



EUROCASH S.A.

CONSOLIDATED ANNUAL REPORT FOR 2010

TRANSLATORS' EXPLANATORY NOTE

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

KOMORNIKI, 8th April 2011

CONTENTS

- I. LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD**
- II. SELECTED CONSOLIDATED FINANCIAL DATA**
- III. AUDITOR'S OPINION**
- IV. AUDITOR'S REPORT**
- V. CONSOLIDATED FINANCIAL STATEMENTS**
- VI. EUROCASH GROUP - REPORT OF THE MANAGEMENT BOARD**

Dear Stakeholders,

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

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

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

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

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

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

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

Your sincerely

Luis Amaral

President of the Management Board

Eurocash S.A.

SELECTED CONSOLIDATED FINANCIAL DATA

	for the period from 01.01.2010 to 31.12.2010 PLN	for the period from 01.01.2009 to 31.12.2009 PLN	for the period from 01.01.2010 to 31.12.2010 EUR	for the period from 01.01.2009 to 31.12.2009 EUR
Sales	7 791 759 447	6 698 340 961	1 950 573 135	1 547 926 181
Operating profit	170 445 515	145 200 782	42 668 982	33 554 591
Profit before income tax	145 337 644	128 772 446	36 383 529	29 758 151
Profit for the period on continued operations	128 446 420	102 521 771	32 155 014	23 691 857
Profit for the period	128 446 420	102 521 771	32 155 014	23 691 857
Net cash from operating activities	219 504 728	198 039 977	54 950 365	45 765 252
Net cash used in investing activities	(413 629 032)	(86 477 269)	(103 547 047)	(19 984 117)
Net cash used in financing activities	248 172 264	(98 260 115)	62 126 937	(22 707 026)
Net change in cash and cash equivalents	54 047 960	13 302 592	13 530 256	3 074 109
Weighted average number of shares	136 276 586	135 203 460	136 276 586	135 203 460
Weighted average diluted number of shares	137 853 556	135 897 909	137 853 556	135 897 909
EPS (in PLN / EUR)	0,94	0,76	0,24	0,18
Diluted EPS (in PLN / EUR)	0,93	0,75	0,23	0,17
Average PLN / EUR rate*			3,9946	4,3273
	as at 31.12.2010 PLN	as at 31.12.2009 PLN	as at 31.12.2010 EUR	as at 31.12.2009 EUR
Assets	2 402 980 573	1 392 252 181	606 767 309	338 895 911
Non-current liabilities	306 904 337	49 558 839	77 495 224	12 063 395
Current liabilities	1 638 971 476	975 882 904	413 850 334	237 545 130
Equity	457 104 760	366 810 438	115 421 751	89 287 386
Share capital	136 429 761	134 704 736	34 449 350	32 789 235
Number of shares	136 352 068	134 627 043	136 352 068	134 627 043
Diluted number of shares	138 831 318	138 633 818	138 831 318	138 633 818
Book value per share (in PLN / EUR)	3,35	2,72	0,85	0,66
Diluted book value per share (in PLN / EUR)	3,29	2,65	0,83	0,64
Declared or paid dividend (in PLN / EUR) ***	50 396 800	40 050 682	12 725 501	9 748 961
Declared or paid dividend per share (in PLN / EUR)	0,37	0,30	0,09	0,07
PLN / EUR rate at the end of the period**			3,9603	4,1082

* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland,

** Balance sheet items and book value per share have been converted using the official mid-rates announced by the National Bank of Poland prevailing on the balance sheet date.

*** Dividend for 2009 year, as at 30 June 2010 was paid for employees who was shareholders Parent Company as at 15 June 2010

Eurocash S.A. Group

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

The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 13 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2010



KPMG Audyt Sp. z o.o.

Biuro w Poznaniu

ul. Roosevelta 18

60-829 Poznań

Poland

Telefon +48 61 845 46 00

Fax +48 61 845 46 01

E-mail poznan@kpmg.pl

Internet www.kpmg.pl

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

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Eurocash S.A.

We have audited the accompanying 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 2010, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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 Consolidated Financial Statements

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

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated 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, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 2010 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 Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the financial statements.

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

Signed on the Polish original

.....
Certified Auditor No. 90095
Wojciech Drzymała

Poznań, 8 April 2011

Signed on the Polish original

.....
Certified Auditor No. 90061
Marek Gajdziński

Eurocash S.A. Group

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

The report supplementing the auditor's opinion
contains 13 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2010

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Contents

1.	General	3
1.1	Identification of the Group	3
1.1.1	Name of the Group	3
1.1.2	Registered office of the Parent Company of the Group	3
1.1.3	Registration of the Parent Company in the National Court Register	3
1.1.4.	Management of the Company	3
1.2	Information about companies comprising the Group	3
1.2.1	Companies included in the consolidated financial statements	3
1.2.2	Entities excluded from consolidation	5
1.3	Auditor information	5
1.3.1	Key certified auditor information	5
1.3.2	Audit firm information	5
1.4	Prior period consolidated financial statements	5
1.5	Audit scope and responsibilities	5
1.6	Information on audits of the financial statements of the consolidated companies	7
1.6.1	Parent Company	7
1.6.2	Other consolidated entities	8
2	Financial analysis of the Group	9
2.1	Summary of the consolidated financial statements	9
2.1.1	Consolidated statement of financial position	9
2.1.2	Consolidated income statement	10
2.2	Selected financial ratios	11
3	Detailed report	12
3.1	Accounting principles	12
3.2	Basis of preparation of the consolidated financial statements	12
3.3	Method of consolidation	12
3.4	Goodwill arising on consolidation	12
3.5	Consolidation of equity and calculation of non-controlling interest	12
3.6	Consolidation eliminations	13
3.7	Notes to the consolidated financial statements	13
3.8	Report of the Management Board of the Parent Company on the Group's activities	13
3.9	Information on the opinion of the independent auditor	13

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
Initial capital as at balance sheet date:	PLN 136.429.761

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

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

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

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2010, 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.,
- Sieć Detalistów „Nasze Sklepy” Sp. z o.o. w likwidacji,
- Eurocash Trade 1 Sp. z o.o.,
- Eurocash Trade 2 Sp. z o.o.,
- Eurocash Spółka Akcyjna Sp. k.,
- Premium Distributors Sp. z o.o.,
- Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.,
- Astor Sp. z o.o.,
- Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.,
- Damianex S.A.,
- Delikates Sp. z o.o.,
- Miro Sp. z o.o.,
- MTC Sp. z o.o.,
- Multi-Ex S.A.,
- Onufry S.A.,
- Panta-Hurt Sp. z o.o.,
- Polskie Hurtownie Alkoholi Sp. z o.o.,
- Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.,
- Saol Dystrybucja Sp. z o.o.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2010, as a result of the Parent Company acquiring a controlling interest:

- Eurocash Spółka Akcyjna Sp. k. – subject to consolidation for the period from 14 January to 31 December 2010,
- Premium Distributors Sp. z o.o., Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A., Astor Sp. z o.o., Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., Delikates Sp. z o.o., Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex S.A., Onufry S.A., Panta-Hurt Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., Przedsiębiorstwo Handlu

Spożywczego Sp. z o.o., Saol Dystrybucja Sp. z o.o. – subjects to consolidation for the period from 2 August 2010 to 31 December 2010.

1.2.2 Entities excluded from consolidation

As at 31 December 2010, all subsidiaries comprising the Group were consolidated.

1.3 Auditor information

1.3.1 Key certified auditors information

Name and surname: Marek Gajdziński
Registration number: 90061

Name and surname: Wojciech Drzymała
Registration number: 90095

1.3.2 Audit firm information

Name: KPMG Audyt Sp. z o.o.
Registered office: Warsaw
Address: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000104753
Registration court: District Court for the Capital City Warsaw in Warsaw,
XII Commercial Department of the National Court Register
Share capital: PLN 125,000
NIP number: 526-10-24-841

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

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2009 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 2 June 2010.

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

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting 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 2010, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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 16 July 2010, concluded on the basis of the resolution of Supervisory Board dated 10 May 2007 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 29 November to 10 December 2010 and from 31 January to 25 February 2011.

Management of the 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 and preparation of the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the 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 required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditors and KPMG Audyt Sp. z o.o. fulfill independence requirements from the companies included in the Group as described in Art. 56 points 3 and 4 of the Act on certified auditors and their government, audit firms and public oversight dated 7 May 2009 (Official Journal from 2009, no. 77, item 649).

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



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

1.6.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.6.2 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 2010 r.	*
Eurocash Franczyza Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2010 r.	*
Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji	audit not required	31 December 2010 r.	not applicable
Eurocash Trade 1 Sp. z o.o.	audit not required	31 December 2010 r.	not applicable
Eurocash Trade 2 Sp. z o.o.	audit not required	31 December 2010 r.	not applicable
Eurocash Spółka Akcyjna Sp. k.	audit not required	31 December 2010 r.	not applicable
Premium Distributors Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Astor Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Damianex S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Delikates Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Miro Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
MTC Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Multi-Ex S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Onufry S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Panta-Hurt Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Polskie Hurtownie Alkoholi Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*
Saol Dystrybucja Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2010 r.	*

*) Until the date of this report the statutory audit has not been completed.

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2010 PLN '000	% of total	31.12.2009 PLN '000 restated*	% of total
Non-current assets (long-term)	811 253,3	33,8	458 818,4	33,0
Goodwill	394 756,7	16,4	122 314,2	8,8
Other intangible assets	144 167,1	6,0	139 619,7	10,0
Property, plant and equipment	233 868,1	9,7	187 586,5	13,5
Investments in equity accounted investees	25,3	0,0	543,1	0,0
Other investments	6 353,0	0,3	87,0	0,0
Long-term receivables	1 819,9	0,1	2 051,2	0,2
Deferred tax assets	27 577,4	1,2	6 124,5	0,4
Other long-term prepayments	2 685,8	0,1	492,2	0,0
Current assets (short-term)	1 591 727,3	66,2	933 433,8	67,0
Inventories	634 924,8	26,4	365 785,2	26,3
Trade receivables	668 675,4	27,8	374 585,3	26,9
Current tax assets	4 197,0	0,2	221,8	0,0
Other short-term receivables	57 560,5	2,4	30 477,2	2,2
Other short-term financial assets	3 000,0	0,1	-	-
Short-term prepayments	11 869,7	0,5	4 912,3	0,4
Cash and cash equivalents	211 499,9	8,8	157 452,0	11,3
TOTAL ASSETS	2 402 980,6	100,0	1 392 252,2	100,0
EQUITY AND LIABILITIES	31.12.2010 PLN '000	% of total	31.12.2009 PLN '000 restated*	% of total
Equity	457 104,8	19,0	366 810,4	26,4
Share capital	136 429,8	5,7	134 704,7	9,7
Treasury shares	(1 115,5)	0,1	(1 115,5)	0,1
Reserve capital	174 900,9	7,3	117 714,3	8,5
Treasury shares reserve	12 884,5	0,5	12 884,5	0,9
Hedging reserve	(4 645,0)	0,2	(4 645,0)	0,3
Retained earnings	138 638,6	5,8	107 246,5	7,7
Accumulated profit from previous years	10 182,8	0,4	4 710,6	0,3
Profit for the period	128 455,8	5,4	102 535,9	7,4
Equity attributable to owners of the Company	457 093,3	19,0	366 789,5	26,4
Non-controlling interests	11,5	0,0	20,9	0,0
Liabilities	1 945 875,8	81,0	1 025 441,8	73,6
Non-current liabilities	306 904,3	12,8	49 558,8	3,6
Long-term loans and borrowings	256 586,2	10,7	-	-
Long-term financial liabilities	23 225,9	1,0	22 498,1	1,6
Other long-term liabilities	400,0	0,0	400,0	0,0
Deferred tax liabilities	8 408,3	0,4	8 947,8	0,6
Employee benefits	1 139,9	0,1	568,9	0,0
Provisions	17 144,0	0,7	17 144,0	1,2
Current liabilities	1 638 971,5	68,2	975 883,0	70,0
Loans and borrowings	86 897,8	3,6	-	-
Short-term financial liabilities	39 493,9	1,6	37 265,1	2,5
Trade payables	1 408 794,7	58,6	866 475,6	62,2
Current tax liabilities	2 151,8	0,1	11 442,0	0,8
Other short-term payables	45 181,7	1,9	19 977,5	1,4
Current employee benefits	15 755,9	0,7	21 622,5	1,6
Provisions	40 695,7	1,7	19 100,3	1,4
TOTAL EQUITY AND LIABILITIES	2 402 980,6	100,0	1 392 252,2	100,0

*) Restatement of comparative figures is described in note 2 of other explanatory notes to the consolidated financial statements.

2.1.2 Consolidated income statement

	1.01.2010 - 31.12.2010	% of total sales	1.01.2009 - 31.12.2009	% of total sales
	zł '000		zł '000	
Sales	7 791 759,4	100,0	6 698 341,0	100,0
Sales of goods	7 534 130,0	96,7	6 528 211,7	97,5
Sales of services	257 629,4	3,3	170 129,3	2,5
Cost of sales	(6 990 493,7)	89,7	(6 074 106,6)	90,7
Cost of goods sold	(6 987 965,2)	89,7	(6 054 914,8)	90,4
Cost of services sold	(2 528,5)	0,0	(19 191,8)	0,3
Gross profit	801 265,7	10,3	624 234,4	9,3
Selling expenses	(454 270,0)	5,8	(344 623,8)	5,1
General and administrative expenses	(161 771,2)	2,1	(126 829,3)	1,9
Profit on sales	185 224,5	2,4	152 781,3	2,3
Other operating income	26 051,3	0,3	25 311,6	0,4
Other operating expenses	(40 830,3)	0,5	(32 892,1)	0,5
Operating profit	170 445,5	2,2	145 200,8	2,2
Finance income	5 967,8	0,1	6 188,9	0,1
Finance costs	(30 557,9)	0,4	(21 449,4)	0,3
Share of losses of equity accounted investees	(517,8)	0,0	(1 167,8)	0,0
Profit before tax	145 337,6	1,9	128 772,5	1,9
Income tax expense	(16 891,2)	0,2	(26 250,7)	0,4
Profit for the period	128 446,4	1,7	102 521,8	1,5

Attributable to:

Owners of the Company	128 455,8	102 535,9
Non-controlling interests	(9,4)	(14,1)

Earnings per share

Basic earnings per share (PLN)	0,94	0,76
Diluted earnings per share (PLN)	0,93	0,75
Basic earning per share of continuing operations (PLN)	0,94	0,76
Diluted earnings per share of continuing operations (PLN)	0,93	0,75

2.2 Selected financial ratios

	2010	2009 restated*	2008
1. Return on sales			
$\frac{\text{profit for the period}}{\text{sales}} \times 100\%$	1,6%	1,5%	1,3%
2. Return on equity			
$\frac{\text{profit for the period}}{\text{equity - profit for the period}} \times 100\%$	39,1%	38,8%	38,3%
3. Debtors turnover			
$\frac{\text{average trade receivables (gross)}}{\text{sales}} \times 365 \text{ days}$	26 days	20 days	18 days
4. Debt ratio			
$\frac{\text{liabilities}}{\text{equity and liabilities}} \times 100\%$	81,0%	73,7%	77,2%
5. Current ratio			
$\frac{\text{current assets}}{\text{current liabilities}}$	1,0	1,0	0,9

*) Restatement of comparative figures is described in note 2 of other explanatory notes to the consolidated financial statements.

- Current assets exclude receivables due in more than 12 months.
- Current liabilities are comprised of short-term provisions for liabilities, short-term liabilities (excluding liabilities due in more than 12 months) and other short-term accruals.
- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables to related and other parties at the beginning and at the end of the period, excluding allowances for receivables.

3 Detailed report

3.1 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 the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 r., No 169, item 1327).

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 non-controlling 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.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interest' 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. This information should be read in conjunction with the consolidated financial statements.

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 2010, we have issued an unqualified opinion.

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

Signed on the Polish original

.....
Certified Auditor No. 90095
Wojciech Drzymała

Poznań, 8 April 2011

Signed on the Polish original

.....
Certified Auditor No. 90061
Marek Gajdziński

EUROCASH S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

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, 8 April 2011

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONTENTS

General information	3
1. Information about the Parent Entity	3
2. Information of the Company's Subsidiaries and Associates	3
3. Board of the parent Company	11
Consolidated income statement for the period from 01.01 to 31.12.2010	12
Consolidated statement of comprehensive income for the period from 01.01 to 31.12.2010	13
Consolidated statement of financial position as at 31.12.2010	14
Consolidated statement of cash flows for the period from 01.01 to 31.12.2010	16
Consolidated statement on changes in equity for the period from 01.01 to 31.12.2010	17
Supplementary information to the consolidated financial statements prepared for the period from 01.01 to 31.12.2010	18
1. General information	18
2. Significant accounting policies	31
3. Notes to the consolidated financial statements prepared for the period from 01.01 to 31.12.2010	52

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

GENERAL INFORMATION

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

EUROCASH Spółka Akcyjna

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRATION COURT

District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register.

Registration number: KRS 00000213765

PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

Indefinite period

PERIOD COVERED BY THE FINANCIAL STATEMENTS

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

Consolidated statement of financial position has been prepared as at 31 December 2010, and the comparative figures are presented as at 31 December 2009.

2. INFORMATION OF THE COMPANY'S SUBSIDIARIES AND ASSOCIATES

2.1. KDWT S.A.

COMPANY NAME

KDWT Spółka Akcyjna

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Wholesale of tobacco products (PKD 5135Z)

SHARE CAPITAL

7.380.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2.2. EUROCASH FRANCZYZA SP. Z O.O.

COMPANY NAME

EUROCASH FRANCZYZA Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Other business support service activities (PKD 7487B)

SHARE CAPITAL

3.800.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.3. PAYUP POLSKA S.A.

COMPANY NAME

PayUp Polska S.A.

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

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

SHARE CAPITAL

7.000.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

49%

2.4. SIEĆ DETALISTÓW „NASZE SKLEPY” SP. Z O.O. W LIKWIDACJI

COMPANY NAME

Nasze Sklepy Spółka z ograniczoną odpowiedzialnością w likwidacji

Based on the resolution no 9 of the Ordinary Shareholders' Meeting dated 5 July 2010, it was decided to dissolve the company and start its liquidation. The liquidation was registered by Register Court in Lublin on 20 October 2010.

REGISTERED OFFICE

ul. Kapielowa 18, 21-500 Biała Podlaska

CORE BUSINESS

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SHARE CAPITAL

127.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

97,09%

2.5. EUROCASH TRADE 1 SP. Z O.O.

COMPANY NAME

EUROCASH TRADE 1 Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

5.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.6. EUROCASH TRADE 2 SP. Z O.O.

COMPANY NAME

EUROCASH TRADE 2 Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

5.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.7. EUROCASH SPÓŁKA AKCYJNA SP. K.

COMPANY NAME

Eurocash Spółka Akcyjna Spółka Komandytowa

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

On August 18, 2010, a decision was made to the effect of changing the address of subsidiary - Eurocash Spółka Akcyjna Sp. k. The change was recorded in the National

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
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Court Register on August 27, 2010. The updated address is: 62-052 Komorniki, ul. Wiśniowa 11. Other Company data remains unchanged.

CORE BUSINESS

Leasing of intellectual property and similar products, except copyrighted works (Polish Classification of Economic Activities - PKD code 77.40.Z)

CONTRIBUTIONS OF THE SHAREHOLDERS

372.949.077 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

SHAREHOLDERS

Eurocash S.A. - General Partner
KDWT S.A. – Limited Partner,
Eurocash Franczyza Sp. z o.o. – Limited Partner.

2.8. PRZEDSIĘBIORSTWO DYSTRYBUCJI ALKOHOLI AGIS S.A.

COMPANY NAME

Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.

REGISTERED OFFICE

ul. Polna 52, 87-100 Toruń

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

2.500.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.9. ASTOR SP. Z O.O.

COMPANY NAME

ASTOR Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Żelazna 4, 10-419 Olsztyn

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

60.000 PLN

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.10. DAKO-GALANT PRZEDSIĘBIORSTWO HANDLOWO PRODUKCYJNE SP. Z O.O.

COMPANY NAME

DAKO-GALANT Przedsiębiorstwo Handlowo Produkcyjne Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Grunwaldzka 3, 73-110 Stargard Szczeciński

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

2.570.500 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.11. DAMIANEX S.A.

COMPANY NAME

DAMIANEX S.A.

REGISTERED OFFICE

ul. Głęboka 34, 37-200 Przeworsk

CORE BUSINESS

Non-specialized wholesale of trade food, beverages and tobacco products (PKD 4639Z)

SHARE CAPITAL

16.936.200 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.12. DELIKATES SP. Z O.O.

COMPANY NAME

Delikates Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Zakładowa 11, 62-510 Konin

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SHARE CAPITAL

3.197.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.13. MIRO SP. Z O.O.

COMPANY NAME

Miro Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Jasna 42, 57-200 Ząbkowice Śląskie

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

2.600.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.14. MTC SP. Z O.O.

COMPANY NAME

MTC Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Elewatorska 20, 15-620 Białystok

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

11.355.500 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.15. MULTI-EX S.A.

COMPANY NAME

Multi-Ex S.A.

REGISTERED OFFICE

ul. Bokszerska 66A, 02-690 Warszawa

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SHARE CAPITAL

7.000.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.16. ONUFRY S.A.

COMPANY NAME

Onufry S.A.

REGISTERED OFFICE

ul. Jabłoniowa 64, 80-175 Gdańsk

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

11.422.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.17. PANTA-HURT SP. Z O.O.

COMPANY NAME

Panta-Hurt Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

Choszczówka Stojecka 11A, 05-300 Mińsk Mazowiecki

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

1.953.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.18. POLSKIE HURTOWNIE ALKOHOLI SP. Z O.O.

COMPANY NAME

Polskie Hurtownie Alkoholi Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Gen. Józefa Sowińskiego 42A, 65-419 Zielona Góra

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SHARE CAPITAL

2.150.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.19. PREMIUM DISTRIBUTORS SP. Z O.O.

COMPANY NAME

Premium Distributors Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Bokszerska 66A, 02-690 Warszawa

CORE BUSINESS

Wholesale of alcohol beverages (PKD 4634A)

SHARE CAPITAL

280.632.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.20. SAOL DYSTRYBUCJA SP. Z O.O.

COMPANY NAME

Saol Dystrybucja Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Orłąt Lwowskich 146, 41-208 Sosnowiec

CORE BUSINESS

Non-specialized wholesale of trade food, beverages and tobacco products (PKD 4639Z)

SHARE CAPITAL

12.500.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

2.21. PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO SP. Z O.O.

COMPANY NAME

Przedsiębiorstwo Handlu Spożywczego Spółka z ograniczoną odpowiedzialnością

REGISTERED OFFICE

ul. Grottgera 5, 66-200 Świebodzin

CORE BUSINESS

Non-specialized wholesale trade (PKD 4690Z)

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SHARE CAPITAL

457.000 PLN

OWNERSHIP PERCENTAGE AS AT 31.12.2010

100%

3. BOARD OF THE PARENT COMPANY

3.1. MANAGEMENT BOARD OF THE PARENT ENTITY

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

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

3.2. SUPERVISORY BOARD

As at 31 December 2010 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.

3.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2010

	Nota	Year for the period from 01.01.2010 to 31.12.2010	Year for the period from 01.01.2009 to 31.12.2009
Sales		7 791 759 447	6 698 340 961
Sales of goods	30	7 534 129 989	6 528 211 652
Sales of services	30	257 629 458	170 129 309
Costs of sales		(6 990 493 746)	(6 074 106 629)
Costs of goods sold		(6 987 965 246)	(6 054 914 849)
Costs of services sold		(2 528 500)	(19 191 780)
Gross profit		801 265 701	624 234 332
Selling expenses	31	(454 270 053)	(344 623 821)
General and administrative expenses	31	(161 771 188)	(126 829 266)
Profit on sales		185 224 460	152 781 245
Other operating income	32	26 051 327	25 311 606
Other operating expenses	32	(40 830 272)	(32 892 069)
Operating profit		170 445 515	145 200 782
Finance income	33	5 967 799	6 188 858
Finance costs	33	(30 557 855)	(21 449 397)
Share of losses of equity accounted investees		(517 815)	(1 167 797)
Profit before income tax		145 337 644	128 772 446
Income tax expense	27	(16 891 224)	(26 250 675)
Profit for the period		128 446 420	102 521 771
Attributable to:			
Owners of the Company		128 455 787	102 535 877
Non-controlling interests		(9 367)	(14 106)

EARNINGS PER SHARE

		PLN / share	PLN / share
Profit for the period attributable to Owners of the Company		128 455 787	102 535 877
Weighted average number of shares	34	136 276 586	135 203 460
Diluted weighted average number of shares	34	137 853 556	135 897 909
- basic		0,94	0,76
- diluted		0,93	0,75

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01 TO 31.12.2010

	Year for the period from 01.01.2010 to 31.12.2010	Year for the period from 01.01.2009 to 31.12.2009
Profit for the period	128 446 420	102 521 771
Other comprehensive income for the period	-	-
Total comprehensive income for the period	128 446 420	102 521 771
Attributable to:		
Owners of the Company	128 455 787	102 535 877
Non-controlling interests	(9 367)	(14 106)
Total comprehensive income for the period	128 446 420	102 521 771

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2010

	Nota	as at 31.12.2010	as at 31.12.2009 Transformed
<i>Assets</i>			
Non-current assets (long-term)		811 253 267	458 818 442
Goodwill	7	394 756 727	122 314 199
Intangible assets	7	144 167 046	139 619 757
Property, plant and equipment	8	233 868 131	187 586 479
Investments in equity accounted investees	11	25 308	543 123
Other long-term investments	12	6 353 000	87 000
Long-term receivables	13	1 819 847	2 051 172
Deferred tax assets	28	27 577 406	6 124 488
Other long-term prepayments	29	2 685 803	492 224
Current assets (short-term)		1 591 727 305	933 433 739
Inventories	14	634 924 788	365 785 193
Trade receivables	15	668 675 347	374 585 268
Current tax assets	15	4 196 979	221 793
Other short-term receivables	15	57 560 523	30 477 181
Other short-term investments	16	3 000 000	-
Short-term prepayments	17	11 869 746	4 912 343
Cash and cash equivalents	18	211 499 922	157 451 962
Total assets		2 402 980 573	1 392 252 181

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2010

		as at 31.12.2010	as at 31.12.2009 Transformed
<i>Equity and liabilities</i>			
Equity		457 104 760	366 810 438
Equity attributable to Owners of the Company		457 093 215	366 789 525
Share capital	20	136 429 761	134 704 736
Treasury shares	21	(1 115 507)	(1 115 507)
Reserve capital	21	174 900 870	117 714 270
Treasury shares reserve	21	12 884 493	12 884 493
Hedging reserve	21	(4 645 000)	(4 645 000)
Retained earnings		138 638 597	107 246 533
Accumulated profit from previous years		10 182 810	4 710 656
Profit for the period		128 455 787	102 535 877
Non-controlling interests		11 546	20 912
Liabilities		1 945 875 812	1 025 441 743
Non-current liabilities		306 904 337	49 558 839
Long-term loans and borrowings	25	256 586 164	-
Long-term financial liabilities	26	23 225 866	22 498 092
Other long-term liabilities	24	400 000	400 000
Deferred tax liabilities	28	8 408 365	8 947 803
Employee benefits	23	1 139 941	568 944
Provisions	23	17 144 000	17 144 000
Current liabilities		1 638 971 476	975 882 904
Loans and borrowings	25	86 897 780	-
Short-term financial liabilities	26	39 493 868	37 265 087
Trade payables	24	1 408 794 731	866 475 635
Current tax liabilities	24	2 151 797	11 441 984
Other short-term payables	24	45 181 673	19 977 496
Current employee benefits	23	15 755 960	21 622 455
Provisions	23	40 695 666	19 100 248
Total equity and liabilities		2 402 980 573	1 392 252 181

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2010

		as at 31.12.2010	as at 31.12.2009
Equity attributable to Owners of the Company		457 093 215	366 789 525
Number of shares (excl. treasury shares)	35	136 352 068	134 627 043
Diluted number of shares	35	138 831 318	138 633 818
Book value per share		3,35	2,72
Diluted book value per share		3,29	2,65

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01 TO 31.12.2010

	Year for the period from 01.01.2010 to 31.12.2010	Year for the period from 01.01.2009 to 31.12.2009
<i>Cash flows from operating activities</i>		
Profit before tax	145 337 644	128 772 446
Adjustments for:	94 300 035	72 877 998
Depreciation and amortization	60 267 365	49 317 742
Share of losses of equity accounted investees	517 815	1 167 797
Equity-settled share-based payment transactions	3 227 302	4 350 940
(Gain) loss on sale of property, plant and equipment	1 561 434	(326 564)
Interest expenses	28 726 118	18 368 083
Operating cash before changes in working capital	239 637 679	201 650 444
Change in inventories	(128 531 680)	(43 752 711)
Change in receivables	(157 662 377)	(24 120 459)
Change in payables	327 550 223	84 004 618
Change in provisions and employee benefits	(17 576 847)	12 241 044
Other adjustments	110 269	7 535
Operating cash	263 527 266	230 030 471
Interest paid	(14 335 060)	(8 012 408)
Income tax paid	(29 687 478)	(23 978 087)
Net cash from operating activities	219 504 728	198 039 977
<i>Cash flows from investing activities</i>		
Aquisition of intangible assets	(17 811 637)	(17 558 924)
Proceeds from sale of intangible assets	54 000	33 000
Aquisition of property, plant and equipment	(56 652 606)	(45 640 357)
Proceeds from sale of property, plant and equipment	8 504 723	1 732 733
Acquisition of investment property	-	(37 766 428)
Proceeds from sale of investment property	-	38 900 000
Aquisition of subsidiaries, net of cash aquired	(344 723 512)	(31 677 294)
Disposal of subsidiaries, net cash of disposed of	-	5 500 000
Loans granted	(3 000 000)	-
Net cash used in investing activities	(413 629 032)	(86 477 269)
<i>Cash flows from financing activities</i>		
Proceeds from issue of share capital	12 360 362	18 097 312
Repurchase of treasury shares	-	(1 115 507)
Financing of franchisees	1 182 689	4 796 586
Proceeds from loans and borrowings	340 586 164	-
Repayment of borrowings	(39 296 472)	(68 474 416)
Payment of finance lease liabilities	(8 933 285)	(8 345 517)
Interest on finance lease	(2 124 580)	(2 270 473)
Interests on loans and borrowings	(5 205 814)	(897 417)
Dividends paid	(50 396 800)	(40 050 682)
Net cash used in financing activities	248 172 264	(98 260 115)
Net change in cash and cash equivalents	54 047 960	13 302 592
Cash and cash equivalents at the beginning of the period	157 451 962	144 149 370
Cash and cash equivalents at the end of the period	211 499 922	157 451 962

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2010

	Share capital	Treasury shares	Reserve capital	Treasury shares reserve	Hedge reserve	Retained earnings	Equity attributable to Owners of the Company	Non-controlling interest	Total
<i>Changes in equity in the period from 01.01 to 31.12.2009</i>									
Balance as at 1.01.2009	130 777 550	-	77 208 064	-	(4 645 000)	79 549 369	282 889 983	560 898	283 450 881
Total comprehensive income for the reporting period									
Profit for the period from 01.01 to 31.12.2009	-	-	-	-	-	102 535 877	102 535 877	(14 106)	102 521 771
Total comprehensive income for the period from 01.01 to 31.12.2009	-	-	-	-	-	102 535 877	102 535 877	(14 106)	102 521 771
Transaction with Owners of the Company, recognized directly in equity									
Contributions by and distributions to Owners of the Company									
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)
Other	-	-	-	-	-	110 726	110 726	-	110 726
Total contributions by and distributions to Owners of the Company	3 927 186	(1 115 507)	40 506 206	12 884 493	-	(74 809 589)	(18 607 211)	-	(18 607 211)
Changes in ownership interests in subsidiaries									
Change in interests - Sieć Detalistów "Nasze Sklepy" Sp. z o.o. in liquidation - without a change in control	-	-	-	-	-	(29 124)	(29 124)	(525 879)	(555 003)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	(29 124)	(29 124)	(525 879)	(555 003)
Total transaction with Owners of the Company, recognized directly in equity	3 927 186	(1 115 507)	40 506 206	12 884 493	-	(74 838 712)	(18 636 334)	(525 879)	(19 162 214)
Balance as at 31.12.2009	134 704 736	(1 115 507)	117 714 270	12 884 493	(4 645 000)	107 246 533	366 789 526	20 912	366 810 438
<i>Changes in equity in the period from 01.01 to 31.12.2010</i>									
Balance as at 01.01.2010	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
Impact of change in accounting	-	-	(3 336 827)	-	-	-	(3 336 827)	-	(3 336 827)
Balance as at 01.01.2010 after changes	134 704 736	(1 115 507)	114 377 443	12 884 493	(4 645 000)	107 246 534	363 452 699	20 912	363 473 611
Total comprehensive income for the reporting period									
Profit for the period from 01.01 to 31.12.2010	-	-	-	-	-	128 455 787	128 455 787	(9 367)	128 446 420
Total comprehensive income for the period from 01.01 to 31.12.2010	-	-	-	-	-	128 455 787	128 455 787	(9 367)	128 446 420
Transaction with Owners of the Company, recognized directly in equity									
Contributions by and distributions to Owners of the Company									
Dividends	-	-	-	-	-	(50 396 800)	(50 396 800)	-	(50 396 800)
Transfer to reserve capital	-	-	46 635 144	-	-	(46 635 144)	-	-	-
Equity-settled share based payment transactions	-	-	3 227 302	-	-	-	3 227 302	-	3 227 302
Share options exercised	1 725 025	-	10 635 336	-	-	-	12 360 361	-	12 360 361
Other	-	-	25 645	-	-	(31 779)	(6 135)	-	(6 135)
Total contributions by and distributions to Owners of the Company	1 725 025	-	60 523 427	-	-	(97 063 724)	(34 815 272)	-	(34 815 272)
Total transaction with Owners of the Company, recognized directly in equity	1 725 025	-	60 523 427	-	-	(97 063 724)	(34 815 272)	-	(34 815 272)
Balance as at 31.12.2010	136 429 761	(1 115 507)	174 900 870	12 884 493	(4 645 000)	138 638 597	457 093 215	11 546	457 104 760

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2010

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

1.2. STATEMENT OF COMPLIANCE

The 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 2010. Moreover, the Group has not yet completed its analysis of the possible impact of those new Standards and Interpretations on the separate financial statements prepared for the period in which the new Standards and Interpretations will be applied for the first time.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

Standards and interpretations adopted by the EU

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standards and interpretations not yet endorsed by the EU

Standards and Interpretations are pending approval by the EU	Type of expected changes in accounting policies	Potential impact on the financial statements	Date of entry into force for periods beginning on and after
Amendments to IFRS 1 Hyperinflation and the removal of a fixed date for applying IFRS for the first time	The change adds an exemption, which may be applied on the date of transition for entities operating in hyperinflationary economies. This exemption permits an entity to measure the assets and liabilities held before stabilizing functional currency at fair value, and then use that fair value as deemed cost of those assets and liabilities for the first report of financial position under IFRS.	This change will not affect the Group's financial statements because the Group has not applied IFRS for the first time and does not operate in a hyperinflationary economy.	July 1, 2011.
Amendments to IFRS 7 disclosures - Transfers of financial assets	Change requires disclosure of information that enables users of financial statements: <ul style="list-style-type: none"> • understand the relationship between the transferred financial asset that has not been entirely excluded from the financial statements and its related financial obligations, and • assess the nature and risks involved in it and the degree held by an entity involved in the asset off. Change defines a 'maintained commitment' to apply the disclosure requirements.	The Group does not expect the change to IFRS 7 will have a significant impact on the financial statements due to the nature of the Group and the nature of financial assets held.	1 July 2011
IFRS 9 Financial Instruments	The new standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, on the classification and valuation of financial assets. Eliminates the existing standard IAS 39 categories: held to maturity, available-for-sale and loans and receivables. On initial recognition financial assets are classified into one of two categories: <ul style="list-style-type: none"> • Financial assets carried at amortized cost, or 	The Group does not expect that IFRS 9 will have a significant impact on the financial statements. It is expected that due to the nature of the Group and the nature of financial assets held, the principles of classification and valuation of financial assets of the Group will not change under the influence of application of IFRS 9	1 January 2013

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standards and Interpretations are pending approval by the EU	Type of expected changes in accounting policies	Potential impact on the financial statements	Date of entry into force for periods beginning on and after
	<ul style="list-style-type: none"> Financial assets at fair value. <p>Financial assets are measured at amortized cost if the following two conditions: the assets are held within the business model, which aims to maintain assets in order to obtain the flows under the contract, and the contract terms will result in certain moments, only cash payment representing principal and interest on the unpaid portion of the capital. Gains and losses on financial assets at fair value are recognized in profit or loss for the current period, except when an investment in an equity instrument is not intended for trading. IFRS 9 gives the possibility of a decision on the valuation of such financial instruments, on initial recognition, at fair value through other comprehensive income. Such a decision would be irreversible. The selection of such can be made for each instrument separately. The values recognized in other comprehensive income may not be in the later periods reclassified to profit and loss account.</p>		
Amendments to IFRS 9 Financial Instruments (issued 2010)	<p>Amendments to IFRS 9 of 2010, amend the guidance provided in IAS 39 Financial Instruments: Recognition and Measurement on the classification and valuation of financial liabilities and the exclusion of financial assets and financial liabilities. Standard retains almost all the existing requirements of IAS 39 relating to the classification and valuation of financial liabilities and off the financial assets and financial liabilities. The Standard requires that the change in fair value changes in credit risk on financial liabilities designated upon initial recognition as at fair value through profit or loss were presented in other comprehensive income. The rest of the profit or loss from fair value recognized in profit or loss for the current period. Where the application of this requirement leads to lack of matching of income and expenses, then the entire change in fair value is recognized in profit or loss for the current period.</p>	<p>The Group does not expect that IFRS 9 (2010) will have a significant impact on the financial statements. It is expected that due to the nature of the Group and the nature of financial assets held, the principles of classification and valuation of financial liabilities will not change under the influence of application of IFRS 9</p>	1 January 2013

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

The accounting principles as well as calculation methods applied in the preparation of the financial statements remained unchanged in comparison to the ones applied in the last annual consolidated financial statements beyond the changes set out below:

a) Method of valuation of inventory expenditures

As of January 1, 2010, the Group changed the principles of inventory valuation. First in-first out (FIFO), which was used previously, has been replaced with the weighted average method. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The Group follows the same method in determining acquisition prices for all inventory items.

The Group believes that the current method of calculating the values of inventories provides more useful and reliable information concerning the Group's financial standing and earnings. Detailed information concerning change of inventory valuation is presented in Note 1.

1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE GROUP

The Eurocash Capital Group consists of Eurocash S.A. and its subsidiary companies: KDWT S.A., Eurocash Franczyza Sp. z o.o., Nasze Sklepy Sp. z o.o. w likwidacji, Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., Eurocash Spółka Akcyjna Sp. Komandytowa, Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A., Astor Sp. z o.o., Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., Delikates Sp. z o.o., Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex S.A., Onufry S.A., Panta-Hurt Sp. z o.o., Polskie Hurtownie Alkoholi Sp. z o.o., Premium Distributors Sp. z o.o., Saol Dystrybucja Sp. z o.o., Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. and the associate PayUp Polska S.A.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

On 18 August 2010, Eurocash S.A. Spółka Komandytowa changed its registered office. Present address registration is a 62-052 Komorniki, ul. Wiśniowa 11. Other information has not changed.

The main business activity of the Parent Entity is non-specialized wholesale trade (PKD 4690Z).

Shares of Eurocash S.A. are traded on Warsaw Stock Exchange.

Subsidiaries comprise:

- KDWT S.A., registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register, registration number: 0000040385, located in Komorniki, ul. Wiśniowa 11,
- Eurocash Franczyza Sp. z o.o., registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register; registration number: 0000259846; located in Komorniki, ul. Wiśniowa 11,
- Nasze Sklepy Sp. z o.o. w likwidacji, registered in the District Court in Lublin; XI Commercial Department of the National Court Register; registration number: 0000000139; located in Biała Podlaska, ul. Kąpielowa 18,
- Eurocash Trade 1 Sp. z o.o. registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register; registration number: 0000329002; located in Komorniki, ul. Wiśniowa 11,
- Eurocash Trade 2 Sp. z o.o. registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań; VIII Commercial Department of the National Court Register; registration number: 0000329037; located in Komorniki, ul. Wiśniowa 11,
- Eurocash Spółka Akcyjna Sp. k. registered in the District Court Poznań - Nowe Miasto and Wilda; VIII Commercial Department of the National Court Register; registration number 0000346187; located in Komorniki, ul. Wiśniowa 11,
- Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A., registered in the District Court Toruń, VII Commercial Department of the National Court Register, registration number 0000103408, located in Toruń, ul. Polna 52,
- Astor Sp. z o.o., registered in the District Court Olsztyn, VIII Commercial Department of the National Court Register, registration number 0000035560, located in Olsztyn, ul. Żelazna 4,
- Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., registered in the District Court Szczecin - Centrum, XIII Commercial Department of the National Court Register, registration number 0000035408, located in Stargard Szczeciński, ul. Grunwaldzka 3,
- Damianex S.A., registered in the District Court Rzeszów, XII Commercial Department of the National Court Register, registration number 0000108201, located in Przeworsk, ul. Głęboka 34,
- Delikates Sp. z o.o., registered in the District Court Poznań Nowe Miasto and Wilda w Poznaniu, IX Commercial Department of the National Court Register, registration number 0000108575, located in Konin, ul. Zakładowa 11,
- Miro Sp. z o.o., registered in the District Court Wrocław - Fabryczna, IX Commercial Department of the National Court Register, registration number 0000065440, located in Ząbkowice Śląskie, ul. Jasna 42,
- MTC Sp. z o.o., registered in the District Court Białystok, XII Commercial Department of the National Court Register, registration number 0000141499, located in Białystok, ul. Elewatorska 20,
- Multi-Ex S.A., registered in the District Court Warszawa, XIII Commercial Department of the National Court Register, registration number 0000034424, located in Warszawa, ul. Boksterska 66A,

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Companies included in the consolidated financial statements as at 31.12.2010

Unit	Eurocash S.A.	KDWT S.A.	Eurocash Franczyza Sp. z o.o.	PayUp Polska S.A.	Sieć Detalistów Nasze Sklepy Sp. z o.o. w likwidacji	Eurocash Trade 1 Sp. z o.o.	Eurocash Trade 2 Sp. z o.o.	Eurocash Spółka Akcyjna Sp. k.
address	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	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 .Wiśniowa 11 62-052 Komorniki
core business activity	PKD 4690Z	PKD 4635Z	PKD 8299Z	PKD 6120Z	PKD 4711Z	PKD 4634A	PKD 4634A	PKD 7740Z
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 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 000000139	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 Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000346187
nature of relationship	Parent company	Subsidiary	Subsidiary	Associate	Subsidiary	Subsidiary	Subsidiary	Subsidiary
consolidation basis	Full	Full	Full	Equity method	Full	Full	Full	Full
date of aquisition	n/a	31 March 2006	10 July 2006	13 May 2008	14 May 2008	06 April 2009	06 April 2009	14 January 2010
ownership interest	n/a	100%	100%	49%	97,09%	100%	100%	100%
voting rights (in %)	n/a	100%	100%	49%	91,74%	100%	100%	100%

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Companies included in the consolidated financial statements as at 31.12.2010 (continued)

Unit	Premium Distributors Sp. z o.o.	Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.	Astor Sp. z o.o.	Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.	Damianex S.A.	Delikates Sp. z o.o.	Miro Sp. z o.o.	MTC Sp. z o.o.	Multi-Ex S.A.
adres	ul. Bokserska 66A 02-690 Warszawa	ul. Polna 52 87-100 Toruń	ul. Żelazna 4 10-419 Olsztyn	ul. Grunwaldzka 3 73-100 Stargard Szczeciński	ul. Głęboka 34 37-200 Przeworsk	ul. Zakładowa 11 62-510 Konin	ul. Jasna 42 57-200 Ząbkowice Śląskie	ul. Elewatorska 20 15-620 Białystok	ul. Bokserska 66A 02-690 Warszawa
core business activity	PKD 4634A	PKD 4634A	PKD 4634A	PKD 4634A	PKD 4639Z	PKD 4634A	PKD 4634A	PKD 4634A	PKD 4634A
registration court	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000287947	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000103408	District Court Olsztyn, VIII Commercial Division of the National Court Register KRS 0000035560	District Court Szczecin- Centrum, XIII Commercial Division of the National Court Register KRS 0000035408	District Court Rzeszów, XII Commercial Division of the National Court Register KRS 0000108201	District Court Poznań - Nowe Miasto i Wilda of Poznaniu, IX Commercial Division of the National Court Register KRS 0000108575	District Court Wrocław - Fabryczna of Wrocław, IX Commercial Division of the National Court Register KRS 0000065440	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000141499	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000034424
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	02 August 2010	02 August 2010	02 August 2010	02 August 2010	02 August 2010	02 August 2010	02 August 2010	02 August 2010	02 August 2010
ownership interest	100%	100%	100%	100%	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%	100%	100%	100%	100%

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Companies included in the consolidated financial statements as at 31.12.2010 (continued)

name of entity	Onufry S.A.	Panta-Hurt Sp. z o.o.	Polskie Hurtownie Alkoholi Sp. z o.o.	Saol Dystrybucja Sp. z o.o.	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.
seat	ul. Jabłoniowa 64 80-175 Gdańsk	Choszczówka Stojecka 11A 05-300 Mińsk Mazowiecki	ul. Gen. Józefa Sowińskiego 42A 65-419 Zielona Góra	ul. Orłąt Lwowski 146 41-208 Sosnowiec	ul. Grottgera 5 66-200 Świebodzin
core business	PKD 4634A	PKD 4634A	PKD 4634A	PKD 4639Z	PKD 4690Z
registry court	District Court Gdańsk - Północ of Gdańsk, VII Commercial Division of the National Court Register KRS 0000044301	District Court Warszawa, XVI Commercial Division of the National Court Register KRS 0000065197	District Court Zielona Góra, VIII Commercial Division of the National Court Register KRS 0000072448	District Court Katowice - Wschód of Katowice, VIII Commercial Division of the National Court Register KRS 0000207117	District Court Zielona Góra, VIII Commercial Division of the National Court Register KRS 0000203619
entity status	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full
date of taking over control	02 August 2010	02 August 2010	02 August 2010	02 August 2010	02 August 2010
Share in share capital (%)	100%	100%	100%	100%	100%
Share in total number of votes (%)	100%	100%	100%	100%	100%

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future services.

Any contingent consideration payable is recognized at the acquisition date only when it is a present obligation resulting from past events and when its fair value can be reliably measured.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 non-controlling interest

At the date of the acquisition of non-controlling 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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Subsequent acquisitions and disposals of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 is 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”, “KDWT”, “abc” and Batna 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”, “abc” and “Batna” (from 2011) 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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 in accordance with accounting policies applied for tangible fixed assets.

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,

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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 weighted average 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 weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

The 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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

(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:

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 the 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,

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2010

NOTE 1. CHANGES IN ACCOUNTING PRINCIPLES - METHOD OF DETERMINING ACQUISITION PRICES OF INVENTORIES

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

Table no 1

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

As at 01.01.2010	Value before restatement	Restatement value	Restated value
Deferred tax assets	6 124 488	782 712	6 907 200
Inventories	365 785 193	(4 119 539)	361 665 654
Reserve capital	117 714 270	(3 336 827)	114 377 443

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

NOTE 2. RECLASSIFICATION ADJUSTMENTS FOR PREVIOUS YEARS' DATA

As a result of correction of the initial provisional purchase price allocation of Przedsiębiorstwo Handlowe Batna Sp. z o.o., which was executed during one-year measurement period, the Group modified the relevant comparative figures as though final purchase price allocation had occurred as at the effective date of acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o., i.e. as at 30 November 2009. These modifications included adjustments of goodwill, other intangible assets and deferred tax liabilities.

Reclassification adjustments are presented in the following table. The changes did not affect the consolidated income statement, the consolidated statement of cash flows, or earnings per share calculation

STATEMENT OF THE FINANCIAL POSITION

As at 31.12.2009	Value before restatement	Restatement value	Restated value
Goodwill	130 414 199	(8 100 000)	122 314 199
Intangible fixed assets	129 619 757	10 000 000	139 619 757
Deferred income tax provision	7 047 803	1 900 000	8 947 803

Provisional purchase price allocation relating to acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o. is presented in point 4 of the note 4.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 3. ESTABLISHMENT OF BUSINESS ENTITIES

1. Establishment of Eurocash Spółka Akcyjna Spółka Komandytowa

On 29 January 2010, in the course of Eurocash Group S.A. 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 and KDWT S.A. and Eurocash Franczyza Sp. z o.o. are limited partners. The above mentioned partnership was established pursuant to a deed of partnership formation on 3 December 2009 and registered at the National Court Register on 14 January 2010.

Table no 2

GENERAL INFORMATION ABOUT ESTABLISHMENT OF ENTITIES

1.	Name of established company	Eurocash S.A. Spółka Komandytowa
2.	Core business	Intellectual property management (PKD 7740Z)
3.	Date of establishment	3 December 2009
4.	Registration date	14 January 2010
5.	% of acquired shares	100 % shares
6.	Share capital	360 749 077,40 PLN

Table no 3

CONTRIBUTIONS AS AT 14.01.2010

Partner	Eurocash S.A.	Eurocash Franczyza Sp. z o.o.	KDWT S.A.	Total
Contribution in cash	5 000	5 000	5 000	15 000
Non-cash contribution	240 161 721	120 562 755	9 601	360 734 077
	240 166 721	120 567 755	14 601	360 749 077

% of shares	66,574%	33,422%	0,004%
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CONTRIBUTIONS AS AT 22.12.2010

Partner	Eurocash S.A.	Eurocash Franczyza Sp. z o.o.	KDWT S.A.	Total
Contribution in cash	5 000	5 000	5 000	15 000
Non-cash contribution	252 361 721	120 562 755	9 601	372 934 077
	252 366 721	120 567 755	14 601	372 949 077

% of shares	67,668%	32,328%	0,004%
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<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

The non-cash contribution consists of registered trademarks carried at fair value. The majority of these trademarks were generated by the Group internally; however some of them were acquired by shareholders and presented in financial statements at acquisition value below fair value. As a consequence of tax benefit obtained as a result of taxable amortization of the increased value of these trademarks contributed to the limited partnership, a temporary difference in income tax occurred, which as at the effective date of the non-cash contribution provided basis for recognizing a deferred tax asset in the amount of PLN 52,628,826. Until 31 December 2010, the amount utilized was PLN 9,300,285 and the outstanding value of potential deferred tax asset as at 31 December 2010 is PLN 43,328,541. Considering the uncertainty related to tax laws, an allowance was raised for the deferred tax asset.

NOTE 4. ACQUISITIONS

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

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

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

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

The acquired distribution companies constitute the largest wholesale distributor of strong alcohols in Poland. The companies operate a network of over 80 warehouses and distribution centers and employ over 1900 persons, including over 460 sales representatives, which is the leading sales team in the segment of strong alcohols distribution in Poland. They have a recognized position in supplies to traditional HoReCa segment retailers and to fuel stations.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

GENERAL INFORMATION ABOUT BUSINESS ACQUISITION OF THE ENTITIES

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

Provisional purchase price allocation

These consolidated financial statements include provisional purchase price allocation of Premium Distributors Group companies. Because it was not feasible to completely determine the final fair values of identifiable assets, liabilities and contingent debt (as the Group has not yet completed valuation of acquired intangible assets and potential contingencies). Therefore, the above specified purchase price allocation should be considered as provisional. The Group has a right to adjust the provisional purchase price allocation within 12 months from the date of the acquisition.

Acquisition cost

Table no 4

ACQUISITION COST

	as at 02.08.2010
Cash	385 900 000
	385 900 000

The whole acquisition price was effectively paid until December 31, 2010.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Net assets acquired

Table no 5

NET ASSETS ACQUIRED

Fair value
as at
02.08.2010

Intangible assets	7 859 799
Property, plant and equipment	34 594 752
Other long-term financial assets	43 000
Long-term prepayments	22 462 694
Inventories	144 704 094
Trade receivables	230 319 607
Current tax assets	22 691
Other short-term receivables	12 538 237
Short-term prepayments	3 150 161
Cash and cash equivalents	46 976 489
Total assets	502 671 524
Long-term financial liabilities	1 766 332
Deferred tax liabilities	637 212
Employee benefits	581 647
Short-term loans and borrowings	39 296 472
Short-term financial liabilities	2 923 403
Trade payables	302 050 950
Other short-term payables	14 632 899
Current employee benefits	1 338 712
Other short-term provisions	25 986 425
Total liabilities	389 214 053
Net assets	113 457 472
Goodwill on acquisition	272 442 528
Acquisition cost	385 900 000

Gross value of long- and short-term receivables as at the acquisition date amounted to PLN 302,062,354 in Premium Distributors Group companies, including PLN 59,483,129 which Eurocash S.A. Group does not expect to recover.

The goodwill occurred mainly as a result of the fact that Eurocash S.A. Group managed to expand its alcoholic beverages distribution channels with acquisition of Premium Distributors Group companies. As a result of this acquisition, Eurocash S.A. Group has become the leading distributor of alcoholic beverages in Poland in terms of sales value. The Group offers an extensive range of alcoholic beverages, comprising more than 700 brands distributed via Premium Distributors companies. Pursuant to acquisition, the Group also significantly expanded its customer base.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Selected consolidated financial data

During the period from 2 August 2010 to 31 December 2010 Premium Distributors Group companies earned sales revenues in the amount of PLN 957,088,112.

2. Acquisition of shares in Pol Cater Holding Sp. z o.o.

On 27 January 2011, the President of the Office for Competition and Consumer Protection approved acquisition of Pol Cater Holding Sp. z o.o. by Eurocash S.A. Obtaining the above approval was one of the prerequisites for signing the Promised Contract whereunder the Company acquired shares in Pol Cater according to preliminary agreement signed on 28 July 2010.

On 1 March 2011 the Companies entered into the Promised Contract whereunder Eurocash S.A. acquired 100% shares in Pol Cater Holding Sp. z o.o.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1. Name of acquired company	Pol Cater Holding Sp. z o.o.
2. Acquisition date	1 March 2011
3. Takeover date	1 March 2011
4. Acquired shares (%)	100 % shares
5. Acquisition cost	12 000 000 PLN

Purchase price allocation

These consolidated financial statements include provisional purchase price allocation of Pol Cater Holding Sp. z o.o. Because it was not feasible to completely determine the final fair values of identifiable assets, liabilities and contingent debt (as the Group has not yet completed valuation of acquired intangible assets and potential contingencies). Therefore, the above specified purchase price allocation should be considered as provisional. The Group has a right to adjust the provisional purchase price allocation within 12 months from the date of the acquisition.

Acquisition cost

Table no 6

ACQUISITION COST

	as at 01.03.2011
Cash	<u>12 000 000</u>
	<u>12 000 000</u>

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 7

NET ASSETS ACQUIRED	Fair value as at 01.03.2011
Goodwill	-
Other intangible fixed assets	68 754
Tangible fixed assets	697 329
Long-term prepayments	400 000
Inventory	7 056 827
Trade receivables	16 972 942
Other short-term receivables	229 585
Short-term prepayments	1 936 325
Cash and cash equivalents	115 577
Total assets	27 477 338
Short-term loans and credits	14 243 867
Trade liabilities	12 938 439
Other short-term liabilities	346 548
Provision for employee benefits	49 001
Other short-term provisions	199 020
Total liabilities	27 776 874
Net assets	(299 536)
Goodwill on acquisition	12 299 536
Acquisition cost	12 000 000

The gross value of long- and short-term receivables in Pol Cater Holding Sp. z o.o. and its subsidiary as at the acquisition date amounted to PLN 17,257,027, including PLN 54,500 of doubtful receivables (which the Group expects to recover).

The goodwill is recognized mainly due to the fact that with acquisition of Pol Cater Holding Sp. z o.o., Eurocash Group has strongly reinforced its position in the HoReCa segment. Pol Cater Holding Sp. z o.o., through its subsidiary Dania Fast Food Sp. z o.o. is among the leading distributors of fast moving consumer goods (FMCG) to HoReCa segment in Poland. The main customers are restaurant chains and independent restaurants, catering companies, and chains of fuel stations. Dania Fast Food Sp. z o.o. resells goods through its distribution centers located in Warsaw, Krakow, Katowice, Poznań, Łódź and Gdańsk. Pursuant to acquisition, the Group also expanded its customer base.

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

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

According to Resolution No. 9 of the Ordinary Shareholders' Meeting of Sieć Detalistów „Nasze Sklepy” Sp. z o.o. dated 5 July 2010, a decision was taken to liquidate the company and to announce opening of winding-up proceedings as of the date of passing the resolution by the shareholders. Winding up will be conducted under business name "Sieć Detalistów „Nasze Sklepy” Spółka z ograniczoną odpowiedzialnością w likwidacji [Limited

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Liability Company in Liquidation]”. Ireneusz Ługowski, Pedro Martinho and Jacek Owczarek were appointed as liquidators of the company.

Liquidation was registered by the Registration Court in Lublin on 20 October 2010.

Prior business of Sieć Detalistów „Nasze Sklepy” Sp. z o.o. was incorporated into the organizational structure of Eurocash S.A.

4. Settlement of acquisition price of Przedsiębiorstwo Handlowe Batna Sp. z o.o.

On the basis of analyses carried out during the measurement period (12 month of the acquisition date), the Group adjusted the estimations arising from initial provisional purchase price allocation of Przedsiębiorstwo Handlowe Batna Sp. z o.o. These adjustments are recognized in these consolidated financial statements.

In the final accounts, the Group identified the Batna trademark in the amount of PLN 10,000,000 and adjusted the prior value of goodwill.

According to IFRS 3, the Group modified the relevant comparative figures as though proper final purchase price allocation was performed as at the effective date of acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o., i.e. as at 30 November 2009.

The purchase price allocation of Przedsiębiorstwo Handlowe Batna Sp. z o.o. is presented below:

Table no 8

Net assets acquired	Fair value as at 30.11.2009
Other intangible assets	10 021 175
Property, plant and equipment	2 115 927
Deferred tax assets	332 005
Inventories	9 767 352
Trade receivables	6 030 293
Other short-term receivables	54 368
Short-term prepayments	61 157
Cash and cash equivalents	8 397 729
Total assets	36 780 006
Deferred tax liabilities	1 900 000
Employee benefits	17 278
Trade payables	16 943 916
Current tax liabilities	416 702
Other short-term payables	855 834
Current employee benefits	766 283
Total liabilities	20 900 013
Net assets	15 879 992
Goodwill on acquisition	29 180 413
Acquisition cost	45 060 405

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

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

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

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

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
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taken up by Emperia and sale of the remaining part of Shares by Emperia to Eurocash, a part of the price for the Shares will be paid in new shares of Eurocash. However, in the circumstances prescribed in the Agreement, the whole price for the Shares can be paid in cash.

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

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

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

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

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

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

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

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

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

6. Aggregate data concerning Eurocash S.A. Group during the period from 1.01 to 31.12.2010

Aggregate revenues of Eurocash Group without Pol Cater Holding Sp. z o.o. are presented in the following table:

Table no 9

AGGREGATED DATA OF EUROCASH S.A. GROUP FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010
Sale revenues	8 949 992 427

NOTE 5. BUSINESS COMBINATIONS

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

Pursuant to Resolution No. 19 of the Ordinary General Meeting of Shareholders of Eurocash S.A. dated 2 June 2010, and pursuant to Resolution No. 1 of the Extraordinary General Meeting of Shareholders of Przedsiębiorstwo Handlowe Batna Sp. z o.o. dated 2 June 2010, Eurocash S.A. and Przedsiębiorstwo Handlowe Batna Sp. z o.o. were combined through acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o. by Eurocash S.A., i.e. through transfer of all assets of Przedsiębiorstwo Handlowe Batna Sp. z o.o. as the acquired company to Eurocash S.A. as the acquiring company (combination through acquisition).

On 1 July 2010 the acquisition was recorded in the National Court Register.

The total number of shares from which votes were cast at the Ordinary General Meeting of Shareholders of Eurocash S.A. is 85,249,265, which constitutes 62.91% of the initial capital.

Basic data of the acquired company is presented in the following table:

GENERAL INFORMATION ABOUT BUSINESS ACQUISITION OF THE ENTITIES

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

Because the acquiring company was holding 100% shares in Przedsiębiorstwo Handlowe Batna Sp. z o.o. as the acquired company, the acquisition occurred without involving an increase of share capital of Eurocash S.A. This business combination has no effect to the consolidated financial statements of Eurocash S.A. Group.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

Pursuant to Resolution No. 5 of the Extraordinary General Meeting of Shareholders of Eurocash S.A. dated 11 August 2010, and pursuant to a resolution of the Extraordinary General Meeting of Shareholders of Eurocash Dystrybucja Sp. z o.o. dated 11 August 2010, Eurocash S.A. and Eurocash Dystrybucja Sp. z o.o. were combined through transfer of all assets of Eurocash Dystrybucja Sp. z o.o. as the acquired company to Eurocash S.A. as the acquiring company (combination through acquisition).

On 1 September 2010 the acquisition was recorded in the National Court Register.

The total number of shares from which votes were cast at the Extraordinary General Meeting of Shareholders of Eurocash S.A. is 93,062,807, constituting 68.26% of all issued shares as at the date of the Extraordinary General Meeting.

Basic data of the acquired company is presented in the following table:

GENERAL INFORMATION ABOUT BUSINESS ACQUISITION OF THE ENTITIES

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

Because the acquiring company was holding 100% shares in Eurocash Dystrybucja Sp. z o.o. as the acquired company, the acquisition occurred without involving an increase of share capital of Eurocash S.A.

This business combination has no effect to the consolidated financial statements of Eurocash S.A. Group.

NOTE 6. OPERATING SEGMENTS

As a result of the analysis of the business activities conducted by the Eurocash Group, taking into consideration the regulations specified in IFRS 8 Segment reporting, the Company made a decision to distinguish the following business segments of the capital Group:

- *traditional wholesale* – wholesale operations conducted by the Cash & Carry discount chain, including the entire operations of the dominant entity - Eurocash S.A., including a wholesale for franchisees Delikatesy Centrum and franchisees chain ABC and wholesale operations conducted by Batna, so that the total wholesale margins achieved by the Company was shown in one segment.
- *active distribution* – wholesale operations in the range of specialist active distribution of the FMCG goods, including operations of the subsidiary - KDWT S.A., active distribution segment of Eurocash S.A., which represents old Eurocash Dystrybucja activity as well as all newly acquired Premium Distributors companies. In this operating segment companies Group provide full logistic service to independent customers who buy from one of those (usually using trade credit)
- *others* –commercial business (franchising) running by Eurocash Franczyza sp. z o.o., Eurocash Trade 1 Sp. z o.o. and Eurocash Trade 2 Sp. z o.o., mainly acquisition of stores to Delikatesy Centrum franchise system running by Nasze Sklepy Sp. z o.o. w likwidacji, Eurocash S.A. Sp. Komandytowa. None of these types of activities meets the individual quantitative criteria of determination of separate reporting segments

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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.

The management of the Group Eurocash S.A. not conduct periodic review of assets and liabilities of individual business segments.

Financial information about each reporting segment is presented below.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
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Table no 10

REVENUES AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01.01 2010 TO 31.12.2010

	Traditional Wholesale	Active Distribution	Other	Eliminations	Total
Sales	4 529 324 900	3 808 526 208	81 077 040	(627 168 702)	7 791 759 447
External sales	4 131 718 780	3 615 677 427	44 363 240	-	7 791 759 447
Inter-segment sales	397 606 120	192 848 781	36 713 801	(627 168 702)	-
Operating profit	93 374 148	39 806 445	40 680 294	(3 415 372)	170 445 515
Finance income					5 967 799
Finance costs					(30 557 855)
Share of losses of equity accounted investees					(517 815)
Profit before income tax					145 337 644
Income tax					(16 891 224)
Profit for the period					128 446 420

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 11

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01.01 2009 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 income tax					128 772 446
Income tax					(26 250 675)
Profit for the period					102 521 771

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 7.

GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are presented in table below.

Table no 12

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2010

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible assets	Total
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	29 180 413	-	-	10 000 000	21 175	39 201 588
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)	(6 276 853)	(16 535 482)
Other changes	-	(3 645 444)	-	(60 000)	4 140 056	434 612
Carrying amount as at 31.12.2009	122 314 199	7 414 044	25 432 439	74 395 431	32 377 843	261 933 956
Net carrying value as at 01.01.2010	122 314 199	7 414 044	25 432 439	74 395 431	32 377 843	261 933 956
Acquisition through business combination	272 442 528	7 563 668	-	-	296 916	280 303 111
Other acquisitions	-	5 303 532	-	-	11 305 962	16 609 494
Increases due to the transfer of fixed assets under construction	-	541 242	-	-	50 000	591 242
Disposals	-	(7 875)	-	-	-	(7 875)
Liquidations	-	(8)	-	-	(587 272)	(587 280)
Amortisation	-	(5 512 780)	(5 449 808)	(1 234 000)	(7 554 004)	(19 750 593)
Other changes	-	33 047	-	-	(201 330)	(168 283)
Carrying amount as at 31.12.2010	394 756 727	15 334 870	19 982 631	73 161 431	35 688 114	538 923 773

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible assets	Total
<i>As at 01.01.2010</i>						
Cost	122 314 199	28 729 964	54 498 079	79 948 431	47 663 883	333 154 556
Accumulated amortisation and impairment losses	-	(21 315 920)	(29 065 640)	(5 553 000)	(15 286 040)	(71 220 600)
Carrying amount	122 314 199	7 414 044	25 432 439	74 395 431	32 377 843	261 933 956
<i>As at 31.12.2010</i>						
Cost	394 756 727	42 163 571	54 498 079	79 948 431	58 528 158	629 894 966
Accumulated amortisation and impairment losses	-	(26 828 700)	(34 515 448)	(6 787 000)	(22 840 044)	(90 971 193)
Carrying amount	394 756 727	15 334 870	19 982 631	73 161 431	35 688 114	538 923 773

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

- goodwill on acquisition of an organized part of "Carment, M. Stodółka i Wspólnicy Spółka Jawna" enterprise in the amount of PLN 11.565.477;
- goodwill on acquisition of "KDWT S.A" in the amount of PLN 22.103.227;
- goodwill on acquisition of "McLane Polska Sp. z o.o." in the amount of PLN 56.868.456;
- goodwill on acquisition of "Nasze Sklepy Sp. z o.o." in the amount of PLN 2.596.627;
- goodwill on acquisition of "Przedsiębiorstwo Handlowe Batna Sp. z o.o." in the amount of PLN 29.180.413;
- goodwill on acquisition of PD Group in the amount of PLN 272.442.528.

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

- "Eurocash" trademark with a carrying amount of PLN 27.387.672,
- "abc" trademark with a carrying amount of PLN 17.216.759,
- "KDWT" trademark with a carrying amount of PLN 13.004.000,
- "Batna" trademark with a carrying amount of PLN 10.000.000.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	<i>01.01-31.12.2010</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

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 31.12.2010 the carrying amount of that trademark was PLN 5.553.000.

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 31.12.2010 the carrying amount of the know-how was PLN 19.982.631.

Amortization of intangible assets is recognized as selling expenses.

The Group did not recognize any impairment losses in relation to intangible assets.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 8.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 13

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

	Land and buildings	Plant and equipment	Vehicles	Other non-current assets	Non-current assets under construction	Total
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	25 875 963	42 159 317
Finance lease	-	6 011 000	1 288 802	-	-	7 299 802
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)
Disposals	(411 840)	(2 433)	(480 813)	(68 694)	-	(963 781)
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
Carrying amount as at 01.01.2010	92 133 504	25 232 416	24 534 088	35 975 348	9 711 123	187 586 479
Acquisition through business combination	19 893 032	2 724 696	9 311 824	855 978	1 809 221	34 594 752
Other acquisitions	3 918 678	8 097 884	229 935	17 840 976	25 561 679	55 649 153
Increases due to the transfer of fixed assets under construction	19 586 532	1 586 483	-	4 380 351	(26 144 608)	(591 242)
Finance lease	-	-	7 160 464	-	-	7 160 464
Disposals	(982 118)	(252 848)	(433 578)	(1 930 523)	(5 222 263)	(8 821 330)
Liquidations	(119 519)	(307 759)	(961 682)	(323 905)	-	(1 712 865)
Depreciation	(11 084 910)	(7 416 867)	(9 128 225)	(12 886 770)	-	(40 516 772)
Other changes	-	519 493	-	-	-	519 493
Carrying amount as at 31.12.2010	123 345 198	30 183 498	30 712 826	43 911 456	5 715 153	233 868 131

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

	Land and buildings	Plant and equipment	Vehicles	Other non-current assets	Non-current assets under construction	Total
<i>As at 01.01.2010</i>						
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
<i>As at 31.12.2010</i>						
Cost	172 405 132	71 395 264	71 162 611	102 609 302	5 715 153	423 287 462
Accumulated amortisation and impairment losses	(49 059 934)	(41 211 766)	(40 449 785)	(58 697 847)	-	(189 419 331)
Carrying amount	123 345 198	30 183 498	30 712 826	43 911 456	5 715 153	233 868 131

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 32.981,8 thousand (31.12.2009: PLN 34.688,8 thousand), and the amount payable to the lessor in this respect amounted to PLN 31.476,7 thousand (31.12.2009: PLN 29.702,8 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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 9.

ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

According to IAS 36 as at 31 December 2010, 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 31.12.2011.

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

- impairment test of the "Eurocash" trademark as at 31.12.2010

Test confirmed that it is not necessary to recognize impairment loss.

The subsequent impairment test is planned on 31.12.2011.

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.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- impairment test of the "abc" trademark as at 31.12.2010:

Test confirmed that it is not necessary to recognize impairment loss.

The subsequent impairment test is planned on 31.12.2011.

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 31.12.2010

Test confirmed that it is not necessary to recognize impairment loss.

The subsequent impairment test is planned on 31.12.2011.

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.

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 31.12.2010

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

The subsequent impairment test is planned on 31.12.2011.

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.

An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

- impairment test of goodwill arising from acquisition of KDWT S.A. performed as at 31.12.2010:

Test confirmed that it is not necessary to recognize impairment loss.

The subsequent impairment test is planned on 31.12.2011.

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.

An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

- impairment test of goodwill arising from acquisition of Eurocash Dystrybucja Polska Sp. z o.o. performed as at 31.12.2010:

The test confirmed that it is not necessary to recognize impairment loss.

The subsequent impairment test is planned on 31.12.2011.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji performed as at 31.12.2010:
Test confirmed that it is not necessary to recognize impairment loss.
The subsequent impairment test is planned on 31.12.2011.

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.

An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

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

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.

An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

- impairment test of goodwill arising from acquisition of Premium Distributors Group performed as at 31.12.2010:
Test confirmed that it is not necessary to recognize impairment loss.
The subsequent impairment test is planned on 31.12.2011.

Recoverable value was compared to the carrying amount, defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of the operating capital.

An excess of recoverable value over the carrying amount of the cash-generating unit was compared to the value of goodwill recognized in the consolidated financial statements.

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

beta factor, the debt to market capitalization ratio exceeding 100%, or the profit margin exceeding the margin generated by Eurocash Group.

NOTE 10. INVESTMENT PROPERTIES

Investment properties are presented below:

Table no 14

INVESTMENT PROPERTY AS AT 31.12.2010		
	as at 31.12.2010	as at 31.12.2009
Opening balance	-	-
Acquisition	-	37 766 428
Disposal	-	(37 766 428)
Closing balance	-	-

NOTE 11. ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

Investments in associates are presented below:

Table no 15

INVESTMENTS IN ASSOCIATES COMPANIES AS AT 31.12.2010		
	as at 31.12.2010	as at 31.12.2009
Opening balance	543 123	1 710 920
Increases in reporting period:	-	-
Decreases in reporting period:	(517 815)	(1 167 797)
interest in losses of associates	(517 815)	(1 167 797)
Closing balance	25 308	543 123

NOTE 12. OTHER INVESTMENTS

Other investments are presented below:

Table no 16

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2010		
	as at 31.12.2010	as at 31.12.2009
Shares	105 500	87 000
Loans granted	6 247 500	-
	6 353 000	87 000

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 13. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 17

LONG-TERM RECEIVABLES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Security deposits on rental agreements	1 132 847	1 283 172
Other long-term receivables	687 000	768 000
	1 819 847	2 051 172

NOTE 14. INVENTORIES

Inventories are presented below:

Table no 18

INVENTORIES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Merchandise	634 535 538	365 289 831
Materials	389 250	495 362
Total inventories, including:	634 924 788	365 785 193
- carrying amount of inventory deposits securing payments of liabilities	78 500 000	85 150 000

Table no 19

ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period od 01.01.2010 do 31.12.2010	for the period od 01.01.2009 do 31.12.2009
Opening balance	7 908 360	9 901 795
- increase in the allowance during the period	20 296 338	4 770 066
- reversal of the allowance during the period	(2 676 703)	(3 075 904)
- write-offs during the period	(1 347 875)	(3 687 597)
Closing balance	24 180 120	7 908 360

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 15.
TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented below:

Table no 20

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Trade receivables	668 675 347	374 585 268
Credit sales	432 348 321	227 236 679
Receivables from suppliers	239 765 572	118 544 298
Factoring	31 243 023	30 060 334
Franchise fees	3 930 756	2 986 981
Other trade receivables	6 764 636	7 203 098
Allowance for bad debts	(45 376 962)	(11 446 122)
Current tax assets	4 196 979	221 793
Other receivables	57 560 523	30 477 181
VAT settlements	46 096 374	20 368 218
Receivables from employees	2 381 393	578 498
Loans granted	537 810	1 069 812
Insurance claims receivables	718 384	430 477
Receivables subject to legal proceedings	26 723 261	17 384 758
Receivables from sales of terminals	-	6 624 112
Other franchise fees	687 470	-
Other receivables	9 254 482	2 599 663
Short-term cession	12 057 170	-
Allowance for other bad debts	(40 895 823)	(18 578 358)
Total receivables, including:	730 432 850	405 284 242
- short-term	730 432 850	405 284 242

NOTE 16.
OTHER SHORT-TERM INVESTMENTS

Other short-term investments are presented below:

Table no 21

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2010

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 17. SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 22

SHORT-TERM PREPAYMENTS AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Software	606 249	786 602
Alcohol licences	2 598 297	1 216 412
Rents	1 121 977	841 397
Media	129 704	39 088
Advertising folders	167 150	191 509
Insurances	1 269 166	494 148
Tolls, vignette	20 689	53 107
Interests on finance lease	30 914	51 869
Logistic project Bain	169 725	286 730
Business meeting's costs	1 654 823	414 491
Expenses relating to future transactions	2 756 810	-
Other prepayments	1 344 242	536 990
	11 869 746	4 912 343

NOTE 18. CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below:

Table no 23

CASH AND CASH EQUIVALENTS AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Cash at bank	12 025 662	9 579 798
Cash on hand	1 771 472	624 168
Cash in transit	28 699 815	15 848 776
Cash on deposits	167 697 160	129 241 598
Cash restricted to use	1 299 623	2 152 572
Money vouchers	6 190	5 050
Total cash	211 499 922	157 451 962

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

NOTE 19. 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;

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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 no 24

SECURITY IN RELATION TO CASH POOL AS AT 31.12.2010

Entity	Currency	Security
Eurocash	PLN	190 000 000
KDWT	PLN	80 000 000
Muti Ex	PLN	26 000 000
Delikates	PLN	28 600 000
Miro	PLN	16 500 000
Eurocash Franczyza	PLN	15 000 000
PHS	PLN	15 000 000
SaoI	PLN	11 600 000
PHA	PLN	8 800 000
Dako Galant	PLN	7 500 000
Panta Hurt	PLN	6 500 000
MTC	PLN	8 300 000
Astor	PLN	6 500 000
Agis	PLN	4 600 000
Damianex	PLN	9 200 000
Onufry	PLN	2 000 000
Premium Distributors	PLN	1 000 000
Eurocash Trade 1	PLN	100 000
Eurocash Trade 2	PLN	100 000
		437 300 000

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 below:

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 25

CASH AND CASH EQUIVALENTS IN GROUP COMPANIES AS AT 31.12.2010

	Eurocash S.A.	KDWT S.A.	Eurocash Franczyza Sp. z o.o.	Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji	Eurocash Trade 1 i Trade 2 Sp. z o.o.	Eurocash Spółka Akcyjna Sp. k.	Companies from Premium Distributors Group	Total
Total amount of cash and cash equivalents	187 264 019	32 137 167	24 094 381	188 529	-	1 568 158	14 912 179	260 164 433
Bank overdrafts	(10 988 471)	-	-	-	(69 429)	-	(37 606 611)	(48 664 511)
Cash pool	10 988 471	(24 570 130)	(24 094 381)	-	69 429	-	37 606 611	-
Cash and cash equivalents in the statement of financial position	187 264 019	7 567 037	-	188 529	-	1 568 158	14 912 179	211 499 922

**NOTE 20.
SHARE CAPITAL**

Share capital is presented below:

Table no 26

SHARE CAPITAL AS AT 31.12.2010

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

As at 31 December 2010 share capital consisted of 136.429.761 ordinary shares, including:

- 127.742.000 A series ordinary shares to the bearer with nominal value of 1 PLN each,
- 3.035.550 B series ordinary shares to the bearer with nominal value of 1 PLN each,
- 2.929.550 C series ordinary shares to the bearer with nominal value of 1 PLN each,
- 830.000 D series ordinary shares to the bearer with nominal value of 1 PLN each,
- 537.636 F series ordinary shares to the bearer with nominal value of 1 PLN each,
- 1.355.025 E series ordinary shares to the bearer with nominal value of 1 PLN each.

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

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 27

SHAREHOLDERS STRUCTURE

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

Table no 28

SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2010

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

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

Amendment of the Company Articles of Eurocash S.A.

Through Resolution no. 4 of the Extraordinary General Meeting of Eurocash S.A. of October 25, 2010, a decision was made to amend the Articles of Association of the Company as follows: "If Politra B.V. of Amsterdam, duly incorporated and operating under the laws of the Netherlands (or any of its legal successors) holds 30% or more shares in the initial capital of the Company, it shall be entitled to appoint and dismiss 3 (three) members of the Supervisory Board".

Conditional Share Capital Increase

On October 27, 2010 changes of the Articles of Association arising from Resolutions of the Extraordinary General Meeting of October 25, 2010 were recorded in the National Court Register, specifically including amendment of the Articles of Association of the Company concerning conditional increase of the Company's share capital by not more than PLN 11,285,056 through issue of not more than 11,285,056 "L" ordinary bearer shares with a face value of 1 PLN each.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 21. OTHER RESERVES

Other reserves are presented below:

Table no 29

CHANGES TO OTHER RESERVES IN THE PERIOD FROM 01.01 TO 31.12.2010

	Treasury shares	Reserve capital	Treasury shares reserve	Hedging reserve	Total
<i>Balance as at 01.01.2009</i>	-	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
Transfer to reserve capital	-	34 869 633	-	-	34 869 633
Equity-settled share-based payments	-	4 350 940	-	-	4 350 940
Share option exercised	-	14 444 680	-	-	14 444 680
Share buy-back plan	-	(14 000 000)	14 000 000	-	-
Decreases in the period from 01.01 to 31.12.2009	(1 115 507)	840 952	(1 115 507)	-	(1 390 062)
Floatation costs - Share option exercised	-	(274 555)	-	-	(274 555)
Treasury shares acquired	(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
<i>Balance as at 01.01.2010</i>	(1 115 507)	117 714 270	12 884 493	(4 645 000)	124 838 256
Change in accounting policies	-	(3 336 827)	-	-	(3 336 827)
<i>Balance as at 01.01.2010 after corrections</i>	(1 115 507)	114 377 443	12 884 493	(4 645 000)	121 501 429
Increases in the period from 01.01 to 31.12.2010	-	60 610 512	-	-	60 610 512
Retained earnings from 01.01 to 31.12.2010	-	46 635 144	-	-	46 635 144
Valuation of the Incentive Programme for employees	-	3 227 302	-	-	3 227 302
Share issue - Equity-settled share-based payment	-	10 722 421	-	-	10 722 421
Other	-	25 645	-	-	25 645
Decreases in the period from 01.01 to 31.12.2010	-	(87 085)	-	-	(87 085)
Floatation costs - Share option exercised	-	(87 085)	-	-	(87 085)
Balance as at 31.12.2010	(1 115 507)	174 900 870	12 884 493	(4 645 000)	182 024 857

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 2010 the Group was a holder of 77,693 treasury shares with a nominal value of PLN 77,693. In the period from 1 January to 31 December 2010 the Group has not acquired any treasury shares.

Dividend

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

According to the Resolution 3 of the General Meeting dated 2 June 2010 the net profit for 2009 amounting to PLN 62.299.893 was allocated as follows: the amount of PLN 50.396.800,16 was allocated to pay a dividend of PLN 0,37 per share (paid on 29 June 2010), the remaining part of net profit was allocated to the reserve capital.

NOTE 22. SHARE OPTIONS

Treasury share options are presented below:

Table no 30

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2010

	Number of options	Weighted average exercise prices (PLN/share)
Existing at the beginning of the reporting period	4 006 775	8,89
Granted in the reporting period	197 500	26,59
Exercised in the reporting period	(1 725 025)	7,22
Expired in the reporting period	-	-
Existing at the end of the reporting period	2 479 250	10,75
including:		
Exercisable at the end of the period	241 750	7,87

1. According to the Resolution 17 of the General Meeting of Eurocash S.A. dated 25 April 2006 on KDWT Incentive Programme issue of C series bonds was prescribed, to be allocated to certain members of managing staff of KDWT S.A., entitled to participate in the Incentive Programme. These bonds could be acquired only in the following maximum quantities and only by Authorized Employees:

Mr. Roman Piątkiewicz – 253,611 C series bonds,

Mr. Mieczysław Kuśnierzak – 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 and in the period from 1 January to 31 March 2010 a total of 370.000 D series ordinary shares were taken up through exercising C series registered bonds. These shares were taken up at the price of PLN 4.82 per share, and the market price of Eurocash S.A. shares listed at the Warsaw Stock Exchange ranged between PLN 9.00 and PLN 20 per share during that period. The average share price during the period was PLN 12.87 per share.

Till 31 December 2010 all 415,000 bonds were exercised and 830,000 shares were taken up.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2. According to the Resolution 19 of the General Meeting of Eurocash S.A. dated 25 April 2006 on the Third Incentive Programme, issue of D series bonds was prescribed, to be allocated to certain members of managing staff, supervisory staff and key personnel of Eurocash S.A. and of KDWT S.A.

The Authorized Employees may accept the offer to buy D series bonds not earlier than on the first working day of the period starting on 1 January 2010 and ending on 31 December 2012. During that period the Authorized Employees may exercise their right to subscribe E series shares, and not later than on the third working day before the last day of the Third Period of Options Exercise by Employees.

Eurocash S.A. issued a total of 63,871 D series registered bonds.

The bonds are zero-interest bonds.

The issue price is PLN 0.01.

One D series bond carries the title to subscribe and take up 25 E series ordinary shares to the bearer.

The vesting condition entitling the employees to receive share options is 3 years employment period starting from 1 December 2006. The final list of Authorized Employees entitled to receive D series bonds was determined based on the Resolution of the Supervisory Board of Eurocash S.A. dated 1 December 2009.

Based on the Resolution of the Supervisory Board of Eurocash S.A. dated 24 November 2009, the issue price of E series shares was determined as PLN 7.87.

The 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.

During the period from 1 January 2010 to 31 December 2010, a total of 1,355,025 ordinary E shares were taken up in course of exercising registered D bonds. The shares were taken up for a price of PLN 7.87 per share, where the list price of Eurocash S.A. shares at the Warsaw Stock Exchange ranged from PLN 15.51 to PLN 29.45 per share. The average share price during the period was PLN 21.90 per share.

Until 31 December 2010 9,670 bonds remained unexercised, entitling to take up 241,750 shares. They can be exercised until the end of the Options Exercise Term, i.e. until 31 December 2012.

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

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

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

The bonds are zero-interest bonds.

One F series bond carries the preemptive right to subscribe and take up 25 G series shares.

One G series bond carries the preemptive right to subscribe and take up 25 H series shares.

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

A list of employees qualified as Pre-Authorized to receive the G series bonds was approved based on the Resolution of the General Meeting of Eurocash S.A. dated 25 May 2009.

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

Through a Resolution of the Supervisory Board dated 23 November 2010, the issue price of G Shares was determined as PLN 9.78.

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

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

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

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

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

The 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.

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

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

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

The total face value of H Bonds issue is PLN 79 (seventy-nine).

The bonds are zero-interest bonds.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

H Bonds will be repurchased by the Company on January 02, 2015 through payment of a cash amount equivalent to the face value of the Bonds.

H Bonds will be non-documentary bonds. Rights under the Bonds will arise at the time of entry of the Bond in the registry by bank or brokerage house and will be vested in the person named therein as holder.

The persons authorized to receive all or part of H Bonds shall only be the managers, directors and key personnel of the Company and Eurocash Group, who were employed and actively pursuing their duties during the 3-year period commencing on 1 December 2010. The list of persons qualified as Initially Authorized to acquire H Bonds will be determined by the Supervisory Board not later than 31 May 2011 and approved through a resolution of the General Meeting of Shareholders.

The final list of Authorized Persons shall include the persons listed as Initially Authorized Persons, with the exception of those employees whose employment with the Company or with Eurocash Group has been terminated, including any new beneficiaries of title to receive H Bonds as an award for outstanding results ("Awarded Persons"). Such list will be the basis for identifying the persons who will receive offers to buy H Bonds. H Bond Holders are entitled to subscribe and to take up I Shares with priority before the shareholders of the Company during the period from 1 January 2012 to 31 December 2014.

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

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

Table no 31

OPTION VALUATION AS AT 31.12.2010

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

Total costs of share option programs charged to the Group's income statement for 2010 amounted to PLN 3.227.302 (2009 r.: PLN 4.350.940).

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 23. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 32

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2009 TO 31.12.2010

	Employee benefits	Accrual for agents' commissions	Accrual for costs of transport	Provision for advertising costs
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	-	-	-
Provisions and accruals as at 01.01.2010	22 191 399	824 227	431 055	6 752 832
Increases	10 096 699	33 464 662	5 516 960	20 021 113
Decreases	(15 392 197)	(33 983 564)	(5 139 620)	(14 172 445)
Provisions and accruals as at 31.12.2010, including:	16 895 902	305 325	808 395	12 601 500
- short-term	15 755 961	305 325	808 395	12 601 500
- long-term	1 139 941	-	-	-

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2009 TO 31.12.2010 (continued)

	Accrual for costs of media	Accrual for bonuses for individual customers	Provision for potential losses related to aquisition of Eurocash Dystrybucja Sp. z o.o.	Onerous contract	Other	Total
Provisions and accruals as at 01.01.2009	647 648	198 043	17 144 000	1 298 808	11 115 772	50 121 512
Increases	4 629 561	1 463 130	-	-	11 376 987	91 762 681
Decreases	(4 109 556)	(1 386 993)	-	(1 298 808)	(12 842 458)	(83 448 545)
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
Provisions and accruals as at 01.01.2010	1 167 653	274 180	17 144 000	-	9 650 301	58 435 647
Increases	13 833 299	626 981	-	6 000 000	10 695 067	100 254 781
Decreases	(13 031 526)	(274 270)	-	-	(1 961 240)	(83 954 861)
Provisions and accruals as at 31.12.2010, including:	1 969 426	626 891	17 144 000	6 000 000	18 384 128	74 735 567
- short-term	1 969 426	626 891	-	6 000 000	18 384 128	56 451 626
- long-term	-	-	17 144 000	-	-	18 283 941

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 33

PROVISIONS AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Employee benefits	16 895 901	22 191 399
Accrual for advertising costs	12 601 500	6 752 831
Accrual for bonuses of individual customers	626 891	274 180
Accrual for agent's commissions	305 325	824 227
Accrual for costs of transport	808 395	431 055
Accrual for costs of media	1 969 426	1 167 653
Onerous contract	6 000 000	-
Accrual for rental costs	663 234	489 850
Accrual for advisory and audit	1 985 174	1 544 994
Provision for potential losses related to acquisition of Eurocash Dystrybucja Sp. z	17 144 000	17 144 000
Accrued liabilities due to settlement with suppliers	998 078	2 054 420
Provision for insolvent contractors	1 680 237	1 193 609
Other provisions and accruals	13 057 406	4 367 430
	74 735 567	58 435 647
- long-term	18 283 941	17 712 944
- short-term	56 451 626	40 722 703

NOTE 24.

TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 34

TRADE AND OTHER PAYABLES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Trade payables	1 408 794 731	866 475 635
Payables due to purchase of goods	1 387 348 814	847 235 500
Payables due to services received	21 445 917	19 240 135
Current tax liabilities	2 151 797	11 441 984
Other payables	45 581 673	20 377 496
VAT settlements	3 149 197	1 021 591
Liabilities due to social securities	6 647 540	4 502 907
Liabilities due to purchases of assets	6 937 875	7 148 154
Liabilities due to taxes and insurances	4 871 073	982 470
Liabilities in relation to acquisitions	7 16 035	5 468 925
Overpayments	18 155 576	-
Other payables	5 104 377	1 253 448
Total payables, including:	1 456 528 201	898 295 115
- long-term	400 000	400 000
- short-term	1 456 128 201	897 895 115

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 25. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 35

LOANS AND BORROWINGS AS AT 31.12.2010

	Destination	Carrying amount	Interest rate	Costs for the period from 01.01.2010 to 31.12.2010
Bank loans		343 483 944		6 853 581
ING S.A.	Investment long-term loan for acquisition of CEDC	256 586 164	WIBOR 1M 2 working days before payment date + bank margin	-
ING S.A.	Investment short-term loan for acquisition of CEDC	86 897 780	WIBOR 1M 2 working days before payment date + bank margin	6 853 581
Total loans and borrowings		343 483 944		6 853 581
- long term		256 586 164		
- short-term		86 897 780		

Pursuant to acquisition of shares and stocks in Premium Distributors Group companies on August 02, 2010, Eurocash S.A. entered into a credit agreement with ING Bank S.A. whereunder ING Bank S.A. extended a credit facility to the Company in the amount of PLN 380,000,000 for financing purchase of shares and stocks in Premium Distributors Group companies. The agreement was made for a period of 5 years. The Group has utilized the amount of PLN 340,500,000.

The Company's debt arising from the credit has been secured with liens and registered pledges on shares and stocks of acquired companies, and guaranteed by Eurocash S.A. subsidiaries. The guarantee covers the Company's debt arising from the aforementioned credit agreement, particularly the obligations due to the credit, interest and commission charges, including enforcement costs in the event of non-performance by the Company of its obligations within the deadlines prescribed in the above specified credit agreement, up to a total of PLN 456,000,000. Every guarantor filed a statement of voluntary submission to enforcement under a bank enforcement title up to the amount of PLN 456,000,000, with authority for the Bank to apply to court for immediate execution clause for the bank enforcement title until December 31, 2016.

NOTE 26. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 36

FINANCIAL LIABILITIES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Finance lease liabilities	31 476 711	29 702 845
Liabilities due to financing of franchisees	31 243 023	30 060 334
	62 719 734	59 763 179
- long-term	23 225 866	22 498 092
- short-term	39 493 868	37 265 087

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

FINANCE LEASE

Table no 37

FINANCE LEASE AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2010	as at 31.12.2009	as at 31.12.2009
	minimum lease payments	present value of minimum lease payments	minimum lease payments	present value of minimum lease payments
<i>Future minimum lease payments due to finance lease agreements</i>				
Less than one year	10 226 254	8 250 845	9 076 215	7 204 753
Between one and five years	25 326 699	21 745 634	19 223 278	15 753 886
More than five years	1 832 415	1 480 232	7 378 994	6 744 206
Total future minimum lease payments due to finance lease agreements	37 385 369	31 476 711	35 678 488	29 702 845
Finance costs	5 908 658	X	5 975 643	X
Present value of minimum lease payments due to finance lease agreements	31 476 711	31 476 711	29 702 845	29 702 845

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	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 below:

Table no 38

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31 DECEMBER 2010

	as at 31.12.2010	as at 31.12.2009
<i>Future minimum lease payments due to operating lease agreements</i>		
Less than one year	53 179 862	35 556 811
Between one and five years	169 368 463	117 881 078
More than five years	94 628 005	45 089 523
Total future minimum lease payments due to operating lease agreements	317 176 330	198 527 412

Operating lease payments for 2010 amounted to PLN 57.920.005 (2009: PLN 48.208.809).

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 27. INCOME TAX

Income tax for the reporting period is presented below:

Table no 39

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

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
<i>Income statement</i>		
Current income tax	(16 490 473)	(28 401 495)
Current income tax burden	(17 507 353)	(28 354 827)
Additional income tax related to previous years	1 016 880	(46 668)
Deferred tax	(400 750)	2 150 820
Due to temporary tax differences	(400 750)	2 150 820
Total income tax	(16 891 224)	(26 250 675)

Table no 40

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2010 (main components)

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

Table no 41

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2010 (main components)

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Profit before tax	145 337 644	128 772 446
Tax calculated on tax base 19%	(27 614 152)	(24 466 765)
Permanent tax differences	(2 805 588)	(2 526 599)
Tax losses from prior years, for which the deferred tax asset was recognized in current year	-	1 029 085
Tax losses, for which the deferred tax asset was not recognized	(70 546)	-
Tax influence of the limited partnership's income and costs	7 019 564	-
Contribution of trademarks to the limited partnership	3 275 386	-
Positive temporary differences in the limited partnership, for which the deferred tax liability was not recognized	3 485 947	-
Tax result of mergers	451 935	-
Write-down of impaired deferred tax assets	(687 693)	-
Share of associate's result, for which the deferred tax was not recognized	(98 385)	(221 881)
Other differences	152 308	(64 515)
Income tax in Income statement	(16 891 224)	(26 250 675)
Effective tax rate	11,62%	20,39%

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 28. DEFFERED TAX

Deferred tax is presented below:

Table no 42

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

	Statement of financial position		Income statement		Business combinations		Statement of comprehensive income	
	as at 31.12.2010	as at 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
<i>Deferred tax liabilities</i>								
- difference between tax and accounting depreciation and amortization	16 024 291	15 850 408	135 207	1 430 108	38 676	-	-	-
- deferred income	5 453 235	4 031 069	1 242 414	(2 562 482)	179 752	-	-	-
- unrealized interest income	175 716	120 501	55 163	19 358	52	-	-	-
- finance lease liabilities	679 472	949 343	(350 780)	188 553	80 909	-	-	-
- unrealized exchange gains	-	16 953	(326 877)	(5 781)	309 924	-	-	-
- difference between tax and accounting value of BATNA trademark	-	1 900 000	(1 900 000)	-	-	1 900 000	-	-
- deferred compensations	519 632	-	519 632	-	-	-	-	-
- other	327 002	278 819	20 285	15 073	27 899	-	-	-
Gross deferred tax liabilities	23 179 348	23 147 093	(604 957)	(915 172)	637 212	1 900 000	-	-

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

	Statement of financial position		Income statement		Business combinations		Statement of comprehensive income	
	as at 31.12.2010	as at 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
<i>Deferred tax assets</i>								
-change of accounting policy regarding inventories	-	-	782 712	-	-	-	-	-
- deferred rebates	5 702 210	4 641 840	(1 062 358)	(1 045 536)	1 988	(38 889)	-	-
- allowance for inventories	5 121 377	2 438 605	(2 227 151)	408 198	(455 620)	(213 054)	-	-
- allowance for bad debts	5 007 279	2 449 759	(1 158 520)	(1 361 631)	(1 399 000)	(326)	-	-
- tax losses from prior years	11 170 475	1 424 132	6 297 657	919 082	(16 044 000)	-	-	-
- tax gain on sale of fixed assets	639 808	-	(639 808)	-	-	-	-	-
- unused holiday accrual	1 253 837	872 299	(362 257)	(27 925)	(19 281)	(15 683)	-	-
- bonuses accrual	356 960	1 959 429	1 647 441	(590 173)	(44 971)	-	-	-
- unpaid salaries and social benefits	189 383	57 618	(21 135)	1 102 266	(110 629)	(55 211)	-	-
- retirement provisions	231 813	89 982	(141 831)	(39 302)	-	(3 283)	-	-
- renting costs accrual	128 153	156 066	27 914	105 288	-	-	-	-
- postal and telecommunication costs accrual	2 142 331	1 285 387	(855 110)	(1 105 833)	(1 834)	-	-	-
- transport costs accrual	141 147	106 765	(34 383)	34 452	-	-	-	-
- other provisions	358 030	221 292	(132 997)	(103 369)	(3 741)	-	-	-
- accrual for advisory costs	272 528	208 049	555 041	(11 677)	(619 520)	-	-	-
- settlements with Amrest	142 596	135 672	(6 924)	-	-	-	-	-
- unrealized exchange losses	62	56 284	56 222	(29 582)	-	-	-	-
- hedge valuation	-	1 016 880	1 016 880	-	-	-	-	-
- accrual for interest from overdue payments	2 963 762	2 362 167	(601 595)	(1 375 885)	-	-	-	-
- unpaid liabilities' interest	886 311	403 010	(483 301)	3 362	-	-	-	-
- unpaid loans' interest	757 185	-	(757 185)	-	-	-	-	-
- other provisions and accruals	4 883 141	438 541	(893 603)	1 882 617	(3 518 107)	(5 559)	-	-
- contribution of trademarks to the limited partnership	43 328 541	-	(43 328 541)	-	-	-	-	-
Gross deferred tax assets	85 676 930	20 323 777	(42 322 834)	(1 235 648)	(22 214 716)	(332 005)	-	-
Deferred tax asset allowance	(43 328 541)	-	43 328 541	-	-	-	-	-
Deferred tax assets	42 348 389	20 323 777	1 005 707	(1 235 648)	(22 214 716)	(332 005)	-	-
Deferred tax			400 750	(2 150 820)	(21 577 504)	1 567 995	-	-
Net deferred tax liabilities	8 408 365	8 947 803	X	X	X	X	X	X
Net deferred tax assets	27 577 406	6 124 488	X	X	X	X	X	X

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 29.
OTHER LONG-TERM PREPAYMENTS**

Other long-term prepayments are presented below:

Table no 43

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Rentals	135 648	-
Logistic project - Solving	-	196 417
Interests on finance lease	4 798	-
Alcohol licences	1 718 616	178 754
IT licences	147 511	82 304
Other prepayments	679 230	34 748
	2 685 803	492 224

**NOTE 30.
SALES IN THE REPORTING PERIOD**

Sales are presented below:

Table no 44

SALE IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Sale of goods	7 534 129 989	6 528 211 652
Sale of services	257 629 458	170 129 309
Total sale	7 791 759 447	6 698 340 961

**NOTE 31.
COSTS BY TYPE**

Costs by type are presented below:

Table no 45

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Depretiation	60 267 365	49 317 742
Materials and energy	51 539 066	36 778 960
External services	218 277 229	180 048 598
Taxes and charges	16 734 718	10 447 367
Payroll	201 189 038	147 930 478
Social security and other benefits	41 243 361	29 022 432
Other costs by type	26 790 464	17 907 510
Costs by type	616 041 241	471 453 087
including:		
Selling expenses	454 270 053	344 623 821
General and administrative expenses	161 771 188	126 829 266

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 32. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 46

OTHER OPERATING INCOME AND EXPENSES IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Other operating income	26 051 327	25 311 606
Penalties for suppliers	5 752 007	4 848 965
Other sales	5 228 336	2 952 842
Sub-lease of premises	2 318 163	2 341 755
Compensation received	1 412 561	937 988
Revenues from transport services	645 761	864 075
Profit on sales of fixed assets	-	1 295 473
Reversal of provision for closed locations	-	1 200 000
Settlements with suppliers	-	1 260 368
Reversal of allowance for bad debts	1 895 492	2 688 135
Reversal of allowance for inventories	921 336	1 888 674
Expired litigations and payables	2 794 746	-
Other	5 082 925	5 033 331
Other operating expenses	(40 830 272)	(32 892 069)
Inventory shortages	(13 139 566)	(10 940 699)
Liquidation of damages and expired goods	(9 364 058)	(10 413 118)
Losses from disposals of property, plant and equipment	(1 561 434)	(918 328)
Allowance for bad debts	(1 289 690)	(4 767 317)
Allowance for inventory	(7 790 442)	(1 156 110)
Settlements with suppliers	-	(2 344 709)
Expired receivables and lost litigations	(3 616 711)	-
Other	(4 068 370)	(2 351 788)
Net other operating expenses	(14 778 945)	(7 580 463)

NOTE 33. FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 47

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Finance income	5 967 799	6 188 858
Interest	4 979 200	3 994 931
Revenues from discounts	-	1 172 964
Foreign exchange gains	-	109 462
Other financial income	988 599	911 501
Finance costs	(30 557 855)	(21 449 397)
Interest	(28 726 118)	(18 512 080)
Foreign exchange losses	(160 201)	(186 166)
Other finance costs	(1 671 536)	(2 751 151)
Net finance expenses	(24 590 056)	(15 260 539)

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Net foreign exchange gains (losses) are presented below:

Table no 48

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

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Finance income	434 040	109 462
Finance costs	(594 241)	(186 166)
Total	(160 201)	(76 704)

**NOTE 34.
EARNINGS PER SHARE**

Earnings per share are presented below:

Table no 49

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
<i>Earnings</i>		
Profit for the period attributable to the Owners of the Company	128 455 787	102 535 877
Profit for the period attributable to the Owners of the Company (diluted)	128 455 787	102 535 877
<i>Number of issued shares</i>		
Weighted average number of shares	136 276 586	135 203 460
Dilution effect of potential number of shares:		
Effect of share options exercised in 2009	-	(1 108 968)
Effect of share options exercised in 2010	(156 682)	(155 628)
Convertible bonds	1 733 652	1 959 045
Weighted average number of shares (to calculate diluted earnings per share)	137 853 556	135 897 909
Earnings per share		
- basic	0,94	0,76
- diluted	0,93	0,75

Calculation of weighted average number of shares

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

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

Calculation of weighted average diluted number of shares

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 22.

NOTE 35.

BOOK VALUE PER SHARE

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

Table no 50

BOOK VALUE PER SHARE ON 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Equity attributable to Owners of the Company	457 093 215	366 789 525
Number of shares (excl. treasury shares)	136 352 068	134 627 043
Diluted number of shares	138 831 318	138 633 818
Book value per share	3,35	2,72
Diluted book value per share	3,29	2,65

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 36. RELATED PARTY DISCLOSURES

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

Table no 51

NA RZECZ SPÓŁKI	EUROCASH S.A. GROUP
Trade receivables	
PayUp	2 606 369
Other receivables	
PayUp	-
Loans granted	
PayUp	9 263 319
Trade payables	
PayUp	13 218 185
Other payables	
PayUp	-
Sales of merchandise	
PayUp	-
Sales of services	
PayUp	4 263 847
Other sales	
PayUp	15 819
Costs of goods sold	
PayUp	213 245 521
Costs of services	
PayUp	-
Other costs	
PayUp	-

Table below present summarized values of remuneration, bonuses, rewards and other benefits paid or due to Members of Management Board and Supervisory Board of Eurocash S.A. Company during the period from 1 January 2010 to 31 December 2010.

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.

Table no 52

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2010

	Basic salary	Salary earned in related companies	Other benefits	Managerial options	Total
<i>Remuneration of the Members of the Management Board</i>					
Luis Amaral	300 000	-	878 834	-	1 178 834
Rui Amaral	675 000	61 500	8 165	205 258	949 923
Arnaldo Guerreiro	690 000	80 000	14 267	164 578	948 845
Pedro Martinho	570 000	200 000	11 417	227 189	1 008 606
Katarzyna Kopaczewska	472 004	71 500	8 165	115 828	667 497
Jacek Owczarek	730 800	80 000	14 267	69 755	894 822
Ryszard Majer	355 920	-	132 113	56 187	544 220
	3 793 724	493 000	1 067 228	838 795	6 192 747

Remuneration of the Members of the Supervisory Board

Joao Borges de Assuncao	102 886	-	-	-	102 886
Eduardo Aguinaga de Moraes	48 842	-	-	-	48 842
Ryszard Wojnowski	49 385	-	-	-	49 385
Janusz Lisowski	49 385	-	-	-	49 385
Antonio Jose Santos Silva Casanova	49 385	-	-	-	49 385
	299 883	-	-	-	299 883

**NOTE 37.
EMPLOYMENT**

Number of employees as at 31.12.2010 is presented below:

Table no 53

NUMBER OF EMPLOYEES AS AT 31.12.2010

	as at 31.12.2010	as at 31.12.2009
Number of employees	6 529	4 275
Number of full-time jobs	6 377	4 197

Employment structure as at 31.12.2010 is presented below:

Table no 54

EMPLOYMENT STRUCTURE AS AT 31.12.2010

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	5 326	1 203	6 529
Number of full-time jobs	5 204	1 173	6 377

Data concerning employee turnover ratios as at 31.12.2010 is presented below:

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 55

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Number of hired employees	4 011	1 753
Number of dismissed employees	(1 757)	(1 352)
	2 254	401

**NOTE 38.
CONTINGENCIES**

As at 31 December 2010, the value of securities granted to other parties in the form of sureties of loans and bank guarantees amounted to PLN 5.270.000. Moreover, the value of bank guarantees issued for Group companies amounted to PLN 15.780.506. A detailed specification is summarized below:

Table no 56

CONTINGENCIES AS AT 31.12.2010

Beneficiary	Title	Currency	as at 31.12.2010	as at 31.12.2009
1. ING	surety of the bank guarantee for Advertiva	PLN	-	207 869
2. Millennium S.A.	surety of the bank guarantee for PTK Centertel S.A. for PayUp liabilities	PLN	1 500 000	1 500 000
3. Millennium S.A.	surety of the bank guarantee for PTK Polkomtel S.A. for PayUp liabilities	PLN	2 250 000	2 250 000
4. Millennium S.A.	surety of the bank guarantee for PTC Sp. z o.o. for PayUp liabilities	PLN	1 500 000	-
5. BZ WBK	surety of the bank guarantee for PTC Sp. z o.o. for Totalizator Sportowy	PLN	20 000	-
			5 270 000	3 957 869

Table no 57

OTHER BANK GUARANTEES AS AT 31.12.2010

The Issuer	Title	Currency	as at 31.12.2010	as at 31.12.2009
1. HSBC	Security for rent liabilities	PLN*	77 226	4 427 889
2. ING	Security for rent liabilities	PLN	15 518 914	2 869 700
3. ING	Security for rent liabilities	PLN*	184 366	-
			15 780 506	7 297 589

* Guarantee in EUR is translated into PLN at the average exchange rate of NBP as at 31 December 2010 1 EUR = 3,9603 PLN and as at 31 December 2009 1 EUR = 4,1082 PLN

**NOTE 39.
COLLATERALS**

As at 31 December 2010 the value of collaterals on the Group's assets amounted to PLN 454.965.804. A detailed specification is summarized below:

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 58

SECURITIES RELATED TO ASSETS AS AT 31.12.2010

Title	Secured property	Amount secure in PLN
Security for repayment of bank loan	Deposit on shares in companies from Premium Distributors Group	343 483 944
ING guarantee for payments to suppliers	Deposit on inventories	78 500 000
Finance lease agreements	Right of ownership of leased property, plant and equipment	32 981 860
Total securings		454 965 804

**NOTE 40.
FINANCIAL RISK MANAGEMENT**

a. General information

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

- a) credit risk
- b) liquidity risk
- c) market risk
- d) 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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

Table no 59

CREDIT RISK EXPOSURE

<i>in PLN thousand</i>	as at 31.12.2010	as at 31.12.2009
Accounts receivable and loans	741 606	407 335
Cash and cash equivalents	211 500	157 452
	953 106	564 787

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:

- 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;
- sales to food service businesses are typically transacted on a credit basis and therefore a higher percentage of overdue receivables occurs in this category; however, the credit risk related to these parties is 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 no 60

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2010

	Trade receivables gross value as at 31.12.2010	Bad debts allowance as at 31.12.2010	Trade receivables gross value as at 31.12.2009	Bad debts allowance as at 31.12.2009
0-30 days	637 470 643	-	354 347 029	-
31-90 days	22 662 934	-	16 834 460	-
91-180 days	7 164 849	96 179	5 899 243	2 990 195
> 180 days	46 753 882	45 280 782	8 950 657	8 455 927
	714 052 308	45 376 961	386 031 390	11 446 122

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 61

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2010

	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Opening balance	11 446 122	12 562 549
Increases	33 930 839	3 055 227
Decreases	-	(4 171 653)
Closing balance	45 376 961	11 446 122

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 2010 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.

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 240m, 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):

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 62

AS AT 31.12.2010	Net book value	< 12 months	1-5 years	> 5 years
Finance lease liabilities	31 476 711	8 250 845	21 745 634	1 480 232
Liabilities due to financing of franchisees	31 243 023	31 243 023	-	-
Trade and other payables	1 456 528 201	1 456 128 201	400 000	-
Loans and borrowings	343 483 944	86 897 780	256 586 164	-
	1 862 731 880	1 582 519 849	278 731 798	1 480 232

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
Liabilities due to financing of franchisees	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

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.

Interest rate risk

The risk of interest rates is related to loans and credits taken out or granted, accordingly.

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

Table no 63

VARIABLE AND FIXED INTEREST RATE FINANCIAL

<i>in PLN thousand</i>	Present value 31.12.2010	Present value 31.12.2009
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	31 477	29 703
Variable interest rate instrument		
Financial assets	280 233	190 067
Financial liabilities	420 309	50 438

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
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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 no 64

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

in PLN thousand	Income statement		Equity	
	increases	decreases	increases	decreases
	100bp	100bp	100bp	100bp
31 December 2010	(1 401)	1 401	-	-
31 December 2009	1 396	(1 396)	-	-

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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 no 65

FAIR VALUES

	Carrying amount 31.12.2010	Fair value 31.12.2010	Carrying amount 31.12.2009	Fair value 31.12.2009
<i>in PLN thousand</i>				
Assets	953 106	953 106	564 787	564 787
Trade and other receivables	732 253	732 253	407 335	407 335
Other investments	9 353	9 353	-	-
Cash and cash equivalents	211 500	211 500	157 452	157 452
Liabilities	(1 862 732)	(1 862 732)	(958 058)	(958 058)
Credits	(343 484)	(343 484)	-	-
Finance lease liabilities	(31 477)	(31 477)	(29 703)	(29 703)
Liabilities due to financing of franchisees	(31 243)	(31 243)	(30 060)	(30 060)
Trade and other payables	(1 456 528)	(1 456 528)	(898 295)	(898 295)
	(909 626)	(909 626)	(393 271)	(393 271)

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.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 41. SUBSEQUENT EVENTS

1. Acquisition of shares in Pol Cater Holding Sp. z o.o.

On 27 January 2011 the President of the Office for Competition and Consumer Protection approved acquisition of Pol Cater Holding Sp. z o.o. by Eurocash S.A. Obtaining the above approval was one of the prerequisites for signing the Promised Contract whereunder the Company will acquire shares in Pol Cater according to preliminary agreement dated 28 July 2010.

On 1 March 2011 the Companies entered into the Promised Contract whereunder Eurocash S.A. acquired 100% shares in Pol Cater Holding Sp. z o.o.

2. Resolution to increase the initial capital

On 5 February 2011 a resolution was passed by the Management Board of Eurocash to the effect of increasing the initial capital within the framework of target capital, to the exclusion of preemptive right to existing shareholders, in the form of issue of up to 21,262,820 K ordinary bearer shares with a nominal value of 1 PLN each (K Shares).

Under the aforesaid resolution K shares will be offered to and taken up by:

- a) Emperia Holding S.A., a joint-stock company located in Lublin, or
- b) a direct subsidiary of Emperia Holding S.A. if before the date of offering the K Shares and signing the agreement to take up the K Shares, such subsidiary is the lawful holder of shares or stocks of Emperia subsidiaries sold to the Company under an Investment Agreement dated 21 December 2010 (Emperia Holding S.A. and such subsidiary hereinafter referred to as "Emperia").

"K" shares will be taken up by Emperia for a non-cash contribution of the shares and stocks enumerated below:

- a) 100% shares in Detal Koncept Sp. z o.o.
- b) 32.49% or 15.62% shares in Tradis Sp. z o.o.
- c) 100% shares in Lewiatan Zachód Sp. z o.o.
- d) 100% shares in Lewiatan Północ Sp. z o.o.
- e) 100% shares in Drogerie Koliber Sp. z o.o.
- f) 100% shares in Euro Sklep S.A.
- g) 100% shares in Partnerski Serwis Detaliczny S.A.

where the following quantities of "K" Shares will be offered to Emperia:

- a) 21,262,820 K Shares, or
- b) 13,775,446 K Shares (if Emperia supplies 15.62% shares in Tradis Sp. z o.o. as a non-cash contribution).

The remaining shares in Tradis Sp. z o.o. will be sold to the Company by Emperia so that after closing the transaction, the Company will be holding 100% shares in Tradis sp. z o.o.

K Shares will be offered to Emperia, an agreement for taking-up the K Shares will be signed and non-cash contributions will be provided specifically after obtaining approval of the competent competition and consumer protection authority by the Company, however not later than: 30 June 2011 (if Emperia is offered 21,262,820 K Shares), or 15 July 2011 (if Emperia is offered 13,775,446 K Shares).

Issue price of K Shares is PLN 22.21 each.

The above resolution was approved by the Supervisory Board of Eurocash.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2010	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	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	8 April 2011	
Member of the Management Board Chief Executive Officer	Rui Amaral	8 April 2011	
Member of the Management Board	Arnaldo Guerreiro	8 April 2011	
Member of the Management Board	Pedro Martinho	8 April 2011	
Member of the Management Board Human Resources Director	Katarzyna Kopaczewska	8 April 2011	
Member of the Management Board Director of Administration and Non-Commercial Purchases Department	Ryszard Majer	8 April 2011	
Member of the Management Board Financial Director	Jacek Owczarek	8 April 2011	

EUROCASH GROUP

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1st JANUARY 2010 TO 31st DECEMBER 2010

TRANSLATORS' EXPLANATORY NOTE

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

KOMORNIKI, 8th April 2011

CONTENTS

1. SUMMARY OF EUROCASH GROUP ACTIVITIES IN 2010	3
2. EUROCASH GROUP BUSINESS OVERVIEW	4
2.1. MARKET ENVIRONMENT	4
MACROECONOMIC SITUATION	4
POLISH FMCG MARKET	4
COMPETITION ON THE POLISH FMCG PRODUCTS MARKET	5
TRENDS ON THE POLISH FMCG PRODUCTS MARKET	6
2.2. EUROCASH GROUP - OVERVIEW	6
2.3. CAPITAL AND ORGANIZATIONAL RELATIONS IN EUROCASH GROUP	7
2.4. SALES STRUCTURE	8
2.5. CUSTOMERS	8
2.6. SUPPLIERS	9
3. EUROCASH GROUP DEVELOPMENT PERSPECTIVES	11
3.1. EUROCASH GROUP DEVELOPMENT STRATEGY	11
3.2. FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE EUROCASH GROUP	12
3.3. MAJOR RISKS AND THREATS RELATED TO THE OPERATIONAL ACTIVITIES	13
3.4. EXPLANATIONS REGARDING SEASONALITY	14
4. MANAGEMENT DISCUSSION OF THE FINANCIAL RESULTS OF THE EUROCASH GROUP FOR 2010	15
4.1. EUROCASH GROUP: KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS	15
4.2. PROFIT AND LOSS ACCOUNT	17
4.3. BALANCE SHEET DATA	19
4.4. SIGNIFICANT OFF-BALANCE SHEET ITEMS	22
4.5. EUROCASH GROUP CASH-FLOW ANALYSIS	23
4.6. INVESTMENT ACTIVITY	24
4.7. SIGNIFICANT EVENTS AND FACTORS AFFECTING THE 2010 FINANCIAL RESULTS OF THE EUROCASH GROUP	25
4.8. DEFINITIONS OF THE FINANCIAL RATIOS	29
5. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE RULES	30
5.1. INDICATION OF CORPORATE GOVERNANCE RULES APPLICABLE TO THE ISSUER AND OF THE PLACE WHERE THE RULES COLLECTION TEXT IS PUBLICLY AVAILABLE	30
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	30
5.3. DESCRIPTION OF MAJOR FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED AT THE COMPANY IN THE PROCESS OF PREPARING FINANCIAL STATEMENTS	30
5.4. SHAREHOLDERS HAVING, WHETHER DIRECTLY OR INDIRECTLY, SIGNIFICANT SHAREHOLDINGS IN EUROCASH	31
5.5. NUMBER OF EUROCASH S.A. SHARES HELD BY PERSONS EXERCISING SUPERVISORY AND MANAGERIAL FUNCTIONS	31
5.6. INDICATION OF HOLDERS OF ALL SECURITIES THAT CARRY SPECIAL CONTROL POWERS, WITH THE DESCRIPTION OF THE POWERS	32
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	32
5.8. INDICATION OF ANY AND ALL RESTRICTIONS REGARDING TRANSFER OF THE SECURITIES OWNERSHIP RIGHTS OF THE ISSUER	32
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	33
5.10. DESCRIPTION OF THE AMENDMENTS TO THE ISSUER'S STATUTES	33
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	33
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	35
5.13. AGREEMENTS WHICH MAY IN THE FUTURE RESULT IN CHANGES OF THE BLOCKS OF SHARES HELD	38
5.14. INFORMATION ON THE EMPLOYEE SHARES CONTROL SYSTEM	39
5.15. FORECASTED COSTS CONNECTED WITH THE INCENTIVE SCHEMES INTRODUCED	39
5.16. EUROCASH LISTING ON THE WARSAW STOCK EXCHANGE IN 2010	40
6. ADDITIONAL INFORMATION	41
6.1. INFORMATION ON COURT PROCEEDINGS	41
6.2. INFORMATION ON SIGNIFICANT AGREEMENTS	41
6.3. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES	42
6.4. FORECASTS	42
6.5. CHANGES IN THE BASIC MANAGEMENT PRINCIPLES	42
6.6. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD PROVIDING FOR COMPENSATION	42
6.7. REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD IN 2010	42
6.8. INFORMATION ON THE REGISTERED AUDIT COMPANY	43
7. REPRESENTATIONS OF THE MANAGEMENT BOARD	43
7.1. ACCURACY AND RELIABILITY OF THE REPORTS PRESENTED	43
7.2. APPOINTMENT OF THE ENTITY QUALIFIED TO AUDIT FINANCIAL STATEMENTS	43

1. Summary of Eurocash Group activities in 2010

2010 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2010 reached PLN 7 791,76 million, EBITDA amounted to PLN 230,71 million and net profit to PLN 128,45 million. Eurocash Group has been particularly active in consolidation of the FMCG market in Poland – to the group joined Premium Distributors (2 August 2010), and Eurocash signed agreement to acquire Tradis distribution group from Emperia Holding S.A. and agreement to acquire Polcater sp. z o.o., which was realized on March 1, 2011.

Table 1 Eurocash Group: Summary of 2010 financial results

PLN million	2010	2009	Change 2010/ 2009
Revenues	7 791,76	6 698,34	16,32%
EBITDA	230,71	194,52	18,61%
(EBITDA %)	2,96%	2,90%	0,06 p.p.
EBIT	170,45	145,20	17,39%
(EBIT %)	2,19%	2,17%	0,02 p.p.
Net profit from continued operations	128,45	102,52	25,29%
(Net profit %)	1,65%	1,53%	0,12 p.p.

The strong sales growth of Eurocash Group in 2010 comparing with 2009 was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of acquisition of Premium Distributors from CEDC.

The Eurocash cash&carry chain reached the number of 129 outlets at the end of 2010. Number of Delikatesy Centrum franchise stores increased by 96 and reached 561 outlets at the end of 2010. The like-for-like sales growth reached in the whole 2010 4.2% in Eurocash cash&carry unit (excluding Batna stores) and 1.8% in case of wholesale sales to Delikatesy Centrum franchise chain. LFL sales growth of the retail sales of the Delikatesy Centrum franchise stores amounted in 2010 to 5.8%. Total sales of KDWT decreased by 1.7% mainly driven by lower intra-group sales, however sales to external clients grew by 3.4%. Sales of Eurocash Dystrybucja format in 2010 increased to the level of PLN 470.86 million – significant drop in sales has been attributable to allocation of part of the sales to Delikatesy Centrum format, end of contract for supplies to gas stations belonging to Orlen chains and restructuring measures which resulted in lower sales to sub-wholesalers and retail chains. Sales of Premium Distributors in 2010 amounted to PLN 909.2m since acquisition of these companies (August 2, 2010).

2. Eurocash Group business overview

2.1. Market environment

Macroeconomic situation

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

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

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

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

Source: The Central Statistical Office

* Preliminary data.

** As at the end of the year.

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

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

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

Polish FMCG market

General information

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

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

Wholesale distribution of FMCG products market

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

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

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

Retail distribution of FMCG products market

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

The primary FMCG product distribution channels are retail sales locations (stores) and food establishments. According to the data of the Central Statistical Office, nearly 386 thousand stores and 81 thousand food establishments were operating in Poland as at the end of 2008. A characteristic feature of domestic retail sales is the large share of stores with a sales area of up to 99 m². These stores constitute 92.4% of the total number of stores.

Depending on the organisational form and sales area, in regard to stores, the following distribution channels can be distinguished: (i) a modern distribution channel (covering hypermarkets, supermarkets, and discount stores), and (ii) a traditional channel covering retail locations with a sales area of up to 300 m², often in the form of family owned and operated companies.

Competition on the Polish FMCG products market

Warehouses operating on the FMCG product distribution market compete first and foremost in regard to supplying traditional grocery stores (up to 300 m²), specialised grocery stores (meat stores, bakeries, confectionaries, fruit and vegetable stores, alcohol stores, fish stores) and so called alternative channels covering kiosks, petrol station stores, and hotels, restaurants, and catering.

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

supplier). It is estimated that approximately 20% of traditional channel stores are concentrated in franchise networks. At the same time, the traditional channel is subject to rather large numerical changes, especially among the smallest stores with an area of up to 40 m².

Trends on the Polish FMCG products market

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

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

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

2.2. Eurocash Group - overview

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

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

- **Cash & Carry** – a national network of discount Cash & Carry type warehouses under the “Eurocash Cash & Carry” brand, as part of which the loyalty programme for the “abc” network of stores operates;
- **Delikatesy Centrum** – a franchise system for retail stores operating under the brands “Delikatesy Centrum” and System Franczyzowy IGA;
- **KDWT** – active distribution of tobacco products and fast moving consumer goods through KDWT;
- **Eurocash Dystrybucja** – supplying restaurant chains, hotels, and petrol stations as part of Eurocash Dystrybucja and Eurocash Gastronomia, and
- **Premium Distributors** – wholesale and retail distribution of alcoholic beverages through Premium Distributors companies throughout Poland.

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

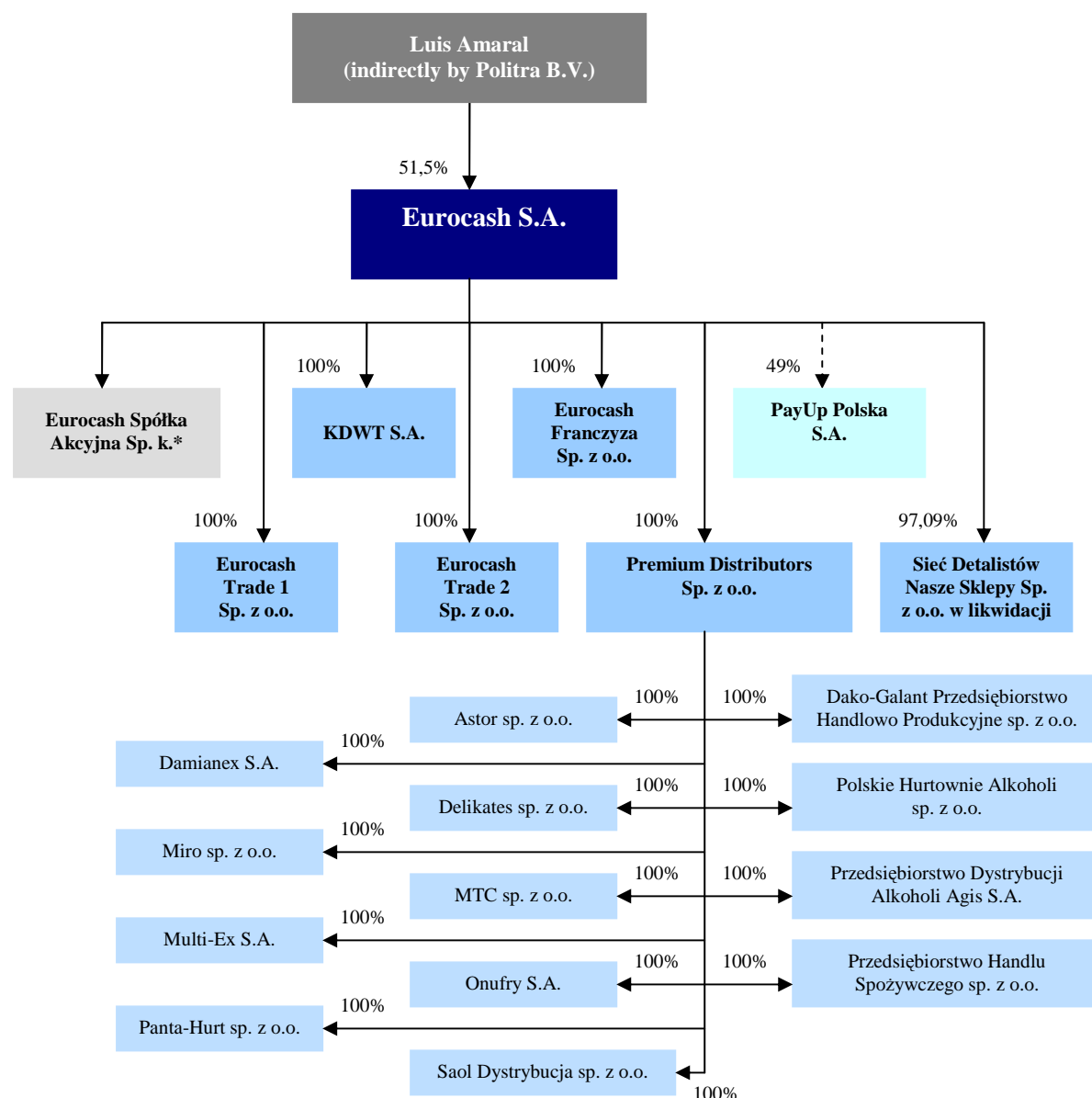
In addition, in relation to the takeover on 2 August 2010 of Premium Distributors, Eurocash Group became the leading, in terms of sales, distributor of alcoholic beverages in Poland, offering a wide range of alcoholic products covering over 700 brands.

The sales revenues of the Group in 2010 amounted to PLN 7,791.8 million, EBITDA was PLN 230.7 million, and net profit was PLN 128.4 million. On the other hand, in 2009 for the financial year ended

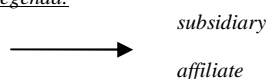
31 December 2009, The Group generated sales revenues of PLN 6,698.3 million, EBITDA in the amount of PLN 194.5 million, and net profit in the amount of PLN 102.5 million.

2.3. Capital and organizational relations in Eurocash Group

The graph below presents the structure of the Eurocash Group and its affiliated companies as of December 31, 2010:



Legenda:



* Eurocash is general partner, KDWT and Eurocash Franczyza are limited partners

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

Detailed information regarding the Eurocash 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 31.12.2010.

2.4. Sales structure

In the sale structure of the Eurocash Group basic groceries (food and drinks – both alcoholic and non-alcoholic) hold predominant position. In 2010 the share of these products accounted for app. 61.4% of the total Group sales figure, comparing with 56.5% in 2009. Considering the significance, second position belongs to tobacco and pre-paid cards and top-ups with a share of 27.3% down from 35.9% in 2009. Other non-food products (personal and home-care, OTC drugs, pre-paid cards for mobile phones, etc.) accounted for 11.4% comparing with 7.6% in 2009.

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

Table 2 Sales structure of the Eurocash Group in 2010 and 2009

	2010		2009	
	Amount	% share	Amount	% share
	PLN million	%	PLN million	%
Food and drinks.....	4.782,44	61,4	3.785,2	56,5
Tobacco and mobile phone pre-paid cards and top-ups.....	2.123,86	27,3	2.403,5	35,9
Other	885,46	11,4	509,6	7,6
Przychody ze sprzedaży razem**	7.791,76	100,0	6.698,3	100,0

Source: Eurocash

2.5. Customers

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

The traditional wholesale segment

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

The active distribution segment

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

As at 31 December 2010, the wholesale trade network of Eurocash Group covered 126 Cash & Carry Warehouses and 3 Batna warehouses, the Delikatesy Centrum network had 561 supermarkets, Franchise System IGA had 160 supermarkets, while the "abc" network covered 3,990 local grocery stores. In addition, as part of the distribution operations of KDWT, the Group delivered tobacco products and fast moving consumer goods to a total of approximately 21 thousand clients, and as part of the distribution operations of Eurocash Dystrybucja, the Group delivered tobacco products and fast moving consumer goods in the petrol station and restaurant chain segment to approximately 1,237 delivery locations (operating data as at 31 December 2010). In addition, Premium Distributors delivered alcoholic beverages throughout Poland, in particular, spirits, beers, and wines, to approximately 19 thousand sales locations from 91 regional branches throughout Poland. As at this date, the retail store network belonging to PHS covered 36 grocery stores.

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

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

Source: the Company

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

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

2.6. Suppliers

Due to the range of products offered by Eurocash Group and the geographically diverse sales, the group of the main suppliers of the Group is very large and as at 31 December 2010 covered more than 500 entities.

The brand name product suppliers to which the leading producers and importers of FMCG products belong, including of tobacco products and alcoholic beverages, are chosen mainly based on their market shares, the meaning of the given brand, as well as the coverage of individual product segments and regional variability.

The main suppliers of Eurocash Group include, first and foremost, the cigarette producers Philip Morris, British American Tobacco, Imperial Tobacco, and alcoholic beverage producers which mainly include Kompania Piwowarska and Grupa Żywiec. In relation to the purchase of Premium Distributors and the conclusion of an agreement for the distribution of alcoholic beverages, the Company expects that CEDC (Polmos Białystok, Bols, PWW, and Carey Agri) will become a significant supplier of alcoholic beverages for the Group.

Due the nature of the FMCG product market, competition on this market and the recorded decrease in the sale of tobacco products in Poland, as well as the significant increase in the value of sales in relation to the purchase of Premium Distributors, the business activity of the Group is not dependent on tobacco product suppliers. However, due to the significance of agreements concluded with the suppliers of tobacco products, and in particular, due to the significant turnover with these suppliers, the Company considers the agreements concluded with them to be material agreements.

Agreement for the distribution of alcoholic beverages

On 8 April 2010, the Company concluded an agreement for the distribution of alcoholic beverages in Poland. The parties to the agreement, aside from the Company, are the subsidiaries of CEDC – Carey Agri International Poland Sp. z o.o., Bols Sp. z o.o., Polmos Białystok S.A., and PWW Sp. z o.o. (as suppliers) and Premium Distributors Sp. z o.o. (as the distributor). The distribution agreement will allow the Group to distribute products offered by the suppliers and their purchase in accordance with the conditions specified in the agreement.

Upon the purchase by the Company of 100% of the shares of Premium Distributors, i.e. on 2 August 2010, Premium Distributors Sp. z o.o. became a part of the Group.

The distribution agreement entered into force on the date of the purchase by the Company of 100% of the shares of Premium Distributors, i.e. on 2 August 2010, and will be in effect for a period of 6 years, with the ability to automatically extend it for an additional period of 2 years.

Agreement for the sale and distribution of tobacco products

Agreement with Philip Morris Polska Distribution Sp. z o.o.

On 19 December 2008, KDWT concluded a wholesale sale agreement with Philip Morris Polska Distribution Sp. z o.o., which specified the terms of the sale and distribution by KDWT of tobacco products brought to trading in Poland by Philip Morris Polska Distribution Sp. z o.o.

The agreement was concluded for an indefinite period of time and has been binding since 1 January 2009.

Agreement with British American Tobacco Polska S.A.

On 2 February 2009, KDWT concluded a cooperation agreement with British American Tobacco Polska S.A., which specified the terms of the sale and distribution by KDWT of tobacco products in the offer of British American Tobacco Polska S.A. as well as the provision by KDWT of services related to the distribution of these products to businesses engaged in wholesale and retail sales. The agreement was concluded for an indefinite period of time.

Eurocash Group has no other suppliers whose share reaches or exceeds 10% of the value of the total sales revenues of Eurocash Group.

3. Eurocash Group development perspectives

3.1. Eurocash Group development strategy

The primary goal of the Group is to become the leading distributor of food products in Poland and to offer added value to the Group's clients as well as to increase the value of the Group for its shareholders.

The strategy of the Group is directed toward and follows the client, to whom the Group offers a range of the forms of cooperation through specific distribution formats:

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

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

The strategic goals of Eurocash Group are:

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

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

3.2. Factors significant for the development of the Eurocash 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, beverages, 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

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 2011:

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

Integration of Premium Distributors

Due to necessity of integration of companies from Premium Distributors group 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 3 years following take-over of control.

Acquisitions

- Preliminary agreement acquisition the company Pol Cater Holding Sp. z o.o.
On 28 July 2010 Eurocash S.A. and Dansk A/S concluded a preliminary agreement obligating the conclusion, to 30 June 2011, an agreement of the sale of 100% of the shares in company Pol Cater Sp. z o.o. On 27 January 2011 the Office for Competition and Consumer Protection agreed to concentration consisting of the acquisition by Eurocash S.A. control of Pol Cater Holding Sp. z o.o.
- Investment agreement with Emperia Holding S.A. to acquire its Distribution Companies
On 21 December 2010 Eurocash and Emperia entered into an Investment Agreement, on the basis of which, Eurocash and Emperia undertook to execute the transaction, in which Emperia shall sell, for the benefit of Eurocash, shares held by it, directly or indirectly, in the companies active in wholesale distribution of FMCG, as well as organizing franchise chains for retail stores.

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

3.3. Major risks and threats related to the operational activities

Financial risks have been described in Note 38 to the consolidated financial statements for 2010, constituting a part of the Eurocash Group annual report for 2010. Below we present other significant risk factors related to the operations of Eurocash Group.

3.3.1. External Factors

Macroeconomic situation. Purchasing power of the population

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

The structure of the FMCG retail distribution market in Poland

In 2010 the prevailing form of FMCG retail distribution was a traditional distribution channel with approx. 50% share. Such high share (as compared to other European countries) results from a low concentration of population in the area of the country and bad housing conditions, stimulating more frequent purchases. This situation is advantageous for the Eurocash 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. 4,000 entities operating on the wholesale FMCG distribution market. Market consolidation, appearance of new strong entities could have a negative impact on the level of margins.

3.3.2. Internal Factors

IT systems

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

Due to the range of products offered by Eurocash Group and the geographically diverse sales, the group of the main suppliers of the Group is very large and as at 31 December 2010 covered more than 500 entities.

The brand name product suppliers to which the leading producers and importers of FMCG products belong, including of tobacco products and alcoholic beverages, are chosen mainly based on their market shares, the meaning of the given brand, as well as the coverage of individual product segments and regional variability.

Due to the nature of the FMCG product market, competition on this market and the recorded decrease in the sale of tobacco products in Poland, as well as the significant increase in the value of sales in relation to the purchase of Premium Distributors, the business activity of the Group is not dependent on tobacco product suppliers, therefore the risk, that termination or an unfavourable change of the terms of the agreements for distribution of might have a significant adverse affect Eurocash 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 2010

4.1. Eurocash Group: Key financial and operational highlights

2010 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2010 reached PLN 7 791,76 million, EBITDA amounted to PLN 230,71 million and net profit to PLN 128,45 million. Eurocash Group has been particularly active in consolidation of the FMCG market in Poland – to the group joined Premium Distributors (2 August 2010), and Eurocash signed agreement to acquire Tradis distribution group from Emperia Holding S.A. and agreement to acquire Polcater sp. z o.o., which was realized on March 1, 2011.

Table 3 Eurocash Group: Summary of 2010 financial results

PLN million	2010	2009	Change 2010/ 2009
Revenues	7 791,76	6 698,34	16,32%
EBITDA	230,71	194,52	18,61%
(EBITDA %)	2,96%	2,90%	0,06 p.p.
EBIT	170,45	145,20	17,39%
(EBIT %)	2,19%	2,17%	0,02 p.p.
Net profit from continued operations	128,45	102,52	25,29%
(Net profit %)	1,65%	1,53%	0,12 p.p.

The strong sales growth of Eurocash Group in 2010 comparing with 2009 was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of acquisition of Premium Distributors from CEDC.

The Eurocash cash&carry chain reached the number of 129 outlets at the end of 2010. Number of Delikatesy Centrum franchise stores increased by 96 and reached 561 outlets at the end of 2010. The like-for-like sales growth reached in the whole 2010 4.2% in Eurocash cash&carry unit (excluding Batna stores) and 1.8% in case of wholesale sales to Delikatesy Centrum franchise chain. LFL sales growth of the retail sales of the Delikatesy Centrum franchise stores amounted in 2010 to 5.8%. Total sales of KDWT decreased by 1.7% mainly driven by lower intra-group sales, however sales to external clients grew by 3.4%. Sales of Eurocash Dystrybucja format in 2010 increased to the level of PLN 470.86 million – significant drop in sales has been attributable to allocation of part of the sales to Delikatesy Centrum format, end of contract for supplies to gas stations belonging to Orlen chains and restructuring measures which resulted in lower sales to sub-wholesalers and retail chains. Sales of Premium Distributors in 2010 amounted to PLN 909.2m since acquisition of these companies (August 2, 2010).

Below we present the key financial and operational highlights for the Eurocash Group and for the following distribution formats:

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

4.1.1. Cash&Carry stores

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

4.1.2. „Delikatesy Centrum”

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

4.1.3. KDWT

- In 2010 sales of KDWT amounted to 2 380,57m and decreased by 1.67% YoY.
- External sales in KDWT amounted in 2010 to PLN 2 235,6 and increased by 3.4% YoY.
- Growth of sales in food category in 2010 amounted to 12.1% comparing with 2009.
- In terms of volume, sales of cigarettes decreased in 2010 by 8.3% YoY.
- The number of KDWT locations as of the end of 1H 2010 amounted to 88 branches, 2 pharmaceutical warehouses and 2 distribution centers

4.1.4. Eurocash Dystrybucja

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

4.1.5. Premium Distributors

- Sales of Premium Distributors in 2010 amounted to PLN 909.2m since acquisition of these companies.
- Companies from Premium Distributors group are consolidated since August 2, 2010.

4.2. Profit and loss account

4.2.1. Sales

Sales revenues increased in 2010 by 16,32% reaching the level of PLN 7 791,76. One of the main drivers of this growth was acquisition of Premium Distributors, which contributed PLN 957,09m to Eurocash Group sales in the period from 2 August till 31 December 2010. This also helped to increase gross profit on sales.

Since 4Q 2010 sales of Eurocash Dystrybucja do not include deliveries to retail stores which are based on franchise and distribution contracts. Since 4Q 2010 these sales have been included within the Delikatesy Centrum format.

Table 4 Eurocash Group: Sales structure by business units

PLN m	2010	2009	Change 2010/ 2009
Sales revenues (traded goods, materials)	7 791,76	6 698,34	16,32%
Cash&Carry	3 440,84	3 126,17	10,07%
KDWT	2 380,57	2 420,91	-1,67%
"Delikatesy Centrum"	1 088,48	873,62	24,59%
Eurocash Dystrybucja	470,86	1 042,12	-54,82%
Premium Distributors	957,09	-	0,00%
Other	81,08	53,44	51,73%
Exclusions and consolidation adjustments	(627,17)	(817,92)	-23,32%
Gross profit/(loss) on sales	801,27	624,23	28,36%
Gross profitability on sales %)	10,28%	9,32%	0,96 p.p.
EBITDA	230,71	194,52	18,61%
(EBITDA margin %)	2,96%	2,90%	0,06 p.p.
EBIT	170,45	145,20	17,39%
(EBIT margin%)	2,19%	2,17%	0,02 p.p.
Gross profit	145,34	128,77	12,86%
Net income	128,45	102,52	25,29%
Net profitability %	1,65%	1,53%	0,12 p.p.

4.2.2. Profitability analysis

Table 5 Eurocash Group: 2010 financial results

	PLN m		Change 2010/
Sales revenues	7 791,76	6 698,34	16,32%
Gross profit (loss) on sales	801,27	624,23	28,36%
Gross profitability on sales (%)	10,28%	9,32%	0,96 p.p.
EBITDA	230,71	194,52	18,61%
(EBITDA margin %)	2,96%	2,90%	0,06 p.p.
EBIT	170,45	145,20	17,39%
(EBIT margin %)	2,19%	2,17%	0,02 p.p.
Gross profit	145,34	128,77	12,86%
Net Income	128,45	102,52	25,29%
(Net profitability %)	1,65%	1,53%	0,12 p.p.

Consolidated gross margin on sales increased by 0.96 pp to 10.28%. In 2010 EBITDA grew by 18.61% YoY reaching PLN 230.71m, while net income posted 25,29% growth to PLN 128,45m.

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.

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 6 Structure of assets

PLN m	31.12.2010	%	31.12.2009	%
Fixed assets (long-term)	811,25	33,76%	458,82	32,96%
Goodwill	394,76	48,66%	122,31	26,66%
Other intangible fixed assets	144,17	17,77%	139,62	30,43%
Tangible fixed assets	233,87	28,83%	187,59	40,88%
Investments in associated companies - equity method	0,03	0,00%	0,54	0,12%
Other long-term financial assets	6,35	0,78%	0,09	0,02%
Long-term receivables	1,82	0,22%	2,05	0,45%
Long-term prepayments	30,26	3,73%	6,62	1,44%
Current assets (short-term)	1 591,73	66,24%	933,43	67,04%
Inventories	634,92	39,89%	365,79	39,19%
Trade receivables	668,68	42,01%	374,59	40,13%
Current income tax receivables	4,20	0,26%	0,22	0,02%
Other short-term receivables	57,56	3,62%	30,48	3,27%
Other short-term financial assets	3,00	0,47%	-	
Cash and cash equivalents	11,87	0,75%	4,91	0,53%
Short-term prepayments	211,50	13,29%	157,45	16,87%
Total assets	2 402,98	100,00%	1 392,25	100,00%

Table 7 Structure of liabilities

PLN million	31.12.2010	%	31.12.2009	%
Equity	457,10	19,02%	366,81	26,35%
Share capital	136,43	29,85%	134,70	36,72%
Treasury shares	(1,12)	-0,24%	(1,12)	-0,30%
Supplementary capital	174,90	38,26%	117,71	32,09%
Capital reserve	12,88	2,82%	12,88	3,51%
Hedge transactions valuation capital	(4,65)	-1,02%	(4,65)	-1,27%
Retained earnings	138,64	30,33%	107,25	29,24%
Minority interests	0,01	0,00%	0,02	0,01%
Long-term liabilities	306,90	15,77%	49,56	4,83%
Long-term loans and credits	256,59	83,60%	-	0,00%
Other long-term financial liabilities	23,23	7,57%	22,50	45,40%
Other long-term liabilities	0,40	0,13%	0,40	0,81%
Deferred income tax provision	8,41	2,74%	8,95	18,05%
Provision for employee benefits	1,14	0,37%	0,57	1,15%
Other long-term provisions	17,14	5,59%	17,14	34,59%
Short-term liabilities	1 638,97	84,23%	975,88	95,17%
Short-term loans and credits	86,90	5,30%	-	0,00%
Short-term financial liabilities	39,49	2,41%	37,27	3,82%
Trade liabilities	1 408,79	85,96%	866,48	88,79%
Current income tax liabilities	2,15	0,13%	11,44	1,17%
Other short-term liabilities	45,18	2,76%	19,98	2,05%
Short-term provisions	15,76	0,96%	21,62	2,22%
Short-term provisions	40,70	2,48%	19,10	1,96%
Liabilities and provisions	1 945,88	80,98%	1 025,44	73,65%
Total liabilities	2 402,98	100,00%	1 392,25	100,00%

4.3.2. Loan agreements, warranties and collaterals

Loan agreements

- *Loan agreement dated November 21, 2008*

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

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

- *Loan agreement dated July 30, 2010.*

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

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

Loans granted

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

Sureties and guarantees

- Sureties and guaranties issued by the companies from the Eurocash Group are presented in note No 16 and 37 to the consolidated financial statements for 2010.
- In 2010 Eurocash did not grant any surety for a credit or a loan nor did it grant any guarantee of total value equivalent to 10% of the issuer's equity.

4.3.3. Issue of securities and bonds in 2010

Issue of shares

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

Issue of securities and bonds

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

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

hereinafter jointly referred to as the "Bonds".

The Bonds were issued pursuant to the provisions of Section 9.3 of the Bonds Act, as an offer to purchase addressed to UniCredit CAIB Poland S.A., with its registered office at ul. Emilii Plater 53, 00-113 Warsaw, acting as the "Trustee". The Trustee shall dispose of the Bonds only to the persons participating in the Incentive Schemes (the "Entitled Persons").

The Entitled Persons under IV EIRS are members of the management board, senior management and persons who are key to the operations of the Company, who (i) are on the list of Entitled Persons specified conditionally by way of Resolution No. 22 of the Ordinary General Meeting dated 2 June 2010 (see current report No. 28/2010 including the text of Resolution No. 22); and (ii) who were employed and carried out their duties in the period of 3 years starting on 1 December 2007; and (iii) who are included in the final list of Entitled Persons determined by way of Resolution No. 5 of the Supervisory Board dated 23 November 2010.

The Entitled Persons under V EIRS may only be members of the management board, senior management or persons who are key to the operations of the Company, who (i) are on the list of Entitled Persons specified conditionally by way of Resolution No. 27 of the Ordinary General Meeting

dated 25 May 2009 (see current report No. 26/2009 including the text of Resolution No. 22); and (ii) were employed and carried out their duties in the period of 3 years starting on 1 December 2008 or who will be granted the right to acquire Series G Bonds as a reward for exceptional work results; and (iii) will be included in the final list of Entitled Persons determined by way of a Resolution of the Supervisory Board and should it include Rewarded Persons, also accepted by way of a resolution of the General Meeting by 15 December 2011.

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

The priority right to subscribe for and take up Series H Shares may be exercised from 1 January 2012 to 31 December 2014.

The issue price of Series G Shares has been set at PLN 9.78 (see Current Report No. 72/2010).

The issue price of Series H Shares shall be set by the Supervisory Board, with the proviso that the price should be equal to the weighted average of the Company's share prices on the Warsaw Stock Exchange in November 2008, adjusted by the rights attached to shares and exercised for the benefit of the shareholders (such as dividend payment). The issue price of Series H Shares shall be announced and posted on the Company's website as a current report no later than seven days prior to the beginning of subscription for Series H Shares.

Should Series G or H Shares not be issued to an Entitled Person within 60 days from the date on which they were subscribed for and paid for in full at their issue price, then the right to receive such shares shall convert into the right to receive monies equal to the market value of the Company's shares, based on the closing price for the last day of the period in which Series G or H Shares were to be issued, less their issue price.

Series G and H Bonds shall be redeemed on 2 January 2014 and 2 January 2015, respectively, at their respective nominal value.

As at the last day of the third quarter of 2010, i.e. of the quarter directly preceding the making of the offer to the Trustee to purchase the Bonds, the total liabilities of the Company amounted to PLN 1,265,081,099. Prior to the Bonds' redemption date, the Company has no plans to incur any liabilities that could affect the Company's ability to perform its obligation to redeem all Bonds, valued at PLN 816 in total.

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

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

4.4. Significant off-balance sheet items

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

4.5. Eurocash Group cash-flow analysis

4.5.1. Cash-flow account

Total cash flow in 2010 amounted to 54.05m. Cash Flow from financing activities includes dividend payment realized in 2Q 2010 in amount of PLN 50.40m and net cash from share issue related to the motivation schemes in amount of PLN 12.36m. Cash flow from investment activities include expenses from acquisition of Premium Distributors, which including the acquired cash amounted to PLN 344.72m. Additionally cash flow and cash position as of 31.12.2010 include the amount of PLN 18.2m, which companies from Eurocash Group by mistake received from the cash processing company. This amount has been settled in January 2011.

Table 8 Cash flow

PLN m	2010	2009
Operating cash flow	219,50	198,04
<i>Gross profit (loss)</i>	145,34	128,77
<i>Depreciation</i>	60,27	49,32
<i>Change in working capital</i>	41,36	16,13
<i>Other</i>	(27,46)	3,82
Cash flow from investment	(413,63)	(86,48)
Cash flow from financing activities	248,17	(98,26)
Total cash flow	54,05	13,30

4.5.2. Working capital rotation

Table 9 Eurocash Group: Consolidated working capital ratios

Turnover in days	2010	2009
1. Inventories Turnover	29,74	19,93
2. Trade receivables Turnover	31,32	20,41
3. Trade liabilities Turnover	73,56	52,07
4. Operating cycle (1+2)	61,07	40,34
5. Cash conversion (4-3)	(12,49)	(11,72)

Working capital cycle was improved in 2010 to negative 12.49 days, comparing with 11.72 days in 2009. Longer cycle of inventories and receivables have been off-set by 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 2010 were financed from own financial resources.

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

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

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

4.6. Investment activity

4.6.1. Major investments realised in 2010

In 2010 the highest share in capital expenditures belonged to the acquisition transactions – especially Premium Distributors. The rest of the investments related to the organic growth of the Eurocash 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 10 Key investment areas of the Eurocash Group in 2010

PLN million	2010	2009
Acquisition of shares In other companies	389,52	40,08
Traditional wholesale	51,75	47,59
Active Distribution	3,12	40,37
Other (Eurocash Franczyza)	19,59	13,00
Adjustments (Cash in acquired companies)	(46,99)	(8,40)
Total	416,99	132,64

4.6.2. Assessment of the possibility of executing the envisaged investments

Major investments planned in 2011 are related to

- Acquisition of Tradis Distribution Group from Emperia Holding S.A.
- The organic growth within the current structure of business units, considering especially:
 - opening of app. 6 new Eurocash Discount Cash&Carry stores,
 - development of “Delikatesy Centrum” franchise chain, including implementation plan of ca 100 new franchise stores.

In order to finance the aforementioned investments, Eurocash 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 2010 financial results of the Eurocash Group

1. Changes in equity

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

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

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

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

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

4. Distribute the net profit for 2009

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

- 1) the shareholders of record shall be eligible to receive the dividend in amount PLN 37 groszes per one Company share. The total dividend payment will amount to PLN 50.396.800,16;
- 2) the balance shall be transferred to Company's reserve capital.

5. Employees Incentive and Reward Scheme

On 2 June 2010 accordance with the resolution no 16 of the Ordinary Shareholders Meeting was introduced Seventh Employees Incentive and Reward Scheme for 2010. This Scheme is being introduced in connection with the Company's intention to continue the hitherto employees incentive schemes for the management, directors and persons of key importance for the business conducted by the Company and the Eurocash Group and to create basis for offering shares in the Company as a reward to outstanding employees.

In connection with the Seventh Employees Incentive and Reward Scheme for 2010, the Company shall issue 7.900 (seven thousand nine hundred) registered Series H Bonds, each having the nominal value of PLN 1/100 (1 grosz), with the right to subscribe for 25 (twenty five) ordinary bearer Series I Shares with a priority over the Company's shareholders.

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

The Bonds shall not carry any interest.

Should the shares be not delivered to the bondholders at the date specified in the terms of the Bonds, the right to receive shares shall be replaced by a right to receive cash in the amount equal

to the market value of the Company's shares on the last date the shares were to be delivered less the share issue price.

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

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

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

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

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

6. Final agreement to acquire Premium Distributors companies

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

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

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

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

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

7. Conclusion of the credit agreement

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

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

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

On 1 March 2011 the Companies entered into the Promised Contract whereunder Eurocash S.A. acquired 100% shares in Pol Cater Holding Sp. z o.o.

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

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

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

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

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

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

The Parties included in the Agreement customarily used representations and warranties. Such representations and warranties pertain to, in particular, the Shares and the operations of the Distribution Companies. The breach of the representations and warranties shall be the basis for compensation responsibility on the terms and conditions specified in the Agreement. The responsibility of the Parties under the Investment Agreement is limited as specified in the Agreement. The aim of the Parties is that the Eurocash shares offered to Emperia take part in the dividend payable to Eurocash's shareholders for 2010. Should such dividend be not paid with regard to the new shares, the price for the Shares subject to sale payable by Eurocash shall be increased accordingly. In addition, should the operational and financial goals of the Eurocash group for 2011 and 2012 jointly agreed by the Parties and specified in the Agreement be reached,

Eurocash undertook to facilitate the granting to Emperia of additional 1,000,000 shares for each year referred to above. Emperia also undertook that, once the Condition Precedent is fulfilled, it will opt out of the division of Emperia currently being implemented on the basis of a division plan adopted by the Management Board of Emperia on 16 November 2010 (see current report of Emperia No. 71/2010) and Eurocash undertook to withdraw from the carrying out of a public offering of Series K shares and an offering of Series L shares (see current reports of Eurocash No. 58/2010 and No. 66/2010).

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

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

During 2010 there were no other major events and factors that influenced consolidated income or loss of the Eurocash 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 by the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of goods sold for period, multiplied by the number of days in the period
Operating cycle:	the sum of stocks turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover

5. Statement on the Application of Corporate Governance Rules

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

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

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

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

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

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

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

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

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

The Company makes an annual review of both business strategy and plans. The budgeting process is supported by the Company medium and top level management. The budget and business plan prepared for the subsequent year is adopted by the Company Management Board and approved by

the Supervisory Board. During the year the Company Management Board analyses the financial results comparing same with the adopted budget on the basis of the adopted accounting policy of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting is described in Point 5.11 hereinbelow, whereas the scope of powers of the Supervisory Board is laid down in Point 5.12 hereinbelow. The Management Board manages the affairs of the Company and represents the Company outside.

According to § 6a of the Statutes of the Company, the Management Board is entitled to increase the share capital of the Company within the limits of the authorized capital by way of issuing shares of the Company of a total nominal value not higher than PLN 51,096,800, whereas the power expires on November 22, 2010. The terms of each of the issues conducted within the limits of the authorized capital are defined by the Management Board with the consent of the Supervisory Board. In relation to the determined issues, the Management Board, acting with the consent of the Supervisory Board, may also exclude the preemption right of the existing shareholders to buy shares issued within the limits of the authorized capital.

The Management Board may decide on shares buyout in the cases and on the terms determined in commonly applicable provisions of law.

The detailed rules governing the functioning of the Management Board are stipulated in Point 5.12 hereinbelow.

5.10. Description of the amendments to the Issuer's Statutes

Amendments to the provisions of the Statutes of the Company consisting in material changes to the subject matter of the Company's business activities without buying out the shares of the shareholders who do not consent to the amendments requires the resolution of the General Shareholders' Meeting adopted by the majority of $\frac{3}{4}$ 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 $\frac{3}{4}$ votes.

Amendments to the provisions of the Statutes of the Company regarding the remaining provisions requires the resolution of the General Shareholders' Meeting adopted, unless the provisions of the Commercial Companies Code or the Act on Offering stipulate otherwise, by the absolute majority of votes.

The resolution of the General Shareholders' Meeting on amendments to the provisions of the Statutes of the Company requires the prior opinion of the Supervisory Board of the Company.

5.11. Description of manner of operation of the General Meeting and fundamental powers thereof and rights of shareholders and manner of exercise of same

5.11.1. Manner of operation of the General Meeting and fundamental powers thereof

The manner of operation of the General Meeting and fundamental powers thereof follow directly from the provisions of law which have been partially incorporated in the Statutes and By-laws of the General Meeting of the Company. Both the Statutes and By-laws of the General Meeting are available on the following website of the Company:

<http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx>

According to § 9 of the By-laws of the General Meeting of the Company, draft resolutions to be submitted to the General Meeting should be made available by the Management Board at the Company's seat, together with an opinion of the Supervisory Board and pertinent documents, not later than 7 (seven) days before the date of the General Meeting so as to allow the Shareholders to review and evaluate same.

Draft resolutions may be submitted to the Chairman of the General Meeting in written form. Should the exact wording of a resolution not be provided by the speakers in the course of discussion the Chairman shall be obliged to provide a final draft of the proposed motions.

Each General Meeting should be attended by members of the Supervisory Board and Management Board in a composition which makes it possible to give answers as to merits to the questions asked during the General Meeting. A certified auditor should be present at an ordinary (annual) General Meeting, and at an Extraordinary General Meeting if the Company's financial matters are discussed. Members of the Supervisory Board, the Management Board and the certified auditor should, within the scope of their powers and to the extent required for settling the matters discussed at the General Meeting, provide clarifications and information concerning the Company to participants in the General Meeting.

The General Meeting may be attended by members of the Management Board and Supervisory Board, certified auditor, if the Company's financial affairs are to be discussed, experts invited by the body convening the General Meeting, the notary drawing up the minutes of the General Meeting, and representatives of the mass media. Other persons may participate in the General Meeting with the consent of the Chairman of the General Meeting.

According to the Company Statutes, the powers of the General Meeting shall include in particular:

- (i) review and approval of the Management Board Report on the operations of the Company and financial statements for the previous financial year, and granting approval to members of the Company's governing bodies for the performance of their duties;
- (ii) decisions concerning claims to remedy damage inflicted at the time of the Company's establishment or in connection with its management by the Management Board;
- (iii) sale or lease of the enterprise or an organised part thereof, as well as the creation of limited property rights therein;
- (iv) creation of the Company's capitals and funds and their allocation;
- (v) approval of the Company's long-term strategic plans;
- (vi) adopting resolutions on distribution of profit and coverage of loss;
- (vii) amending the Company's Statutes;
- (viii) increasing and decreasing the Company's share capital;
- (ix) dissolution or liquidation of the Company;
- (x) authorization for the Company to enter into a standby or firm commitment underwriting agreements;
- (xi) appointment or dismissal of two members of the Supervisory Board;
- (xii) setting down the rules for and levels of remuneration of members of the Supervisory Board;
- (xiii) approval of the Rules of the Supervisory Board;
- (xiv) dismissal or suspension of members of the Management Board;
- (xv) adoption of the Rules of the General Meeting;
- (xvi) other matters which pursuant to the provisions of the Commercial Companies Code or other laws, or pursuant to the Company's Statutes, rest within the exclusive competence of the General Meeting.

The General Meeting may adopt resolutions if at least half the Company share capital is represented. The General Meeting shall adopt resolutions by an absolute majority of the votes, unless the provisions of the Statutes or law required a qualified majority of the votes.

5.11.2. Shareholders' rights and the manner of performance thereof

Shareholders' rights and the manner of performance thereof result in principle directly from the provisions of the law which were partly incorporated in the Statutes and the Rules of the Company Shareholders' Meeting. One should note the right of Politra B.V. and its legal successors, provided for in § 13 Sec. 2 of the Statutes, to appoint and dismiss 3 (three) Members of Eurocash Supervisory Board which is dependent upon the entitled party's holding 40% or more shares in the Company share capital (see point 2.6 above).

5.12. The composition and changes in the composition of the managing and supervisory authorities of the Issuer and the committees thereof which took place during the last financial year

5.12.1. Management Board

The Management Board manages the Company affairs and represents the Company. Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a holder of a commercial power of attorney may make the statements of will and sign documents on behalf of the Company.

Activities of the Management Board are managed by the President of the Management Board. All members of the Management Board are obligated and entitled to jointly manage the Company affairs, in particular in the following scope:

- (i) determine the long- and medium-term development strategy as well as the main objectives of the Company operation, increase the Company value for the shareholders and report thereof to the Supervisory Board, evaluate the achievement level of such goals and modify thereof if necessary,
- (ii) define the Company's financial goals,
- (iii) implement and realize the long- and medium-term development strategy as well as the main Company operating objectives and financial goals,
- (iv) analyze major investment projects and the methods of financing thereof,
- (v) determine the principles of HR and remuneration policies, including:
 - appointment of the Company's key management members,
 - determining the principles of employment, remuneration and HR policies, as well as a periodical analysis of the HR situation of the Company,
- (vi) determine the Company's organizational structure,
- (vii) approve the annual and/or long-term Company budget,
- (viii) determine the internal division of duties and responsibilities of the Management Board Members,
- (ix) set down the Rules and other internal regulations of the Company, unless the provisions of the law or Statutes provide otherwise,
- (x) take decisions on matters of exceptional importance, as well as the matters and transactions which in the justified opinion of the Management Board Member may cause a significant risk to the Company,
- (xi) request the Supervisory Board to express an opinion on draft resolutions which are to be presented to the Shareholders at the Shareholders' Meeting,
- (xii) any other actions which go beyond the ordinary management of the Company.

In the remaining scope, respective Management Board members are responsible for independent management of the Company affairs resulting from the internal allocation of duties and functions determined by the decision of the Management Board.

The Management Board may adopt resolutions at the Management Board meeting or by circular letter, in writing or using direct distant communication methods. Resolutions of the Management Board are adopted by a simple majority of votes cast by the Management Board members. Minutes are taken of the resolutions. Proper notification of the meeting of all the Management Board members is required for the validity of the Management Board resolutions.

Detailed Management Board procedures are determined in the Management Board Rules adopted by the Management Board and approved by the Supervisory Board. The text of the current Management Board Rules is available at:

<http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx>

The Company Management Board consists of 7 (seven) members. The Management Board comprises Messrs. Luis Manuel Conceicao do Amaral (President of the Management Board), Rui Amaral, Arnaldo Guerreiro, Pedro Martinho, Ryszard Majer, Jacek Owczarek and Ms. Katarzyna Kopaczewska.

There have been no changes in the composition of the Management Board in 2010.

5.12.2. Supervisory Board

The Supervisory Board is composed of 5 members, where the right to appoint and dismiss 3 (three) members of the Supervisory Board is held by the company Politra B.V. (or its legal successor) on the terms described in Point 2.5 above, while 2 members of the Supervisory Board are appointed and dismissed by the General Meeting. The dismissal of a Supervisory Board member is effective only when it is accompanied by the simultaneous appointment of a new Supervisory Board member.

The Board selects a Board chairman from amongst its members. The Supervisory Board may also dismiss the Board chairman from his function.

The Supervisory Board exercises on-going supervision of the Company operations in all areas. Pursuant to § 14 Sec. 2 of the Issuer's Statutes, the powers of the Supervisory Board include in particular:

- (i) review and assessment of the Management Board's report on the Company's activities and the Company's financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs;
- (ii) assessment of the Management Board's recommendations concerning the distribution of profit or coverage of loss;
- (iii) submitting to the General Shareholders' Meeting an annual written report on the results of the assessment referred to above;
- (iv) appointing and removing, as well as suspending, for an important reason, Members of the Management Board;
- (v) issuing opinions on planned amendments to the Company's Statutes;
- (vi) approving – not later than by November 30th of each calendar year – annual budgets prepared by the Management Board and amendments to such budgets;
- (vii) issuing opinions regarding granting of loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside the ordinary course of business;
- (viii) election of the expert auditor to examine the Company's financial statements;
- (ix) adoption of the uniform text of the Company Statutes;
- (x) other issues which under the binding legal regulations or other provisions of the Company's Statute require a resolution of the Supervisory Board.

The following actions of the Management Board shall require the Supervisory Board's consent issued in the form of a resolution:

- (i) decisions concerning joint-ventures with other entities;
- (ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises;
- (iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000, if such transactions have not been provided for in the annual budget;
- (iv) sale or lease or transfer of the Company's assets with a value in excess of EUR 1,000,000 or its zloty equivalent, if such a transaction has not been provided for in the annual budget;

- (v) issuing opinions concerning specification and changing of remuneration or terms of employment of Management Board Members;
- (vi) creation, issue/delivery, purchase or sale of shares in another subsidiary entity;
- (vii) creation and modification of any stock option scheme or incentive scheme of a similar nature for the Company's management and employees;
- (viii) the conclusion by the Company of a material agreement with a related entity within the meaning of regulations on the communication of current and periodical information by the issuers whose shares are quoted on the Stock Exchange in Warsaw S.A., except for typical transactions concluded on market conditions as part of the operating activity conducted by the Company with its subsidiary entity in which the Company is a majority shareholder.

The Supervisory Board performs its duties as a group. The Supervisory Board may, by way of a resolution adopted by a simple majority of votes, delegate individual Members to individually perform specific supervisory tasks.

Supervisory Board members perform their duties personally. However, they may participate in the adoption of resolutions of the Supervisory Board by voting in writing through another Supervisory Board member. The Supervisory Board may adopt resolutions at a session or in writing or by using long-distance communication means. Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. In the case of an even number of votes cast in 'favor of' and 'against' a resolution the Supervisory Board chairman shall have the casting vote. Moreover, the consent of the majority of independent Supervisory Board members is required for the adoption by the Supervisory Board of resolutions in the following matters:

- (i) any action by the Company or any of its related entity that causes the benefit for the Members of the Management Board;
- (ii) election of the expert auditor to examine the Company's financial statements;
- (iii) issuing opinions regarding granting of loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside the ordinary course of business;
- (iv) granting the Management Board the approval to limit or waive in full the priority rights (pre-emptive rights) of the Company's shareholders with respect to any of the Company's shares to be issued within the limits of the authorized capital.

The detailed procedure of operations of the Supervisory Board is set out by the Supervisory Board Rules. The content of the applicable Supervisory Board Rules is available at the following address:

<http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx>

The Supervisory Board of the Company is composed of 5 (five) members. The Supervisory Board is composed of the following: João Borges de Assuncao (Chairman of the Supervisory Board), Eduardo Aguinaga, António José Santos Silva Casanova, Ryszard Wojnowski and Janusz Lisowski. The status of independent Supervisory Board members is held by the following:

- (i) Messrs. Ryszard Wojnowski and Janusz Lisowski, as Supervisory Board members appointed by the General Meeting of the Company, and
- (ii) Messrs. João Borges de Assunção and António José Santos Silva Casanova appointed by the shareholder Politra B.V., who submitted representations to the effect that they meet the criteria of an independent Supervisory Board member.

Thus, 4 of the 5 Supervisory Board members of the Company are "independent members".

5.12.3. Supervisory Board Committees

The following internal committees operate under the auspices of the Supervisory Board:

- (i) the Audit Committee, and
- (ii) the Remuneration Committee

The members of each of the said committees are selected by the Supervisory Board, where the Remuneration Committee should include at least one independent Supervisory Board member, while the Audit Committee should include at least two independent Supervisory Board members and one member who is a financial specialist, i.e. a person having pertinent experience in finance management and accountancy in public companies or other companies of comparable size.

The responsibilities of the Audit Committee shall include:

- (i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc,
- (ii) supervising the activities of external auditors of the Company,
- (iii) giving the opinion on the candidates for the Company's external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 7 years,
- (iv) supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting,
- (v) each year evaluating the internal control system functioning and the significant risk management system functioning, as well as evaluating its own functioning in a form of an annual report of its deliberations, findings and relationship with the external auditor (including in particular his independence) to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Audit Committee is composed of the following: Messrs. Eduardo Aguinaga (Chairman), António José Santos Silva Casanova and Ryszard Wojnowski.

The responsibilities of the Remuneration Committee shall include:

- (i) certifying to the Supervisory Board the existence of a remuneration policy for the Management Board, which is known to the Remuneration Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of compensation, as well as the performance criteria and the application thereof,
- (ii) each year proposing for the Supervisory Board's approval the opinion on the compliance of the remuneration policy of the Management Board and application thereof with regards to the desired standards of corporate governance,
- (iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from application of the remuneration policy,
- (iv) each year evaluating its own functioning in the form of an annual report of its activities to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Remuneration Committee is composed of the following: Messrs. António José Santos Silva Casanova (Chairman), Eduardo Aguinaga and Janusz Lisowski.

The rules governing the operations of both committees are regulated in detail in Section VII of the Supervisory Board Rules available at the following address:

<http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx>

5.13. Agreements which may in the future result in changes of the blocks of shares held

Apart from the incentive schemes for managers and employees, the Management Board of Eurocash is not aware of any agreements which could cause in the future a changed proportion of blocks of shares held by the shareholders.

5.14. Information on the employee shares control system

Below presented are incentive schemes based on the issue of Eurocash S.A. shares.

No.	Legal Basis	Number and Class of Eurocash Shares	Determined or Projected* Issue Price	Option Exercise Date
1.	Resolution of the Extraordinary Shareholders' Meeting No. 3 dated 14 September 2004 regarding the issue of bonds with the right of first refusal, conditional increase in share capital and the exclusion of the pre-emptive right of present shareholders, as amended, final wording pursuant to Resolution No. 2 dated 2 November 2004 and Resolution No. 1 dated 25 November 2004	Up to 3,193,550 Class B Shares	PLN 2.71 (issue price published in current report No.17.2007)	from 1 January to 31 December 2010
		Up to 3,193,550 Class C Shares	PLN 4.32 (issue price published in current report No. 53/2008)	from 1 January to 31 December 2010
2.	Resolution No. 17 of the Ordinary Shareholders' Meeting dated 25 April 2006 regarding the Incentive Scheme KDWT of 2006.	Up to 830,000 Class D Shares	PLN 4.82	from 1 April 2010 to 1 April 2010
3.	Resolution No. 19 of the Ordinary Shareholders' Meeting dated 25 April 2006 regarding the Third Employee Incentive Scheme	Up to 1,596,775 Class E Shares	PLN 7.87 (issue price published in current report No. 57/2009)	From 1 January 2010 to 31 December 2012
4.	Resolution No. 17 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Delikatesy Centrum Incentive Scheme	Up to 537,636 Class F Shares	PLN 6.51	from 17 August 2010 to 17 August 2010
5.	Resolution No. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for the years 2007 and 2008	Up to 1,020,000 Class G Shares	PLN 9.78 (issue price published in current report No. 71/2010)	from 1 January 2011 to 31 December 2013
		Up to 1,020,000 Class H Shares	PLN 9.26 = average price of Eurocash shares in November 2008 adjusted by dividend paid (presently PLN 0.67)	from 1 January 2012 to 31 December 2014
6.	Resolution No. 16 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 2 June 2010 regarding the Seventh Incentive and Bonus Scheme for Employees	Up to 197,500 Class I Shares	26,59 zł = average price of Eurocash shares in November 2010	from 1 January 2014 to 31 December 2014

* weighted average listing of Eurocash shares at the Warsaw Stock Exchange in November of a given year, adjusted by rights connected with shares (e.g. dividend payments) as at 31.12.2010.

5.15. Forecasted costs connected with the incentive schemes introduced

Costs connected with employee incentive schemes based on the issue of Eurocash S.A. (the "Company") shares are calculated by the Company throughout the rights acquisition period and depreciated monthly. The fair value of options is established on the basis of the Black-Scholes-Merton model.

According to his model, value of options is calculated based of the following parameters:

- **Grant date:** In case of motivation schemes based on issue of C, D, E shares, as grant date was set on the beginning of the option exercise period, and for schemes based on series F and G shares – grant date was set on the date of the resolution of the General Assembly, adapting the list of entitled persons within given scheme..
- **Option exercise date:** For all schemes as option exercise date the beginning of the option exercise period was assumed.

- **Risk-free rate:** Estimated based on the average field of the Treasury Bonds with tenor closest to the option realization date, as of the valuation date.
- **Volatility:** Calculated based on historical volatility of daily returns of Eurocash shares on the Warsaw Stock Exchange („WSE”) – considering 250 trading sessions prior to valuation date.
- **Option strike price:** According to the rules of schemes based on series E, G and H shares, option strike price amounts to the weighted average of Eurocash share price In November of 2006, 2007 and 2009 accordingly, adjusted for dividends paid. For schemes based on series D and F shares, strike price amounts to PLN 4.82 and 6.52 accordingly.
- **Base (current) stock price:** Eurocash share price at closing of the trading session on WSE on the valuation date.

In 2010, the cost connected with the valuation of the incentive schemes based on the issue of Class G and H shares amounted jointly to PLN 3 227 302,48 as compared to the joint costs of incentive schemes in 2009 of PLN 4 350 940.32

The Company estimates that the cost connected with the valuation of existing incentive schemes in the following years will amount to:

- in 2011: PLN 1 146 221.28 (schemes based on Class H Shares)

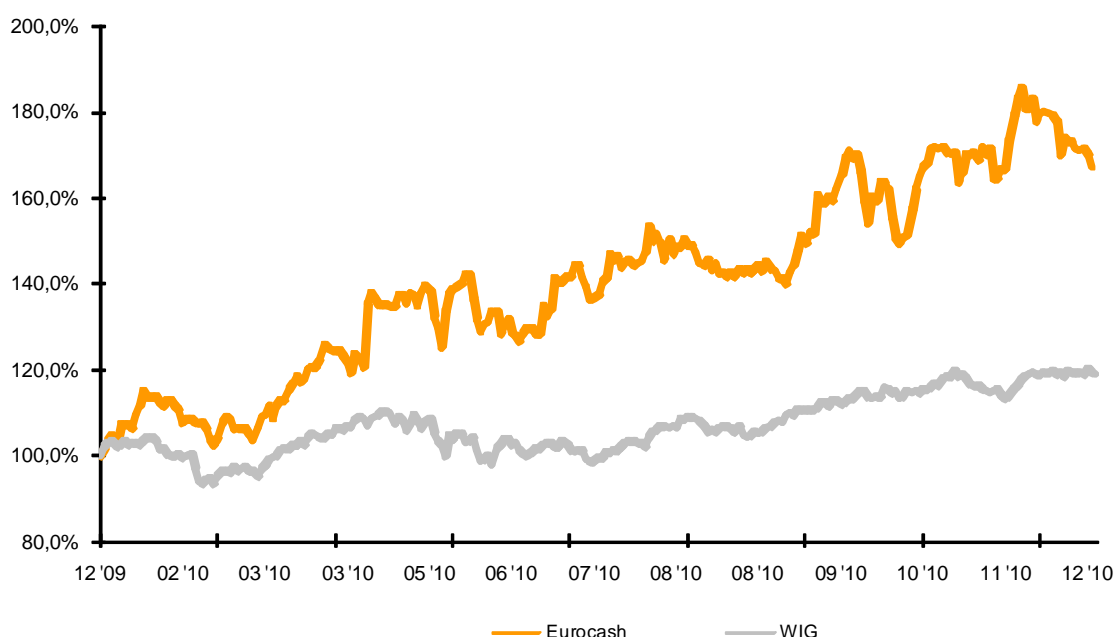
Depreciation of costs of the schemes based on Class H Shares shall end in 2011.

5.16. Eurocash listing on the Warsaw Stock Exchange in 2010¹

The price for one share at the end of 2010 was 66.7% higher than at the end of 2009, whereas WIG increased by 18.8%. At the beginning of the year 2010 the price for 1 Eurocash share was PLN 15.60 (closing price at the end of 2009), and at the end of the year PLN 26.01.

Company capitalization as at 31 December 2010 amounted to PLN 3.5 billion as compared to PLN 2.1 billion as at the end of 2009.

Chart 1 Eurocash share price performance vs. WIG index in 2010



¹ Share prices are provided according to closing price on Warsaw Stock Exchange

6. Additional information

6.1. Information on court proceedings

In 2010 the companies belonging to Eurocash 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 2010 the Eurocash Group companies entered into the following agreements considered as significant for the business activity of the Group:

1. Alcohol distribution agreement

On 8 April 2010 Eurocash S.A. signed an agreement for distribution of alcoholic beverages in the territory of Poland ("Distribution Agreement"). The parties, other than Eurocash S.A., are: CEDC subsidiaries as suppliers - Carey Agri International Poland Sp. z o.o., Bols Sp. z o.o., Polmos Białystok S.A., PWW Sp. z o.o. (jointly referred to as the "Vendors"), and Premium Distributors Sp. z o.o. as the distributor (reseller).

As soon as the Company enters into the Promised Contract based on which Eurocash S.A. shall acquire shares in CEDC Distribution Companies ("Acquisition of Distributors"), Premium Distributors Sp. z o.o. shall become a member of Eurocash 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.

2. Conclusion of the credit agreement

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

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

On 21 December 2010 Eurocash and Emperia Holding S.A. with its registered office in Lublin ("Emperia") entered into an investment agreement (hereinafter referred to as "Investment Agreement" or "Agreement").

On the basis of the Investment Agreement, Eurocash and Emperia (hereinafter referred to jointly as the "Parties") undertook to execute the transaction, in which Emperia shall sell, for the benefit of Eurocash, shares held by it, directly or indirectly, in the companies conducting wholesale distribution of foodstuff, as well as retail franchise chains. Description of this agreement is presented in section 4.7.9 above.

During 2010 there were no other significant agreements. The Management Board of Eurocash do not have any information on agreements between Eurocash shareholders.

6.3. Information on transactions with related entities

During 2010 there were no significant transactions between the related companies within 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 2010 in note no 34.

6.4. Forecasts

The Management Board of Eurocash S.A. has not published financial forecasts for 2010.

6.5. Changes in the basic management principles

In 2010 no changes in the basic management principles took place.

6.6. Agreements with members of the Management Board providing for compensation

The Company has not executed any agreements with the members of the Management Board, providing for compensation in the event of their resigning or being dismissed from their positions without a sound reason.

Agreements with members of the Management Board consist that in case of a change of the main shareholder, i.e. change of the shareholder holding at least 50% and one share of Eurocash share capital (Politra B.V.), then the notice period in respect of the agreement will be 12 months.

6.7. Remuneration paid to the members of the Management Board and the Supervisory Board in 2010

Information on remuneration paid to the members of the Management Board and the Supervisory Board in 2010 is provided in the part of annual report containing the annual consolidated financial statements in note no 34

6.8. Information on the registered audit company

The consolidated financial statement of Eurocash Group for 2010 has been audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 17 July 2010. The consolidated financial statement of Eurocash Group for 2009 was audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 8 July 2009.

The total fees specified in the contract with the registered audit company, payable or paid for the audit and review of the separate and consolidated financial statements and for other services are presented below:

PLN million	2010	2009
Audit of financial statement	400,0	130,0
Review of financial statements	150,0	120,0
Other services	152,0	85,0
Total capital expenditures	702,0	335,0

7. Representations of the Management Board

7.1. Accuracy and reliability of the reports presented

The members of the Management Board of Eurocash S.A. represent that, according to their best knowledge:

- the 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 2010 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	8th April 2011	
Management Board Member Chief Executive Officer	Rui Amaral	8th April 2011	
Management Board Member	Arnaldo Guerreiro	8th April 2011	
Management Board Member	Pedro Martinho	8th April 2011	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	8th April 2011	
Management Board Member Administration and Non-Commercial Purchasing Director	Ryszard Majer	8th April 2011	
Management Board Member Financial Director	Jacek Owczarek	8th April 2011	