



**EUROCASH S.A.**

**CONSOLIDATED ANNUAL REPORT FOR 2011**

**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, 30<sup>th</sup> March 2012

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Dear Stakeholders,

The year 2011 was a very important year for Eurocash, during which we finalized acquisition of Tradis Distribution Group from Emperia. Thanks to this transaction Eurocash became the 2nd largest food distributor in Poland and the leader in distribution of branded products.

Together with Tradis, the Eurocash Group will have strong position in every significant segment of wholesale food distribution in Poland and will from now on work with our clients – independent shops – to give Polish consumers a real alternative to the discounters with limited assortment or to the time consuming expeditions to mega-stores run by international retailers. Our main tool to realize this objective apart will be our franchise systems, where we can combine Polish entrepreneurship with excellent service, competitive prices and convenient shopping. This combination will become the real modern force on the retail market strongly focused on the needs of Polish consumers.

Our results for 2011 show, that our customers are gaining competitiveness and that there is potential to attract new ones. The Eurocash Cash&Carry format grew in 2011 by 17% with like-for like sales exceeding 13% and 8 new stores. Also our franchisees in Delikatesy Centrum chain once again proved, that with our support they are getting much stronger – their LFL retail sales growth reached 8.5%. Delikatesy Centrum franchise chain increased in 2011 by 88 new franchise stores reaching 649 stores at the year end, however there is still lots of work ahead of us to accelerate the expansion to the level satisfactory for us. In line with sales, we also managed to improve the results of Delikatesy Centrum to accomplishment of integration of logistics to Delikatesy Centrum with the former McLane Polska logistic assets.

Another significant challenge, which we successfully overcame in 2011 was the integration of Premium Distributors, where we have managed to grow our market share during this major restructuring, during which we are merging 14 legal entities into one, consolidate their operations within one company and introduce a SAP as the IT platform. Thanks to this steps, operational costs of Premium Distributors have been significantly reduced without negative impacts on the operations or sales.

Eurocash Dystrybucja and Gastronomia grew in 2011 significantly after acquisition of Pol Cater which added PLN 165 sales to this distribution format. With experience of Premium Distributors, Pol Cater and Tradis, the Eurocash Group become the leader in FMCG supply to gas stations and one of the few companies consolidating the HoReCa supply market in Poland. In tobacco distribution, KDWT is continuing the excellent work, delivering its objectives like a Swiss watch, being the best performing tobacco distributor in Poland.

Overall we had a very strong year in which we continued consolidation of the FMCG wholesale market growing both organically as well as by selected acquisitions of the best companies in their segments, reinforcing the know-how and growth potential of the whole Group. However, for the first time in our history we have a significant debt on our balance sheet, therefore in 2012 will strongly focus on cash-flow and significant reduction of debt level.

Our work for independent retailers has been also recognized by the European Business Awards with the the Ruban d'Honneur.

Year 2011 was marked by the loss of one of the Eurocash founders. Ryszard Majer that was with us since the beginning and was my personal friend passed away in June, after 5 years of fighting against cancer. Ryszard was extremely considered by everyone in Eurocash and was an important reference to all of us, until last minute Eurocash was always his priority and was an honor and a great pleasure for me to work 16 years with him. For sure I will miss his wise advices in the toughest decisions and all of us will miss the extraordinary colleague he was.

Finally I am convinced, that the independent trade will become one day the leading force on the Polish retail market, redefining what format is modern or traditional for the consumer of the XXI century. I can promise, that Eurocash will do its best to support its clients in the process of becoming competitive against discounters and hypermarkets.

Your sincerely,

Luis Amaral

President of the Management Board

Eurocash S.A.

## SELECTED CONSOLIDATED FINANCIAL DATA

	for the period from 01.01.2011 to 31.12.2011 PLN	for the period from 01.01.2010 to 31.12.2010 PLN	for the period from 01.01.2011 to 31.12.2011 EUR	for the period from 01.01.2010 to 31.12.2010 EUR
Sales	9 980 595 900	7 791 759 447	2 258 666 584	1 950 573 135
Operating profit (loss)	192 955 597	170 445 515	43 666 968	42 668 982
Profit (loss) before income tax	150 991 175	145 337 644	34 170 176	36 383 529
Profit (loss) for the on continued operations	134 387 189	128 446 420	30 412 598	32 155 014
Profit (loss) for the period	134 387 189	128 446 420	30 412 598	32 155 014
Net cash from operating activities	282 162 530	216 697 243	63 855 013	54 247 545
Net cash used in investing activities	(1 124 211 575)	(410 821 547)	(254 415 582)	(102 844 226)
Net cash used in financing activities	919 363 075	248 172 264	208 057 182	62 126 937
Net change in cash and cash equivalents	77 314 030	54 047 960	17 496 612	13 530 256
Weighted average number of shares	137 001 458	136 630 350	137 001 458	136 630 350
Weighted average diluted number of shares	138 204 841	137 874 048	138 204 841	137 874 048
EPS (in PLN / EUR)	0,98	0,94	0,22	0,24
Diluted EPS (in PLN / EUR)	0,97	0,93	0,22	0,23
Average PLN / EUR rate*			4,4188	3,9946
	as at 31.12.2011 PLN	as at 31.12.2010 PLN	as at 31.12.2011 EUR	as at 31.12.2010 EUR
Assets	4 578 578 917	2 402 980 573	1 036 628 083	606 767 309
Non-current liabilities	711 679 718	306 904 337	161 130 166	77 495 224
Current liabilities	3 318 405 291	1 638 971 476	751 314 366	413 850 334
Equity	548 493 908	457 104 760	124 183 551	115 421 751
Share capital	136 983 011	136 429 761	31 014 085	34 449 350
Number of shares	136 983 011	136 352 068	136 983 011	136 352 068
Diluted number of shares	138 909 011	138 831 318	138 909 011	138 831 318
Book value per share (in PLN / EUR)	4,00	3,35	0,91	0,85
Diluted book value per share (in PLN / EUR)	3,95	3,29	0,89	0,83
Declared or paid dividend (in PLN / EUR) ***	50 672 318	50 396 800	11 472 631	12 725 501
Declared or paid dividend per share (in PLN / EUR)	0,37	0,37	0,08	0,09
PLN / EUR rate at the end of the period**			4,4168	3,9603

\* 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 2010 year, was paid for employees who has been shareholders of Parent Company as at 1 July 2011.

## **Eurocash S.A. Group**

### **Opinion and Report of the Independent Auditor Financial Year ended 31 December 2011**

The opinion contains 2 pages  
The report supplementing the auditor's opinion  
contains 14 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 2011

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

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of Eurocash S.A*

We have audited the accompanying consolidated financial statements of Eurocash S.A. Group, whose parent entity is seated in Komorniki, 11 Wiśniowa Street (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2011, 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 the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2011 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

### *Other Matters*

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated 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. 11686  
Łukasz Łukomski

30 March 2012

*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 2011

The report supplementing the auditor's opinion  
contains 14 pages  
Report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2011



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## **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
Share capital as at balance sheet date:	136.983.011 złotych

#### **1.1.4. Management of the Parent Company**

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

At 31 December 2011, the Management Board of the Parent 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,    |
| • Carlos Saraiva                  | – Member of the Board,    |
| • Katarzyna Kopaczewska           | – Member of the Board,    |
| • Jacek Owczarek                  | – Member of the Board.    |

Based on the resolution of Supervisory Board dated 13 June 2011 Mr. Carlos Saraiva was appointed to the position of the Member of the Management Board.

Mr. Ryszard Majer the Member of the Management Board died on 22 June 2011.

### **1.2 Information about companies comprising the Group**

#### **1.2.1 Companies included in the consolidated financial statements**

As at 31 December 2011, 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 Alkoholów Agis S.A.,
- 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.,
- Polskie Hurtownie Alkoholów Sp. z o.o.,
- Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.,
- Saol Dystrybucja Sp. z o.o.,
- Pol Cater Holding Sp. z o.o.,
- Dania Fast Food Sp. z o.o.,
- Detal Koncept Sp. z o.o.,
- Tradis Sp. z o.o.,
- DEF Sp. z o.o.,
- Lewiatan Podlasie Sp. z o.o.,
- Euro Sklep S.A.,
- Ambra Sp. z o.o.,
- Lewiatan Śląsk Sp. z o.o..

Equity accounted investees:

- PayUp Polska S.A.,
- Fundusz Inwestycyjny Zamknięty RE Income.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2011, as a result of the Parent Company acquiring a controlling interest:

- Pol Cater Holding Sp. z o.o. oraz Dania Fast Food Sp. z o.o. – subjects to consolidation for the period from 1 March 2011 to 31 December 2011,
- Detal Koncept Sp. z o.o., Tradis Sp. z o.o., DEF Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Euro Sklep S.A., Ambra Sp. z o.o. oraz Lewiatan Śląsk Sp. z o.o. – subjects to consolidation as at 31 December 2011.

### **1.2.2 Entities excluded from consolidation**

As at 31 December 2011, the following subsidiaries of the Group were not consolidated:

- Lewiatan Zachód Sp. z o.o.,
- Lewiatan Północ Sp. z o.o.,
- Drogerie Koliber Sp. z o.o.,
- Lewiatan Holding S.A.,
- Partnerski Serwis Detaliczny S.A.,
- Lewiatan Opole Sp. z o.o.,
- Lewiatan Wielkopolska Sp. z o.o.,
- Lewiatan Kujawy Sp. z o.o.,
- Lewiatan Orbita Sp. z o.o.,
- Gama Serwis Sp. z o.o..

## **1.3 Auditor information**

### **1.3.1 Key certified auditor information**

Name and surname: Marek Gajdziński  
Registration number: 90061

Name and surname: Łukasz Łukomski  
Registration number: 11686

### **1.3.2 Audit auditor information**

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

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

### **1.4 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2010 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 13 June 2011.

The consolidated financial statements were submitted to the Registry Court on 28 June 2011 and were published in Monitor Polski B No. 509 on 9 February 2012.

### **1.5 Audit scope and responsibilities**

This report was prepared for the General Meeting of Eurocash S.A. seated in Komorniki, 11 Wiśniowa Street and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2011, 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 11 July 2011, concluded on the basis of the resolution of Supervisory Board dated 10 May 2007 on the appointment of the auditor.

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

We audited the consolidated financial statements in the Parent Company's head office during the period from 28 November to 9 December 2011 and from 23 January to 17 February 2012.

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 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 2011 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 2011	*
Eurocash Franczyza Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2011	*
Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji	audit not required	31 December 2011	not applicable
Eurocash Trade 1 Sp. z o.o.	audit not required	31 December 2011	not applicable
Eurocash Trade 2 Sp. z o.o.	audit not required	31 December 2011	not applicable
Eurocash Spółka Akcyjna Sp. k.	audit not required	31 December 2011	not applicable
Premium Distributors Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Damianex S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Delikates Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Miro Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
MTC Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Multi-Ex S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Polskie Hurtownie Alkoholi Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Saol Dystrybucja Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2011	*
Pol Cater Holding Sp. z o.o.	audit not required	30 September 2011	not applicable
Dania Fast Food Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	30 September 2011	unqualified
Detal Koncept Sp. z o.o.	ECA Seredyńscy i Partnerzy Sp. z o.o.	31 December 2011	*
Tradis Sp. z o.o.	ECA Seredyńscy i Partnerzy Sp. z o.o.	31 December 2011	*
DEF Sp. z o.o.	ECA Seredyńscy i Partnerzy Sp. z o.o.	31 December 2011	*
Lewiatan Podlasie Sp. z o.o.	ECA Seredyńscy i Partnerzy Sp. z o.o.	31 December 2011	*
Euro Sklep S.A.	ECA Seredyńscy i Partnerzy Sp. z o.o.	31 December 2011	*
Ambra Sp. z o.o.	ECA Seredyńscy i Partnerzy Sp. z o.o.	31 December 2011	*
Lewiatan Śląsk Sp. z o.o.	ECA Seredyńscy i Partnerzy Sp. z o.o.	31 December 2011	*

\*) 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	31.12.2011 PLN '000	% of total	31.12.2010 PLN '000 restated*	% of total
<b>Non-current assets (long-term)</b>	<b>1 921 044,8</b>	<b>42,0</b>	<b>811 253,3</b>	<b>33,8</b>
Goodwill	1 166 304,5	25,5	355 066,7	14,8
Other intangible assets	194 973,6	4,3	193 167,0	8,0
Property, plant and equipment	420 180,8	9,2	233 868,1	9,7
Investment property	1 643,0	0,0	-	-
Investments in equity accounted investees	20 245,8	0,4	25,3	0,0
Other investments	50 132,7	1,1	6 353,0	0,3
Long-term receivables	3 130,2	0,1	1 819,9	0,1
Deferred tax assets	61 973,2	1,4	18 267,4	0,8
Other long-term prepayments	2 461,0	0,1	2 685,8	0,1
<b>Current assets (short-term)</b>	<b>2 657 534,1</b>	<b>58,0</b>	<b>1 591 727,3</b>	<b>66,2</b>
Inventories	948 233,4	20,7	634 924,8	26,4
Trade receivables	1 294 671,7	28,3	668 675,4	27,8
Current tax assets	2 128,5	0,1	4 197,0	0,2
Other short-term receivables	106 158,4	2,3	57 560,5	2,4
Other short-term financial assets	3 021,0	0,1	3 000,0	0,1
Short-term prepayments	14 507,1	0,3	11 869,7	0,5
Cash and cash equivalents	288 814,0	6,3	211 499,9	8,8
<b>TOTAL ASSETS</b>	<b>4 578 578,9</b>	<b>100,0</b>	<b>2 402 980,6</b>	<b>100,0</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2011 PLN '000</b>	<b>% of total</b>	<b>31.12.2010 PLN '000 restated*</b>	<b>% of total</b>
<b>Equity</b>	<b>548 493,9</b>	<b>12,0</b>	<b>457 104,8</b>	<b>19,0</b>
Share capital	136 983,0	3,0	136 429,8	5,7
Treasury shares	-	-	(1 115,5)	0,1
Reserve capital	263 157,2	5,8	174 900,9	7,3
Treasury shares reserve	-	-	12 884,5	0,5
Hedging reserve	(4 645,0)	0,1	(4 645,0)	0,2
Retained earnings	152 998,7	3,3	138 638,6	5,8
Accumulated profit from previous years	18 600,0	0,4	10 182,8	0,4
Profit for the period	134 398,7	2,9	128 455,8	5,4
<b>Equity attributable to owners of the Company</b>	<b>548 493,9</b>	<b>12,0</b>	<b>457 093,3</b>	<b>19,0</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>11,5</b>	<b>0,0</b>
<b>Liabilities</b>	<b>4 030 085,0</b>	<b>88,0</b>	<b>1 945 875,8</b>	<b>81,0</b>
<b>Non-current liabilities</b>	<b>711 679,7</b>	<b>15,5</b>	<b>306 904,3</b>	<b>12,8</b>
Long-term loans and borrowings	666 100,9	14,6	256 586,2	10,7
Long-term financial liabilities	20 393,1	0,5	23 225,9	1,0
Other long-term liabilities	293,3	0,0	400,0	0,0
Deferred tax liabilities	16 317,7	0,4	8 408,3	0,4
Employee benefits	1 663,9	0,0	1 139,9	0,1
Provisions	6 910,8	0,2	17 144,0	0,7
<b>Current liabilities</b>	<b>3 318 405,3</b>	<b>72,5</b>	<b>1 638 971,5</b>	<b>68,1</b>
Loans and borrowings	830 807,7	18,2	86 897,8	3,6
Short-term financial liabilities	39 696,5	0,9	39 493,9	1,4
Trade payables	2 162 575,2	47,2	1 408 794,7	58,6
Current tax liabilities	15 362,5	0,3	2 151,8	0,1
Other short-term payables	110 056,9	2,4	45 181,7	1,9
Current employee benefits	50 352,6	1,1	15 755,9	0,7
Provisions	109 553,9	2,4	40 695,7	1,7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 578 578,9</b>	<b>100,0</b>	<b>2 402 980,6</b>	<b>100,0</b>

\*) Restatement of comparative figures is described in note 1 of notes to the consolidated financial statements.



## 2.1.2. Consolidated income statement

	1.01.2011 - % of total 31.12.2011 sales	1.01.2010 - % of total 31.12.2010 sales
	zł '000	zł '000
<b>Sales</b>	<b>9 980 595,9</b>	<b>100,0</b>
Sales of goods	9 644 737,2	96,6
Sales of services	335 858,7	3,4
<b>Cost of sales</b>	<b>(8 992 235,7)</b>	<b>90,1</b>
Cost of goods sold	(8 988 874,6)	90,1
Cost of services sold	(3 361,1)	0,0
<b>Gross profit</b>	<b>988 360,2</b>	<b>9,9</b>
Selling expenses	(601 097,5)	6,0
General and administrative expenses	(186 616,6)	1,9
<b>Profit on sales</b>	<b>200 646,1</b>	<b>2,0</b>
Other operating income	54 836,4	0,6
Other operating expenses	(62 526,9)	0,6
<b>Operating profit</b>	<b>192 955,6</b>	<b>1,9</b>
Finance income	5 060,8	0,1
Finance costs	(44 658,4)	0,5
Share of losses of equity accounted investees	(2 366,9)	0,0
<b>Profit before tax</b>	<b>150 991,2</b>	<b>1,5</b>
Income tax expense	(16 604,0)	0,2
<b>Profit for the period</b>	<b>134 387,2</b>	<b>1,4</b>

### Attributable to:

Owners of the Company	134 398,7	128 455,8
Non-controlling interests	(11,5)	(9,4)

### Earnings per share

Basic earnings per share (PLN)	0,98	0,94
Diluted earnings per share (PLN)	0,97	0,93

## 2.2 Selected financial ratios

	2011	2010 restated*	2009 restarted
<b>1. Return on sales</b>			
<u>profit for the period x 100%</u> sales	1,3%	1,6%	1,5%
<b>2. Return on equity</b>			
<u>profit for the period x 100%</u> equity - profit for the period	32,5%	39,1%	38,8%
<b>3. Debtors turnover</b>			
<u>average trade receivables (gross) x 365 days</u> sales	37 days	26 days	20 days
<b>4. Debt ratio</b>			
<u>liabilities x 100%</u> equity and liabilities	88,0%	81,0%	73,7%
<b>5. Current ratio</b>			
<u>current assets</u> current liabilities	0,8	1,0	1,0

\*) Restatement of comparative figures is described in note 1 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 at the beginning and at the end of the period, excluding allowances for receivables.

As at 31 December 2011 the current ratio amounted to 0.8 and was lower than in prior years mainly as a result of short-term part of investment bank loan for purchase of Tradis distribution companies drawn in December 2011. The Group has unused credit limits within granted lines of credit and during 2012 the Group plans to generate sufficient cash flows from operating activities which together shall be sufficient for timely settlement of short-term liabilities.

### **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 interests' 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 with amendments) 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 2011, we have issued 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. 11686  
Łukasz Łukomski

Poznań, 30 March 2012

*Signed on the Polish original*

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

# **EUROCASH S.A. GROUP**

## **CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

### **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, 30 March 2012

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<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2011	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, KRS 0000213765

#### PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

Indefinite period

#### PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period 1 January 2011 – 31 December 2011 and comparative period 1 January 2010 – 31 December 2010.

Consolidated statement of financial position has been prepared as at 31 December 2011, and the comparative figures are presented as at 31 December 2010.

### 2. BOARD OF THE PARENT ENTITY

#### 2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2011 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,  
Carlos Saraiva – Member of the Management Board,  
Jacek Owczarek – Member of the Management Board.



<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## 2.2. SUPERVISORY BOARD

As at 31 December 2011 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.

## 2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

Based on the resolution of Supervisory Board dated 13 June 2011 Mr. Carlos Saraiva was appointed to the position of the Management Board.

Mr. Ryszard Majer the Management Board Member died on 22 June 2011.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	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 31.12.2011

	Note	Year for the period from 01.01.2011 to 31.12.2011	Year for the period from 01.01.2010 to 31.12.2010
<b>Sales</b>		<b>9 980 595 900</b>	<b>7 791 759 447</b>
Sales of goods	28	9 644 737 246	7 534 129 989
Sales of services	28	335 858 654	257 629 458
<b>Costs of sales</b>		<b>(8 992 235 676)</b>	<b>(6 990 493 746)</b>
Costs of goods sold		(8 988 874 571)	(6 987 965 246)
Costs of services sold		(3 361 105)	(2 528 500)
<b>Gross profit</b>		<b>988 360 224</b>	<b>801 265 701</b>
Selling expenses	29	(601 097 541)	(454 270 053)
General and administrative expenses	29	(186 616 608)	(161 771 188)
<b>Profit on sales</b>		<b>200 646 075</b>	<b>185 224 460</b>
Other operating income	30	54 836 391	26 051 327
Other operating expenses	30	(62 526 869)	(40 830 272)
<b>Operating profit</b>		<b>192 955 597</b>	<b>170 445 515</b>
Financial income	31	5 060 822	5 967 799
Financial costs	31	(44 658 393)	(30 557 855)
Share of losses of equity accounted investees		(2 366 850)	(517 815)
<b>Profit before income tax</b>		<b>150 991 175</b>	<b>145 337 644</b>
Income tax expense	25	(16 603 987)	(16 891 224)
<b>Profit for the period</b>		<b>134 387 189</b>	<b>128 446 420</b>
Attributable to:			
Owners of the Company		134 398 735	128 455 787
Non-controlling interests		(11 546)	(9 367)

## EARNINGS PER SHARE

		PLN / share	PLN / share
Profit for the period		134 398 735	128 455 787
Weighted average number of shares	32	137 001 458	136 630 350
Diluted weighted average number of shares	32	138 204 841	137 874 048
- basic		0,98	0,94
- diluted		0,97	0,93

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	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 31.12.2011**

	Year for the period from 01.01.2011 to 31.12.2011	Year for the period from 01.01.2010 to 31.12.2010
<b>Profit for the period</b>	<b>134 387 189</b>	<b>128 446 420</b>
<b>Other comprehensive income for the period</b>	-	-
<b>Total comprehensive income for the period</b>	<b>134 387 189</b>	<b>128 446 420</b>
<b>Attributable to:</b>		
Owners of the Company	134 398 735	128 455 787
Non-controlling interests	(11 546)	(9 367)
<b>Total comprehensive income for the period</b>	<b>134 387 189</b>	<b>128 446 420</b>

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	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 31.12.2011

	Note	as at 31.12.2011	as at 31.12.2010 Restated
<i>Assets</i>			
<b>Non-current assets (long-term)</b>		<b>1 921 044 836</b>	<b>811 253 267</b>
Goodwill	5	1 166 304 460	355 066 727
Intangible assets	5	194 973 627	193 167 046
Property, plant and equipment	6	420 180 837	233 868 131
Investment property	8	1 643 004	-
Investments in equity accounted investees	9	20 245 781	25 308
Other long-term investments	10	50 132 743	6 353 000
Long-term receivables	11	3 130 179	1 819 847
Deferred tax assets	26	61 973 223	18 267 406
Other long-term prepayments	27	2 460 981	2 685 803
<b>Current assets (short-term)</b>		<b>2 657 534 081</b>	<b>1 591 727 305</b>
Inventories	12	948 233 381	634 924 788
Trade receivables	13	1 294 671 733	668 675 347
Current tax assets	13	2 128 490	4 196 979
Other short-term receivables	13	106 158 421	57 560 523
Other short-term financial assets	14	3 021 041	3 000 000
Short-term prepayments	15	14 507 063	11 869 746
Cash and cash equivalents	16	288 813 951	211 499 922
<b>Total assets</b>		<b>4 578 578 917</b>	<b>2 402 980 573</b>

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	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 31.12.2011

		as at 31.12.2011	as at 31.12.2010 Restated
<i>Equity nad liabilities</i>			
<b>Equity</b>		<b>548 493 908</b>	<b>457 104 760</b>
<b>Equity attributable to Owners of the Company</b>		<b>548 493 908</b>	<b>457 093 215</b>
Share capital	18	136 983 011	136 429 761
Treasury shares	19	-	(1 115 507)
Reserve capital	19	263 157 202	174 900 870
Treasury shares reserve	19	-	12 884 493
Hedging reserve	19	(4 645 000)	(4 645 000)
Retained earnings		152 998 695	138 638 597
Accumulated profit from previous years		18 599 960	10 182 810
Profit for the period		134 398 735	128 455 787
<b>Non-controlling interests</b>		<b>-</b>	<b>11 546</b>
<b>Liabilities</b>		<b>4 030 085 009</b>	<b>1 945 875 812</b>
<b>Non-current liabilities</b>		<b>711 679 718</b>	<b>306 904 337</b>
Long-term loans and borrowings	23	666 100 910	256 586 164
Long-term financial liabilities	24	20 393 134	23 225 866
Other long-term liabilities	22	293 305	400 000
Deferred tax liabilities	26	16 317 736	8 408 365
Employee benefits	21	1 663 864	1 139 941
Provisions	21	6 910 769	17 144 000
<b>Current liabilities</b>		<b>3 318 405 291</b>	<b>1 638 971 476</b>
Loans and borrowings	23	830 807 741	86 897 780
Short-term financial liabilities	24	39 696 530	39 493 868
Trade payables	22	2 162 575 174	1 408 794 731
Current tax liabilities	22	15 362 536	2 151 797
Other short-term payables	22	110 056 890	45 181 673
Current employee benefits	21	50 352 605	15 755 960
Provisions	21	109 553 815	40 695 666
<b>Total equity and liabilities</b>		<b>4 578 578 917</b>	<b>2 402 980 573</b>

## BOOK VALUE PER SHARE AS AT 31 DECEMBER 2011

		as at 31.12.2011	as at 31.12.2010
<b>Equity attributable to Owners of the Company</b>		<b>548 493 908</b>	<b>457 093 215</b>
Number of shares	33	136 983 011	136 352 068
Diluted number of shares	33	138 909 011	138 831 318
<b>Book value per share</b>		<b>4,00</b>	<b>3,35</b>
<b>Diluted book value per share</b>		<b>3,95</b>	<b>3,29</b>

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	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 31.12.2011

	Year for the period from 01.01.2011 to 31.12.2011	Year for the period from 01.01.2010 to 31.12.2010
<i>Cash flow from operating activities</i>		
<b>Profit before tax</b>	<b>150 991 175</b>	<b>145 337 644</b>
<b>Adjustments for:</b>	<b>118 513 570</b>	<b>91 383 321</b>
Depreciation and amortization	72 799 514	60 267 365
Share in losses of equity accounted investees	2 366 850	517 815
Equity-settled share-based payment transactions	1 198 538	3 227 302
Loss on sale of property, plant and equipment	1 640 157	1 561 434
Interest expenses	41 777 797	28 726 118
Interest received	(1 269 286)	(2 916 714)
<b>Operating cash before changes in working capital</b>	<b>269 504 745</b>	<b>236 720 965</b>
Changes in inventory	36 605 672	(128 531 680)
Changes in receivables	(108 993 996)	(157 662 377)
Changes in payables	138 467 237	327 550 223
Changes in provisions and employee benefits	(2 620 078)	(17 467 619)
Other adjustments	448 537	110 269
<b>Operating cash</b>	<b>333 412 117</b>	<b>260 719 781</b>
Interest paid	(24 646 078)	(14 335 060)
Income tax paid	(26 603 509)	(29 687 478)
<b>Net cash from operating activities</b>	<b>282 162 530</b>	<b>216 697 243</b>
<i>Cash flow from investing activities</i>		
Acquisition of intangible assets	(17 678 938)	(17 811 637)
Proceeds from sale of intangible assets, property, plant and equipment	-	54 000
Acquisition of property, plant and equipment	(49 333 610)	(56 652 606)
Proceeds from sale of property, plant and equipment	14 089 534	8 504 723
Expenditures for purchased associate companies	(20 245 781)	-
Acquisition of subsidiaries, net of cash acquired	(1 051 804 930)	(344 723 512)
Loans granted	-	(3 000 000)
Repayments received of given loans	681 000	-
Interest received	81 149	2 807 485
<b>Net cash used in investing activities</b>	<b>(1 124 211 575)</b>	<b>(410 821 547)</b>
<i>Cash flow from financing activities</i>		
Proceeds from issue of share capital	5 382 538	12 360 362
Sales of treasury shares	1 115 507	-
Financing for franchisees	979 641	1 182 689
Proceeds from loans and borrowings	1 067 916 476	340 586 164
Repayment of borrowings	(76 173 867)	(39 296 472)
Payment of finance lease liabilities	(7 009 123)	(8 933 285)
Interest on finance lease	(2 240 025)	(2 124 580)
Interests on loans and borrowings	(19 935 754)	(5 205 814)
Dividends paid	(50 672 318)	(50 396 800)
<b>Net cash used in financing activities</b>	<b>919 363 075</b>	<b>248 172 264</b>
<b>Net change in cash and cash equivalents</b>	<b>77 314 030</b>	<b>54 047 960</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>211 499 922</b>	<b>157 451 962</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>288 813 951</b>	<b>211 499 922</b>

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	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 31.12.2011

	Share capital	Treasury shares	Reserve capital	Treasure shares reserve	Hedge reserve	Retained earnings	Equity attributable to Owners of the Company	Non-controlling interests	Total
<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
Change in accounting policies	-	-	(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	457 093 214	11 545	457 104 760
<i>Changes in equity in the period from 01.01. to 31.12.2011</i>									
Balance as at 01.01.2011	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
Total comprehensive income for the reporting period									
Profit for the period from 01.01. to 30.09.2011	-	-	-	-	-	134 398 735	134 398 735	(11 546)	134 387 189
Total comprehensive income for the period from 01.01. to 31.12.2011	-	-	-	-	-	134 398 735	134 398 735	(11 546)	134 387 189
Transaction with Owners of the Company, recognized directly in equity									
Contributions by and distributions to Owners of the Company									
Dividends	-	-	-	-	-	(50 672 318)	(50 672 318)	-	(50 672 318)
Transfer to reserve capital	-	-	69 344 012	-	-	(69 344 012)	-	-	-
Equity-settled share-based payment transactions	-	-	1 198 538	-	-	-	1 198 538	-	1 198 538
Share options exercised	553 250	-	4 829 288	-	-	-	5 382 538	-	5 382 538
Termination of share buy-back plan	-	-	12 884 493	(12 884 493)	-	-	-	-	-
Share buy-back programme	-	1 115 507	-	-	-	-	1 115 507	-	1 115 507
Other	-	-	-	-	-	(22 307)	(22 307)	-	(22 307)
Total contributions by and distributions to Owners of the Company	553 250	1 115 507	88 256 332	(12 884 493)	-	(120 038 637)	(42 998 041)	-	(42 998 041)
Total transaction with Owners of the Company, recognized directly in equity	553 250	1 115 507	88 256 332	(12 884 493)	-	(120 038 637)	(42 998 041)	-	(42 998 041)
Balance as at 31.12.2011	136 983 011	-	263 157 202	-	(4 645 000)	152 998 695	548 493 908	-	548 493 908

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2011	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 31.12.2011**

### **1. GENERAL INFORMATION**

#### **1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS**

According to the resolution of the Management Board dated 30 March 2012 the consolidated financial statements of Eurocash S.A. Group for the period from 1 January 2011 to 31 December 2011 were authorized for issue by the management Board. According to the information included in the report no. 03/2012 dated 23 January 2012 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its consolidated financial statements on 30 March 2012.

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.



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

#### Standards, Interpretations and amendments to published Standards that are not yet effective

<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
<i>Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets</i>	<p>The Amendments require disclosure of information that enables users of financial statements:</p> <ul style="list-style-type: none"> <li>to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and</li> <li>to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.</li> </ul> <p>The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.</p>	The Group does not expect the amendments to IFRS 7 to have material impact on the financial statements, because of the nature of the Group's operations and the types of financial assets that it holds.	1 July 2011

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**Standards and interpretations not yet endorsed by the EU**

<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
<i>Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters</i>	The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. This exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.	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.	1 July 2011
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> - Offsetting Financial Assets and Financial Liabilities	The Amendments contain new disclosure requirements for financial assets and liabilities that are: <ul style="list-style-type: none"> <li>• offset in the statement of financial position; or</li> <li>• subject to master netting arrangements or similar agreements.</li> </ul>	It is expected that the Amendments, when initially applied, will have a significant impact on the level of disclosure in the financial statements. However, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.	1 January 2013
<i>IFRS 9 Financial Instruments (2009)</i>	This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: <ul style="list-style-type: none"> <li>• financial assets measured at amortized cost; or</li> <li>• financial assets measured at fair value.</li> </ul> A financial asset is measured at amortized cost if the following two conditions are met: <ul style="list-style-type: none"> <li>• the assets is held within a business model whose objective is to hold assets in order to collect</li> </ul>	The Group does not expect IFRS 9 (2009) to have material impact on the financial statements. The classification and measurement of the Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds.	1 January 2015

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Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	<p>contractual cash flows; and,</p> <ul style="list-style-type: none"> <li>its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li> </ul> <p>Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.</p>		
Additions to IFRS 9 Financial Instruments (2010)	<p>The 2010 additions to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.</p> <p>The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.</p> <p>The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.</p> <p>Amounts presented in OCI are not subsequently</p>	<p>The Group does not expect additions to IFRS 9 (2010) to have material impact on the financial statements. The classification and measurement of the Group's financial liabilities are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of its financial liabilities.</p>	1 January 2015

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<b>Financial statements period:</b>	<b>01.01-31.12.2011</b>	<b>Presentation currency:</b>	<b>Polish zloty (PLN)</b>
<b>Level of round-offs:</b>	<b>All amounts are expressed in Polish zloty (unless indicated otherwise)</b>		

<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
	reclassified to profit or loss but may be transferred within equity. Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.		
<i>Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures</i>	<p>These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 (2010).</p> <p>The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9.</p> <p>If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.</p> <p>If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7.</p> <p>If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required.</p>	It is expected that the Amendments, when initially applied, will not have a material impact on the The Group's financial statements. The classification and measurement of the Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds.	1 January 2015
<i>IFRS 10 Consolidated Financial Statements" and IAS 27 (2011) Separate Financial Statements</i>	IFRS 10 provides a new single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when (1) it is exposed or has rights to variable returns from its involvements with the investee, (2) has the ability to affect those returns through its power over that investee and (3)	The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.	1 January 2013

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Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	<p>there is a link between power and returns.</p> <p>The new standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).</p>		
IFRS 11 Joint Arrangements	<p>IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.</p> <p>Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:</p> <ul style="list-style-type: none"> <li>- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.</li> <li>- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.</li> </ul> <p>IFRS 11 effectively carves out, from IAS 31, those cases in which although there is a separate vehicle for the joint arrangement, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity</p>	<p>The Group does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.</p>	1 January 2013

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<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
	method. Proportionate consolidation is no longer possible.		
<i>IFRS 12 Disclosure of Interests in Other Entities</i>	IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.	The Group does not expect IFRS 12 to have material impact on the financial statements.	1 January 2013
<i>IFRS 13 Fair Value Measurement</i>	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.  The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.	The Group does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.	1 January 2013
<i>Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income</i>	The amendments: <ul style="list-style-type: none"> <li>require that an entity presents separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of OCI are</li> </ul>	The Group does not expect the amendments to have material impact on the financial statements.	1 July 2012

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<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
	<p>presented before related tax effects then the aggregated tax amount should be allocated between these sections.</p> <ul style="list-style-type: none"> <li>Change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.</li> </ul>		
<i>Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets</i>	The 2010 amendment introduces an exception to the current measurement principles based on the manner of recovery in paragraph 52 of IAS 12 for investment property measured using the fair value model in accordance with IAS 40 by introducing a rebuttable presumption that the carrying value of underlying assets would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.	The amendments are not relevant to the Group's financial statements, since the Group does not have any investment properties measured using the fair value model in IAS 40.	1 January 2012
<i>IAS 19 (2011) Employee Benefits</i>	The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.	The Group does not expect the amendments to have a significant impact on the financial statements.	1 January 2013
<i>IAS 27 (2011) Separate</i>	IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for	The Group does not expect IAS 27 (2011) to have material impact on the financial statements, since it	1 January 2013

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<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
<i>Financial Statements</i>	separate financial statements with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.	does not results in a change in the entity's accounting policy.	
<i>IAS 28 (2011) Investments in Associates and Joint Venutres</i>	There are limited amendments made to IAS 28 (2008): <ul style="list-style-type: none"> <li>• Associates and joint ventures held for sale. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.</li> <li>• Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.</li> </ul>	The Group does not expect the amendments to have material impact on the financial statements.	1 January 2013
<i>Amendments to IAS 32 Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities</i>	The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.  The Amendments clarify that an entity currently has a	The Group does not expect the amendments to have material impact on the financial statements.	1 January 2014



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<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
	<p>legally enforceable right to set-off if that right is:</p> <ul style="list-style-type: none"> <li>• not contingent on a future event; and</li> <li>• enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.</li> </ul>		

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<i>Standard/Interpretation</i>	<i>Nature of impending change in accounting policy</i>	<i>Possible impact on financial statements</i>	<i>Effective date for periods beginning as the date or after that date</i>
<i>IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine</i>	<p>The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.</p> <p>To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 Inventories.</p> <p>Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met:</p> <ul style="list-style-type: none"> <li>• it is probable that future economic benefits will flow to the entity;</li> <li>• the entity can identify the component of the ore body for which access has been improved; and</li> <li>• the costs relating to the stripping activity associated with that component can be measured reliably.</li> </ul> <p>The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.</p> <p>The stripping activity asset shall initially be recognised at cost while after initial recognition, it shall be carried at either its cost or its revalued amount, less depreciation or amortisation and impairment losses, in the same way as the existing asset of which it is a part.</p> <p>The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.</p>	<p>The Group does not expect the Interpretation to have any impact on the financial statements since it does not have any stripping activities.</p>	1 January 2013

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#### 1.4. FUNCTIONAL AND PRESENTATION CURRENCY, ROUNDINGS

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

#### 1.5. USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### 1.6. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting 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.

As a result of correction of the acquisition price of Premium Distributors Group companies the Group modified the relevant comparative data. The effective reclassification changes are presented in the supplementary information to the consolidated financial statement.

#### 1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE GROUP

Eurocash S.A. Group comprised of Eurocash S.A. and subsidiaries: 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., 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., 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., Pol Cater Holding Sp. z o.o., Dania Fast Food Sp. z o.o., Euro Sklep S.A., Detal Koncept Sp. z o.o., Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Partnerski Serwis Detaliczny S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Drogerie Koliber Sp. z o.o., Lewiatan Holding S.A., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o., Gama Serwis Sp. z o.o. and the associate PayUp Polska S.A. oraz joint venture Fundusz Inwestycyjny Zamknięty RE Income.

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

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

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

Eurocash Group excluded the financial data of some of the acquired Tradis companies from consolidation as they were considered insignificant for fulfilling the obligation of fair and reliable presentation of the property and financial situation and the bottom line of the Group.

Because the Tradis Companies were acquired at the end of December 2011, the aforementioned analysis concerning insignificance of some of the acquired Tradis Companies was based on these Companies' statements of financial situation. In the consecutive reporting periods, the Group shall repeat the analysis of insignificance of some of the acquired Tradis Companies, which will also be based on these Companies' income statements.

Below is a list of companies excluded from balance sheet consolidation as at 2011-12-31:

- Lewiatan Zachód sp. z o.o.
- Lewiatan Północ sp. z o.o.
- Drogerie Koliber sp. z o.o.
- Lewiatan Holding s.a.
- Partnerski Serwis Detaliczny s.a.
- Lewiatan Opole sp. z o.o.
- Lewiatan Wielkopolska sp. z o.o.
- Lewiatan Kujawy sp. z o.o.
- Lewiatan Orbita sp. z o.o.
- Gama Serwis sp. z o.o.

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#### Companies included in the consolidated financial statements as at 31.12.2011

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 0000000139	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329002	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329037	District Court 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
applied consolidation method	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	100,00%	100,00%	49,00%	97,09%	100,00%	100,00%	100,00%
voting rights (in %)	n/a	100,00%	100,00%	49,00%	91,74%	100,00%	100,00%	100,00%

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**Entities comprising the Eurocash capital group covered by the consolidated financial statements as at 31.12.2011 (continued)**

Unit	Premium Distributors Sp. z o.o.	Przedsiębiorstwo Dystrybucji Alkoholów Agis S.A.	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.
address	ul. Bokserska 66a 02-690 Warszawa	ul. Polna 52 100 Toruń	87- ul. Grunwaldzka 3 73-100 Stargard Szczeciński	ul. Głęboka 34 200 Przeworsk	37- ul. Zakładowa 11 62-510 Konin	ul. Jasna 42 57- 200 Żabkowice Śląskie	ul. Elewatorska 20 15- 620 Białystok	ul. Bokserska 66A 02-690 Warszawa
core business activity	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 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 Poznań, 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
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of acquisition	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010
ownership interest	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
voting rights (in %)	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

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**Companies included in the consolidated financial statements as at 31.12.2011(continued)**

Unit	Polskie Hurtownie Alkoholi Sp. z o.o.	Saol Dystrybucja Sp. z o.o.	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	Pol Cater Holding Sp. z o.o.	Dania Fast Food Sp. z o.o.
address	ul. Gen. Józefa Sowińskiego 42A 65-419 Zielona Góra	ul. Orłąt Lwowski 146 41-208 Sosnowiec	ul. Grottgera 5 66-200 Świebodzin	ul. Sokołowska 10 05-090 Raszyn	ul. Sokołowska 10 05-090 Raszyn
core business activity	PKD 4634A	PKD 4639Z	PKD 4690Z	PKD 7010Z	PKD 4639Z
registration court	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	District Court Warszawa, XIV Commercial Division of the National Court Register KRS 0000241989	District Court Warszawa, XIV Commercial Division of the National Court Register KRS 0000165007
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full
date of aquisition	02.08.2010	02.08.2010	02.08.2010	01.03.2011	01.03.2011
ownership interest	100,00%	100,00%	100,00%	100,00%	100,00%
voting rights (in %)	100,00%	100,00%	100,00%	100,00%	100,00%

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**Entities comprising the Eurocash capital group covered by the consolidated financial statements as at 31.12.2011 (continued)**

Unit	Detal Koncept Sp. z o.o.	Tradis Sp. z o.o.	DEF Sp. z o.o.	Lewiatan Podlasie Sp. z o.o.	Euro Sklep S.A.	Ambra Sp. z o.o.	Lewiatan Śląsk Sp. z o.o.
address	ul. Mełgiewska 7-9 20-952 Lublin	ul. Mełgiewska 7-9 20-952 Lublin	ul. Handlowa 6 15-399 Białystok	ul. Sokółska 9 15-399 Białystok	ul. Bystrzańska 94a 43-309 Bielsko-Biała	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	ul. Lenartowicza 39 41-219 Sosnowiec
core business activity	PKD 7490Z	PKD 4639Z	PKD 4639Z	PKD 4711Z	PKD 4711Z	PKD 4645Z	PKD 7022Z
registration court	District Court Lublin, XI Commercial Division of the National Court Register KRS 0000040575	District Court Lublin, XI Commercial Division of the National Court Register KRS 0000272382	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000048125	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000033766	District Court Bielsko Biała, VIII Commercial Division of the National Court Register KRS 0000012291	District Court Katowice, Commercial Division of the National Court Register KRS 0000254307	District Court Toruń VII Commercial Division of the National Court Register KRS 0000109502
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full
date of aquisition	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011
ownership interest	100%	100%	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%	100%	100%



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## 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 financial statements.

### 2.4. BASIS OF CONSOLIDATION

#### Subsidiaries

Subsidiaries are entities controlled by the Group. In the consolidated financial statements entities controlled are entities in which the Group is able to govern the financial and operating policies so as to obtain benefits from the entities' activities. It is related to possession of the majority of voting rights in the decision making boards of those entities. In assessing control, the Group takes into consideration currently exercisable potential voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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### **Investments in associates**

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

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

### **Costs of business acquisition**

The costs of business acquisition are valued as the sum of the fair values at the date of exchange of given assets, incurred or assumed liabilities and equity instruments issued by the acquirer with regard to the business acquisition. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

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.

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.

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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.

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.

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## 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,
- Customer relations,
- Other intangible assets.

### Initial measurement of intangible assets

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

### Subsequent expenditure

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

### Amortization

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

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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%
▪ customer relations	10% - 25%
▪ 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” trademarks are subject to impairment testing each year.

#### Review of amortization rates and possible impairment

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

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

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

#### Measurement of intangible assets at the reporting date

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

## 2.7. PROPERTY, PLANT AND EQUIPMENT

#### Definition

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

Property, plant and equipment shall include in particular:

- Land
- Buildings and constructions,
- Technical equipment and machinery,
- Vehicles,
- Other tangible fixed assets (furniture etc.),
- Fixed assets under construction.

#### The initial measurement of tangible fixed assets

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

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

The manufacturing cost of fixed assets under construction includes all expenditures incurred from the date the construction, assembly, adaptation or improvement commenced until the reporting date or the day of the bringing the asset into use, plus:

- non-deductible VAT and excise duty,
- costs of obligations incurred for financing of the asset together with the exchange rate differences, decreased by the revenues obtained,
- if required – the estimation of the costs of dismantling and removing the items and restoring the site on which they are located.

#### **Subsequent expenditure**

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

#### **Depreciation**

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

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

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

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

#### **Review of depreciation rates and possible impairment**

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

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

#### **Measurement of property, plant and equipment at the reporting date**

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

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

#### **The stocktaking of tangible fixed assets**

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

### **2.8. BORROWING COSTS**

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

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

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

### **2.9. LEASE CONTRACTS**

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

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

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

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

Depreciation methods applied for leased assets are consistent with the accounting policies applied for the Group's owned assets. Depreciation is calculated in accordance with IAS 16 and IAS 38. If there is no reasonable assurance that the lessee will obtain ownership of the asset by the end of the lease term, the asset is depreciated over a shorter of the following periods: duration of the lease contract or economic useful life of the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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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,
- there must be commitment to a plan to sell by an appropriate level of management,
- that plan must have been initiated,



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- 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.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

## 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

Acquisition price is determined using 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.

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 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.

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

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

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

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

Financial assets are classified into following categories:

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

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

**(a) Financial assets held-to-maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Group has the positive intention and ability to hold to maturity, other than:

- those that the Group designates upon initial recognition as at fair value through profit or loss;
- those that the Group designates as available-for-sale;
- those that meet the definition of receivables and loans.

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

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

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, arising as a result of cash expenditures, supplying goods or rendering services, which are not intended to be recognized as assets measured at fair value through profit or loss.

The assets are recognized as current assets excluding those that maturity date exceeds 12 months of the reporting date.

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Financial assets classified as loans and receivables are subsequently measured at amortised cost using the effective interest method less impairment losses if any.

Loans and receivables comprise trade receivables and other receivables.

### **(c) Available-for-sale financial assets**

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

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

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

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

#### **Financial liabilities**

Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method, excluding:

- (a) financial liabilities designated as at fair value through profit or loss,
- (b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified to be derecognized,
- (c) financial guarantees contracts,
- (d) obligations to grant low-interest or interest-free loans.

## **2.16. DERIVATIVES**

The Group uses derivatives to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for as a stand-alone derivative if:

- the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative,
- the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

At the moment of initial recognition of the hedging position, the Group formally documents the relationship between the hedging instrument and hedged item. This documentation

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contains the purpose of risk management as well as methods that will be used to assess the hedging instrument effectiveness.

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

- the hedge is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated
- the actual results of hedge are within a range of 80-125% (retrospective effectiveness)
- Hedging of future transaction cash flows is applied for highly probable transactions exposed to cash flow changes risk that would be recognized as a profit or loss of current reporting period.

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

#### Cash flow hedge

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

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

#### Other non-trading derivatives

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

## 2.17. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

### Trade receivables

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

### Other short-term receivables

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

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#### Measurement of trade receivables and other receivables at the reporting date

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

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

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

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

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

#### Bad debts allowance

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

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

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

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

### 2.18. CASH AND CASH EQUIVALENTS

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

### 2.19. SHORT-TERM PREPAYMENTS

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

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Short-term prepayments are analyzed at each reporting date. Prepayments, which will be expensed within the period of 12 months of the reporting date, should be presented as short-term prepayments.

The assessment is made by the Group, taking into consideration reasonable circumstances and knowledge about each position of prepayments.

Short-term prepayments include mainly:

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

## 2.20. IMPAIRMENT

### **Financial assets (including receivables)**

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

Objective evidence that financial assets (including equity securities) are impaired can include:

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

Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment.

All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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

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

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

#### **Non-financial assets**

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

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any



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indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

## 2.21. EQUITY

### Ordinary shares

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

### Repurchase of treasury shares

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

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

## 2.22. LONG-TERM LIABILITIES

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



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

Short-term liabilities include mainly:

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

#### Measurement of the short-term liabilities

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

#### Measurement of short-term liabilities denominated in foreign currency

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

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

### 2.24. LOANS

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

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

### 2.25. PROVISIONS

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

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

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

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

### 2.26. SALES

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

#### Goods sold

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

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

### Services

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

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

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

## 2.27. FINANCE INCOME AND COSTS

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

### Interest income

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

### Dividend income

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

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

## 2.28. EMPLOYEE BENEFITS

### Long-term employee benefits

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

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

#### **Short-term employee benefits**

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

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

### **2.29. SHARE-BASED PAYMENT TRANSACTIONS**

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

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

### **2.30. INCOME TAX**

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

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

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

Deferred tax liability is recognized for all taxable positive temporary differences and deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is not recognized for taxable

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temporary differences arising on the initial recognition of goodwill and on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, excluding transactions related to mergers and acquisitions.

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

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

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

### **2.31. DISCONTINUED OPERATIONS**

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

### **2.32. EARNINGS PER SHARE**

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

### **2.33. OPERATING SEGMENTS**

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

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

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

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Particularly, the segmentation of business performance is essential to assess the risk and income on funds invested in the Group with differential business activities profile or the international company, when obtaining the detailed information based on aggregate data may be impossible.

According to IFRS the amounts related to particular operating segment should correspond with the data reviewed by CEO to make decisions about resources to be allocated to the segment and assess its performance.

An operating segment is a component of the Group:

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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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 31.12.2011

#### NOTE 1. ADJUSTMENTS RELATING TO PREVIOUS YEARS

As a result of correction of the acquisition price of Premium Distributors Group companies the Group modified the relevant comparative data. These modifications included correction of goodwill, other intangible assets, and deferred income tax asset.

The effective reclassification changes are presented in the following table. These changes did not affect the consolidated income statement, the consolidated cash flow statement, or calculation of earnings per share.

Table no 1

#### STATEMENT OF FINANCIAL POSITIONS AS AT 31.12.2010

Aa at 31.12.2010	Value before restatement	Restatement value	Restated value
Goodwill	394 756 727	(39 690 000)	355 066 727
Other intangible assets	144 167 046	49 000 000	193 167 046
Deferred tax assets	27 577 406	(9 310 000)	18 267 406

Provisional purchase price allocation relating to acquisition of Grupy Premium Distributors is presented in point 2 of the note 3.

#### NOTE 2. ACQUISITIONS

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

On January 27, 2011, the President of the Office for Competition and Consumer Protection issued an approval of merger (concentration) consisting of Eurocash S.A. acquiring control over Pol Cater Holding Sp. z o.o. Obtaining this approval was among the prerequisites of signing the Promised Contract whereunder the Company acquired shares in Pol Cater in accordance with the preliminary agreement of July 28, 2010.

On March 01, 2011, the Companies entered into the Promised Contract whereunder Eurocash S.A. acquired 100% shares in Pol Cater Holding Sp. z o.o., the latter being 100% shareholder of Dania Fast Food Sp. z o.o.

#### GENERAL INFORMATION ABOUT BUSINESS ACQUISITION OF THE ENTITIES

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 stake (%)	100 % shares
5. Acquisition cost	12 000 000 PLN

#### Settlement of acquisitions

The consolidated financial statements include the statement of the acquisition price of Pol Cater Sp. z o.o.

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## Acquisition cost

Table no 2

### ELEMENTS OF ACQUISITION COST

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

Acquisition price was paid in whole until December 31, 2011.

Table no 3

### NET ASSETS ACQUIRED

	Fair value as at 01.03.2011
Other intangible assets	2 268 754
Property, plant and equipment	697 329
Long-term prepayments	880 000
Inventories	7 286 886
Trade receivables	16 017 157
Other short-term receivables	651 730
Cash and cash equivalents	1 15 577
Short-term prepayments	1 456 325
<b>Total assets</b>	<b><u>29 373 758</u></b>
Short-term loans and borrowings	14 243 867
Trade payables	12 497 723
Other short-term payables	398 215
Employee benefits	378 142
Other short-term provisions	1 284 170
<b>Total liabilities</b>	<b><u>28 802 117</u></b>
<b>Net assets</b>	<b><u>571 641</u></b>
Goodwill on acquisition	11 428 359
<b>Acquisition cost</b>	<b><u>12 000 000</u></b>

As at the acquisition date, gross value of long- and short-term receivables at Pol Cater Holding Sp. z o.o. and its subsidiary amounted to PLN 16,723,387, including PLN 54,500 of doubtful receivables.

Pursuant to the analysis by Eurocash S.A. of the preliminary accounting of the acquisition price of Pol Cater Holding Sp. z o.o., in these consolidated annual financial statements the fair values of identifiable assets, liabilities and contingent liabilities were corrected as against those presented in the annual consolidated financial statements as at December 31, 2010. Consequently, fair value of identifiable assets, liabilities and contingent liabilities increased by PLN 871,177, mainly as a result of identification of customer relations, writing down bad debt and recognizing a provision for unused holiday entitlements and a provision for bonuses for clients.

The consequent goodwill is primarily due to the fact that with acquisition of Pol Cater Holding Sp. z o.o., EuroCash Group strongly reinforced its position in the HoReCa (hotels, restaurants, catering) segment. Pol Cater Holding Sp. z o.o. through its subsidiary Dania Fast Food Sp. z o.o. is among the leading resellers of fast moving consumer goods (FMCG) to the HoReCa segment in Poland. The main clients are chains of restaurants and

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independent restaurants, catering companies, and chains of fuel stations. Dania Fast Food Sp. z o.o. distributes the goods via its distribution centers located in Warsaw, Krakow, Katowice, Poznan, Lodz and Gdansk.

## 2. Acquisition of shares in distribution companies from Emperia Holding S.A.

On December 21, 2011, Eurocash acquired from Emperia Holding S.A. and its subsidiary Emperia - P1 Sp. z o.o. shares in distribution companies operating in wholesale distribution of foodstuffs and retail franchise networks. An investment agreement to that effect was signed on December 21, 2010. On October 27, 2011, the Office for Competition and Consumer Protection issued its approval of the transaction. According to the investment agreement signed previously, the purchase price of these distribution companies was initially determined at PLN 925,975,000. The price was thereafter adjusted by the circumstances defined in the investment agreement and negotiations between Eurocash and Emperia Holding S.A. . Eurocash S.A. decided to finance the acquisition with a credit facility taken out from Bank Zachodni WBK S.A. and ING Bank Śląski S.A. in the amount of PLN 1,070,000,000 and with own funds in the amount of PLN 25,575,885. The sum of payment made to Emperia Holding S.A. and its subsidiary Emperia - P1 Sp. z o.o. was PLN 1,095,575,885.

### GENERAL INFORMATION ABOUT BUSINESS ACQUISITION OF THE ENTITIES

1. Name of acquired company	Emperia Group:	% of acquires shares
	Euro Sklep S.A.	100,00%
	Detal Koncept sp. z o.o.	100,00%
	Tradis sp. z o.o.	100,00%
	DEF sp. z o.o.	100,00%
	AMBRA sp. z o.o.	100,00%
	Lewiatan Podlasie sp. z o.o.	100,00%
	Lewiatan Śląsk sp. z o.o.	100,00%
	Partnerski Serwis Detaliczny S.A.	100,00%
	Lewiatan Zachód sp. z o.o.	100,00%
	Lewiatan Północ sp. z o.o.	100,00%
	Drogerie Koliber sp. z o.o.	100,00%
	Lewiatan Holding S.A.	66,61%
	Lewiatan Opole sp. z o.o.	100,00%
	Lewiatan Wielkopolska sp. z o.o.	81,43%
	Lewiatan Kujawy sp. z o.o.	100,00%
	Lewiatan Orbita sp. z o.o.	100,00%
	Gama Serwis sp. z o.o.	100,00%
2. Acquisition date	21.12.2011	
3. Takeover date	21.12.2011	
4. Acquisition cost	1.095.575.885 PLN	

Eurocash Group excluded the financial data of some of the acquired Tradis companies from consolidation as they were considered insignificant for fulfilling the obligation of fair and reliable presentation of the property and financial situation and the bottom line of the Group.

Because the Tradis Companies were acquired at the end of December 2011, the aforementioned analysis concerning insignificance of some of the acquired Tradis Companies was based on these Companies' statements of financial situation. In the consecutive reporting periods, the Group shall repeat the analysis of insignificance of some of the acquired Tradis Companies, which will also be based on these Companies' income statements.



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Below is a list of companies excluded from balance sheet consolidation as at 2011-12-31:

- Lewiatan Zachód sp. z o.o.
- Lewiatan Północ sp. z o.o.
- Drogerie Koliber sp. z o.o.
- Lewiatan Holding s.a.
- Partnerski Serwis Detaliczny s.a.
- Lewiatan Opole sp. z o.o.
- Lewiatan Wielkopolska sp. z o.o.
- Lewiatan Kujawy sp. z o.o.
- Lewiatan Orbita sp. z o.o.
- Gama Serwis sp. z o.o.

### Settlement of acquisitions

These consolidated annual financial statements present a preliminary account of acquisition prices of distribution companies acquired from Emperia Holding S.A. Considering the very short time between acquisition of these Companies (the contract was signed on 21 December 2011) and preparation of these consolidated annual financial statements and limited access to information and books of the acquired companies during the due diligence process, the Group is currently identifying and accounting for the acquired intangible assets and potentially acquired liabilities and contingent liabilities. For the purposes of these consolidated annual financial statements, it was only possible to make a preliminary assessment of fair values of identifiable assets, liabilities and contingent liabilities. Specifically, as at the date of preparing these consolidated annual financial statements, the Group is currently identifying or valuate the potential intangible assets. The Group is entitled to adjust the estimated values arising from the initial temporary settlement of acquisition price during the valuation period of twelve months after the date of acquisition.

Table no 4

#### ELEMENTS OF ACQUISITION COST

	as at 21.12.2011
Bank loan	1 070 000 000
Own resources	25 575 885
<b>Cash</b>	<b>1 095 575 885</b>

Acquisition price was paid in whole until December 31, 2011.

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Table no 5

NET ASSETS ACQUIRED	Fair value as at 31.12.2011
Other intangible assets	4 719 212
Property, plant and equipment	193 725 682
Investment property	1 643 004
Long-term receivables	899 039
Deferred tax assets	24 241 176
Other long-term prepayments	941 388
Inventories	343 836 762
Trade receivables	486 708 824
Current tax assets	158 616
Other short-term receivables	22 373 427
Short-term prepayments	4 918 088
Cash and cash equivalents	55 655 638
<b>Total assets</b>	<b>1 139 820 855</b>
Other long-term financial liabilities	293 305
Deferred tax liabilities	7 689 816
Other long-term provision	6 902 184
Short-term loans and borrowings	147 492 512
Other short-term financial liabilities	140 982
Trade payables	603 746 166
Current tax liabilities	7 336 846
Other short-term payables	45 064 113
Other short-term provisions	78 348 615
<b>Total liabilities</b>	<b>897 014 539</b>
<b>Net assets</b>	<b>242 806 315</b>
Goodwill on acquisition	806 209 374
The cost of acquisition of non-consolidated companies	46 560 196,02
<b>Acquisition cost</b>	<b>1 095 575 885</b>

Gross value of long- and short-term receivables as at the acquisition date in Tradis Group consolidated companies was PLN 535,498,610, including PLN 21,417,320 of doubtful receivables.

The resulting goodwill is primarily due to the fact that with acquisition of Tradis Group companies, Eurocash S.A. Group expanded its distribution channels of foodstuffs, chemical and cosmetic products. As a consequence of this acquisition, Eurocash S.A. has become the leading distributor in Poland in terms of sales value.

### 3. Accounting for the acquisition price of Premium Distributors Group companies

The Group corrected the acquisition price of Premium Distributors Group companies. These adjustments are presented in these annual consolidated financial statements.

In the final accounts, the Group identified customer relations at PLN 49,000,000 and adjusted the existing goodwill.

The Group modified the relevant comparative data.

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Accounting for acquisition price of Premium Distributors Group companies are presented below:

Table no 6

NET ASSETS ACQUIRED	Fair value as at 02.08.2010
Other intangible assets	56 859 799
Property, plant and equipment	34 594 752
Other long-term financial assets	43 000
Long-term prepayments	13 152 694
Inventories	144 704 094
Trade receivables	230 319 607
Current tax assets	22 691
Other short-term receivables	12 538 237
Cash and cash equivalents	3 150 161
Short-term prepayments	46 976 489
<b>Total assets</b>	<b>542 361 524</b>
Other long-term financial liabilities	1 766 332
Deferred tax liabilities	637 212
Long-term employee benefits	581 647
Short-term loans and borrowings	39 296 472
Other short-term financial liabilities	2 923 403
Trade payables	302 050 950
Other short-term payables	14 632 899
Short-term for employee benefits	1 338 712
Other short-term provisions	25 986 425
<b>Total liabilities</b>	<b>389 214 053</b>
<b>Net assets</b>	<b>153 147 472</b>
Goodwill on acquisition	232 752 528
<b>Acquisition cost</b>	<b>385 900 000</b>

### NOTE 3. BUSINESS COMBINATIONS

#### 1. Merger of MTC Sp. z o.o. with affiliates: Onufry S.A., Astor Sp. z o.o. and Panta-Hurt Sp. z o.o.

Pursuant to Resolution 1 of the Extraordinary General Meeting of Shareholders of MTC Sp. z o.o. of November 4, 2011, Resolution 1 of the Extraordinary General Meeting of Shareholders of Onufry S.A. of November 4, 2011, Resolution 1 of the Extraordinary General Meeting of Shareholders of Astor Sp. z o.o. of November 4, 2011, and Resolution 1 of the Extraordinary General Meeting of Shareholders of Panta-Hurt Sp. z o.o. of November 4, 2011, MTC Sp. z o.o. merged with Onufry SA, Astor Sp. z o. o. and Panta-Hurt Sp. z o. o. through acquisition of Onufry SA, Astor Sp. z o. o. and Panta-Hurt Sp. z o. o. by MTC Sp. z o.o., i.e. by transfer of all assets of Onufry SA, Astor Sp. z o. o. and Panta-Hurt Sp. z o. o. as the acquired companies to MTC Sp. z o.o. as the acquiring company (merger through acquisition).

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On December 01, 2011, the merger was recorded in the National Court Register.

#### GENERAL INFORMATION

1. Name of acquired company	Astor Sp. z o.o. Onufry S.A. Panta-Hurt Sp. z o.o.
2. Core business	Wholesale of alcohol beverages (PKD 4634Z)
3. Acquisition date	1 December 2011

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

#### 2. Aggregated data of Eurocash S.A. Group, considering the period from 01.01 to 31.12.2011 regarding the entities acquired during the period

Table no 7

#### AGREGATED DATA OF EUROCASH S.A. GROUP FROM 01.01 TO 31.12.2011

	for the period od 01.01.2011 do 31.12.2011
Sales	15 340 935 668

#### NOTE 4. 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 activities operating via the chain of Cash & Carry discount stores, comprising all activities of the Parent Entity (Eurocash S.A.), including wholesale to "Delikatesy Centrum" Franchisees and "abc" Franchisees, as well as wholesale via wholesale conducted by Batna, so that the whole profit margin earned by the Group on wholesale could be presented within a single segment.
- *active distribution* – wholesale involving specialized active distribution of FMCG merchandise, comprising the operations of the subsidiary KDWT S.A. and active distribution segment of Eurocash S.A., which represents old Eurocash Dystrybucja activity as well as all newly acquired Premium Distributors companies. In this segment, Group Companies provide logistic services to independent clients – who purchase merchandise from one of these companies (with deferred terms of payment).
- *others* – other commercial activities (franchising) of Eurocash Franczyza sp. z o.o., Eurocash Trade 1 Sp. z o.o. and Eurocash Trade 2 Sp. z o.o., as well as expansion of "Delikatesy Centrum" chain operated 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.

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

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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.

Key managing persons at Eurocash S.A. Group do not undertake periodical reviews of assets and liabilities of specific segments of operations.

Because the distribution companies acquired from Emperia Holding S.A. are only consolidated on a balance sheet basis for 2011, they were not allocated to any of the presented operating segments. The Group has not completed the analysis of determining the allocation of acquired companies into segments.

Financial information about each reporting segment is presented below.

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Table no 8

**REVENUES AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01.01.2011 TO 31.12.2011**

	Traditional wholesale	Active distribution	Other	Eliminations	Total
<b>Sales</b>	<b>5 086 789 500</b>	<b>5 533 263 565</b>	<b>110 311 628</b>	<b>(749 768 794)</b>	<b>9 980 595 900</b>
External sales	4 862 733 158	5 054 867 234	62 995 507	-	9 980 595 900
Inter-segmental sales	224 056 342	478 396 331	47 316 121	(749 768 794)	-
<b>Operating profit</b>	<b>95 402 692</b>	<b>42 328 058</b>	<b>55 229 801</b>	<b>(4 954)</b>	<b>192 955 597</b>
Finance income					5 060 822
Finance costs					(44 658 393)
Share of losses of equity accounted investees					(2 366 850)
<b>Profit before income tax</b>					<b>150 991 176</b>
Income tax					(16 603 987)
<b>Profit for the period</b>					<b>134 387 189</b>

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 8

**REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01.01.2010 TO 31.12.2010**

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

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 5. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are presented in table below.

Table no 9

### GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2011

	Goodwill	Patents and licences	Know how	Trademarks customer relations	Other intangible assets	Total	
<b>Carrying amount as at 01.01.2010</b>	<b>122 314 199</b>	<b>7 414 044</b>	<b>25 432 439</b>	<b>74 395 431</b>	<b>-</b>	<b>32 377 843</b>	<b>261 933 956</b>
Acquisition through business combination	232 752 528	7 563 668	-	-	49 000 000	296 916	289 613 111
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)
<b>Carrying amount as at 31.12.2010</b>	<b>355 066 727</b>	<b>15 334 870</b>	<b>19 982 631</b>	<b>73 161 431</b>	<b>49 000 000</b>	<b>35 688 114</b>	<b>548 233 773</b>
<b>Carrying amount as at 01.01.2011</b>	<b>355 066 727</b>	<b>15 334 870</b>	<b>19 982 631</b>	<b>73 161 431</b>	<b>49 000 000</b>	<b>35 688 114</b>	<b>548 233 773</b>
Acquisition through business combination	817 637 733	4 787 966	-	-	2 200 000	-	824 625 699
Other acquisitions	-	7 284 857	-	-	-	10 170 763	17 455 620
Increases due to the transfer of fixed assets under construction	-	1 302 739	-	-	-	544 057	1 846 796
Disposals	-	(2 387)	-	-	-	-	(2 387)
Liquidations	-	(14 225)	-	-	-	(652 331)	(666 557)
Amortisation	-	(7 865 171)	(5 449 808)	(1 234 000)	-	(9 037 947)	(23 586 926)
Other changes	(6 400 000)	1 300	-	-	-	(229 231)	(6 627 931)
<b>Carrying amount as at 31.12.2011</b>	<b>1 166 304 460</b>	<b>20 829 949</b>	<b>14 532 823</b>	<b>71 927 431</b>	<b>51 200 000</b>	<b>36 483 424</b>	<b>1 361 278 087</b>



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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2011 (continued)

	Goodwill	Patents and licences	Know how	Trademarks customer relations	Other intangible assets	Total
<i>As at 01.01.2011</i>						
Cost	355 066 727	42 163 571	54 498 079	79 948 431	49 000 000	639 204 966
Accumulated amortisation and impairment losses	-	(26 828 700)	(34 515 448)	(6 787 000)	-	(90 971 193)
<b>Carrying amount</b>	<b>355 066 727</b>	<b>15 334 870</b>	<b>19 982 631</b>	<b>73 161 431</b>	<b>49 000 000</b>	<b>548 233 773</b>
<i>As at 31.12.2011</i>						
Cost	1 166 304 460	55 523 821	54 498 079	79 948 431	51 200 000	1 475 836 207
Accumulated amortisation and impairment losses	-	(34 693 872)	(39 965 256)	(8 021 000)	-	(114 558 120)
<b>Carrying amount</b>	<b>1 166 304 460</b>	<b>20 829 949</b>	<b>14 532 823</b>	<b>71 927 431</b>	<b>51 200 000</b>	<b>1 361 278 087</b>

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 "Eurocash Dystrybucja Sp. z o.o." (former "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 266.352.528;
- goodwill on acquisition of PolCater Group in the amount of PLN 11.428.359;
- goodwill on acquisition of Tradis Group in the amount of PLN 806.209.374.

Customer relationship has been identified through the acquisition of:

- Premium Distributors Group companies in the amount of PLN 49.000.000;
- PolCater Group in the amount of PLN 2.200.000.

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.

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 31.12.2011 the carrying amount of that trademark was PLN 4.319.000.

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 30.08.2004 and is amortized over the period of 10 years. As at 31.12.2011 the carrying amount of the know-how was PLN 14.532.823.

Amortization of intangible assets is recognized as selling expenses.

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

Pursuant to the credit agreement for financing of purchase by the Company of shares and stocks in companies acquired from EMPERIA HOLDING S.A., the "Eurochas", "abc" and "Sieć Handlowa Delikatesy Centrum" trademarks were pledged.

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 6.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 10

#### PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2011

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>Carrying amount as at 01.01.2010</b>	<b>92 133 504</b>	<b>25 232 416</b>	<b>24 534 088</b>	<b>35 975 348</b>	<b>9 711 123</b>	<b>187 586 479</b>
Acquisition through business combination	19 893 032	2 724 696	9 311 824	855 978	1 809 221	<b>34 594 752</b>
Other acquisitions	3 918 678	8 097 884	229 935	17 840 976	25 561 679	<b>55 649 153</b>
Finance lease	-	-	7 160 464	-	-	<b>7 160 464</b>
Increases due to the transfer of fixed assets under construction	19 586 532	1 586 483	-	4 380 351	(26 144 608)	<b>(591 242)</b>
Disposals	(982 118)	(252 848)	(433 578)	(1 930 523)	(5 222 263)	<b>(8 821 330)</b>
Liquidations	(119 519)	(307 759)	(961 682)	(323 905)	-	<b>(1 712 865)</b>
Depreciation	(11 084 910)	(7 416 867)	(9 128 225)	(12 886 770)	-	<b>(40 516 772)</b>
Other changes	-	519 493	-	-	-	<b>519 493</b>
<b>Carrying amount as at 31.12.2011</b>	<b>123 345 198</b>	<b>30 183 498</b>	<b>30 712 826</b>	<b>43 911 456</b>	<b>5 715 153</b>	<b>233 868 131</b>
<b>Carrying amount as at 01.01.2011</b>	<b>123 345 198</b>	<b>30 183 498</b>	<b>30 712 826</b>	<b>43 911 456</b>	<b>5 715 153</b>	<b>233 868 131</b>
Acquisition through business combination	140 245 731	19 196 437	21 776 999	12 753 047	678 458	<b>194 650 672</b>
Other acquisitions	2 769 267	10 412 701	6 327 225	16 060 027	19 731 791	<b>55 301 011</b>
Increases due to the transfer of fixed assets under construction	4 963 037	822 820	-	2 226 310	(9 858 963)	<b>(1 846 796)</b>
Finance lease	-	58 461	4 692 933	-	-	<b>4 751 394</b>
Disposals	(9 464 708)	(45 883)	(5 482 350)	(807 146)	(822 786)	<b>(16 622 873)</b>
Liquidations	(189 885)	(156 300)	(241 174)	(69 706)	(50)	<b>(657 115)</b>
Depreciation	(12 323 777)	(9 352 421)	(11 308 640)	(16 221 450)	-	<b>(49 206 288)</b>
Other changes	-	(57 300)	-	-	-	<b>(57 300)</b>
<b>Carrying amount as at 31.12.2011</b>	<b>249 344 863</b>	<b>51 062 014</b>	<b>46 477 819</b>	<b>57 852 537</b>	<b>15 443 603</b>	<b>420 180 837</b>

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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 31.12.2011 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<i>As at 01.01.2011</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)
<b>Carrying amount</b>	<b>123 345 198</b>	<b>30 183 498</b>	<b>30 712 826</b>	<b>43 911 456</b>	<b>5 715 153</b>	<b>233 868 131</b>
<i>As at 31.12.2011</i>						
Cost	310 728 575	101 626 200	98 236 244	132 771 834	15 443 603	658 806 456
Accumulated amortisation and impairment losses	(61 383 711)	(50 564 186)	(51 758 425)	(74 919 297)	-	(238 625 619)
<b>Carrying amount</b>	<b>249 344 863</b>	<b>51 062 014</b>	<b>46 477 819</b>	<b>57 852 537</b>	<b>15 443 603</b>	<b>420 180 837</b>

#### 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 lease 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.

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## NOTE 7.

### ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

According to IAS 36 as at 31 December 2011, 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 31.12.2012.

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

- impairment test of the "Eurocash" trademark as at 31.12.2011

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

The subsequent impairment test is planned on 31.12.2012.

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.

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- impairment test of the "abc" trademark as at 31.12.2011:

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

The subsequent impairment test is planned on 31.12.2012.

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 31.12.2011

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

The subsequent impairment test is planned on 31.12.2012.

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 „Batna” trademark as at 31.12.2011 r.

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

The subsequent impairment test is planned on 31.12.2012.

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:

- impairment test of goodwill on acquisition of an organized part of enterprise: Carment M. Stodółka i Wspólnicy Spółka Jawna oraz spółki Nasze Sklepy sp. z o.o. performed as at 31.12.2011

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

The subsequent impairment test is planned on 31.12.2012.

As a consequence of reorganization carried out within Eurocash Group, CGU Carment and CGU Nasze Sklepy were merged into a single business organization and therefore a decision was taken to test the combined goodwill on the basis of estimated useful value of a single CGU: Delikatesy Centrum, incorporating the two aforementioned units.

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.

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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 31.12.2011:  
Test confirmed that it is not necessary to recognize impairment loss.  
The subsequent impairment test is planned on 31.12.2012.

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 31.12.2011:  
The test confirmed that it is not necessary to recognize impairment loss.  
The subsequent impairment test is planned on 31.12.2012.

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 31.12.2011:  
Test confirmed that it is not necessary to recognize impairment loss.  
The subsequent impairment test is planned on 31.12.2012.

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 31.12.2011:  
Test confirmed that it is not necessary to recognize impairment loss.  
The subsequent impairment test is planned on 31.12.2012.

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 Pol Cater Holding Sp. z o.o. performed as at 31.12.2011:  
Test confirmed that it is not necessary to recognize impairment loss.  
The subsequent impairment test is planned on 31.12.2012.

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.

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 Tradis Group performed as at 31.12.2011:  
Test confirmed that it is not necessary to recognize impairment loss.  
The subsequent impairment test is planned on 31.12.2012.

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 2012-2016, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for year 2011 and plans approved by the Management Board for years 2012-2016. 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 51% - 55% of average sales generated by existing stores.

In order to determine the cost of capital, 14 comparable trading companies were analyzed.

## NOTE 8. INVESTMENT PROPERTIES

Investment properties are presented below:

Table no 11

INVESTMENT PROPERTY AS AT 31.12.2011		
	as at 31.12.2011	as at 31.12.2010
Opening balance	-	-
Acquisition	1 643 004	-
Disposal	-	-
Closing balance	<b>1 643 004</b>	-

## NOTE 9. INVESTMENTS IN ASSOCIATES NAD JOINT VENTURES

Investments in associates are presented below:

Table no 12



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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Opening balance	25 308	543 123
<b>Increase in reporting period:</b>	<b>20 245 781</b>	-
acquisition of shares in joint ventures	20 245 781	-
<b>Decrease in reporting period:</b>	<b>(25 308)</b>	<b>(517 815)</b>
interest in losses of associates	(25 308)	(517 815)
<b>Closing balance</b>	<b>20 245 781</b>	<b>25 308</b>

#### Signing agreements with PZU Group companies

On August 25, 2011, Eurocash S.A. entered into agreements with Powszechny Zakład Ubezpieczeń SA with its registered seat in Warsaw, Powszechny Zakład Ubezpieczeń na Życie SA with its registered seat in Warsaw, and Towarzystwo Funduszy Inwestycyjnych PZU S.A. with its registered office in Warsaw, with the objective of setting out the rights and obligations of the parties relating to opening, operations and participation in a closed investment fund of non-public Assets (Fundusz Inwestycyjny Zamknięty RE Income), formed by TFI PZU.

The main purpose of the Fund is to acquire real properties, through special purpose ventures, for development of wholesale outlets or distribution centers used by Eurocash or by Eurocash Group companies. Until December 31, 2011, Eurocash S.A. acquired fund certificates for a price of PLN 20,245,781 and owned 50% of shares as at December 31, 2011.

#### NOTE 10. OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

Table no 13

#### OTHER LONG-TERM INVESTMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Shares in non-consolidated associates	46 466 196	-
Shares	200 590	105 500
Loans granted to associates	3 465 958	6 247 500
	<b>50 132 743</b>	<b>6 353 000</b>

#### NOTE 11. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 14

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Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### **LONG-TERM RECEIVABLES AS AT 31.12.2011**

	as at 31.12.2011	as at 31.12.2010
Security deposits on rental agreements	2 443 179	1 132 847
Other long-term receivables	687 000	687 000
	<b>3 130 179</b>	<b>1 819 847</b>

#### **NOTE 12. INVENTORIES**

Inventories are presented below:

Table no 15

#### **INVENTORIES AS AT 31.12.2011**

	as at 31.12.2011	as at 31.12.2010
Merchandise	947 872 916	634 535 538
Materials	360 465	389 250
<b>Total inventories, including:</b>	<b>948 233 381</b>	<b>634 924 788</b>
- carrying amount of inventory deposits securing payments of liabilities	340 500 000	78 500 000

Table no 16

#### **ALLOWANCE FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
<b>Opening balance</b>	<b>13 877 325</b>	<b>7 908 360</b>
- increase through business combination	22 932 180	-
- increase in the allowance during the period	4 107 215	9 993 543
- reversal of the allowance during the period	(4 934 273)	(2 676 703)
- write-offs during the period	(4 198 738)	(1 347 875)
<b>Closing balance</b>	<b>31 783 708</b>	<b>13 877 325</b>

#### **NOTE 13. TRADE AND OTHER RECEIVABLES**

Trade receivables and other receivables are presented below:

Table no 17

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
<b>Trade receivables</b>	<b>1 294 671 733</b>	<b>668 675 347</b>
Credit sales	909 557 850	432 348 321
Receivables from suppliers	370 806 203	239 765 572
Factoring	32 222 664	31 243 023
Franchise fees	5 232 635	3 930 756
Other trade receivables	17 220 427	6 764 636
Allowance for bad debts	(40 368 046)	(45 376 962)
<b>Current tax assets</b>	<b>2 128 490</b>	<b>4 196 979</b>
<b>Other receivables</b>	<b>106 158 421</b>	<b>57 560 523</b>
VAT settlements	82 595 271	46 096 374
Receivables from employees	2 325 268	2 381 393
Loans granted	5 202	537 810
Insurance claims receivables	603 418	718 384
Receivables from sales fixed assets	329 407	-
Prepayments for deliveries	691 674	-
Receivables subject to legal proceedings	47 556 207	26 723 261
Other franchise fees	-	687 470
Other receivables	16 395 921	9 254 482
Short-term cession	-	12 057 170
Allowance for other bad debts	(44 343 947)	(40 895 823)
<b>Total receivables, including:</b>	<b>1 402 958 645</b>	<b>730 432 850</b>
- short-term	1 402 958 645	730 432 850

#### NOTE 14.

#### OTHER SHORT-TERM INVESTMENTS

Other short-term investments are presented below:

Table no 18

#### OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Loans granted	3 021 041	3 000 000
	<b>3 021 041</b>	<b>3 000 000</b>

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### NOTE 15. SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 19

##### SHORT-TERM PREPAYMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Software	341 981	606 249
Alcohol licences	4 264 924	2 598 297
Rents	2 331 327	1 121 977
Media	289 484	129 704
Advertising folders	255 892	167 150
Insurances	1 885 857	1 269 166
Tolls, vignette	10 591	20 689
Interests on finance lease	2 377	30 914
Logistic project Bain	169 725	169 725
Business meeting's costs	412 334	1 654 823
Expenses related to future transactions	1 909 947	2 756 810
Annual fees, subscriptions	192 167	-
Property rental	109 277	-
Other prepayments	2 331 180	1 344 242
	<b>14 507 063</b>	<b>11 869 746</b>

#### NOTE 16. CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below:

Table no 20

##### CASH AND CASH EQUIVALENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Cash at bank	73 501 572	12 025 662
Cash on hand	3 890 956	1 771 472
Cash in transit	56 963 587	28 699 815
Cash on deposits	152 592 611	167 697 160
Cash restricted to use	1 858 226	1 299 623
Money vouchers	-	6 190
Others	7 000	-
<b>Total cash</b>	<b>288 813 951</b>	<b>211 499 922</b>

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

#### NOTE 17. 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;

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- 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 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.

#### NOTE 18. SHARE CAPITAL

Share capital is presented below:

Table no 21

##### SHARE CAPITAL AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Number of shares	136 983 011	136 429 761
Nominal value (PLN / share)	1	1
<b>Share capital</b>	<b>136 983 011</b>	<b>136 429 761</b>

As at 31 December 2011 share capital consisted of 136.983.011 ordinary shares, including:

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

139.025 shares were issued during the period from 1 January 2012 to 29 February 2012 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:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 22

**SHAREHOLDERS STRUCTURE**

Shareholder	31.12.2011				31.12.2010			
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (directly and indirectly by Politra B.V.)	70 258 100	51,29%	70 258 100	51,29%	70 258 100	51,50%	70 258 100	51,53%
Fidelity	6 871 178	5,02%	6 871 178	5,02%				

Table no 23

**SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period od 01.01.2011 do 31.12.2011	for the period od 01.01.2010 do 31.12.2010
Share capital at the beginning of the period	136 429 761	134 704 736
Increase of share capital in the period	553 250	1 725 025
Equity settled share-based payment transactions	553 250	1 725 025
Share capital at the end of the period	136 983 011	136 429 761

In 2011 553.250 ordinary shares were issued due to exercising share options granted to key personnel of the Group under incentive programmes (1.725.025 shares in 2010). These options were exercised at prices ranging between PLN 7,87 and PLN 9,78 per share. All shares issued were fully covered with cash.

**NOTE 19.  
OTHER RESERVES**

Other reserves are presented below:

Table no 24

<b>Consolidated financial statements of EUROCASH Group.</b>			
<b>Financial statements period:</b>	<b>01.01-31.12.2011</b>	<b>Presentation currency:</b>	<b>Polish zloty (PLN)</b>
<b>Level of round-offs:</b>	<b>All amounts are expressed in Polish zloty (unless indicated otherwise)</b>		

#### **CHANGES TO OTHER RESERVES IN THE PERIOD FROM 01.01 TO 31.12.2011**

	Treasury shares	Reserve capital	Treasury shares reserve	Hedging reserve	Total
<i>Balance as at 01.01.2010</i>	<b>(1 115 507)</b>	<b>117 714 270</b>	<b>12 884 493</b>	<b>(4 645 000)</b>	<b>124 838 256</b>
Change in accounting policies	-	(3 336 827)	-	-	(3 336 827)
<i>Balance as at 01.01.2010 after corrections</i>	<b>(1 115 507)</b>	<b>114 377 443</b>	<b>12 884 493</b>	<b>(4 645 000)</b>	<b>121 501 429</b>
<b>Increases in the period from 01.01 to 31.12.2010</b>	-	<b>60 610 512</b>	-	-	<b>60 610 512</b>
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	-	-	-
<b>Decreases in the period from 01.01 to 31.12.2010</b>	-	<b>(87 085)</b>	-	-	<b>(87 085)</b>
Floatation costs - Share option exercised	-	(87 085)	-	-	(87 085)
<b>Balance as at 31.12.2010</b>	<b>(1 115 507)</b>	<b>174 900 870</b>	<b>12 884 493</b>	<b>(4 645 000)</b>	<b>182 024 856</b>
<i>Balance as at 01.01.2011</i>	<b>(1 115 507)</b>	<b>174 900 870</b>	<b>12 884 493</b>	<b>(4 645 000)</b>	<b>182 024 856</b>
<b>Increases in the period from 01.01 to 31.12.2011</b>	-	<b>88 256 332</b>	-	-	<b>88 256 332</b>
Retained earnings from 01.01 to 31.12.2011	-	69 344 012	-	-	69 344 012
Valuation of the Incentive Programme for employees	-	1 198 538	-	-	1 198 538
Share issue - Equity-settled share-based payment	-	4 829 288	-	-	4 829 288
Share buy-back programme	-	12 884 493	-	-	12 884 493
<b>Decreases in the period from 01.01 to 31.12.2011</b>	<b>1 115 507</b>	-	<b>(12 884 493)</b>	-	<b>(11 768 986)</b>
Sales of treasury shares	1 115 507	-	-	-	1 115 507
Termination of share buy-back plan	-	-	(12 884 493)	-	(12 884 493)
<b>Balance as at 31.12.2011</b>	-	<b>263 157 202</b>	-	<b>(4 645 000)</b>	<b>258 512 202</b>

#### **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.

On June 13, 2011, the Ordinary General Meeting of Shareholders of Eurocash S.A. decided to release the reserve designed for implementing own shares acquisition programme and to transfer cash to that part of supplementary capital which may be designed for distribution among shareholders.

The 77,693 own shares were sold to members of the company's top management.

As at the reporting date, Eurocash is not a holder of any of its own shares.

#### **Dividend**

According to the Resolution 5 of the General Meeting dated 13 June 2011 the net profit for 2010 amounting to PLN 63.149.188 was allocated as follows: the amount of PLN 50.672.318,07 was allocated to pay a dividend of PLN 0,37 per share (paid on 14 July 2011), the remaining part of net profit was allocated to the reserve capital.

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 20. SHARE OPTIONS

Treasury share options are presented below:

Table no 25

### OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2011

	Number of options	Weighted average exercise prices (PLN/share)
Existing at the beginning of the reporting period	2 479 250	10,75
Exercised in the reporting period	(553 250)	9,73
Existing at the end of the reporting period	1 926 000	10,81
including:		
Exercisable at the end of the period	708 500	9,17

1. 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 to 31 December 2010, a total of 1,355,025 and during the period from 1 January to 31 December 2011 a total of 14,875 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 15.79 to PLN 34.40 per share. The average share price during the period was PLN 24.93 per share.

Until 31 December 2011 9,075 bonds remained unexercised, entitling to take up 226,875 shares. They can be exercised until the end of the Options Exercise Term, i.e. until 31 December 2012.

2. 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.



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Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

The bonds are zero-interest bonds.

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

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

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

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

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

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

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

Through a Resolution of the Supervisory Board dated 23 November 2011, the issue price of H Shares was determined as PLN 8.89.

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 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 thousand.

The Group valued the incentive programme for the G series bonds at PLN 3,438.7 thousand. This value has been settled for the 3 years period starting from 1 January 2009.

During the period from January 1, 2010 to December 31, 2011, 538.375 ordinary Series G shares were taken up in the course of exercising Series F registered bonds. These shares were taken up at PLN 9.78 per share, and the market price of Eurocash S.A. shares quoted at the Warsaw Stock Exchange ranged from PLN 21.00 to PLN 34.40 per share. The average share price during the period was PLN 27.97 per share.

Until December 31, 2011, 19,265 bonds authorizing to take up 481,625 shares were left unexercised. They can be exercised until the end of the Options Exercise Term, i.e. until December 31, 2013.

Until December 31, 2011, 40,800 Series G bonds authorizing to take up 1,020,000 Series H shares were left unexercised.

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Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

3. Through Resolution of the Ordinary General Meeting of Shareholders of Eurocash S.A. 16 of June 2, 2010 concerning the Seventh Employee Incentive and Premium Programmes for 2010, a decision was made to issue Series I shares under an Incentive Programme for managing staff, supervisory staff and key personnel of Eurocash S.A. and Eurocash S.A. Group.

The programme is implemented in relation to the Company's intention to continue the incentive programmes of the preceding years, designed for members of managing staff, officers and key personnel for Eurocash and Eurocash Group, and to provide grounds to enable distinguished employees to take up shares in the Company as a bonus.

With respect to the Seventh Incentive and Bonus Programme for Employees for 2010, the Company will issue 7,900 (seven thousand nine hundred) registered Series H Bonds with a nominal value of PLN 0.01 (one grosz) each, of which each shall carry the right to subscribe and take up 25 (twenty-five) ordinary Series I bearer shares with priority before the Company's shareholders.

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

The bonds are zero-interest bonds.

Series H bonds will be bought by the Company on January 02, 2015 through payment of an amount in cash corresponding to the nominal value of the Bonds.

Series H shares will not be documentary bonds. Title from the Bonds will arise at the time of registration in the Bonds registry by a bank or brokerage house and shall be vested in the person named therein as the holder.

The only Eligible Persons to buy all or part of Series H Bonds shall be the members of managing staff, officers and key personnel of Eurocash and Eurocash Group, who have been employed and working for a period of 3 years starting December 1, 2010. A list of persons qualified as Pre-Authorized to receive the Series H bonds was approved through a Resolution of the General Meeting of Shareholders on June 13, 2011.

Series H bondholders are entitled to subscribe and to take up Series I Shares with priority before the shareholders of the Company during the period from January 1, 2014 to December 31, 2014.

The Group determined the value of the incentive scheme for the series H bonds as PLN 1,507.0k. This value is accounted for starting January 1, 2011 for a term of 3 years.

Until December 31, 2011, 7,900 Series H bonds authorizing to take up 197,500 Series H shares were left unexercised.

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

*Table no 26*  
**OPTION VALUATION AS AT 31.12.2011**

	3 Share option programme	4 Share option programme	5 Share option programme	7 Share option programme
Risk-free rate of return	4,78%	6,47%	5,82%	5,00%
Volatility	34,89%	41,83%	43,50%	29,27%
Option period (in years)	2,52	2,57	2,52	2,56
Exercise price	8,17	10,75	9,93	26,22
Base price	10,75	12,20	10,45	28,80
Number of options	1 596 775	1 020 000	1 020 000	197 500
Employee turnover ratio	0%	4%	7%	6%
Total cost	6 600 176	4 493 777	3 438 664	1 506 952

Total costs of share option programs charged to the Group's income statement for 2011 amounted to PLN 1.198.538 (2010 r.: PLN 3.227.302).

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 21. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 27

### PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2011 TO 31.12.2011

	Employee benefits	Accrual for agents' commissions	Accrual for costs of transport	Accrual for advertising costs	Accrual for expected costs related to companies from Tradis Group	Accrual for logistic costs	Accrual for location liquidation costs
<b>Provisions and accruals as at 01.01.2010</b>	<b>22 191 399</b>	<b>824 227</b>	<b>431 055</b>	<b>6 752 832</b>	-	-	-
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)	-	-	-
<b>Provisions and accruals as at 31.12.2010, including:</b>	<b>16 895 902</b>	<b>305 325</b>	<b>808 395</b>	<b>12 601 500</b>	-	-	-
- short-term	15 755 961	305 325	808 395	12 601 500	-	-	-
- long-term	1 139 941	-	-	-	-	-	-
<b>Provisions and accruals as at 01.01. 2011</b>	<b>16 895 902</b>	<b>305 325</b>	<b>808 395</b>	<b>12 601 500</b>	-	-	-
Increase due to acquisition	16 652 714	-	-	1 470 313	29 100 000	2 033 000	15 111 500
Increases	73 251 462	32 154 196	4 014 907	25 437 360	-	-	-
Decreases	(54 783 610)	(31 586 430)	(3 652 901)	(29 734 765)	-	-	-
<b>Provisions and accruals as at 31.12.2011, including:</b>	<b>52 016 469</b>	<b>873 090</b>	<b>1 170 401</b>	<b>9 774 408</b>	<b>29 100 000</b>	<b>2 033 000</b>	<b>15 111 500</b>
- short-term	50 352 605	873 090	1 170 401	9 774 408	29 100 000	2 033 000	8 662 000
- long-term	1 663 864	-	-	-	-	-	6 449 500

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2011 TO 31.12.2011 (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.	Accrual for the change in location of warehouse	Provision for interests	Provision for other costs	Other	Total
<b>Provisions and accruals as at 1 January 2010</b>	<b>1 167 653</b>	<b>274 180</b>	<b>17 144 000</b>	-	-	-	<b>9 650 301</b>	<b>58 435 648</b>
Increases	13 833 299	626 981	-	6 000 000	-	-	10 695 067	<b>100 254 781</b>
Decreases	(13 031 526)	(274 270)	-	-	-	-	(1 961 240)	<b>(83 954 862)</b>
<b>Provisions and accruals as at 31 December 2010, including:</b>	<b>1 969 426</b>	<b>626 891</b>	<b>17 144 000</b>	<b>6 000 000</b>	-	-	<b>18 384 128</b>	<b>74 735 567</b>
- short-term	1 969 426	626 891	-	6 000 000	-	-	18 384 128	<b>56 451 626</b>
- long-term	-	-	17 144 000	-	-	-	-	<b>18 283 941</b>
<b>Provisions and accruals as at 1 January 2011</b>	<b>1 969 426</b>	<b>626 891</b>	<b>17 144 000</b>	<b>6 000 000</b>	-	-	<b>18 384 128</b>	<b>74 735 567</b>
Increase due to acquisition	-	-	-	-	24 981 838	5 138 164	3 594 534	<b>98 082 063</b>
Increases	15 560 938	-	-	-	3 040 648	-	65 409 612	<b>218 869 122</b>
Decreases	(14 989 165)	(626 891)	(17 144 000)	(6 000 000)	-	-	(64 687 939)	<b>(223 205 701)</b>
<b>Provisions and accruals as at 31 December 2011, including:</b>	<b>2 541 199</b>	-	-	-	<b>28 022 486</b>	<b>5 138 164</b>	<b>22 700 335</b>	<b>168 481 052</b>
- short-term	2 541 199	-	-	-	28 022 486	5 138 164	22 239 066	<b>159 906 420</b>
- long-term	-	-	-	-	-	-	461 269	<b>8 574 633</b>

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 28

**PROVISIONS AS AT 31.12.2011**

	as at 31.12.2011	as at 31.12.2010
Employee benefits	52 016 469	16 895 901
Accrual for expected costs related to companies from Tradis Group	29 100 000	-
Accrual for advertising costs	9 774 408	12 601 500
Accrual for bonuses of individual customers	-	626 891
Accrual for agent's commissions	873 090	305 325
Accrual for costs of transport	1 170 401	808 395
Accrual for costs of media	2 541 199	1 969 426
Accrual for the change in location of warehouse	-	6 000 000
Accrual for rental costs	592 003	663 234
Accrual for advisory and audit	2 074 499	1 985 174
Provision for potential losses related to acquisition of Eurocash Dystrybucja Sp. z o.o.	-	17 144 000
Accrued liabilities due to settlement with suppliers	156 675	998 078
Accrual for litigations	4 164 714	-
Accrual for bonuses to suppliers	872 242	-
Provision for payment of bonuses for franchisees	1 535 943	-
Accrual for location liquidation costs	15 111 500	-
Accrual for project logistics	2 033 000	-
Accrual for interests	28 022 486	-
Accrual for other costs	5 138 164	-
Provision for insolvent contractors	350 000	1 680 237
Accrual for fuel costs	441 172	-
Accrual for alcohol licences	297 360	-
Other provisions and accruals	12 215 728	13 057 406
	<b>168 481 052</b>	<b>74 735 567</b>
- long-term	8 574 633	18 283 941
- short-term	159 906 420	56 451 626

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 22. TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 29

### TRADE AND OTHER PAYABLES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
<b>Trade payables</b>	<b>2 162 575 174</b>	<b>1 408 794 731</b>
Payables due to purchase of goods	2 042 335 175	1 387 348 814
Payables due to services received	120 239 999	21 445 917
<b>Current tax liabilities</b>	<b>15 362 536</b>	<b>2 151 797</b>
<b>Other payables</b>	<b>110 350 196</b>	<b>45 581 673</b>
VAT settlements	63 618 523	3 149 197
Liabilities due to social securities	11 982 229	6 647 540
Liabilities due to purchases of assets	20 639 602	6 937 875
Liabilities due to taxes and insurances	3 281 118	4 871 073
Liabilities in relation to acquisitions	316 035	716 035
Overpayments	-	18 155 576
Liabilities due to loyalty programs	923 678	-
Liabilities from deposit	293 305	-
Other payables	9 295 706	5 104 377
<b>Total payables, including:</b>	<b>2 288 287 906</b>	<b>1 456 528 201</b>
- long-term	293 305	400 000
- short-term	2 287 994 600	1 456 128 201

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 23. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 30

### LOANS AND CREDITS AS AT 31 DECEMBER 2011

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2011 to 31.12.2011
<b>Credits</b>		<b>1 496 908 651</b>		<b>19 972 734</b>
ING Bank Śląski S.A.	Investment long-term credit for the acquisition of CEDC	207 586 164	WIBOR 3M on 2 days before payment + bank's margin	-
ING Bank Śląski S.A.	Investment short-term credit for the acquisition of CEDC	78 838 892	WIBOR 3M on 2 days before payment + bank's margin	17 431 984
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment long-term credit for the acquisition of Tradis	458 514 746	WIBOR 3M on 2 days before payment + bank's margin	-
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment short-term credit for the acquisition of Tradis	604 476 337	WIBOR 3M on 2 days before payment + bank's margin	2 540 751
ING Bank Śląski S.A.	Overdraft for financing of current activities	1 143 616	WIBOR 1 M + bank's margin	-
ING Bank Śląski S.A.	Overdraft for financing of current activities	5 821 016	WIBOR 1 M + bank's margin	-
Bank PEKAO S.A.	Overdraft for financing of current activities	110 520 726	WIBOR 1 M + bank's margin	-
Bank PEKAO B.P. S.A.	Overdraft for financing of current activities	29 962 342	WIBOR 1 M + bank's margin	-
BRE Bank S.A.	Overdraft for financing of current activities	44 811	WIBOR O/N + bank's margin	-
<b>Total loans and credits</b>		<b>1 496 908 651</b>		<b>19 972 734</b>
- long-term		666 100 910		
- short-term		830 807 741		

With regard 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 the Premium Distributors Group companies. The agreement was made for a 5-year term. The Company has utilized the amount of PLN 340,500,000 thereof.

The Company's obligations arising from the granted credit were secured with financial and registered pledges on shares and stocks of the acquired companies, and guaranteed by Eurocash S.A. subsidiaries in the form of a surety. The surety covers the Company's obligations arising from the above mentioned credit agreement, particularly including the amounts payable of the credit facility, interest and commissions, including costs of enforcement in case the Company fails to perform its obligations within the deadlines prescribed in the above mentioned credit agreement, up to a total amount of PLN 456,000,000.

Every surety filed a statement of submission to enforcement on the basis of a bank enforcement title up to the amount of PLN 456,000,000, at the same time authorizing the Bank to file a motion to a court for attachment of an execution clause thereto until December 31, 2016.

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With regard to acquisition of Distribution Companies from Emperia Holding S.A., on December 20, 2011 Eurocash S.A. with its 14 subsidiaries acting as sureties entered into a credit agreement with Bank Zachodni WBK S.A. and ING Bank Śląski S.A. with its registered seat in Katowice for an amount of PLN 1,070,000,000.00.

The credit facility was granted for the purpose of financing purchase by the Company of shares and stocks in companies acquired from EMPERIA HOLDING S.A. pursuant to the investment agreement of December 21, 2010.

The Credit Agreement stipulates an obligation to repay the credit facility in equal quarterly installments until June 30, 2015, with the exception of a certain part of the credit which falls due on September 30, 2012. The rate of interest charge on the credit facility extended on the basis of the Credit Agreement is determined on the basis of WIBOR for a period comparable with the interest term defined in the Credit Agreement plus the margin prescribed in the Credit Agreement. In addition, Eurocash is obliged to pay all the additional fees and charges involved in signing the Credit Agreement and financial engagement of crediting banks during the crediting period, in such amounts and on such terms as stipulated in the Credit Agreement. The Credit Agreement also contains certain provisions imposing restrictions on the Company and its subsidiaries with respect to selling or encumbering these companies' assets, borrowing (loans, credits and guarantees), as well as maintaining a specific proportion of net debt to EBITDA (these requirements are duly fulfilled as at 2011-12-31). In addition, dividend for the financial years starting 2011 can be paid only if the proportion of net debt to EBITDA is appropriate.

The Agreement sets out a list of circumstances authorizing the credit agent to terminate the agreement in whole or in part and to classify the debt as immediately due and payable upon ineffective lapse of the remedial period set in the Credit Agreement for the given incident, conforming to market standards for similar financing arrangements, including such circumstances as non-payment, nonperformance, false statements by Eurocash or a subsidiary, insolvency, and other similar circumstances.

The list of credit security instruments envisaged in the Credit Agreement includes but is not limited to registered pledges, civil pledges and liens on shares of Eurocash subsidiaries and shares of companies acquired pursuant to the Investment Agreement from Emperia Holding S.A., registered pledges and civil pledges on rights arising from registration of selected Issuer group's trademarks, power of attorney to bank accounts and statement of submission to enforcement.

#### **NOTE 24. OTHER FINANCIAL LIABILITIES**

Other financial liabilities are presented below:

*Table no 31*

##### **FINANCIAL LIABILITIES AS AT 31.12.2011**

	as at 31.12.2011	as at 31.12.2010
Finance lease liabilities	27 867 000	31 476 711
Liabilities related to financing of franchisees	32 222 664	31 243 023
	<b>60 089 664</b>	<b>62 719 734</b>
- long-term	20 393 134	23 225 866
- short-term	39 696 530	39 493 868



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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## FINANCE LEASE

Table no 32

### FINANCE LEASE AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2011	as at 31.12.2010	as at 31.12.2010
	minimum lease payments	present value of minimum lease payments	minimum fees	present value of minimum lease payments
<i>Future minimum lease payments due to finance lease agreements</i>				
Less than one year	9 560 269	7 473 865	10 226 254	8 250 845
Between one and five years	22 237 261	18 789 798	25 326 699	21 745 634
More than five years	1 724 836	1 603 336	1 832 415	1 480 232
<b>Total future minimum lease payments due to finance lease agreements</b>	<b>33 522 366</b>	<b>27 867 000</b>	<b>37 385 369</b>	<b>31 476 711</b>
Finance costs	5 655 366		5 908 658	X
<b>Present value of minimum lease payments due to finance lease agreements</b>	<b>27 867 000</b>	<b>27 867 000</b>	<b>31 476 711</b>	<b>31 476 711</b>

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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 33

### OPERATING LEASE AGREEMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
<i>Future minimum lease payments due to operating lease agreements</i>		
Less than one year	118 509 079	53 179 862
Between one and five years	343 542 880	169 368 463
More than five years	160 707 520	94 628 005
<b>Total future minimum lease payments due to operating lease agreements</b>	<b>622 759 479</b>	<b>317 176 330</b>

Operating lease payments for 2011 amounted to PLN 84.284.881 (2010: PLN 57.920.005).

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 25. INCOME TAX

Income tax for the reporting period is presented below:

Table no 34

### INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2011 (main components)

	for the period od 01.01.2011 do 31.12.2011	for the period od 01.01.2010 do 31.12.2010
<i>Income statement</i>		
<b>Current income tax</b>	<b>(35 849 073)</b>	<b>(16 490 473)</b>
Current income tax burden expense	(35 552 814)	(17 507 353)
Additional income tax related to previous years	(296 259)	1 016 880
<b>Deferred tax</b>	<b>19 245 087</b>	<b>(400 750)</b>
Due to temporary tax differences	19 245 087	(400 750)
<b>Total income tax</b>	<b>(16 603 987)</b>	<b>(16 891 224)</b>

Table no 35

### TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2011 (main components)

	for the period od 01.01.2011 do 31.12.2011	for the period od 01.01.2010 do 31.12.2010
<b>Profit before tax</b>	<b>150 991 175</b>	<b>145 337 644</b>
Income tax calculated base on 19% income tax rate	(28 688 323)	(27 614 152)
Permanent tax differences	(3 012 899)	(2 805 588)
Deferred tax asset without an impact on current income tax	-	(70 546)
Reversal of allowance for deferred tax asstes related to limitedpartnership	11 664 940	10 505 511
Reversal of provision for potential losses related to aquisition of Eurocash Dystrybucja Sp. z o.o.	3 257 360	
Contribution of trademarks to the limited partnership	1 731 779	3 275 386
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	(449 702)	(98 385)
Other differences	(1 107 142)	152 308
<b>Income tax in income statement</b>	<b>(16 603 987)</b>	<b>(16 891 224)</b>
<b>Effective tax rate</b>	<b>11,00%</b>	<b>11,62%</b>

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## NOTE 26. DEFFERED TAX

Deferred tax is presented below:

Table no 36

### DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

	Statement of financial position		Income statement		Business combinations		Statement of comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period	for the period	for the period
	31.12.2011	31.12.2010	od 01.01.2011 do 31.12.2011	od 01.01.2010 do 31.12.2010	od 01.01.2011 do 31.12.2011	od 01.01.2010 do 31.12.2010	od 01.01.2011 do 31.12.2011	od 01.01.2010 do 31.12.2010
<i>Deferred tax liabilities</i>								
- difference between tax and carrying amount of fixed assets	13 187 468	25 334 291	(18 711 807)	135 207	6 564 984	9 348 676	-	-
- deferred income	12 453 736	5 453 235	7 000 502	1 242 414	-	179 752	-	-
- revenues from accrued interests	276 349	175 716	100 633	55 163	-	52	-	-
- financial lease liabilities	356 865	679 472	(322 607)	(350 780)	-	80 909	-	-
- unrealized foreign exchange differences	5 941	-	5 941	(326 877)	-	309 924	-	-
- income from contractual penalties unpaid	180 215	-	180 215	-	-	-	-	-
- difference between tax and accounting value of BATNA trademark	-	-	-	(1 900 000)	-	-	-	-
- compensations for lost benefits	-	519 632	(519 632)	519 632	-	-	-	-
- other	1 144 184	327 002	(98 651)	20 285	915 832	27 899	-	-
<b>Gross deferred tax liabilities</b>	<b>27 604 758</b>	<b>32 489 348</b>	<b>(12 365 406)</b>	<b>(604 957)</b>	<b>7 480 816</b>	<b>9 947 212</b>	<b>-</b>	<b>-</b>

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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 2011 (continued)

	Statement of financial position		Income statement		Business combinations		Statement of comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period	for the period	for the period
	31.12.2011	31.12.2010	od 01.01.2011 do 31.12.2011	od 01.01.2010 do 31.12.2010	od 01.01.2011 do 31.12.2011	od 01.01.2010 do 31.12.2010	od 01.01.2011 do 31.12.2011	od 01.01.2010 do 31.12.2010
<i>Deferred tax assets</i>								
-change of accounting policy	-	-	-	782 712	-	-	-	-
- bonuses	14 085 791	5 702 210	(5 825 978)	(1 062 358)	(2 557 602)	1 988	-	-
- allowance for inventories	3 514 950	5 121 377	3 436 474	(2 227 151)	(1 830 047)	(455 620)	-	-
- allowance for bad debts	9 645 603	5 007 279	(2 395 281)	(1 158 520)	(2 243 043)	(1 399 000)	-	-
- tax losses from prior years	8 284 211	11 170 475	2 886 264	6 297 657	-	(16 044 000)	-	-
- tax profit from sale of fixed assets	-	639 808	639 808	(639 808)	-	-	-	-
- holiday accrual	1 766 164	1 253 837	(108 141)	(362 257)	(404 186)	(19 281)	-	-
- accrual for employees' bonuses	2 713 954	356 960	(2 276 673)	1 647 441	(80 321)	(44 971)	-	-
- unpaid payroll and social securities	1 735 381	189 383	(338 952)	(21 135)	(1 207 045)	(110 629)	-	-
- retirement provision	335 356	231 813	(5 656)	(141 831)	(97 886)	-	-	-
- accrual for rental costs	109 545	128 153	18 608	27 914	-	-	-	-
- accrual for advertising costs	1 302 563	2 142 331	839 768	(855 110)	-	(1 834)	-	-
- accrual for costs of transport	202 085	141 147	(60 938)	(34 383)	-	-	-	-
- accrual for costs of media	334 385	358 030	23 646	(132 997)	-	(3 741)	-	-
- accrual for advisory and audit	151 125	272 528	121 404	555 041	-	(619 520)	-	-
- provisions for legal disputes	207 584	-	(207 584)	-	-	-	-	-
- provisions for Amrest	33 729	142 596	108 867	(6 924)	-	-	-	-
- hedging instruments	-	-	-	1 016 880	-	-	-	-
- accrual for potential loss related to acquisition of Tradis Group	5 529 000	-	-	-	(5 529 000)	-	-	-
- accrual for project logistics	386 270	-	-	-	(386 270)	-	-	-
- accrual for closed localisations	2 871 185	-	-	-	(2 871 185)	-	-	-
- accrual for non-commercial costs	128 408	-	-	-	(128 408)	-	-	-
- accrual for interests accrued on debts	1 188 528	2 963 762	1 775 233	(601 595)	-	-	-	-
- accrued interest on trade payables	6 542 196	886 311	(1 260 835)	(483 301)	(4 395 049)	-	-	-
- accrued interest on loans and borrowings	1 256 825	757 185	(95 028)	(757 185)	(404 611)	-	-	-
- accrual for acquisition of shares	2 975 353	-	(2 975 353)	-	-	-	-	-
- provision for costs of expansion	583 300	-	(583 300)	-	-	-	-	-
- other provisions and accruals	7 376 756	4 883 203	(596 032)	(837 381)	(1 897 520)	(3 518 107)	-	-
- contribution of trademarks to Limited Partnership Company	32 802 776	43 328 541	10 525 765	(43 328 541)	-	-	-	-
<b>Gross deferred tax assets</b>	<b>106 063 021</b>	<b>85 676 930</b>	<b>3 646 085</b>	<b>(42 322 834)</b>	<b>(24 032 176)</b>	<b>(22 214 716)</b>	<b>-</b>	<b>-</b>
Allowance of deferred tax asset	(32 802 776)	(43 328 541)	(10 525 765)	43 328 541	-	-	-	-
<b>Deferred tax assets</b>	<b>73 260 245</b>	<b>42 348 389</b>	<b>(6 879 681)</b>	<b>1 005 707</b>	<b>(24 032 176)</b>	<b>(22 214 716)</b>	<b>-</b>	<b>-</b>
Deferred income tax effect			(19 245 087)	400 751	(16 551 360)	(12 267 504)	-	-
<b>Net deferred tax liabilities</b>	<b>16 317 736</b>	<b>8 408 365</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Net deferred tax assets</b>	<b>61 973 223</b>	<b>18 267 406</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

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**NOTE 27.  
OTHER LONG-TERM PREPAYMENTS**

Other long-term prepayments are presented below:

Table no 37

**OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2011**

	as at 31.12.2011	as at 31.12.2010
Rentals	208 597	135 648
Interests on finance lease agreements	-	4 798
Alcohol licences	456 634	1 718 616
IT licences	101 832	147 511
Leasing premises	657 121	-
Incurred expenses relating to deferred income	923 478	-
Other prepayments	113 319	679 230
	<b>2 460 981</b>	<b>2 685 803</b>

**NOTE 28.  
SALES IN THE REPORTING PERIOD**

Sales are presented below:

Table no 38

**SALE IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
Sale of goods	9 644 737 246	7 534 129 989
Sale of services	335 858 654	257 629 458
<b>Total sale</b>	<b>9 980 595 900</b>	<b>7 791 759 447</b>

**NOTE 29.  
COSTS BY TYPE**

Costs by type are presented below:

Table no 39

**COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
Depreciation	72 799 514	60 267 365
Materials and energy	66 716 167	51 539 066
External services	275 469 936	218 277 229
Taxes and charges	25 017 721	16 734 718
Payroll	269 802 213	201 189 038
Social security and other benefits	51 741 544	41 243 361
Other costs by type	26 167 054	26 790 464
<b>Costs by type</b>	<b>787 714 149</b>	<b>616 041 241</b>
including:		
Selling expenses	601 097 541	454 270 053
General and administrative expenses	186 616 608	161 771 188

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### NOTE 30. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 40

#### **COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
<b>Other operating income</b>	<b>54 836 391</b>	<b>26 051 327</b>
Penalties for suppliers	6 718 027	5 752 007
Other sales	6 118 470	5 228 336
Sub-lease of premises	2 228 037	2 318 163
Compensation received	968 235	1 412 561
Revenues from transport services	561 788	645 761
Profit on sales of fixed assets	6 436 418	-
Reversal of allowance for bad debts	-	1 895 492
Reversal of allowance for inventories	-	921 336
Expired litigations and payables	-	2 794 746
Reversal of provision for potential losses related to acquisition of Eurocash Dystrybucja Sp. z o.o.	17 144 000	-
Other	14 661 416	5 082 925
<b>Other operating expenses</b>	<b>(62 526 869)</b>	<b>(40 830 272)</b>
Inventory shortages	(17 569 980)	(13 139 566)
Liquidation of damages and expired goods	(13 167 285)	(9 364 058)
Losses from disposals of property, plant and equipment	(7 261 665)	(1 561 434)
Allowance for bad debts	(6 526 127)	(1 289 690)
Allowance for inventory	1 746 137	(7 790 442)
Settlements with suppliers	-	-
Litigations	(1 592 950)	(3 616 711)
Costs related to the acquisition of Tradis Group's companies	(9 259 750)	-
Other	(8 895 249)	(4 068 370)
<b>Net other operating expenses</b>	<b>(7 690 478)</b>	<b>(14 778 945)</b>

### NOTE 31. FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 41

#### **FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
<b>Finance income</b>	<b>5 060 822</b>	<b>5 967 799</b>
Interest	2 206 786	4 979 200
Revenues from discounts	2 126 887	-
Foreign exchange gains	27 563	-
Other financial income	699 586	988 599
<b>Finance costs</b>	<b>(44 658 393)</b>	<b>(30 557 855)</b>
Interest	(42 296 793)	(28 726 118)
Foreign exchange losses	(169 473)	(160 201)
Other finance costs	(2 192 127)	(1 671 536)
<b>Net finance expenses</b>	<b>(39 597 572)</b>	<b>(24 590 056)</b>

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Net foreign exchange gains (losses) are presented below:

Table no 42

**NET FOREIGN EXCHANGE GAINS/LOSSES IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
Finance income	27 563	434 040
Finance costs	(169 473)	(594 241)
<b>Total</b>	<b>(141 910)</b>	<b>(160 201)</b>

**NOTE 32.  
EARNINGS PER SHARE**

Earnings per share are presented below:

Table no 43

**EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
<i>Earnings</i>		
Profit for the period attributable to the Owners of the Company	134 398 735	128 455 787
<b>Dilution effect of number of shares:</b>		
Interest on convertible bonds net of tax	-	-
Profit for the period attributable to the Owners of the Company (diluted)	<u>134 398 735</u>	<u>128 455 787</u>
<i>Number of issued shares</i>		
Weighted average number of shares	137 001 458	136 630 350
<b>Dilution effect of potential number of shares:</b>		
Effect of share options exercised in 2011	-	(415 026)
Effect of share options exercised in 2012	(95 680)	(95 421)
Convertible bonds	1 299 063	1 754 145
Weighted average number of shares (to calculate diluted earnings per share)	<u>138 204 841</u>	<u>137 874 048</u>
<b>Earnings per share</b>		
- basic	0,98	0,94
- diluted	0,97	0,93

**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 (136.765.168) was adjusted by the effects of each new shares issue for purposes of realization of shares option programmes during 2011 and during the period from 1 January 2012 to 29 February 2012 which were realized on non-arm's length basis.



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### Calculation of weighted average diluted number of shares

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

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

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

### Description of factors diluting the number of shares

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

### NOTE 33.

#### BOOK VALUE PER SHARE

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

Table no 44

#### BOOK VALUE PER SHARE AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Book value	548 493 908	457 093 215
Number of shares (excl. treasury shares)	136 983 011	136 352 068
Diluted number of shares	138 909 011	138 831 318
Book value per share	4,00	3,35
Diluted book value per share	3,95	3,29

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**NOTE 34.  
INFORMATION ON RELATED PARTY TRANSACTIONS**

No significant non-arm's length transactions with subsidiaries were raised in 2011.

Table no 45

	EUROCASH S.A. GROUP
<b>Trade receivables</b>	
PayUp	2 021 951
<b>Other receivables</b>	
PayUp	-
Fundusz Inwestycyjny Zamknięty RE Income	4 307 000
<b>Loans granted</b>	
PayUp	8 828 541
<b>Trade payables</b>	
PayUp	14 244 610
<b>Other payables</b>	
PayUp	-
<b>Sales of merchandise</b>	
PayUp	-
<b>Sales of services</b>	
PayUp	4 017 022
<b>Other sales</b>	
PayUp	451 629
Fundusz Inwestycyjny Zamknięty RE Income	15 307 000
<b>Costs of goods sold</b>	
PayUp	195 727 653
<b>Costs of services</b>	
PayUp	36 000

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 2011 to 31 December 2011.

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 46

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	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 31.12.2011**

	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	-	965 455	-	1 265 455
Rui Amaral	895 000	5 000	61 341	156 201	1 117 541
Arnaldo Guerreiro	860 000	-	67 674	108 442	1 036 116
Pedro Martinho	775 000	60 000	69 521	192 723	1 097 244
Katarzyna Kopaczewska	638 000	42 000	51 341	108 442	839 783
Ryszard Majer *	91 619	-	142 115	-	233 734
Jacek Owczarek	761 000	-	29 039	69 110	859 149
Carlos Saraiva **	990 000	-	11 679	-	1 001 679
	<b>5 310 619</b>	<b>107 000</b>	<b>1 398 165</b>	<b>634 917</b>	<b>7 450 700</b>

\* Remuneration from 01.01 to 22.06.2011

\*\* Remuneration from 13.06 to 31.12.2011

<i>Remuneration of the Members of the Supervisory Board</i>					
Joao Borges de Assuncao	106 323	-	-	-	106 323
Eduardo Aguinaga de Moraes	51 108	-	-	-	51 108
Ryszard Wojnowski	51 035	-	-	-	51 035
Janusz Lisowski	51 035	-	-	-	51 035
Antonio Jose Santos Silva Casanova	51 035	-	-	-	51 035
	<b>310 536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>310 536</b>

**NOTE 35.  
EMPLOYMENT**

Number of employees as at 31.12.2011 is presented below:

Table no 47

**NUMBER OF EMPLOYEES AS AT 31.12.2011**

	as at 31.12.2011	as at 31.12.2010
Number of employees	12 234	6 529
Number of full-time jobs	12 103	6 377

Employment structure as at 31.12.2010 is presented below:

Table no 48

**EMPLOYMENT STRUCTURE AS AT 31.12.2011**

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	9 354	2 881	<b>12 234</b>
Number of full-time jobs	9 245	2 858	<b>12 102</b>

Data concerning employee turnover ratios as at 31.12.2011 is presented below:

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Table no 49

**EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
Increase through business combination	5 806	-
Number of hired employees	2 746	4 011
Number of dismissed employees	(2 847)	(1 757)
	<b>5 705</b>	<b>2 254</b>

**NOTE 36.  
CONTINGENCIES**

As at 31 December 2011, the value of securities granted to other parties in the form of sureties of loans and bank guarantees amounted to PLN 12.280.420. Moreover, the value of bank guarantees issued for Group companies amounted to PLN 10.184.861. A detailed specification is summarized below:

Table no 50

**CONTINGENCIES AS AT 31.12.2011**

				as at 31.12.2011	as at 31.12.2010
	Beneficiary	Title	Currency		
1.	Millennium S.A.	Surety of the bank guarantee for PTK Centertel S.A. for PayUp liabilities	PLN	-	1 500 000
2.	Millennium S.A.	Surety of the bank guarantee for PTK Polkomtel S.A. for PayUp liabilities	PLN	2 250 000	2 250 000
3.	Millennium S.A.	Surety of the bank guarantee for PTC Sp. z o.o. for PayUp liabilities	PLN	1 500 000	1 500 000
4.	BZ WBK	Surety of the bank guarantee for PTC Sp. z o.o. for Totalizator Sportowy	PLN	-	20 000
5.	PKO BP S.A.	Surety of the bank guarantee for ProLogis Poland for Tradis Sp. z o.o. liabilities	PLN	2 053 880	-
6.	PKO BP S.A.	Surety of the bank guarantee for Zott Polska Sp.z o.o.	PLN	5 500 000	-
7.	PKO BP S.A.	Surety of the bank guarantee for Generalna Dyrekcja Dróg i Autostrad	PLN	620 100	-
8.	PKO BP S.A.	Surety of the bank guarantee for Dyrektor Izby Celnej Białej Podlaskiej	PLN	356 440	-
				<b>12 280 420</b>	<b>5 270 000</b>

In addition, Eurocash Group companies extended a surety to ING Bank Śląski S.A. concerning the liquidity management agreement through cash pooling in the amount of the assigned credit limit.

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Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 51

**OTHER BANK GUARANTEES AS AT 31.12.2011**

The Issuer	Title	Currency	as at	as at
			31.12.2011	31.12.2010
1. HSBC	Security for rent liabilities	PLN*	-	77 226
2. ING	Security for rent liabilities	PLN	3 351 360	15 518 914
3. ING	Security for rent liabilities	PLN*	6 403 500	184 366
4. ING	Security for organization of the distribution of tickets liabilities	PLN	200 000	-
5. ING	Security for excise duty	PLN	230 000	-
			<b>10 184 861</b>	<b>15 780 506</b>

\* 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 2011 1 EUR = 4,4168 PLN

**NOTE 37.  
COLLATERALS**

As at 31 December 2011 the value of collaterals on the Group's assets amounted to PLN 454.965.804. A detailed specification is summarized below:

Table no 52

**SECURITY ON ASSETS AS AT 31.12.2011**

Title	Secured property	Amount secure in PLN
Security for repayment of bank loan ING	Pledge on shares in companies from Premium Distributors Group	286 425 056
Security for repayment of bank loan ING and BZ WBK	Pledge on shares in companies from Eurocash Group, Tradis Group and Trademarks	1 070 000 000
ING guarantee for payments to suppliers	Deposit on inventories	85 500 000
Finance lease agreements	Right of ownership of leased property, plant and equipment	29 378 972
Security for repayment of bank loan PeKaO S.A.	Deposit on inventories	145 000 000
Security for repayment of bank loan PKO BP S.A.	Deposit on inventories	110 000 000
Security for repayment of bank loan BRE Bank S.A.	Assignment of receivables	63 000 000
Security for repayment of bank loan Raiffeisen Bank Polska S.A.	Assignment of receivables	69 000 000
<b>Total securings</b>		<b>1 858 304 028</b>

**NOTE 38.  
FINANCIAL RISK MANAGEMENT**

**a. General information**

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

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Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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.

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

Table no 53

#### CREDIT RISK EXPOSURE

	as at 31.12.2011	as at 31.12.2010
<i>in PLN thousand</i>		
Receivable and loans	1 412 776	741 606
Cash and cash equivalents	288 814	211 500
	<b>1 701 590</b>	<b>953 106</b>

#### 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:

- a) sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk;
- b) 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;
- c) sales to HoReCo 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;

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- d) 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;

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 54

**AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2011**

	Trade receivables gross as at 31.12.2011	Bad debts allowance as at 31.12.2011	Trade receivables gross as at 31.12.2010	Bad debts allowance as at 31.12.2010
0-30 days	1 059 488 486	-	637 470 644	-
31-90 days	129 438 777	-	22 662 934	-
91-180 days	20 008 503	-	7 164 849	96 179
> 180 days	126 104 013	40 368 046	46 753 882	45 280 783
	<b>1 335 039 779</b>	<b>40 368 046</b>	<b>714 052 309</b>	<b>45 376 962</b>

Table no 55

**ALLOWANCE FOR BAD DEBTS AS AT 31.12.2011**

	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2010 to 31.12.2010
Opening balance	45 376 962	11 446 122
Increase through business combination	25 528 215	33 930 840
Decreases	(30 537 130)	-
Closing balance	<b>40 368 046</b>	<b>45 376 962</b>

**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 2011 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.

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

- a) investments in fixed assets,
- b) working capital,
- c) 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 695m, which can be used to meet its short-term financial requirements. As at 31 December 2011 unused limits amounted to PLN 548m.

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.

In 2011, Eurocash S.A. acquired Shares in Emperia Group Distribution Companies. Significant portion of the transaction was financed with a bank credit. Because Eurocash S.A. intends to repay a major portion of debt within 12 months, a transient decrease of the liquidity ratio occurred. However, the Group's insolvency risk management policy rules out any increase of insolvency risk.

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

Table no 56

#### LIQUIDITY RISK

AS AT 31 DECEMBER 2011	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	27 867 000	7 473 865	18 789 798	1 603 336
factoring	32 222 664	32 222 664	-	-
Trade and other payables	2 288 287 906	2 287 994 600	293 305	-
Loans and borrowings	1 496 908 651	830 807 741	666 100 910	-
	<b>3 845 286 221</b>	<b>3 158 498 871</b>	<b>685 184 014</b>	<b>1 603 336</b>

AS AT 31 DECEMBER 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
Factoring	31 243 023	31 243 023	-	-
Trade and other payables	1 456 528 201	1 456 128 201	400 000	-
Short-term loans and credits	343 483 944	86 897 780	256 586 164	-
	<b>1 862 731 879</b>	<b>1 582 519 849</b>	<b>278 731 798</b>	<b>1 480 232</b>

#### 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.



Consolidated financial statements of EUROCASH Group.			
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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### 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 57

#### VARIABLE AND FIXED INTEREST RATE FINANCIAL

	Present value 31.12.2011	Present value 31.12.2010
<i>in PLN thousand</i>		
<b>Fixed interest rate instruments</b>		
Financial assets	-	-
Financial liabilities	27 867	31 477
<b>Variable interest rate instrument</b>		
Financial assets	421 088	280 233
Financial liabilities	1 639 482	420 309

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 58

#### SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
<i>in PLN thousand</i>	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2011	(12 184)	12 184	-	-
31 December 2010	(1 401)	1 401	-	-

### 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,

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- c) compliance with regulatory and other legal requirements,
- d) documentation of controls and procedures,
- e) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- f) requirements for the reporting of operational losses and proposed remedial action,
- g) development of contingency plans,
- h) training and professional development,
- i) ethical and business standards,
- j) risk mitigation, including insurance where this is effective.

#### **f. Capital management**

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

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

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

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

On June 13, 2011, the Ordinary General Meeting of Shareholders of Eurocash S.A. decided to release the reserve designed for implementing own shares acquisition programme and to transfer cash to that part of supplementary capital which may be designed for distribution among shareholders.

The 77,693 own shares were sold to members of the company's top management.

As at the reporting date, Eurocash is not a holder of any of its own shares.

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 59*

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## FAIR VALUES

	Carrying amount 31.12.2011	Fair value 31.12.2011	Carrying amount 31.12.2010	Fair value 31.12.2010
<i>in PLN thousand</i>				
<b>Assets</b>	<b>1 748 057</b>	<b>1 748 057</b>	<b>953 106</b>	<b>953 106</b>
Trade and other receivables	1 406 089	1 406 089	732 253	732 253
Other investments	53 154	53 154	9 353	9 353
Cash and cash equivalents	288 814	288 814	211 500	211 500
<b>Liabilities</b>	<b>(3 845 286)</b>	<b>(3 845 286)</b>	<b>(1 862 732)</b>	<b>(1 862 732)</b>
Credits	(1 496 909)	(1 496 909)	(343 484)	(343 484)
Finance lease liabilities	(27 867)	(27 867)	(31 477)	(31 477)
Factoring	(32 223)	(32 223)	(31 243)	(31 243)
Trade and other payables	(2 288 288)	(2 288 288)	(1 456 528)	(1 456 528)
	<b>(2 097 230)</b>	<b>(2 097 230)</b>	<b>(909 626)</b>	<b>(909 626)</b>

### Fair value calculation

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

### Interest-bearing loans and credits

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

### Finance lease

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

### Trade and other receivables and payables

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

### Cash and cash equivalents

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

## NOTE 39. SUBSEQUENT EVENTS

There were no significant subsequent events.

<b>Consolidated financial statements of EUROCASH Group.</b>			
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<b>Level of round-offs:</b>	<b>All amounts are expressed in Polish zloty (unless indicated otherwise)</b>		

#### **SIGNATURES OF THE MANAGEMENT BOARD MEMBERS**

<b>Position</b>	<b>Name and surname</b>	<b>Date</b>	<b>Signature</b>
President of the Management Board	Luis Amaral	30 March 2012	
Member of the Management Board Chief Executive Officer	Rui Amaral	30 March 2012	
Member of the Management Board	Arnaldo Guerreiro	30 March 2012	
Member of the Management Board	Pedro Martinho	30 March 2012	
Member of the Management Board Human Resources Director	Katarzyna Kopaczewska	30 March 2012	
Member of the Management Board	Carlos Saraiva	30 March 2012	
Member of the Management Board Financial Director	Jacek Owczarek	30 March 2012	

## **EUROCASH GROUP**

### **REPORT OF THE MANAGEMENT BOARD**

FOR THE PERIOD FROM 1<sup>st</sup> JANUARY 2011 TO 31<sup>st</sup> DECEMBER 2011

#### **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, 30<sup>th</sup> March 2012

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## 1. Summary of Eurocash Group activities in 2011

2011 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2011 reached PLN 9 980.60 million, EBITDA amounted to PLN 265.76 million and net profit to PLN 134.39 million. Eurocash Group has been particularly active in consolidation of the FMCG market in Poland – to the group joined Tradis Distribution Group (21 December 2011), and Pol Cater Sp. z o.o. (1 March 2011).

**Table 1 Eurocash Group: Summary of 2011 financial results**

PLN million	2011	2010	Change 2011/ 2010
Revenues	9 980.60	7 791.76	28.09%
EBITDA	265.76	230.71	15.19%
(EBITDA %)	2.66%	2.96%	-0.30 p.p.
EBIT	192.96	170.45	13.21%
(EBIT %)	1.93%	2.19%	-0.25 p.p.
Net profit from continued operations	134.39	128.45	4.63%
(Net profit %)	1.35%	1.65%	-0.30 p.p.

The strong sales growth of Eurocash Group in 2011 comparing with 2010 was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of results consolidation of acquired Premium Distributors (2 August 2010) and Pol Cater (1 March 2011)

The Eurocash cash&carry chain reached the number of 137 outlets at the end of 2011. Number of Delikatesy Centrum franchise stores increased by 89 and reached 650 outlets at the end of 2011. The like-for-like sales growth reached in the whole 2011 13.1% in Eurocash cash&carry unit and 8.1% 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 2011 to 8.5%. Total sales of KDWT increased by 12.0%, and sales to external clients grew by 13.6%. Sales of Eurocash Dystrybucja format in 2011, including Pol Cater, increased to the level of PLN 600,9 million which means increase 27.6% comparing 2010, mainly due to Pol Cater sales, which reached PLN 165 million in the period 1 March 2011 – 31 December 2011. Sales of Premium Distributors in 2011 amounted to PLN 1 931m and increased by 112% comparing a year before.

## 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.

**Table 2 Eurocash group: Macroeconomic data in Poland**

	2011	2010	2009
Real GDP growth (in %)	4.3*	3.9*	1.7*
Consumer price index growth (in %)	4.3	2.6	3.5
Registered unemployment** (in %)	12.5	12.4	12.1

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 4.3% in 2011, compared with 3.9% in 2010. In 2011, the most rapidly developing sector of the economy was construction, the value added in this sector increased by 11.8% year to year compared with increase by 6.4% in 2010. For comparison, in 2011, the industry sector recorded growth of 6.3% and the trade & repairs sector grew by 4.6%.

Consumer prices increased in 2011 by 4.3% in relation to the previous period, compared with an increase of 2.6% in 2010. 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 2011, the registered unemployment rate increased insignificantly to 12.5% compared with 12.4% at the end of 2010.

#### 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 GfK Polonia Sp. z o.o., the value of FMCG products in Poland was PLN 212.3 billion in 2011.

##### 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 2010 to PLN 133.7 billion, including food products and non-alcoholic beverages in the amount of PLN 108.4 billion and alcoholic beverages in the amount of PLN 25.3 billion. It should be noted that, in contrast to the data of GfK Polonia. Ltd., Central Statistical Office data on wholesale sales are published with considerable delay and do not list the sale of tobacco products, cosmetics and detergents.



**Table 3 Eurocash Group: The wholesale distribution of FMCG in Poland.**

<i>bln zł</i>	2010	Change %	2009	Change %	2008
Food and non-alcoholic beverages	108.4	5.80%	102.5	-0.40%	102.9
Alcoholic beverages	25.3	-5.20%	26.7	-24.80%	35.5
<b>Total</b>	<b>133.7</b>	<b>3.50%</b>	<b>129.1</b>	<b>-6.70%</b>	<b>138.4</b>

The wholesale distribution of food, alcoholic beverages and non-alcoholic beverages in 2010 increased by 3.5%, compared with decrease by 6.7% in 2009. In group of food and non-alcoholic beverages was noted an increase by 5.8%, while wholesale distribution of alcoholic beverages decreased by 5.2%

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 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 besides Eurocash Group are Makro Cash and Carry Polska S.A., Group, Selgros Sp. z o.o., Sobieski Sp. z o.o., Lekkerland Polska S.A., PHP Polski Tytuł 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 593.0 billion in 2010. The retail sales of groceries and non-alcoholic beverages amounted to PLN 156.0 billion in 2010 (an increase of 2.5% compared with 2009). The sales of alcoholic beverages and tobacco products amounted to PLN 53.8 billion (an increase of 3.3% compared with 2009), and the sale of non-food products amounted to PLN 362.1 billion (an increase of 1.3% compared with 2009). The largest share in 2010 retail sales belonged to non-food consumer goods (42.9%) and groceries and non-alcoholic beverages (26.3%). These were followed by non-consumables (18.1%), alcoholic beverages and tobacco (9.1%), 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 346 thousand stores and 70.5 thousand food establishments were operating in Poland as at the end of 2010. A characteristic feature of domestic retail sales is the large share of stores with a sales area of up to 99 m<sup>2</sup>. These stores constitute 47.2% of the total number of stores.

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

#### **Competition on the Polish FMCG products market**

Warehouses operating on the FMCG product distribution market compete first and foremost in regard to supplying traditional grocery stores (up to 300 m<sup>2</sup>), 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, according to the estimates of GfK Polonia, large format stores (supermarkets, hypermarkets and discount stores), control about 52% of major retail channels and small format stores about 48%. However, in the opinion of Eurocash, 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 m<sup>2</sup> 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). According to the estimates of GfK Polonia total number of retail stores associated in 20 biggest networks amounted to 19 thousands. 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 100 m<sup>2</sup>.

### Trends on the Polish FMCG products market

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 2011) 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.

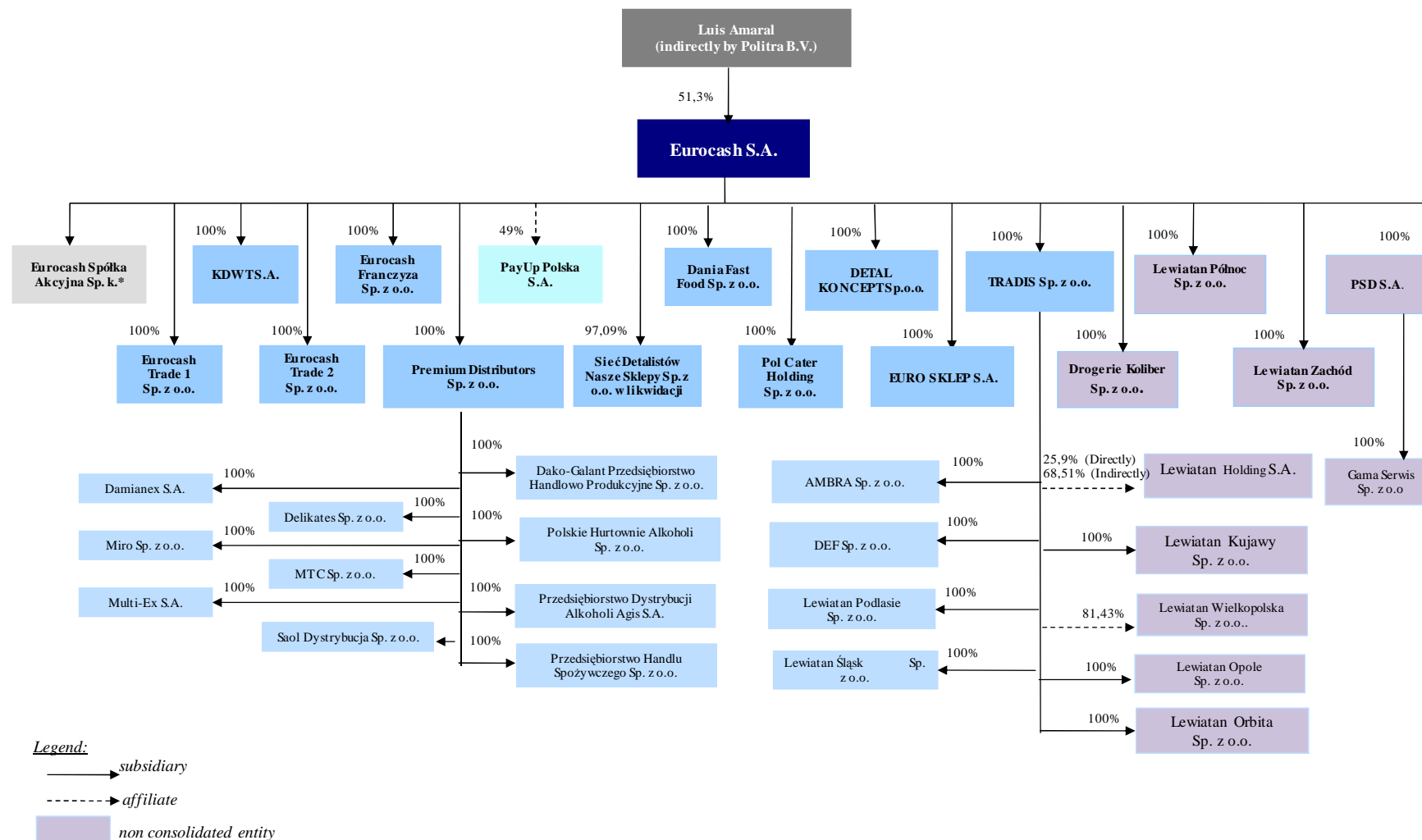
In addition, in relation to the takeover on 21 December 2011 of Tradis Distribution Group, Eurocash Group became the leading, in terms of sales, distributor of food and beverages in Poland. Tradis Distribution Group includes:

- active distribution companies (Tradis sp. z o.o., DEF sp. z o.o., AMBRA sp. z o.o.)
- Companies organizing and supporting retail stores franchise chains and partner retail stores: Detal Koncept sp. z o.o., Euro Sklep S.A., Partnerski Serwis Detaliczny S.A., Gama Serwis sp. z o.o., Lewiatan Holding S.A., Lewiatan Podlasie sp. z o.o., Lewiatan Śląsk sp. z o.o., Lewiatan Zachód sp. z o.o., Lewiatan Północ sp. z o.o., Lewiatan Opole sp. z o.o., Lewiatan Wielkopolska sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Orbita sp. z o.o., Drogerie Koliber sp. z o.o.

The sales revenues of the Group in 2011 amounted to PLN 9 980.6 million, EBITDA was PLN 265,76 million, and net profit was PLN 134.39 million. On the other hand, in 2010 for the financial year ended 31 December 2010, The Group generated sales revenues of PLN 7 791.76 million, EBITDA in the amount of PLN 230.71 million, and net profit in the amount of PLN 128.45 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, 2011:



\* 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 51,29% of shares as at 31.12.2011. 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 31.12.2011.

## 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 2011 the share of these products accounted for app. 68.1% of the total Group sales figure, comparing with 61.4% in 2010. Considering the significance, second position belongs to tobacco and pre-paid cards and top-ups with a share of 24.1 down from 27.3% in 2009. Other non-food products (personal and home-care, OTC drugs, pre-paid cards for mobile phones, etc.) accounted for 7.8% comparing with 11.4% in 2009.

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

**Table 4 Eurocash Group: Sales structure of the Eurocash Group in 2011 and 2010**

	2011		2010	
	Amount	% share	Amount	% share
	PLN million	%	PLN million	%
Food and drinks	6,797.11	68.1	4,782.44	61.4
Tobacco and mobile phone pre-paid cards and top-ups	2,401.90	24.1	2,123.86	27.3
Other*	781.58	7.8	885.46	11.4
<b>Total revenues*</b>	<b>9,980.60</b>	<b>100.0</b>	<b>7,791.76</b>	<b>100.0</b>

Source: Eurocash

\* Other includes mainly revenues from sales of manufactured products.

## 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 2011, the wholesale trade network of Eurocash Group covered 134 Cash & Carry Warehouses and 3 Batna warehouses, the Delikatesy Centrum network had 650 supermarkets, while the "abc" network covered 4 652 local 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.

**Table 5 Eurocash Group: Number of Cash & Carry Warehouses, Delikatesy Centrum stores and "abc" store network.**

	As at 31 December				2011/2009 change	2010/2009 change	2009/2008 change
	2011	2010	2009	2008			
Cash & Carry Warehouses	134/137*	126/129*	117/120*	111	8/11*	9/12*	6/9*
Delikatesy Centrum	650	561	466	376	89	95	90
"abc" store network	4,652	3,990	3,424	2,836	662	566	588

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 2011 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.

Despite significant turnover with the above-mentioned suppliers, Eurocash Group has no 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 ensure the competitiveness of independent retail stores 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 small and medium retail stores, looking to be supplied with FMCG products and to be supported with providing retail activity, ensuring an adequate level of profitability – warehouses of Tradis Distribution Group and partner programmes under brands such as Lewiatan, Euro-Sklep, Groszek, Gama (PSD);
- 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.

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. 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.



## 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 2012:

- number of Eurocash Cash&Carry stores will increase by app. 6-8 stores, but the final number of new openings will depend from integration process with Tradis Distribution Group
- 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 (grocery) will be continued in order to get a higher profitability and improvement of a working capital dynamics.

*Integration of Premium Distributors and Pol Cater*

Due to necessity of integration of companies from Premium Distributors group and Pol Cater 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.

*Takeovers and acquisitions of other entities.*

Realization of the investment agreement between Eurocash S.A. and Emperia Holding S.A.

On 21 December 2011 Eurocash has acquired from P1 (subsidiary of Emperia Holding S.A.), stakes in companies from Tradis Distribution Group conducting wholesale distribution of FMCG products, as well as operating retail franchise chains. Due to the necessity of integrating the Tradis Distribution Group at the operational level, in the opinion of Eurocash S.A. Board full synergies associated with this transaction will be possible to reach within 3 years after the acquisition of control over these companies.

## 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 2011, constituting a part of the Eurocash Group annual report for 2011. 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 2011 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 2011 covered more than 500 entities.

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

Due the nature of the FMCG product market, competition on this market 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 2011

##### 4.1. Eurocash Group: Key financial and operational highlights

2011 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2011 reached PLN 9 980.60 million, EBITDA amounted to PLN 265.76 million and net profit to PLN 134.39 million. Eurocash Group has been particularly active in consolidation of the FMCG market in Poland – to the group joined Tradis Distribution Group (21 December 2011), and Pol Cater Sp. z o.o. (1 March 2011).

**Table 6 Eurocash Group: Summary of 2011 financial results**

PLN million	2011	2010	Change 2010/ 2009
Revenues	9 980,60	7 791,76	28,09%
EBITDA	265,76	230,71	15,19%
(EBITDA %)	2,66%	2,96%	-0,30 p.p.
EBIT	192,96	170,45	13,21%
(EBIT %)	1,93%	2,19%	-0,26 p.p.
Net profit from continued operations	134,39	128,45	4,63%
(Net profit %)	1,35%	1,65%	-0,30 p.p.

The strong sales growth of Eurocash Group in 2011 (+28.1% comparing with 2010) was attributable both to organic growth – mainly in Cash&Carry and Delikatesy Centrum business units, as well as to the effect of performance consolidation of acquired companies (Premium Distributors – 2 August 2010 and Pol Cater – 1 March 2011).

The Eurocash cash&carry chain reached the number of 137 outlets at the end of 2011. Number of Delikatesy Centrum franchise stores increased by 89 and reached 650 outlets at the end of 2011. The like-for-like sales growth reached in the whole 2011 13.1% in Eurocash cash&carry unit and 8.1% 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 2011 to 8.5%. Total sales of KDWT increased by 12.0%, and sales to external clients grew by 13.6%. Sales of Eurocash Dystrybucja format in 2011 (including Pol Cater) increased to the level of PLN 600.9 million – which means year to year growth by 27.6%, mainly through to Pol Cater sales include, that amounted to PLN 165 million during the period 1 March 2011 – 31 December 2011. External sales of Premium Distributors in 2011 amounted to PLN 1 931.0m and increased by 112% in comparison to 2010 (an acquisition effect).

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
- Premium Distributors – encompassing distribution of alcoholic beverages
- Eurocash Dystrybucja - encompassing sales realized to gas stations and HoReCa segment
- Traids Distribution Group and its subsidiaries:
  - active distribution companies (Tradis sp. z o.o., DEF sp. z o.o., AMBRA sp. z o.o.) and
  - companies organizing or supporting franchise chains of retail shops: Detal Koncept sp. z o.o., Euro Sklep S.A., Partnerski Serwis Detaliczny S.A., Gama Serwis sp. z o.o., Lewiatan Holding S.A., Lewiatan Podlasie sp. z o.o., Lewiatan Śląsk sp. z o.o., Lewiatan Zachód sp. z o.o., Lewiatan Północ sp. z o.o., Lewiatan Opole sp. z o.o., Lewiatan Wielkopolska sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Orbita sp. z o.o., Drogerie Koliber sp. z o.o.

#### 4.1.1. Cash&Carry stores

- In 2011 Cash&Carry sales amounted to PLN 3 782.6m, and increased by 9.97% 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 2011 amounted to PLN 3 558.6m and increased by 16.9% y/y.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2011 amounted to 13.1%.
- Without categories of tobacco and phone cards, the LFL sales growth in Eurocash Cash&Carry stores in 2011 amounted to 14.0%.
- Number of Eurocash Cash&Carry stores amounted to 137 at the end of 2011.
- Number of abc stores amounted to 4 652 at the end of 2011.
- In 2011 share of abc stores in total sales of Eurocash Cash&Carry stores amounted to 48.4%

#### 4.1.2. „Delikatesy Centrum”

- Wholesale sales realized by "Delikatesy Centrum" Distribution Centers in 2011 amounted to PLN 1 304,2m, 24,59% higher comparing with 2009.
- LFL growth of wholesale sales realized by Eurocash to "Delikatesy Centrum" franchise stores in 2011 amounted to 8.1%.
- LFL growth of the retail sales of "Delikatesy Centrum" franchise stores in 2011 amounted to 8.5%.
- Number of "Delikatesy Centrum" franchise stores at the end of 2011 amounted to 650.

#### 4.1.3. KDWT

- In 2011 sales of KDWT amounted to PLN 2 665.9m and increased by 12% y/y.
- External sales in KDWT amounted in 2011 to PLN 2 523m and increased by 12.9% y/y..
- Growth of sales in food category in 2011 amounted to 18.1% comparing with 2010.
- In terms of volume, sales of cigarettes increased in 2011 by 5.3% y/y.
- The number of KDWT locations as of the end of 2011 amounted to 105 branches and 2 distribution centers

#### 4.1.4. Eurocash Dystrybucja

- Sales of Eurocash Dystrybucja amounted in 2011 to PLN 601.1m and increased by 27.6%.
- Without Pol Cater effect, sales in Eurocash Dystrybucja reached PLN 435.9m, 7.4% lower than in 2010, what was mainly affected by loss of Orlen contract in 2010 and transfer of sales to independent shops to Delikatesy Centrum in 4Q 2010
- Sales of Pol Cater amounted to PLN 165.0m during the period 1 March 2011 – 31 December 2012.

#### 4.1.5. Premium Distributors

- Sales of Premium Distributors in 2011 amounted to PLN 1 931.0m
- Companies from Premium Distributors group are consolidated since August 2, 2010.

#### 4.1.6. Tradis Distribution Group

- Tradis Distribution Group has been acquired by Eurocash on 21.12.2011. However, the consolidation started as of 31.12.2011 with regard to balance sheet items. Full results of the Tradis Distribution Group will be consolidated from the beginning of 2012.

- Below, for information purposes only, we present the general overview of sales performance of the Tradis Distribution Group.
  - Total sales of active distribution companies (Tradis, Ambra, DEF) in 2011 amounted to PLN 5 147.66 million, 8.1% higher than in 2010.
  - From the total sales, 87.0% was realized in active distribution format, while cash&carry format was responsible for 13.0% of the total sales.
  - As of the end of 2011, active distribution companies operated 58 regional warehouses and 8 distribution centers as compared with 57 regional warehouses and 8 distribution centers as of the end of 2010. Total warehouse space at 31.12.2011 amounted to 280 995,14 square meters.
  - Below we present the number of stores in partner- and franchise chains operated by companies from Tradis Distribution Group:

**Table 1:** Number of partnership or franchise stores of the Tradis Distribution Group

Name of chain / operating company	Number of stores		
	31.12.2011	31.12.2010	Change 2011 / 2010
Groszek	1 012	1 085	-73
Milea	90	98	-8
Euro Sklep S.A.	613	644	-31
Lewiatan Podlasie Sp. z o.o.	189	198	-9
Lewiatan Śląsk Sp. z o.o.	319	302	17
Lewiatan Zachód Sp. z o.o.	211	291	-80
Lewiatan Orbita Sp. z o.o.	104	104	0
Lewiatan Wielkopolska Sp. z o.o.	192	188	4
Lewiatan Północ Sp. z o.o.	188	167	21
Lewiatan Opole Sp. z o.o.	186	178	8
Lewiatan Kujawy Sp. z o.o.	358	363	-5
Lewiatan Mazowsze Sp. z o.o.	34	22	12
<b>Total</b>	<b>3 496</b>	<b>3 640</b>	<b>-144</b>

*\* Rights to use a trademark Milea expire on 21 June 2013*

**Table 2:** Number of partnership stores co-operating within Partnerski Serwis Detaliczny

	31.12.2011	31.12.2010	Change 2011 / 2010
Number of cooperating Consumer Cooperative	61	57	4
Number of stores	557	492	65

## 4.2. Profit and loss account

### 4.2.1. Sales

Sales revenues increased in 2011 by 28.1% reaching the level of PLN 9 980.60m. One of the main drivers of this growth was strong growth of sales in Cash&Carry format (16.9%), Delikatesy Centrum (19.8%) and KDWT (12.9%), and acquisitions completed during 2010 and 2011 – Premium Distributors (2 August 2010) and Pol Cater (1 March 2011)

**Table 7 Eurocash Group: Sales structure by business units**

mln zł	External sales		
	2011	2010	Change %
Cash&Carry	3 558,6	3 043,2	16,9%
Delikatesy Centrum	1 304,2	1 088,5	19,8%
Papierosy i produkty impulsowe	2 523,0	2 235,6	12,9%
Dystrybucja alkoholu	1 931,0	909,2	112,4%
Eurocash Dystrybucja*	600,9	470,9	27,6%
Inne	63,0	44,4	42,0%
<b>Total</b>	<b>9 980,6</b>	<b>7 791,8</b>	<b>28,1%</b>

\* Including Pol Cater sales

#### 4.2.2. Profitability analysis

**Table 8 Eurocash Group: 2011 financial results**

PLN m	2011	2010	Change 2011/2010
Sales revenues	9 980,60	7 791,76	28,09%
Gross profit (loss) on sales	988,36	801,27	23,35%
Gross profitability on sales (%)	9,90%	10,28%	-0,38 p.p.
EBITDA	265,76	230,71	15,19%
(EBITDA margin %)	2,66%	2,96%	-0,30 p.p.
EBIT	192,96	170,45	13,21%
(EBIT margin %)	1,93%	2,19%	-0,26 p.p.
Gross profit	150,99	145,34	3,89%
Net Income	134,39	128,45	4,63%
(Net profitability %)	1,35%	1,65%	-0,30 p.p.

Consolidated gross profit on sales increased by 23,35% and reached level of PLN 988.36m. In 2011 EBITDA grew by 15,19% y/y reaching PLN 265.76m, while net income posted 4.63% growth to PLN 134.39m.

The lower rate of growth in net profit was due to higher depreciation and costs of debt service related with the acquisition of Premium Distributors and previously mentioned costs related with the acquisition of Tradis Distribution Group.

#### 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 9 Eurocash Group: Structure of assets**

PLN m	31.12.2011	%	31.12.2010	%
<b>Fixed assets (long-term)</b>	<b>1 921,04</b>	<b>41,96%</b>	<b>811,25</b>	<b>33,76%</b>
Goodwill	1 166,30	60,83%	355,07	43,77%
Other intangible fixed assets	194,97	10,03%	193,17	23,81%
Tangible fixed assets	420,18	21,87%	233,87	28,83%
Investment property	1,64	0,09%	0,00	0,00%
Investments in associated companies - equity method	20,25	1,05%	0,03	0,00%
Other long-term financial assets	50,13	2,61%	6,35	0,78%
Long-term receivables	3,13	0,16%	1,82	0,22%
Long-term prepayments	64,43	3,35%	20,95	2,58%
<b>Current assets (short-term)</b>	<b>2 657,53</b>	<b>58,04%</b>	<b>1 591,73</b>	<b>66,24%</b>
Inventories	948,23	35,68%	634,92	39,89%
Trade receivables	1 294,67	48,72%	668,68	42,01%
Current income tax receivables	2,13	0,08%	4,20	0,26%
Other short-term receivables	106,16	3,99%	57,56	3,62%
Other short-term financial assets	3,02	0,32%	3,00	0,19%
Cash and cash equivalents	14,51	0,55%	11,87	0,75%
Short-term prepayments	288,81	10,87%	211,50	13,29%
<b>Total assets</b>	<b>4 578,58</b>	<b>100,00%</b>	<b>2 402,98</b>	<b>100,00%</b>

**Table 10 Eurocash Group: Structure of liabilities**

PLN million	31.12.2011	%	31.12.2010	%
Equity	<b>548,49</b>	<b>11,98%</b>	<b>457,10</b>	<b>19,02%</b>
Share capital	136,98	24,97%	136,43	29,85%
Treasury shares	-	0,00%	(1,12)	-0,24%
Supplementary capital	263,16	47,98%	174,90	38,26%
Capital reserve	-	0,00%	12,88	2,82%
Hedge transactions valuation capital	(4,65)	-0,85%	(4,65)	-1,02%
Retained earnings	153,00	27,89%	138,64	30,33%
Minority interests	-	0,00%	0,01	0,00%
Long-term liabilities	<b>711,86</b>	<b>17,66%</b>	<b>306,90</b>	<b>15,77%</b>
Long-term loans and credits	666,10	93,60%	256,59	83,60%
Other long-term financial liabilities	20,39	2,87%	23,23	7,57%
Other long-term liabilities	0,29	0,04%	0,40	0,13%
Deferred income tax provision	16,32	2,29%	8,41	2,74%
Provision for employee benefits	1,66	0,23%	1,14	0,37%
Other long-term provisions	6,91	0,97%	17,14	5,59%
Short-term liabilities	<b>3 318,41</b>	<b>82,34%</b>	<b>1 638,97</b>	<b>84,23%</b>
Short-term loans and credits	830,81	25,04%	86,90	5,30%
Short-term financial liabilities	39,70	1,20%	39,49	2,41%
Trade liabilities	2 162,58	65,17%	1 408,79	85,96%
Current income tax liabilities	15,36	0,46%	2,15	0,13%
Other short-term liabilities	110,06	3,32%	45,18	2,76%
Short-term provisions	50,35	1,52%	15,76	0,96%
Short-term provisions	109,55	3,30%	40,70	2,48%
Liabilities and provisions	<b>4 030,09</b>	<b>88,02%</b>	<b>1 945,88</b>	<b>80,98%</b>
Total liabilities	<b>4 578,58</b>	<b>100,00%</b>	<b>2 402,98</b>	<b>100,00%</b>

#### 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 December 20, 2011*

On 20 December 2011, a credit facility agreement (the "Credit Facility Agreement") up to the amount of PLN 1,070,000,000.00 (one billion seventy million zlotys) was concluded between the Company, its 14 subsidiaries in their capacity as guarantors, and: (i) Bank Zachodni WBK S.A., with its registered office in Wrocław, belonging to the Group Banco Santander SA and (ii) ING Bank Śląski S.A. with its registered office in Katowice. The Credit Facility Agreement was concluded due to the expiry of available credit facility agreement dated 17 June 2011 concluded between the Company and Bank Polska Kasa Opieki S.A. and ING Bank Śląski S.A. the conclusion of which the Company announced in current reports no. 26/2011 dated 17 June 2011 and no. 44/2011 dated 31 August 2011.

On the basis of the aforementioned Credit Facility Agreement, the Banks granted the Company a credit facility up to the amount of PLN 1,070,000,000.00 (one billion seventy million zlotys). The purpose of the credit facility is to finance the purchase by the Company of the shares in the companies purchased from EMPERIA HOLDING S.A on the basis of the investment agreement (the "Investment Agreement") dated 21 December 2010, conclusion of which the Company announced i.a. in currents report no. 1/2011 dated 3 January 2011, 33/2011 dated 1 July 2011 and 48/2011 dated 27 October 2011.

The Credit Facility Agreement provides the obligation to repay the granted credit facility by 30 June 2015. A part of the granted credit facility will be repaid by 30 September 2012, while the remainder will be repaid in equal quarterly installments.

In accordance with the Credit Facility Agreement, the borrowers will be charged interest based on the WIBOR rate for a period comparable to the interest period determined in the Credit Facility Agreement plus the margin specified in the Credit Facility Agreement. In addition, Eurocash is obligated to pay any and all additional fees or commissions related to the conclusion of the Credit Facility Agreement or other services provided by the banks that are parties to the Credit Facility Agreement in accordance with that Agreement. The Agreement also contains standard provisions imposing limits on the Company and its Subsidiaries in regard to the disposal of components of their assets and their encumbrance as well as the granting of loans, credit facilities, and guarantees.

In the event of the occurrence of the events specified in the Credit Facility Agreement, the agent of the credit facility has the right to terminate the agreement in part or in full immediately as well as to demand the repayment of any and all amounts due under the concluded Credit Facility Agreement after the expiry of the recovery period for a given event set in the Credit Facility Agreement consistent with market standards for similar financing facilities including i.a. cases of non-payments, breach of obligations, non-compliance with the truth of the statements of the Issuer or its subsidiary, insolvency and similar events.

The security for the proper performance of the Credit Facility Agreement by the Issuer and its subsidiaries includes i.a. registered, civil and financial pledges on the shares of the subsidiaries of the Issuer as well as shares acquired from Emperia Holding S.A. in the companies on the basis of the Investment Agreement, registered and civil pledges on the rights to certain trademarks, to which Eurocash S.A. is entitled from their registration, powers of attorney to administer bank accounts and declarations of being subject to enforcement proceedings.

#### *Loans granted*

- In 2011 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 2011.
- In 2011 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 2011**

##### *Issue of shares*

In 2011 Eurocash S.A. issued 553 250 shares in relation to the execution of option programs.

##### *Issue of securities and bonds*

In 2011 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 2011 amounted to PLN 77.31m., while operating cash flow reached PLN 282.16m – 100.1% of EBITDA. Cash Flow from investment and financing activities include expenses for acquisition of Tradis Distribution Group, which was financed by debt.

**Table 11 Eurocash Group: Cash flow**

PLN m	2011	2010
Operating cash flow	282,16	216,70
<i>Gross profit (loss)</i>	150,99	145,34
<i>Depreciation</i>	72,80	60,27
<i>Change in working capital</i>	66,08	41,36
<i>Other</i>	(7,71)	(27,46)
Cash flow from investment	(1 124,21)	(410,82)
Cash flow from financing activities	919,36	248,17
<b>Total cash flow</b>	<b>77,31</b>	<b>54,05</b>

##### 4.5.2. Working capital rotation

**Table 12 Eurocash Group: Consolidated working capital ratios**

Turnover in days	2011	2010
1. Inventories Turnover	34,68	29,74
2. Trade receivables Turnover	47,35	31,32
3. Trade liabilities Turnover	87,78	73,56
<b>4. Operating cycle (1+2)</b>	<b>82,03</b>	<b>61,07</b>
<b>5. Cash conversion (4-3)</b>	<b>(5,75)</b>	<b>(12,49)</b>

Changes in working capital rotation in 2011 are related mainly with consolidation on 31 December 2011 of Tradis Distribution Group. It should be noticed, despite of this, cash conversion have stayed on negative level 5,8 days in 2011.

##### 4.5.3. Evaluation of financial resources management

Eurocash Group generates significant positive cash flows from operating activities. All major investments realised in 2011 were financed from own financial resources and bank debt.

In the opinion of the Management Board, 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 2011

In 2011 the highest share in capital expenditures belonged to the acquisition transactions – especially Tradis Distribution Group and Pol Cater. 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 13 Eurocash Group: Key investment areas of the Eurocash Group in 2011**

PLN million	2011	2010
Acquisition of shares In other companies	1.121,42	389,52
Traditional wholesale	40,68	51,75
Active Distribution	18,79	3,12
Other (Eurocash Franczyza)	15,99	19,59
Adjustments (Cash in acquired companies)	(55,77)	(46,99)
<b>Total</b>	<b>1.141,12</b>	<b>416,99</b>

##### 4.6.2. Assessment of the possibility of executing the envisaged investments

Major investments planned in 2012 are related to

- 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 2011 financial results of the Eurocash Group

##### 1. Changes in equity

In the period between 1 January 2011 and 31 December 2011 were issued 553 250 shares in respect of the option programs.

##### 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 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.

##### 3. Distribute the net profit for 2010

On 13 June 2011 accordance with the resolution no 5 of the Ordinary Shareholders Meeting held the net profit for 2010 in amount PLN 63 149 188 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 50 672 318.07;
- 2) the balance shall be transferred to Company's reserve capital.

#### 4. Termination of the Own Share Buy-Back Programme

On 13 June 2011 the Ordinary General Meeting resolved capital reserve designed for the Own Share Buy-Back Programme and transfer this funds for the part of supplementary capital, which can be distributed among shareholders. The purchased own shares in amount to 77 693, were sold to the inner management of the Company. On 31 December 2011 Eurocash had no own shares.

#### 5. Conclusion of agreements with PZU Group companies

On 25 August 2011, Eurocash concluded agreements with Powszechny Zakład Ubezpieczeń SA with its registered office in Warsaw, Powszechny Zakład Ubezpieczeń na życie SA with its registered office in Warsaw (hereinafter jointly referred to as "PZU"), and Towarzystwo Funduszy Inwestycyjnych PZU S.A. with its registered office in Warsaw (hereinafter "TFI PZU"), the subject of which is determining the rights and obligations of the parties related to the establishment, operation, and participation in a non-public assets closed investment fund (hereinafter "Fund"), created by TFI PZU.

The main purpose of the Fund will be the purchase, through special purpose vehicles, of real properties on which warehouses or distribution centres used by Eurocash or Eurocash Group companies will be located. This will allow Eurocash Group companies to increase their rate of expansion. In addition, the Fund, through its special purpose vehicles, will purchase those real properties that are currently the subject of the right of ownership/perpetual usufruct to which Eurocash is entitled.

The parties intend that the total value of the real properties of the Fund be up to PLN 330,000,000.00 before the end of three years from the date of the establishment of the Fund. For the purpose of ensuring financing for the operations of the Fund, Eurocash will take up the Fund's certificates in exchange for the payment of the total amount of PLN 35,000,000.00, while PZU will take up the Fund's certificates in exchange for the payment of the total amount of PLN 130,000,000.00. The parties will work toward ensuring that the remaining funds necessary to reach the planned value of the Fund's portfolio are obtained from bank loans or through the involvement of an investor other than PZU and Eurocash. It is also possible that PZU will make additional financing available.

The entry into effect of the agreements depends on obtaining administrative approvals in the event where such approvals turn out to be necessary for the performance of the concluded agreements.

#### 6. Credit Facility Agreement with Bank Zachodni WBK S.A. and ING Bank Śląski S.A.

On 20 December 2011, a credit facility agreement (the "Credit Facility Agreement") up to the amount of PLN 1,070,000,000.00 (one billion seventy million zlotys) was concluded between the Company, its 14 subsidiaries in their capacity as guarantors, and: (i) Bank Zachodni WBK S.A., with its registered office in Wrocław, belonging to the Group Banco Santander SA and (ii) ING Bank Śląski S.A. with its registered office in Katowice. The Credit Facility Agreement was concluded due to the expiry of available credit facility agreement dated 17 June 2011 concluded between the Company and Bank Polska Kasa Opieki S.A. and ING Bank Śląski S.A. the conclusion of which the Company announced in current reports no. 26/2011 dated 17 June 2011 and no. 44/2011 dated 31 August 2011.

On the basis of the aforementioned Credit Facility Agreement, the Banks granted the Company a credit facility up to the amount of PLN 1,070,000,000.00 (one billion seventy million zlotys). The

purpose of the credit facility is to finance the purchase by the Company of the shares in the companies purchased from EMPERIA HOLDING S.A on the basis of the investment agreement (the "Investment Agreement") dated 21 December 2010, conclusion of which the Company announced i.a. in currents report no. 1/2011 dated 3 January 2011, 33/2011 dated 1 July 2011 and 48/2011 dated 27 October 2011.

The Credit Facility Agreement provides the obligation to repay the granted credit facility by 30 June 2015. A part of the granted credit facility will be repaid by 30 September 2012, while the remainder will be repaid in equal quarterly installments.

In accordance with the Credit Facility Agreement, the borrowers will be charged interest based on the WIBOR rate for a period comparable to the interest period determined in the Credit Facility Agreement plus the margin specified in the Credit Facility Agreement. In addition, Eurocash is obligated to pay any and all additional fees or commissions related to the conclusion of the Credit Facility Agreement or other services provided by the banks that are parties to the Credit Facility Agreement in accordance with that Agreement. The Agreement also contains standard provisions imposing limits on the Company and its Subsidiaries in regard to the disposal of components of their assets and their encumbrance as well as the granting of loans, credit facilities, and guarantees.

In the event of the occurrence of the events specified in the Credit Facility Agreement, the agent of the credit facility has the right to terminate the agreement in part or in full immediately as well as to demand the repayment of any and all amounts due under the concluded Credit Facility Agreement after the expiry of the recovery period for a given event set in the Credit Facility Agreement consistent with market standards for similar financing facilities including i.a. cases of non-payments, breach of obligations, non-compliance with the truth of the statements of the Issuer or its subsidiary, insolvency and similar events.

The security for the proper performance of the Credit Facility Agreement by the Issuer and its subsidiaries includes i.a. registered, civil and financial pledges on the shares of the subsidiaries of the Issuer as well as shares acquired from Emperia Holding S.A. in the companies on the basis of the Investment Agreement, registered and civil pledges on the rights to certain trademarks, to which Eurocash S.A. is entitled from their registration, powers of attorney to administer bank accounts and declarations of being subject to enforcement proceedings.

## **7. Acquisition of Tradis**

On 21 December 2011 Eurocash has entered into Settlement and Amendments to Investment Agreement dated 21 December 2010 (hereinafter referred to as "Settlement") with (i) Emperia Holding S.A. with its registered office in Lublin („Emperia") and with (ii) Emperia's subsidiary – P1 sp. z o.o. with its registered office in Lublin („P1"), hereinafter referred to jointly as "Parties". Investment Agreement between Eurocash and Emperia dated 21 December 2010 and Settlement are hereinafter referred to jointly as "Transaction Documents".

On the basis of Transaction Documents on 21 December 2011 („Transaction Closing Date") Eurocash has acquired from P1, stakes in Distribution Companies (as defined in current report no. 1/2011 dated 3 January 2011 as well as described in table below) conducting wholesale distribution of FMCG products, as well as retail franchise network for a price of PLN 1.095.575.885 (say: one billion ninety five millions five hundred seventy five thousands and eight hundred eighty five PLN) in cash („Transaction"). The payment of the above mentioned purchase price by Eurocash as well as transfer of legal ownership titles to Eurocash was completed on the Transaction Closing Date.

Company's Name	Eurocash's participation in capital	Nominal value of stake / share	Eurocash's participation in total number of votes
Euro Sklep S.A.	100%	410	100%
Detal Koncept sp. z o.o.	100%	500	100%
Lewiatan Zachód sp. z o.o.	100%	600	100%
Lewiatan Północ sp. z o.o.	100%	500	100%
Tradis sp. z o.o.	100%	500	100%
Drogerie Koliber sp. z o.o.	100%	500	100%
Lewiatan Holding S.A.	66,61%	1	71,17%
Partnerski Serwis Detaliczny S.A.	100%	1	100%
Lewiatan Opole sp. z o.o.	100%	500	100%
Lewiatan Wielkopolska sp. z o.o.	81,43%	2.000	81,43%
DEF sp. z o.o.	100%	500	100%
AMBRA sp. z o.o.	100%	500	100%
Lewiatan Podlasie sp. z o.o.	100%	1.000	100%
Lewiatan Śląsk sp. z o.o.	100%	1.000	100%
Lewiatan Kujawy sp. z o.o.	100%	1.000	100%
Lewiatan Orbita sp. z o.o.	100%	500	100%
Gama Serwis sp. z o.o.	100%	650	100%

On the basis of Settlement, Parties have waived any mutual claims resulting from Emperia's and P1's statement on rescinding Investment Agreement – on which Parties informed already in current reports:

- Eurocash - in current reports no: 41/2011, 45/2011, 46/2011, 52/2011;
- Emperia - in current report no 47/2011 dated 9 August 2011;

On the day of concluding Settlement, Arbitration Tribunal has terminated its arbitration proceeding aimed at ruling the dispute between Eurocash, Emperia and P1 in reference to Investment Agreement.

As a result of Transaction completion, the injunction ruled by Circuit Court in Lublin on 2 September 2011 to secure potential Eurocash' claims (Eurocash current report no 45/2011) has collapsed.

Eurocash has financed this acquisition from bank loan amounting to PLN 1.070.000.000 on which Eurocash informed in current report no 53/2011 dated 21 December 2011, as well as from own funds.

Eurocash's acquisition of Distribution Companies is a long-term investment.

During 2011 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](http://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 2011 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, 2011 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	31.12.2011				31.12.2010			
	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	51,29%	70 258 100	51,29%	70 258 100	51,50%	70 258 100	51,53%
Fidelity	6 871 178	5,02%	6 871 178	5,02%	n/d	n/d	n/d	n/d
Other	59 853 733	43,69%	59 853 733	43,69%	66 093 968	48,45%	66 093 968	48,47%
<b>SUBTOTAL</b>	136 983 011	100,00%	136 983 011	100,00%	136 352 068	99,94%	136 352 068	100,00%
Treasury shares	0	0,00%	0	0,00%	77 693	0,06%	0	0,00%
<b>TOTAL</b>	136 983 011	100,00%	136 983 011	100,00%	136 429 761	100,00%	136 352 068	100,00%

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

	Eurocash shares		Rights to shares	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
<i>Management Board</i>				
Luis Amaral (indirectly and directly)	70 258 100	70 258 100	0	0
Rui Amaral	268 625	203 625	139 000	177 000
Katarzyna Kopaczewska	244 000	222 000	96 500	103 000
Arnaldo Guerreiro	260 000	200 000	96 500	141 000
Pedro Martinho	673 750	629 750	171 500	200 000
Ryszard Majer	0		0	
Jacek Owczarek	14 300	625	76 500	50 000



	Eurocash shares		Rights to shares	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
<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, Carlos Saraiva, Jacek Owczarek and Ms. Katarzyna Kopaczewska.

In 2011 there have been the following changes in the composition of the Management Board:

- In accordance with Section 369.4 of Code of Commercial Companies, the term of office of the following Management Board members: Mr. Luis Manuel Conceicao do Amaral, Rui Amaral, Arnaldo Guerreiro, Pedro Martinho, Ryszard Majer and Ms. Katarzyna Kopaczewska, expired

on 13 June 2011, i.e. on the date the Ordinary General Meeting which approved the financial statements of the Company for 2010 was held.

- On the same day, the Supervisory Board of the Company, acting in accordance with Section 9.1 of the Statute, by the way of Resolution No 1 of 13 June 2011, re-appointed the abovementioned persons as members of the Management Board of Eurocash. Acting in accordance with the second sentence of Section 9.1 of the Statute, the Supervisory Board elected Mr. Luis Manuel Conceicao do Amaral as the President of the Management Board of Eurocash.
- At the same time, pursuant to the abovementioned resolution, the Supervisory Board appointed Mr. Carlos Saraiva as a new Member of the Management Board
- On 22 June 2011 died Ryszard Majer - Member of the Management Board of the Company.
- On 20 November 2011 given the coming expiration of the term of office of Mr Jacek Owczarek, the Supervisory Board of Eurocash acting pursuant to the Art.9 Sec.1 of the Company's Statute, according to Resolution No 2 dated 20 November 2011 resolved to reappoint Mr Jacek Owczarek to the position of Member of the Management Board of the Company.

### 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 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
2.	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 8.89 (issue price published in current report No. 51/2011)	from 1 January 2012 to 31 December 2014
3.	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

#### 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 F, G and I shares, option strike price amounts to the weighted average of Eurocash share price In November of 2007, 2008 and 2010.
- **Base (current) stock price:** Eurocash share price at closing of the trading session on WSE on the valuation date.

In 2011, the cost connected with the valuation of the incentive schemes based on the issue of Class H and I shares amounted jointly to PLN 1 98 538.06 as compared to the joint costs of incentive schemes in 2010 of PLN 3 227 302.48. In 2011 ended a depreciation of costs of the schemes based on Class H Shares (Fifth Incentive Scheme).

The Company estimates that the cost connected with the valuation of existing incentive schemes (scheme based on series I shares) in 2012 and 2013 will amount to approximately PLN 502 000 per year.

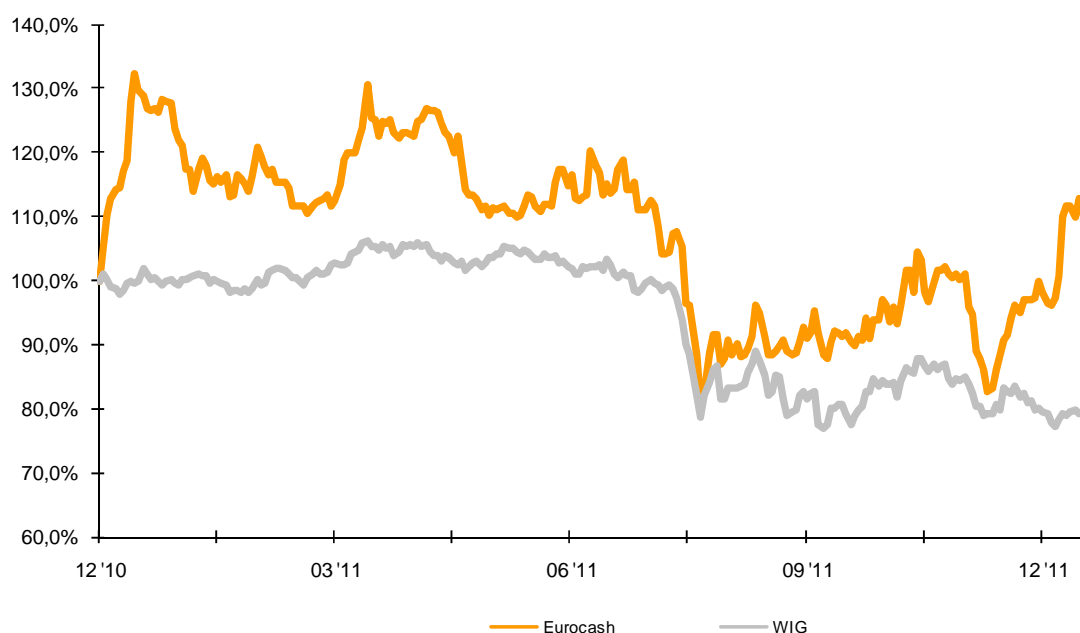


### 5.16. Eurocash listing on the Warsaw Stock Exchange in 2011<sup>1</sup>

The price for one share at the end of 2011 was 9.7% higher than at the end of 2010, whereas WIG decreased by 20.8% in the same period. At the beginning of the year 2011 the price for 1 Eurocash share was PLN 26.01 (closing price at the end of 2010), and at the end of the year PLN 28.54..

Company capitalization as at 31 December 2011 amounted to PLN 3.9 billion as compared to PLN 3.5 billion as at the end of 2010.

**Chart 1 Eurocash share price performance vs. WIG index in 2011**



<sup>1</sup> <sup>1</sup> Share prices are provided according to closing price on Warsaw Stock Exchange

## 6. Additional information

### 6.1. Information on court proceedings

In 2011 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 2011 the Eurocash Group companies entered into the following agreements considered as significant for the business activity of the Group:

#### 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.

#### 2. Conclusion of agreements with PZU Group companies

On 25 August 2011, Eurocash concluded agreements with Powszechny Zakład Ubezpieczeń SA with its registered office in Warsaw, Powszechny Zakład Ubezpieczeń na życie SA with its registered office in Warsaw (hereinafter jointly referred to as "PZU"), and Towarzystwo Funduszy Inwestycyjnych PZU S.A. with its registered office in Warsaw (hereinafter "TFI PZU"), the subject of which is determining the rights and obligations of the parties related to the establishment, operation, and participation in a non-public assets closed investment fund (hereinafter "Fund"), created by TFI PZU.

The main purpose of the Fund will be the purchase, through special purpose vehicles, of real properties on which warehouses or distribution centres used by Eurocash or Eurocash Group companies will be located. This will allow Eurocash Group companies to increase their rate of expansion. In addition, the Fund, through its special purpose vehicles, will purchase those real properties that are currently the subject of the right of ownership/perpetual usufruct to which Eurocash is entitled.

The parties intend that the total value of the real properties of the Fund be up to PLN 330,000,000.00 before the end of three years from the date of the establishment of the Fund. For the purpose of ensuring financing for the operations of the Fund, Eurocash will take up the Fund's certificates in exchange for the payment of the total amount of PLN 35,000,000.00, while PZU will take up the Fund's certificates in exchange for the payment of the total amount of PLN 130,000,000.00. The parties will work toward ensuring that the remaining funds necessary to reach the planned value of the Fund's portfolio are obtained from bank loans or through the involvement of an investor other than PZU and Eurocash. It is also possible that PZU will make additional financing available.

The entry into effect of the agreements depends on obtaining administrative approvals in the event where such approvals turn out to be necessary for the performance of the concluded agreements.

### 3. Credit Facility Agreement with Bank Zachodni WBK S.A. and ING Bank Śląski S.A.

The Management Board of Eurocash S.A. with its registered office in Komorniki (the „Company” or the „Issuer”) announces that on 20 December 2011, a credit facility agreement (the “Credit Facility Agreement”) up to the amount of PLN 1,070,000,000.00 (one billion seventy million zlotys) was concluded between the Company, its 14 subsidiaries in their capacity as guarantors, and: (i) Bank Zachodni WBK S.A., with its registered office in Wrocław, belonging to the Group Banco Santander SA and (ii) ING Bank Śląski S.A. with its registered office in Katowice. The Credit Facility Agreement was concluded due to the expiry of available credit facility agreement dated 17 June 2011 concluded between the Company and Bank Polska Kasa Opieki S.A. and ING Bank Śląski S.A. the conclusion of which the Company announced in current reports no. 26/2011 dated 17 June 2011 and no. 44/2011 dated 31 August 2011.

On the basis of the aforementioned Credit Facility Agreement, the Banks granted the Company a credit facility up to the amount of PLN 1,070,000,000.00 (one billion seventy million zlotys). The purpose of the credit facility is to finance the purchase by the Company of the shares in the companies purchased from EMPERIA HOLDING S.A on the basis of the investment agreement (the “Investment Agreement”) dated 21 December 2010, conclusion of which the Company announced i.a. in current report no. 1/2011 dated 3 January 2011, 33/2011 dated 1 July 2011 and 48/2011 dated 27 October 2011.

The Credit Facility Agreement provides the obligation to repay the granted credit facility by 30 June 2015. A part of the granted credit facility will be repaid by 30 September 2012, while the remainder will be repaid in equal quarterly installments.

In accordance with the Credit Facility Agreement, the borrowers will be charged interest based on the WIBOR rate for a period comparable to the interest period determined in the Credit Facility Agreement plus the margin specified in the Credit Facility Agreement. In addition, Eurocash is obligated to pay any and all additional fees or commissions related to the conclusion of the Credit

Facility Agreement or other services provided by the banks that are parties to the Credit Facility Agreement in accordance with that Agreement. The Agreement also contains standard provisions imposing limits on the Company and its Subsidiaries in regard to the disposal of components of their assets and their encumbrance as well as the granting of loans, credit facilities, and guarantees.

In the event of the occurrence of the events specified in the Credit Facility Agreement, the agent of the credit facility has the right to terminate the agreement in part or in full immediately as well as to demand the repayment of any and all amounts due under the concluded Credit Facility Agreement after the expiry of the recovery period for a given event set in the Credit Facility Agreement consistent with market standards for similar financing facilities including i.a. cases of non-payments, breach of obligations, non-compliance with the truth of the statements of the Issuer or its subsidiary, insolvency and similar events.

The security for the proper performance of the Credit Facility Agreement by the Issuer and its subsidiaries includes i.a. registered, civil and financial pledges on the shares of the subsidiaries of the Issuer as well as shares acquired from Emperia Holding S.A. in the companies on the basis of the Investment Agreement, registered and civil pledges on the rights to certain trademarks, to which Eurocash S.A. is entitled from their registration, powers of attorney to administer bank accounts and declarations of being subject to enforcement proceedings.

#### 4. Acquisition of Tradis

On 21 December 2011 Eurocash has entered into Settlement and Amendments to Investment Agreement dated 21 December 2010 (hereinafter referred to as "Settlement") with (i) Emperia Holding S.A. with its registered office in Lublin („Emperia”) and with (ii) Emperia's subsidiary – P1 sp. z o.o. with its registered office in Lublin („P1”), hereinafter referred to jointly as "Parties". Investment Agreement between Eurocash and Emperia dated 21 December 2010 and Settlement are hereinafter referred to jointly as "Transaction Documents".

On the basis of Transaction Documents on 21 December 2011 („Transaction Closing Date”) Eurocash has acquired from P1, stakes in Distribution Companies (as defined in current report no. 1/2011 dated 3 January 2011 as well as described in table below) conducting wholesale distribution of FMCG products, as well as retail franchise network for a price of PLN 1.095.575.885 (say: one billion ninety five millions five hundred seventy five thousands and eight hundred eighty five PLN) in cash („Transaction”). The payment of the above mentioned purchase price by Eurocash as well as transfer of legal ownership titles to Eurocash was completed on the Transaction Closing Date.

Company's Name	Eurocash's participation in capital	Nominal value of stake / share	Eurocash's participation in total number of votes
Euro Sklep S.A.	100%	410	100%
Detal Koncept sp. z o.o.	100%	500	100%
Lewiatan Zachód sp. z o.o.	100%	600	100%
Lewiatan Północ sp. z o.o.	100%	500	100%
Tradis sp. z o.o.	100%	500	100%
Drogerie Koliber sp. z o.o.	100%	500	100%
Lewiatan Holding S.A.	66,61%	1	71,17%
Partnerski Serwis Detaliczny S.A.	100%	1	100%
Lewiatan Opole sp. z o.o.	100%	500	100%
Lewiatan Wielkopolska sp. z o.o.	81,43%	2.000	81,43%
DEF sp. z o.o.	100%	500	100%
AMBRA sp. z o.o.	100%	500	100%
Lewiatan Podlasie sp. z o.o.	100%	1.000	100%
Lewiatan Śląsk sp. z o.o.	100%	1.000	100%
Lewiatan Kujawy sp. z o.o.	100%	1.000	100%
Lewiatan Orbita sp. z o.o.	100%	500	100%
Gama Serwis sp. z o.o.	100%	650	100%

On the basis of Settlement, Parties have waived any mutual claims resulting from Emperia's and P1's statement on rescinding Investment Agreement – on which Parties informed already in current reports:

- Eurocash - in current reports no: 41/2011, 45/2011, 46/2011, 52/2011;
- Emperia - in current report no 47/2011 dated 9 August 2011;

On the day of concluding Settlement, Arbitration Tribunal has terminated its arbitration proceeding aimed at ruling the dispute between Eurocash, Emperia and P1 in reference to Investment Agreement.

As a result of Transaction completion, the injunction ruled by Circuit Court in Lublin on 2 September 2011 to secure potential Eurocash' claims (Eurocash current report no 45/2011) has collapsed.

Eurocash has financed this acquisition from bank loan amounting to PLN 1.070.000.000 on which Eurocash informed in current report no 53/2011 dated 21 December 2011, as well as from own funds.

Eurocash's acquisition of Distribution Companies is a long-term investment.

During 2011 there were no other major events and factors that influenced consolidated income or loss of the Eurocash Group realised in this period.

### **6.3. Information on transactions with related entities**

During 2011 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 2011 in note no 34.

### **6.4. Forecasts**

The Management Board of Eurocash S.A. has not published financial forecasts for 2011.

### **6.5. Changes in the basic management principles**

In 2011 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 2011**

Information on remuneration paid to the members of the Management Board and the Supervisory Board in 2011 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 2011 has been audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 11 July 2011. The consolidated financial statement of Eurocash Group for 2010 was audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 16 July 2010.

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 thousands	2011	2010
Audit of financial statement	200,0	400,0
Review of financial statements	150,0	150,0
Other services	246,0	152,0
<b>Total capital expenditures</b>	<b>596,0</b>	<b>702,0</b>

## 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 2011 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	30th March 2012	
Management Board Member Chief Executive Officer	Rui Amaral	30th March 2012	
Management Board Member	Arnaldo Guerreiro	30th March 2012	
Management Board Member	Pedro Martinho	30th March 2012	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	30th March 2012	
Management Board Member	Carlos Saraiva	30th March 2012	
Management Board Member Financial Director	Jacek Owczarek	30th March 2012	