

# Eurocash Group S.A.

Consolidated Annual Report for 2012





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# part A

REPORT
OF THE MANAGEMENT BOARD

For the period from 1 January 2012 to 31 December 2012

NOTE FROM TRANSLATOR

This document is a translation from Polish.

The Polish original is the binding version and shall be referred to in matters of interpretation.

Komorniki, 27 March 2013

# Contents





Dear Shareholders, Dear Employees, Ladies and gentlemen, Once more I have the privilege to write a short message to all our stakeholders to report how our business performed in 2012. As usual, it was another exciting year in the life of our company.

During this year Eurocash Group became the 2nd biggest food distributor in Poland. Our objective, to consolidate the wholesale FMCG market so as to bring buying power and supply chain efficiencies to the independent grocer, appeared to be no longer a dream – it became a reality. One of the results of the

almost 10 year work of Eurocash Group is that in 2012 traditional retail in Poland grew faster than hypermarkets or supermarkets, second only to the growth of discounters. The small stores segment grew on average 4% in 2012, while hypermarkets and supermarkets declined by 2% and 1% respectively.

In 2012, we started integration of Tradis into Eurocash Group, we had to renegotiate all contracts with suppliers and to define the logistic platform for active distribution. These projects were extremely important to be able to realize the synergies that we estimated before the acquisition.

Within the segment of independent clients, Eurocash Cash&Carry, Premium Distributors and KDWT had a challenging year but they were focused on fighting for their clients every day. Eurocash Cash&Carry chain achieved 148 stores by the year end and grew in total 14% in a segment where main competitors seemed to be struggling. Eurocash Cash&Carry format remains essential to Group strategy not only because of over 5000 abc franchise stores (the chain grew in 2012 by 798 new stores); it is also because of our capacity to serve grocery stores countrywide in every Polish town or village and because of the impressive cash flow generation which this business has maintained for the last 17 years.

Premium Distributors finished the restructuring process and kept working on improvement of margins. KDWT - our impulse products company had another good year winning market share in the tobacco business and maintaining one of the highest profitability levels in this difficult market, which decreased by app. 6% in volume terms in 2012.

Within the segment of integrated clients, Delikatesy Centrum - our most integrated franchise system - grew 13% and opened additional 123 stores. In this format we see significant market share gains and Delikatesy Centrum became a reference in food franchise systems in Poland. The main challenge here will be further acceleration of expansion.

In distribution to HoReCa clients and petrol stations we kept increasing market share by winning most tenders we competed for and thanks to our commitment to quality we supply major fast food chains as well as other big restaurant chains like Amrest or Sphinx.

At year end, due to a worsening macroeconomic environment and slowing private consumption, we also had to deal with a much tougher market in almost all sales formats, but despite this headwind we managed to achieve market expectations.

The macroeconomic situation in 2013 is expected to stay tough, especially during the first half of the year where our main objective will be to increase our market share across all formats. We will be also focused on Tradis integration and development of our new logistic platform with the objective to further increase the competitiveness of our clients.

Il would like to finish with a special word of appreciation to all our employees that exceeded themselves in this year, mainly in the Tradis Group where they made an extra effort to adapt to a completely new culture.

I hope we once more met expectations of our stakeholders and that everyone can see the potential of Eurocash Group to make a difference in Food Distribution business in Poland.

Lin Name Conceite And

Luis Amara

President of the Management Board of Eurocash S.A.



2012 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2012 reached PLN 16 575.78 million, EBITDA was noted at PLN 490.19 million and net profit was noted at PLN 250.38 million.

A strong growth in sales revenues noted by Eurocash Group (+66.08% against 2011) was linked to both the start of consolidating the performance of Tradis Distribution Group as well as to higher sales noted for specific store formats; this was clearly noted for Cash&Carry, with the year-on-year sales percentage value for 2012 at 14.1%.

At 2012 year end, the Eurocash Cash&Carry chain of warehouses totaled 145 outlets while the number of abc franchise stores was 5373. The number of Delikatesy Centrum franchise stores was up by 123 and totaled 773 outlets at 2012 year end. The like-for-like sales growth increased by 9.0% in the Eurocash Cash&Carry format and by 2.0% for wholesale trade to Delikatesy Centrum franchise stores. Retail sales noted by Delikatesy Centrum franchise stores (per constant number of outlets) were up by 5.8% in 2012. External sales of KDWI increased by 4.6%. External sales of Eurocash Dystrybucja format were disclosed at PLN 701,9 million, representing an increase of 16.8% year on year. External sales noted by the Premium Distributors group and included in the profit and loss of Eurocash Group for 2012 totaled PLN 1 951.8m and represented a 1.1% increase against the previous reporting period.

Table 1.
Eurocash Group: Summary of 2012 Financial Performance

Chart 1.
Sales of Eurocash Group between 2011 - 2012 (in PLN m)

PLN million	2012	2011	Change 2012/2011	18 000			5 590	16 576
Revenues from the sales of products,	16 575,78	9 980,60	66,08%	16 000 -				
goods, and materials				14 000 -			_	
EBITDA (EBIT+amortization)	490,19	265,76	84,45%	10.000			_	
(EBITDA %)	2,96%	2,66%	0,30 p.p.	12 000 -	9 981	1 006		
Operating profit - EBIT	376,83	192,96	95,29%	10 000 -	7701	_		
(Operating margin - EBIT %)	2,27%	1,93%	0,34 p.p.	8 000 -				
Net profit on continued operations	250,38	134,39	86,31%	6 000 -				
(Net profit yield %)	1,51%	1,35%	0,16 p.p.	4 000		1 1		
					Sales 2011	EC Group without Tradis	Tradis	Sales 2012

2. Eurocash Group

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EUROCASH GROUP: CAPITAL AND ORGANIZATIONAL LINKS

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The Eurocash Group is one of the largest groups in Poland in terms of sales values and the number of outlets involved in the distribution of food products, household chemicals, alcohol, and tobacco products (i.e. fast moving consumer goods-FMCG.).

Through a range of distribution formats, the Eurocash Group focuses its business activities on the wholesale distribution of products to customers across all significant traditional wholesale market segments, in particular, to traditional retail stores throughout Poland and to the market segment of petrol stations, restaurants, and hotels.

The Eurocash Group employs a range of distribution formats, which primarily include the following:





Delikatesy Centrum

Cash & Carry Warehouses – a nation-wide network of discount Cash & Carry type warehouses which operate under the "Eurocash Cash & Carry" brand, with the loyalty program for the "abc" network of stores operating as a constituent

Leader of Distribution 2012 and the Distributor of the Year 2012 – the biggest polish nationwide distributor of FMCG providing trade of products with service to the client with the broad range of assortment and the highest service level on the market. To the Group belong over 4 000 retail franchise and partner stores under brands: Lewiatan, Groszek, Euro Sklep, Gama.





Eurocash Dystrybucja – supply network for restaurant chains, hotels, and petrol stations as part of Eurocash Dystrybucja and Eurocash Gastronomia, and company Polcater Sp. zo.o.



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



(49% of shares) – 4,800 terminals located in stores across Poland which offer, e.g. mobile top ups, bill payments, and charge card payments



distribution of tobacco products and fast moving consumer goods through KDWT



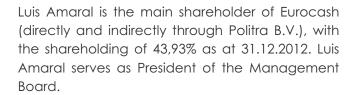
Eurocash Group is the leader on the market in the total value of sales active distributor of food products and drinks to independent retail stores in Poland.

Eurocash Group operates mainly in the territory of Poland.

Sales revenues disclosed by the Group in 2012 totaled PLN 16 575.78 million, EBITDA was noted at PLN 490.19 million, and net profit was noted at PLN 250.38 million.

As a comparison, for the financial year ended 31 December 2011, the Group generated sales revenues of PLN 9 980.60 million, EBITDA at PLN 265.76 million, and net profit at PLN 134.39 million.

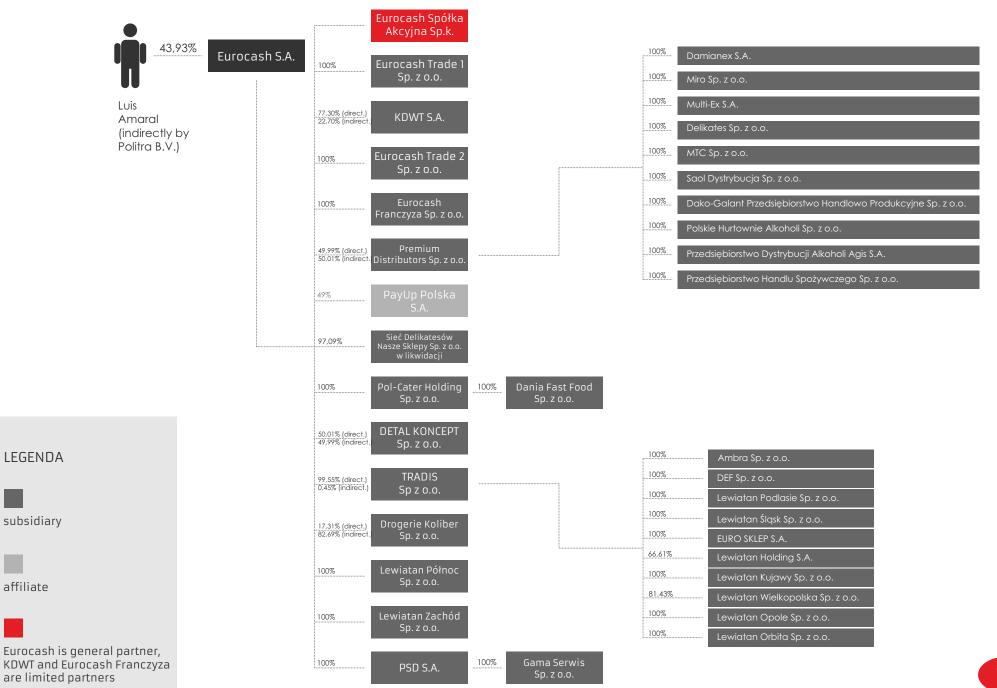
# POWIĄZANIA KAPITAŁOWE I ORGANIZACYJNE W GRUPIE EUROCASH



Detailed information on the Eurocash Group's organizational structure and a specification of entities under consolidation may be found in Supplementary Information to the consolidated financial statements, point 1.7.

The chart on the next page presents the structure of the Eurocash Group and its affiliated companies as at December 31, 2012.

# EUROCASH GROUP: CAPITAL AND ORGANIZATIONAL LINKS



# **EUROCASH LISTING ON WARSAW STOCK EXCHANGE IN 2012\***

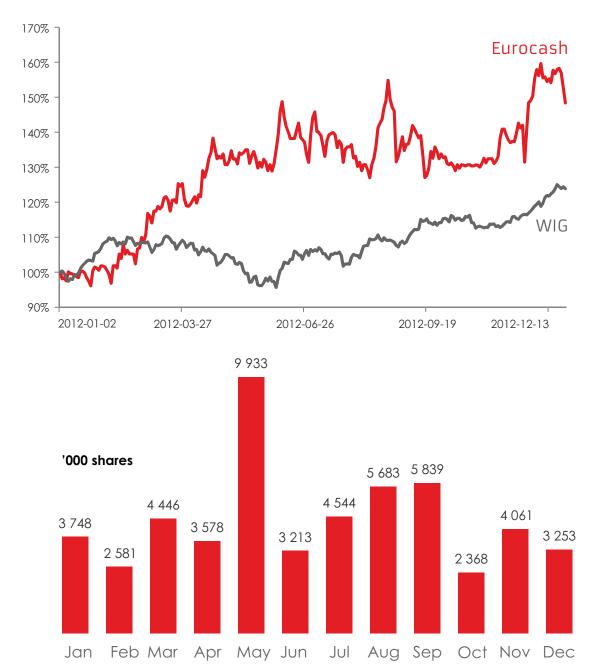


Chart 2.

Eurocash share price performance vs. WIG Index in 2012

Eurocash S.A. debuted on the Warsaw Stock Exchange in May 2005. The shares of the Company are traded on the primary market in a continuous trading system and are a component of the WIG, mWIG 40, WIG-Poland and MSCI Poland Standard Index. On 15th of March 2013 the Company entered into a prestigious WIG20 Index, which accumulate the biggest companies traded on the Warsaw Stock Exchange.

At 2012 year end, the price per share was up 53.1% against the corresponding period in 2011 whereas WIG represented slower growth at 26.2% in 2012. 2012 opened with the price per Eurocash share at PLN 28.54 (closing price as at 31 December 2011) and closed with the price per Eurocash share at PLN 43.70. Average share price in 2012 was PLN 38.10

The chart 3 presents monthly trade volume in 2012.

Chart 3.
Monthly trade volume in 2012

<sup>\*</sup>Share price values are quoted according to closing prices noted on the Warsaw Stock Exchange.

# EUROCASH LISTING ON WARSAW STOCK EXCHANGE IN 2012\*

	J.m.	2010	2011	2012
Number of shares issued	million	136	137	138
Closing price from the last day of trading in the year	PLN	26,01	28,54	43,70
Market value of the Company at year's end	PLN m	3 549	3 909	6 030
Highest closing price in the year	PLN	28,94	34,40	47,00
Lowest closing price in the year	PLN	15,79	21,00	28,30
Average trading volume per session	'000	97	177	214
Dividend paid in the fiscal year from appropriation of profit for the prior year	PLN/share	0,37	0,37	0,18

#### Table 2.

Key share quotation data of the Company on the Warsaw Stock Exchange As at 31 December 2012, company capitalization amounted to PLN 6.03 billion against the value of PLN 3.9 billion noted at the end of 2011.

The average number of Eurocash shares traded daily in 2012 was 214 000. The table 3 presents the key share quotation data of the Company on the Warsaw Stock Exchange between 2010-2012. In 2012, the total trading volume of Eurocash shares was PLN 53.2m. (38,6% of the Company's share capital).

The dividend policy of Eurocash bases on sharing profit with shareholders of the Company. Through the last three years the Company was paying the dividend. In the future Eurocash expects the payment of dividend provided it will not affect negatively the future development of the Company.

<sup>\*</sup>Share price values are quoted according to closing prices noted on the Warsaw Stock Exchange.

# EUROCASH LISTING ON WARSAW STOCK EXCHANGE IN 2012\*

Activity of Eurocash S.A. during last three years is characterized by capital market ratios presented in table 3.

Table 3.
Capital market ratios

		2010	2011	2012
EPS (zł)	Profit for the period/number of shares	0,94	0,98	1,81
P/CE	Price per share/financial surplus per share	0,14	0,14	0,14
P/E	Price per share/earnings per share	27,63	29,09	24,08
MC/S	Market capitalisation/revenues from sales	0,46	0,39	0,36
P/BV	Price per share/book value per share	7,76	11,28	12,63

<sup>\*</sup>Share price values are quoted according to closing prices noted on the Warsaw Stock Exchange.

As at the end of 2012 Eurocash Group employed 12 055 people.

Employment policy concentrated mainly on restructuring processes implemented mainly in Tradis Distribution Group.

At the end of 2012, the largest group of all employees of Eurocash Group were people with secondary education. In terms of age groups, the largest group were employees aged 31 to 40. Slightly smaller Group were employees with the age up to 30, constituting 40% of personnel. Among employees men predominated, accounting for about 66% of Eurocash



Chart 4.
Employment structure by education as at the end of 2012

17% 18% 12% 53% secondary higher primary NDA

Chart 5.
Employment structure by age as at the end of 2012

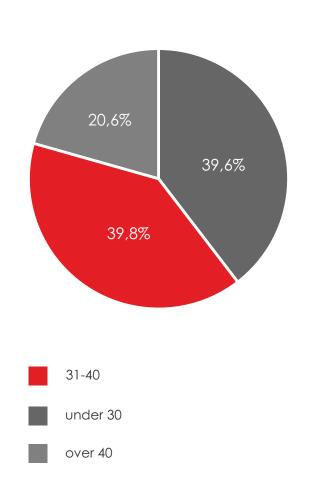
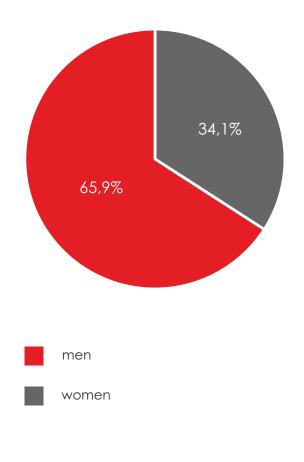


Chart 6.
Employment structure by gender as at the end of 2012



#### **RECRUITMENT POLICY**

Recruiting more than 12 thousands employees, expertise in application processes is one of the key competences of HR team in Eurocash. Recruiting and tools used during the process are strictly suited to the specification of a vacancy, to which a person is applying. The more complex and crucial from the business perspective is a position, the more complex and multistage the application process is. Within the Company such application tools are being used, as: behavioral event interviews, job samples, aptitude tests, psychometric tests and Assessment Centre. The important element of organizational culture in Eurocash is enabling employees to develop. We are convinced that our employees are our biggest capital and that is the reason why in-house recruitment and promotions are connected with every application process.

#### **PERFORMANCE MANAGEMENT**

Execution of the strategy of Eurocash Group require engagement of all employees. Every employee has precise goals and is responsible for fully performing them. Senior Staff and employees of Head Office Departments (ca. 900 people) are involved in performance management in an annual perspective. The element of this process is also 360-degree assessment. Within the assessment employees are getting the feedback on their competences not only from the supervisor but also from subordinates, internal clients and people on parallel positions.

#### PROFESSIONAL DEVELOPMENT AND TRAINING

Taking care of the high level of competences among employees, the Company support up skilling of employees through a range of development forms:

- Introduction Programs for new employees individual or group entry trainings that enable to get familiar with particular business units in the Company and the specific of the position,
- Development in the workplace through executing ambitious task within own position, taking part in team projects, relocation between business units, coaching and supervisor's support,
- Trainings and Conferences increasing the key competences and skills. Selected training programs provide character of the job in particular business units. Employees have also the possibility of gaining knowledge and information about current market trends during national and international conferences,
- Endowment of education different types of education as studies, certificates,
- English Classes endowment, especially when the job requires contact with foreigners.

In 2012 within different types of development almost 2000 people have been trained.

#### **MANAGEMENT PROGRAMS**

Trying to give the chance of a quick development for ambitious, clever, challenging students and graduates, Eurocash Group runs two management programs: Management Trainee "MT" and since 2012 Sales & Operations Trainee "SOT". In 2012 16 members of MT program and 6 members of SOT program have been recruited.

#### **FOR STUDENT**

In 2012 Eurocash Group was supporting skills, passions and talents development of students. The President and Board Members gave series of business lectures on big Polish universities. Furthermore the Company supported financially such initiatives as "Stypendium z Wyboru" (scholarships for students) and a business simulation "Global Management Challenge". Numerous meetings with students, both traditional and virtual, raised the brand recognition of Eurocash and s students' knowledge on FMCG. Additionally during summer holidays, consecutively, the Company accepted interns. 15 students joined for 2 - 3 months offices in Komorniki, Warsaw and Błonie to gain valuable experience, competences and get to know particular business departments and areas.

#### COMMUNICATION

To rationalize the communication of Eurocash Group with clients, shareholders and potential employees in 2012 the new website has been developed. In order for internal communication reinforcement in 2012 quarterly EUROpress has been regularly released. Furthermore strategy of internal communication has been created and will be implemented in 2013.

# KAPITAŁ LUDZKI

#### **SOCIAL BENEFITS**

Eurocash Group provide a range of benefits packages for employees. Most of all endowment to: holidays, rehabilitation programs, holidays of children and youths of employees (organised camp during summer). Thinking of new stars of sport Eurocash support them with financing sport camps.

The Company support also leisure time and sport classes of employees (such as tickets to sport events, access to sports buildings, volleyball, football and bowling programs), Christmas Parties and summer picnics for employees and their families (during 2012 more than 20 000 people took part in summer Eurocash picnics).

#### INCENTIVE SCHEME

Eurocash S.A. operates a range of n incentive schemes for key management personnel of the Parent and the Group companies.

In 2012 The rules of the Incentive Scheme for 2012-2014 were adoptedbased on in Resolution No. 3/2012 of the Extraordinary General Meeting of Eurocash S.A., dated November 26th 2012 concerning the Eighth, Ninth and Tenth Employees Incentive and Reward Schemes for 2012, 2013 and 2014 new Incentive Schemes for the next 3 years were accepted. Under the schemes, eligible persons will be granted options to acquire Company shares on preferential terms set forth in the resolution and in the Rules for the Option Plandescribed in a.n. resolution. The Eligible Persons will comprise members of the Management Board (excluding the President), Company employees and employees of Group companies, on condition they were in an employment relationship with the Parent or its subsidiary or in other legal relationship under which they provided services to the Parent or its subsidiary for a period of at least twelve three months years in the calendar year preceding the year in which the offer to acquire/subscribe for Subscription Warrants is made.since 1st January 2012, 2013 and 2014.

All together Uunder the schemes, 2.55m of shares in 3 tranches 850 thousands shares per each will be granted. Opening each tranche of incentive scheme depend on executing defined EBITDA goals.

EBITDA Goal	Option Excersise Date	Number and Class of Eurocash Shares	Determined Issue Price
PLN 487m in 2012 (goal achieved)	from 1st of February 2015 to 31st of January 2017	850 000 Class M Shares	PLN 38
PLN 565m in 2013	from 1st of February 2016 to 31st of January 2018	850 000 Class N Shares	PLN 38*
PLN 638m in 2014	from 1st of February 2017 to 31st of January 2019	850 000 Class O Shares	PLN 38*

3. Eurocash Group Business Overview

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Due to the fact that the Group does business in Poland, the local macroeconomic environment has had and will have a significant impact on the future financial performance and the Group's development.

The pace of economic growth, household income levels, and other macroeconomic factors have a significant impact on the population's spending levels and the pace of growth in the domestic demand. Likewise, they also indirectly affect the Group's sales revenues.

The table below presents key macroeconomic data for the Polish economy for periods indicated.

Table 5.
Eurocash Group: Macroeconomic situation in Poland

	2012	2011	2010
Real GDP change (in %)	2,0*	4,3	3,9
Consumer price index change (in %)	3,7	4,3	2,6
Registered unemployment** (in %)*	13,4	12,5	12,4

The increase in consumer prices noted in 2012 against the previous year was 3.7% (against the corresponding figure of 4.3% noted in 2011). Fees for food and non-alcoholic beverages represented the most increase by 4.3% while alcoholic beverages prices went up by 4.1%. Categories of prices which had the most significant impact on the consumer price index in 2012 against 2011 included prices of housing, food and non-alcoholic beverages, as well as transportation, which increased the CPI by 1.34 percentage point, 1.05 percentage point and 0.64 percentage point respectively.

According to the Central Statistical Office, main growth categories included housing goods and services, food products and non-alcoholic beverages, alcoholic beverages, tobacco products, education, hotels and restaurants. As at the end of December 2012, the registered unemployment rate increased to 13.4% against 12.5% at 2011 end.

Source: Central Statistical Office

According to initial estimates, Poland's economic growth measured in terms of real GDP growth was 2.0% in 2012 against 4.3% noted in 2011. In 2012, transportation services represented the most rapidly developing sector of the economy, whereas the sector's value added increased by 7.9% year on year against 12.1% noted in 2011. As a comparison, the industry sector recorded the growth of 1.2% while the trade & repairs sector noted an increase of 1.5% in 2012 and construction sector fall down by 0.5%.

<sup>\*</sup> Preliminary data

<sup>\*\*</sup> As at year end

#### POLISH FMCG MARKET

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

In line with data released by GfK Polonia Sp. z o.o., the value of FMCG products in Poland increased by 3% compared with 2011.

#### WHOLESALE DISTRIBUTION OF FMCG MARKET

According to estimates released by the Central Statistical Office, the value of the wholesale market which comprises food products, non-alcoholic beverages, and alcoholic beverages totaled PLN 147.2 billion in 2011, including food products and non-alcoholic beverages represented by PLN 119.7 billion and alcoholic beverages represented by PLN 27.5 billion. It should be noted that, in contrast to data released by GfK Polonia. Ltd., data from the Central Statistical Office concerning wholesale sales are published with a considerable delay and do not itemize the sale of tobacco products, cosmetics and detergents.

Table 6.

Eurocash Group: Wholesale distribution of FMCG Products in Poland

PLN billion	2011	Change $\%$	2010	Change $\%$	2009
Food and non-alcoholic beverages	119,7	10,4%	108,4	5,8%	102,5
Alcoholic beverages	27,5	8,7%	25,3	-5,2%	26,7
Total	147,2	10,1%	133,7	3,5%	129,1

Source: Central Statistical Office

Wholesale distribution of food, alcoholic beverages and non-alcoholic beverages in 2011 was up by 10.1% against the corresponding figure in 2010. In the category of food and non-alcoholic beverages, an increase of 10.4% was noted whereas wholesale distribution of alcoholic beverages decreased by 8.7%.

The dynamic of the wholesale trade of FMCG Products in current prices has been presented on a chart 7.

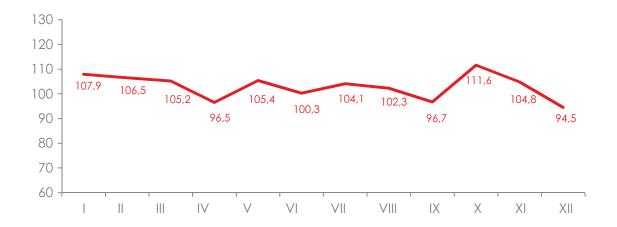
The market for wholesale distribution of FMCG products is primarily geared towards small grocery stores, kiosks, petrol stations, and small catering outlets.

According to GfK Polonia the average number of suppliers delivering small grocery stores went down compared to 2011 and is 8. The market is still dominated by the traditional business profile (sales with delivery and trade credit.

In 2012 Eurocash Group had 20,1% share in the wholesale market of FMCG products. The increase of the Company's market share during past 5 years has been presented on the chart 7.

Chart 7.

Dynamic of the wholesale of FMCG in current prices.



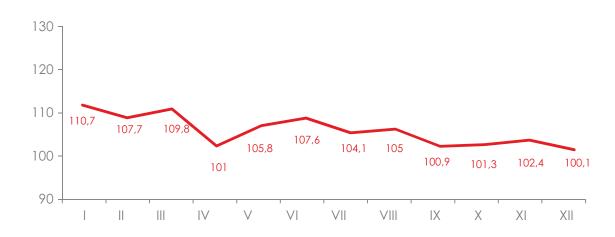
#### MARKET FOR RETAIL DISTRIBUTION OF FMCG PRODUCTS

According to estimates released by the Central Statistical Office, the value of retail sales noted in Poland in 2011 was PLN 646.1 billion. The retail sales of groceries and non-alcoholic beverages totaled PLN 161.0 billion in 2011 (an increase of 3.2% against 2010.) The sales of alcoholic beverages and tobacco products totaled PLN 54.7 billion (an increase of 1.7% against 2010) while the sales of non-food products totaled PLN 408.3 billion (an increase of 12.8% against 2010.) Categories with the largest share in retail sales in 2011 comprised non-food consumer goods (42.8%) as well as groceries and non-alcoholic beverages (24.9%). They were followed by non-consumables (20.4%), alcoholic beverages and tobacco products (8.5%), and in-house products offered by small catering outlets (3.4%).

The dynamic of the retail sale of FMCG products in current prices was presented on chart 8.

Chart 8.

Dynamic of the retail sale of FMCG in current prices



Retail outlets (stores) and small catering outlets are the key distribution channels for FMCG products. According to data released by the Central Statistical Office, nearly 345 thousand retail outlets and 67.4 thousand catering outlets operated in Poland as at the end of 2011. A large percentage share of retail outlets with the floor area up to 99 m2 is a characteristic feature of the Polish domestic retail trade.

Depending on the organizational structure and the floor area, the following distribution channels can be distinguished for retail outlets: (i) a modern distribution channel (which includes hypermarkets, supermarkets, and discount stores), and (ii) a traditional channel which includes retail outlets with the floor area of up to 300 m2, often run as family businesses.

#### COMPETITION ON THE POLISH FMCG MARKET

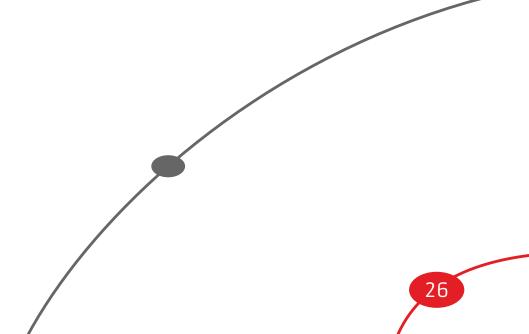
Wholes operations which are players in the FMCG distribution market primarily compete in supplying traditional grocery stores (with the floor area of up to 300 m2), specialized grocery stores (butcher's, bakeries, confectionaries, fruit and vegetable stores, alcoholic beverages stores, and fishmonger's) and so called alternative distribution channels which include kiosks, retail outlets attached to petrol stations, as well as the HoReCa (hotels, restaurants, and catering outlets.)

In the last decade, a gradual leveling off the market share was noted for both FMCG retail sales channels, i.e. the modern and the traditional channel. In 1998, entities designated as traditional channel members enjoyed a significant market advantage (the market share of 84%). Currently, according to estimates released by GfK Polonia, large format stores (supermarkets, hypermarkets and discount stores) represent approximately 53% of major retail channels whereas small format stores -approximately 47%. In the coming years significant role of small format stores in the retail distribution of FMCG is expected.. This is supported by both external conditions (the demographic structure) as well as internal conditions (which mainly consist of consolidation and modernization mechanisms which facilitate effective competition with large format outlets.) Pooling stores with floor areas of up to 300 m2 into partner and franchise networks - both traditional in nature which are a form of loyalty programs as well as modern oneswith high level of integration of retail and wholesale. According to Eurocash, there is no evidence that the role of traditional retail trade will continue to dramatically diminish in the coming years. This is supported by both external conditions (the demographic structure) as well as internal conditions (which mainly consist of consolidation and modernization mechanisms which facilitate effective competition with large format outlets.) Pooling stores with floor areas of up to 300 m2 into franchise networks - both traditional in nature (which are in fact a form of loyalty programs) as well as modern ones (which tie retailers strongly to their supplier) a manifestation of this trend. According to estimates released by GfK Polonia, the total number of retail outlets associated in 20 largest networks was approximately 22 thousand in 2012. At the same time, the traditional channel is subject to rather considerable changes in terms of numbers, especially for the smallest outlets with the floor area of up to 100 square meters.

#### POLISH FMCG MARKET TRENDS

As of 1995, progressive and initially very rapid (due to the number of competitors) consolidation of the FMCG wholesale distribution market has been noted. The last decade saw a reduction in the number of wholesale businesses involved in the sales of FMCG products down to approximately 4,000 entities noted in 2010 (against 6,000 in 2004 and 5,000 in 2006.)

The Company anticipates that the coming years may bring further market consolidation (both wholesale and retail) which may result in a further reduction in the number of competing entities.



# **SALES MIX**

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2012, the share of these products accounted for approximately 79.1% of the total sales figure against 68.1% noted in 2011. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of 17.0 in 2012 against 24.1% noted in 2011. The share of other non-food products (including cosmetics, household chemicals, OTC drugs, and others) accounted for 3.9% in 2012 against 7.8% noted in 2011.

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

Table 7.

Grupa Eurocash:

Sales Mix of Eurocash Group in 2012 and 2011 by Key Categories

	20	12	2011	
	Amount PLN million	% share	Amount PLN million	% share
Food and beverages	13 111,44	79,1	6 797,11	68,1
Tobacco and mobile phone pre-paid cards and top-ups	2 817,88	17,0	2 401,90	24,1
Others*	646,46	3,9	781,58	7,8
Przychody ze sprzedaży razem	16 575,78	100,0	9 980,60	100,0

<sup>\*</sup> Mainly chemical articles

Source: Eurocash

### Chart 8.

Others\*

Sales mix of Eurocash Group



2

# **CUSTOMERS**

The Group offers its customers a range of cooperation options through specific distribution formats as under the following segments:

#### Traditional wholesale segment

- for small and medium retail stores looking to be supplied with FMCG products whereby an
  appropriate level of profitability in the adjacency of their business location is ensured without
  the need for product deliveries Cash & Carry warehouses and the loyalty program of stores
  which comprise the 'abc' network
- for retail stores looking for the comprehensive delivery of products the Delikatesy Centrum franchise network

#### **Active distribution segment**

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

As at 31 December 2012, the wholesale network of Eurocash Group comprised 145 Cash & Carry Warehouses and 3 Batna warehouses, the Delikatesy Centrum network comprised 773 supermarkets, while the 'abc' network comprised 5 451 local grocery stores and number of stores associated in networks managed by Tradis was 4140.

Information on the number of Cash & Carry Warehouses, Delikatesy Centrum stores, 'abc' store network and stores associated in Tradis is presented in the table below as at specified dates.

Table 8.

Number of warehouses and franchise netowrks
by formats

	As at 31 December				Change	Change	Change
	2012	2011	2010	2009	2012/2011	2011/2010	2010/2009
Cash & Carry Warehouses	148	137	129	120	11	8	9
Delikatesy Centrum	773	650	561	466	123	89	95
"abc" store network	5451	4652	3990	3424	799	662	566
Franchise and partner stores of Tradis	4140	4114	4189	3877	26	-75	312

Source: Eurocash

# **CUSTOMERS**

Within integration of Tradis Distribution Group, in 2012 17 of warehouses were acquired by Eurocash Cash & Carry. In 12 locations acquisitions did not have an influence on the final number of existing C&C warehouses. 2 acquired warehouses are the second warehouse in the location and 3 warehouses constituted the new location for Eurocash.

In light of high sales fragmentation, no buyer of goods from the Eurocash Group generates 10% of the total sales revenue by value as generated by the Eurocash Group.



# **SUPPLIERS**

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31 December 2012 comprised over 1000 entities.

Suppliers of branded products, comprised of key producers and importers of FMCG merchandise including tobacco products and alcoholic beverages, are selected mainly based on their market share, impact of the brand, the coverage of individual product segments, and regional diversification.

Main suppliers of the Eurocash Group primarily include cigarette producers: Philip Morris, British American Tobacco, Imperial Tobacco, and alcoholic beverages producers, such as i.e. mainly Kompania Piwowarska, Grupa Żywiec Group, and the CEDC Group and Stock Polska. (Polmos Białystok, Bols, PWW, and Carey Agri.)

Despite significant trading with the above-mentioned suppliers, the Eurocash Group has no suppliers whose share would represent 10% of the Eurocash Group's total procurements.



# ENVIRONMENTAL PROTECTION

#### FOOD SAFETY POLICY BASED ON ISO 22000:2006 STANDARD

The Group implemented and developed Management System compatible with ISO 22000:2006, that guarantees deliveries in line with expectations of clients, basic food safety rules and based on expertise knowledge and experience of employees. Furthermore, to satisfy the highest expectations of its clients Eurocash implemented International Food Standards (IFS) in Distribution Centers in Błonie and Czeladź

#### **WASTE RECYCLING**

Eurocash introduced waste recycling system minimizing the negative influence of the Company on the environment. In every Cash&Carry warehouse there is a trash compactor that increase the effectiveness of the floor space in a stockroom and cars transporting trashes. Specialized companies, that weight and recycle trashes, regularly pick waste up from every C&C warehouse. Number of waste, in order for optimization, is being monitored every month. Also glass, scrap metal, printing toner, used electric and electronic devices are being sorted from waste. Moreover in every warehouse there are boxes for batteries that allows clients to get rid of waste in an environmental friendly way. Number of this kind of waste is being monitored at least once a year.

#### TRANSPORT OPTIMIZATION AND FUMES REDUCTION

Eurocash Group uses a modern logistic system that allows for a rational usage of transport and limit the influence of lorries on the environment. Eurocash monitors systematically routes and plan them in the most effective way. Lorries transport products to different final places at once, which allows to maximal optimization of loading surface of lorries. The Company uses external transport companies, which because of their scale of operations are able to optimize routes. Lorries are not doing the way back totally empty but the transport company may use their cars to realize orders from other companies. This policy allows to significant reduction of fumes emission. What is more employees of Eurocash with company cars have limits of fuel usage per car assigned. Fleet Management Department is taking care of company cars taking steps in order to reduce fuel emission by identifying and eliminating the problems.

# CSR POLICY

#### THINKING OF YOUTHS

Since 2009 Eurocash became a member of a Partners Club by the University of Economics in Poznań. Within the club, the management board of Eurocash give lectures for students of the University. Beside lectures students can take part in workshops developing their soft skills "Skocz po sukces" organised by HR Department of Eurocash.

#### SOCIAL ACTION REALISED BY EUROCASH CASH & CARRY

Cash&Carry warehouses are located all over the country but mostly in medium and small size localities. Supervisors of warehouses, having the information of local needs, initiatives and projects, are helping communities by getting involved in different types of social events and outreaching. This kind of support are food parcels for local social institutions.

#### EUROCASH FRANCZYZA AS A CENTRE OF THE LOCAL SOCIETY

In addition to technical support of franchisees, which is delivery of products in the lowest price possible and taking care of marketing sphere of separate franchise networks, Eurocash Franczyza supports also social initiatives of franchisees. Support for orphanages, fire brigades, mercy dashes, food raising. Also events that are important for locals such as Day of the City are not being neglected by Eurocash. As a Centre of the Local Society our franchise networks have a positive impact on a wide group of clients.

#### 1% OF TAX FOR NEEDED

Eurocash enabled employees intercommunication in the topic of the most needed. The company's intranet is being used to that. Everyone who has a person in the nearest surroundings, family, amongst acquaintances that is in a real need of financial support can send an information that is later on posted in a special section in intranet. Thus every of employees can help the most neede by giving 1% of tax for needed.

# **CSR POLICY**

#### **EUROCASH ACADEMY OF SKILLS**

Being a partner on independent retail stores Eurocash created the Academy of Skills, that allows our franchisees to broaden their skills and competences of running a retail store. Academy combines of trainings, research of their effectiveness and motivational system for franchisees. Owners of stores and their employees are getting an access to expert knowledge and skills on the highest level. This is a significant step on their way to develop and professionalize crucial in today's retail in Poland. In the offer of the academy there are workshops from i.a.: managing the finance of the store, team management, pricing and advertisement policy, quality of products and proper storage of products. The project is being realized via an e-learning platform. Functioning the Mystery Shopper in our franchise networks helps us to verify and assess effectiveness of trainings from the Academy of Skills. As a first franchisor on a Polish market, Eurocash award indirectly employees of its stores for the best results in Mystery Shopper questionnaire and execution of educational courses.



# AWARDS AND HONORS

Rzeczpospolita Ranking – 500 List – **15 position** 

List of 500 biggest companies in CEE – **54 position** 

 $16^{th}$  of November 2012 during the Gala in the Royal Castle in Warsaw, the Group was honored  $2^{nd}$  time by the Institute of Economics of the Polish Academy of Sciences with **the Pearls of the Polish Economy** title.

15<sup>th</sup> of October 2012 - **Award of Food Market 2012** in the category of the **Food Market Leader** for acquiring Tradis Distribution Group and building the biggest wholesale distribution group in Poland.

24<sup>th</sup> of May 2012 – **Golden Receipt** in the category of the **Leader in distribution of FMCG**. The Group received the award 2<sup>nd</sup> time, this time thanks to Tradis Distribution Group. The winners were selected by the Polish merchants in a national questionnaire organised by the Hurt&Detal (Wholesale &Retail) magazine.

24<sup>th</sup> of May 2012 **2<sup>nd</sup> position** in V Championship of Companies Rescue Teams **"Safe Company 2012"**. Giving the certificate of hgh qualification of employees of Occupational Safety and Health Department. In the championship took part all leader companies on Polish market.

20<sup>th</sup> of March 2012 – Award the **Distributor of the Year 2012** for Tradis Distribution Group in a contest organised by "Wiadomości Handlowe" magazine. Additionally amongst award-winners of the "Supermarket of the Year" plebiscite were also following franchise networks, that belong to the Group: Delikatesy Centrum, Eurosklep, Groszek and Lewiatan.

# INVESTORS RELATIONS

Eurocash S.A. takes care over the quality of performed information policy. Communication with the investors' environment is being executed through mandatory actions i.e. through current and periodical reports, participation in numerous investors' conferences, road shows and meetings with analysts and portfolio managers.

Investors Relations Department discusses data and information released by the Company in form of current or periodical reports as well as gives information on the operating activity of Eurocash that may affect the market.

In 2012 the Management Board and representatives of IR Department of Eurocash took part in numerous conferences and road shows with investors from Poland and main financial hubs of Europe and North America.

While releasing consolidated periodical financial statements of the Company, teleconferences for analysts and portfolio managers from all over the world are being organised. During this conferences members of the Management Board of Eurocash discuss on released financial results and present the key performances in particular periods.

Useful instrument in the process of communication with investors is the website of the Company. At the beginning of 2013 the new version of the website with friendly and clear IR's interface has been released. The website is being updated with all important information. For the convenience of investors in Investor Relations online service contains information i.a. about market quotations, shareholder's structure, selected financial data, dividend policy, General Meetings, recommendations and analysts of Eurocash S.A. The website has been also fortified with chart generator of financial results and portfolio manager.

4. Eurocash Group Development Prospects

EUROCASH GROUP DEVELOPMENT STRATEGY

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DEVELOPMENT OF EUROCASH GROUP

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## EUROCASH GROUP DEVELOPMENT STRATEGY

The primary goal of the Group is to ensure the competitiveness of independent retail stores in Poland and to offer added value to the Group's customers as well as to increase the value of the Group for its shareholders. The strategy of the Group is focused on and follows the customer who is the addressee of the Group's offer to enter into a range of cooperation options through specific distribution channel formats:

- for small and medium retail stores looking to be supplied with FMCG products whereby an appropriate level of profitability in the adjacency of their business location is ensured without the need for product deliveries Cash & Carry warehouses and the loyalty program of stores which comprise the 'abc' network
- for small and medium retail stores looking for FMCG product supplies and support in running retail operations whereby an appropriate level of profitability is ensured warehouses of Tradis Distribution Group and partner programs 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 customers looking for specialized deliveries of specific product categories, e.g.:
  - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through KDWT
  - alcoholic beverages distribution of alcoholic beverages through Premium Distributors, and
  - restaurant chains, hotel chains, and petrol station chains looking for the comprehensive delivery of specific products as well as high service quality – distribution under Eurocash Dystrybucja, Pol Cater, and Tradis

The expansion of the Group's business operations took place in response to the needs of customers who operated in the traditional retail market in order to reach a new customer group or to expand cooperation with current customers. The expansion of the Group's business was accompanied by growing the customer base as well as adding new forms of cooperation to the offer, which took place through takeovers of entities which operated in distribution formats where the Group had not been present or had had a limited business presence.

#### STRATEGIC GOALS OF THE EUROCASH GROUP ARE AS FOLLOWS:

- satisfy the needs of the Group's customers across key product groups through a range of distribution formats and forms of cooperation as well as by ensuring that customers receive an expected service quality
- create a permanent competitive advantage for the Group through scale economies available in wholesale business operations run by the large format business players, and
- further integrate operating systems and regularly optimize costs

In response to an ongoing consolidation process noted in the market for food products distribution in Poland, including the market for the wholesale distribution of FMCG products in Poland, the strategy of the Eurocash Group also assumes further organic growth across every distribution format as well as the continuation of takeovers of other wholesalers and franchise networks. Transactions concerning acquisitions of other entities allow to generate scale economies relatively fast, which translates into the possibility for Group to offer its customers (independent retail trade) better conditions of goods procurement, which should also help increase the Group's competitiveness and enhance its market position.

## FACTORS IMPACTING DEVELOPMENT OF EUROCASH GROUP

#### **EXTERNAL FACTORS**

## NTERNAL FACTORS

#### GROWTH IN THE FMCG MARKET AND CHANGES IN MARKET STRUCTURE

The Group anticipates further growth of share in modern distribution channels, however, its adverse impact on Company's income will be compensated by the growth of the FMCG market value as well as by the consolidation in the wholesale market to traditional wholesale sales channels.

#### **FUEL PRICES**

As the substantial share of disposal costs comprise the costs of logistics, which depend strongly on fuel prices, significant fluctuations in this category may have an impact on the Group's performance.

#### **PAYROLL COSTS**

A potential stress on payroll costs may have an adverse effect on the Group's performance in the medium term perspective. However, a prospective increase in remuneration levels has an effect on the entire Polish market. As the Group sales are realized in Poland, its competitive position should remain unchanged due to this influence.

#### ï

#### **NEW BUSINESS FORMATS**

Development of new formats for wholesale distribution or new franchise formats for retail stores in order to offer a complete range to the customers of the Eurocash Group and to achieve economies of scale.

#### **ORGANIC GROWTH**

Management of the Eurocash Group expects that during 2013:

- The number of Eurocash Cash&Carry stores will increase by approximately 6-8 outlets, however, the final number of new openings will depend on the integration with Tradis Distribution Group
- The number of Delikatesy Centrum franchise stores will increase by approximately 120 outlets

#### INTEGRATION OF PREMIUM DISTRIBUTORS AND POL CATER

Due to the requirement for an integration of Tradis Distribution Group, Premium Distributors and Pol Cater businesses at the operating level, the Management Board of Eurocash believes that full synergy benefits resulting from these transactions may be achieved within 3 years as of assuming control over the businesses.

## RISKS AND THREATS

Financial risks are discussed in Note 38 to the consolidated financial statements for 2012, which constitute a part of the Eurocash Group's annual report for 2012. Other significant risk factors related to the operations of the Eurocash Group S.A. are presented below.

#### **EXTERNAL FACTORS**

#### MACROECONOMIC SITUATION, PURCHASING POWER OF THE POPULATION

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

#### STRUCTURE OF FMCG RETAIL DISTRIBUTION MARKET IN POLAND

In 2012, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of approx. 50%. Such a high share (against other European countries) results from a low concentration of population in a country as well as from poor housing conditions as small and medium-size shops located away from large conglomerates comprise the key customer group for Eurocash. Growth in the share of modern distribution will shrink a prospective market for the Eurocash Group's business.

#### STRUCTURE OF THE TRADITIONAL FMCG DISTRIBUTION CHANNEL. COMPETITION

According to the estimates compiled by the Eurocash Group, approx. 4,000 entities operate in the wholesale FMCG distribution market. Market consolidation and an entry of new strong players could have a negative impact on margin levels.

#### **INTERNAL FACTORS**

#### **IT SYSTEMS**

An efficient, uniform IT system facilitates a centralized and efficient management of business processes as well as an accurate profitability study of specific products and discount stores, which enhances safe business operations. Possible disturbances in system operations could constitute a threat for the Group's business.

#### **NEW INVESTMENTS**

The Eurocash Group wishes to be an active player in the process of market consolidation by way of acquiring FMCG warehouses. While taking over other enterprises, the Group faces numerous material risks connected to integration, achievement of synergies planned, or an inadequate assessment of the market potential.

#### **SUPPLIERS**

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31 December 2012 comprised over 1000 entities.

Suppliers of branded products, comprised of key producers and importers of FMCG merchandise including tobacco products and alcoholic beverages, are selected mainly based on their market share, impact of the brand, the coverage of individual product segments, and regional diversification.

Due the nature of the FMCG market, as well as market competitiveness and lower sales volumes noted for tobacco products in Poland, the Group's operations does not depend on suppliers, as a result of which the risk related to contract termination or adverse changes in contractual terms could have a negative effect on business operations of Eurocash and its financial performance is limited.

## NOTE ON SEASONALITY

Sales in FMCG wholesale trade are traditionally lower in Q1 against the remaining quarters. Sales peak in the summer period and stabilize in the Q4.



5.
MANAGEMENT DISCUSSION
OF EUROCASH GROUP
FINANCIAL PERFORMANCE FOR 2012

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## PRINCIPLES APPLIED IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Parent's consolidated financial statements have been prepared in accordance with the international Financial Reporting Standards, as endorsed by the European Union and on the understanding of continuation of operations by companies within the Group in the foreseeable future. At the date of preparing the financial statement there were no conditions indicating risks in continuation of operation by the Company.

Accounting policy used to prepare financial statement was presented in a point 2 of the consolidated financial statement of Eurocash Group for the FY2012 and was applied to all periods presented in the financial statement.

## EUROCASH GROUP: FINANCIAL AND OPERATIONAL HIGHLIGHTS

2012 was a record year for Eurocash. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2012 reached PLN 16 575.78 million, EBITDA was noted at PLN 490.19 million and net profit was noted at PLN 250.38 million.

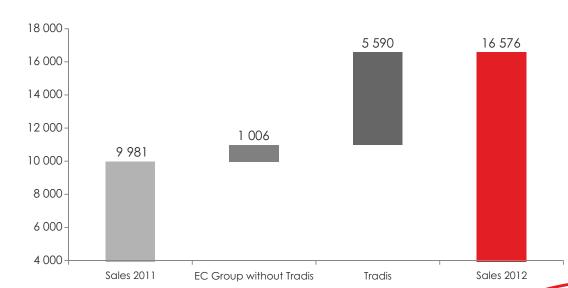
A strong growth in sales revenues noted by Eurocash Group (+66.08% against 2011) was linked to both the start of consolidating the performance of Tradis Distribution Group as well as to higher sales noted for specific store formats; this was clearly noted for Cash&Carry, with the year-on-year sales percentage value for 2012 at 14.1%.

At 2012 year end, the Eurocash Cash&Carry chain of warehouses totaled 145 outlets while the number of abc franchise stores was 5373. The number of Delikatesy Centrum franchise stores was up by 123 and totaled 773 outlets at 2012 year end. The like-for-like sales growth increased by 9.0% in the Eurocash Cash&Carry format and by 2.0% for wholesale trade to Delikatesy Centrum franchise stores. Retail sales noted by Delikatesy Centrum franchise stores (per constant number of outlets) were up by 5.8% in 2012. External sales of KDWT increased by 4.6%. External sales of Eurocash Dystrybucja format were disclosed at PLN 701,9 million, representing an increase of 16.8% year on year. External sales noted by the Premium Distributors group and included in the profit and loss of Eurocash Group for 2012 totaled PLN 1 951.8m and represented a 1.1% increase against the previous reporting period.

Table 9.
Eurocash Group: Summary of 2012 Financial Performance

2012 2011 Change **PLN** million 2012/2011 16 575.78 9 980,60 66,08% Revenues from the sales of products, goods, and materials EBITDA (EBIT+amortization) 490,19 265,76 84,45% 2.96% 2.66% 0,30 p.p. (EBITDA %) Operating profit - EBIT 376,83 192,96 95,29% (Operating margin - EBIT %) 2,27% 1.93% 0,34 p.p. Net profit on continued operations 250,38 134,39 86,31% 1,51% (Net profit yield %) 1.35% 0,16 p.p.

Chart 10.
Sales of Eurocash Group between 2011 - 2012 (in PLN m)



## EUROCASH GROUP: FINANCIAL AND OPERATIONAL HIGHLIGHTS



#### Cash&Carry Warehouses

External sales in Eurocash Cash&Carry stores in 2012 was noted at PLN 4 075.9m representing an increase of 14.5% y/y

LFL sales growth (per constant number of discount stores) in Eurocash Cash&Carry stores was noted at 9.0%.

LFL sales growth in Eurocash Cash&Carry stores noted in 2012 and excluding tobacco products and phone cards was 10.2%.

The number of Eurocash Cash&Carry stores was 148 (including Batna) at the end of 2012.

The number of 'abc' stores was 5 451 at the end of 2012.

In 2012, the share of 'abc' stores in the total sales recorded by Eurocash Cash&Carry discount stores was 50.9%

Sales to 'abc' stores increased in 2012 by 20.5%

Average sales per 'abc' store in 2012 reached PLN 96 152 and increased by 1.5%



#### Eurocash Dystrybucja

In 2012, sales of Eurocash Dystrybucja were noted at PLN 701.9m and represented an increase of 16.8% on the previous year.



#### "Delikatesy Centrum"

Wholesale noted by Eurocash S.A. from "Delikatesy Centrum" Distribution Centers in 2012 was PLN 1 475,5m representing an increase of 13.1% year on year.

LFL growth of wholesale noted by Eurocash to the Delikatesy Centrum network in 2012 was 2.0%.

LFL growth of retail sales noted by the Delikatesy Centrum network in 2012 was 5.8%.

The number of Delikatesy Centrum franchise stores was 773 at the end of 2012.



#### **Alcohol Distribution**

In 2012, sales of Eurocash Dystrybucja were noted at PLN 701.9m and represented an increase of 16.8% on the previous year.



#### Cigarettes and Impulse Products

External sales in KDWT in 2012 were noted at PLN 2 638.4m and represented an increase of 4.6% y/y.

Growth of sales in the food category in 2012 was noted at 6.9% against 2011.

As of the end of 2012, the number of KDWT outlets comprised of 130 sub-branches and 2 distribution centers.



#### Tradis Distribution Group

External sales of Tradis active distribution companies in 2012 were noted at PLN 5 589.3 million and represented 34% of the Group sale.

Of total sales noted by the Tradis distribution companies, 88.9% was generated in the active distribution format (including 8.9% to petrol stations) whereas 11.1% in the cash&carry format.

As of the end of 2012, Tradis active distribution companies operated 51 regional warehouses and 8 distribution centers with the total warehousing area of 242 890,81 square meters.

The number of franchise or partner stores associated in networks managed by Tradis franchise companies is presented below:

## EUROCASH GROUP: FINANCIAL AND OPERATIONAL HIGHLIGHTS

## **Number of stores**

Name of chain/ operating company	31.12.2012	31.12.2011	Change 2012/2011
Groszek	1 114	1 012	102
Milea*	14	90	-76
Euro Sklep S.A.	561	613	-52
Lewiatan**	1 777	1781	-4

Table 10.

Number of Stores Operating as part of
Connected Franchise Tradis Distribution Group Networks

Table 11.
Number of Stores Co-operating as part of
Retail Partnership Service

	31.12.2012	31.12.2011	Zmiana 2012/2011
Number of cooperating Consumer Cooperatives	72	61	11
Number of stores	602	557	45

<sup>\*</sup> Rights to use Milea trademark expire on 21 June 2013
\*\* Partner stores managed by franchise companies of Tradis Distribution Group

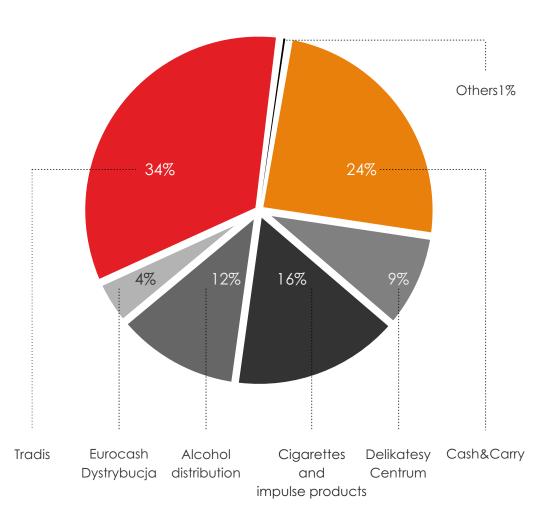
## PROFIT AND LOSS ACCOUNT

Table 12. Eurocash Group: Sales Mix by Distribution Formats in 2012.

**External Sales** Change % mln zł 2012 2011 Cash&Carry 3 558.6 14.5 4 075.9 Delikatesy Centrum 1 475,5 1 304,2 13,1 Cigarettes and impulse products 2 638,4 2 523,0 4,6 Alcohol distribution 1,1 1 951.8 1 931.0 Eurocash Dystrybucja 701.9 16,8 600,9 Tradis 5 589,3 Others 143,0 63,0 126,9 16 575,8 9 980,6 Total 66,1

In 2012, consolidated sales revenues earned by the Eurocash Group increased by 66.1%, disclosing the figure of PLN 16 575.78m. One of the main drivers was a strong growth of sales in the Cash&Carry format (14.5%), Delikatesy Centrum (13.1%) and KDWT (16.8%).

Chart 11. Sales of the Group per distribution format



## PROFIT AND LOSS ACCOUNT

PLN m	2012	2011	Change 2012/2011
Revenues from sales of goods, services, and materials	16 575,78	9 980,60	66,08%
Gross profit (loss) on sales	1 790,75	988,36	81,18%
Gross profitability on sales (%)	10,80%	9,90%	0,90 p.p.
EBITDA (EBIT + amortization)	490,19	265,76	84,45%
(EBITDA margin %)	2,96%	2,66%	0,30 p.p
EBIT Operating profit	376,83	192,96	95,29%
(EBIT operating margin %)	2,27%	1,93%	0,34 p.p.
Gross profit	282,46	150,99	87,07%
Net Income	250,38	134,39	86,31%
(Net profitability %)	1,51%	1,35%	0,16 p.p.
Net debt/EBITDA	1,6	4,7	-3,1

Table 13.

Eurocash Group: Financial Performance for 2011 - 2012

Consolidated gross margin increased in 2012 by 0.90 p.p. and amounted to 10,80%. Two main factors impacted the gross margin in 2012:

- Realization of buying synergies following from acquisition of Tradis
- Change in margin mix, as after consolidation of Tradis Group share of low margin product categories (e.g. tobacco) decreased in total group sales.

EBITDA grew in 2012 84.45% up to 490.19. Main factor of EBITDA growth in Eurocash Group was including a result generated by Tradis Group and realization of buying synergies.

Net profit in 2012 amounted to PLN 250.38m, 86.31% more than in 2011. Level of net income was influenced among others by financial expenses (PLN 83.4m in 2012) related to debt financing acquisition of the Tradis Distribution Group and amortization of databases of customers in acquired companies (goodwill related) which in full year basis amounted to PLN 18.1m in 2012.

Below we present result analysis by operation segments presented in Note 3 of consolidated financial statements. In 2012, segment "Independent clients" without allocation of HQ costs realised EBIT of PLN 152.3m comparing with PLN 149.9m in 2011. The result of this segment is being influenced also by increase of costs of trademarks leased within Eurocash Group (increase by PLN 3.2 m comparing with 2011), which are recognized in the Segment "Other". Also the growth in "Integrated Clients" segment is attributable mainly to the EBIT growth within the "old Eurocash Group" by 14% comparing with 2011.

## PROFIT AND LOSS ACCOUNT

Current and expected financial situation of the Group does not show any significant threats. The Net Debt to EBITDA ratio was 1,63 at the end of 2012, compared to 3,19 as at the end of 2011 (pro-forma).

The volume of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their

share in the total value of assets are presented in the tables on the next two pages.



Table 14. Mix of Assets.

PLN m	31.12.2012	%	31.12.2011	%
Non-current assets (long-term)	1 947,64	41,57%	1 977,21	42,15%
Goodwill	1 049,29	53,87%	1 049,29	53,07%
Intangible assets	422,68	21,70%	445,16	22,51%
Property, plant and equipment	377,12	19,36%	405,79	20,52%
Investment real property	1,57	0,08%	1,64	0,08%
Investments in equity accounted investees	36,76	1,89%	20,25	1,02%
Other long-term investments	1,13	0,06%	3,57	0,18%
Long-term receivables	3,38	0,17%	3,09	0,16%
Long-term prepayments	55,71	2,86%	48,41	2,45%
Current assets (short-term)	2 737,32	58,43%	2 713,30	57,85%
Invetories	990,77	36,19%	948,90	34,97%
Trade receivables	1 451,93	53,04%	1 341,06	49,43%
Current tax receivables	23,45	0,86%	2,43	0,09%
Other short-term receivables	73,07	2,67%	102,94	3,79%
Other short-term financial assets	3,81	0,14%	3,51	0,13%
Short-term prepayments	9,66	0,35%	15,97	0,59%
Cash and cash equivalents	157,38	5,75%	298,48	11,00%
Fixed assets classified as held for sale	27,25	1,00%	0,00	0,00%
TOTAL ASSETS	4 684,96	100,00%	4 690,51	100,00%

Table 15. Mix of Liabilities.

PLN m	31.12.2012	%	31.12.2011	%
Equity	783,55	16,72%	548,49	11,69%
Share capital	137,98	17,61%	136,98	24,97%
Treasury shares	0	0,00%	-	0,00%
Reserve capital	341,10	43,53%	263,16	47,98%
Treasury shares reserve	0	0,00%	-	0,00%
Hedging reserve	-4,65	-0,59%	-4,65	-0,85%
Retained earnings	309,13	39,45%	153,00	27,89%
Non-controlling interests	0	0,00%	-	0,00%
Non-current liabilities	478,88	12,27%	749,13	18,09%
Long-term loans and borrowings	403,74	84,31%	666,10	88,92%
Long-term financial liabilities	16,83	3,51%	20,39	2,72%
Other long-term liabilities	0,40	0,08%	0,62	0,08%
Deferred tax liabilities	54,67	11,42%	39,60	5,29%
Employee benefits	3,23	0,68%	2,23	0,30%
Provisions	0,00	0,00%	20,19	2,69%
Current liabilities	3 422,53	87,73%	3 392,89	81,91%
Loans and borrowings	502,89	14,69%	831,53	24,51%
Short-term financial liabilities	32,39	0,95%	39,72	1,17%
Trade payables	2 621,44	76,59%	2 200,59	64,86%
Current tax liabilities	10,03	0,29%	15,55	0,46%
Other short-term payables	67,07	1,96%	112,31	3,31%
Current employee benefits	40,35	1,18%	54,88	1,62%
Provisions	148,37	4,33%	138,30	4,08%
Liabilities	3 901,41	83,28%	4 142,02	88,31%
TOTAL EQUITY AND LIABILITIES	4 684,96	100,00%	4 690,51	100,00%

Loan Agreements, Warranties and Collaterals

## **LOAN AGREEMENTS**

Information about loan agreements concluded between companies of Eurocach Group have been presented in note no 19 of the separate financial statement for 2012. Loan agreement dated November 21, 2008



Loan Agreements, Warranties and Collaterals

## **LOANS GRANTED**

In 2012, Eurocash Group Companies did not grant any loans in the total value equivalent to 10% of the issuer's equity.



Loan Agreements, Warranties and Collaterals

## **SURETIES AND GUARANTEES**

Sureties and guaranties issued by the Eurocash Group companies are presented in note no. 36 and 37 to the consolidated financial statements for 2012.

In 2012, Eurocash Group companies did not receive any surety for a credit or a loan nor did they receive any guarantees in the total value equivalent to 10% of the equity of Eurocash.



Loan Agreements, Warranties and Collaterals

## **ISSUE OF SHARES**

In 2012, Eurocash S.A. issued 993 525 shares due to the exercise of share option programs.



Issue of Securities and Bonds in 2012

## **SSUE OF SECURITIES AND BONDS**

In 2012, Eurocash S.A. did not issue, acquire, or repay other debt securities.

Information on incentive schemes based on the issue of Eurocash shares is provided in section 7.6 below.

## KEY OFF-BALANCE SHEET ITEMS

Information on key off-balance sheet items for the Eurocash Group is provided in supplementary information to the annual consolidated financial statements, i.e. note no. 36.



## EUROCASH GROUP CASH FLOW ANALYSIS

PLN m	2012	2011
Operating cashflows	669,81	282,16
Gross profit (loss)	282,46	150,99
Depreciation	113,36	72,80
Change in working capital	245,20	66,08
Other	28,79	(7,71)
Cashflows from investments	(107,68)	(1 114,54)
Cashflows from financing activities	(703,23)	919,36
Total cashflows	(141,10)	86,98

#### **CASHFLOW STATEMENT**

Total cashflows in 2012 disclosed the figure of PLN -141.10 while operating cashflows disclosed the figure of PLN 669.81m, which was 137% of EBITDA for full year 2012.

## Table 16.

Eurocash: Cashflows for 2011 and 2012

Turnover in days	2012	2011
<ol> <li>Inventories turnover</li> </ol>	21,88	34,70
2. Trade receivables turnover	32,06	49,04
3. Trade liabilities turnover	64,89	89,32
4. Operating cycle (1+2)	53,94	83,75
5. Cash conversion (4-3)	(10,96)	(5,58)

## WORKING CAPITAL ROTATION

Changes in working capital rotation noted in 2012 were mainly linked to the consolidation completed as at 31 December 2012 which involved the Tradis Distribution Group companies. It should be noted, however, that despite the above, cash conversion remained negative at 10.96 days in 2012.

Table 17.

Eurocash Group:

Consolidated Working Capital Ratios for 2011 and 2012

## **EUROCASH GROUP CASH FLOW ANALYSIS**

#### **EVALUATION OF FUNDS MANAGEMENT**

The Eurocash Group generates positive cash flows from operations. All key investments carried out in 2012 were financed from own funds and credit facilities taken up.

The main base of liquidity management in Eurocash Group is internal model of forecasting cash flows. Eurocash uses two lines of credit to hedge the liquidity needs of the Group. Eurocash Group optimize liquidity at subsidies and the interest result using Cash pooling and the system of internal loans.

In the opinion of the Management Board, no significant financial risks exist related to the capacity of Eurocash Group companies to pay their liabilities. Key financial risk factors related to Eurocash Group operations are as follows:

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

Analysis of these risk factors is presented in Note 38 in the part of the report which contains consolidated financial statements.

## INVESTMENT ACTIVITY

#### **MAJOR INVESTMENTS COMPLETED IN 2012**

In 2012, the highest share in capital expenditures was noted for the organic growth of the Eurocash Group, notably in respect of investments in Cash&Carry stores as well as the development of Delikatesy Centrum franchise network.

#### ASSESSMENT OF CAPACITY TO CARRY OUT ANTICIPATED INVESTMENTS

Key investments planned for 2013 are related to:

- Organic growth within the current structure of business units, and in particular:
  - Launch of 6-8 new Eurocash Discount Cash&Carry stores
  - Development of Delikatesy Centrum franchise chain including plans to introduce ca. 120 new franchise stores into Delikatesy Centrum network.
- Replacement investment

In order to finance the aforementioned investments, the Eurocash Group intends to use funds generated by the Group. If a decision is made that other significant investments should be undertaken, in the opinion of the Eurocash Management Board, the Eurocash Group has adequate credit repayment capacity to secure financing for such prospective investments.

## Table 18. Key Investment Directions for Eurocash Group in 2012 and 2011

PLN m	2012	2011
Capital investment (including acquisition of shares and stock)	15,16	1.118,15
Independent clients (Cash&Carry + Delikatesy Centrum distribution centers + Batna; KDWT; PD Group)	95,40	50,90
Active Distribution (Tradis, Ambra, DEF)	12,07	0,00
Integrated clients	17,07	15,52
Others	0,10	0,59
Exclusions (cash in companies under acquisition)	0,00	(55,77)
Total investment outlays	139,58	1.129,39

## KEY CONTRIBUTORS TO 2012 FINANCIAL PERFORMANCE OF EUROCASH GROUP

#### **EQUITY CHANGES**

In the period between 1 January 2012 and 31 December 2012, 993 525 shares were issued das a result of exercising share option programs.

#### **DIVIDEND PAYMENT**

According to Resolution 5 of the General Meeting of Shareholders of Eurocash S.A., dated 15 June 2012, net profit for 2011 amounting to PLN 64,786,635 was allocated as follows: the amount of PLN 24,795,780 was allocated for a dividend payment of PLN 0.18 per share – paid out on 17 July 2012, while the balance of net profit was routed towards reserve capital.

2012 did not see any significant events or factors which would have impact on the financial performance of the Eurocash Group noted in the period.

## INFORMATION ON COURT PROCEEDINGS

In 2012, the Eurocash Group companies were not involved in any legal proceedings before court, a relevant arbitration authority, or a public administration body, the total value of which would which represent at least 10% of issuer's equity.

# 6. ADDITIONAL INFORMATION

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## INFORMATION ON SIGNIFICANT AGREEMENTS

In 2012, the Eurocash Group companies entered into the following agreements considered significant for the Group's business operations:

## Signing the memorandum of agreement with Mr. Marian and Mrs. Krystyna Dziembor

On 13th of December 2012 subordinate subject of Eurocash – company KDWT S.A. – signed the memorandum of agreement with Mrs. Krystyna Dziembor and Mr. Marian Dziembor. Based on a.n. memorandum of agreement sides bound themselves over to enter, up to 31st of August 2013, into a contract based on which KDWT S.A. will acquire a company from Mrs. Krystyna Dziembor and organised part of a company constituted from tangible and intangible components needed to run a wholesale trade of cigarettes and tobacco articles from Mr. Marian Dziembor. The condition of entering into the contract was receiving an approval from the president of the Office of Competition and Consumer Protection, which company received 31st of January 2013.

## 2. Investment Agreement with Resource Partners Holdings (RPH)

On 17th of September 2012 Eurocash and RPH entered into a contract, according to whish after fulfilling specific terms, including approval from the president of the Office of Competition and Consumer Protection and required banks, Eurocash would be a minority shareholder (with no less than 25% shares) in companies controlled by RPH and belonging to Polbita-Interchem Group. Above mentioned agreement couldn't be completed because of taking over all stakes in share capital of Polbita Sp. z o.o. by Alior Bank S.A.

## INFORMATION ON SIGNIFICANT AGREEMENTS

#### 3.

### Credit Facility Agreement with BRE Bank

On 27 June 2012 a credit facility agreement was concluded with BRE Bank S.A., under which BRE granted to Company working capital credit facility in the amount of PLN 380,000,000.00 to finance current activity of the Company. Since 28th of September 2012, the credit limit equals PLN 250.000.000. The obligations of the Company under the granted credit were guaranteed by the subsidiaries of the Issuer. The guarantee was granted to Eurocash S.A. for the liabilities of the Company under abovementioned credit agreement. The guarantee covers the obligations of the Company arising out of the abovementioned credit agreement, and in particular, the obligations for the credit, interest, and fees, including enforcement costs, in the case where the Company fails to fulfill its obligations in the periods specified in the abovementioned credit agreement. The declaration about the guarantee was made by KDWTS.A. and Tradis Sp. zo.o.

Each of the guarantors, in the manner provided in Section 97 of the Act dated 29 August 1997 Bank Law, submitted a declaration of being subject to enforcement proceedings conducted on the basis of a bank enforcement title up to the amount of PLN 380,000,000, at the same time authorizing the Bank to apply in court for the issuance of an enforcement clause for the bank enforcement title valid until 31 December 2014.

#### 4.

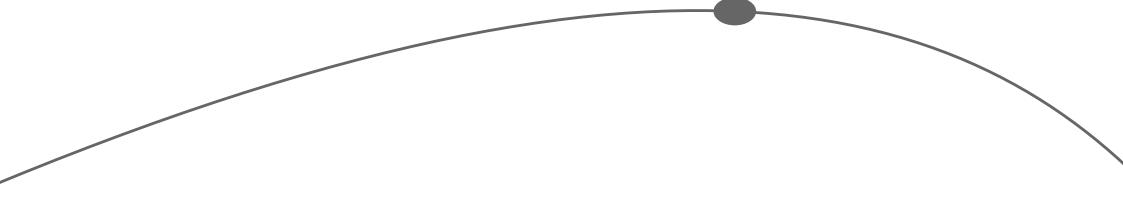
## Addendum to the credit agreement

Tradis Sp. z o.o. concluded on 29th of March 2012 an addendum to the credit agreement in the current account (no. 2010/141/DDF) with Bank Pekao S.A., under which the amount of credit granted by the Bank to the Company was reduced from PLN 121,000,000.00 to PLN 50,000,000.00. At the same time date of the repayment of the credit was extended from 31 March 2012 to 30 April 2012. The obligations of the Company under granted credit were guaranteed by the Issuer. The guarantee covers the obligations of the Company arising out of the abovementioned credit agreement, and in particular, the obligations for the credit, interest, and fees, including enforcement costs, in the case where the Company fails to fulfill its obligations in the periods specified in the abovementioned credit agreement, up to the total amount of PLN 75,000,000.00. The Issuer, in the manner provided in Section 97 of the Act dated 29 August 1997 Bank Law, submitted a declaration of bein subject to enforcement proceedings conducted on the basis of a bank enforcement title up to the amount of PLN 75,000,000.00 (PLN seventy five million), at the same time authorizing the Bank to apply in court for the issuance of an enforcement clause for the bank enforcement title valid until 30 April 2015.

In 2012, The Eurocash Group companies did not enter into any agreements which would be significant for the Group's operations. The Management Board of Eurocash is not aware of any agreements concluded between the Company's shareholders.

## INFORMATION ON TRANSACTIONS WITH CONNECTED ENTITIES

During 2012, no significant transactions were noted between connected companies within the Group apart from transactions which resulted from standard business operations in market conditions. Information on transactions with connected entities is presented in additional information to the separate financial statements for 2012, in note no. 30.



## FORECASTS PUBLICATION

The Management Board of Eurocash S.A. did not publish financial forecasts for 2012.

## CHANGES IN KEY MANAGEMENT PRINCIPLES

2012 saw no changes in key management principles.

# AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD AS FINANCIAL COMPENSATION GUARANTEES

The Company did not enter into any agreements with the members of the Management Board which would provide compensation guarantees should members of the Management Board resign or be dismissed from their positions without a sound reason.

Agreements with the members of the Management Board anticipate that consist should the majority shareholder change in the Controlling Entity, i.e. the shareholder who holds at least 50% (fifty percent) and 1 (one) one share in Eurocash (Politra B.V.), the notice period in respect of the agreement shall be 12 months.

## INFORMATION ON REGISTERED AUDIT COMPANY

The consolidated financial statements of Eurocash Group for 2012 were audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 16 July 2012. The consolidated financial statements of Eurocash Group for 2011 were audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 11 July 2011.

The total fees specified in the contract between Eurocash S.A. and the registered audit company payable or paid for the audit and the review of the separate financial statements and for other services are presented below:

PLN thousands	2012	2011
Audit of financial statements	235,0	200,0
Review of financial statements	150,0	150,0
Other services	26,0	246,0
Total capital expenditures	411,0	596,0

## Table 19.

Capital expenditures for audit and review of financial statements

STATEMENT ON CORPORATE GOVERNANCE RULES

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## INDICATION OF CORPORATE GOVERNANCE RULES APPLICABLE TO ISSUER

Pursuant to § 29 Sec. 2 of the Warsaw Stock Exchange S.A. Rules in the wording adopted by virtue of the Stock Exchange Council Resolution No. 1/1110/2006 dated January 4, 2006, with further amendments, Eurocash S.A. (hereinafter, the "Company", "Issuer", "Eurocash") is obliged to apply the corporate governance rules set down in the document entitled "Good Practices of Companies Listed on the WSE", which constitutes an attachment to Resolution No. 12/1170/2007 of the Stock Exchange Council dated 4 July 2007 (amended by way of Resolution No. 17/1249/2010 of the Stock Exchange Council dated 19 May 2010 (hereinafter referred to as "Good Practices"), available on the following website www.corp-gov.gpw.pl.

In the fiscal year ended 31 December 2012, the Issuer observed all corporate governance rules set forth in the collection of Good Practices as well as no permanent or temporary breach of any of the corporate were fully implemented in Company operations.

### SHAREHOLDERS STRUCTURE

# SHAREHOLDERS WITH DIRECT OR INDIRECT SUBSTANTIAL SHAREHOLDING IN EUROCASH

As at 31 December 2012 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as in the table 20.

Table 20.
Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

	31.12.2012				31.12.2011			
Shareholder	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*	60 615 240	43,96	60 615 240	43,93	70 258 100	51,29	70 258 100	51,29
Fidelity	b.d.	>5%	b.d.	>5%	6 871 178	5,02	6 871 178	5,02
Others	b.d.	<51,07	b.d.	<51,07	59 853 733	43,69	59 853 733	43,69
Razem	137 976 736	100,00	137 976 736	100,00	136 983 011	100,00	136 983 011	100,00

<sup>\*</sup>directly and indirectly through Politra B.V.

#### SHAREHOLDERS STRUCTURE

## NUMBER OF EUROCASH S.A. SHAREHOLDING HELD BY MANAGEMENT AND SUPERVISORY MEMBERS

The number of company shares held by the management and supervisory members as at 31.12.2012 was as follows:

#### Table 21.

Shares in the company held by members of the management board and their rights to subscription

Eurocash shareholding	Share subscription rights
-----------------------	---------------------------

Management Board	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Luis Amaral*	60 615 240	70 258 100	0	0
Rui Amaral	268 625	268 625	139 000	139 000
Katarzyna Kopaczewska	240 500	244 000	96 500	96 500
Arnaldo Guerreiro	204 000	260 000	96 500	96 500
Pedro Martinho	725 050	673 750	118 000	171 500
Carlos Saraiva	0	0	0	0
Jacek Owczarek	0	14 300	76 500	76 500

<sup>\*</sup>directly and indirectly through Politra B.V.

Antonio Jose Santos Silva Casanova

#### Table 22.

Shares in the company held by members of the supervisory board and their rights to subscription

Supervisory Board	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Joao Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Mores	0	0	0	0
Ryszard Wojnowski	0	0	0	0
lanusz Lisowski	$\cap$	0	0	0

**Eurocash shareholding** 

Share subscription rights

#### SHAREHOLDERS STRUCTURE

# BEARERS OF ALL SECURITIES WHICH GRANT SPECIAL CONTROL RIGHTS AND DISCUSSION OF ENTITLEMENTS

No securities which would grant special control rights nor preferential shares are noted in the Company. However, the Articles of Association of the Company grant personal rights to a specific shareholder. Pursuant to § 13 Sec. 2 of the Articles of Association, should Politra B.V., organized and operating under Dutch law, or any of its legal successor, continues to be a shareholder with 30% or more shareholding in the Company's share capital, it will have the right to appoint and recall 3 (three) Members of the Supervisory Board of Eurocash.

#### RESTRICTIONS REGARDING EXERCISING RIGHT TO VOTE

Each share of Eurocash gives the right to one vote at the Shareholders' Meeting. The Articles of Association do not provide for any restrictions as to exercising the right to vote carried by Eurocash shares, such as restrictions to exercising the right to vote by the holders of a defined part or number of votes, time restrictions related to exercising the right to vote or provisions pursuant to which (with the Company's cooperation) capital interests related to 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, and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (hereinafter "Act on Offering"), should the shareholder violate specified provisions set forth in Chapter 4 of the Act on Offering. Pursuant to art. 6 § 1 of the Commercial Companies Code, should the controlling entity fail to notify the controlled capital company about the introduction of the dominant relationship within two weeks of the start of the relationship, the right to vote carried by shareholding in the controlling entity which represents over 33% of the share capital of the controlled company is suspended.

# RESTRICTIONS REGARDING TRANSFER OF OWNERSHIP RIGHTS TO SECURITIES OF ISSUER

The Articles of Association do not provide for any restrictions regarding the transfer of ownership rights to securities of the Issuer. The restrictions, however, arise 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 dated July 29, 2005 on Trading in Financial Instruments, Act dated February 16, 2007 on the Protection of Competition and Consumers as well as Council Directive (EC) No. 139/2004 dated January 20, 2004 on the control of business consolidations.

#### AGREEMENTS WHICH MAY RESULT IN CHANGES OF 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 changes in the proportion of blocks of shares held by the shareholders in the future.

### THE PARENT'S GOVERNING BODIES | Management Board

# COMPOSITION OF THE MANAGEMENT BOARD, CHANGES THERETO AND RULES OF APPOINTMENT

The Company's management body is the Management Board. The Management Board of the Parent is composed of seven members. The composition of the Management Board in the period January 1st – December 31st was as presented in the table 23.

Table 23.

The composition of the Management Board in 2012

 Luis Manuel Conceicao do Amaral
 President of the Management Board

 Rui Amaral
 Member of the Management Board - CEO

 Arnaldo Guerreiro
 Member of the Management Board

 Pedro Martinho
 Member of the Management Board

 Carlos Saraiva
 Member of the Management Board

 Jacek Owczarek
 Member of the Management Board - Financial Director

Member of the Management Board – HR Director

Katarzyna Kopaczewska

### THE PARENT'S GOVERNING BODIES | Management Board

#### POWERS OF THE MANAGEMENT BOARD

The Management Board manages the Company's 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 submit statements of will and sign documents on behalf of the Company.

The work of the Management Board is headed by the President of the Management Board. All members of the Management Board are obliged and entitled to jointly manage the Company's affairs, in particular in the following scopes:

- determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary
- define the Company's financial goals
- implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals
- analyze major investment projects and related methods of funding
- determine the principles of HR and remuneration policies, including:
  - appointment of the Company's key management staff
  - determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company
- establish the Company's organizational structure
- approve the annual and/or long-term Company's budget
- determine an internal division of duties and responsibilities for Management Board Members
- set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise
- take decisions on matters of exceptional importance as well as matters and transactions which may constitute material risk to the Company in line with the justified opinion of the Management Board Member
- request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting
- 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 Company affairs resulting from an 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 outside the Management Board meeting in writing or as facilitated by remote communication tools. Resolutions of the Management Board are adopted by a simple majority of votes cast by Management Board members. Minutes of the resolutions are taken. Proper notification of the meeting to all Management Board members is required for the validity of the Management Board resolutions.

Detailed Management Board procedures are defined in Management Board Rules adopted by the Management Board and approved by the Supervisory Board. The content of the most up-to-date Management Board Rules is available at:

http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/regulamin-zarzadu-2008-ang.3166178158.pdf

In 2012, no changes in the composition of the Management Board were noted.

### REMUNERATION, BONUSES AND EMPLOYMENT CONTRACT TERMS OF THE MANAGEMENT BOARD MEMBERS

Information on remuneration paid to the members of the Management Board in 2012 is provided in the section of the annual report which contains the annual consolidated financial statements, in note n. 34

# COMPOSITION OF THE SUPERVISORY BOARD, CHANGES THERETO AND RULES OF APPOINTMENT

The Supervisory Board is composed of 5 members, whereby the right to appoint and recall 3 (three) members of the Supervisory Board is held by Politra B.V. (or its legal successor) as specified in point 7.2.3. above, while 2 members of the Supervisory Board are appointed and recalled by the General Shareholders' Meeting. The Supervisory Board member may be recalled only when the action is accompanied by a simultaneous appointment of the new Supervisory Board member.

The composition of the Supervisory Board in the period January 1st – December 31st was as presented in the table 24

#### Table 24.

The composition of the Supervisory Board in 2012

The status of independent Supervisory Board members is held by the following persons:

Mr. **Ryszard Wojnowski** and Janusz Lisowski, as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and

Mr. João Borges de Assunção and António José Santos Silva Casanova, appointed by Politra B.V., which submitted representations which meet criteria of an independent Supervisory Board member.

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

The Board selects its President from amongst its members. The Supervisory Board may also recall the President of the Board from his function. The Supervisory Board exercises an on-going supervision of Company operations in all areas

João Borges de Assuncao	Chairman of the Supervisory Board	in all areas.
Eduardo Aguinaga	Member of the Supervisory Board	Audit Comitee – Chairman Remuneration Comitee
António José Santos Silva Casanova	Member of the Supervisory Board	Audit Comitee Remuneration Comitee - Chairman
Ryszard Wojnowski	Member of the Supervisory Board	Audit Comitee
Janusz Lisowski	Member of the Supervisory Board	Remuneration Comitee

#### POWERS OF THE SUPERVISORY BOARD

Pursuant to § 14 Sec. 2 of the Issuer's Statutes, 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 distribution of profit or loss cover
- submitting to the General Shareholders' Meeting an annual written report on the results of the assessment referred to above
- appointing and recalling, as well as suspending Members of the Management Board for an important reason
- issuing opinions on planned amendments to the Company's Articles of Association
- approving annual budgets drafted by the Management Board and amendments to such budgets no later than by 30 November of each calendaryear
- issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business
- electing an expert auditor to examine the Company's financial statements
- adopting a uniform text of the Articles of Association
- other matters which require a resolution of the Supervisory Board under binding legal regulations or other provisions of the Articles of Association

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

- decisions concerning joint-ventures with other entities
- decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises
- 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
- sale or lease or transfer of the Company's assets with the 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
- issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members
- raising, issue, taking up or disposal of shares in another subsidiary entity
- development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees
- the conclusion of a material agreement by the Company with a related entity as interpreted by the regulations concerning the submission of current and periodical information by issuers whose shares are quoted on the Stock Exchange in Warsaw S.A. except for standard transactions concluded on market terms as part of company operations entered into 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 delegate specific supervisory tasks to individual Members by way of a resolution adopted by a simple majority of votes.

Supervisory Board members perform their duties personally. However, they may participate in an 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 remote communication tools. Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. Should an even number of votes be cast in 'favor of' and 'against' a resolution, the President of the Supervisory Board 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:

- any action by the Company or any of its related entity that benefits the Members of the Management Board
- election of an expert auditor to examine the Company's financial statements
- issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business
- 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 applicable Supervisory Board Rules is available at the following address:

http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-sb-by-laws-2009.2598766460.pdf

# REMUNERATION, BONUSES AND EMPLOYMENT CONTRACT TERMS OF THE SUPERVISORY BOARD MEMBERS

Information on remuneration paid to the members of the Supervisory Board in 2012 is provided in the section of the annual report which contains the annual consolidated financial statements, in note n. 34

#### SUPERVISORY BOARD COMMITTEES

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

the Audit Committee, and the Remunerations Committee

The members of each of the said committees are selected by the Supervisory Board where the Remunerations 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.

Responsibilities of **the Audit Committee** include as follows:

- supervising the submission of financial information by the Company in the periodical reports, forecasts, etc
- supervising the activities of external auditors of the Company
- 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
- supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any nonauditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting
- each year, evaluating the internal control system in place and the significant risk management system in place, as well as self-evaluation in a form of an annual report of its deliberations, findings, and relationships with the external auditor (in particular, including his/her independence) to be included as part of the Supervisory Board's annual report to be presented at the Ordinary General Meeting of Shareholders.

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

Responsibilities of **the Remunerations Committee** include as follows:

- reporting to the Supervisory Board of the existence of a remuneration policy for the Management Board, which is known to the Remunerations 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 remuneration, as well as the performance criteria and the application thereof by Management Board Members
- each year, submitting a proposal for the Supervisory Board's approval for an appraisal concerning the compliance of the remuneration policy for the Management Board and application thereof with regard to the desired standards of corporate governance
- ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy
- each year, submitting a self-assessment in the form of an annual report of its performance to be included as part of the Supervisory Board's annual report and to be presented at the Ordinary General Meeting of Shareholders.

The Remunerations Committee is composed of the following members: **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://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-sb-by-laws-2009.2598766460.pdf

### THE PARENT'S GOVERNING BODIES | General Shareholders' Meeting

The manner of conduct applicable to the General Shareholders' Meeting and its fundamental powers follow directly from the provisions of law which were partly incorporated in the Statutes and By-laws of the Company's General Shareholders' Meeting. Both the Statutes and the By-laws of the General Shareholders' Meeting are available on the Company's website at the following link:

http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-gm-by-laws-2009.3341172403.pdf

As of 3 August 2009, in line with § 15 item 3 of the Statutes and in line with § 1 item 3 of the By-laws of the Company's General Shareholders' Meeting, the Meeting is convened by way of an announcement which contains all items stipulated in art. 402 of the Commercial Companies' Code, made no later than 26 days prior to the date of the General Shareholders' Meeting by way of posting the announcement on the Company's website in line with the provisions of binding information submission stipulated in the Act on Offering.

Each General Shareholders' Meeting should be attended by members of the Supervisory Board and the Management Board in the number which will facilitate a provision of technical answers to queries raised in the course of the Meeting. A chartered auditor should attend the Annual Ordinary General Meeting of Shareholders as well as the Extraordinary General Meeting of Shareholders if financial matters of the Company are discussed. Members of the Supervisory Board, the Management Board and the chartered auditor should offer explanations and supply information related to the Company within their discretion and to the extent necessary for the resolution of matters discussed in the 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 which convenes the General Meeting, the notary who draws up the minutes of the General Meeting, and representatives of mass media. Other persons may participate in the General Meeting with the consent of the Chairman of the General Meeting.

According to the Articles of Association, the powers of the General Meeting include in particular:

- 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
- decisions concerning claims to remedy damage inflicted at the time of the Company's establishment or in connection to its management by the Management Board
- sale or lease of the enterprise or an organized part thereof as well as the creation of limited property rights therein
- creation of the Company's capitals and funds and their allocation
- approval of the Company's long-term strategic plans
- adopting resolutions on the distribution of profit and loss cover
- amending the Articles of Association
- increasing and decreasing the Company's share capital
- dissolution or liquidation of the Company
- authorization for the Company to enter into a standby or firm commitment underwriting agreements
- appointment or dismissal of two members of the Supervisory Board
- setting down the rules for and levels of remuneration of members of the Supervisory Board
- adopting the Rules of the Supervisory Board
- dismissal or suspension of members of the Management Board
- adopting the Rules of the General Meeting
- taking decisions in other matters which rest within the exclusive competence of the General Meeting pursuant to the provisions of the Commercial Companies Code or other laws or pursuant to the Company's Statutes

### DISCUSSION OF AMENDMENTS TO ISSUER'S STATUTES

A resolution adopted by the Shareholders' Meeting concerning amendments to the Statutes must be preceded by an appraisal issued by the Company's Supervisory Board. Amendments to the provisions of the Statutes which consist in material changes to the subject matter of the Company's business operations without share buyout from shareholders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of 34 votes cast in the presence of shareholders who represent at least 50% of the Company's share capital.

Amendments to the provisions of the Statutes which concern a decrease in the Company's share capital requires that the resolution of the General Shareholders' Meeting be adopted by the majority of 3/4 votes.

Amendments to the provisions of the Statutes which concern any other matters require that the resolution of the General Shareholders' Meeting be adopted by the absolute majority of votes unless the provisions of the Commercial Companies Code or the Act on Offering stipulate otherwise.

### DISCUSSION OF PREMISES FOR APPOINTING AND RECALLING MANAGEMENT STAFF AND THEIR ENTITLEMENTS - IN PARTICULAR RIGHT TO TAKE DECISIONS ON SHARE ISSUE OR BUYOUT

Pursuant to § 9 Sec. 1 and 2 of the Articles of Association, the Management Board consists of 2 to 10 members appointed by the Supervisory Board for an individual three-year term of office. The number of members on the Management Board is determined by the Supervisory Board. The Supervisory Board also appoints one member of the Management Board as President of the Management Board by way of resolution. Any Management Board member may be recalled from office by way of a 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 and the scope of powers of the Supervisory Board are defined in Point 7.3 of the Report. The Management Board manages the affairs of the Company and represents the Company externally.

According to § 6a of the Articles of Association, the Management Board may increase the share capital of the Company within the limits of the authorized capital by way of a shares issue in the total nominal value no higher than PLN 51,096,800 whereas the power expires on November 27, 2013. The terms of each of the issues conducted within the limits of the authorized capital are defined by the Management Board with the consent from the Supervisory Board. In relation to share issues in question, the Management Board, acting with the consent of the Supervisory Board, may also exclude the preemption right for the existing shareholders to buy shares issued within the limits of the authorized capital.

The Management Board may decide on the share buyout in circumstances and on terms determined in commonly applicable provisions of law. The detailed rules governing the functioning of the Management Board are stipulated in Point 7.3 of the Report.

### INFORMATION ON EMPLOYEE SHARES CONTROL SYSTEM

Incentive schemes based on the issue of Eurocash S.A. shareholding are specified below.

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 2007 regarding the Third Employee Incentive Scheme	Up to <b>1,596,775</b> Class E Shares	PLN 7.87 (issue price published in current report No. 57/2010)	From 1 January 2011 to 31 December 2013
2 .	Resolution No. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2008 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for years 2008	Up to <b>1,020,000</b> Class G Shares	PLN 9.78 (issue price published in current report No. 71/2011)	from 1 January 2012 to 31 December 2013
	and 2009	Up to <b>1,020,000</b> Class H Shares	PLN 8.89 (issue price published in current report No. 51/2012)	from 1 January 2013 to 31 December 2014
3 .	Resolution No. 16 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 2 June 2011 regarding the Seventh Incentive and Bonus Scheme for Employees	Up to <b>197.500</b> Class I Shares	PLN 26,22  = average price of Eurocash shares in November 2011 adjusted by dividends paid out (PLN 0.37)	from 1 January 2014 to 31 December 2014
4 .	Resolution No. 3 of the Extraordinary Shareholders' Meeting of Eurocash S.A. dated 26 November 2012 regarding the Eighth, Ninth and Tenth Incentive and Bonus Scheme for	<b>850.000</b> Class M. Shares	PLN 38	from 1 February 2015 to 31 January 2017
	Employees	<b>850.000</b> Class N Shares	PLN 38 adjusted by rights connected with shares (e.g. dividends)	from 1 February 2016 to 31 January 2018
		<b>850.000</b> Class O Shares	PLN 38 adjusted by rights connected with shares (e.g. dividends)	from 1 February 2017 to 31 January 2019

#### FORECASTED COSTS CONNECTED WITH 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 the model, the value of options is calculated in line with the following parameters:

#### **Grant date:**

For incentive schemes based on the issue of C, D, E shares, the start of the option exercise period was set as the grant date whereas the date of adopting the resolution of the General Assembly which approved the list of entities entitled to take up shares within a given scheme was set as the grant date for schemes based on series F and G shares.

#### Option exercise date:

For all schemes the start of the option exercise period was assumed as the option exercise date.

#### Risk-free rate:

This value is estimated based on the average field of Treasury Bonds with the tenor closest to the option strike date as at the valuation date.

#### Volatility:

Calculated based on historical volatility of daily returns of Eurocash shares on the Warsaw Stock Exchange (WSE), taking into account 250 trading sessions prior to the valuation date.

#### Option strike price:

In line with the premises of schemes based on series F, G and I shares, the option strike price amounts to the weighted average of Eurocash share price in November, in 2008, 2009 and 2011 respectively.

#### Base (current) stock price:

It is the Eurocash share price at the close of the trading session on WSE as at the valuation date.

In 2012, the cost related to the valuation of incentive schemes amounted to PLN 502.32 thousands.

# KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED BY THE COMPANY IN DRAFTING FINANCIAL STATEMENTS

The Management Board of the Controlling Entity is responsible for the Group's internal control system and its effectiveness in the process of drafting financial statements and periodical reports drawn up and published in accordance with the stipulations set forth in the Decree dated February 19, 2009 on current and periodical information submitted by issuers of securities and on terms on which information required under the provisions of law of a country not being a member country is recognized as equivalent.

The Management Board of the Controlling Entity is responsible for mapping out and following the risk management policy. To ensure that these duties are carried out, the Management Board appointed the Risk Management Team which is responsible for developing and monitoring the risk management policy. The Team regularly submits reports on its work progress to the Management Board.

The Risk Management Team was appointed to identify and analyze risks related to the Group's operations and to establish adequate risk controls and risk limits as well as to monitor deviations noted from the limits. The risk management policy and system are reviewed on a regular basis so that they reflect ongoing changes in market conditions and the Group's operations. The Group strives to achieve a disciplined and constructive control of the environment where every employee would understand their roles and duties through skills (qualifications) enhancement and an application of standards and procedures by the Group.

The Financial Department of the Controlling Entity headed by the Financial Director is in charge of drafting consolidated financial statements and periodical reports of the Group. Financial data which is the basis for consolidated financial statements and periodical reports are sourced from monthly financial and management reporting applied by the Group's member companies. After each calendar month is closed for accounting purposes, middle and top management jointly analyzes the companies' financial performance against relevant budget assumptions.

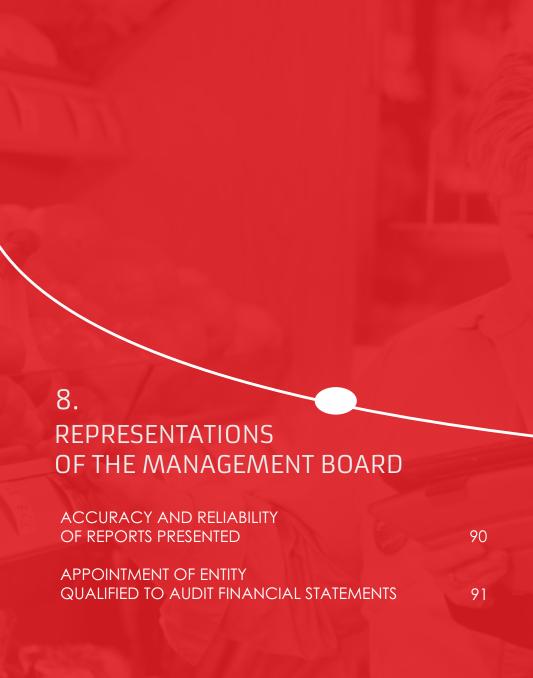
One of the basic elements of control in the process of drafting consolidated financial statements is the review of consolidated financial statements by an independent auditor. The auditor's primary task is to review the semi-annual financial statements and carry out a preliminary and basic examination of the consolidated annual statements. The independent auditor is elected by the Company's Supervisory Board. The audited financial statements are forwarded to the members of the Supervisory Board of the Controlling Entity for the review of the Group's financial statements.

Internal control exercised by the Internal Audit Department of the Controlling Entity is an important element of risk management in the process of drafting financial statements. Duties of the Department include the implementation of the risk management policy and procedures. The Internal Audit Department carries out both scheduled audits as well as ad hoc checks on procedures.

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 of the | Controlling Entity. The planned audits are supplemented by ad hoc audits carried out at the request of the Management Board of the Controlling Entity as well as review audits concerning recommendations for enhanced control mechanisms across the Group.

The Company conducts an annual review of both business strategy and plans. The budgeting process is supported by the Group's middle and top management. The budget and business plan drafted for the subsequent year is adopted by the Management Board of the Controlling Entity and approved by the Supervisory Board. During the year, the Management Board of the Controlling Entity analyses financial performance against budget adopted in line with the Group's adopted accounting policy.

The Management Board of the Controlling Entity systematically evaluates the quality of internal control and risk management systems in relation to the process of drafting consolidated financial statements. In line with such evaluation, the Management Board of the Controlling Entity declared that as at December 31, 2012 no weaknesses existed which could have a material adverse effect on the effectiveness of internal controls as far as financial reporting is concerned.





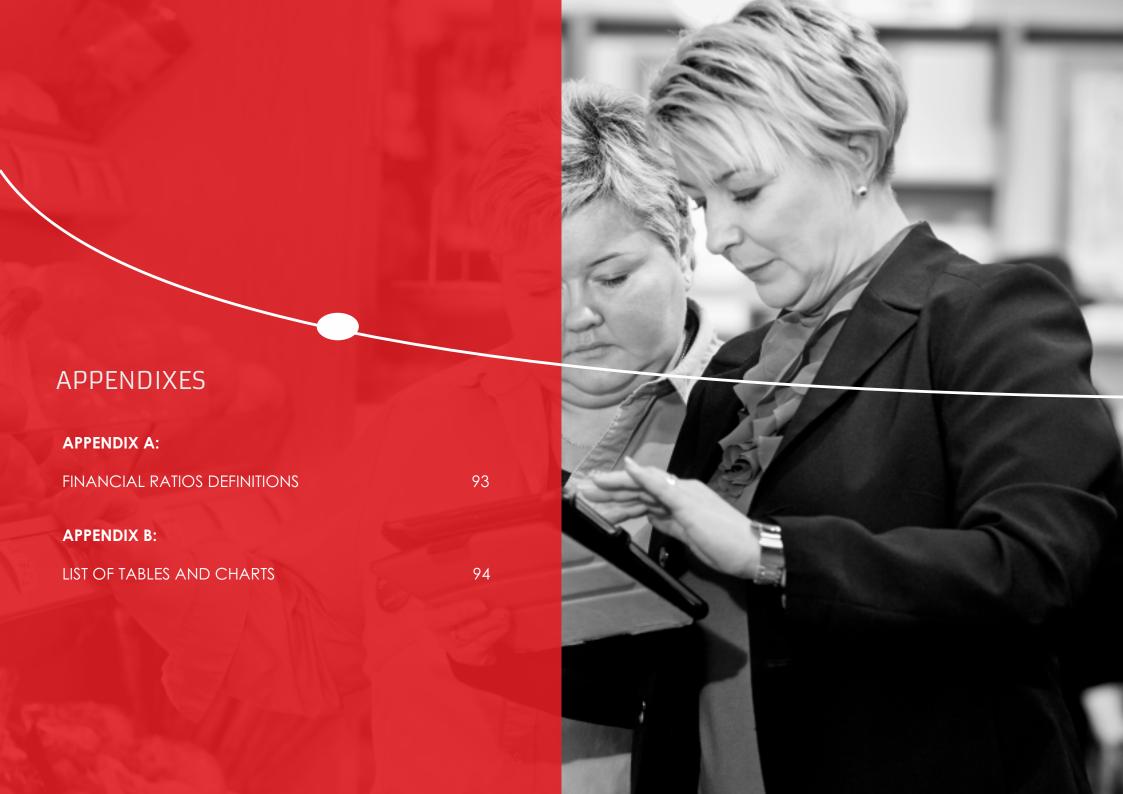
#### ACCURACY AND RELIABILITY OF REPORTS PRESENTED

Members of the Management Board of Eurocash S.A. represent that - to their best knowledge:

- the consolidated annual financial statements for the Eurocash S.A. capital group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of the Eurocash Group and of its financial performance for 2012
- the report of the Management Board on business operations of Eurocash Group in 2012 contains a true view of the development, achievements, and the position of Eurocash Group, including the discussion of main risks and threats.

### APPOINTMENT OF 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 the Eurocash Group was appointed in line with the applicable laws and regulations. The entity and the auditors involved met the criteria to formulate an impartial and independent opinion on the audit of the annual consolidated financial reports in line with the applicable provisions of law and professional standards.



#### FINANCIAL RATIOS DEFINITIONS

#### Gross profit margin on sales:

ratio of gross sales margin to net sales revenues

#### **EBITDA** margin:

ratio of EBITDA (operating profit plus depreciation) to net sales revenues

#### 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 stock at the end of period to net sales for period multiplied by the number of days in the period

#### Trade receivables turnover:

the ratio of balance of trade receivables at the end of period to net sales for period multiplied be the number of days in the period

#### Trade liabilities turnover:

the ratio of balance of trade liabilities at end of period to costs of goods sold for period multiplied by the number of days in the period

#### Operating cycle:

the sum of stock turnover and receivables turnover

#### Cash conversion cycle:

the difference between operating cycle and liabilities turnover

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### SIGNATURES OF MANAGEMENT BOARD MEMBERS

Podistion	Name and surname	Date	Signature
President	Luis Amaral	27th March 2013	Jun Namel Conceite And
Management Board Member Chief Executive Officer	Rui Amaral	27 marca 2013 r.	Rom Aunanof.
Management Board Member	Arnaldo Guerreiro	27 marca 2013 r.	Amaldo Gureiro
Management Board Member	Pedro Martinho	27 marca 2013 r.	Peder Padeira Partinho
Management Board Member Human Resources Director	Katarzyna Kopaczewska	27 marca 2013 r.	Kopanewsku
Management Board Member	Carlos Saraiva	27 marca 2013 r.	la he co
Management Board Member Financial Director	Jacek Owczarek	27 marca 2013 r.	Jacob Duszweh



part B.
SELECTED CONSOLIDATED
FINANCIAL DATA

#### **SELECTED CONSOLIDATED FINANCIAL DATA**

	for the period from 01.01.2012 to 31.12.2012	for the period from 01.01.2011 to 31.12.2011	for the period from 01.01.2012 to 31.12.2012	for the period from 01.01.2011 to 31.12.2011
	PLN	PLN	EUR	EUR
Sales	16 575 780 957	9 980 595 900	3 960 760 085	2 422 592 335
Operating profit (loss)	376 827 109	192 955 597	90 042 320	46 836 156
Profit (loss) before income tax	282 456 801	150 991 175	67 492 665	36 650 123
Profit (loss) for the on continued operations	250 381 269	134 387 189	59 828 260	32 619 833
Profit (loss) for the period	250 381 269	134 387 189	59 828 260	32 619 833
Net cash from operating activities	669 814 767	282 162 530	160 051 318	68 489 376
Net cash used in investing activities	(107 684 588)	(1 114 542 280)	(25 731 084)	(270 533 104)
Net cash used in financing activities	(703 231 953)	919 363 075	(168 036 309)	223 157 210
Net change in cash and cash equivalents	(141 101 774)	86 983 324	(33 716 075)	21 113 482
Weighted average number of shares	137 921 774	136 765 168	137 921 774	136 765 168
Weighted average diluted number of shares	138 875 685	138 064 230	138 875 685	138 064 230
EPS (in PLN / EUR)	1,82	0,98	0,43	0,24
Diluted EPS (in PLN / EUR)	1,80	0,97	0,43	0,24
Average PLN / EUR rate*			4,1850	4,1198
	as at	as at	as at	as at
	31.12.2012 PLN	31.12.2011 PLN	31.12.2012 EUR	31.12.2011 EUR
Assets	4 684 964 451	4 690 511 474	1 145 972 421	1 061 970 538
Non-current liabilities	478 883 793	749 130 889	117 138 054	169 609 421
Current liabilities	3 422 526 271	3 392 886 676	837 171 927	768 177 567
Equity	783 554 387	548 493 908	191 662 440	124 183 551
Share capital	137 976 536	136 983 011	33 749 948	31 014 085
Number of shares	137 976 536	136 983 011	137 976 536	136 983 011
Diluted number of shares	138 909 011	138 909 011	138 909 011	138 909 011
Book value per share (in PLN / EUR)	5,68	4,00	1,39	0,91
Diluted book value per share (in PLN / EUR)	5,64	3,95	1,38	0,89
Declared or paid dividend (in PLN / EUR) ***	24 795 780	50 672 318	6 065 207	11 472 631
Declared or paid dividend per share (in PLN / EUR)	0,18	0,37	0,04	0,08
PLN / EUR rate at the end of the period**			4,0882	4,4168

<sup>\*</sup> Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland.



<sup>\*\*</sup> 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.

<sup>\*\*\*</sup> Dividend for 2011 year, as at 17 July 2012 was declared for shareholders of Parent Company as at 2 July 2012.



# part C. AUDITOR'S OPINION



### Eurocash S.A. Group

Opinion and Report of the Independent Auditor Financial Year ended 31 December 2012

The opinion contains 2 pages
The supplementary report contains 13 pages
Opinion of the independent auditor
and supplementary report on the audit
of the consolidated financial statements
for the finacial year ended
31 December 2012

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

#### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Eurocash S.A. with its registered office in Komorniki, 11 Wiśniowa Street ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

#### Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

In our opinion, the accompanying consolidated financial statements of Eurocash S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

#### Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

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

On behalf of KPMG Audyt Sp. z o.o. Registration No. 458 ul. Chłodna 51 00-867 Warsaw

Signed on the Polish original

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Marek Gajdziński Key Certified Auditor Registration No. 90061 Partner

27 March 2013

2



part D. AUDITOR'S REPORT



### Eurocash S.A. Group

Supplementary report on the audit of the consolidated financial statements Financial Year ended 31 December 2012

The supplementary report contains 13 pages
The supplementary report on the audit of the
consolidated financial statements
for the financial year ended
31 December 2012





The supplementary report on the audit of the consolidated financial statements for the financial year ended 31 December 2012

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

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#### 1. General

#### 1.1 Identification of the Group

#### 1.1.1 Name of the Group

Eurocash S.A. Group

#### 1.1.2 Registered office of the Parent Company of the Group

11 Wiśniowa Street 62-052 Komorniki

#### 1.1.3 Registration of the Parent Company in the National Court Register

Registration court: District Court Poznań – Nowe Miasto and Wilda in Poznań,

VIII Commercial Department of the National Court Register

Date: 30 July 2004 Registration number: KRS 0000213765

Share capital as at

the balance sheet date: 137.976.536 PLN

#### 1.1.4. Management of the Parent Company

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

As at 31 December 2012, the Management Board of the Parent Company was comprised of the following members:

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

#### 1.2 Information about companies comprising the Group

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

As at 31 December 2012, the following companies were consolidated by the Group:

Parent Company:

Eurocash S.A.

#### Subsidiaries consolidated on the full consolidation basis:

- KDWT S.A.,
- Eurocash Franczyza Sp. z o.o.,
- Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji,
- Eurocash Trade 1 Sp. z o.o.,
- Eurocash Trade 2 Sp. z o.o.,
- Eurocash Spółka Akcyjna Sp. k.,
- Premium Distributors Sp. z o.o.,
- Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.,
- 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.,
- Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.,
- Saol Dystrybucja Sp. z o.o.,
- Pol Cater Holding Sp. z o.o.,
- Dania Fast Food Sp. z o.o.,
- Detal Koncept Sp. z o.o.,
- Tradis Sp. z o.o.,
- DEF Sp. z o.o.,
- Lewiatan Podlasie Sp. z o.o.,
- Euro Sklep S.A.,
- Ambra Sp. z o.o.,
- Lewiatan Śląsk Sp. z o.o.
- Lewiatan Holding S.A.
- Lewiatan Północ Sp. z o.o.
- Drogerie Koliber Sp. z o.o.
- Lewiatan Orbita Sp. z o.o.
- Lewiatan Kujawy Sp. z o.o.
- Lewiatan Wielkopolska Sp. z o.o.
- Lewiatan Opole Sp. z o.o.
- Lewiatan Zachód Sp. z o.o.
- Partnerski Serwis Detaliczny S.A.
- Gama Serwis Sp. z o.o.

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#### Equity accounted investees:

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

#### 1.3 Auditor information

#### 1.3.1 Key Certified Auditor information

Name and surname: Marek Gajdziński

Registration number: 90061

#### **1.3.2** Audit Firm information

Name: KPMG Audyt Sp. z o.o.

Address of registered office: ul. Chłodna 51, 00-867 Warsaw

Registration number: KRS 0000104753

Registration court: District Court for the Capital City of 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, maintained by the National Council of Certified Auditors, under number 458.

#### 1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2011 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 15 June 2012.

The consolidated financial statements were submitted to the Registry Court on 3 August 2012 and were not published in Monitor Polski B until the date of this report.

#### 1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of Eurocash S.A. with its registered office in Komorniki, 11 Wiśniowa Street and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2012, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements have been audited in accordance with the contract dated 16 June 2012, concluded on the basis of the resolution of the 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 dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the



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Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors, and International Standards on Auditing.

We audited the consolidated financial statements at the Group entities during the period from 26 to 30 November 2012 and from 28 January 2013 to 22 February 2013.

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

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

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

All required statements, explanations and information were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

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 the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Self-Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649 with amendments).

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

## 1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2012 were audited by KPMG Audyt Spółka z o.o., certified auditor number 458, and received an unqualified opinion.

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## 1.6.2 Other consolidated entities

			Type of auditor's
Entity's name	Authorised auditor	Financial year end	opinion
KDWT S.A.	KPMG Audyt Sp. z o.o.	31 December 2012	*
Eurocash Franczyza Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2012	*
Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji	audit not required	31 December 2012	not applicable
Eurocash Trade 1 Sp. z o.o.	audit not required	31 December 2012	not applicable
Eurocash Trade 2 Sp. z o.o.	audit not required	31 December 2012	not applicable
Eurocash Spółka Akcyjna Sp. k.	KPMG Audyt Sp. z o.o.	31 December 2012	*
Premium Distributors Sp. zo.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Damianex S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Delikates Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Miro Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
MTC Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Multi-Ex S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Polskie Hurtownie Alkoholi Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Saol Dystrybucja Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Pol Cater Holding Sp. z o.o.	audit not required	31 December 2012	not applicable
Dania Fast Food Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Detal Koncept Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Tradis Sp. zo.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
DEF Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Podlasie Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Euro Sklep S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Ambra Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*



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Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Lewiatan Śląsk Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Holding S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Północ Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Drogerie Koliber Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Orbita Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Kujawy Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Wielkopolska Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Opole Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Lewiatan Zachód Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Partnerski Serwis Detaliczny S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	*
Gama Serwis Sp. z o.o.	audit not required	31 December 2012	not applicable

<sup>\*</sup> Until the date of this report the statutory audit has not been completed.

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31.12.2012 % of total 31.12.2011 % of total



ASSETS

## 2 Financial analysis of the Group

## 2.1 Summary analysis of the consolidated financial statements

## 2.1.1 Consolidated statement of financial position

	PLN '000		PLN '000	
			restated*	
Non-current assets (long-term)	1 947 639,9	41,6	1 977 212,4	42,2
Goodwill	1 049 287,7	22,4	1 049 287,7	22,4
Other intangible assets	422 682,2	9,0	445 161,0	9,5
Property, plant and equipment	377 119,3	8,0	405 794,8	8,7
Investment property	1 572,8	0,0	1 643,0	0,0
Investments in equity accounted investees	36 758,9	0,8	20 245,8	0,4
Other investments	1 134,1	0,0	3 572,5	0,1
Long-term receivables	3 375,4	0,1	3 093,2	0,1
Deferred tax assets	52 505,7	1,1	45 897,6	1,0
Other long-term prepayments	3 203,8	0,1	2 516,8	0,1
Current assets (short-term)	2 737 324,7	58,4	2 713 299,1	57,9
Inventories	990 774,3	21,2	948 895,8	20,2
Trade receivables	1 451 933,6	31,0	1 341 057,7	28,6
Current tax assets	23 445,2	0,5	2 434,3	0,1
Other short-term receivables	73 070,4	1,6	102 942,1	2,2
Other short-term financial assets	3 810,7	0,1	3 511,0	0,1
Short-term prepayments	9 663,5	0,2	15 975,0	0,3
Cash and cash equivalents	157 381,5	3,4	298 483,2	6,4
Non-current assets of disposal group held for sale	27 245,5	0,6	-	-
TOTAL ASSETS	4 684 964,6	100,0	4 690 511,5	100,
EQUITY AND LIABILITIES	31.12.2012	% of total	31.12.2011	% of tota
	PLN '000		PLN '000	
			restated*	
Equity	783 554,4	16,7	548 493,9	11,7
Share capital	137 976,5	3,0	136 983,0	2,9
-				
Reserve capital	341 097,7	7,3	263 157,2	5,6
Reserve capital Hedging reserve	341 097,7 (4 645,0)	7,3 0,1	263 157,2 (4 645,0)	5,6 0,1
	,	,		0,1
Hedging reserve	(4 645,0)	0,1	(4 645,0)	0,1 3,3
Hedging reserve Retained earnings	(4 645,0) 309 125,2	0,1 6,6	(4 645,0) 152 998,7	
Hedging reserve Retained earnings Accumulated profit from previous years	(4 645,0) 309 125,2 58 743,9	0,1 6,6 1,3	(4 645,0) 152 998,7 18 600,0	0,1 3,3 0,4
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period	(4 645,0) 309 125,2 58 743,9 250 381,3	0,1 6,6 1,3 5,3	(4 645,0) 152 998,7 18 600,0 134 398,7	0,1 3,3 0,4 2,9
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company	(4 645,0) 309 125,2 58 743,9 250 381,3 783 554,4	0,1 6,6 1,3 5,3	(4 645,0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b>	0,1 3,3 0,4 2,9 11,7
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 783 554,4	0,1 6,6 1,3 5,3 16,7	(4 645,0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b> <b>4 142 017,6</b>	0,1 3,3 0,4 2,9
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 783 554,4 3 901 410,2 478 883,9	0,1 6,6 1,3 5,3 16,7	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9	0,1 3,3 0,4 2,9 11,7 88,3 16,0
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings	(4 645,0) 309 125,2 58 743,9 250 381,3 783 554,4 3 901 410,2 478 883,9 403 744,9	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6	(4 645,0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b> <b>4 142 017,6</b> <b>749 130,9</b> 666 100,9	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4	(4 645,0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b> <b>4 142 017,6</b> <b>749 130,9</b> 666 100,9 20 393,1	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0	(4 645,0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b> <b>4 142 017,6</b> <b>749 130,9</b> 666 100,9 20 393,1 621,2	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities Deferred tax liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2	(4 645.0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b> <b>4 142 017,6</b> <b>749 130,9</b> 666 100,9 20 393,1 621,2 39 595,6	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1	(4 645,0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b> <b>4 142 017,6</b> <b>749 130,9</b> 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 0,1 0,4
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1	(4 645,0) 152 998,7 18 600,0 134 398,7 <b>548 493,9</b> <b>4 142 017,6</b> <b>749 130,9</b> 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 <b>3 392 886,7</b>	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 0,1 0,4
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities Loans and borrowings	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8 	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 3 392 886,7 831 528,9	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 0,1 0,4 72,2 17,7
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities Loans and borrowings Short-term financial liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8 	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1 - 73,1 10,7 0,7	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 3 392 886,7 831 528,9 39 722,6	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 0,1 0,4 72,2 17,7 0,5
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities Loans and borrowings Short-term financial liabilities Trade payables	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8 	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1 - 73,1 10,7 0,7 56,0	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 3 392 886,7 831 528,9 39 722,6 2 200 593,2	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 8 0,1 0,4 72,2 17,7 0,0 46,9
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities Loans and borrowings Short-term financial liabilities Trade payables Current tax liabilities	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8 	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1 - 73,1 10,7 0,7 56,0 0,2	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 3 392 886,7 831 528,9 39 722,6 2 200 593,2 15 548,5	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 8 0,1 0,4 72,2 17,7 0,: 46,9 0,3
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities Loans and borrowings Short-term financial liabilities Trade payables Current tax liabilities Other short-term payables	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8 - <b>3 422 526,3</b> 502 886,8 32 388,7 2 621 438,8 10 030,8 67 067,7	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1 - 73,1 10,7 0,7 56,0 0,2 1,4	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 3 392 886,7 831 528,9 39 722,6 2 200 593,2 15 548,5 112 307,1	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 0,1 0,4 72,2 17,7 0,5 46,9 0,3 2,4
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities Loans and borrowings Short-term financial liabilities Trade payables Current tax liabilities Other short-term payables Current employee benefits	(4 645,0) 309 125,2 58 743,9 250 381,3 783 554,4  3 901 410,2 478 883,9 403 744,9 16 832,3 401,6 54 671,3 3 233,8 3 422 526,3 502 886,8 32 388,7 2 621 438,8 10 030,8 67 067,7 40 347,1	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1 - 73,1 10,7 0,7 56,0 0,2 1,4 0,9	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 3 392 886,7 831 528,9 39 722,6 2 200 593,2 15 548,5 112 307,1 54 881,7	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 0,1 0,4 72,2 17,7 0,7 46,9 0,3 2,4 1,2
Hedging reserve Retained earnings Accumulated profit from previous years Profit for the period  Equity attributable to owners of the Company  Liabilities Non-current liabilities Long-term loans and borrowings Long-term financial liabilities Other long-term liabilities Deferred tax liabilities Employee benefits Provisions  Current liabilities Loans and borrowings Short-term financial liabilities Trade payables Current tax liabilities Other short-term payables	(4 645,0) 309 125,2 58 743,9 250 381,3 <b>783 554,4</b> <b>3 901 410,2</b> <b>478 883,9</b> 403 744,9 16 832,3 401,6 54 671,3 3 233,8 - <b>3 422 526,3</b> 502 886,8 32 388,7 2 621 438,8 10 030,8 67 067,7	0,1 6,6 1,3 5,3 16,7 83,3 10,2 8,6 0,4 0,0 1,2 0,1 - 73,1 10,7 0,7 56,0 0,2 1,4	(4 645,0) 152 998,7 18 600,0 134 398,7 548 493,9 4 142 017,6 749 130,9 666 100,9 20 393,1 621,2 39 595,6 2 232,3 20 187,8 3 392 886,7 831 528,9 39 722,6 2 200 593,2 15 548,5 112 307,1	0,1 3,3 0,4 2,9 11,7 88,3 16,0 14,2 0,4 0,0 0,8 0,1 0,4 72,2 17,7 0,7 46,9 0,3 2,4

<sup>\*</sup> Restatement of comparative figures is described in the note 1 of notes to the consolidated financial statements.

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## 2.1.1. Consolidated income statement

		% of			
	1.01.2012 -	total	1.01.2011 -	total	
	31.12.2012	sales	31.12.2011	sales	
	zł '000		zł '000		
Sales	16 575 780,9	100,0	9 980 595,9	100,0	
Sales of goods	15 957 555,9	96,3	9 644 737,2	96,6	
Sales of services	612 197,1	3,7	335 858,7	3,4	
Sales of materials	6 027,9	0,0	-	-	
Cost of sales	(14 785 026,8)	89,2	(8 992 235,7)	90,1	
Cost of goods sold	(14 650 571,7)	88,4	(8 988 874,6)	90,1	
Cost of services sold	(129 617,3)	0,8	(3 361,1)	0,0	
Costs of materials sold	(4 837,8)	0,0	-	-	
Gross profit	1 790 754,1	10,8	988 360,2	9,9	
Selling expenses	(1 083 145,8)	6,5	(601 097,5)	6,0	
General and administrative expenses	(270 399,0)	1,6	(186 616,6)	1,9	
Profit on sales	437 209,3	2,6	200 646,1	2,0	
Other operating income	38 296,2	0,2	56 582,5	0,6	
Other operating expenses	(98 678,4)	0,6	(64 273,0)	0,6	
Operating profit	376 827,1	2,3	192 955,6	1,9	
Finance income	16 235,9	0,1	5 060,8	0,1	
Finance costs	(109 404,8)	0,7	(44 658,4)	0,5	
Share of losses of equity accounted investees	(1 201,4)	0,0	(2 366,8)	0,0	
Profit before tax	282 456,8	1,7	150 991,2	1,5	
Income tax expense	(32 075,5)	0,2	(16 604,0)	0,2	
Profit for the period	250 381,3	1,5	134 387,2	1,4	

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## 2.2 Selected financial ratios

	2012	2011 restated*	2010 restated*
Return on sales			
profit for the period x 100% sales	1,5%	1,3%	1,6%
Return on equity			
profit for the period x 100% equity - profit for the period	47,0%	32,5%	39,1%
Debtors turnover			
average trade receivables (gross) x 365 days sales	32 days	38 days	26 days
Debt ratio			
liabilities x 100% equity and liabilities	83,3%	88,3%	81,0%
Current ratio			
current assets current liabilities	0,8	0,8	1,0

<sup>\*</sup> Restatement of comparative figures is described in the note 1 of other explanatory notes to the consolidated financial statements.

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

As at 31 December 2012 the current ratio was at the same level as in prior year and amounted to 0.8 mainly as a result of purchase of Tradis distribution companies in 2011 and bank loans drawn for this purpose. The Group has unused credit limits within granted lines of credit and during 2013 the Company plans to generate sufficient cash flows from operating activities which together shall be sufficient for timely settlement of short-term liabilities.

Level of debtors' days ratio is influenced by the fact, that trade receivables include among others receivables resulting from transactions with suppliers, that depending on specific of these transactions are presented in consolidated income statement as sales of services or as a reduction of cost of goods sold.



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## 3 Detailed report

## 3.1 Accounting principles

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

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

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

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

## 3.2 Basis of preparation of the consolidated financial statements

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

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 r., No 169, item 1327).

## 3.3 Method of consolidation

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

## 3.4 Goodwill arising on consolidation

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

## 3.5 Consolidation of equity and calculation of non-controlling interest

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

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

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

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Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

## 3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

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

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

## 3.7 Notes to the consolidated financial statements

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

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

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

On behalf of KPMG Audyt Sp. z o.o. Registration No. 458 ul. Chłodna 51 00-867 Warsaw

Signed on the Polish original

.....

Marek Gajdziński Key Certified Auditor Registration No. 90061 Partner

27 March 2013



part E.
CONSOLIDATED FINANCIAL
STATEMENTS



## TRANSLATORS' EXPLANATORY NOTE

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

Consolidated financial statements of EUROCASH Group.					
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:  All amounts are expressed in Polish zloty (unless indicated otherwise)					

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

#### **GENERAL INFORMATION**

## 1. INFORMATION ABOUT THE PARENT ENTITY

#### NAME

EUROCASH Spółka Akcyjna (Parent Entity)

#### **REGISTERED OFFICE**

ul. Wiśniowa 11, 62-052 Komorniki

#### **CORE BUSINESS**

Non-specialized wholesale trade (PKD 4690Z)

#### **REGISTRATION COURT**

District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register, KRS 0000213765

## PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

Indefinite period

#### PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period 1 January 2012 – 31 December 2012 and comparative period 1 January 2011 – 31 December 2011.

Consolidated statement of financial position has been prepared as at 31 December 2012, and the comparative figures are presented as at 31 December 2011.

## 2. BOARD OF THE PARENT ENTITY

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

As at 31 December 2012 the Parent Entity's Management Board consisted of the following members:

Luis Manuel Conceicao do Amaral - President of the Management Board,

Rui Amaral - Member of the Management Board,

Arnaldo Guerreiro - Member of the Management Board,

Pedro Martinho - Member of the Management Board,

Katarzyna Kopaczewska - Member of the Management Board,

Jacek Owczarek - Member of the Management Board,

Carlos Saraiva – Member of the Management Board.



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

## 2.2. SUPERVISORY BOARD

As at 31 December 2012 the Parent Entity's Supervisory Board consisted of the following members:

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

## 2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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



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

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2012

	Note	Year for the period from 01.01.2012 to 31.12.2012	Year for the period from 01.01.2011 to 31.12.2011
Sales		16 575 780 957	9 980 595 900
Sales of goods	28	15 957 555 937	9 644 737 246
Sales of services	28	612 197 096	335 858 654
Sales of materials	28	6 027 924	=
Costs of sales		(14 785 026 840)	(8 992 235 676)
Costs of goods sold		(14 650 571 752)	(8 988 874 571)
Costs of services sold		(129 617 318)	(3 361 105)
Costs of materials sold	_	(4 837 771)	-
Gross profit	_	1 790 754 117	988 360 224
Selling expenses	29	(1 083 145 828)	(601 097 541)
General nad administrative expenses	29 _	(270 398 955)	(186 616 608)
Profit on sales	_	437 209 333	200 646 075
Other operating income	30	38 296 177	56 582 527
Other operating expenses	30 _	(98 678 401)	(64 273 005)
Operating profit	_	376 827 109	192 955 597
Financial income	31	16 235 869	5 060 822
Financial costs	31	(109 404 793)	(44 658 393)
Share in profits (losses) of equity accounted investees		(1 201 384)	(2 366 850)
Profit before income tax	_	282 456 801	150 991 175
Income tax expense	25	(32 075 532)	(16 603 987)
Profit for the period	=	250 381 269	134 387 189
Attributable to:			
Owners of the Company		250 381 269	134 398 735
Non-controlling interests		-	(11 546)
EARNINGS PER SHARE			
		PLN	PLN
Profit		250 381 269	134 398 735
Weighted average number of shares	32	137 921 774	136 765 168
Weighted average diluted number of shares	32	138 875 685	138 064 230
	0.0	PLN / share	PLN / share
- basic	32	1,82	0,98
- diluted	32	1,80	0,97



Consolidated financial statements of EUROCASH Group.					
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)				

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01 TO 31 12 2012

	Year for the period from 01.01.2012 f to 31.12.2012	Year for the period from 01.01.2011 to 31.12.2011
Profit for the period	250 381 269	134 387 189
Other comprehensive income for the period	-	-
Total comprehensive income for the period	250 381 269	134 387 189
Total Income		
Owners of the Company	250 381 269	134 398 735
Non-controlling interests	-	(11 546)
Total comprehensive income for the period	250 381 269	134 387 189



Consolidated financial statements of EUROCASH Group.					
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)				

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2012

Assets	Note	as at 31.12.2012	as at 31.12.2011 Restated *
7.00010			
Non-current assets (long-term)		1 947 639 828	1 977 212 372
Goodwill	4	1 049 287 679	1 049 287 679
Intangible assets	4	422 682 230	445 160 992
Property, plant and equipment	5	377 119 295	405 794 829
Investment real estate property	7	1 572 759	1 643 004
Investments in equity accounted investees	8	36 758 854	20 245 781
Other long-term investments	9	1 134 069	3 572 547
Long-term receivables	10	3 375 412	3 093 179
Deferred tax assets	26	52 505 729	45 897 610
Other long-term prepayments	27	3 203 801	2 516 750
Current assets (short-term)		2 737 324 622	2 713 299 102
Invetories	11	990 774 294	948 895 806
Trade receivables	12	1 451 933 564	1 341 057 668
Current tax receivables	12	23 445 157	2 434 306
Other short-term receivables	12	73 070 421	102 942 064
Other short-term financial assets	13	3 810 684	3 511 042
Short-term prepayments	14	9 663 479	15 974 970
Cash and cash equivalents	15	157 381 473	298 483 246
Fixed assets classified as held for sale	16	27 245 549	-
Total assets	_	4 684 964 451	4 690 511 474

<sup>\*</sup> Note 1



Consolidated financial statements of EUROCASH Group.						
Financial statements period:	01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)					

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2012

Equity nad liabilities		as at 31.12.2012	as at 31.12.2011 Restated *
Equity		783 554 387	548 493 908
Equity attributable to Owners of the Company		783 554 387	548 493 908
Share capital	18	137 976 536	136 983 011
Reserve capital	19	341 097 692	263 157 202
Hedging reserve	19	(4 645 000)	(4 645 000)
Retained earnings		309 125 159	152 998 695
Accumulated profit from previous years		58 743 890	18 599 960
Profit (loss) for the period		250 381 269	134 398 735
Non-controlling interests		-	-
Liabilities		3 901 410 064	4 142 017 566
Non-current liabilities		478 883 793	749 130 889
Long-term loans and borrowings	23	403 744 879	666 100 910
Long-term financial liabilities	24	16 832 317	20 393 134
Other long-term liabilities	22	401 559	621 209
Deferred tax liabilities	26	54 671 275	39 595 631
Employee benefits	21	3 233 762	2 232 265
Provisions	21	-	20 187 739
Current liabilities		3 422 526 271	3 392 886 676
Loans and borrowings	23	502 886 759	831 528 857
Short-term financial liabilities	24	32 388 753	39 722 550
Trade payables	22	2 621 438 760	2 200 593 173
Current tax liabilities	22	10 030 809	15 548 460
Other short-term payables	22	67 067 702	112 307 111
Current employee benefits	21	40 347 120	54 881 734
Provisions	21	148 366 367	138 304 791
Total equity and liabilities		4 684 964 451	4 690 511 474
BOOK VALUE PER SHARE AS AT 31 DECEMBER 2012			
		as at	as a
		31.12.2012	31.12.201
Equity attributable to Owners of the Company		783 554 387	548 493 908
Number of shares	33	137 976 536	136 983 011
Diluted number of shares	33	138 909 011	138 909 011
Book value per share	33	5,68	4,00

<sup>\*</sup> Note 1



Consolidated financial statements of EUROCASH Group.						
Financial statements period:	01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)					

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01 TO 31.12.2012

Year Year
for the period for the period
from 01.01.2012 from 01.01.2011
to 31.12.2012 to 31.12.2011
Restated \*

Cash flow from operating activities

Adjustments for:         218 790 437         118 513 570           Depreciation and amortization         113 361 729         72 799 514           Share in profits (losses) of equity accounted investees         1 201 334         2 366 850           Valuation of incentive programs         502 317         1 198 538           Gain (loss) on sale of property, plant and equipment         7 155 165         1 640 157           Interest received         (8 682 283)         (1 298 308)         (1 298 308)           Operating cash before changes in working capital         501 247 238         269 504 745           Changes in inventory         (41 819 147)         36 605 672           Changes in inventory         (41 819 147)         36 605 672           Changes in provisions and employee benefits         (19 293 360)         (10 89 83)           Changes in provisions and employee benefits         (12 999 350)         (2 620 078)           Other adjustments         (2 90 350)         (2 620 078)           Other adjustments         72 93 55 609         333 412 117           Interest received         3 411 428	Profit before tax	282 456 801	150 991 175
Share in profits (losses) of equity accounted investees         1 201 384         2 366 850           Valuation of incentive programs         502 317         1 198 538           Gain (loss) on sale of property, plant and equipment         17 55 165         1 640 157           Interest expenses         105 252 124         41 777 797           Interest received         6 862 283         (1 690 286)           Operating cash before changes in working capital         501 247 238         269 504 745           Changes in inventory         (41 819 147)         36 605 672           Changes in payables         39 290 660         (108 993 996)           Changes in payables         368 62 25 625         (2 620 078)           Changes in provisions and employee benefits         (12 999 350)         (2 620 078)           Other adjustments         (12 999 350)         (2 620 078)           Other adjustments         (12 993 356 09)         33 412 117           Interest received         3 411 428         2-4 620 00           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         22 962 639         (17 678 98)           Aquisition of intangible assets         (22 962 639)         (17 678 98)           Proceeds from sale of property, plant and equipment tangible	Adjustments for:	218 790 437	118 513 570
Valuation of incentive programs         502 317         1 198 538           Gain (loss) on sale of property, plant and equipment         7 155 165         1 640 157           Interest expenses         105 252 124         41 777 797           Interest received         (8 682 283)         (1 269 286)           Operating cash before changes in working capital         501 247 238         269 504 745           Changes in inventory         (41 819 147)         33 6 605 672           Changes in payables         386 252 652         138 467 237           Changes in povisions and employee benefits         (12 909 350)         (2 620 078)           Other adjustments         (12 909 350)         (2 620 078)           Operating cash         729 355 609         333 412 117           Interest received         3 411 428            Interest paid         (12 944 160)         (24 646 078)           Interest paid         (50 008 110)         (26 603 509)           Net cash from operating activities         669 814 767         282 162 530           Cash low from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         -           Aquisition of property, plant and equipment tangible fixed assets <td>Depreciation and amortization</td> <td>113 361 729</td> <td>72 799 514</td>	Depreciation and amortization	113 361 729	72 799 514
Gain (loss) on sale of property, plant and equipment         7 155 165         1 640 157           Interest expenses         105 252 124         4 1777 797           Interest received         (8 682 283)         (1 2 692 266)           Operating cash before changes in working capital         501 247 238         269 504 745           Changes in inventory         (41 819 147)         36 605 672           Changes in payables         366 25 6262         138 67 237           Changes in provisions and employee benefits         (12 909 350)         (2 620 078)           Other adjustments         (4 185 124)         448 537           Operating cash         729 355 609         33 412 17           Interest received         3 411 428         -7           Interest paid         (12 944 160)         (24 646 078)           Income tax paid         (50 008 110)         (26 603 509)           Wet cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         (10 42 135 635)           Aquisition of subsidiaries, net of cash aquired         2 (2 962 639)         (17 678 938)           Expenditures for purchased financi	Share in profits (losses) of equity accounted investees	1 201 384	2 366 850
Interest expenses	Valuation of incentive programs	502 317	1 198 538
Interest received	Gain (loss) on sale of property, plant and equipment	7 155 165	1 640 157
Operating cash before changes in working capital         501 247 238         269 504 745           Changes in inventory         (41 819 147)         36 605 672           Changes in receivables         (99 230 660)         (108 983 986)           Changes in payables         386 255 652         138 467 237           Changes in provisions and employee benefits         (12 909 350)         (2 620 078)           Other adjustments         (4 185 124)         448 537           Operating cash         729 355 609         333 412 117           Interest received         3 411 428         -           Interest paid         (12 944 160)         (24 646 078)           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         650 814 767         282 162 530           Cash flow from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         -           Aquisition of property, plant and equipment tangible fixed assets         (101 463 852)         (49 9333 610)           Proceeds from sale of property, plant and equipment         2 9170 797         1 4 089 534           Expenditures for purchased financial assets         (21 80 97)         -           Rep	Interest expenses	105 252 124	41 777 797
Changes in inventory         (41 819 147)         36 605 672           Changes in receivables         (99 230 660)         (108 993 996)           Changes in payables         386 252 652         138 467 237           Changes in provisions and employee benefits         (12 999 355)         (2 620 078)           Other adjustments         (4 185 124)         448 537           Operating cash         729 355 609         333 412 17           Interest received         3 411 428         17           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         -           Proceeds from sale of property, plant and equipment tangible fixed assets         (101 463 852)         (49 333 610)           Expenditures for purchased financial assets         (218 097)         -           Aquisition of subsidiaries, net of cash aquired         (10 42 135 635)           Expenditures for purchased associate companies         (15 156 000)         (20 245 781) <td< td=""><td>Interest received</td><td>(8 682 283)</td><td>(1 269 286)</td></td<>	Interest received	(8 682 283)	(1 269 286)
Changes in receivables         (99 230 660)         (108 993 996)           Changes in payables         366 252 652         138 467 237           Changes in provisions and employee benefits         (12 909 350)         (2 620 078)           Other adjustments         (4 185 124)         448 537           Operating cash         729 355 609         333 412 117           Interest pecived         3 411 428         -4 646 078)           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         -           Aquisition of property, plant and equipment tangible fixed assets         (101 463 852)         (49 333 610)           Proceeds from sale of property, plant and equipment         29 170 797         14 089 534           Expenditures for purchased financial assets         (218 097)         (40 2 135 635)           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         9 - 61 1945 203         81 149           Net cash used in investing activities         8 924 777	Operating cash before changes in working capital	501 247 238	269 504 745
Changes in payables         386 252 652         138 467 237           Changes in provisions and employee benefits         (12 909 350)         (2 620 078)           Other adjustments         (4 185 124)         448 537           Operating cash         729 355 609         333 412 117           Interest received         3 411 428         3 411 428           Interest paid         (12 944 160)         (24 646 078)           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         (7 678 938)           Proceeds from sale of property, plant and equipment tangible fixed assets         (10 463 852)         (49 333 610)           Proceeds from sale of property, plant and equipment         29 170 797         14 089 534           Expenditures for purchased financial assets         (218 097)         1           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         8 92 777         5 382 538           Repayment in inancing activities         (19 684 588)         (1114 542 280	Changes in inventory	(41 819 147)	36 605 672
Changes in provisions and employee benefits         (12 909 350)         (2 620 078)           Other adjustments         (4 185 124)         448 537           Operating cash         729 355 609         333 412 117           Interest received         3 411 428            Interest paid         (12 944 160)         (24 646 078)           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets         (22 962 639)         (17 678 938)           Proceeds from sale of property, plant and equipment         1 000 000         -           Aquisition of property, plant and equipment tangible fixed assets         (101 463 852)         (49 33 36 10)           Proceeds from sale of property, plant and equipment         2 9170 797         14 089 534           Expenditures for purchased financial assets         (218 097)         -           Expenditures for purchased financial assets         (218 097)         -           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         8 924 777         5 382 538 <t< td=""><td>Changes in receivables</td><td>(99 230 660)</td><td>(108 993 996)</td></t<>	Changes in receivables	(99 230 660)	(108 993 996)
Other adjustments         (4 185 124)         448 537           Operating cash         729 355 609         333 412 117           Interest received         3 411 428         -           Interest paid         (12 944 160)         (24 646 078)           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets         (20 962 639)         (17 678 938)           Proceeds from sale of property, plant and equipment         1 000 000         -           Proceeds from sale of property, plant and equipment         29 170 797         14 089 534           Expenditures for purchased financial assets         (218 097)         -           Aquisition of subsidiaries, net of cash aquired         (15 156 000)         (20 245 781)           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         -         681 000           Interest received         1 945 203         81 149           Net cash used in investing activities         (107 684 588)         (1114 542 280)           Cash flow from financing activities	Changes in payables	386 252 652	138 467 237
Operating cash         729 355 609         33 31 21 117           Interest received         3 411 428         -           Interest paid         (12 944 160)         (24 646 078)           Income tax paid         (50 008 110)         (26 603 509)           Net cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities           Aquisition of intangible assets         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         -           Aquisition of property, plant and equipment tangible fixed assets         (101 463 852)         (49 333 610)           Proceeds from sale of property, plant and equipment         29 170 797         1 4 089 534           Expenditures for purchased financial assets         (218 097)         -           Aquisition of subsidiaries, net of cash aquired         5 (1042 135 635)         (10 42 135 635)           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         8 92 4777         5 382 538           Repayment seceived of given loans         8 924 777         5 382 538           Sales of treasury shares         9 1 115 507         1 115 507	Changes in provisions and employee benefits	(12 909 350)	(2 620 078)
Interest received   3 4 11 428	Other adjustments	(4 185 124)	448 537
Interest paid   (12 944 160)   (24 646 078)   Income tax paid   (50 008 110)   (26 603 509)   Net cash from operating activities   669 814 767   282 162 530   Cash flow from investing activities	Operating cash	729 355 609	333 412 117
Income tax paid	Interest received	3 411 428	-
Net cash from operating activities         669 814 767         282 162 530           Cash flow from investing activities         4 (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment Aquisition of property, plant and equipment tangible fixed assets         1 000 000	Interest paid	(12 944 160)	(24 646 078)
Cash flow from investing activities           Aquisition of intangible assets         (22 962 639)         (17 678 938)           Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         -           Aquisition of property, plant and equipment tangible fixed assets         (101 463 852)         (49 333 610)           Proceeds from sale of property, plant and equipment         29 170 797         14 089 534           Expenditures for purchased financial assets         (218 097)         -           Aquisition of subsidiaries, net of cash aquired         -         (1 042 135 635)           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         -         681 000           Interest received         1 945 203         81 149           Net cash used in investing activities         (107 684 588)         (1 114 542 280)           Cash flow from financing activities         8 924 777         5 382 538           Sales of treasury shares         -         1 115 507           Financing for franchisees         (4 391 696)         979 641           Proceeds from loans and borrowings         (80 592 571)         (76 173 867)           Payment of birnance lease liabilities         (81 15 012)         (2 240 025) <td>Income tax paid</td> <td>(50 008 110)</td> <td>(26 603 509)</td>	Income tax paid	(50 008 110)	(26 603 509)
Aquisition of intangible assets       (22 962 639)       (17 678 938)         Proceeds from sale of intangible assets, property, plant and equipment       1 000 000       -         Aquisition of property, plant and equipment tangible fixed assets       (101 463 852)       (49 333 610)         Proceeds from sale of property, plant and equipment       29 170 797       14 089 534         Expenditures for purchased financial assets       (218 097)       -         Aquisition of subsidiaries, net of cash aquired       -       (1 042 135 635)         Expenditures for purchased associate companies       (15 156 000)       (20 245 781)         Repayment received of given loans       -       -       681 000         Interest received       1 945 203       81 149         Net cash used in investing activities       (107 684 588)       (1 114 542 280)         Cash flow from financing activities       (107 684 588)       (1 114 542 280)         Cash flow from issue of share capital       8 924 777       5 382 538         Sales of treasury shares       -       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       (840 592 571)       (76 173 867)         Payment of binance lease liabilities       (6 115 800)       (7 009 123) </td <td>Net cash from operating activities</td> <td>669 814 767</td> <td>282 162 530</td>	Net cash from operating activities	669 814 767	282 162 530
Proceeds from sale of intangible assets, property, plant and equipment         1 000 000         -           Aquisition of property, plant and equipment tangible fixed assets         (101 463 852)         (49 333 610)           Proceeds from sale of property, plant and equipment         29 170 797         14 089 534           Expenditures for purchased financial assets         (218 097)         -           Aquisition of subsidiaries, net of cash aquired         -         (1 042 135 635)           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         -         681 000           Interest received         1 945 203         81 149           Net cash used in investing activities         (107 684 588)         (1 114 542 280)           Cash flow from financing activities         (107 684 588)         (1 114 542 280)           Cash flow from issue of share capital         8 924 777         5 382 538           Sales of treasury shares         -         1 115 507           Financing for franchisees         (4 391 696)         979 641           Proceeds from loans and borrowings         (840 592 571)         (76 173 867)           Payment of binance lease liabilities         (6 115 800)         (7 093 123)           Interests on loans and borrowings	Cash flow from investing activities		
Aquisition of property, plant and equipment tangible fixed assets       (101 463 852)       (49 333 610)         Proceeds from sale of property, plant and equipment       29 170 797       14 089 534         Expenditures for purchased financial assets       (218 097)       -         Aquisition of subsidiaries, net of cash aquired       -       (1 042 135 635)         Expenditures for purchased associate companies       (15 156 000)       (20 245 781)         Repayment received of given loans       -       681 000         Interest received       1 945 203       81 149         Net cash used in investing activities       (107 684 588)       (1 114 542 280)         Cash flow from financing activities       (107 684 588)       (1 114 542 280)         Proceeds from issue of share capital       8 924 777       5 382 538         Sales of treasury shares       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Dividends paid       (24 795 780)	Aquisitionof intangible assets	(22 962 639)	(17 678 938)
Proceeds from sale of property, plant and equipment         29 170 797         14 089 534           Expenditures for purchased financial assets         (218 097)         -           Aquisition of subsidiaries, net of cash aquired         -         (1 042 135 635)           Expenditures for purchased associate companies         (15 156 000)         (20 245 781)           Repayment received of given loans         -         681 000           Interest received         1 945 203         81 149           Net cash used in investing activities         (107 684 588)         (1 114 542 280)           Cash flow from financing activities         (107 684 588)         (1 114 542 280)           Proceeds from issue of share capital         8 924 777         5 382 538           Sales of treasury shares         -         1 115 507           Financing for franchisees         (4 391 696)         979 641           Proceeds from loans and borrowings         250 223 461         1 067 916 476           Repayment of borrowings         (840 592 571)         (76 173 867)           Payment of finance lease liabilities         (6 115 800)         (7 091 123)           Interest on finance lease         (3 115 012)         (2 240 025)           Interests on loans and borrowings         (83 369 331)         (19 935 754) <t< td=""><td>Proceeds from sale of intangible assets, property, plant and equipment</td><td>1 000 000</td><td>-</td></t<>	Proceeds from sale of intangible assets, property, plant and equipment	1 000 000	-
Expenditures for purchased financial assets       (218 097)       -         Aquisition of subsidiaries, net of cash aquired       -       (1 042 135 635)         Expenditures for purchased associate companies       (15 156 000)       (20 245 781)         Repayment received of given loans       -       681 000         Interest received       1 945 203       81 149         Net cash used in investing activities       (107 684 588)       (1 114 542 280)         Cash flow from financing activities       (107 684 588)       (1 114 542 280)         Proceeds from issue of share capital       8 924 777       5 382 538         Sales of treasury shares       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324 </td <td>Aquisition of property, plant and equipment tangible fixed assets</td> <td>(101 463 852)</td> <td>(49 333 610)</td>	Aquisition of property, plant and equipment tangible fixed assets	(101 463 852)	(49 333 610)
Aquisition of subsidiaries, net of cash aquired       - (1 042 135 635)         Expenditures for purchased associate companies       (15 156 000)       (20 245 781)         Repayment received of given loans       - 681 000         Interest received       1 945 203       81 149         Net cash used in investing activities       (107 684 588)       (1 114 542 280)         Cash flow from financing activities       (107 684 588)       (1 114 542 280)         Proceeds from issue of share capital       8 924 777       5 382 538         Sales of treasury shares       - 1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922 <td>Proceeds from sale of property, plant and equipment</td> <td>29 170 797</td> <td>14 089 534</td>	Proceeds from sale of property, plant and equipment	29 170 797	14 089 534
Expenditures for purchased associate companies       (15 156 000)       (20 245 781)         Repayment received of given loans       -       681 000         Interest received       1 945 203       81 149         Net cash used in investing activities       (107 684 588)       (1 114 542 280)         Cash flow from financing activities       -       1 115 507         Proceeds from issue of share capital       8 924 777       5 382 538         Sales of treasury shares       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922 </td <td>Expenditures for purchased financial assets</td> <td>(218 097)</td> <td>-</td>	Expenditures for purchased financial assets	(218 097)	-
Repayment received of given loans   1 945 203   81 149     Net cash used in investing activities   (107 684 588)   (1 114 542 280)     Cash flow from financing activities     Proceeds from issue of share capital   8 924 777   5 382 538     Sales of treasury shares   - 1 115 507     Financing for franchisees   (4 391 696)   979 641     Proceeds from loans and borrowings   250 223 461   1 067 916 476     Repayment of borrowings   (840 592 571)   (76 173 867)     Payment of finance lease liabilities   (6 115 800)   (7 009 123)     Interest on finance lease   (3 115 012)   (2 240 025)     Interests on loans and borrowings   (83 369 331)   (19 935 754)     Dividends paid   (24 795 780)   (50 672 318)     Net cash used in financing activities   (703 231 953)   919 363 075     Net change in cash and cash equivalents   (141 101 774)   86 983 324     Cash and cash equivalents at the beginning of the period   298 483 246   211 499 922	Aquisition of subsidiaries, net of cash aquired	-	(1 042 135 635)
Interest received         1 945 203         81 149           Net cash used in investing activities         (107 684 588)         (1 114 542 280)           Cash flow from financing activities         Proceeds from issue of share capital         8 924 777         5 382 538           Sales of treasury shares         -         1 115 507           Financing for franchisees         (4 391 696)         979 641           Proceeds from loans and borrowings         250 223 461         1 067 916 476           Repayment of borrowings         (840 592 571)         (76 173 867)           Payment of finance lease liabilities         (6 115 800)         (7 009 123)           Interest on finance lease         (3 115 012)         (2 240 025)           Interests on loans and borrowings         (83 369 331)         (19 935 754)           Dividends paid         (24 795 780)         (50 672 318)           Net cash used in financing activities         (703 231 953)         919 363 075           Net change in cash and cash equivalents         (141 101 774)         86 983 324           Cash and cash equivalents at the beginning of the period         298 483 246         211 499 922	Expenditures for purchased associate companies	(15 156 000)	(20 245 781)
Net cash used in investing activities         (107 684 588)         (1 114 542 280)           Cash flow from financing activities         8 924 777         5 382 538           Proceeds from issue of share capital         8 924 777         5 382 538           Sales of treasury shares         -         1 115 507           Financing for franchisees         (4 391 696)         979 641           Proceeds from loans and borrowings         250 223 461         1 067 916 476           Repayment of borrowings         (840 592 571)         (76 173 867)           Payment of finance lease liabilities         (6 115 800)         (7 009 123)           Interest on finance lease         (3 115 012)         (2 240 025)           Interests on loans and borrowings         (83 369 331)         (19 935 754)           Dividends paid         (24 795 780)         (50 672 318)           Net cash used in financing activities         (703 231 953)         919 363 075           Net change in cash and cash equivalents         (141 101 774)         86 983 324           Cash and cash equivalents at the beginning of the period         298 483 246         211 499 922	Repayment received of given loans	-	681 000
Cash flow from financing activities         Proceeds from issue of share capital       8 924 777       5 382 538         Sales of treasury shares       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Interest received	1 945 203	81 149
Proceeds from issue of share capital       8 924 777       5 382 538         Sales of treasury shares       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Net cash used in investing activities	(107 684 588)	(1 114 542 280)
Sales of treasury shares       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Cash flow from financing activities		
Sales of treasury shares       -       1 115 507         Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Proceeds from issue of share capital	8 924 777	5 382 538
Financing for franchisees       (4 391 696)       979 641         Proceeds from loans and borrowings       250 223 461       1 067 916 476         Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	•	-	
Repayment of borrowings       (840 592 571)       (76 173 867)         Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Financing for franchisees	(4 391 696)	979 641
Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Proceeds from loans and borrowings	250 223 461 <sup>°</sup>	1 067 916 476
Payment of finance lease liabilities       (6 115 800)       (7 009 123)         Interest on finance lease       (3 115 012)       (2 240 025)         Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Repayment of borrowings	(840 592 571)	(76 173 867)
Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Payment of finance lease liabilities		
Interests on loans and borrowings       (83 369 331)       (19 935 754)         Dividends paid       (24 795 780)       (50 672 318)         Net cash used in financing activities       (703 231 953)       919 363 075         Net change in cash and cash equivalents       (141 101 774)       86 983 324         Cash and cash equivalents at the beginning of the period       298 483 246       211 499 922	Interest on finance lease	(3 115 012)	(2 240 025)
Net cash used in financing activities(703 231 953)919 363 075Net change in cash and cash equivalents(141 101 774)86 983 324Cash and cash equivalents at the beginning of the period298 483 246211 499 922			
Net cash used in financing activities(703 231 953)919 363 075Net change in cash and cash equivalents(141 101 774)86 983 324Cash and cash equivalents at the beginning of the period298 483 246211 499 922	Dividends paid	(24 795 780)	(50 672 318)
Cash and cash equivalents at the beginning of the period 298 483 246 211 499 922	Net cash used in financing activities		
	Net change in cash and cash equivalents	(141 101 774)	86 983 324
Cash and cash equivalents at the end of the period 157 381 473 298 483 246	Cash and cash equivalents at the beginning of the period	298 483 246	211 499 922
	Cash and cash equivalents at the end of the period	157 381 473	298 483 246

<sup>\*</sup> Note 1



Consolidated financial statements of EUROCASH Group.						
Financial statements period:	al statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)					

## CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2012

				Treasure			Equity attributable to		
	Share	Treasury			Heder week	Retained	Owners of the 1	0	
Changes in equity in the period from 01.01 to 31.12.2011	capital	shares	capital	reserve	Hedge reserve	earnings	Company	interests	Total
Balance as at 01.01.2011	136 429 761	(1 115 507)	174 900 870	12 884 493	(4 645 000)	138 638 597	457 093 215	11 546	457 104 760
Total comprehensive income for the reporting period		(* * * * * * * * * * * * * * * * * * *			( ,				
Profit (loss) for the period from 01.01. to 31.12.2011	_	_	_	_	-	134 398 735	134 398 735	(11 546)	134 387 189
Total comprehensive income for the period from 01.01. to 31.12.2011	_	_	_	_	_	134 398 735	134 398 735	, ,	134 387 189
Contributions by and distributions to Owners of the Company								(,	
Dividends	-	-	-	-	-	(50 672 318)	(50 672 318)	-	(50 672 318)
Transfer to reserve capital	-	-	69 344 012	-	-	(69 344 012)	•	-	
Equity-settled share-based payment transactions	-	-	1 198 538	-	-	- 1	1 198 538	-	1 198 538
Share options excercised	553 250	-	4 829 288	-	-	-	5 382 538	-	5 382 538
Finish of the share buy-back programme	-	-	12 884 493	(12 884 493)	-	-	-	-	-
Sales of treasury shares	-	1 115 507	-	-	-	-	1 115 507	-	1 115 507
Other	-	-	-	-	-	(22 307)	(22 307)	-	(22 307)
Total contributions by and distributions to Owners of the Company	553 250	1 115 507	88 256 332	(12 884 493)	-	(120 038 637)	(42 998 041)	-	(42 998 041)
Total transaction with Owners of the Company, recognized directly in									
equity	553 250	1 115 507		(12 884 493)	-	(120 038 637)	(42 998 041)	-	(42 998 041)
Balance as at 31.12.2011	136 983 011	-	263 157 202	-	(4 645 000)	152 998 695	548 493 908	-	548 493 908
Changes in equity in the period from 01.01 to 31.12.2012									
Balance as at 01.01.2012	136 983 011	-	263 157 202	-	(4 645 000)	152 998 695	548 493 908	-	548 493 908
Total comprehensive income for the reporting period									
Profit for the period from 01.01. to 31.12.2012	-	-	-	-	-	250 381 269	250 381 269	-	250 381 269
Total comprehensive income for the period from 01.01. to 31.12.2012	-	-	-	-	-	250 381 269	250 381 269	-	250 381 269
Transaction with Owners of the Company, recognized directly i equity									
Contributions by and distributions to Owners of the Company									
Dividends	-	-	-	-	-	(24 795 780)	(24 795 780)	-	(24 795 780)
Transfer to reserve capital	-	-	69 431 588	-	-	(69 431 588)	-	-	-
Equity-settled share-based payment transactions	-	-	502 317	-	-	-	502 317	-	502 317
Share options excercised	993 525	-	7 931 252	-	-	-	8 924 777	-	8 924 777
Other	-	-	75 334	-	-	(27 437)	47 897	-	47 897
Total contributions by and distributions to Owners of the Company	993 525	-	77 940 490	-	-	(94 254 805)	(15 320 790)	-	(15 320 790)
Total transaction with Owners of the Company, recognized directly in									
equity	993 525	-	77 940 490	-	-	(94 254 805)	(15 320 790)	-	(15 320 790)
Balance as at 31.12.2012	137 976 536	-	341 097 692	-	(4 645 000)	309 125 159	783 554 387	-	783 554 387



Consolidated financial statements of EUROCASH Group.						
Financial statements period:	01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)					

# SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2012

#### 1. GENERAL INFORMATION

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

According to the resolution of the Management Board dated 27 March 2013 the consolidated financial statements of Eurocash S.A. Group for the period from 1 January 2012 to 31 December 2012 were authorized for issue by the management Board. According to the information included in the report no. 13/2013 dated 20 March 2013 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its consolidated financial statements on 27 March 2013.

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

#### 1.2. STATEMENT OF COMPLIANCE

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

In preparing these consolidated financial statements the Group has not applied any of the new Standards and Interpretations, which have already been published and approved by the European Union but are not yet effective for the year ended 31 December 2012. Moreover, the Group has not yet completed its analysis of the possible impact of those new Standards and Interpretations on the separate financial statements prepared for the period in which the new Standards and Interpretations will be applied for the first time.



Consolidated financial statements of EUROCASH Group.						
Financial statements period:	01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)					

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

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2012

The following new Standards, *amendments to Standards* and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2012, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income	<ul> <li>require that an entity presents separately the items of other comprehensive income 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 other comprehensive income are presented before related tax effects then the aggregated tax amount should be allocated between these sections.</li> <li>change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.</li> </ul>	The Group does not expect the amendments to have material impact on the consolidated financial statements.	1 July 2012



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
IAS 19 Employee Benefits (2011)	<ul> <li>The amendments require actuarial gains and losses to be recognised immediately in other comprehensive income.</li> <li>The amendments remove the corridor method previously applicable to recognising actuarial gains and losses, and eliminate 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 amendments also require 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.</li> </ul>	The Group does not expect the amendments to have material impact on the consolidated financial statements.	1 January 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	The Amendments contain new disclosure requirements for financial assets and liabilities that are:  • offset in the statement of financial position; or  • subject to master netting arrangements or similar agreements.	The Group does not expect the Amendments to have any impact on the consolidated financial statements since it does not apply offsetting to any of its material financial assets and financial liabilities and it has not entered into master netting arrangements.	1 January 2013



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
IFRS 13 Fair Value Measurement	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.  The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.	The Group does not expect IFRS 13 to have material impact on the consolidated financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13. It is expected that the new Standard, when initially applied, will have a significant impact on the level of disclosure in the consolidated financial statements. However, the Group is not able to prepare an analysis of the impact this will have on the consolidated financial statements until the date of initial application.	1 January 2013



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
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Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.	The Group does not expect the Interpretation to have any impact on the consolidated financial statements since it does not have any stripping activities.	1 January 2013
	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.		
	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:		
	<ul> <li>it is probable that future economic benefits will flow to the entity;</li> </ul>		
	<ul> <li>the entity can identify the component of the ore body for which access has been improved; and</li> </ul>		
	<ul> <li>the costs relating to the stripping activity associated with that component can be measured reliably.</li> </ul>		
	The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.		
	The stripping activity asset shall initially be recognised at cost while after initial recognition, while subsequently it shall be carried either at its cost or at its revalued amount, less depreciation or amortisation and impairment losses, in the same way		



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	as the existing asset of which it is a part.  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.		
Amendments to IFRS 1 First-time adopters Government Loans	The amendments add a new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with a below-market rate of interest prospectively from the date of transition to IFRS.	The amendments are not relevant to the Group's consolidated financial statements.	1 January 2013
	Alternatively, a first-time adopter may elect to apply the measurement requirements retrospectively to a government loan, if the information needed was obtained when it first accounted for that loan. This election is available on a loan-by-loan basis.		
Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters	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. The 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	The amendments are not relevant to the Group's consolidated financial statements.	1 January 2013



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	of financial position.		
Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets	The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.	The amendments are not relevant to the Group's consolidated financial statements, since the entity does not have any investment properties measured using the fair value model in IAS 40.	1 January 2013
IFRS 10 Consolidated Financial Statements	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 involvement with the investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between the power and returns.  The new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).	The impact of the initial application of the new Standard will depend on the specific facts and circumstances relating to the Group's investees. However, the Group is not able to prepare an analysis of the impact this will have on the consolidated financial statements until the date of initial application.	1 January 2014



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in P	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
IFRS 11 Joint Arrangements	IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.  Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:  - 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.	The impact of the initial application of the new Standard will depend on the specific facts and circumstances of the joint arrangements to which the entity is a party. However, the Group is not able to prepare an analysis of the impact this will have on the consolidated financial statements until the date of initial application.	1 January 2014
	IFRS 11 effectively carves out from IAS 31, those cases in which, although there is a separate vehicle for the joint arrangement, 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		



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in P	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	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.		
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.	The Group does not expect IFRS 12 to have material impact on the consolidated financial statements.	1 January 2014
IAS 28 Investments in Associates and Joint Ventures (2011)	There are limited amendments made to IAS 28 (2011):  • 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	The Group does not expect the amendments to have material impact on the consolidated financial statements.	1 January 2014



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in P	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	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.		
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.  The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:  • 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 Group does not expect the Amendments to have any impact on the consolidated financial statements since it does not apply offsetting to any of its material financial assets and financial liabilities and it has not entered into master netting arrangements.	1 January 2014



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

## Standards and interpretations not yet endorsed by the EU as at 31 December 2012

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Improvements to IFRS (2009-2011)	The Improvements to IFRSs (2009-2011) contains 7 amendments to 5 standards, with consequential amendments to other standards and interpretations. The main changes relate to:	None of these changes are expected to have a significant impact on the consolidated financial statements of the Group.	1 January 2013
	<ul> <li>repeated application of IFRS 1 – a repeated adopter that elects not to apply IFRS 1 has to apply IFRS retrospectively in accordance with IAS 8, as if it had never stopped applying IFRS;</li> </ul>		
	clarification that first-time adopter of IFRS choosing to apply borrowing costs exemptions should not restate the borrowing cost component that was capitalized under previous GAAP and should account for borrowing cost incurred on or after the date of transition (or an earlier date, as permitted by IAS 23) in accordance with IAS 23;		
	clarification that only one comparative period, which is the preceding period, is required to a complete set of financial statements; however if additional comparative information is prepared it should be accompanied by related notes and be in accordance with IFRS;		
	clarification that the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or reclassification has a material effect upon the information in that statement of financial position and except for the disclosures required		



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in P	olish zloty (unless indicated	otherwise)	

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	under IAS 8, other notes related to the opening statement of financial position are no longer required.		
	clarification on the classification and accounting of spare parts, stand-by equipment and servicing equipment;		
	<ul> <li>removal of inconsistencies between IAS 32 and IAS 12 in respect of distributions to holders of an equity instrument and transaction costs of an equity transaction, by clarification that IAS 12 applies to the accounting for income taxes relating to those transactions;</li> </ul>		
	additional disclosure required of a measure of total assets and liabilities for a particular reportable segment for interim financial reporting.		
Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	The amendments:  • define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees;	The Group does not expect the Amendments to have material impact on the consolidated financial statements.	1 January 2013
	limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods		



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in P	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	unchanged;		
	<ul> <li>requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required);</li> </ul>		
	will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.		
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities — as well as investments in associates and joint ventures — at fair value through profit or loss, rather than consolidating them.  The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.  An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity:	The Group does not expect the new standard to have any impact on the financial statements, since the Parent entity does not qualify as an investment entity.	1 January 2014
	obtains funds from investors to provide those investors with investment management services;		



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in P	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	2 commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and		
	3 measures and evaluates the performance of substantially all of its investments on a fair value basis.		
	The amendments also set out disclosure requirements for investment entities.		
IFRS 9 Financial Instruments (2009)	This Standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition:	The Group does not expect the new Standard to have material impact on the consolidated financial statements. The classification and measurement of the Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds.	1 January 2015
	financial assets measured at amortized cost; or		
	financial assets measured at fair value.		
	A financial asset is measured at amortized cost if the following two conditions are met:		
	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.		



Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
Additions to IFRS 9 Financial Instruments (2010)	Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-byshare basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.  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.  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.  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.  Amounts presented in OCI are not subsequently	The Group does not expect additions to IFRS 9 (2010) to have material impact on the consolidated financial statements. The classification and measurement of the Group's financial liabilities are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of its financial liabilities.	1 January 2015



Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	reclassified to profit or loss but may be transferred within equity.  Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.		
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).  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.  If an entity adopts IFRS 9 on or after 1 January	It is expected that the Amendments, when initially applied, will not have a material impact on the Group's consolidated financial statements. The classification and measurement of the Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds. It is expected that the new Standard, when initially applied, will have a significant impact on the level of disclosure in the consolidated financial statements. However, the Group is not able to	1 January 2015
2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.  If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information o to provide the enhanced disclosures as required by the amended IFRS 7.	prepare an analysis of the impact this will have on the consolidated financial statements until the date of initial application.		
	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.		



Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

#### 1.5. USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant estimates are related to allocation of the acquisition price of the companies, impairment of assets and reserves, which are described in Note 1, 6 and 21.

#### 1.6. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting principles as well as calculation methods applied in the preparation of the financial statements remained unchanged in comparison to the ones applied in the last annual consolidated financial statements for the year ended at 31 December 2011.

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

What is more, according to the acquisition of Tradis Group companies, the Group changed the presentation of operating segments at the same time making changes in the relevant comparative data.

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

Eurocash S.A. Group comprised of Eurocash S.A. and subsidiaries: KDWT S.A., Eurocash Franczyza Sp. z o.o., Nasze Sklepy Sp. z o.o. w likwidacji, Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., Eurocash Spółka Akcyjna Sp. Komandytowa, Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A., Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., Delikates Sp. z o.o., Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex S.A., Polskie Hurtownie Alkoholi Sp. z o.o., Premium Distributors Sp. z o.o., Saol Dystrybucja Sp. z o.o., Przedsiębiorstwo Handlu Spożywczego Sp. z o.o., Pol Cater Holding Sp. z o.o., Dania Fast Food Sp. z o.o., Euro Sklep S.A., Detal Koncept Sp. z o.o., Tradis Sp. z o.o., Partnerski Serwis Detaliczny S.A., Lewiatan Podlasie Sp. z o.o., Lewiatan Północ Sp. z o.o., Drogerie Koliber Sp. z o.o., Lewiatan Holding S.A., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o., Gama Serwis Sp. z o.o. and the associate PayUp Polska S.A. oraz Fundusz Inwestycyjny Zamknięty RE Income.



Consolidated financial statements of EUROCASH Group.								
Financial statements period:	inancial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)							
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)							

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

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.



Consolidated financial statements of EUROCASH Group.							
Financial statements period:	Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)						
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)						

	on empired group corone							
No	1	2	3	4	5	6	7	8
Unit	Eurocash S.A.	KDWT S.A.	Eurocash Franczyza Sp. z o.o.	PayUp Polska S.A.	Sieć Detalistów Nasze Sklepy Sp. z o.o. w likwidacji	Eurocash Trade 1 Sp. z o.o.	Eurocash Trade 2 Sp. z o.o.	Eurocash S.A. Sp. Komandytowa
address	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul. Kąpielowa 18 21-500 Biała Podlaska	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki
core business activity	PKD 4690Z	PKD 4635Z	PKD 8299Z	PKD 6120Z	PKD 4711Z	PKD 4634A	PKD 4634A	PKD 7740Z
registration court	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercia Division of the National Court Register KRS 0000213765	District Court Poznań - Nowe Miasto i Wilda of I Poznań, VIII Commercia Division of the National Court Register KRS 0000040385	District Court Poznań - Nowe Miasto i Wilda of I Poznań, VIII Commercia Division of the National Court Register KRS 0000259846	District Court Poznań - Nowe Miasto i Wilda of I Poznań, VIII Commercia Division of the National Court Register KRS 0000299000	District Court Lublin XI Commercial Division of the National Court Register KRS 0000000139	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercia Division of the National Court Register KRS 0000329002	District Court Poznań - Nowe Miasto i Wilda of I Poznań, VIII Commercia Division of the National Court Register KRS 0000329037	District Court Poznań - Nowe Miasto i Wilda of I Poznań, VIII Commercia Division of the National Court Register KRS 0000346187
nature of relationship	Parent company	Subsidiary	Subsidiary	Associate	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Equity method	Full	Full	Full	Full
date of aquisition	n/a	31 March 2006	10 July 2006	13 May 2008	14 May 2008	06 April 2009	06 April 2009	14 January 2010
ownership interest	n/a	100,00%	100,00%	49,00%	97,09%	100,00%	100,00%	100,00%
voting rights (in %)	n/a	100,00%	100,00%	49,00%	91,74%	100,00%	100,00%	100,00%



Consolidated financial statements of EUROCASH Group.							
Financial statements period:	Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)						
Level of round-offs:	All amounts are expressed in P	All amounts are expressed in Polish zloty (unless indicated otherwise)					

No	9	10	11	12	13	14	15	16
Unit	Premium Distributors Sp. z o.o.	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.
address	ul. Bokserska 66a 02-690 Warszawa	ul. Polna 52 87-100 Toruń	ul .Wiśniowa 11 62-052 Komorniki	ul. Głęboka 34 37-200 Przeworsk	ul Zakładowa 11 62-510 Konin	ul. Jasna 42 57-200 Ząbkowice Śląskie	ul. Elewatorska 20 15-620 Białystok	ul. Bokserska 66A 02-690 Warszawa
core business activity	PKD 4634A	PKD 4634A	PKD 4634A	PKD 4639Z	PKD 4634A	PKD 4634A	PKD 4634A	PKD 4634A
registration court	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000287947	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000103408	District Court Szczecin- Centrum, XIII Commercial Division of the National Court Register KRS 0000035408	District Court Rzeszów, XII Commercial Division of the National Court Register KRS 0000108201	District Court Poznań Nowe Miasto i Wilda of Poznań, IX Commercial Division of the National Court Register KRS 0000108575	District Court Wrocław - Fabryczna of Wrocław, IX Commercial Division of the National Court Register KRS 0000065440	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000141499	District Court Warszawa XIII Commercial Divisio of the National Court Register KRS 0000034424
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010	02.08.2010
ownership interest	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
voting rights (in %)	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%



Consolidated financial statements of EUROCASH Group.							
Financial statements period:	Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)						
Level of round-offs:	All amounts are expressed in P	All amounts are expressed in Polish zloty (unless indicated otherwise)					

No	17	18	19	20	21	22	23	24
Unit	Polskie Hurtownie Alkoholi Sp. z o.o.	Saol Dystrybucja Sp. z o.o.	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	•	Dania Fast Food Sp. z o.o.	Lewiatan Holding S.A.	Lewiatan Północ Sp. z o.o.	Drogerie Koliber Sp. z o.o.
address	ul .Wiśniowa 11 62-052 Komorniki	ul. Orląt Lwowski 146 41-208 Sosnowiec	ul. Grottgera 5 66-200 Świebodzin	ul. Pass 20c 05-870 Błonie	ul. Sokołowska 10 05-090 Raszyn	ul. Kilińskiego 10 87-800 Włocławek	ul. Bysewska 30 80-298 Gdańsk	ul. Lenartowicza 39 41-219 Sosnowiec
core business activity	PKD 4634A	PKD 4639Z	PKD 4690Z	PKD 7010Z	PKD 4639Z	PKD 7740Z	PKD 4639Z	PKD 4775Z
registration court	District Court Zielona Góra, VIII Commercial Division of the National Court Register KRS 0000072448	District Court Katowice - Wschód of Katowice, VIII Commercial Division of the National Court Register KRS 0000207117	District Court Zielona Góra VIII Commercial	,	District Court Warszawa, XIV Commercial Division of the National Court Register KRS 0000165007		District Court Gdańsk- North in Gdańsk, VII Commercial Division of the National Court Register KRS 0000322297	District Court Katowice- East in Katowice, VIII Commercial Division of the National Court Register KRS 0000244130
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	02.08.2010	02.08.2010	02.08.2010	01.03.2011	01.03.2011	21.12.2011	21.12.2011	21.12.2011
ownership interest	100,00%	100,00%	100,00%	100,00%	100,00%	66,61%	100,00%	100,00%
voting rights (in %)	100,00%	100,00%	100,00%	100,00%	100,00%	71,17%	100,00%	100,00%



Consolidated financial statements of EUROCASH Group.							
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)							
Level of round-offs:	All amounts are expressed in Po	All amounts are expressed in Polish zloty (unless indicated otherwise)					

No	25	26	27	28	29	30	31	32
Unit	Detal Koncept Sp. z o.o.	Tradis Sp. z o.o.	DEF Sp. z o.o.	Lewiatan Podlasie Sp. z o.o.	Euro Sklep S.A.	Ambra Sp. z o.o.	Lewiatan Śląsk Sp. z o.o.	Lewiatan Orbita Sp. z o.o.
address	ul. Mełgiewska 7-9 20-952 Lublin	ul. Mełgiewska 7-9 20-952 Lublin	ul. Handlowa 6 15-399 Białystok	ul. Sokólska 9 15-399 Białystok	ul. Bystrzańska 94a 43-309 Bielsko-Biała	ul. Hutnicza 7 43-502 Czechowice- Dziedzice	ul. Lenartowicza 39 41-219 Sosnowiec	ul. Lubelska 33 10-680 Olsztyn
core business activity	PKD 7490Z	PKD 4639Z	PKD 4639Z	PKD 4711Z	PKD 4711Z	PKD 4645Z	PKD 7022Z	PKD 4690Z
registration court	District Court Lublin, XI Commercial Division of the National Court Register KRS 0000040575	District Court Lublin, XI Commercial Division of the National Court Register KRS 0000272382	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000048125	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000033766	District Court Bielsko Biała, VIII Commercial Division of the National Court Register KRS 0000012291	District Court Katowice, VIII Commercial Division of the National Court Register KRS 0000254307	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000109502	District Court Olsztyn, VIII Commercial Division of the National Court Register KRS 0000039244
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011
ownership interest	100%	100%	100%	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%	100%	100%	100%



Consolidated financial statements of EUROCASH Group.							
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)							
Level of round-offs:	All amounts are expressed in Po	All amounts are expressed in Polish zloty (unless indicated otherwise)					

No	33	34	35	36	37	38
Unit	Lewiatan Kujawy Sp. z o.o.	Lewiatan Wielkopolska Sp. z o.o.	Lewiatan Opole Sp. z o.o.	Lewiatan Zachód Sp. z o.o.	Partnerski Serwis Detaliczny S.A.	Gama Serwis Sp. z o.o.
address	ul. Polna 4-8 87-800 Włocławek	Os. Winiary 54 60-665 Poznań	ul. Światowida 2 45-325 Opole	ul. Przemysłowa 5 73-110 Stargard Szczeciński	ul. Grażyny 15 02-548 Warszawa	ul. Handlowa 5 15-399 Białystok
core business activity	PKD 4711Z	PKD 7740Z	PKD 7490Z	PKD 6419Z	PKD 7490Z	PKD 7740Z
registration court	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000109502	District Court Poznań, XXI Commercial Division of the National Court Register KRS 0000133384	District Court Opole, VIII Commercial Division of the National Court Register KRS 0000043199	District Court Szczecin, XVII Commercial Division of the National Court Register KRS 0000017136	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000280288	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000399124
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full
date of aquisition	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011
ownership interest	100%	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%	100%



Consolidated financial statements of EUROCASH Group.								
Financial statements period:	Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)							
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)							

#### 1.8. GOING CONCERN ASSUMPTION

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. ACCOUNTING POLICIES

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

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

The most significant accounting policies applied by Eurocash S.A. Group are presented in points 2.2-2.33.

#### 2.2. REPORTING PERIOD

The Group's reporting period is a calendar year.

#### 2.3. FORMAT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In particular, the consolidated financial statements are comprised of:

- General information
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of cash flows
- Consolidated statement of changes in equity
- Supplementary information to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

## 2.4. BASIS OF CONSOLIDATION

## **Subsidiaries**

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

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



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Pe	olish zloty (unless indicated o	otherwise)	

#### Investments in associates

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

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

#### Costs of business acquisition

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

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

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

## **Acquisition date**

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

In a business combination achieved in stages:

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

## Transactions eliminated on consolidation

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

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Pe	olish zloty (unless indicated o	otherwise)	

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### Allocation of the business acquisition costs

At the acquisition date the Parent Entity recognizes costs of the business acquisition, including identifiable assets, liabilities and contingent liabilities of the acquiree, according to their fair value as at this day, with the exception to non-current assets (or the group of assets to be abandoned) classified as "held for sale", which are measured at their fair value less costs to sale.

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

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

#### Goodwill

As at the acquisition date, the acquirer:

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

and

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

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

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

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

and then:

recognizes the remaining gain in the profit or loss.

The Group may adjust the provisional amounts recognized at the acquisition date during the 12 months period.

## **Acquisition of non-controlling interest**

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

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



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## 2.5. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency of Group entities (PLN) at exchange rates at the dates of the transactions.

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

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

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

#### 2.6. INTANGIBLE ASSETS

## Definition

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

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

#### Initial measurement of intangible assets

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

#### Subsequent expenditure

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



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#### **Amortization**

Amortization of intangible assets is calculated for all intangible assets, excluding goodwill and intangible assets with an indefinite useful life. While determining the useful life, the period of generating economic benefits in taken into consideration. If it is hard to determine the reasonable economic useful time or there is no certainty of any expected measurable benefits, the Group recognize the intangible assets 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%
•	relations with customers	10% - 25%
•	other intangible assets	10% - 20%

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

#### Review of amortization rates and possible impairment

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

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

The Group tests annually such intangible assets for impairment by comparing the carrying value of the specified item with its recoverable amount, regardless of any impairment indication.

## Measurement of intangible assets at the reporting date

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

# 2.7. PROPERTY, PLANT AND EQUIPMENT

## **Definition**

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

Property, plant and equipment shall include in particular:

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



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## The initial measurement of tangible fixed assets

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

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

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

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

## Subsequent expenditure

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

## Depreciation

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

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

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

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

## Review of depreciation rates and possible impairment

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



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

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

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

Tangible fixed assets under construction are presented in the financial statements at cost of manufacturing less impairment losses. The cost of manufacturing includes charges and borrowing costs activated in accordance with accounting policy, specified in the point 2.8.

# The stocktaking of tangible fixed assets

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

#### 2.8. BORROWING COSTS

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

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

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

#### 2.9. LEASE CONTRACTS

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

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

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

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

Depreciation methods applied for leased assets are consistent with the accounting policies applied for the Group's owned assets, specified in the points 2.6 and 2.7. If there is no reasonable assurance that the lessee will obtain ownership of the asset by the end of the lease term, the asset is depreciated over a shorter of the following periods: duration of the lease contract or economic useful life of the asset.

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



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

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

#### 2.10. INVESTMENT PROPERTY

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

Investment property is initially measured at its manufacturing or acquisition costs after taking into account transaction costs. At the reporting date investment property is measured at acquisition or manufacturing cost less accumulated depreciation and any accumulated impairment losses in accordance with accounting policies applied for tangible fixed assets.

#### 2.11. LONG-TERM RECEIVABLES

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

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

#### Measurement of long-term receivables

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

## 2.12. LONG-TERM PREPAYMENTS

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

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

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

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

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

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

This situation takes place if following conditions are fulfilled:

- the asset is available for immediate sale in its present condition and its sale is highly probable,
- there must be commitment to a plan to sell by an appropriate level of management,
- that plan must have been initiated,



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- the assets (or disposal group) must be actively marketed at a reasonable price that is reasonable in relation to the asset's fair value,
- there must be an expectation that the sale will be completed within one year of the classification of assets or a disposal group as held for sale, and activities required to fulfil the plan indicate that it is unlikely to provide significant changes to the plan or that the plan will be obsolete.

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

## 2.14. INVENTORIES

Inventories are assets:

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

#### Initial measurement

Acquisition price is determined using the weighted average method. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period.

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

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

Cash, value or volume discounts and rebates (bonuses from suppliers counted on turnover) should be deducted from the acquisition cost.

## Measurement of inventories at the reporting date

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

The Group identifies following circumstances that lead to write-down of the inventories, to the level of net realisable value:

- 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.

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

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



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## 2.15. NON DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

At the reporting date, the Group determines whether indicators of assets' impairment occurred.

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

Financial assets are classified into following categories:

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

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

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

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

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

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

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



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## (b) Loans and receivables

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

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

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

Loans and receivables comprise trade receivables and other receivables.

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

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

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

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

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

## Financial liabilities

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

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

#### 2.16. DERIVATIVES

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

 the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract.



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

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

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

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

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

#### Cash flow hedge

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

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

## Other non-trading derivatives

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



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

#### Trade receivables

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

#### Other short-term receivables

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

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

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

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

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

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

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

## Bad debts allowance

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

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

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

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

#### 2.18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, call deposits and restricted cash. Bank overdrafts repayable on demand form an integral part of the Group's cash management and



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

Short-term prepayments include mainly:

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

#### 2.20. IMPAIRMENT

## Financial assets (including receivables)

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

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

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

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

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

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



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

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

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

#### Non-financial assets

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

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

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

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

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



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

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

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

#### 2.21. **EQUITY**

#### **Ordinary shares**

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

## Repurchase of treasury shares

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

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

## 2.22. LONG-TERM LIABILITIES

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

Long-term liabilities include mainly:

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

## Measurement of the long-term liabilities

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



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

Foreign currency liabilities are measured at least at the reporting date using the spot exchange rate.

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

## 2.23. SHORT-TERM LIABILITIES

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

Short-term liabilities include mainly:

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

## Measurement of the short-term liabilities

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

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

Foreign currency liabilities are measured at least at the reporting date using the spot exchange rate.

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

## 2.24. LOANS

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

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

#### 2.25. PROVISIONS

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

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

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

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



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#### 2.26. SALES

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

#### Goods sold

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

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

#### **Services**

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

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

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

# 2.27. FINANCE INCOME AND COSTS

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

#### Interest income

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

## **Dividend income**

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

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



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using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### 2.28. EMPLOYEE BENEFITS

## Long-term employee benefits

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

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

## Short-term employee benefits

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

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

#### 2.29. SHARE-BASED PAYMENT TRANSACTIONS

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

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

## 2.30. INCOME TAX

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

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



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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 is reviewed at the end of each reporting period, and if the expected future tax profits will not be sufficient to realize the asset or its part, the amount realizable is recognized.

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

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

## 2.31. DISCONTINUED OPERATIONS

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

## 2.32. EARNINGS PER SHARE

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

#### 2.33. OPERATING SEGMENTS

An operating segment is a component of the Group:



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

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

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



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# 3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2012

# NOTE 1. ADJUSTMENTS RELATING TO PREVIOUS YEARS

As a result of correction of the acquisition price of Tradis Group companies, the Group modified the relevant comparative data. These modifications included correction of goodwill, other intangible assets, tangible fixed assets, reserves, deferred income tax asset and including to consolidation 10 companies of the Tradis Group previously unconsolidated.

The effective reclassification changes are presented in the following table. These changes did not affect the consolidated income statement or calculation of earnings per share for years 2011 and 2012.

Table no 1
STATEMENT OF THE FINANCIAL POSITION

As at 31.12.2011	Value before restatement	Restatement value	Restated value
Goodwill	1 166 304 460	(117 016 781)	1 049 287 679
Intangible assets	194 973 627	250 187 365	445 160 992
Property, plant and equipment	420 180 837	(14 386 008)	405 794 829
Other long-term investments	50 132 743	(46 560 196)	3 572 547
Long-term receivables	3 130 179	(37 000)	3 093 179
Deferred tax assets	61 973 223	(16 075 613)	45 897 610
Other long-term prepayments	2 460 981	55 769	2 516 750
Invetories	948 233 381	662 425	948 895 806
Trade receivables	1 294 671 733	46 385 935	1 341 057 668
Current tax receivables	2 128 490	305 816	2 434 306
Other short-term receivables	106 158 421	(3 216 357)	102 942 064
Other short-term financial assets	3 021 041	490 000	3 511 042
Short-term prepayments	14 507 063	1 467 907	15 974 970
Cash and cash equivalents	288 813 951	9 669 294	298 483 246
Other long-term liabilities	293 305	327 904	621 209
Deferred tax liabilities	16 317 736	23 277 895	39 595 631
Employee benefits	1 663 864	568 401	2 232 265
Provisions	6 910 769	13 276 970	20 187 739
Loans and borrowings	830 807 741	721 116	831 528 857
Short-term financial liabilities	39 696 530	26 020	39 722 550
Trade payables	2 162 575 174	38 018 000	2 200 593 173
Current tax liabilities	15 362 536	185 923	15 548 460
Other short-term payables	110 056 890	2 250 220	112 307 111
Current employee benefits	50 352 605	4 529 129	54 881 733
Provisions	109 553 815	28 750 977	138 304 791

# CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31.12.2011	Value before restatement	Restatement value	Restated value
Expenditure on acquisition of subsidiaries (net of cash acquired)	(1 051 804 930)	9 669 295	(1 042 135 635)

Purchase price allocation relating to acquisition of Tradis Distributors is presented in the note 2.



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# NOTE 2. ACQUISITIONS

## Acquisition price allocation of the Tradis Group companies.

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

In corrected acquisition price the Group identified customer relations at PLN 250,000,000, which will be amortized over a period of 20 years. What is more, the Group corrected the estimation of reserves and capital allowances for tangible fixed assets. The group recognized the tax effect of the above changes and corrected the existing goodwill.

Additionally, the Group consolidated 10 Tradis Group companies earlier non-consolidated.

The Group modified the relevant comparative data.

Corrected purchase price allocation of Tradis Group is presented below.

IET ASSETS ACQUIRED	Value before restatement as at 21.12.2011	Correction accounting for the acquisition	Revised settlement of the acquisition as at 21.12.2011
Assets			
Other intangible fixed assets	4 719 212	250 187 365	254 906 577
Tangible fixed assets	193 725 682	(14 386 008)	179 339 67
Investment real property	1 643 004	-	1 643 00
Long-term receivables	899 039	(37 000)	862 03
Deferred income tax assets	24 241 176	(16 075 613)	8 165 56
Other long-term prepayments	941 388	55 769	997 15
Inventory	343 836 762	662 425	344 499 18
Trade receivables	486 708 824	46 385 935	533 094 75
Current income tax receivables	158 616	305 816	464 43
Other short-term receivables	22 373 427	(3 216 357)	19 157 07
Other short-term financial assets	-	490 000	490 00
Short-term prepayments	4 918 088	1 467 907	6 385 99
Cash and cash equivalents	55 655 638	9 669 294	65 324 93
Total assets	1 139 820 856	275 509 534	1 415 330 38
Other long-term liabilities	293 305	327 904	621 20
Deferred income tax provision	7 689 816	23 277 895	30 967 71
Employee benefits	-	568 401	568 40
Other long-term provision	6 902 184	13 276 970	20 179 15
Short-term loans and credits	147 492 512	721 116	148 213 62
Other short-term financial liabilities	140 982	26 020	167 00
Trade liabilities	603 746 166	38 018 000	641 764 16
Current income tax liabilities	7 336 846	185 923	7 522 76
Other short-term liabilities	32 232 848	2 250 220	34 483 06
Current employee benefits	12 831 265	4 529 129	17 360 39
Other short-term provisions	78 348 615	28 750 977	107 099 59
Total liabilities	897 014 539	111 932 556	1 008 947 09
Net assets	242 806 317	163 576 978	406 383 294
Goodwill on acquisition	806 209 374	(117 016 781)	689 192 593
Cost of acquisition of unconsolidated	46 560 196	(46 560 196)	0,00
Acquisition cost	1 095 575 885	-	1 095 575 885
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# NOTE 3. OPERATING SEGMENTS

After the takeover from Emperia Holding S.A. and its subsidiary Emperia - P1 Sp. z o.o. shares in distribution companies engaged in activities involving the wholesale distribution of food products as well as retail franchise network, the Management Board decided to change the presentation of operating segments. Change in presentation results from a significant increase and changes in Group structure in connection with the acquisition of 17 Tradis Group companies. Changing the presentation better reflects the new segment structure and strategy of the Group.

In the result of the analysis of the Group Eurocash S.A. activity, the Group distinguishes the following segments, that correctly shows a different specificity of activity:

- Independent clients who do not have permanent contracts with the Eurocash Group eg, cash&carry, cigarettes, alcohol distribution. The segment includes the activity carried out through a network of wholesale discount Cash & Carry (previously presented in the traditional wholesale segment) as well as the activities of the group companies of Premium Distributors (previously active distribution) and KDWT SA (previously active distribution),
- Integrated clients who have long-term contracts with the Eurocash Group, eg.: HoReCa, petrol stations and franchise systems. Segment is associated with the activity of connected with Eurocash S.A. company Eurocash Distribution Sp. z o.o. (previously active distribution), the Tradis Group companies: Detal Koncept Sp. z o.o., Euro Sklep S.A., Lewiatan Śląsk Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Holding S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy sp. z o.o., Lwiatan Opole Sp. z o.o., Lewiatan Orbita Sp. z o.o., Lewiatan Północ Sp. z o.o., Drogerie Koliber Sp. z o.o., PolCater Holding Sp. z o.o. (previously active distribution), and connected activity of Eurocash Franczyza Sp. z o.o. (previously others segment) and Delikatesy Centrum (previously traditional wholesale),
- Tradis companies providing active distribution which represents the wholesale business of the Tradis Group companies providing active distribution. The segment is related to the activities of the companies: Tradis Sp. z o.o., DEF Sp. z o.o., and Ambra Sp. z o.o. These companies have been presented as a separate segment to showcase their importance.
- others -Eurocash Trade 1 Sp. z o.o. and Eurocash Trade 2 Sp. z o.o., Nasze Sklepy Sp. z o.o. in liquidation, Eurocash S.A. Sp. Komandytowa (previously other segment as well), Tradis Group companies: Partnerski Serwis Detaliczny S.A., Gama Serwis Sp. z o.o. None of these types of activities meets the individual quantitative criteria of determination of separate reporting segments.

There are varying levels of integration between the segments. These relationships include mutual sales of merchandise, provision of marketing services, logistics, administrative support, and other services. The accounting policies of each specific reporting segment are the same as the policies of the whole Group.

Eurocash Group operates only in the territory of Poland, considering economic conditions and business risks, it can be treated as an uniform territory.

The activities of any of the separate segments shows no significant seasonal variation.

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

Financial information about each reporting segment is presented below.



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Table no 3

# REVENUES AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2012 TO 31 DECEMBER 2012

	Indenpendent Active Distribution					
	clients	- Tradis Group	Integrated clients	Other	Exclusions	Total
Sales	9 176 261 870	5 290 328 113	2 799 501 957	120 426 222	(810 737 206)	16 575 780 957
External sales	8 666 102 742	5 228 773 798	2 584 863 598	96 040 818	-	16 575 780 957
Inter-segmental sales	510 159 129	61 554 315	214 638 358	24 385 404	(810 737 206)	=
Operating profit	93 233 293	146 863 858	110 324 023	26 472 483	(66 548)	376 827 108
Finance income						16 235 869
Finance costs						(109 404 793)
Share in profits (losses) of companies consolidated with the						
equity method						(1 201 384)
Profit before income tax						282 456 800
Income tax						(32 075 532)
Net profit						250 381 268



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Table no 3 (continued)

# REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2011 TO 31 DECEMBER 2011

	Indenpendent clients	Active Distribution - Tradis Group	Integrated clients	Other	Exclusions	Total
Sales	8 715 010 838	-	1 985 118 360	30 235 496	(749 768 794)	9 980 595 900
External sales	8 012 558 165	-	1 958 926 061	9 111 673	-	9 980 595 900
Inter-segmental sales	702 452 673	-	26 192 298	21 123 823	(749 768 794)	-
Operating profit	93 948 276	-	77 922 420	21 089 855	(4 954)	192 955 597
Finance income						5 060 822
Finance costs Share in profits (losses) of companies consolidated						(44 658 393)
with the equity method						(2 366 850)
Profit before income tax						150 991 176
Income tax						(16 603 987)
Net profit						134 387 189



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# NOTE 4. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are presented in table below.

Table no 4

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2012

	Goodwill	Patents and licences	Know how	Trademarks cu	ustomer relations	Other intangible assets	Total
Carrying amount as at 01.01.2011	355 066 727	15 334 870	19 982 631	73 161 431	49 000 000	35 689 823	548 235 482
Acquisition through business combination	700 620 952	4 854 620	-	87 860	252 200 000	-	957 763 433
Other acquisitions	-	7 284 857	-	-	-	10 170 763	17 455 620
Increases due to the transfer of fixed assets under construction	-	1 302 739	-	-	-	544 057	1 846 796
Disposals	-	(2 387)	-	-	-	-	(2 387)
Liquidations	-	(14 225)	-	-	-	(652 332)	(666 557)
Amortisation	-	(7 865 171)	(5 449 808)	(1 234 000)	-	(9 037 947)	(23 586 926)
Other changes	(6 400 000)	1 300	-	-	-	(198 090)	(6 596 790)
Carrying amount as at 31.12.2011	1 049 287 679	20 896 603	14 532 823	72 015 291	301 200 000	36 516 275	1 494 448 671
Carrying amount as at 01.01.2012	1 049 287 679	20 896 603	14 532 823	72 015 291	301 200 000	36 516 275	1 494 448 671
Other acquisitions	-	12 800 778	-	-	-	11 592 381	24 393 160
Disposals	-	(762 683)	-	-	-	-	(762 683)
Liquidations	-	(71 891)	-	-	-	(1 520 385)	(1 592 275)
Advances	-	116 142	-	-	-	-	116 142
Amortisation	-	(10 263 270)	(5 449 808)	(1 234 000)	(18 133 333)	(9 527 789)	(44 608 201)
Other changes		<u>-                                    </u>	<u>-                                    </u>	<u>-</u>	<u>-                                    </u>	(24 905)	(24 905)
Carrying amount as at 31.12.2012	1 049 287 679	22 715 680	9 083 015	70 781 291	283 066 667	37 035 577	1 471 969 909



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Table no 4

#### GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2012 (continued)

As at 01.01.2012	Goodwill	Patents and licences	Know how	Trademarks co	ustomer relations	Other intangible assets	Total
Cost	1 049 287 679	55 590 475	54 498 079	80 036 291	301 200 000	68 394 266	1 609 006 790
Accumulated amortisation and impairment losses		(34 693 872)	(39 965 256)	(8 021 000)	-	(31 877 991)	(114 558 119)
Carrying amount	1 049 287 679	20 896 603	14 532 823	72 015 291	301 200 000	36 516 275	1 494 448 671
As at 31.12.2012							
Cost	1 049 287 679	67 672 822	54 498 079	80 036 291	301 200 000	78 441 357	1 631 136 229
Accumulated amortisation and impairment losses		(44 957 142)	(45 415 064)	(9 255 000)	(18 133 333)	(41 405 781)	(159 166 320)
Carrying amount	1 049 287 679	22 715 680	9 083 015	70 781 291	283 066 667	37 035 577	1 471 969 909

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

- a) goodwill on acquisition of an organized part of "Carment, M. Stodółka i Wspólnicy Spółka Jawna" enterprise in the amount of PLN 11.565.477;
- b) goodwill on acquisition of "KDWT S.A" in the amount of PLN 22.103.227;
- c) goodwill on acquisition of "Eurocash Dystrybucja Sp. z o.o." (former "McLane Polska Sp. z o.o.") in the amount of PLN 56.868.456;
- d) goodwill on acquisition of "Nasze Sklepy Sp. z o.o." in the amount of PLN 2.596.627;
- e) goodwill on acquisition of "Przedsiębiorstwo Handlowe Batna Sp. z o.o." in the amount of PLN 29.180.412;
- f) goodwill on acquisition of Premium Distributors Group in the amount of PLN 226.352.528;
- g) goodwill on acquisition of PolCater Group in the amount of PLN 11.428.359;
- h) goodwill on acquisition of Tradis Group in the amount of PLN 689.192.593.

Customer relationship has been identified through the acquisition of:

- a) Premium Distributors Group companies in the amount of PLN 49.000.000 (amortization period 10 years);
- b) PolCater Group in the amount of PLN 2.200.000 (amortization period 3 years),
- c) Tradis Group in the amount of PLN 250.000.000 (amortization period 20 years).

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

- a) "Eurocash" trademark with a carrying amount of PLN 27.387.672,
- b) "abc" trademark with a carrying amount of PLN 17.216.759,



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- c) "KDWT" trademark with a carrying amount of PLN 13.004.000,
- d) "Batna" trademark with a carrying amount of PLN 10.000.000.

Apart from the above mentioned trademarks, the Group recognized "MHC" trademark, with a defined useful life. That trademark was acquired on 01.06.2005 and is amortized over the period of 10 years. As at 31.12.2012 the carrying amount of that trademark was PLN 3.085.000.

The Group's know-how is the knowledge (in the fields of finance, logistics, IT, purchases) how to manage the Parent Entity, acquired from Politra B.V. This asset was put into operation as at 30.08.2004 and is amortized over the period of 10 years. As at 31.12.2012 the carrying amount of the know-how was PLN 9.083.015.

Amortization of intangible assets is recognized as selling expenses.

The Group did not recognize any impairment losses in relation to intangible assets, what is expanded in Note 6.

According to the credit agreement for financing of purchase by the Company of shares and stocks in companies acquired from EMPERIA HOLDING S.A., the "Eurocash", "abc" and "Sieć Handlowa Delikatesy Centrum" trademarks were pledged. These pledges were released in January 2013.



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

# NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 5

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2012

	Land and buildings	Plant and equipment	Vehicles O	ther fixed assets	Fixed assets under construction	Total
Carrying amount as at 01.01.2011	123 345 198	30 183 498	30 712 826	43 911 456	5 715 153	233 868 131
Acquisition through business combination	122 174 364	20 820 532	23 621 612	12 969 697	678 458	180 264 663
Other acquisitions	2 769 267	10 412 701	6 327 225	16 060 027	19 731 791	55 301 011
Increases due to the transfer of fixed assets under construction	4 963 037	822 820	-	2 226 310	(9 858 963)	(1 846 796)
Finance lease	-	58 461	4 692 933	-	-	4 751 394
Disposals	(9 464 708)	(45 883)	(5 482 350)	(807 146)	(822 786)	(16 622 873)
Liquidations	(189 885)	(156 300)	(241 174)	(69 706)	(50)	(657 115)
Depreciation	(12 323 777)	(9 358 720)	(11 308 640)	(16 221 450)	-	(49 212 588)
Other changes	<u>-</u>	(50 999)	(572 189)	-	572 189	(50 999)
Carrying amount as at 31.12.2011	231 273 497	52 686 110	47 750 243	58 069 187	16 015 792	405 794 829
Carrying amount as at 01.01.2012	231 273 497	52 686 110	47 750 243	58 069 187	16 015 792	405 794 829
Other acquisitions	50 332 985	21 312 704	6 143 954	22 583 102	18 360 643	118 733 389
Increases due to the transfer of fixed assets under construction	11 627 541	656 301	1 180	1 916 195	(14 201 216)	-
Finance lease	-	-	1 842 835	-	-	1 842 835
Disposals	(20 370 603)	(13 717 013)	(9 157 438)	(2 419 824)	(5 364 221)	(51 029 100)
Liquidations	(1 512 454)	(353 021)	(611 693)	(783 898)	(234 214)	(3 495 279)
Reclassification to non-current assets held for sale	(27 245 549)	- '	- '	· -	- 1	(27 245 549)
Depreciation	(17 297 712)	(12 588 791)	(17 086 137)	(21 780 889)	-	(68 753 529)
Other changes	871 219	908 444	638 274	(2 966)	(1 143 273)	1 271 698
Carrying amount as at 31.12.2012	227 678 924	48 904 735	29 521 217	57 580 907	13 433 512	377 119 295



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

Table no 5

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2012 (continued)

	Land and buildings	Plant and equipment	Vehicles (	Other fixed assets	Fixed assets under construction	Total
As at 01.01.2012						
Cost	298 180 952	108 278 369	107 210 242	136 415 644	16 015 792	666 100 998
Accumulated amortisation and impairment losses	(66 907 455)	(55 592 259)	(59 459 998)	(78 346 457)	-	(260 306 169)
Carrying amount	231 273 497	52 686 110	47 750 243	58 069 187	16 015 792	405 794 829
As at 31.12.2012						
Cost	311 884 091	117 085 784	106 067 354	157 708 252	13 433 512	706 178 993
Accumulated amortisation and impairment losses	(84 205 167)	(68 181 050)	(76 546 136)	(100 127 345)	-	(329 059 698)
Carrying amount	227 678 924	48 904 735	29 521 217	57 580 907	13 433 512	377 119 295

#### Property, plant and equipment under finance lease

The Group uses land, vehicles, and forklift trucks under finance lease. According to the lease agreements the Group has a right to buy the assets after the termination of the agreed term of lease for a price stated in the agreement or to continue using the leased property under a new lease contract signed with the financing institution. The price is a difference between the value of the leased property repaid immediately and the value of the capital repaid in lease instalments. As at the end of the reporting period, the carrying amount of tangible fixed assets under finance lease was PLN 21.125.816 (31.12.2011: PLN 29.378.972), and the amount payable to the lessor in this respect amounted to PLN 21.390.102 (31.12.2011: PLN 27.867.000). The leased items are a property of the lessor (the financing institution) until they are acquired by the Group. Those assets are depreciated for tax purposes by the lessor.

The lease contracts do not include any provisions or any obligations upon the Group concerning dividends, additional debt or additional lease contracts. Realisation of the lease agreements is secured on lease assets.



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

## NOTE 6. ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

According to IAS 36 as at 31 December 2012, the Group assessed whether there was any indication that assets might be impaired.

The following indications were taken into consideration:

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

Analyses confirmed that it is not necessary to recognize impairment loss as at 31.12.2012.

The subsequent assessment is planned on 31.12.2013.

The Group performed impairment tests for trademarks with an indefinite useful:

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

- impairment test of the "Eurocash" trademark with a value PLN 27,387,672 as at 31.12.2012,
- impairment test of the "abc" trademark with a value PLN 17,216,759 as at 31.12.2012,
- impairment test of the "KDWT" trademark with a value PLN 13,004,000 as at 31.12.2012,
- impairment test of the "Batna" trademark with a value PLN 10,000,000 as at 31.12.2012.

Value in use of the trademark was determined based on license fee method.

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



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

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 2013-2017, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for year 2012 and plans approved by the Management Board for years 2013-2017. The Weighted Average Cost of Capital (WACC) was used as the discount rate (from 10,8% to 11,5%).

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 about 50% of average sales generated by existing stores. In order to determine the cost of capital, 13 comparable trading companies were analyzed.

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

The subsequent assessment is planned on 31.12.2013.

The Group performed impairment tests in respect of goodwill:

impairment test of goodwill arising from acquisition of an organized part of enterprise: Carment M. Stodółka i Wspólnicy Spółka Jawna with a value PLN 11,565,477 and company Nasze Sklepy Sp. z o.o. with a value PLN 2,596,627 performed as at 31.12.2012

As a consequence of reorganization carried out within Eurocash Group, CGU Carment and CGU Nasze Sklepy were merged into a single business organization and therefore a decision was taken to test the combined goodwill on the basis of estimated useful value of a single CGU: Delikatesy Centrum, incorporating the two aforementioned units. Analyses confirmed that it is not necessary to recognize impairment loss

- impairment test of goodwill arising from acquisition of KDWT S.A. with a value PLN 22,103,227 performed as at 31.12.2012,
- impairment test of goodwill arising from acquisition of Eurocash Dystrybucja Sp. z o.o. with a value PLN 56,868,456 performed as at 31.12.2012,
- impairment test of goodwill arising from acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o. with a value PLN 29,180,412 performed as at 31.12.2012,
- impairment test of goodwill arising from acquisition of Premium Distributors Group companies with a value PLN 226,352,528 performed as at 31.12.2012:
- impairment test of goodwill arising from acquisition of Pol Cater Holding Sp. z o.o. with a value PLN 11,428,359 performed as at 31.12.2012:
- impairment test of goodwill arising from acquisition of Tradis Group companies with a value PLN 689,192,593 performed as at 31.12.2012:

The recoverable amount was compared to the carrying value of assets defined as the sum of the cash generating unit, excluding goodwill, net of liabilities forming part of working capital.

Excess of recoverable amount over the carrying amount of the cash-generating unit was compared with the 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 recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for years 2013-2017, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for year 2012 and plans approved by the Management Board for years 2013-2017. The Weighted Average Cost of Capital (WACC) was used as the discount rate (depending on the value of the company and its kind of activity, it was from 8.55% to 10.8%).



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Financial statements period:	01.01-31.12.2012	Presentation currency:	Polish zloty (PLN)	
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

In order to determine total sales value, sales increases were forecasted for 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 about 50% of average sales generated by existing stores. In order to determine the cost of capital, 13 comparable trading companies were analyzed.

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

The subsequent assessment is planned on 31.12.2013.

#### NOTE 7.

#### **INVESTMENT PROPERTIES**

Investment properties are presented below:

Table no 6

## **INVESTMENT PROPERTY AS AT 31.12.2012**

	for the period	for the period
	as at	as at
	31.12.2012	31.12.2011
Opening balance	1 643 004	-
Acquisition	-	1 643 004
Depreciation	(70 245)	-
Closing balance	1 572 759	1 643 004

## NOTE 8. INVESTMENTS IN ASSOCIATES

Investments in associates are presented below:

Table no 7

### **INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2012**

other decrese Closing balance	(2 341 542)	-
interest in losses of associates	(1 201 384)	(25 308)
Decrease in reporting period:	(3 542 926)	(25 308)
acquisition of shares in joint ventures	20 056 000	20 245 781
Increase in reporting period:	20 056 000	20 245 781
Opening balance	20 245 781	25 308
	31.12.2012	31.12.2011
	as at	as at

Increasing shares in associates refers to the increase of value of shares in an associate (without changing % of shares) PayUp, which has increased its share capital (covered by the conversion of a loan in the amount of PLN 4,900,000) and because of the redemption of investment certificates issued in the associate Fundusz Inwestycyjny Zamknięty RE Income (share decreased from 50% as at 31.12.2011 to 21% as at 31.12.2012).



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

## NOTE 9. OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

Table no 8

## OTHER LONG-TERM INVESTMENTS AS AT 31.12.2012

	as at	as at
	31.12.2012	31.12.2011
Shares	176 965	106 590
Loans granted to associates	747 500	3 465 957
Other long-term investments	209 604	
	1 134 069	3 572 547

#### NOTE 10. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 9

## **LONG-TERM RECEIVABLES AS AT 31.12.2012**

	as at 31.12.2012	as at 31.12.2011
Security deposits on rental agreements	2 666 167	2 443 179
Other long-term receivables	709 245	650 000
	3 375 412	3 093 179

## NOTE 11. INVENTORIES

Inventories are presented below:

Table no 10

#### **INVENTORIES AS AT 31.12.2012**

	as at 31.12.2012	as at 31.12.2011
Merchandise	989 915 152	948 535 341
Materials	859 142	360 465
Total inventories, including:	990 774 294	948 895 806
- carrying amount of inventory deposits securing payments of liabilities	262 500 000	180 000 000

Table no 11

## ALLOWANCE FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2012

for the period	for the period
from 01.01.2012	from 01.01.2011
to 31.12.2012	to 31.12.2011
31 783 708	13 877 325
-	22 932 180
2 988 071	4 107 215
(4 625 933)	(4 934 273)
<u>-</u>	(4 198 738)
30 145 847	31 783 708
	from 01.01.2012 to 31.12.2012 31 783 708 - 2 988 071 (4 625 933)



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

#### NOTE 12. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented below:

Table no 12

#### TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2012

	as at as at
	31.12.2012 31.12.2011
Trade receivables	1 451 933 564 1 341 057 668
Credit sales	956 408 441 929 651 732
Receivables from suppliers*	447 302 278 354 566 986
Factoring	27 830 969 32 222 664
Franchise fees	7 284 660 5 242 770
Other trade receivables	56 018 406 51 409 321
Allowance for bad debts	(42 911 189) (32 035 806)
Current tax assets	23 445 157 2 434 306
Other receivables	73 070 421 102 942 064
VAT settlements	51 960 826 83 016 546
Receivables from employees	2 485 904 2 350 983
Loans granted	- 5 202
Insurance claims receivables	1 559 730 671 473
Receivables from sales fixed assets	3 929 354 329 407
Prepayments for deliveries	7 144 55 314
Receivables subject to legal proceedings	60 606 235 47 763 565
Other receivables	11 802 094 16 105 351
Allowance for other bad debts	(59 492 131) (47 355 777)
Total receivables, including:	1 548 449 142 1 446 434 038
- short-term	1 548 449 142 1 446 434 038

<sup>\*</sup> These charges relate to transactions with suppliers, which, depending on the specifics of these transactions are recognized in the income statement as revenues from sales of services or reduce the value of goods sold

## NOTE 13. OTHER SHORT-TERM INVESTMENTS

Other short-term investments are presented below:

Table no 13

## OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Loans granted	3 102 588	3 021 042
Other financial assets	708 097	490 000
	3 810 684	3 511 042



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

### NOTE 14. SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 14

## **SHORT-TERM PREPAYMENTS AS AT 31.12.2012**

	as at	as at
	31.12.2012	31.12.2011
Software	54 237	343 171
Alcohol licences	3 136 982	4 280 676
Rents	2 410 791	2 331 327
Media	134 063	290 034
Insurances	832 401	2 120 034
Logistic project Bain	60 000	169 725
Expenses related to future transactions	639 338	2 742 229
Annual fees, subscriptions	210 580	213 019
Commissions on loans	117 675	209 049
Other prepayments	2 067 414	2 656 595
	9 663 479	15 974 970

### NOTE 15. CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below:

Table no 15

## CASH AND CASH EQUIVALENTS AS AT 31.12.2012

	as at	as at
	31.12.2012	31.12.2011
Cash at bank	20 510 068	78 761 108
Cash on hand	2 799 928	4 249 028
Cash in transit	41 044 505	56 940 242
Cash on deposits	88 152 264	158 210 677
Others	4 874 706	322 192
Total cash	157 381 473	298 483 246



Consolidated financial statements of EUROCASH Group.						
Financial statements period:	nancial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)					

#### NOTE 16. ASSETS CLASSIFIED AS HELD FOR SALE

Properties located in Lublin (land, buildings, structures) are presented as real estate held for sale. Measures have been taken to achieve a sale of the property and it is expected that it will be completed in the first half of 2013.

Table no 16

#### **ASSETS CLASSIFIED AS HELD FOR SALE**

as at	as at
31.12.2012	31.12.2011
27 245 540	

Tangible fixed assets

#### NOTE 17. CASH POOLING SYSTEM

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

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

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

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

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

The Group presents the effect of its cash pooling scheme operation in net values, in order to demonstrate the economic justification of this liquidity management system.

### NOTE 18. SHARE CAPITAL

Share capital is presented below:

Table no 17

#### **SHARE CAPITAL AS AT 31.12.2012**

	as at 31.12.2012	as at 31.12.2011
Number of shares	137 976 536	136 983 011
Nominal value (PLN / share)  Share capital	1	1
Share capital	137 976 536	136 983 011



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

As at 31 December 2012, share capital consisted of 137.976.536 ordinary shares, including:

- 127.742.000 A series ordinary shares to the bearer with the nominal value of 1 PLN each
- 3.035.550 B series ordinary shares to the bearer with the nominal value of 1 PLN each
- 2.929.550 C series ordinary shares to the bearer with the nominal value of 1 PLN each
- 830.000 D series ordinary shares to the bearer with the nominal value of 1 PLN each
- 1.414.900 E series ordinary shares to the bearer with the nominal value of 1 PLN each
- 537.636 F series ordinary shares to the bearer with the nominal value of 1 PLN each
- 693.700 G series ordinary shares to the bearer with the nominal value of 1 PLN each
- 793.200 H series ordinary shares to the bearer with the nominal value of 1 PLN each

In the period between 1 January 2013 and 28 February 2013 there were issued 9,300 shares under the share option programs.

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

Table no 18
SHAREHOLDERS STRUCTURE

	31.12.2012			31.12.2011				
Shareholder	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (directly and indirectly by Politra B.V.)	60 615 240	43,93%	60 615 240	43,93%	70 258 100	51,29%	70 258 100	51,29%
Fidelity	-	-	-	-	6 871 178	5,02%	6 871 178	5,02%

Table no 19

SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2012

	for the period	for the period
	from 01.01.2012	from 01.01.2011
	to 31.12.2012	to 31.12.2011
Share capital at the beginning of the period	136 983 011	136 429 761
Increase of share capital in the period	993 525	553 250
Equity settled share-based payment transactions	993 525	553 250
Share capital at the end of the period	137 976 536	136 983 011

In 2012, 993.525 ordinary shares were issued due to exercising share options granted to key personnel of the Company under incentive schemes (2011: 553.250 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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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)				

#### NOTE 19. OTHER RESERVES

Other reserves are presented below:

Table no 20

#### CHANGES TO OTHER RESERVES IN THE PERIOD FROM 01.01 TO 31.12.2012

			Treasury shares		
	Treasury shares	Reserve capital	reserve	Hedging reserve	Total
Balance as at 01.01.2011	(1 115 507)	174 900 870	12 884 493	(4 645 000)	124 838 256
Increases in the period from 01.01 to 31.12.2011	-	88 256 332	-	-	88 256 332
Retained earings from 01.01 to 31.12.2010	-	69 344 012	-	-	69 344 012
Valuation of the Incentive Programme for employees	-	1 198 538	-	-	1 198 538
Share issue - Equity-settled share-based payment	-	4 829 288	-	-	4 829 288
Share buy-back programme	-	12 884 493	-	-	12 884 493
Decreases in the period from 01.01 to 31.12.2011	1 115 507	-	(12 884 493)	-	(11 768 986)
Sales 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	-	263 157 202	-	(4 645 000)	258 512 202
Balance as at 01.01.2012	-	263 157 202	-	(4 645 000)	258 512 202
Increases in the period from 01.01 to 31.12.2012	-	77 940 490	-	-	77 940 490
Transfer to reserve capital	-	69 431 588	-	-	69 431 588
Valuation of the Incentive Programme for employees	-	502 317	-	-	502 317
Share issue - Equity-settled share-based payment	-	7 931 252	-	-	7 931 252
Other	-	75 334	-	-	75 334
Balance as at 31.12.2012	-	341 097 692	-	(4 645 000)	336 452 692

#### 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.

#### Dividend

On 15 June 2012 Resolution No. 5 of the Annual General Meeting of Shareholders of the Parent Eurocash S.A. performed the share of financial results for 2011 in the amount of PLN 64.786.635.

The amount of PLN 24.795.780 was allocated to a dividend of PLN 0.18 per share of the Company, paid by 17 July 2012.

The remainder of the net profit was allocated to reserve capital.



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#### NOTE 20. SHARE OPTIONS

Treasury share options are presented below:

Table no 21

#### **OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2012**

	Number of options	Weighted average exercise prices (PLN/share)
Existing at the beginning of the reporting period	1 926 000	10,81
Exercised in the reporting period	(993 525)	8,98
Existing at the end of the reporting period	932 475	12,75
including:		
Exercisable at the end of the period	734 975	9,03

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

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

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

The bonds are zero-interest bonds.

The issue price is PLN 0.01.

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

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

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

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

During the period from January 1, 2010 to December 31, 2010, 1,355,025 ordinary Series E shares were taken up; during the period from January 1, 2011 to December 31, 2011, 14,875 shares, and during the period from January 1, 2012 to December 31, 45.000 of such shares were taken up when Series D registered bonds were exercised. These shares were taken up at PLN 7.87 per share and the market price of Eurocash S.A. shares quoted at the Warsaw Stock Exchange ranged from PLN 15.50 to PLN 47.00 per share. The average share price during the period was PLN 29.22 per share.

By December 31, 2012, 7.275 bonds authorizing to take up 181.875 shares were left unexercised. They could be exercised by the end of the Options Exercise Term, i.e. until December 31, 2012.

On 31 December 2012 subscription of ordinary bearer shares of Series E was completed.



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

The bonds are zero-interest bonds.

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

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

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

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

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

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

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

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

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

The Company valued the incentive program for the F series bonds at PLN 4,493.8 thousand. This value was settled for a 3 year period starting from 1 January 2008. After adjustments related to the resignation likelihood factor for employees covered by the Fourth Incentive Program, the overall cost of the program as at 31 December 2009 is determined as PLN 4,351.9 thousand.

The Company valued the incentive program for the G series bonds at PLN 3,438.7 thousand. This value has been settled for a 3 year period starting from 1 January 2009.

During the period from January 1, 2011 to December 31, 2011, 538.375 and during the period from January 1, 2012 to December 31, 2012, 155.325 ordinary Series G shares were taken up when Series F registered bonds were exercised. These shares were taken up at PLN 9.78 per share, and the market price of Eurocash S.A.



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shares quoted at the Warsaw Stock Exchange ranged from PLN 21.00 to PLN 47.00 per share. The average share price during the period was PLN 33.02 per share.

By December 31, 2012 was not used 13.052 bonds giving the right to subscribe for 326.300 of shares. They may be used by the end of the Exercise Period, that is, before December 31, 2013.

During the period from January 1, 2012 to December 31, 2012, 793.200 ordinary Series H shares were taken up when Series G registered bonds were exercised. These shares were taken up at PLN 8.89 per share, and the market price of Eurocash S.A. shares quoted at the Warsaw Stock Exchange ranged from PLN 28.30 to PLN 47.00 per share. The average share price during the period was PLN 38.10 per share.

By December 31, 2011 was not used 9.072 bonds giving the right to subscribe for 226.800 of shares. They may be used by the end of the Exercise Period, that is, before December 31, 2014.

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

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

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

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

The bonds are zero-interest bonds.

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

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

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

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

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

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

**4.** By the Resolution of the Annual General Meeting Eurocash S.A. No. 3 of November 26, 2012 on the Eighth, Ninth and Tenth Motivation and Reward Program for Employees for the years 2012, 2013 and 2014, it was decided to issue shares of Series M, Series N and O Series under the Motivation program for managers, executives and essential persons to the business of the Company and the Group Eurocash S.A.

The program is implemented in conjunction with the Company's intention to continue motivation programs for the earlier years for managers, executives essential persons to the business of the Company and the Group



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Eurocash and lay the foundations to enable outstanding employees to acquire shares in the Company as part of the premium.

The Company will issue a total of 102,000 registered bonds in three series:

- 34,000 registered Series I bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series M shares with priority over the shareholders of the Company,
- 34,000 registered Series J bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series N shares with priority over the shareholders of the Company,
- 34,000 registered Series K bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series O shares with priority over the shareholders of the Company.

The bonds are zero-interest bonds.

Persons entitled to purchase all or part of the Series I bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2012.

List of Pre-qualified Persons for the purchase of Series I Bonds will be determined by the Board and approved by a resolution of the General Meeting. Before date of these consolidated financial statements, list of Pre-qualified Persons has not been enacted.

Final List of Eligible Persons will be determined by resolution of the Supervisory Board, and if it will include the persons awarded, will be further approved by the General Assembly, no later than 5 January 2015.

Persons entitled to purchase all or part of the Series J bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2013. Final List of Eligible Persons will be determined by resolution of the Supervisory Board, and if it will include the persons awarded, will be further approved by the General Assembly, no later than 5 January 2016.

Persons entitled to purchase all or part of the Series K bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2014. Final List of Eligible Persons will be determined by resolution of the Supervisory Board, and if it will include the persons awarded, will be further approved by the General Assembly, no later than 5 January 2017.

Holders of the Series I Bonds shall be entitled to subscribe for and acquire Series M Shares in priority to shareholders of the Company for the period from 1 February 2015 to 31 January 2017.

Holders of the Series J Bonds shall be entitled to subscribe for and acquire Series N Shares in priority to shareholders of the Company for the period from 1 February 2016 to 31 January 2018.

Holders of the Series K Bonds shall be entitled to subscribe for and acquire Series O Shares in priority to shareholders of the Company for the period from 1 February 2017 to 31 January 2019.

The issue price per Series M Shares will amount to PLN 38.

The issue price of a share of Series N will be determined by the Board under the assumption that the value should be equal to PLN 38, adjusted for the rights associated with the shares. The issue price of the Series N will be announced in the current report no later than 21 days before the beginning of the ninth Exercise Period.

The issue price of a share of Series O will be determined by the Board under the assumption that the value should be equal to PLN 38, adjusted for the rights associated with the shares. The issue price of the Series O will be announced in the current report no later than 21 days before the beginning of the ninth Exercise Period.

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



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Table no 22 **OPTION VALUATION AS AT 31.12.2012** 

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

Total costs of share option programs charged to the consolidated income statement of the Group for 2012 amounted to PLN 502.317 (2011: PLN 1.198.538).



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## NOTE 21. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 23

## PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2011 TO 31.12.2012

	Employee benefits	Accrual for agents' commissions	Accrual for costs of transport	Accrual for advertising costs	Accrual for the change in location of warehouse	Provision for interests	Provision for other costs	Provision for unprofitable contracts
Provisions and accruals as at 01.01.2011 Increase due to joining of subsidary	16 895 902	305 325	808 395	12 601 500	-	-	-	-
, ,	17 928 795	=	-	5 599 843	25 550 000	500 000	32 251 149	25 724 850
Increases	119 232 933	32 154 196	55 725 901	102 562 117	=	-	-	=
Decreases	(96 943 630)	(31 586 430)	(55 363 895)	(105 294 169)	-	-	-	-
Provisions and accruals as at 31.12.2011, including:	57 113 999	873 090	1 170 401	15 469 292	25 550 000	500 000	32 251 149	25 724 850
- short-term	54 881 733	873 090	1 170 401	15 469 292	25 550 000	500 000	25 801 649	12 000 000
- long-term	2 232 265	-	-	-	<del>-</del>	-	6 449 500	13 724 850
Provisions and accruals as at 01.01. 2012 Increases	<b>57 113 999</b> 277 288 666	<b>873 090</b> 32 648 311	<b>1 170 401</b> 199 038 435	<b>15 469 292</b> 201 672 405	<b>25 550 000</b> 699 534	500 000 -	<b>32 251 149</b> 6 449 500	25 724 850
Decreases	(290 821 783)	(32 697 381)	(198 393 921)	(202 038 395)	-	(236 299)	(19 693 298)	(12 000 000)
Provisions and accruals as at 31.12.2012, including:	43 580 882	824 021	1 814 915	15 103 301	26 249 534	263 701	19 007 352	13 724 850
- short-term	40 347 120	824 021	1 814 915	15 103 301	26 249 534	263 701	19 007 352	13 724 850
- long-term	3 233 762	· -	-	-	-	- -	-	-



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

Table no 23
PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2011 TO 31.12.2012 (continued)

	Accrual for costs of media	Accrual for bonuses for individual customers	Provision for potential losses related to aquisition of Eurocash Dystrybucja Sp. z o.o.	Accrual for the change in location of warehouse	Provision for interests	Provision for other costs	Other	Total
Provisions and accruals as at 1 January 2011 Increase due to joining of subsidary	1 969 426	626 891	17 144 000	6 000 000	-	-	18 384 128	74 735 567
	4 206 354	-	-	-	23 131 838	7 163 550	3 151 161	145 207 541
Increases	23 353 432	-	2 321 160	-	3 040 648	9 570 449	126 224 040	474 184 875
Decreases	(25 871 840)	(626 891)	(19 465 160)	(6 000 000)	-	(11 785 936)	(125 583 503)	(478 521 454)
Provisions and accruals as at 31 December 2011, including:	3 657 372	-	-	-	26 172 486	4 948 063	22 175 827	215 606 529
- short-term	3 572 646	-	-	-	26 172 486	4 948 063	22 247 164	193 186 525
- long-term	-	-	-	-	-	-	13 389	22 420 004
Provisions and accruals as at 1 January 2012	3 657 372	_	_	_	26 172 486	4 948 063	22 175 827	215 606 529
Increases	36 122 105	_		-	2 176 213	12 839 922	191 020 624	959 955 715
Decreases	(34 646 186)	_	_	_	(3 000 000)	(13 819 810)	(176 267 924)	(983 614 996)
	(34 040 100)	-	-	-	(3 000 000)	(13 819 810)	(170 207 924)	(903 014 990)
Provisions and accruals as at 31 December 2012, including:	5 133 292	-	-	-	25 348 699	3 968 176	36 928 527	191 947 249
- short-term	5 133 292	-	-	-	25 348 699	3 968 176	36 928 527	188 713 487
- long-term	-	-	-	-	-	-	-	3 233 762



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*Table no 24* **PROVISIONS AS AT 31.12.2012** 

	as at	as at
	31.12.2012	31.12.2011
Employee benefits	43 580 882	57 113 999
Accrual for expected costs related to companie from Tradis Group	26 249 534	25 550 000
Accrual for advertising costs	15 103 301	15 469 292
Accrual for agent's commisions	824 021	873 090
Accrual for costs of transport	1 814 915	1 170 401
Accrual for costs of media	5 133 292	3 657 372
Accrual for rental costs	1 913 141	709 602
Accrual for advisory and audit	2 973 816	2 086 985
Accrual for ligitations	4 944 789	4 485 160
Accrual for bonuses to suppliers	13 724 850	25 724 850
Provision for payment of bonuses for franchisees	3 424 683	1 535 943
Accural for disposal of locations	19 007 352	32 251 149
Accural for IT modernist works	835 982	-
Accrual for intrests	25 348 699	26 172 486
Accrual for other costs	3 987 945	4 948 063
Accrual for fuel costs	1 626 462	441 172
Accrual for alcohol licences	337 288	297 360
Other provisions and accruals	21 116 298	11 839 845
	191 947 249	215 606 529
- long-term	3 233 762	22 420 004
- short-term	188 713 487	193 186 525

#### Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement benefits in the amount of PLN 3,347,931 (the remaining part mainly pay liabilities and provisions for holidays).

Provision for retirement benefits was calculated using the actuary. The actuarial estimations include discount rate of 3.8%, 3.0% wage increase. The amount of PLN 3,233,762 was presented as part of a long-term reserve.

#### Provision for the costs of advertising and marketing

Provision for advertising and marketing costs include mainly provisions related to the allocation of the marketing services provided by the receivers.

It is expected that these provisions will be realized within 12 months from 31 December 2012.

## Provision for estimated costs associated with the companies of Tradis Group

Provision applies to expected risks of additional costs associated with the acquisition of Tradis Group. Expected costs resulting from past events and their original estimation was set at the date of acquisition of Tradis Group. The Group is not able to estimate the duration of the above provisions.

### Provision for decommissioning costs of business location

Provision applies to the expected costs of decommissioning commercial location belonging to Tradis Group, which closing is due to the decision of the Office of Competition and Customer Protection or the lack of profitability of these locations. The initial estimation of the provision has been established at the acquisition date Tradis Group.

It is expected that the reserve will be completed within 12 months from 31 December 2012

#### **Provision for unprofitable contracts**

Provision applies to commercial contracts related to the purchase of Tradis Group, which is expected for a negative result. The initial estimation of the reserve has been established at the acquisition date of Tradis Group. It is expected that the reserve will be completed within 12 months from 31 December 2012



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#### **Provision for interest**

Provision applies to the estimated costs associated with unpaid liabilities for which contractual dates passed as at 31 December 2012.

It is expected that the reserve will be completed within 12 months from 31 December 2012.

### NOTE 22. TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 25

## TRADE AND OTHER PAYABLES AS AT 31.12.2012

	as at	as at
	31.12.2012	31.12.2011
Trade payables	2 621 438 760	2 200 593 173
Payables due to purchase of goods	2 528 401 659	2 079 228 894
Payables due to services received	93 037 102	121 364 279
Current tax liabilities	10 030 809	15 548 460
Other payables	67 469 261	112 928 320
VAT settlements	6 436 306	48 360 761
Liabilities due to social securities	24 751 689	23 963 382
Liabilities due to purchases of assets	20 298 507	21 206 141
Liabilities due to taxes and insurances	4 722 575	8 925 544
Liabilities in relation to aquisitions	1 616 036	316 035
Other payables	9 644 149	10 156 458
Total payables, including:	2 698 938 831	2 329 069 953
- long-term	401 559	621 209
- short-term	2 698 537 272	2 328 448 744



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#### NOTE 23. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 26

#### **LOANS AND CREDITS AS AT 31 DECEMBER 2012**

	Credit destination	Liability amount	Interest rate	period from 01.01.2012 to 31.12.2012
Credits		906 631 638		78 922 942
Bre Bank S.A.	overdraft for financing of current activities	143 075 208	WIBOR + bank's margin	9 469 836
ING Bank Śląski S.A.	overdraft for financing of current activities	100 341 586	WIBOR + bank's margin	2 622 788
ING Bank Śląski S.A.	Investment long-term credit for the acquisition of CEDC	131 586 164	WIBOR + bank's margin	-
ING Bank Śląski S.A.	Investment short-term credit for the acquisition of CEDC	78 029 510	WIBOR + bank's margin	15 542 137
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment long-term credit for the acquisition of Tradis	272 158 715	WIBOR + bank's margin	-
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment short-term credit for the acquisition of Tradis	181 440 454	WIBOR + bank's margin	51 288 181
Total loans and credits		906 631 638		78 922 942
- long-term		403 744 879		
- short-term		502 886 759		

In accordance to the credit agreements, the Group is obligated to maintain certain financial ratios at a defined level and for the activity of indicated in the contracts framework. During the reporting period the Group performed all the terms of loan agreements and there was no case of violation. What is more, according to the credit agreements the Group has issued the securities, details of which are expanded in Note 37.



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## NOTE 24. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 27

## FINANCIAL LIABILITIES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Finance lease liabilities	21 390 102	27 867 000
Liabilities related to financing of franchisees	27 830 969	32 222 664
Other financial liabilities		26 020
	49 221 071	60 115 685
- long-term	16 832 317	20 393 134
- short-term	32 388 753	39 722 550



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## FINANCE LEASE

Table no 28

## FINANCE LEASE AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2012	as at 31.12.2011	as at 31.12.2011
Future minimum lease payments due to finance lease agreements	minimum lease payments	present value of minimum lease payments	minimum fees	present value of minimum lease payments
Less than one year	6 103 023	4 557 785	9 560 269	7 473 865
Between one and five years	18 742 324	16 107 686	22 237 261	18 789 798
More than five years	758 592	724 631	1 724 836	1 603 336
Total future minimum lease payments due to finance lease agreements	25 603 939	21 390 102	33 522 366	27 867 000
Finance costs	4 213 837	Х	5 655 366	Х
Present value of minimum lease payments due to finance lease agreements	21 390 102	21 390 102	27 867 000	27 867 000



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

#### **OPERATING LEASE**

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

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

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

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

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

Specification of minimum operating lease charges is presented below:

Table no 29

#### **OPERATING LEASE AGREEMENTS AS AT 31.12.2012**

	as at 31.12.2012	as at 31.12.2011
Future minimum lease payments due to operating lease agreements		
Less than one year	120 409 005	120 868 943
Between one and five years	323 817 032	352 881 374
More than five years	241 704 061	170 366 856
Total future minimum lease payments due to operating lease agreements	685 930 099	644 117 173

Operating lease payments for 2012 amounted to PLN 115.932.351 PLN (2011: PLN 84.284.881).



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

## NOTE 25. INCOME TAX

Income tax for the reporting period is presented below:

Table no 30

## INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2012 (main components)

	for the period from 01.01.2012 to 31.12.2012	for the period from 01.01.2011 to 31.12.2011
Income statement		
Current income tax	(23 608 008)	(35 849 073)
Current income tax burden expense	(23 328 631)	(35 552 814)
Additional income tax related to previous years	(279 377)	(296 259)
Deferred tax	(8 467 524)	19 245 087
Due to temporary tax differences	(8 467 524)	19 245 087
Total income tax	(32 075 532)	(16 603 987)

Table no 31

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

	for the period	for the period
	from 01.01.2012	from 01.01.2011
	to 31.12.2012	to 31.12.2011
Profit before tax	282 456 801	150 991 175
Income tax calculated base on 19% income tax rate	(53 666 792)	(28 688 323)
Permanent tax differences	(3 503 072)	(3 012 899)
Negative passing differences and tax losses, in connection which the deferred income tax provision was recognized (no impact for financial result)	(8 560 448)	-
Reversal of allowance for deferred tax asstes related to limitedpartnership	11 555 440	11 664 940
Reversal of provision for potential losses related to aquisition of Eurocash Dystrybucja Sp. z o.o.	-	3 257 360
Contribution of trademarks to the limited partnership	-	1 731 779
Tax result of mergers	22 327 603	-
Share of associate's result, for which the deferred tax was not recognized	(228 263)	(449 702)
Other differences	-	(1 107 142)
Income tax in income statement	(32 075 532)	(16 603 987)
Effective tax rate	11,36%	11,00%



Consolidated financial statements of EUROCASH Group.					
Financial statements period:	01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)				

## NOTE 26. DEFFERED TAX

Deferred tax is presented below:

Table no 32

## **DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012**

	Statement of final	ncial position	Income st	atement	Business co	ombinations	Statement of comp	rehensive income
	as at	as at	for the period					
	31.12.2012	31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Deferred tax liabilities								
- difference between tax and carrying amount of fixed assets	65 752 602	57 989 726	7 762 876	(18 711 807)	-	51 367 242	-	-
- deferred income	24 122 821	12 453 736	11 669 084	7 000 502	-	-	-	-
- revenues from accrued interests	550 115	276 349	273 766	100 633	-	-	-	-
- financial lease liabilities	40 741	356 865	(316 123)	(322 607)	-	-	-	-
- unrealized foreign exchange differences	17 818	5 941	11 877	5 941	-	-	-	-
- income from contractual penalties unpaid	239 026	180 215	58 811	180 215	-	-	-	-
- compensations for lost benefits	-	-	-	(519 632)	-	-	-	-
- premium - purchased locations	855 000	-	855 000	-	-	-	-	-
- other	3 840 987	1 144 184	2 696 804	(98 651)	_	915 832	-	-
Gross deferred tax liabilities	95 419 111	72 407 016	23 012 095	(12 365 406)	-	52 283 074	-	-



Consolidated financial statements of EUROCASH Group.						
Financial statements period:	ncial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)					
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)					

Table no 32 (continued)

## DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012 (continued)

	Statement of finar	ncial position	Income st	tatement	Business co	mbinations	Statement of comp	rehensive income
	as at	as at	for the period					
	31.12.2012	31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Deferred tax assets								
- bonuses	17 192 672	14 085 791	(3 106 881)	(5 825 978)	-	(2 557 602)	-	-
- allowance for inventories	5 391 633	3 514 950	(1 876 684)	3 436 474	-	(1 830 047)	-	-
- allowance for bad debts	9 970 880	9 645 603	(325 277)	(2 395 281)	-	(2 243 043)	-	-
- provision for assets	73 179	-	(73 179)	-	-	-	-	-
- tax losses from prior years	15 123 399	8 284 211	(6 839 187)	2 886 264	-	-	-	-
- tax profit from sale of fixed assets	3 540 265	-	(3 540 265)	639 808	-	-	-	-
- holiday accrual	2 447 886	1 793 741	(654 145)	(108 141)	-	(404 186)	-	-
- accrual for employees' bonuses	562 649	2 879 738	2 317 088	(2 276 673)	-	(80 321)	-	-
- unpaid payroll and social securities	2 365 911	1 951 458	(414 453)	(338 952)	-	(1 207 045)	-	-
- retirement provision	606 997	338 826	(268 171)	(5 656)	-	(97 886)	-	-
- provision for costs of transport	62 182	-	(62 182)	-	-	-	-	-
- accrual for rental costs	350 985	109 545	(241 440)	18 608	-	-	-	-
- accrual for advertising costs	5 241 301	1 302 563	(3 938 738)	839 768	-	-	-	-
- accrual for costs of transport	304 551	202 085	(102 466)	(60 938)	-	-	-	-
- accrual for costs of media	1 299 844	334 385	(965 459)	23 646	-	-	-	-
- accrual for advisory and audit	152 338	151 125	(1 213)	121 404	-	-	-	-
- provisions for legal disputes	826 666	207 584	(619 082)	(207 584)		-	-	-
- procisions for Amrest	1 078 800	33 729	(1 045 071)	108 867	-	-	-	-
- finance lease liabilities	8 267	-	(8 267)	-	-	-	-	-
- acural for audit	61 750	-	(61 750)	-	-	-	-	-
- unrealized exchange losses	8 805	-	(8 805)	-	-	-	-	-
- provision for postal and telecommunication costs	49 214	-	(49 214)	-	-	-	-	-



Consolidated financial statements of EUROCASH Group.						
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)						
Level of round-offs:	All amounts are expressed in I	All amounts are expressed in Polish zloty (unless indicated otherwise)				

# Table no 32 (continued) DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012 (continued)

	Statement of fina	ncial position	Income st	atement	Business co	mbinations	Statement of comp	rehensive income
	as at	as at	for the period					
	31.12.2012	31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Deferred tax assets			10 31.12.2012	10 51.12.2011	to 51.12.2012	to 51.12.2011	10 31.12.2012	(0 51.12.2011
- accrual for potencial loss related to acquisition of Tradis Group	-	-	-	-	-	-	-	-
- accrula for project logistics	50 103	386 270	336 167	-	-	(386 270)	-	-
- accruals for IT costs	465 121	-	(465 121)	-	-	-	-	-
- accrual for closed localisations	3 611 397	6 322 345	2 710 949	-	-	(6 322 345)	-	-
- accural for unprofitable contracts	2 607 722	4 887 722	2 280 000	-	-	(4 887 722)	-	-
- accrual for non-commerialc costs	22 958	128 408	105 450	-	-	(128 408)	-	-
- accrual for intrests accrued on debts	1 662 564	1 188 528	(474 036)	1 775 233	-	-	-	-
- accrued interest on trade payables	5 497 401	6 586 090	1 088 690	(1 260 835)	-	(4 395 049)	-	-
- accrual for the interest on liabilities	11 784	9 631	(2 153)					
- accrued interest on loans and borrowings	598 652	852 117	253 464	(95 028)	-	(404 611)	-	-
- accrual for acquisition of shares	2 964 926	2 975 353	10 426	(2 975 353)	-	-	-	-
- provision for costs of expansion	-	583 300	583 300	(583 300)	-	-	-	-
- other provisions and accruals	9 040 765	9 953 897	913 132	(596 032)	-	(4 123 479)	-	-
- contribution of trademarks to Limited Partnership Company	22 277 011	32 802 776	10 525 765	10 525 765	-	-	-	-
Gross deferred tax assets	115 530 577	111 511 771	(4 018 807)	3 646 085	-	(29 068 016)	-	-
Allowance of deferred tax asset	(22 277 011)	(32 802 776)	(10 525 765)	(10 525 765)	-	-	-	-
Deferred tax assets	93 253 566	78 708 995	(14 544 572)	(6 879 681)	-	(29 068 016)	-	-
Deferred income tax effect			8 467 524	(19 245 087)	-	23 215 058	-	-
Net deferred tax liabilities	54 671 275	39 595 631	Х	Х	Х	Х	Х	Х
Net deferred tax assets	52 505 729	45 897 610	Χ	Х	Х	Х	Х	Х



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

## NOTE 27. OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below:

Table no 33

## OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2012

	as at	as at
	31.12.2012	31.12.2011
Rentals	-	208 597
Alcohol licences	2 027 743	456 634
IT licences	89 350	101 832
Consulting services	178 533	-
Incurred expenses relating to deferred income	-	923 478
Rental of premises - premium	547 844	657 121
Other prepayments	360 331	169 088
	3 203 801	2 516 750

## NOTE 28. SALES IN THE REPORTING PERIOD

Sales are presented below:

Table no 34

## **SALE IN THE PERIOD FROM 01.01 TO 31.12.2012**

	for the period	for the period
	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Sale of goods	15 957 555 937	9 644 737 246
Sale of services	612 197 096	335 858 654
Sales of materials	6 027 924	-
Total sale	16 575 780 957	9 980 595 900

#### NOTE 29. COSTS BY TYPE

Costs by type are presented below:

Table no 35

## COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2012

	for the period	for the period
	from 01.01.2012	from 01.01.2011
	to 31.12.2012	to 31.12.2011
Depretiation	113 361 729	72 799 514
Materials and energy	131 365 670	66 716 167
External services	586 056 612	278 831 041
Taxes and charges	33 908 721	25 017 721
Payroll	474 512 519	269 802 213
Social security and other benefits	107 085 737	51 741 544
Other costs by type	36 871 113	26 167 054
Costs by type	1 483 162 101	791 075 253
including:		<u>.</u>
Cost of sold services	129 617 318	3 361 105
Selling expenses	1 083 145 828	601 097 541
General and administrative expenses	270 398 955	186 616 608



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

## NOTE 30. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 36

## OTHER OERATING INCOME AND EXPENSES FOR THE PERIOD FROM OD 01.01 TO 31.12.2012 ROKU

	for the period	for the period
	from 01.01.2012	from 01.01.2011
	to 31.12.2012	to 31.12.2011
Other operating income	38 296 177	56 582 527
Penalties for suppliers	9 981 778	6 718 027
Other sales	6 914 682	6 118 470
Sub-lease of premises	2 021 888	2 228 037
Compensation received	678 847	968 235
Revenus from transport services	146 526	561 788
Profit on sales of fixed assets	1 319 704	6 436 418
Reversal of allowance for bad debts	451 393	0 430 410
Reversal of allowance for inventories	21 092	-
Expired litigations and payables	22 059	_
Revelsal of provision for for potential losses related to acquisition of Eurocash	-	17 144 000
Compensations	948 409	17 144 000
Provision for slow-movers and damaged goods	112 744	_
Inventory surplus	603 198	_
Release of provision for losses	500 000	_
Other operating incom	14 573 856	16 407 553
Other operating expenses	(98 678 401)	(64 273 005)
Inventory shortages	(33 488 865)	(17 569 980)
Liquidation of damages and expired goods	(17 873 721)	(13 167 285)
Losses from disposals of property, plant and equipment	(4 437 834)	(7 261 665)
Allowance for bed debts	(24 573 833)	(6 526 127)
Allowance for inventory	(3 628 506)	(0 020 121)
Ligitations	(118 436)	(1 592 950)
Costs related to the acquisition of Tradis Group's companies	(1.0 400)	(9 259 750)
Zapłacone kary umowne	(3 723 080)	(0 200 : 00)
Other	(10 834 125)	(8 895 249)
Net other operating expenses	(60 382 224)	(7 690 478)



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

### NOTE 31. FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 37

## FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2012

	for the period	for the period
	from 01.01.2012	from 01.01.2011
	to 31.12.2012	to 31.12.2011
Finance income	16 235 869	5 060 822
Interest	8 682 283	2 206 786
Revenues from discounts	5 900 258	2 126 887
Foreign exchange gains	29 218	27 563
Other financial income	1 624 110	699 586
Finance costs	(109 404 793)	(44 658 393)
Interest	(105 252 124)	(42 296 793)
Foreign exchange losses	(70 571)	(169 473)
Other finance costs	(4 082 098)	(2 192 127)
Net finance expenses	(93 168 923)	(39 597 572)

#### NOTE 32. EARNINGS PER SHARE

Earnings per share are presented below:

Table no 38

## EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2012

	for the period from 01.01.2012 to 31.12.2012	for the period from 01.01.2011 to 31.12.2011
Earnings		
Profit for the period attributable to the Owners of the Company	250 381 269	134 398 735
Profit for the period attributable to the Owners of the Company (diluted)	250 381 269	134 398 735
Number of issued shares		
Weighted average number of shares	137 921 774	136 765 168
Dilution efect of potential number of shares: Convertible bonds	953 911	1 299 063
Weighted average number of shares (to calculate diluted earnings per share)	138 875 685	138 064 230
Earnings per share - basic - diluted	1,82 1,80	0,98 0,97

## Calculation of weighted average number of shares

The weighted average number of shares determined in order to calculate the value of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the reporting period.



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

### Calculation of weighted average diluted number of shares

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

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

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

#### Description of factors diluting the number of shares

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

#### NOTE 33. BOOK VALUE PER SHARE

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

Table no 39

#### **BOOK VALUE PER SHARE AS AT 31.12.2012**

	as at	as at
	31.12.2012	31.12.2011
Book value	783 554 387	548 493 908
Number of shares (excl. treasury shares)	137 976 536	136 983 011
Diluted number of shares	138 909 011	138 909 011
Book value per share	5,68	4,00
Diluted book value per share	5,64	3,95



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

## NOTE 34. INFORMATION ON RELATED PARTY TRANSACTIONS

No significant non-arm's length transactions with subsidiaries were raised in 2012.

Table no 40

	EUROCASH S.A. GROUP
Trade receivables	
PayUp	1 224 516
Other receivables	
PayUp	244 129
Loans granted	
PayUp	3 850 088
Trade payables	
PayUp	9 879 769
Fundusz Inwestycyjny Zamknięty RE Income	145 976
Sales of services	
PayUp	3 718 595
Other sales	
PayUp	392 375
Fundusz Inwestycyjny Zamknięty RE Income	-
Costs of goods sold	
PayUp	179 422 534
Costs of services	
PayUp	48 000
Fundusz Inwestycyjny Zamknięty RE Income	1 388 591

Table below present summarized values of remuneration, bonuses, rewards and other benefits paid or due to Members of Management Board and Supervisory Board of Eurocash S.A. Company during the period from 1 January 2012 to 31 December 2012.

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



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

## NOTE 35. REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Table no 41

## REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM $01.01\ TO\ 31.12.2012$

	S Basic salary rela	alary earned in ted companies	Other benefits	Managerial optoins	Tota
Remuneration of the Members of the Mana	agement Board				
Luis Amaral	300 000	-	203 794	-	503 794
Rui Amaral	1 110 000	60 000	461 939	-	1 631 939
Arnaldo Guerreiro	1 005 000	-	360 459	-	1 365 459
Pedro Martinho	990 000	60 000	556 559	-	1 606 559
Katarzyna Kopaczewska	783 000	42 000	284 654	-	1 109 654
Jacek Owczarek	825 000	-	432 060	38 151	1 295 211
Carlos Saraiva	1 170 000	-	489 626	-	1 659 626
_	6 183 000	162 000	2 789 091	38 151	9 172 242
emuneration of the Members of the Supe	ervisory Board				
Joao Borges de Assuncao	125 000	-	-	-	125 000
Eduardo Aguinaga de Moraes	75 000	-	-	-	75 000
Ryszard Wojnowski	75 000	-	-	-	75 000
Janusz Lisowski	75 000	-	-	-	75 000
Antonio Jose Santos Silva Casanova	75 000	-	-	-	75 000
	425 000	_	-	-	425 000

Number of employees as at 31.12.2012 is presented below:

#### NOTE 36. EMPLOYMENT

Table no 42

#### **NUMBER OF EMPLOYEES AS AT 31.12.2012**

	as at	as at
	31.12.2012	31.12.2011
Number of employees	12 055	12 761
Number of full-time jobs	11 891	12 441

Employment structure as at 31.12.2012 is presented below:

Table no 43

## **EMPLOYMENT STRUCTURE AS AT 31.12.2012**

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	10 311	1 744	12 055
Number of full-time jobs	10 174	1 717	11 891

Data concerning employee turnover ratios as at 31.12.2012 is presented below:



Consolidated financial statements of EUROCASH Group.					
Financial statements period:	01.01-31.12.2012	Presentation currency:	Polish zloty (PLN)		
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)				

Table no 44

## EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2012

	for the period	for the period
	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Acquisitions	-	6 144
Number of hired employees	3 508	2 746
Number of dismissed employees	(4 214)	(2 847)
	(706)	6 043

#### **NOTE 37.**

## DATA OF ITEMS NOT INCLUDED IN THE FINANCIAL STATEMENTS

As at 31 December 2012, the value of securities granted to other parties in the form of sureties of loans and bank guarantees amounted to PLN 3,750,000. The value of bank guarantees issued to customers of the Group amounted to PLN 104,570,168 further. A detailed listing is presented in the following tables.

Table no 45

#### **CONTINGENTIES AS AT 31.12.2012**

				as at	as at
	Beneficiary	Title	Currency	31.12.2012	31.12.2011
1.	Millennium S.A.	Surety of the bank guarantee for PTK Polkomtel S.A. for PayUp liabilities	PLN	2 250 000	2 250 000
2.	Millennium S.A.	Surety of the bank guarantee for PTC Sp. z o.o. for PayUp liabilities	PLN	1 500 000	1 500 000
			_	3 750 000	3 750 000



Consolidated financial statements of EUROCASH Group.				
Financial statements period: 01.01-31.12.2012 Presentation currency: Polish zloty (PLN)				
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)			

Table no 46
OTHER BANK GUARANTEES AS AT 31.12.2012

				as at	as at
TI	he Issuer	Title	Currency	31.12.2012	31.12.2011
1.	ING	Security for rent liabilities	PLN	944 563	3 351 360
2.	ING	Security for rent liabilities	PLN*	302 587	6 403 500
3.	PKO BP S.A.	Security for rent liabilities	PLN	4 912 440	2 053 880
4.	PKO BP S.A.	Security for rent liabilities	PLN*	9 848 566	-
5.	PKO BP S.A.	Security for organisation of tickets distribution	PLN	200 000	-
6.	ING	Security for organisation of tickets distribution	PLN	-	200 000
7.	ING	Security for excise duty	PLN	230 000	230 000
8.	PKO BP S.A.	Security for excise duty	PLN	230 000	-
9.	PKO BP S.A.	Security for trade agreement	PLN	-	5 500 000
10.	PKO BP S.A.	Security for use of public roads	PLN	620 100	620 100
11.	PKO BP S.A.	Security for promotional lottery	PLN	281 912	356 440
12.	ING	Security for liabilities for suppliers	PLN	-	85 500 000
13.	PKO BP S.A.	Security for liabilities for suppliers	PLN	87 000 000	-
				104 570 168	104 215 281

 $<sup>^{\</sup>star}$  Guarantee in EUR is translated into PLN at the average exchange rate of NBP as at 31 December 2011 1 EUR = 4,4168 PLN and as at 31 December 2012 1 EUR = 4,0882 PLN

### NOTE 38. COLLATERALS

As at 31 December 2012 the value of collaterals on the Group's assets amounted to PLN 954,779,490. A detailed specification is summarized below:



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Table no 47
SECURITY ON ASSETS AS AT 31.12.2012

Title	Secured property	Amount secure in PLN
Security for repayment of bank loan ING	Deposit on shares in companies from Premium Distributors Group	209 615 674
Security for repayment of bank loan ING and BZWBK	Deposit on shares in companies from Eurocash Group, Tradis Group and Trademarks	461 538 000
Security for agreement with a credit line ING (nominal value)	Deposit on inventories	180 000 000
Security for framework agreement to provide bank guarantees PKO BP (nominal value)	Deposit on inventories	82 500 000
Finance leasing agreements	Assignment on receivables	21 125 816
Total securings		954 779 490

#### NOTE 39. FINANCIAL RISK MANAGEMENT

#### a. General information

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

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

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

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

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

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



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#### b. Credit risk

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

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

Table no 48

#### **CREDIT RISK EXPOSURE**

·	1 635 944 869	1 665 394 172
Cash and cash equivalents*	154 581 545	294 234 218
Receivable and loans	1 481 363 324	1 371 159 954
	31.12.2012	31.12.2011
	as at	as at

<sup>\*</sup> excluding cash

#### Trade and other receivables

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

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

- a) sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk;
- b) sales service to franchise and independent clients is mostly on credit and has therefore a greater amount of overdue receivables. However, counterparties credit risk is moderate;
- 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;
- d) sales to HoReCa 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;
- e) credit sales of tobacco products and impulse goods by the subsidiary "KDWT S.A." a higher percentage of overdue receivables occurs in this category; however, the related credit risk is assessed as moderate;

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

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

Table no 49
AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2012

	Trade receivables gross as at 31.12.2012	Bad debts allowance as at 31.12.2012	Trade receivables gross as at 31.12.2011	Bad debts allowance as at 31.12.2011
0-30 days	1 380 749 214	-	1 242 534 788	-
31-90 days	45 644 957	3 961	63 001 402	5 233
91-180 days	22 416 513	79 627	23 162 967	250 799
> 180 days	46 034 069	42 827 601	44 394 318	31 779 774
	1 494 844 753	42 911 189	1 373 093 474	32 035 806



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Table no 50

#### **ALLOWANCE FOR BAD DEBTS AS AT 31.12.2012**

	for the period	for the period
	from 01.01.2012	from 01.01.2011
	to 31.12.2012	to 31.12.2011
Opening balance	32 035 806	45 376 962
Increases due to the acquisitions	=	17 195 974
Other increases	12 451 729	-
Decreases	(1 576 346)	(30 537 130)
Closing balance	42 911 189	32 035 806

#### Investments

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

#### Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and for regular key customers.

#### c. Liquidity risk

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

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

The basis for effective liquidity risk management in the Eurocash Group is an internal model of forecasting cash flows. The Group's liquidity management is focused on detailed analysis, planning and acting in the following three areas:

- a) investments in fixed assets,
- b) working capital,
- c) net financial debt.

The Group's sales is realized mainly in cash. Moreover, the Group has a negative balance of overdraft facility up to PLN 490m, which can be used to meet its short-term financial requirements. As at 31 December 2012 unused limits amounted to PLN 247m.

Eurocash Group optimizes the liquidity positions of subsidiaries and net interest income by using the mechanism of concentration balances (cash pooling) and a system of intercompany loans.

Regular risk management, the Group's position on the market and its financial standing may be a basis for a conclusion that the liquidity risk is minimized.

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



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Table no 51

#### LIQUIDITY RISK

AS AT 31 DECEMBER 2012	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	21 390 102	4 557 785	16 107 686	724 631
Liabilities from financing franchisees	27 830 969	27 830 969	-	-
Trade and other payables	2 682 471 716	2 682 070 157	401 559	-
Loans and borrowings	906 631 638	502 886 759	403 744 879	-
	3 638 324 425	3 217 345 669	420 254 124	724 631
AS AT 31 DECEMBER 2011	Net book value	< 12 months	1-5 years	> 5 years
AS AT 31 DECEMBER 2011 Finance lease liabilities	Net book value 27 867 000	< <b>12 months</b> 7 473 865	<b>1-5 years</b> 18 789 798	> <b>5 years</b> 1 603 336
			•	-
Finance lease liabilities	27 867 000	7 473 865	•	
Finance lease liabilities	27 867 000 32 222 664	7 473 865 32 222 664	•	-
Finance lease liabilities Liabilities from financing franchisees	27 867 000 32 222 664 26 020	7 473 865 32 222 664 26 020	18 789 798 - -	-

#### d. Market risk

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

## **Currency risk**

Currency risk does not affect significantly business activities of the Group as the majority of the Group's settlements are made in the local currency. In order to manage the currency risk, regarding significant transactions in foreign currency, the Group buys and sells derivatives. The Group is focused on application of hedge accounting that would minimize the effect of profit and loss variability for the period. In 2012, the Group did not have any open positions in currency derivatives

#### Interest rate risk

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

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



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Table no 52
VAKIABLE AND FIXED INTEREST KATE FINANCIAL
INSTRUMENTS

	Present value 31.12.2012	Present value 31.12.2011
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	21 390 102	27 893 020
Variable interest rate instrument		
Financial assets	1 638 744 797	1 669 643 200
Financial liabilities	3 616 934 322	3 795 013 164

The Group has analyzed the variable-interest instruments' sensitivity to changes of market interest rates. The table below presents the impact of increase and decrease of the interest rate by 100 bp on the net profit/loss and on equity less net profit/loss. This analysis was performed based on the assumption that all other variables, such as currency exchange rates, remain unchanged. The analysis was performed for the current and for the previous year, that is 2011.

Table no 53
SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2012	(19 781 895)	19 781 895	-	-
31 December 2011	(21 253 700)	21 253 700	-	-

#### e. Capital management

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

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

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

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

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

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

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

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



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#### f. Fair values

The following table presents fair values versus carrying amounts:

Table no 54

#### **FAIR VALUES**

	Carrying amount 31.12.2012	Fair value 31.12.2012	Carrying amount 31.12.2011	Fair value 31.12.2011
Assets	1 638 744 797	1 638 744 797	1 669 643 200	1 669 643 200
Trade and other receivables	1 476 418 570	1 476 418 570	1 364 076 365	1 364 076 365
Other investments	4 944 754	4 944 754	7 083 589	7 083 589
Cash and cash equivalents	157 381 473	157 381 473	298 483 246	298 483 246
Liabilities	(3 638 324 425)	(3 638 324 425)	(3 822 906 185)	(3 822 906 185)
Credits	(906 631 638)	(906 631 638)	(1 497 629 767)	(1 497 629 767)
Finance lease liabilities	(21 390 102)	(21 390 102)	(27 867 000)	(27 867 000)
Factoring	(27 830 969)	(27 830 969)	(32 222 664)	(32 222 664)
	-	=	(26 020)	(26 020)
Trade and other payables	(2 682 471 716)	(2 682 471 716)	(2 265 160 733)	(2 265 160 733)
	(1 999 579 628)	(1 999 579 628)	(2 153 262 985)	(2 153 262 985)

#### Fair value calculation

The following methods of valuation were used in calculation of the fair values of the main 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 and is consistent with their carrying value due to the contractual variable interest rates.

#### 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.



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#### NOTE 40. SUBSEQUENT EVENTS

#### 1. Investment agreement with RPH

On 17th September 2012 Eurocash and Resource Partners Holdings (RPH) entered into investment contract, according to which after fulfilling specific terms, including approval from the president of the Office of Competition and Consumer Protection and required banks, Eurocash will be a minority shareholder (with no less than 25% shares) in companies controlled by RPH and belonging to Polbita-Interchem Group. These companies are operating retail chains such as under the name of "Drogerie Natura" and "Drogerie Aster", as well as wholesale distribution of household chemicals and cosmetics. Above minority shareholding will be acquired by Eurocash in exchange for 100% of shares in Ambra LLC and Drogerie Koliber LLC. Eurocash and RPH agreed that Eurocash will have, in specified cases, right to purchase the whole of shares in Polbita-Interchem Group according to rules of valuation set by contracting parties. Furthermore Eurocash assured to give a 60 million PLN loan for Polbita-Interchem Group after fulfilling terms defined in Investment Agreement.

However, Eurocash got an information according to which in the Register of Business Entities of the National Court Register, Alior Bank S.A. was registered as an owner of all stakes in share capital of Polbita Sp. z o.o. and the line confirming that an owner of Polbita Sp. z o.o. stakes is Interchem S.A. (subject controlled by RPH) was deleted. Investment Agreement cannot be completed.

#### 2. Selling the shares of Eurocash SA

On 30th August 2012, Eurocash received a notification from a shareholder Politra B.V. S.r.l. and entities controlling it: Kipi NV and President of the Company's Management Board Mr. Luis Conceicao do Amaral member of the Company's Management Board informing that they sold 7% shares of the company.

#### 3. Signing the letter of intent by subordinate subject of the issuer

On 10th October 2012 subject subordinate from Eurocash – company KDWT S.A. – signed the letter of intent with Mrs. Krystyna Dziembor and Mr. Marian Dziembor. Based on a.n. letter of intent sides expressed their intent to enter into contract based on which KDWT S.A. will acquire from Mrs. Krystyna Dziembor and Mr. Marian Dziembor their businesses, which base on a wholesale trade in cigarettes and tobacco articles.

On 13th December 2012 subject subordinate from Eurocash – company KDWT S.A. – signed the memorandum of agreement with Mrs. Krystyna Dziembor and Mr. Marian Dziembor. Based on a.n. memorandum of agreement sides bound themselves over to enter, up to 31st August 2013, into a contract based on which KDWT S.A. will acquire a company from Mrs Krystyna Dziembor and organized part of a company constituted from tangible and intangible components needed to run a wholesale trade of cigarettes and tobacco articles from Mr Marian Dziembor. The condition of entering into the contract is receiving an approval from the president of the Office of Competition and Consumer Protection.

On 30th January 2013 KDWT S.A. received an acceptance from the Office of Competition and Consumer Protection.

On 04 March 2013 subject subordinate of Eurocash – company Dziembor and Company Sp. z o.o. in the process of formation – signed with Mrs. Krystyna Dziembor and Mr. Marian Dziembor, in accordance with execution the



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memorandum of agreement from 13 December 2012, contract for the sale of the company and organized part of a company constituted from tangible and intangible components needed to run a wholesale trade of cigarettes and tobacco articles.

The acquisition price of a company and organized part of the enterprise amounted to PLN 23,919,972, initially estimated fair value of acquired net assets amounted to PLN 18,952,531. To the date of this annual consolidated financial statements the Group did not make the allocation of the purchase price.

## NOTE 41. IMPORTANT EVENTS AFTER BALANCE SHEET DATE

1. Notification of change in shareholding resulting in an entity holding shares to which is attached less than 5% of the total number of votes at a General Meeting of the Company

On 25th January 2013 Fidelity held shares which constituted less than 5% (4,99%) of the share capital of EUROCASH S.A.

2. Denunciation of Distributorship Agreement and Contract of Sale on Commission concluded between Stokrotka Sp. z o.o. and Tradis Sp. z o.o.

On 31 January 2013 company subordinated from Eurocash – Tradis Sp. z o.o. received from Stokrotka Sp. z o.o. denunciation of: distributorship agreement concluded on 20 December 2011, subject of which was cooperation within the scope of delivery and retention of fast rotating (FMCG) products; and Contract of Sale on Commission based on which Tradis Sp. z o.o. was buying selected product on behalf of its own but at Stokrotka Sp. z o.o. expense.

Agreements will terminate on 31st of July 2013, after 6 months of notice period. In the date of termination, Agreements are not significant agreements for Eurocash.

Total value of sale from a.n. Agreements in year 2012 constituted for less than 5% of sales revenues of Eurocash Group in mentioned period. Except of lowering sales, denunciation of Agreements will not bring any significant financial consequences neither for activity of Tradis Sp. z o.o. nor Eurocash and the all Capital Group of Eurocash.

3. Signing the letter of intent by subordinate subject of the issuer

On 27th February 2013 subject subordinate from Eurocash – company KDWT S.A. – signed the letter of intent with Company PHU Noban Sp. z o.o. and cop. Based on a.n. letter of intent sides expressed their intent to enter into contract based on which KDWT S.A. will acquire from Noban tangible and intangible components designed to run the business, which base on a wholesale trade in cigarettes and tobacco articles

#### 4. The conclusion of a significant agreement

On 26th February 2013, a current account overdraft agreement ("Current Account Overdraft") up to the amount of PLN 80,000,000.00 was concluded between Eurocash and BNP Paribas Bank Polska S.A., with its registered office in Warsaw.

Bank rate of the credit facility is floating, based on WIBOR plus bank margin.



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## SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	27 <sup>th</sup> March 2013	Lin Naul Conceice And
Member of the Management Board Chief Executive Officer	Rui Amaral	27 <sup>th</sup> March 2013	Row Sunand.
Member of the Management Board	Arnaldo Guerreiro	27 <sup>th</sup> March 2013	Amaldo Gurero
Member of the Management Board	Pedro Martinho	27 <sup>th</sup> March 2013	Pelo Paleira Particho
Member of the Management Board Human Resources Director	Katarzyna Kopaczewska	27 <sup>th</sup> March 2013	Kopanewsler
Member of the Management Board	Carlos Saraiva	27 <sup>th</sup> March 2013	for he come
Member of the Management Board Financial Director	Jacek Owczarek	27 <sup>th</sup> March 2013	Jacob Ouszwel



# Eurocash Group S.A.

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