A. is 93,062,807, constituting 68.26% of all issued shares as at the date of the Extraordinary General Meeting.

The merger of the companies will allow for the maximisation of the profits of the merging companies.
In particular, as a result of the merger, the administrative costs will be reduced, including the costs of managing the companies. The incorporation will allow for reaching the effect of synergy and will enable the smooth movement of resources without the need to create additional transactions between the companies (as related companies) functioning until now as separate entities

Basic information about the company being acquired is presented in the table below:

All amounts are expressed in Polish zloty (unless indicated otherwise)

GENERAL INFORMATION ABOUT BUSINESS ACQUISITION OF THE ENTITIES

1.	Name of acquired company	Eurocash Dystrybucja Sp. z o.o.
2.	Core business	Non-specialized wholesale trade (PKD 4690Z)
3.	Acquisition date	30 April 2008
4.	Takeover date	01 September 2010
5.	Acquired stake (%)	100 % shares
6.	% of voting rights	100%

Because the acquiring company was holding 100% shares in Eurocash Dystrybucja Sp. z o.o. as the acquired company, the acquisition occurred without involving an increase of share capital of Eurocash S.A.
The connection equity is presented in the table below:

Table nr 5

CAPITAL CONNECTION EUROCASH DYSTRYBUCJA SP. Z O.O.

	Closing balance Eurocash Dystrybucja as at 31.08.2010	Shares Eurocash S.A. as at 31.08.2010	Adjustments to opening balance sheet Eurocash after the merger as at 01.09.2010	**Balance Eurocash after adjustment**
Assets	**-**	**91 955 173**	**(35 086 717)**	**56 868 456**
Goodwill	-	-	56 868 456	56 868 456
Investments in subsidiary companies	-	91 955 173	(91 955 173)	-
Liabilities	**71 355 879**	**-**	**(35 086 717)**	**36 269 162**
Other long-term provisions	-	-	17 144 000	17 144 000
Share capital	150 158 950	-	(150 158 950)	-
Supplementary capital	226 807	-	(226 807)	-
Retained earnings	(79 029 878)	-	98 155 040	19 125 162
Profit (loss) of prior years	(85 032 414)	-	98 155 040	13 122 625
Net profit (loss) of the current year	6 002 536	-	-	6 002 536

The goodwill is connected with the fact that Company consolidated the position on the FMCG wholesale market, in particular in the impulse products category, and will facilitate the entry into new market segments such as the provision of services to petrol stations and restaurants. In addition, the logistical capabilities of Eurocash Dystrybucj and its trading relations with the retail outlets of the IGA franchised network should have a positive impact on the growth capability of the “Delikatesy Centrum” franchised network operated by Eurocash S.A.

The gross value of long-term and short-term receivables at the date of acquisition with Eurocash Dystrybucja amounted 64.458.234 PLN, of which the amount of PLN 2.881.264 is as bad debts.

3. Presentation the financial statements for the year 2010 and 2009

Taking into consideration that merged among Eurocash S.A., Eurocash Dystrybucja Sp. z o.o. and PH Batna Sp. z o.o. took place in 2010, all comparatives were restated for 2009 assuming all companies were merged over 2009 and all transactions among them were eliminated.

3.1 Comparative information for the year 2009

Following tables present profit and loss account for period of 01.01.2009 to 31.12.2009, balance sheet as of 31.12.2009 and Cash flow statement for 01.01.2009 to 31.12.2009.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 6

INCOME STATEMENT - COMPARATIVE DATA FOR THE PERIOD FROM 01.01.2009 TO 31.12.2009

	Eurocash S.A.	Eurocash Dystrybucja Sp. z o.o.	PH Batna Sp. z o.o.	**Total YTD 2009**	**The exclusion of group transactions YTD 2009**	**Total ater the exclusion of group transactions YTD 2009**
Sales	**3 981 216 174**	**1 042 121 155**	**18 571 746**	**5 041 909 076**	**(410 846 924)**	**4 631 062 152**
Sales of goods	3 866 566 359	1 026 958 841	18 419 659	4 911 944 859	(408 855 293)	4 503 089 566
Sales of services	114 649 815	15 162 314	152 087	129 964 216	(1 991 631)	127 972 586
Costs of sales	**(3 554 897 980)**	**(946 961 061)**	**(15 606 645)**	**(4 517 465 686)**	**408 850 327**	**(4 108 615 359)**
Costs of goods sold	(3 554 897 980)	(946 961 061)	(15 606 645)	(4 517 465 686)	408 850 327	(4 108 615 359)
Gross profit	**426 318 194**	**95 160 094**	**2 965 101**	**524 443 389**	**(1 996 596)**	**522 446 793**
Selling expenses	(224 781 012)	(72 294 913)	(1 495 111)	(298 571 035)	1 991 631	(296 579 405)
General and administrative expenses	(94 033 149)	(21 727 312)	(287 836)	(116 048 298)	-	(116 048 298)
Profit on sales	**107 504 033**	**1 137 870**	**1 182 154**	**109 824 056**	**(4 966)**	**109 819 091**
Other operating income	14 313 417	15 513 047	(197 218)	29 629 246	(5 526 341)	24 102 906
Other operating expenses	(30 159 968)	(6 844 361)	163 996	(36 840 333)	5 526 341	(31 313 992)
Operating profit	**91 657 482**	**9 806 556**	**1 148 932**	**102 612 970**	**(4 966)**	**102 608 004**
Financial income	3 329 347	1 811 920	86 601	5 227 869	-	5 227 869
Financial costs	(15 864 636)	(3 022 838)	(7 309)	(18 894 782)	-	(18 894 782)
Profit before income tax	**79 122 194**	**8 595 638**	**1 228 224**	**88 946 056**	**(4 966)**	**88 941 091**
Income tax expense	(16 822 301)	(1 138 422)	(191 780)	(18 152 504)	-	(18 152 504)
Profit for the period	**62 299 893**	**7 457 216**	**1 036 444**	**70 793 553**	**(4 966)**	**70 788 587**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 7

STATEMENT OF FINANCIAL POSITION - COMPARATIVE DATA AS AT 31.12.2009

Assets	Eurocash S.A.	Eurocash Dystrybucja Sp. z o.o.	PH Batna Sp. z o.o.	Total as at 31.12.2009	Adjustments as at 31.12.2009	Total ater adjustments as at 31.12.2009
Non-current assets (long-term)	**467 192 919**	**28 189 393**	**3 484 614**	**498 866 926**	**(45 122 003)**	**453 744 923**
Goodwill	9 975 600	-	1 002 895	10 978 495	85 045 973	96 024 468
Intangible assets	87 598 007	471 758	19 450	88 089 215	10 000 000	98 089 215
Investment real property	156 772 006	23 680 585	2 045 037	182 497 628	-	182 497 628
Investments in subsidiary companies	205 672 904	-	-	205 672 904	(137 015 578)	68 657 327
Investments in equity investees	3 464 300	-	-	3 464 300	-	3 464 300
Long-term receivables	1 890 950	1 200	-	1 892 150	-	1 892 150
Deferred tax assets	1 514 358	3 858 745	417 232	5 790 335	(3 152 398)	2 637 937
Other long-term prepayments	304 794	177 106	-	481 900	-	481 900
Current assets (short-term)	**723 468 797**	**135 794 894**	**22 374 463**	**881 638 154**	**(69 384 650)**	**812 253 503**
Invetories	267 055 704	14 526 933	8 756 422	290 339 059	(4 966)	290 334 093
Trade receivables	281 529 291	83 007 474	5 886 099	370 422 864	(64 436 457)	305 986 407
Other short-term receivables	21 911 659	6 463 605	49 962	28 425 226	(4 943 228)	23 481 998
Short-term financial assets in subsidiary companies	9 025 609	29 634 548	-	38 660 158	-	38 660 158
Cash and cash equivalents	141 016 566	1 018 297	7 620 411	149 655 273	-	149 655 273
Short-term prepayments	2 929 968	1 144 037	61 569	4 135 574	-	4 135 574
Total assets	**1 190 661 716**	**163 984 288**	**25 859 077**	**1 380 505 080**	**(114 506 653)**	**1 265 998 427**

All amounts are expressed in Polish zloty (unless indicated otherwise)

STATEMENT OF FINANCIAL POSITION - COMPARATIVE DATA AS AT 31.12.2009

Liabilities	Eurocash S.A.	Eurocash Dystrybucja Sp. z o.o.	PH Batna Sp. z o.o.	Total as at 31.12.2009	Adjustments as at 31.12.2009	Total ater adjustments as at 31.12.2009
Equity	**286 234 103**	**65 353 343**	**9 819 332**	**361 406 777**	**(61 018 570)**	**300 388 207**
Share capital	134 704 736	150 158 950	4 050 000	288 913 686	(154 208 950)	134 704 736
Treasury shares	(1 115 507)	-	-	(1 115 507)	-	(1 115 507)
Reserve capital	82 105 488	226 807	-	82 332 295	(226 807)	82 105 488
Treasury shares reserve	12 884 493	-	-	12 884 493	-	12 884 493
Hedging reserve	(4 645 000)	-	-	(4 645 000)	-	(4 645 000)
Retained earnings	62 299 893	(85 032 414)	5 769 332	(16 963 190)	93 417 187	76 453 997
Accumulated profit from previous years	0	(92 489 630)	-	(92 489 630)	98 155 040	5 665 410
Profit for the period	62 299 893	7 457 216	5 769 332	75 526 440	(4 737 853)	70 788 587
Liabilities	**904 427 613**	**98 630 945**	**16 039 745**	**1 019 098 302**	**(53 488 083)**	**965 610 220**
Non-current liabilities	**16 803 728**	**7 547 401**	**231 986**	**24 583 114**	**15 891 602**	**40 474 715**
Other long-term financial liabilities	16 057 173	6 363 439	-	22 420 611	-	22 420 611
Other long-term liabilities	400 000	-	-	400 000	-	400 000
Deferred income tax provision	-	1 040 167	212 231	1 252 398	(1 252 398)	-
Employee benefits	346 555	143 794	19 755	510 104	-	510 104
Provisions	-	-	-	-	17 144 000	17 144 000
Current liabilities	**887 623 885**	**91 083 545**	**15 807 759**	**994 515 189**	**(69 379 685)**	**925 135 504**
Short-term financial liabilities	32 556 651	4 687 121	-	37 243 772	-	37 243 772
Trade liabilities	806 223 712	73 733 472	13 854 346	893 811 531	(69 379 685)	824 431 847
Current tax liabilities	9 618 673	-	555 260	10 173 933	-	10 173 933
Other short-term payables	15 643 871	1 739 542	762 504	18 145 917	-	18 145 917
Current employee benefits	14 295 520	3 832 663	635 649	18 763 831	-	18 763 831
Provisions	9 285 458	7 090 747	-	16 376 205	-	16 376 205
Total equity and liabilities	**1 190 661 716**	**163 984 288**	**25 859 077**	**1 380 505 080**	**(114 506 653)**	**1 265 998 427**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 8

STATEMENT OF CASH FLOWS - COMPARATIVE DATA AS AT 31.12.2009

	Eurocash S.A.	Eurocash Dystrybucja Sp. z o.o.	PH Batna Sp. z o.o.	**Total**	**The exclusion of group transactions**	**Total ater the exclusion of group transactions**
Cash flow from operating activities				**YTD 2009**	**YTD 2009**	**YTD 2009**
Profit before tax	**79 122 194**	**8 595 638**	**1 228 224**	**88 946 056**	**(4 966)**	**88 941 091**
Adjustments for:	**55 205 461**	**6 459 563**	**83 614**	**61 748 639**	**-**	**61 748 639**
Depreciation and amorization	36 566 310	6 094 394	83 614	42 744 318	-	42 744 318
Equity-settled shared share-based payment transactions	4 350 940	-		4 350 940	-	4 350 940
(Gain) loss on sale of property, plant and equipment	358 836	(1 050 781)	-	(691 945)	-	(691 945)
Interest expenses	15 177 893	1 568 358	-	16 746 251	-	16 746 251
Interest received	(1 248 519)	(152 407)	-	(1 400 926)	-	(1 400 926)
Operating cash before changes in working capital	**134 327 655**	**15 055 201**	**1 311 839**	**150 694 695**	**(4 966)**	**150 689 729**
Changes in inventories	(77 093 955)	24 976 290	1 010 930	(51 106 734)	4 966	(51 101 769)
Changes in receivables	(50 802 951)	7 015 147	148 599	(43 639 205)	(292 232)	(43 931 437)
Changes in payables	159 806 907	(34 754 684)	(3 190 522)	121 861 701	292 232	122 153 933
Changes in provisions and emploee benefits	5 321 757	6 353 531	82 966	11 758 254	-	11 758 254
Operating cash	**171 559 412**	**18 645 486**	**(636 188)**	**189 568 711**	**-**	**189 568 711**
Interest paid	(6 177 870)	(45 084)	-	(6 222 954)	-	(6 222 954)
Income tax paid	(17 439 341)	-	(130 130)	(17 569 471)	-	(17 569 471)
Net cash from oparating activities	**147 942 201**	**18 600 403**	**(766 318)**	**165 776 286**	**-**	**165 776 286**
Cash flow from investing activities						
Acquisition of intangible assets	(5 208 112)	(249 301)	-	(5 457 413)	-	(5 457 413)
Acquisition of property, plant and equipment	(42 371 076)	(39 379 338)	(11 000)	(81 761 414)	-	(81 761 414)
Proceeds from sale of investment property	422 885	39 269 728	-	39 692 613	-	39 692 613
Acquisition of subsidiarieses, net of cash acquired	(40 075 023)	-	8 397 729	(31 677 294)	-	(31 677 294)
Disposal of subsidiaries	5 500 000	-	-	5 500 000	-	5 500 000
Received Interests - cash pooling	1 248 519	152 407	-	1 400 926	-	1 400 926
Short-term financial assets in subsidiary companies	(9 025 609)	(29 634 548)	-	(38 660 158)	-	(38 660 158)
Net cash used in investing activities	**(89 508 417)**	**(29 841 051)**	**8 386 729**	**(110 962 739)**	**-**	**(110 962 739)**
cash flows from financing activities						
Proceeds from issue of share capital	18 097 312	-	-	18 097 312	-	18 097 312
Repurchase oftreasury shares	(1 115 507)	-	-	(1 115 507)	-	(1 115 507)
Financing for franchising	4 796 586	-	-	4 796 586	-	4 796 586
Repayment of borrowings	(10 518)	-	-	(10 518)	-	(10 518)
Payment of finance lease liabilities	(2 425 426)	(5 904 099)	-	(8 329 525)	-	(8 329 525)
Interest of finance lease	(1 345 428)	(913 842)	-	(2 259 270)	-	(2 259 270)
Interests on loans and borrowings	(468 611)	(609 432)	-	(1 078 043)	-	(1 078 043)
Dividends paid	(40 050 682)	-	-	(40 050 682)	-	(40 050 682)
Net cash used in financing activities	**(22 522 274)**	**(7 427 373)**	**-**	**(29 949 647)**	**-**	**(29 949 647)**
Net change in cash and cash equivalents	**35 911 511**	**(18 668 021)**	**7 620 411**	**24 863 900**	**-**	**24 863 900**
Cash and cash equivalents at the beginning of the period	105 105 055	19 686 318	-	124 791 373	-	124 791 373
Cash and cash equivalents at the end of the period	**141 016 566**	**1 018 297**	**7 620 411**	**149 655 273**	**-**	**149 655 273**

3.2 Comparative information after merger to the financial statements for the year 2010

Taking into account merger between Eurocash S.A. and PH Batna Sp. z o.o. at July 1st 2010 and Eurocash S.A. and Eurocash Dystrybucja Sp. z o.o. at September 1st 2010, all comparative financial data for 2010 were restated, assuming the merger was effective over 2010 eliminating all intercompany transactions.

a) Comparative information to the financial statements Eurocash S.A. and PH Batna Sp. z o.o.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 9

INCOME STATEMENT EUROCASH S.A. AND PH BATNA SP. Z O.O. ON THE DAY OF THE MERGER

	Eurocash S.A.	PH Batna Sp. z o.o.	**Total** YTD as at 01.07.2010	**The exclusion of group transactions** YTD as at 01.07.2010	**Total ater the exclusion of group transactions** YTD as at 01.07.2010
Sales	**2 112 615 699**	**114 935 613**	**2 227 551 312**	**(59 621 804)**	**2 167 929 508**
Sales of goods	2 028 064 958	109 688 179	2 137 753 137	(58 524 790)	2 079 228 347
Sales of services	84 550 741	5 247 434	89 798 175	(1 097 013)	88 701 162
Costs of sales	**(1 899 807 115)**	**(100 013 315)**	**(1 999 820 430)**	**58 524 790**	**(1 941 295 639)**
Costs of goods sold	(1 895 454 177)	(100 013 315)	(1 995 467 492)	58 524 790	(1 936 942 701)
Costs of services sold	(4 352 938)	-	(4 352 938)	-	(4 352 938)
Gross profit	**212 808 584**	**14 922 298**	**227 730 883**	**(1 097 013)**	**226 633 869**
Selling expenses	(124 244 111)	(8 931 345)	(133 175 456)	1 097 013	(132 078 442)
General and administrative expenses	(54 418 645)	(1 559 052)	(55 977 697)	-	(55 977 697)
Profit on sales	**34 145 829**	**4 431 901**	**38 577 730**	**(0)**	**38 577 730**
Other operating income	7 806 047	1 192 913	8 998 960	-	8 998 960
Other operating expenses	(10 752 626)	(641 043)	(11 393 669)	-	(11 393 669)
Operating profit	**31 199 249**	**4 983 771**	**36 183 020**	**(0)**	**36 183 020**
Financial income	1 256 774	144 295	1 401 069	-	1 401 069
Financial costs	(2 540 027)	(1 749)	(2 541 777)	-	(2 541 777)
Profit before income tax	**29 915 996**	**5 126 316**	**35 042 313**	**(0)**	**35 042 313**
Income tax expense	(4 392 819)	(1 035 405)	(5 428 224)	-	(5 428 224)
Profit for the period	**25 523 177**	**4 090 911**	**29 614 089**	**(0)**	**29 614 089**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 10

STATEMENT OF FINANCIAL POSITION - COMPARATIVE DATA AS AT 01.07.2010

Assets	Eurocash S.A.	PH Batna Sp. z o.o.	**Total** as at 01.07.2010	**Adjustments** as at 01.07.2010	**Total ater adjustments** as at 01.07.2010
Non-current assets (long-term)	**518 069 145**	**3 460 254**	**521 529 400**	**(6 882 888)**	**514 646 512**
Goodwill	9 975 600	1 002 895	10 978 495	28 177 517	39 156 012
Intangible assets	41 282 460	12 375	41 294 835	10 000 000	51 294 835
Property, plant and equipment	167 514 568	2 194 761	169 709 329	-	169 709 329
Investments in subsidiary companies	293 644 353	-	293 644 353	(45 060 405)	248 583 948
Investments in equity investees	3 464 300	-	3 464 300	-	3 464 300
Long-term receivables	1 759 984	-	1 759 984	-	1 759 984
Deferred tax assets	-	250 223	250 223	-	250 223
Other long-term prepayments	427 881	-	427 881	-	427 881
Current assets (short-term)	**701 681 645**	**44 222 254**	**745 903 899**	**(33 392 522)**	**712 511 376**
Invetories	249 785 967	9 032 254	258 818 221	-	258 818 221
Trade receivables	274 987 118	8 676 385	283 663 503	(33 392 522)	250 270 982
Current tax assets	5 670 046	-	5 670 046	-	5 670 046
Other short-term receivables	12 976 558	39 101	13 015 659	-	13 015 659
Short-term financial assets in subsidiary companies	5 088 115	-	5 088 115	-	5 088 115
Cash and cash equivalents	148 219 080	26 405 598	174 624 678	-	174 624 678
Short-term prepayments	4 954 761	68 916	5 023 677	-	5 023 676
Total assets	**1 219 750 790**	**47 682 508**	**1 267 433 298**	**(40 275 409)**	**1 227 157 888**

All amounts are expressed in Polish zloty (unless indicated otherwise)

STATEMENT OF FINANCIAL POSITION - COMPARATIVE DATA AS AT 01.07.2010

Liabilities	Eurocash S.A.	PH Batna Sp. z o.o.	**Total** as at 01.07.2010	**Adjustments** as at 01.07.2010	**Total ater adjustments** as at 01.07.2010
Equity	**270 972 985**	**13 910 243**	**284 883 228**	**(8 782 887)**	**276 100 341**
Share capital	136 320 261	4 050 000	140 370 261	(4 050 000)	136 320 261
Treasury shares	(1 115 507)	-	(1 115 507)	-	(1 115 507)
Reserve capital	102 005 561	-	102 005 561	-	102 005 561
Treasury shares reserve	12 884 493	-	12 884 493	-	12 884 493
Hedging reserve	(4 645 000)	-	(4 645 000)	-	(4 645 000)
Retained earnings	25 523 177	9 860 243	35 383 420	(4 732 887)	30 650 533
Accumulated profit from previous years	0	5 769 332	5 769 332	(4 732 887)	1 036 444
Profit for the period	25 523 177	4 090 911	29 614 089	-	29 614 089
Liabilities	**948 777 805**	**33 772 265**	**982 550 070**	**(31 492 522)**	**951 057 549**
Non-current liabilities	**61 353 995**	**103 579**	**61 457 574**	**1 900 000**	**63 357 574**
Long-term loans and borrowings	43 307 851	-	43 307 851	-	43 307 851
Other long-term financial liabilities	15 528 400	-	15 528 400	-	15 528 400
Other long-term liabilities	400 000	-	400 000	-	400 000
Deferred income tax provision	1 771 188	83 824	1 855 012	1 900 000	3 755 012
Employee benefits	346 555	19 755	366 310	-	366 310
Current liabilities	**887 423 810**	**33 668 686**	**921 092 497**	**(33 392 522)**	**887 699 975**
Short-term financial liabilities	30 017 925	-	30 017 925	-	30 017 925
Trade liabilities	824 844 066	31 799 182	856 643 248	(33 392 522)	823 250 727
Current tax liabilities	-	249 590	249 590	-	249 590
Other short-term payables	9 959 747	771 122	10 730 869	-	10 730 869
Current employee benefits	11 904 592	848 792	12 753 384	-	12 753 384
Provisions	10 697 480	-	10 697 480	-	10 697 480
Total equity and liabilities	**1 219 750 790**	**47 682 508**	**1 267 433 298**	**(40 275 409)**	**1 227 157 888**

All amounts are expressed in Polish zloty (unless indicated otherwise)

b) Comparative information to the financial statements Eurocash S.A. and Eurocash Dystrybucja Sp. z o.o.

Table nr 11

INCOME STATEMENT EUROCASH S.A. AND EUROCASH DYSTRYBUCJA SP. Z O.O. ON THE DAY OF THE MERGER

	Eurocash S.A.	Eurocash Dystrybucja Sp. z o.o.	**Total** YTD as at 01.09.2010	**The exclusion of group transactions** YTD as at 01.09.2010	**Total ater the exclusion of group transactions** YTD as at 01.09.2010
Sales	**3 054 248 430**	**389 068 214**	**3 443 316 644**	**(206 712 968)**	**3 236 603 675**
Sales of goods	2 952 906 427	362 981 912	3 315 888 339	(185 029 008)	3 130 859 330
Sales of services	101 342 003	26 086 302	127 428 305	(21 683 960)	105 744 345
Costs of sales	**(2 740 291 058)**	**(329 870 249)**	**(3 070 161 308)**	**185 029 008**	**(2 885 132 299)**
Costs of goods sold	(2 733 837 413)	(329 870 249)	(3 063 707 662)	185 029 008	(2 878 678 654)
Costs of services sold	(6 453 645)	-	(6 453 645)	-	(6 453 645)
Gross profit	**313 957 371**	**59 197 965**	**373 155 336**	**(21 683 960)**	**351 471 376**
Selling expenses	(285 780 093)	(43 015 352)	(328 795 446)	21 760 154	(307 035 292)
General and administrative expenses	6 453 645	(13 927 699)	(7 474 053)	-	(7 474 053)
Profit on sales	**34 630 923**	**2 254 914**	**36 885 837**	**76 194**	**36 962 031**
Other operating income	10 445 637	7 800 178	18 245 815	(3 590 190)	14 655 624
Other operating expenses	(14 238 297)	(3 170 918)	(17 409 215)	222 779	(17 186 436)
Operating profit	**30 838 263**	**6 884 174**	**37 722 436**	**(3 291 217)**	**34 431 219**
Financial income	1 973 528	864 872	2 838 400	-	2 838 400
Financial costs	(4 475 836)	(514 542)	(4 990 379)	-	(4 990 379)
Profit before income tax	**28 335 954**	**7 234 504**	**35 570 458**	**(3 291 217)**	**32 279 241**
Income tax expense	(4 312 602)	(1 231 967)	(5 544 570)	639 808	(4 904 761)
Profit for the period	**24 023 352**	**6 002 536**	**30 025 888**	**(2 651 409)**	**27 374 479**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table nr 12

STATEMENT OF FINANCIAL POSITION - COMPARATIVE DATA AS AT 01.09.2010

Assets	Eurocash S.A.	Eurocash Dystrybucja Sp. z o.o.	**Total** as at 01.09.2010	**Adjustments** as at 01.09.2010	**Total ater adjustments** as at 01.09.2010
Non-current assets (long-term)	**907 152 075**	**14 100 882**	**921 252 957**	**(38 377 934)**	**882 875 022**
Goodwill	39 156 012	-	39 156 012	56 868 456	96 024 468
Intangible assets	49 969 933	-	49 969 933	(1 051 785)	48 918 148
Property, plant and equipment	177 358 911	11 454 643	188 813 554	(2 239 432)	186 574 122
Investments in subsidiary companies	634 484 609	-	634 484 609	(91 955 173)	542 529 436
Investments in equity investees	3 464 300	-	3 464 300	-	3 464 300
Long-term receivables	1 761 984	9 450	1 771 434	-	1 771 434
Deferred tax assets	577 322	2 636 789	3 214 110	-	3 214 110
Other long-term prepayments	379 005	-	379 005	-	379 005
Current assets (short-term)	**587 491 219**	**114 347 421**	**701 838 640**	**(39 926 965)**	**661 911 675**
Invetories	245 587 179	17 290 238	262 877 416	-	262 877 416
Trade receivables	246 700 057	60 786 575	307 486 632	(39 926 965)	267 559 666
Current tax assets	8 172 028	-	8 172 028	-	8 172 028
Other short-term receivables	7 526 262	880 396	8 406 658	-	8 406 658
Short-term financial assets in subsidiary companies	17 037 709	32 664 644	49 702 354	-	49 702 354
Other short-term investments	18 600 000	-	18 600 000	-	18 600 000
Cash and cash equivalents	39 312 149	1 798 640	41 110 789	-	41 110 789
Short-term prepayments	4 555 836	926 929	5 482 765	-	5 482 765
Total assets	**1 494 643 294**	**128 448 303**	**1 623 091 597**	**(78 304 900)**	**1 544 786 697**

All amounts are expressed in Polish zloty (unless indicated otherwise)

STATEMENT OF FINANCIAL POSITION - COMPARATIVE DATA AS AT 01.09.2010

Liabilities	Eurocash S.A.	Eurocash Dystrybucja Sp. z o.o.	**Total** as at 01.09.2010	**Adjustments** as at 01.09.2010	**Total ater adjustments** as at 01.09.2010
Equity	**271 166 055**	**71 355 879**	**342 521 933**	**(54 882 126)**	**287 639 807**
Share capital	136 328 763	150 158 950	286 487 713	(150 158 950)	136 328 763
Treasury shares	(1 115 507)	-	(1 115 507)	(226 807)	(1 342 314)
Reserve capital	103 689 953	226 807	103 916 760	-	103 916 760
Treasury shares reserve	12 884 493	-	12 884 493	-	12 884 493
Hedging reserve	(4 645 000)	-	(4 645 000)	-	(4 645 000)
Retained earnings	24 023 352	(79 029 878)	(55 006 526)	95 503 631	40 497 105
Accumulated profit from previous years	0	(85 032 414)	(85 032 414)	98 155 040	13 122 625
Profit for the period	24 023 352	6 002 536	30 025 888	(2 651 409)	27 374 479
Liabilities	**1 223 477 239**	**57 092 424**	**1 280 569 664**	**(23 422 773)**	**1 257 146 890**
Non-current liabilities	**299 315 144**	**5 193 346**	**304 508 490**	**16 504 192**	**321 012 682**
Long-term loans and borrowings	281 307 851	-	281 307 851	-	281 307 851
Other long-term financial liabilities	15 700 560	4 171 001	19 871 561	-	19 871 561
Deferred income tax provision	1 960 178	878 551	2 838 729	(639 808)	2 198 921
Employee benefits	346 555	143 794	490 349	-	490 349
Provisions	-	-	-	17 144 000	17 144 000
Current liabilities	**924 162 095**	**51 899 078**	**976 061 173**	**(39 926 965)**	**936 134 208**
Loans and borrowings	84 000 000	-	84 000 000	-	84 000 000
Short-term financial liabilities	30 763 784	3 221 438	33 985 222	-	33 985 222
Trade liabilities	770 296 059	39 474 520	809 770 579	(39 926 965)	769 843 614
Current tax liabilities	1 156 326	-	1 156 326	-	1 156 326
Other short-term payables	8 471 484	1 454 576	9 926 060	-	9 926 060
Current employee benefits	14 531 597	4 405 540	18 937 136	-	18 937 136
Provisions	14 942 845	3 343 005	18 285 851	-	18 285 851
Total equity and liabilities	**1 494 643 294**	**128 448 303**	**1 623 091 597**	**(78 304 900)**	**1 544 786 697**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 4.
GOODWILL AND INTANGIBLE ASSETS

Intangible assets are presented below:

Table no 13

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	**Total**
Carrying amount as at 01.01.2009	**66 844 056**	**7 201 954**	**30 882 247**	**52 625 431**	**3 131 600**	**160 685 288**
Acquisition through business combination	29 180 412	-	-	10 000 000	21 175	**39 201 588**
Other acquisitions	-	5 011 488	-	-	456 925	**5 468 413**
Increases due to the transfer of fixed assets under construction	-	620 741	-	-	-	**620 741**
Amortisation	-	(3 307 738)	(5 449 808)	(1 234 000)	(1 947 315)	**(11 938 861)**
Other changes	-	(2 409 904)	-	-	2 486 419	**76 515**
Carrying amount as at 31.12.2009	**96 024 468**	**7 116 541**	**25 432 439**	**61 391 431**	**4 148 804**	**194 113 683**
Carrying value as at 01.01.2010	**96 024 468**	**7 116 541**	**25 432 439**	**61 391 431**	**4 148 804**	**194 113 683**
Other acquisitions	-	4 840 287	-	-	167 476	**5 007 763**
Increases due to the transfer of fixed assets under construction	-	511 277	-	-	50 000	**561 277**
Liquidations	-	(8)	-	-	-	**(8)**
Amortisation	-	(4 487 294)	(5 449 808)	(1 234 000)	(970 882)	**(12 141 984)**
Decrease due to aport	-	-	-	(54 604 431)	(54 166)	**(54 658 597)**
Other changes	-	-	-	-	(72 669)	**(72 669)**
Carrying amount as at 31.12.2010	**96 024 468**	**7 980 802**	**19 982 631**	**5 553 000**	**3 268 563**	**132 809 464**

All amounts are expressed in Polish zloty (unless indicated otherwise)

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010 (continued)

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	**Total**
As at 01.01.2010						
Cost	96 024 468	26 880 941	54 498 079	66 944 431	11 339 022	255 686 941
Accumulated amortisation and impairment losses	-	(19 764 400)	(29 065 640)	(5 553 000)	(7 190 217)	(61 573 258)
Carrying amount	**96 024 468**	**7 116 541**	**25 432 439**	**61 391 431**	**4 148 804**	**194 113 683**
As at 31.12.2010						
Cost	96 024 468	32 232 496	54 498 079	12 340 000	11 429 663	206 524 707
Accumulated amortisation and impairment losses	-	(24 251 694)	(34 515 448)	(6 787 000)	(8 161 099)	(73 715 242)
Carrying amount	**96 024 468**	**7 980 802**	**19 982 631**	**5 553 000**	**3 268 563**	**132 809 464**

Goodwill presented in intangible assets arised as a consequence of:
- acquisition of an organized part of "CARMENT, M. Stodółka i Wspólnicy Spółka Jawna" enterprise in amount 11.565.477;
- combination with Przedsiębiorstwo Handlowe Batna Sp. z o.o. as at 01.07.2010 in amount 29.180.412 PLN
- combination with Eurocash DystrybucjaBatna Sp. z o.o. as at 01.09.2010 in amount 56.868.456 PLN

Apart from the above mentioned trademarks, the Company recognized "MHC" trademark, with a defined useful life. That trademark was acquired on 01.06.2005 and is amortized over the period of 10 years. As at 31.12.2010 the carrying amount of that trademark was PLN 5.553.000.

The Company's know-how is the knowledge (in the fields of finance, logistics, IT, purchases) how to manage the Company, acquired from Politra B.V. This asset was put into operation as at 30.08.2004 and is amortized over the period of 10 years. As at 31.12.2010, the book value of the know-how amounted to PLN 19.982.631.

Amortization of intangible assets is recognized as selling expenses.
The Company did not recognize any impairment losses in relation to intangible assets.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 5.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 14

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2010

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	**Total**
Carrying amount as at 01.01.2009	**81 006 060**	**18 053 228**	**28 039 901**	**31 329 894**	**6 876 976**	**165 306 059**
Acquisition through business combination	421 545	334 657	1 219 617	138 222	-	**2 114 041**
Other acquisitions	2 487 332	5 626 138	475 090	6 894 026	25 455 863	**40 938 450**
Increases due to the transfer of fixed assets under construction	15 023 844	416 442	2 626	5 834 943	(21 898 597)	**(620 741)**
Finance lease	-	6 011 000	1 220 580	-	-	**7 231 580**
Disposals	(88 443)	-	(125 641)	(38 848)	-	**(252 932)**
Liquidations	(58 848)	(465 625)	(378 602)	(30 744)	(854 835)	**(1 788 654)**
Depreciation	(8 661 231)	(5 606 695)	(6 964 112)	(9 571 533)	-	**(30 803 572)**
Other changes	(6 095)	-	-	-	379 490	**373 395**
Carrying amount as at 31.12.2009	**90 124 164**	**24 369 145**	**23 489 459**	**34 555 961**	**9 958 898**	**182 497 628**
Carrying amount as at 01.01.2010	**90 124 164**	**24 369 145**	**23 489 459**	**34 555 961**	**9 958 898**	**182 497 628**
Other acquisitions	3 430 356	7 484 348	169 100	10 410 451	24 134 880	**45 629 135**
Increases due to the transfer of fixed assets under construction	19 308 248	1 601 264	8 807	4 160 757	(25 640 354)	**(561 277)**
Finance lease	-	-	6 983 593	-	-	**6 983 593**
Disposals	(982 118)	(234 346)	(302 756)	(47 345)	(5 222 263)	**(6 788 828)**
Liquidations	(54 736)	(301 660)	(970 152)	(309 527)	-	**(1 636 075)**
Depreciation	(10 125 857)	(6 194 001)	(7 213 259)	(12 135 307)	-	**(35 668 424)**
Other changes	-	197 391	-	-	142 879	**340 271**
Carrying amount as at 31.12.2010	**101 700 057**	**26 922 141**	**22 164 792**	**36 634 990**	**3 374 041**	**190 796 022**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 14

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2010 (continued)

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	**Total**
As at 01.01.2010						
Cost	126 772 377	55 216 510	49 360 207	79 181 283	9 958 898	320 489 275
Accumulated amortisation and impairment losses	(36 648 212)	(30 847 365)	(25 870 748)	(44 625 322)	-	(137 991 647)
Carrying amount	**90 124 164**	**24 369 145**	**23 489 459**	**34 555 961**	**9 958 898**	**182 497 628**
As at 31.12.2010						
Cost	148 474 126	63 963 507	55 248 800	93 395 620	3 374 041	364 456 093
Accumulated amortisation and impairment losses	(46 774 069)	(37 041 366)	(33 084 007)	(56 760 629)	-	(173 660 072)
Carrying amount	**101 700 057**	**26 922 141**	**22 164 792**	**36 634 990**	**3 374 041**	**190 796 022**

Borrowing costs

During the reporting period, the Company did not capitalize any borrowing costs to the value of fixed assets under construction.

Property, plant and equipment under finance lease

The Company uses land, vehicles, and forklift trucks under finance lease. According to the lease agreements the Company has a right to buy the assets after the termination of the agreed term of lease for a price stated in the agreement or to continue using the leased property under a new lease contract signed with the financing institution. The price is a difference between the value of the leased property repaid immediately and the value of the capital repaid in lease instalments. As at the end of the reporting period, the carrying amount of tangible fixed assets under finance lease was PLN 31.551,2 thousand (31.12.2009: PLN 34.600,6 thousand), and the amount payable to the lessor in this respect amounted to PLN 28 519,7 thousand (31.12.2009: PLN 29.604,1 thousand, respectively). The leased items are a property of the lessor (the financing institution) until they are acquired by the Company. Those assets are depreciated for tax purposes by the lessor.

The contracts do not include any provisions or any obligations upon the Company concerning dividends, additional debt or additional lease contracts.

Realisation of the lease agreements is secured on lease assets.

NOTE 6.
ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

According to IAS 36 as at 31 December 2010 the Company assessed whether there was any indication that assets might be impaired.

The following indications were taken into consideration:

- decline in market value – in the reporting period no significant decline in market values of assets was noted during the reporting period beyond ordinary loss occurring with time and normal usage;
- evaluation of external conditions – during reporting period, deterioration of economic situation could be observed on the Polish market, which nevertheless did not adversely affect the Group's activities due to its business profile (FMCG market). Moreover, there was no significant technological breakthrough, change in the market or in applicable laws which would have a significant adverse effect on the operating environment of Group companies' business;
- market factors - during the period under assessment, there were no major increases in interest rates or any other investment rates of return on the market which would affect the discount rate used for calculating useful values of evaluated assets, or which would lead to deterioration of their recoverable values;
- accounting factors - the carrying amount of the Group's net assets is lower than their market capitalization;
- usefulness - there is no evidence or proof of obsolescence or physical damage of assets;
- functional factors - no significant changes with an adverse effect on the Group took place during the period, nor are any such changes expected to occur in the near future, regarding the extent or manner of current or anticipated future use of the assets. Discontinuation of using the given assets, abandonment or restructuring of business operations to which the given assets are dedicated neither recorded nor considered. No plans to dispose of the assets before the previous expected date, and no changes in their estimated useful lives were considered;
- economic factors - there is no evidence indicating that the economic performance of the assets is, or will be, worse than expected in the future,
- investing factors - cash flows for acquiring the asset are not significantly higher than those originally budgeted;
- operating factors - actual net cash flows and operating profits flowing from these assets correspond with the respective amounts budgeted;
  financial factors - no net outflows occurred in relation to the given assets when current period figures were summarized with the figures budgeted for the future

The subsequent assessment is planned on 31.12.2011.

The Company performed impairment tests in respect of goodwill on acquisition of subsidiaries, namely:

- impairment test of goodwill arising from acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o. performed as at 31.12.2010:
  Test confirmed that it is not necessary to recognize impairment loss.
  The subsequent impairment test is planned on 31.12.2011.

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.
An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

- impairment test of goodwill arising from acquisition of Eurocash Dystrybucja Polska Sp. z o.o. performed as at 31.12.2010:
  The test confirmed that it is not necessary to recognize impairment loss.
  The subsequent impairment test is planned on 31.12.2011.

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.
An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

- impairment test of goodwill on acquisition of an organized part of enterprise: Carment M. Stodółka i Wspólnicy Spółka Jawna performed as at 31.12.2010

The impairment test was performed with respect to the total value of goodwill arising from acquisition of ZCP Carment by Eurocash S.A. Group. Test confirmed that it is not necessary to recognize impairment loss.
The subsequent impairment test is planned on 31.12.2011.

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.
An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

For purposes of impairment tests performed for goodwill carrying amounts of goodwill were determined. In addition it was assumed that generation of cash flows by CGUs requires involvement of net assets and therefore, carrying amounts of goodwill were also grouped with net assets for the purpose of testing.
For impairment tests for goodwill recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for years 2011-2015, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for years 2010 and plans approved by the Management Board for years 2011-2015. The Weighted Average Cost of Capital (WACC) was used as the discount rate.
In order to determine total sales value, sales increases were forecasted for like-for-like stores existing on the date of testing, as well as increasing number of stores in each year of the forecast. Average sales of new stores during the first year of their operation were estimated as 60% of average sales generated by existing stores.
In order to determine the cost of capital, 17 trading companies were analyzed and 14 comparable companies were selected from that group. Rejection of the remaining 3 companies was due to statistical insignificance of the beta factor, the debt to market capitalization ratio exceeding 100%, or the profit margin exceeding the margin generated by Eurocash S.A.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 7.
INVESTMENT PROPERTIES

Investment properties are presented below:

Table no 15
INVESTMENT PROPERTY AS AT 31.12.2010

	za okres od 01.01.2010 do 31.12.2010	za okres od 01.01.2009 do 31.12.2009
Opening balance	**-**	**-**
Acquisition	-	37 766 428
Disposal	-	(37 766 428)
Closing balance	**-**	**-**

NOTE 8.
ACCOUNTING FOR INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented below:

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 16

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 31 DECEMBER 2010

Name of the subsidiary company	Registered office of the company	% of shares held	% of votes held	Consolidation method
KDWT S.A.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Franczyza Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji	ul. Kąpielowa 18 21-500 Biała Podlaska	97,09%	91,74%	full
Eurocash Trade 1 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Trade 2 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Spółka Akcyjna Spółka Komandytowa	ul. Wiśniowa 11 62-052 Komorniki	67,67%	67,67%	full
Premium Distributors Sp. z o.o.	ul. Bokserska 66A 02-690 Warszawa	100%	100%	full
Przedsiębiorstwo Dystrybucji Alkoholi AGIS S.A.	ul. Polna 52 87-100 Toruń	100%	100%	full
Astor Sp. z o.o.	ul. Żelazna 4 10-419 Olsztyn	100%	100%	full
Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.	ul. Grunwaldzka 3 73-110 Stargard Szczeciński	100%	100%	full
Damianex S.A.	ul. Głęboka 34 37-200 Przeworsk	100%	100%	full
Delikates Sp. z o.o.	ul Zakładowa 11 62-510 Konin	100%	100%	full
Miro Sp. z o.o.	ul. Jasna 42 57-200 Ząbkowice Śląskie	100%	100%	full
MTC Sp. z o.o.	ul. Elewatorska 20 15-620 Białystok	100%	100%	full
Multi-Ex S.A.	ul. Bokserska 66A 02-690 Warszawa	100%	100%	full
Onufry S.A.	ul. Jabłoniowa 64 80-175 Gdańsk	100%	100%	full
Panta-Hurt Sp. z o.o.	Choszczówka Stojecka 11A 05-300 Mińsk Mazowiecki	100%	100%	full
Polskie Hurtownie Alkoholi Sp. z o.o.	ul. Gen. J. Sowińskiego 42A 65-419 Zielona Góra	100%	100%	full
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	ul. Grottgera 5 66-200 Świebodzin	100%	100%	full
Saol Dystrybucja Sp. z o.o.	ul. Orląt Lwowskich 146 41-208 Sosnowiec	100%	100%	full

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 17

INVESTMENTS IN SUBSIDIARIES COMPANIES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	as at 31.12.2010	na dzień 31.12.2009
Opening balance	**68 657 327**	**66 885 474**
Increase in reporting period:	**486 071 449**	**46 832 257**
acquisition of entities	385 900 000	45 060 405
establishing new entities	100 171 449	14 618
future purchase of shares	-	1 757 235
Decrease in reporting period:	**-**	**(45 060 405)**
merger with subsidiary company	-	(45 060 405)
Balance upon changes	**554 728 775**	**68 657 327**

Increase to due acquisition is related with acquisition of shares in PD Group in amount 385.900.000 PLN. Increase to due establishing new companies is related with new company Eurocash Taking into consideration that merged among Eurocash S.A., Eurocash Dystrybucja Sp. z o.o. and PH Batna Sp. z o.o. took place in 2010, all comparatives were restated for 2009 assuming all companies were merged over 2009.

NOTE 9.
ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

Investments in associates are presented below:

Table no 18

INVESTMENTS IN ASSOCIATES COMPANIES AS AT 31 DECEMBER 2010

Name of the associate company	Registered office of the company	% of shares held	% of votes held	Consolidation method
PayUp Polska S.A.	ul. Wiśniowa 11, 62-052 Komorniki	49%	49%	equity method

Table no 19

INVESTMENTS IN ASSOCIATES COMPANIES AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Opening balance	**3 464 300**	**3 464 300**
Balance upon changes	**3 464 300**	**3 464 300**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 10.
OTHER INVESTMENTS

Other investments are presented below:

Table no 20

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Loans granted	6 247 500	-
	6 247 500	**-**

NOTE 11.
LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 21

LONG-TERM RECEIVABLES AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Security deposits on rental agreements	1 114 896	1 124 150
Other long-term receivables	687 000	768 000
	1 801 896	**1 892 150**

NOTE 12.
INVENTORIES

Inventories are presented below:

Table no 22

INVENTORIES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Merchandise	300 408 547	289 843 461
Materials	369 994	490 633
Total inventories, including:	**300 778 541**	**290 334 093**
- carrying amount of inventory deposits securing payments of liabilities	5 000 000	550 000

Table no 23

ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period od 01.01.2010 do 31.12.2010	for the period od 01.01.2009 do 31.12.2009
Opening balance	**7 546 947**	**9 143 795**
- increase in the allowance during the period	3 969 574	4 408 653
- reversal of the allowance during the period	(2 315 290)	(2 317 904)
- write-offs during the period	(1 101 445)	(3 687 597)
Closing balance	**8 099 785**	**7 546 947**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 13.
TRADE AND OTHER RECEIVABLES

Trade and other receivables are presented below:

Table no 24

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Trade receivables	**297 878 741**	**305 986 407**
Credit sales	140 599 370	170 796 845
Receivables from suppliers	116 303 310	108 367 287
Factoring	31 243 023	30 060 334
Franchise fees	1 632 632	1 090 922
Other trade receivables	13 048 447	6 577 873
Allowance for trade bad debts	(4 948 041)	(10 906 854)
Current tax assets	**4 048 090**	**-**
Other receivables	**12 907 770**	**23 481 998**
Settlement of VAT	8 653 835	19 608 820
Receivables subject to legal proceedings	17 029 360	13 746 394
Receivables from non-trade contractive parties	2 246 583	2 012 884
Receivables from employees	911 415	447 635
Loans granted	159 993	669 812
Other receivables	935 943	742 903
Allowance for other bad debts	(17 029 360)	(13 746 450)
Total receivables, including:	**314 834 600**	**329 468 405**
- short-term	314 834 600	329 468 405

NOTE 14.
SHORT-TERM FINANCIAL ASSETS

Information about short-term assets in subsidiaries is presented below:

Table no 25

SHORT - TERM FINANCIAL ASSETS

	as at 31.12.2010	as at 31.12.2009
Granted Loans - cash pool	-	38 660 158
Short-term financial assets in subsidiary companies	**-**	**38 660 158**

As at 31.12.2010 Company had negative balance in Cash Pool.

Details are presented in notes to consolidated financial statement for the period from 1 January to 31 December 2010.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 15.
OTHER SHORT-TERM INVESTMENTS

Other short-term investments are presented below:

Table no 26

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Loans granted to an associate	3 000 000	-
	3 000 000	**-**

NOTE 16.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 27

SHORT-TERM PREPAYMENTS AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Software	506 144	694 977
Alcohol licences	1 759 601	1 187 941
Rentals	978 791	841 397
Media	110 701	36 141
Advertising folders	167 150	191 509
Insurances	514 018	467 690
Tolls, vignette	-	53 107
Interests on financial leasing	-	51 869
Expenses relating to future transactions	2 756 810	-
Other prepayments	1 025 400	610 941
Total short-term prepayments	**7 818 615**	**4 135 574**

NOTE 17.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents is presented below:

Table no 28

CASH AND CASH EQIVALENTS AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Cash		
cash at bank	3 874 396	8 989 547
cash on hand	27 364	89 934
cash in transit	15 824 825	9 295 974
Cash on deposits	166 229 002	129 241 598
Cash restricted to use	1 297 622	2 033 170
money vouchers	6 190	5 050
Total cash	**187 259 401**	**149 655 273**

Cash restricted to use is cash deposited on the account of the Company's Social Benefits Fund.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 18.
SHARE CAPITAL

Share capital are presented below:

Table no 29
SHARE CAPITAL AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Number of shares	136 429 761	134 704 736
Nominal value (PLN / share)	1	1
Share capital	**136 429 761**	**134 704 736**

As at 31 December 2010 share capital consisted of 136.429.761 ordinary shares, including:
- 127.742.000 A series ordinary shares to the bearer with nominal value of 1 PLN each,
- 3.035.550 B series ordinary shares to the bearer with nominal value of 1 PLN each,
- 2.929.550 C series ordinary shares to the bearer with nominal value of 1 PLN each,
- 830.000 D series ordinary shares to the bearer with nominal value of 1 PLN each,
- 1.355.025 E series ordinary shares to the bearer with nominal value of 1 PLN each,
- 537.636 F series ordinary shares to the bearer with nominal value of 1 PLN each.

228,000 shares were issued during the period from 1 January 2011 to 31 March 2011 due to realization of shares option programmes.

The structure of shareholders with more than 5% of the total number of voting rights is presented below:

SHAREHOLDERS STRUCTURE

Table no 30
SHAREHOLDERS STRUCTURE

	31.12.2010				31.12.2009			
Shareholder	**Number of shares**	**Share in share capital (%)**	**Number of votes**	**total number of votes (%)**	**Number of shares**	**Share in share capital (%)**	**Number of votes**	**Share in total number of votes (%)**
1. Luis Manuel Conceicao do Amaral (directly and indirectly by Politra B.V.)	70 258 100	51,50%	70 258 100	51,53%	70 258 100	52,16%	70 258 100	52,19%

Table no 31
SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Share capital at the beginning of the period	**134 704 736**	**130 777 550**
Increase of share capital in the period	**1 725 025**	**3 927 186**
Equity settled share-based payment transactions	1 725 025	3 927 186
Share capital at the end of the period	**136 429 761**	**134 704 736**

All amounts are expressed in Polish zloty (unless indicated otherwise)

In 2010 1.725.025 ordinary shares were issued due to exercising share options granted to key personnel of the Company under incentive programmes (2009: 3.927.186 shares). These options were exercised at prices ranging between PLN 4,82 and PLN 7,87 per share. All shares issued were fully covered with cash.

Changes in the statutes Eurocash S.A.

On 25 October 2010 accordance with the resolution no 4 of the Extraordinary Shareholders Meeting was introduced change of the Company as follows: "Where a company Politra BV headquartered in Amsterdam, organized and existing under Dutch law (or its successors) will be a shareholder holding 30% or more of the share capital of the Company, its going to enjoy the right to appoint and remove three (3) members of the Supervisory Board."

Conditional increase in share capital

On 27 October 2010 alert to changes in the Statute KRS made pursuant to resolutions of the Extraordinary General Meeting of 25 October 2010, including in particular the changes to the Articles of Association concerning the conditional increase in share capital by the amount of not more than 11,285,056 pounds through issuance of no more than 11,285,056 shares of common bearer L nominal value of 1 zł each.

NOTE 19.
OTHER RESERVES

Other reserves are presented below:

Table no 32

CHANGES TO OTHER RESERVES IN THE PERIOD FROM 01.01 TO 31.12.2010

	Treasury shares	Reserve capital	Treasury shares reserve	Hedging reserve	**Total**
Balance as at 01.01.2009	**-**	**56 949 542**	**-**	**(4 645 000)**	**52 304 542**
Increases in the period from 01.01 to 31.12.2009	**-**	**24 314 994**	**14 000 000**	**-**	**38 314 994**
Transfer to reserve capital	-	19 519 374	-	-	19 519 374
Equity-settled share-based payments	-	4 350 940	-	-	4 350 940
Share option exercised	-	14 444 680	-	-	14 444 680
Share buy-back plan	-	(14 000 000)	14 000 000	-	-
Decreases in the period from 01.01 to 31.12.2009	**(1 115 507)**	**840 952**	**(1 115 507)**	**-**	**(1 390 062)**
Treasury shares acquired	-	(274 555)	-	-	(274 555)
Redemption of stocks	(1 115 507)	1 115 507	(1 115 507)	-	(1 115 507)
Balance as at 31.12.2009	**(1 115 507)**	**82 105 488**	**12 884 493**	**(4 645 000)**	**89 229 474**
Balance as at 01.01.2010	**(1 115 507)**	**82 105 488**	**12 884 493**	**(4 645 000)**	**89 229 474**
Change in accounting policies	-	(3 336 827)	-	-	(3 336 827)
Balance as at 01.01.2010 after corrections	**(1 115 507)**	**78 768 661**	**12 884 493**	**(4 645 000)**	**85 892 647**
Increases in the period from 01.01 to 31.12.2010	**-**	**26 857 583**	**-**	**-**	**26 857 583**
Retained earings from 01.01 to 31.12.2010	-	11 903 092	-	-	11 903 092
Valuation of the Incentive Programme for employees	-	3 227 302	-	-	3 227 302
Share issue - Equity-settled share-based payment transactions	-	10 722 422	-	-	10 722 422
Equity - EC and Batna combination	-	1 004 766	-	-	1 004 766
Decreases in the period from 01.01 to 31.12.2010	**-**	**(87 085)**	**-**	**-**	**(87 085)**
Floatation costs - Share option exercised	-	(87 085)	-	-	(87 085)
Balance as at 31.122010	**(1 115 507)**	**105 539 159**	**12 884 493**	**(4 645 000)**	**112 663 145**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Loss on valuation of hedging transactions

Loss on valuation of hedging instruments includes the effective part of accumulated net change in fair value of hedging instruments that secure cash flows associated with the hedged transactions.

Treasury shares

Reserve capital for treasury shares was established in the amount of PLN 14.000.000 according to the Resolution of the Management Board of the Company dated 27 July 2009, as authorized by the General Meeting of Eurocash S.A. on 25 May 2009.

The Formal Shares Buy-back Plan commenced on 28 July 2009 and is expected to last until 30 June 2012. The purpose of treasury shares buy-back is to use the treasury shares for realization of employee incentive schemes. The Buy-back Plan will be realized on the terms defined by the Resolution of the General Meeting of Eurocash S.A. dated 25 May 2009 authorizing the Management Board to purchase treasury shares from the market, in accordance with the regulations relating to purchases of financial instruments under buy-back programmes, as set out in the Commission Regulation (EC) No. 2273/2003 dated 22 December 2003.

As at 31 December 2010 the Company was a holder of 77.693 treasury shares with a nominal value of PLN 77.693.

In the period from 1 January to 31 December 2010 Company did not buy tresury.

Dividend

According to the Resolution 3 of the General Meeting of Eurocash S.A. dated 2 June 2010 the net profit for 2009 amounting to PLN 62.299.893 was allocated as follows: the amount of PLN 50.396.800,16 was allocated to pay a dividend of PLN 0.37 per share (paid on 29 June 2010), the remaining part of net profit was allocated to the reserve capital.

According to the Resolution 2 of the General Meeting of PH Batna Sp. z o.o. dated 28 June 2010 the net profit for 2009 was allocated to the reserve capital. The amount 1.004.766 PLN apply the period after acquisition.

NOTE 20.
SHARE OPTION

Treasury shares options are presented below:

Table no 33

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2010

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	4 006 775	8,89
Granted in the reporting period	197 500	20,00
Exercised in the reporting period	(1 725 025)	7,22
Expired in the reporting period	-	-
Existing at the end of the reporting period	2 479 250	10,47
including:		
Exercisable at the end of the period	241 750	7,87

1. According to the Resolution 17 of the General Meeting of Eurocash S.A. dated 25 April 2006 on KDWT Incentive Programme issue of C series bonds was prescribed, to be allocated to certain members of

managing staff of KDWT S.A., entitled to participate in the Incentive Programme. These bonds could be acquired only in the following maximum quantities and only by Authorized Employees:
Mr. Roman Piątkiewicz – 253,611 C series bonds,
Mr. Mieczysław Kuśnierczak – 93,302 C series bonds,
Ms. Zofia Budzińska – 68,087 C series bonds,
provided that the Authorized Employee remains an employee of KDWT S.A. (or of any legal successor or permitted assignee of the business of KDWT S.A.) for at least 36 calendar months from the date of issue of multiple-share certificates for KDWT S.A. shares to Eurocash S.A., i.e. from 31 March 2006 to 31 March 2009. The final list of Authorized Employees entitled to acquire C series bonds was determined based on the Resolution of the Supervisory Board of Eurocash S.A. dated 31 March 2009.

Eurocash S.A. issued a total of 415,000 registered bonds.
The bonds are zero-interest bonds.
The issue price is PLN 0.01.
One series C bond carries the title to subscribe and take up 2 D series ordinary shares to the bearer.

The Company valued KDWT incentive programme for the C series bonds at PLN 1,894.3 thousand. The programme was prescribed for a period of 3 years from the date of acquisition of shares of KDWT S.A. by Eurocash S.A. and its value was settled in the 3 years period from 1 April 2006 to 31 March 2009.
C series bonds can be exercisable during the period from 1 April 2009 to 31 March 2010.
During the period from 1 April 2009 to 31 December 2009 a total of 460,000 D series ordinary shares and in the period from 1 January to 31 March 2010 a total of 370.000 D series ordinary shares were taken up through exercising C series registered bonds. These shares were taken up at the price of PLN 4.82 per share, and the market price of Eurocash S.A. shares listed at the Warsaw Stock Exchange ranged between PLN 9.00 and PLN 20 per share during that period. The average share price during the period was PLN 12.87 per share.
Till 31 December 2010 all 415,000 bonds were excercised and 830,000 shares were taken up.

2. According to the Resolution 19 of the General Meeting of Eurocash S.A. dated 25 April 2006 on the Third Incentive Programme, issue of D series bonds was prescribed, to be allocated to certain members of managing staff, supervisory staff and key personnel of Eurocash S.A. and of KDWT S.A.
The Authorized Employees may accept the offer to buy D series bonds not earlier than on the first working day of the period starting on 1 January 2010 and ending on 31 December 2012. During that period the Authorized Employees may exercise their right to subscribe E series shares, and not later than on the third working day before the last day of the Third Period of Options Exercise by Employees.

Eurocash S.A. issued a total of 63,871 D series registered bonds.
The bonds are zero-interest bonds.
The issue price is PLN 0.01.
One D series bond carries the title to subscribe and take up 25 E series ordinary shares to the bearer.

The vesting condition entitling the employees to receive share options is 3 years employment period starting from 1 December 2006. The final list of Authorized Employees entitled to receive D series bonds was determined based on the Resolution of the Supervisory Board of Eurocash S.A. dated 1 December 2009.
Based on the Resolution of the Supervisory Board of Eurocash S.A. dated 24 November 2009, the issue price of E series shares was determined as PLN 7.87.

The Company valued the incentive programme for the D series bonds at PLN 6,600.2 thousand. This value was settled in the 3 years period from 1 January 2007 to 31 December 2009. After adjustments relating to resignation probability factor for employees covered by the Third Incentive Programme, the overall cost of the programme was valued at PLN 6,022.0 thousand.

During the period from 1 January 2010 to 31 December 2010, a total of 1,355,025 ordinary E shares were taken up in course of exercising registered D bonds. The shares were taken up for a price of PLN 7.87 per share, where the list price of Eurocash S.A. shares at the Warsaw Stock Exchange ranged from PLN 15.51 to PLN 29.45 per share. The average share price during the period was PLN 21.90 per share.
Until 31 December 2010 9,670 bonds remained unexercised, entitling to take up 241,750 shares. They can be exercised until the end of the Options Exercise Term, i.e. until 31 December 2012.

3. Based on the Resolution 18 of the General Meeting of Eurocash S.A. dated 28 June 2007 on the Fourth and the Fifth Employee Incentive and Premium Programmes for 2007 and 2008, a decision was made to issue G series and H series shares under an Incentive Programme for managing staff, supervisory staff and key personnel of Eurocash S.A.

Eurocash S.A. shall issue a total of 81,600 registered bonds in two series:

- 40,800 F series registered bonds with a nominal value of PLN 0.01 each, with rights of subscription of G series ordinary shares to the bearer before the shareholders,
- 40,800 G series registered bonds with a nominal value of PLN 0.01 each, with rights of subscription of H series ordinary shares to the bearer before the shareholders.

The bonds are zero-interest bonds.
One F series bond carries the preemptive right to subscribe and take up 25 G series shares.
One G series bond carries the preemptive right to subscribe and take up 25 H series shares.

A list of employees classified as Pre-Authorized to receive the F series bonds was approved based on the Resolution of the General Meeting of Eurocash S.A. dated 9 June 2008. Through Resolution no. 20 of the Ordinary General Meeting dated 2 2010, the list of employees initially authorized to acquire F bonds was corrected. This correction did not give rise to any revaluation or any other change to the terms and conditions of the Fourth Incentive Programme.
A list of employees qualified as Pre-Authorized to receive the G series bonds was approved based on the Resolution of the General Meeting of Eurocash S.A. dated 25 May 2009.

The vesting condition entitling the employees to receive G series share options is 3 years employment period starting from 1 December 2007. The final list of Authorized Persons entitled to receive "F" Bonds was determined through a Resolution of the Supervisory Board dated 23 November 2010.
Through a Resolution of the Supervisory Board dated 23 November 2010, the issue price of G Shares was determined as PLN 9.78.

The vesting condition entitling the employees to receive H series share options is 3 years employment period starting from 1 December 2008.

The issue price per one G series Share shall be determined by the Supervisory Board of Eurocash S.A. with the assumption that this price must equal the weighted average quoted price of Eurocash S.A. shares at the Warsaw Stock Exchange in November 2007, after adjustments related to privileges carried by shares (such as payments of dividend).
The issue price per one H series share shall be determined by the Supervisory Board of Eurocash S.A. with the assumption that this price must equal the weighted average quoted price of Eurocash S.A. shares at the Warsaw Stock Exchange in November 2008, after adjustment related to privileges carried by shares (such as payments of dividend).

Bondholders of F series are entitled to subscribe and to take up G series shares with preemption right before the shareholders of the Company during the period from 1 January 2011 to 31 December 2013.
Bondholders of G series are entitled to subscribe and to take up G series shares with preemption right before the shareholders of the Company during the period from 1 January 2012 to 31 December 2014.

The Company valued the incentive programme for the F series bonds at PLN 4,493.8.5 thousand. This value has been settled for the 3 years period starting from 1 January 2008. After adjustments related to resignation probability factor for employees covered by the Fourth Incentive Programme, the overall cost of the programme as at 31 December 2009 is determined as PLN 4,351.9.0 thousand.
The Company valued the incentive programme for the G series bonds at PLN 3,438.7.5 thousand. This value has been settled for the 3 years period starting from 1 January 2009.

4. . Through Resolution No. 16 of the Ordinary General Meeting of Eurocash S.A. dated 2 June 2010 concerning the Seventh Incentive and Bonus Programme for Employees for 2010, a decision was taken to issue I shares under the Incentive Programme for managers, directors and key personnel of the Company and Eurocash S.A. Company.

The Programme is implemented with regard to the Company's intention to continue the incentive programmes implemented during previous years, designed for managers, directors and key personnel of the Company and of Eurocash Company, and to provide basis to enable outstanding employees to take up shares in the Company as a bonus.

With respect to the Seventh Incentive and Bonus Programme for Employees for 2010, the Company will issue 7,900 (seven thousand nine hundred) registered H Bonds with a face value of PLN 0.01 (one grosz) each, and each Bond shall carry the right to subscribe and take up 25 (twenty-five) I Ordinary Bearer Shares, having priority before the shareholders of the Company.
The total face value of H Bonds issue is PLN 79 (seventy-nine).
The bonds are zero-interest bonds.

H Bonds will be repurchased by the Company on January 02, 2015 through payment of a cash amount equivalent to the face value of the Bonds.
H Bonds will be non-documentary bonds. Rights under the Bonds will arise at the time of entry of the Bond in the registry by bank or brokerage house and will be vested in the person named therein as holder.
The persons authorized to receive all or part of H Bonds shall only be the managers, directors and key personnel of the Company and Eurocash Company, who were employed and actively pursuing their duties during the 3-year period commencing on 1 December 2010. The list of persons qualified as Initially Authorized to acquire H Bonds will be determined by the Supervisory Board not later than 31 May 2011 and approved through a resolution of the General Meeting of Shareholders.
The final list of Authorized Persons shall include the persons listed as Initially Authorized Persons, with the exception of those employees whose employment with the Company or with Eurocash Company has been terminated, including any new beneficiaries of title to receive H Bonds as an award for outstanding results ("Awarded Persons"). Such list will be the basis for identifying the persons who will receive offers to buy H Bonds.
H Bond Holders are entitled to subscribe and to take up I Shares with priority before the shareholders of the Company during the period from 1 January 2012 to 31 December 2014.

The Seventh Incentive Programme was not effectively valuated until 31 December 2010, as the final list of persons entitled to receive shares options under this programme has not yet been determined. The value of the Programme will be accounted for a period of 3 years starting 1 January 2011.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Share option programmes are valuated using the Black-Scholes model. Details of each programme valuation are presented below.

Table no 34

OPTION VALUATION AS AT 31.12.2010

	KDWT Share option programme	3 Share option programme	4 Share option programme	5 Share option programme
Risk-free rate of return	3,85%	4,78%	6,47%	5,82%
Volatility	25,88%	34,89%	41,83%	43,50%
Option period (in years)	3	2,52	2,57	2,52
Exercise price	4,82	8,17	10,75	9,93
Base price	6,55	10,75	12,20	10,45
Number of options	830 000	1 596 775	1 020 000	1 020 000
Employee turnover ratio	0%	0%	4%	7%
Total cost	1 894 342	6 600 176	4 493 777	3 438 664

Total costs of share option programmes charged to the income statement of the Company for 2010 amounted to PLN 3.227.302 (2009: PLN 4.350.940).

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 21.
PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 35

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

	Employee benefits	Accrual for agency depot commissions	Accrual for costs of transport	Provision for advertising
Provisions and accruals as at 1 January 2009	**12 190 598**	**774 376**	**743 248**	**3 549 317**
Increases	13 956 927	21 636 453	9 328 168	14 236 121
Decreases	(6 873 589)	(22 292 633)	(9 670 360)	(11 210 427)
Provisions and accruals as at 31 December 2009, including:	**19 273 935**	**118 197**	**401 055**	**6 575 010**
- short-term	18 763 832	118 197	401 055	6 575 010
- long-term	510 104	-	-	-
Provisions and accruals as at 1 January 2010	**19 273 935**	**118 197**	**401 055**	**6 575 010**
Increases	6 108 113	19 218 295	5 293 888	9 171 775
Decreases	(12 984 551)	(19 271 492)	(4 896 337)	(10 805 980)
Provisions and accruals as at 31 December 2010, including:	**12 397 498**	**65 000**	**798 607**	**4 940 805**
- short-term	11 893 078	65 000	798 607	4 940 805
- long-term	504 420	-	-	-

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 35

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010 (continued)

	Media accrual	Provision for individual clients (increase of sales)	Provision for potential risks associated with the acquisitions	Other	**Total**
Provisions and accruals as at 1 January 2009	**620 643**	**198 043**	**17 144 000**	**7 948 813**	**43 169 038**
Increases	4 624 825	1 463 130	-	6 121 849	**71 367 473**
Decreases	(4 109 556)	(1 386 993)	-	(6 198 812)	**(61 742 371)**
Provisions and accruals as at 31 December 2009, including:	**1 135 912**	**274 180**	**17 144 000**	**7 871 850**	**52 794 140**
- short-term	1 135 912	274 180	-	7 871 850	**35 140 036**
- long-term	-	-	17 144 000	-	**17 654 104**
Provisions and accruals as at 1 January 2010	**1 135 912**	**274 180**	**17 144 000**	**7 871 850**	**52 794 140**
Increases	7 232 018	626 891	-	3 834 831	**51 485 811**
Decreases	(6 612 537)	(274 180)	-	(5 338 162)	**(60 183 238)**
Provisions and accruals as at 31 December 2010, including:	**1 755 394**	**626 891**	**17 144 000**	**6 368 519**	**44 096 713**
- short-term	1 755 394	626 891	-	6 368 519	**26 448 293**
- long-term	-	-	17 144 000	-	**17 648 420**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 36

PROVISIONS AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Employee benefits	12 397 498	19 273 935
Accrual for advertising costs	4 940 805	6 575 010
Accrual for bonuses of individual customers	626 891	274 180
Accrual for agent's commisions	65 000	118 197
Accrual for costs of transport	798 607	401 055
Accrual for costs of media	1 755 394	1 135 912
Accrual for rental costs	659 484	376 000
Accrual for advisory and audit	1 383 174	1 360 994
Provision for potential risks associated with the acquisitions	17 144 000	17 144 000
Accruals for pallets	998 078	2 054 420
Other provisions and accruals	3 327 783	4 080 438
	44 096 713	**52 794 140**
- long-term	**17 648 420**	**17 654 104**
- short-term	**26 448 293**	**35 140 036**

NOTE 22.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 37

TRADE AND OTHER PAYABLES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Trade liabilities	**817 104 869**	**824 431 847**
Payables due to purchase of goods	796 839 942	800 060 330
Payables due to services received	20 264 927	24 371 517
Current tax liabilities	**-**	**10 173 933**
Other payables	**68 208 891**	**18 545 917**
Settlement of VAT	-	513 209
Liabilities due to social securities	3 875 946	3 853 348
Liabilities due to purchases of assets	5 627 228	6 831 766
Liabilities due to taxes and insurances	1 274 568	1 153 014
Liabilities in relation to aquisitions	716 035	5 468 925
Overpayments	12 377 375	-
Other liabilities	1 792 315	725 655
Liabilities with transaction - PD group	42 545 425	-
Total liabilities, including:	**885 313 760**	**853 151 696**
- long-term	400 000	400 000
- short-term	884 913 760	852 751 696

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 23.
LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 38

LOANS AND CREDITS AS AT 31 DECEMBER 2010

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2010 to 31.12.2010
Credits		**354 472 415**		**7 712 803**
ING S.A.	overdraft for financing of current activities	10 988 471	WIBOR 1 M + bank's margin	859 222
ING S.A.	Investment long-term credit for the purchase of CEDC	256 586 164	WIBOR 2 days before payment + bank's margin	-
ING S.A.	Investment short-term credit for the purchase of CEDC	86 897 780	WIBOR 2 days before payment + bank's margin	6 853 581
Loans		**43 905 856**		**1 570 266**
Eurocash S.A. Sp. Komandytowa	short-term overdraft for financing of current activities	43 905 856	WIBOR 1 M + bank's margin	1 570 266
Total loans and credits		**398 378 271**		**9 283 069**
- long-term		299 894 015		
- short-term		98 484 256		

In connection with the acquisition on 2 August 2010 shares and stocks in subsidiaries Premium Distributors companies, Eurocash S.A. concluded the contract credit with ING Bank S.A., under which ING Bank S.A. has credit in the amount of 380.000.000 PLN for financing the purchase of shares and stocks in subsidiaries Premium Distributors companies. The Company was realised the amount 340.500.000 PLN The agreement was signed for a period of 5 years. Liabilities of the company for credit granted were guaranteed by subsidiaries. The guarantee covers liabilities, and in particular the liabilities for the credit, interest and commissions, where a company fails to perform its liabilities within the time limits to the total amount 456.000.000 PLN.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 24.
OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 39

FINANCIAL LIABILITIES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Finance lease liabilities	28 519 737	29 604 050
Liabilities due to financing of franchisees	31 243 023	30 060 334
	59 762 761	**59 664 384**
- long-term	22 521 098	22 420 612
- short-term	37 241 663	37 243 772

All amounts are expressed in Polish zloty (unless indicated otherwise)

FINANCIAL LEASE

Table no 40

FINANCE LEASE AS AT 31.12.2010

Future minimum lease payments due to finance lease agreements	as at 31.12.2010 minimum lease payments	as at 31.12.2010 present value of minimum lease payments	as at 31.12.2009 minimum lease payments	as at 31.12.2009 present value of minimum lease payments
Less than one year	8 036 950	5 998 639	9 045 732	7 183 438
Between one and five years	24 411 598	21 040 866	19 138 650	15 676 406
More than five years	1 832 415	1 480 232	7 378 994	6 744 206
Total future minimum lease payments due to finance lease agreements	**34 280 963**	**28 519 737**	**35 563 375**	**29 604 050**
Finance costs	5 761 226	X	5 959 325	X
Present value of minimum lease payments due to finance lease agreements	**28 519 737**	**28 519 737**	**29 604 050**	**29 604 050**

All amounts are expressed in Polish zloty (unless indicated otherwise)

OPERATING LEASE

According to IAS 17 the Company recognized operating lease contracts concerning lease or rental of premises and vehicles under which the leased assets can be used by the lessee in exchange for a charge or a series of charges and no transfer of risk or benefits arising from the ownership of an asset is made.

The contracts relate lease and rental of space for commercial activities such as sales of groceries, cigarettes, alcohols, household chemicals and non-food merchandise. One of the contracts relate to the use of storage space for logistics and transport purposes, as well as office space for administrative activities of headquarters' employees. Moreover, the Company recognized an operating lease contract related to lease of vehicles used by the lessee in the current operations.

For contracts relating to wholesale and retail space, the price is defined per 1 square meter. Prices are adjusted by annual rate of inflation published by the Central Statistical Office, fluctuations of property tax charges, fluctuations of perpetual usufruct charges, and fluctuations of local charges applicable to leased/rented properties.. The final amount payable is a product of the number of square meters of the given space multiplied by the price per square meter.

Regarding the lease of storage and office space at the distribution center in Komorniki, two fixed monthly lease charges were established. The first charge is valid for the first two years of contract and the other charge is valid in next 14 years thereafter.

Term and termination conditions stated in the contracts say that unless either Party notifies the other Party of the contract of its decision not to extend the contract during the 12 months period preceding date of the termination of the contract, then the contract shall be extended automatically for the next period (the same as per the original contract).

Specification of minimum operating lease charges is presented below:

Table no 41

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Future minimum lease payments due to operating lease agreements		
Less than one year	46 971 182	34 247 572
Between one and five years	165 076 929	117 044 431
More than five years	94 628 005	45 089 564
Total future minimum lease payments due to operating lease agreements	**306 676 116**	**196 381 567**

Operating lease payments for 2010 amounted to 53.318.617 PLN (2009: 44.010.538 PLN).

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 25.
INCOME TAX

Income tax for the reporting period is presented below:

Table no 42

INCOME TAX FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010 (main components)

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Income statement		
Current income tax	**(11 424 287)**	**(21 576 046)**
Current income tax burden	(12 441 167)	(21 572 385)
Additional income tax related to previous years	1 016 880	(3 660)
Deferred income tax	**3 457 624**	**3 423 542**
Due to temporary taxdifferences	3 457 624	3 423 542
Total income tax	**(7 966 663)**	**(18 152 504)**

Table no 43

INCOME TAX FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010 (main components)

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Statement of comprehensive income		
Income tax from:		
cash flow hedges	-	-
revaluation of financial instruments	-	-
Income tax recognised in other comprehensive income	**-**	**-**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 44

ESTABLISH INCOME TAX BURDEN FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER (main components)

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Gross profit	**71 115 851**	**88 941 091**
Tax calculated on tax base 19%	(13 512 012)	(16 898 807)
Adjustment ofcurrent income tax from previous years	-	(3 660)
Permanent tax differences	(2 376 098)	(2 254 716)
Negative passing differences and tax losses, in connection which the deferred income tax provision was recognized (no impact for financial result)	-	1 029 085
Tax influence of the limited partnership's income and costs	4 750 054	-
Contribution of trademarks to the limited partnership	3 275 386	-
Tax result of mergers	451 935	-
Write-down of impaired deferred tax assets	(687 693)	-
Other differences	131 765	(24 406)
Tax burden shown in profit and losses	**(7 966 663)**	**(18 152 504)**
Effective tax rate	11,20%	20,41%

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 26.
DEFERRED TAX

Deferred tax is presented below:

Table no 45

DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2010	as at 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Deferred income tax provision						
- difference between tax and accounting depreciation and amortization	8 632 306	10 416 851	(1 784 545)	1 813 344	-	-
- future revenues	1 884 821	3 785 040	(1 900 219)	(2 077 824)	-	-
- unrealized interest income	153 417	104 239	49 178	51 340	-	-
- finance lease liabilities	575 970	949 343	(373 373)	188 553	-	-
- unrealized exchange gains	-	16 953	(16 953)	(5 781)	-	-
- deferred compensations	519 632	-	519 632	(35 671)	-	-
- difference between tax and accounting value of BATNA trademark	-	1 900 000	(1 900 000)	-	-	-
- other	8 239	7 622	617	7 139	-	-
Gross deferred income tax provision	**11 774 385**	**17 180 047**	**(5 405 662)**	**(58 900)**	**-**	**-**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 45

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2010	as at 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Deferred tax assets						
- change on accounting policy - regarding inventories	-	-	782 712	-	-	-
- deferred rebates	5 274 610	4 460 437	(814 173)	(1 034 744)	-	-
- allowance for inventories	1 538 959	2 210 934	671 975	133 152	-	-
- allowance for bad debts	1 994 147	1 582 968	(411 180)	(1 035 779)	-	-
- tax losses from prior years	-	1 424 132	1 424 132	559 868	-	-
- tax gain on sale of fixed assets	639 808	-	(639 808)	-	-	-
- unused holiday accrual	797 779	696 832	(100 947)	(25 255)	-	-
- bonuses accrual	316 498	1 839 884	1 523 386	(590 173)	-	-
- unpaid salaries and social benefits	9 940	75 247	65 307	758 968	-	-
- retirement provisions	-	90 695	90 695	(29 638)	-	-
- provision for agency depot commissions	12 350	22 457	10 107	124 674	-	-
- renting costs accrual	125 302	134 435	9 133	126 919	-	-
- accrual for advertising	891 018	1 249 252	358 234	(1 069 698)	-	-
- accrual for transport costs	139 956	81 970	(57 986)	34 452	-	-
- accrual for media	338 709	160 454	(178 256)	(97 339)	-	-
- accrual for advisory costs	104 309	173 089	68 780	23 283	-	-
- accrual for causes in court	-	-	-	228 000	-	-
- prepayments with Amrest	142 596	135 672	(6 925)	-	-	-
- unrealized exchange losses	-	56 222	56 222	(29 520)	-	-
- hedge valuation	-	1 016 880	1 016 880	-	-	-
- provision for discounts for clients - increase of sales	-	52 094	52 094	(14 466)	-	-
- accrual for postal and telecommunication costs	29 659	39 237	9 578	(12 174)	-	-
- accrual for interest from overdue payments	2 881 551	2 337 840	(543 711)	(1 351 558)	-	-
- unpaid liabilities interests	885 379	403 010	(482 369)	3 362	-	-
- unpaid loans interests	664 199	-	(664 199)	-	-	-
- other provisions and accruals	1 867 625	1 574 244	(291 644)	(66 977)	-	-
- contribution of trademarks to the limited partnership	19 063 986	-	(19 063 986)	-	-	-
Gross deferred tax assets	**37 718 381**	**19 817 984**	**(17 115 948)**	**(3 364 642)**	**-**	**-**
Deferred tax asset allowance	(19 063 986)	-	19 063 986	-	-	-
Deferred tax assets	**18 654 395**	**19 817 984**	**1 948 038**	**(3 364 642)**	**-**	**-**
Deferred tax	**-**	**-**	**(3 457 624)**	**(3 423 542)**	**-**	**-**
Net deferred income tax provision	**-**	**-**	**X**	**X**	**X**	**X**
Net deferred income tax assets	**6 880 010**	**2 637 937**	**X**	**X**	**X**	**X**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 27.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below:

Table no 46

OTHER LONG-TERM PREPAYMENTS AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Rents	135 648	-
Logistic project - Solving	-	196 417
Alcohol licences	1 609 068	168 430
IT licences	147 511	82 304
Other prepayments	604 872	34 748
Other long-term prepayments total	**2 497 099**	**481 900**

NOTE 28.
SALES IN THE REPORTING PERIOD

Sales are presented below:

Table no 47

SALE IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Sale of goods	4 793 554 436	4 503 089 566
Sale of services	206 634 643	127 972 586
Total sale	**5 000 189 079**	**4 631 062 152**

NOTE 29.
COSTS BY TYPE

Costs by type are presented below:

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 48

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Depretiation	47 810 408	42 744 318
Materials and energy	37 234 903	31 358 951
External services	182 197 136	163 968 773
Taxes and charges	12 550 115	9 571 478
Payroll	144 183 783	124 992 650
Social security and other benefits	28 417 000	24 067 984
Other costs by type	18 264 758	15 923 549
Costs by type	**470 658 102**	**412 627 702**
including:		
Costs of sold services	9 809 067	-
Selling expenses	335 474 807	296 579 405
General and administrative expenses	125 374 228	116 048 298

NOTE 30.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 49

OTHER OPERATING INCOME AND EXPENSES THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Other operating INCOME	**21 969 873**	**24 102 906**
Penalties for suppliers	5 519 007	4 547 106
Other sales	4 558 176	2 503 497
Sub-lease of premises	2 318 163	2 341 755
Compensation received	1 270 176	735 462
Revenus from transport services	609 641	827 760
Profit on sales of fixed assets	-	252 932
Reversal of provision for closed locations	-	1 200 000
Settlements with suppliers	-	1 260 368
Escrow	-	1 678 243
Time-barred debts	2 745 478	-
Reversal of allowance for bad debts	1 039 204	3 488 149
Reversal of allowance for inventories	-	1 888 674
Other operating revenues	3 910 028	3 378 959
Other operating expenses	**(30 239 863)**	**(31 313 992)**
Inventory shortages	(12 675 390)	(10 684 682)
Liquidation of damages and expired goods	(9 462 769)	(8 856 582)
Losses from sales fixed assets	(1 027 345)	(354 835)
Allowance for bad debts	-	(4 295 414)
Allowance for inventory	(1 384 626)	(1 352 697)
Settlements with suppliers	-	(2 344 709)
Causes in court	(2 269 985)	-
Other operating costs	(3 419 748)	(3 425 073)
Net other operating expenses	**(8 269 990)**	**(7 211 086)**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 31.
FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 50

FINANCIAL INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12 2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Financial income	**3 839 378**	**5 227 869**
Interest	3 733 656	3 751 228
Revenues from discounts	-	1 172 964
foreignj exchange gains	-	89 595
Other financial income	105 722	214 081
Financial costs	**(29 080 271)**	**(18 894 782)**
Interest	(27 899 309)	(16 753 560)
Foreign exchange losses	(142 476)	(57 925)
Other financial costs	(1 038 486)	(2 083 298)
Net financial expenses	**(25 240 893)**	**(13 666 914)**

Net foreign exchange gains (losses) are presented below:

Table no 51

NET FOREIGN EXCHANGE GAINS/LOSSES IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Financial INCOME	420 324	297 100
Financial costs	(562 800)	(265 430)
Total	**(142 476)**	**31 671**

NOTE 32.
EARNINGS PER SHARE

Earnings per share are presented below:

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 52

EARNINGS PER SHARE FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Earnings		
Net earnings of a given year for the purpose of calculating earnings per share for distribution among shareholders	63 149 188	70 788 587
Effect of dilution of ordinary shares:		
Interest on bonds convertible into shares (after tax)	-	-
Earnings disclosed for the needs of calculating diluted earnings per share	63 149 188	70 788 587
Number of issued shares		
Weighted average number of shares disclosed for the needs of calculating diluted earnings per share	136 276 586	135 203 460
Effect of dilution of a potential number of ordinary shares:		
Effect of share options exercised in 2009	-	(1 108 968)
Effect of share options exercised in 2010	(156 682)	(155 628)
Bonds convertible into shares	1 733 652	1 959 045
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	137 853 556	135 897 909
Earnings per share		
- basic	0,46	0,52
- diluted	0,46	0,52

Calculation of weighted average number of shares

Weighted average number of shares determined for the purpose of calculating value of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the reporting period less the weighted average number of treasury shares outstanding during the reporting period.

The weighted average number of shares for the purpose of calculating the value of basic earnings per share (135,694,760) was adjusted by the effects of each new shares issue for purposes of realization of shares option programmes during 2010 and during the period from 1 January 2011 to 31 March 2011 which were realized on non-arm's length basis.

Calculation of weighted average diluted number of shares

Weighted average number of shares determined for the purpose of calculating the value of diluted earnings per share includes the issued bonds convertible to shares and is calculated as the total of the weighted average number of ordinary shares plus the potential free of charge issue of ordinary shares .

Free of charge issue of ordinary shares means the difference between the number of ordinary shares which would be issued at the time of conversion of all diluting bonds convertible to ordinary shares, and the number of ordinary shares which would be issued at market value during the period.

The weighted average number of shares for the purpose of calculating diluted earnings per share was not adjusted for conversion of convertible bonds conducted during the periods following the date ending the reporting period on non-arm's length basis.

Description of factors diluting the number of shares

Earnings per share are diluted as a consequence of a realization of share option programmes described in Note 20.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 33.
BOOK VALUE PER SHARE

Book value per share is calculated as a relation of book value to the number of shares as at the end of the reporting period.

Table no 53

BOOK VALUE PER SHARE ON 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Book value	325 364 719	300 388 207
Number of shares	136 352 068	134 627 043
Diluted number of shares	138 831 318	138 633 818
Book value per share	2,39	2,23
Diluted book value per share	2,34	2,17

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 34.
RELATED PARTY DISCLOSURES

No significant non-arm's length transactions with subsidiaries were realized in 2010.

	In the company EUROCASH S.A.

Trade receivables

EUROCASH	
KDWT	13 200 020
EUROCASH FRANCZYZA	2 337 094
NASZE SKLEPY W LIKWIDACJI	2 473
PAYUP	119 513
EUROCASH S.A. SP. KOMANDYTOWA	976
AGIS	26 979
ASTOR	10 193
DAKO-GALANT	36 844
DAMIANEX	46 222
DELIKATES	64 856
MIRO	25 094
MTC	52 215
MULTI-EX	26 460
ONUFRY	10 414
PANTA-HURT	40 564
POLSKIE HURTOWNIE ALKOHOLI	38 086
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	122 378
PREMIUM DISTRIBUTORS	1 626 785
SAOL	14 599
RAZEM	**17 801 766**

Other receivables

EUROCASH	
PAYUP	9 472 618
RAZEM	**9 472 618**

Trade payables

EUROCASH	
KDWT	3 297 766
EUROCASH FRANCZYZA	3 096 315
NASZE SKLEPY W LIKWIDACJI	2 510
PAYUP	322 815
EUROCASH TRADE 1	99
EUROCASH TRADE 2	99
EUROCASH S.A. SP. KOMANDYTOWA	1 021 211
DAMIANEX	1 045
DELIKATES	827
MTC	1 083
MULTI-EX	1 955
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	8 767
PREMIUM DISTRIBUTORS	9 619
RAZEM	**7 764 113**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Other payables

EUROCASH	
EUROCASH S.A. SP. KOMANDYTOWA	43 905 856
AGIS	555 511
DAKO-GALANT	2 296 066
DELIKATES	4 967 869
MTC	1 065 407
MULTI-EX	1 704 482
PANTA-HURT	798 839
POLSKIE HURTOWNIE ALKOHOLI	1 105 094
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	591 901
PREMIUM DISTRIBUTORS	29 460 250
RAZEM	**86 451 275**

Sales of merchandise

EUROCASH	
KDWT	136 150 819
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	62 915
RAZEM	**136 213 734**

Sales of services

EUROCASH	
KDWT	6 364 860
EUROCASH FRANCZYZA	14 663 873
PAYUP	115 264
EUROCASH TRADE 1	3 045
EUROCASH TRADE 2	3 045
EUROCASH S.A. SP. KOMANDYTOWA	10 470
PREMIUM DISTRIBUTORS	613 500
RAZEM	**21 774 057**

Interest revenues

EUROCASH	
PAYUP	15 819
ASTOR	677
DAKO-GALANT	2 546
DELIKATES	61 507
MIRO	29 339
MULTI-EX	50 190
POLSKIE HURTOWNIE ALKOHOLI	6 766
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	18 354
SAOL	16 410
RAZEM	**201 606**

Costs of goods sold

EUROCASH	
KDWT	136 870 479
PAYUP	3 905 374
PREMIUM DISTRIBUTORS	7 885
RAZEM	**140 783 738**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Costs of services

EUROCASH	
KDWT	25 294 153
EUROCASH FRANCZYZA	19 669 714
EUROCASH S.A. SP. KOMANDYTOWA	9 809 067
DAMIANEX	3 867
DELIKATES	3 390
MTC	4 011
MULTI-EX	3 606
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	11 856
RAZEM	**54 799 664**

Interest costs

EUROCASH	
EUROCASH S.A. SP. KOMANDYTOWA	1 570 266
RAZEM	**1 570 266**

Other costs

EUROCASH	
KDWT	145 885
EUROCASH FRANCZYZA	75 117
NASZE SKLEPY W LIKWIDACJI	2 510
EUROCASH TRADE 1	99
EUROCASH TRADE 2	99
RAZEM	**223 710**

NOTE 35.
RENUMERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Table below presents values of total remuneration, bonuses, rewards and other benefits paid or payable to Members of the Management Board and the Supervisory Board during the period from 1 January 2010 to 31 December 2010.

There were no other transactions realized during the reporting period with Members of Management and Supervisory Boards.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 54

RENUMERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Basic salary	Other benefits	Management options	Total
Renumeration of Management Board members				
Luis Amaral	300 000	878 834	-	1 178 834
Rui Amaral	675 000	8 165	205 258	888 423
Arnaldo Guerreiro	690 000	14 267	164 572	868 839
Pedro Martinho	570 000	11 417	227 189	808 606
Katarzyna Kopaczewska	472 004	8 165	115 828	595 998
Ryszard Majer	355 920	132 113	69 755	557 788
Jacek Owczarek	730 800	14 267	56 187	801 254
	3 793 724	**1 067 227**	**838 790**	**5 699 741**
Renumeration of Supervisory Board members				
Joao Borges de Assuncao	102 886	-	-	102 886
Eduardo Aguinaga de Moraes	48 842	-	-	48 842
Ryszard Wojnowski	49 385	-	-	49 385
Janusz Lisowski	49 385	-	-	49 385
Antonio Jose Santos Silva Casanova	49 385	-	-	49 385
	299 882	**-**	**-**	**299 882**

NOTE 36.
EMPLOYMENT

Number of employees as at 31.12.2010 is presented below:

Table no 55

HEADCOUNT AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
Number of employees	3 721	3 538
Number of full-time jobs	3 643	3 490

Employment structure as at 31.12.2010 is presented below:

Table no 56

STRUCTURE OF EMPLOYMENT AS AT 31 DECEMBER 2010

	Depots and distribution centres	Head office	Total
Number of employees	3 087	634	**3 721**
Number of full-time jobs	3 016	627	**3 643**

Employee turnover as at 31.12.2010 is presented below:

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 57

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Number of employees hired	1 532	1 259
Number of employees dismissed	(1 349)	(1 117)
	183	**142**

NOTE 37. CONTINGENCIES

As at 31 December 2010, the value of securities granted to other parties in the form of sureties of loans and bank guarantees amounted to PLN 5.750.000.

Moreover, the value of bank guarantees issued for Company amounted to PLN 15.506.140 PLN. Detailed specification is presented below:

Table no 58

CONTINGENCIES AS AT 31.12.2010

	Benefidary	Title	Currency	as at 31.12.2010	as at 31.12.2009
1.	ING	surety of the bank guarantee for Advertiva	PLN	-	207 869
2.	Millennium S.A.	surety of the bank guarantee for PTK Centertel S.A. for PayUp liabilities	PLN	1 500 000	1 500 000
3.	Millennium S.A.	surety of the bank guarantee for Polkomtel S.A. for PayUp liabilities	PLN	2 250 000	2 250 000
4.	Millennium S.A.	surety of the bank guarantee for Polkomtel S.A. for PayUp liabilities	PLN	1 500 000	-
5.	Svenskahandelsbanken AB S.A. Oddział w Polsce	surety of the bank guarantee for Group companies	PLN	500 000	46 665 000
6.	ING	surety of the bank guarantee for Group companies	PLN	-	28 000 000
				5 750 000	**78 622 869**

Table no 59

OTHER BANK GUARANTEES AS AT 31.12.2010

No	Wystawca gwarancji	Title	Currency	as at 31.12.2010	as at 31.12.2009
1.	HSBC	Security for rent liabilities	PLN*	77 226	4 427 889
2.	ING	Security for rent liabilities	PLN	15 428 914	2 869 700
				15 506 140	**7 297 589**

* Converted at an average rate of NBP as at:
31.12.2009: 1 EUR = 4,1082 PLN,
31.12.2010: 1 EUR = 3,9603 PLN.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 38.
COLLATERALS

As at 31.12.2010 the value of collaterals on the Company's assets amounted to PLN 380.035.102. A detailed specification is summarized below:

Table no 60
SECURITIES ON ASSETS AS AT 31 DECEMBER 2010

Title	Secured property	Amount secure in PLN
Security for repayment of bank loan	Deposit on shares in companies from Premium Distributors Group	343 483 944
ING quarantee for payments to suppliers	Deposit on inventories	5 000 000
Finanse lease agreemets	Deposit on fixed assets in financial leasing	31 551 158
Total securings		**380 035 102**

NOTE 39.
FINANCIAL RISK MANAGEMENT

a. General information

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Management Board of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Management Board on its activities.

The Risk Management Committee is established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Internal Audit Department operating in the Company oversees how management monitors compliance with the Company's risk management policies and procedures. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

b. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.
Maximum Company's exposure to credit risks is presented in the table below.

Table no 61
CREDIT RISK EXPOSURE

in PLN thousand	as at 31.12.2010	as at 31.12.2009
Accounts receivable and loans	325 884	370 021
Cash and cash equivalents	187 259	149 655
	513 143	**519 676**

Trade receivables and other receivables

Due to the fact that Company's customers are highly distributed and scattered, there is no concentration of credit risks.
The Company's credit risk regarding receivables varies depending on the particular group of clients cooperating with the Company, as follows:
- sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk;
- sales of marketing services to suppliers (promotions, newsletters, advertising brochures) are exposed to minor credit risks due to compensations of receivables related to sales of marketing services with payables to suppliers;
- credit sales of impulse goods by the subsidiary "KDWT S.A." - a higher percentage of overdue receivables occurs in this category; however, the related credit risk is assessed as moderate;
- credit sales by the subsidiary "McLane Polska Sp. z o.o." - a higher percentage of overdue receivables occurs in this category; however, the related credit risk is assessed as moderate.

The Company monitors the amount of overdue receivables on an ongoing basis and in justified cases initiates legal proceedings and raises an allowance for bad debts.

The tables below present the aging structure of trade receivables and bad debts allowances:

Table no 62
AGEING OF TRADE RECEIVABLES AS AT 31 DECEMBER 2010

	Trade receivables gross value as at 31.12.2010	Bad debts allowance as at 31.12.2010	Trade receivables gross value as at 31.12.2009	Bad debts allowance as at 31.12.2009
current	256 454 494	-	241 717 149	-
0-30 days	23 727 480	-	45 810 016	-
31-90 days	11 792 623	-	15 988 105	-
91-180 days	4 312 823	-	5 211 507	2 975 490
> 180 days	6 539 361	4 948 041	8 166 483	7 931 364
	302 826 782	**4 948 041**	**316 893 261**	**10 906 854**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 63

BAD DEBTS ALLOWANCE AS AT 31 DECEMBER 2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Balance as at beginning of the period	10 906 854	11 432 720
Increases	-	3 019 844
Decreases	(5 958 813)	(3 545 710)
Balance upon changes	**4 948 041**	**10 906 854**

Investments

Cash and cash equivalents are deposited in financial institutions with high credit ratings and the Company does not expect any counterparties to fail to meet their obligations.

Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries and for regular key customers. As at 31 December 2010 no receivables related to guarantees granted were recognized.

.

c. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity management is focused on detailed analysis, planning and acting in the following three areas:

- investments in fixed assets,
- working capital.
- net financial debt.

The Company's sales is realized mainly in cash. Moreover, the Company has a negative balance of overdraft facility and guarantee up to PLN 240m, which can be used to meet its short-term financial requirements.
Regular risk management, the Company's position on the market and its financial standing may be a basis for a conclusion that the liquidity risk is minimized.

Carrying amounts by agreed due dates are presented in the following tables (excluding any compensation agreements of mutual receivables and payables):

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 64

AS AT 31 DECEMBER 2010

	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	28 519 737	5 998 639	21 040 866	1 480 232
Trade and other liabilities	885 313 760	884 913 760	400 000	-
Liabilities due to financing of franchisees	31 243 023	31 243 023	-	-
Bank overdrafts	398 378 271	98 484 256	299 894 015	-
	1 343 454 792	**1 020 639 679**	**321 334 881**	**1 480 232**

Table no 64 a

AS AT 31 DECEMBER 2009

	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	29 604 050	7 183 438	15 676 406	6 744 206
Trade and other liabilities	853 151 696	852 751 696	400 000	-
Liabilities due to financing of franchisees	30 060 334	30 060 334	-	-
Bank overdrafts	-	-	-	-
	912 816 080	**889 995 468**	**16 076 406**	**6 744 206**

d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk does not affect significantly business activities of the Company as the majority of the Company's settlements are made in the local currency. In order to manage the currency risk, regarding significant transactions in foreign currency, the Company buys and sells derivatives. The Company is focused on application of hedge accounting that would minimize the effect of profit and loss variability for the period.

Interest rate risk

Interest rate risk does not affect significantly the Company's business activities.

The following table presents the Company's exposure (maximum exposure) to the risk of interest rate changes by presenting variable and fixed rate financial instruments:

Table no 65

FLOATING AND FIXED INTEREST RATE INSTRUMENTS

in PLN thousand	Present value 31.12.2010	Present value 31.12.2009
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	28 520	29 604
Floating interest rate instrument		
Financial assets	211 217	213 690
Financial liabilities	497 830	48 606

The Company has analyzed the variable-interest instruments' sensitivity to changes of market interest rates. The table below presents the impact of increase and decrease of the interest rate by 100 bp on the net profit/loss and on equity less net profit/loss. This analysis was performed based on the assumption that all other variables, such as currency exchange rates, remain unchanged. The analysis was performed for the current and for the previous year.

Table no 66

FINANCIAL INSTRUMENTS' SENSITIVITY ANALYSIS

	Income statement		Equity	
in PLN thousand	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2010	(2 866)	2 866	-	-
31 December 2009	1 651	(1 651)	-	-

e. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company’s operations.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Management Board of the Company. This responsibility is supported by the development of overall Company’s standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions,
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action,

- development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

f. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company monitors changes in the structure of shareholders, the return on capital and the level of dividends to ordinary shareholders.

It is the objective of the Company to achieve such value of return on equity that would satisfy the shareholders and guarantee yearly payment of dividend.

In 2009 the Company launched a process of purchasing its shares on the market under the Share Buy-back Plan approved by the General Meeting of Eurocash S.A. on 25 May 2009. Treasury shares will be used for issuing shares under the Company's share options programmes.

There were no changes in the Company's approach to capital management during the year.

g. Fair value

The following table presents fair values versus carrying amounts:

Table no 67

FAIR VALUES

in PLN thousand	Net book value 31.12.2010	Fair value 31.12.2010	Net book value 31.12.2009	Fair value 31.12.2009
Assets	**513 143**	**513 143**	**519 676**	**519 676**
Trade and other receivables	316 636	316 636	331 361	331 361
Short-term financial assets	-	-	38 660	38 660
Other financial assets	9 248	9 248	-	-
Cash and cash equivalents	187 259	187 259	149 655	149 655
Liabilities	**1 343 455**	**1 343 455**	**912 816**	**912 816**
Credits	398 378	398 378	-	-
Financial lease liabilities	28 520	28 520	29 604	29 604
Liabilities due to financing of franchisees	31 243	31 243	30 060	30 060
Trade and other liabilities	885 314	885 314	853 152	853 152
	(830 311)	**(830 311)**	**(393 140)**	**(393 140)**

Fair value calculation

The following methods of valuation were used in calculation of the fair values of the financial instruments presented in the table.

Interest-bearing loans and credits

Fair values of interest-bearing loans and credits are calculated based on the present value of future principal and interest cash flows.

Finance lease

Fair value is calculated based on the present value of future cash flows, discounted at the market rate of interest that is determined by reference to similar lease agreements. Fluctuations in interest rates are included in the fair value calculation.

Trade and other receivables and payables

Nominal values of receivables and payables due within less than a year are assumed to be their fair values. Receivables and payables due within longer periods are discounted for the purpose of fair value calculation.

Cash and cash equivalents

Fair value of cash is similar to its carrying value due to the short-term character of these assets.

NOTE 40.
SUBSEQUENT EVENTS

1. Share acquisition of the company Pol Cater Holding Sp. z o.o.

On 27 January 2011 the Office for Competition and Consumer Protection agreed to concentration consisting of the acquisition by Eurocash S.A. control of Pol Cater Holding Sp. z o.o.
On 01 March 2011 concluded a contract of purchase of shares in Pol Cater Holding Sp. z o.o., based on which Eurocash S.A. acquired 100% shares.

2. The resolution to increase share capital

On 5 February 2011 Management Board of Eurocash S.A. has been taken decision to increase the share capital through the issuance of 21.262.820 shares number K in nominal value of 1 zł each ("Shares Series K).

All amounts are expressed in Polish zloty (unless indicated otherwise)

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	08th April 2011	
Management Board Member Chief Executive Officer	Rui Amaral	08th April 2011	
Management Board Member	Arnaldo Guerreiro	08th April 2011	
Management Board Member	Pedro Martinho	08th April 2011	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	08th April 2011	
Management Board Member Administration and Non-Commercial Purchasing Director	Ryszard Majer	08th April 2011	
Management Board Member Financial Director	Jacek Owczarek	08th April 2011	

EUROCASH S.A.

REPORT OF THE MANAGEMENT BOARD
FOR THE PERIOD FROM 1st JANUARY 2010 TO 31st DECEMBER 2010

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the report of the above-mentioned Polish Company. In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

KOMORNIKI, 8th April 2011

CONTENTS

1. Summary of Eurocash S.A. activities in 2010

2010 was a record year for Eurocash – leading group in FMCG wholesale distribution in Poland. Sales of Eurocash S.A. ("Eurocash", "Company") in 2010 reached PLN 5.00 billion, EBITDA amounted to PLN 144,17 million and net profit to PLN 63,15 million.

Eurocash has been particularly active in consolidation of the FMCG market in Poland – to the group joined Premium Distributors (2 August 2010), and Eurocash signed agreement to acquire Tradis distribution group from Emperia Holding S.A. and agreement to acquire Polcater sp. z o.o., which was realized on March 1, 2011.

Table 1 Eurocash S.A.: Summary of 2010 financial results

PLN million	**2010**	**2009**	**Change 2010/ 2009**
Revenues	5 000,19	4 631,06	7,97%
EBITDA *(EBITDA %)*	144,17 2,88%	145,35 3,14%	-0,82% -0,26 p.p.
EBIT *(EBIT %)*	96,36 1,93%	102,61 2,22%	-6,09% -0,29 p.p.
Net profit from continued operations *(Net profit %)*	63,15 1,26%	70,79 1,53%	-10,79% -0,27 p.p.

The strong sales growth of Eurocash S.A. in 2010 comparing with 2009 was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of merger with its subsidiaries: Batna sp. z o.o. and Eurocash Dystrybucja sp. z o.o.

2. Eurocash S.A. business overview

2.1. Market environment

Macroeconomic situation

Due to the fact that the Eurocash does business in Poland, the macroeconomic environment of the local economy had a significant effect in the past and will have a significant effect on the future financial results and development of the Eurocash.

The economic development rate, household income level, and other macroeconomic factors have a significant effect on the spending level of the population and the domestic demand growth rate, and likewise also indirectly affect the sales revenues of Eurocash.

The table below contains key macroeconomic data regarding the Polish economy in the indicated periods.

	2010	2009	2008
Real GDP growth *(in %)*	3.8*	1.7*	5.1
Consumer price index growth *(in %)*	2.6	3.5	4.2
Registered unemployment** *(in %)*	12.3	12.1	9.5

Source: The Central Statistical Office

** Preliminary data.*
*** As at the end of the year.*

According to initial estimates, the economic growth in Poland, measured in terms of real GDP growth, amounted to 3.8% in 2010, compared with 1.7% in 2009. In 2010, the most rapidly developing sector of the economy was industry, the value added in this sector increased by 9.2% year to year compared with a decrease by 0.3% in 2009. For comparison, in 2010, the construction sector recorded growth of 3.8% and the services sector grew by 1.5% (growth was mainly in the areas of transportation and trade). Increasing national demand, which increased by 3.9%, was the main factor in the improvement of the Polish GDP growth rate in the previous year. As a result of the global economic slowdown caused by the significant worsening of the situation on the world financial markets in the second half of 2008, the economic growth rate in Poland continued a decrease from 5.1% in 2008 to 1.7% in 2009. Despite this, Poland was the only EU Member State that had economic growth throughout 2009.

Consumer prices increased in 2010 by 2.6% in relation to the previous period, compared with an increase of 3.5% in 2009. According to the Central Statistical Office, the main areas of growth were prices in regard to transportation services, alcoholic beverages and tobacco products, residential products and services, restaurants and hotels, health, and food products and non-alcoholic beverages.

As at the end of December 2010, the registered unemployment rate increased insignificantly to 12.3% compared with 12.1% at the end of 2009, despite a small increase in employment in the business sector.

Polish FMCG market

General information

The FMCG market includes food products, non-alcoholic beverages, alcoholic beverages, tobacco products, as well as household chemicals and cosmetics.

According to data from the Central Statistical Office, the value of FMCG products in Poland was PLN 214.1 billion in 2008.

Wholesale distribution of FMCG products market

According to the estimates of the Central Statistical Office, the value of the wholesale market covering food products, non-alcoholic beverages, and alcoholic beverages amounted in 2008 to PLN 138.4 billion, including food products and non-alcoholic beverages in the amount of PLN 102.9 billion and alcoholic beverages in the amount of PLN 35.5 billion. The wholesale distribution of FMCG products market is primarily aimed at small grocery stores, kiosks, petrol stations, and food establishments.

The market is still dominated by the classic form of business (sales with delivery, trade credit). Some cash & carry type warehouses also offer services characteristic of the traditional wholesale distribution model, i.e. deferred payment dates and the delivery of goods. Both specialised warehouses, whose offer covers a specific range of products, as well as warehouses offering a whole range of FMCG products operate on the wholesale sales of FMCG products market. The average number of product items in specialised warehouses is approximately 500 stock keeping units, while in warehouses with a wider range of products, the number of stock keeping units varies from 2000 to 5000. The high homogeneity of the clients means that neither the range of the products offered nor the sales format are factors which would limit the degree of competition between the FMCG warehouses operating on the market.

Entities with the strongest market positions are Makro Cash and Carry Polska S.A., Emperia Holding S.A. Group, Selgros Sp. z o.o., Sobieski Sp. z o.o., Lekkerland Polska S.A., PHP Polski Tytoń S.A., Kolporter Service S.A., and PPHU Specjał Sp. z o.o.

Retail distribution of FMCG products market

According to the estimates of the Central Statistical Office, the value of retails sales in Poland was PLN 565 billion in 2008. The retail sales of groceries and non-alcoholic beverages amounted to PLN 161.8 billion in 2008 (an increase of 7% compared with 2007). The sales of alcoholic beverages and tobacco products amounted to PLN 52.3 billion (an increase of 7.7% compared with 2007), and the sale of non-food products amounted to PLN 350.1 billion (an increase of 11% compared with 2007). The largest share in 2008 retail sales belonged to non-food consumer goods (43%) and groceries and non-alcoholic beverages (25.9%). These were followed by non-consumables (19.1%), alcoholic beverages and tobacco (8.4%), and own products in food establishments (3.6%).

The primary FMCG product distribution channels are retail sales locations (stores) and food establishments. According to the data of the Central Statistical Office, nearly 386 thousand stores and 81 thousand food establishments were operating in Poland as at the end of 2008. A characteristic feature of domestic retail sales is the large share of stores with a sales area of up to 99 m^2. These stores constitute 92.4% of the total number of stores.

Depending on the organisational form and sales area, in regard to stores, the following distribution channels can be distinguished: (i) a modern distribution channel (covering hypermarkets, supermarkets, and discount stores), and (ii) a traditional channel covering retail locations with a sales area of up to 300 m^2, often in the form of family owned and operated companies.

Competition on the Polish FMCG products market

Warehouses operating on the FMCG product distribution market compete first and foremost in regard to supplying traditional grocery stores (up to 300 m^2), specialised grocery stores (meat stores, bakeries, confectionaries, fruit and vegetable stores, alcohol stores, fish stores) and so called alternative channels covering kiosks, petrol station stores, and hotels, restaurants, and catering.

In the last decade, the gradual equalisation of the market share of both sales channels for the retail sale of FMCG products, i.e. the modern and traditional channels, could be observed. In 1998, entities that were part of the traditional channel had a significant advantage on the market (an 84% share). Currently, this advantage is insignificant amounting to just a few percent, however, there is no evidence that the role of traditional retail trade will continue to significantly decrease. This is supported by both external conditions (the demographic structure) as well as internal conditions (mainly consisting of the appearance of consolidation and modernisation mechanisms providing the ability to effectively compete with large format locations). One of the signs of this trend is the association of stores with areas of up to 300 m2 in franchise networks, both traditional in nature (being de facto a form of loyalty programmes), as well as modern in nature (strongly binding retailers with their supplier). It is estimated that approximately 20% of traditional channel stores are concentrated in franchise networks. At the same time, the traditional channel is subject to rather large numerical changes, especially among the smallest stores with an area of up to 40 m2.

Trends on the Polish FMCG products market

On the wholesale distribution of FMCG products market in Poland, a systematic increase in the role and meaning of large warehouses (with more than 49 employees) can be observed. Compared with 2007, in 2008 the sale of groceries and non-alcoholic beverages increased in them by 14.2%, while in all locations the sale of groceries and non-alcoholic beverages increased by 4.3%.

Starting in 1995, the progressive, initially very rapid in light of the number of competing businesses, consolidation of the wholesale distribution of FMCG products market has been observed. The last decade brought the reduction of the number of wholesale businesses engaged in the sale of FMCG products down to 4,000 entities operating in 2009 (compared with 6,000 in 2003 and 5,000 in 2005).

The Company expects that the next several years can bring further market consolidation (both wholesale and retail) resulting in the further reduction of the number of competing entities.

2.2. Eurocash S.A. - overview

Eurocash S.A. is the parent company of one of the largest groups in Poland in terms of the value of sales and the number of locations engaged in the distribution of food products, household chemicals, alcohol, and tobacco products (fast moving consumer goods - FMCG). Through Eurocash S.A. focuses its business on the wholesale distribution of products to clients from all significant segments of the traditional wholesale market, in particular, to traditional retail stores throughout Poland and to the petrol station segment, as well as to restaurants and hotels.

In its business activity, Eurocash Group uses a range of distribution formats, which first and foremost include:

- **Cash & Carry** – a national network of discount Cash & Carry type warehouses under the "Eurocash Cash & Carry" brand, as part of which the loyalty programme for the "abc" network of stores operates;

- **Delikatesy Centrum** – a franchise system for retail stores operating under the brands "Delikatesy Centrum" and System Franczyzowy IGA;

- **KDWT** – active distribution of tobacco products and fast moving consumer goods through KDWT;

- **Eurocash Dystrybucja** – supplying restaurant chains, hotels, and petrol stations as part of Eurocash Dystrybucja and Eurocash Gastronomia, and

- **Premium Distributors –** wholesale and retail distribution of alcoholic beverages through Premium Distributors companies throughout Poland.

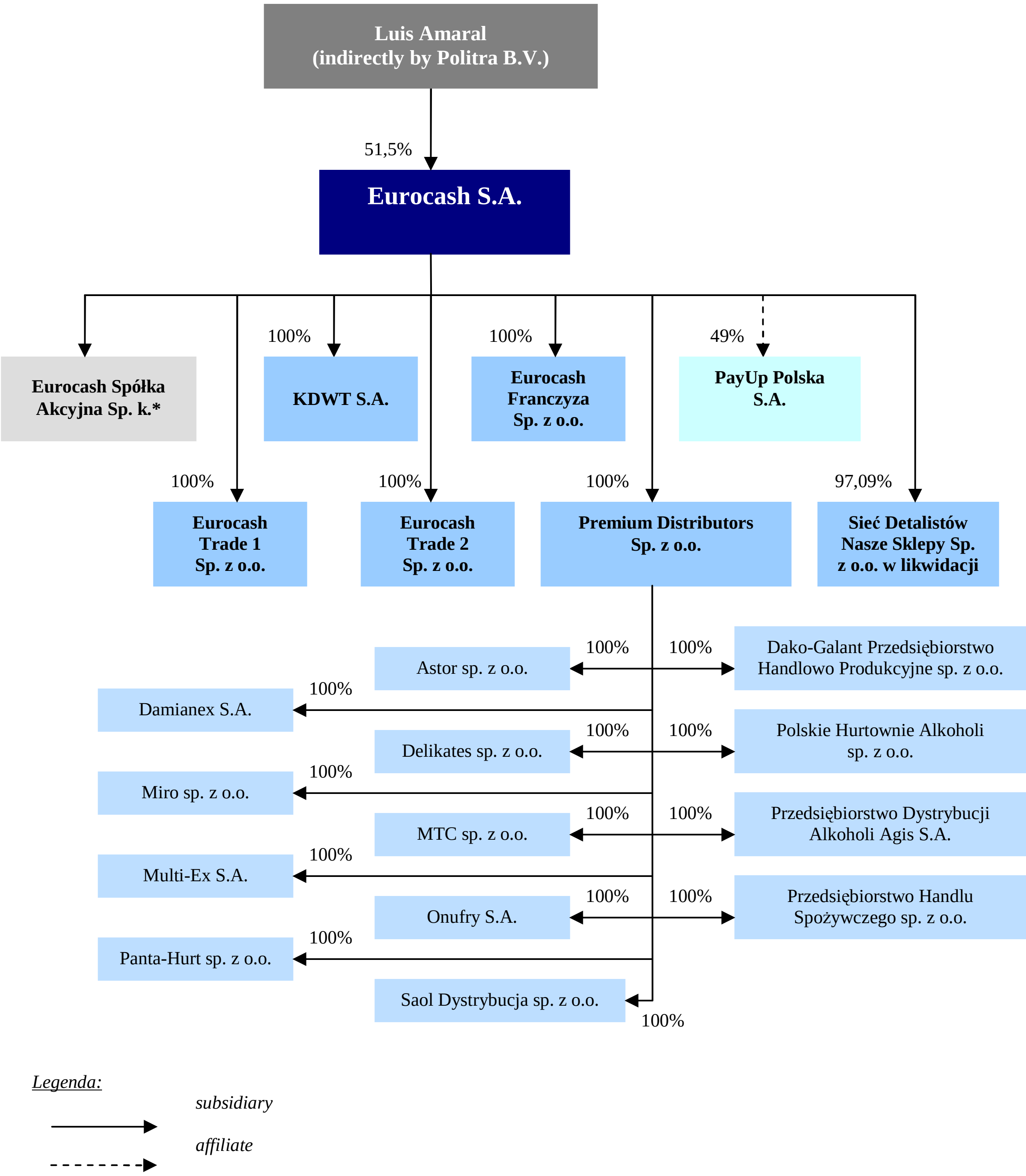
Aside from the core business activity indicated above, Eurocash S.A. also distributes electronic financial services though a network of approximately 4,200 (as at 31 December 2010) terminals located in stores nationwide through PayUp, which offers, among others, the ability the balance on mobile phones, pay bills, and accept payment cards. The business of Eurocash S.A. is focused on the territory of Poland.

In addition, in relation to the takeover on 2 August 2010 of Premium Distributors, Eurocash S.A. became the leading, in terms of sales, distributor of alcoholic beverages in Poland, offering a wide range of alcoholic products covering over 700 brands.

The sales revenues of Eurocash in 2010 amounted to PLN 7,791.8 million, EBITDA was PLN 230.7 million, and net profit was PLN 128.4 million. On the other hand, in 2009 for the financial year ended 31 December 2009, Eurocash generated sales revenues of PLN 6,698.3 million, EBITDA in the amount of PLN 194.5 million, and net profit in the amount of PLN 102.5 million.

2.3. Capital and organizational relations in Eurocash S.A.

The graph below presents the structure of the Eurocash S.A. and its afiliated companies as of December 31, 2010:



* *Eurocash is general partner, KDWT and Eurocash Franczyza arelimited partners*

Main shareholder of Eurocash is Luis Amaral (directly and indirectly through Politra B.V.) holding 51,5% of shares as at 31.12.2010. Luis Amaral serves as President the Management Board.

Detailed information regarding the Eurocash S.A. organisational structure with emphasis on the full list of entities included in the consolidation process can be found in the paragraph 1.7 in the additional information to the consolidated financial statements for the year ended 31.12.2010.

2.4. Sales structure

In the sale structure of the Eurocash S.A. basic groceries (food and drinks – both alcoholic and non-alcoholic) hold predominant position. In 2010 the share of these products accounted for app. 83,5% of the total Group sales figure. Considering the significance, second position belongs to tobacco and pre-paid cards and top-ups with a share of 4,2%. Other non-food products (personal and home-care, OTC drugs, pre-paid cards for mobile phones, etc.) accounted for 12,3%.

The table below present sales breakdown by key groups of products offered by the Eurocash S.A..

Table 2 Sales structure of the Eurocash S.A. in 2010

	2010
Food and drinks	83,5%
Tobacco and mobile phone pre-paid cards and top-ups	4,2%
Other	12,3%
Przychody ze sprzedaży razem**	**100,0%**

Source: Eurocash

2.5. Customers

Eurocash offers its clients a range of the forms of cooperation through specific distribution formats as part of:

The traditional wholesale segment

- for small and medium retail stores, looking to be supplied with FMCG products while ensuring an appropriate level of profitability near their place of business without the need to ensure product deliveries – Cash & Carry warehouses and the loyalty programme of stores that are part of the “abc” network;
- for retail stores looking for the comprehensive delivery of products - the Delikatesy Centrum franchise network;

The active distribution segment

- for clients looking for specialised deliveries of specific product categories:
  - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through KDWT,
  - alcoholic beverages – the distribution of alcoholic beverages through Premium Distributors; and
  - restaurant chains, hotel chains, and petrol station chains looking for the comprehensive delivery of specific products, as well as high service quality – distribution as part of Eurocash Dystrybucja.

As at 31 December 2010, the wholesale trade network of Eurocash S.A. covered 126 Cash & Carry Warehouses and 3 Batna warehouses, the Delikatesy Centrum network had 561 supermarkets, Franchise System IGA had 160 supermarkets, while the “abc” network covered 3,990 local grocery stores. In addition, as part of the distribution operations of Eurocash Dystrybucja, the Group delivered tobacco products and fast moving consumer goods in the petrol station and restaurant chain segment to approximately 1,237 delivery locations (operating data as at 31 December 2010).

Information regarding the number of Cash & Carry Warehouses, Delikatesy Centrum stores, and “abc” store network stores as at the indicated dates is presented in the table below.

	As at 31 December				2010/2009 change	2009/2008 change	2008/2007 change
	2010	2009	2008	2007			
Cash & Carry Warehouses	126/129*	117/120*	111	102	9/12*	6/9*	9
Delikatesy Centrum	561	466	376	295	95	90	81
“abc” store network	3,990	3,424	2,836	2,494	566	588	342

Source: the Company

**The number also takes into account 3 cash & carry warehouses of Batna acquired by Eurocash in relation to the takeover of Batna in November 2009*

In light of the high dispersion of sales, none of the recipients of Eurocash S.A. companies generates 10% of the value of the total sales revenues of Eurocash S.A..

2.6. Suppliers

Due to the range of products offered by Eurocash S.A. and the geographically diverse sales, Eurocash of the main suppliers of Eurocash is very large and as at 31 December 2010 covered more than 500 entities.
The brand name product suppliers to which the leading producers and importers of FMCG products belong, including of tobacco products and alcoholic beverages, are chosen mainly based on their market shares, the meaning of the given brand, as well as the coverage of individual product segments and regional variability. The main suppliers of Eurocash S.A. include alcoholic beverage producers which mainly include Kompania Piwowarska and Grupa Żywiec.

Because of a huge dispersal, there are no suppliers with more than 10% share of total purchases figure of the Company.

3. Eurocash S.A. development perspectives

3.1. Eurocash S.A. development strategy

The primary goal of Eurocash and Eurocash Group is to become the leading distributor of food products in Poland and to offer added value to Eurocash's clients as well as to increase the value of Eurocash for its shareholders. The strategy of Eurocash and Eurocash Group is directed toward and follows the client, to whom Eurocash Group offers a range of the forms of cooperation through specific distribution formats:

- for small and medium retail stores, looking to be supplied with FMCG products while ensuring an appropriate level of profitability near their place of business without the need to ensure product deliveries – Cash & Carry stores and the loyalty programme of stores that are part of the “abc” network;
- for retail stores looking for the comprehensive delivery of products - the Delikatesy Centrum franchise network;
- for clients looking for specialised deliveries of specific product categories:
    - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through KDWT,
    - alcoholic beverages – the distribution of alcoholic beverages through Premium Distributors;
    - restaurant chains, hotel chains, and petrol station chains looking for the comprehensive delivery of specific products, as well as high service quality – distribution as part of Eurocash Dystrybucja.

The expansion of Eurocash's business activity took place in response to the needs of clients operating on the traditional retail trade market for the purpose of reaching a new category of clients or to expand cooperation with current clients. The expansion of Eurocash's business was accompanied by an expansion of the client base as well as the offering of new forms of cooperation, which took place through the takeovers of entities operating in distribution formats, in which Eurocash did not do business or did business on a limited scale. Transactions regarding the acquisitions of other entities allow for obtaining an effect of scale relatively quickly, which translates into the ability to offer Eurocash's clients (independent retail trade) better conditions for the purchase of goods, which should also help improve the competitiveness and market position of Eurocash. Eurocash intends to continue the consolidation of the food product distribution market in Poland through the takeovers of other entities, confirmation of which is the acquisition of Premium Distributors in August of 2010.
The strategic goals of Eurocash S.A. are:

- satisfying the needs of Eurocash's clients in the area of all important product groups through a range of distribution formats and forms of cooperation as well as by ensuring clients receive the expected service quality;
- creating a permanent competitive advantage of Eurocash through the effect of scale contained in the wholesale business activities of a large format group of business units; as well as
- further integrating the operating systems and the systematic optimisation of costs.

In response to the progressive process of consolidation on the food product distribution market in Poland, including on the wholesale distribution of FMCG products market in Poland, the strategy of Eurocash S.A. also assumes further organic growth in every distribution format as well as the continuation of the takeovers of other wholesalers and franchise networks.

3.2. Factors significant for the development of the Eurocash S.A.

3.2.1. External Factors

Growth in the FMCG market and its structure.

Eurocash expects further growth of modern distribution channels; its unfavourable impact on company's income will be compensated by growth of the FMCG market in absolute terms and consolidation in the traditional wholesale market.

Inflation.

Unexpected substantial changes in prices of food, bevarages, alcohol and other FMCG products, as well as fuel prices affecting logistic expenses may influence Eurocash's profit and loss.

Labour costs.

Potential pressure on labour costs could in medium-term perspective negatively influence Eurocash's profit and loss. However, potential of growing wages and salaries impacts the whole Polish market. As Eurocash sales are realised in Poland, its competitive position should remain unchanged due to this factor.

3.2.2. Internal Factors

New business formats

Development of new formats of wholesale distribution or new formats of retail stores franchise chains, in order to give a full offer to our clients and on the same time to achieve economies of scale.

Organic expansion

Management of Eurocash S.A. expects, that during 2011:

- number of Eurocash Cash&Carry stores will increase by app. 6 stores, but the final number of new openings will depend from integration process with Tradis
- number of Delikatesy Centrum franchise stores will increase by app. 100 stores,
- in the active distribution format – the actions of KDWT to achieve the growth of sales of impulse products (gro

Acquisitions

- Preliminary agreement acquisition the company Pol Cater Holding Sp. z o.o.
  On 28 July 2010 Eurocash S.A. and Dansk A/S concluded a preliminary agreement obligating the conclusion, to 30 June 2011, an agreement of the sale of 100% of the shares in company Pol Cater Sp. z o.o. On 27 January 2011 the Office for Competition and Consumer Protection agreed to concentration consisting of the acquisition by Eurocash S.A. control of Pol Cater Holding Sp. z o.o.

- Investment agreement with Emperia Holding S.A. to acquire its Distribution Companies
  On 21 December 2010 Eurocash and Emperia entered into an Investment Agreement, on the basis of which, Eurocash and Emperia undertook to execute the transaction, in which Emperia shall sell, for the benefit of Eurocash, shares held by it, directly or indirectly, in the companies active in wholesale distribution of FMCG, as well as organizing franchise chains for retail stores.

  In the opinion of the Management Board of Eurocash achievement of the full synergy effects resulting from these transactions will be possible within 3 years following take-over of control.

3.3. Major risks and threats related to the operational activities

Financial risks have been described In Note 39 to the consolidated financial statements for 2010, constituting a part of the Eurocash S.A. annual report for 2010. Below we present other significant risk factors related to the operations of Eurocash S.A..

3.3.1. External Factors

Macroeconomic situation. Purchasing power of the population

Economic slowdown, drop of the purchasing power and decrease in household expenditures for consumption may have a negative impact on the sales volume of the Eurocash.

The structure of the FMCG retail distribution market in Poland

In 2010 the prevailing form of FMCG retail distribution was a traditional distribution channel with approx. 50% share. Such high share (as compared to other European countries) results from a low concentration of population in the area of the country and bad housing conditions, stimulating more frequent purchases. This situation is advantageous for the Eurocash for which small and mid-sized shops located off large agglomerations are the most relevant group of customers. A growth in the share of modern distribution will reduce the potential market of the Eurocash business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates of the Eurocash, there is approx. 4,000 entities operating on the wholesale FMCG distribution market. Market consolidation, appearance of new strong entities could have a negative impact on the level of margins.

3.3.2. Internal Factors

IT systems

An efficient, uniform IT system allows for centralised and effective management of business processes, allowing for an exact analysis of profitability of particular products and particular discount stores, which guarantees high safety of the conducted business. Possible disturbances in the system operation would be a threat for the business of Eurocash.

New investments

Eurocash wants to be an active participant in the process of market consolidation by taking over FMCG wholesalers. Taking over other enterprises, Eurocash bears numerous material risks connected among others with integration, realisation of the assumed synergies or wrong assessment of the market potential.

Suppliers

Due to the range of products offered by Eurocash S.A. and the geographically diverse sales, the group of the main suppliers of Eurocash is very large and as at 31 December 2010 covered more than 500 entities.
The brand name product suppliers to which the leading producers and importers of FMCG products belong, including of tobacco products and alcoholic beverages, are chosen mainly based on their market shares, the meaning of the given brand, as well as the coverage of individual product segments and regional variability.
Due the nature of the FMCG product market, competition on this market, the business activity of Eurocash is not dependent on tobacco product suppliers, therefore the risk, that termination or an unfavourable change of the terms of the agreements for distribution of might have a significant adverse affect Eurocash business and financial results is limited.

3.4. Explanations regarding seasonality

In FMCG wholesale sales are traditionally lower in 1Q, then sales peak during summer period and stabilise in the 4Q.

4. Management discussion of the financial results of the Eurocash S.A. for 2010

4.1. Eurocash S.A.: Key financial and operational highlights

Sales of Eurocash in 2010 reached PLN 5.00 billion, EBITDA amounted to PLN 144,17 million and net profit to PLN 63,15 million. Eurocash S.A. has been particularly active in consolidation of the FMCG market in Poland – to the group joined Premium Distributors (2 August 2010), and Eurocash signed agreement to acquire Tradis distribution group from Emperia Holding S.A. and agreement to acquire Polcater sp. z o.o., which was realized on March 1, 2011.

Table 3 Eurocash S.A.: Summary of 2010 financial results

PLN million	**2010**	**2009**	**Change 2010/ 2009**
Revenues	5 000,19	4 631,06	7,97%
EBITDA	144,17	145,35	-0,82%
(EBITDA %)	2,88%	3,14%	-0,26 p.p.
EBIT	96,36	102,61	-6,09%
(EBIT %)	1,93%	2,22%	-0,29 p.p.
Net profit from continued operations	63,15	70,79	-10,79%
(Net profit %)	1,26%	1,53%	-0,27 p.p.

The strong sales growth of Eurocash S.A. in 2010 comparing with 2009 was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of merger with its subsidiaries: Batna sp. z o.o. and Eurocash Dystrybucja sp. z o.o.

The Eurocash cash&carry chain reached the number of 129 outlets at the end of 2010. Number of Delikatesy Centrum franchise stores increased by 96 and reached 561 outlets at the end of 2010. The like-for-like sales growth reached in the whole 2010 4.2% in Eurocash cash&carry unit (excluding Batna stores) and 1.8% in case of wholesale sales to Delikatesy Centrum franchise chain. LFL sales growth of the retail sales of the Delikatesy Centrum franchise stores amounted in 2010 to 5.8%.

Below we present the key financial and operational highlights for the Eurocash S.A. and for the following distribution formats:

- Cash&Carry – including Eurocash Cash&Carry and Batna stores
- Delikatesy Centrum – encompassing sales of Eurocash S.A. to retail stores supplied based on franchise and distribution contracts executed with the companies from Eurocash S.A.
- Eurocash Dystrybucja (former Eurocash Dystrybucja sp. z o.o.) encompassing sales realized to gas stations and HoReCa segment

4.1.1. Cash&Carry stores

- In 2010 Cash&Carry sales amounted to 3440,84m, and increased by 10,07% y/y. These amounts include sales realized to other companies from Eurocash S.A. – mainly Eurocash Dystrybucja and KDWT
- External sales in Eurocash Cash&Carry stores in 2010 amounted to 3043,2m and increased by 15.8% y/y.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2010 amounted to 4.2%.
- Without categories of tobacco and phone cards, the LFL sales growth in Eurocash Cash&Carry stores in 2010 (exluding Batna stores) amounted to 4.5%.
- Number of Eurocash Cash&Carry stores amounted to 129 at the end of 2010.
- Number of abc stores amounted to 3 990 at the end of 2010.
- In 2010 share of abc stores in total sales of Eurocash Cash&Carry stores amounted to 49.4%

4.1.2. „Delikatesy Centrum"

- Wholesale sales realized by "Delikatesy Centrum" Distribution Centers in 2010 amounted to PLN 1088,48m, 24,59% higher comparing with 2009.
- LFL growth of wholesale sales realized by Eurocash to "Delikatesy Centrum" franchise stores in 2010 amounted to 1.8%.
- LFL growth of the retail sales of "Delikatesy Centrum" franchise stores in 2010 amounted to 5.8%.
- Number of "Delikatesy Centrum" franchise stores at the end of 2010 amounted to 561.

4.1.3. Eurocash Dystrybucja

- Sales of Eurocash Dystrybucja amounted in 2010 to PLN 470,86m. Comparing with other periods 2010 sales do not include part of sales related to deliveries to retail stores which are based on franchise and distribution contracts. Since 4Q 2010 these sales have been included within the Delikatesy Centrum format.
- Apart of changes resulting from alocation of part of the sales to Delikatesy Centrum format, sales decrease was caused by end of contract for supplies to gas stations belonging to Orlen chains and restructuring measures which resulted in lower sales to sub-wholesalers and retail chains.

4.2. Profit and loss account

4.2.1. Sales

Sales revenues increased in 2010 by 7,97% reaching the level of PLN 5 000,19. Gross profit on sales increased by 0,03 pp to 11.31%. EBITDA in 2010 decreased bt 0.82% yoy to the level of PLN 144,17m and net profit was lower by 10,79% and amounted to PLN 63,15m.

Table 4 Eurocash S.A.: Sales structure by business units

PLN m	**2010**	**2009**	**Change 2010/ 2009**
Sales revenues (traded goods, materials)	5 000,19	4 631,06	7,97%
Gross profit/(loss) on sales	565,48	522,45	8,24%
Gross profitability on sales %)	11,31%	11,28%	0,03 p.p.
EBITDA	144,17	145,35	-0,82%
(EBITDA margin %)	2,88%	3,14%	-0,26 p.p.
EBIT	96,36	102,61	-6,09%
(EBIT margin%)	1,93%	2,22%	-0,29 p.p.
Gross profit	71,12	88,94	-20,04%
Net income	63,15	70,79	-10,79%
Net profitability %	1,26%	1,53%	-0,27 p.p.

The Eurocash S.A. results have been significantly influenced by costs of the stock-option programs for Eurocash S.A. employees and stock option programs related to acquisition of KDWT and Delikatesy Centrum.

4.3. Balance sheet data

4.3.1. Balance sheet structure

The volume of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their share in the total value of assets is presented in the below table:

Table 5 Structure of assets

PLN m	31.12.2010	%	31.12.2009	%
Fixed assets (long-term)	899,23	52,50%	453,74	35,84%
Goodwill	96,02	10,68%	96,02	21,16%
Other intangible fixed assets	36,78	4,09%	98,09	21,62%
Tangible fixed assets	190,80	21,22%	182,50	40,22%
Investments in associated companies	554,73	61,69%	68,66	15,13%
Investments in associated companies - equity method	3,46	0,39%	3,46	0,76%
Other long-term financial assets	6,25	0,69%	-	0,00%
Long-term receivables	1,80	0,20%	1,89	0,42%
Long-term prepayments	9,38	1,04%	3,12	0,69%
Current assets (short-term)	813,69	47,50%	812,25	64,16%
Invetories	300,78	36,96%	290,33	35,74%
Trade receivables	297,88	36,61%	305,99	37,67%
Current income tax receivables	4,05	0,50%	-	0,00%
Other short-term receivables	12,91	1,59%	23,48	2,89%
Short-term financial assets in associated companies	-	0,00%	38,66	4,76%
Other short-term financial assets	3,00	0,37%	-	0,00%
Cash and cash equivalents	7,82	0,96%	4,14	0,51%
Short-term prepayments	187,26	23,01%	149,66	18,42%
Total assets	1 712,92	100,00%	1 266,00	100,00%

Table 6 Structure of liabilities

PLN m	31.12.2010	%	31.12.2009	%
Equity	325,36	18,99%	300,39	23,73%
Share capital	136,43	41,93%	134,70	44,84%
Treasury shares	(1,12)	-0,34%	(1,12)	-0,37%
Supplementary capital	105,54	32,44%	82,11	27,33%
Capital reserve	12,88	3,96%	12,88	4,29%
Hedge transactions valuation capital	(4,65)	-1,43%	(4,65)	-1,55%
Retained earnings	76,27	23,44%	76,45	25,45%
Long-term liabilities	340,46	24,54%	40,47	4,19%
Long-term loans and credits	299,89	88,08%	-	0,00%
Other long-term financial liabilities	22,52	6,61%	22,42	55,39%
Other long-term liabilities	0,40	0,12%	0,40	0,99%
Provision for employee benefits	0,50	0,15%	0,51	1,26%
Other long-term provisions	17,14	5,04%	17,14	42,36%
Short-term liabilities	1 047,09	75,46%	925,14	95,81%
Short-term loans and credits	98,48	9,41%	-	0,00%
Short-term financial liabilities	37,24	3,56%	37,24	4,03%
Trade liabilities	817,10	78,04%	824,43	89,11%
Current income tax liabilities	-	0,00%	10,17	1,10%
Other short-term liabilities	67,81	6,48%	18,15	1,96%
Liabilities to employees	11,89	1,14%	18,76	2,03%
Short-term provisions	14,56	1,39%	16,38	1,77%
Liabilities and provisions	1 387,55	81%	965,61	76,27%
Total liabilities	1 712,92	100,00%	1 266,00	100,00%

4.3.2. Loan agreements, warranties and collaterals

Loan agreements

- *Loan agreement dated November 21, 2008*

On 21 November 2008, Eurocash and its subsidiaries - Eurocash Dystrybucja (McLane) and KDWT (as debtors) and Eurocash Franczyza, Nasze Sklepy, Eurocash Trade 1 and Eurocash Trade 2 (as jointly liable entities) executed with ING Bank Śląski S.A. ("ING") on overdraft facility up to the amount of PLN 240 million.

The facility has been initially granted until 31 March 2011 and is automatically renewed for the further period of 12 months, unless not later than 35 days before expiry of such 12 months period, debtors or ING would present a written statement on resignation from this facility. Such prolongation procedure cannot be repeated longer than until 31 March 2021.

- *Loan agreement dated July 30, 2010.*

On July 30, 2011 Eurocash executed with ING a loan agreement for amount of PLN 380 million in with purpose of financing the acquisition of shares in Premium Distributors companies.

The loan is to be repaid to ING in 17 equal quarterly installments in amount of PLN 21 million each and the last balance installment up to PLN 23 million, payable starting 9 months after execution of this agreement and the last installment payable 5 years after execution of this agreement.

Loans granted

- In 2010 Eurocash did not grant any loan of total value equivalent to 10% of the issuer's equity.

Sureties and guarantees

- Sureties and guaranties issued by the companies from the Eurocash S.A. are presented in note No 38 and 39 to the consolidated financial statements for 2010.
- In 2010 Eurocash did not grant any surety for a credit or a loan nor did it grant any guarantee of total value equivalent to 10% of the issuer's equity.

4.3.3. Issue of securities and bonds in 2010

Issue of shares
In 2010 Eurocash S.A. issued 1.725.025 shares in relation to the execution of options for shares granted to the key employees within motivation schemes, at the issue price ranging from 4.82 to 7.87 PLN per share. All newly issued shares have been paid in cash.

Issue of securities and bonds

As part of the Fourth and Fifth Employees' Incentive and Reward Scheme (hereinafter "IV EIRS" and "V EIRS" respectively) (see Report No. 9/2007 including the text of Resolution No. 18 of the Ordinary General Meeting of the Company dated 28 June 2007 concerning the Fourth and Fifth Employees' Incentive and Reward Scheme for 2007 and 2008), on the basis of Resolutions Nos. 2 and 3 of the Supervisory Board dated 23 November 2010 and the Resolution of the Management Board dated 1 December 2010, the Company issued unsecured, no-interest and dematerialised registered bonds with the nominal value and issue price of 1 Grosz with priority rights, in the following two series:

(i) as a part of the IV EIRS, 40,800 Series F bonds ("Series F Bonds"), each with the right to subscribe for 25 Series G ordinary bearer shares with priority rights over the Company's shareholders ("Series G Shares"), and
(ii) as a part of the V EIRS, 40,800 Series G bonds ("Series G Bonds"), each with the right to subscribe for 25 Series H ordinary bearer shares with priority rights over the Company's shareholders ("Series H Shares"),

hereinafter jointly referred to as the "Bonds".
The Bonds were issued pursuant to the provisions of Section 9.3 of the Bonds Act, as an offer to purchase addressed to UniCredit CAIB Poland S.A., with its registered office at ul. Emilii Plater 53, 00-113 Warsaw, acting as the "Trustee". The Trustee shall dispose of the Bonds only to the persons participating in the Incentive Schemes (the "Entitled Persons").
The Entitled Persons under IV EIRS are members of the management board, senior management and persons who are key to the operations of the Company, who (i) are on the list of Entitled Persons specified conditionally by way of Resolution No. 22 of the Ordinary General Meeting dated 2 June 2010 (see current report No. 28/2010 including the text of Resolution No. 22); and (ii) who were employed and carried out their duties in the period of 3 years starting on 1 December 2007; and (iii) who are included in the final list of Entitled Persons determined by way of Resolution No. 5 of the Supervisory Board dated 23 November 2010.
The Entitled Persons under V EIRS may only be members of the management board, senior management or persons who are key to the operations of the Company, who (i) are on the list of Entitled Persons specified conditionally by way of Resolution No. 27 of the Ordinary General Meeting dated 25 May 2009 (see current report No. 26/2009 including the text of Resolution No. 22); and (ii) were employed and carried out their duties in the period of 3 years starting on 1 December 2008 or who will be granted the right to acquire Series G Bonds as a reward for exceptional work results; and (iii) will be included in the final list of Entitled Persons determined by way of a Resolution of the Supervisory Board and should it include Rewarded Persons, also accepted by way of a resolution of the General Meeting by15 December 2011.

The priority right to subscribe for and take up Series G Shares may be exercised from 1 January 2011 to 31 December 2013.

The priority right to subscribe for and take up Series H Shares may be exercised from 1 January 2012 to 31 December 2014.
The issue price of Series G Shares has been set at PLN 9.78 (see Current Report No. 72/2010).
The issue price of Series H Shares shall be set by the Supervisory Board, with the proviso that the price should be equal to the weighted average of the Company's share prices on the Warsaw Stock Exchange in November 2008, adjusted by the rights attached to shares and exercised for the benefit of the shareholders (such as dividend payment). The issue price of Series H Shares shall be announced and posted on the Company's website as a current report no later than seven days prior to the beginning of subscription for Series H Shares.
Should Series G or H Shares not be issued to an Entitled Person within 60 days from the date on which they were subscribed for and paid for in full at their issue price, then the right to receive such shares shall convert into the right to receive monies equal to the market value of the Company's shares, based on the closing price for the last day of the period in which Series G or H Shares were to be issued, less their issue price.
Series G and H Bonds shall be redeemed on 2 January 2014 and 2 January 2015, respectively, at their respective nominal value.
As at the last day of the third quarter of 2010, i.e. of the quarter directly preceding the making of the offer to the Trustee to purchase the Bonds, the total liabilities of the Company amounted to PLN 1,265,081,099. Prior to the Bonds' redemption date, the Company has no plans to incur any liabilities that could affect the Company's ability to perform its obligation to redeem all Bonds, valued at PLN 816 in total.

In 4Q 2010 Eurocash S.A. did not issue, acquire or repay other debt securities.

Information on motivation schemes based on issue of Eurocash shares is provided in section 5.14 below.

4.4. Significant off-balance sheet items

Information on significant off-balance sheet items of the Eurocash S.A. is provided in additional information to the annual consolidated financial statements in note no 36.

4.5. Eurocash S.A. cash-flow analysis

4.5.1. Cash-flow account

Total cash flow in 2010 amounted to 37,6m. Cash Flow from financing activities includes dividend payment realized in 2Q 2010 in amount of PLN 50.40m and net cash from share issue related to the motivation schemes in amount of PLN 12.36m. Cash flow from investment activities include expenses for acquisition of Premium Distributors, which including the acquired cash amounted to PLN 344.72m. Additionally cash flow and cash position as of 31.12.2010 include the amount of PLN 18.2m, which companies from Eurocash S.A. by mistake received from the cash processing company. This amount has been settled in January 2011.

Table 7 Cash flow

PLN m	**2010**	**2009**
Operating cash flow	145,20	165,78
Gross profit (loss)	*71,12*	*88,94*
Depreciation	*47,81*	*42,74*
Change in working capital	*48,97*	*27,12*
Other	*(22,70)*	*6,97*
Cash flow from investments	(449,82)	(110,96)
Cash flow from financing activities	342,22	(29,95)
Total cash flow	37,60	24,86

4.5.2. Working capital rotation

Table 8 Eurocash S.A.: Consolidated working capital ratios

Turnover in days	**2010**	**2009**
1. Inventories turnover	21,96	22,88
2. Trade receivables turnover	21,74	24,12
3. Trade liabilities turnover	67,25	73,24
4. Operating cycle (1+2)	43,70	47,00
5. Cash conversion (4-3)	(23,55)	(26,24)

Working capital cycle amounted to negative 23.55 days, comparing with 26.24 days in 2009.

4.5.3. Evaluation of financial resources management

Eurocash S.A. generates significant positive cash flows from operating activities. All major investments realised in 2010 were financed from own financial resources.

In the opinion of the Management, there are no significant financial risks related to the ability of Eurocash S.A. companies to pay their liabilities. The main financial risk factors related to Eurocash S.A. operations are as follows:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Analysis of these risk factors was presented In Note 38 in the part of report containing consolidated financial statements.

4.6. Investment activity

4.6.1. Major investments realised in 2010

In 2010 the highest share in capital expenditures belonged to the acquisition transactions – especially Premium Distributors. The rest of the investments related to the organic growth of the Eurocash S.A., notably in respect of new Cash&Carry stores, modernisation and remodelling of the existing Cash&Carry stores as well as development of Delikatesy Centrum franchise chain.

Table 9 Key investment areas of the Eurocash S.A. in 2010

PLN million	**2010**	**2009**
Acquisition of shares In other companies	389,52	40,08
Traditional wholesale	51,75	47,59
Active Distribution		0
Total	441,26	87,67

4.6.2. Assessment of the possibility of executing the envisaged investments

Major investments planned in 2011 are related to

- Acquisition of Tradis Distribution Group from Emperia Holding S.A.
- The organic growth within the current structure of business units, considering especially:
  - opening of app. 6 new Eurocash Discount Cash&Carry stores,

- development of “Delikatesy Centrum” franchise chain, including implementation plan of ca 100 new franchise stores.

In order to finance the aforementioned investments, Eurocash S.A. intends to use the cash generated by the company and bank debt. In case of decision upon realisation of other significant potential investments, in the opinion of the Eurocash’s Management, the Eurocash S.A. has sufficient debt capacity to finance such potential investments.

4.7. Significant events and factors affecting the 2010 financial results of the Eurocash S.A.

1. Changes in equity

In the period between 1 January 2010 and 31 December 2010 were issued 1.725.025 shares in respect of the option programs.

2. Acquisition of remaining stake in a subsidiary – Sieć Detalistów Nasze Sklepy Sp. z o.o.

On 12 May 2010, Eurocash signed final agreement shares in the company Sieć Detalistów „Nasze Sklepy” Sp. z o.o. The purchase resulted from execution of the Preliminary Share Purchase Agreement dated 14 May 2008.

3. Dissolution of company Sieć Detalistów “Nasze Sklepy” Sp. z o.o.

On 5 July 2010 accordance with the resolution no 9 of the Ordinary General Meeting Sieć Detalistów “Nasze Sklepy” Sp. z o.o. was decided to dissolution company Sieć Detalistów “Nasze Sklepy” Sp. z o.o. and announce beginning its liquidation from the date to made by the shareholders this resolution. The company will be conducted under the name “Sieć Detalistów Nasze Sklepy Sp. z o.o. w likwidacji”. To the date of this financial statement the liquidation has not been registered in National Court Register. Activity of the company Sieć Detalistów Nasze Sklepy Sp. z.o.o. has been incorporated into Eurocash S.A. On liquidators of the Company appointed Ireneusz Ługowski, Pedro Martinho and Jacek Owczarek

4. Distribute the net profit for 2009

On 2 June 2010 accordance with the resolution no 3 of the Ordinary Shareholders Meeting held the net profit for 2009 in amount 62.299.893 has distributed in the following manner:

1) the shareholders of record shall be eligible to receive the dividend in amount PLN 37 groszes per one Company share. The total dividend payment will amount to PLN 50.396.800,16;

2) the balance shall be transferred to Company’s reserve capital.

5. Employees Incentive and Reward Scheme

On 2 June 2010 accordance with the resolution no 16 of the Ordinary Shareholders Meeting was introduced Seventh Employees Incentive and Reward Scheme for 2010. This Scheme is being introduced in connection with the Company’s intention to continue the hitherto employees incentive schemes for the management, directors and persons of key importance for the business conducted by the Company and the Eurocash S.A. and to create basis for offering shares in the Company as a reward to outstanding employees.
In connection with the Seventh Employees Incentive and Reward Scheme for 2010, the Company shall issue 7.900 (seven thousand nine hundred) registered Series H Bonds, each having the nominal value of PLN 1/100 (1 grosz), with the right to subscribe for 25 (twenty five) ordinary bearer Series I Shares with a priority over the Company’s shareholders.

The aggregate nominal value of the issue of Series H Bonds shall amount to PLN 79 (seventy nine Zlotys).

The Bonds shall not carry any interest.

Should the shares be not delivered to the bondholders at the date specified in the terms of the Bonds, the right to receive shares shall be replaced by a right to receive cash in the amount equal to the market value of the Company's shares on the last date the shares were to be delivered less the share issue price.

The Company shall redeem Series H Bonds on January 2, 2015, by paying cash in the amount equal to the nominal value of the bonds.

The Series H Bonds shall be dematerialized. The rights attached to the Bonds shall arise at the moment when a bank or a brokerage house makes an entry in the register of the bonds and shall be vested in the person designated in the register as the owner.

The Entitled Persons authorized to acquire all or a part of the Series H Bonds shall be only the management, directors and persons of the key importance for the business conducted by the Company and/or the Eurocash S.A. employed and performing their functions for 3 years starting on December 1, 2010.

The list of the persons classified as the Initially Entitled Persons entitled to acquire Series H Bonds shall be determined by the Supervisory Board by May 31, 2011, and approved by the Shareholders Meeting's resolution. The final list of the Entitled Persons will include persons listed as the Initially Entitled Persons eliminating the employees no longer with the Company and/or the Eurocash S.A. and including new persons whom the right to acquire Series H Bonds will be granted as a reward for their outstanding performance (hereinafter, the "Rewarded Persons"). The list shall be the basis for designating the persons to whom the Trustee shall be obliged to deliver the offer to purchase Series H Bonds.

The bondholders holding Series H Bonds have the right to subscribe for and take up Series I Shares with a pre-emptive right over the shareholders of the Company during the period commencing on January 1, 2014 and lapsing on December 31, 2014.

6. Final agreement to acquire Premium Distributors companies

On 2 August 2010 Eurocash S.A. signed a contract of purchase of shares in Premium Distributors Group, The preliminary agreement was signed on 8 April.

On 21 May the Office for Competition and Consumer Protection agreed to this transaction.

The sale price was originally determined in the amount of PLN 400.000.000. However, the price may be amended if circumstances enumerated in the preliminary agreement occur

Eurocash was financed this acquisition with a loan in ING Bank Śląski and their own resources.

The total amount of payments made to Carey Agri International Poland Sp. z o. o. amounted 385.900.000 PLN. Additional information is presented in Note 3 to the financial statements.

7. Conclusion of the credit agreement

In connection with the acquisition on 2 August 2010 shares and stocks in subsidiaries CEDC companies, Eurocash S.A. concluded the contract credit with ING Bank S.A., under which ING Bank S.A. has credit in the amount of 380.000.000 PLN for financing the purchase of shares and stocks in subsidiaries CEDC companies. The agreement was signed for a period of 5 years. Liabilities of the company for credit granted were guaranteed by subsidiaries. The guarantee covers liabilities, and in particular the liabilities for the credit, interest and commissions, where a company fails to perform its liabilities within the time limits to the total amount 456.000.000 PLN. Each guarantor provided statement on submission to execution conducted according to banking execution title up to amount of PLN 456.000.000, with right of Bank to apply to court for the immediate execution clause until 31 December 2016.

8. Preliminary agreement acquisition the company Pol Cater Holding Sp. z o.o.

On 28 July 2010 Eurocash S.A. and Dansk A/S concluded a preliminary agreement obligating the conclusion, to 30 June 2011, an agreement of the sale of 100% of the shares in company Pol Cater Sp. z o.o. The condition for the signing of the share purchase agreement shall be the obtaining by the Company of consent from the Head of the Office of Competition and Consumer Protection. Eurocash intends to finance the acquisition from its own resources. On 27 January 2011 the President of the Office for Competition and Consumer Protection approved acquisition of Pol Cater Holding Sp. z o.o. by Eurocash S.A. Obtaining the above approval was one of the prerequisites for signing the Promised Contract whereunder the Company will acquire shares in Pol Cater according to preliminary agreement dated 28 July 2010.
On 1 March 2011 the Companies entered into the Promised Contract whereunder Eurocash S.A. acquired 100% shares in Pol Cater Holding Sp. z o.o.

9. Investment agreement between Emperia Holding S.A. and Eurocash S.A.

On 21 December 2010 Eurocash and Emperia Holding S.A. with its registered office in Lublin (“Emperia”) entered into an investment agreement (hereinafter referred to as “Investment Agreement” or “Agreement”). On the basis of the Investment Agreement, Eurocash and Emperia (hereinafter referred to jointly as the “Parties”) undertook to execute the transaction, in which Emperia shall sell, for the benefit of Eurocash, shares held by it, directly or indirectly, in the following companies conducting wholesale distribution of foodstuff, as well as retail franchise network:

1. Tradis Sp. z o.o. with its registered office in Lublin
2. Detal Koncept Sp. z o.o. with its registered office in Lublin
3. Euro Sklep S.A. with its registered office in Bielsko-Biała
4. Partnerski Serwis Detaliczny S.A. with its registered office in Warsaw
5. DEF Sp. z o.o. with its registered office in Białystok
6. Ambra Sp. z o.o. with its registered office in Czechowice-Dziedzice
7. Lewiatan Podlasie Sp. z o.o. with its registered office in Białystok
8. Lewiatan Śląsk Sp. z o.o. with its registered office in Sosnowiec
9. Lewiatan Zachód Sp. z o.o. with its registered office in Stargard Szczeciński
10. Lewiatan Północ Sp. z o.o. with its registered office in Gdańsk
11. Drogerie Koliber Sp. z o.o. with its registered office in Gliwice
12. Lewiatan Kujawy Sp. z o.o. with its registered office in Włocławek
13. Lewiatan Orbita Sp. z o.o. with its registered office in Olsztyn
14. Lewiatan Wielkopolska Sp. z o.o. with its registered office in Poznań
15. Lewiatan Holding S.A. with its registered office in Włocławek
16. Lewiatan Brda Sp. z o.o. with its registered office in Tuchola
17. Lewiatan Opole Sp. z o.o. with its registered office in Opole

(hereinafter referred to as “Distribution Companies”, and shares in these companies referred jointly as “Shares”). The disposal of the Shares in the Distribution Companies shall be executed either by way of: (i) contribution of a part of the Shares to cover the increased share capital in Eurocash in exchange for newly issued shares in Eurocash taken up by Emperia at an issue price of PLN 22.21 per share (representing up to 14% of share capital of Eurocash) and the sale of the remaining part of the Shares by Emperia to Eurocash, or by (ii) the sale by Emperia of all Shares to Eurocash in cases specified in the Agreement. The structure of the transaction depends on the occurrence of certain circumstances as specified in the Agreement. The Parties made the execution of the Agreement conditional upon the fulfilment of a

condition precedent (hereinafter referred to as "Condition Precedent") by no later than 5 January 2011, i.e. the adoption of a resolution by the Supervisory Board of Eurocash, by the date specified above, giving a consent to acquire the Shares on the terms and conditions specified in the Agreement and to exclude the pre-emptive rights to Eurocash shares offered to Emperia. The Supervisory Board of Eurocash adopted the above-mentioned resolution on 3 January 2011. The value of the Shares in the Distribution Companies to be acquired by Eurocash was determined based on the amount of PLN 925,975,000 agreed by the Parties ("Base Value"). The Base Value, i.e. the price payable by Eurocash for the Shares may be subject to adjustments depending on an opinion to be issued by 28 February 2011 by a chartered auditor selected jointly by the Parties ("Auditor"). The terms and conditions for determining the adjustments and circumstances under which the price payable by Eurocash for the Shares may change are specified in the Investment Agreement. Should the option of the transaction be exercised in which a part of the Shares is contributed to cover the increased share capital of Eurocash in exchange for the newly issued shares of Eurocash taken up by Emperia and the sale of the remaining part of the Shares by Emperia to Eurocash, a part of the price for the Shares shall be paid in new shares of Eurocash. However, the Agreement allows for the payment of the entire price for the Shares in cash in particular cases as specified in the Agreement. The Investment Agreement includes provisions allowing each of the Parties to exercise a contractual right to withdraw from the Agreement; however such a right shall not be exercised later than within 9 months from the day of conclusion of the Investment Agreement.

In the cases specified in the Agreement, Eurocash has the right to withdraw from the Agreement provided that it pays a withdrawal payment of PLN 200,000,000. If Eurocash does not exercise the right to withdraw from the Agreement within the set deadline, Emperia shall have the right to withdraw from it. Should Emperia exercise its right to withdraw from the Agreement, Eurocash is obliged to pay a lump-sum contractual compensation in the amount of PLN 200,000,000 for the benefit of Emperia. Similar terms and conditions for the exercising of the right to withdraw from the Agreement shall apply should Eurocash fail to pay, depending on the structure of the transaction, the amount due for the part of the Shares subject to sale or for all Shares to be sold by Emperia. The Parties are obliged to pay contractual penalties in the cases specified below. Should Emperia breach the obligation not to dispose of the Shares in the period preceding the Closing Date (i.e. the day of conclusion of the Agreement, on the basis of which Eurocash shall acquire the Shares, regardless of the type of the transaction), Emperia shall be obliged to pay to Eurocash a one-off contractual penalty in the amount of PLN 200,000,000 for such a breach, regardless of the number of breaches, however Eurocash shall be entitled to claim damages exceeding the amount of the contractual penalty. Moreover, the obligation to pay the contractual penalty is also connected with the breach of Emperia's obligations concerning competitive activity.

The Parties included in the Agreement customarily used representations and warranties. Such representations and warranties pertain to, in particular, the Shares and the operations of the Distribution Companies. The breach of the representations and warranties shall be the basis for compensation responsibility on the terms and conditions specified in the Agreement. The responsibility of the Parties under the Investment Agreement is limited as specified in the Agreement. The aim of the Parties is that the Eurocash shares offered to Emperia take part in the dividend payable to Eurocash's shareholders for 2010. Should such dividend be not paid with regard to the new shares, the price for the Shares subject to sale payable by Eurocash shall be increased accordingly. In addition, should the operational and financial goals of the Eurocash S.A. for 2011 and 2012 jointly agreed by the Parties and specified in the Agreement be reached, Eurocash undertook to facilitate the granting to Emperia of additional 1,000,000 shares for each year referred to above. Emperia also undertook that, once the Condition Precedent is fulfilled, it will opt out of the division of Emperia currently being implemented on the basis of a division plan adopted by the Management Board of Emperia on 16 November 2010 (see current report of Emperia No. 71/2010) and Eurocash undertook to withdraw from the carrying out of a public offering of Series K shares and an offering of Series L shares (see current reports of Eurocash No. 58/2010 and No. 66/2010).

The net profit generated by the Distribution Companies in 2011 until the Closing Date, calculated in accordance with the formula specified in the Investment Agreement shall be divided in equal parts between Emperia and Eurocash. Upon the determination of such profit by a Chartered Auditor, the part of the profit due to Emperia will be paid as an additional payment to the price for the Shares subject to sale. The Parties undertook to agree upon and sign, before the Closing Date, a number of agreements ensuring undisturbed carrying out of operations of Emperia and Eurocash S.A.s for a defined period of time following the Closing Date, in particular the distribution agreement, lease agreement, service agreements and licence agreements.

The acquisition of the Shares by Eurocash require the obtaining of a permission of the Chairman of the Office of Competition and Consumer Protection, and the Parties committed themselves to undertake all necessary steps to obtain such permission within 3 months following the signing of the Investment Agreement. Furthermore, Eurocash undertook to support the selection by the general meeting of one person indicated by Emperia to the Supervisory Board of Eurocash.

During 2010 there were no other major events and factors that influenced consolidated income or loss of the Eurocash S.A. realised in this period.

4.8. Definitions of the financial ratios

Gross profit margin on sales:	ratio of gross sales profit to net sales revenue
EBITDA margin:	ratio of EBITDA (operating profit plus depreciation) to net sales revenue
Operating profit margin:	ratio of operating profit (EBIT) to net sales revenue
Net profit margin on sales:	ratio of net profit to net sales revenue
Inventories turnover:	the ratio of balance of stocks at the end of period to net sales for period, multiplied by the number of days in the period
Trade receivables turnover:	the ratio of balance of trade receivables at the end of period to net sales for period, multiplied be the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of goods sold for period, multiplied by the number of days in the period
Operating cycle:	the sum of stocks turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover

5. Statement on the Application of Corporate Governance Rules

5.1. Indication of corporate governance rules applicable to the Issuer and of the place where the rules collection text is publicly available

Pursuant to § 29 Sec. 2 of the Warsaw Stock Exchange S.A. Rules in the wording adopted by virtue of Stock Exchange Council Resolution No. 1/1110/2006 dated January 4, 2006, as amended, Eurocash S.A. (hereinafter, the "**Company**", "**Issuer**", "**Eurocash**") is obligated to apply the corporate governance rules set down in the document entitled "Good Practices of Companies Listed on the WSE", constituting an attachment to Resolution No. 17/1249/2010 of the Stock Exchange Council dated May, 19 2010 (hereinafter, the "**Good Practices**"), available on the website www.corp-gov.gpw.pl.

5.2. Description to the extent to which the Issuer departed from provisions of corporate governance rules, with an indication of such provisions and clarification of the reasons for departure there from

In the year 2010 the Issuer observed all corporate governance rules set forth in the collection of Good Practices, as well as there was no permanent or temporary breach of any of the corporate governance rules. Changes of the corporate governance rules set forth in the collection of Good Practices had been fully implemented in activities of the Company, with a restriction, that as of publishing this report, Eurocash did not implement the rule provided in part IV.10 of Good Practices, which have deadline for implementation set as of January 1, 2012.

5.3. Description of major features of internal control and risk management systems applied at the Company in the process of preparing financial statements

The Company Management Board is responsible for the Company internal control system and its efficiency in the process of preparing financial statements and periodical reports drawn up and published in accordance with the rules set forth in the Regulation of February 19, 2010 on current and periodical information conveyed by issuers of securities and on the terms on which information required under the provisions of law of a country not being a member country is recognized as equivalent.

The financial department directed by the Financial Director is in charge of preparation of financial statements and periodical reports. The financial data on which financial statements and periodical reports are based come from the monthly financial and management accounting applied by the Company. After the closing of the books of account each calendar month the medium and top level management members jointly analyze the Company financial results as compared to the budget assumptions.

One of the basic elements of control in the process of preparing the Company financial statements is the verification of the financial statements by an independent auditor. The auditor's primary task is to review the half-year financial statements and carry out a preliminary and basic examination of unit annual statements and consolidated statements. The independent auditor is elected by the Company Supervisory Board. The audited financial statements are forwarded to the members of the Company Supervisory Board for evaluation purposes.

The internal control exercised by the internal audit department is an important element of risk management in the process of preparing financial statements. The annual program of the planned internal audits is developed on the basis of the risk assessment of business processes carried out by the Internal Audit Director in cooperation with the Management Board. The planned audits are supplemented by unplanned audits carried out upon request of the Management Board and verifying audits regarding the recommendations from earlier audits. The internal audit effect consists in recommendations on how to improve the control mechanisms in place at the Company.

The Company makes an annual review of both business strategy and plans. The budgeting process is supported by the Company medium and top level management. The budget and business plan prepared for the subsequent year is adopted by the Company Management Board and approved by the Supervisory Board. During the year the Company Management Board analyses the financial results comparing same with the adopted budget on the basis of the adopted accounting policy of the Company.

The Company systematically evaluates the quality of internal control and risk management systems in the process of preparing financial statements. On the basis of such evaluation the Management Board declares that as at December 31, 2010 no weak points existed which could have a material adverse effect on the efficiency of the internal control as far as financial reporting is concerned.

5.4. Shareholders having, whether directly or indirectly, significant shareholdings in Eurocash

	31.12.2010				31.12.2009			
Shareholder	Number of shares	Share in the Company share capital (%)	Number of votes	Share in the total number of votes (%)	Number of shares	Share in the Company share capital (%)	Number of votes	Share in the total number of votes (%)
Luis Amaral (indirectly and directly through Politra B.V.)	70 258 100	51,50%	70 258 100	51,53%	70 258 100	52,16%	70 258 100	52,19%
Other	66 093 968	48,45%	66 093 968	48,47%	64 368 943	47,79%	64 368 943	47,81%
SUBTOTAL	**136 352 068**	**99,83%**	**136 352 068**	**100,00%**	**134 627 043**	**99,94%**	**134 627 043**	**100,00%**
Treasury shares	77 693	0,06%	0	0,00%	77 693	0,06%	0	0,00%
TOTAL	**136 429 761**	**99,88%**	**136 352 068**	**100,00%**	**134 704 736**	**100,00%**	**134 627 043**	**100,00%**

5.5. Number of Eurocash S.A. shares held by persons exercising supervisory and managerial functions

	Eurocash shares		**Rights to shares**	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Management Board				
Luis Amaral (indirectly and directly)	70 258 100	70 258 100	0	0
Rui Amaral	203 625	3 600	177 000	372 025
Katarzyna Kopaczewska	222 000	142 000	103 000	180 000
Arnaldo Guerreiro	200 000	0	141 000	336 000
Pedro Martinho	629 750	539 750	200 000	285 000
Ryszard Majer	90 144	62 144	62 000	109 000
Jacek Owczarek	625	0	50 000	50 000

	Eurocash shares		Rights to shares	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Supervisory Board				
Joao Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Mores	0	0	0	0
Ryszard Wojnowski	0	0	0	0
Janusz Lisowski	0	0	0	0
Antonio Jose Santos Silva Casanova	0	0	0	0

5.6. Indication of holders of all securities that carry special control powers, with the description of the powers

There are no securities in the Company that carry special control powers, in particular the shares of the Company are not preference. However, the Statutes of the Company grant personal powers. Pursuant to § 13 Sec. 2 of the Statutes of the Company, as long as Politra B.V., organized and operating under Dutch law, or any of its legal successor, remains a shareholder holding 30% or more shares in the share capital of the Company, it shall have the right to appoint and dismiss 3 (three) Members of the Supervisory Board of Eurocash.

5.7. Indication of all restrictions regarding exercising the right to vote, such as restrictions to exercising the right to vote by the holders of a definite part or number of votes, time restrictions regarding exercising the right to vote or provisions pursuant to which, with the Company's cooperation, capital interests connected with securities are separated from holding securities

Each share of Eurocash gives the right to one vote at the Shareholders' Meeting. The Statutes of the Company do not provide for any restrictions as to the exercising of the right to vote carried by Eurocash shares, such as restrictions to exercising the right to vote by the holders of a definite part or number of votes, time restrictions regarding exercising the right to vote or provisions pursuant to which, in the Company's cooperation, capital interests connected with securities are separated from holding securities.

A prohibition on exercising the right to vote by the shareholder may result from Art. 89 of the Act dated July 29, 2005 on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (hereinafter "**Act on Offering**"), in a case where the shareholder violates specified provisions set forth in Chapter 4 of the Act on Offering. However, pursuant to Art. 6 § 1 of the Commercial Companies Code, should the dominant company fail to notify the controlled capital company about the dominant relation existence within two weeks of the relation establishment, exercising of the right to vote carried by shares of the dominant company representing more than 33% of the share capital of the controlled company is suspended.

5.8. Indication of any and all restrictions regarding transfer of the securities ownership rights of the Issuer

The Statutes of the Company do not provide for any restrictions regarding transfer of the securities ownership rights of the Issuer. The restrictions, however, arising from the provisions of law, including hereinabove mentioned Chapter 4 of the Act on Offering, Art. 11 and 19 and Part VI of the Act of July 29, 2005 on Trading in Financial Instruments, Act of February 16, 2009 on the Protection of Competition and Consumers and Council Directive (EC) No. 139/2004 dated January 20, 2004 on the control of concentrations between undertakings.

5.9. Description of rules regarding appointing and removing managers and their powers, in particular the power to decide on issue and buyout of shares

Pursuant to § 9 Sec. 1 and 2 of the Company's Statutes, the Management Board consists of 2 to 10 persons appointed by the Supervisory Board for an individual three-year term of office. The number of members of the Management Board is determined by the Supervisory Board. The Supervisory Board appoints also by way of resolution one member of the Management Board as the President of the Management Board. Any Management Board member may be dismissed from office by way of resolution adopted by the Supervisory Board or the General Shareholders' Meeting of the Company.

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting is described in Point 5.11 hereinbelow, whereas the scope of powers of the Supervisory Board is laid down in Point 5.12 hereinbelow. The Management Board manages the affairs of the Company and represents the Company outside.

According to § 6a of the Statutes of the Company, the Management Board is entitled to increase the share capital of the Company within the limits of the authorized capital by way of issuing shares of the Company of a total nominal value not higher than PLN 51,096,800, whereas the power expires on November 22, 2010. The terms of each of the issues conducted within the limits of the authorized capital are defined by the Management Board with the consent of the Supervisory Board. In relation to the determined issues, the Management Board, acting with the consent of the Supervisory Board, may also exclude the preemption right of the existing shareholders to buy shares issued within the limits of the authorized capital.

The Management Board may decide on shares buyout in the cases and on the terms determined in commonly applicable provisions of law.

The detailed rules governing the functioning of the Management Board are stipulated in Point 5.12 hereinbelow.

5.10. Description of the amendments to the Issuer's Statutes

Amendments to the provisions of the Statutes of the Company consisting in material changes to the subject matter of the Company's business activities without buying out the shares of the shareholders who do not consent to the amendments requires the resolution of the General Shareholders' Meeting adopted by the majority of ¾ votes cast in the presence of shareholders representing at least 50% of the share capital of the Company.

Amendments to the provisions of the Statutes of the Company consists in decreasing the share capital of the Company requires the resolution of the General Shareholders' Meeting adopted by the majority of ¾ votes.

Amendments to the provisions of the Statutes of the Company regarding the remaining provisions requires the resolution of the General Shareholders' Meeting adopted, unless the provisions of the Commercial Companies Code or the Act on Offering stipulate otherwise, by the absolute majority of votes.

The resolution of the General Shareholders' Meeting on amendments to the provisions of the Statutes of the Company requires the prior opinion of the Supervisory Board of the Company.

5.11. Description of manner of operation of the General Meeting and fundamental powers thereof and rights of shareholders and manner of exercise of same

5.11.1. Manner of operation of the General Meeting and fundamental powers thereof

The manner of operation of the General Meeting and fundamental powers thereof follow directly from the provisions of law which have been partially incorporated in the Statutes and By-laws of the General Meeting of the Company. Both the Statutes and By-laws of the General Meeting are available on the following website of the Company:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

According to § 9 of the By-laws of the General Meeting of the Company, draft resolutions to be submitted to the General Meeting should be made available by the Management Board at the Company's seat, together with an opinion of the Supervisory Board and pertinent documents, not later than 7 (seven) days before the date of the General Meeting so as to allow the Shareholders to review and evaluate same.

Draft resolutions may be submitted to the Chairman of the General Meeting in written form. Should the exact wording of a resolution not be provided by the speakers in the course of discussion the Chairman shall be obliged to provide a final draft of the proposed motions.

Each General Meeting should be attended by members of the Supervisory Board and Management Board in a composition which makes it possible to give answers as to merits to the questions asked during the General Meeting. A certified auditor should be present at an ordinary (annual) General Meeting, and at an Extraordinary General Meeting if the Company's financial matters are discussed. Members of the Supervisory Board, the Management Board and the certified auditor should, within the scope of their powers and to the extent required for settling the matters discussed at the General Meeting, provide clarifications and information concerning the Company to participants in the General Meeting.

The General Meeting may be attended by members of the Management Board and Supervisory Board, certified auditor, if the Company's financial affairs are to be discussed, experts invited by the body convening the General Meeting, the notary drawing up the minutes of the General Meeting, and representatives of the mass media. Other persons may participate in the General Meeting with the consent of the Chairman of the General Meeting.

According to the Company Statutes, the powers of the General Meeting shall include in particular:

(i) review and approval of the Management Board Report on the operations of the Company and financial statements for the previous financial year, and granting approval to members of the Company's governing bodies for the performance of their duties;

(ii) decisions concerning claims to remedy damage inflicted at the time of the Company's establishment or in connection with its management by the Management Board;

(iii) sale or lease of the enterprise or an organised part thereof, as well as the creation of limited property rights therein;

(iv) creation of the Company's capitals and funds and their allocation;

(v) approval of the Company's long-term strategic plans;

(vi) adopting resolutions on distribution of profit and coverage of loss;

(vii) amending the Company's Statutes;

(viii) increasing and decreasing the Company's share capital;

(ix) dissolution or liquidation of the Company;

(x) authorization for the Company to enter into a standby or firm commitment underwriting agreements;

(xi) appointment or dismissal of two members of the Supervisory Board;

(xii) setting down the rules for and levels of remuneration of members of the Supervisory Board;

(xiii) approval of the Rules of the Supervisory Board;

(xiv) dismissal or suspension of members of the Management Board;

(xv) adoption of the Rules of the General Meeting;

(xvi) other matters which pursuant to the provisions of the Commercial Companies Code or other laws, or pursuant to the Company's Statutes, rest within the exclusive competence of the General Meeting.

The General Meeting may adopt resolutions if at least half the Company share capital is represented. The General Meeting shall adopt resolutions by an absolute majority of the votes, unless the provisions of the Statutes or law required a qualified majority of the votes.

5.11.2. Shareholders' rights and the manner of performance thereof

Shareholders' rights and the manner of performance thereof result in principle directly from the provisions of the law which were partly incorporated in the Statutes and the Rules of the Company Shareholders' Meeting. One should note the right of Politra B.V. and its legal successors, provided for in § 13 Sec. 2 of the Statutes, to appoint and dismiss 3 (three) Members of Eurocash Supervisory Board which is dependent upon the entitled party's holding 40% or more shares in the Company share capital (see point 2.6 above).

5.12. The composition and changes in the composition of the managing and supervisory authorities of the Issuer and the committees thereof which took place during the last financial year

5.12.1. Management Board

The Management Board manages the Company affairs and represents the Company. Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a holder of a commercial power of attorney may make the statements of will and sign documents on behalf of the Company.

Activities of the Management Board are managed by the President of the Management Board. All members of the Management Board are obligated and entitled to jointly manage the Company affairs, in particular in the following scope:

(i) determine the long- and medium-term development strategy as well as the main objectives of the Company operation, increase the Company value for the shareholders and report thereof to the Supervisory Board, evaluate the achievement level of such goals and modify thereof if necessary,
(ii) define the Company's financial goals,
(iii) implement and realize the long- and medium-term development strategy as well as the main Company operating objectives and financial goals,
(iv) analyze major investment projects and the methods of financing thereof,
(v) determine the principles of HR and remuneration policies, including:
  - appointment of the Company's key management members,
  - determining the principles of employment, remuneration and HR policies, as well as a periodical analysis of the HR situation of the Company,
(vi) determine the Company's organizational structure,
(vii) approve the annual and/or long-term Company budget,
(viii) determine the internal division of duties and responsibilities of the Management Board Members,
(ix) set down the Rules and other internal regulations of the Company, unless the provisions of the law or Statutes provide otherwise,
(x) take decisions on matters of exceptional importance, as well as the matters and transactions which in the justified opinion of the Management Board Member may cause a significant risk to the Company,
(xi) request the Supervisory Board to express an opinion on draft resolutions which are to be presented to the Shareholders at the Shareholders' Meeting,
(xii) any other actions which go beyond the ordinary management of the Company.

In the remaining scope, respective Management Board members are responsible for independent management of the Company affairs resulting from the internal allocation of duties and functions determined by the decision of the Management Board.

The Management Board may adopt resolutions at the Management Board meeting or by circular letter, in writing or using direct distant communication methods. Resolutions of the Management Board are adopted by a simple majority of votes cast by the Management Board members. Minutes are taken of the resolutions. Proper notification of the meeting of all the Management Board members is required for the validity of the Management Board resolutions.

Detailed Management Board procedures are determined in the Management Board Rules adopted by the Management Board and approved by the Supervisory Board. The text of the current Management Board Rules is available at:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

The Company Management Board consists of 7 (seven) members. The Management Board comprises Messrs. Luis Manuel Conceicao do Amaral (President of the Management Board), Rui Amaral, Arnaldo Guerreiro, Pedro Martinho, Ryszard Majer, Jacek Owczarek and Ms. Katarzyna Kopaczewska.

There have been no changes in the composition of the Management Board in 2010.

5.12.2. Supervisory Board

The Supervisory Board is composed of 5 members, where the right to appoint and dismiss 3 (three) members of the Supervisory Board is held by the company Politra B.V. (or its legal successor) on the terms described in Point 2.5 above, while 2 members of the Supervisory Board are appointed and dismissed by the General Meeting. The dismissal of a Supervisory Board member is effective only when it is accompanied by the simultaneous appointment of a new Supervisory Board member.

The Board selects a Board chairman from amongst its members. The Supervisory Board may also dismiss the Board chairman from his function.

The Supervisory Board exercises on-going supervision of the Company operations in all areas. Pursuant to § 14 Sec. 2 of the Issuer's Statutes, the powers of the Supervisory Board include in particular:

(i) review and assessment of the Management Board's report on the Company's activities and the Company's financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs;
(ii) assessment of the Management Board's recommendations concerning the distribution of profit or coverage of loss;
(iii) submitting to the General Shareholders' Meeting an annual written report on the results of the assessment referred to above;
(iv) appointing and removing, as well as suspending, for an important reason, Members of the Management Board;
(v) issuing opinions on planned amendments to the Company's Statutes;
(vi) approving – not later than by November 30th of each calendar year – annual budgets prepared by the Management Board and amendments to such budgets;
(vii) issuing opinions regarding granting of loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside the ordinary course of business;
(viii) election of the expert auditor to examine the Company's financial statements;
(ix) adoption of the uniform text of the Company Statutes;
(x) other issues which under the binding legal regulations or other provisions of the Company's Statute require a resolution of the Supervisory Board.

The following actions of the Management Board shall require the Supervisory Board's consent issued in the form of a resolution:

(i) decisions concerning joint-ventures with other entities;
(ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises;
(iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000, if such transactions have not been provided for in the annual budget;
(iv) sale or lease or transfer of the Company's assets with a value in excess of EUR 1,000,000 or its zloty equivalent, if such a transaction has not been provided for in the annual budget;

(v) issuing opinions concerning specification and changing of remuneration or terms of employment of Management Board Members;
(vi) creation, issue/delivery, purchase or sale of shares in another subsidiary entity;
(vii) creation and modification of any stock option scheme or incentive scheme of a similar nature for the Company's management and employees;
(viii) the conclusion by the Company of a material agreement with a related entity within the meaning of regulations on the communication of current and periodical information by the issuers whose shares are quoted on the Stock Exchange in Warsaw S.A., except for typical transactions concluded on market conditions as part of the operating activity conducted by the Company with its subsidiary entity in which the Company is a majority shareholder.

The Supervisory Board performs its duties as a group. The Supervisory Board may, by way of a resolution adopted by a simple majority of votes, delegate individual Members to individually perform specific supervisory tasks.

Supervisory Board members perform their duties personally. However, they may participate in the adoption of resolutions of the Supervisory Board by voting in writing through another Supervisory Board member. The Supervisory Board may adopt resolutions at a session or in writing or by using long-distance communication means. Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. In the case of an even number of votes cast in 'favor of' and 'against' a resolution the Supervisory Board chairman shall have the casting vote. Moreover, the consent of the majority of independent Supervisory Board members is required for the adoption by the Supervisory Board of resolutions in the following matters:

(i) any action by the Company or any of its related entity that causes the benefit for the Members of the Management Board;
(ii) election of the expert auditor to examine the Company's financial statements;
(iii) issuing opinions regarding granting of loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside the ordinary course of business;
(iv) granting the Management Board the approval to limit or waive in full the priority rights (pre-emptive rights) of the Company's shareholders with respect to any of the Company's shares to be issued within the limits of the authorized capital.

The detailed procedure of operations of the Supervisory Board is set out by the Supervisory Board Rules. The content of the applicable Supervisory Board Rules is available at the following address:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

The Supervisory Board of the Company is composed of 5 (five) members. The Supervisory Board is composed of the following: João Borges de Assuncao (Chairman of the Supervisory Board), Eduardo Aguinaga, António José Santos Silva Casanova, Ryszard Wojnowski and Janusz Lisowski. The status of independent Supervisory Board members is held by the following:

(i) Messrs. Ryszard Wojnowski and Janusz Lisowski, as Supervisory Board members appointed by the General Meeting of the Company, and
(ii) Messrs. João Borges de Assunção and António José Santos Silva Casanova appointed by the shareholder Politra B.V., who submitted representations to the effect that they meet the criteria of an independent Supervisory Board member.

Thus, 4 of the 5 Supervisory Board members of the Company are "independent members".

5.12.3. Supervisory Board Committees

The following internal committees operate under the auspices of the Supervisory Board:

(i) the Audit Committee, and
(ii) the Remuneration Committee

The members of each of the said committees are selected by the Supervisory Board, where the Remuneration Committee should include at least one independent Supervisory Board member, while the Audit Committee should include at least two independent Supervisory Board members and one member who is a financial specialist, i.e. a person having pertinent experience in finance management and accountancy in public companies or other companies of comparable size.

The responsibilities of the Audit Committee shall include:

(i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc,
(ii) supervising the activities of external auditors of the Company,
(iii) giving the opinion on the candidates for the Company's external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 7 years,
(iv) supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting,
(v) each year evaluating the internal control system functioning and the significant risk management system functioning, as well as evaluating its own functioning in a form of an annual report of its deliberations, findings and relationship with the external auditor (including in particular his independence) to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Audit Committee is composed of the following: Messrs. Eduardo Aguinaga (Chairman), António José Santos Silva Casanova and Ryszard Wojnowski.

The responsibilities of the Remuneration Committee shall include:

(i) certifying to the Supervisory Board the existence of a remuneration policy for the Management Board, which is known to the Remuneration Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of compensation, as well as the performance criteria and the application thereof,
(ii) each year proposing for the Supervisory Board's approval the opinion on the compliance of the remuneration policy of the Management Board and application thereof with regards to the desired standards of corporate governance,
(iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from application of the remuneration policy,
(iv) each year evaluating its own functioning in the form of an annual report of its activities to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Remuneration Committee is composed of the following: Messrs. António José Santos Silva Casanova (Chairman), Eduardo Aguinaga and Janusz Lisowski.

The rules governing the operations of both committees are regulated in detail in Section VII of the Supervisory Board Rules available at the following address:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

5.13. Agreements which may in the future result in changes of the blocks of shares held

Apart from the incentive schemes for managers and employees, the Management Board of Eurocash is not aware of any agreements which could cause in the future a changed proportion of blocks of shares held by the shareholders.

5.14. Information on the employee shares control system

Below presented are incentive schemes based on the issue of Eurocash S.A. shares.

No.	Legal Basis	Number and Class of Eurocash Shares	Determined or Projected* Issue Price	Option Exercise Date
1.	Resolution of the Extraordinary Shareholders' Meeting No. 3 dated 14 September 2004 regarding the issue of bonds with the right of first refusal, conditional increase in share capital and the exclusion of the pre-emptive right of present shareholders, as amended, final wording pursuant to Resolution No. 2 dated 2 November 2004 and Resolution No. 1 dated 25 November 2004	Up to 3,193,550 Class B Shares	PLN 2.71 (issue price published in current report No.17.2007)	from 1 January to 31 December 2010
		Up to 3,193,550 Class C Shares	PLN 4.32 (issue price published in current report No. 53/2008)	from 1 January to 31 December 2010
2.	Resolution No. 17 of the Ordinary Shareholders' Meeting dated 25 April 2006 regarding the Incentive Scheme KDWT of 2006.	Up to 830,000 Class D Shares	PLN 4.82	from 1 April 2010 to 1 April 2010
3.	Resolution No. 19 of the Ordinary Shareholders' Meeting dated 25 April 2006 regarding the Third Employee Incentive Scheme	Up to 1,596,775 Class E Shares	PLN 7.87 (issue price published in current report No. 57/2009)	From 1 January 2010 to 31 December 2012
4.	Resolution No. 17 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Delikatesy Centrum Incentive Scheme	Up to 537,636 Class F Shares	PLN 6.51	from 17 August 2010 to 17 August 2010
5.	Resolution No. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for the years 2007 and 2008	Up to 1,020,000 Class G Shares	PLN 9.78 (issue price published in current report No. 71/2010)	from 1 January 2011 to 31 December 2013
		Up to 1,020,000 Class H Shares	PLN 9.26 = average price of Eurocash shares in November 2008 adjusted by dividend paid (presently PLN 0.67)	from 1 January 2012 to 31 December 2014
6.	Resolution No. 16 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 2 June 2010 regarding the Seventh Incentive and Bonus Scheme for Employees	Up to 197.500 Class I Shares	26,59 zł = average price of Eurocash shares in November 2010	from 1 January 2014 to 31 December 2014

** weighted average listing of Eurocash shares at the Warsaw Stock Exchange in November of a given year, adjusted by rights connected with shares (e.g. dividend payments) as at 31.12.2010.*

5.15. Forecasted costs connected with the incentive schemes introduced

Costs connected with employee incentive schemes based on the issue of Eurocash S.A. (the "Company") shares are calculated by the Company throughout the rights acquisition period and depreciated monthly. The fair value of options is established on the basis of the Black-Scholes-Merton model.

According to his model, value of options is calculated based of the following parameters:

- **Grant date**: In case of motivation schemes based on issue of C, D, E shares, as grant date was set on the beginning of the option exercise period, and for schemes based on series F and G shares – grant date was set on the date of the resolution of the General Assembly, adpting the list of entitled persons within given scheme..
- **Option exercise date: For all schemes as option exercise date the** beginning of the option exercise period was assumed.

- **Risk-free rate:** Estimated based on the average field of the Treasury Bonds with tenor closest to the option realization date, as of the valuation date.
- **Volatility:** Calculated based on historical volatility of daily returns of Eurocash shares on the Warsaw Stock Exchange („WSE") – considering 250 trading sessions prior to valuation date.
- **Option strike price:** According to the rules of schemes based on series E, G and H shares, option strike price amounts to the weighted average of Eurocash share price In November of 2006, 2007 and 2009 accordingly, adjusted for dividends paid. For schemes based on series D and F shares, strike price amounts to PLN 4.82 and 6.52 accordingly.
- **Base (current) stock price:** Eurocash share price at closing of the trading session on WSE on the valuation date.

In 2010, the cost connected with the valuation of the incentive schemes based on the issue of Class G and H shares amounted jointly to PLN 3 227 302,48 as compared to the joint costs of incentive schemes in 2009 of PLN 4 350 940.32
The Company estimates that the cost connected with the valuation of existing incentive schemes in the following years will amount to:

- in 2011: PLN 1 146 221.28 (schemes based on Class H Shares)

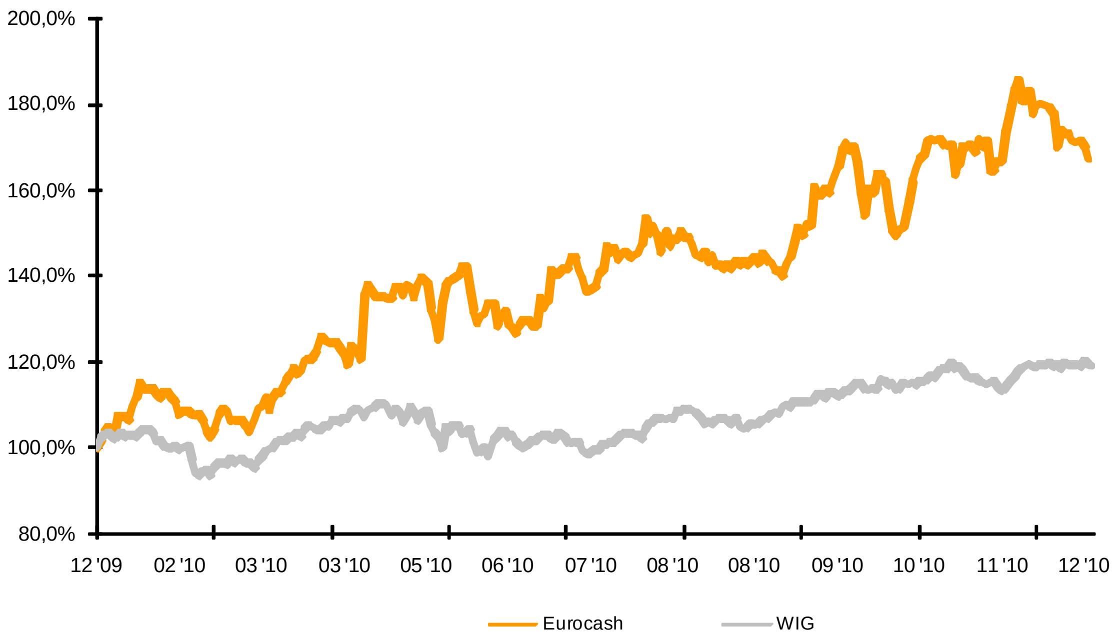
Depreciation of costs of the schemes based on Class H Shares shall end in 2011.

5.16. Eurocash listing on the Warsaw Stock Exchange in 2010[1]

The price for one share at the end of 2010 was 66.7% higher than at the end of 2009, whereas WIG increased by 18.8%. At the beginning of the year 2010 the price for 1 Eurocash share was PLN 15.60 (closing price at the end of 2009), and at the end of the year PLN 26.01.

Company capitalization as at 31 December 2010 amounted to PLN 3.5 billion as compared to PLN 2.1 billion as at the end of 2009.

Chart 1 Eurocash share price performance vs. WIG index in 2010



[1] *Share proces are provided according to closing price on Warsaw Stock Exchange*

6. Additional information

6.1. Information on court proceedings

In 2010 the companies belonging to Eurocash S.A. were not involved into any legal suit in any court, nor in a body competent for arbitration proceedings nor an administrative body, which total value would amount to at least 10% of issuer's equity.

6.2. Information on significant agreements

In 2010 the Eurocash S.A. companies entered into the following agreements considered as significant for the business activity of Eurocash:

1. Alcohol distribution agreement

On 8 April 2010 Eurocash S.A. signed an agreement for distribution of alcoholic beverages in the territory of Poland ("Distribution Agreement"). The parties, other than Eurocash S.A., are: CEDC subsidiaries as suppliers - Carey Agri International Poland Sp. z o.o., Bols Sp. z o.o., Polmos Białystok S.A., PWW Sp. z o.o. (jointly referred to as the "Vendors"), and Premium Distributors Sp. z o.o. as the distributor (reseller).

As soon as the Company enters into the Promised Contract based on which Eurocash S.A. shall acquire shares in CEDC Distribution Companies ("Acquisition of Distributors"), Premium Distributors Sp. z o.o. shall become a member of Eurocash S.A.. With the Distribution Agreement Eurocash S.A. will be able to purchase and distribute the products offered by Vendors under terms of the Distribution Agreement.

The Distribution Agreement shall be effective from the date of Acquisition of Distributors and shall remain valid for a period of 6 years, with the option of automatic renewal of the agreement for two consecutive years.

2. Conclusion of the credit agreement

In connection with the acquisition on 2 August 2010 shares and stocks in subsidiaries CEDC companies, Eurocash S.A. concluded the contract credit with ING Bank S.A., under which ING Bank S.A. has credit in the amount of 380.000.000 PLN for financing the purchase of shares and stocks in subsidiaries CEDC companies. The agreement was signed for a period of 5 years. Liabilities of the company for credit granted were guaranteed by subsidiaries. The guarantee covers liabilities, and in particular the liabilities for the credit, interest and commissions, where a company fails to perform its liabilities within the time limits to the total amount 456.000.000 PLN. Each guarantor provided statement on submission to execution conducted according to banking execution title up to amount of PLN 456.000.000, with right of Bank to apply to court for the immediate execution clause until 31 December 2016.

3. Investment agreement between Emperia Holding S.A. and Eurocash S.A.

On 21 December 2010 Eurocash and Emperia Holding S.A. with its registered office in Lublin ("Emperia") entered into an investment agreement (hereinafter referred to as "Investment Agreement" or "Agreement").

On the basis of the Investment Agreement, Eurocash and Emperia (hereinafter referred to jointly as the "Parties") undertook to execute the transaction, in which Emperia shall sell, for the benefit of Eurocash, shares held by it, directly or indirectly, in the companies conducting wholesale distribution of foodstuff, as well as retail franchise chains. Description of this agreement is presented in section 4.7.9 above.

During 2010 there were no other significant agreements. The Management Board of Eurocash do not have any information on agreements between Eurocash shareholders.

6.3. Information on transactions with related entities

During 2010 there were no significant transactions between the related companies within Eurocash apart from the transactions being a result of normal business operation on the market. The information on such transactions were presented in additional information to the separate financial statements for 2010 in note no 34.

6.4. Forecasts

The Management Board of Eurocash S.A. has not published financial forecasts for 2010.

6.5. Changes in the basic management principles

In 2010 no changes in the basic management principles took place.

6.6. Agreements with members of the Management Board providing for compensation

The Company has not executed any agreements with the members of the Management Board, providing for compensation in the event of their resigning or being dismissed from their positions without a sound reason.

Agreements with members of the Management Board consist that in case of a change of the main shareholder, i.e. change of the shareholder holding at least 50% and one share of Eurocash share capital (Politra B.V.), then the notice period in respect of the agreement will be 12 months.

6.7. Remuneration paid to the members of the Management Board and the Supervisory Board in 2010

Information on remuneration paid to the members of the Management Board and the Supervisory Board in 2010 is provided in the part of annual report containing the annual consolidated financial statements in note no 35

6.8. Information on the registered audit company

The consolidated financial statement of Eurocash S.A. for 2010 has been audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 17 July 2010. The consolidated financial statement of Eurocash S.A. for 2009 was audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 8 July 2009.

The total fees specified in the contract with the registered audit company, payable or paid for the audit and review of the separate and consolidated financial statements and for other services are presented below:

PLN million	**2010**	**2009**
Audit of financial statement	400,0	130,0
Review of financial statements	150,0	120,0
Other services	152,0	85,0
Total capital expenditures	**702,0**	**335,0**

7. Representations of the Management Board

7.1. Accuracy and reliability of the reports presented

The members of the Management Board of Eurocash S.A. represent that, according to their best knowledge:

- the annual financial statements of Eurocash S.A. and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash S.A. and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash S.A. in 2010 contains a true views of the development, achievements and position of Eurocash S.A., including a description of main risks and threats.

7.2. Appointment of the entity qualified to audit financial statements

The members of the Management Board of Eurocash S.A. represent that, KPMG Audyt Sp. z o.o., the entity qualified to audit financial statements, which audited the annual financial statements of Eurocash S.A., has been appointed in compliance with the applicable laws and regulations. The entity and the auditors have met the prerequisites for giving an impartial and independent opinion on the audit in accordance with the applicable provisions of the law.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	8th April 2011	
Management Board Member Chief Executive Officer	Rui Amaral	8th April 2011	
Management Board Member	Arnaldo Guerreiro	8th April 2011	
Management Board Member	Pedro Martinho	8th April 2011	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	8th April 2011	
Management Board Member Administration and Non-Commercial Purchasing Director	Ryszard Majer	8th April 2011	
Management Board Member Financial Director	Jacek Owczarek	8th April 2011	