



EUROCASH S.A.
Separate Annual Report
for 2012



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part A. EUROCASH S.A. - - REPORT OF THE MANAGEMENT BOARD

For the period from 1 January 2012 to 31 December 2012

Komorniki, 27 March 2013



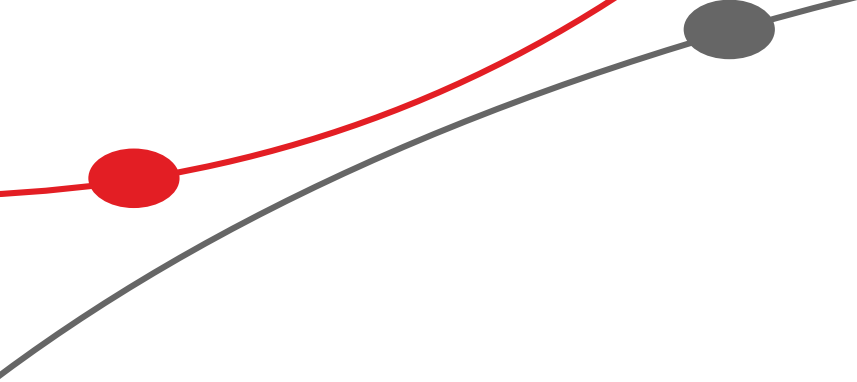
EUROCASH S.A.

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

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**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.

I 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.



Sincerely,
Luis Amaral

President of the Management Board of
Eurocash S.A.

1. Summary of Eurocash Operations in 2012

2012 was a record year for Eurocash. Separate sales of the Eurocash S.A. in 2012 reached PLN 6 324.81 million, EBITDA amounted to PLN 159.86 million and net profit to PLN 145.21 million.

Table 1. Eurocash: Summary of 2012 Financial Performance

	PLN m	2012	2011	Change 2012/2011
		6 324,81	5 522,68	14,52%
Sales revenues (traded goods, materials)		683,43	620,25	10,19%
Gross profit (loss) on sales		10,81%	11,23%	-0,43 p.p.
Gross profitability on sales (%)		159,86	163,91	-2,47%
EBITDA		2,53%	2,97%	-0,44 p.p.
(EBITDA margin %)		108,03	110,64	-2,37%
EBIT		1,71%	2,00%	-0,30 p.p.
(EBIT margin %)		136,36	71,93	89,58%
Gross profit		145,21	64,79	124,13%
Net Income		2,30%	1,17%	1,12 p.p.

A dynamic growth in sales revenues noted by Eurocash (+14.52% against 2011) was linked to higher sales noted for Cash&Carry, with the year-on-year sales percentage value for 2012 at 14.5%.

At 2012 year end, the Eurocash Cash&Carry chain of warehouses totaled 148 outlets while the number of 'abc' franchise stores was 5 451. 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.

2. Eurocash Group

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.

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

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

Delikatesy Centrum – a franchise system for retail stores which operate under the Delikatesy Centrum brand

Grupa Dystrybucyjna Tradis – 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

KDWT – active distribution of tobacco products and fast moving consumer goods through KDWT

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

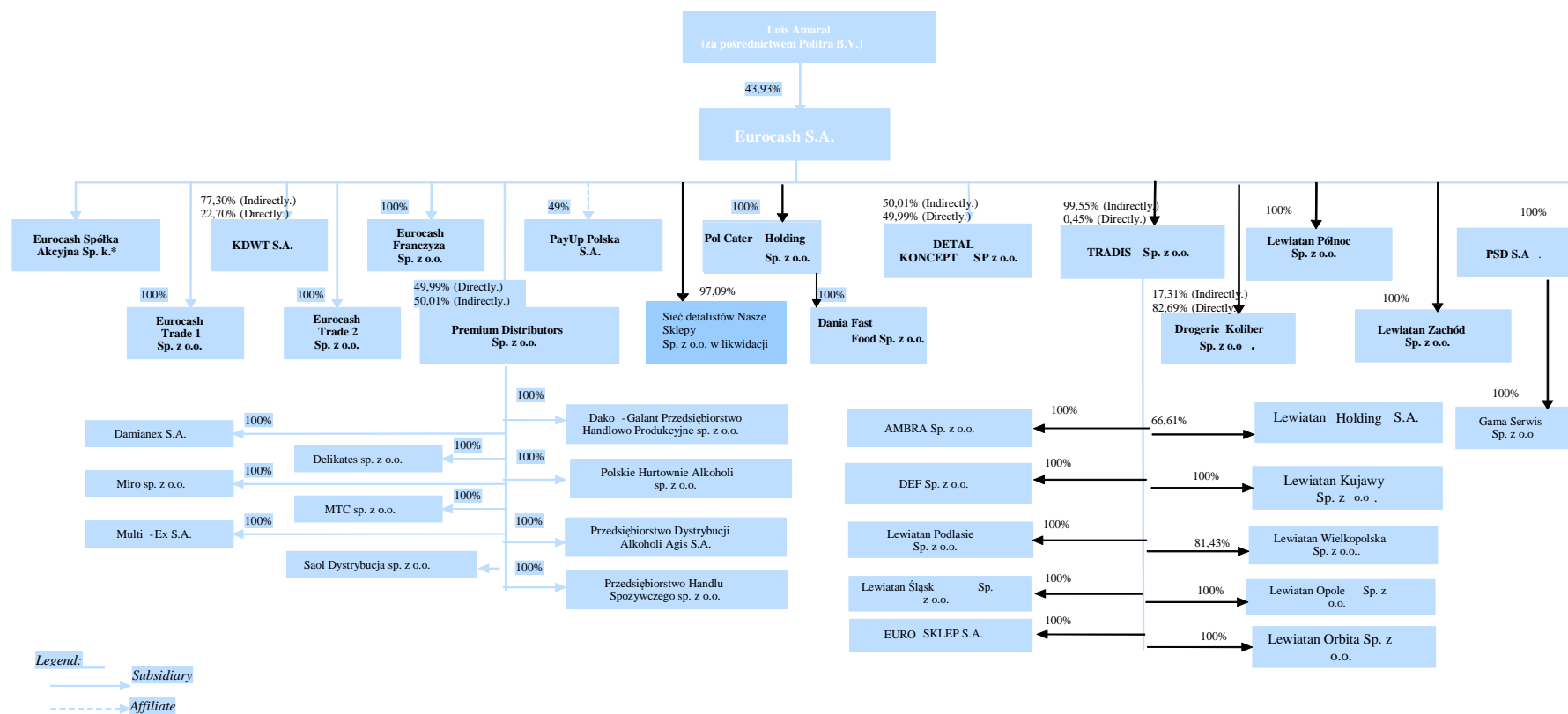
Spółki Premium Distributors – wholesale and retail distribution of alcoholic beverages through Premium Distributors companies throughout Poland

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

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.

2.1 Eurocash Group: Capital and Organizational Links

The chart below presents the structure of the Eurocash Group and its affiliated companies as at December 31, 2012:



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

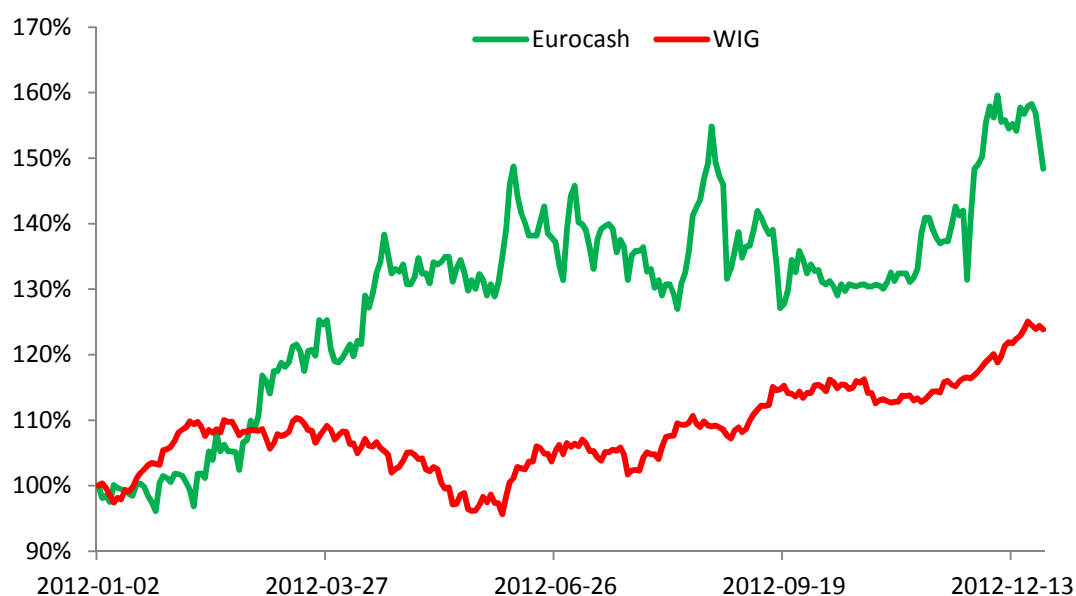
Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V.), with the shareholding of 43,93% as at 31.12.2012. Luis Amaral serves as President of the Management Board. Detailed information on the Eurocash Group's organizational structure and a specification of entities under consolidation may be found in Supplementary Information to the consolidated financial statements, point 1.7.

2.2 Eurocash Listing on Warsaw Stock Exchange in 2012¹

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

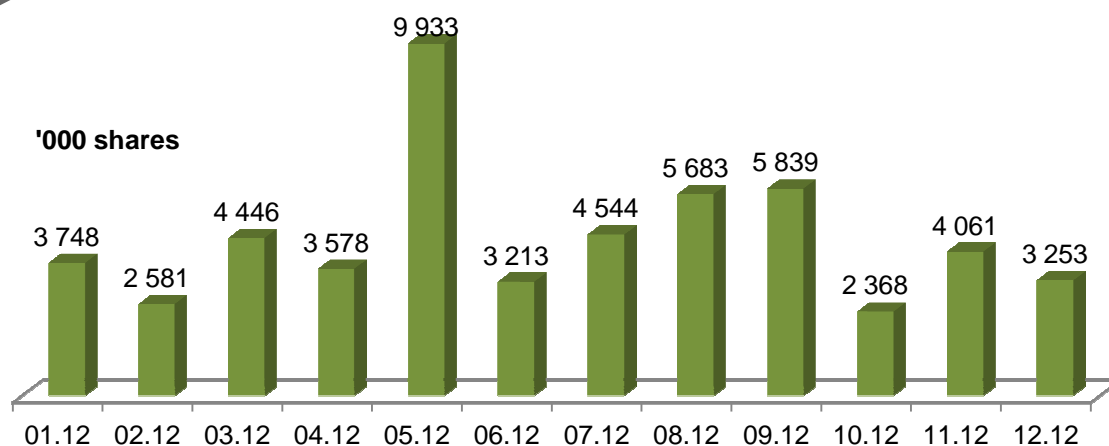
Chart 1. Eurocash share price performance vs. WIG Index in 2012



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. In 2012, the total trading volume of Eurocash shares was PLN 53.2m. (38,6% of the Company's share capital). The chart 2 presents monthly trade volume in 2012.

¹ Share price values are quoted according to closing prices noted on the Warsaw Stock Exchange.

Chart 2. Monthly trade volume in 2012



The average number of Eurocash shares traded daily in 2012 was 214 000. The table 2 presents the key share quotation data of the Company on the Warsaw Stock Exchange between 2010-2012.

Table 2. Key share quotation data of the Company on the Warsaw Stock Exchange

	Unit	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

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

Table 2. Capital market ratios

		2010	2011	2012
EPS (PLN)	Profit for the period/number of shares	0,46	0,47	1,05
P/CE	Price per share/financial surplus per share	0,14	0,14	0,12
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

3. Eurocash Business Overview

3.1 Market Environment

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 4. Eurocash: 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

Source: Central Statistical Office

* Preliminary data

** As at year end

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%.

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.

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 5. Eurocash: Wholesale distribution of FMCG Products in Poland

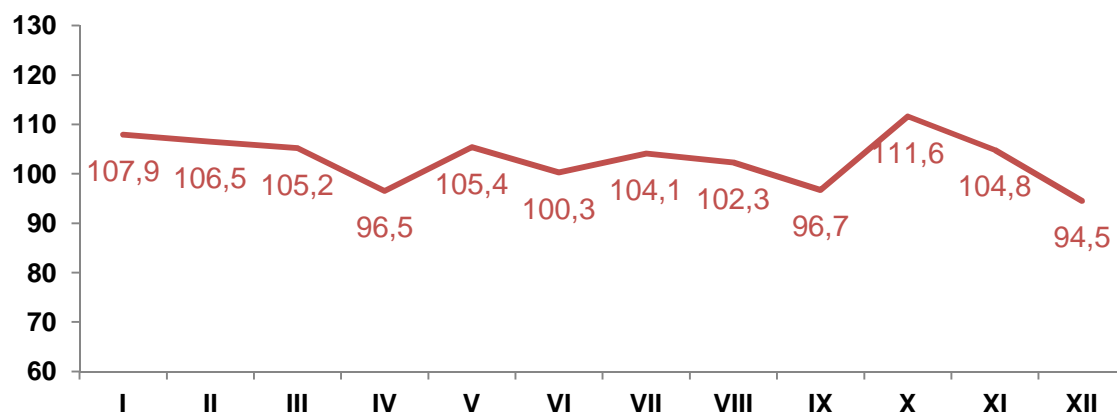
PLN billion	2011	Change %	2010	Change %	2009
Food and non-alcoholic beverages	119,7	10,4%	108,4	5,80%	102,5
Alcoholic beverages	27,5	8,7%	25,3	-5,20%	26,7
Total	147,2	10,1%	133,7	3,50%	129,1

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 below.

Chart 3. Dynamic of the wholesale of FMCG in current prices



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

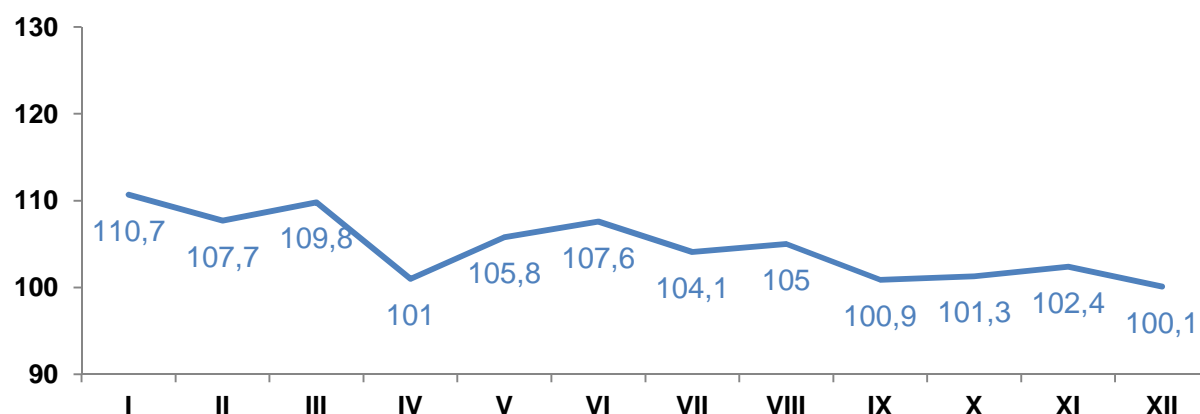
According to GfK Polonia the average number of suppliers delivering small grocery stores went down compared to 2011 and is 8. The market is still dominated by the traditional business profile (sales with delivery and trade credit.). According to Eurocash calculations based on data from GfK Polonia Eurocash Group has 20% of shares in a wholesale market of FMCG.

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 4.

Chart 4. 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 ones with high level of integration of retail and wholesale. 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.

3.2 Sales Mix

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash. In 2012, the share of these products accounted for approximately 92.3% of the total sales figure against 86.1% noted in 2011. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of 3.0 in 2012 against 3.9% noted in 2011. The share of other non-food products (including cosmetics, household chemicals, OTC drugs, and others) accounted for 4.7% in 2012 against 10.0% noted in 2011.

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

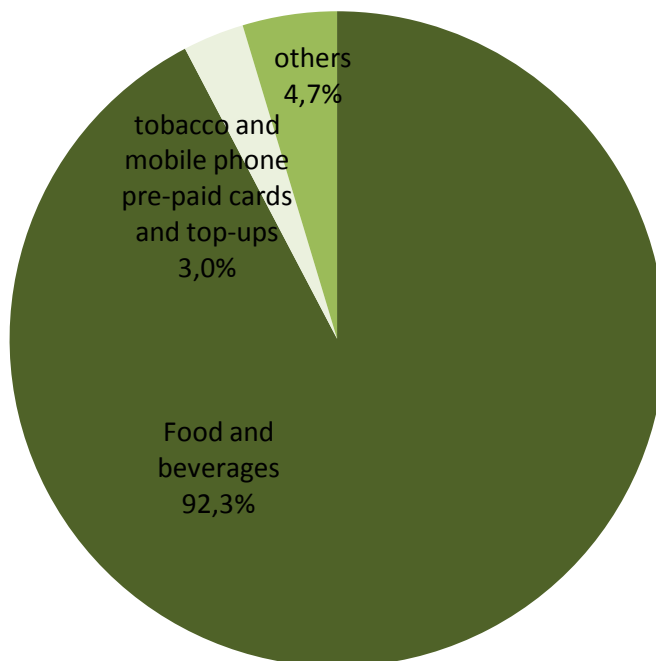
Table 6. Sales Mix of Eurocash in 2012 and 2011 by Key Categories

	2012		2011	
	Amount	% share	Amount	% share
	<i>PLN million</i>	<i>%</i>	<i>PLN million</i>	<i>%</i>
Food and beverages	5 838.16	92.3	4 755.91	86.1
Tobacco and mobile phone pre-paid cards and top-ups	191.87	3.0	212.8	3.9
Others*	294.77	4.7	553.97	10.0
Total sales revenues	6 324.81	100.0	5 522.68	100.0

Source: Eurocash

* Mainly chemical articles

Chart 5. Sales mix of Eurocash



3.3 Customers

Eurocash offers its customers a range of cooperation options through specific distribution 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 retail stores looking for the comprehensive delivery of products - the Delikatesy Centrum franchise network
- 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.

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

Table 7. Eurocash: Number of warehouses and franchise networks 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	5 451	4 652	3 990	3 424	799	662	566

Source: Eurocash

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 generates 10% of the total sales revenue by value as generated by the Eurocash.

3.4 Suppliers

Due to the range of products offered by Eurocash and geographically diverse sales, key suppliers of the company 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 Eurocash primarily include cigarette producers: Philip Morris, British American Tobacco, Imperial Tobacco, and alcoholic beverages producers, such as Kompania Piwowarska, Żywiec Group, CEDC Group and Stock Polska.

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

4. Eurocash Development Prospects

4.1 Eurocash Development Strategy

The primary goal of the Company is to ensure the competitiveness of independent retail stores in Poland and to offer added value to the Company's customers as well as to increase the value of Eurocash 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 Eurocash 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 Company'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 Eurocash had not been present or had had a limited business presence.

Strategic goals of the Eurocash are as follows:

- create a permanent competitive advantage for Eurocash through scale economies available in wholesale business operations run by the large format business players

- satisfy the needs of the Company'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
-
- 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 Eurocash 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 Eurocash to offer its customers (independent retail trade) better conditions of goods procurement, which should also help increase the Company's competitiveness and enhance its market position.

4.2 Factors impacting Development of Eurocash

External Factors

Growth in the FMCG market and changes in market structure

Eurocash 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

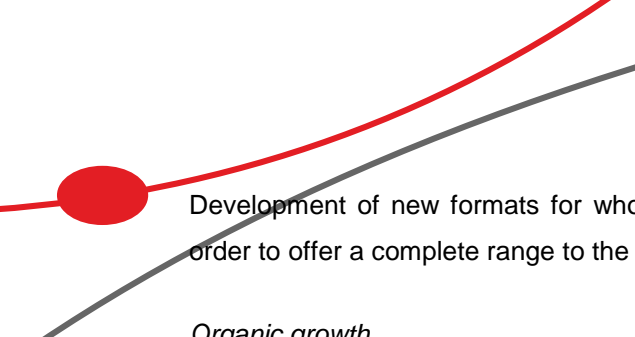
As the substantial share of disposal costs comprise the costs of logistics, which depend strongly on fuel prices, significant fluctuations in this category may have an impact on Eurocash performance.

Payroll costs

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

Internal Factors

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 and to achieve economies of scale.

Organic growth

Management of the Eurocash 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.

4.3 Risks and Threats

Financial risks are discussed in Note 35 to the separate financial statements for 2012, which constitute a part of the Eurocash annual report for 2012. Other significant risk factors related to the operations of Eurocash are presented below.

External Factors

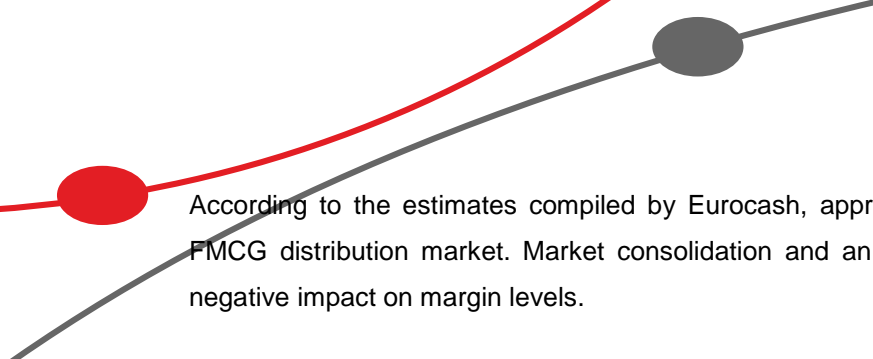
Macroeconomic situation. Purchasing power of the population

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 Eurocash.

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 and 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 business.

Structure of the traditional FMCG distribution channel. Competition



According to the estimates compiled by Eurocash, 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, 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 Company's business.

New investments

Eurocash wishes to be an active player in the process of market consolidation by way of acquiring FMCG warehouses. While taking over other enterprises, the Company 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 Eurocash and geographically diverse sales, key suppliers of the Company 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 Company'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.

4.4 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 Financial Performance for 2012

5.1 Principles applied in the preparation of annual consolidated financial statements

The separate 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 separate financial statement of Eurocash S.A. for the FY2012 and was applied to all periods presented in the financial statement.

5.2 Eurocash: Financial and Operational Highlights

2012 was a record year for Eurocash. Separate sales of Eurocash S.A. in 2012 reached PLN 6 324.81 million, EBITDA was noted at PLN 159.86 million and net profit was noted at PLN 145.21 million.

Table 8. Eurocash: Summary of 2012 Financial Performance

PLN m	2012	2011	Change 2012/2011
Sales revenues (traded goods, materials)	6 324,81	5 522,68	14,52%
Gross profit (loss) on sales	683,43	620,25	10,19%
Gross profitability on sales (%)	10,81%	11,23%	-0,43 p.p.
EBITDA	159,86	163,91	-2,47%
(EBITDA margin %)	2,53%	2,97%	-0,44 p.p.
EBIT	108,03	110,64	-2,37%
(EBIT margin %)	1,71%	2,00%	-0,29 p.p.
Gross profit	136,36	71,93	89,58%
Net Income	145,21	64,79	124,13%
(Net profitability %)	2,30%	1,17%	1,13 p.p.

A strong growth in sales revenues noted by Eurocash (+14.52% against 2011) was linked 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 14.5%.

At 2012 year end, the Eurocash Cash&Carry chain of warehouses totaled 145 outlets while the number of 'abc' franchise stores was 5 451. 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 Eurocash Dystrybucja format were disclosed at PLN 701,9 million, representing an increase of 61.0% year on year.

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%

„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.

Eurocash Dystrybucja

- In 2012, sales of Eurocash Dystrybucja were noted at PLN 701.9m and represented a growth of 61%

5.3 Profit and Loss Account

Sales Revenues

In 2012, separate sales revenues earned by the Eurocash Group increased by 18.0%, disclosing the figure of PLN 6 253.3m. One of the main drivers was a strong growth of sales in the Cash&Carry format (14.5%) and Delikatesy Centrum (13.1%). Eurocash Dystrybucja noted a growth of 61%.

Table 9. Eurocash: Sales Mix by Distribution Formats in 2012

PLN m	External Sales		
	2012	2011	Change %
Cash&Carry	4 075,9	3 558,6	14,5
Delikatesy Centrum	1 475,5	1 304,2	13,1
Eurocash Dystrybucja	701,9	435,9	61,0
Total	6 253,3	5 298,6	18,0

Profitability Analysis

Table 10. Eurocash: Financial Performance for 2012 and 2011

PLN m	2012	2011	Change 2012/2011
Sales revenues (traded goods, materials)	6 324,81	5 522,68	14,52%
Gross profit (loss) on sales	683,43	620,25	10,19%
Gross profitability on sales (%)	10,81%	11,23%	-0,43 p.p.
EBITDA	159,86	163,91	-2,47%
(EBITDA margin %)	2,53%	2,97%	-0,44 p.p.
EBIT	108,03	110,64	-2,37%
(EBIT margin %)	1,71%	2,00%	-0,29 p.p.
Gross profit	136,36	71,93	89,58%
Net Income	145,21	64,79	124,13%
(Net profitability %)	2,30%	1,17%	1,13 p.p.

5.4 Balance Sheet Data

Balance Sheet Mix

Current and expected financial situation of the Group does not show any significant threats. The volume of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their share in the total value of assets is presented in the table below:

Table 11. Mix of Assets

PLN m	31.12.2012	%	31.12.2011	%
Fixed assets (long-term)	2 023,15	68,89%	2 020,18	67,89%
Goodwill	96,02	4,75%	96,02	4,75%
Other intangible fixed assets	28,24	1,40%	31,46	1,56%
Tangible fixed assets	173,87	8,59%	184,19	9,12%
Investments in subsidiary companies	1 647,30	81,42%	1 655,90	81,97%
Investments in associated companies - equity method	43,77	2,16%	23,71	1,17%
Other long-term financial assets	0,75	0,04%	5,81	0,29%
Long-term receivables	1,89	0,09%	1,88	0,09%
Long-term prepayments	31,31	1,55%	21,20	1,05%
Current assets (short-term)	913,70	31,11%	955,33	32,11%
Inventories	352,49	38,58%	320,13	33,51%
Trade receivables	428,03	46,85%	413,35	43,27%
Current income tax receivables	10,81	1,18%	1,36	0,14%
Other short-term receivables	30,59	3,35%	11,44	1,20%
Short-term financial assets held for trade	-	0,00%	-	0,00%
Other short-term financial assets	3,10	0,34%	3,02	0,32%
Short-term prepayments	56,78	6,21%	199,41	20,87%
Cash and cash equivalents	4,63	0,51%	6,62	0,69%
Fixed assets classified as held for sale	27,25	2,98%	-	0,00%
Total assets	2 936,85	100,00%	2 975,51	100,00%

Table 12. Mix of Liabilities

PLN m	31.12.2012	%	31.12.2011	%
Equity	477,02	16,24%	347,18	11,67%
Share capital	137,98	28,92%	136,98	39,46%
Treasury shares	-	0,00%	-	0,00%
Supplementary capital	185,35	38,86%	136,93	39,44%
Hedging reserve	-	0,00%	-	0,00%
Hedge transactions valuation capital	(4,65)	-0,97%	(4,65)	-1,34%
Retained earnings	158,33	33,19%	77,91	22,44%
Long-term liabilities	491,24	19,97%	789,08	30,02%
Long-term loans and credits	473,74	96,44%	768,41	97,38%
Other long-term financial liabilities	16,38	3,33%	20,12	2,55%
Other long-term liabilities	-	0,00%	-	0,00%
Deferred income tax provision	-	0,00%	-	0,00%
Provision for employee benefits	1,12	0,23%	0,55	0,07%
Other long-term provisions	-	0,00%	-	0,00%
Short-term liabilities	1 968,59	80,03%	1 839,25	69,98%
Short-term loans and credits	716,26	36,38%	689,52	37,49%
Other short-term financial liabilities	32,13	1,63%	38,46	2,09%
Trade liabilities	1 147,08	58,27%	999,70	54,35%
Current income tax liabilities	-	0,00%	-	0,00%
Other short-term liabilities	29,95	1,52%	64,76	3,52%
Provision for employee benefits	12,80	0,65%	23,84	1,30%
Other short-term provisions	30,37	1,54%	22,98	1,25%
Liabilities	2 459,84	83,76%	2 628,34	88,33%
Total liabilities	2 936,85	100,00%	2 975,51	100,00%



Loan Agreements, Warranties and Collaterals

Loan agreements

Information about loan agreements concluded between companies of Eurocash Group have been presented in note no 19 of the separate financial statement for 2012.

Loans granted

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

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.

Issue of Securities and Bonds in 2012

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, 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 5.14 below.

5.5 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. 33.

5.6 Eurocash Cash Flow Analysis

Cashflow Statement

Total cashflows in 2012 disclosed the figure of PLN -142.62 while operating cashflows disclosed the figure of PLN 180.37m, which was 113% of EBITDA for full year 2012.

Table 13. Eurocash: Cashflows for 2011 and 2012

<i>PLN m</i>	2012	2011
Operating cashflows	180,37	182,49
<i>Gross profit (loss)</i>	136,36	71,93
<i>Depreciation</i>	51,84	53,27
<i>Change in working capital</i>	37,59	52,16
<i>Other</i>	(45,56)	5,13
Cashflows from investments	61,25	(1 152,55)
Cashflows from financing activities	(384,24)	982,21
Total cashflows	(142,62)	12,15

Working capital rotation

Table 14. Eurocash: Consolidated Working Capital Ratios for 2011 and 2012

Turnover in days	2012	2011
1. Inventories turnover	20,40	21,16
2. Trade receivables turnover	24,77	27,32
3. Trade liabilities turnover	74,42	74,43
4. Operating cycle (1+2)	45,17	48,48
5. Cash conversion (4-3)	(29,25)	(25,95)

Cash conversion decreased to 29.25 days in 2012 compared to 25.95 in 2011.

Evaluation of Funds Management

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

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 35 in the part of the report which contains consolidated financial statements.

5.7 Investment Activity

Major Investments Completed in 2012

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

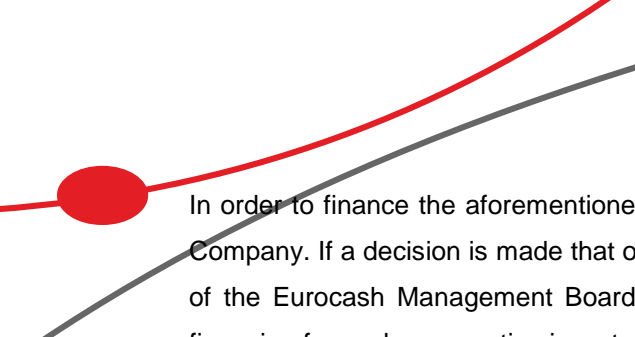
Table 15. Key Investment Directions for Eurocash in 2012 and 2011

<i>PLN m</i>	2012	2011
Capital investment (including acquisition of shares and stock)	15,16	1.121,42
Independent clients (Cash&Carry + Delikatesy Centrum distribution centers + Batna)	82,51	40,68
Total investment outlays	97,67	1.162,08

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

5.8 Key Contributors to 2012 Financial Performance of Eurocash

1. Equity Changes

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

2. 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.

5.9 Information on Court Proceedings

In 2012 Eurocash 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

6.1 Information on Significant Agreements

In 2012, Eurocash entered into the following agreements considered significant for the business operations:

1. Investment Agreement with Resource Partners Holdings (RPH)

On 17th of September 2012 Eurocash and RPH entered into a 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 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.

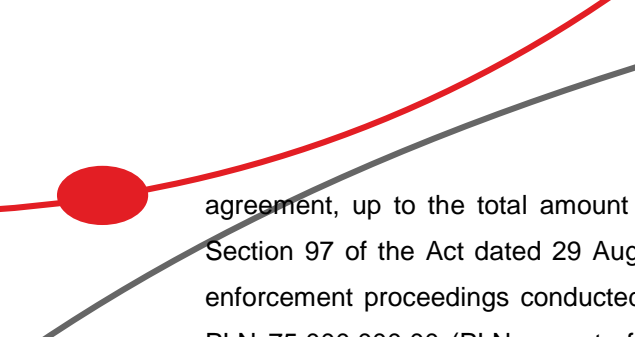
2. Credit Facility Agreement with BRE Bank

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 KDWT S.A. and Tradis Sp. z o.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.

3. 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 being 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, Eurocash 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.

6.2 Information on Transactions with Connected Entities

During 2012, no significant transactions were noted between connected companies within the Company 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.

6.3 Forecasts Publication

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

6.4 Changes in Key Management Principles

2012 saw no changes in key management principles.

6.5 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) share in Eurocash (Politra B.V.), the notice period in respect of the agreement shall be 12 months.

6.6 Information on Registered Audit Company

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

Table 16. Capital expenditures for audit and review of financial statements

<i>PLN thousands</i>	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

7. Statement on Corporate Governance Rules

7.1 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.

7.2 Shareholders structure

2.2.1 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 below.

Table 17. 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 (directly and indirectly through Politra B.V.)	60 615 240	43,93	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
TOTAL	137 976 736	100,00	137 976 736	100,00	136 983 011	100,00	136 983 011	100,00

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

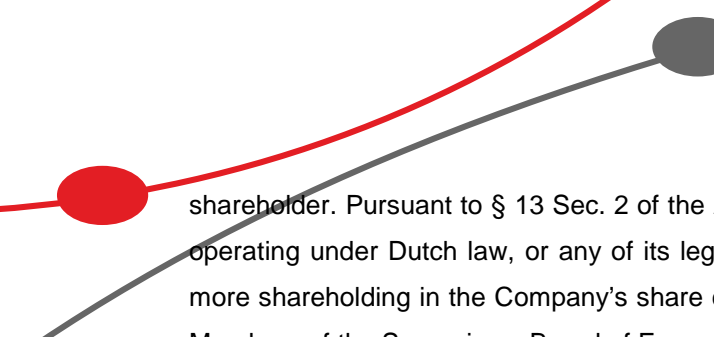
	Eurocash shareholding		Share subscription rights	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
<i>Management Board</i>				
Luis Amaral (directly and indirectly)	60 615 240	70 258 100	0	0
Rui Amaral	268 625	268 625	139 000	139 000
Katarzyna Kopaczewska	240 500	244 000	96 500	96 500
Arnaldo Guerreiro	204 000	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

Table 19. Shares in the company held by supervisory board and rights to subscription

	Eurocash shareholding		Share subscription rights	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
<i>Supervisory Board</i>				
Joao Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Mores	0	0	0	0
Ryszard Wojnowski	0	0	0	0
Janusz Lisowski	0	0	0	0
Antonio Jose Santos Silva Casanova	0	0	0	0

7.2.3 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.

7.2.4 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.

7.2.5 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.

7.2.6 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.

7.3 The parent's governing bodies

Management Board

7.3.1 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 below.

Table 20. 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
Katarzyna Kopaczewska.	Member of the Management Board – HR Director

7.3.2 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:

- (i) 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
- (ii) define the Company's financial goals
- (iii) implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals
- (iv) analyze major investment projects and related methods of funding
- (v) 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
- (vi) establish the Company's organizational structure
- (vii) approve the annual and/or long-term Company's budget
- (viii) determine an internal division of duties and responsibilities for Management Board Members
- (ix) set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise
- (x) 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
- (xi) request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting
- (xii) any other actions which go beyond the ordinary management of the Company

In the remaining scope, respective Management Board members are responsible for independent management of 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.

7.3.3 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

Supervisory Board

7.3.4. 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 2.5 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 follows:

Table 21. The composition of the Supervisory Board in 2012

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

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

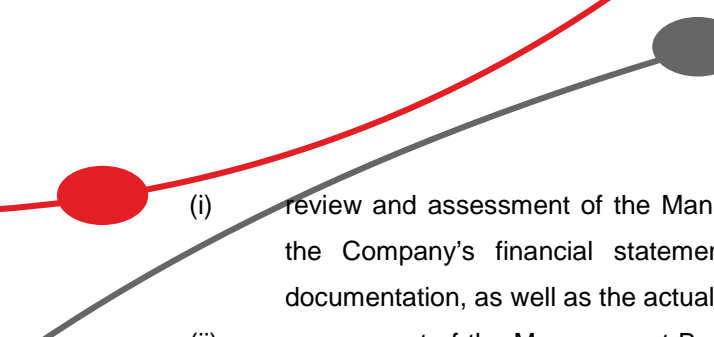
- (i) Mr. Ryszard Wojnowski and Janusz Lisowski, as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and
- (ii) Mr. João Borges de Assunção and António José Santos Silva Casanova, appointed by Politra B.V., which submitted representations which meet criteria of an 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.

7.3.5 Powers of the Supervisory Board

Pursuant to § 14 Sec. 2 of the Issuer's Statutes, powers of the Supervisory Board include, in particular:

- 
- (i) review and assessment of the Management Board's report on the Company's activities and the Company's financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs
 - (ii) assessment of the Management Board's recommendations concerning distribution of profit or loss cover
 - (iii) submitting to the General Shareholders' Meeting an annual written report on the results of the assessment referred to above
 - (iv) appointing and recalling, as well as suspending Members of the Management Board for an important reason
 - (v) issuing opinions on planned amendments to the Company's Articles of Association
 - (vi) approving annual budgets drafted by the Management Board and amendments to such budgets no later than by 30 November of each calendar year
 - (vii) 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
 - (viii) electing an expert auditor to examine the Company's financial statements
 - (ix) adopting a uniform text of the Articles of Association
 - (x) 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:

- (i) decisions concerning joint-ventures with other entities
- (ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises
- (iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000 if such transactions have not been provided for in the annual budget
- (iv) sale or lease or transfer of the Company's assets with 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
- (v) issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members
- (vi) raising, issue, taking up or disposal of shares in another subsidiary entity
- (vii) development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees
- (viii) 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:

- (i) any action by the Company or any of its related entity that benefits the Members of the Management Board
- (ii) election of an expert auditor to examine the Company's financial statements
- (iii) 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
- (iv) granting the Management Board the approval to limit or waive in full the priority rights (pre-emptive rights) of the Company's shareholders with respect to any of the Company's shares to be issued within the limits of the authorized capital

The detailed procedure of operations of the Supervisory Board is set out by the Supervisory Board Rules. The content of 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>

7.3.6. 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

7.3.7 Supervisory Board Committees

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

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

- (i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc
- (ii) supervising the activities of external auditors of the Company
- (iii) giving the opinion on the candidates for the Company's external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 7 years
- (iv) supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting
- (v) each year, evaluating the internal control system 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:

- (i) 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
- (ii) 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
- (iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy
- (iv) 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>

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:

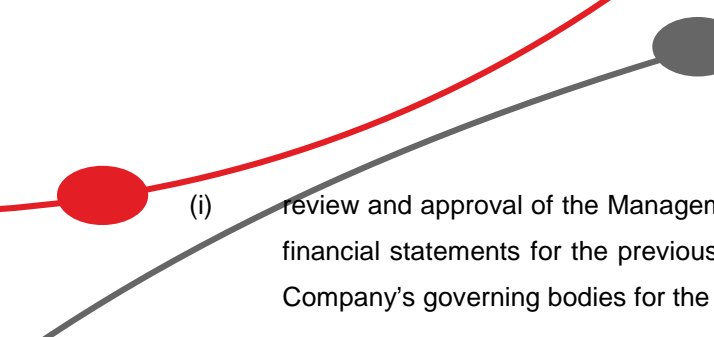
<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-gm-by-laws-2009.3341172403.pdf>

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.

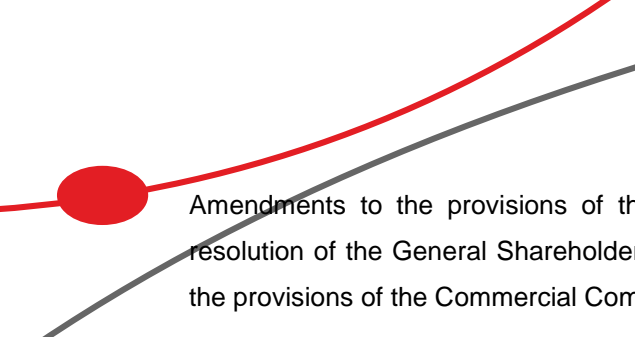
According to the Articles of Association, the powers of the General Meeting include in particular:

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

7.4 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 $\frac{3}{4}$ 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 $\frac{3}{4}$ 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.

7.5 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.

7.6 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 1,596,775 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 and 2009	Up to 1,020,000 Class G Shares	PLN 9.78 (issue price published in current report No. 71/2011)	from 1 January 2012 to 31 December 2013
		Up to 1,020,000 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 197,500 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 Employees	850,000 Class M Shares	PLN 38	from 1 February 2015 to 31 January 2017
		850,000 Class N Shares	PLN 38 adjusted by rights connected with shares (e.g. dividends)	from 1 February 2016 to 31 January 2018
		850,000 Class O Shares	PLN 38 adjusted by rights connected with shares (e.g. dividends)	from 1 February 2017 to 31 January 2019

7.7 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 amounted to PLN 502.32 thousands.

7.8 Key Features of Internal Control and Risk Management Systems Applied by the Company in Drafting Financial Statements

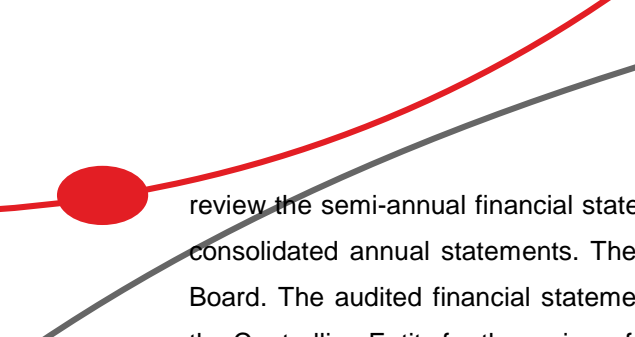
The Management Board of the Controlling Entity is responsible for the Group's internal control system and its effectiveness in the process of drafting financial statements and periodical reports drawn up and published in accordance with the stipulations set forth in the Decree dated February 19, 2009 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.



6. Representations of the Management Board

8.1 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.

8.2 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.

APPENDIX A: 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 by the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of goods sold for period multiplied by the number of days in the period
Operating cycle:	the sum of 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

Position	Name and surname	Date	Signature
President	Luis Amaral	27 th March 2013	<i>Luis Amaral</i>
Management Board Member Chief Executive Officer	Rui Amaral	27 th March 2013	<i>Rui Amaral</i>
Management Board Member	Arnaldo Guerreiro	27 th March 2013	<i>Arnaldo Guerreiro</i>
Management Board Member	Pedro Martinho	27 th March 2013	<i>Pedro Martinho</i>
Management Board Member Human Resources Director	Katarzyna Kopaczewska	27 th March 2013	<i>Kopaczewska</i>
Management Board Member	Carlos Saraiva	27 th March 2013	<i>Carlos Saraiva</i>
Management Board Member Financial Director	Jacek Owczarek	27 th March 2013	<i>Jacek Owczarek</i>



part B. SELECTED SEPARATE FINANCIAL DATA

SELECTED SEPARATE FINANCIAL DATA

	for the period 01.01.2012 to 31.12.2012 PLN	for the period 01.01.2011 to 31.12.2011 PLN	for the period 01.01.2012 to 31.12.2012 EUR	for the period 01.01.2011 to 31.12.2011 EUR
Net sales	6 324 806 918	5 522 676 580	1 511 303 923	1 340 520 555
Operating profit (loss)	108 026 701	110 643 492	25 812 832	26 856 520
Profit (loss) before tax	136 357 638	71 927 359	32 582 470	17 458 944
Net Profit (loss) on continued operations	145 208 702	64 786 635	34 697 420	15 725 675
Net profit (loss)	145 208 702	64 786 635	34 697 420	15 725 675
Net operating cash flow	180 373 350	182 492 190	43 099 964	44 296 371
Net investment cash flow	61 246 461	(1 152 549 985)	14 634 758	(279 758 723)
Net financial cash flow	(384 244 073)	982 206 136	(91 814 593)	238 411 121
Net change in cash and cash equivalents	(142 624 262)	12 148 341	(34 079 871)	2 948 770
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)	1,05	0,47	0,25	0,11
Diluted EPS (in PLN / EUR)	1,05	0,47	0,25	0,11
Average PLN / EUR rate*			4,1850	4,1198
	as at 31.12.2012 PLN	as at 31.12.2011 PLN	as at 31.12.2012 EUR	as at 31.12.2011 EUR
Assets	2 936 852 214	2 975 510 824	718 372 930	673 680 226
Long-term liabilities	491 243 883	789 082 506	120 161 412	178 654 797
Short-term liabilities	1 968 592 696	1 839 252 698	481 530 428	416 422 002
Equity	477 015 634	347 175 620	116 681 091	78 603 428
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)	3,46	2,53	0,85	0,57
Diluted book value per share (in PLN / EUR)	3,43	2,50	0,84	0,57
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

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

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

*** Dividend for 2011 year, was paid for employees who has been shareholders of Parent Company as at 2 July 2012.



part C.

AUDITOR'S OPINION

Eurocash S.A.

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

The opinion contains 2 pages
The supplementary report contains 10 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate 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.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Eurocash S.A.

Opinion on the Separate Financial Statements

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

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

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

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

Auditor’s Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying separate financial statements of Eurocash S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2012 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

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

On behalf of KPMG Audyt Sp. z o.o.
Registration 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 D. AUDITOR'S REPORT

Eurocash S.A.

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

The supplementary report contains 10 pages

The supplementary report on the audit
of the separate 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. General information about the Company

1.1.1. Company name

Eurocash S.A.

1.1.2. Registered office

Wiśniowa 11
62-052 Komorniki

1.1.3. Registration in the National Court Register

Registration court:	District Court in Poznań – Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register
Date:	30 July 2004
Registration number:	KRS 0000213765
Share capital as at the balance sheet date:	137.976.536,00 PLN

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

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

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

1.2. Auditor information

1.2.1. Key Certified Auditor information

Name and surname:	Marek Gajdziński
Registration number:	90061

1.2.2. 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 into the register of audit firms, maintained by the National Council of Certified Auditors, under number 458.

1.3. Prior period financial statements

The separate 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 separate financial statements were approved at the General Meeting on 15 June 2012 where it was resolved to allocate the net profit for the prior financial year of PLN 64.786.635 as follows:

- PLN 24.795.780 was allocated for a dividend payment of PLN 0,18 per share,
- the remaining part of the net profit of PLN 39.990.855 was allocated to the reserve capital.

The separate 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.

1.4. 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 separate financial statements comprising: the separate statement of financial position as at 31 December 2012, the separate income statement and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

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

The separate financial statements have been audited in accordance with the contract dated 16 July 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 Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

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

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

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

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

All required statements, explanations and information were provided to us by Management of the Company 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).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2012 PLN '000	% of total	31.12.2011 PLN '000	% of total
Non-current assets (long-term)	2 023 154,1	68,9	2 020 184,2	67,9
Goodwill	96 024,5	3,3	96 024,5	3,2
Intangible assets	28 242,3	1,0	31 464,2	1,1
Investment property	173 869,2	5,9	184 189,6	6,2
Investments in subsidiaries	1 647 303,1	56,1	1 655 904,7	55,7
Investments in associates	43 766,1	1,5	23 710,1	0,8
Other long-term financial assets	748,6	0,0	5 808,6	0,2
Long-term receivables	1 888,6	0,1	1 880,6	0,1
Deferred tax assets	28 830,8	1,0	19 874,7	0,7
Other long-term prepayments	2 480,9	0,1	1 327,2	0,0
Current assets (short-term)	913 698,1	31,1	955 326,6	32,1
Inventories	352 493,4	12,0	320 127,6	10,8
Trade receivables	428 034,7	14,6	413 346,3	13,9
Income tax receivable	10 814,4	0,4	1 362,1	0,0
Other short-term receivables	30 593,9	1,0	11 444,0	0,4
Other short-term financial assets	3 102,6	0,1	3 021,1	0,1
Short-term prepayments	4 630,1	0,2	6 617,8	0,2
Cash and cash equivalents	56 783,5	1,9	199 407,7	6,7
Non-current assets of disposal group held for sale	27 245,5	0,9	-	-
TOTAL ASSETS	2 936 852,2	100,0	2 975 510,8	100,0
EQUITY AND LIABILITIES	31.12.2012 PLN '000	% of total	31.12.2011 PLN '000	% of total
Equity	477 015,6	16,2	347 175,6	11,7
Share capital	137 976,5	4,7	136 983,0	4,6
Reserve capital	185 352,8	6,3	136 928,3	4,6
Hedging loss	(4 645,0)	0,2	(4 645,0)	0,2
Retained earnings	158 331,3	5,4	77 909,3	2,6
Accumulated profit	13 122,6	0,4	13 122,6	0,4
Profit for the period	145 208,7	4,9	64 786,6	2,2
Liabilities	2 459 836,6	83,8	2 628 335,2	88,3
Non-current liabilities	491 243,9	16,7	789 082,5	26,5
Long-term loans and borrowings	473 744,9	16,1	768 408,8	25,8
Long-term financial liabilities	16 375,1	0,6	20 119,0	0,7
Employee benefits	1 123,9	0,0	554,7	0,0
Current liabilities	1 968 592,7	67,0	1 839 252,7	61,8
Loans and provisions	716 262,7	24,4	689 522,9	23,2
Short-term financial liabilities	32 130,4	1,1	38 457,1	1,3
Trade payables	1 147 078,0	39,1	999 700,5	33,6
Other short-term payables	29 948,8	1,0	64 755,8	2,2
Current employee benefits	12 804,4	0,4	23 839,1	0,8
Provisions	30 368,4	1,0	22 977,3	0,8
TOTAL EQUITY AND LIABILITIES	2 936 852,2	100,0	2 975 510,8	100,0

2.1.2. Separate income statement

	1.01.2012 - 31.12.2012 PLN '000	% of total sales	1.01.2011 - 31.12.2011 PLN '000	% of total sales
Sales	6 324 806,9	100,0	5 522 676,6	100,0
Sales of goods	6 018 992,2	95,2	5 267 953,2	107,5
Sales of services	305 814,7	4,8	254 723,4	5,2
Cost of sales	(5 641 374,8)	100,0	(4 902 424,2)	100,0
Cost of goods sold	(5 626 360,0)	99,7	(4 889 158,1)	99,7
Cost of services sold	(15 014,8)	0,3	(13 266,1)	0,3
Gross profit	683 432,1	12,1	620 252,4	12,7
Selling expenses	(405 739,3)	7,2	(372 022,3)	7,6
General and administrative expenses	(143 113,5)	2,5	(129 238,1)	2,6
Profit on sales	134 579,3	9,7	118 992,0	10,2
Other operating income	18 650,5	0,3	41 535,6	0,9
Other operating expenses	(45 203,1)	0,8	(49 884,2)	1,0
Operating profit	108 026,7	1,9	110 643,4	2,3
Finance income	147 122,5	2,6	9 010,0	0,2
Finance costs	(118 791,6)	2,1	(47 726,1)	1,0
Profit before tax	136 357,6	2,4	71 927,3	1,5
Income tax expense	8 851,1	0,2	(7 140,7)	0,2
Profit for the period	145 208,7	2,6	64 786,6	1,3

2.2. Selected financial ratios

	2012	2011	2010
1. Return on sales			
$\frac{\text{profit for the period} \times 100\%}{\text{revenue}}$	2,3%	1,2%	1,3%
2. Return on equity			
$\frac{\text{profit for the period} \times 100\%}{\text{equity} - \text{profit for the period}}$	43,8%	22,9%	24,1%
3. Debtors' days			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{revenue}}$	25 days	24 days	23 days
4. Debt ratio			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	83,8%	88,3%	81,0%
5. Current ratio			
$\frac{\text{current assets}}{\text{current liabilities}}$	0,5	0,5	0,8

- 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 0.5 mainly as a result of purchase of Tradis distribution companies in 2011 and bank loans drawn for this purpose. The Company 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 separate income statement as sales of services or as a reduction of cost of goods sold.

3. Detailed report

3.1. Accounting system

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

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

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

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

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

3.3. Report on the Company's activities

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

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.
SEPARATE FINANCIAL
STATEMENTS

EUROCASH S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

TRANSLATORS' EXPLANATORY NOTE

The following document is a translation of the report for the above-mentioned Polish Company.
Should any discrepancies arise while interpreting the terminology, the Polish version is binding.

KOMORNIKI, 27 March 2013

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2012</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

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<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

GENERAL INFORMATION

1. INFORMATION ABOUT THE COMPANY

NAME

EUROCASH Spółka Akcyjna ("Company")

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRY COURT

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

PERIOD FOR WHICH THE COMPANY WAS ESTABLISHED

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2012 and ended 31 December 2012 and comparable 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. BOARDS OF THE COMPANY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2012, the Company's Management Board consisted of the following members:

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2012</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 31 December 2012, the Company's Supervisory Board consisted of the following members:

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

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2012 TO 31.12.2012

		Year for the period from 01.01.2012 to 31.12.2012 Note	Year for the period from 01.01.2011 to 31.12.2011
Sales		6 324 806 918	5 522 676 580
Sales of goods	24	6 018 992 197	5 267 953 219
Sales of services	24	305 814 721	254 723 361
Costs of sales		(5 641 374 795)	(4 902 424 172)
Costs of goods sold		(5 626 359 990)	(4 889 158 133)
Costs of services sold		(15 014 805)	(13 266 039)
Gross profit		683 432 123	620 252 408
Selling expenses	25	(405 739 309)	(372 022 248)
General and administrative expenses	25	(143 113 504)	(129 238 077)
Profit on sales		134 579 309	118 992 084
Other operating income	26	18 650 527	41 535 616
Other operating expenses	26	(45 203 135)	(49 884 208)
Operating profit		108 026 701	110 643 492
Financial income	27	147 122 480	9 009 958
Financial costs	27	(118 791 543)	(47 726 092)
Profit before income tax		136 357 638	71 927 359
Income tax expense	21	8 851 064	(7 140 724)
Profit for the period		145 208 702	64 786 635

NET EARNINGS PER SHARE

		PLN	PLN
Zysk netto		145 208 702	64 786 635
Weighted average number of shares	28	137 921 774	136 765 168
Weighted average diluted number of shares	28	138 875 685	138 064 230
		PLN / share	PLN / share
- basic	28	1,05	0,47
- diluted	28	1,05	0,47

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2012 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
Profit (loss) for the period		145 208 702	64 786 635
Other comprehensive income (loss) for the period		-	-
Total comprehensive income (loss) for the period		145 208 702	64 786 635

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2012

	Note	as at 31.12.2012	as at 31.12.2011
<i>Assets</i>			
Non-current assets (long-term)		2 023 154 086	2 020 184 216
Goodwill	1	96 024 468	96 024 468
Intangible assets	1	28 242 366	31 464 286
Property, plant and equipment	2	173 869 191	184 189 618
Investments in subsidiary companies	4	1 647 303 080	1 655 904 660
Investments in equity investees	5	43 766 081	23 710 081
Other long-term investments	6	748 590	5 808 590
Long-term receivables	7	1 888 615	1 880 628
Deferred tax assets	22	28 830 753	19 874 692
Other long-term prepayments	23	2 480 942	1 327 194
Current assets (short-term)		913 698 128	955 326 608
Inventories	8	352 493 460	320 127 607
Trade receivables	9	428 034 707	413 346 317
Current tax assets	9	10 814 392	1 362 078
Other short-term receivables	9	30 593 902	11 444 046
Other short-term investments	10	3 102 588	3 021 041
Short-term prepayments	11	4 630 051	6 617 777
Cash and cash equivalents	12	56 783 480	199 407 742
Fixed assets classified as held for sale	13	27 245 549	-
Total assets		2 936 852 214	2 975 510 824

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2012

	Note	as at 31.12.2012	as at 31.12.2011
<i>Equity and liabilities</i>			
Equity		477 015 635	347 175 620
Share capital	14	137 976 536	136 983 011
Reserve capital	15	185 352 771	136 928 348
Hedging reserve	15	(4 645 000)	(4 645 000)
Retained earnings		158 331 327	77 909 260
Accumulated profit (loss) from previous years		13 122 625	13 122 625
Profit (loss) for the period		145 208 702	64 786 635
Liabilities		2 459 836 580	2 628 335 205
Non-current liabilities		491 243 883	789 082 506
Long-term loans and borrowings	19	473 744 879	768 408 762
Other long-term financial liabilities	20	16 375 105	20 119 059
Employee benefits	17	1 123 899	554 686
Current liabilities		1 968 592 696	1 839 252 698
Loans and borrowings	19	716 262 712	689 522 855
Short-term financial liabilities	20	32 130 384	38 457 078
Trade liabilities	18	1 147 078 022	999 700 559
Other short-term payables	18	29 948 780	64 755 790
Current employee benefits	17	12 804 433	23 839 115
Provisions	17	30 368 366	22 977 302
Total equity and liabilities		2 936 852 214	2 975 510 824

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2012

		as at 31.12.2012	as at 31.12.2011
Book value		477 015 635	347 175 620
Number of shares	29	137 976 536	136 983 011
Diluted number of shares	29	138 909 011	138 909 011
Book value per share	29	3,46	2,53
Diluted book value per share	29	3,43	2,50

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2012 TO 31.12.2012

	Year for the period from 01.01.2012 to 31.12.2012	Year for the period from 01.01.2011 to 31.12.2011
<i>Cash flow from operating activities</i>		
Profit (loss) before tax	136 357 638	71 927 359
Adjustments for:	25 809 260	94 893 403
Depreciation and amortization	51 835 419	53 268 786
Equity-settled shared share-based payment transactions	502 317	1 198 538
(Gain) loss on sale of property, plant and equipment	5 744 980	188 777
Interest expenses	105 653 118	46 530 682
Interest received	(6 718 439)	(6 293 380)
Dividends received	(131 208 136)	-
Operating cash before changes in working capital	162 166 898	166 820 761
Changes in inventories	(32 365 853)	(19 349 066)
Changes in receivables	(30 885 468)	(110 138 779)
Changes in payables	100 839 548	181 645 284
Changes in provisions and employee benefits	(3 665 393)	5 435 597
Other adjustments	2 469 360	72 679
Operating cash	198 559 093	224 486 476
Interest received	1 628 713	-
Interest paid	(10 244 746)	(24 544 893)
Income tax paid	(9 569 710)	(17 449 394)
Net cash from operating activities	180 373 350	182 492 190
<i>Cash flow from investing activities</i>		
Acquisition of intangible assets	(11 582 376)	(6 439 473)
Acquisition of property, plant and equipment	(70 925 291)	(37 080 754)
Proceeds from sale of property, plant and equipment	22 698 455	12 680 781
Acquisition of subsidiaries, net of cash acquired	-	(1 107 575 885)
Acquisition of associates	(15 156 000)	(20 245 781)
Loans granted	(99 111 639)	(680 000)
Repayment received of granted loans	99 111 639	1 361 000
Interest received	5 003 538	5 430 126
Dividends received	131 208 136	-
Net cash used in investing activities	61 246 461	(1 152 549 985)
<i>Cash flows from financing activities</i>		
Proceeds from issue of share capital	8 924 777	5 382 538
Sales of treasury shares	-	1 115 507
Financing for franchising	(4 391 696)	979 641
Proceeds from loans and borrowings	457 564 038	1 126 921 083
Repayment of borrowings	(724 483 090)	(67 988 464)
Payment of finance lease liabilities	(5 466 033)	(6 640 376)
Interest of finance lease	(2 780 815)	(1 995 518)
Interests on loans and borrowings	(88 815 473)	(24 895 957)
Dividends paid	(24 795 780)	(50 672 318)
Net cash used in financing activities	(384 244 073)	982 206 136
Net change in cash and cash equivalents	(142 624 262)	12 148 341
Cash and cash equivalents at the beginning of the period	199 407 742	187 259 401
Cash and cash equivalents at the end of the period	56 783 480	199 407 742

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2012 TO 31.12.2012

	Share capital	Treasury shares	Reserve capital	Treasure shares reserve	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 1 January to 31 December 2011</i>							
Balance as at 1 January 2011	136 429 761	(1 115 507)	105 539 159	12 884 493	(4 645 000)	76 271 814	325 364 719
Total comprehensive income for the reporting period	-	-	-	-	-	-	-
Profit for the period from 1 January to 31 December 2011	-	-	-	-	-	64 786 635	64 786 635
Total comprehensive income for the period from 01.01 to 31.12.2011	-	-	-	-	-	64 786 635	64 786 635
Dividends paid	-	-	-	-	-	(50 672 318)	(50 672 318)
Transfer to reserve capital	-	-	12 476 870	-	-	(12 476 870)	-
Equity-settled share based payment transactions	-	-	1 198 538	-	-	-	1 198 538
Share options exercised	553 250	-	4 829 288	-	-	-	5 382 538
Treasury shares acquired	-	-	12 884 493	(12 884 493)	-	-	-
Treasury shares	-	1 115 507	-	-	-	-	1 115 507
Total transaction with Owners of the Company recognized directly in equity	553 250	1 115 507	31 389 189	(12 884 493)	-	(63 149 188)	(42 975 735)
Balance as at 31.12.2011	136 983 011	-	136 928 348	-	(4 645 000)	77 909 260	347 175 620
<i>Changes in equity in the period from 01.01. to 31.12.2012</i>							
Balance as at 01 January 2012	136 983 011	-	136 928 348	-	(4 645 000)	77 909 260	347 175 620
Total comprehensive income for the reporting period	-	-	-	-	-	-	-
Profit for the period from 01.01. to 31.12.2012	-	-	-	-	-	145 208 702	145 208 702
Total comprehensive income for the period from 01.01. to 31.12.2012	-	-	-	-	-	145 208 702	145 208 702
Dividends paid	-	-	-	-	-	(24 795 780)	(24 795 780)
Transfer to reserve capital	-	-	39 990 854	-	-	(39 990 854)	-
Equity-settled share based payment transactions	-	-	502 317	-	-	-	502 317
Share options exercised	993 525	-	7 931 252	-	-	-	8 924 777
Total transaction with Owners of the Company recognized directly in equity	993 525	-	48 424 423	-	-	(64 786 635)	(15 368 687)
Balance as at 31.12.2012	137 976 536	-	185 352 771	-	(4 645 000)	158 331 327	477 015 634

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2012</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

SUPPLEMENTARY INFORMATION TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2012 TO 31.12.2012

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 27 March 2013, separate financial statements of Eurocash S.A. 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. releases its separate financial statements for publication on 27 March 2013.

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

1.2. STATEMENT OF COMPLIANCE

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

While drafting these separate financial statements the Company did not apply any of the new Standards and Interpretations, which had already been published and approved by the European Union but were not yet effective for the year ended 31 December 2012. Moreover, the Company has not yet completed its study of a possible impact of those new Standards and Interpretations on the separate financial statements drafted for the period in which the new Standards and Interpretations will be applied for the first time.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
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1.3. IMPACT OF NEW STANDARDS AND INTERPRETATIONS ON THE FINANCIAL STATEMENTS OF THE COMPANY

Standards, Interpretations and amendments to published Standards 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 financial statements. The entity 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 <i>Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income</i>	<p>The amendments:</p> <ul style="list-style-type: none"> require that an entity presents separately the items of 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. 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. 	The entity does not expect the amendments to have material impact on the financial statements.	1 July 2012

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
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IAS 19 Employee Benefits (2011)	<ul style="list-style-type: none"> The amendments require actuarial gains and losses to be recognised immediately in other comprehensive income. 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. 	The entity does not expect the amendments to have material impact on the financial statements.	1 January 2013
Amendments to IFRS 7 <i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	<p>The Amendments contain new disclosure requirements for financial assets and liabilities that are:</p> <ul style="list-style-type: none"> offset in the statement of financial position; or subject to master netting arrangements or similar agreements. 	The entity does not expect the Amendments to have any impact on the 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
IFRS 13 <i>Fair Value Measurement</i>	<p>IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.</p> <p>The standard contains an extensive disclosure framework that provides additional disclosures to</p>	The entity does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13. It is expected that the new Standard, when initially applied, will have a significant impact on the level of disclosure in the financial statements. However, the entity is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.	1 January 2013

Separate financial statements of EUROCASH S.A.			
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	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.		
IFRIC Interpretation 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	<p>The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.</p> <p>To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 Inventories.</p> <p>Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met:</p> <ul style="list-style-type: none"> • it is probable that future economic benefits will flow to the entity; • the entity can identify the component of the ore body for which access has been improved; and • the costs relating to the stripping activity associated with that component can be measured reliably. <p>The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.</p> <p>The stripping activity asset shall initially be recognised at cost while after initial recognition, 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 as the existing asset of which it is a part.</p> <p>The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not</p>	The entity does not expect the Interpretation to have any impact on the financial statements since it does not have any stripping activities.	1 January 2013

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	separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.		
Amendments to IFRS 1 <i>First-time adopters Government Loans</i>	<p>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.</p> <p>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.</p>	The amendments are not relevant to the entity's financial statements.	1 January 2013
Amendments to IFRS 1 <i>Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters</i>	The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. 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 of financial position.	The amendments are not relevant to the entity's financial statements.	1 January 2013

Separate financial statements of EUROCASH S.A.			
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Amendments to IAS 12 <i>Income taxes - Deferred Tax: Recovery of Underlying Assets</i>	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 entity's financial statements, since the entity does not have any investment properties measured using the fair value model in IAS 40.	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	<p>IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.</p> <p>Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:</p> <ul style="list-style-type: none"> - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. - a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement. <p>IFRS 11 effectively carves out from IAS 31, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in</p>	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 entity is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.	1 January 2014

<i>Separate financial statements of EUROCASH S.A.</i>			
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	certain ways. These arrangements are treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity method. Proportionate consolidation is no longer possible.		
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.	The entity does not expect IFRS 12 to have material impact on the financial statements.	1 January 2014
IAS 27 <i>Separate Financial Statements (2011)</i>	IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.	The entity does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the entity's accounting policy.	1 January 2014
IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i>	There are limited amendments made to IAS 28 (2008): <ul style="list-style-type: none"> • Associates and joint ventures held for sale. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has 	The entity does not expect the amendments to have material impact on the financial statements.	1 January 2014

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
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	<p>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.</p> <ul style="list-style-type: none"> • Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured. 		
Amendments to IAS 32 <i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</i>	<p>The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.</p> <p>The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:</p> <ul style="list-style-type: none"> • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. 	The entity does not expect the Amendments to have any impact on the 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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 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)	<p>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:</p> <ul style="list-style-type: none"> 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; 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 under IAS 	None of these changes are expected to have a significant impact on the financial statements of the entity.	1 January 2013

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 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
	<p>8, other notes related to the opening statement of financial position are no longer required.</p> <ul style="list-style-type: none"> clarification on the classification and accounting of spare parts, stand-by equipment and servicing equipment; 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; 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: <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	<p>The amendments:</p> <ul style="list-style-type: none"> 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; 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 unchanged; requires disclosure of the impact of the change in accounting policy only for the period immediately 	The entity does not expect the Amendments to have material impact on the financial statements.	1 January 2013

Separate financial statements of EUROCASH S.A.			
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Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	<p>preceding the date of initial application (i.e. disclosure of impact on the current period is not required);</p> <ul style="list-style-type: none"> 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. 		
IFRS 9 <i>Financial Instruments</i> (2009)	<p>This Standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.</p> <p>Financial assets will be classified into one of two categories on initial recognition:</p> <ul style="list-style-type: none"> financial assets measured at amortized cost; or financial assets measured at fair value. <p>A financial asset is measured at amortized cost if the following two conditions are met:</p> <ul style="list-style-type: none"> the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. 	<p>The entity does not expect the new Standard to have material impact on the financial statements. The classification and measurement of the entity's financial assets are not expected to change under IFRS 9 because of the nature of the entity's operations and the types of financial assets that it holds.</p>	1 January 2015

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Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.		
Additions to IFRS 9 Financial Instruments (2010)	<p>The 2010 additions to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.</p> <p>The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.</p> <p>The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.</p> <p>Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred</p>	The entity does not expect additions to IFRS 9 (2010) to have material impact on the financial statements. The classification and measurement of the entity's financial liabilities are not expected to change under IFRS 9 because of the nature of the entity's operations and the types of its financial liabilities.	1 January 2015

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Standard/Interpretation	Nature of impending change in accounting policy	Possible impact on financial statements	Effective date for periods beginning as the date or after that date
	<p>within equity.</p> <p>Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.</p>		
Amendments to IFRS 9 Financial Instruments and IFRS 7 <i>Financial Instruments: Disclosures</i>	<p>These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).</p> <p>The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9.</p> <p>If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.</p> <p>If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7.</p> <p>If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required.</p>	<p>It is expected that the Amendments, when initially applied, will not have a material impact on the entity's financial statements. The classification and measurement of the entity's financial assets are not expected to change under IFRS 9 because of the nature of the entity'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 financial statements. However, the entity is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.</p>	1 January 2015

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1.4. FUNCTIONAL AND PRESENTATION CURRENCY. ROUNDINGS

The currency used in these separate financial statements is PLN, which is the Company's functional and presentation currency. All financial information presented in PLN was rounded to the nearest full PLN unit (unless it is otherwise indicated).

1.5. USE OF ESTIMATES AND JUDGMENTS

Drafting financial statements in conformity with UE IFRSs requires the Management Board to make judgments, apply estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions were made based on past experience and other factors accepted as reasonable in given circumstances, and the results of estimates and judgments were the basis for determining the carrying value of assets and liabilities not resulting directly from other sources. The actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the current period 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 3 and 17.

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

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

1.7. INFORMATION ABOUT PARENT ENTITY AND CAPITAL GROUP

Eurocash S.A. Group is comprised of Eurocash S.A. and its subsidiary companies: KDWT S.A., Eurocash Franczyza Sp. z o.o., Sieć Detalistów Nasze Sklepy Sp. z o.o. in bankructcy, Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., Eurocash S.A. Sp. Komandytowa, Przedsiębiorstwo Dystrybucji Alkoholi AGIS S.A., Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o., Damianex S.A., Delikates Sp. z o.o., Miro Sp. z o.o., MTC Sp. z o.o., Multi-Ex S.A., Polskie Hurtownie Alkoholi Sp. z o.o., Premium Distributors Sp. z o.o., Saol Dystrybucja Sp. z o.o., Przedsiębiorstwo Handlu Spożywczego Sp. z o.o., Pol Cater Holding Sp. z o.o., Dania Fast Food Sp. z o.o., Euro Sklep S.A., Detal Koncept Sp. z o.o., Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląska Sp. z o.o., Partnerski Serwis Detaliczny S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Drogerie Koliber Sp. z o.o., Lewiatan Holding S.A., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o., Gama Serwis Sp. z o.o., the associate PayUp Polska S.A. and Fundusz Inwestycyjny Zamknięty RE Income.

Eurocash S.A. is the Parent Entity, registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register; registration number: 0000213765; located in Komorniki, ul. Wiśniowa 11.

The core business activity of the Parent Entity consists in non-specialized wholesale trade (PKD 4690Z).

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

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1.8. GOING CONCERN ASSUMPTION

The financial statements were prepared under the assumption that the Company continues to operate as a going concern for the foreseeable future. There is no evidence indicating that the Company would cease to continue its activities as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

The separate financial statements were drafted in line with the historical cost concept except for the following items:

- derivative financial instruments measured at fair value
- financial instruments measured at fair value in profit or loss
- available-for-sale financial assets measured at fair value

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

2.2. REPORTING PERIOD

The calendar year is the Company's fiscal year.

2.3. FORMAT AND CONTENT OF SEPARATE FINANCIAL STATEMENTS

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

In particular, the separate financial statements are comprised of:

- General information
- Separate profit and loss account
- Separate statement of comprehensive income
- Separate statement of the financial position
- Separate statement of cash flows
- Separate statement on changes in equity
- Notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes.

2.4. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency (PLN) at the exchange rate as at the transaction date.

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the average exchange rate published by the National Polish Bank at that date. Foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the period start, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the average exchange rate published by the National Polish Bank at the end of the reporting period.

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Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency at the average exchange rate published by the National Polish Bank at the date that fair value was determined.

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

2.5. INTANGIBLE ASSETS

Definition

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

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

Initial measurement of intangible assets

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

Subsequent expenditure

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

Amortization

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

The following amortization rates are adopted for intangible assets:

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

Review of amortization rates and possible impairment

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

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

For intangible assets with indefinite useful lives and goodwill, the Company tests such intangible assets for impairment by comparing the carrying value of the specified item against its recoverable amount, regardless of any impairment indication.

Measurement of intangible assets as at the reporting date

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

2.6. PROPERTY, PLANT AND EQUIPMENT

Definition

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

Property, plant and equipment shall include in particular:

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

Initial measurement of tangible fixed assets

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

The acquisition cost includes expenditures directly attributable to the acquisition of the assets and any other costs directly attributable to ensuring that the assets are in 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 it is not possible to determine the acquisition cost of an asset, in particular when the asset is received free of charge or donated, its value is determined based on 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 introducing the asset into use, plus:

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

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Subsequent expenditure

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

Depreciation

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

- | | |
|---|-------------|
| ▪ buildings and structures | 2,5% - 4,5% |
| ▪ investments in third party 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 introduced for use.

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

Review of depreciation rates and possible impairment

Depreciation rates are subject to review at the end of each financial year and trigger a respective adjustment of future depreciation.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Impairment losses are charged into other operating expenses in the period when the impairment loss was determined. Impairment occurs when no future economic benefits are expected to flow to the Company from the asset e.g. in case of liquidation or usage cessation of the asset. Impairment losses are charged into other operating expenses no later than at the reporting date in the period when the impairment loss was determined.

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

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

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

Stocktaking of tangible fixed assets

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

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2.7. BORROWING COSTS

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

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

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

2.8. LEASE CONTRACTS

Finance lease occurs when the lease contract transfers substantially all the risks and rewards of ownership over the asset to the lessee.

Any other kind of lease contracts is treated as operating lease.

Assets used under finance lease contracts are qualified in the same way as the Company's assets. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or 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 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 components.

Depreciation methods applied to leased assets are consistent with the accounting policies applied to the Company's own assets, specified in the points 2.5 and 2.6. If there is no reasonable guarantee that the lessee will obtain ownership over 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 useful economic 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 balance of the liability.

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

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

2.9. INVESTMENT PROPERTY

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

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

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2.10. SHARES IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

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

2.11. LONG-TERM RECEIVABLES

Long-term receivables comprise receivables due within more than 12 months of the reporting date. The percentage of long-term receivables payable in the next financial year is recognized as current receivables.

Long-term receivables are mostly deposits paid in relation to rental contracts and bank guarantees as well as prepayments towards tangible fixed assets.

Measurement of long-term receivables

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

2.12. LONG-TERM PREPAYMENTS

Long-term prepayments comprise expenditures incurred up to the reporting date, which constitute deferred income for expenditure incurred after 12 months of the reporting date.

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

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

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

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

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

This situation takes place if the following conditions are fulfilled:

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

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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

The purchase price shall be determined using the weighted average method. Under the weighted average, the purchase price or production cost of each item is calculated in line with the weighted average purchase price or cost of similar items at the start of the period and the purchase price or cost of similar items purchased or produced during the period. The Company applies the same method to set purchase prices for all items.

Acquisition cost comprises the purchase price and other costs incurred in order to bring inventories to their existing location and condition.

Purchase costs comprise the 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 as at the reporting date

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

The Company identifies the 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.)
- a 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 as at the reporting date, the inventories are written down to the value of their selling prices.

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

2.15. NON DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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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 valuation techniques which include comparison against market value of a similar financial instrument being quoted in the active market, based on estimated cash flows or valuation models of options taking into account circumstances specific to the Company.

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

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

Financial assets are classified into the following categories:

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

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

(a) Financial assets held-to-maturity

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

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

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 the amortized cost using the effective interest rate less impairment losses, if any.

(b) Loans and receivables

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

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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 which are not accompanied by market price quotations from an active market and whose fair value may not be measured reliably.

Available-for-sale financial assets' fair value changes, other than those 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 in 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 the current financial period.

Financial liabilities

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

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

2.16. DERIVATIVES

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

- the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract
- a separate instrument with the same terms as the embedded derivative meets 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 time of initial recognition of the hedging position, the Company formally documents the relationship between the hedging instrument and hedged item. This documentation contains the purpose of risk management as well as methods that will be used to assess the effectiveness of the hedging instrument.

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

- the hedge is expected to be highly effective in offsetting 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 the range of 80-125% (retrospective effectiveness)

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

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

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective part 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 part 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, 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, the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

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

2.17. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

Trade receivables comprise receivables resulting from realized supplies or rendered services due within 12 months and over 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 amortized cost using effective interest method less bad debts allowance.

Irrecoverable receivables are written off into profit or loss when their recoverability is noted.

Penalty interests related to receivables not paid by the Company's customers are recognized when the Company has received cash.

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

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

Bad debts allowance

The value of receivables is 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, is not probable in the contractual amount - 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 – less a reliably measured amount of an allowance
- court proceeded debts – in the full amount of debts

The amount of allowance derives not only from 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 financial costs, depending on the relevant receivable.

2.18. CASH AND CASH EQUIVALENTS

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

2.19. SHORT-TERM PREPAYMENTS

Short-term prepayments comprise all expenditures incurred until the reporting date which constitute deferred income due to be settled within 12 months as of the reporting period end.

Short-term prepayments are analyzed at each reporting date. The assessment is made by the Company, taking into consideration reasonable circumstances and knowledge about each position of prepayments.

Short-term prepayments include mainly:

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

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2.20. IMPAIRMENT

Financial assets (including receivables)

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

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

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

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

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's assessment as to whether current economic and credit conditions are such that the actual losses are likely to differ greatly from those suggested by historical trends.

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

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

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

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

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

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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 a resolution adopted by the Shareholders' Meeting, 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 long-term liabilities

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

Measurement of long-term liabilities denominated in foreign currency

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

Foreign currency gains and losses from valuation of long-term liabilities are recognized in financial 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

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

Measurement of short-term liabilities denominated in foreign currency

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

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

2.24. LOANS

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

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

2.25. PROVISIONS

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

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

Provisions may be disbursed according to the time flow or benefit size. The time and method of settlement should be adequate to the nature of expenses in line with the prudence method.

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

2.26. SALES

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

Goods sold

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

- significant risk and rewards of ownership have been transferred to the buyer
- there is no continued management involvement with the goods and there is no effective control over those goods
- the amount of revenue can be measured reliably
- it is likely that the transaction will result in revenue
- associated costs and possible returns from goods can be estimated reliably
- recovery of consideration is likely

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Services

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

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

When the outcome of the transaction may not be measured reliably, revenue from services rendered is recognized only up to contractual costs incurred that are likely to be recovered.

2.27. FINANCE INCOME AND COSTS

Finance income comprises interest income from 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 rate method.

Dividend income

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

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

2.28. EMPLOYEE BENEFITS

Long-term employee benefits

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

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

Short-term employee benefits

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

The Company recognizes liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to

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pay this amount as a result of a 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 a 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 fulfilled.

The fair value of the employee share options rights is measured using Black-Scholes formula. Measurement inputs include the share price as at the measurement date, exercise price of the instrument, expected volatility (based on the weighted average historical volatility adjusted for changes expected due to publicly available information), expected weighted average life of the instruments (based on historical experience and general option holders' behavior), 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 expected tax payable or receivable on 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 elimination of taxable income and expenses related to future years and income and expenses which will never be taxable. Tax liabilities are calculated based on tax rates effective during the reporting period.

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

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

Deferred tax assets are reviewed at each reporting date and 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

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enacted by the reporting date. Deferred tax is recognized in profit or loss, except items recognized directly in equity or other comprehensive income. Then, deferred tax is expensed directly in equity or other comprehensive income.

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

2.31. DISCONTINUED OPERATIONS

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

2.32. EARNINGS PER SHARE

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

2.33. MERGERS OF JOINTLY CONTROLLED ENTITIES

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

2.34. OPERATING SEGMENTS

The Company resigned from decided not to present operating segments. Information and financial data about operational segments are presented in the consolidated financial statements of Eurocash Group.

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3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2012 TO 31.12.2012

NOTE 1.

Table no 1

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2012

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	Total
Carrying amount as at 01.01.2011	96 024 468	7 980 802	19 982 631	5 553 000	3 268 563	132 809 464
Other acquisitions	-	6 402 608	-	-	38 105	6 440 713
Increases due to the transfer of fixed assets under construction	-	1 078 203	-	-	544 057	1 622 260
Liquidations	-	(4 189)	-	-	-	(4 189)
Depreciation	-	(5 534 245)	(5 449 808)	(1 234 000)	(1 011 441)	(13 229 494)
Other changes	-	-	-	-	(150 000)	(150 000)
Carrying amount as at 31.12.2011	96 024 468	9 923 179	14 532 823	4 319 000	2 689 284	127 488 754
Carrying amount as at 01.01.2012	96 024 468	9 923 179	14 532 823	4 319 000	2 689 284	127 488 754
Other acquisitions	-	11 622 863	-	-	5 500	11 628 363
Depreciation	-	(7 109 191)	(5 449 808)	(1 234 000)	(1 057 283)	(14 850 282)
Carrying amount as at 31.12.2012	96 024 468	14 436 850	9 083 015	3 085 000	1 637 501	124 266 834

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Table no 1

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012 (continued)

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	Total
<i>As at 01.01.2012</i>						
Cost	96 024 468	39 709 118	54 498 079	12 340 000	11 861 825	214 433 491
Accumulated amortisation and impairment losses	-	(29 785 939)	(39 965 256)	(8 021 000)	(9 172 541)	(86 944 737)
Carrying value	96 024 468	9 923 179	14 532 823	4 319 000	2 689 284	127 488 754
<i>As at 31.12.2012</i>						
Cost	96 024 468	51 331 981	54 498 079	12 340 000	11 867 325	226 061 854
Accumulated amortisation and impairment losses	-	(36 895 131)	(45 415 064)	(9 255 000)	(10 229 824)	(101 795 019)
Carrying value	96 024 468	14 436 851	9 083 015	3 085 000	1 637 501	124 266 835

Goodwill presented in intangible assets arose as a consequence of:

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

Apart from the above mentioned trademarks, the Company has "MHC" trademark, with a defined useful life. This 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 the trademark was PLN 3.085.000.

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

Amortization of intangible assets is recognized as selling expenses.

The Company did not recognize any impairment losses in relation to intangible assets what is expanded in Note 3.

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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NOTE 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 2

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

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Carrying amount as at 01.01.2011	101 700 057	26 922 141	22 164 792	36 634 990	3 374 041	190 796 022
Other acquisitions	2 407 906	9 272 066	208 833	10 936 278	17 591 991	40 417 073
Increases due to the transfer of fixed assets under construction	4 909 597	823 279	-	2 192 711	(9 547 847)	(1 622 260)
Finance lease	-	58 461	4 753 639	-	-	4 812 101
Disposals	(9 071 630)	(7 106)	(407 895)	(437 690)	-	(9 924 321)
Liquidations	(61 182)	(38 391)	(218 441)	(7 426)	(50)	(325 490)
Depreciation	(11 249 380)	(7 532 570)	(7 522 157)	(13 735 184)	-	(40 039 291)
Other changes	-	75 784	-	-	-	75 784
Carrying amount as at 31.12.2011	88 635 367	29 573 664	18 978 772	35 583 679	11 418 135	184 189 618
Carrying amount as at 01.01.2012	88 635 367	29 573 664	18 978 772	35 583 679	11 418 135	184 189 618
Other acquisitions	31 521 707	15 869 574	2 814 898	13 167 904	14 133 520	77 507 602
Increases due to the transfer of fixed assets under construction	6 451 365	656 301	1 180	1 916 377	(9 025 222)	-
Finance lease	-	-	1 708 225	-	-	1 708 225
Disposals	(3 881 546)	(10 905 028)	(5 198 267)	(2 937)	(2 497 924)	(22 485 702)
Liquidations	(42 510)	-	(520 477)	(58 078)	-	(621 065)
Fixed assets classified as held for sale	(27 245 549)	-	-	-	-	(27 245 549)
Depreciation	(10 498 907)	(6 023 342)	(5 504 540)	(14 958 347)	-	(36 985 137)
Other changes	624 223	(1 992 035)	(76 459)	851 163	(1 605 693)	(2 198 801)
Carrying amount as at 31.12.2012	85 564 150	27 179 134	12 203 331	36 499 761	12 422 816	173 869 191

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Table no 2

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<i>As at 01.01.2012</i>						
Cost	146 658 817	74 147 600	59 584 936	106 079 492	11 418 135	397 888 981
Accumulated amortisation and impairment losses	(58 023 450)	(44 573 936)	(40 606 164)	(70 495 813)	-	(213 699 363)
Carrying amount	88 635 367	29 573 664	18 978 772	35 583 679	11 418 135	184 189 618
<i>As at 31.12.2012</i>						
Cost	154 086 507	77 776 411	58 314 036	121 953 921	12 422 816	424 553 691
Accumulated amortisation and impairment losses	(68 522 357)	(50 597 278)	(46 110 705)	(85 454 160)	-	(250 684 500)
Carrying amount	85 564 150	27 179 134	12 203 331	36 499 761	12 422 816	173 869 191

Property, plant and equipment under finance lease

The Company uses land, vehicles, and forklift trucks under finance lease. According to lease agreements, the Company has the right to buy 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 the 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 20.736.343 (31.12.2011: PLN 28.231.709), and the amount payable to the lessor in this respect amounted to PLN 20.674.521 (31.12.2011: PLN 26.353.472, respectively). The leased items are a property of the lessor (the financing institution) until they are acquired by the Company. Those assets are depreciated for tax purposes by the lessor.

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

Performance of lease agreements is secured against lease assets.

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NOTE 3. ANALYSIS OF INDICATIONS OF POTENTIAL ASSET IMPAIRMENT

As at 31 December 2012, the Company assessed whether there was any indication that assets may 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 beyond ordinary loss occurring in time and through usage.
- evaluation of external conditions – during the reporting period, deterioration of economic situation was noted 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, 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 a 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 which would adversely affect 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 the current or anticipated future use of the assets. Discontinuation of using given assets, abandonment or restructuring of business operations to which the given assets are dedicated were neither recorded nor considered. No plans to dispose of the assets before the previous expected date and no changes to their estimated useful lives were considered.
- economic factors - there is no evidence which would indicate that the economic performance of the assets is, or will be, worse than that expected in the future
- investing factors - cash flows for asset acquisition are not significantly higher than those originally budgeted
- operating factors - actual net cash flows and operating profits flowing from these assets correspond to respective amounts budgeted;
- financial factors - no net outflows occurred in relation to given assets when current period figures were summarized along with the figures budgeted for the future.

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

A subsequent assessment is planned for 31.12.2013.

The Company performed impairment tests in respect of goodwill:

- impairment test of goodwill on an acquisition of an organized part of enterprise: Carment M. Stodółka i Wspólnicy Spółka Jawna performed as at 31.12.2012.
The impairment test was performed with respect to the total value of goodwill with a value of PLN 11.565.477 arising from the acquisition of ZCP Carment by Eurocash S.A. Group.
- impairment test of goodwill arising from merger with Eurocash Dystrybucja Sp. z o.o. with a value of PLN 56.868.456 performed as at 31.12.2012.
- impairment test of goodwill arising from merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. with a value of PLN 29.180.412 performed as at 31.12.2012.

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

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

For purposes of impairment tests performed for goodwill, carrying amounts of goodwill were determined. In addition it was assumed that generation of cash flows by CGUs requires involvement of net assets and therefore, carrying amounts of goodwill were also grouped with net assets for the purpose of testing.

For impairment tests for goodwill, recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for years 2013-2017, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for years 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 goodwill and its related type of business it was from 8.55% to 10.25%).

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 operations were estimated at 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.

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

NOTE 4. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented below:

Table no 3

INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2012

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
KDWT S.A.	ul. Wiśniowa 11 62-052 Komorniki	77,30%	77,30%	full
Eurocash Franczyza Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Sieć Detalistów "Nasze Sklepy" Sp. z o.o. w likwidacji	ul. Kąpielowa 18 21-500 Biała Podlaska	97,09%	91,74%	full
Eurocash Trade 1 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Trade 2 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Spółka Akcyjna Spółka Komandytowa	ul. Wiśniowa 11 62-052 Komorniki	67,67%	67,67%	full
Premium Distributors Sp. z o.o.	ul. Boksterska 66A 02-690 Warszawa	50,00%	50,00%	full
Przedsiębiorstwo Dystrybucji Alkoholi Agis S.A.	ul. Polna 52 87-100 Toruń	100%	100%	full
Dako-Galant Przedsiębiorstwo Handlowo Produkcyjne Sp. z o.o.	ul. Grunwaldzka 3 73-110 Stargard Szczeciński	100%	100%	full
Damianex S.A.	ul. Głęboka 34 37-200 Przeworsk	100%	100%	full
Delikates Sp. z o.o.	ul. Zakładowa 11 62-510 Konin	100%	100%	full
Miro Sp. z o.o.	ul. Jasna 42 57-200 Ząbkowice Śląskie	100%	100%	full
MTC Sp. z o.o.	ul. Elewatorska 20 15-620 Białystok	100%	100%	full
Multi-Ex S.A.	ul. Boksterska 66A 02-690 Warszawa	100%	100%	full
Polskie Hurtownie Alkoholi Sp. z o.o.	ul. Gen. Józefa Sowińskiego 42A 65-419 Zielona Góra	100%	100%	full
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	ul. Grottgera 5 66-200 Świebodzin	100%	100%	full

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 3

INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2012

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
Saol Dystrybucja Sp. z o.o.	ul. Orłąt Lwowskich 146 41-208 Sosnowiec	100%	100%	full
Pol Cater Holding Sp. z o.o.	ul. Sokołowska 10, Puchały 05-090 Raszyn	100%	100%	full
Dania Fast Food Sp. z o.o.	ul. Sokołowska 10, Puchały 05-090 Raszyn	100%	100%	full
Euro Sklep S.A.	ul. Bystrzańska 94a, 43-309 Bielsko Biała	100%	100%	full
Detal Koncept Sp. z o.o.	ul. Mełgowska 7-9, 20-952 Lublin	50,01%	50,01%	full
Tradis Sp. z o.o.	ul. Mełgowska 7-9, 20-952 Lublin	99,55%	99,55%	full
DEF Sp. z o.o.	ul. Handlowa 6, 15-399 Białystok	100%	100%	full
Ambra Sp. z o.o.	ul. Hutnicza 7, 43-502 Czechowice Dziedzice	100%	100%	full
Lewiatan Podlasie Sp. z o.o.	ul. Sokółska 9, 15-865 Białystok	100%	100%	full
Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39, 41-219 Sosnowiec	100%	100%	full
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15, 02-548 Warszawa	100%	100%	full
Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5, 73-100 Stargard Szczeciński	100%	100%	full
Lewiatan Północ Sp. z o.o.	ul. Bysiewska 30, 80-298 Gdańsk	100%	100%	full
Lewiatan Holding S.A.	ul. Kilińskiego 10, 87-800 Włocławek	66,61%	71,17%	full
Lewiatan Opole Sp. z o.o.	ul. Światowida 2, 45-325 Opole	100%	100%	full
Lewiatan Wielkopolska Sp. z o.o.	ul. Osiedle Winiary 54, 60-665 Poznań	81,43%	81,43%	full
Lewiatan Kujawy Sp. z o.o.	ul. Komunalna 6, 87-800 Włocławek	100%	100%	full
Lewiatan Orbita Sp. z o.o.	ul. Lubelska 33, 10-680 Olsztyn	100%	100%	full
Gama Serwis Sp. z o.o.	ul. Handlowa 5, 15-399 Białystok	100%	100%	full

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

Table no 4

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01 TO 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Opening balance	1 655 904 660	554 728 775
Increase in reporting period:	661	1 107 575 885
acquisition of entities	-	1 107 575 885
reclass	661	-
Other decrease	(8 602 241)	(6 400 000)
liquidation of a subsidiary Nasze Sklepy	(3 830 357)	-
sale of shares	(4 771 884)	-
other decrease	-	(6 400 000)
Closing balance	1 647 303 080	1 655 904 660

A decrease in the value of investments in subsidiaries refers to selling 0,5% shares of Tradis to Eurocash Franczyza, 100% of shares in Drogerie Koliber to Ambra and write-down the investments in Nasze Sklepy which is in Liquidation.

NOTE 5. ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

Investments in associates and joint ventures are presented below:

Table no 5

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2012

Name of entity	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
PayUp Polska S.A.	ul. Wiśniowa 11, 62-052 Komorniki	49%	49%	equity method
Fundusz Inwestycyjny Zamknięty RE Income	Al. Jana Pawła II 24, 00-133 Warszawa	21%	21%	equity method

Table no 6

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Opening balance	23 710 081	3 464 300
Increase in reporting period:	20 056 000	20 245 781
acquisition of shares in joint ventures	20 056 000	20 245 781
Closing balance	43 766 081	23 710 081

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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 (the shares have been fully paid for in cash with a value 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).

NOTE 6. OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

Table no 7

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Loans granted to associates	748 590	5 808 590
	748 590	5 808 590

NOTE 7. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 8

LONG-TERM RECEIVABLES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Security deposits on rental agreements	1 201 615	1 193 628
Other long-term receivables	687 000	687 000
	1 888 615	1 880 628

NOTE 8. INVENTORIES

Inventories are presented below:

Table no 9

INVENTORIES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Merchandise	352 399 664	319 787 432
Materials	93 796	340 175
Total inventories, including:	352 493 460	320 127 607
- carrying amount of inventory deposits securing payments of liabilities	180 000 000	180 000 000

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

Table no 10

ALLOWANCES FOR INVENTORIES IN 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
Opening balance	7 491 626	8 099 785
- increase in the allowance during the period	4 757 751	3 480 095
- write-offs during the period	(5 594 105)	(4 088 255)
Closing balance	6 655 271	7 491 626

**NOTE 9.
TRADE AND OTHER RECEIVABLES**

Trade and other receivables are presented below:

Table no 11

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Trade receivables	428 034 707	413 346 317
Credit sales	200 219 659	190 359 919
Receivables from suppliers*	177 288 721	170 709 005
Factoring	27 830 969	32 222 664
Franchise fees	2 994 743	2 375 765
Other trade receivables	28 022 589	22 527 703
Allowance for trade bad debts	(8 321 973)	(4 848 741)
Current tax assets	10 814 392	1 362 078
Other receivables	30 593 902	11 444 046
VAT settlements	18 985 443	3 333 248
Receivables from sales of shares in subsidiaries	5 100 410	-
Receivables subject to legal proceedings	22 897 105	18 611 445
Receivables from subrental services	1 466 479	1 638 522
Receivables from employees	1 017 976	857 203
Loans granted	-	5 202
Receivables from sales fixed assets	2 539 541	4 307 000
Other receivables	1 007 171	1 302 871
Allowance for other bad debts	(22 420 224)	(18 611 445)
Total receivables, including:	469 443 001	426 152 441
- short-term	469 443 001	426 152 441

* These charges relate to transactions with suppliers, which, depending on the specifics of these transactions are recognized in the profit and loss account as income from the sale of services or reduce the value of goods sold

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NOTE 10. OTHER SHORT-TERM INVESTMENTS

Other short-term investments are presented below:

Table no 12

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Loans for associated companies	3 102 588	3 021 041
	3 102 588	3 021 041

NOTE 11. SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 13

SHORT-TERM PREPAYMENTS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Software	53 451	275 579
Alcohol licences	2 390 948	1 659 094
Rentals	1 107 613	1 115 187
Media	172 729	156 366
Insurances	194 500	154 196
Expenses related to future transactions	-	1 909 947
Other prepayments	710 809	1 347 408
Total short-term prepayments	4 630 051	6 617 777

NOTE 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented below:

Table no 14

CASH AND CASH EQUIVALENTS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Cash		
cash at bank	4 181 940	21 514 173
cash on hand	32 289	25 504
cash in transit	19 276 343	25 857 062
cash on deposits	33 287 907	150 147 778
cash restricted to use	-	1 863 226
money vouchers	5 001	-
Total cash	56 783 480	199 407 742

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NOTE 13.
ASSETS CLASSIFIED AS HELD FOR SALE

Property 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 15

ASSETS CLASSIFIED AS HELD FOR SALE

	as at 31.12.2012	as at 31.12.2011
Tangible fixed assets	27 245 549	-
	27 245 549	-

NOTE 14.
SHARE CAPITAL

Share capital is presented below:

Table no 16

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)	1	1
Share capital	137 976 536	136 983 011

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 shareholding structure for shareholders with over 5% of the total number of voting rights is presented below:

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SHAREHOLDING STRUCTURE

Table no 17

SHAREHOLDERS STRUCTURE

Shareholder	31.12.2012				31.12.2011			
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (bezpośrednio i pośrednio przez Politra B.V.)	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 18

CHANGES IN SHARE CAPITAL IN 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
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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NOTE 15. OTHER RESERVES

Other reserves are presented below:

Table no 19

CHANGES TO OTHER CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2012

	Treasury shares	Reserve capital	Treasury shares reserve	Hedging reserve	Total
<i>Balance as at 01.01.2011</i>	(1 115 507)	105 539 159	12 884 493	(4 645 000)	112 663 145
Increase in the period from 01.01 to 31.12.2011	-	31 389 189	-	-	31 389 189
Retained earnings from 01.01 to 31.12.2011	-	12 476 870	-	-	12 476 870
Valuation of the Incentive Programme for employees	-	1 198 538	-	-	1 198 538
Share issue - Equity-settled share-based payment transactions	-	4 829 288	-	-	4 829 288
Equity - EC with Batna	-	12 884 493	-	-	12 884 493
Decrease in the period from 01.01 to 31.12.2011	1 115 507	-	(12 884 493)	-	(11 768 986)
Completion of the acquisition of own shares	-	-	(12 884 493)	-	(12 884 493)
Treasury shares	1 115 507	-	-	-	1 115 507
Balance as at 31.12.2011	-	136 928 348	-	(4 645 000)	132 283 348
<i>Balance as at 01.01.2012</i>	-	136 928 348	-	(4 645 000)	132 283 348
Increase in the period from 01.01 to 31.12.2012	-	48 424 423	-	-	48 424 423
Retained earnings from 01.01 to 31.12.2012	-	39 990 854	-	-	39 990 854
Valuation of the Incentive Programme for employees	-	502 317	-	-	502 317
Share issue - Equity-settled share-based payment transactions	-	7 931 252	-	-	7 931 252
Balance as at 31.12.2012	-	185 352 771	-	(4 645 000)	180 707 771

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 hedged transactions.

Dividend

On 15 June 2012 Resolution No. 5 of the Annual General Meeting of Shareholders of the Parent Eurocash SA 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 0.18 zł 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 16. SHARE OPTIONS

Treasury shares options are presented below:

Table no 20

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2012

	Number of options	Weighted average performance 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 Resolution 19 of the General Meeting of Shareholders of Eurocash S.A., dated 25 April 2006, concerning the Third Incentive Program, issue of D series bonds was prescribed to be allocated to certain members of the managerial staff, supervisory staff, and key personnel of Eurocash S.A. and KDWT S.A.

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 no 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 entitlement to subscribe and take up 25 E series ordinary bearer shares.

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

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

The Company valued the incentive program 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 related to the resignation likelihood factor for employees covered by the Third Incentive Program, the overall cost of the program 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 the December 31, 2012, subscription of the ordinary bearer shares of E series was ended.

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2. Based on Resolution 18 of the General Meeting of Shareholders of Eurocash S.A. dated 28 June 2007 concerning the Fourth and the Fifth Employee Incentive and Premium Programs for 2007 and 2008, the decision was made to issue G series and H series shares under the Incentive Program for the managerial 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 persons qualified as Pre-Authorized to receive the Series F bonds was approved by the Resolution of the General Meeting of Shareholders on June 9, 2008. Under Resolution 20 of the Ordinary General Meeting of Shareholders dated June 02, 2010, the list of persons pre-qualified to acquire Series F bonds was adjusted. This adjustment did not lead to any change in valuation or any other terms of the Fourth Incentive Program.

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

For the allocated series G shares option allowance to take effect, a given employee must work for the Company for no less than 3 years, starting December 1, 2007. The final list of Authorized Persons entitled to receive Series F Bonds was decided by Resolution of the Supervisory Board dated November 23, 2010. In line with the Resolution of the Supervisory Board of November 23, 2010, the issue price of Series G Shares was determined as PLN 9.78.

For the allocated series H shares option allowance to take effect, a given employee must work for the Company for no less than 3 years, starting December 1, 2008.

In line with the Resolution of the Supervisory Board of November 23, 2011, the issue price of Series H Shares was determined as PLN 8.89.

Bondholders of F series are entitled to subscribe and 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

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price of Eurocash S.A. 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. In line with the Resolution of the Ordinary General Meeting of Shareholders of Eurocash S.A. 16 dated June 2, 2010 concerning the Fourth and the Fifth Employee Incentive and Premium Programs for 2010 and 2008, the decision was made to issue Series I shares under an Incentive Program for the managerial staff, supervisory staff and key personnel of Eurocash S.A. and Eurocash S.A. Group.

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

With respect to the Seventh Incentive and Bonus Program 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. The entitlement from the Bonds will arise at the time of registration in the Bonds registry by a bank or a 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 the managerial staff, officers and key personnel of Eurocash and Eurocash Group, who have been employed and worked for the period of 3 years starting December 1, 2010. A list of persons qualified as Pre-Authorized to receive the Series H bonds was approved by the Resolution of the General Meeting of Shareholders on June 13, 2011.

Series H bondholders are entitled to subscribe and 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 1,507.0 thousand. This value is accounted for starting January 1, 2011 for a term of 3 years.

By December 31, 2012, 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

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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 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.

Bonds do not bear interest.

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. A list of persons qualified as Pre-Authorized to receive the Series I bonds will be determined by the Supervisory Board and will be approved by the Resolution of the General Meeting of Shareholders. To the date of these separate financial statements, a list of persons qualified as Pre-Authorized was not 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 M 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 M 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

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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 valued using the Black-Scholes model. Details of each program valuation are presented below.

Table no 21

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 separate income statement of the Company for 2012 amounted to PLN 502.317 (2011: PLN 1.198.538).

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NOTE 17. **PROVISIONS AND ACCRUALS**

Provisions and accruals are presented below:

Table no 22

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2010 TO 31.12.2012

	Provision for employee benefits	Accrual for agent's commissions	Accrual for costs of transport	Accrual for advertising costs
Provisions and accruals as at 01.01.2011	12 397 498	65 000	798 607	4 940 805
Increases	23 859 203	18 069 858	55 401 930	90 357 691
Decreases	(11 862 900)	(17 941 756)	(55 038 705)	(87 608 296)
Provisions and accruals as at 31.12.2011, including:	24 393 801	193 102	1 161 833	7 690 199
- short-term	23 839 115	193 102	1 161 833	7 690 199
- long-term	554 686	-	-	-
Provisions and accruals as at 01.01.2012	24 393 801	193 102	1 161 833	7 690 199
Increases	4 541 006	17 830 629	197 812 700	100 695 517
Decreases	(15 006 475)	(17 857 063)	(197 610 058)	(100 527 829)
Provisions and accruals as at 31.12.2012, including:	13 928 332	166 667	1 364 475	7 857 888
- short-term	12 804 433	166 667	1 364 475	7 857 888
- long-term	1 123 899	-	-	-

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Table no 22

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2012 TO 31.12.2012 (continued)

	Accruals for costs of media	Accrual for bonuses for individual clients	Provision for potential risks associated with the acquisitions of Eurocash Dystrybucja	Other	Total
Provisions and accruals as at 01.01.2011	1 755 394	626 891	17 144 000	6 368 519	44 096 713
Increases	22 390 531	-	-	80 540 247	290 619 459
Decreases	(21 855 948)	(626 891)	(17 144 000)	(75 266 573)	(287 345 069)
Provisions and accruals as at 31.12.2011, including:	2 289 977	-	-	11 642 192	47 371 103
- short-term	2 289 977	-	-	11 642 192	46 816 417
- long-term	-	-	-	-	554 686
Provisions and accruals as at 01.01.2012	2 289 977	-	-	11 642 192	47 371 103
Increases	26 087 946	-	-	169 247 863	516 215 660
Decreases	(24 980 686)	-	-	(163 307 956)	(519 290 066)
Provisions and accruals as at 31.12.2012, including:	3 397 237	-	-	17 582 099	44 296 698
- short-term	3 397 237	-	-	17 582 099	43 172 799
- long-term	-	-	-	-	1 123 899

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Table no 23

PROVISIONS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Provision for employee benefits	13 928 332	24 393 801
Accrual for advertising costs	7 857 888	7 690 199
Accrual for agent's commissions	166 667	193 102
Accrual for costs of transport	1 364 475	1 161 833
Accrual for costs of media	3 397 237	2 289 977
Accrual for rental costs	1 449 881	557 523
Accrual for advisory and audit	1 358 025	990 393
Accruals for pallets	145 895	156 675
Accruals for litigations	1 001 807	3 836 714
Accruals for intrests	3 933 174	2 590 466
Other provisions and accruals	9 693 319	3 510 421
	44 296 698	47 371 103
- long-term	1 123 899	554 686
- short-term	43 172 799	46 816 417

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement benefits in the amount of PLN 1,171,938 (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 1,123,899 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 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 18.

TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

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Table no 24

TRADE AND OTHER PAYABLES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Trade liabilities	1 147 078 022	999 700 559
Payables due to purchase of goods	1 104 322 001	965 883 954
Payables due to services received	42 756 021	33 816 605
Other payables	29 948 780	64 755 790
Liabilities due to social securities	7 482 863	6 891 969
Liabilities due to purchases of assets	15 701 992	9 119 681
Liabilities due to taxes and insurances	2 086 534	1 847 625
Liabilities in relation to acquisitions	316 035	316 035
Other payables	4 361 356	6 510 632
Liabilities with transaction - PD group	-	40 069 849
Total liabilities, including:	1 177 026 801	1 064 456 349
- short-term	1 177 026 801	1 064 456 349

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NOTE 19. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 25

LOANS AND BORROWINGS AS AT 31.12.2012

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2012 to 31.12.2012
Credits		1 063 635 500		82 511 363
ING Bank Śląski S.A.	cash poll agreement	157 004 301	WIBOR + bank's margin	3 588 421
BRE Bank S.A.	overdraft for financing of current activities	143 074 769	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 purchase of CEDC	131 586 164	WIBOR + bank's margin	-
ING Bank Śląski S.A.	Investment short-term credit for the purchase 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 purchase 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 purchase of Tradis	181 440 454	WIBOR + bank's margin	51 288 181
Loans		126 372 091		6 412 889
Eurocash S.A. Sp. Komandytowa	Short-term loan for financing of current activities	71 047 320	WIBOR + bank's margin	6 088 117
Eurocash Franczyza Sp. z o.o.	Short-term loan for financing of current activities	25 147 623	WIBOR + bank's margin	147 623
Damianex S.A.	Short-term loan for financing of current activities	30 177 148	WIBOR + bank's margin	177 148
Total loans and credits		1 190 007 591		88 924 252
- long-term		473 744 879		
- short-term		716 262 712		

In accordance to the credit agreements, the Company 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 Company performed all the terms of loan agreements and there was no case of violation. What is more, according to the credit agreements the Company has issued the securities, details of which are expanded in Note 34.

NOTE 20. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

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Table no 26

FINANCIAL LIABILITIES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Finance lease liabilities	20 674 521	26 353 472
Liabilities related to financing of franchisees	27 830 969	32 222 664
	48 505 490	58 576 137
- long-term	16 375 105	20 119 059
- short-term	32 130 384	38 457 078

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FINANCE LEASE

Table no 27

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
	minimum lease payments	present value of minimum lease payments	minimum lease payments	present value of minimum lease payments
<i>Future minimum lease payments due to operating lease agreements</i>				
Less than one year	5 794 115	4 299 416	8 226 534	6 234 414
Between one and five years	18 228 596	15 665 295	21 974 184	18 551 750
More than five years	743 160	709 810	1 688 808	1 567 308
Total future minimum lease payments due to finance lease agreements	24 765 872	20 674 521	31 889 526	26 353 472
Finance costs	4 091 351	X	5 536 054	X
Present value of minimum lease payments due to finance lease agreements	20 674 521	20 674 521	26 353 472	26 353 472

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OPERATING LEASE

The Company recognized operating lease contracts concerning lease or rental of premises and vehicles under which 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 ownership of the asset is made.

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

As far as 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 the contract and the other charge is valid in next 14 years thereafter.

The term and termination conditions stated in the contracts read 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 the date of the contract termination, the contract will be automatically extended for the next period (the same as per the original contract).

A specification of minimum operating lease charges is presented below:

Table no 28

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
<i>Future minimum fees due to operating lease agreements paid in the period:</i>		
Less than one year	63 105 945	50 272 324
Between one and five years	192 180 392	164 755 025
More than five years	199 218 890	102 056 716
Total future minimum fees due to operating lease agreements	454 505 227	317 084 065

Operating lease payments for 2012 amounted to PLN 49.549.908 (PLN 2011: 58.322.510).

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NOTE 21. INCOME TAX

Income tax for the reporting period is presented below:

Table no 29

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
<i>Profit and loss account</i>		
Current income tax	(104 996)	(20 133 670)
Current income tax burden expense	-	(20 133 670)
Additional income tax related to previous years	(104 996)	-
Deferred income tax	8 956 060	12 992 946
Due to temporary tax differences	8 956 060	12 992 946
Total income tax	8 851 064	(7 140 724)

Table no 30

TAX RECONCILIATION 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
Profit before tax	136 357 638	71 927 359
Income tax calculated base on 19% income tax rate	(25 907 951)	(13 666 198)
Permanent tax differences	(2 033 728)	(1 951 657)
Tax influence of the limited partnership's income and costs	3 801 881	4 561 021
Release of deferred tax provision related to transfer of trademarks to limited partnership company	-	3 257 360
Contribution of trademarks to the limited partnership	-	1 731 779
Income from dividends received from companies from the EC Group	24 929 546	-
The effect of the transfer of the business contribution of EC Group	8 382 912	-
Other differences	(321 595)	(1 073 029)
Income tax in the profit and loss account	8 851 064	(7 140 724)
Effective tax rate	6,49%	9,93%

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NOTE 22. DEFERRED TAX

Deferred tax is presented below:

Table no 31

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2012

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period
	31.12.2012	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
<i>Deferred tax liabilities</i>						
- difference between tax and carrying amount of fixed assets	4 052 616	6 212 107	(2 159 491)	(2 420 199)	-	-
- deferred income	5 838 270	4 032 745	1 805 525	2 147 925	-	-
- revenues from accrued interests	363 528	241 761	121 767	88 344	-	-
- financial lease liabilities	11 746	356 865	(345 119)	(219 105)	-	-
- compensations for lost benefits	-	-	-	(519 632)	-	-
- other	-	-	-	(8 239)	-	-
Gross deferred tax liability	10 266 161	10 843 478	(577 318)	(930 906)	-	-

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 31

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2012 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period
	31.12.2012	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
<i>Deferred tax liabilities</i>						
- bonuses	11 123 240	8 627 891	(2 495 349)	(3 353 281)	-	-
- allowance of inventories	1 264 502	1 423 409	158 907	115 550	-	-
- allowance for bad debts	4 812 709	3 948 658	(864 051)	(1 954 510)	-	-
- tax loss from previous years	5 739 559	-	(5 739 559)	-	-	-
- tax profit from sales of fix assets	685 681	685 681	(0)	(45 873)	-	-
- holiday accrual	998 292	835 760	(162 533)	(37 981)	-	-
- accrual for employees' bonuses	-	2 396 132	2 396 132	(2 079 634)	-	-
- unpaid payroll and social securities	643 906	298 128	(345 778)	(288 188)	-	-
- retirement provision	222 668	117 021	(105 647)	(117 021)	-	-
- accrual for agents' commissions	31 667	36 689	5 023	(24 339)	-	-
- accrual for rental costs	273 644	103 184	(170 460)	22 118	-	-
- accrual for advertising costs	1 432 686	1 084 451	(348 235)	(193 433)	-	-
- accrual for costs of transport	259 250	202 085	(57 165)	(62 129)	-	-
- accrual for costs of media	549 598	322 718	(226 880)	15 992	-	-
- accrual for advisory and audit	133 225	140 675	7 450	(36 366)	-	-
- provisions for legal disputes	278 559	207 584	(70 975)	(207 584)	-	-
- provisions for Amrest	58 078	33 729	(24 349)	108 867	-	-
- accrual for postal and telecommunication costs	47 506	26 349	(21 158)	3 311	-	-
- accrual for intrests accrued on debts	1 662 564	1 188 528	(474 036)	1 693 023	-	-
- accrued interest on trade payables	1 102 014	2 137 341	1 035 328	(1 251 962)	-	-
- accrued interest on loans and borrowings	584 598	809 160	224 562	(144 961)	-	-
- accrual for acquisition of shares	2 964 926	2 975 353	10 426	(2 975 353)	-	-
- other provisions	4 228 042	3 117 646	(1 110 396)	(1 248 285)	-	-
- transfer of trademarks to Limited Partnership Company	9 897 136	14 480 561	4 583 425	4 583 425	-	-
- deferred tax assets	48 994 049	45 198 732	(3 795 317)	(7 478 615)	-	-
Allowance of deferred tax assets	(9 897 136)	(14 480 561)	(4 583 425)	(4 583 425)	-	-
- deferred tax assets	39 096 913	30 718 170	(8 378 743)	(12 062 040)	-	-
Deferred income tax effect			(8 956 060)	(12 992 946)	-	-
Net deferred tax liability	-	-	X	X	X	X
Net deferred tax asset	28 830 753	19 874 692	X	X	X	X

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 23.
OTHER LONG-TERM PREPAYMENTS**

Other long-term prepayments are presented below:

Table no 32

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Rents	-	208 597
Alcohol licences	2 027 743	-
IT licences	89 350	101 832
Consultancy services	178 533	-
Incurring expenses relating to deferred income	-	923 478
Other	185 315	93 287
	2 480 942	1 327 194

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

Sales are presented below:

Table no 33

SALE IN 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
Sale of goods	6 018 992 197	5 267 953 219
Sale of services	305 814 721	254 723 361
Total sale	6 324 806 918	5 522 676 580

**NOTE 25.
COSTS BY TYPE**

Costs by type are presented below:

Table no 34

COSTS BY TYPE IN 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
Depreciation	51 835 419	53 268 786
Materials and energy	45 287 472	40 100 587
External services	225 813 735	194 231 762
Taxes and charges	15 056 744	13 864 295
Payroll	169 631 136	165 581 648
Social security and other benefits	38 212 671	30 424 812
Other costs by type	18 030 441	17 054 474
Costs by type	563 867 618	514 526 363
including:		
Costs of sold services	15 014 805	13 266 039
Selling expenses	405 739 309	372 022 248
General and administrative expenses	143 113 504	129 238 077

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 26.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 35

OTHER OPERATING INCOME AND EXPENSES 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
Other operating income	18 650 527	41 535 616
Penalties for suppliers	5 841 547	5 839 060
Other sales	5 580 068	5 437 724
Sub-lease of premises	1 793 755	2 064 697
Compensation received	385 551	968 235
Revenus from transport services	123 185	431 332
Profit from disposals of property, plant and equipment	-	6 225 536
Release of provision for losses	500 000	-
Revelsal of provision for acquisition of McLane	-	17 144 000
Other	4 426 422	3 425 033
Other operating expenses	(45 203 135)	(49 884 208)
Inventory shortages	(18 769 949)	(16 538 019)
Liquidation of damages and expired goods	(9 514 099)	(8 942 049)
Losses from disposals of property, plant and equipment	(2 145 441)	-
Allowance for bad debts	(7 494 451)	(1 786 794)
Expenses regarding the acquisition of Tradis	-	(15 659 750)
Ligitations	-	(1 516 238)
Other	(7 279 195)	(5 441 358)
Net other operating expenses	(26 552 608)	(8 348 591)

NOTE 27.
FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 36

FINANCIAL REVENUES AND COSTS IN 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
Financial income	147 122 480	9 009 958
Interest	6 718 439	6 877 520
Revenues from discounts	3 978 095	2 126 887
Dividends	131 208 136	-
Sale of shares in the Group	5 100 410	-
Other financial income	117 399	5 551
Financial expenses	(118 791 543)	(47 726 092)
Interest	(105 653 118)	(46 530 682)
Foreing exchange losses	(22 566)	(143 779)
Sale of shares in the Group	(4 771 884)	-
Allowance of shares in the Group	(3 830 357)	-
Other financial expenses	(4 513 617)	(1 051 631)
Net financial expenses	28 330 937	(38 716 134)

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 28. EARNINGS PER SHARE

Earnings per share are presented below:

Table no 37

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
<i>Earnings</i>		
Profit for the period attributable to the Parent's shareholders	145 208 702	64 786 635
Dilution effect :		
Interest on convertible bonds net of tax	-	-
Profit for the period attributable to the Parent's shareholders (diluted)	<u>145 208 702</u>	<u>64 786 635</u>
<i>Number of issued shares</i>		
Weighted average number of shares	137 921 774	136 765 168
Dilution effect of potential number of shares:		
Convertible bonds	953 911	1 299 063
Weighted average number of shares (to calculate diluted earnings per share)	<u>138 875 685</u>	<u>138 064 230</u>
Earnings per share		
- basic	1,05	0,47
- diluted	1,05	0,47

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.

Calculation of weighted average diluted number of shares

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

The 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.

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

Description of factors which dilute the number of shares

Earnings per share are diluted as a consequence of the implementation of share option schemes discussed in Note 16.

NOTE 29. BOOK VALUE PER SHARE

The book value per share is calculated as the quotient of the book value and the number of shares as at the end of the reporting period.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 38

BOOK VALUE PER SHARE ON 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Book value	477 015 634	347 175 620
Number of shares	137 976 536	136 983 011
Diluted number of shares	138 909 011	138 909 011
Book value per share	3,46	2,53
Diluted book value per share	3,43	2,50

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 30. RELATED PARTY DISCLOSURES

No significant non-arm's length transactions with subsidiaries were noted in 2012.

No allowances for receivables from related parties were raised in 2012.

	EUROCASH S.A.
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2012

Trade receivables

KDWT	14 659 583
EUROCASH FRANCYZA	3 026 464
PAYUP	9 872
EUROCASH TRADE 1	21 751
EUROCASH TRADE 2	1 962
EUROCASH SPÓŁKA AKCYJNA SP. K.	1 162
DANIA FAST FOOD	134 562
AGIS	14 960
DAKO-GALANT	7 967
DAMIANEX	33 990
DELIKATES	13 652
MIRO	6 917
MTC	256 236
MULTI-EX	84 240
POLSKIE HURTOWNIE ALKOHOLI	101 435
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	20 010
PREMIUM DISTRIBUTORS	3 169 012
SAOL	1 367
AMBRA	-
DETAL KONCEPT	27 950
DROGERIE KOLIBER	960
LEWIATAN HOLDING	6 556
LEWIATAN OPOLE	4 864
LEWIATAN PÓŁNOC	1 180
LEWIATAN ŚLĄSK	14 265
LEWIATAN WIELKOPOLSKA	4 980
PARTNERSKI SERWIS DETALICZNY	1 350
TRADIS	16 068 045
Total	37 695 293

Loans to

PAYUP	3 850 088
Total	3 850 088

Other receivables

KDWT	106 242
EUROCASH FRANCYZA	4 875 433
PAYUP	244 129
PREMIUM DISTRIBUTORS	72 429
AMBRA	224 977
TRADIS	29 856
Total	5 553 067

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Trade payables

KDWT	6 130 805
EUROCASH FRANCYZA	4 292 943
PAYUP	55 436
EUROCASH TRADE 1	912
EUROCASH SPÓŁKA AKCYJNA SP. K.	1 501 189
DANIA FAST FOOD	198 660
AGIS	9 498
DAKO-GALANT	775
DAMIANEX	26 796
DELIKATES	12 812
MIRO	5 766
MTC	17 221
MULTI-EX	9 738
POLSKIE HURTOWNIE ALKOHOLI	1 771
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	20 978
PREMIUM DISTRIBUTORS	741 301
SAOL	11 745
AMBRA	18 970
DETAL KONCEPT	365
DEF	3 654
TRADIS	4 818 310
Total	17 879 643

Loans received

EUROCASH SPÓŁKA AKCYJNA SP. K.	71 047 320
EUROCASH FRANCYZA	25 147 623
DAMIANEX	30 177 148
Total	126 372 091

Other payables

KDWT	30 218
EUROCASH FRANCYZA	19 521
EUROCASH SPÓŁKA AKCYJNA SP. K.	939 831
AGIS	6 300
DAKO-GALANT	6 478
DAMIANEX	42 679
DELIKATES	8 056
MIRO	6 552
MTC	86 415
MULTI-EX	17 640
POLSKIE HURTOWNIE ALKOHOLI	5 418
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	1 152
PREMIUM DISTRIBUTORS	714 053
SAOL	31 500
TRADIS	326 670
DETAL KONCEPT	36 296
Total	2 278 778

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of merchandise

KDWT	170 252 325
EUROCASH FRANCZYZA	6 820
EUROCASH TRADE 1	223 090
DANIA FAST FOOD	116 631
AGIS	(17 572)
DAKO-GALANT	(2 633)
DAMIANEX	11 363
DELIKATES	9 418
MIRO	(3 002)
MTC	(12 659)
MULTI-EX	(7 511)
POLSKIE HURTOWNIE ALKOHOLI	(90)
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	302 094
PREMIUM DISTRIBUTORS	37 155 841
SAOL	23 073
TRADIS	35 081 178
Total	243 138 365

Sales of services

KDWT	5 927 360
EUROCASH FRANCZYZA	22 785 178
PAYUP	48 000
EUROCASH TRADE 1	1 740
EUROCASH TRADE 2	1 740
DANIA FAST FOOD	40 300
EUROCASH SPÓŁKA AKCYJNA SP. K.	11 340
AGIS	86 723
DAKO-GALANT	27 846
DAMIANEX	83 157
DELIKATES	68 524
MIRO	22 996
MTC	97 768
MULTI-EX	45 681
POLSKIE HURTOWNIE ALKOHOLI	27 470
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	85 158
PREMIUM DISTRIBUTORS	4 470 336
SAOL	33 169
LEWIATAN OPOLE	3 955
LEWIATAN ŚLĄSK	11 598
LEWIATAN WIELKOPOLSKA	1 837
TRADIS	8 662 427
DEF	4 392
Total	42 548 697

Interest revenues

PAYUP	325 675
DELIKATES	941
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	1 883
PREMIUM DISTRIBUTORS	3 000 400
PRTNERSKI SERWIS DETALICZNY	1 199
TRADIS	343 516
AMBRA	16 037
LEWIATAN KUJAWY	4 455
DEF	17 077
Total	3 711 183

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Dividend revenues

KDWT	26 611 721
EUROCASH FRANCZYZA	57 954 837
EUROCASH SPÓŁKA AKCYJNA SP. K.	46 641 578
Total	131 208 136

Revenues from the sale shers

EUROCASH FRANCZYZA	4 875 433
AMBRA	224 977
Total	5 100 410

Costs of goods sold

KDWT	111 962 046
DANIA FAST FOOD	1 415 027
PREMIUM DISTRIBUTORS	2 126 725
TRADIS	9 341 393
Total	124 845 190

Costs of services

KDWT	31 537 412
EUROCASH FRANCZYZA	28 662 243
DANIA FAST FOOD	44 499
EUROCASH TRADE 1	35 938
EUROCASH SPÓŁKA AKCYJNA SP. K.	15 014 805
AGIS	68 035
DAKO-GALANT	12 065
DAMIANEX	80 812
DELIKATES	75 046
MIRO	12 516
MTC	83 440
MULTI-EX	34 909
POLSKIE HURTOWNIE ALKOHOLI	7 849
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	99 550
PREMIUM DISTRIBUTORS	9 116 785
SAOL	24 446
DETAL KONCEPT	5 674
TRADIS	6 370 628
Total	91 286 650

Interest costs

EUROCASH FRANCZYZA	147 623
EUROCASH SPÓŁKA AKCYJNA SP. K.	6 088 117
AGIS	7 673
DAKO-GALANT	3 045
DAMIANEX	187 340
DELIKATES	9 571
MIRO	2 862
MTC	35 106
MULTI-EX	9 261
POLSKIE HURTOWNIE ALKOHOLI	7 455
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	2 304
PREMIUM DISTRIBUTORS	32 159
SAOL	3 198
DETAL KONCEPT	178 777
Total	6 714 493

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other costs

KDWT	18 598
EUROCASH FRANCZYZA	9 576
EUROCASH SPÓŁKA AKCYJNA SP. K.	939 831
AGIS	6 300
DAKO-GALANT	6 478
DAMIANEX	42 679
DELIKATES	8 056
MIRO	6 552
MTC	86 415
MULTI-EX	17 640
POLSKIE HURTOWNIE ALKOHOLI	5 418
PRZEDSIĘBIORSTWO HANDLU SPOŻYWCZEGO	1 152
PREMIUM DISTRIBUTORS	707 192
SAOL	31 500
TRADIS	290 943
AMBRA	20 160
DETAL KONCEPT	36 296
DEF	3 654
Total	2 238 438

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 31.

REMUNERATION TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The table below presents values of total remuneration, bonuses, rewards and other benefits paid or payable to the Members of the Management Board and the Supervisory Board during the period from 1 January 2012 to 31 December 2012.

There were no other transactions noted during the reporting period which would involve the Members of the Management Board and the Supervisory Board.

Table no 39

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 0.1.01 TO 31.12.2012

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	300 000	203 794	-	503 794
Rui Amaral	1 110 000	461 939	-	1 571 939
Arnaldo Guerreiro	1 005 000	360 459	-	1 365 459
Pedro Martinho	990 000	556 559	-	1 546 559
Katarzyna Kopaczewska	783 000	284 654	-	1 067 654
Jacek Owczarek	825 000	432 060	38 151	1 295 211
Carlos Saraiva	1 170 000	489 626	-	1 659 626
	6 183 000	2 789 091	38 151	9 010 242
<i>Remuneration of the Members of the Supervisory Board</i>				
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

NOTE 32.

EMPLOYMENT

The number of employees as at 31.12.2012 is presented below:

Table no 40

NUMBER OF EMPLOYEES AS AT 31.12.2012

	as at 31.12.2012	as at 31.12.2011
Number of employees	4 187	3 994
Number of full-time jobs	4 116	3 933

The employment structure as at 31.12.2012 is presented below:

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 41

STRUCTURE OF EMPLOYMENT AS AT 31.12.2012

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	3 509	678	4 187
Number of full-time jobs	3 444	672	4 116

Employee turnover values as at 31.12.2012 are presented below:

Table no 42

EMPLOYEE TURNOVER IN 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
Number of hired employees	1 764	1 843
Number of dismissed employees	(1 571)	(1 570)
	193	273

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 33.

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 loan sureties and bank guarantees amounted to PLN 1.228.062.301.

Moreover, the value of bank guarantees issued for Company's counterparties amounted to PLN 15.424.962. A detailed specification is presented below:

Table no 43

CONTINGENCIES AS AT 31.12.2012

No Beneficiary	Title	Currency	as at 31.12.2012	as at 31.12.2011
1. ING	Surety of the ING Bank Śląski S.A. bank guarantee for Dolma Agreement	PLN	619 800 000	387 800 000
2. Millennium Bank	Surety of the bank guarantee for Polkomtel S.A. for PayUp liabilities	PLN	2 250 000	2 250 000
3. Millennium Bank	Surety of the bank guarantee for Polkomtel S.A. for PayUp liabilities	PLN	1 500 000	1 500 000
4. BZ WBK Faktor	Surety for payables of Premium Distributors Sp. z o.o. for the factor due to Factoring Agreement	PLN	300 000 000	-
5. BZ WBK Faktor	Surety for payables of Tradis Sp. z o.o. for the factor due to Factoring Agreement	PLN	300 000 000	-
6. BRE Leasing	Surety for the payables of Tradis Sp. z o.o. due to Leasing Agreements	PLN	4 350 866	-
7. BRE Leasing	Surety for the payables of Premium Distributors Sp. z o.o. due to Leasing Agreement IMP0000294/DK/144943/2012	PLN	152 435	-
8. SVENSKA HandelsBanken & Handelsbanken Finans AB	Surety for the trade payables of KDWT S.A. due to Leasing Agreements and Visa Card	PLN	9 000	500 000
9. SVENSKA HandelsBanken AB S.A. Oddział w Polsce	Surety for the payment of receivables for Bank from Dania Fast Food Sp. z o.o. due to guarantee agreement number 178/01/11	PLN*	-	328 599
			1 228 062 301	392 378 599

* - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:
as at 31.12.2011: 1 EUR = 4,4168 PLN,
as at 31.12.2012: 1 EUR = 4,0882 PLN.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2012	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 44

OTHER BANK GUARANTEES AS AT 31.12.2012

No	Bank guarantee drawer	Title	Currency	as at 31.12.2012	as at 31.12.2011
1.	ING	Security for rent liabilities	PLN	944 563	3 256 360
2.	ING	Security for rent liabilities	PLN*	-	4 916 827
3.	PKO BP S.A.	Security for rent liabilities	PLN	3 311 140	-
4.	PKO BP S.A.	Security for rent liabilities	PLN*	4 669 258	-
5.	ING	Security for liabilities for suppliers	PLN	-	5 000 000
6.	PKO BP S.A.	Security for liabilities for suppliers	PLN	6 500 000	-
				15 424 962	13 173 188

* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:
as at 31.12.2011: 1 EUR = 4,4168 PLN,
as at 31.12.2012: 1 EUR = 4,0882 PLN.

NOTE 34. COLLATERALS

As at 31.12.2012, the value of collaterals on the Company's assets amounted to PLN 871.890.017. A detailed specification is presented below:

Table no 45

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 distribution companies acquired from Emperia Holding	461 538 000
Security for agreement with a credit line ING	Rights of ownership of the Eurocash S.A. inventories	180 000 000
Financial leasing agreements	Deposit on fixed assets in financial leasing	20 736 343
		871 890 017

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NOTE 35. FINANCIAL RISK MANAGEMENT

a. General information

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

b. Credit risk

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

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

Table no 46

CREDIT RISK EXPOSURE

	as at 31.12.2012	as at 31.12.2011
Accounts receivable and loans	445 382 958	432 167 374
Cash and cash equivalents	56 751 191	199 382 238
	502 134 149	631 549 612

* excluding cash

Trade receivables and other receivables

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

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

- sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk,
- sales 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 compensation of receivables related to sales of marketing services with payables to suppliers
- 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.

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

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

Table no 47

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2012

	Trade receivables gross value as at 31.12.2012	Bad debts allowance as at 31.12.2012	Trade receivables gross value as at 31.12.2011	Bad debts allowance as at 31.12.2011
current	335 988 907	-	323 421 909	-
0-30 days	71 025 784	-	55 339 770	-
31-90 days	9 216 424	-	21 266 209	-
91-180 days	9 113 588	-	8 907 345	-
> 180 days	11 011 977	8 321 973	9 259 825	4 848 741
	436 356 680	8 321 973	418 195 058	4 848 741

Table no 48

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2012

	from 01.01.2012 to 31.12.2012	from 01.01.2011 to 31.12.2011
Opening balance	4 848 741	4 948 041
Increases	3 473 233	-
Decreases	-	(99 300)
Closing balance	8 321 973	4 848 741

Investments

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

Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries and for regular key customers.

c. Liquidity risk

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

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

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The basis for effective liquidity risk management in the Eurocash Group is an internal model of forecasting cash flows. The Company's liquidity management is focused on detailed analysis, planning and acting in the following three areas:

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

The Company's sales are realized mainly in cash. Moreover, the Company has a negative balance of overdraft facility up to PLN 490 m which can be used to meet its short-term financial requirements.

As at 31 December 2012, undisbursed limits amounted to PLN 247 m.

Regular risk management, the Company's position on the market, and its financial standing may be a basis for a conclusion that the liquidity risk is minimized.

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

Table no 49

AS AT 31.12.2012

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	20 674 521	4 299 416	15 665 295	709 810
Trade and other payables	1 177 026 801	1 177 026 801	-	-
Factoring	27 830 969	27 830 969	-	-
Bank overdrafts	1 190 007 591	716 262 712	473 744 879	-
	2 415 539 882	1 925 419 897	489 410 174	709 810

AS AT 31.12.2011

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

d. Market risk

Market risk is the risk related to changes in demand, supply, and prices, as well as other factors (such as foreign exchange rates, interest rates, and equity prices) which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

Currency risk

Currency risk does not affect significantly business activities of the Company as the majority of the Company's settlements are made in the local currency. In order to manage the currency risk regarding significant transactions in foreign currency, the Company buys and sells derivatives. The Company is focused on an 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.

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Interest rate risk

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

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

Table no 50

VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2012	Present value 31.12.2011
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	20 674 521	26 353 472
Floating interest rate instrument		
Financial assets	502 166 438	631 575 116
Financial liabilities	2 394 865 361	2 554 610 629

The Company has analyzed variable-interest instruments' sensitivity to changes in market interest rates. The table below presents an 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 year and for the previous year.

Table no 51

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2012	(18 926 989)	18 926 989	-	-
31 December 2011	(19 230 355)	19 230 355	-	-

e. Capital management

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

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

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

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

f. Fair value

The following table presents fair values versus carrying amounts:

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Table no 52

FAIR VALUES

	Net book value 31.12.2012	Fair value 31.12.2012	Net book value 31.12.2011	Fair value 31.12.2011
Assets	502 166 438	502 166 438	631 575 116	631 575 116
Trade and other receivables	441 531 781	441 531 781	423 337 743	423 337 743
Other financial assets	3 851 177	3 851 177	8 829 631	8 829 631
Cash and cash equivalents	56 783 480	56 783 480	199 407 742	199 407 742
Liabilities	2 415 539 882	2 415 539 882	2 580 964 102	2 580 964 102
Credits	1 190 007 591	1 190 007 591	1 457 931 616	1 457 931 616
Financial lease liabilities	20 674 521	20 674 521	26 353 472	26 353 472
Factoring	27 830 969	27 830 969	32 222 664	32 222 664
Trade and other payables	1 177 026 801	1 177 026 801	1 064 456 349	1 064 456 349
	(1 913 373 444)	(1 913 373 444)	(1 949 388 986)	(1 949 388 986)

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Fair value calculation

The following methods of valuation were used in the calculation of fair values for 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.

NOTE 36.

OTHER 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. In view of the foregoing conditions Eurocash informs, that 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.

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**NOTE 37.
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. 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.

On the basis of the aforementioned Current Account Overdraft, the Banks granted the Company a credit facility up to the amount of PLN 80,000,000.00. The purpose of the credit facility is to finance daily operations of the Company.

Bank rate of the credit facility is floating, based on WIBOR plus bank margin.

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SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	27 th March 2013	<i>Luis Amaral</i>
Management Board Member Chief Executive Officer	Rui Amaral	27 th March 2013	<i>Rui Amaral</i>
Management Board Member	Arnaldo Guerreiro	27 th March 2013	<i>Arnaldo Guerreiro</i>
Management Board Member	Pedro Martinho	27 th March 2013	<i>Pedro Martinho</i>
Management Board Member Human Resources Director	Katarzyna Kopaczewska	27 th March 2013	<i>Kopaczewska</i>
Management Board Member Financial Director	Jacek Owczarek	27 th March 2013	<i>Jacek Owczarek</i>
Management Board Member	Carlos Saraiva	27 th March 2013	<i>Jacek Owczarek</i>



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