



EUROCASH S.A.

SEPARATE 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, 30th 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 SEPARATE FINANCIAL DATA

	for the period 01.01.2011 to 31.12.2011 PLN	for the period 01.01.2010 to 31.12.2010 PLN	for the period 01.01.2011 to 31.12.2011 EUR	for the period 01.01.2010 to 31.12.2010 EUR
Net sales	5 522 676 580	5 000 189 079	1 249 813 655	1 251 737 115
Operating profit (loss)	110 643 492	96 356 744	25 039 262	24 121 750
Profit (loss) before tax	71 927 359	71 115 851	16 277 577	17 802 997
Net Profit (loss) on continued operations	64 786 635	63 149 188	14 661 590	15 808 639
Net profit (loss)	64 786 635	63 149 188	14 661 590	15 808 639
Net operating cash flow	182 492 190	144 604 645	41 299 038	36 200 031
Net investment cash flow	(1 152 549 985)	(449 220 480)	(260 828 728)	(112 456 937)
Net financial cash flow	982 206 136	342 219 963	222 278 930	85 670 646
Net change in cash and cash equivalents	12 148 341	37 604 128	2 749 240	9 413 741
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)	0,47	0,46	0,11	0,12
Diluted EPS (in PLN / EUR)	0,47	0,46	0,11	0,11
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	2 975 510 824	1 712 916 224	673 680 226	432 521 835
Long-term liabilities	789 082 506	340 463 533	178 654 797	85 969 127
Short-term liabilities	1 839 252 698	1 047 087 971	416 422 002	264 396 124
Equity	347 175 620	325 364 719	78 603 428	82 156 584
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)	2,53	2,39	0,57	0,60
Diluted book value per share (in PLN / EUR)	2,50	2,34	0,57	0,59
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.

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 10 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 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 separate financial statements of Eurocash S.A., seated in Komorniki, 11 Wiśniowa Street ("the Company"), which comprise the separate statement of financial position as at 31 December 2011, the separate income statement and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

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

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the Report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these separate financial statements and whether the financial statements are derived from properly maintained accounting records. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by 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 about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control

relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the accompanying separate financial statements of Eurocash S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2011 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Other Matters

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

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

Signed on the Polish original

.....
Certified Auditor No. 11686
Łukasz Łukomski

Signed on the Polish original

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

Poznań, 30 March 2012

Eurocash S.A.

Report supplementing
the auditor's opinion
on the separate financial
statements

Financial Year ended
31 December 2011

The report supplementing the auditor's opinion
contains 10 pages

Report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2011

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1. General

1.1. General information about the Company

1.1.1. Company name

Eurocash S.A.

1.1.2. Registered office

11 Wiśniowa Street
62-052 Komorniki

1.1.3. Registration in the National Court Register

Registration court:	District Court in 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:	PLN 136.983.011

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2011, the Management Board of the Company was comprised of the following members:

- | | |
|-----------------------------------|---------------------------|
| • Luis Manuel Conceicao do Amaral | – President of the Board, |
| • Rui Amaral | – Member of the Board, |
| • Arnaldo Guerreiro | – Member of the Board, |
| • Pedro Martinho | – Member of the Board, |
| • 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. Auditor information

1.2.1. Key certified auditor information

Name and surname:	Marek Gajdziński
Registration number:	90061

Name and surname: Łukasz Łukomski
Registration number: 11686

1.2.2. Audit firm information

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

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

1.3. Prior period financial statements

The separate financial statements for the period ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 13 June 2011 where it was resolved to allocate the profit for the prior financial year of PLN 63.149.188 as follows:

- PLN 50.672.318 was allocated for a dividend payment of PLN 0,37 per share,
- the remaining part of the net profit in the amount of PLN 12.476.870 was allocated to the reserve capital.

The separate 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.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Eurocash S.A. seated in Komorniki, 11 Wiśniowa Street and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2011, the separate income statement and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting of Eurocash S.A. dated 11 April 2005.

The separate financial statements have been audited in accordance with the contract dated 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 separate financial statements in the Company's head office during the period from 28 November 2011 to 9 December 2011 and from 23 January 2012 to 17 February 2012.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

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

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditors and KPMG Audyt Sp. z o.o. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649).

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

2. Financial analysis of the Company

2.1. Summary of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2011 PLN '000	% of total	31.12.2010 PLN '000	% of total
Non-current assets (long-term)	2 020 184,2	67,9	899 225,1	52,5
Goodwill	96 024,5	3,2	96 024,5	5,6
Intangible assets	31 464,2	1,1	36 785,0	2,2
Property, plant and equipment	184 189,6	6,2	190 796,0	11,1
Investments in subsidiaries	1 655 904,7	55,7	554 728,8	32,4
Investments in associates	23 710,1	0,8	3 464,3	0,2
Other long-term financial assets	5 808,6	0,2	6 247,5	0,4
Long-term receivables	1 880,6	0,1	1 801,9	0,1
Deferred tax assets	19 874,7	0,7	6 880,0	0,4
Other long-term prepayments	1 327,2	0,0	2 497,1	0,2
Current assets (short-term)	955 326,6	32,1	813 691,1	47,5
Inventories	320 127,6	10,8	300 778,5	17,6
Trade receivables	413 346,3	13,9	297 878,7	17,4
Income tax receivable	1 362,1	0,1	4 048,1	0,2
Other short-term receivables	11 444,0	0,4	12 907,8	0,8
Other short-term financial assets	3 021,1	0,1	3 000,0	0,2
Short-term prepayments	6 617,8	0,2	7 818,6	0,5
Cash and cash equivalents	199 407,7	6,7	187 259,4	10,9
TOTAL ASSETS	2 975 510,8	100,0	1 712 916,2	100,0
EQUITY AND LIABILITIES	31.12.2011 PLN '000	% of total	31.12.2010 PLN '000	% of total
Equity	347 175,6	11,7	325 364,7	19,0
Share capital	136 983,0	4,6	136 429,8	8,0
Treasury shares	-	-	(1 115,5)	0,1
Reserve capital	136 928,3	4,6	105 539,2	6,2
Treasury shares reserve	-	-	12 884,5	0,8
Hedging loss	(4 645,0)	0,2	(4 645,0)	0,3
Retained earnings	77 909,3	2,6	76 271,8	4,5
Accumulated profit	13 122,6	0,4	13 122,6	0,8
Profit for the period	64 786,6	2,2	63 149,2	3,7
Liabilities	2 628 335,2	88,3	1 387 551,5	81,0
Non-current liabilities	789 082,5	26,5	340 463,5	19,9
Long-term loans and borrowings	768 408,8	25,8	299 894,0	17,5
Long-term financial liabilities	20 119,0	0,7	22 521,1	1,3
Other long-term liabilities	-	-	400,0	0,0
Employee benefits	554,7	0,0	504,4	0,0
Other long-term provisions	-	-	17 144,0	1,0
Current liabilities	1 839 252,7	61,8	1 047 088,0	61,1
Loans and provisions	689 522,9	23,2	98 484,3	5,8
Short-term financial liabilities	38 457,1	1,3	37 241,7	2,2
Trade payables	999 700,5	33,6	817 104,9	47,7
Other short-term payables	64 755,8	2,2	67 808,9	4,0
Current employee benefits	23 839,1	0,8	11 893,1	0,7
Provisions	22 977,3	0,8	14 555,2	0,9
TOTAL EQUITY AND LIABILITIES	2 975 510,8	100,0	1 712 916,2	100,0

2.1.2. Separate income statement

	1.01.2011 - 31.12.2011 PLN '000	% of total sales	1.01.2010 - 31.12.2010 PLN '000	% of total sales
Sales	5 522 676,6	100,0	5 000 189,1	100,0
Sales of goods	5 267 953,2	95,4	4 793 554,4	95,9
Sales of services	254 723,4	4,6	206 634,6	4,1
Cost of sales	(4 902 424,2)	88,8	(4 434 713,3)	88,7
Cost of goods sold	(4 889 158,1)	88,5	(4 424 904,2)	88,5
Cost of services sold	(13 266,1)	0,2	(9 809,1)	0,2
Gross profit	620 252,4	11,2	565 475,8	11,3
Selling expenses	(372 022,3)	6,7	(335 474,8)	6,7
General and administrative expenses	(129 238,1)	2,3	(125 374,2)	2,5
Profit on sales	118 992,0	9,1	104 626,7	9,2
Other operating income	41 535,6	0,8	21 969,9	0,4
Other operating expenses	(49 884,2)	0,9	(30 239,9)	0,6
Operating profit	110 643,4	2,0	96 356,7	1,9
Finance income	9 010,0	0,2	3 839,4	0,1
Finance costs	(47 726,1)	0,9	(29 080,3)	0,6
Profit before tax	71 927,3	1,3	71 115,9	1,4
Income tax expense	(7 140,7)	0,1	(7 966,7)	0,2
Profit for the period	64 786,6	1,2	63 149,2	1,3
Earnings per share				
Basic earnings per share (PLN)	0,47		0,46	
Diluted earnings per share (PLN)	0,47		0,46	

2.2. Selected financial ratios

	2011	2010	2009 not audited restated
1. Return on sales			
$\frac{\text{profit for the period} \times 100\%}{\text{revenue}}$	1,2%	1,3%	1,5%
2. Return on equity			
$\frac{\text{profit for the period} \times 100\%}{\text{equity} - \text{profit for the period}}$	22,9%	24,1%	30,8%
3. Debtors' days			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{revenue}}$	24 days	23 days	22 days
4. Debt ratio			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	88,3%	81,0%	76,3%
5. Current ratio			
$\frac{\text{current assets}}{\text{current liabilities}}$	0,5	0,8	0,9

- 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 0.5 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 Company has unused credit limits within granted lines of credit and during 2012 the Company 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. Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The Report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the separate financial statements.



3.4. Information on the opinion of the independent auditor

Based on our audit of the separate financial statements as at and for the year ended 31 December 2011, we have issued an unqualified opinion.

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

Signed on the Polish original

.....
Certified Auditor No. 11686
Łukasz Łukomski

Poznań, 30 March 2012

Signed on the Polish original

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

EUROCASH S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 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 March 2012

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

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<i>Separate financial statements of EUROCASH S.A.</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 COMPANY

NAME

EUROCASH Spółka Akcyjna

REGISTERED OFFICE

Ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRY COURT

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

PERIOD FOR WHICH THE COMPANY WAS ESTABLISHED

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period 1 January 2011 – 31 December 2011 and comparable periods:
1 January 2010 – 31 December 2010.

2. BOARDS OF THE COMPANY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2011 the Company's Management Board consisted of the following members:

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

<i>Separate financial statements of EUROCASH S.A.</i>			
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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 31 December 2011 the Company's Supervisory Board consisted of the following members:

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

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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.

<i>Separate financial statements of EUROCASH S.A.</i>			
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SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2011 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
Sales		5 522 676 580	5 000 189 079
Sales of goods	24	5 267 953 219	4 793 554 436
Sales of services	24	254 723 361	206 634 643
Costs of sales		(4 902 424 172)	(4 434 713 310)
Costs of goods sold		(4 889 158 133)	(4 424 904 243)
Costs of services sold		(13 266 039)	(9 809 067)
Gross profit		620 252 408	565 475 769
Selling expenses	25	(372 022 248)	(335 474 807)
General and administrative expenses	25	(129 238 077)	(125 374 228)
Profit on sales		118 992 084	104 626 733
Other operating income	26	41 535 616	21 969 873
Other operating expenses	26	(49 884 208)	(30 239 863)
Operating profit		110 643 492	96 356 744
Financial income	27	9 009 958	3 839 378
Financial costs	27	(47 726 092)	(29 080 271)
Profit before income tax		71 927 359	71 115 851
Income tax expense	21	(7 140 724)	(7 966 663)
Profit for the period		64 786 635	63 149 188

NET EARNINGS PER SHARE

		PLN / share	PLN / share
Net profit (loss) on continued operations		64 786 635	63 149 188
Weighted average number of shares	28	137 001 458	136 630 350
Weighted average diluted number of shares	28	138 204 841	137 874 048
- basic	28	0,47	0,46
- diluted	28	0,47	0,46

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2011 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
Profit for the period	64 786 635	63 149 188
Other comprehensive income for the period	-	-
Total comprehensive income for the period	64 786 635	63 149 188

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2011	Presentation currency:	Polish zloty (PLN)
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SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2011

	Note	as at 31.12.2011	as at 31.12.2010
<i>Assets</i>			
Non-current assets (long-term)		2 020 184 216	899 225 067
Goodwill	2	96 024 468	96 024 468
Intangible assets	2	31 464 286	36 784 996
Property, plant and equipment	3	184 189 618	190 796 022
Investments in subsidiaries	5	1 655 904 660	554 728 775
Investments in equity accounted investees	6	23 710 081	3 464 300
Other long-term investments	7	5 808 590	6 247 500
Long-term receivables	8	1 880 628	1 801 896
Deferred tax assets	22	19 874 692	6 880 010
Other long-term prepayments	23	1 327 194	2 497 099
Current assets (short-term)		955 326 608	813 691 157
Inventories	9	320 127 607	300 778 541
Trade receivables	10	413 346 317	297 878 741
Current tax assets	10	1 362 078	4 048 090
Other short-term receivables	10	11 444 046	12 907 770
Other short-term investments	11	3 021 041	3 000 000
Short-term prepayments	12	6 617 777	7 818 615
Cash and cash equivalents	13	199 407 742	187 259 401
Total assets		2 975 510 824	1 712 916 224

<i>Separate financial statements of EUROCASH S.A.</i>			
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SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2011

	Note	as at 31.12.2011	as at 31.12.2010
<i>Equity and liabilities</i>			
Equity		347 175 620	325 364 719
Share capital	14	136 983 011	136 429 761
Treasury shares	15	-	(1 115 507)
Reserve capital	15	136 928 348	105 539 159
Treasury shares reserve	15	-	12 884 493
Hedging reserve	15	(4 645 000)	(4 645 000)
Retained earnings		77 909 260	76 271 814
Accumulated profit from previous years		13 122 625	13 122 625
Profit for the period		64 786 635	63 149 188
Liabilities		2 628 335 205	1 387 551 505
Non-current liabilities		789 082 506	340 463 533
Long-term loans and borrowings	19	768 408 762	299 894 015
Other long-term financial liabilities	20	20 119 059	22 521 098
Other long-term liabilities	18	-	400 000
Employee benefits	17	554 686	504 420
Provisions	17	-	17 144 000
Current liabilities		1 839 252 698	1 047 087 971
Loans and borrowings	19	689 522 855	98 484 256
Short-term financial liabilities	20	38 457 078	37 241 663
Trade payables	18	999 700 559	817 104 869
Other short-term payables	18	64 755 790	67 808 891
Current employee benefits	17	23 839 115	11 893 078
Provisions	17	22 977 302	14 555 215
Total equity and liabilities		2 975 510 824	1 712 916 224

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2011

		as at 31.12.2011	as at 31.12.2010
Book value		347 175 620	325 364 719
Number of shares		136 983 011	136 352 068
Diluted number of shares		138 909 011	138 831 318
Book value per share	32	2,53	2,39
Diluted book value per share	32	2,50	2,34

<i>Separate financial statements of EUROCASH S.A.</i>			
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SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2011 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>		
Profit (loss) before tax	71 927 359	71 115 851
Adjustments for:	94 893 403	77 890 824
Depreciation and amortization	53 268 786	47 810 408
Equity-settled shared share-based payment transactions	1 198 538	3 227 302
Loss on sale of property, plant and equipment	188 777	1 027 345
Interest expenses	46 088 677	27 899 309
Interest received	(5 851 375)	(2 073 541)
Operating cash before changes in working capital	166 820 761	149 006 675
Changes in inventories	(19 349 066)	(14 559 021)
Changes in receivables	(110 138 779)	18 321 412
Changes in payables	181 645 284	45 211 264
Changes in provisions and employee benefits	5 435 597	(14 105 531)
Other adjustments	72 679	97 250
Operating cash	224 486 476	183 972 049
Interest paid	(24 544 893)	(13 721 094)
Income tax paid	(17 449 394)	(25 646 310)
Net cash from operating activities	182 492 190	144 604 645
<i>Cash flow from investing activities</i>		
Short-term financial assets in subsidiary companies	-	38 660 158
Acquisition of intangible assets	(6 439 473)	(5 055 255)
Acquisition of property, plant and equipment	(37 080 754)	(46 694 477)
Proceeds from sale of property, plant and equipment	12 680 781	6 360 068
Acquisition of subsidiaries, net of cash acquired	(1 107 575 885)	(435 012 851)
Acquisition of associates	(20 245 781)	-
Loans granted	-	(72 497 500)
Repayment received of granted loans	681 000	63 250 000
Interest received	5 430 126	1 769 378
Net cash used in investing activities	(1 152 549 985)	(449 220 480)
<i>Cash flows 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	1 126 921 083	394 882 487
Repayment of borrowings	(67 988 464)	-
Payment of finance lease liabilities	(6 640 376)	(8 002 574)
Interest of finance lease	(1 995 518)	(2 017 087)
Interests on loans and borrowings	(24 895 957)	(5 789 114)
Dividends paid	(50 672 318)	(50 396 800)
Net cash used in financing activities	982 206 136	342 219 963
Net change in cash and cash equivalents	12 148 341	37 604 128
Cash and cash equivalents at the beginning of the period	187 259 401	149 655 273
Cash and cash equivalents at the end of the period	199 407 742	187 259 401

Separate financial statements of EUROCASH S.A.			
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SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2011 TO 31.12.2011

	Share capital	Treasury shares	Reserve capital	Treasure shares reserve	Hedge reserve	Retained earnings	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)	82 105 488	12 884 493	(4 645 000)	76 453 997	300 388 207
Change in accounting policies	-	-	(3 336 827)	-	-	-	(3 336 827)
Balance as at 01.01.2010 after changes	134 704 736	(1 115 507)	78 768 661	12 884 493	(4 645 000)	76 453 997	297 051 380
Total comprehensive income for the reporting period							
Profit for the period from 01.01 to 31.12.2010	-	-	-	-	-	63 149 188	63 149 188
Total comprehensive income for the period from 01.01. to 31.12.2010	-	-	-	-	-	63 149 188	63 149 188
Transaction with Owners of the Company, recognized directly i equity	-	-	-	-	-	-	-
Additional payments from and payments for owners	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(50 396 800)	(50 396 800)
Transfer to reserve capital	-	-	11 903 092	-	-	(11 903 092)	-
Equity-settled share based payment transactions	-	-	3 227 302	-	-	-	3 227 302
Realisation of motivational program for employees	1 725 025	-	10 635 337	-	-	-	12 360 362
Equity - EC with Batna	-	-	1 004 766	-	-	(1 004 766)	-
Other	-	-	-	-	-	(26 713)	(26 713)
Total transaction with Owners of the Company recognized directly in equity	1 725 025	-	26 770 498	-	-	(63 331 371)	(34 835 848)
Balance as at 31.12.2010	136 429 761	(1 115 507)	105 539 159	12 884 493	(4 645 000)	76 271 814	325 364 720
<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)	105 539 159	12 884 493	(4 645 000)	76 271 814	325 364 720
Total comprehensive income for the reporting period							
Profit for the period from 01.01. to 31.12.2011	-	-	-	-	-	64 786 635	64 786 635
Total comprehensive income for the period from 01.01. to 31.12.2011	-	-	-	-	-	64 786 635	64 786 635
Dividends	-	-	-	-	-	(50 672 318)	(50 672 318)
Transfer to reserve capital	-	-	12 476 870	-	-	(12 476 870)	-
Equity-settled share based payment transactions	-	-	1 198 538	-	-	-	1 198 538
Realisation of motivational program for employees	553 250	-	4 829 288	-	-	-	5 382 538
Sale of treasury shares	-	1 115 507	-	-	-	-	1 115 507
Termination of share buy-back plan	-	-	12 884 493	(12 884 493)	-	-	-
Total transaction with Owners of the Company recognized directly in equity	553 250	1 115 507	31 389 189	(12 884 493)	-	(63 149 188)	(42 975 735)
Balance as at 31.12.2011	136 983 011	-	136 928 348	-	(4 645 000)	77 909 260	347 175 620

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SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2011 TO 31.12.2011

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 30 March 2012 the separate financial statements of Eurocash S.A. for the period from 1 January 2011 to 31 December 2011 were authorised 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 separate 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 separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU IFRSs").

In preparing these separate financial statements the Company has not applied any of the new Standards and Interpretations, which have already been published and approved by the European Union but are not yet effective for the year ended 31 December 2011. Moreover, the Company has not yet completed its analysis of the possible impact of those new Standards and Interpretations on the separate financial statements prepared for the period in which the new Standards and Interpretations will be applied for the first time.

<i>Separate financial statements of EUROCASH S.A.</i>			
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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"> to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. <p>The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.</p>	The Company does not expect the amendments to IFRS 7 to have material impact on the financial statements, because of the nature of the Company's operations and the types of financial assets that it holds.	1 July 2011

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 Company's financial statements because the Company has not applied IFRS for the first time and does not operate in a hyperinflationary economy.	1 July 2011
<i>Amendments to IFRS 7 Financial Instruments:</i>	The Amendments contain new disclosure requirements for financial assets and liabilities	It is expected that the Amendments, when initially applied, will have a significant impact on the level of	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>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	<p>that are:</p> <ul style="list-style-type: none"> • offset in the statement of financial position; or • subject to master netting arrangements or similar agreements. 	disclosure in the financial statements. However, the Company is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.	
<i>IFRS 9 Financial Instruments (2009)</i>	<p>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.</p> <p>Financial assets will be classified into one of two categories on initial recognition:</p> <ul style="list-style-type: none"> • financial assets measured at amortized cost; or • financial assets measured at fair value. <p>A financial asset is measured at amortized cost if the following two conditions are met:</p> <ul style="list-style-type: none"> • the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. <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</p>	The Company does not expect IFRS 9 (2009) to have material impact on the financial statements. The classification and measurement of the Company's financial assets are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.	1 January 2015

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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>
	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.		
<i>Additions to IFRS 9 Financial Instruments (2010)</i>	<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 reclassified to profit or loss but may be transferred within equity.</p> <p>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.</p>	The Company does not expect additions to IFRS 9 (2010) to have material impact on the financial statements. The classification and measurement of the Company's financial liabilities are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of its financial liabilities.	1 January 2015
<i>Amendments to IFRS 9 Financial Instruments and</i>	These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9	It is expected that the Amendments, when initially applied, will not have a material impact on the The	1 January 2015

Separate financial statements of EUROCASH S.A.			
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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>IFRS 7 Financial Instruments: Disclosures</i>	<p>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>	Company's financial statements. The classification and measurement of the Company's financial assets are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.	
<i>IFRS 10 Consolidated Financial Statements" and IAS 27 (2011) Separate Financial Statements</i>	<p>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) 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>	The Company 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 Company's control over its investees.	1 January 2013
<i>IFRS 11 Joint Arrangements</i>	IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition	The Company does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new	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>
	<p>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"> - 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. - a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement. <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 method. Proportionate consolidation is no longer possible.</p>	standard is not expected to result in a change in the accounting treatment of existing joint arrangements.	
<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	The entity does not expect IFRS 12 to have material impact on the financial statements.	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>
	structured entities.		
<i>IFRS 13 Fair Value Measurement</i>	<p>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.</p> <p>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.</p>	The entity 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>	<p>The amendments:</p> <ul style="list-style-type: none"> 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 presented before related tax effects then the aggregated tax amount should be allocated between these sections. Change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, 	The entity 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>
	other titles are also allowed to be used.		
<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 Company's financial statements, since the Company 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 entity does not expect the amendments to have a significant impact on the financial statements.	1 January 2013
<i>IAS 27 (2011) Separate Financial Statements</i>	IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for 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	The Company does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the entity's accounting policy.	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>
	consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.		
<i>IAS 28 (2011) Investments in Associates and Joint Ventures</i>	<p>There are limited amendments made to IAS 28 (2008):</p> <ul style="list-style-type: none"> • 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. • 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. 	The entity 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>	<p>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.</p> <p>The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:</p> <ul style="list-style-type: none"> • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. 	The entity 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>
<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"> • it is probable that future economic benefits will flow to the entity; • the entity can identify the component of the ore body for which access has been improved; and • the costs relating to the stripping activity associated with that component can be measured reliably. <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 entity 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 separate financial statements are presented in PLN, which is the Company's functional and presentation currency. All financial information presented in PLN has been rounded to the nearest PLN (unless it is otherwise indicated).

1.5. USE OF ESTIMATES AND JUDGEMENTS

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

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

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting policies and methods of calculation set out below have been applied consistently to all periods presented in these separate financial statements.

1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP

Eurocash S.A. Group is comprised of Eurocash S.A. and its subsidiary companies: 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 S.A. 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 Śląska 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., the associate PayUp Polska S.A. and 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: 0000213765; located in Komorniki, ul. Wiśniowa 11.

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

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

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Eurocash S.A. prepares consolidated financial statements of Eurocash S.A. Group which were authorized by the Management Board on 30 March 2012.

1.8. GOING CONCERN ASSUMPTION

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

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

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

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

2.2. REPORTING PERIOD

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

2.3. FORMAT AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS

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

In particular, the separate financial statements are comprised of:

- General information
- Separate profit and loss account
- Separate statement of comprehensive income
- Separate statement of the financial position
- Separate statement of cash flows
- Separate statement on changes in equity
- Notes to the separate financial statements

2.4. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency (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.

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

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

2.5. INTANGIBLE ASSETS

Definition

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

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

Initial measurement of intangible assets

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

Subsequent expenditure

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

Amortization

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

The following amortization rates are adopted for intangible assets:

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

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.

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

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

Measurement of intangible assets as at the reporting date

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

2.6. PROPERTY, PLANT AND EQUIPMENT

Definition

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

Property, plant and equipment shall include in particular:

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

The initial measurement of tangible fixed assets

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

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

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

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

Subsequent expenditure

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

Depreciation

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

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

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

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

Review of depreciation rates and possible impairment

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

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

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

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

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

The stocktaking of tangible fixed assets

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

2.7. BORROWING COSTS

Borrowing costs that are directly attributable to acquiring or manufacturing the qualifying assets shall be capitalized on relevant assets until the date of bringing them into use. These

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costs are diminished by gains resulted from temporary investment of funds obtained for manufacturing the specified asset.

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

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

2.8. LEASE CONTRACTS

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

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

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

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

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

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease contract when the adjustment is confirmed.

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

2.9. INVESTMENT PROPERTY

Investment property comprises property held in order to earn rentals or derive economic benefits resulting from capital appreciation.

Investment property is initially measured at its manufacturing or acquisition costs after taking into account transaction costs. As at the reporting date investment property is measured at acquisition or manufacturing cost less accumulated depreciation and any accumulated impairment losses.

2.10. SHARES IN ACCOCIATES, SUBSIDIARIES AND JOINT VENTURES

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

2.11. LONG-TERM RECEIVABLES

Definition

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Long-term receivables comprise receivables due within more than 12 months of the reporting date. The part of long-term receivables which will be paid during next financial year is recognized as current receivables.

Long-term receivables are mostly deposits paid related to renting contracts and bank guarantees and prepayments for tangible fixed assets.

Measurement of long-term receivables

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

2.12. LONG-TERM PREPAYMENTS

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

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

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

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

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

The Company classifies a non-current asset or disposal group comprising assets and liabilities as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through its continuing use.

This situation takes place if following conditions are fulfilled:

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

2.14. INVENTORIES

Definition

Inventories are assets:

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

Initial measurement

The purchase price shall be determined using the weighted average method. Under the weighted average purchase price or production cost of each item is calculated on a weighted average purchase price or cost of similar items at beginning of the of the period

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and the purchase price or cost of similar items purchased or produced during the period the Company shall use the same method to set prices purchase for all items.

Acquisition cost comprises purchase price and other costs incurred for the purpose of bringing the inventories to their existing location and condition.

Purchase costs comprise actual purchase price, import duties, other non-deductible taxes and other directly attributable costs.

Cash, value or volume discounts and rebates should be deducted from the acquisition cost.

Measurement of inventories as at the reporting date

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

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

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

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

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

2.15. NON DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

As at the reporting date, the Company determines whether indicators of assets' impairment occurred.

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

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Financial assets are classified into following categories:

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

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

(a) Financial assets held-to-maturity

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

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

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

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

(b) Loans and receivables

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

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

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

Loans and receivables comprise trade receivables and other receivables

(c) Available-for-sale financial assets

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

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

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

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

Financial liabilities

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

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

2.16. DERIVATIVES

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

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

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

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

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

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

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

Cash flow hedge

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

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income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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

Other non-trading derivatives

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

2.17. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

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

Other short-term receivables

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

Measurement of trade receivables and other receivables at the reporting date

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

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

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

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

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

Bad debts allowance

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

- receivables from debtors put into liquidation or declared bankruptcy - up to the amount of the debts not covered by a guarantee or other payment security declared to a liquidator or judge commissioner in bankruptcy proceedings,
- receivables from debtors with dismissed bankruptcy declaration case if the debtor's property is not sufficient to cover the costs of bankruptcy proceedings - in the full amount,

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- debts questioned as to their amounts owed or being in arrears with the repayment thereof and repayment of which, according to the evaluation of the debtor's financial situation, in the contractual amount is not probable - up to the amount of the debt not covered by the guarantee or other payment security,
- debts overdue or not overdue but of a considerable degree of uncollectability – decreased by a reliably measured amount of an allowance,
- court proceeded debts – in the full amount of debts.

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

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

2.18. CASH AND CASH EQUIVALENTS

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

2.19. SHORT-TERM PREPAYMENTS

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

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

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

Short-term prepayments include mainly:

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

2.20. IMPAIRMENT

Financial assets (including receivables)

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

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

- default or delinquency by a debtor,
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise,

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- indications that a debtor or issuer will enter bankruptcy,
- the disappearance of an active market for a security,
- for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

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

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

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

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

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current

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market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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

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

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

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

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

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

2.21. EQUITY

Ordinary shares

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

Repurchase of treasury shares

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

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

Measurement of long-term liabilities denominated in foreign currency

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

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

2.23. SHORT-TERM LIABILITIES

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

Short-term liabilities include mainly:

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

Measurement of the short-term liabilities

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

Measurement of short-term liabilities denominated in foreign currency

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

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

2.24. LOANS

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

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

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2.25. PROVISIONS

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

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

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

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

2.26. SALES

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

Goods sold

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

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

Services

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

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

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

2.27. FINANCE INCOME AND COSTS

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

Interest income

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

Dividend income

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

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

2.28. EMPLOYEE BENEFITS

Long-term employee benefits

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

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

Short-term employee benefits

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

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

2.29. SHARE-BASED PAYMENT TRANSACTIONS

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

The fair value of the employee share options rights is measured using Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holders' behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service

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and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2.30. INCOME TAX

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

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

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

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

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

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

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

2.31. DISCONTINUED OPERATIONS

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

2.32. EARNINGS PER SHARE

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

2.33. MERGERS OF JOINTLY CONTROLLED ENTITIES

Mergers arising from transfer of shares in companies under joint control of a shareholder which at the same time controls the Company are recognized as through acquisition had taken place at the beginning of the earliest comparative period or as at the date of establishing joint control, whichever is later. Comparative data is converted for that purpose accordingly. The acquired assets and liabilities are carried at accounting values in the consolidated financial statements of Eurocash S.A. Group.

2.34. OPERATING SEGMENTS

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

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3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2011 TO 31.12.2011

NOTE 1. ACQUISITION OF COMPANIES

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 CONCERNING BUSINESS ACQUISITION OF THE UNITS

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

Acquisition cost

Table no 1

ELEMENTS OF ACQUISITION COST

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

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

Net assets acquired

Detailed information about acquired net assets are presented in the consolidated financial statements of Eurocash S.A. Group.

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. 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.

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GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1. Name of acquired company	Emperia Group:	Acquired stake (%)
	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	

Acquisition cost

Table no 2

ELEMENTS OF ACQUISITION COST

	as at
	21.12.2011
Bank Loan	1 070 000 000
Own resources	25 575 885
Cash	1 095 575 885

Net assets acquired

Detailed information about acquired net assets are presented in the consolidated financial statements of Eurocash S.A. Group.

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NOTE 2. GOODWILL AND INTANGIBLE ASSETS

Intangible assets are presented below:

Table no 3

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2011

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	Total
Carrying amount as at 01.01.2010	96 024 468	7 116 541	25 432 439	61 391 431	4 148 804	194 113 683
Other acquisitions	-	4 840 287	-	-	167 476	5 007 763
Increases due to the transfer of fixed assets under construction	-	511 277	-	-	50 000	561 277
Liquidations	-	(8)	-	-	-	(8)
Depreciation	-	(4 487 294)	(5 449 808)	(1 234 000)	(970 882)	(12 141 984)
Decrease due to aport	-	-	-	(54 604 431)	(54 166)	(54 658 597)
Other changes	-	-	-	-	(72 669)	(72 669)
Carrying amount as at 31.12.2010	96 024 468	7 980 802	19 982 631	5 553 000	3 268 563	132 809 464
Carrying amount as at 01.01.2011	96 024 468	7 980 802	19 982 631	5 553 000	3 268 563	132 809 464
Other acquisitions	-	6 402 608	-	-	38 105	6 440 713
Increases due to the transfer of fixed assets under construction	-	1 078 203	-	-	544 057	1 622 260
Liquidations	-	(4 189)	-	-	-	(4 189)
Depreciation	-	(5 534 245)	(5 449 808)	(1 234 000)	(1 011 441)	(13 229 494)
Other changes	-	-	-	-	(150 000)	(150 000)
Carrying amount as at 31.12.2011	96 024 468	9 923 179	14 532 823	4 319 000	2 689 284	127 488 754

Separate financial statements of EUROCASH S.A.			
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)		

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011 (continued)

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	Total
<i>As at 01.01.2011</i>						
Cost	96 024 468	32 232 496	54 498 079	12 340 000	11 429 663	206 524 707
Accumulated amortisation and impairment losses	-	(24 251 694)	(34 515 448)	(6 787 000)	(8 161 099)	(73 715 243)
Carrying value	96 024 468	7 980 802	19 982 631	5 553 000	3 268 563	132 809 464
<i>As at 31.12.2011</i>						
Cost	96 024 468	39 709 118	54 498 079	12 340 000	11 861 825	214 433 491
Accumulated amortisation and impairment losses	-	(29 785 939)	(39 965 256)	(8 021 000)	(9 172 541)	(86 944 737)
Carrying value	96 024 468	9 923 179	14 532 823	4 319 000	2 689 284	127 488 754

Goodwill presented in intangible assets arised as a consequence of:

- acquisition of an organized part of "CARMENT, M. Stodółka i Wspólnicy Spółka Jawna" enterprise as at 16.08.2006 in amount of PLN 9.975.600;
- merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. as at 01.07.2010 in amount of PLN 29.180.412 PLN
- merger with Eurocash DystrybucjaBatna Sp. z o.o. as at 01.09.2010 in amount of PLN 56.868.456 PLN

Apart from the above mentioned trademarks, the Company recognized "MHC" trademark, with a defined useful life. That trademark was acquired on 01.06.2005 and is amortized over the period of 10 years. As at 31.12.2011 the carrying amount of that trademark was PLN 4.319.000.

The Company's know-how is the knowledge (in the fields of finance, logistics, IT, purchases) how to manage the Company, acquired from Politra B.V. This asset was put into operation as at 30.08.2004 and is amortized over the period of 10 years. As at 31.12.2011, the book value of the know-how amounted to PLN 14.532.823.

Amortization of intangible assets is recognized as selling expenses.

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

Separate financial statements of EUROCASH S.A.			
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 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 4

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
Carrying amount as at 01.01.2010	90 124 164	24 369 145	23 489 459	34 555 961	9 958 898	182 497 628
Acquisition through business combination	-	-	-	-	-	-
Other acquisitions	3 430 356	7 484 348	169 100	10 410 451	24 134 880	45 629 135
Increases due to the transfer of fixed assets under construction	19 308 248	1 601 264	8 807	4 160 757	(25 640 354)	(561 277)
Finance lease	-	-	6 983 593	-	-	6 983 593
Disposals	(982 118)	(234 346)	(302 756)	(47 345)	(5 222 263)	(6 788 828)
Liquidations	(54 736)	(301 660)	(970 152)	(309 527)	-	(1 636 075)
Depreciation	(10 125 857)	(6 194 001)	(7 213 259)	(12 135 307)	-	(35 668 424)
Other changes	-	197 391	-	-	142 879	340 271
Carrying amount as at 31.12.2010	101 700 057	26 922 141	22 164 792	36 634 990	3 374 041	190 796 022
Carrying amount as at 01.01.2011	101 700 057	26 922 141	22 164 792	36 634 990	3 374 041	190 796 022
Other acquisitions	2 407 906	9 272 066	208 833	10 936 278	17 591 991	40 417 073
Increases due to the transfer of fixed assets under construction	4 909 597	823 279	-	2 192 711	(9 547 847)	(1 622 260)
Finance lease	-	58 461	4 753 639	-	-	4 812 101
Disposals	(9 071 630)	(7 106)	(407 895)	(437 690)	-	(9 924 321)
Liquidations	(61 182)	(38 391)	(218 441)	(7 426)	(50)	(325 490)
Depreciation	(11 249 380)	(7 532 570)	(7 522 157)	(13 735 184)	-	(40 039 291)
Other changes	-	75 784	-	-	-	75 784
Carrying amount as at 31.12.2011	88 635 367	29 573 664	18 978 772	35 583 679	11 418 135	184 189 618

Separate financial statements of EUROCASH S.A.			
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)		

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 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	148 474 126	63 963 507	55 248 800	93 395 620	3 374 041	364 456 093
Accumulated amortisation and impairment losses	(46 774 069)	(37 041 366)	(33 084 007)	(56 760 629)	-	(173 660 072)
Carrying amount	101 700 057	26 922 141	22 164 792	36 634 990	3 374 041	190 796 022
<i>As at 31.12.2011</i>						
Cost	146 658 817	74 147 600	59 584 936	106 079 492	11 418 135	397 888 981
Accumulated amortisation and impairment losses	(58 023 450)	(44 573 936)	(40 606 164)	(70 495 813)	-	(213 699 363)
Carrying amount	88 635 367	29 573 664	18 978 772	35 583 679	11 418 135	184 189 618

Borrowing costs

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

Property, plant and equipment under finance lease

The Company uses land, vehicles, and forklift trucks under finance lease. According to the lease agreements the Company has a right to buy the assets after the termination of the agreed term of lease for a price stated in the agreement or to continue using the leased property under a new lease contract signed with the financing institution. The price is a difference between the value of the leased property repaid immediately and the value of the capital repaid in lease instalments. As at the end of the reporting period, the carrying amount of tangible fixed assets under finance lease was PLN 28.231,7 thousand (31.12.2010: PLN 31.551,2 thousand), and the amount payable to the lessor in this respect amounted to PLN 26.353,7 thousand (31.12.2010: PLN 28.519,7 thousand, respectively). The leased items are a property of the lessor (the financing institution) until they are acquired by the Company. Those assets are depreciated for tax purposes by the lessor.

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

Realisation of the lease agreements is secured on lease assets.

<i>Separate financial statements of EUROCASH S.A.</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)		

NOTE 4.

ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

According to IAS 36 as at 31 December 2011 the Company assessed whether there was any indication that assets might be impaired.

The following indications were taken into consideration:

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

The subsequent assessment is planned on 31.12.2012.

The Company 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 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 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.

- impairment test of goodwill arising from merger with 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.

Separate financial statements of EUROCASH S.A.			
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)		

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 merger with 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.

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 years 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.

Separate financial statements of EUROCASH S.A.			
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. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented below:

Table no 5

INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2011

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
KDWT S.A.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Franczyza Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji	ul. Kąpielowa 18 21-500 Biała Podlaska	97,09%	91,74%	full
Eurocash Trade 1 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Trade 2 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Spółka Akcyjna Spółka Komandytowa	ul. Wiśniowa 11 62-052 Komorniki	67,67%	67,67%	full
Premium Distributors Sp. z o.o.	ul. Bokserska 66A 02-690 Warszawa	100%	100%	full
Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.	ul. Polna 52 87-100 Toruń	100%	100%	full
Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.	ul. Grunwaldzka 3 73-110 Stargard Szczeciński	100%	100%	full
Damianex S.A.	ul. Głęboka 34 37-200 Przeworsk	100%	100%	full
Delikates Sp. z o.o.	ul. Zakładowa 11 62-510 Konin	100%	100%	full
Miro Sp. z o.o.	ul. Jasna 42 57-200 Ząbkowice Śląskie	100%	100%	full
MTC Sp. z o.o.	ul. Elewatorska 20 15-620 Białystok	100%	100%	full
Multi-Ex S.A.	ul. Bokserska 66A 02-690 Warszawa	100%	100%	full
Polskie Hurtownie Alkoholi Sp. z o.o.	ul. Gen. Józefa Sowińskiego 42A 65-419 Zielona Góra	100%	100%	full
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	ul. Grottgera 5 66-200 Świebodzin	100%	100%	full
Saol Dystrybucja Sp. z o.o.	ul. Orłąt Lwowskich 146 41-208 Sosnowiec	100%	100%	full
Pol Cater Holding Sp. z o.o.	ul. Sokołowska 10, Puchały 05-090 Raszyn	100%	100%	full
Dania Fast Food Sp. z o.o.	ul. Sokołowska 10, Puchały 05-090 Raszyn	100%	100%	full

<i>Separate financial statements of EUROCASH S.A.</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)		

INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2011

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
Euro Sklep S.A.	ul. Bystrzańska 94a, 43-309 Bielsko Biała	100%	100%	full
Detal Koncept Sp. z o.o.	ul. Mełgowska 7-9, 20-952 Lublin	100%	100%	full
Tradis Sp. z o.o.	ul. Mełgowska 7-9, 20-952 Lublin	100%	100%	full
DEF Sp. z o.o.	ul. Handlowa 6, 15-399 Białystok	100%	100%	full
Ambra Sp. z o.o.	ul. Hutnicza 7, 43-502 Czechowice Dziedzice	100%	100%	full
Lewiatan Podlasie Sp. z o.o.	ul. Sokółska 9, 15-865 Białystok	100%	100%	full
Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39, 41-219 Sosnowiec	100%	100%	full
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15, 02-548 Warszawa	100%	100%	not subject to
Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5, 73-100 Stargard Szczeciński	100%	100%	not subject to
Lewiatan Północ Sp. z o.o.	ul. Bysiewska 30, 80-298 Gdańsk	100%	100%	not subject to
Drogerie Koliber Sp. z o.o.	ul. Lenartowicza 39, 41-219 Sosnowiec	100%	100%	not subject to
Lewiatan Holding S.A.	ul. Kilińskiego 10, 87-800 Włocławek	66,61%	71,17%	not subject to
Lewiatan Opole Sp. z o.o.	ul. Światowida 2, 45-325 Opole	100%	100%	not subject to
Lewiatan Wielkopolska Sp. z o.o.	ul. Osiedle Winiary 54, 60-665 Poznań	81,43%	81,43%	not subject to
Lewiatan Kujawy Sp. z o.o.	ul. Komunalna 6, 87-800 Włocławek	100%	100%	not subject to
Lewiatan Orbita Sp. z o.o.	ul. Lubelska 33, 10-680 Olsztyn	100%	100%	not subject to
Gama Serwis Sp. z o.o.	ul. Handlowa 5, 15-399 Białystok	100%	100%	not subject to

Separate financial statements of EUROCASH S.A.			
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 6

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01 TO 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Opening balance	554 728 775	68 657 327
Increase in reporting period:	1 107 575 885	486 071 449
acquisition of entities	1 107 575 885	385 900 000
establishing new entities	-	100 171 449
Other decrease	(6 400 000)	-
Closeing balance	1 655 904 660	554 728 775

The increase of the value of investments due to acquisition of business operations refers to the acquisition of shares in distribution companies from Emperia Holding S.A. in the amount of PLN 1.095.575.885 and acquisition of shares in PolCater Sp. z o.o. in the amount of PLN 12.000.000.

NOTE 6.

ACCOUNTING FOR INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are presented below:

Table no 7

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2011

Name of entity	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
PayUp Polska S.A.	ul. Wiśniowa 11, 62-052 Komorniki	49%	49%	equity method
Fundusz Inwestycyjny Zamknięty RE Income	Al. Jana Pawła II 24, 00-133 Warszawa	50%	50%	equity method

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Opening balance	3 464 300	3 464 300
Increase in reporting period:	20 245 781	-
acquisition of shares in joint ventures	20 245 781	-
Closeing balance	23 710 081	3 464 300

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, 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.

Separate financial statements of EUROCASH S.A.			
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 7. OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

Table no 9

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Loans granted to associates	5 808 590	6 247 500
	5 808 590	6 247 500

NOTE 8. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 10

LONG-TERM RECEIVABLES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Security deposits on rental agreements	1 193 628	1 114 896
Other long-term receivables	687 000	687 000
	1 880 628	1 801 896

NOTE 9. INVENTORIES

Inventories are presented below:

Table no 11

INVENTORIES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Merchandise	319 787 432	300 408 547
Materials	340 175	369 994
Total inventories, including:	320 127 607	300 778 541
- carrying amount of inventory deposits securing payments of liabilities	5 000 000	5 000 000

Table no 12

ALLOWANCES FOR INVENTORIES 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
Opening balance	8 099 785	7 546 947
- increase in the allowance during the period	3 480 095	3 969 574
- reversal of the allowance during the period	-	(2 315 290)
- write-offs during the period	(4 088 255)	(1 101 445)
Closing balance	7 491 626	8 099 785

Separate financial statements of EUROCASH S.A.			
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 10. **TRADE AND OTHER RECEIVABLES**

Trade and other receivables are presented below:

Table no 13

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Trade receivables	413 346 317	297 878 741
Credit sales	190 359 919	140 599 370
Receivables from suppliers	170 709 005	116 303 310
Factoring	32 222 664	31 243 023
Franchise fees	2 375 765	1 632 632
Other trade receivables	22 527 703	13 048 447
Allowance for trade bad debts	(4 848 741)	(4 948 041)
Current tax assets	1 362 078	4 048 090
Other receivables	11 444 046	12 907 770
VAT settlements	3 333 248	8 653 835
Receivables subject to legal proceedings	18 611 445	17 029 360
Receivables from subrental services	1 638 522	2 246 583
Receivables from employees	857 203	911 415
Loans granted	5 202	159 993
Receivables from sales fixed assets	4 307 000	-
Other receivables	1 302 871	935 943
Allowance for other bad debts	(18 611 445)	(17 029 360)
Total receivables, including:	426 152 441	314 834 600
- short-term	426 152 441	314 834 600

NOTE 11. **OTHER SHORT-TERM INVESTMENTS**

Other short-term investments are presented below:

Table no 14

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Loans for associated companies	3 021 041	3 000 000
	3 021 041	3 000 000

Separate financial statements of EUROCASH S.A.			
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 12. SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 15

SHORT-TERM PREPAYMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Software	275 579	506 144
Alcohol licences	1 659 094	1 759 601
Rentals	1 115 187	978 791
Media	156 366	110 701
Advertising folders	177 684	167 150
Insurances	154 196	514 018
Expenses related to future transactions	1 909 947	2 756 810
Other prepayments	1 169 724	1 025 400
Total short-term prepayments	6 617 777	7 818 615

NOTE 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is presented below:

Table no 16

CASH AND CASH EQUIVALENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Cash		
cash at bank	21 514 173	3 874 396
cash on hand	25 504	27 364
cash in transit	25 857 062	15 824 825
cash on deposits	150 147 778	166 229 002
cash restricted to use	1 863 226	1 297 622
money vouchers	-	6 190
Total cash	199 407 742	187 259 401

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

NOTE 14. SHARE CAPITAL

Share capital are presented below:

Table no 17

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
Share capital	136 983 011	136 429 761

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

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 E series ordinary shares to the bearer with nominal value of 1 PLN each,
- 537.636 F series ordinary shares to the bearer with nominal value of 1 PLN each,
- 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:

SHAREHOLDERS STRUCTURE

Tabela nr 18

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 (bezpośrednio i pośrednio przez 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 19

CHANGES IN 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 Company under incentive programmes (2010: 1.725.025 shares). 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.

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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)		

NOTE 15. OTHER RESERVES

Other reserves are presented below:

Table no 20

CHANGES TO OTHER CAPITAL 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>	(1 115 507)	82 105 488	12 884 493	(4 645 000)	89 229 474
<i>Change in accounting policies</i>	-	(3 336 827)	-	-	(3 336 827)
<i>Balance as at 01.01.2010 after corrections</i>	(1 115 507)	78 768 661	12 884 493	(4 645 000)	85 892 647
Increase in the period from 01.01 to 31.12.2010	-	26 857 583	-	-	26 857 583
Retained earnings from 01.01 to 31.12.2010	-	11 903 092	-	-	11 903 092
Valuation of the Incentive Programme for employees	-	3 227 302	-	-	3 227 302
Share issue - Equity-settled share-based payment transactions	-	10 722 422	-	-	10 722 422
Other	-	1 004 766	-	-	1 004 766
Decrease in the period from 01.01 to 31.12.2010	-	(87 085)	-	-	(87 085)
Floataion costs - Equity-settled share-based payment transactions	-	(87 085)	-	-	(87 085)
Balance as at 31.12.2010	(1 115 507)	105 539 159	12 884 493	(4 645 000)	112 663 145
<i>Balance as at 01.01.2011</i>	(1 115 507)	105 539 159	12 884 493	(4 645 000)	112 663 145
Increase in the period from 01.01 to 31.12.2011	-	31 389 189	-	-	31 389 189
Retained earnings from 01.01 to 31.12.2010	-	12 476 870	-	-	12 476 870
Valuation of the Incentive Programme for employees	-	1 198 538	-	-	1 198 538
Share issue - Equity-settled share-based payment transactions	-	4 829 288	-	-	4 829 288
Termination of share buy-back plan	-	12 884 493	-	-	12 884 493
Decrease in the period from 01.01 to 31.12.2011	1 115 507	-	(12 884 493)	-	(11 768 986)
Sale of treasury shares	1 115 507	-	-	-	1 115 507
Termination of share buy-back plan	-	-	(12 884 493)	-	(12 884 493)
Balance as at 31.12.2011	-	136 928 348	-	(4 645 000)	132 283 348

Loss on valuation of hedging transactions

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

Treasury shares

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

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

On 13 June 2011, the General Meeting of Shareholders of Eurocash S.A. decided to dissolve the treasury shares reserve, which was allocated to the Buy-Pack Plan and to transfer funds for this part of reserve capital, which can be distributed among the Shareholders.

Purchased treasury shares in the number of 77.693 was sold to the company's top management.

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

As at 31 December 2011, Eurocash S.A. does not own treasury shares.

Dividend

According to the Resolution 5 of the General Meeting of Eurocash S.A. 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.

NOTE 16. SHARE OPTION

Treasury shares options are presented below:

Table no 21

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2011

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

During the period from January 1, 2010 to December 31, 2010, 1,355,025 ordinary Series E shares were taken up, and during the period from January 1, 2011 to December 31, 2011, 14,875 of such shares were taken up in the course of exercising Series D registered bonds. These shares were taken up at PLN 7.87

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

per share, and the market price of Eurocash S.A. shares quoted 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 December 31, 2011, 9.075 bonds authorizing to take up 226.875 shares were left unexercised. They can be exercised until the end of the Options Exercise Term, i.e. until December 31, 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.

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 persons qualified as Pre-Authorized to receive the Series F bonds was approved through a Resolution of the General Meeting of Shareholders on June 9, 2008. Through Resolution 20 of the Ordinary General Meeting of Shareholders of June 02, 2010, the list of persons pre-qualified to acquire the Series F bonds was adjusted. This adjustment did not lead to any change of valuation or any other terms of the Fourth Incentive Programme.

A list of persons qualified as Pre-Authorized to receive the Series G bonds was approved through a Resolution of the General Meeting of Shareholders on May 25, 2009.

For the allocated series G shares option allowance to take effect, the given employee must work for the Company for not less than 3 years, starting December 1, 2007. The final list of Authorized Persons entitled to received Series F Bonds was determined through a Resolution of the Supervisory Board of November 23, 2010.

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

For the allocated series H shares option allowance to take effect, the given employee must work for the Company for not less than 3 years, starting December 1, 2008.

Through Resolution of the Supervisory Board of November 23, 2011, the issue price of Series 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 Company 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.

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

The Company 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, 40,800 Series G bonds authorizing to take up 1,020,000 Series H shares were left unexercised.

3. Through Resolution of the Ordinary General Meeting of Shareholders of Eurocash S.A. 16 of June 2, 2010 concerning the Fourth and the Fifth Employee Incentive and Premium Programmes for 2010 and 2008, 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.

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

Table no 22

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 programmes charged to the income statement of the Company for 2011 amounted to PLN 1.198.538 (2010: PLN 3.227.302).

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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)		

NOTE 17. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 23

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2010 TO 31.12.2011

	Provision for employee benefits	Accrual for agent's commissions	Accrual for costs of transport	Accrual for advertising costs
Provisions and accruals as at 01.012010	19 273 935	118 197	401 055	6 575 010
Increases	6 108 113	19 218 295	5 293 888	9 171 775
Decreases	(12 984 551)	(19 271 492)	(4 896 337)	(10 805 980)
Provisions and accruals as at 31.12.2010, including:	12 397 498	65 000	798 607	4 940 805
- short-term	11 893 078	65 000	798 607	4 940 805
- long-term	504 420	-	-	-
Provisions and accruals as at 01.012011	12 397 498	65 000	798 607	4 940 805
Increases	23 859 203	18 069 858	55 401 930	90 357 691
Decreases	(11 862 900)	(17 941 756)	(55 038 705)	(87 608 296)
Provisions and accruals as at 31.122011, including:	24 393 801	193 102	1 161 833	7 690 199
- short-term	23 839 115	193 102	1 161 833	7 690 199
- long-term	554 686	-	-	-

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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)		

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2010 TO 31.12.2011 (continued)

	Accruals for costs of media	Accrual for bonuses for individual clients	Provision for potential risks associated with the acquisitions of Eurocash Dystrybucja	Other	Total
Provisions and accruals as at 01.01.2010	1 135 912	274 180	17 144 000	7 871 850	52 794 140
Increases	7 232 018	626 891	-	3 834 831	51 485 811
Decreases	(6 612 537)	(274 180)	-	(5 338 162)	(60 183 238)
Provisions and accruals as at 31.12.2010, including:	1 755 394	626 891	17 144 000	6 368 519	44 096 713
- short-term	1 755 394	626 891	-	6 368 519	26 448 293
- long-term	-	-	17 144 000	-	17 648 420
Provisions and accruals as at 01.01.2011	1 755 394	626 891	17 144 000	6 368 519	44 096 713
Increases	22 390 531	-	-	80 540 247	290 619 459
Decreases	(21 855 948)	(626 891)	(17 144 000)	(75 266 573)	(287 345 069)
Provisions and accruals as at 31.12.2011, including:	2 289 977	-	-	11 642 192	47 371 103
- short-term	2 289 977	-	-	11 642 192	46 816 417
- long-term	-	-	-	-	554 686

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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 24

PROVISIONS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Provision for employee benefits	24 393 801	12 397 498
Accrual for advertising costs	7 690 199	4 940 805
Accrual for bonuses of individual customers	-	626 891
Accrual for agent's commissions	193 102	65 000
Accrual for costs of transport	1 161 833	798 607
Accrual for costs of media	2 289 977	1 755 394
Accrual for rental costs	557 523	659 484
Accrual for advisory and audit	990 393	1 383 174
Provision for potential risks associated with the acquisitions of Eurocash Dystrybucja	-	17 144 000
Accruals for pallets	156 675	998 078
Accruals for litigations	3 836 714	-
Accruals for intrests	2 590 466	-
Other provisions and accruals	3 510 421	3 327 783
	47 371 103	44 096 713
- long-term	554 686	17 648 420
- short-term	46 816 417	26 448 293

Separate financial statements of EUROCASH S.A.			
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 18.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 25

TRADE AND OTHER PAYABLES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Trade liabilities	999 700 559	817 104 869
Payables due to purchase of goods	965 883 954	796 839 942
Payables due to services received	33 816 605	20 264 927
Other payables	64 755 790	68 208 891
Liabilities due to social securities	6 891 969	3 875 946
Liabilities due to purchases of assets	9 119 681	5 627 228
Liabilities due to taxes and insurances	1 847 625	1 274 568
Liabilities in relation to acquisitions	316 035	716 035
Liabilities due to overpayments	-	12 377 375
Other payables	6 510 632	1 792 315
Liabilities with transaction - PD group	40 069 849	42 545 425
Total liabilities, including:	1 064 456 349	885 313 760
- long-term	-	400 000
- short-term	1 064 456 349	884 913 760

Separate financial statements of EUROCASH S.A.			
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 19. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 26

LOANS AND BORROWINGS AS AT 31.12.2011

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2011 to 31.12.2011
Credits		1 354 346 146		21 331 489
ING Bank Śląski S.A.	cash poll agreement	4 930 007	WIBOR 1 M + bank's margin	1 358 755
ING Bank Śląski S.A.	Investment long-term credit for the purchase 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 purchase 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 purchase of Tradis	458 514 746	WIBOR 3M na 2 dni robocze przed datą płatności + marża banku	-
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment short-term credit for the purchase of Tradis	604 476 337	WIBOR 3M na 2 dni robocze przed datą płatności + marża banku	2 540 751
Loans		103 585 470		3 732 731
Eurocash S.A. Sp. Komandytowa	Short-term loan for financing of current activities	103 585 470	WIBOR 1M on 2 days before payment + bank's margin	3 732 731
Total loans and credits		1 457 931 616		25 064 220
- long-term		768 408 762		
- short-term		689 522 855		

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.

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.

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

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 and stocks 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 20. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 27

FINANCIAL LIABILITIES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Finance lease liabilities	26 353 472	28 519 737
Liabilities related to financing of franchisees	32 222 664	31 243 023
	58 576 137	59 762 761
- long-term	20 119 059	22 521 098
- short-term	38 457 078	37 241 663

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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)		

FINANCE LEASE

Table no 28

FINANCE LEASE AS AT 31.12.2011

	as at 31.12.2011 minimum lease payments	as at 31.12.2011 present value of minimum lease payments	as at 31.12.2010 minimum lease payments	as at 31.12.2010 present value of minimum lease payments
<i>Future minimum lease payments due to operating lease agreements</i>				
Less than one year	8 226 534	6 234 414	8 036 950	5 998 639
Between one and five years	21 974 184	18 551 750	24 411 598	21 040 866
More than five years	1 688 808	1 567 308	1 832 415	1 480 232
Total future minimum lease payments due to finance lease agreements	31 889 526	26 353 472	34 280 963	28 519 737
Finance costs	5 536 054	X	5 761 226	X
Present value of minimum lease payments due to finance lease agreements	26 353 472	26 353 472	28 519 737	28 519 737

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

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

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

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

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

Specification of minimum operating lease charges is presented below:

Table no 29

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
<i>Future minimum fees due to operating lease agreements paid in the period:</i>		
Less than one year	47 912 460	46 971 182
Between one and five years	155 416 531	165 076 929
More than five years	92 397 380	94 628 005
Total future minimum fees due to operating lease agreements	295 726 370	306 676 116

Operating lease payments for 2011 amounted to PLN 59.890.246 (PLN 2010: 53.318.617).

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

NOTE 21. INCOME TAX

Income tax for the reporting period is presented below:

Table no 30

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>Profit and loss account</i>		
Current income tax	(20 089 533)	(11 424 287)
Current income tax burden expense	(20 089 533)	(12 441 167)
Additional income tax related to previous years	-	1 016 880
Deferred income tax	12 948 809	3 457 624
Due to temporary tax differences	12 948 809	3 457 624
Total income tax	(7 140 724)	(7 966 663)

Table no 31

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>Statement of comprehensive income</i>		
Income tax from:		
cash flow hedges	-	-
revaluation of financial instruments	-	-
Income tax recognised in other comprehensive income	-	-

Table no 32

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
Profit before tax	71 927 359	71 115 851
Income tax calculated base on 19% income tax rate	(13 666 198)	(13 512 012)
Permanent tax differences	(1 951 657)	(2 376 098)
Tax influence of the limited partnership's income and costs	4 561 021	4 750 054
Release of deferred tax provision related to transfer of trademarks to limited partnership company	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)
Other differences	(1 073 029)	131 765
Income tax in the profit and loss account	(7 140 724)	(7 966 663)
Effective tax rate	9,93%	11,20%

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

NOTE 22. DEFERRED TAX

Deferred tax is presented below:

Table no 33

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2011

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at	as at	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
<i>Deferred tax liabilities</i>						
- difference between tax and carrying amount of fixed assets	6 212 107	8 632 306	(2 420 199)	(1 784 545)	-	-
- deferred income	4 032 745	1 884 821	2 147 925	(1 900 219)	-	-
- revenues from accrued interests	241 761	153 417	88 344	49 178	-	-
- financial lease liabilities	356 865	575 970	(219 105)	(373 373)	-	-
- unrealized foreign exchange differences	-	-	-	(16 953)	-	-
- compensations for lost benefits	-	519 632	(519 632)	519 632	-	-
- transfer of trademarks to Limited Partnership Company	-	-	-	-	-	-
- difference between balance Balacne Sheet and tax value of Batna brand	-	-	-	(1 900 000)	-	-
- other	-	8 239	(8 239)	617	-	-
Gross deferred tax liability	10 843 478	11 774 385	(930 906)	(5 405 662)	-	-

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

Table no 33

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2010 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at	as at	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
<i>Deferred tax liabilities</i>						
- change in accounting policy (method to determine price of stock)	-	-	-	782 712	-	-
- bonuses	8 627 891	5 274 610	(3 353 281)	(814 173)	-	-
- allowance of inventories	1 423 409	1 538 959	115 550	671 975	-	-
- allowance for bad debts	3 948 658	1 994 147	(1 954 510)	(411 180)	-	-
- tax loss from previous years	-	-	-	1 424 132	-	-
- tax profit from sales of fix assets	685 681	639 808	(45 873)	(639 808)	-	-
- holiday accrual	835 760	797 779	(37 981)	(100 947)	-	-
- accrual for employees' bonuses	2 396 132	316 498	(2 079 634)	1 523 386	-	-
- unpaid payroll and social securities	298 128	9 940	(288 188)	65 307	-	-
- retirement provision	117 021	-	(117 021)	90 695	-	-
- accrual for agents' commissions	36 689	12 350	(24 339)	10 107	-	-
- accrual for alcohol's licence	-	-	-	-	-	-
- accrual for rental costs	103 184	125 302	22 118	9 133	-	-
- accrual for advertising costs	1 084 451	891 018	(193 433)	358 234	-	-
- accrual for costs of transport	202 085	139 956	(62 129)	(57 986)	-	-
- accrual for costs of media	322 718	338 709	15 992	(178 256)	-	-
- accrual for advisory and audit	140 675	104 309	(36 366)	68 780	-	-
- provisions for legal disputes	207 584	-	(207 584)	-	-	-
- provisions for Amrest	33 729	142 596	108 867	(6 925)	-	-
- unrealized foreign exchange differences	-	-	-	56 222	-	-
- hedging instruments	-	-	-	1 016 880	-	-
- accrual for bonuses for individual customers	-	-	-	52 094	-	-
- accrual for postal and telecommunication costs	26 349	29 659	3 311	9 578	-	-
- accrual for intrests accrued on debts	1 188 528	2 881 551	1 693 023	(543 711)	-	-
- accrued interest on trade payables	2 137 341	885 379	(1 251 962)	(482 369)	-	-
- accrued interest on loans and borrowings	809 160	664 199	(144 961)	(664 199)	-	-
- accrual for acquisition of shares	2 975 353	-	(2 975 353)	-	-	-
- other provisions	3 117 646	1 867 625	(1 248 285)	(291 644)	-	-
- transfer of trademarks to Limited Partnership Company	14 480 561	19 063 986	4 583 425	(19 063 986)	-	-
- deferred tax assets	45 198 732	37 718 381	(7 478 615)	(17 115 948)	-	-
Allowance of deferred tax assets	(14 480 561)	(19 063 986)	(4 583 425)	19 063 986	-	-
- deferred tax assets	30 718 170	18 654 395	(12 062 040)	1 948 038	-	-
Deferred income tax effect			(12 992 946)	(3 457 625)	-	-
Net deferred tax liability	-	-	X	X	X	X
Net deferred tax asset	19 874 692	6 880 010	X	X	X	X

Separate financial statements of EUROCASH S.A.			
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.
OTHER LONG-TERM PREPAYMENTS**

Other long-term prepayments are presented below:

Table no 34

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2011

	as at 31.12.2011	na dzień 31.12.2010
Rents	208 597	135 648
Alcohol licences	-	1 609 068
IT licences	101 832	147 511
Incurred expenses relating to deferred income	923 478	-
Other	93 287	604 872
	1 327 194	2 497 099

**NOTE 24.
SALES IN THE REPORTING PERIOD**

Sales are presented below:

Table no 35

SALE 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
Sale of goods	5 267 953 219	4 793 554 436
Sale of services	254 723 361	206 634 643
Total sale	5 522 676 580	5 000 189 079

**NOTE 25.
COSTS BY TYPE**

Costs by type are presented below:

Table no 36

COSTS BY TYPE 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
Depretiation	53 268 786	47 810 408
Materials and energy	40 100 587	37 234 903
External services	194 231 762	182 197 136
Taxes and charges	13 864 295	12 550 115
Payroll	165 581 648	144 183 783
Social security and other benefits	30 424 812	28 417 000
Other costs by type	17 054 474	18 264 758
Costs by type	514 526 363	470 658 102
including:		
Costs of sold services	13 266 039	9 809 067
Selling expenses	372 022 248	335 474 807
General and administrative expenses	129 238 077	125 374 228

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

NOTE 26.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 37

OTHER OPERATING INCOME AND EXPENSES 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
Other operating income	41 535 616	21 969 873
Penalties for suppliers	5 839 060	5 519 007
Other sales	5 437 724	4 558 176
Sub-lease of premises	2 064 697	2 318 163
Compensation received	968 235	1 270 176
Revenues from transport services	431 332	609 641
Profit from disposals of property, plant and equipment	6 225 536	-
Overdue liabilities	-	2 745 478
Reversal of allowance for bad debts	-	1 039 204
Reversal of provision for acquisition of McLane	17 144 000	-
Other	3 425 033	3 910 028
Other operating expenses	(49 884 208)	(30 239 863)
Inventory shortages	(16 538 019)	(12 675 390)
Liquidation of damages and expired goods	(8 942 049)	(9 462 769)
Losses from disposals of property, plant and equipment	-	(1 027 345)
Allowance for bad debts	(1 786 794)	-
Allowance for inventory	-	(1 384 626)
Expenses regarding the acquisition of Tradis	(15 659 750)	-
Litigations	(1 516 238)	(2 269 985)
Other	(5 441 358)	(3 419 748)
Net other operating expenses	(8 348 591)	(8 269 990)

NOTE 27.

FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 38

FINANCIAL REVENUES AND COSTS 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
Financial income	9 009 958	3 839 378
Interest	6 877 520	3 733 656
Revenues from discounts	2 126 887	-
Other financial income	5 551	105 722
Financial expenses	(47 726 092)	(29 080 271)
Interest	(46 530 682)	(27 899 309)
Foreign exchange losses	(143 779)	(142 476)
Other financial expenses	(1 051 631)	(1 038 486)
Net financial expenses	(38 716 134)	(25 240 893)

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

Net foreign exchange gains (losses) are presented below:

Table no 39

NET EXCHANGE GAINS/LOSSES 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
Financial income	604 488	420 324
Financial expenses	(748 267)	(562 800)
Total	(143 779)	(142 476)

**NOTE 28.
EARNINGS PER SHARE**

Earnings per share are presented below:

Table no 40

EARNINGS PER SHARE FOR 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
<i>Earnings</i>		
Profit for the period attributable to the Parent's shareholders	64 786 635	63 149 188
Dilution effect :		
Interest on convertible bonds net of tax	-	-
Profit for the period attributable to the Parent's shareholders (diluted)	64 786 635	63 149 188
<i>Number of issued shares</i>		
Weighted average number of shares	137 001 458	136 630 350
Dilution effect of potential number of shares:		
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)	138 204 841	137 874 048
Earnings per share		
- basic	0,47	0,46
- diluted	0,47	0,46

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. 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.

Calculation of weighted average diluted number of shares

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

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 16.

NOTE 29. 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 41

BOOK VALUE PER SHARE ON 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Book value	347 175 620	325 364 719
Number of shares	136 983 011	136 352 068
Diluted number of shares	138 909 011	138 831 318
Book value per share	2,53	2,39
Diluted book value per share	2,50	2,34

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

NOTE 30.

RELATED PARTY DISCLOSURES

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

No allowances for receivables from related parties were raised in 2011.

	in the Company EUROCASH S.A.
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Trade receivables

KDWT	16 839 456
EUROCASH FRANCZYZA	5 128 227
PAYUP	23 789
EUROCASH TRADE 1	45 846
EUROCASH TRADE 2	178
EUROCASH SPÓŁKA AKCYJNA SP. K.	2 146
DANIA FAST FOOD	41 000
AGIS	423 766
DAKO-GALANT	109 006
DAMIANEX	659 928
DELIKATES	410 517
MIRO	743 440
MTC	2 607 899
MULTI-EX	601 848
POLSKIE HURTOWNIE ALKOHOLI	445 227
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	549 559
PREMIUM DISTRIBUTORS	2 155 215
SAOL	235 272
Total	31 022 319

Other receivables

KDWT	122 008
EUROCASH FRANCZYZA	11 265
PAYUP	9 066 944
AGIS	3 090
DAKO-GALANT	647
DAMIANEX	7 823
DELIKATES	4 227
MIRO	11 762
MTC	54 864
MULTI-EX	5 526
POLSKIE HURTOWNIE ALKOHOLI	2 121
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	5 310
PREMIUM DISTRIBUTORS	38 842
SAOL	2 334
Total	9 336 762

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

Trade payables

KDWT	2 952 038
EUROCASH FRANCYZA	3 830 297
PAYUP	224 222
EUROCASH SPÓŁKA AKCYJNA SP. K.	1 385 331
DANIA FAST FOOD	48 539
AGIS	37 776
DAKO-GALANT	11 081
DAMIANEX	45 637
DELIKATES	36 118
MIRO	19 095
MTC	130 798
MULTI-EX	41 667
POLSKIE HURTOWNIE ALKOHOLI	24 196
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	46 166
PREMIUM DISTRIBUTORS	109 654
SAOL	21 795
Total	8 964 410

Other payables

KDWT	1 818 617
EUROCASH FRANCYZA	2 989
EUROCASH SPÓŁKA AKCYJNA SP. K.	103 585 470
AGIS	2 874 068
DAKO-GALANT	1 139 790
DAMIANEX	3 831 303
DELIKATES	3 576 868
MIRO	1 073 174
MTC	7 562 116
MULTI-EX	3 459 107
POLSKIE HURTOWNIE ALKOHOLI	2 778 366
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	902 045
PREMIUM DISTRIBUTORS	12 344 640
SAOL	1 199 727
Total	146 148 280

Sales of merchandise

KDWT	160 933 280
EUROCASH TRADE 1	31 550
DANIA FAST FOOD	4 160
AGIS	2 970 540
DAKO-GALANT	1 361 667
DAMIANEX	2 978 336
DELIKATES	2 553 971
MIRO	1 459 368
MTC	11 427 493
MULTI-EX	2 828 026
POLSKIE HURTOWNIE ALKOHOLI	2 775 208
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	3 336 384
PREMIUM DISTRIBUTORS	3 754 940
SAOL	1 425 623
Total	197 840 545

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

Sales of services

KDWT	5 120 356
EUROCASH FRANCZYZA	17 947 220
PAYUP	48 000
EUROCASH TRADE 1	1 740
EUROCASH TRADE 2	1 740
EUROCASH SPÓŁKA AKCYJNA SP. K.	11 340
AGIS	109 397
DAKO-GALANT	68 713
DAMIANEX	224 173
DELIKATES	133 305
MIRO	69 787
MTC	543 823
MULTI-EX	166 916
POLSKIE HURTOWNIE ALKOHOLI	119 276
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	97 389
PREMIUM DISTRIBUTORS	1 541 686
SAOL	58 935
Total	26 263 796

Interest revenues

NASZE SKLEPY W LIKWIDACJI	3 203
PAYUP	451 037
DANIA FAST FOOD	154 419
AGIS	38 637
DAKO-GALANT	1 926
DAMIANEX	626
DELIKATES	2 934
MULTI-EX	228
ONUFRY	150
PANTA-HURT	10 939
Total	664 099

Costs of goods sold

KDWT	125 278 728
POL CATER	212 460
PREMIUM DISTRIBUTORS	21 922
Total	125 513 110

Costs of services

KDWT	29 135 073
EUROCASH FRANCZYZA	24 613 560
EUROCASH SPÓŁKA AKCYJNA SP. K.	13 266 039
AGIS	437 648
DAKO-GALANT	215 039
DAMIANEX	618 906
DELIKATES	478 174
MIRO	253 592
MTC	1 818 850
MULTI-EX	453 584
POLSKIE HURTOWNIE ALKOHOLI	406 196
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	590 701
PREMIUM DISTRIBUTORS	3 095 058
SAOL	246 314
Total	75 628 733

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

Interest costs

EUROCASH SPÓŁKA AKCYJNA SP. K.	3 732 731
AGIS	30 975
ASTOR	26 672
DAKO-GALANT	25 825
DAMIANEX	11 337
DELIKATES	41 533
MIRO	13 292
MTC	32 570
MULTI-EX	31 717
ONUFRY	16 184
PANTA-HURT	36 121
POLSKIE HURTOWNIE ALKOHOLI	39 655
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	15 156
PREMIUM DISTRIBUTORS	260 633
SAOL	13 021
Total	4 327 421

Other costs

KDWT	610
EUROCASH FRANCZYZA	314
EUROCASH S.A. SP. KOMANDYTOWA	30 846
AGIS	207
DAKO-GALANT	213
DAMIANEX	1 401
DELIKATES	264
MIRO	215
MTC	2 050
MULTI-EX	579
POLSKIE HURTOWNIE ALKOHOLI	178
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	38
PREMIUM DISTRIBUTORS	23 211
SAOL	1 034
Total	61 160

Separate financial statements of EUROCASH S.A.			
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 31.

RENUMERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Below table presents values of total remuneration, bonuses, rewards and other benefits paid or payable to Members of the Management Board and the Supervisory Board during the period from 1 January 2011 to 31 December 2011.

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

Table no 42

RENUMERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 01.01 TO 31.12.2011

	Basic salary	Other benefits	Management 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	61 341	156 201	1 112 541
Arnaldo Guerreiro	860 000	67 674	108 442	1 036 116
Pedro Martinho	775 000	69 521	192 723	1 037 244
Katarzyna Kopaczewska	638 000	51 341	108 442	797 783
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
	5 310 619	1 398 165	634 917	7 343 700
<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
	310 536	-	-	310 536

NOTE 32.

EMPLOYMENT

Number of employees as at 31.12.2011 is presented below:

Table no 43

NUMBER OF EMPLOYEES AS AT 31.12.2011

	as at 31.12.2011	as at 31.12.2010
Number of employees	3 994	3 721
Number of full-time jobs	3 933	3 643

<i>Separate financial statements of EUROCASH S.A.</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)		

Employment structure as at 31.12.2011 is presented below:

Table no 44

STRUCTURE OF EMPLOYMENT AS AT 31.12.2011

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	3 478	516	3 994
Number of full-time jobs	3 423	510	3 933

Employee turnover as at 31.12.2011 is presented below:

Table no 45

EMPLOYEE TURNOVER 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
Number of hired employees	1 843	1 532
Number of dismissed employees	(1 570)	(1 349)
	273	183

**NOTE 33.
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 4.578.599.

Moreover, the value of bank guarantees issued for Company's counterpartners amounted to PLN 8.173.188.

Detailed specification is presented below:

Separate financial statements of EUROCASH S.A.			
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 46

CONTINGENCIES AS AT 31.12.2011

No Beneficiary	Title	Currency	as at 31.12.2011	as at 31.12.2010
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 Polkomtel S.A. for PayUp liabilities	PLN	2 250 000	2 250 000
3. Millennium S.A.	surety of the bank guarantee for Polkomtel S.A. for PayUp liabilities	PLN	1 500 000	1 500 000
4. Svenskahandelsbanken AB S.A. Oddział w Polsce	surety of the bank guarantee for Group companies	PLN	500 000	500 000
5. Svenskahandelsbanken AB S.A. Oddział w Polsce	surety of the bank guarantee for Group companies	PLN*	328 599	-
			4 578 599	5 750 000

* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:
as at 31.12.2010: 1 EUR = 3,9603 PLN,
as at 31.12.2011: 1 EUR = 4,4168 PLN.

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.

Table no 47

OTHER BANK GUARANTEES AS AT 31.12.2011

No Bank guarantee drawer	Title	Currency	as at 31.12.2011	as at 31.12.2010
1. HSBC	security for rent liabilities	PLN*	-	77 226
2. ING	security for rent liabilities	PLN*	4 916 827	4 330 956
3. ING	security for rent liabilities	PLN	3 256 360	11 097 958
			8 173 188	15 506 140

* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:
as at 31.12.2010: 1 EUR = 3,9603 PLN,
as at 31.12.2011: 1 EUR = 4,4168 PLN.

<i>Separate financial statements of EUROCASH S.A.</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)		

NOTE 34. COLLATERALS

As at 31.12.2011 the value of collaterals on the Company's assets amounted to PLN 1.389.656.765 A detailed specification is summarized below:

Table no 48

SECURITY ON ASSETS AS AT 31.12.2011

Title	Secured property	Amount secure in PLN
Security for repayment of bank loan	Deposit on shares in companies from Premium Distributors Group	286 425 056
Security for repayment of bank loan	Deposit on shares in companies from Tradis Group	1 070 000 000
ING guarantee for payments to suppliers	Rights of ownership of the inventory	5 000 000
Finance lease agreements	Rights of ownership of the leased property, plant and equipment	28 231 709
Total securings		1 389 656 765

NOTE 35. FINANCIAL RISK MANAGEMENT

a. General information

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

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

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

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

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

<i>Separate financial statements of EUROCASH S.A.</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)		

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

b. Credit risk

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

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

Table no 49

CREDIT RISK EXPOSURE

<i>in PLN thousand</i>	as at 31.12.2011	as at 31.12.2010
Accounts receivable and loans	436 863	325 884
Cash and cash equivalents	199 408	187 259
	636 270	513 143

Trade receivables and other receivables

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

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

- sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk;
- sales of marketing services to suppliers (promotions, newsletters, advertising brochures) are exposed to minor credit risks due to compensations of receivables related to sales of marketing services with payables to suppliers;
- 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.

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

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

Table no 50

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2011

	Trade receivables gross value as at 31.12.2011	Bad debts allowance as at 31.12.2011	Trade receivables gross value as at 31.12.2010	Bad debts allowance as at 31.12.2010
current	323 421 909	-	256 454 494	-
0-30 days	55 339 770	-	23 727 480	-
31-90 days	21 266 209	-	11 792 623	-
91-180 days	8 907 345	-	4 312 823	-
> 180 days	9 259 825	4 848 741	6 539 361	4 948 041
	418 195 058	4 848 741	302 826 782	4 948 041

Separate financial statements of EUROCASH S.A.			
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

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2011

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Opening balance	4 948 041	10 906 854
Increases	-	-
Decreases	(99 300)	(5 958 813)
Closing balance	4 848 741	4 948 041

Investments

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

Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries and for regular key customers. As at 31 December 2011 no receivables related to guarantees granted were recognized.

c. Liquidity risk

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

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

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

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

The Company's sales is realized mainly in cash. Moreover, the Company has a negative balance of overdraft facility and guarantee up to PLN 340m, which can be used to meet its short-term financial requirements. Regular risk management, the Company's position on the market and its financial standing may be a basis for a conclusion that the liquidity risk is minimized.

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):

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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 52

AS AT 31.12.2011

	Net book value	< 12 months	1-5 years	powyżej 5 lat
Financial lease liabilities	26 353 472	6 234 414	18 551 750	1 567 308
Trade and other payables	1 064 456 349	1 064 456 349	-	-
Factoring	32 222 664	32 222 664	-	-
Bank overdrafts	1 457 931 616	689 522 855	768 408 762	-
	2 580 964 102	1 792 436 281	786 960 512	1 567 308

Table no 52 c.d.

AS AT 31.12.2010

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

d. Market risk

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

Currency risk

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

Interest rate risk

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

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

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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 53

VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2011	Present value 31.12.2010
<i>in PLN thousand</i>		
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	26 353	28 520
Floating interest rate instrument		
Financial assets	221 562	211 217
Financial liabilities	1 554 910	497 830

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

Table no 54

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

<i>in PLN thousand</i>	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2011	(13 333)	13 333	-	-
31 December 2010	(2 866)	2 866	-	-

e. Operational risk

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

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

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

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

Separate financial statements of EUROCASH S.A.			
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- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

f. Capital management

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

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

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

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

On 13 June 2011, the General Meeting of Shareholders of Eurocash S.A. decided to dissolve the treasury shares reserve, which was allocated to the Buy-Pack Plan and to transfer funds for this part of reserve capital, which can be distributed among the Shareholders.

Purchased treasury shares in the number of 77.693 was sold to the company's top management.

As at 31 December 2011, Eurocash S.A. does not own treasury shares.

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

g. Fair value

The following table presents fair values versus carrying amounts:

Table no 55

FAIR VALUES

<i>in PLN thousand</i>	Net book value 31.12.2011	Fair value 31.12.2011	Net book value 31.12.2010	Fair value 31.12.2010
Assets	647 136	647 136	522 391	522 391
Trade and other receivables	438 898	438 898	325 884	325 884
Other financial assets	8 830	8 830	9 248	9 248
Cash and cash equivalents	199 408	199 408	187 259	187 259
Liabilities	2 580 964	2 580 964	1 343 455	1 343 455
Credits	1 457 932	1 457 932	398 378	398 378
Financial lease liabilities	26 353	26 353	28 520	28 520
Factoring	32 223	32 223	31 243	31 243
Trade and other payables	1 064 456	1 064 456	885 314	885 314
	(1 933 828)	(1 933 828)	(821 064)	(821 064)

<i>Separate financial statements of EUROCASH S.A.</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)		

Fair value calculation

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

Interest-bearing loans and credits

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

Finance lease

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

Trade and other receivables and payables

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

Cash and cash equivalents

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

NOTE 36. SUBSEQUENT EVENTS

There were no significant subsequent events.

<i>Separate financial statements of EUROCASH S.A.</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)		

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

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

EUROCASH S.A.

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1st JANUARY 2011 TO 31st 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, 30th March 2012

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1. Summary of Eurocash S.A. activities in 2011

2011 was a record year for Eurocash – leading group in FMCG wholesale distribution in Poland. Sales of Eurocash S.A. (“Eurocash”, “Company”) in 2011 reached PLN 5.52 billion, EBITDA amounted to PLN 163.91 million and net profit to PLN 64.79 million.

Eurocash 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 S.A.: Summary of 2011 financial results

PLN million	2011	2010	Change 2011/ 2010
Revenues	5 522,68	5 000,19	10,45%
EBITDA	163,91	144,17	13,70%
(EBITDA %)	2,97%	2,88%	0,08 p.p.
EBIT	110,64	96,36	14,83%
(EBIT %)	2,00%	1,93%	0,08 p.p.
Net profit from continued operations	64,79	63,15	2,59%
(Net profit %)	1,17%	1,26%	-0,09 p.p.

The strong sales growth of Eurocash S.A. in 2011 comparing with 2010 was attributable mainly to organic growth in Cash&Carry and Delikatesy Centrum business units.

2. Eurocash S.A. 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 S.A.: 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.

Tabela 3 Eurocash S.A.: Wholesale distribution 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
Total	133,7	3,50%	129,1	-6,70%	138,4

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 Tytoń S.A., Kolporter Service S.A., and PPHU Specjał Sp. z o.o.

Retail distribution of FMCG products market

According to the estimates of the Central Statistical Office, the value of retails sales in Poland was PLN 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 m². 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 m², often in the form of family owned and operated companies.

Competition on the Polish FMCG products market

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

In the last decade, the gradual equalisation of the market share of both sales channels for the retail sale of FMCG products, i.e. the modern and traditional channels, could be observed. In 1998, entities that were part of the traditional channel had a significant advantage on the market (an 84% share).

Currently, 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 m² in franchise networks, both traditional in nature (being de facto a form of loyalty programmes), as well as modern in nature (strongly binding retailers with their supplier). 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 m².

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 S.A. - overview

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

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

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

Aside from the core business activity indicated above, Eurocash 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.

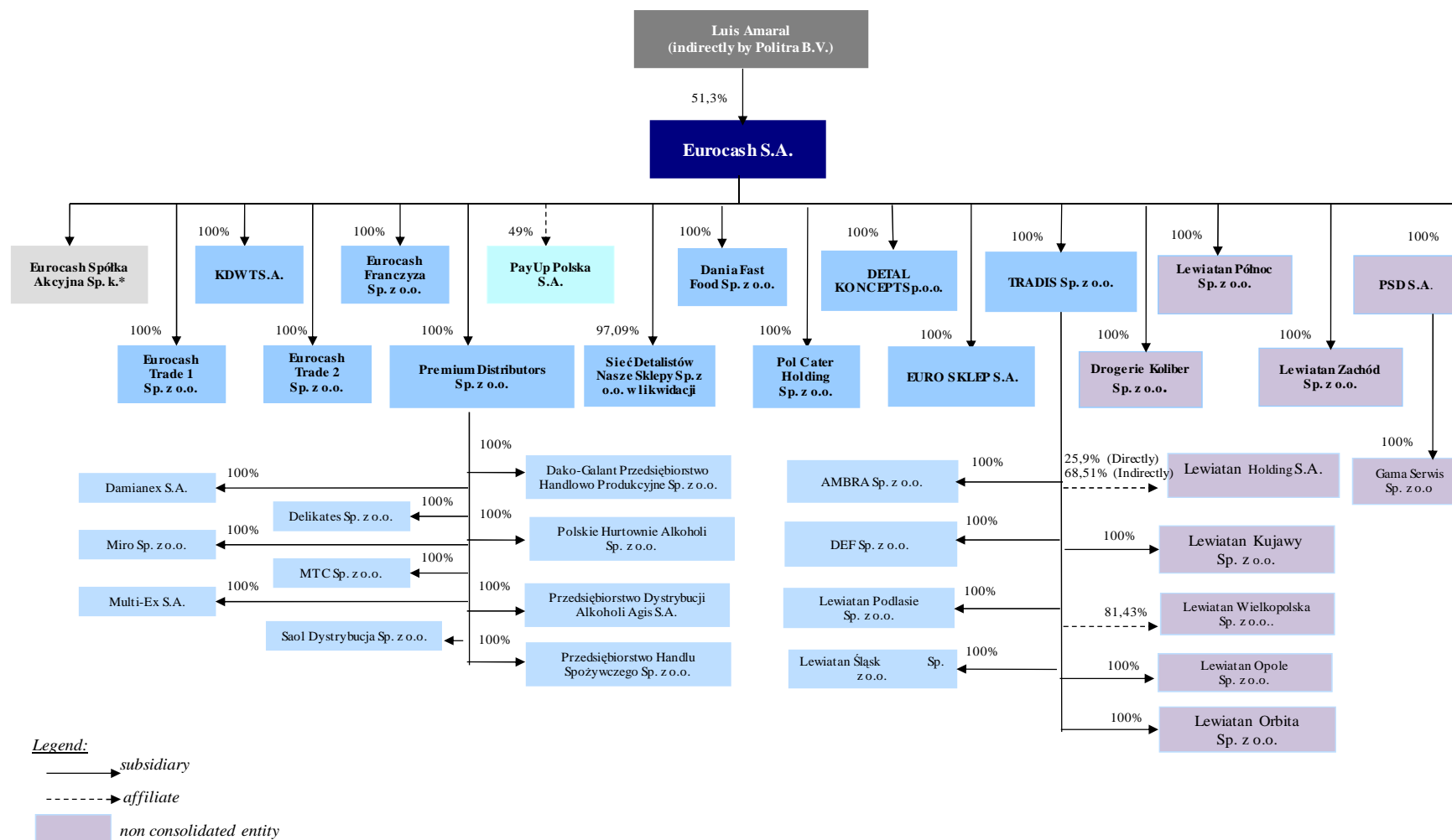
In addition, in relation to the takeover on 21 December 2011 of Tradis Distribution Group, Eurocash Group became the leading, in terms of sales, distributor of food and beverages in Poland. Tradis Distribution Group includes:

- active distribution companies (Tradis sp. z o.o., DEF sp. z o.o., AMBRA sp. z o.o.)
- companies organizing 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.

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 S.A.

The graph below presents the structure of the Eurocash S.A. 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 51,5% of shares as at 31.12.2011. Luis Amaral serves as President the Management Board. Detailed information regarding the Eurocash S.A. organisational structure with emphasis on the full list of entities included in the consolidation process can be found in the paragraph 1.7 in the additional information to the consolidated financial statements for the year ended 31.12.2011.

2.4. Sales structure

In the sale structure of the Eurocash S.A. basic groceries (food and drinks – both alcoholic and non-alcoholic) hold predominant position. In 2011 the share of these products accounted for app. 86.1%, while in 2010 83.5% of the total Group sales figure. Considering the significance, second position belongs to other non-food products (personal and home-care, OTC drugs, pre-paid cards for mobile phones, etc.) with a share of 10% in 2011 and 12.3% in 2010. The tobacco and pre-paid cards and top-ups accounted for 3.9% in 2011 and 4.2% in 2010.

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

Table 4 Eurocash S.A.:Sales structure of the Eurocash S.A. in 2011

	2011	% of total	2010	% of total
	PLN million	%	PLN million	%
Food and drinks	4 755,91	86,1	4 175,16	83,5
Tobacco and mobile phone pre-paid cards and top-ups	212,8	3,9	210,01	4,2
Other*	553,97	10,0	615,02	12,3
Total revenues	5 522,68	100,0	5 000,19	100,0

Source: Eurocash

* Other includes mainly revenues from sales of manufactured products.

2.5. Customers

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

The traditional wholesale segment

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

The active distribution segment

- for clients looking for specialised deliveries of specific product categories:
 - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through KDWT,
 - 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 S.A. 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 as at the indicated dates is presented in the table below.

Table 5 Eurocash S.A.: Number of Cash & Carry Warehouses, Delikatesy Centrum stores and “abc” store network.

	As at 31 December				2011/2010 change	2010/2009 change	2009/2008 change
	2011	2010	2009	2008			
Cash & Carry Warehouses	134/137*	126/129*	117/120*	111	8	9	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 Eurocash in relation to the takeover of Batna in November 2009

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

2.6. Suppliers

Due to the range of products offered by Eurocash S.A. and the geographically diverse sales, Eurocash of the main suppliers of Eurocash is very large and as at 31 December 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 S.A. include alcoholic beverage producers which mainly include Kompania Piwowarska and Grupa Żywiec.

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

3. Eurocash S.A. development perspectives

3.1. Eurocash S.A. development strategy

The primary goal of Eurocash 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 Eurocash for its shareholders. The strategy of the Group is directed toward and follows the client, to whom Eurocash 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 Eurocash's business activity took place in response to the needs of clients operating on the traditional retail trade market for the purpose of reaching a new category of clients or to expand cooperation with current clients. The expansion of Eurocash's business was accompanied by an expansion of the client base as well as the offering of new forms of cooperation, which took place through the takeovers of entities operating in distribution formats, in which Eurocash did not do business or did business on a limited scale

The strategic goals of Eurocash S.A. are:

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

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

3.2.1. External Factors

Growth in the FMCG market and its structure.

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

Inflation.

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

Labour costs.

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

3.2.2. Internal Factors

New business formats

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

Organic expansion

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

- number of Eurocash Cash&Carry stores will increase by app. 6-8 stores, but the final number of new openings will depend from integration process with Tradis
- number of Delikatesy Centrum franchise stores will increase by app. 100 stores,
- in the active distribution format – the actions of KDWT to achieve the growth of sales of impulse products (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 S.A. annual report for 2011. Below we present other significant risk factors related to the operations of Eurocash S.A..

3.3.1. External Factors

Macroeconomic situation. Purchasing power of the population

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

The structure of the FMCG retail distribution market in Poland

In 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 for which small and mid-sized shops located off large agglomerations are the most relevant group of customers. A growth in the share of modern distribution will reduce the potential market of the Eurocash business.

The structure of the traditional FMCG distribution channel. Competition

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

3.3.2. Internal Factors

IT systems

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

New investments

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

Suppliers

Due to the range of products offered by Eurocash S.A. and the geographically diverse sales, the group of the main suppliers of Eurocash is very large and as at 31 December 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, the business activity of Eurocash is not dependent on tobacco product suppliers, therefore the risk, that termination or an unfavourable change of the terms of the agreements for distribution of might have a significant adverse affect Eurocash business and financial results is limited.

3.4. Explanations regarding seasonality

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

4. Management discussion of the financial results of the Eurocash S.A. for 2011

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

2011 was a record year for Eurocash – leading group in FMCG wholesale distribution in Poland. Sales of Eurocash S.A. (“Eurocash”, “Company”) in 2011 reached PLN 5.52 billion, EBITDA amounted to PLN 163.91 million and net profit to PLN 64.79 million.

Eurocash 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 S.A.: Summary of 2011 financial results

PLN million	2011	2010	Change 2011/ 2009
Revenues	5 522,68	5 000,19	10,45%
EBITDA	163,91	144,17	13,70%
(EBITDA %)	2,97%	2,88%	0,08 p.p.
EBIT	110,64	96,36	14,83%
(EBIT %)	2,00%	1,93%	0,08 p.p.
Net profit from continued operations	64,79	63,15	2,59%
(Net profit %)	1,17%	1,26%	-0,09 p.p.

The strong sales growth of Eurocash S.A. in 2011 comparing with 2010 was attributable mainly to organic growth in Cash&Carry and Delikatesy Centrum business units.

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%.

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

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

4.1.1. Cash&Carry stores

- In 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. Eurocash Dystrybucja

- Sales of Eurocash Dystrybucja amounted in 2011 to PLN 601.1m and increased by 27.6%.
- Excluding Pol Cater sales reached PLN 435.9m – 7.4% less than in 2010, which was caused among others by allocation part of the sales to Delikatesy Centrum format, end of contract for supplies to gas stations belonging to Orlen chains and restructuring measures.
- Sales of Pol Cater amounted to PLN 165.0m during the period 1 March 2011 – 31 December 2012.

4.2. Profit and loss account

4.2.1. Sales

Sales revenues increased in 2011 by 10,45% reaching the level of PLN 5 522.68m. Gross profit on sales increased by 0,03 pp to 11.31%. One of the main drivers of this growth was strong growth of sales in Cash&Carry format (16.9%) and Delikatesy Centrum (19.8%).

Table 7 Eurocash S.A.: Sales structure by business units

PLN million	Total sales			External sales *		
	2011	2010	Change %	2011	2010	Change %
Cash&Carry	3 782,6	3 440,8	9,9%	3 558,6	3 043,2	16,9%
Delikatesy Centrum	1 304,2	1 088,5	19,8%	1 304,2	1 088,5	19,8%
Eurocash Dystrybucja**	435,9	470,9	-7,4%	435,9	470,9	-7,4%
Total	5 522,7	5 000,2	10,4%	5 298,6	4 602,6	15,1%

* External sales – outside Eurocash Group

** Excluding Pol Cater sp. z o.o sales.

4.2.2. Profitability analysis

Table 8 Eurocash S.A.: 2011 financial results

PLN m	2011	2010	Change 2011/ 2010
Sales revenues (traded goods, materials)	5 522,68	5 000,19	10,45%
Gross profitability on sales %)	11,23%	11,31%	-0,08 p.p.
EBITDA	163,91	144,17	13,70%
(EBITDA margin %)	2,97%	2,88%	0,08 p.p.
EBIT	110,64	96,36	14,83%
(EBIT margin%)	2,00%	1,93%	0,08 p.p.
Gross profit	71,93	71,12	1,14%
Net income	64,79	63,15	2,59%
Net profitability %	1,17%	1,26%	-0,09 p.p.

Gross profitability on sales decreased by 0,08 percentage points to 11.23%. EBITDA grew by 13.70% and reached level of PLN 163.91m, while net income posted 2.59% growth to PLN 64,79m. Net income in 2011 was additionally affected by costs related with the acquisition of Tradis Distribution Group in amount to PLN 9.26m

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 lower rate of growth in net profit was due to higher depreciation and costs of debt service related with the acquisition of Premium Distributors.

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 S.A.: Structure of assets

PLN m	31.12.2011	%	31.12.2010	%
Fixed assets (long-term)	2 020,18	67,89%	899,23	52,50%
Goodwill	96,02	4,75%	96,02	10,68%
Other intangible fixed assets	31,46	1,56%	36,78	4,09%
Tangible fixed assets	184,19	9,12%	190,80	21,22%
Investments in associated companies	1 655,90	81,97%	554,73	61,69%
Investments in associated companies - equity method	23,71	1,17%	3,46	0,39%
Other long-term financial assets	5,81	0,29%	6,25	0,69%
Long-term receivables	1,88	0,09%	1,80	0,20%
Long-term prepayments	21,20	1,05%	9,38	1,04%
Current assets (short-term)	955,33	32,11%	813,69	47,50%
Inventories	320,13	33,51%	300,78	36,96%
Trade receivables	413,35	43,27%	297,88	36,61%
Current income tax receivables	1,36	0,14%	4,05	0,50%
Other short-term receivables	11,44	1,20%	12,91	1,59%
Short-term financial assets in associated companies	-	0,00%	-	0,00%
Other short-term financial assets	3,02	0,32%	3,00	
Cash and cash equivalents	199,41	20,87%	187,26	23,01%
Short-term prepayments	6,62	0,69%	7,82	0,96%
Total assets	2 975,51	100,00%	1 712,92	100,00%

Table 10 Eurocash S.A.: Structure of liabilities

PLN m	31.12.2011	%	31.12.2010	%
Equity	347,18	11,67%	325,36	18,99%
Share capital	136,98	39,46%	136,43	41,93%
Treasury shares	-	0,00%	(1,12)	-0,34%
Supplementary capital	136,93	39,44%	105,54	32,44%
Capital reserve	-	0,00%	12,88	3,96%
Hedge transactions valuation capital	(4,65)	-1,34%	(4,65)	-1,43%
Retained earnings	77,91	22,44%	76,27	23,44%
Long-term liabilities	789,08	30,02%	340,46	24,54%
Long-term loans and credits	768,41	97,38%	299,89	88,08%
Other long-term financial liabilities	20,12	2,55%	22,52	6,61%
Other long-term liabilities	-	0,00%	0,40	0,12%
Provision for employee benefits	0,55	0,07%	0,50	0,15%
Other long-term provisions	-	0,00%	17,14	5,04%
Short-term liabilities	1 839,25	69,98%	1 047,09	75,46%
Short-term loans and credits	689,52	37,49%	98,48	9,41%
Short-term financial liabilities	38,46	2,09%	37,24	3,56%
Trade liabilities	999,70	54,35%	817,10	78,04%
Current income tax liabilities	-	0,00%	-	0,00%
Other short-term liabilities	64,76	3,52%	67,81	6,48%
Liabilities to employees	23,84	1,30%	11,89	1,14%
Short-term provisions	22,98	1,25%	14,56	1,39%
Liabilities and provisions	2 628,34	88%	1 387,55	81,01%
Total liabilities	2 975,51	100,00%	1 712,92	100,00%

4.3.2. Loan agreements, warranties and collaterals

Loan agreements

- *Loan agreement dated November 21, 2008*

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

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

- *Loan agreement dated 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 S.A. are presented in note No 38 and 39 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 S.A. is provided in additional information to the annual consolidated financial statements in note no 36.

4.5. Eurocash S.A. cash-flow analysis

4.5.1. Cash-flow account

Total cash flow in 2011 amounted to PLN 12.15m., while operating cash flow reached the level of PLN 166.25 – 101.4% 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 S.A.: Cash flow

	PLN m	2011	2010
Operating cash flow		182,49	144,60
<i>Gross profit (loss)</i>		71,93	71,12
<i>Depreciation</i>		53,27	47,81
<i>Change in working capital</i>		52,16	48,97
<i>Other</i>		5,13	(23,30)
Cash flow from investments		(1 152,55)	(449,22)
Cash flow from financing activities		982,21	342,22
Total cash flow		12,15	37,60

4.5.2. Working capital rotation

Table 12 Eurocash S.A.: Consolidated working capital ratios

Turnover in days	2011	2010
1. Inventories turnover	21,16	21,96
2. Trade receivables turnover	27,32	21,74
3. Trade liabilities turnover	74,43	67,25
4. Operating cycle (1+2)	48,48	43,70
5. Cash conversion (4-3)	(25,95)	(23,55)

Working capital cycle amounted to negative 25.99 days, comparing with 23.55 days in 2010.

4.5.3. Evaluation of financial resources management

Eurocash S.A. generates significant positive cash flows from operating activities. All major investments realised in 2011 were financed from own financial resources.

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

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

Analysis of these risk factors was presented In Note 39 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 S.A.: Key investment areas of the Eurocash S.A. 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		0
Total	1.162,1	441,26

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 S.A.

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 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.

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.

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%
SUBTOTAL	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%
TOTAL	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:

- 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;
- assessment of the Management Board's recommendations concerning the distribution of profit or coverage of loss;
- 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).

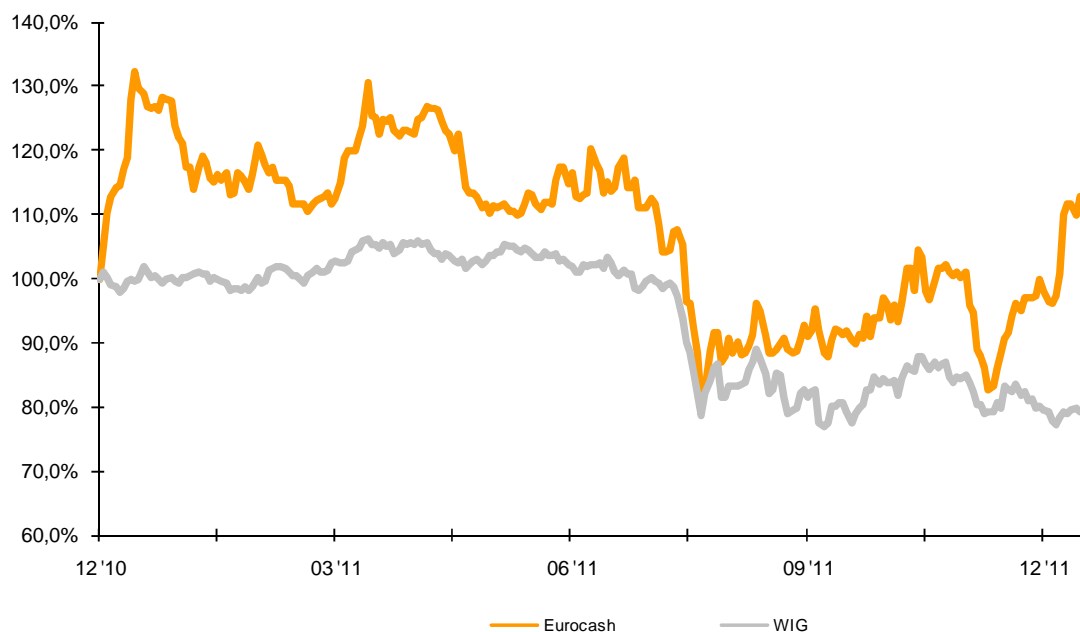
The Company estimates that the cost connected with the valuation of existing incentive schemes (scheme based on series I shares) in 2012 and 2013 will amount to approximately PLN 502 000 per year.

5.16. Eurocash listing on the Warsaw Stock Exchange in 2011¹

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



¹ ¹ 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
Total capital expenditures	596,0	702,0

7. Representations of the Management Board

7.1. Accuracy and reliability of the reports presented

The members of the Management Board of Eurocash S.A. represent that, according to their best knowledge:

- the consolidated annual financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash Group and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash Group in 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	