EUROCASH S.A.

CONSOLIDATED ANNUAL REPORT FOR 2009

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, 19th April 2010

CONTENTS

Dear Stakeholders,

It is my privilege to once again write about the activities of Eurocash Group in the past year. As I said last year, we expected a tough 2009 and as market difficulties set in, Eurocash took a defensive strategy and in the first quarter implemented cost reductions through our " Focus" program which made an essential contribution to the 2009 results we delivered. Based on a leaner structure we were able to stay aggressive in assuring the best prices to our customers and to still deliver excellent results at year end. Even in the tough market conditions we managed to deliver a growth in sales of 9% reaching PLN 6.7 billion with very healthy growth of EBITDA and Net Profit of 23 % to PLN 195 million and 30% to PLN 102 million respectively.

In the Cash&Carry business we managed to grow 10%, reaching PLN 2.6 billion including 5.2% growth in like-for-like terms. We opened 6 new cash and carries, and the remodeling program of the network was almost finished. In general the Cash & Carry business was very competitive and kept growing market share throughout the year. At year-end we made the acquisition of Batna which will facilitate our entrance to the Warsaw market in which we were not present till now. This, including Batna, we closed the year with 120 cash and carries.

KDWT had a very good year due to the change of strategy. During 2009, in a context of tobacco market decline, KDWT had the courage to stop selling tobacco products to the big retailers. It focused on ever-improving service to independent shops and on cross-selling of impulse products. This strategy had a negative impact on sales but had very good results in terms of cash flow and net profit. In general the company had a very good year and found the best way to operate in this very tough market.

Delikatesy Centrum once more proved that the franchise model developed by the company is the most competitive in Poland and delivered total growth of 27% and like-for-like growth of 4% while opening 89 stores during the year. We believe this system to be one of the most powerful concepts for independent food retailers as it combines the quality of service of independent retailing with the supply chain power and know-how of Eurocash Group.

McLane Polska was divided in 3 different businesses as it proved to be more efficient than the integrated model operating before. We thus firstly integrated IGA and independent retailers in Eurocash Franczyza which is much better placed to serve the needs of this type of clients thanks to the experience of Delikatesy Centrum. On the other hand, we created two different business units: Eurocash Dystrybucja, to work mainly with gasoline stations and Eurocash Gastronomia, to develop the Food Service business. With these steps we believe we have the right structure to be the best supplier in terms of price and service quality in each of the above segments.

During 2009 we believe we made an excellent job keeping the company immune to the difficult macro-economic situation, protecting our cash flow and our competitiveness and, most importantly, protecting and helping our clients in a tough year. A key aspect is that we feel that we enter 2010 with ideal conditions to keep growing and consolidating the market as we believe our advantage of quality and competitiveness over our competitors has become even more obvious.

Our strategy of being a Wholesaler, with no intentions of becoming a retailer, is also paying off as clients increasingly place their trust in us and that explains how, in this difficult year, we increased the number of clients in our cash and carry operation. It now seems clear that independent retailers want to work with partners they trust and that work exclusively in their best interests.

This year my thanks go to all our employees for the excellent job performed under these more trying conditions as well as to our clients who kept preferring our companies to do their food shopping. In addressing our shareholders I have to give thanks for showing trust in our strategy and business model which once more allowed Eurocash to outperform both the Warsaw stock exchange and our peers .

2010 is still not going to be a easy year, but once again we believe we are better prepared to face it and to keep consolidating the wholesale market in order to deliver better efficiency to our customers.

Your sincerely

Luis Amaral

President of the Management Board

Eurocash S.A.

SELECTED CONSOLIDATED FINANCIAL DATA

	for the period from 01.01.2009 to 31.12.2009 PLN	for the period from 01.01.2008 to 31.12.2008 PLN	for the period from 01.01.2009 to 31.12.2009 EUR	for the period from 01.01.2008 to 31.12.2008 EUR
Net sales	6 698 340 961	6 129 738 287	1 547 926 181	1 743 086 586
Operating profit	145 200 782	115 503 400	33 554 591	32 845 191
Profit before tax	128 772 446	94 687 390	29 758 151	26 925 835
Profit from continuing operations	102 521 771	78 367 492	23 691 857	22 285 017
Profit for the period	102 521 771	78 456 323	23 691 857	22 310 278
Net cash from operating activities	198 039 977	235 433 212	45 765 252	66 949 102
Net cash used in investing activities	(86 477 269)	(169 873 254)	(19 984 117)	(48 306 107)
Net cash used in financing activities	(98 260 115)	(52 871 781)	(22 707 026)	(15 034 915)
Net change in cash and cash equivalents	13 302 593	12 688 177	3 074 109	3 608 081
Weighted average number of shares	134 090 060	132 672 627	134 090 060	132 672 627
Diluted weighted average number of shares	135 684 575	134 301 128	135 684 575	134 301 128
Basic EPS (in PLN / EUR)	0,76	0,59	0,18	0,17
Diluted EPS (in PLN / EUR)	0,76	0,58	0,17	0,17
Average PLN / EUR rate*			4,3273	3,5166

	as at 31.12.2009 PLN	as at 31.12.2008 PLN	as at 31.12.2009 EUR	as at 31.12.2008 EUR
Assets	1 390 352 181	1 244 023 192	338 433 421	298 155 304
Non-current liabilities	47 658 839	48 263 374	11 600 905	11 567 293
Current liabilities	975 882 904	912 308 936	237 545 130	218 653 278
Equity	366 810 438	283 450 881	89 287 386	67 934 733
Share capital	134 704 736	130 777 550	32 789 235	31 343 483
Number of shares	134 627 043	130 777 550	134 627 043	130 777 550
Diluted number of shares	138 633 818	137 955 511	138 633 818	137 955 511
Book value per share (in PLN / EUR)	2,72	2,17	0,66	0,52
Diluted book value per share (in PLN / EUR)	2,65	2,05	0,64	0,49
Declared or paid dividend (in PLN / EUR)	40 050 682	39 070 366	9 748 961	9 364 003
Declared or paid dividend per share (in PLN / EUR)	0,30	0,30	0,07	0,07
PLN / EUR rate at the end of the period**			4,1082	4,1724

* Profit and loss items have been converted as a matter of arithmetic computation using the official mid-rates announced by the National Bank of Poland prevailing on the last day of each month.
** 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 reporting date.

Eurocash S.A. Group

Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2009

The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 14 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the finacial year ended
31 December 2009

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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 consolidated financial statements of Eurocash S.A. Group, seated in Komorniki, 11 Wiśniowa Street ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated profit and loss account for the year then ended, the consolidated statement of changes in equity for the year then ended, the consolidated statement of cash flows for the year then ended and notes to the consolidated 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 Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements and preparation of the report on the Company's activities in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Management of the Parent Company and members of the Supervisory Board are obliged to ensure that the financial statements and the Report on the Group'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 consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act") and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying consolidated financial statements of Eurocash S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2009 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act, we also report that the Report on the Group'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 consolidated financial statements.

Signed on the Polish original

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

....
Certified Auditor No. 90095
Wojciech Drzymała

Signed on the Polish original

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

....
Certified Auditor No. 90061
Marek Gajdziński, Director

Poznań, 19 April 2010

TRANSLATION

Eurocash S.A. Group

Report supplementing the auditor’s opinion on the consolidated financial statements
Financial Year ended
31 December 2009

The report supplementing the auditor’s opinion
contains 14 pages
Report supplementing the auditor’s opinion
on the consolidated financial statements
for the financial year ended
31 December 2009

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Contents

1. General

1.1 Identification of the Group

1.1.1 Name of the Group

Eurocash S.A. Group

1.1.2 Registered office of the Parent Company of the Group

11 Wiśniowa Street
62-052 Komorniki

1.1.3 Registration of the Parent Company 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

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP number:	7791906082
REGON:	631008941

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2009, the following companies were consolidated by the Group:

Parent Company:

- Eurocash S.A.

Subsidiaries consolidated on the full consolidation basis:

- KDWT S.A.,
- Eurocash Franczyza Sp. z o.o.,

According to the resolution dated 17 August 2009 the sole Shareholder of the Company decided to change the Company's name from "Eurocash Franszyza Sp. z o.o." to "Eurocash Franczyza Sp. z o.o.". The change was registered in the National Court Register on 15 September 2009.

- McLane Polska Sp. z o.o.,
- Nasze Sklepy Sp. z o.o.,
- Przedsiębiorstwo Handlowe Batna Sp. z o.o.,
- Eurocash Trade 1 Sp. z o.o.,

- Eurocash Trade 2 Sp. z o.o.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2009, as a result of the Parent Company acquiring a controlling interest:

- Przedsiębiorstwo Handlowe Batna Sp. z o.o. – subject to consolidation for the period from 1 December 2009 to 31 December 2009,
- Eurocash Trade 1 Sp. z o.o. – subject to consolidation for the period from 7 May 2009 to 31 December 2009,
- Eurocash Trade 2 Sp. z o.o. – subject to consolidation for the period from 9 May 2009 to 31 December 2009.

1.2.2 Entities excluded from consolidation

As at 31 December 2009, all subsidiaries comprising the Group were consolidated

1.3 Auditor 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 entities authorised to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the terms of its articles of association dated 7 July 2004.

The share capital of the Parent Company amounted to PLN 134,704,736 as at 31 December 2009 divided into 134,704,736 ordinary shares with a nominal value of PLN 1 each. In comparison to the previous year share capital increased by 3,927,186 shares with a nominal value of PLN 1 each due to exercising of the managerial options. As at the date of this report the increase in the share capital has not been registered in the National Court Register.

As at 31 December 2009, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal value of shares PLN '000	Percentage of share capital (%)
Luis Amaral (directly and indirectly through Politra B.V.)	70 258 100	52,2%	70 258,1	52,2%
Commercial Union – Powszechne Towarzystwo Emerytalne BPH CU WBK	6 880 178	5,1%	6 880,2	5,1%
ING Nationale – Nederlanden Polska Otwarty Fundusz Emerytalny	6 843 714	5,1%	6 843,7	5,1%
BZ WBK AIB Asset Management S.A.	6 762 947	5,0%	6 762,9	5,0%
Others < 5%	43 959 797	32,6%	43 959,8	32,6%
	134 704 736	100,0%	134 704,7	100,0%

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2009, the Management Board of the Parent Company was comprised of the following members:

- Luis Manuel Conceicao De 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.

1.4.3 Scope of activities

The main business activities listed in the Parent Company's Statute is general wholesale trade (PKD 4690Z).

The business activities of subsidiaries of the Group are related to Parent Company's main business activities.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 25 May 2009.

The closing balances as at 31 December 2008 have been properly recorded as the opening balances of the audited year including reclassification adjustments to previous years, which are presented in note 1 to the consolidated financial statements of Eurocash S.A. Group.

The consolidated financial statements were submitted to the Registry Court on 9 June 2009 and were published in Monitor Polski B No. 2424 on 1 December 2009.

1.6 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 consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2009, the consolidated profit and loss account for the year then ended, the consolidated statement of changes in equity for the year then ended, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The Parent Company prepares its consolidated 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 consolidated financial statements have been audited in accordance with the contract dated 17 July 2009, 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 and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 30 November 2009 to 11 December 2009 and from 1 February 2010 to 26 February 2010.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Management of the Parent Company and members of the Supervisory Board are obliged to ensure that the consolidated financial statements and the Report of Managements Board on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements.

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

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. 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.

1.7 Information on audits of the financial statements of the consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2009 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
KDWT S.A.	KPMG Audyt Sp. z o.o.	31 December 2009	unqualified
Eurocash Franczyza Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2009	unqualified
McLane Polska Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2009	unqualified
Przedsiębiorstwo Handlowe Batna Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2009	unqualified
Nasze Sklepy Sp. z o.o.	audit not required	31 December 2009	not applicable
Eurocash Trade 1 Sp. z o.o.	audit not required	31 December 2009	not applicable
Eurocash Trade 2 Sp. z o.o.	audit not required	31 December 2009	not applicable

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2009 PLN '000	% of total	31.12.2008 PLN '000	% of total
Non-current assets (long-term)	**456 918,4**	**32,9**	**402 993,9**	**32,4**
Goodwill	130 414,2	9,4	91 931,6	7,4
Intangible fixed assets	129 619,7	9,3	125 939,4	10,1
Tangible fixed assets	187 586,5	13,5	171 739,2	13,8
Investments in associated companies	543,1	0,0	1 710,9	0,1
Other long-term financial assets	87,0	0,0	102,0	0,0
Long-term receivables	2 051,2	0,2	5 853,0	0,5
Long-term prepayments	6 616,7	0,5	5 717,8	0,5
Deferred tax assets	6 124,5	0,4	3 996,7	0,3
Other long-term prepayments	492,2	0,0	1 721,1	0,1
Current assets (short-term)	**933 433,8**	**67,1**	**841 029,3**	**67,6**
Inventories	365 785,2	26,3	312 265,1	25,1
Trade receivables	374 585,3	26,9	346 476,4	27,9
Income tax receivable	221,8	0,0	-	-
Other short-term receivables	30 477,2	2,2	32 454,4	2,6
Cash and cash equivalents	157 452,0	11,3	144 149,4	11,6
Short-term prepayments	4 912,3	0,4	5 684,0	0,5
TOTAL ASSETS	**1 390 352,2**	**100,0**	**1 244 023,2**	**100,0**

EQUITY AND LIABILITIES	31.12.2009 PLN '000	% of total	31.12.2008 PLN '000	% of total
Equity	**366 810,4**	**26,4**	**283 450,9**	**22,8**
Share capital	134 704,7	9,7	130 777,5	10,5
Treasury shares	(1 115,5)	0,1	-	-
Reserve capital	117 714,3	8,5	77 208,1	6,2
Capital reserve	12 884,5	0,9	-	-
Hedge instrument valuation reserve	(4 645,0)	0,3	(4 645,0)	0,4
Retained earnings	107 246,5	7,7	79 549,4	6,4
Accumulated profit from previous years	4 710,6	0,3	1 062,0	0,1
Net profit of the current year	102 535,9	7,4	78 487,4	6,3
Total equity attributable to equity holders of the parent	**366 789,5**	**26,4**	**282 890,0**	**22,7**
Minority interest	**20,9**	**0,0**	**560,9**	**0,1**
Liabilities	**1 023 541,8**	**73,6**	**960 572,3**	**77,2**
Long-term liabilities	**47 658,8**	**3,4**	**48 263,4**	**3,9**
Long-term financial liabilities	22 498,1	1,6	23 421,8	1,9
Other long-term liabilities	400,0	0,0	-	-
Deferred income tax provision	7 047,8	0,5	7 402,8	0,6
Provision for employee benefits	568,9	0,0	294,8	0,0
Other long-term reserves	17 144,0	1,2	17 144,0	1,4
Short-term liabilities	**975 883,0**	**70,2**	**912 308,9**	**73,3**
Short-term loans and credits	-	-	68 474,4	5,5
Short-term financial liabilities	37 265,1	2,7	32 752,8	2,6
Trade liabilities	866 475,6	62,3	755 086,4	60,7
Current income tax liabilities	11 442,0	0,8	6 148,5	0,5
Other short-term liabilities	19 977,5	1,4	18 462,9	1,5
Employee benefits liabilities	21 622,5	1,6	14 128,6	1,1
Short-term provisions and accruals	19 100,3	1,4	17 255,3	1,4
TOTAL EQUITY AND LIABILITIES	**1 390 352,2**	**100,0**	**1 244 023,2**	**100,0**

2.1.2 Consolidated profit and loss account

	1.01.2009 - 31.12.2009	% of total sales	1.01.2008 - 31.12.2008	% of total sales
Continued operations	zł '000		zł '000	
Net sales	**6 698 341,0**	**100,0**	**6 129 738,3**	**100,0**
Net sales of traded goods	6 528 211,7	97,5	5 979 744,6	97,6
Net sales of services	170 129,3	2,5	149 993,7	2,5
Prime costs of sales	**(6 074 106,6)**	**90,7**	**(5 588 547,3)**	**91,2**
Costs of goods sold	(6 054 914,8)	90,4	(5 562 643,9)	90,8
Costs of services sold	(19 191,8)	0,3	(25 903,4)	0,4
Gross profit on sales	**624 234,4**	**9,3**	**541 190,9**	**8,8**
Selling expenses	(344 623,8)	5,1	(278 057,7)	4,5
General and administrative expenses	(126 829,3)	1,9	(137 047,2)	2,2
Profit on sales	**152 781,3**	**2,3**	**126 086,1**	**2,1**
Other operating revenues	25 311,6	0,4	15 212,9	0,3
Other operating costs	(32 892,1)	0,5	(25 795,6)	0,4
Operating profit	**145 200,8**	**2,2**	**115 503,4**	**1,9**
Financial revenues	6 188,9	0,1	3 038,7	0,1
Financial costs	(21 449,4)	0,3	(22 101,3)	0,4
Share in losses of companies consolidated with the equity method	(1 167,8)	0,0	(1 753,4)	0,0
Profit before tax	**128 772,5**	**1,9**	**94 687,4**	**1,5**
Income tax	(26 250,7)	0,4	(16 319,9)	0,3
Net profit on continued operations	**102 521,8**	**1,5**	**78 367,5**	**1,3**
Discontinued operations				
Net profit on discontinued operations	-	-	88,8	-
Net profit	**102 521,8**	**1,5**	**78 456,3**	**1,3**
Attributable to:				
Equity holders of the parent	102 535,9		78 487,4	
Minority interest	(14,1)		(31,1)	
Net profit per share				
Basic earnings per share (PLN)	0,76		0,59	
Diluted earnings per share (PLN)	0,76		0,58	
Basic earning per share of continuing operations (PLN)	0,76		0,59	
Diluted earnings per share of continuing operations (PLN)	0,76		0,58	

2.2 Selected financial ratios

	2009	2008	2007
1. Return on sales			
net profit x 100% / net revenues	1,5%	1,3%	1,2%
2. Return on equity			
net profit x 100% / equity - net profit	38,8%	38,3%	33,7%
3. Debtors turnover			
average trade receivables (gross) x 365 days / net revenues	20 days	18 days	16 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	73,6%	77,2%	73,8%
5. Current ratio			
current assets / current liabilities	1,0	0,9	1,0

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

2.3 Interpretation of selected financial ratios

Return on sales and return on equity
Return on sales and return on equity ratios remained at a similar level compared to the previous year.

Debtors turnover
Debtors' days ratio increased by 2 days when compared to the end of 2008 mainly due to the increase in receivables from marketing services provided to the Group's suppliers.

Debt ratio
Debt ratio decreased by 3.6 percentage points. The Group's debt increased in comparison to 2008, however, it was accompanied by more then proportional increase in the Group's equity (mainly due to higher net profit realized in 2009 and due to realization of managerial options).

Current ratio
Current ratio has not changed significantly compared to the previous years and amounted to 1.0 at the end of 2009.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Eurocash S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 8 August 2008 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2008 r., No 162, item 1004).

3.3 Method of consolidation

The method of consolidation is described in note 2.4 of the notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 2.4 of the notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Minority interests in subsidiaries included in the consolidated financial statements were determined based on the minority shareholders' share in the subsidiaries' equity as at the end of the reporting period.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Eurocash S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

3.7 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. The notes to the consolidated financial statements should be read in conjunction with the consolidated financial statements taken as a whole.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group'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 consolidated financial statements.

3.9 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2009, we have issued an unqualified opinion.

Signed on the Polish original

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

....
Certified Auditor No. 90095
Wojciech Drzymała

Signed on the Polish original

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

....
Certified Auditor No. 90061
Marek Gajdziński, Director

Poznań, 19 April 2010

EUROCASH S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 DECEMBER 2009

TRANSLATORS' EXPLANATORY NOTE
This document is a free translation of the Polish original.
The binding Polish original should be referred to in matters of interpretation.

KOMORNIKI, 19 April 2010

CONTENTS

GENERAL INFORMATION

1. INFORMATION ABOUT THE PARENT ENTITY

1.1. NAME

EUROCASH Spółka Akcyjna

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

1.4. REGISTRATION COURT

District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register.
Registration number: KRS 00000213765

1.5. PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

Indefinite period

1.6. PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period 1 January 2009 – 31 December 2009 and comparative period: 1 January 2008 – 31 December 2008.
Consolidated statement of financial position has been prepared as at 31 December 2009, and the comparative figures are presented as at 31 December 2008.

2. INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

2.1. KDWT S.A.

2.1.1. NAME

KDWT Spółka Akcyjna

2.1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.1.3. CORE BUSINESS

Wholesale of tobacco products (PKD 5135Z)

2.1.4. SHARE CAPITAL

7.380.000,00 PLN

2.1.5. OWNERSHIP PERCENTAGE AS AT 31.12.2009

100%

2.2. EUROCASH FRANCZYZA SP. Z O.O.

2.2.1. NAME

EUROCASH FRANCZYZA Spółka z ograniczoną odpowiedzialnością

Based on the resolution no 1 of the Extraordinary Shareholders' Meeting dated 17 August 2009 about the change of the Company's Deed, the Company's name has been changed from Eurocash Franszyza Sp. z o.o. to Eurocash Franczyza Sp. z o.o. The change was registered in the National Court Register on 15 September 2009.

2.2.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.2.3. CORE BUSINESS

Other business support service activities (PKD 7487B)

2.2.4. SHARE CAPITAL

3.800.000,00 PLN

2.2.5. OWNERSHIP PERCENTAGE AS AT 31.12. 2009

100%

2.3. MCLANE POLSKA SP. Z O.O.

2.3.1. NAME

MCLANE POLSKA Spółka z ograniczoną odpowiedzialnością

Based on the resolution no 1 of the Extraordinary Shareholders' Meeting dated 17 April 2010, the Company's name has been changed from McLane Polska Sp. z o.o. to Eurocash Dystrybucja Sp. z o.o. As at the date of these financial statements the change was not registered in the National Court Register.

2.3.2. REGISTERED OFFICE

Pass 20C, 05-870 Błonie

2.3.3. CORE BUSINESS

Non-specialized wholesale trade (PKD 4690Z)

2.3.4. SHARE CAPITAL

150.158.950 PLN

2.3.5. OWNERSHIP PERCENTAGE AS AT 31.12.2009

100%

2.4. PAYUP POLSKA S.A

2.4.1. NAME

PayUp Polska S.A.

2.4.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

Based on the resolution of the Extraordinary Shareholders' Meeting dated 29 July 2009, the Company's registered office has been changed from Al. Solidarności 46 in Poznań to ul. Wiśniowa 11 in Komorniki. Other registration details have not changed.

2.4.3. CORE BUSINESS

Wireless telecommunications activities, except of satellite telecommunications activities (PKD 6120Z)

2.4.4. SHARE CAPITAL

7.000.000 PLN

2.4.5. OWNERSHIP PERCENTAGE AS AT 31.12.2009

49%

2.5. NASZE SKLEPY SP. Z O.O.

2.5.1. NAME

Nasze Sklepy Spółka z ograniczoną odpowiedzialnością

2.5.2. REGISTERED OFFICE

ul. Kąpielowa 18, 21-500 Biała Podlaska

2.5.3. CORE BUSINESS

Retail sale in non-specialized stores with food, beverages or tobacco predominating (PKD 4711Z)

2.5.4. SHARE CAPITAL

127.000 PLN

2.5.5. OWNERSHIP PERCENTAGE AS AT 31.12.2009

97,09%

2.6. EUROCASH TRADE 1 SP. Z O.O.

2.6.1. NAME

Eurocash Trade 1 Spółka z ograniczoną odpowiedzialnością

2.6.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.6.3. CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

2.6.4. SHARE CAPITAL

5.000 PLN

2.6.5. OWNERSHIP PERCENTAGE AS AT 31.12.2009

100%

2.7. EUROCASH TRADE 2 SP. Z O.O.

2.7.1. NAME

Eurocash Trade 2 Spółka z ograniczoną odpowiedzialnością

2.7.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.7.3. CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

2.7.4. SHARE CAPITAL

5.000 PLN

2.7.5. OWNERSHIP PERCENTAGE AS AT 31.12.2009

100%

2.8. PRZEDSIĘBIORSTWO HANDLOWE BATNA SP. Z O.O.

2.8.1. NAME

Przedsiębiorstwo Handlowe Batna Spółka z ograniczoną odpowiedzialnością

2.8.2. REGISTERED OFFICE

ul. Leonidasa 51/53, 02-239 Warszawa

2.8.3. CORE BUSINESS

Wholesale of dairy products, eggs and edible oils and fats (PKD 4633Z)

2.8.4. SHARE CAPITAL

4.050.000 PLN

2.8.5. OWNERSHIP PERCENTAGE AS AT 31.12.2009

100%

3. BOARDS OF THE COMPANIES

3.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2009 the Parent Entity's Management Board consisted of the following members:

Luis Manuel Conceicao De 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.

3.2. MANAGEMENT BOARDS OF SUBSIDIARIES AND ASSOCIATES

As at 31 December 2009 Management Boards of Subsidiaries and Associates consisted of the following members:

KDWT S.A.
Rui Amaral – President of the Management Board.

Eurocash Franczyza Sp. z o. o.
Pedro Martinho – President of the Management Board,
Katarzyna Kopaczewska – Member of the Management Board.

McLane Polska Sp. z o. o.
Arnaldo Guerreiro – President of the Management Board,
Geoffrey Crossley – Member of the Management Board,
Katarzyna Kopaczewska – Member of the Management Board,
Jacek Owczarek – Member of the Management Board,
Pedro Martinho – Member of the Management Board.

PayUp Polska S.A.
Luis Janeiro – President of the Management Board,
Zbigniew Furmańczak – Member of the Management Board,
Cristina Ascensao– Member of the Management Board,
Geoffrey Crossley – Member of the Management Board,
Jacek Owczarek – Member of the Management Board.

Nasze Sklepy Sp. z o. o.
Ireneusz Ługowski – President of the Management Board,
Pedro Martinho – Member of the Management Board.

Eurocash Trade 1 Sp. z o. o.
Rui Amaral – President of the Management Board,
Jacek Owczarek – Member of the Management Board.

Eurocash Trade 2 Sp. z o. o.
Rui Amaral – President of the Management Board,
Jacek Owczarek – Member of the Management Board.

Przedsiębiorstwo Handlowe Batna Sp. z o. o.
Arnaldo Guerreiro – President of the Management Board,
Mirosław Małecki – Vice-president of the Management Board,
Katarzyna Kopaczewska – Member of the Management Board,
Jacek Owczarek – Member of the Management Board.

3.3. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 31 December 2009 the Parent Entity'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.

3.4. SUPERVISORY BOARDS OF SUBSIDIARIES AND ASSOCIATES

As at 31 December 2009 Supervisory Boards of Subsidiaries and Associates consisted of the following members:

KDWT S.A.
Luis Manuel Conceicao De Amaral – President of the Supervisory Board,
Arnaldo Guerreiro – Member of the Supervisory Board,
Pedro Martinho – Member of the Supervisory Board.

Eurocash Franczyza Sp. z o. o.
Paweł Seidelt – President of the Supervisory Board,
Gustaw Suleja – Member of the Supervisory Board,
Marek Stodółka – Member of the Supervisory Board.

McLane Polska Sp. z o. o.
Luis Manuel Conceicao De Amaral – President of the Supervisory Board,
Robert Drayton McLane – Member of the Supervisory Board,
Ben Hansen – Member of the Supervisory Board.

PayUp Polska S.A.
Luis Manuel Conceicao De Amaral – President of the Supervisory Board,
Artur Lebiedziński – Member of the Supervisory Board,
Mahomed Iqbal – Member of the Supervisory Board.

Nasze Sklepy Sp. z o.o.
Adam Krzysztof Abramowicz – President of the Supervisory Board,
Rui Amaral – Member of the Supervisory Board,
Katarzyna Kopaczewska – Member of the Supervisory Board.

3.5. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

KDWT S.A.
On 29 June 2009 Arnaldo Guerreiro resigned from the Management Board of KDWT S.A.
On 29 June 2009 Rui Amaral was appointed as the President of the Management Board of KDWT S.A.
On 29 June 2009 Rui Amaral resigned from the Supervisory Board of KDWT S.A.
On 29 June 2009 Arnaldo Guerreiro was appointed to the Supervisory Board of KDWT S.A.
On 18 January 2010 Ryszard Majer was appointed to the Management Board of KDWT S.A.
On 18 January 2010 Jacek Owczarek was appointed to the Management Board of KDWT S.A.

Eurocash Franczyza Sp. z o. o..
On 31 March 2009 Michał Bartkowiak resigned from the Management Board of Eurocash Franczyza Sp z o.o.

On 18 January 2010 Arnaldo Guerreiro was appointed to the Management Board of Eurocash Franczyza Sp z o.o.

Based on the resolution no. 1 of the sole shareholder of Eurocash Franczyza Sp. z o.o dated 18 August 2009, the Supervisory Board of the company was appointed. Paweł Seidelt was appointed as the President of the Supervisory Board. Other members of the Supervisory Board are: Gustaw Suleja and Marek Stodółka. The Supervisory Board has a 3-year term of office.

McLane Polska Sp. z o. o.

On 30 June 2009 Johnny Baird resigned from the Management Board of McLane Polska Sp. z o.o. .

On 30 June 2009 Pedro Martinho was appointed to the Management Board of McLane Polska Sp. z o.o.

Nasze Sklepy Sp. z o. o.

On 31 March 2009 Michał Bartkowiak resigned from the Management Board of Nasze Sklepy Sp. z o.o.

PayUp Polska S.A.

On 1 March 2009 Miłosław Awedyk resigned from the Management Board of PayUp Polska S.A.

On 3 March 2009 Jacek Owczarek was appointed to the Management Board of PayUp Polska S.A.

On 19 March 2010 Cristina Ascencao resigned from the Management Board of PayUp Polska S.A.

On 19 March Geoffrey Crossley resigned from the Management Board of PayUp Polska S.A.

On 19 March 2010 Marek Strzelczyk was appointed to the Management Board of PayUp Polska S.A.

Eurocash Trade 1 Sp. z o. o.

On 6 April 2009 Rui Amaral was appointed as the President of the Management Board of Eurocash Trade 1 Sp. z o.o.

On 6 April 2009 Jacek Owczarek was appointed to the Management Board of Eurocash Trade 1 Sp. z o.o.

Eurocash Trade 2 Sp. z o. o.

On 6 April 2009 Rui Amaral was appointed as the President of the Management Board of Eurocash Trade 2 Sp. z o.o.

On 6 April 2009 Jacek Owczarek was appointed to the Management Board of Eurocash Trade 2 Sp. z o.o.

Przedsiębiorstwo Handlowe Batna Sp. z o. o.

On 30 November 2009 Sylwester Małecki resigned from the Management Board of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

On 30 November 2009 Arnaldo Guerreiro was appointed as the President of the Management Board of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

On 30 November 2009 Katarzyna Kopaczewska was appointed to the Management Board of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

On 30 November 2009 Jacek Owczarek was appointed to the Management Board of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2009

	Note	Year for the period from 01.01.2009 to 31.12.2009	Year for the period from 01.01.2008 to 31.12.2008
Continuing operations			
Sales		**6 698 340 961**	**6 129 738 287**
Sales of goods	25	6 528 211 652	5 979 744 575
Sales of services	25	170 129 309	149 993 712
Cost of sales		**(6 074 106 629)**	**(5 588 547 342)**
Cost of goods sold		(6 054 914 849)	(5 562 643 949)
Cost of services sold		(19 191 780)	(25 903 393)
Gross profit		**624 234 332**	**541 190 944**
Selling expenses	26	(344 623 821)	(278 057 690)
General and administrative expenses	26	(126 829 266)	(137 047 160)
Profit on sales		**152 781 245**	**126 086 094**
Other operating income	27	25 311 606	15 212 870
Other operating expenses	27	(32 892 069)	(25 795 563)
Operating profit		**145 200 782**	**115 503 400**
Finance income	28	6 188 858	3 038 718
Finance costs	28	(21 449 397)	(22 101 349)
Share of losses of equity accounted investees		(1 167 797)	(1 753 380)
Profit before tax		**128 772 446**	**94 687 390**
Income tax expense	22	(26 250 675)	(16 319 898)
Profit from continuing operations		**102 521 771**	**78 367 492**
Discontinued operations			
Profit from discontinued operation (net of income tax)		-	88 831
Profit for the period		**102 521 771**	**78 456 323**
Attributable to:			
Equity holders of the parent		102 535 877	78 487 385
Minority interest		(14 106)	(31 062)

EARNINGS PER SHARE

		PLN / share	PLN / share
Profit from continuing operations		102 521 771	78 367 492
Profit from continuing and discontinued operations		102 521 771	78 456 323
Weighted average number of shares	29	134 090 060	132 672 627
Diluted weighted average number of shares	29	135 684 575	134 301 128
from continuing operations			
- basic		0,76	0,59
- diluted		0,76	0,58
from continuing and discontinued operations			
- basic		0,76	0,59
- diluted		0,76	0,58

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01 TO 31.12.2009

	Year for the period from 01.01.2009 to 31.12.2009	Year for the period from 01.01.2008 to 31.12.2008
Profit for the period	**102 521 771**	**78 456 323**
Effective portion of changes in fair value of cash flow hedges	-	(4 645 000)
Other comprehensive income for the period	**-**	**(4 645 000)**
Total comprehensive income for the period	**102 521 771**	**73 811 323**
Attributable to:		
Equity holders of the parent	102 535 877	73 842 385
Minority interest	(14 106)	(31 062)
Total comprehensive income for the period	**102 521 771**	**73 811 323**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2009

Assets	Note	as at 31.12.2009	as at 31.12.2008 Restated	as at 31.12.2007 Restated
Non-current assets (long-term)		**456 918 442**	**402 993 925**	**278 277 414**
Goodwill	4	130 414 199	91 931 554	33 823 699
Other intangible assets	4	129 619 757	125 939 429	121 508 107
Property, plant and equipment	5	187 586 479	171 739 210	121 036 431
Investments in equity accounted investees	7	543 123	1 710 920	-
Other investments	8	87 000	102 000	-
Long-term receivables	9	2 051 172	5 852 987	1 872 272
Long-term prepayments		6 616 711	5 717 825	36 905
Deferred tax assets	23	6 124 488	3 996 664	-
Other long-term prepayments	24	492 224	1 721 161	36 905
Current assets (short-term)		**933 433 739**	**841 029 267**	**611 586 051**
Inventories	10	365 785 193	312 265 130	224 861 218
Trade receivables	11	374 585 268	346 476 421	240 249 537
Current tax assets	11	221 793	-	9 896
Other short-term receivables	11	30 477 181	32 454 393	13 110 637
Cash and cash equivalents	12	157 451 962	144 149 370	131 461 193
Short-term prepayments	14	4 912 343	5 683 952	1 893 571
Total assets		**1 390 352 181**	**1 244 023 192**	**889 863 465**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2009

Equity and liabilities	Note	as at 31.12.2009	as at 31.12.2008 Restated	as at 31.12.2007 Restated
Equity		**366 810 438**	**283 450 881**	**233 393 828**
Equity attributable to equity holders of the parent		**366 789 525**	**282 889 983**	**233 393 828**
Share capital	15	134 704 736	130 777 550	127 742 000
Treasury shares	16	(1 115 507)	-	-
Reserve capital	16	117 714 270	77 208 064	47 111 013
Treasury shares reserve	16	12 884 493	-	-
Hedging reserve	16	(4 645 000)	(4 645 000)	-
Retained earnings		107 246 533	79 549 369	58 540 815
Accumulated profit/(loss) from previous years		4 710 656	1 061 984	(340 011)
Profit for the period		102 535 877	78 487 385	58 880 826
Minority interest		**20 912**	**560 898**	**-**
Liabilities		**1 023 541 743**	**960 572 311**	**656 469 636**
Non-current liabilities		**47 658 839**	**48 263 374**	**16 892 355**
Long-term financial liabilities	21	22 498 092	23 421 786	11 222 655
Other long-term liabilities	19	400 000	-	-
Deferred tax liabilities	23	7 047 803	7 402 804	5 374 916
Employee benefits	18	568 944	294 784	294 784
Provisions	18	17 144 000	17 144 000	-
Current liabilities		**975 882 904**	**912 308 936**	**639 577 282**
Loans and borrowings	20	-	68 474 416	73 148 384
Short-term financial liabilities	21	37 265 087	32 752 739	22 656 134
Trade payables	19	866 475 635	755 086 412	505 350 072
Current tax liabilities	19	11 441 984	6 148 534	3 134 237
Other short-term payables	19	19 977 496	18 462 915	15 974 076
Current employee benefits	18	21 622 455	14 128 606	11 246 255
Provisions	18	19 100 248	17 255 314	8 068 122
Total equity and liabilities		**1 390 352 181**	**1 244 023 192**	**889 863 465**

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2009

		as at 31.12.2009	as at 31.12.2008	as at 31.12.2007
Book value		**366 810 438**	**283 450 881**	**233 393 828**
Number of shares	30	134 627 043	130 777 550	127 742 000
Diluted number of shares	30	138 633 818	137 955 511	137 093 511
Book value per share		**2,72**	**2,17**	**1,83**
Diluted book value per share		**2,65**	**2,05**	**1,70**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01 TO 31.12.2009

	Year for the period from 01.01.2009 to 31.12.2009	Year for the period from 01.01.2008 to 31.12.2008
Cash flows from operating activities		Restated
Profit before tax	**128 772 446**	**94 767 001**
Adjustments for:	**72 877 998**	**64 493 461**
Depreciation and amortization	49 317 742	42 960 482
Share of losses of equity accounted investees	1 167 797	1 753 380
Equity-settled share-based payment transactions	4 350 940	5 714 431
(Gain) loss on sale of property, plant and equipment	(326 564)	332 453
Loss on sale of shares	-	300 000
Interest expenses	18 368 083	13 432 715
Operating cash before changes in working capital	**201 650 444**	**159 260 462**
Change in inventories	(43 752 711)	(43 129 030)
Change in receivables	(24 120 459)	(6 752 905)
Change in payables	84 004 618	151 259 506
Change in provisions and employee benefits	12 241 044	(2 385 140)
Other adjustments	7 535	1 545 495
Operating cash	**230 030 471**	**259 798 389**
Interest paid	(8 012 408)	(10 140 290)
Income tax paid	(23 978 087)	(14 224 887)
Net cash from operating activities	**198 039 977**	**235 433 212**
Cash flows from investing activities		
Acquisition of intangible assets	(17 558 924)	(13 034 927)
Proceeds from sale of intangible assets	33 000	-
Acquisition of property, plant and equipment	(83 406 785)	(59 131 974)
Proceeds from sale of property, plant and equipment	40 632 733	6 607 557
Loss on cash flow hedges	-	(5 352 000)
Acquisition of subsidiaries, net of cash acquired	(31 677 294)	(94 215 559)
Acquisition of associates	-	(3 464 300)
Disposal of subsidiaries, net of cash disposed of	5 500 000	475 182
Share purchase advance	-	(1 757 235)
Net cash used in investing activities	**(86 477 269)**	**(169 873 254)**
Cash flows from financing activities		
Proceeds from issue of share capital	18 097 312	8 226 341
Repurchase of treasury shares	(1 115 507)	-
Financing of franchisees	4 796 586	5 128 201
Proceeds from loans and borrowings	-	10 416
Repayment of borrowings	(68 474 416)	(19 177 561)
Payment of finance lease liabilities	(8 345 517)	(6 088 473)
Interest on finance lease	(2 270 473)	(1 796 045)
Interest on loans and borrowings	(897 417)	(104 293)
Dividends paid	(40 050 682)	(39 070 366)
Net cash used in financing activities	**(98 260 115)**	**(52 871 781)**
Net change in cash and cash equivalents	**13 302 593**	**12 688 177**
Cash and cash equivalents at the beginning of the period	144 149 370	131 461 193
Cash and cash equivalents at the end of the period	**157 451 962**	**144 149 370**

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

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2009

	Share capital	Treasury shares	Reserve capital	Treasury shares reserve	Hedging reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	**Total**
Changes in equity in the period from 01.01 to 31.12.2008									
Balance at 01.01.2008	**127 742 000**	**-**	**47 111 013**	**-**	**-**	**58 540 815**	**233 393 828**	**-**	**233 393 828**
Profit for the period from 01.01 to 31.12.2008	-	-	-	-	-	78 487 385	**78 487 385**	(31 062)	**78 456 323**
Other comprehensive income for the period from 01.01 to 31.12.2008	-	-	-	-	(4 645 000)	-	**(4 645 000)**	-	**(4 645 000)**
Total comprehensive income for the period from 01.01 to 31.12.2008	**-**	**-**	**-**	**-**	**(4 645 000)**	**78 487 385**	**73 842 385**	**(31 062)**	**73 811 323**
Dividends	-	-	-	-	-	(39 070 366)	**(39 070 366)**	-	**(39 070 366)**
Transfer to reserve capital	-	-	19 163 849	-	-	(19 163 849)	**-**	-	**-**
Equity-settled share-based payment transactions	-	-	5 714 431	-	-	-	**5 714 431**	-	**5 714 431**
Share options exercised	3 035 550	-	5 190 790	-	-	-	**8 226 340**	-	**8 226 340**
Gain on disposal of Eurocash Detal Sp.z.o.o.	-	-	-	-	-	755 384	**755 384**	-	**755 384**
Acquisition of subsidiaries	-	-	-	-	-	-	**-**	591 960	**591 960**
Other	-	-	27 981	-	-	-	**27 981**	-	**27 981**
Balance at 31.12.2008	**130 777 550**	**-**	**77 208 064**	**-**	**(4 645 000)**	**79 549 369**	**282 889 983**	**560 898**	**283 450 881**
Changes in equity in the period from 01.01 to 31.12.2009									
Balance at 01.01.2009	**130 777 550**	**-**	**77 208 064**	**-**	**(4 645 000)**	**79 549 369**	**282 889 983**	**560 898**	**283 450 881**
Profit for the period from 01.01 to 31.12.2009	-	-	-	-	-	102 535 877	**102 535 877**	(14 106)	**102 521 771**
Other comprehensive income for the period from 01.01 to 31.12.2009	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income for the period from 01.01 to 31.12.2009	**-**	**-**	**-**	**-**	**-**	**102 535 877**	**102 535 877**	**(14 106)**	**102 521 771**
Dividends	-	-	-	-	-	(40 050 682)	**(40 050 682)**	-	**(40 050 682)**
Transfer to reserve capital	-	-	34 869 633	-	-	(34 869 633)	**-**	-	**-**
Equity-settled share-based payment transactions	-	-	4 350 940	-	-	-	**4 350 940**	-	**4 350 940**
Share options exercised	3 927 186	-	14 170 126	-	-	-	**18 097 312**	-	**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)**	-	**(1 115 507)**
Stepped acquisition of Nasze Sklepy Sp. z o.o.	-	-	-	-	-	(29 123)	**(29 123)**	(525 880)	**(555 003)**
Other	-	-	-	-	-	110 726	**110 726**	-	**110 726**
Balance at 31.12.2009	**134 704 736**	**(1 115 507)**	**117 714 270**	**12 884 493**	**(4 645 000)**	**107 246 534**	**366 789 526**	**20 912**	**366 810 438**

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2009 TO 31.12.2009

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 19 April 2010 the consolidated financial statements of Eurocash S.A. Group for the period from 1 January 2009 to 31 December 2009 were authorised for issue by the management Board. According to the information included in the report no. 04/2010 dated 22 January 2010 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its consolidated financial statements on 19 April 2010.
Eurocash S.A. is a listed company and its shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

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

In preparing these consolidated financial statements the Group 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 2009. Moreover, the Group has not yet completed its analysis of the possible impact of those new Standards and Interpretations on the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

Standards, Interpretations and amendments to published Standards approved by the EU that are not yet effective

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Improvements to IFRS 2008: Amendments to IFRS 5 Non-current Assets Held for Sale	IFRS 5 has been amended and states that: • An entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 6-8 are met; • Disclosures relating to the discontinued operations are required when the subsidiary is a disposal group that meets the definition of a discontinued operation when the subsidiary is a disposal group that meets the definition of a discontinued operation	The possible impact of the amendment on the Group's financial statements in the period of initial recognition is not known.	1 July 2009 Each entity shall apply the amendments to IFRS 5 at the latest, as from the commencement date of its first financial year starting after 30 June 2009.
Improvements to IFRS 2009	The *Improvements to IFRSs 2009* contains 15 amendments to 12 standards.	The possible impact of the amendment on the Group's financial statements in the period of initial recognition is not known.	1 January 2010 except changes to IFRIC 9 *Reassessment of Embedded Derivatives* –Scope of IFRIC 9 and revised IFRS 3 and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – Amendment to the restriction on the entity that can hold hedging instruments, IAS 38 *Intangible Assets* – Additional consequential amendments arising from revised IFRS 3, IFRS 2 *Share – based Payments* – Scope of IFRS 2 and revised IFRS 3 *Business Combinations* – where the effective date is 1 July 2009

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

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
			and IAS 18 *Revenue* – Determining whether an entity is acting as a principal or as an agent where the effective date is not given
Revised IFRS 1 *First Time Adoption of IFRS*	The revised version restructures the format of the IFRS without changing the standard's technical content. The revised version moves the exemptions and exceptions contained in the main body of the standard to different appendices.	Revised IFRS 1 is not relevant to the Group's financial statements as it should be applied prospectively.	1 July 2009 According to Commission Regulation No 1136/2009 each entity shall apply the revised standard at the latest, as from the commencement date of its first financial year starting after 31 December 2009.
Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*	The amendments require an entity receiving goods or services in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction and the receiving entity has no obligation to settle the payment.	The Group has not yet completed its analysis of the impact of the amendments to the Standard.	1 January 2010
Revised IFRS 3 *Business Combinations*	The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including: • All items of consideration transferred by the acquirer are recognized and measured at fair value as of the acquisition date, including contingent consideration. • Subsequent change in contingent consideration will be recognized in profit or loss. • Transaction costs, other than share and debt issuance costs, will be expensed as incurred. • The acquirer can elect to measure any non-controlling	As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.	1 July 2009 According to Commission Regulation No 495/2009 Each entity shall apply the revised IFRS 3 at the latest, as from the commencement date of its first financial year starting after 30 June 2009.

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

Standard/Interpretation	**Nature of impending change in accounting policy**	**Possible impact on financial statements**	**Effective date for periods beginning as the date or after that date**
	interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.		
Revised IAS 27 *Consolidated and Separate Financial Statements*	In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.	The Group has not yet completed its analysis of the impact of the revised Standard.	1 July 2009 According to Commission Regulation No 494/2009 each entity shall apply the amendments to IAS 27 at the latest, as from the commencement date of its first financial year starting after 30 June 2009.
Amendments to IAS 32 *Improving Disclosures about Financial Instruments*	The amendment requires that rights, options or warrants to acquire a fixed number of entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of its own non – derivative equity instruments.	The possible impact of the amendment on the Group's financial statements in the period of initial recognition is not reasonably estimable.	1 February 2010 According to Commission Regulation No 1293/2009 each entity shall apply the amendments at the latest, as from the commencement date of its first financial year starting after 31 January 2009.
Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*	The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.	The possible impact of the amendment on the Group's financial statements in the period of initial recognition is not reasonably estimable.	1 July 2009 According to Commission Regulation No 839/2009 each entity shall apply the revised standard at the latest, as from the commencement date of its first financial year starting after 30 June 2009.
IFRIC 12 *Service*	The Interpretation provides guidance to private sector entities on certain recognition and measurement with respect to	IFRIC 12 is not relevant to the Group's operations as none of	1 January 2008;

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

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Concession Arrangements	accounting for public-to-private service concession arrangements.	the Group's entity has concluded a concession arrangement.	According to Commission Regulation No 254/2009 each entity shall apply IFRIC 12 at the latest, as from the commencement date of its first financial year starting after the date of entry into force of the Regulation i.e. 28 March 2009.
IFRIC 15 *Agreements for the Construction of Real Estate*	IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognized by reference to the stage of completion of the contract activity in the following cases: 1. the agreement meets the definition of a construction contract in accordance with IAS 11.3; 2. the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and 3. the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses. In all other cases, revenue is recognized when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).	IFRIC 15 is not relevant to the Group's financial statements as the Group does not provide real estate construction services or develop real estate for sale.	1 January 2009 According to Commission Regulation No 636/2009 each entity shall apply the revised standard at the latest, as from the commencement date of its first financial year starting after 31 December 2009. .
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.	IFRIC 16 is not relevant to the Group's financial statements as the Group does not have any investments in a foreign operation.	1 October 2008 According to Commission Regulation No 460/2009 each company shall apply IFRIC 16 as at the latest, as from the commencement date of its first financial year starting after 30 June 2009.

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

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.	As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the shareholders it is not possible to determine the effects of application in advance.	1 July 2009 According to Commission Regulation No 1142/2009 each entity shall apply the revised standard at the latest as from the commencement date of its first financial year starting after 31 October 2009.
IFRIC 18 *Transfers of Assets from Customers*	The Interpretation applies to agreements in which an entity receives an item of property, plant and equipment from a customer that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both. This Interpretation also applies to agreements in which the entity receives cash from customer when that amount of cash must be used only to construct or acquire an item of property. The entity that received a contribution within the scope of the interpretation recognises this item as an asset if it determines that the transferred item meets the definition of an asset. The corresponding amount will be recognised as revenue. The exact timing of the revenue recognition will depend on the facts and circumstances of each particular arrangement.	IFRIC 18 is not relevant to the Group's financial statements as the Group does not receive any customer contributions of property, plant and equipment.	1 July 2009 According to Commission Regulation No 1164/2009 each entity shall apply the revised standard at the latest, as from the commencement date of its first financial year starting after 31 October 2009.

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

Standards and interpretations not yet endorsed by the EU

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Amendments to IFRS *1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The amendment consists in issuing additional optional exemptions for first-time adopters of IFRSs with respect to: • establishing of Deemed cost for oil and gas assets; • reassessment of lease determination; • establishing of deemed cost for operations subject to rate regulation.	Amendments to IFRS 1 are not relevant to the Group's financial statements as they should be applied prospectively.	1 January 2010
Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	The proposed amendment would provide relief to first-time adopters from the requirement to provide comparative period disclosures for the information required to be presented by the Amendments to IFRS 7 if the first IFRS reporting period starts earlier than 1 January 2010.	The amendment has no impact on the Group's Financial Statements as it should be applied prospectively.	1 July 2010
IFRS 9 *Financial Instruments*	The standard is issued as part of comprehensive review of financial instruments accounting. The new standard reduces the complexity of the current requirements and to replace IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard deals with classification and measurement of financial assets only.	The possible impact of the new standard on the Group's financial statements in the period of initial recognition is not reasonably estimable.	1 January 2013
Revised IAS 24 *Related Party Disclosures*	The changes introduced relate mainly to the related party disclosure requirements for government – related entities and the definition of a related party.	The Group has not yet completed its analysis of the impact of the revised Standard.	1 January 2011
Amendments to IFRIC 14 *Prepayments of a Minimum Funding*	Under the amended IFRIC 14 prepayments made to the plan where there are Minimum Funding Requirements would be recognized as an asset.	The possible impact of the amendment on the Group's financial statements in the period of initial recognition is not known.	1 January 2011
IFRIC 19 *Extinguishing Financial Liabilities with*	The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with IAS 39.41. The above described	The possible impact of the amendment on the Group's financial statements in the period of initial recognition is not	1 July 2010

Standard/Interpretation	**Nature of impending change in accounting policy**	**Possible impact on financial statements**	**Effective date for periods beginning as the date or after that date**
Equity Instruments	equity instruments shall be measured at the fair value and the difference between the carrying amount of the financial liability extinguished and the initial measurement of the equity instruments issued should be recognized in profit or loss.	reasonably estimable.	

1.4. BASIS OF PREPARATION, FUNCTIONAL AND PRESENTATION CURRENCY

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

These consolidated financial statements are presented in PLN, which is the Group'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 consolidated 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

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

a) The Group applied revised IAS 1 Presentation of Financial Statements, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are additionally presented in the consolidated statement of comprehensive income. The new presentation was applied in these financial statements as of 31 December 2009.
Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

b) As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the management responsible for making operating decisions. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. Comparative segment information has been re-presented in conformity with the requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.
New accounting policies in relation to operating segments are presented in note 2.33 and note 3.

Moreover, as a result of the recognition of financial liabilities due to financing of franchisees within factoring with recourse, certain comparative amounts have been reclassified to conform to the current year's presentation. For details please refer to note no. 1

1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE GROUP

Eurocash S.A. Group is comprised of Eurocash S.A. and subsidiaries: KDWT S.A., Eurocash Franczyza Sp. z o.o., Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., McLane Polska Sp. z o.o., Nasze Sklepy Sp. z o.o., Przedsiębiorstwo Handlowe Batna 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,
- McLane Polska Sp. z o.o. registered in the District Court in Warsaw; XIV Commercial Department of the National Court Register; registration number: 0000013892; located in Błonie, Pass 20C,
- Nasze Sklepy Sp. z o.o. 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,
- Przedsiębiorstwo Handlowe Batna Sp. z o.o. registered in the District Court in Warsaw; XIII Commercial Department of the National Court Register; registration number 0000267714; located in Warsaw, ul. Leonidasa 51/53.

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 19 April 2010.

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

Companies included in the consolidated financial statements as at 31.12.2009

Unit	Eurocash S.A.	KDWT S.A.	Eurocash Franczyza Sp. z o.o.	McLane Polska Sp. z o.o.	PayUp Polska S.A.	Nasze Sklepy Sp. z o.o.	Eurocash Trade 1 Sp. z o.o.	Eurocash Trade 2 Sp. z o.o.	Przedsiębiorstwo Handlowe Batna Sp. z o.o.
address	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	Pass 20C 05-870 Błonie	ul .Wiśniowa 11 62-052 Komorniki	ul. Kapielowa 18 21-500 Biała Podlaska	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul. Leonidasa 51/53 02-239 Warszawa
core business activity	PKD 4690Z	PKD 4635Z	PKD 8299Z	PKD 4690Z	PKD 6120Z	PKD 4711Z	PKD 4634A	PKD 4634A	PKD 4633Z
registration court	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000213765	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000040385	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000259846	District Court Warszawa XIV Commercial Division of the National Court Register KRS 0000013892	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000299000	District Court Lublin XI Commercial Division of the National Court Register KRS 0000000139	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329002	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329037	District Court Warszawa, XIII Commercial Division of the National Court Register, KRS 0000267714
nature of relationship	Parent company	Subsidiary	Subsidiary	Subsidiary	Associate	Subsidiary	Subsidiary	Subsidiary	Subsidiary
consolidation basis	Full	Full	Full	Full	Equity method	Full	Full	Full	Full
date of aquisition	n/a	31 March 2006	10 July 2006	30 April 2008	13 May 2008	14 May 2008	06 April 2009	06 April 2009	30 November 2009
ownership interest	n/a	100%	100%	100%	49%	97,09%*	100%	100%	100%
voting rights (in%)	n/a	100%	100%	100%	49%	91,74%	100%	100%	100%

1.8. GOING CONCERN ASSUMPTION

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

The consolidated 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. Group are presented in points 2.2-2.33.

2.2. REPORTING PERIOD

The Group's reporting period is a calendar year.

2.3. FORMAT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In particular, the consolidated financial statements are comprised of:

- General information
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of cash flows
- Consolidated statement of changes in equity
- Supplementary information to the consolidated statements
- Notes to the consolidated financial statements.

2.4. BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Group. In the consolidated financial statements entities controlled are entities in which the Group is able to govern the financial and operating policies so as to obtain benefits from the entities' activities. It is related to possession of the majority of voting rights in the decision making boards of those entities. In assessing control, the Group takes into consideration currently exercisable potential voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees (after adjustments to align the accounting policies with those of the Group) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Costs of business acquisition

The costs of business acquisition are valued as the sum of the fair values at the date of exchange of given assets, incurred or assumed liabilities and equity instruments issued by the acquirer with regard to the business acquisition, plus any potential costs directly attributable to the acquisition of business units.

Acquisition date

The day on which the Group obtains actual control of the acquiree is the acquisition date. When such acquisition is executed in a way of a single exchange transaction, the date of exchange is the same date as the acquisition date.

In a business combination achieved in stages:

- the cost of the business acquisition is the total cost of all transactions, and
- the exchange date is the date of each exchange transaction (i.e. the day on which each particular investment is included in the financial statements of the Parent Entity), whereas the acquisition date is the date on which the Group obtains control over the acquired entity.

Transactions eliminated on consolidation

As of the acquisition date the carrying value of the Group's investments in subsidiaries is eliminated on consolidation with that part of the subsidiaries' equity which corresponds with the Group's held interest equity.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Allocation of the business acquisition costs

At the acquisition date the Parent Entity recognizes costs of the business acquisition, including identifiable assets, liabilities and contingent liabilities of the acquiree, which meet the criteria specified in paragraph 37 of the IFRS 3, according to their fair value as at this day, with the exception to non-current assets (or the group of assets to be abandoned) classified as "held for sale" in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" which are measured at their fair value less costs to sale.

The Parent Entity recognises separately identifiable assets, liabilities and contingent liabilities at the acquisition date only if they meet the following criteria at that date:

- when an asset is not an intangible asset, an inflow of all future economic benefits related to that asset is probable and its fair value can be reliably measured;
- when a liability is not a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its fair value can be reliably measured;
- fair value of an intangible asset or a contingent liability can be reliably measured.

Goodwill

As at the acquisition date, the acquirer:

- recognizes goodwill acquired during the business combination as an asset item,

and

- initially measures goodwill at its acquisition cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently to the initial recognition, the acquirer measures the goodwill acquired in the business combination at its acquisition cost less accumulated impairment losses.

If the Group's interest in net fair value of identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the Group:

- reassess all of the assets acquired, all of the liabilities assumed and the consideration transferred,

and then:

- recognizes the remaining gain in the profit or loss.

In accordance with IFRS 3 the Group may adjust the provisional amounts recognized at the acquisition date during the 12 months period.

Acquisition of minority interest

At the date of the acquisition of minority interest in the subsidiary the Group recognizes goodwill arising on the acquisition of a non-controlling interest in a subsidiary; and that represents the excess of the cost of the additional investment over the fair value of the interest in the net assets acquired at the date of exchange.

2.5. 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.

2.6. INTANGIBLE ASSETS

Definition

Intangible assets include property rights acquired by the Group, with an anticipated economic useful life exceeding one year, intended to be used by the Group 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%

The Group considers “Eurocash”, “KWDT” and “abc” trademarks as recognizable on the market and intends to use them for a long time. According to these assumptions the Group states that the economic useful life of the above mentioned trademarks is indefinite and they are not amortized. The “Eurocash”, “KDWT” and “abc” trademarks are subject to impairment testing each year.

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 Group 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 Group 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 at the reporting date

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

2.7. PROPERTY, PLANT AND EQUIPMENT

Definition

Property, plant and equipment include tangible assets held by the Group for economical use (useful and intended to be used by the Group), 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 Group 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 Group 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 Group 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 at the reporting date

Tangible fixed assets are measured 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.

2.8. 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 Group due to borrowing funds.

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

2.9. 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 Group'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 Group'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 Group 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.

2.10. 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. At the reporting date investment property is measured at acquisition or manufacturing cost less accumulated depreciation and any 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

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 Group 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 Group 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 group) 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 group 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 cost of inventories is determined using the FIFO (first-in-first-out) method. The Group applies this method for all inventories.

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 at the reporting date

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

The Group 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 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 Group 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 Group.

At the reporting date, the Group 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 Group 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 Group has the positive intention and ability to hold to maturity, other than:

- those that the Group designates upon initial recognition as at fair value through profit or loss;
- those that the Group 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 grant low-interest or interest-free loans.

2.16. DERIVATIVES

The Group 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 Group 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 Group 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 Group 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 irrecoverability.

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

Measurement of receivables denominated in foreign currency at the reporting date

In accordance with IAS 21 foreign currency receivables are translated at the closing rate at the date of the Group’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 Group'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 Group, 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 Group 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.

Group 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 Group 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 Group'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 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 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 Group 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 Group 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 Group'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 Group 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 Group recognizes liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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. DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group'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 Group 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. OPERATING SEGMENTS

According to IFRS 8 Operating segments, the Group is obliged to present their performance divided into operating segments.

The presentation divided into operating segments allows the receivers of financial statements:

- to understand the Group's business performance,
- to assess the risk and income on funds invested,
- to state more reasonable opinions about the whole Group.

Particularly, the segmentation of business performance is essential to assess the risk and income on funds invested in the Group with differential business activities profile or the international company, when obtaining the detailed information based on aggregate data may be impossible.
According to IFRS the amounts related to particular operating segment should correspond with the data reviewed by CEO to make decisions about resources to be allocated to the segment and assess its performance.

An operating segment is a component of the Group:

a) which engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses that relate to transactions with any of the Group's other components);
b) which results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance;
c) for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.
Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2009 TO 31.12.2009

NOTE 1.
RESTATING ADJUSTMENTS RELATING TO PREVIOUS YEARS

As at 31 December 2009 Eurocash S.A. Group recognized financial assets and financial liabilities related to a program of financing of franchisees in relation to factoring with recourse. As at 31 December 2009 the value of that program amounted to PLN 30,060 thousand.
For comparability the Group adjusted the financial statements as at and for the year ended 31 December 2008 and 31 December 2007. The adjustments related to short term-receivables and short-term liabilities.

Additionally, as a result of an adjustment of an initial provisional purchase prise allocation related to purchase of shares of McLane Polska Sp. z o.o. made during 12 months from the date of acquisition, the Group adjusted the comparative data as at and for the year ended 31 December 2008 as if the final purchase price allocation was made on the date of acquisition of McLane Polska Sp. z o.o. i.e on 30 April 2008. The adjustments related to goodwill, intangible fixed assets and deferred income tax provision.

Restating adjustments are presented in Table 1. These changes have no impact on the profit or loss or earnings per share.

Table 1

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2008

As at 31.12.2008	Value before restatement	Restatement value	Restated Value
Goodwill	68 522 678	23 408 876	91 931 554
Other intangible assets	154 839 276	(28 899 847)	125 939 429
Trade receivables	321 212 674	25 263 747	346 476 421
Deferred tax liabilities	12 893 775	(5 490 971)	7 402 804
Short-term financial labilities	7 488 992	25 263 747	32 752 739

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2007

As at 31.12.2007	Value before restatement	Restatement value	Restated Value
Trade receivables	220 113 990	20 135 547	240 249 537
Short-term financial labilities	2 520 587	20 135 547	22 656 134

NOTE 2.
ACQUISITIONS

I Acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

On 30 November 2009 Eurocash S.A. entered into a contract of purchase of shares in Przedsiębiorstwo Handlowe Batna Spółka z o.o. [Batna Trading Enterprise Limited Liability Company, based on which Eurocash S.A. acquired 100% shares in Przedsiębiorstwo Handlowe Batna Sp. z o.o.

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

1. General information

Table 2

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	30 November 2009
5.	% of acquired shares	100% shares
6.	Acquisition cost	45 060 405 PLN

2. Disposal of a part of business activities in relation to acquisitions

Eurocash Group does not intend to sell any part of its current business activities due to acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

3. Settlement of acquisitions

The consolidated financial statements include the settlement of the acquisition price of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

4. Acquisition cost

Table 3

ACQUISITION COST

	as at 30.11.2009
Cash	**44 281 000**
Direct acquistion costs	
Tax on civil law transactions	422 810
Costs of consulting services (legal, accounting, etc.)	356 595
	45 060 405

The unpaid part of the total acquisition price in the amount of PLN 5,000,000 is a collateral securing any potential claims that Eurocash S.A. may have against the prior owners of the acquired company, where the amount of PLN 4,600,000 should be paid within 3 months from the acquisition date, and the final installment of the total acquisition price (PLN 400,000) should be paid within 36 months from the acquisition date at the latest.

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

5. Net assets acquired

Table 4

Net assets acquired	As at 30.11.2009	Fair value adjustments	Fair value as at 30.11.2009
Goodwill	1 002 895	(1 002 895)	-
Other intangible assets	21 175		21 175
Property, plant and equipment	2 115 927		2 115 927
Long-term prepayments	332 005		332 005
Invetories	9 767 352		9 767 352
Trade receivables	6 030 293		6 030 293
Other short-term receivables	54 368		54 368
Cash and cash equivalents	8 397 729		8 397 729
Short-term prepayments	61 157		61 157
Total assets	**27 782 900**	**(1 002 895)**	**26 780 005**
Employee benefits	17 278		17 278
Trade payables	16 943 916		16 943 916
Current tax liabilities	416 702		416 702
Other short-term payables	855 834		855 834
Current employee benefits	766 283		766 283
Total liabilities	**19 000 013**	**-**	**19 000 013**
Net assets	**8 782 887**	**(1 002 895)**	**7 779 992**
Goodwill on acquisition			37 280 413
Acquisition cost			**45 060 405**

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.

6. Consolidated financial result

During the period from 1 December to 31 December 2009 the subsidiary Przedsiębiorstwo Handlowe Batna Sp. z o.o. realized a net profit in the amount of PLN 1,038,057, which is recognized in these consolidated financial statements.

<u>II Establishment of Eurocash Trade 1 Sp. z o.o. and Eurocash Trade 2 Sp. z o.o.</u>

On 6 April 2009 under the terms of the articles of association, two new companies were established Eurocash Trade 1 Sp. z o.o. and Eurocash Trade 2 Sp. z o.o., with their seats in Komorniki. The value of each company's share capital is PLN 5,000 and is divided into 50 equal and indivisible shares with a nominal value of PLN 100 each. The sole shareholder of the newly established companies is Eurocash S.A. and the shares were contributed in cash. The bodies of the companies are: the Management Board and the Shareholders Meeting, respectively. Mr. Rui Amaral has been appointed to a position of the

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

President of the Management Board at each of these companies, and Mr. Jacek Owczarek is nominated as a Member of the Management Board.

Eurocash Trade 1 Sp. z o.o.

Table 5

GENERAL INFORMATION ABOUT ESTABLISHMENT OF ENTITIES

1.	Name of established company	Eurocash Trade 1 Sp. z o.o.
2.	Core business	Wholesale of alcohol beverages (PKD 4634A)
3.	Date of establishment	6 April 2009
4.	Registration date	6 May 2009
5.	% of acquired shares	100% shares
6.	Share capital	5 000 PLN

Table 6

Investment costs

	as at 06.05.2009
Contribution in cash	**5 000**
Registration costs	2 376
	7 376

Eurocash Trade 2 Sp. z o.o.

Table 7

GENERAL INFORMATION ABOUT ESTABLISHMENT OF ENTITIES

1.	Name of established company	Eurocash Trade 2 Sp. z o.o.
2.	Core business	Wholesale of alcohol beverages (PKD 4634A)
3.	Date of establishment	6 April 2009
4.	Registration date	8 May 2009
5.	% of acquired shares	100% shares
6.	Share capital	5 000 PLN

Table 8

Investment costs

	as at 06.05.2009
Contribution in cash	**5 000**
Registration costs	2 242
	7 242

III Change in the value of investment in Nasze Sklepy Sp. z o.o.

Closing of the sales transaction of additional 90 shares in Nasze Sklepy Sp. z o.o. to Eurocash S.A., as agreed in the preliminary agreement dated 14 May 2008, became much more probable in 2009. The transaction should be effectively realized till 14 May 2010, and the total interest of Eurocash S.A. in the share capital of Nasze Sklepy Sp. z o.o. increased from the level of 53.39% to 97.09%.

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

Therefore, the value of investment in Nasze Sklepy Sp. z o.o. was increased by the amount of PLN 1,757,235, which was an advance payment for future purchase of shares. The advance payment was presented as a long term receivable.
As a consequence of increased ownership interest of the Group in the share capital of Nasze Sklepy Sp. z o.o., the consolidated financial statements presented a decrease in minority interests by PLN 525,880, together with an increase in goodwill by PLN 1,202,233.

Changes in the Group's interest in the net assets of Nasze Sklepy Sp. z o.o. are summarized in Table 9.

Table 9

CHANGES IN THE GROUP'S OWNERSHIP INTEREST IN NASZE SKLEPY SP. Z O.O. IN THE PERIOD FROM 01.01 TO 31.12.2009

	2009
Parent entity's ownership interest at the beginning of the period	**642 488**
Increases due to future share purchase agreement	525 880
Interest in comprehensive income for 2009	(470 639)
Parent entity's ownership interest at the end of the period	**697 729**

IV Purchase Price allocation of McLane Polska Sp. z o.o.

On the basis of analyses performed during the measurement period (12 month from the acquisition date), the Group adjusted the estimations arising from the initial provisional purchase price allocation of McLane Polska Sp. z o.o. These adjustments are recognized in these consolidated financial statements.
Ultimately, the Group has not identified any other intangible assets except for the goodwill. Whereas the initial provisional settlement was made, customer relations were identified as intangible assets.
According to IFRS 3, the Group restated comparative data as if the final purchase price allocation was made on the date of acquisition of McLane Polska Sp. z o.o.i.e. on 30 April 2008.

The appropriate purchase price allocation of McLane Polska Sp. z o.o. is presented below:

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

Table 10

Net assets acquired	Value as at 30.04.2008	Adjustments	Fair value as at 30.04.2008
Other intangible assets	1 431 246		1 431 246
Property, plant and equipment	30 262 734		30 262 734
Long-term prepayments	5 055 217		5 055 217
Deferred tax assets	2 355 000		2 355 000
Other long-term prepayments	2 700 217		2 700 217
Inventories	44 235 682		44 235 682
Trade receivables	103 332 316		103 332 316
Other short-term receivables	443 015		443 015
Cash and cash equivalents	1 592 128		1 592 128
Short-term prepayments	885 796		885 796
Total assets	**187 238 133**	**-**	**187 238 133**
Long-term loans and borrowings	2 894 000		2 894 000
Long-term financial liabilities	15 122 084		15 122 084
Deferred tax liabilities	1 180 000		1 180 000
Employee benefits	120 055		120 055
Long-term provisions	-	17 144 000	17 144 000
Short-term loans and borrowings	11 599 177		11 599 177
Short-term financial liabilities	4 820 972		4 820 972
Trade payables	88 158 152		88 158 152
Other short-term payables	1 454 665		1 454 665
Short-term provisions	9 658 310		9 658 310
Total liabilities	**135 007 416**	**17 144 000**	**152 151 416**
Net assets	**52 230 717**	**(17 144 000)**	**35 086 717**
Goodwill on acquisition			56 868 456
Acquisition cost			**91 955 173**

V Aggregated data of Eurocash S.A. Group, considering the period from 01.01 to 31.12.2009 regarding the entities acquired during the period

Table 11

AGGREGATED DATA OF EUROCASH S.A. GROUP FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009
Sales	6 914 154 077
Profit from continuing operations	107 254 658

NOTE 3.
OPERATING SEGMENTS

As a result of analysis of the business activities of Eurocash Group, considering regulations under IFRS 8 - Operating Segments, the Group decided to determine the following operating segments, which represent the particular areas of activities:

- *traditional wholesale* – wholesale activities operating via the chain of Cash & Carry discount stores, comprising all activities of the Parent Entity (Eurocash S.A.), including wholesale to "Delikatesy Centrum" Franchisees and "abc" Franchisees, as well as wholesale via wholesale owned by Przedsiębiorstwo Handlowe Batna Sp. z o.o., so that the whole profit margin earned by the Group on wholesale could be presented within a single segment.
- *active distribution* – wholesale involving specialized active distribution of FMCG merchandise, comprising the operations of the following subsidiaries: KDWT S.A. and McLane Polska Sp. z o.o. In this segment, Group Companies provide logistic services to independent clients – who purchase merchandise from one of these companies (with deferred terms of payment).
- *other* – other commercial activities (franchising) of Eurocash Franczyza Sp. z o. o., and the activities of Eurocash Trade 1 and Eurocash Trade 2; as well as expansion of "Delikatesy Centrum" chain operated by Nasze Sklepy Sp. z o. o. None of these types of activities meets the individual quantitative criteria of determination of separate reporting segments.

The main criteria for determination of operating segments in the Group are the types of distribution channels operated.

Despite the amendments introduced by IFRS 8, the determination criteria or the range of segments presented in these financial statements have not been changed significantly in comparison to the previous year due to the fact that the above specified reporting segments are strategic businesses, which are separate units of organization, under separate management, as different marketing and logistic processes and strategies are needed to operate them. The Management Board performs periodical internal reviews of management reports produced in each strategic separate business.

There are varying levels of integration between the segments. These relationships include mutual sales of merchandise, provision of marketing services, logistics, administrative support, and other services. The accounting policies of each specific reporting segment are the same as the policies of the whole Group.
Eurocash Group operates only in the territory of Poland, considering economic conditions and business risks, it can be treated as an uniform territory.

Financial information about each reporting segment is presented below.

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

Table 12

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01.01 TO 31.12.2009

	Traditional Wholesale	Active Distribution	Other	Eliminations	Total
Sales	**3 999 787 921**	**3 463 035 547**	**53 435 795**	**(817 918 301)**	**6 698 340 961**
External sales	3 501 566 895	3 159 687 781	37 086 285	-	6 698 340 961
Inter-segment sales	498 221 025	303 347 766	16 349 510	(817 918 301)	-
Operating profit	**92 806 414**	**25 621 795**	**27 182 599**	**(410 027)**	**145 200 782**
Finance income					6 188 858
Finance costs					(21 449 397)
Share of losses of equity accounted investees					(1 167 797)
Profit before tax					**128 772 446**
Income tax					(26 250 675)
Profit for the period					**102 521 771**
Total assets (excluding cash)	**1 067 883 816**	**339 135 539**	**50 758 656**	**(224 877 792)**	**1 232 900 219**
Trade payables	**820 078 059**	**139 886 603**	**2 938 989**	**(96 428 017)**	**866 475 635**
Investment expenditures	**87 665 211**	**40 374 845**	**13 000 676**	**(8 397 729)**	**132 643 003**
Depreciation and amortization	36 649 924	7 756 117	4 715 404	196 297	49 317 742
Cash flows from operating activities	**147 175 883**	**24 587 720**	**26 178 573**	**97 801**	**198 039 977**
Cash flows from invensting activities	**(89 519 417)**	**(30 336 188)**	**(19 767 075)**	**53 145 410**	**(86 477 270)**
Cash flows from financing activities	**(22 522 274)**	**(24 558 220)**	**(6 431 938)**	**(44 747 681)**	**(98 260 114)**
Amortization of intangible assets	11 187 515	847 016	4 487 561	-	16 522 093

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

Table 13

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01.01 TO 31.12.2008

	Traditional Wholesale	Active Distribution	Other	Eliminations	Total
Sales	**3 280 591 689**	**3 181 376 295**	**41 031 340**	**(373 261 037)**	**6 129 738 287**
External sales	3 059 974 084	3 041 789 381	27 974 822	-	6 129 738 287
Inter-segment sales	220 617 605	139 586 914	13 056 518	(373 261 037)	-
Operating profit	**88 274 699**	**15 481 596**	**12 218 643**	**(471 538)**	**115 503 400**
Finance income					3 038 718
Finance costs					(22 101 349)
Share of losses of equity accounted investees					(1 753 380)
Profit before tax					**94 687 390**
Income tax					(16 319 898)
Profit for the period					**78 367 492**
Total assets (excluding cash)	**859 580 032**	**374 555 758**	**31 938 164**	**(166 200 131)**	**1 099 873 822**
Trade payables	**620 553 659**	**207 716 408**	**1 748 632**	**(74 932 287)**	**755 086 412**
Investment expenditures	**159 656 594**	**2 495 536**	**9 528 345**	**(1 833 716)**	**169 846 760**
Depreciation and amortisation	32 328 591	7 023 718	3 608 172	-	42 960 481
Cash flows from operating activities	**174 615 408**	**50 938 175**	**10 517 077**	**(637 448)**	**235 433 212**
Cash flows from invensting activities	**(159 221 666)**	**(523 796)**	**(9 528 345)**	**(599 447)**	**(169 873 254)**
Cash flows from financing activities	**(29 445 579)**	**(23 348 884)**	**(77 318)**	**-**	**(52 871 781)**
Amortization of intangible assets	9 732 675	1 146 675	2 853 133	-	13 732 484

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

NOTE 4.
GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are presented in Table 14.

Table 14

GOODWILL AND INTANGIBLE ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2009

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible assets	Total
Carrying amount as at 01.012008	**33 823 699**	**2 827 598**	**36 332 055**	**66 923 431**	**15 425 023**	**155 331 806**
Acquisition through business combination	58 262 850	623 901	-	-	-	**58 886 750**
Other acquisitions	-	3 363 889	-	-	9 708 102	**13 071 990**
Increases due to the transfer of fixed assets under construction	-	4 053 498	-	-	-	**4 053 498**
Disposals	(154 995)	(11 737)	-	-	-	**(166 732)**
Revaluations	-	-	-	-	(226 933)	**(226 933)**
Amortization	-	(2 142 972)	(5 449 808)	(1 234 000)	(4 252 616)	**(13 079 396)**
Carrying amount as at 31.12.2008	**91 931 554**	**8 714 175**	**30 882 247**	**65 689 431**	**20 653 575**	**217 870 983**
Carrying amount as at 01.01.2009	**91 931 554**	**8 714 175**	**30 882 247**	**65 689 431**	**20 653 575**	**217 870 983**
Acquisition through business combination	37 280 413	-	-	-	21 175	**37 301 588**
Increases due to share purchase agreement	1 202 233	-	-	-	-	**1 202 233**
Other acquisitions	-	5 216 390	-	-	14 441 350	**19 657 740**
Increases due to the transfer of fixed assets under construction	-	707 815	-	-	-	**707 815**
Disposals	-	(4 072)	-	-	-	**(4 072)**
Liquidations	-	-	-	-	(601 460)	**(601 460)**
Amortization	-	(3 574 821)	(5 449 808)	(1 234 000)	(6 274 968)	**(16 533 597)**
Other changes	-	(3 645 444)	-	(60 000)	4 138 170	**432 726**
Carrying amount as at 31.12.2009	**130 414 199**	**7 414 044**	**25 432 439**	**64 395 431**	**32 377 843**	**260 033 956**

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

Table 14

GOODWILL AND INTANGIBLE ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2009 (continued)

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible assets	**Total**
As at 01.01.2009						
Cost	91 931 554	18 771 920	54 498 079	70 008 431	29 949 539	265 159 524
Accumulated amortization and impairment losses	-	(10 057 745)	(23 615 832)	(4 319 000)	(9 295 964)	(47 288 541)
Carrying amount	**91 931 554**	**8 714 175**	**30 882 247**	**65 689 431**	**20 653 575**	**217 870 983**
As at 31.12.2009						
Cost	130 414 199	28 729 964	54 498 079	69 948 431	47 663 883	331 254 556
Accumulated amortization and impairment losses	-	(21 315 920)	(29 065 640)	(5 553 000)	(15 286 040)	(71 220 600)
Carrying amount	**130 414 199**	**7 414 044**	**25 432 439**	**64 395 431**	**32 377 843**	**260 033 956**

Goodwill presented in the consolidated statement of financial position consists of the following items:

a) goodwill on acquisition of an organized part of "CARMENT, M. Stodółka i Wspólnicy Spółka Jawna" enterprise in the amount of PLN 11,565,477;
b) goodwill on acquisition of "KDWT S.A" in the amount of PLN 22,103,227;
c) goodwill on acquisition of "McLane Polska Sp. z o.o." in the amount of PLN 56,868,456;
d) goodwill on acquisition of "Nasze Sklepy Sp. z o.o." in the amount of PLN 2,596,627;
e) goodwill on acquisition of "Przedsiębiorstwo Handlowe Batna Sp. z o.o." in the amount of PLN 37,280,413.

The Group has the following intangible assets with indefinite useful lives:

a) "Eurocash" trademark with a carrying amount of PLN 27,387,672.30,
b) "abc" trademark with a carrying amount of PLN 17,216,759.00,
c) "KDWT" trademark with a carrying amount of PLN 13,004,000.00.

Apart from the above mentioned trademarks, the Group 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 31.12.2009 the carrying amount of that trademark was PLN 6,787,000.

The Group's know-how is the knowledge (in the fields of finance, logistics, IT, purchases) how to manage the Parent Entity, acquired from Politra B.V. This asset was put into operation as at 30.04.2004 and is amortized over the period of 10 years. As at 31.12.2009 the carrying amount of the know-how was PLN 25,432,439.

Amortization of intangible assets is recognized as selling expenses.

The Group 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 in Table 15.

Table 15

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2009

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
Carrying amount as at 01.01.2008	**63 240 665**	**17 996 774**	**12 739 261**	**17 069 305**	**9 990 425**	**121 036 431**
Acquisition through business combination	383 343	1 092 166	16 520 536	7 803 749	5 155 526	**30 955 321**
Other acquisitions	27 775 674	8 962 584	4 426 817	18 895 956	1 785 913	**61 846 945**
Finance lease	-	-	4 675 845	-	-	**4 675 845**
Disposals	(3 207 441)	(1 931 454)	(316 502)	(470 468)	(4 402 170)	**(10 328 036)**
Liquidations	(1 067 300)	(251 438)	(173 810)	(24 462)	(4 000)	**(1 521 010)**
Depreciation	(7 274 160)	(7 779 115)	(7 108 747)	(7 719 063)	-	**(29 881 085)**
Other adjustments	-	77 858	-	(84 517)	(5 038 542)	**(5 045 200)**
Carrying amount as at 31.12.2008	**79 850 781**	**18 167 375**	**30 763 400**	**35 470 502**	**7 487 152**	**171 739 210**
Carrying amount as at 01.01.2009	**79 850 781**	**18 167 375**	**30 763 400**	**35 470 502**	**7 487 152**	**171 739 210**
Acquisition through business combination	421 545	334 657	1 219 617	138 222	-	**2 114 041**
Other acquisitions	2 367 310	5 717 708	406 869	7 791 467	63 642 391	**79 925 745**
Increases due to the transfer of fixed assets under construction	15 398 753	567 774	2 626	6 120 190	(22 797 157)	**(707 815)**
Finance lease	-	6 011 000	1 288 802	-	-	**7 299 802**
Disposals	(411 840)	(2 433)	(480 813)	(68 694)	(37 766 428)	**(38 730 209)**
Liquidations	(58 848)	(465 625)	(378 602)	(30 744)	(854 835)	**(1 788 654)**
Depreciation	(8 870 394)	(6 196 518)	(7 794 200)	(9 921 147)	-	**(32 782 260)**
Other changes	3 436 196	1 098 480	(493 611)	(3 524 447)	-	**516 617**
Carrying amount as at 31.12.2009	**92 133 504**	**25 232 416**	**24 534 088**	**35 975 348**	**9 711 123**	**187 586 479**

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

Table 15

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2009 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
As at 01.01.2009						
Cost	107 595 937	48 401 237	50 402 065	67 118 191	7 487 152	281 004 583
Accumulated amortisation and impairment losses	(27 745 156)	(30 233 862)	(19 638 665)	(31 647 690)	-	(109 265 372)
Carrying amount	**79 850 781**	**18 167 375**	**30 763 400**	**35 470 502**	**7 487 152**	**171 739 210**
As at 31.12.2009						
Cost	130 108 527	59 027 315	55 855 648	81 786 425	9 711 123	336 489 038
Accumulated amortisation and impairment losses	(37 975 024)	(33 794 899)	(31 321 561)	(45 811 076)	-	(148 902 559)
Carrying amount	**92 133 504**	**25 232 416**	**24 534 088**	**35 975 348**	**9 711 123**	**187 586 479**

Borrowing costs

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

Property, plant and equipment under finance lease

The Group uses land, vehicles, and forklift trucks under finance lease. According to the lease agreements the Group 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 34,688.8 thousand (31.12.2008: PLN 34,949.2 thousand), and the amount payable to the lessor in this respect amounted to PLN 29,702.8 thousand (31.12.2008: PLN 30,910.8 thousand, respectively). The leased items are a property of the lessor (the financing institution) until they are acquired by the Group. Those assets are depreciated for tax purposes by the lessor.

The contracts do not include any provisions or any obligations upon the Group 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 2009, the Group 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 31.12.2010.

For intangible assets with indefinite useful lives, the Group performed the following impairment tests:

- impairment test of the "Eurocash" trademark as at 31.12.2009:

Test confirmed that it is not necessary to recognize impairment loss.
The subsequent impairment test is planned on 31.12.2010.

Value in use of the trademark was determined based on license fee method.
Valuation method based on license fees consists in determining the present value of future economic benefits derived by an entity from the trademark. This method is based on the assumption that the benefits derived from the trademark are equal to costs which would have to be incurred by an entity with no rights to the trademark (if trademark had been used under a license agreement charged at market rates).

The market level of license fees is determined based on projection of sales of products marked with the trademark with determining the rate of license fee for using that trademark. The rate of license fee is determined based on the analysis of trademark lease agreements concluded on arm's length terms.

- impairment test of the "abc" trademark as at 31.12.2009:

Test confirmed that it is not necessary to recognize impairment loss.
The subsequent impairment test is planned on 31.12.2010.

Value in use of the trademark was determined based on license fee method.
Valuation method based on license fees consists in determining the present value of future economic benefits derived by an entity from the trademark. This method is based on the assumption that the benefits derived from the trademark are equal to costs which would have to be incurred by an entity with no rights to the trademark (if trademark had been used under a license agreement charged at market rates).
The market level of license fees is determined based on projection of sales of products marked with the trademark with determining the rate of license fee for using that trademark. The rate of license fee is determined based on the analysis of trademark lease agreements concluded on arm's length terms.

- impairment test of the "KDWT" trademark as at 31.12.2009:

Test confirmed that it is not necessary to recognize impairment loss.
The subsequent impairment test is planned on 31.12.2010.

Value in use of the trademark was determined based on license fee method.
Valuation method based on license fees consists in determining the present value of future economic benefits derived by an entity from the trademark. This method is based on the assumption that the benefits derived from the trademark are equal to costs which would have to be incurred by an entity with no rights to the trademark (if trademark had been used under a license agreement charged at market rates).
The market level of license fees is determined based on projection of sales of products marked with the trademark with determining the rate of license fee for using that trademark. The rate of license fee is determined based on the analysis of trademark lease agreements concluded on arm's length terms.

Tax benefits of trademark depreciation that would be a part of fair value was excluded from the calculation of value in use of each particular trademark. Otherwise, application of such tax benefits would lead to an increase in the trademark value, and would therefore be considered unreasonable for the purposes of an impairment test based on determining value in use. The discount rate applied is the cost of own capital. Projection of revenues from sales of products marked with trademark during the period from 2010 to 2014 was used for analysis assuming no growth after the analyzed period. To determine the values of selected projection ratios, historical data was used for years 2007-2009 and plans approved by the Management Board for years 2010-2014. In order to determine the overall net sales revenues, clients were divided into those who have cooperated with Eurocash Group for more than 3 years as at the valuation date (like for like - LFL) and into new clients. Moreover, average annual purchases were diversified depending on duration of relationships with clients, primarily in order to eliminate an effect of overstatement of projected sales.
For purposes of the analyses rate of license fees was determined at the level 1.1% of net sales revenues marked with a trademark which is consistent with the Group's overall market experience. This percentage level is determined based on analysis of license charges paid to trading operators in the FMCG sector. The scope of analysis included determination of the range of license fees for FMCG industry from 0.68% to 3.0%. For further analysis, the level of 1.1% (from the 2nd quartile of analyzed fees) was considered. In order to determine the cost of capital, 20 trading companies were analyzed and 14 comparable companies were selected from that group. Rejection of the remaining 6 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 Group.

The Group performed impairment tests in respect of goodwill on acquisition of the following subsidiaries:

- impairment test of goodwill on acquisition of an organized part of enterprise: Carment M. Stodółka i Wspólnicy Spółka Jawna performed as at 31.12.2009
  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 31.12.2010.

  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 KDWT S.A. performed as at 31.12.2009:
  Test confirmed that it is not necessary to recognize impairment loss.
  The subsequent impairment test is planned on 31.12.2010.

  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 McLane Polska Sp. z o.o. performed as at 31.12.2009:
  The test confirmed that it is not necessary to recognize impairment loss.
  The subsequent impairment test is planned on 31.12.2010.

  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 Nasze Sklepy Sp. z o.o. performed as at 31.12.2009:
  Test confirmed that it is not necessary to recognize impairment loss.
  The subsequent impairment test is planned on 31.12.2010.

  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 Przedsiębiorstwo Handlowe Batna Sp. z o.o. performed as at 31.12.2009:
  Test confirmed that it is not necessary to recognize impairment loss.
  The subsequent impairment test is planned on 31.12.2010.

  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.

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

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 2010-2014, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for years 2007-2009 and plans approved by the Management Board for years 2010-2014. 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, 20 trading companies were analyzed and 14 comparable companies were selected from that group. Rejection of the remaining 6 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 Group.

NOTE 7.
ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

Investments in associates are presented in Table 16.

Table 16

INVESTMENTS IN ASSOCIATES AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Opening balance	1 710 920	-
Increases in reporting period:	**-**	**3 464 300**
purchases of associates	-	3 464 300
Decreases in reporting period:	**(1 167 797)**	**(1 753 380)**
interest in losses of associates	(1 167 797)	(1 753 380)
Closing balance	**543 123**	**1 710 920**

NOTE 8.
OTHER INVESTMENTS

Other investments are presented in Table 17.

Table 17

OTHER INVESTMENTS AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Shares	87 000	87 000
Loans granted	-	15 000
	87 000	**102 000**

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

NOTE 9.
LONG-TERM RECEIVABLES

Long-term receivables are presented in Table 18.

Table 18

LONG-TERM RECEIVABLES AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Advance payments in aquisition of shares of Nasze Sklepy Sp. z o.o.	-	1 757 235
Security deposits on rental agreements	1 283 172	1 281 862
BRE Bank Security deposits	-	1 981 890
Other long-term receivables	768 000	832 000

NOTE 10.
INVENTORIES

Inventories are presented in Table 19 and Table 20.

Table 19

INVENTORIES AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Merchandise	365 289 831	312 117 879
Materials	495 362	147 251
Total inventories, including:	**365 785 193**	**312 265 130**
- carrying amount of inventory deposits securing payments of liabilities	85 150 000	76 242 357

Table 20

ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Opening balance	**9 901 795**	**4 878 768**
- increase in the allowance during the period	4 770 066	7 053 368
- reversal of the allowance during the period	(3 075 904)	(1 928 359)
- write-offs during the period	(3 687 597)	(101 981)
Closing balance	**7 908 360**	**9 901 795**

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

NOTE 11.
TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented in Table 21.

Table 21

TRADE AND OTHER RECEIVABLES AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008	as at 31.12.2007
Trade receivables	**374 585 268**	**346 476 421**	**240 249 537**
Credit sales	227 236 679	237 889 060	153 768 978
Receivables from suppliers	118 544 298	91 324 312	69 616 532
Factoring	30 060 334	25 263 747	20 135 547
Franchise fees	2 986 981	1 515 340	634 249
Other trade receivables	7 203 098	3 046 511	2 243 869
Allowance for bad debts	(11 446 122)	(12 562 549)	(6 149 638)
Current tax assets	**221 793**	**-**	**9 896**
Other receivables	**30 477 181**	**32 454 393**	**13 110 637**
VAT settlements	20 368 218	12 863 305	7 907 525
Receivables from subrental services	2 207 279	2 283 696	2 751 184
Receivables from disposal of investments in subsidiaries	-	5 500 000	-
Receivables from employees	578 498	608 126	963 889
Loans granted	1 069 812	367 493	197 202
Insurance claims receivables	430 477	213 707	182 232
Receivables subject to legal proceedings	17 384 758	16 477 974	1 340 634
Receivables from sales of terminals	6 624 112	6 424 112	-
Other receivables	392 384	3 430 655	95 063
Allowance for other bad debts	(18 578 358)	(15 714 674)	(327 092)
Total receivables, including:	**405 284 242**	**378 930 814**	**253 370 070**
- short-term	405 284 242	378 930 814	253 370 070

NOTE 12.
CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented in Table 22.

Table 22

CASH AND CASH EQUIVALENTS AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Cash at bank	9 579 798	72 320 942
Cash on hand	624 168	1 054 591
Cash in transit	15 848 776	28 385 877
Cash on deposits	129 241 598	40 681 822
Cash restricted to use	2 152 572	1 689 917
Money vouchers	5 050	16 220
Total cash	**157 451 962**	**144 149 370**

Cash restricted to use is cash deposited on the account sof the Group’s Social Benefits Fund.

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

NOTE 13.
CASH POOLING SYSTEM

On 2 February 2009 Eurocash Group companies entered into a cash pooling agreement with daily credits with ING Bank Śląski S.A. ("Cash Pool"). The objective of this agreement is to implement efficient management of joint financial liquidity within a group of bank accounts.

Each Group company has a separate current bank account. Eurocash S.A. is the administrator of the overall scheme, which operates the following two accounts:

- *the main account - within the group of accounts;*
- *the main cash pooling account* - outside the group of accounts, where the consolidated balance of all accounts is mapped.

The DOLMA system is based on an offsetting mechanism. Offsetting is the final operation of each working day, consisting in transferring of all positive and negative balances from particular current accounts to the main cash pooling account, as per account balance. This operation is reversed at the beginning of the following working day.

Interest is charged on the amount outstanding on the main cash pooling account on the last day of each calendar month.

The Parent allocates an individual daily credit limit to each pool holder. Repayment of all daily credits is secured jointly and severally by all companies up to the amount of surety, and repayment of outstanding interest is secured up to maximum 10% of the surety amount. On the reporting date, the amounts of such securities per each Eurocash Group Company are as follows:

Table 23
SECURITY IN RELATION TO CASH POOL AS AT 31.12.2009

Entity	*Security*
Eurocash S.A.	140 000 000 PLN
KDWT S.A.	80 000 000 PLN
Eurocash Franczyza Sp. z o.o.	15 000 000 PLN
McLane Sp. z o.o.	50 000 000 PLN
Eurocash Trade 1 Sp. z o.o.	100 000 PLN
Eurocash Trade 2 Sp. z o.o.	100 000 PLN
Total:	**285 200 000 PLN**

The Group presents the effect of its cash pooling scheme operation in net values, in order to demonstrate the economic justification of this liquidity management system. Financial information concerning such presentation is presented in Table 24.

Table 24
CASH AND CASH EQUIVALENTS IN GROUP COMPANIES AS AT 31.12.2009

	Eurocash S.A.	KDWT S.A.	Eurocash Franczyza Sp. z o.o.	McLane Sp. z o.o.	Nasze Sklepy Sp. z o.o.	Eurocash Trade 1 i Trade 2 Sp. z o.o.	Batna Sp. z o.o.	**Total**
Total amount of cash and cash equivalents	150 042 175	7 351 688	7 529 620	30 505 932	585 428	6 485	7 620 411	**203 641 740**
Bank overdrafts	-	(46 139 576)	-	-	-	(50 202)	-	**(46 189 778)**
Cash pool	(9 025 609)	46 139 576	(7 529 620)	(29 634 548)	-	50 202	-	**0,00**
Cash and cash equivalents in the statement of financial position	141 016 566	7 351 688	-	871 384	585 428	6 485	7 620 411	**157 451 962**
Bank overdrafts in the statement of financial position	-	-	-	-	-	-	-	**-**

Bank overdrafts of Eurocash Franczyza Sp. z o.o., KDWT S.A., and Eurocash S.A. presented in the financial statements as at 31 December 2008 in the total amount of PLN 68,474,416, were repaid during the reporting period.

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

NOTE 14.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented in Table 25.

Table 25
SHORT-TERM PREPAYMENTS AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Software	786 602	441 929
Alcohol licences	1 216 412	1 240 741
Rents	841 397	1 437 022
Media	39 088	34 318
Advertising folders	191 509	124 238
Insurances	494 148	446 452
Tolls, vignette	53 107	58 383
Interest on finance lease	51 869	51 869
Logistic project Bain	286 730	1 160 687
Business meeting's costs	414 491	-
Other prepayments	536 990	688 314
	4 912 343	**5 683 952**

NOTE 15.
EQUITY

Share capital is presented in Table 26, Table 27 and Table 28.

Table 26
SHARE CAPITAL AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Number of shares	134 704 736	130 777 550
Nominal value (PLN / share)	1	1
Share capital	**134 704 736**	**130 777 550**

As at 31 December 2009 share capital consisted of 134,704,736 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,
- 460,000 D 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.

542,000 shares were issued during the period from 1 January 2010 to 31 March 2010 due to realization of shares option programmes.

The structure of shareholders with more than 5% of the total number of voting rights is presented in Table 27.

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

Table 27

SHAREHOLDERS STRUCTURE

	31.12.2009				31.12.2008			
Shareholder	Number of shares	Share in share capital (%)	Voting rights	Voting rights (in %)	Number of shares	Share in share capital (%)	Voting rights	Voting rights (in %)
Luis Manuel Conceicao do Amaral (directly and indirectly by Politra B.V.)	70 258 100	52,16%	70 258 100	52,19%	70 258 100	53,72%	70 258 100	53,72%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA WBK	6 880 178	5,11%	6 880 178	5,11%	7 739 424	5,92%	7 739 424	5,92%
ING Nationale – Nederlanden Polska Otwarty Fundusz Emerytalny	6 843 714	5,08%	6 843 714	5,08%	6 843 714	5,23%	6 843 714	5,23%
BZ WBK AIB Asset Management S.A.	6 762 947	5,02%	6 762 947	5,02%	6 624 215	5,07%	6 624 215	5,07%

Table 28

SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Share capital at the beginning of the period	**130 777 550**	**127 742 000**
Increase of share capital in the period	**3 927 186**	**3 035 550**
Equity-settled share-based payment transactions	3 927 186	3 035 550
Share capital at the end of the period	**134 704 736**	**130 777 550**

In 2009 3,927,186 ordinary shares were issued due to exercising share options granted to key personnel of the Group under incentive programmes (2008: 3,035,550 such shares). These options were exercised at prices ranging between PLN 4.32 and PLN 6.51 per share. All shares issued were fully covered with cash.

NOTE 16.
OTHER RESERVES

Other reserves are presented in Table 29.

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

Table 29

CHANGES TO OTHER RESERVES IN THE PERIOD FROM 01.01 TO 31.12.2009

	Treasury shares	Reserve capital	Treasury shares reserve	Hedging reserve	Total
Balance as at 01.01.2008	**-**	**47 111 013**	**-**	**-**	**47 111 013**
Increases in the period from 01.01 to 31.12.2008	**-**	**30 106 787**	**-**	**-**	**30 106 787**
Retained earnings from 01.01 to 31.12.2008	-	19 163 849	-	-	19 163 849
Valuation of the Incentive Programme for employees	-	5 714 431	-	-	5 714 431
Share issue - Equity-settled share-based payment transactions	-	5 190 791	-	-	5 190 791
Other	-	37 717	-	-	37 717
Decreases in the period from 01.01 to 31.12.2008	**-**	**(9 736)**	**-**	**(4 645 000)**	**(4 654 736)**
Hedging instruments	-	-	-	(4 645 000)	(4 645 000)
Redemption of shares	-	(9 736)	-	-	(9 736)
Balance as at 31.12.2008	**-**	**77 208 064**	**-**	**(4 645 000)**	**72 563 064**
Balance as at 01.01.2009	**-**	**77 208 064**	**-**	**(4 645 000)**	**72 563 064**
Increases in the period from 01.01 to 31.12.2009	**-**	**39 665 254**	**14 000 000**	**-**	**53 665 254**
Retained earnings from 01.01 to 31.12.2009	-	34 869 633	-	-	34 869 633
Valuation of the Incentive Programme for employees	-	4 350 940	-	-	4 350 940
Share issue - Equity-settled share-based payment transactions	-	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)**
Floatation costs - Equity-settled share-based payment transactions	-	(274 555)	-	-	(274 555)
Purchase of treasury shares	(1 115 507)	1 115 507	(1 115 507)	-	(1 115 507)
Balance as at 31.12.2009	**(1 115 507)**	**117 714 270**	**12 884 493**	**(4 645 000)**	**124 838 256**

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 Parent 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 2009 the Group was a holder of 77,693 treasury shares with a nominal value of PLN 77,693. Shares were purchased from the market during the period from 28 July 2009 to 31 December 2009, for prices ranging from PLN 11.00 to PLN 14.70 per share.

Dividend

According to the Resolution 3 of the General Meeting dated 25 May 2009 the net profit for 2008 amounting to PLN 59,570,056 was allocated as follows: the amount of PLN 40,050,682.20 was allocated to pay a dividend of PLN 0.30 per share (paid on 26 June 2009), the remaining part of net profit was allocated to the reserve capital.

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

NOTE 17.
SHARE OPTIONS

Treasury share options are presented in Table 30.

Table 30
SHARE OPTIONS IN THE PERIOD FROM 01.01 TO 31.12.2009

	Number of options	Weighted average exercise prices (PLN/share)
Existing at the beginning of the reporting period	7 177 961	6,27
Granted in the reporting period	1 020 000	9,93
Exercised in the reporting period	(3 927 186)	4,68
Expired in the reporting period	(264 000)	4,32
Existing at the end of the reporting period	4 006 775	8,89
including:		
Exercisable at the end of the period	370 000	4,82

1. According to the Resolution 3 of the Extraordinary General Meeting of Eurocash S.A. dated 14 September 2004 on issue of bonds with preemption rights, conditional increase in share capital and exemption of rights of preemption of the existing shareholders on newly issued shares, with amendments introduced by the Resolution 2 dated 2 November 2004 and Resolution 1 dated 25 November 2004, it was decided to issue B series and C series shares under the Incentive Programme for management, supervisory staff and key personnel of Eurocash S.A.

Eurocash S.A. issued a total of 255,484 registered bonds in two series:

- 127,742 A series registered bonds with a nominal value of PLN 0.01 each, with rights of subscription of B series ordinary shares to the bearer before the shareholders,
- 127,742 B series registered bonds with a nominal value of PLN 0.01 each, with rights of subscription of C series ordinary shares to the bearer before the shareholders.

The bonds were zero-interest bonds.
One A Series bond carried the preemptive right to subscribe and take up 25 B series shares.
One B Series bond carried the preemptive right to subscribe and take up 25 C series shares.

A vesting condition related to the Incentive Programme is employment period of 3 years.
The final list of employees entitled to acquire A series bonds and B series was determined based on the Resolution of the Supervisory Board of Eurocash S.A. dated 2 December 2007.
The final list of employees entitled to acquire B series bonds and C shares was determined based on the Resolution of the Supervisory Board of Eurocash S.A. dated 2 December 2008.

The Group valued the incentive programme for the A series bonds at PLN 1,799.5 thousand. This value was settled in the 3 years period from 1 January 2005 to 31 December 2007.
A series bonds were exercisable during the period from 1 January 2008 to 31 December 2008.

The Group valued the incentive programme for the B series bonds at PLN 2,781.7 thousand. This value was settled in the 3 years period from 1 January 2006 to 31 December 2008.
B series bonds were exercisable during the period from 1 January 2009 to 31 December 2009.

During the period from 1 January 2008 to 31 December 2008 a total of 3,035,550 B series ordinary shares were taken up through exercising A series registered bonds. These shares were taken up at the price of PLN 2.71 per share, and the market price of Eurocash S.A. shares listed at the Warsaw Stock Exchange ranged between PLN 7.90 and PLN 13.50 per share during that period. The average share price during the period was PLN 11.16 per share.
Till 31 December 2008 6,320 bonds entitling to take up 158,000 shares were left unexercised and were therefore redeemed.

During the period from 1 January 2009 to 31 December 2009 a total of 2,929,550 C series ordinary shares were taken up through exercising B series registered bonds. These shares were taken up at the price of PLN 4.32 per share, and the market price of Eurocash S.A. shares listed at the Warsaw Stock Exchange ranged between PLN 7.25 and PLN 16.45 per share during that period. The average share price during the period was PLN 11.75 per share.
Till 31 December 2009 10,560 bonds entitling to take up 264,000 shares were left unexercised and were therefore redeemed.

2. 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 Group 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 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 16.45 per share during that period. The average share price during the period was PLN 12.66 per share.
Till 31 December 2009 185,000 bonds entitling to take up 370,000 shares were left unexercised. They can be exercised until the end of the Options Exercise Period, i.e. till 1 April 2010.

3. On 16 August 2006 Eurocash S.A. agreed, under a promised contract of sale, to entitle certain selected shareholders of Carment (Stanisław Bazan, Zofia Szubra, Marek Stodółka, Bogdan Habrat) to take up E series bonds under the management options programme, with preemptive rights to F series ordinary

shares to the bearer of Eurocash S.A., provided that the Authorized Employee remains employed for a period of 36 full calendar months from the the effective date of Contract of Acquisition of "Delikatesy Centrum", i.e. from 16 August 2006 to 16 August 2009 inclusively, as a partner of FHC-2. Each of the Authorized Employees is entitled to acquire a maximum of 44,803 E series bonds. Shares issue was prescribed based on the Resolution 17 of the General Meeting of Eurocash S.A. dated 28 June 2007 on the "Delikatesy Centrum" Incentive Programme.
The Authorized Employees may accept the offer to buy E series bonds not earlier than on the first working day of the period starting after 36 months from the effective date of the Contract of Acquisition of "Delikatesy Centrum", i.e. on 17 August 2009 and ending on 14 August 2010.
The final list of Authorized Employees entitled to receive E series bonds was determined based on the Resolution of the Supervisory Board of Eurocash S.A. dated 14 August 2009.

Eurocash S.A. issued a total of 179,212 registered E series bonds.
The bonds are zero-interest bonds.
The issue price is PLN 0.01.
One E series bond carries the title to subscribe and take up 3 F series ordinary shares to the bearer.

The Group valued the incentive programme for the E series bonds at PLN 974.2.5 thousand. This value was settled in the 3 years period from 16 August 2006 to 16 August 2009.

During the period from 18 August 2009 to 31 December 2009 a total of 537,636 F series ordinary shares were taken up through exercising E series registered bonds. These shares were taken up at the price of PLN 6.51 per share, and the market price of Eurocash S.A. shares listed at the Warsaw Stock Exchange ranged between PLN 12.80 and PLN 16.45 per share during that period. The average share price during the period was PLN 14.54 per share.
Till 31 December 2009 all 179,212 bonds were exercised and 537,636 shares were taken up.

4. 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 Group 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.

5. 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.
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 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 Group 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 Group 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.

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

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

Table 31

OPTION VALUATION AS AT 31.12.2009

	1 Share option programme	2 Share option programme	KDWT Share option programme	Delikatesy Centrum Share option programme	3 Share option programme	4 Share option programme	5 Share option programme
Risk-free rate of return	6,00%	4,54%	3,85%	3,69%	4,78%	6,47%	5,82%
Volatility	14,00%	12,30%	25,88%	23,57%	34,89%	41,83%	43,50%
Option period (in years)	3	3	3	3	2,52	2,57	2,52
Exercise price	3,10	5,00	4,82	6,51	8,17	10,75	9,93
Base price	3,10	5,10	6,55	7,15	10,75	12,20	10,45
Number of options	3 193 550	3 193 550	830 000	537 635	1 596 775	1 020 000	1 020 000
Employee turnover ratio	0%	0%	0%	0%	0%	4%	7%
Total cost	1 799 543	2 781 712	1 894 342	974 164	6 600 176	4 493 777	3 438 664

Total costs of share option programmes charged to the Group’s income statement for 2009 amounted to PLN 4,350,940 (2008: PLN 5,714,431).

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

NOTE 18.
PROVISIONS AND ACCRUALS

Provisions and accruals are presented in Table 32 and Table 33.

Table 32

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2008 TO 31.12.2009

	Provision for employee benefits	Accrual for agents' commissions	Accrual for costs of transport	Accrual for advertising costs
Provisions and accruals as at 01.01.2008	**11 541 039**	**1 112 542**	**497 194**	**1 285 874**
Increases	39 619 125	35 963 860	8 205 042	9 167 505
Decreases	(36 736 775)	(36 078 477)	(7 955 629)	(6 904 062)
Provisions and accruals as at 31.12.2008, including:	**14 423 390**	**997 926**	**746 608**	**3 549 317**
- short term	14 128 606	997 926	746 608	3 549 317
- long-term	294 784	-	-	-
Provisions and accruals as at 01.01.2009	**14 423 390**	**997 926**	**746 608**	**3 549 317**
Increases	14 865 035	35 619 298	9 394 728	14 413 942
Decreases	(7 097 025)	(35 792 997)	(9 710 280)	(11 210 427)
Provisions and accruals as at 31.12.2009, including:	**22 191 399**	**824 227**	**431 055**	**6 752 832**
- short term	21 622 455	824 227	431 055	6 752 832
- long-term	568 944	-	-	-

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

Table 32

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2008 TO 31.12.2009 (continued)

	Accrual for costs of media	Accrual for bonuses for individual customers	Provision for potential risks related to aquisition of McLane Polska Sp. z o.o.	Other	Total
Provisions and accruals as at 01.01.2008	**395 326**	**1 135 956**	**-**	**3 641 230**	**19 609 161**
Increases	4 686 857	198 043	17 144 000	25 185 711	**140 170 143**
Decreases	(4 434 535)	(1 135 956)	-	(17 711 168)	**(110 956 601)**
Provisions and accruals as at 31.12.2008, including:	**647 648**	**198 043**	**17 144 000**	**11 115 772**	**48 822 704**
- short term	647 648	198 043	-	11 115 772	**31 383 920**
- long-term	-	-	17 144 000	-	**17 438 784**
Provisions and accruals as at 01.01.2009	**647 648**	**198 043**	**17 144 000**	**11 115 772**	**48 822 704**
Increases	4 629 561	1 463 130	-	11 376 987	**91 762 681**
Decreases	(4 109 556)	(1 386 993)	-	(12 842 458)	**(82 149 737)**
Provisions and accruals as at 31.12.2009, including:	**1 167 653**	**274 180**	**17 144 000**	**9 650 301**	**58 435 647**
- short term	1 167 653	274 180	-	9 650 301	**40 722 703**
- long-term	-	-	17 144 000	-	**17 712 944**

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

Table 33

PROVISIONS AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Provision for employee benefits	22 191 399	14 423 389
Accrual for advertising costs	6 752 831	3 549 317
Accrual for bonuses for individual customer	274 180	198 043
Accrual for agents' commissions	824 227	997 926
Accrual for costs of transport	431 055	746 608
Accrual for costs of media	1 167 653	647 648
Accrual for change in localisation of wholesaler	-	1 298 808
Accrual for rental costs	489 850	1 395 081
Accrual for advisory and audit	1 544 994	1 018 799
Provision for potential risks related to aquisition of McLane Polska Sp. z o.o.	17 144 000	17 144 000
Accrued liabilities due to settlement with suppliers	2 054 420	1 145 028
Provision for insolvent contractors	1 193 609	2 635 334
Other provisions and accruals	4 367 430	3 622 724
	58 435 647	**48 822 704**
- long-term	17 712 944	17 438 784
- short term	40 722 703	31 383 920

NOTE 19.
TRADE AND OTHER PAYABLES

Trade and other payables are presented in Table 34.

Table 34

TRADE AND OTHER PAYABLES AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Trade payables	**866 475 635**	**755 086 412**
Payables due to purchase of goods	847 235 500	737 177 057
Payables due to services received	19 240 135	17 909 355
Current tax liabilities	**11 441 984**	**6 148 534**
Other payables	**20 377 496**	**18 462 915**
VAT settlements	1 021 591	729 630
Liabilities due to social securities	4 502 907	3 491 025
Liabilities due to purchases of assets	7 148 154	10 813 527
Liabilities due to taxes and insurances	982 470	1 428 193
Liabilities in relation to acquisitions	5 468 925	478 359
Other payables	1 253 448	1 522 180
Total payables, including:	**898 295 115**	**779 697 861**
- long-term	400 000	-
- short term	897 895 115	779 697 861

NOTE 20.
LOANS AND BORROWINGS

The Group was not granted with any loans as at 31 December 2009.

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

NOTE 21.
OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented in Table 35 and Table 36.

Table 35

OTHER FINANCIAL LIABILITIES AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008	as at 31.12.2007
Finance lease liabilities	29 702 845	30 910 778	13 743 242
Liabilities due to financing of franchisees	30 060 334	25 263 747	20 135 547
	59 763 179	**56 174 525**	**33 878 789**
- long-term	22 498 092	23 421 786	11 222 655
- short-term	37 265 087	32 752 739	22 656 134

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

FINANCE LEASE

Table 36

FINANCE LEASE AS AT 31.12.2009

Future minimum lease payments due to finance lease agreements	as at 31.12.2009 minimum lease payments	as at 31.12.2009 present value of minimum lease payments	as at 31.12.2008 minimum lease payments	as at 31.12.2008 present value of minimum lease payments
Less than one year	9 076 215	7 204 753	8 713 368	7 488 992
Between one and five years	19 223 278	15 753 886	19 897 673	16 307 229
More than five years	7 378 994	6 744 206	7 749 345	7 114 557
Total future minimum lease payments due to finance lease agreements	**35 678 488**	**29 702 845**	**36 360 386**	**30 910 778**
Finance costs	5 975 643	X	5 449 609	X
Present value of minimum lease payments due to finance lease agreements	**29 702 845**	**29 702 845**	**30 910 778**	**30 910 778**

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

OPERATING LEASE

According to IAS 17 the Group 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 Group 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 in Table 37.

Table 37

OPERATING LEASE OBLIGATIONS AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Future minimum lease payments due to operating lease agreements		
Less than one year	35 556 811	32 474 429
Between one and five years	117 881 078	135 481 345
More than five years	45 089 523	39 135 294
Total future minimum lease payments due to operating lease agreements	**198 527 412**	**207 091 068**

Operating lease payments for 2009 amounted to PLN 48,208,809 (2008: PLN 30,956,786).

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

NOTE 22.
INCOME TAX

Income tax for the reporting period is presented in Table 38, Table 39 and Table 40.

Table 38

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2009 (main components)

Income statement	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Current income tax	**(28 401 495)**	**(17 300 629)**
Current income tax	(28 354 827)	(17 330 477)
Additional income tax related to previous years	(46 668)	29 848
Deferred tax	**2 150 820**	**980 731**
Due to temporary tax differences	2 150 820	980 731
Total income tax	**(26 250 675)**	**(16 319 898)**

Table 39

INCOME TAX IN OTHER COMPREHENSIVE INCOME IN THE PERIOD FROM 01.01 TO 31.12.2009

Statement of comprehensive income	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Income tax from:	**-**	**-**
cash flow hedges	-	-
revaluation of financial instruments	-	-
Income tax recognised in other comprehensive income	**-**	**-**

Table 40

TAX RECONCILATION FOR THE PERIOD FROM 01.01 TO 31.12.2009 (main components)

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Profit before tax	**128 772 446**	**94 687 390**
Income tax calculated based on 19% income tax rate	(24 466 765)	(17 990 604)
Permanent tax differences	(2 526 599)	(1 163 938)
Deferred tax asset without an impact on current income tax	-	882 550
Unrecognized deffered tax assets on tax losses in previous years	1 029 085	1 983 999
Unrecognized deffered tax assets on share in losses of equity accounted investees	(221 881)	-
Other differences	(64 515)	(31 905)
Income tax in the income statement	**(26 250 675)**	**(16 319 898)**
Effective tax rate	20,39%	17,24%

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

NOTE 23.
DEFFERED TAX

Deferred tax is presented in Table 41.

Table 41

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2009

	Statement of financial position		Income statement		Acquisition of subsidiaries		Statement of comprehensive income	
	as at 31.12.2009	as at 31.12.2008	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Deferred tax liabilities								
- difference between tax and carrying amount of fixed assets	15 850 408	14 420 300	1 430 108	2 981 608	-	36 796	-	-
- deferred income	4 031 069	6 593 551	(2 562 482)	2 817 808	-	825 930	-	-
- revenues from accrued interests	120 501	101 143	19 358	21 304	-	-	-	-
- finance lease liabilities	949 343	760 790	188 553	(69 736)	-	310 233	-	-
- unrealized foreign exchange differences	16 953	22 734	(5 781)	(43 374)	-	2 260	-	-
- revenues form lease and rental	-	35 671	(35 671)	35 671	-	-	-	-
- other	278 819	228 075	50 744	228 075	-	-	-	-
Gross deferred tax liabilities	**21 247 093**	**22 162 265**	**(915 172)**	**5 971 356**	**-**	**1 175 219**	**-**	**-**

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

Tabela 41

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2009 (continued)

	Statement of financial position		Income statement		Acquisition of subsidiaries		Statement of comprehensive income	
	as at 31.12.2009	as at 31.12.2008	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008	for the period od 01.01.2009 do 31.12.2009	for the period from 01.01.2008 to 31.12.2008	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Deferred tax assets								
- bonuses	4 641 840	3 557 416	(1 045 536)	(558 568)	(38 889)	(649 523)	-	-
- allowance for invetories	2 438 605	2 633 750	408 198	(1 151 383)	(213 054)	(263 284)	-	-
- allowance for bad debts	2 449 759	1 087 803	(1 361 631)	(82 018)	(326)	(280 000)	-	-
- tax losses from previous years	1 424 132	2 343 214	919 082	(1 629 505)	-	189 657	-	-
- holiday accrual	872 299	828 691	(27 925)	78 541	(15 683)	(189 421)	-	-
- accrual for employees' bonuses	1 959 429	1 369 256	(590 173)	151 718	-	(123 584)	-	-
- unpaid payroll and social securities	57 618	1 104 673	1 102 266	(781 099)	(55 211)	(68 688)	-	-
- retirement provision	89 982	47 397	(39 302)	-	(3 283)	-	-	-
- accrual for agents' commissions	156 603	189 606	33 003	21 777	-	-	-	-
- accrual for rental costs	156 066	261 354	105 288	(261 354)	-	-	-	-
- accrual for advertising costs	1 285 387	179 554	(1 105 833)	64 762	-	-	-	-
- accrual for costs of transport	106 765	141 217	34 452	175 478	-	(222 229)	-	-
- accrual for costs of media	221 292	117 922	(103 369)	(17 910)	-	(27 180)	-	-
- accrual for advisory and audit	208 049	196 372	(11 677)	(190 082)	-	-	-	-
- provisions for legal disputes	-	228 000	228 000	(228 000)	-	-	-	-
- unrealized foreign exchange differences	56 284	26 702	(29 582)	(26 702)	-	-	-	-
- hedging instruments	1 016 880	1 016 880	-	(1 016 880)	-	-	-	-
- accrual for bonuses for individual customers	52 094	37 628	(14 466)	178 204	-	-	-	-
- accrual for postal and telecommunication costs	38 785	26 611	(12 174)	-	-	-	-	-
- accrued interests on debts	2 362 167	986 282	(1 375 885)	(256 916)	-	-	-	-
- accrued interest on trade payables	403 010	406 372	3 362	(406 372)	-	-	-	-
- provision for costs of expansion	90 361	-	(90 361)	-	-	-	-	-
- other provisions	236 369	1 969 425	1 738 615	(1 015 778)	(5 559)	(529 011)	-	-
Gross deferred tax assets	**20 323 777**	**18 756 124**	**(1 235 648)**	**(6 952 087)**	**(332 005)**	**(2 163 264)**	**-**	**-**
Income tax			**(2 150 820)**	**(980 731)**	**(332 005)**	**(988 045)**	**-**	**-**
Net deferred tax liabilities	**7 047 803**	**7 402 804**	**X**	**X**	**X**	**X**	**X**	**X**
Net deferred tax assets	**6 124 488**	**3 996 664**	**X**	**X**	**X**	**X**	**X**	**X**

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

NOTE 24.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented in Table 42.

Table 42

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Rentals	-	192 770
Logistic project - Solving	196 417	392 834
Interests on finance lease agreements	-	60 544
Alcohol licences	178 754	755 145
IT licences	82 304	-
Other prepayments	34 748	319 867
	492 224	**1 721 161**

NOTE 25.
SALES IN THE REPORTING PERIOD

Sales are presented in Table 43.

Table 43

SALES IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Sales of goods	6 528 211 652	5 979 744 575
Sales of services	170 129 309	149 993 712
Total sales	**6 698 340 961**	**6 129 738 287**

NOTE 26.
COSTS BY TYPE

Costs by type are presented in Table 44.

Table 44

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Depreciation	49 317 742	42 960 482
Materials and energy	36 778 960	32 270 327
External services	180 048 598	143 098 517
Taxes and charges	10 447 367	7 892 690
Payroll	147 930 478	134 406 540
Social security and other benefits	29 022 432	25 755 197
Other costs by type	17 907 510	28 721 098
Costs by type	**471 453 087**	**415 104 850**
including:		
Selling expenses	344 623 821	278 057 690
General nad administrative expenes	126 829 266	137 047 160

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

NOTE 27.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented in Table 45.

Table 45

OTHER OPERATING INCOME AND EXPENSES IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Other operating income	**25 311 606**	**15 212 870**
Penalties for suppliers	4 848 965	3 871 481
Other sales	2 952 842	2 905 771
Sub-lease of premises	2 341 755	1 962 162
Compensation received	937 988	1 419 079
Revenues from transport services	864 075	1 243 038
Profit on sales of fixed assets	1 295 473	175 880
Reversal of provision for closed locations	1 200 000	-
Settlements with suppliers	1 260 368	-
Reversal of allowance for bad debts	2 688 135	582 855
Reversal of allowance for inventories	1 888 674	-
Other	5 033 331	3 052 603
Other operating expenses	**(32 892 069)**	**(25 795 563)**
Inventory shortages	(10 940 699)	(14 503 697)
Liquidation of damaged and expired goods	(10 413 118)	(6 672 225)
Losses from disposals of property, plant and equipment	(918 328)	(1 830 192)
Allowance for bed debts	(4 767 317)	(2 518 627)
Allowance for inventory	(1 156 110)	509 540
Reinvoiced costs	-	(565 890)
Settlements with suppliers	(2 344 709)	-
Other	(2 351 788)	(214 472)
Net other operating expenses	**(7 580 463)**	**(10 582 694)**

NOTE 28.
FINANCE INCOME AND COSTS

Finance income and costs are presented in Table 46.

Table 46

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Finance income	**6 188 858**	**3 038 718**
Sales of shares	-	(293 276)
Interest	3 994 931	3 407 562
Revenues from discounts	1 172 964	-
Foreign exchange gains	109 462	3 887
Other finance income	911 501	(79 455)
Finance expenses	**(21 449 397)**	**(22 101 349)**
Interest	(18 512 080)	(13 151 389)
Foreign exchange losses	(186 166)	(5 932 935)
Other finance expenses	(2 751 151)	(3 017 025)
Net finance expenses	**(15 260 539)**	**(19 062 630)**

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

Net foreign exchange gains (losses) are presented in Table 47.

Table 47

NET FOREIGN EXCHANGE GAINS /LOSSES IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Finance income	109 462	3 887
Finance expenses	(186 166)	(5 932 935)
Total	**(76 704)**	**(5 929 048)**

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

NOTE 29.
EARNINGS PER SHARE

Earnings per share are presented in Table 48.

Table 48

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Earnings		
Profit for the period attributable to the Parent's shareholders	102 535 877	78 487 385
Dilution effect of number of shares:		
Interest on convertible bonds net of tax	-	-
Profit for the period attributable to the Parent's shareholders (diluted)	102 535 877	78 487 385
Number of issued shares		
Weighted average number of shares	134 090 060	132 672 627
Dilution effect of potential number of shares:		
Effect of share options exercised in 2009	-	(2 194 021)
Effect of share options exercised in 2010	(364 529)	(360 676)
Convertible bonds	1 959 045	4 183 198
Weighted average number of shares (to calculate diluted earnings per share)	135 684 575	134 301 128
Earnings per share		
- basic	0,76	0,59
- diluted	0,76	0,58
Continued operations		
Profit for the period to be distributed among shareholders	102 535 877	78 487 385
Exclusion of loss on discontinued operations	-	(88 831)
Profit on continued operations (to calculate diluted earnings per share)	102 535 877	78 398 554
Dilution effect of the number of shares:		
Interest on convertible bonds	-	-
Profit on continued operations (to calculate diluted earnings per share)	**102 535 877**	**78 398 554**
Earnings on continuing operations per share		
- basic	0,76	0,59
- diluted	0,76	0,58
Earnings on dicontinued operations per share		
- basic	-	0,001
- diluted	-	0,001

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 (133,161,963) was adjusted by the effects of each new shares issue for purposes of realization of shares option programmes during 2009 and during the period from 1 January 2010 to 31 March 2010 which were realized on non-arm's length basis.

The weighted average number of shares for the purpose of calculating the value of basic earnings per share in 2008 was adjusted by the aggregate effect of new shares issues for purposes of realization of shares option programmes during 2009 and during the period from 1 January 2010 to 31 March 31 2010, which were realized on non-arm's length basis.

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

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 17.

NOTE 30.
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 49

BOOK VALUE PER SHARE AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Book value	366 810 438	283 450 881
Number of shares	134 627 043	130 777 550
Diluted number of shares	138 633 818	137 955 511
Book value per share	2,72	2,17
Diluted book value per share	2,65	2,05

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

NOTE 31.
RELATED PARTY DISCLOSURES

No significant non-arm's length transactions with subsidiaries were realized in 2009.

	EUROCASH S.A. Group
Trade receivables	
PAY UP	1 622 062
Other receivables	
PAY UP	6 624 112
Trade payables	
PAY UP	16 562 415
Other payables	
PAY UP	-
Sales of merchandise	
PAY UP	4 999 058
Sales of services	
PAY UP	537 597
Costs of goods sold	
PAY UP	246 308 049
Costs of services	
PAY UP	-
Other costs	
PAY UP	-

Table 50 and Table 50a present summarized values of remuneration, bonuses, rewards and other benefits paid or due to Members of Management Boards and Supervisory Boards of Eurocash Group Companies during the period from 1 January 2009 to 31 December 2009.

During the reporting period no other transactions with Members of the Management Boards and Supervisory Boards as well as with entities personally related to Members of the Management Boards and of the Supervisory Boards of Eurocash Group Companies were realized.

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

Table 50

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2009

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Management Board				
Luis Amaral	300 000	941 782	-	1 241 782
Rui Amaral	545 000	16 774	326 576	888 350
Arnaldo Guerreiro	300 000	22 242	292 126	614 368
Pedro Martinho	420 000	43 109	717 055	1 180 164
Katarzyna Kopaczewska	360 000	17 274	292 995	670 269
Jacek Owczarek	600 000	17 006	43 471	660 477
Ryszard Majer	310 750	92 897	148 796	552 443
	2 835 750	**1 151 084**	**1 821 019**	**5 807 853**

Remuneration of the Members of the Supervisory Board				
Joao Borges de Assuncao	113 281	-	-	113 281
Eduardo Aguinaga de Moraes	54 204	-	-	54 204
Ryszard Wojnowski	54 190	-	-	54 190
Janusz Lisowski	54 190	-	-	54 190
Antonio Jose Santos Silva Casanova	54 375	-	-	54 375
	330 240	**-**	**-**	**330 240**

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

Table 50

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD OF SUBSIDIARIES AND ASSOCIATES IN THE PERIOD FROM 01.01 TO 31.12.2009 (continued)

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Management Board of KDWT S.A.				
Rui Amaral*	30 000	-	-	30 000
Arnaldo Guerreiro*	60 000	-	-	60 000
	90 000	**-**	**-**	**90 000**

**On 29 June 2009 Arnaldo Guerreiro resigned from the Management Board of KDWT S.A.*
**On 29 June 2009 Rui Amaral was appointed as the President of the Management Board of KDWT S.A.*

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Management Board of Eurocash Franczyza Sp. z o.o.				
Pedro Martinho	60 000	-	-	60 000
Katarzyna Kopaczewska	42 000	-	-	42 000
Michał Bartkowiak*	10 500	-	-	10 500
	112 500	**-**	**-**	**112 500**

**On 31 March 2009 Michał Bartkowiak resigned from the Management Board of Eurocash Franczyza Sp z o.o.*

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Management Board of McLane Sp. z o.o.				
Arnaldo Guerreiro	240 000	-	-	240 000
Katarzyna Kopaczewska	42 000	-	-	42 000
Jacek Owczarek	120 000	-	-	120 000
Geoffrey Crossley	600 000	59 949	-	659 949
Johnny Baird*	316 834	12 940	-	329 774
Pedro Martinho*	60 000	-	-	60 000
	1 378 834	**72 890**	**-**	**1 451 723**

**On 30 June 2009 Johnny Baird resigned from the Management Board of McLane Polska Sp. z o.o. .*
**On 30 June 2009 Pedro Martinho was appointed to the Management Board of McLane Polska Sp. z o.o.*

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Management Board of Nasze Sklepy Sp. z o.o.				
Ireneusz Ługowski	60 000	-	-	60 000
Pedro Martinho	51 000	12 000	-	63 000
Michał Bartkowiak *	10 500	-	-	10 500
	121 500	**12 000**	**-**	**133 500**

**On 31 March 2009 Michał Bartkowiak resigned from the Management Board of Nasze Sklepy Sp. z o.o..*

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Supervisory Board of Nasze Sklepy Sp. z o.o.				
Adam Krzysztof Abramowicz	4 200	-	-	4 200
Rui Amaral	3 000	-	-	3 000
Katarzyna Kopaczewska	3 000	-	-	3 000
	10 200	**-**	**-**	**10 200**

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Management Board of PayUp Polska S.A.				
Zbigniew Furmańczak	304 800	18 000	-	322 800
	304 800	**18 000**	**-**	**322 800**

Remaining Members of the Management Board of PayUp Polska S.A. have not received remuneration.

	Basic salary	Other benefits	Managerial options	Total
Remuneration of the Members of the Management Board Przedsiębiorstwa Handlowego Batna Sp. z o.o.				
Mirosław Małecki	17 000	-	-	17 000
	17 000	**-**	**-**	**17 000**

Remaining Members of the Management Board of Przedsiębiorstwo Handlowe Batna Sp. z o.o. have not received remuneration.

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

During the period under consolidation Members of the Management Board of Eurocash Trade 1 Sp. z o.o. and of Eurocash Trade 2 Sp. z o.o., respectively, have not received any remuneration for their membership in the Management Boards.

During the period under consolidation Members of the Supervisory Boards of KDWT S.A., McLane Polska Sp. z o.o., Eurocash Franczyza Sp. z o.o. and PayUp Polska S.A., respectively, have not received any remuneration for their membership in the Supervisory Boards.

Supervisory Boards have not been established in Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., and Przedsiębiorstwo Handlowe Batna Sp. z o.o.

NOTE 32.
EMPLOYMENT

Number of employees as at 31.12.2009 is presented in Table 51.

Table 51
NUMBER OF EMPLOYEES AS AT 31.12.2009

	as at 31.12.2009	as at 31.12.2008
Number of employees	4 275	3 874
Number of full-time jobs	4 197	3 773

Employment structure as at 31.12.2009 is presented in Table 52.

Table 52
EMPLOYMENT STRUCTURE AS AT 31.12.2009

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	3 741	534	**4 275**
Number of full-time jobs	3 677	519	**4 197**

Data concerning employee turnover ratios as at 31.12.2009 is presented in Table 53.

Table 53
EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Number of hired employees	1 753	2 630
Number of dismissed employees	(1 352)	(1 798)
	401	**832**

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

NOTE 33.
CONTINGENCIES

As at 31 December 2009, the value of securities granted to other parties in the form of sureties of loans and bank guarantees amounted to PLN 3,957,869. Moreover, the value of bank guarantees issued for Group companies amounted to PLN 7,297,589. A detailed specification is summarized in Table 54 and Table 55.

Table 54

CONTINGENCIES AS AT 31.12.2009

	Beneficiary	Title	Currency	as at 31.12.2009	as at 31.12.2008
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 PTK Polkomtel S.A. for PayUp liabilities	PLN	2 250 000	-
				3 957 869	**1 500 000**

Table 55

OTHER BANK GUARANTEES AS AT 31.12.2009

	Bank guarantee drawer	Title	Currency	as at 31.12.2009	as at 31.12.2008
1.	HSBC	Security for rent liabilities	PLN*	4 427 889	81 362
2.	ING	Security for rent liabilities	PLN	2 869 700	-
				7 297 589	**81 362**

* Guarantee in EUR is translated into PLN at the average exchange rate of NBP as at 31 December 2009 1 EUR = 4,1082

NOTE 34.
COLLATERALS

As at 31 December 2009 the value of collaterals on the Group's assets amounted to PLN 119,838,838 . A detailed specification is summarized in Table 56.

Table 56

SECURITIES RELATED TO ASSETS AS AT 31.12.2009

Title	Secured property	Security amount in PLN
ING quarantee for payments to suppliers	Deposit on inventories	38 100 000
Svenska HandelsBanken payment to suppliers	Deposit on inventories	47 050 000
Finance lease agreements	Right of ownership of leased property, plant and equipment	34 688 838
Total securities		**119 838 838**

NOTE 35.
FINANCIAL RISK MANAGEMENT

a. General information

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Parent's Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group'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 Group, 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 Group's activities. The Group, 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 Parent oversees how management monitors compliance with the Group'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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Maximum Group's exposure to credit risks is presented in the table below.

Table 57

CREDIT RISK EXPOSURE

in PLN thousand	as at 31.12.2009	as at 31.12.2008
Accounts receivable and loans	407 335	384 784
Cash and cash equivalents	157 452	144 149
	564 787	**528 933**

Trade and other receivables

Due to the fact that Group's customers are highly distributed and scattered, there is no concentration of credit risks.

The Group's credit risk regarding receivables varies depending on the particular group of clients cooperating with the Group, as follows:

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

- 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 Group 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 58
AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2009

	Trade receivables gross value as at 31.12.2009	Bad debts allowance as at 31.12.2009	Trade receivables gross value as at 31.12.2008	Bad debts allowance as at 31.12.2008
0-30 days	354 347 029	-	312 236 893	3 460 583
31-90 days	16 834 460	-	31 195 153	-
91-180 days	5 899 243	2 990 195	7 011 125	5 938 356
> 180 days	8 950 657	8 455 927	8 595 799	3 163 610
	386 031 390	**11 446 122**	**359 038 970**	**12 562 549**

Table 59
ALLOWANCE FOR BAD DEBTS AS AT 31.12.2009

	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2008 to 31.12.2008
Opening balance	12 562 549	6 149 638
Increases	3 055 227	37 874 924
Decreases	(4 171 653)	(31 462 013)
Closing balance	**11 446 122**	**12 562 549**

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

Guarantees
The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and for regular key customers. As at 31 December 2009 no receivables related to guarantees granted were recognized.

c. Liquidity risk

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

The Group'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 Group's reputation.

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

The Group'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 Group's sales is realized mainly in cash. Moreover, the Group has a negative balance of overdraft facility and guarantee up to PLN 130m, which can be used to meet its short-term financial requirements.

Regular risk management, the Group'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):

Table 60

LIQUIDITY RISK

As at 31.12.2009	Net book value	< 12 months	1-5 years	> 5 years
Finance lease liabilities	29 702 845	7 204 753	15 753 886	6 744 206
Factoring	30 060 334	30 060 334	-	-
Trade and other payables	898 295 114	897 895 114	400 000	-
	958 058 292	**935 160 201**	**16 153 886**	**6 744 206**

As at 31.12.2008	Net book value	< 12 months	1-5 years	> 5 years
Finance lease liabilities	30 910 778	7 488 992	16 307 229	7 114 557
Factoring	25 263 747	25 263 747	-	-
Trade and other payables	779 697 861	779 697 861	-	-
Bank overdrafts	68 474 416	68 474 416	-	-
	904 346 802	**880 925 016**	**16 307 229**	**7 114 557**

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 Group'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 Group as the majority of the Group's settlements are made in the local currency. In order to manage the currency risk, regarding significant transactions in foreign currency, the Group buys and sells derivatives. The Group is focused on application of hedge accounting that would minimize the effect of profit and loss variability for the period.

In 2008 the Group realized a hedging transaction to secure the purchase of shares of McLane Polska Sp. z o.o. Payment was expected to be made in 2 instalments amounting to USD 21m each. Therefore, the Group was exposed to foreign exchange risk during the period from the date of signing the contract until the date of payment of an instalment. Had the PLN/USD rate as at the effective date of payment been higher than as at the effective date of contract, the Group would have incurred a loss. As a security against the foreign exchange risk, the Group entered into two currency forward contracts with a bank for a total amount of USD 20m, to hedge its business from the increase in PLN/USD exchange rate.

The contracts were signed on 21 January 2008 and on 23 January 2008, respectively (the "Forward Contracts"), each for the amount of USD 10m. According to the provisions of each of the Forward Contracts on the closing date of the transaction the bank agreed to sell and the Group agreed to buy 10 million USD (20 million USD in total) at the agreed rate of PLN/USD exchange rate (hereafter the "Forward Rate"). The Group considered this transaction as a security of its future cash flows.
The Group generated an aggregated loss of PLN 5,352,000. Under the regulations of the International Financial Reporting Standards ("IFRSs"), the Group assessed the effectiveness of the hedging transaction. According to IAS 39 hedge was effective, as the rate achieved was 87%. On the basis of IFRSs regulations the total amount of loss on the transactions under the Forward Contracts, i.e. PLN 5,352,000, was recognized as follows:
- the amount of PLN 4,645,000 (87% of the generated loss, according to the calculated effectiveness ratio) was recognized in other capitals (statement of comprehensive income),
- the amount of PLN 707,000 was a finance cost (income statement).

Interest rate risk

Interest rate risk does not affect significantly the Group'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 61
VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

in PLN thousand	Present value 31.12.2009	Present value 31.12.2008
Fixed interest rate instruments		
Financial assets	-	15
Financial liabilities	59 763	56 175
Variable interest rate instrument		
Financial assets	189 980	182 457
Financial liabilities	19 977	86 937

The Group 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 62

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
in PLN thousand	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2009	1 700	(1 700)	-	-
31 December 2008	955	(955)	-	-

e. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Parent. This responsibility is supported by the development of overall Group 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 Group'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 Group 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 Group to achieve such value of return on equity that would satisfy the shareholders and guarantee yearly payment of dividend.

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

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

g. Fair values

The following table presents fair values versus carrying amounts:

Table 63

FAIR VALUES

in PLN thousand	Carrying amount 31.12.2009	Fair value 31.12.2009	Carrying amount 31.12.2008	Fair value 31.12.2008
Assets	**564 787**	**564 787**	**528 933**	**528 933**
Trade and other receivables	407 335	407 335	384 784	384 784
Cash and cash equivalents	157 452	157 452	144 149	144 149
Liabilities	**(958 058)**	**(958 058)**	**(904 347)**	**(904 347)**
Credits	-	-	(68 474)	(68 474)
Finance lease liabilities	(29 703)	(29 703)	(30 911)	(30 911)
Factoring	(30 060)	(30 060)	(25 264)	(25 264)
Trade and other payables	(898 295)	(898 295)	(779 698)	(779 698)
	(393 271)	**(393 271)**	**(375 414)**	**(375 414)**

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 36.
DISCONTINUED OPERATIONS

Due to the disposal of a subsidiary "Eurocash Detal Sp. z o.o." in 2008, the Group classified the activities of "Eurocash Detal Sp. z o.o." under discontinued operations. Profit and cash flows from discontinued operations are presented below.

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

Table 64

PROFIT FROM DISCONTINUED OPERATIONS

	2009	2008
Discontinued operations		
Net sales	-	**3 432 970**
Selling expenses	-	(3 171 886)
General and administrative expenses	-	(154 210)
Profit on sales	**-**	**106 874**
Other operating income	-	167
Other operating expenses	-	(26 023)
Operating profit	**-**	**81 019**
Finance income	-	2
Finance costs	-	(1 409)
Profit before tax	**-**	**79 611**
Income tax expense	-	9 220
Profit from discontinued operation	**-**	**88 831**

Table 65

CASH FLOW FROM ON DISCONTINUED OPERATIONS	2009	2008
Cash flows from operating activities		
Profit before tax	**-**	**3 280**
Adjustments for:	-	**573 182**
Depreciation and amortization	-	546 804
Loss on sale of property, plant and equipment	-	26 359
Interest expenses	-	18
Operating cash before changes in working capital	-	**576 462**
Changes in receivables	-	(9 826)
Changes in payables	-	(23 749)
Changes in provisions and employee benefits	-	2 744
Operating cash	-	**545 630**
Interest paid	-	(18)
Income tax paid	-	10 107
Net cash from operating activities	**-**	**555 719**
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(10 454)
Net cash used in investing activities	**-**	**(10 454)**
Cash flows from financing activities		
Repayment of borrowings	-	-
Net cash used in financing activities	**-**	**-**
Net change in cash and cash equivalents	**-**	**545 265**
Cash and cash equivalents at the beginning of the period	-	1 779 553
Cash and cash equivalents at the end of the period	**-**	**2 324 818**

NOTE 37.
SUBSEQUENT EVENTS

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 11 January 2010.

On 8 April 2010 Eurocash S.A. (the Buyer) and Carey Agri International Poland Sp. z o.o. (the Seller) signed a preliminary agreement obligating them to realize a contract for sale of 100% shares in 14 subsidiaries of the Seller till 31 December 2010. These subsidiaries comprise of: 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. As soon as the Seller's group restructuring process is complete, Eurocash shall acquire shares in CEDC Distribution Companies from a company controlled by Central European Distribution Corporation ("CEDC").
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. Realization of the Promised Contract shall depend upon fulfillment of the conditions agreed in the preliminary agreement, particularly the obligation of the Company to obtain consent of the President of the Office for Competition and Consumer Protection. Eurocash intends to finance this acquisition with available own funds and debt instruments.
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 Group. With the Distribution Agreement Eurocash Group 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.

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

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	19 April 2010	
Member of the Management Board Chief Executive Officer	Rui Amaral	19 April 2010	
Member of the Management Board	Arnaldo Guerreiro	19 April 2010	
Member of the Management Board	Pedro Martinho	19 April 2010	
Member of the Management Board Human Resources Director	Katarzyna Kopaczewska	19 April 2010	
Member of the Management Board Director of Administration and Non-Commercial Purchases Department	Ryszard Majer	19 April 2010	
Member of the Management Board Financial Director	Jacek Owczarek	19 April 2010	

EUROCASH GROUP

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1st JANUARY 2009 TO 31st DECEMBER 2009

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, 19th April 2009

CONTENTS

1. Summary of Eurocash Group activities in 2009

2009 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2009 reached PLN 6.70 billion, EBITDA amounted to PLN 194.52 million and net profit to PLN 102.52 million. Eurocash Group finished 2009 with a very strong balance sheet and net cash position (cash less bank debt) of PLN 157.45 million.

Table 1 Eurocash Group: Summary of 2009 financial results

PLN million	**2009**	**2008**	**Change 2009/ 2008**
Revenues	6 698,34	6 129,74	9,28%
EBITDA	194,52	158,46	22,75%
(EBITDA %)	2,90%	2,59%	0,32%
EBIT	145,20	115,50	25,71%
(EBIT %)	2,17%	1,88%	0,28%
Net profit from continued operations	102,52	78,37	30,82%
(Net profit %)	1,53%	1,28%	0,25%

The strong sales growth of Eurocash Group in 2009 comparing with 2008 was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of acquisition of Eurocash Dystrybucja (former McLane Polska), which was not consolidated in the first 4 months of 2008.

The Eurocash cash&carry chain reached the number of 120 outlets at the end of 2009 – 6 new openings and 3 cash & carry stores of acquired Batna company. Number of Delikatesy Centrum franchise stores increased by 89 and reached 465 outlets at the end of 2009. The like-for-like sales growth reached in the whole 2009 5.6% in Eurocash cash&carry unit (excluding tobacco and pre-paid phone cards) and 4.3% in Delikatesy Centrum unit. LFL sales growth of the retail sales of the Delikatesy Centrum franchise stores amounted in 2009 to 8%. Total sales of KDWT decreased by 4.8% mainly driven by optimization of customer portfolio. Sales of Eurocash Dystrybucja in 2009 increased by 4.1% comparing with pro-forma sales for 2008.

2. Eurocash Group business overview

2.1. Market

Eurocash Group is positioned in the FMCG (Fast Moving Consumer Goods) sector. The FMCG sector includes food and non-alcoholic beverages, alcoholic beverages and tobacco, as well as detergents and cosmetics. The market has been growing steadily up to 2006 - by about 3% annually. Starting from 2006, the acceleration of economic growth allows for more dynamic expansion of the market. In 2008 FMCG market in Poland grew by 11.2% and in 2009 the market growth dynamics slowed down due to unfavorable macroeconomic environment, but nevertheless the market growth amounted to 7.6% and exceeded PLN 194 bn in value (data according to Gfk Polonia).

The wholesale market is organized primarily to service both traditional and alternative channels (HoReCa – Hotels, Restaurants, Cafés). According to Eurocash calculation the wholesale market value reached PLN 78 bn in 2009. Comparing to 2008 the wholesale market value grew by 4.3%.

The Polish demographic structure and the socio-economic conditions define, to a large extent, the structure of the distribution channels. Such a structure is nowhere to be found elsewhere in Europe. Poland's population is dispersed throughout the country: some 40% of the population lives in the rural areas. Making the FMCG products available to a large number of small communities presents a huge challenge to distributors and requires a large number of smaller outlets.

The effect of the above factors is that the traditional distribution channel dominates the Polish market and in a few years perspective it will remain more important than the modern channel (hypermarkets, supermarkets and discount stores).

Since 1995 a significant concentration has been observed: of more than 20,000 previously existing wholesale companies, fewer than 5,000 have remained. This concentration takes place at the expense of small local wholesalers who cannot compete with the ever more demanding legal and market conditions. Eurocash Group is the one of the biggest FMCG wholesalers in Poland.

In the opinion of Eurocash, the FMCG wholesale market is extremely attractive due to its value, declining number of competitors, existence of few international players and also because of the existence of many communities without professional operators, which are too small for the concepts requiring huge investments. Eurocash sees an opportunity of further growth by becoming an active player in this process and also one of the main consolidation centers on the wholesale market.

2.2. Eurocash Group - overview

EUROCASH Group is the leader in wholesale distribution of the Fast Moving Consumer Goods (FMCG) in Poland. With a range of wholesale distribution formats it concentrates on wholesale supply of FMCG to a broad range of traditional retailers across the whole country. Sales of Eurocash Group in 2009 reached PLN 6.7 bn, what gave Eurocash Group app. 8.6% share in the wholesale FMCG distribution market.

The business portfolio of Eurocash Group includes:

- nation-wide chain of **discount cash&carry stores**
- **franchise systems for retail shops** - ranging from strict to loose franchise concepts under brands such as: abc, Delikatesy Centrum and IGA.
- **active distribution of tobacco and impulse products** such as confectionary, drinks, pre-paid cards and alike to traditional shops and gas stations
- **food-service business** supplying fast-food chains such as KFC, Pizza Hut, Burger King

Eurocash Group - business units:

EUROCASH Cash & Carry – largest chain of 120 discount cash & carry stores in Poland. Eurocash Cash & Carry is also franchisor of over 3 424 "abc" independent grocery stores**.**

Delikatesy Centrum – leading chain of 465 franchise supermarkets in south-eastern Poland. Eurocash Group provides franchisees with wholesale deliveries, operational support and coordinated marketing activities.

KDWT – active distribution of tobacco and impulse products such as confectionery, batteries or telephone cards. KDWT operations are nation-wide with 82 branches and specialised sales force.

EUROCASH Dystrybucja and EUROCASH Gastronomia (formerly McLane Polska) – wholesale distributor specializing in FMCG supply to petrol stations and restaurant chains.

PayUp Polska - distributor of electronic financial services through a network of 3997 terminals located in shops throughout Poland. Among these innovative financial services there are mobile phones top-ups and, shortly, bill payments and card acceptances.

2.3. Capital and organizational relations in Eurocash Group

As at 31 December 2009 Eurocash Group consisted of Eurocash S.A. as parent company (further referred to as “Company”, “Eurocash”) and the following key operational entities:

- KDWT S.A. (subsidiary with 100% ownership);
- Eurocash Franczyza Sp. z o.o. (subsidiary with 100% ownership);
- McLane Polska Sp. z o.o. (subsidiary with 100% ownership) – subject to change of name to Eurocash Dystrybucja sp. z o.o. McLane Polska Sp. z o.o. further referred to as “McLane Polska” and/or “Eurocash Dystrybucja”;
- Nasze Sklepy Sp. z o.o. (subsidiary with 97,09% ownership);
- Eurocash Trade 1 Sp. z o.o. . (subsidiary with 100% ownership from 06.04.2009);
- Eurocash Trade 2 Sp. z o.o. . (subsidiary with 100% ownership from 06.04.2009);
- Przedsiębiorstwo Handlowe Batna Sp. z o.o. . (subsidiary with 100% ownership from 30.11.2009);
- PayUp Polska S.A. (associate company with 49,00% ownership).

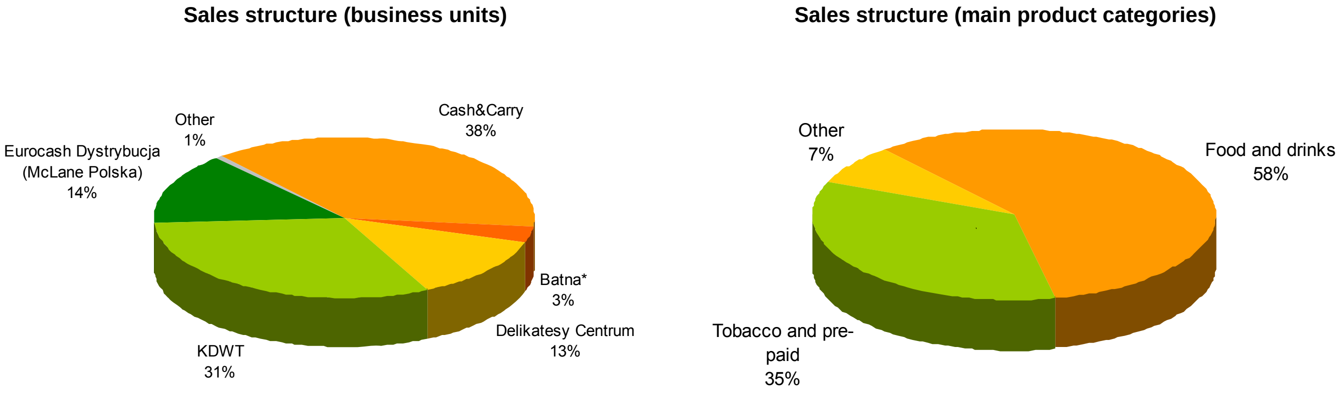
Main shareholder of Eurocash is Luis Amaral (directly and indirectly through Politra B.V.) holding 52,16% of shares as at 31.12.2009. Luis Amaral serves as President the Management Board.

Detailed information regarding the Group 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 31.12.2009.

2.4. Sales structure

In the sale structure of the Eurocash Group basic groceries from the key FMCG manufacturers hold predominant position. In 2009 the share of these products accounted for app. 58% of the total Group sales figure (pro-forma) including the whole year sales of Batna in 2009, comparing with 53% in 2008. Considering the significance, second position belongs to cigarettes, phone cards and prepaid top-ups with a share of 35% down from 40% in 2008.

Chart 1 Sales structure of the Eurocash Group in 2009



Source: Eurocash

** including Batna sales for FY 2009*

The tables below present sales breakdown by the business units and key groups of products offered by the Group.

Table 2 Eurocash Group: Sales structure in 2009

PLN million	Cash&Carry	Delikatesy Centrum	KDWT	McLane Polska	Other	Total
Food and drinks	2 266,4	782,6	109,3	608,5	234,2	4 001,0
Tobacco and pre-paid phone cards and mobile top-ups	91,7	0,0	1 976,4	335,4	0,0	2 403,5
Other	251,5	91,0	76,0	54,1	37,1	509,7
Total pro-forma	**2 609,6**	**873,6**	**2 161,7**	**998,0**	**271,2**	**6 914,1**
Batna sales in period from 1.01-30.11.2009					-215,8	-215,8
Eurocash Group sales	**2 609,6**	**873,6**	**2 161,7**	**998,0**	**55,4**	**6 698,3**

Table 3 Eurocash Group: Sales structure in 2008

PLN million	Cash&Carry	Delikatesy Centrum	KDWT	McLane Polska	Other	Total
Food and drinks	2 053,7	613,6	87,5	658,5	0,0	3 413,2
Tobacco and pre-paid phone cards and mobile top-ups	90,0	0,0	2 214,0	296,1	0,0	2 600,1
Other	228,9	73,8	83,2	41,5	28,0	455,4
Total pro-forma	**2 372,6**	**687,4**	**2 384,6**	**996,1**	**28,0**	**6 468,6**
McLane Polska sales in period from 1.01-30.04.2008				338,9		338,9
Eurocash Group sales	**2 372,6**	**687,4**	**2 384,6**	**657,2**	**28,0**	**6 129,7**

2.5. Customers

The Eurocash Group offers the products mainly to traditional grocery stores which comprise the most significant group of customers within ca 60 000 clients of the Eurocash Group. A substantial share within the sale of the Group belongs to the sales to the abc franchise chain and Delikatesy Centrum

stores. As at 31.12.2009 there were 3 424 abc chain stores supplying in the Eurocash Cash&Carry wholesale stores and Delikatesy Centrum chain operated 465 franchise stores.
After acquisition of McLane Polska, the customer base of Eurocash Group widened by the segments of gas station chains and restaurant chains. Broader customer base allowed to diversify Eurocash Customer base in which traditional grocery shops are predominant.
Because of the great sales dispersal, none of the customers of the Eurocash Group achieved the level of 10% share of total sales figure of the Group.

2.6. Suppliers

Because of the range of goods offered by Eurocash and its geographically diversified sales, its suppliers group is very large – approximately 500. The brand product suppliers (key FMCG manufacturers and importers) are selected based on their respective market shares, brand significance, and coverage of respective product segments. Main suppliers of the Eurocash Group are the suppliers of tobacco like "British American Tobacco Polska" S.A., Imperial Tobacco Polska S.A. and Philip Morris Polska S.A. and suppliers of alcoholic beverages like Kompania Piwowarska S.A.

The only supplier, which share in total sales of Eurocash Group exceeds 10% is Philip Morris Polska Distribution Sp. z o.o. (PM Polska) with 12% share in 2009. Cooperation with PM Polska is based on the wholesale distribution agreement dated 19 December 2009 executed between KDWT and PM Polska. Among others the agreements regulates the way order submission and realization and minimum order size in a period of a calendar month. According to the agreement KDWT is obliged to distribute tobacco products to the highest possible number of retail outlets in Poland.

Despite of high volume of cigarette purchases from these suppliers, due low margins realized on sales of tobacco, sales of cigarettes do not have significant impact on level of profits generated by the Eurocash Group.

3. Eurocash Group development perspectives

3.1. Eurocash Group development strategy

The strategic objectives of Eurocash Group are:

- to satisfy needs of small and medium retail stores in Poland across all significant assortment groups and distribution formats,
- to build sustainable competitive advantage through the scale effect implicit in common wholesale activity of a multi format group of business units.

As the market is consolidating around a decreasing number of wholesalers with national presence, the Eurocash Group strategy assumes further **organic growth** in each business unit and **ongoing acquisitions** aimed at other wholesalers and franchise networks.

3.1.1. Eurocash Cash&Carry

Growth of Eurocash Discount Cash & Carry operations focuses on **2 measures**: (i) like-for-like growth through ever-improving implementation of its concept in existing outlets and (ii) regional expansion.

Like-for-like growth

Eurocash Discount Cash & Carry will always be looking into ways of better satisfying our customers' needs, **thus increasing our share of their turnover,** in order to **increase sales per store.** This implies:

- developing new categories and products,
- launching more regional products,
- offering best selling assortment at most competitive prices,
- improving operational effectiveness together with clients,
- improving the customer experience inside C&C stores through modernizing facilities, layout, communication and adding new elements of customer service.

abc franchise proved to be a successful concept as a neighborhood network of independent owners who decide what is best for their customers. Further development requires continuous improvement in the level of support offered to these shops by a dedicated team, so that we may:

- increase the number of abc stores,
- raise the proportion of abc purchases made at Eurocash,
- increase the total sales of the abc store to the final consumer.

Geographic expansion

The Eurocash Discount Cash & Carry concept has the advantage of being profitable in any town with over 25,000 inhabitants. This gives a potential market of over 150 towns that can support Discount Cash & Carry.

Acquisition of Batna

Acquisition of Batna sp. z o.o. in November 2009, accompanied with opening of another 3 Discount Cash & Carry allowed Eurocash Group to enter the Warsaw region. In course of 2010 it is envisaged to integrate Batna operations within Cash&Carry business unit to streamline the operations and simplify organizational structure.

3.1.2. Delikatesy Centrum franchise chain

"Delikatesy Centrum" franchise chain together with wholesale supply within Eurocash Group has a number of development opportunities in particular by:

- competitive purchasing terms for the assortment of Delikatesy Centrum supplied by Eurocash,
- broad marketing assistance for the stores belonging to "Delikatesy Centrum" franchise chain
- country-wide expansion of “Delikatesy Centrum” franchise backed by the logistic infrastructure of Eurocash Dystrybucja.

3.1.3. KDWT – impulse products active distribution

The development strategy of KDWT is threefold:

- expansion of the impulse products sales achieved by the KDWT active distribution sales force,
- conquest of new customers thanks to improved competitiveness of KDWT product range,
- cross selling between existing Eurocash and KDWT customers, whereby Eurocash clients get direct sales and delivery of high value impulse products, and KDWT clients get better terms to start buying food from Eurocash Cash&Carry.

As a result, Eurocash Group expects to:

- expand KDWT tobacco sales to Eurocash clients,
- further increase share of impulse products in total sales, what shall contribute to increase of realized margins and improvement of working capital dynamics.

3.1.4. Eurocash Dystrybucja and Eurocash Gastronomia

The acquisition of McLane Polska enabled the Group to accelerate growth in active product distribution to 2 client segments:

- petrol stations (served within Eurocash Dystrybucja unit)
- restaurants chains (Eurocash Gastronomia unit)

IGA supermarkets operated by McLane Polska across Poland had been integrated within Eurocash Franczyza, which should accelerate expansion of retail franchise chains operated by the Eurocash Group.

3.2. Factors significant for the development of the Eurocash Group

3.2.1. External Factors

Growth in the FMCG market and its structure.

The Group 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 the Group’s profit and loss.

Labour costs.

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

3.2.2. Internal Factors

Integration of Batna and Eurocash Dystrybucja (former McLane Polska) operations

Due to necessity of integration of Batna and Eurocash Dystrybucja on the operational level, in the opinion of the Management Board of Eurocash achievement of the full synergy effects resulting from these transactions will be possible within 1-2 years.

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 Group expects, that during 2009:

- number of Eurocash Cash&Carry stores will increase by app. 6-8 stores,
- number of Delikatesy Centrum franchise stores will increase by app. 100 stores,
- in the active distribution channel of KDWT as well as Eurocash Dystrybucja – the actions to achieve the growth of sales of impulse products (grocery) will be continued in order to get a higher profitability and improvement of a working capital dynamics.

Acquisitions

On 8th April 2010, Eurocash entered into binding preliminary agreement to acquire distribution business of Central European Distributions Corporation. Realization of this acquisition conditional upon consent of UOKiK will have a significant impact on Group's profit and loss. Also in case of any further acquisitions, they might have impact on development of Eurocash Group.

3.3. Major risks and threats related to the operational activities

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 Company.

The structure of the FMCG retail distribution market in Poland

In 2009 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 Group 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 Group business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates of the Eurocash Group, there is approx. 5,000 entities operating on the traditional FMCG distribution market, the majority of which are local stores. That enables price advantage of Eurocash Group, which operates country-wide. 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 the Group.

New investments

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

Suppliers

Eurocash Group cooperates with approximately 500 suppliers, with whom it has concluded agreements providing for discounts and favourable payment terms. The only supplier, which share in total sales of Eurocash Group exceeds 10% is Philip Morris Polska Distribution Sp. z o.o. (PM Polska) with 12% share in 2009. Despite of high volume of cigarette purchases from these suppliers, due low margins realized on sales of tobacco, sales of cigarettes do not have significant impact on level of profits generated by the Eurocash Group.

Due to the fact, that the share of the largest non tobacco supplier in the Eurocash Group total product offering does not exceed 10% and sales of cigarettes do not have significant impact on level of profits generated by the Eurocash Group, the risk, that termination or an unfavourable change of the terms of the agreements for distribution of might have a significant adverse affect Eurocash Group 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 Group for 2009

4.1. Eurocash Group: Key financial and operational highlights

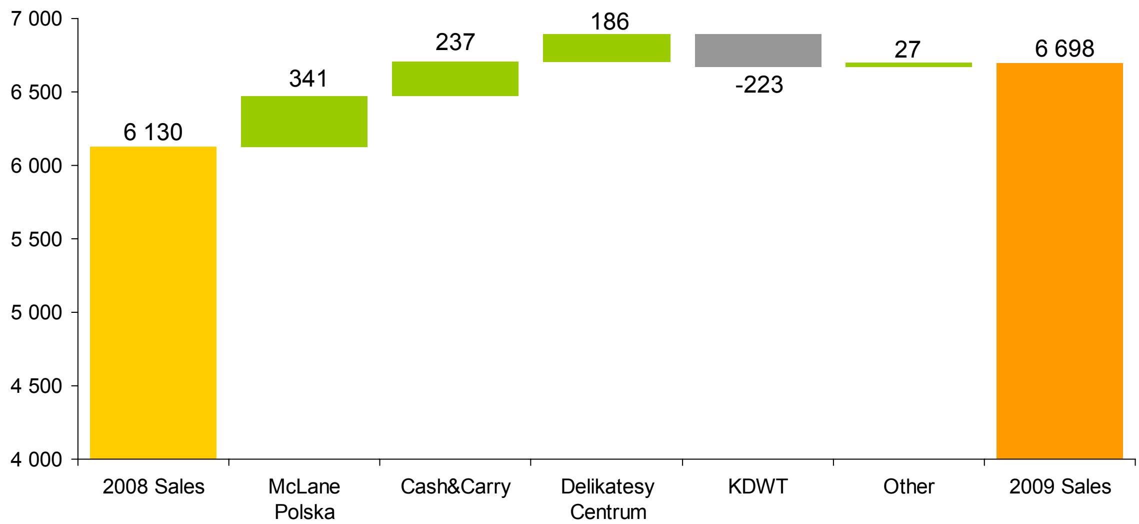
2009 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2009 reached PLN 6.7 billion, EBITDA amounted to PLN 194.52 million and net profit to PLN 102.52 million. Eurocash Group finished 2009 with a very strong balance sheet and net cash position (cash less bank debt) of PLN 157.45 million.

Table 4 Eurocash Group: Summary of 2009 financial results

PLN million	**2009**	**2008**	**Change 2009/ 2008**
Revenues	6 698,34	6 129,74	9,28%
EBITDA	194,52	158,46	22,75%
(EBITDA %)	2,90%	2,59%	0,32%
EBIT	145,20	115,50	25,71%
(EBIT %)	2,17%	1,88%	0,28%
Net profit from continued operations	102,52	78,37	30,82%
(Net profit %)	1,53%	1,28%	0,25%

The strong sales growth of Eurocash Group in 2009 comparing with 2008 was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of acquisition of Eurocash Dystrybucja (former McLane Polska), which was not consolidated in the first 4 months of 2008.

Chart 2 Sources of revenue growth of Eurocash Group in 2009



Source: Eurocash

The Eurocash cash&carry chain reached the number of 120 outlets at the end of 2009 – 6 new openings and 3 cash & carry stores of acquired Batna company. Number of Delikatesy Centrum franchise stores increased by 89 and reached 465 outlets at the end of 2009. The like-for-like sales growth reached in the whole 2009 5.6% in Eurocash cash&carry unit (excluding tobacco and pre-paid phone cards) and 4.3% in Delikatesy Centrum unit. LFL sales growth of the retail sales of the Delikatesy Centrum franchise stores amounted in 2009 to 8%. Total sales of KDWT decreased by 4.8% mainly driven by optimization of customer portfolio. Sales of Eurocash Dystrybucja in 2009 increased by 4.1% comparing with pro-forma sales for 2008.

Below we present the key financial and operational highlights of Eurocash Group separately for Eurocash Discount Cash&Carry, Delikatesy Centrum Distribution Centers ("Delikatesy Centrum"), KDWT active distribution and Eurocash Dystrybucja (McLane Polska):

4.1.1. Eurocash Discount Cash&Carry stores

- In 2009 total sales amounted to PLN 3 107.59m comparing with PLN 2 593.20m in 2008 and increased by 19.8%. This amounts include sales realized to other entities of Eurocash Group (mainly McLane Polska and KDWT), which amounted to PLN 497.52 in 2009.
- External sales in Eurocash Cash&Carry stores in 2009 grew by 10.0% to PLN 2 609.59 m.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2009 amounted to 5.2%.
- Without categories of tobacco and phone cards, the LFL sales growth in Eurocash Cash&Carry stores in 2009 amounted to 5.6%.
- Number of Eurocash Cash&Carry stores amounted to 117 at the end of 2009.
- Number of abc stores amounted to 3 424 at the end of 2009.
- In 2009 share of abc stores in total sales of Eurocash Cash&Carry stores amounted to 44.5%

4.1.2. „Delikatesy Centrum"

- Wholesale sales realized by "Delikatesy Centrum" Distribution Centers in 2009 amounted to PLN 873.62m and increased 27.1% comparing with 2008.
- LFL growth of wholesale sales realized by Eurocash to "Delikatesy Centrum" franchise stores in 2009 amounted to 4.3%.
- LFL growth of the retail sales of "Delikatesy Centrum" franchise stores in 2009 amounted to 8.0%.
- Number of "Delikatesy Centrum" franchise stores at the end of 2009 amounted to 465.

4.1.3. KDWT

- In 2009 sales of KDWT amounted to 2 420.91m comparing with PLN 2 519.50m in 2008 and decreased by 3.9%.
- External sales in KDWT amounted in 2009 to PLN 2161.68m and decreased by 9.3% comparing with 2008.
- Growth of sales in food category in 2009 amounted to 24.9% comparing with 2008.
- In terms of volume, sales of cigarettes decreased in 2009 by 20.8% yoy.
- Number of KDWT branches as of the end of 2009 amounted to 78 plus 3 distribution centers

4.1.4. Eurocash Dystrybucja (McLane Polska)

- Total sales of Eurocash Dystrybucja for 2009 amounted to PLN 1 042,12 m and increased by 4.1% yoy comparing with pro-forma sales for 4Q YTD 2008, which amounted to PLN 1 000,79m.

4.2. Profit and loss account

4.2.1. Sales

In 2009 the consolidated sales of Eurocash Group amounted to PLN 6 698.34m and comparing with 2008 increased by 9.28%. Such sales dynamic was mainly attributable to strong organic growth in business units and acquisition of McLane Polska realized on 30 April 2008.

Table 5 Eurocash Group: Sales structure by business units

PLN million	Total sales 2009	Total sales 2008	Change 2009 / 2008	Sales within Eurocash Group 2009	Sales within Eurocash Group 2008	External sales 2009	External sales 2008	Change 2009 / 2008
Eurocash Cash & Carry	3 107,59	2 593,20	19,84%	(498,00)	(220,62)	*2 609,59*	*2 372,58*	9,99%
Delikatesy Centrum	873,62	687,39	27,09%	-	-	*873,62*	*687,39*	27,09%
KDWT	2 420,91	2 519,50	-3,91%	(259,24)	(134,93)	*2 161,68*	*2 384,57*	-9,35%
*McLane Polska**	1 042,12	1 000,79	4,13%	(44,11)	(4,66)	*998,01*	*996,13*	0,19%
*Batna**	234,38	-	-	(0,22)	-	*234,16*	-	-
Other	53,44	41,03	30,23%	(16,35)	(13,06)	*37,09*	*27,97*	32,57%
Total	**7 732,07**	**6 841,91**	**13,01%**	**(817,92)**	**(373,26)**	**6 914,15**	**6 468,65**	**6,89%**
Consolidation adjustments	(817,92)	(373,26)	119,13%					
Sales of McLane Polska 1.01-30.04.2008	0,00	(338,91)	-				(338,91)	
Sales of Batna 1.01-30.11.2009	(215,81)	0,00	-			(215,81)		
Total Eurocash Group	**6 698,34**	**6 129,74**	**9,28%**			**6 698,34**	**6 129,74**	

** sales for 12 months 2009*

4.2.2. Profitability analysis

Table 6 Eurocash Group: 2009 financial results

PLN million	**2 009**	**2 008**	**Change 20 09/ 2 008**
Sales revenues (traded goods, materials)	6 698,34	6 129,74	9,28%
Gross profit/(loss) on sales Gross profitability on sales %)	624,23 9,32%	541,19 8,83%	15,34% 0,49%
EBITDA (EBITDA margin %)	194,52 2,90%	158,46 2,59%	22,75% 0,32%
EBIT (EBIT margin%)	145,20 2,17%	115,50 1,88%	25,71% 0,28%
Gross profit	128,77	94,69	36,00%
Net income Net profitability %	102,52 1,53%	78,37 1,28%	30,82% 0,25%

Consolidated gross margin on sales increased by 0.49 pp to 9.32%. In 2009 EBITDA increased by 22.75% to PLN 194.52m. The consolidated EBITDA margin in 2009 increased by 0.32 pp and reached 2.90%. Net profit amounted to PLN 102.52m, 30.82% higher than in 2008.

The Eurocash Group results have been significantly influenced by costs of the stock-option programs for Eurocash Group employees and stock option programs related to acquisition of KDWT and Delikatesy Centrum. The total cost of the stock-option programs accounted in 2009 amounted to PLN 4.35m.

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 7 Structure of assets

PLN million	31.12.2009	%	31.12.2008	%
Fixed assets (long-term)	**456,92**	**32,86%**	**402,99**	**32,39%**
Goodwill	130,41	28,54%	91,93	22,81%
Other intangible fixed assets	129,62	28,37%	125,94	31,25%
Tangible fixed assets	187,59	41,05%	171,74	42,62%
Investments in associated companies - equity method	0,54	0,12%	1,71	0,42%
Other long-term financial assets	0,09	0,02%	0,10	0,03%
Long-term receivables	2,05	0,45%	5,85	1,45%
Long-term prepayments	6,62	1,45%	5,72	1,42%
Current assets (short-term)	**933,43**	**67,14%**	**841,03**	**67,61%**
Invetories	365,79	39,19%	312,27	37,13%
Trade receivables	374,59	40,13%	346,48	41,20%
Current income tax receivables	0,22	-	-	0,00%
Other short-term receivables	30,48	3,27%	32,45	3,86%
Cash and cash equivalents	157,45	16,87%	144,15	17,14%
Short-term prepayments	4,91	0,53%	5,68	0,68%
Total assets	**1 390,35**	**100,00%**	**1 244,02**	**100,00%**

Table 8 Structure of liabilities

PLN million	31.12.2009	%	31.12.2008	%
Equity	**366,81**	**26,38%**	**283,45**	**22,79%**
Equity attributable to shareholders of the parent	**366,79**	**26,38%**	**282,89**	**22,74%**
Share capital	134,70	36,72%	130,78	46,14%
Treasury shares	(1,12)	-0,30%	-	0,00%
Supplementary capital	117,71	32,09%	77,21	27,24%
Capital reserve	12,88	3,51%	-	0,00%
Hedge transactions valuation capital	(4,65)	-1,27%	(4,65)	-1,64%
Retained earnings	107,25	29,24%	79,55	28,06%
Minority interests	**0,02**	**0,01%**	**0,56**	**0,20%**
Long-term liabilities	**47,66**	**4,66%**	**48,26**	**5,02%**
Other long-term financial liabilities	22,50	47,21%	23,42	48,53%
Other long-term liabilities	0,40	0,84%	-	0,00%
Deferred income tax provision	7,05	14,79%	7,40	15,34%
Provision for employee benefits	0,57	1,19%	0,29	0,61%
Other long-term provisions	17,14	35,97%	17,14	35,52%
Short-term liabilities	**975,88**	**95,34%**	**912,31**	**94,98%**
Short-term loans and credits	-	0,00%	68,47	7,51%
Short-term financial liabilities	37,27	3,82%	32,75	3,59%
Trade liabilities	866,48	88,79%	755,09	82,77%
Current income tax liabilities	11,44	1,17%	6,15	0,67%
Other short-term liabilities	19,98	2,05%	18,46	2,02%
Provision for employee benefits	21,62	2,22%	14,13	1,55%
Short-term provisions	19,10	1,96%	17,26	1,89%
Liabilities and provisions	1 023,54	73,62%	960,57	77,21%
Total liabilities	**1 390,35**	**100,00%**	**1 244,02**	**100,00%**

4.3.2. Loan agreements, warranties and collaterals

Loan agreements

- During 2009, Eurocash and its subsidiaries - McLane and KDWT (as debtors) and Eurocash Franczyza (as an entity jointly liable) executed 6 annexes amending the agreement of 21 November, 2008 with ING Bank Śląski S.A. ("ING") on overdraft facility. As the effect of this, as of 31 December 2009, the total for amount of overdraft facility amounted to PLN 130.000.000 based on variable interest rate. The facility has been initially granted until 31 March 2010 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 2020.

Loans granted

- In 2009 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 Group are presented in note No 33 to the consolidated financial statements for 2009.
- In 2009 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 2009

Issue of shares

In 2009 Eurocash S.A. issued 3 927 186 shares including:

- 2 929 550 series C shares at the issue price of PLN 4.32 per share – in relation to related to the Second Motivation Scheme described in Eurocash Issue Prospectus of 2004 as amended (see current report 1/2008),
- 460 000 series D shares at the issue price of PLN 4.82 per share - issued as a part of the conditional increase of the share capital in relation to the KDWT Incentive Scheme (see Current Report no. 48/2008),
- 537 636 series F shares at the issue price of PLN 6.51 per share - issued as a part of the conditional increase of the share capital in relation to the Delikatesy Centrum Incentive Scheme (see Current Report no. 9/2007).

Issue of securities and bonds

In 2009 Eurocash S.A. did not issue, acquire or repay debt securities. According to the resolution No. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2008 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for the years 2008 and 2009, following realization of these programs, the Company intends to issue series F and G bonds.

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 Group is provided in additional information to the annual consolidated financial statements in note no 33.

4.5. Eurocash Group cash-flow analysis

4.5.1. Cash-flow account

Total cash flow of Eurocash Group in 2009 amounted to PLN 13.30 million. The strong operating cash flow of PLN 198.04m was off-set by significant investments including acquisition of Batna and negative cash flow from financing activities of PLN 98.26m due repayment of short term overdraft facilities and dividend payment for 2008.

Table 9 Cash flow

PLN million	**2009**	**2008**
Operating cash flow	198,04	235,43
Gross profit (loss)	128,77	94,77
Depreciation	49,32	42,96
Change in working capital	16,13	101,38
Other	3,82	(3,67)
-		
Cash flow from investments	(86,48)	(169,87)
Cash flow from financing activities	(98,26)	(52,87)
Total cash flow	13,30	12,69

4.5.2. Working capital rotation

Table 10 Eurocash Group: Consolidated working capital ratios

Turnover in days	**2009**	**2008**
1. Inventories turnover	19,93	18,65
2. Trade receivables turnover	20,41	20,69
3. Trade liabilities turnover	52,07	49,45
4. Operating cycle (1+2)	40,34	39,33
5. Cash conversion (4-3)	(11,72)	(10,12)

Working capital cycle was improved in 2009 to negative 11.72 days, comparing with 10.12 days in 2008. Longer inventories turnovers have been off-set by shorter receivables rotation and longer payment period.

4.5.3. Evaluation of financial resources management

Eurocash Group generates significant positive cash flows from operating activities. All major investments realised in 2009 were financed from own financial resources.

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

Liquidity risk
Eurocash Group policy assumes maintaining sufficient cash to service the current payments. Surpluses are deposited in bank deposits.

Currency risk
Eurocash Group revenues and costs are predominately denominated in PLN. The contracts in foreign currencies account in total for less that 5% of current liabilities. Neither the Company nor any related entity as at 31.12.2009 was a party of an option, future, forward or CIRS contract.

4.6. Investment activity

4.6.1. Major investments realised in 2009

In 2009 the highest share in capital expenditures belonged to the acquisition transactions – especially Batna and purchase and subsequent sale and lease back of the real estate on which distribution center of Eurocash Dystrybucja in Błonie is located. The rest of the investments related to the organic growth of the Eurocash Group, 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 11 Key investment areas of the Eurocash Group in 2009

PLN million	2009	2008
Acquisitions of shares in other companies	40,08	99,51
Eurocash Cash&Carry + Delikatesy Centrum Distribution Centers + Batna	47,59	60,14
Active Distribution (KDWT + McLane)	40,37	2,50
Other (Eurocash Franczyza)	13,00	9,53
Adjustments (Cash in acquired companies)	(8,40)	(1,83)
Total capital expenditures	**132,64**	**169,85**

4.6.2. Assessment of the possibility of executing the envisaged investments

Major investments planned in 2010 relate to the organic growth within the current structure of business units, considering especially:

- opening of app. 6-8 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 Group 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 Group has sufficient debt capacity to finance such potential investments.

4.7. Significant events and factors affecting the 2009 financial results of the Eurocash Group

- On 2 February 2009 Eurocash Group signed an agreement “liquidity management in the form of loans daily” with ING Bank Slaski SA ("Cash Pool"). The aim is to effectively managing the financial liquidity within the Group accounts. Cash Pool effects in financial statements have been presented in note 13 to consolidated financial statements.
- On June 30, 2009, McLane Polska acquired real estate in Pass, Błonie with total area of 33.465 m2, on which is located the seat and one of the distribution centers of McLane Polska.
- On June 30, 2009, McLane Polska signed an Annex to the Distribution Agreement dated 2 April 2003, with AmRest Sp. z o.o. ("AmRest"). According to the Annex, the Distribution Agreement has been prolonged 1 August 2013.
- Accordance with the resolution no 3 of the Ordinary Shareholders Meeting held on May 25th, 2009 the net profit of Eurocash for 2008 has distributed in the following manner: 1) the shareholders of record on June 15th, 2009 shall be eligible to receive the dividend in amount PLN 30 groszes per one Company share. The total dividend payment will amount to PLN 40 050 682,20 2) the balance shall be transferred to Company’s reserve capital.
- Commencement of the Buy-back Programme on 28th July 2009 – see current report no 37/2009
- On 5 November 2009 the following agreements were concluded
  - a sale agreement between Mc Lane Polska as the seller and Cooperhold Sp. z o.o. spółka komandytowo - akcyjna as the buyer for the sale of developed real property on which the seat and one of the distribution centers of McLane Polska is located;
  - a lease agreement of the aforementioned property between EUROCASH as the lessee and Cooperhold Sp. z o.o. spółka komandytowo - akcyjna for fixed term of 15 years (see current report 46/2009).
- On 30 November 2009 Eurocash entered into an agreement to purchase 100% of shares in Batna sp. z o.o. (“Batna”) – see current report no 53/2009 and 41/2009.

During 2009 there were no other major events and factors that influenced consolidated income or loss of the Eurocash Group 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. 12/1170/2008 of the Stock Exchange Council dated July 4, 2008 (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 2009 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.

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, 2009 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, 2009 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

	31.12.2009				31.12.2008			
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	52,16%	70 258 100	52,19%	70 258 100	53,72%	70 258 100	53.72%
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK (former: Commercial Union – PTE BPH CU WBK)	6 880 178	5,11%	6 880 178	5,11%	7 739 424	5.92%	7 739 424	5.92%
ING Otwarty Fundusz Emerytalny	6 843 714	5,08%	6 843 714	5,08%	6 843 714	5.23%	6 843 714	5.23%
BZ WBK AIB Asset Management S.A.	6 762 947	5,02%	6 762 947	5,02%	6 624 215	5.07%	6 624 215	5.07%
Other	43 882 104	32,58%	43 882 104	32,60%	39 312 097	30.06%	39 312 097	30.06%
SUBTOTAL	**134 627 043**	99,94%	**134 627 043**	100,00%	**130 777 550**	**100.00%**	**130 777 550**	**100.00%**
Treasury shares	**77 693**	0,06%	**0**	0,00%	0	0	0	0
TOTAL	**134 704 736**	100,00%	**134 627 043**	100,00%	**130 777 550**	**100.00%**	**130 777 550**	**100.00%**

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

	Eurocash shares		**Rights to shares**	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Management Board				
Luis Amaral (indirectly and directly)	70 258 100	70 258 100	0	0
Rui Amaral	3 600	0	372 025	750 575
Katarzyna Kopaczewska	142 000	0	180 000	252 000
Arnaldo Guerreiro	0	0	336 000	651 000
Pedro Martinho	539 750	315 750	285 000	349 000
Ryszard Majer	62 144	1 690	109 000	222 000
Jacek Owczarek	0	0	50 000	0

	Eurocash shares		Rights to shares	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
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 40% 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, 2008 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 2009.

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 2009
		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 2009
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 2009 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 2008 regarding the Delikatesy Centrum Incentive Scheme of 2008	Up to 537,636 Class F Shares	PLN 6.51	from 17 August 2009 to 17 August 2010
5.	Resolution No. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2008 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for the years 2008 and 2009	Up to 1,020,000 Class G Shares	PLN 10.15 = average price of Eurocash shares in November 2008 (PLN 10.75) adjusted by dividend paid (presently PLN 0.60)	from 1 January 2011 to 31 December 2013
		Up to 1,020,000 Class H Shares	PLN 9.63 = average price of Eurocash shares in November 2009 adjusted by dividend paid (presently PLN 0.30)	from 1 January 2012 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 31.12.2009.*

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 2008 accordingly. 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 2009, the cost connected with the valuation of the incentive schemes based on the issue of Class D, E, F, G and H shares amounted jointly to PLN 4 350 940.32 as compared to the joint costs of incentive schemes in 2008 of PLN 5 714 431.08.
The Company estimates that the cost connected with the valuation of existing incentive schemes in the following years will amount to:

- in 2010: PLN 2 527 302.48 (scheme based on Class G and H Shares)
- in 2011: PLN 1 146 221.28 (schemes based on Class H Shares)

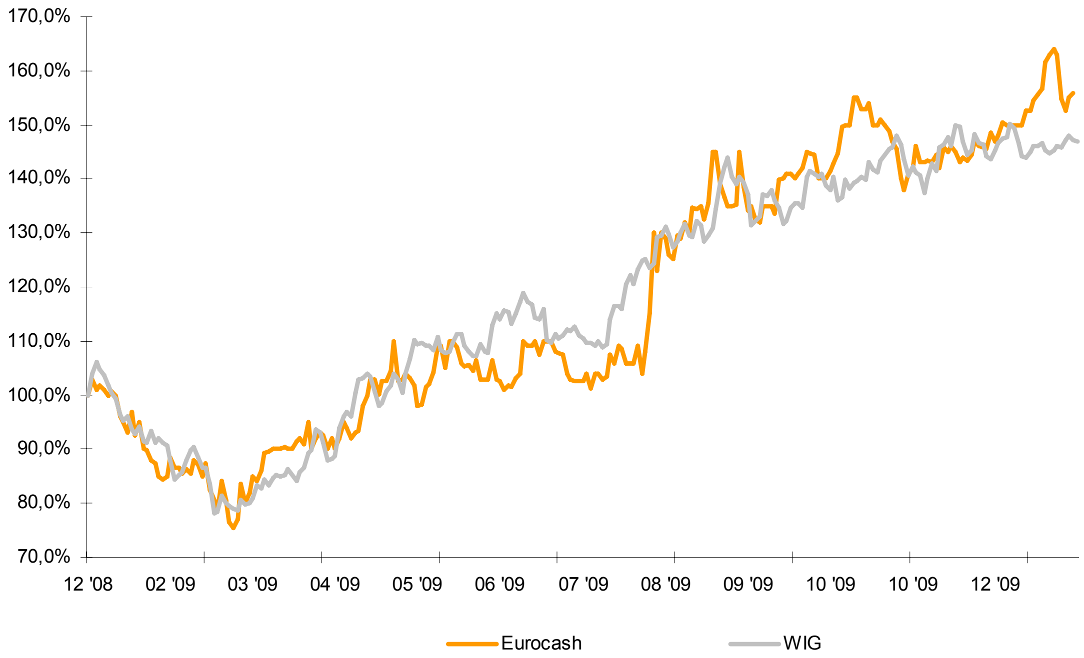
Depreciation of costs of the schemes based on Class G Shares shall end in 2010.

5.16. Eurocash listing on the Warsaw Stock Exchange in 2009[1]

The price for one share at the end of 2009 was 56% higher than at the end of 2008, whereas WIG increased by 47%. At the beginning of the year 2009 the price for 1 Eurocash share was PLN 10.00 (closing price at the end of 2008), and at the end of the year PLN 15.60. The lowest price for Eurocash shares was noted on 24 February 2009 when one share was worth PLN 7.55, and the highest price was noted on 22 December 2009, when it amounted to PLN 16.40 for one share.

Company capitalization as at 31 December 2009 amounted to PLN 2.1 billion as compared to PLN 1.3 billion as at the end of 2008.

Chart 3 Eurocash share price performance vs. WIG index in 2009



[1] *[1] Share proces are provided according to closing price on Warsaw Stock Exchange*

6. Additional information

6.1. Information on court proceedings

In 2009 the companies belonging to Eurocash Group 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 2009 the Eurocash Group companies entered into the following agreements considered as significant for the business activity of the Group:

- On 2 February 2009 Eurocash Group signed an agreement "liquidity management in the form of loans daily" with ING Bank Slaski SA ("Cash Pool"). The aim is to effectively managing the financial liquidity within the Group accounts. Cash Pool effects in financial statements have been presented in note 13 to consolidated financial statements.
- On June 30, 2009, McLane Polska signed an Annex to the Distribution Agreement dated 2 April 2003, with AmRest Sp. z o.o. ("AmRest"). According to the Annex, the Distribution Agreement has been prolonged 1 August 2013.
- On 30 November 2009 Eurocash entered into an agreement to purchase 100% of shares in Batna sp. z o.o. ("Batna") – see current report no 53/2009 and 41/2009.

During 2009 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 2009 there were no significant transactions between the related companies within the Group 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 2009 in note no 31.

6.4. Forecasts

The Management Board of Eurocash S.A. has not published financial forecasts for 2009.

6.5. Changes in the basic management principles

In 2009 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 2009

Information on remuneration paid to the members of the Management Board and the Supervisory Board in 2009 is provided in the part of annual report containing the annual consolidated financial statements in note no 31

6.8. Information on the registered audit company

The consolidated financial statement of Eurocash Group for 2009 has been audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 17 July 2009. The consolidated financial statement of Eurocash Group for 2008 was audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 8 July 2008.

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 '000	2009	2008
Audit of financial statement	130,0	100,0
Review of financial statements	120,0	95,0
Other services	85,0	21,0
Total capital expenditures	**335,0**	**216,0**

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 consolidated annual financial statements 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 Group and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash Group in 2009 contains a true views of the development, achievements and position of Eurocash Group, 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 consolidated financial statements of Eurocash Group, 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	19th April 2009	
Management Board Member Chief Executive Officer	Rui Amaral	19th April 2009	
Management Board Member	Arnaldo Guerreiro	19th April 2009	
Management Board Member	Pedro Martinho	19th April 2009	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	19th April 2009	
Management Board Member Administration and Non-Commercial Purchasing Director	Ryszard Majer	19th April 2009	
Management Board Member Financial Director	Jacek Owczarek	19th April 2009	