

EUROCASH GROUP
CONSOLIDATED ANNUAL REPORT FOR THE 2013



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part A

Eurocash S.A. - report of the Management Board

For the period from 1 January 2013
to 31 December 2013

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, March 28th 2014

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**To our shareholders,
employees,
customers and partners,**

I am pleased to present you with a summary of 2013 at the Eurocash Group. This was without a doubt a difficult year, primarily for two reasons. On the one hand, we were faced with difficult market conditions - the economic slowdown has translated into a markedly deteriorated situation in trade sector. On the other, we went through a crucial stage of integrating Tradis, which we bought two years ago. This process had a negative impact on our results, but was necessary in order to drive the integrated group's operating performance in the long term.

The trade market noted symbolic 1,5% growth in 2013, compared with 3% the year before. Nonetheless, we can see certain positive signs for traditional retail, which is where both Eurocash and our customers operate. Despite the fact that independent stores brought in less revenue due to tough economic conditions, traditional retail did in fact increase its market share. This may be a sign of things to come over the next several years. It is clear that, in terms of growth dynamics, traditional retail is catching up to its largest competitor - discount chains. Two or three years ago, discount retailers were expanding at about 20% annually, while traditional stores were growing at 3-4%. Currently, growth figures are at 3-4% versus 1-2% respectively. This, we are certain, validates our strategy and shows that our work towards improving the competitiveness of independent retailers in Poland is paying off.

As I mentioned, 2013 was a key year for us in terms of integrating Tradis into the Eurocash Group. This was a formidable challenge throughout the period, and I admit that we had to revise some of our initial objectives. Reorganising the acquired company and integrating Eurocash and Tradis cash&carry locations weighed on the results of the entire group in 2013, slowing down our market expansion. The integration process is our top priority, and we intend to complete it this year.

Tradis was also negatively impacted by the expiry of the Stokrotka sales contract. Although this was planned as part of the transaction with the Emperia Group, it had a negative short-term effect on logistics and earnings at Tradis.

Tradis aside, our remaining formats maintained profitability and continued to grow their market share. Following the inclusion of Tradis outlets, the cash&carry wholesale chain closed the year with 158 locations. We plan to further expand this format, opening 8-10 new wholesale outlets in 2014.

Last year, we added 102 Delikatesy Centrum franchise stores, and the planned integration of a common logistics platform with Tradis in 2014 should allow for faster growth in new regions of Poland.

As regards impulse product distribution, a swiftly changing market environment gave us the opportunity to speed up consolidation of the tobacco goods distribution segment. In December 2013, we announced our intent to merge KDWT with Kolporter FMCG. The combined new entity, in which we will have a 75% stake and our partner the remaining 25%, will be the market leader in tobacco distribution. Post-merger, sales are expected to exceed PLN 5 billion, and this scale should guarantee a substantial improvement in operating performance. The transaction will be completed after we get approval from the Polish competition regulator, UOKiK.

In the alcoholic beverage distribution segment, the increase in excise duty from the beginning of 2014 resulted in higher speculative sales at the end of 2013.

To summarise, a year of challenges has come to a close. We faced a harsh market environment and difficulties in integrating the group after the Tradis acquisition. Our financial results are presented in the pages that follow. Although they are less than satisfactory, we are optimistic about the prospects for our business over the following years in terms of growing market share – for both the Eurocash Group and our customers, executing our strategy and delivering strong returns.

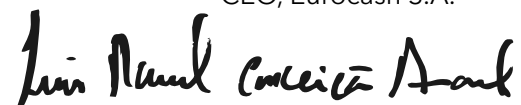
Last but not least, I would like to thank our employees for their everyday efforts and involvement, the importance of which became particularly visible in a difficult market. It is thanks to you that we may be optimistic about the Eurocash Group's further dynamic growth in the future.

I hope you enjoy the reading.

Sincerely,

Luis Amaral

CEO, Eurocash S.A.

A handwritten signature in black ink, reading "Luis Amaral", with a stylized flourish at the end.

1.

Summary of Eurocash Group Operations in 2013

PLN m	2013	2012	Change 2013/20112
Revenues from the sales of products, goods, and materials	16 537.53	16 609.29	-0.43%
EBITDA (EBIT + amortization)	402.14	490.19	-17.96%
(EBITDA %)	2.43%	2.95%	-0.52 p.p.
Operating profit - EBIT	285.69	376.83	-24.19%
(Operating margin - EBIT %)	1.73%	2.27%	-0.54 p.p.
Net profit on continued operations	221.01	250.38	-11.73%
(Net profit yield %)	1.34%	1.51%	-0.17%
Net Debt	577.6	798.5	-220.9
Net Debt/EBITDA	1.4	1.6	-0.2

Table 1.
Eurocash Group:
Summary of Financial Performance

Eurocash Group consolidated sales in 2013 reached PLN 16 537.53 million, EBITDA amounted to PLN 402.14 million, a net profit of PLN 221.01 million.

Eurocash Group consolidated sales in 2013 decreased slightly - by 0.43 % compared to the previous year. The main reason for the lack of sales growth were difficult market conditions and internal factors related to the acquisition and consolidation process of Tradis. One of them was the conclusion of a contract with a network of Stokrotka stores and relocation Tradis cash&carry locations to Eurocash Cash&Carry. These factors also affected the lower level of gross margin, which in turn caused the decline in EBITDA (-17.96%) Despite the unfavorable conditions, formats Delikatesy Centrum and Cash&Carry reported significant increases in comparison to 2012. Lower than during the previous year net income (a decrease of 11.73%) was partially offset by a significant reduction in debt from PLN 798 million in 2012 to a level of PLN 578 million at the end of 2013. Therefore, the ratio of net debt to EBITDA in 2013 improved to 1.4x from 1.6x in 2012.

At 2013 year end, the Eurocash Cash&Carry chain of warehouses totaled 158 outlets while the number of abc franchise stores was 6 133. The number of Delikatesy Centrum franchise stores went up by 102 and totaled 875 outlets at 2013 year end. The like-for-like sales increased by 3.84% in the Eurocash Cash&Carry format while the sales of Cash&Carry format to external customers in 2013 amounted to PLN 4 591.21 million and achieved an increase of 12.64%.

Retail sales noted by Delikatesy Centrum franchise stores (like-for-like) were up by 1.4% in 2013. Wholesale from Eurocash distribution centers to Delikatesy Centrum was in 2013 PLN 1 654.22 million, which means an increase of 12.11% compared to the corresponding period of the previous year.

Total sales KDWT to external customers increased by 8.7%. Sales to external customers carried out by Eurocash Gastronomica reached in 2013 614.3 PLN million, which is a decrease of -12.48% year on year. External sales made by a group of Premium Distributors taken as a result of Eurocash Group in 2013 amounted to PLN 1 891.5 million, and fell by 3.09% year on year.

The figure below shows the structure of Eurocash Group consolidated sales in 2012-2013 according to the business units. On the figure were specified Tradis decline in sales due to the cessation of sales to the Stokrotka network (a decrease of PLN 395 million) and moving the Tradis cash&carry locations to Eurocash Cash&Carry (a decrease of PLN 498 million). Taking into account only the continued sales, Tradis grew up by 1.6% year on year.

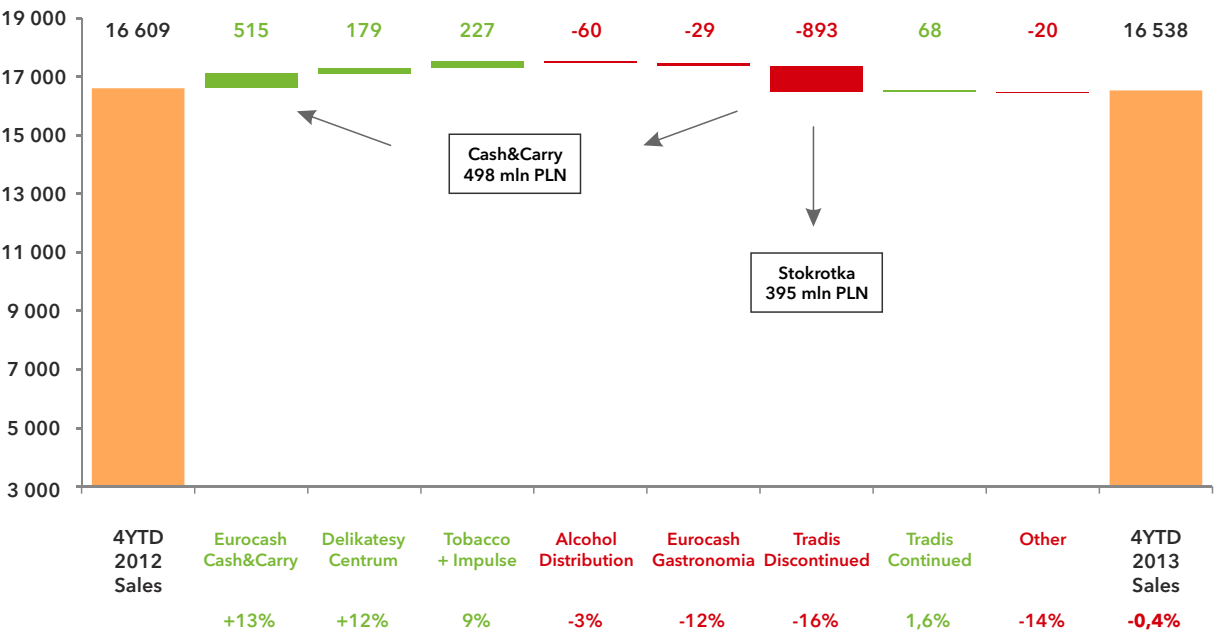


Chart 1.
Eurocash Group sales 2012-2013 (mln PLN)

Eurocash Group 2013 sales according to business units are presented on the chart below.

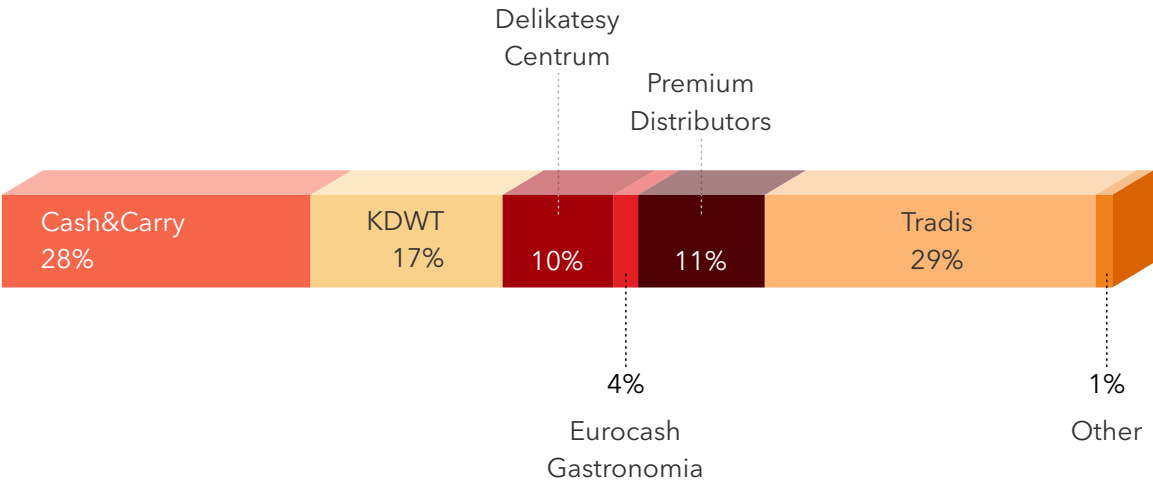


Chart 2.
Eurocash Group sales in 2013
according to business units

2.

Eurocash Group

2.1. Eurocash Group: capital and organizational links

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

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

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



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.



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



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



Grupa Dystrybucyjna Tradis the biggest polish nationwide distributor of FMCG providing trade of products with service to the client with the broad range of assortment. To the Group belong over 4 270 retail franchise and partner stores under the brands: Lewiatan, Groszek, Euro Sklep, Gama.



PayUp (Eurocash Group controls 49% of shares). Aside from the core business indicated above, the Eurocash Group also distributes electronic financial services through a network of approximately 4,9 (as at 31 December 2013) terminals located in stores nationwide through PayUp, which offers, e.g. mobile top ups, bill payments, and charge card payments.



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

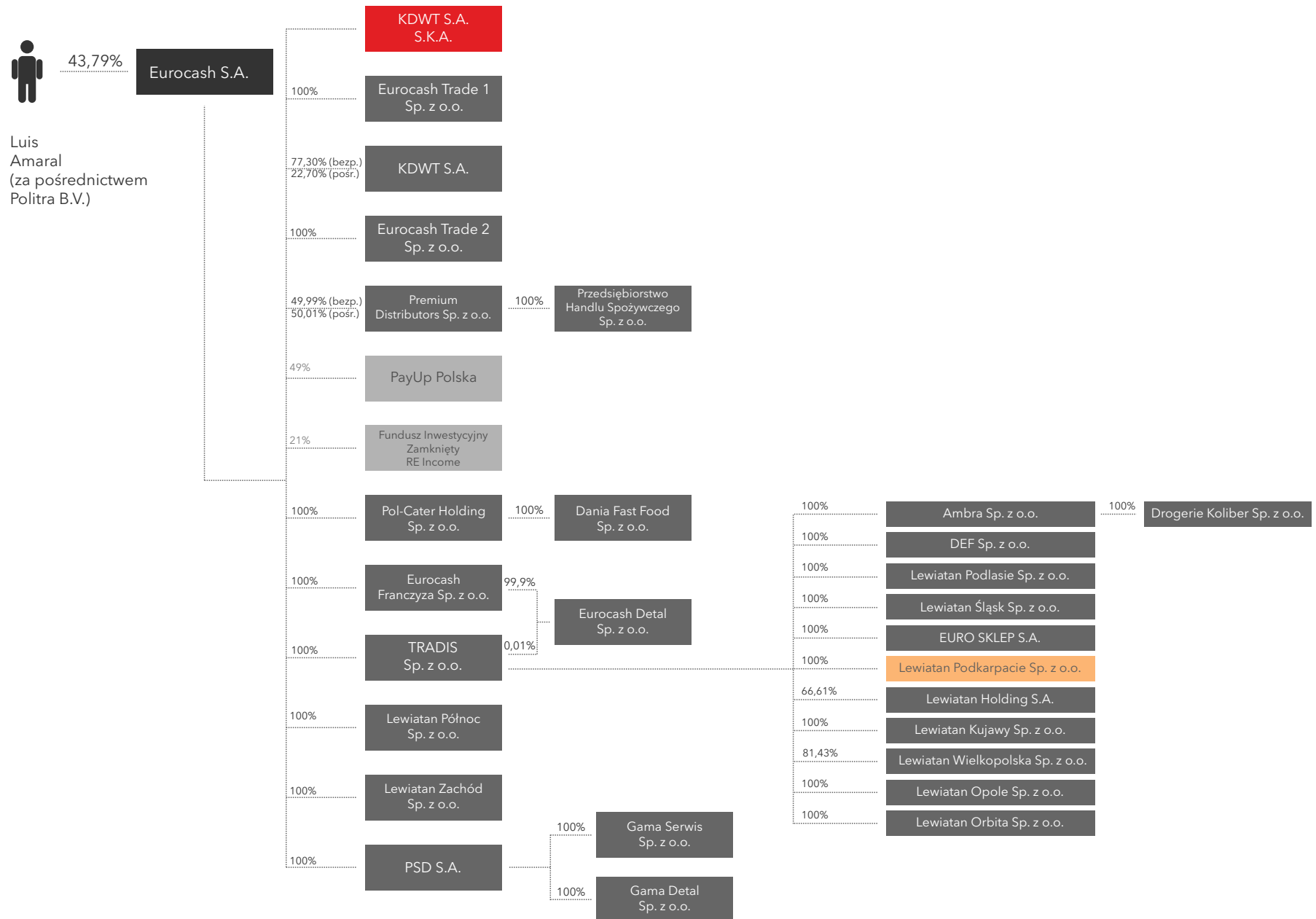
2.1. Eurocash Group: capital and organizational links

Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V.), with the shareholding of 43,79% as at 31.12.2013. 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.

The chart on the next page presents the structure of the Eurocash Group and its affiliated companies as at December 31, 2013:

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



3.

Eurocash Group Business Overview

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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 2.
Eurocash: Macroeconomic situation in Poland

	2013	2012	2011
Real GDP change (in %)	1.6*	1.9	4.5
Consumer price index change (in %)	0.9	3.7	4.3
Registered unemployment** (in %)	13.4	13.4	12.5

* Preliminary data

** As at year end

Poland's economic growth, as measured by real GDP growth, according to preliminary estimates, amounted in 2013 to 1.6% compared to 1.9% in 2012.

In 2013, the fastest- growing sector of the economy was the transportation and storage - the value added in this sector increased by 4.5% year on year, compared with an increase of 7.9% in 2012.

For comparison, in 2013, the trade and industry sector recorded growth of 2.9% (compared to 1.8% growth in 2012).

Prices of consumer goods and services in 2013 increased by 0.9% compared to 3.7% growth in 2012.

Food prices in 2013 increased compared to the previous year by 2.2% (against 4.3% in 2012). Also prices of soft drinks increased by 0.3% , against an increase of 4.3% in 2012. In contrast, alcohol prices increased to a greater extent than in 2012 by 1.1% compared to 0.9%.

The increase in prices of tobacco products in 2013 amounted to 7.5%, which was significantly affected by an increase of excise duty in early 2013.

The biggest impact on the price index of consumer goods and services in 2013, compared to 2012, had the increase in food prices (by 2.2%), alcoholic beverages and tobacco products (by 3.5%).

At the end of December 2013, the registered unemployment rate in the country has not changed compared to the previous year and amounted to 13.4%.

3.1. Market Environment

General information

The market of FMCG products includes food products, soft drinks, alcoholic beverages, tobacco products, and household chemicals and cosmetics.

According to the GfK Polonia Sp. z o.o., the FMCG market in 2013 in Poland amounted to PLN 222 billion, which represents an increase of 1.5% compared with 2012 (PLN 218 billion).

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, noted a 0.74% decrease in 2012. The value of food products on the wholesale market was PLN 121.3 billion in 2012 (an increase of 1.3% YoY), non-alcoholic beverages represented PLN 119.7 billion and alcoholic beverages represented PLN 24.8 billion.

The wholesale share of non-food products increased by 0.6 percentage points compared to the previous year. While there was a decline in the share of food and non-alcoholic beverages (by 0.2 percentage points) and alcoholic beverages (by 0.4 percentage points).

Table 3.

Eurocash Group: Wholesale distribution of FMCG Products in Poland

PLN bn	2012	Change %	2011	Change %	2010
Food and non-alcoholic beverages	121.3	1.3	119.7	10.4	108.4
Alcoholic beverages	24.8	-9.8	27.5	8.7	25.3
Total	146.1	-0.74	147.2	10.1	133.7

Source: Central Statistical Office

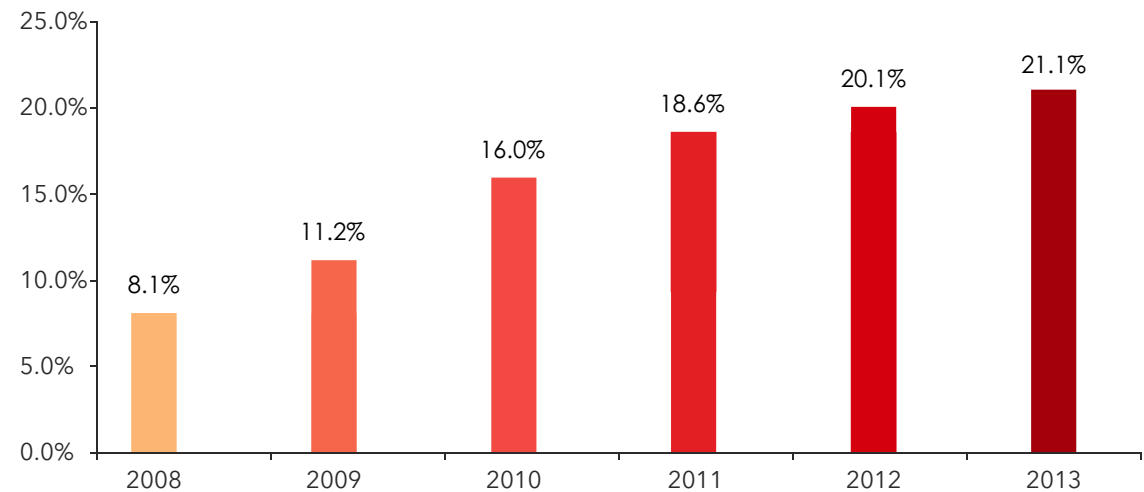
3.1. Market Environment

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 up by one compared to 2012, amounting to nine. The market is still dominated by the traditional business profile (sales and delivery - 78% of the researched population, and trade credit - 22% of the researched population).

In 2013, Eurocash Group represented a 21.1% share in the wholesale market of FMCG products, which was a one percent increase on the previous year.

Chart 3.
Market share of Eurocash Group during 2008-2013

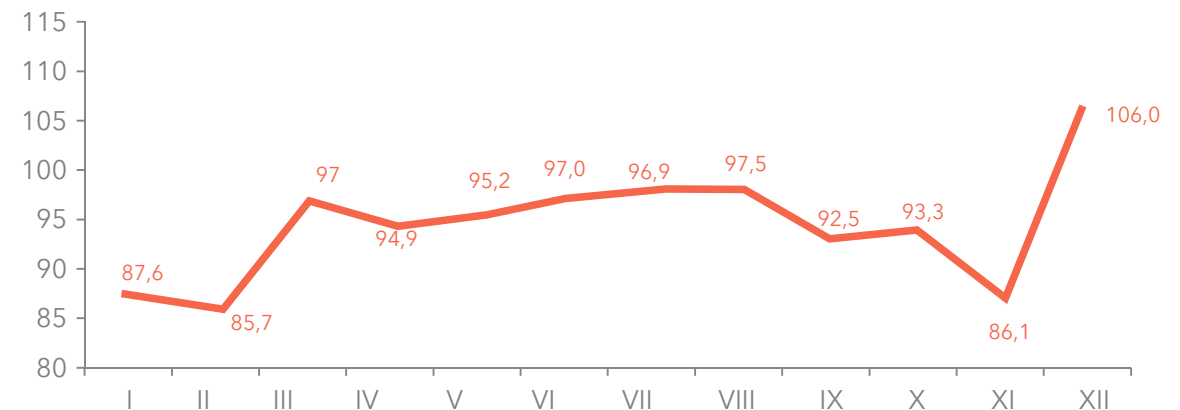


3.1. Market Environment

Market for Retail Distribution of FMCG Products

According to Central Statistical Office, in 2012, retail sales at current prices realized by commercial and non commercial enterprises amounted PLN 676.0 billion and was 4.6% higher than last year. In retail sales locations value of goods sold amounted to PLN 651.7 billion (an increase of 4.4%), including the value of food and non-alcoholic beverages of PLN 166.2 billion (an increase of 3.2%), alcoholic beverages and tobacco products - PLN 56.2 billion (up 2.7%) and non-food goods PLN 429.4 billion (up 5.2%). In catering locations, retail sales totaled PLN 24.3 billion (up 9.6%).

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 357 thousand retail outlets and 68.8 thousand catering outlets operated in Poland as at the end of 2012. 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.

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.

3.1. Market Environment

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) increased its market share by 2% and represent approximately 55% of major retail channels whereas small format stores - approximately 45%. According to Eurocash, there is no evidence that the role of traditional retail trade will continue to dramatically diminish in the coming years. This is supported by both external conditions (the demographic structure) as well as internal conditions (which mainly consist of consolidation and modernization mechanisms which facilitate effective competition with large format outlets.) Pooling stores with floor areas of up to 300 m² into franchise networks - both traditional in nature (which are in fact a form of loyalty programs) as well as modern ones (which tie retailers strongly to their supplier) a manifestation of this trend. According to estimates released by GfK Polonia, the total number of retail outlets associated in networks was approximately 24.500 thousand in 2013 (increase of 7.5% in comparison to the year 2012).

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 for now on.

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 Group. In 2013, the share of these products accounted for approximately 78.4% of the total sales figure against 79.1% noted in 2012. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of 18.0% in 2013 against 17.0% noted in 2012. The share of other non-food products (including cosmetics, household chemicals, OTC drugs, and others) accounted for 3.5% in 2013 against 3.9% noted in 2012.

Chart 5.
Sales Mix of goods of Eurocash Group 2013

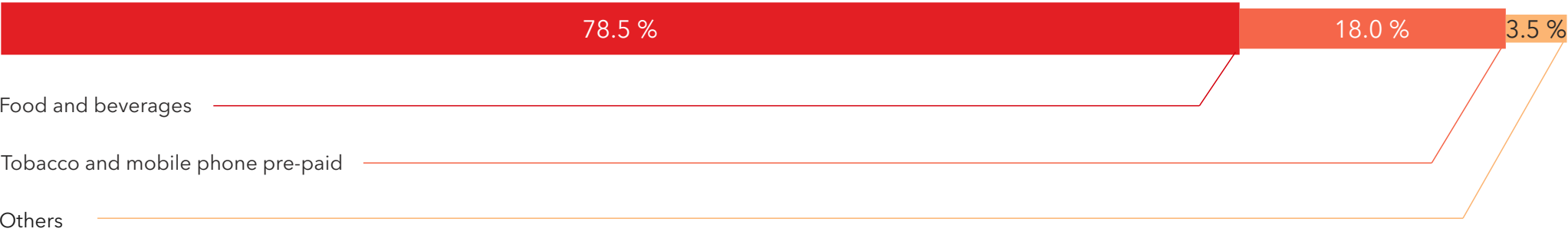
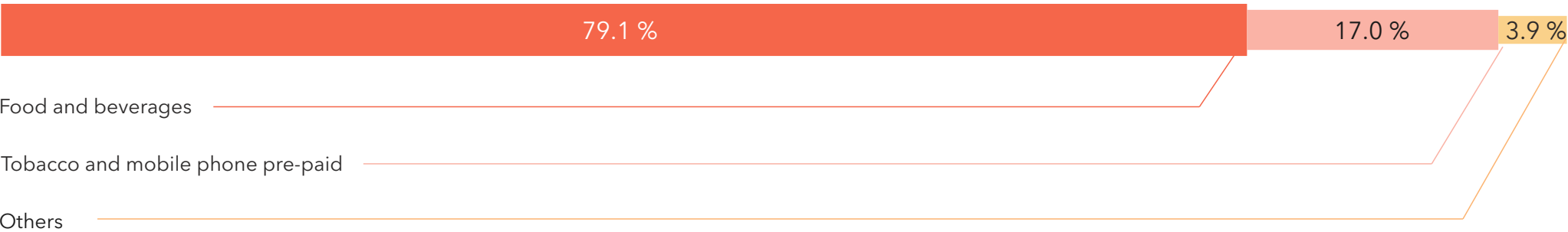


Chart 6.
Sales Mix of goods of Eurocash Group 2012



3.2. Sales Mix

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

Traditional wholesale segment

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

for retail stores looking for the comprehensive delivery of products - the Delikatesy Centrum franchise network

Active distribution segment

for customers looking for specialized deliveries of specific product categories, e.g.:

tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through KDWT

alcoholic beverages – distribution of alcoholic beverages through Premium Distributors, and

restaurant chains, hotel chains, and petrol station chains looking for a comprehensive delivery of specific products as well as for high service quality – distribution under Eurocash Gastronomica.

As at 31 December 2013, the wholesale network of Eurocash Group comprised 158 Cash&Carry warehouses (including 3 Batna warehouses). The Delikatesy Centrum network comprised 875 supermarkets, while the 'abc' network comprised 6 133 local grocery stores and number of stores associated in networks managed by Tradis was 4 270.

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

Table 4.
Eurocash Group: Number of Cash & Carry warehouses,
Delikatesy Centrum, 'abc' store network
and stores associated in Tradis

	2013	As at 31 December 2012	2011	2010	Change 2013/2012	Change 2012/2011	Change 2011/2010
Cash&Carry Warehouses	155/158*	145/148*	134/137*	126/129*	10	11	8
Delikatesy Centrum	875	773	650	561	102	123	89
„abc” store network	6 133	5 451	4 652	3 990	682	799	662
Franchise and partner stores of Tradis	4 325	4 140	4 114	4 189	185	26	-75

Due to the large dispersion of the sale, none of the customers of the Eurocash Group does not reach 10% of the Group's sales revenue Eurocash total.

*The number also takes into account 3 cash & carry warehouses of Batna acquired by the Group as a result of the takeover of Batna in November 2010

Source: Eurocash

3.2. Sales Mix



In 2013, the process of consolidation between Tradis and Cash & Carry has been continued. In respect of this Eurocash Cash&Carry took over 40 of Tradis cash&carry warehouses.

Influence on amount of Eurocash Cash&Carry warehouses during 2012 and 2013 has been presented in tables below.

Table 5.
Cash & Carry warehouses acquired from Tradis in 2013

23	6	Increasing the number of warehouses	1	Second C&C in the city
			5	New location
	15	Number of warehouses without changes	5	Relocation of EC to Tradis
	2	Number of closed Tradis warehouses	10	Relocation of Tradis to EC
			2	

Table 6.
Cash & Carry warehouses acquired from Tradis in 2012-2013

40	8	Increasing the number of warehouses	2	Second C&C in the city
			6	New location
	28	Number of warehouses without changes	11	Relocation of EC to Tradis
	4	Number of closed Tradis warehouses	17	Relocation of Tradis to EC

Due to the large dispersion of the sale, none of the customers of the Eurocash Group does not reach 10% of the Group's sales revenue Eurocash total.

4.

Corporate Social Responsibiity and stakeholders relations

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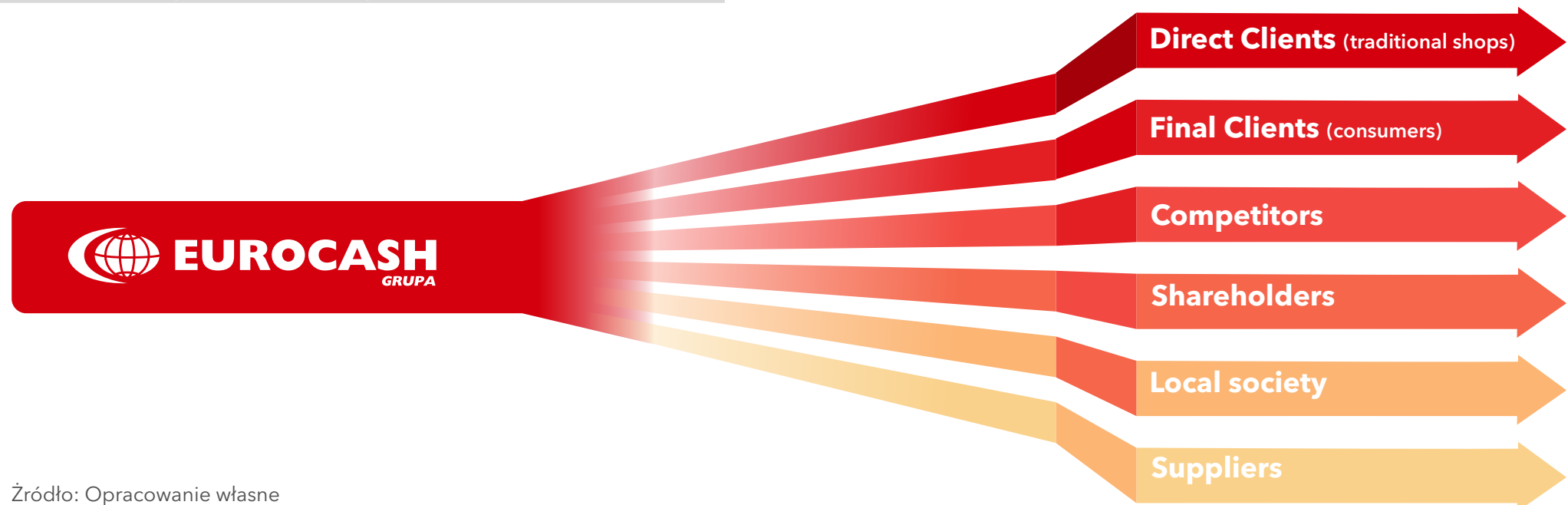
Eurocash Group is a leading active distributor of food and drinks to independent retailers in Poland measuring in a sales value. Area of activity of Eurocash Group covers the entire Polish territory.

Due to the scale of Eurocash Group operations, our actions are guided by the idea of Corporate Social Responsibility (CSR), which is a long-term support for the realization of our vision and mission.

The main element of the mission in Eurocash is empowering our customers - traditional shops operating independently or affiliated in franchise networks, which we manage. Therefore, a special place in the CSR strategy have our clients - direct and final (consumers).

Below is a breakdown of our stakeholders by groups.

Chart 7.
Stakeholders Map of Eurocash Group



4.1. Shareholders

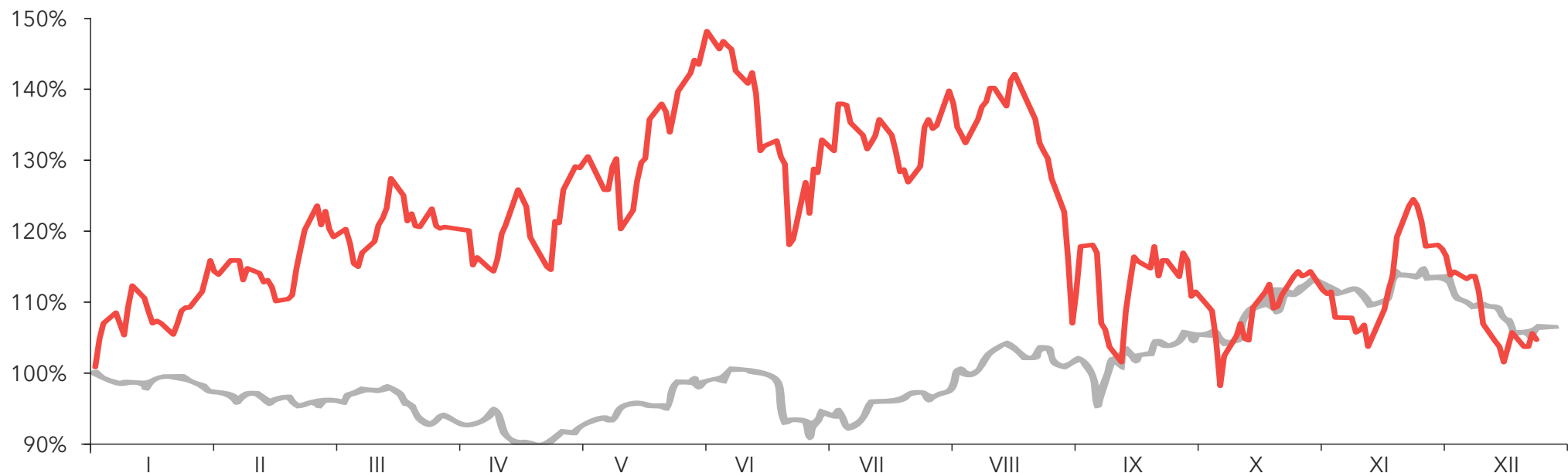
Our responsibility towards shareholders and investors is systematic development and expanding profits, which means increase of company's value for shareholders. Satisfaction and confidence of our shareholders defines our success on the market. The following are the results achieved by the Eurocash Group on the Stock Exchange during 2013.

Eurocash Listing on Warsaw Stock Exchange in 2013

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, WIG30, WIG-Poland, WIGdiv oraz MSCI Poland Standard. On 18th of March 2013 the Company entered into a prestigious WIG20 Index, which accumulate the biggest companies traded on the Warsaw Stock Exchange.

At 2013 year end, the price per share was up 9.1% against the corresponding period in 2012 whereas WIG represented slower growth at 6.6% in 2013. 2013 opened with the price per Eurocash share at PLN 43.70 (closing price as at 28 December 2012) and closed with the price per Eurocash share at PLN 47.69. Average share price in 2013 was PLN 52.97.

Chart 8.
Eurocash share price performance vs. WIG Index in 2013



4.1. Shareholders

As at 31 December 2013, company capitalization amounted to PLN 6.6 billion against the value of PLN 6.0 billion noted at the end of 2012.

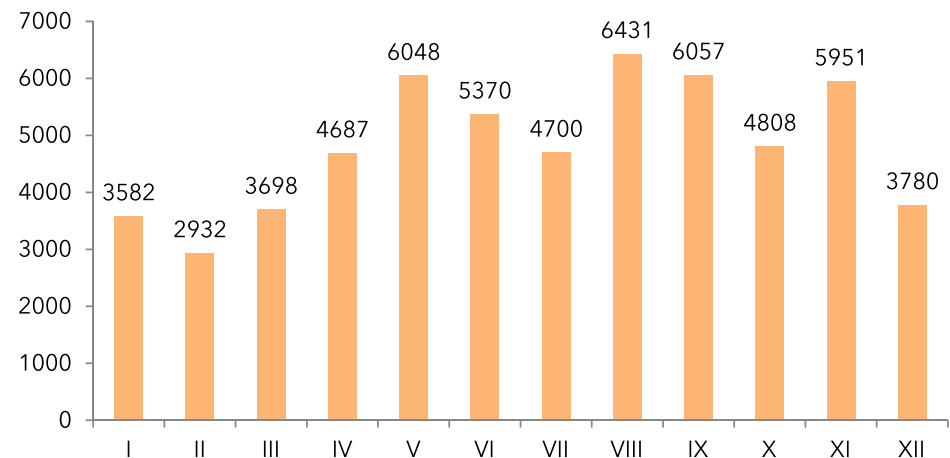
The average number of Eurocash shares traded daily in 2013 was 449 026. The table below presents the key share quotation data of the Company on the Warsaw Stock Exchange between 2011-2013. In 2013, the total trading volume of Eurocash shares was PLN 57.6 m (41.6% of the Company's share capital). The chart 7 presents monthly trade volume in 2013.

Table 7.
Key share quotation data of the Company
on the Warsaw Stock Exchange

	Unit	2011	2012	2013
Number of shares issued	m	137	138	138
Closing price from the last day of trading in the year	PLN	28.54	43.70	47.69
Market value of the Company at year's end	PLN m	3 909	6 030	6 601
Highest closing price in the year	PLN	34.40	47.00	65.64
Lowest closing price in the year	PLN	21.00	28.30	43.00
Average trading volume per session	thousand	177	214	449
Dividend paid in the fiscal year from appropriation of profit for the prior year	PLN/share	0.37	0.18	0.90

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.

Chart 9.
Monthly shares trade volume in 2013



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

Table 8.
Capital market ratios

		2011	2012	2013
EPS (zł)	Profit for the period/number of shares	0.98	1.81	1.6
P/E	Price per share/earnings per share	29.09	24.08	29.87
MC/S	Market capitalisation/revenues from sales	0.39	0.36	0.40
P/BV	Price per share/book value per share	7.14	7.76	7.46

4.1. Shareholders

Investor Relations

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

Investors Relations Department discusses data and information released by the Company in form of current or periodical reports as well as gives information on the operating activity of Eurocash that may affect the market. In 2013 the Management Board and representatives of IR Department of Eurocash took part in numerous conferences and road shows with investors from Poland and main financial hubs of Europe and North America.

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

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

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4.2. Customers

On our clients satisfaction and loyalty depends our sustainable growth. Application of the principles of Corporate Social Responsibility in the context of relationships with customers is extremely important.

Since Eurocash Group operates distribution of FMCG in all formats of market, we divided our clients for direct (traditional shops) and final clients (consumers).

Direct Clients

The main element of Eurocash Group mission and vision is to support our direct customers, which include:

- Traditional Shops unaffiliated and associated outside Eurocash
- Franchise stores of Eurocash
- Petrol stations
- Hotels, restaurants, catering (HoReCa sector)

Through the implementation of our strategy, we strengthen their power in a competing with discount stores, we offer competitive prices and enable the achievement of their own success. This significantly influences the ability to survive of traditional trade on the Polish FMCG market.

Honest practices relating to contracts

Franchise Agreements or the sales signed with our customers in line are always lawful, clear and transparent.

Complaints and Dispute Resolution

Direct Customers have the possibility of submitting complaints to those responsible for their solution. Our franchise networks are supported by a professional Customer Service. At the same time, we strive to ensure that our products are always fresh and of the highest quality.

Support

Direct Customers can rely on direct support from experienced staff of Eurocash Group. In particular, our Franchisees are provided with the support of experienced Relationship Managers, IT and Sales Representatives who support the daily conduct of business.

Honest marketing, truthful and objective information

You cannot build trust on false information and misleading partners. That is why we make every effort to ensure that our marketing activities were supportive for our client. As part of the marketing, separate business units use their own strategies and actions, including promotional newsletters, thematic catalogs, directories of our private label – Dobry Wybór and loyalty programs.

4.2. Customers

Communication and dialogue

Clear communication and establishing a continuous dialogue allows to quickly identify the emerging needs of customers, and hence - quick response and the ability to gain strategic advantage of our clients on the market. Customers can choose from a range of communication tools (depending on the profile of the business unit) - primarily the Internet (e-platform, internal forums, dedicated web pages). Customers also have the opportunity to contact us by phone, e-mail, and also personally. For example, our franchisees meet during regular meetings with the managers of the group.

DELIKATESY CENTRUM FRANCHISEES FORUM

On this internet forum, each of the franchisees has the opportunity to enter comments, observations and also ideas about the broader cooperation.

We also carry out a market research among customers - primarily satisfaction survey and Mystery Shopper research in franchise stores. The results of these studies will help us to plan a strategy that will ensure greater customer satisfaction with the cooperation with Eurocash Group.

Building long-term relationships and loyalty

We build relations with our clients based on partnership and trust.

In order to achieve high level of client loyalty we organize conferences, trade fairs, congresses, as well as training.

The abc Stores Congress

- Integration of Eurocash and abc Stores
- Building brand loyalty of abc
- Presentation of the offer of commercial suppliers and partners networks of abc Stores

In 2013, Congress took place for the 6th time, more than 2,500 franchisees had appeared. The leitmotif of the 2013 Congress was the idea of a Convenience Store.

The Golden Groszek Congress

- Project Summary of The Golden Groszek project - the idea of honoring the best stores under the Groszek brand.
- Franchisees take part in workshops, training sessions and panel discussions.

Skills Academy Eurocash

As a partner of independent retail stores in the Group we created the Eurocash Skills Academy, which allows retailers to raise qualifications. The Academy combines training, research on their effectiveness and incentive system. The owners and employees of shops have access to expert knowledge and skills at the highest level. For them it is a significant step towards the development and professionalization, which is necessary in today's trading in Poland. The training is conducted by the best experts in the market, open to all franchisees of Eurocash Group. The program has been tailored to the needs of employees, managers and owners of shops. Workshops are offered to, among others, the financial management of retail outlets, team management, pricing policy and promotion, control and quality products to their respective storage and visibility. This project is implemented through the e-learning platform

Annual Delikatesy Centrum Franchisees Ball

- Summary of annual cooperation
- Honoring the best Franchisees
- Stores honoring Program '5 Star'
- Integration

4.2. Customers

Final Clients

Final Clients are all who are buying our goods from our direct clients in order use and consume (customers). Their behavior shapes Polish FMCG market. As a group which operates franchise networks, we establish a dialogue with final customers, on the occasion we support our direct clients. The most important goal in this area is to provide consumers with products that are always fresh, and assure that the shopping process in our shops would be the same pleasure.

Fair marketing, communication and dialogue

Marketing to consumers, above all, must be ethical and responsible. In communication with consumers we use widely understood integrated marketing – each of our franchises propose to consumer promotional newsletters, posters in stores informing about promotions. We also carry on websites. A special moment is to open a new store facility - on this occasion are organized numerous attractions for the local community.

Building long-term relationships and loyalty

In our activities, we strive to achieve customer loyalty. To this end, we take care of the daily value of the procurement process in our franchise facilities. Store employees ensure the highest quality of consumer service. We also organize actions, contests and loyalty programs for consumers.

MEGALOTERIA

The biggest in the history of Polish FMCG market lottery, which took place in almost 10 000 Eurocash franchise shops.

As a result of this, 128 clients won a main reward – the car.



4.3. Employees

Employees are stakeholders with high influence on the strength of the company and its operations. On their work, commitment and approach largely depends the financial result of the Group. A human and intellectual capital are intangible assets of the company. Employing more than 11 000 people (11 208 at the end of 2013), Eurocash Group undertakes a number of activities aiming at maximizing the satisfaction resulting from the work. These activities focus on the following areas:

- 1. Employment and labor relations
- 2. Health and Safety
- 3. Social help
- 4. Development and training in the workplace
- 5. Motivation and integration

1. Employment and labor relations

We fully comply with labor law. We also believe that employment stability is a key factor in the degree of employee involvement, decisive also for mental well-being and comfort, which naturally transfers into work efficiency. For us, a long-term employee is the capital, worthy to invest. Therefore, the vast majority of our employees are employed on a contract of indefinite duration. As a result, we are able to build long-term relationships with our employees.

Chart 10.
Structure of labor relations concluded by Eurocash and employees in 2013



4.3. Employees

In 2013, employment policy focused primarily on restructuring processes, related to the integration of companies belonging to the Group Tradis.

The largest group among all employees at the end of 2013 by the Eurocash Group were employees with secondary education. Taking into account the age of employees in the Group, the largest number of employees is in the range of up to 30 years (40%). Not much smaller group consists of workers aged 31 to 40 years, acting in 38% of all employees. Among employees in 2013 the dominating group in a case of gender were men, 66% of staff of the Group.

Chart 11.
Structure of employment by education in Eurocash Group at 31.12.2013



Chart 12 .
Structure of employment by age in Eurocash Group on 31.12.2013



Chart 13.
Structure of Eurocash Group employment by gender on 31.12.2013



4.3. Employees

2. Health and Safety

Aspects related to occupational health and safety is treated with all seriousness, knowing that the health and life of every employee is priceless. Therefore, we do not limit ourselves only to the application of the law – we conduct additional measures to increase safety in the workplace, as well as awareness among staff of the importance of compliance with generally accepted health and safety principles.

In 2013, we promoted the program 'Zero Tolerance for not obeying with health and safety regulations. It is a series of projects designed to emphasize the importance for our company of health and safety regulations and their respect. We want our company to present the highest level of safety culture and safety at work.

Under this program, we have introduced a modified card of control and safety procedures to supervise the health and safety documentation, updated the documentation of occupational health and safety, survey on the state of the individual business units. The next step is the idea of putting in our offices colorful, visible ring binders - which in one place are located in the current health and safety documentation. Binder assumed to be placed in a public place and employees may be able to refresh the knowledge of health and safety issues in any time.

In 2013, we also conducted activities related to developing skills in first aid:

- shows from the provision of first aid for EUROCASH GROUP employees during family picnics,
- FIRST AID TRAININGS with a wide group of staff from different parts of the Poland,
- meeting with the children of employees during EUROCASH 2013 SUMMER CAMPS, promoting the FIRST AID topic
- ICE card.

3. Social help

Eurocash Group provides a package of benefits under various social support for our employees. First of all, it is a subsidy to rest or sanatorium treatment, rehabilitation activities and recreation for children and youth of our employees (company organizes summer camps during the summer).

An important element of social activity is non-repayable grant of allowances in the form of cash and purchase of packages for children.

We are also proud of scholarship programs aimed at supporting talented children of employees of the Group in the acquisition of knowledge and the development of their talents, regardless of the field, which are passionate about.

4.3. Employees

4. Development and trainings in the workplace

Training policy

Concerned about the high level of competences of employees, Eurocash Group supports raising professional qualifications. For this purpose, there are organized numerous trainings both at central level and in the individual business units.

We are introducing programs for new employees - initial training of individuals or group allowing to know the nature of the various areas of the company and to become familiar with the professional position. Furthermore, the individual training programs takes into account the specific nature of work in selected business units. Employees also have the opportunity to gain knowledge and information regarding current market trends in the national and international conferences.

Performance management

Implementation of the Eurocash strategy requires the involvement of all employees. Managerial staff and employees of the departments of the central (900 people) are subject to performance management process (called performance management), on an annual basis. Part of this process includes an '360 degrees' assessment. As part of this evaluation employees receive feedback on their competence not only from superior, but also from their subordinates, internal customers and people in parallel positions. This allows everyone to know the areas in which it can strengthen their competence and thus faster to develop.

Management Programs

In order to give a chance to the rapid development of talented and ambitious students and graduates, Eurocash Group operates two management programs - Management Trainee (the program implemented in Eurocash Group for many years) and Sales & Operations Trainee (program launched in 2013).

Dialogue

In order to meet the needs of its employees, the Group Eurocash provides widely understood dialogue with these stakeholders. Channels of communication with employees are:

- Twitter and Facebook.
- Intranet, where most important and latest information related to the life 'inside' company can be found. In Intranet functions also the 'Idea Box' - a place where employees can present their ideas of changes in the company - the best of them will be realized!
- Europress - internal publication about current events in the company, in each issue are also portrayed the employees of individual business units.

Very important channel of communication is the Blue Line - the tool, which allows employees to report violations of law and/or company policy, such as theft, embezzlement, harassment and other unethical behavior. Confidentiality is ensured.

4.3. Employees

5. Motivation and integration

We realize that the work is an important part of life that should bring satisfaction and contentment. For this to happen, you need a motivation - not only related to the fulfillment of daily professional activities. We know that the motivation to work is affected by many factors such as organizational culture, work atmosphere and integration, as well as non-wage factors.

We offer our employees:

Eurocash Group Gift Card - a modern tool for making Christmas shopping in selected stores belonging to our franchise networks.

Family picnics - important element of the holiday meeting of workers and their families. It is held every year in 13 locations throughout the country, in 2013, attended by 19 000 people (employees and their families). Picnics are plenty of attractions for children and adults.

Drawing contest - every year we organize for the children of our employees contest, which gives the opportunity to demonstrate their ideas and authorial interpretation of one of their chosen topics. The best of them are awarded by jury.

The tickets lottery - each month we raffle off tickets for interesting events in Poland.

Christmas parties - every year in Poland we organize a meeting on the occasion of Christmas and New Years Eve. It is a time when we slow down the pace for a moment to the festive atmosphere, thank yourself for a year of hard work, and meet with colleagues from other cities.

Private Healthcare - From September 13, 2013, all employees of the Eurocash Group are able to purchase medical package in one of the companies offering private medical care.

Employee benefits

Eurocash Group provides a package of benefits under various social support for employees. First of all, it is a subsidy to holiday or sanatorium treatment, rehabilitation activities and recreation for children and youth workers (company organizes camps during the holiday season). Eurocash also supports talented children in sports that require funding for trips to sports camps, which are the key to development of young talent.

4.3. Employees

Incentive Scheme

The Eurocash S.A. company operates a number of incentive programs targeting key members of the management personnel of the Company and the companies included in the Eurocash Group. In 2012, pursuant to resolution No. 3/2012 of the Extraordinary General Meeting Eurocash of 26 November 2012 on the Eighth, Ninth and Tenth and Bonus Incentive Program for Employees of the years 2012, 2013 and 2014 were adopted new incentive programs for the next three years. Under these program, eligible persons will be able to purchase shares of the Company under the terms of the above resolution. A bunch of Eligible Persons will provide managers, executives and individuals essential to the operations of the Company and the Group Eurocash employed and performed their duties in a period of 3 years from 1 January respectively 2013, 2014 or 2015.

In total, these programs include 2.55 million shares in three tranches of 850 thousand shares each. Starting each tranche is conditional on the achievement of specific EBITDA objectives.

Table 9.
Incentive Scheme for 2012-2014

EBITDA goal	Option Exercise Date	Number and Class of Eurocash Shares	Determined Issue Price
PLN 487m in 2012 (goal achieved)	From 1st of February 2015 to 31st of January 2017	850 000 Class M Shares	PLN 38
PLN 565m in 2013 (goal not achieved)	From 1st of February 2016 to 31st of January 2018	850 000 Class N Shares	PLN 38*
PLN 638m in 2014	From 1st of February 2017 to 31st of January 2019	850 000 Class O Shares	PLN 38*

** Issue Price per Share will be determined by the Supervisory Board on the understanding that the price will be equal of PLN 38 adjusted by rights connected with shares (e.g. dividends)*

4.4. Suppliers

Towards suppliers we conduct policy based on clear principles of cooperation and fair play. A particularly important issue for us is to prevent corruption. With the building of loyalty and long-term relationships we are able to reduce the risks associated with the continuity of contracts.

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31 December 2013 comprised over 1305 entities.

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

Main suppliers of the Eurocash Group primarily include cigarette producers: Philip Morris, British American Tobacco, Imperial Tobacco, and alcoholic beverages producers, i.e. mainly Kompania Piwowarska, Grupa Żywiec, and the CEDC Group.

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

Concerned about the development of local entrepreneurship, Eurocash Group also supports smaller, local suppliers and producers, helping them to survive in a tough market.

4.5. Social commitment

Local community

As a wholesale and retail distributor of FMCG products we operate very close to the local community. Often our stores are part of the community and take part in its formation. Such a phenomenon occurs especially in smaller towns, where the grocery store is often an information exchange and meeting point. In 2013, Delikatesy Centrum implemented contest created for local kindergartens, in which the prize was to support the teaching and learning needs of winning preschool. Being aware of these relationships, we try to positively influence the development of local communities.

In 2013, **Delikatesy Centrum** implemented contest created for local **kindergartens**, in which the prize was to support the teaching and learning needs of winning preschool.

Co-finance of cultural and educational activity.

In 2013, for example, we sponsored a local run competition 'Run of Spirit - Bieg Na Tak' (Malta Poznan), Luboński Bieg Niepodległości, or a festival of folk music in Pinczów

We support the **The Little Prince Hospice in Lublin** by annual purchase of Christmas cards.

4.5. Social commitment

Creating jobs and skills

We cooperate with Polish universities, for example: Warsaw School of Economics, Poznań University of Economics, Wrocław University of Economics, Cracow University of Economics, Maria Curie-Skłodowska University in Lublin. Under this cooperation we organize open lectures and workshops conducted by experienced employees of the Group. We cooperate with students science clubs. We also take part in fairs organized by students (for example in 2013 Graduate Programme Day).

In addition, during the holiday another year in a row we adopted to the work trainees. Students join our head office in Komorniki, Warsaw and Błonie for 2 or 3 months to gain valuable experience and skills.

An innovative project that Eurocash Group proposes on the Polish market is Akademia Przedsiębiorczości (The Academy of Entrepreneurship).

The Academy of Entrepreneurship

This is a unique program on the FMCG market, which suggests a young, enterprising persons to conduct franchise store under the brand name Delikatesy Centrum. Participants acquire the necessary knowledge and experience in running a grocery store before it is opened. According to this came a franchisee of Delkatesyi Centrum has facilitated start of own business t and greatly increases a chance of success.

The franchisee is provided with assistance at every stage of setting up and running the shop: a comprehensive marketing support, operational, and further training for owners and employees of shops in the Academy of Eurocash. Deliaktesy Centurm franchisee is never alone and can always count on the full support.

In 2013, at the Academy of Entrepreneurship trained were 10 people, 13 people were in the process of training. Opened 5 new Delikatesy Centrum stores.

4.6. Environmental protection

Food Safety Policy based on ISO 22000:2005 standard

The Group implemented and developed Management System compatible with ISO 22000:2005, that guarantees deliveries in line with expectations of clients, basic food safety rules and based on expertise knowledge and experience of employees. Furthermore, to satisfy the highest expectations of its clients Eurocash implemented International Food Standards (IFS) in Distribution Centers in Błonie and Czeladź

Waste recycling

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

4.6. Environmental protection

Transport optimization and fumes reduction

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

5.

Eurocash Group Development Prospects

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5.1. Eurocash Group Development Strategy

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

- for small and medium retail stores looking to be supplied with FMCG products whereby an appropriate level of profitability in the adjacency of their business location is ensured without the need for product deliveries – Cash & Carry warehouses and the loyalty program of stores which comprise the 'abc' network
- for small and medium retail stores looking for FMCG product supplies and support in running retail operations whereby an appropriate level of profitability is ensured – warehouses of Tradis Distribution Group and partner programs under brands such as Lewiatan, Euro-Sklep, Groszek, Gama(PSD)
- for retail stores looking for the comprehensive delivery of products – the Delikatesy Centrum franchise network
- for customers looking for specialized deliveries of specific product categories, e.g.:
 - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through KDWT
 - alcoholic beverages – distribution of alcoholic beverages through Premium Distributors,
 - 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 Gastronomica, Pol Cater, and Tradis

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

Strategic goals of the Eurocash Group are as follows:

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

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

5.2. Factors impacting development of Eurocash Group

External Factors

Growth in the FMCG market and changes in market structure

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

Inflation

Unexpected changes in the prices of food products, beverages, alcohol, or other FMCG products, or the price of fuel, of which depend on logistics costs may affect the Eurocash results

Payroll costs

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

Internal Factors

Organic growth

Management of the Eurocash Group expects that during 2013:

- The number of Eurocash Cash&Carry stores will increase by approximately 8-10 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 150 outlets

Integration of business acquired companies

On 1 October 2013 the acquisition by the company Eurocash SA from the company Premium Distributors z o.o. businesses including structured set of tangible and intangible assets designed to conduct business in the wholesale and retail sale of beverages, including alcoholic beverages took place.

Due to the necessity of integration of the companies from Tradis Distribution Group, as well as Premium Distributors and PolCater at the operational level, in the opinion of the Board of Eurocash, the full synergy effects associated with these transactions will be possible to achieve within three years from the acquisition of control over these companies.

Mergers and acquisitions of other market operators

Investment Agreement between Eurocash SA and Kolporter sp. z o.o. S.K.A.

On December 5, 2013 Eurocash KDWT and Kolporter concluded the Investment Agreement, according to which after fulfillment of certain conditions precedent, including, in particular, after its approval by the President of the OCCP and the required approvals banks, Kolporter acquires 25% + 1 share in KDWT. A minority stake in KDWT will be taken over by Kolporter, in exchange for a contribution in kind in the form of a 100% stake in the new company, which will bring Kolporter organized part of business activities, including Distributor in the distribution of tobacco products and food, beverage and other FMCG ("Kolporter FMCG"). Due to the need for integration of Kolporter FMCG at the operational level, in the opinion of the Board of Eurocash SA full synergies associated with this transaction will be possible to achieve within three years from the date of acquisition of control over Kolporter FMCG.

5.3. Risks and threats

Financial risks are discussed in Note 37 to the consolidated financial statements for 2013, which constitute a part of the Eurocash Group's annual report for 2013. Other significant risk factors related to the operations of the Eurocash Group S.A. are presented below.

External Factors

Macroeconomic situation. Purchasing power of the population

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

Structure of FMCG retail distribution market in Poland

In 2013, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of approx. 45%. Such a high share (against other European countries) results from a low concentration of population in a country as well as from poor housing conditions as small and medium-size shops located away from large conglomerates comprise the key customer group for Eurocash. Growth in the share of modern distribution will shrink a prospective market for the Eurocash Group's business.

Structure of the traditional FMCG distribution channel. Competition

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

Internal Factors

IT systems

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

New investments

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

Suppliers

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31 December 2013 comprised over 1305 entities.

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

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

5.4. 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.





Management Discussion of Eurocash Group Financial Performance for 2013

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6.1. Principles applied in the preparation of annual consolidated financial statements

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

Accounting policy used to prepare financial statement was presented in a point 2 of the consolidated financial statement of Eurocash Group for the FY2013 and was applied to all periods presented in the financial statement.

6.2. Eurocash Group: financial and operational highlights

The current and projected financial situation of the Group is not subject to any significant risks. Eurocash Group consolidated sales in 2013 reached PLN 16 537.53 million, EBITDA amounted to PLN 402.14 million, a net profit of PLN 221.01 million.

At 2013 year end, the Eurocash Cash&Carry chain of warehouses totaled 158 outlets while the number of abc franchise stores was 6 133. The number of Delikatesy Centrum franchise stores was up by 102 and totaled 875 outlets at 2013 year end. The like-for-like sales growth increased by 3.84% in the Eurocash Cash&Carry format and by 1.6% for wholesale trade to Delikatesy Centrum franchise stores. Retail sales noted by Delikatesy Centrum franchise stores (per constant number of outlets) were up by 1.4% in 2013. External sales of KDWT increased by 8.7%. External sales of Eurocash Gastronomica format were disclosed at PLN 614.3 million, representing an decrease of 12.48% year on year. External sales noted by the Premium Distributors group and included in the profit and loss of Eurocash Group for 2013 totaled PLN 1 891.5 and represented a 3.09% decrease against the previous reporting period.

Tabla 10.
Eurocash Group: Summary of Financial Performance

Mln zł	2013	2012	Change 2013/2012
Revenues from the sales of products, goods, and materials	16 537.53	16 609.29	-0.43%
EBITDA (EBIT + amortization)	402.14	490.19	-17.96%
(EBITDA %)	2.43%	2.95%	-0.52 p.p.
Operating profit - EBIT	285.69	376.83	-24.19%
(Operating margin - EBIT %)	1.73%	2.27%	-0.54 p.p.
Net profit on continued operations	221.01	250.38	-11.73%
(Net profit yield %)	1.34%	1.51%	-0.17%
Net Debt	577.6	798.5	-220.9
Net Debt/EBITDA	1.4	1.6	-0.2

6.2. Eurocash Group: financial and operational highlights



- In 2013 the sales growth of Cash&Carry format amounted to 12.64% and sales reached PLN 4 591.21 million.
- Such growth is mainly attributable to integration of Tradis cash&carry locations within Eurocash Cash&Carry network.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores amounted to 3.6% and 3.84% for the 2013.
- Excluding categories of tobacco and phone cards, the LFL sales growth in Eurocash Cash&Carry stores amounted to 4.15%
- LFL sales growth for locations not impacted by integration of Tradis cash&carry locations amounted to 1.57% in 2013.
- The number of Eurocash Cash&Carry stores at the end of 2013 amounted to 158 (including 3 Batna stores).
- The number of abc stores amounted to 6 133 at the end of 2013.
- In 2013 shares of abc stores in total sales of Eurocash Cash&Carry stores amounted to 51.84%.



- Wholesale sales realized by "Delikatesy Centrum" Distribution Centers in 2013 amounted to 1 654.22 million, 12.11% higher than in 2012.
- LFL growth of wholesale sales realized by Eurocash to "Delikatesy Centrum" franchise stores amounted to 1.6% in 2013.
- Number of "Delikatesy Centrum" franchise stores at the end of 2013 amounted to 875.



- External sales of Eurocash Gastronomia amounted to PLN 614.29 million, 12.48% below sales in 2012.
- Lower sales in Eurocash Gastronomia have been caused by transfer of sales to petrol station chains from Tradis during 2013.
- As a result sales of Eurocash Gastronomia are realized mainly to restaurant chains and independent HoReCa clients.



- In 2013 external sales in KDWT amounted PLN 2 865.67 million and increased by 8.7% YoY.
- The increase in sales resulted from the acquisition of an organized part of companies Dziembor and Noban, respectively, on 4 March 2013 and 27 September 2013
- Growth of sales in food category in 2013 amounted to 2.9%, in 2013 comparing with the same period 2012.
- In terms of volume, sales of cigarettes in 4Q 2013 to external clients increased by 1.62% in 2013 YoY.
- Number of KDWT branches as of the end of 2013 amounted to 157 and 2 distribution centers.



- Sales of Premium Distributors in 2013 amounted to PLN 1 891.54 million, 3.09% lower than in 2012.
- Sales of Premium Distributors declined mainly due to transfer of sales to petrol stations to Tradis during 2013.

6.2. Eurocash Group: financial and operational highlights



Sales of Tradis Distribution Group in 2013 amounted to PLN 4 797.7 million, 14.67% lower than in 2012. Decrease of sales was caused mainly by termination of contract with Stokrotka chain (please see current report No 6/2013), what resulted in no sales to Stokrotka chain in Q3 and Q4 2014 and transfer of cash&carry locations to Eurocash Cash&Carry.

Sales related to the Stokrotka contract decreased from PLN 768.2m in 2012 to PLN 372.8m in 2013 (sales realized only in Q1 and Q2).

In 2013 sales of Tradis realized in cash&carry locations decreased from PLN 576.8m in 2012 to PLN 78.8m in 2013.

In the same time Tradis benefitted from additional sales realized to petrol station clients, service of which has been transferred from Premium Distributors and Eurocash Gastronomica (former Eurocash Dystrybucja).

Analyzing Tradis sales without discontinued sales to Stokrotka and cash&carry locations, in full year 2013 increased by 1.6% from PLN 4 277.85m in 2012 to PLN 4 346.23m.

Table 11.
Number of Stores Operating as part of Connected Franchise Tradis Distribution Group Networks

	Number of stores		
	31.12.2013	31.12.2012	Change 2013/2012
Groszek	1 227	910	317
Euro Sklep S.A.	517	583	-66
Lewiatan*	1876	1833	43
Total	3 620	3 452	294

* Partner stores managed by franchise companies of Tradis Distribution Group

Table 12.
Number of Stores Co-operating as Part of Retail Partnership Service

	31.12.2013	31.12.2012	Change 2013/2012
Liczba współpracujących Spółdzielni Spożywców	78	72	6
Liczba sklepów	650	602	48

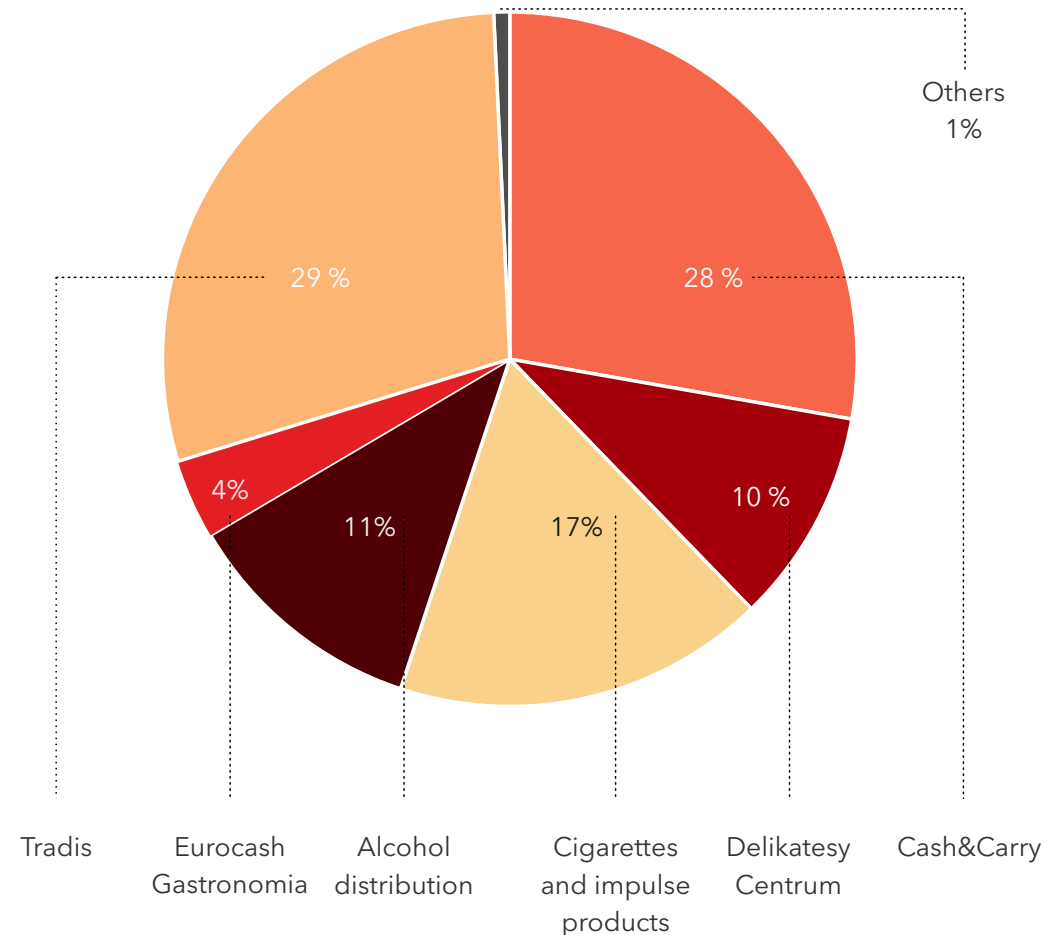
6.3. Profit and loss account Sales Revenues

Table 13.
Eurocash Group: Sales Mix by Distribution Formats in 2013

External Sales			
PLN m	2013	2012	Change %
Cash&Carry	4 591.21	4 075.93	12.64%
Delikatesy Centrum	1 654.22	1 475.52	12.11%
Cigarettes and impulse products	2 865.67	2 638.40	8.61%
Alcohol distribution	1 891.54	1 951.77	-3.09%
Eurocash Gastronomica	614.29	701.91	-12.48%
Tradis	4 797.78	5 622.82	-14.67%
<i>Tradis without discontinued sales</i>	4 346.23	4 277.85	1.60%
Others	122.82	142.94	-14.08%
Total	16 537.53	16 609.29	-0.43%

In 2013, consolidated sales revenues earned by the Eurocash Group decreased by 0.43%, disclosing the figure of PLN 16 575.78m. The main reason for the lack of growth in sales growth, despite a large increase in Cash & Carry and Delikatesy Center was the conclusion of a contract with a Stokrotka network of stores and relocation of Tradis cash&carry to Eurocash Cash & Carry.

Chart 14.
Sales of the Group per distribution format



6.3. Profit and loss account

Table 14.
Eurocash Group: Financial Performance for 2012 - 2013

PLN m	2013	2012	Change 2013/2012
Revenues from sales of goods, services, and materials	16 537.53	16 609.29	-0.43%
Gross profit (loss) on sales	1 673.73	1 790.75	-6.53%
Gross profitability on sales (%)	10.12%	10.78%	-0.66 p.p.
EBITDA (EBIT + amortization)	402.14	490.19	-17.96%
(EBITDA margin %)	2.43%	2.95%	-0.52 p.p.
EBIT Operating profit	285.69	376.83	-24.19%
(EBIT operating margin %)	1.73%	2.27%	-0.54 p.p.
Gross profit	226.08	282.46	-19.96%
Net Income	221.01	250.38	-11.73%
(Net profitability %)	1.34%	1.51%	-0.17 p.p.
Net debt/EBITDA	1.4	1.6	-0.2

Profitability Analysis

Consolidated sales of Eurocash Group in 2013 decreased about 0.43% YoY. The main reason for flat sales dynamic despite strong growth in Eurocash cash&carry and Delikatesy Centrum formats, was decrease of sales in Tradis resulting from termination of contract with Stokrotka chain and transfer of cash&carry locations to Eurocash Cash&Carry (please see analysis above).

Consolidated gross margin amounted to 10.12%, 0.66 pp lower than in 2012. Main result of lower level of margin in 2013 was lower level of gross margin realized in Tradis, what resulted mainly from internal issues related to restructuring and integration process of Tradis within Eurocash Group.

As a result of lower gross margin, the group EBITDA decreased in 2013 from PLN 490.19m. in 2012 to PLN 402.14m in 2013. The EBITDA margin decreased 2013 by 0.52pp and amounted to 1.73%. Eurocash and Tradis are continuing works on integration and restructuring of Tradis, however full effects should be visible upon integration of logistics systems between Tradis and Delikatesy Centrum. Also termination of contract for supplies to Stokrotka chain affected the level of costs in 2013.

The net profit amounted to PLN 221.01m vs. PLN 250.38m last year. Net profit for the reported period was positively impacted by lower financing costs and lower tax burden related to increase of deferred tax assets.

6.4. Balance sheet data

Balance Sheet Mix

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 15.
Mix of Assets

PLN m	31.12.2013	%	31.12.2012	%
Non-current assets (long-term)	2 015.51	41.77%	1 947.64	41.63%
Goodwill	1 055.53	52.37%	1 049.29	53.87%
Intangible assets	393.57	19.53%	422.68	21.70%
Property, plant and equipment	417.75	20.73%	377.12	19.36%
Investment real property	1.28	0.06%	1.57	0.08%
Investments in equity accounted investees	36.17	1.79%	36.76	1.89%
Other long-term investments	1.58	0.08%	1.13	0.06%
Long-term receivables	5.93	0.29%	3.38	0.17%
Long-term prepayments	103.70	5.15%	55.71	2.86%
Current assets (short-term)	2 810.05	58.23%	2 731.22	58.37%
Inventories	1 017.82	36.22%	984.67	36.05%
Trade receivables	1 416.52	50.41%	1 451.93	53.16%
Current tax receivables	12.05	0.43%	23.45	0.86%
Other short-term receivables	213.55	7.60%	73.07	2.68%
Other short-term financial assets	3.04	0.30%	3.81	0.38%
Short-term prepayments	17.30	0.62%	9.66	0.35%
Cash and cash equivalents	102.52	3.65%	157.38	5.76%
Fixed assets classified as held for sale	27.25	2.68%	27.25	2.77%
Total Assets	4 825.56	100,00%	4 678.86	100,00%

6.4. Balance sheet data

Table 16.
Mix of Liabilities

PLN m	31.12.2013	%	31.12.2012	%
Long term liabilities	884.36	18.33%	777.45	16.62%
Treasury shares	138.43	15.65%	137.98	17.75%
Reserve capital	440.20	49.78%	341.10	43.87%
Hedging reserve	(4.65)	-0.53%	(4.65)	-0.60%
Retained earnings	316.48	35.10%	303.02	38.98%
Long-term financial liabilities	295.29	7.49%	478.88	12.27%
Long-term loans and borrowings	85.98	29.12%	403.74	84.31%
Long-term financial liabilities	154.93	52.47%	16.83	3.51%
Other long-term liabilities	0.25	0.09%	0.40	0.08%
Deferred tax liabilities	51.03	17.28%	54.67	11.42%
Employee benefits	3.10	1.05%	3.23	0.68%
Current liabilities	3 645.92	92.51%	3 422.53	87.73%
Loans and borrowings	411.70	11.29%	502.89	14.69%
Short-term financial liabilities	27.56	0.76%	32.39	0.95%
Trade payables	2 889.70	79.26%	2 621.44	76.59%
Current tax liabilities	19.94	0.55%	10.03	0.29%
Other short-term payables	160.49	4.40%	67.07	1.96%
Current employee benefits	52.44	1.44%	40.35	1.18%
Provisions	84.09	2.31%	148.37	4.33%
Liabilities	3 941.20	81.67%	3 901.41	83.38%
Total equity and liabilities	4 825.56	100.00%	4 678.86	100.00%

6.4. Balance sheet data

Loan agreements

Information on credit agreements concluded by the Group Eurocash are presented in Note 22 to the consolidated financial statements for 2013.

Loans granted

In 2013, 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. 35 and 36 to the consolidated financial statements for 2013.

6.4. Balance sheet data

Issue of Securities and Bonds in 2013

Issue of shares

In 2013, 451,100 shares were issued in connection with the ordinary exercise of share options that were granted to key employees under incentive schemes (2012: 993,525 shares). The options were exercised at a price of between PLN 8.89 and 9.78 per share. All issued shares are fully paid up in cash.

Issue of securities and bonds

On June 20, 2013 Eurocash issued bonds with a total nominal value of PLN 140 million under the bonds to the amount of PLN 500 million. Interest on the Bonds is determined based on WIBOR for six-month deposits and the bank's margin. Maturing on June 20, 2018. The bonds are secured by the guarantees given by subsidiaries to the amount of PLN 168 million. Liabilities from issued bonds are presented in the statement of financial position of the Group in the long-term financial liabilities.

In 2013 Eurocash SA has not issued, acquired or repaid other debt securities.

Information on incentive schemes based on the issue of Eurocash shares is provided in section 4.3.5.

6.5. 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. 36.



6.6. Eurocash Group cash flow analysis

PLN m	2013	2012
Operating cashflows	541.96	669.81
Gross profit (loss)	226.08	282.46
Depreciation	116.46	113.36
Change in working capital	222.75	245.20
Other	(23.33)	28.79
Cashflows from investments	(152.05)	(107.68)
Cashflows from financing activities	(444.77)	(703.23)
Total cashflows	(54.86)	(141.10)

Cashflow Statement

Accumulated cash flows in 2013 amounted to 54.86 m, while accumulated cash flows from operating activity have been used for cover costs debt service and dividend payment.

Table 17.
Eurocash: Cashflows for 2012 - 2013

Rotacja składników kapitału obrotowego w dniach	2013	2012
1. Inventories turnover	22.46	21.83
2. Trade receivables turnover	31.26	31.99
3. Trade liabilities turnover	70.97	64.75
4. Operating cycle (1+2)	53.73	53.83
5. Cash conversion (4-3)	(17.24)	(11.05)

Working capital rotation

The cash conversion cycle in 2013 was -17.24 days, compared to -11.05 days in 2012.

Table 18.
Eurocash Group: Consolidated Working Capital Ratios

6.6. Eurocash Group cash flow analysis

Evaluation of Funds Management

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

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

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

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

Analysis of these risk factors is presented in Note 37 in the part of the report which contains consolidated financial statements.

6.7. Investment activity

Major investments Completed in 2013

In 2013, the highest share in capital expenditures was noted for the organic growth of the Eurocash Group, notably in respect of investments in Cash&Carry stores as well as the development of Delikatesy Centrum franchise network.

Assessment of Capacity to Carry out Anticipated Investments

Key investments planned for 2014 are related to:

- Organic growth within the current structure of business units, and in particular:
- Launch of 8-10 new Eurocash Discount Cash&Carry stores
- Development of Delikatesy Centrum franchise chain including plans to introduce 150 new franchise stores into Delikatesy Centrum network.
- Replacement investment

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

Table 19 .

Key Investment Directions for Eurocash Group in 2013 and 2012

PLN m	2014	2013
Capital investment (including acquisition of shares and stock)	30.62	15.16
Independent clients (Eurocash S.A.; KDWT; PD Group)	109.66	85.18
Active Distribution (Tradis, Ambra, DEF)	16.16	12.07
Integrated clients	16.53	17.07
Others	0.01	0.10
Exclusions (cash in companies under acquisition)	0.00	0.00
Total Investments	172.98	129.58

6.8. Key contributors to 2013 financial performance of Eurocash Group

Equity changes

In the period between 1 January 2013 and 31 December 2013, 451 100 shares were issued as a result of exercising share option programs.

Dividend payment

According to Resolution 5 of the General Meeting of Shareholders of Eurocash S.A., dated 20 May 2013, net profit for 2012 amounting to PLN 145,208,702 was allocated as follows: the amount of PLN 124,465,442.40 was allocated for a dividend payment of PLN 0.9 per share – paid out on 2 July 2013, while the balance of net profit was routed towards reserve capital.

6.9. Information on court proceedings

In 2013, the Eurocash Group companies were not involved in any legal proceedings before court, a relevant arbitration authority, or a public administration body, the total value of which would represent at least 10% of issuer's equity.

7.

Additional information

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7.1. Information on significant agreements

In 2013, the Eurocash Group companies entered into the following agreements considered significant for the Group's business operations:

1. Acquisition of organized part of a company 'Firma Handlowa Marian Dziembor' and a company 'Handel Hurtowy i Detaliczny Krystyna Dziembor'

On 04 March 2013 subject subordinate of Eurocash – company Dziembor I Spółka Sp. z o.o. in the process of formation – signed with Mrs. Krystyna Dziembor and Mr. Marian Dziembor, in accordance with execution the memorandum of agreement from 13 December 2012, contract for the sale of the organized part of a company “Firma Handlowa Marian Dziembor” and a company „Handel Hurtowy i Detaliczny Krystyna Dziembor”, constituted from tangible and intangible components needed to run a wholesale trade of cigarettes and tobacco articles.

2. Acquisition of organized part of a company Przedsiębiorstwo Handlowo-Uslugowe Noban Sp. z o.o.

On 27th September 2013 subject subordinate from Eurocash – company KDWT S.A. – signed the memorandum of agreement with company P.H.U. Noban Sp. z o.o. and its partners – Mr. Andrzej Nowakowski and Mr. Bogdan Nowakowski., in accordance with execution the memorandum of agreement from 19 April 2013, contract for the sale of the company and organized part of a company constituted from tangible and intangible components needed to run a wholesale trade of cigarettes and tobacco articles.

3. Denunciation of Distributorship Agreement and Contract of Sale on Commission concluded between Stokrotka Sp. z o.o. and Tradis Sp. z o.o.

On 31st January 2013 company subordinated from Eurocash – Tradis Sp. z o.o. received from Stokrotka Sp. Z o.o. denunciation of: distributorship agreement concluded on 20 December 2011, subject of which was cooperation within the scope of delivery and retention of FMCG products; and Contract of Sale on Commission 26/28 based on which Tradis Sp. z o.o. was buying selected product on behalf of its own but at Stokrotka Sp. z o.o. expense. Agreements terminated on 31st of July 2013, after 6 months of notice period. In the date of termination, Agreements are not significant agreements for Eurocash. Total value of sale from a.n. Agreements in year 2012 constituted for less than 5% of sales revenues of Eurocash Group in mentioned period. Except of lowering sales, denunciation of Agreements will not bring any significant financial consequences neither for activity of Tradis Sp. z o.o. nor Eurocash and the all Capital Group of Eurocash.

7.1. Information on significant agreements

Factors that will influence the results achieved by the Issuer**1. The signing of the preliminary agreement**

On 11 February 2014 Eurocash signed with Alverca B.V. ("Alverca") with its registered office in Amsterdam, a preliminary sale agreement. In the contract the parties agreed to conclude the promised contract under which Eurocash will acquire 51% of the shares of Company PayUp Polska S.A. from Alverca. As a result of this transaction Eurocash will hold 100% of the shares of PayUp Polska S.A. The condition of the promised contract is obtaining by Eurocash the consent of the President of the Office of Competition and Consumer Protection. PayUp Polska S.A. distributes electronic financial services through a network of approximately 4.9 thousand terminals located in stores across the country, offering among other things, mobile phones recharge cards, accounts payments and acceptance of payment cards.

2. The conclusion of a significant agreement

On 17 February 2014 between the Company and ING Bank Śląski S.A. with its seats in Katowice concluded an annex to the credit agreement (the "Loan Agreement"), which increases in the period from 17 February 2014 to 17 April 2014 granted limit of the current account of 240,000,000.00 PLN (in words: two hundred forty million PLN) to the amount of 440,000,000.00 PLN (in words: four hundred and forty million PLN). The loan will be used for current operations of the Company. The loan interest rate is variable and is WIBOR for one-month deposits plus bank margin.

3. Merger of Eurocash S.A. and Tradis Sp. z o.o.

In year 2014 Eurocash S.A. announced the plan of merging Eurocash S.A. and Tradis Sp. z o.o. On 26 February 2014 Extraordinary General Assembly of Eurocash S.A. decided about merger between Eurocash S.A. and Tradis Sp. z o.o. In view of the fact that Eurocash S.A. (the acquiring company) owns 100% of the shares of Tradis Sp. z o.o.: the merger shall be effected without increasing the share capital of Eurocash S.A., the boards of the merging companies do not prepare a written report, the plan of merger is not subject to examination by an expert and therefore appropriate expert opinion has not been drawn.

4 Investment Agreement between Eurocash SA, KDWT SA and Kolporter Limited Liability Company SKA dated December 5, 2013

On 5 December 2013 Eurocash, KDWT and Kolporter concluded the Investment Agreement, pursuant to which the fulfillment of certain conditions precedent, including, in particular, after its approval by the President of the OCCP and the required approvals banks, Kolporter will acquire a 25% + 1 share in KDWT. The minority stake in KDWT will be embraced by Kolporter in exchange for a contribution in kind in the form of a 100% stake in the new company which Kolporter will bring organized part of business activities including, among others Kolporter in the distribution of tobacco products and foodstuffs, beverages and other fast moving consumer goods.

7.2. Information on transactions with connected entities

On 1 October 2013 took place the acquisition by the company Eurocash S.A. the Premium Distributors Sp. z o.o. businesses including structured set of tangible and intangible assets designed to conduct business in the area of business in the wholesale and retail sale of beverages including alcoholic beverages.

7.3. Forecasts publication

The Management Board of Eurocash S.A. did not publish financial forecasts for 2013.

7.4. Changes in key management principles

2013 saw no changes in key management principles.

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

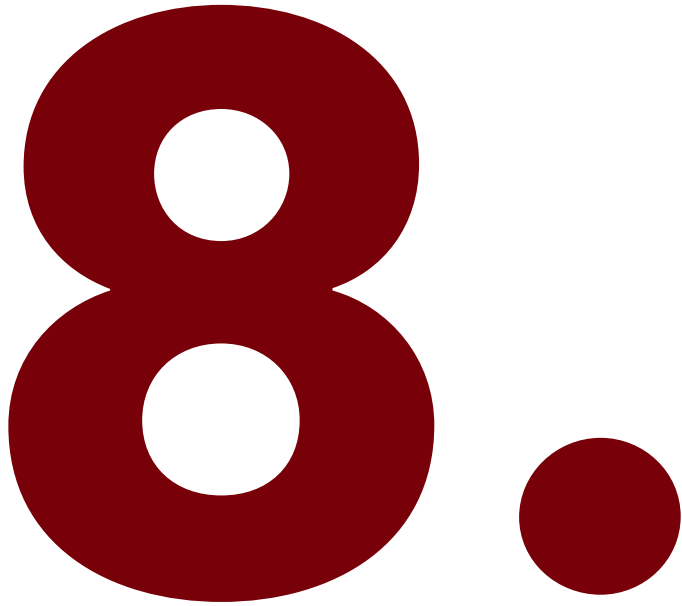
7.6. Information on registered audit company

The consolidated financial statements of Eurocash Group for 2013 were audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 10 July 2013. The consolidated financial statements of Eurocash Group for 2012 were audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 16 July 2012.

The 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 on the right:

Table 20.
Capital expenditures for audit and review of financial statements

PLN thousands	2013	2012
Audit of financial statements	400.0	235.0
Review of financial statements	150.0	150.0
Other services	35.0	26.0
Total capital expenditures	585.0	411.0



Statement on Corporate Governance Rules

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8.1. 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 2013, 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.

8.2. Shareholders structure

Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

As at 31 December 2013 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as below.

Table 21.
Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

Shareholder	31.12.2013					31.12.2012		
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral*	60 615 240	43.8	60 615 240	43.8	60 615 240	43.9	60 615 240	43.9
Others	77 812 396	56.2	77 812 396	56.2	77 361 496	56.07	77 361 496	56.07
Razem	138 427 636	100.0	138 427 636	100.0	137 976 736	100.0	137 976 736	100.0

*directly and indirectly through Politra B.V.

8.2. Shareholders structure

Number of Eurocash S.A. Shareholding Held by Management and Supervisory Members

The number of company shares held by the management and supervisory members as at 31.12.2013 was as follows:

Table 22.
Shares in the company held by members of the management board and their rights to subscription

Management Board	Eurocash shareholding		Share subscription rights	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Luis Amaral*	60 615 240	60 615 240	0	0
Rui Amaral	268 625	268 625	139 000	139 000
Katarzyna Kopaczewska	240 500	240 500	96 500	96 500
Arnaldo Guerreiro	204 500	204 500	96 500	96 500
Pedro Martinho	725 050	725 050	118 000	171 500
Carlos Saraiva	0	0	0	0
Jacek Owczarek	38 500	0	15 000	76 500

Table 23.
Shares in the company held by supervisory board and rights to subscription

Supervisory Board	Eurocash shareholding		Share subscription rights	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
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

8.2. Shareholders structure

Bearers of All Securities which Grant Special Control Rights and Discussion of Entitlements

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

Restrictions regarding 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.

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.

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.

8.3. The Parent's Governing Bodies / Management Board

Composition of the Management Board, changes thereto and rules of appointment

The Company's management body is the Management Board. The Management Board of the Parent is composed of seven members. The composition of the Management Board in the period January 1st – December 31st 2013.

Table 24.
The composition of the Management Board in 2013

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

8.3. The Parent's Governing Bodies / Management Board

Powers of the Management Board

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

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

- (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>

Remuneration, bonuses and employment contract terms of the Management Board Members

Information on remuneration paid to the members of the Management Board in 2013 is provided in the section of the annual report which contains the annual consolidated financial statements, in note n. 33

8.3. The Parent’s Governing Bodies / Supervisory Board

Composition of the Supervisory Board, changes thereto and rules of appointment

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

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

Table 25.
The composition of the Supervisory Board in 2013

João Borges de Assuncao	Chairman of the Supervisory Board
Eduardo Aguinaga de Moraes	Member of the Supervisory Board
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board
Hans Joachim Körber	Member of the Supervisory Board
Jacek Szwajcowski	Member of the Supervisory Board

On 20 May 2013 and expired term of office of a Supervisory Board member Mr. António José Santos Silva Casanova.

On 20 May 2013 and expired term of office of a Supervisory Board member Mr. Richard Wojnowski.

On 20 May 2013 and expired term of office of a Supervisory Board member Mr. Janusz Lisowski.

On May 20, 2013, Mr. Hans Joachim Körber was appointed a Member of the Council Supervisory Board Eurocash SA

On May 20, 2013, Mr. Szwajcowski was appointed a Member of the Supervisory Board Eurocash SA

On May 20, 2013, Mr. Francisco José Valente Hipólito dos Santos was appointed Member of the Supervisory Board of Eurocash SA

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

- (i) Mr. Jacek Szwajcowski and Hans Joachim Körber as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and
- (ii) Mr. João Borges de Assunção, Eduardo Aguinaga de Moraes and Francisco José Valente Hipólito dos Santos, appointed by Politra B.V., which submitted representations which meet criteria of an independent Supervisory Board member.

Thus, 5 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.

8.3. The Parent's Governing Bodies / Supervisory Board

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

8.3. The Parent's Governing Bodies / Supervisory Board

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>

8.3. The Parent's Governing Bodies / Supervisory Board

Remuneration, bonuses and employment contract terms of the Supervisory Board Members

Information on remuneration paid to the members of the Supervisory Board in 2013 is provided in the section of the annual report which contains the annual consolidated financial statements, in note n.33

8.3. The Parent's Governing Bodies / Supervisory Board

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: Eduardo Aguinaga de Moraes (Chairman), Francisco José Valente Hipólito dos Santos and Jacek Szwajcowski.

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. Francisco José Valente Hipólito dos Santos (Chairman), Eduardo Aguinaga de Moraes and Hans Joachim Körber.

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>

8.3. The Parent's Governing Bodies / General Shareholders' Meeting

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

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

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

Each General Shareholders' Meeting should be attended by members of the Supervisory Board and the Management Board in the number which will facilitate a provision of technical answers to queries raised in the course of the Meeting. A chartered auditor should attend the Annual Ordinary General Meeting of Shareholders as well as the Extraordinary General Meeting of Shareholders if financial matters of the Company are discussed. Members of the Supervisory Board, the Management Board and the chartered auditor should offer explanations and supply information related to the Company within their discretion and to the extent necessary for the resolution of matters discussed in the Meeting.

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

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

- (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

8.4. 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.

8.5. 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 8.3 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 8.3 of the Report.

8.6. 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. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for years 2007 and 2008	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
2.	Resolution No. 16 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 2 June 2010 regarding the Seventh Incentive and Bonus Scheme for Employees	Up to 197.500 Class I Shares	PLN 25,13 (issue price published in current report No. 44/2013)	from 1 January 2014 to 31 December 2014
3.	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) Target not achieved	Goal not achieved.
		850.000 Class O Shares	PLN 38 adjusted by rights connected with shares (e.g. dividends)	from 1 February 2017 to 31 January 2019

8.7. 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 G, H, I, M 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 accordance with the principles of programs based on the shares of Series G, H, I, M exercise price of the options are, respectively, PLN 9.78, PLN 8.89, PLN 25.13 and PLN 38.00.

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 2013, the cost related to the valuation of incentive schemes amounted to PLN 7 090 345, while in 2012 the amount was PLN 502.3 thousands.

8.8. 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, 2013 no weaknesses existed which could have a material adverse effect on the effectiveness of internal controls as far as financial reporting is concerned.

9.

Representations of the Management Board

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9.1. 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 2013
- the report of the Management Board on business operations of Eurocash Group in 2013 contains a true view of the development, achievements, and the position of Eurocash Group, including the discussion of main risks and threats.

9.2. 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





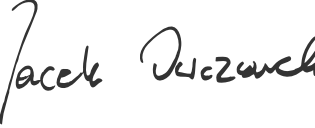
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Signatures of the Management Board members

Position	Name and surname	Date	Signature
President	Luis Amaral	28th March 2014	
Management Board Member Chief Executive Officer	Rui Amaral	28th March 2014	
Management Board Member	Arnaldo Guerreiro	28th March 2014	
Management Board Member	Pedro Martinho	28th March 2014	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	28th March 2014	
Management Board Member	Carlos Saraiva	28th March 2014	
Management Board Member Financial Director	Jacek Owczarek	28th March 2014	

part B

Selected consolidated financial data



SELECTED CONSOLIDATED FINANCIAL DATA

	Non audited for the period from 01.01.2013 to 31.12.2013 PLN	Non audited for the period from 01.01.2012 to 31.12.2012 PLN	Non audited for the period from 01.01.2013 to 31.12.2013 EUR	Non audited for the period from 01.01.2012 to 31.12.2012 EUR
Sales	16 537 532 494	16 609 290 442	3 939 852 887	3 968 767 131
Operating profit (loss)	285 685 590	376 827 109	68 060 891	90 042 320
Profit (loss) before income tax	226 077 879	282 456 801	53 860 126	67 492 665
Profit (loss) for the on continued operations	221 009 478	250 381 269	52 652 645	59 828 260
Profit (loss) for the period	221 009 478	250 381 269	52 652 645	59 828 260
Net cash from operating activities	541 960 584	669 814 767	129 115 089	160 051 318
Net cash used in investing activities	(152 052 309)	(107 684 588)	(36 224 493)	(25 731 084)
Net cash used in financing activities	(444 771 049)	(703 231 953)	(105 960 941)	(168 036 309)
Net change in cash and cash equivalents	(54 862 774)	(141 101 774)	(13 070 345)	(33 716 075)
Weighted average number of shares	138 188 296	137 921 774	138 188 296	137 921 774
Weighted average diluted number of shares	138 721 946	138 875 685	138 721 946	138 875 685
EPS (in PLN / EUR)	1,60	1,82	0,38	0,43
Diluted EPS (in PLN / EUR)	1,59	1,80	0,38	0,43
Average PLN / EUR rate*			4,1975	4,1850
	Non audited as at 31.12.2013 PLN	as at 31.12.2012 PLN	Non audited as at 31.12.2013 EUR	as at 31.12.2012 EUR
Assets	4 825 560 156	4 678 861 016	1 163 570 640	1 144 479 482
Non-current liabilities	295 287 524	478 883 793	71 201 660	117 138 054
Current liabilities	3 645 916 689	3 422 526 271	879 127 288	837 171 927
Equity	884 355 944	777 450 953	213 241 692	190 169 501
Share capital	138 427 636	137 976 536	33 378 577	33 749 948
Number of shares	138 427 636	137 976 536	138 427 636	137 976 536
Diluted number of shares	139 577 136	138 909 011	139 577 136	138 909 011
Book value per share (in PLN / EUR)	6,39	5,63	1,54	1,38
Diluted book value per share (in PLN / EUR)	6,34	5,60	1,53	1,37
Declared or paid dividend (in PLN / EUR) ***	124 465 442	24 795 780	30 011 922	6 065 207
Declared or paid dividend per share (in PLN / EUR)	0,90	0,18	0,22	0,04
PLN / EUR rate at the end of the period**			4,1472	4,0882

* 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 2012 year, was paid before 02 July 2013, for employees who has been shareholders of Parent Company as at 11 June 2013.

part C

Auditor's opinion



Eurocash S.A. Group

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2013**

The opinion contains 2 pages
The supplementary report contains 14 pages
Opinion of the independent auditor
and supplementary report on the audit
of the consolidated financial statements
for the financial year ended
31 December 2013

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 Eurocash S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Eurocash S.A. with its registered office in Komorniki, 11 Wiśniowa Street (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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

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

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying consolidated financial statements of Eurocash S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

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

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

Signed on the Polish original

.....
Marek Gajdziński
Key Certified Auditor
Registration No. 90061
Partner

28 March 2014

part D

Auditor's report



Eurocash S.A. Group

**Supplementary report
on the audit of the
consolidated financial
statements**

**Financial Year ended
31 December 2013**

The supplementary report contains 14 pages
The supplementary report on the audit of the
consolidated financial statements
for the financial year ended
31 December 2013

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

Eurocash S.A. Group

1.1.2 Registered office of the Parent Company of the Group

11 Wiśniowa Street
62-052 Komorniki

1.1.3 Registration of the Parent Company in the National Court Register

Registration court:	District Court 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 end of reporting period:	138,427,636.00 PLN

1.1.4. Management of the Parent Company

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

As at 31 December 2013, the Management Board of the Parent Company was comprised of the following members:

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

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2013, the following companies were consolidated by the Group:

Parent Company:

- Eurocash S.A.

Subsidiaries consolidated on the full consolidation basis:

- KDWT S.A.,
- Eurocash Franczyza Sp. z o.o.,
- Eurocash Detal Sp. z o.o.,
- Eurocash Trade 1 Sp. z o.o.,
- Eurocash Trade 2 Sp. z o.o.,
- KDWT Spółka Akcyjna S.K.A.,
- Premium Distributors 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.,
- Tradis Sp. z o.o.,
- Ambra Sp. z o.o.,
- DEF Sp. z o.o.,
- Drogerie Koliber Sp. z o.o.,
- Gama Detal Sp. z o.o.,
- Euro Sklep S.A.,
- Gama Serwis Sp. z o.o.,
- Lewiatan Holding S.A.,
- Lewiatan Kujawy Sp. z o.o.,
- Lewiatan Orbita Sp. z o.o.,
- Lewiatan Opole Sp. z o.o.,
- Lewiatan Północ Sp. z o.o.,
- Lewiatan Podlasie Sp. z o.o.,
- Lewiatan Śląsk Sp. z o.o.,
- Lewiatan Wielkopolska Sp. z o.o.,
- Lewiatan Zachód Sp. z o.o.,
- Partnerski Serwis Detaliczny S.A.

Equity accounted investees:

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

The following subsidiaries were consolidated for the first time during the year ended 31 December 2013:

- Gama Detal Sp. z o.o. – subject to consolidation for the period from 7 March 2013 to 31 December 2013,
- Eurocash Detal Sp. z o.o. – subject to consolidation for the period from 18 November 2013 to 31 December 2013.

1.2.2 Entities excluded from consolidation

As at 31 December 2013, the following subsidiaries of the Group were not consolidated:

- Lewiatan Podkarpacie Sp. z o.o.

1.3 Key Certified Auditor and Audit Firm Information

1.3.1 Key Certified Auditor information

Name and surname: Marek Gajdziński
Registration number: 90061

1.3.2 Audit Firm information

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

KPMG Audyt Sp. z o.o. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 458.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2012 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 20 May 2013.

The consolidated financial statements were submitted to the Registry Court on 27 August 2013.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of Eurocash S.A. with its registered office in Komorniki, Wiśniowa 11 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2013, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements were audited in accordance with the contract dated 10 July 2013. The resolution of the Supervisory Board on the appointment of the auditor was adopted on 27 November 2013.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 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 consolidated financial statements at the Group entities during the period from 25 November to 6 December 2013 and from 27 January to 28 February 2014.

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

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

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

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

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

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



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

1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2013 were audited by KPMG Audyt Spółka z o.o., certified auditor number 458, and received an unqualified opinion.

1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
KDWT S.A.	KPMG Audyt Sp. z o.o.	31 December 2013	*
Eurocash Franczyza Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2013	*
Eurocash Detal Sp. z o.o.	audit not required	31 December 2013	not applicable
Eurocash Trade 1 Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Eurocash Trade 2 Sp. z o.o.	audit not required	31 December 2013	not applicable
KDWT Spółka Akcyjna S.K.A.	KPMG Audyt Sp. z o.o.	31 December 2013	*
Premium Distributors sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	audit not required	31 December 2013	not applicable
Pol Cater Holding Sp. z o.o.	audit not required	31 December 2013	not applicable
Dania Fast Food Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Tradis Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Ambra Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
DEF Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Drogerie Koliber Sp. z o.o.	audit not required	31 December 2013	not applicable
Gama Detal Sp. z o.o.	audit not required	31 December 2013	not applicable
Euro Sklep S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Gama Serwis Sp. z o.o.	audit not required	31 December 2013	not applicable
Lewiatan Holding S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Lewiatan Kujawy Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Lewiatan Orbita Sp. z o.o.	audit not required	31 December 2013	not applicable
Lewiatan Opole Sp. z o.o.	audit not required	31 December 2013	not applicable
Lewiatan Północ Sp. z o.o.	audit not required	31 December 2013	not applicable
Lewiatan Podlasie sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Lewiatan Śląsk Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*
Lewiatan Wielkopolska Sp. z o.o.	audit not required	31 December 2013	not applicable
Lewiatan Zachód Sp. z o.o.	audit not required	31 December 2013	not applicable
Partnerski Serwis Detaliczny S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	*

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

2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2013 PLN '000	% of total	31.12.2012 PLN '000 restated*	% of total
Non-current assets (long-term)	2 015 513,1	41,8	1 947 639,8	41,6
Goodwill	1 055 533,4	21,9	1 049 287,6	22,4
Other intangible assets	393 574,8	8,2	422 682,2	9,0
Property, plant and equipment	417 745,4	8,7	377 119,3	8,1
Investment property	1 283,4	0,0	1 572,8	0,0
Investments in equity accounted investees	36 167,5	0,7	36 758,9	0,8
Other investments	1 575,5	0,0	1 134,1	0,0
Long-term receivables	5 931,2	0,1	3 375,4	0,1
Deferred tax assets	103 324,8	2,1	52 505,7	1,1
Other long-term prepayments	377,1	0,0	3 203,8	0,1
Current assets (short-term)	2 810 047,0	58,2	2 731 221,2	58,4
Inventories	1 017 822,1	21,1	984 670,8	21,0
Trade receivables	1 416 521,3	29,4	1 451 933,6	31,0
Current tax assets	12 048,2	0,2	23 445,2	0,5
Other short-term receivables	213 546,4	4,4	73 070,4	1,6
Other short-term financial assets	3 042,4	0,1	3 810,7	0,1
Short-term prepayments	17 302,4		9 663,5	0,2
Cash and cash equivalents	102 518,7	2,1	157 381,5	3,4
Non-current assets of disposal group held for sale	27 245,5	0,6	27 245,5	0,6
TOTAL ASSETS	4 825 560,1	100,0	4 678 861,0	100,0
EQUITY AND LIABILITIES	31.12.2013 PLN '000	% of total	31.12.2012 PLN '000 restated*	% of total
Equity	884 355,9	18,3	777 450,9	16,6
Share capital	138 427,6	2,9	137 976,5	2,9
Reserve capital	440 197,9	9,1	341 097,7	7,3
Hedging reserve	(4 645,0)	0,1	(4 645,0)	0,1
Retained earnings	310 375,4	6,4	303 021,7	6,5
Accumulated profit from previous years	89 365,9	1,9	52 640,4	1,1
Profit for the period	221 009,5	4,6	250 381,3	5,4
Liabilities	3 941 204,2	81,7	3 901 410,1	83,4
Non-current liabilities	295 287,5	6,1	478 883,8	10,2
Long-term loans and borrowings	85 978,9	1,8	403 744,8	8,6
Long-term financial liabilities	154 927,7	3,2	16 832,3	0,4
Other long-term liabilities	251,0	0,0	401,6	0,0
Deferred tax liabilities	51 032,1	1,1	54 671,3	1,2
Employee benefits	3 097,8	0,1	3 233,8	0,1
Current liabilities	3 645 916,7	75,6	3 422 526,3	73,1
Loans and borrowings	411 697,9	8,5	502 886,8	10,7
Short-term financial liabilities	27 562,1	0,6	32 388,7	0,7
Trade payables	2 889 702,7	59,9	2 621 438,8	56,0
Current tax liabilities	19 939,4	0,4	10 030,8	0,2
Other short-term payables	160 489,5	3,3	67 067,7	1,4
Current employee benefits	52 436,0	1,1	40 347,1	0,9
Provisions	84 089,1	1,7	148 366,4	3,2
TOTAL EQUITY AND LIABILITIES	4 825 560,1	100,0	4 678 861,0	100,0

* Restatement of comparative figures is described in the Note 1 of Notes to the consolidated financial statements.

2.1.2. Consolidated income statement

	1.01.2013 - 31.12.2013 PLN '000	% of total sales	1.01.2012 - 31.12.2012 PLN '000 restated*	% of total sales
Sales	16 537 532,5	100,0	16 609 290,4	100,0
Sales of goods	15 693 502,9	94,9	15 957 555,9	96,1
Sales of services	840 950,1	5,1	645 706,6	3,9
Sales of materials	3 079,5	0,0	6 027,9	0,0
Cost of sales	(14 863 798,5)	(89,9)	(14 818 536,3)	(89,2)
Cost of goods sold	(14 734 876,3)	(89,1)	(14 684 081,2)	(88,4)
Cost of services sold	(126 186,7)	(0,8)	(129 617,3)	(0,8)
Cost of materials sold	(2 735,5)	(0,0)	(4 837,8)	(0,0)
Gross profit	1 673 734,0	10,1	1 790 754,1	10,8
Selling expenses	(1 104 393,4)	(6,7)	(1 083 145,8)	(6,5)
General and administrative expenses	(287 609,9)	(1,7)	(270 399,0)	(1,6)
Profit on sales	281 730,7	1,7	437 209,3	2,6
Other operating income	77 314,5	0,5	38 296,2	0,2
Other operating expenses	(73 359,6)	(0,4)	(98 678,4)	(0,6)
Operating profit	285 685,6	1,7	376 827,1	2,3
Finance income	12 287,5	0,1	16 235,9	0,1
Finance costs	(71 303,8)	(0,4)	(109 404,8)	(0,7)
Share of loss of equity accounted investees	(591,4)	(0,0)	(1 201,4)	(0,0)
Profit before income tax	226 077,9	1,4	282 456,8	1,7
Income tax expense	(5 068,4)	(0,0)	(32 075,5)	(0,2)
Profit for the period	221 009,5	1,3	250 381,3	1,5
Profit	221 009,5		250 381,3	
Weighted average number of shares	138 188,3		137 921,8	
Weighted average diluted number of shares	138 721,9		138 875,7	
- basic	1,60		1,82	
- diluted	1,59		1,80	

* Restatement of comparative figures is described in the Note 1 of Notes to the consolidated financial statements.

2.1.3. Consolidated statement of comprehensive income

	1.01.2013 - 31.12.2013		1.01.2012 - 31.12.2012	
	PLN '000	% of profit	PLN '000	% of profit
Profit	221 009,5	100,0	250 381,3	100,0
Other comprehensive income	-	-	-	-
Total comprehensive income	221 009,5	100,0	250 381,3	100,0
Total income				
Owners of the Company	221 009,5	100,0	250 381,3	100,0

2.2 Selected financial ratios

	2013	2012	2011
		restated*	restated*
1. Return on sales			
<u>profit for the period x 100%</u> revenue	1,3%	1,5%	1,3%
2. Return on equity			
<u>profit for the period x 100%</u> equity - profit for the period	33,3%	47,5%	31,0%
3. Debtors' days			
<u>average trade receivables (gross) x 365 days</u> revenue	33 days	32 days	38 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	81,7%	83,4%	88,3%
5. Current ratio			
<u>current assets</u> current liabilities	0,8	0,8	0,8

* Restatement of comparative figures is described in the Note 1 of Notes to the consolidated financial statements.

- Current assets exclude receivables due in more than 12 months.
- Current liabilities are comprised of short-term provisions for liabilities, short-term liabilities (excluding liabilities due in more than 12 months) and other short-term accruals.
- Revenue includes revenue from sales 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, with no deduction made for allowances.

As at 31 December 2013 the current ratio was at the similar level as in prior year and amounted to 0.8. The Group has unused credit limits within granted lines of credit and during 2014 the Company plans to generate sufficient cash flows from operating activities which altogether 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 which are not netted off against payables to suppliers as at balance sheet date. Depending on nature of these transactions they are presented in the income statement as sales of services or as a reduction of cost of goods sold.

3 Detailed report

3.1 Accounting principles

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

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

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

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

3.2 Basis of preparation of the consolidated financial statements

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

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

3.3 Method of consolidation

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

3.4 Goodwill arising on consolidation

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

3.5 Consolidation of equity and calculation of non-controlling interest

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

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

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

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

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

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

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

3.7 Notes to the consolidated financial statements

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

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

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

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

28 March 2014

part E

Consolidated financial statements



EUROCASH S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

TRANSLATORS' EXPLANATORY NOTE

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

KOMORNIKI, 28 March 2014

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

GENERAL INFORMATION

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

EUROCASH Spółka Akcyjna (Parent Entity)

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRATION COURT

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

PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

Indefinite period

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period 1 January 2013 – 31 December 2013 and comparative period 1 January 2012 – 31 December 2012.

Consolidated statement of financial position has been prepared as at 31 December 2013, and the comparative figures are presented as at 31 December 2012.

2. BOARD OF THE PARENT ENTITY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2013 the Parent Entity's Management Board consisted of the following members:

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

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2.2. SUPERVISORY BOARD

As at 31 December 2013 the Parent Entity's Supervisory Board consisted of the following members:

João Borges de Assunção – President of the Supervisory Board,
Eduardo Aguinaga de Moraes – Member of the Supervisory Board,
Francisco José Valente Hipólito dos Santos – Member of the Supervisory Board,
Hans Joachim Körber – Member of the Supervisory Board,
Jacek Sz wajcowski – Member of the Supervisory Board.

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

On 20th May 2013 the term of office of the Supervisory Board Mr António José Santos Silva Casanova has expired.

On 20th May 2013 the term of office of the Supervisory Board Mr Ryszard Wojnowski has expired.

On 20th May 2013 the term of office of the Supervisory Board Mr Janusz Lisowski has expired.

On 20th May 2013 Mr Hans Joachim Körber was appointed as a member of the Supervisory Board of Eurocash S.A.

On 20th May 2013 Mr Jacek Sz wajcowski was appointed as a member of the Supervisory Board of Eurocash S.A.

On 20th May 2013 Mr Francisco José Valente Hipólito dos Santos was appointed as a member of the Supervisory Board of Eurocash S.A.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2013

	Note	Year for the period from 01.01.2013 to 31.12.2013	Year for the period from 01.01.2012 to 31.12.2012
			Restated *
Sales		16 537 532 494	16 609 290 442
Sales of goods	27	15 693 502 925	15 957 555 937
Sales of services	27	840 950 039	645 706 580
Sales of materials	27	3 079 529	6 027 924
Costs of sales		(14 863 798 431)	(14 818 536 325)
Costs of goods sold		(14 734 876 264)	(14 684 081 237)
Costs of services sold	28	(126 186 708)	(129 617 318)
Costs of materials sold		(2 735 459)	(4 837 771)
Gross profit (loss)		1 673 734 063	1 790 754 117
Selling expenses	28	(1 104 393 431)	(1 083 145 828)
General and administrative expenses	28	(287 609 927)	(270 398 955)
Profit (loss) on sales		281 730 705	437 209 333
Other operating income	29	77 314 457	38 296 177
Other operating expenses	29	(73 359 571)	(98 678 401)
Operating profit (loss)		285 685 590	376 827 109
Financial income	30	12 287 481	16 235 869
Financial costs	30	(71 303 836)	(109 404 793)
Share in profits (losses) of equity accounted investees		(591 356)	(1 201 384)
Profit (loss) before income tax		226 077 879	282 456 801
Income tax expense	24	(5 068 402)	(32 075 532)
Profit (loss) for the period		221 009 478	250 381 269
Attributable to:			
Owners of the Company		221 009 478	250 381 269

EARNINGS PER SHARE

		PLN / share	PLN / share
Profit (loss)		221 009 478	250 381 269
Weighted average number of shares	31	138 188 296	137 921 774
Weighted average diluted number of shares	31	138 721 946	138 875 685
- basic		1,60	1,82
- diluted		1,59	1,80

* Note 1

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01 TO 31.12.2013

	Year for the period from 01.01.2013 to 31.12.2013	Year for the period from 01.01.2012 to 31.12.2012
Profit (loss) for the period	221 009 478	250 381 269
Other comprehensive income for the period	-	-
Total comprehensive income for the period	221 009 478	250 381 269
Total Income		
Owners of the Company	221 009 478	250 381 269
Non-controlling interests	-	-
Total comprehensive income for the period	221 009 478	250 381 269

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2013

	Note	as at 31.12.2013	as at 31.12.2012 Restated *
Assets			
Non-current assets (long-term)		2 015 513 079	1 947 639 828
Goodwill	4	1 055 533 429	1 049 287 679
Intangible assets	4	393 574 808	422 682 230
Property, plant and equipment	5	417 745 410	377 119 295
Investment real estate property	7	1 283 386	1 572 759
Investments in equity accounted investees	8	36 167 498	36 758 854
Other long-term investments	9	1 575 462	1 134 069
Long-term receivables	10	5 931 200	3 375 412
Deferred tax assets	25	103 324 796	52 505 729
Other long-term prepayments	26	377 091	3 203 801
Current assets (short-term)		2 810 047 077	2 731 221 188
Inventories	11	1 017 822 128	984 670 860
Trade receivables	12	1 416 521 310	1 451 933 564
Current tax receivables	12	12 048 181	23 445 157
Other short-term receivables	12	213 546 440	73 070 421
Other short-term financial assets	13	3 042 373	3 810 684
Short-term prepayments	14	17 302 396	9 663 479
Cash and cash equivalents	15	102 518 699	157 381 473
Fixed assets classified as held for sale	16	27 245 549	27 245 549
Total assets		4 825 560 156	4 678 861 016

* Note 1

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2013

		as at 31.12.2013	as at 31.12.2012 Restated *
<i>Equity nad liabilities</i>			
Equity		884 355 944	777 450 953
Equity attributable to Owners of the Company		884 355 944	777 450 953
Share capital	18	138 427 636	137 976 536
Reserve capital		440 197 882	341 097 692
Hedging reserve		(4 645 000)	(4 645 000)
Retained earnings		310 375 426	303 021 724
Accumulated profit from previous years		89 365 948	52 640 455
Profit (loss) for the period		221 009 478	250 381 269
Liabilities		3 941 204 213	3 901 410 064
Non-current liabilities		295 287 524	478 883 793
Long-term loans and borrowings	22	85 978 892	403 744 879
Long-term financial liabilities	23	154 927 670	16 832 317
Other long-term liabilities	21	251 000	401 559
Deferred tax liabilities	25	51 032 109	54 671 275
Employee benefits	20	3 097 852	3 233 762
Current liabilities		3 645 916 689	3 422 526 271
Loans and borrowings	22	411 697 917	502 886 759
Short-term financial liabilities	23	27 562 105	32 388 753
Trade payables	21	2 889 702 742	2 621 438 760
Current tax liabilities	21	19 939 364	10 030 809
Other short-term payables	21	160 489 481	67 067 702
Current employee benefits	20	52 435 993	40 347 120
Provisions	20	84 089 086	148 366 367
Total equity and liabilities		4 825 560 156	4 678 861 016

BOOK VALUE PER SHARE

		as at 31.12.2013	as at 31.12.2012
Equity attributable to Owners of the Company		884 355 944	777 450 953
Number of shares	32	138 427 636	137 976 536
Diluted number of shares	32	139 577 136	138 909 011
Book value per share		6,39	5,63
Diluted book value per share		6,34	5,60

* Note 1

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01 TO 31.12.2013

	for the period	for the period
	from 01.01.2013	from 01.01.2012
	to 31.12.2013	to 31.12.2012

Cash flow from operating activities

Profit before tax	226 077 879	282 456 801
Adjustments for:	188 830 325	218 790 437
Depreciation and amortization	116 458 900	113 361 729
Share in profits (losses) of equity accounted investees	591 356	1 201 384
Equity-settled share-based payment transactionsValuation of potivational programm	7 090 345	502 317
Gain (loss) on sale of property, plant and equipment	593 981	7 155 165
Interest expenses	68 265 236	105 252 124
Interest received	(4 169 492)	(8 682 283)
Operating cash before changes in working capital	414 908 205	501 247 238
Changes in inventory	(15 881 771)	(41 819 147)
Changes in receivables	(112 785 013)	(99 230 660)
Changes in payables	351 412 836	386 252 652
Changes in provisions and employee benefits	(44 214 924)	(12 909 350)
Other adjustments	426 029	(4 185 124)
Operating cash	593 865 362	729 355 609
Interest received	2 202 043	3 411 428
Interest paid	(16 572 969)	(12 944 160)
Income tax paid	(37 533 852)	(50 008 110)
Net cash from operating activities	541 960 584	669 814 767

Cash flow from investing activities

Aquisitionof intangible assets	(23 503 148)	(22 962 639)
Proceeds from sale of intangible assets, property, plant and equipment	621 877	1 000 000
Aquisition of property, plant and equipment tangible fixed assets	(118 851 811)	(101 463 852)
Proceeds from sale of property, plant and equipment	19 989 396	29 170 797
Expenditures on the acquisition of companies and organized part of	(30 623 486)	-
Expenditures for purchased financial assets	-	(218 097)
Expenditures for purchased associate companies	-	(15 156 000)
Interest received	314 863	1 945 203
Net cash used in investing activities	(152 052 309)	(107 684 588)

Cash flow from financing activities

Proceeds from issue of share capital	4 280 215	8 924 777
Financing for franchisees	(3 264 313)	(4 391 696)
Proceeds from the issuance of debt securities	140 000 000	-
Proceeds from loans and borrowings	81 362 610	250 223 461
Repayment of borrowings	(488 287 490)	(840 592 571)
Payment of finance lease liabilities	(4 228 323)	(6 115 800)
Other interests	(12 280 959)	(3 115 012)
Interests on loans and borrowings	(37 887 347)	(83 369 331)
Dividends paid	(124 465 442)	(24 795 780)
Net cash used in financing activities	(444 771 049)	(703 231 953)
Net change in cash and cash equivalents	(54 862 774)	(141 101 774)
Cash and cash equivalents at the beginning of the period	157 381 473	298 483 246
Cash and cash equivalents at the end of the period	102 518 699	157 381 473

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2013

	Share capital	Reserve capital	Hedge reserve	Retained earnings Restated *	Equity attributable to Owners of the Company	Total
<i>Changes in equity in the period from 01.01 to 31.12.2012</i>						
Balance as at 01.01.2012	136 983 011	263 157 202	(4 645 000)	146 895 260	542 390 473	542 390 473
Total comprehensive income for the reporting period						
Profit (loss) for the period from 01.01. to 31.12.2012	-	-	-	250 381 269	250 381 269	250 381 269
Total comprehensive income for the period from 01.01. to 31.12.2012	-	-	-	250 381 269	250 381 269	250 381 269
Dividends paid	-	-	-	(24 795 780)	(24 795 780)	(24 795 780)
Transfer to reserve capital	-	69 431 588	-	(69 431 588)	-	-
Equity-settled share-based payment transactions	-	502 317	-	-	502 317	502 317
Share options exercised	993 525	7 931 252	-	-	8 924 777	8 924 777
Other	-	75 334	-	(27 437)	47 897	47 897
Total transaction with Owners of the Company, recognized directly in equity	993 525	77 940 490	-	(94 254 805)	(15 320 790)	(15 320 790)
Balance as at 31.12.2012	137 976 536	341 097 692	(4 645 000)	303 021 724	777 450 953	777 450 953
<i>Changes in equity in the period from 01.01 to 31.12.2013</i>						
Balance as at 01.01.2013	137 976 536	341 097 692	(4 645 000)	303 021 724	777 450 953	777 450 953
Total comprehensive income for the reporting period						
Profit for the period from 01.01. to 31.12.2013	-	-	-	221 009 478	221 009 478	221 009 478
Total comprehensive income for the period from 01.01. to 31.12.2013	-	-	-	221 009 478	221 009 478	221 009 478
Dividends paid	-	-	-	(124 465 442)	(124 465 442)	(124 465 442)
Transfer to reserve capital	-	88 197 817	-	(88 197 817)	-	-
Equity-settled share-based payment transactions	-	7 090 345	-	-	7 090 345	7 090 345
Realisation of motivational program for employees	-	-	-	-	-	-
Share options exercised	451 100	3 829 116	-	-	4 280 216	4 280 216
Other	-	(17 089)	-	(992 517)	(1 009 606)	(1 009 606)
Total transaction with Owners of the Company, recognized directly in equity	451 100	99 100 189	-	(213 655 776)	(114 104 487)	(114 104 487)
Balance as at 31.12.2013	138 427 636	440 197 882	(4 645 000)	310 375 426	884 355 944	884 355 944

* Note 1

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2013

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 28 March 2014 the consolidated financial statements of Eurocash S.A. Group for the period from 1 January 2013 to 31 December 2013 were authorized for issue by the management Board. According to the information included in the report no. 1/2014 dated 10 January 2014 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its consolidated financial statements on 28 March 2014.

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

1.2. STATEMENT OF COMPLIANCE

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

In preparing these consolidated financial statements the Group has not applied any of the new Standards and Interpretations, which have already been published and approved by the European Union but are not yet effective for the year ended 31 December 2013. Moreover, the Group has not yet completed its analysis of the possible impact of those new Standards and Interpretations on the separate financial statements prepared for the period in which the new Standards and Interpretations will be applied for the first time.

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

Separate financial statements have been prepared in accordance with International Financial Reporting Standards that have been approved by the European Union, named as "EU IFRS".

EU IFRS include all International Accounting Standards, International Financial Reporting Standards and related Interpretations, except from the mentioned Standards and Interpretations that are waiting for approval by the European Union and the Standards and Interpretations that have been approved by the European Union, but not yet in effective .

The Group did not adopt the possibility of using new Standards and Interpretations that have already been published and accepted by the European Union and which will be effective after the reporting date. In addition, at the reporting date, the Group has not yet completed the process of calculating the impact of new Standards and Interpretations that will be effective after the reporting date, on the financial statements of the Group for the period in which they will be applied for the first time.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2013.

- IFRS 10 "Consolidated Financial Statements", effective for annual periods beginning on 1 January 2014 or after that date,
- IFRS 11 "Joint Arrangements", effective for annual periods beginning on 1 January 2014 or after that date,
- IFRS 12 "Disclosure of Interests in Other Entities", effective for annual periods beginning on 1 January 2014 or after that date,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements", Joint Arrangements, Disclosure of Interests in Other Entities, effective for annual periods beginning on 1 January 2014 or after that date,
- IAS 28 (amended in 2011) "Investments in Associates and Joint Ventures", effective for annual periods beginning on 1 January 2014 or after that date,
- Amendments to IAS 32 "Financial Instruments : Presentation" – compensation of financial assets and liabilities, effective for annual periods beginning on 1 January 2014 or after that date,
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities, effective for annual periods beginning on 1 January 2014 or after that date,
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" (changing of derivatives and the continued using of hedge accounting), effective for annual periods beginning on 1 January 2014 or after that date,
- Amendments to IAS 36 "Impairment of Assets" (the disclosure of recoverable value on non-financial assets), effective for annual periods beginning on 1 January 2014 or after that date.

Standards and interpretations not yet approved by the EU on 31 December 2013

- IFRS 9 "Financial Instruments" (available for use - no date of obligatory application),
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" (available for use - no dates of compulsory application),
- IFRIC 21 "Public charges", effective for annual periods beginning on 1 January 2014,
- Amendment to IAS 19 "Employee Benefits" entitled Defined benefit plans: contributions of workers - effective for annual periods beginning on 1 July 2014,
- Amendments to International Financial Reporting Standards 2010-2012 (annual improvements to IFRSs 2010-2012 include eight amendments to 7 standards, with corresponding changes to other standards and interpretations) - effective for annual periods beginning on 1 July 2014,
- Amendments to International Financial Reporting Standards 2011-2013 (annual improvements to IFRSs 2011-2013 include 4 amendments to standards, with

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

corresponding changes to other standards and interpretations) - effective for annual periods beginning on 1 July 2014,

- IFRS 14, "Assets and Liabilities Regulatory" - effective for annual periods beginning on 1 January 2016.

<i>Consolidated financial statements of EUROCASH Group.</i>			
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The impact of new regulations on the Capital Group's future financial statements

The new IFRS 9 introduces fundamental changes in the classification, presentation and valuation of financial instruments. These changes will potentially have a significant impact on future financial statements of the Group. At the date of these financial statements, IFRS 9 has not yet been approved by the European Union and is not known for its impact on future financial statements of the Group.

The analysis of the impact of other standards has not been completed by the Group, and the Group does not forecast that these changes will have a significant impact on the financial statements of the Group.

1.4. FUNCTIONAL AND PRESENTATION CURRENCY, ROUNDINGS

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

1.5. USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant estimates are related to allocation of the acquisition price of the companies, impairment of assets and reserves, which are described in Note 2, 6 and 20.

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting principles as well as calculation methods applied in the preparation of the financial statements remained unchanged in comparison to the ones applied in the last annual consolidated financial statements for the year ended at 31 December 2012.

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

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

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1.7. INFORMATION ABOUT THE PARENT ENTITY, THE CAPITAL GROUP AND THE ASSOCIATES

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

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

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

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Entities comprising the Eurocash capital group and associates as at 31.12.2013

No	1	2	3	4	5	6	7	8
Unit	Eurocash S.A.	KDWT S.A.	Eurocash Franczyza Sp. z o.o.	Eurocash Trade 1 Sp. z o.o.	Eurocash Trade 2 Sp. z o.o.	KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	Premium Distributors Sp. z o.o.	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.
address	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul. Bokserska 66a 02-690 Warszawa	ul .Wiśniowa 11 62-052 Komorniki
core business activity	PKD 4690Z	PKD 4635Z	PKD 8299Z	PKD 4634A	PKD 4634A	PKD 7740Z	PKD 4634A	PKD 4690Z
registration court	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000213765	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000040385	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000259846	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329002	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329037	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000490366	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000287947	District Court Zielona Góra, VIII Commercial Division of the National Court Register KRS 0000203619
nature of relationship	Parent company	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	n/a	31.03.2006	10.07.2006	06.04.2009	06.04.2009	14.01.2010	02.08.2010	02.08.2010
ownership interest	n/a	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
voting rights (in %)	n/a	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

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Entities comprising the Eurocash capital group and associates as at 31.12.2013 (continued)

No	9	10	11	12	13	14	15	16
Unit	Pol Cater Holding Sp. z o.o.	Dania Fast Food Sp. z o.o.	Tradis Sp. z o.o.	DEF Sp. z o.o.	Lewiatan Podlasie Sp. z o.o.	Euro Sklep S.A.	Ambra Sp. z o.o.	Lewiatan Śląsk Sp. z o.o.
address	ul. Pass 20c 05-870 Błonie	ul. Pass 20c 05-870 Błonie	ul. Al. Witosa 16 20-315 Lublin	ul. Handlowa 6 15-399 Białystok	ul. Sokółska 9 15-865 Białystok	ul. Bystrzańska 94a 43-309 Bielsko-Biała	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	ul. Lenartowicza 39 41-219 Sosnowiec
core business activity	PKD 7010Z	PKD 4639Z	PKD 4639Z	PKD 4639Z	PKD 4711Z	PKD 4711Z	PKD 4645Z	PKD 7022Z
registration court	District Court Warszawa, XIV Commercial Division of the National Court Register KRS 0000241989	District Court Warszawa, XIV Commercial Division of the National Court Register KRS 0000165007	District Court Lublin-Wschód, VI Commercial Division of the National Court Register in Świdnik KRS 0000272382	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000048125	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000033766	District Court Bielsko Biała, VIII Commercial Division of the National Court Register KRS 0000012291	District Court Katowice-Wschód, VIII Commercial Division of the National Court Register KRS 0000254307	District Court Katowice-Wschód, VIII Commercial Division of the National Court Register KRS 0000175768
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	01.03.2011	01.03.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011
ownership interest	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
voting rights (in %)	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

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

Entities comprising the Eurocash capital group and associates as at 31.12.2013 (continued)

No	17	18	19	20	21	22	23	24
Unit	Lewiatan Orbita Sp. z o.o.	Lewiatan Kujawy Sp. z o.o.	Lewiatan Wielkopolska Sp. z o.o.	Lewiatan Opole Sp. z o.o.	Lewiatan Zachód Sp. z o.o.	Lewiatan Podkarpacie Sp. z o.o.	Partnerski Serwis Detaliczny S.A.	Gama Serwis Sp. z o.o.
address	ul. Lubelska 33 10-410 Olsztyn	ul. Polna 4-8 87-800 Włocławek	Os. Winiary 54 60-665 Poznań	ul. Światowida 2 45-325 Opole	ul. Przemysłowa 5 73-110 Stargard Szczeciński	Straszęcin 295 39-218 Straszęcin	ul. Grażyny 15 02-548 Warszawa	ul. Handlowa 5 15-399 Białystok
core business activity	PKD 4690Z	PKD 4711Z	PKD 7740Z	PKD 7490Z	PKD 6419Z	PKD 8299Z	PKD 7490Z	PKD 7740Z
registration court	District Court Olsztyn, VIII Commercial Division of the National Court Register KRS 0000039244	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000109502	District Court Poznań - Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register KRS 0000133384	District Court Opole, VIII Commercial Division of the National Court Register KRS 0000043199	District Court Szczecin Centrum, XIII Commercial Division of the National Court Register KRS 0000017136	District Court Rzeszów, XII Commercial Division of the National Court Register KRS 0000186622	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000280288	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000399124
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	-	Full	Full
date of aquisition	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	28.06.2013	21.12.2011	21.12.2011
ownership interest	100,00%	100,00%	81,43%	100,00%	100,00%	100,00%	100,00%	100,00%
voting rights (in %)	100,00%	100,00%	81,43%	100,00%	100,00%	100,00%	100,00%	100,00%

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Entities comprising the Eurocash capital group and associates as at 31.12.2013 (continued)

No	25	26	27	28	29	30	31
Unit	Gama Detal Sp. z o.o.	ZKiP Lewiatan 94 Holding S.A.	Lewiatan Północ Sp. z o.o.	Drogerie Koliber Sp. z o.o.	Eurocash Detal Sp. z o.o.	PayUp Polska S.A.	Fundusz Inwestycyjny Zamknięty RE Income
address	Porosły 70 16-070 Choroszcz	ul. Kilińskiego 10 87-800 Włocławek	ul. Bysewska 30 80-298 Gdańsk	ul. Lenartowicza 39 41-219 Sosnowiec	ul. Wiśniowa 11 62-052 Komorniki	ul. Wiśniowa 11 62-052 Komorniki	al. Jana Pawła II 00-133 Warszawa
core business activity	PKD 7740Z	PKD 7740Z	PKD 4639Z	PKD 4775Z	PKD 4690Z	PKD 6120Z	
registration court	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000454978	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000089450	District Court Gdańsk- North in Gdańsk, VII Commercial Division of the National Court Register KRS 0000322297	District Court Katowice- East in Katowice, VIII Commercial Division of the National Court Register KRS 0000244130	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, KRS 000049437	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000299000	District Court in Warsaw, VII Record of Investment Funds Division RFi 676
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Equity method	Equity method
date of aquisition	07.03.2013	21.12.2011	21.12.2011	21.12.2011	18.11.2013		
ownership interest	100,00%	100,00%	100,00%	100,00%	100,00%	49,00%	21,00%
voting rights (in %)	100,00%	100,00%	100,00%	100,00%	100,00%	49,00%	21,00%

On 1 December 2013 roku 9 Companies: 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. o.o., Saol Dystrybucja Sp. z o.o. were joined with Tradis Sp. z o.o.

On 1 May 2013 Detal Koncept was merged with Tradis Sp. z o.o.

Capital Group Eurocash S.A. acquired on 28 June 2013, the company Lewiathan Podkarpacie Sp. z o.o, however, because of no significant effect on the consolidated financial statements, above mentioned company was not consolidated as at 31 December 2013.

In addition, on 7 March 2013 and on 18 November 2013 respectively, there were created subsidiaries Gama Detal Sp. z o.o. and Eurocash Detal Sp. z o.o.

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1.8. GOING CONCERN ASSUMPTION

The financial statements were prepared under the assumption that the Group will continue to operate as a going concern for the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

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

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

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

2.2. REPORTING PERIOD

The Group's reporting period is a calendar year.

2.3. FORMAT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

In particular, the consolidated financial statements are comprised of:

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

2.4. BASIS OF CONSOLIDATION

Subsidiaries

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

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

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Investments in associates

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

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

Costs of business acquisition

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

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

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

Acquisition date

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

In a business combination achieved in stages:

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

Transactions eliminated on consolidation

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

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

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

Allocation of the business acquisition costs

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

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

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

Goodwill

As at the acquisition date, the acquirer:

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

and

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

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

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

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

and then:

- recognizes the remaining gain in the profit or loss.

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

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2.5. FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

2.6. INTANGIBLE ASSETS

Definition

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

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

Initial measurement of intangible assets

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

Subsequent expenditure

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

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Amortization

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

The following amortization rates are adopted for intangible assets:

▪ licenses – software	33,3%
▪ copyrights	20%
▪ trademarks	5% - 10%
▪ know-how	10%
▪ relations with customers	10% - 25%
▪ other intangible assets	10% - 20%

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

Review of amortization rates and possible impairment

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

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

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

Measurement of intangible assets at the reporting date

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

2.7. PROPERTY, PLANT AND EQUIPMENT

Definition

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

Property, plant and equipment shall include in particular:

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

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The initial measurement of tangible fixed assets

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

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

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

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

Subsequent expenditure

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

Depreciation

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

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

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

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

Review of depreciation rates and possible impairment

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

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

Measurement of property, plant and equipment at the reporting date

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

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

The stocktaking of tangible fixed assets

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

2.8. BORROWING COSTS

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

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

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

2.9. LEASE CONTRACTS

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

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

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

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

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

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

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

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

2.10. INVESTMENT PROPERTY

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

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

2.11. LONG-TERM RECEIVABLES

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

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

Measurement of long-term receivables

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

2.12. LONG-TERM PREPAYMENTS

At each reporting date the analysis is made of long-term prepayments.

The valuation is made by the Company, taking into consideration the rational factors and the knowledge of the individual components of the prepayments.

For long-term accruals are included, inter alia, the following:

- Consulting,
- Licenses IT,
- Promotional Services,
- Lease of premises,
- The licenses for alcohol.

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

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

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

This situation takes place if following conditions are fulfilled:

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

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

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

2.14. INVENTORIES

Inventories are assets:

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

Initial measurement

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

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

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

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

Measurement of inventories at the reporting date

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

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

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

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

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

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2.15. NON DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Financial assets are classified into following categories:

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

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

(a) Financial assets held-to-maturity

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

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

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

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

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(b) Loans and receivables

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

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

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

Loans and receivables comprise trade receivables and other receivables.

(c) Available-for-sale financial assets

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

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

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

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

Financial liabilities

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

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

2.16. DERIVATIVES

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

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

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

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

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

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

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

Cash flow hedge

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

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

Other non-trading derivatives

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

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2.17. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

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

Other short-term receivables

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

Measurement of trade receivables and other receivables at the reporting date

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

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

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

Measurement of receivables denominated in foreign currency at the reporting date

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

Bad debts allowance

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

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

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

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

2.18. CASH AND CASH EQUIVALENTS

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

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are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.19. SHORT-TERM PREPAYMENTS

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

Short-term prepayments include mainly:

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

2.20. IMPAIRMENT

Financial assets (including receivables)

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

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

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

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

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

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

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

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profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

Non-financial assets

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

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

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

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

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying

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amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

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

2.21. EQUITY

Ordinary shares

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

Repurchase of treasury shares

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

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

2.22. LONG-TERM LIABILITIES

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

Long-term liabilities include mainly:

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

Measurement of the long-term liabilities

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

Measurement of long-term liabilities denominated in foreign currency

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

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

2.23. SHORT-TERM LIABILITIES

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

Short-term liabilities include mainly:

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

Measurement of the short-term liabilities

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

Measurement of short-term liabilities denominated in foreign currency

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

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

2.24. LOANS

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

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

2.25. PROVISIONS

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

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

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

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

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2.26. SALES

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

Goods sold

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

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

Services

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

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

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

2.27. FINANCE INCOME AND COSTS

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

Interest income

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

Dividend income

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

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through the income statement, 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

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

2.28. EMPLOYEE BENEFITS

Long-term employee benefits

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

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

Short-term employee benefits

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

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

2.29. SHARE-BASED PAYMENT TRANSACTIONS

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

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

2.30. INCOME TAX

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

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

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

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

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

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

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

2.31. DISCONTINUED OPERATIONS

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

2.32. EARNINGS PER SHARE

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

2.33. OPERATING SEGMENTS

An operating segment is a component of the Group:

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

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

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

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3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2013

NOTE 1. CORRECTION OF PREVIOUS YEARS

1. Presentation of the bonuses received and services provided

In the consolidated income statement for 2013 for all Group companies have been harmonized rules for the presentation of bonuses received by the Group and the services provided by the Group (bonuses received are presented as a decreasing the value of goods sold, services provided presented as income from the sale of services). In order to maintain comparability of financial data has been made appropriate adjustment of comparative data presentation in the consolidated income statement for 2012 in the amount of PLN 33,509,485 (an increase in revenues from sales of services and increase the value of goods sold). This adjustment did not affect the amount of consolidated net profit and consolidated shareholders equity as at 31.12.2012.

Table No 1

CONSOLIDATED INCOME STATEMENT

For the period 01.01-31.12.2012	The value shown in the approved report	Adjustment	Value after conversion
Sales of services	612 197 096	33 509 484	645 706 580
Cost of goods sold	(14 650 571 752)	(33 509 484)	(14 684 081 237)

2. Correction of received bonuses allocated to the inventories

Group adjusted the allocation of bonuses received for inventories on 31 December 2011 and 31 December 2012 (inventory reduction by the amount of PLN 6,103,434), and therefore adjusted the presentation of comparative data in the consolidated statement of financial position.

Table No 2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31.12.2012 roku	The value shown in the approved report	Adjustment	Value after conversion
Inventories	990 774 294	(6 103 434)	984 670 860
Retained earnings	309 125 159	(6 103 434)	303 021 724

NOTE 2. ACQUISITIONS

1. Acquisition of organized part of the enterprise – Dziembor i Spółka Sp. z o.o.

General information

On 4 March 2013, a subsidiary of Eurocash - the company Dziembor i Spółka Sp. z o.o. w organizacji - has signed with Ms Krystyna Dziembor and Mr Marian Dziembor, in execution of the preliminary agreement of 13 December 2012, an agreement of selling the company "Handel Hurtowy i Detaliczny Krystyna Dziembor " and organized part of the " Firma Handlowa Marian Dziembor ", which consists of organized groups of tangible and intangible assets used to provide the wholesale trade of cigarettes and tobacco products

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Settlement of the acquisition of the business

These consolidated financial statements include the settlement of the purchase price of the company and organized part of the company Dziembor i Spółka Sp. z o.o.

Acquisition cost

Table no 3

ACQUISITION COST

	as at 04.03.2013
Cash	23 656 310

Until 31 December 2013 the total acquisition price has been paid.

Table no 4

NET ASSETS ACQUIRED

	Value before restatement as at 04.03.2013
Assets	
Non-current assets (long-term)	
Other intangible fixed assets	2 250
Tangible fixed assets	296 309
Inventory	12 395 885
Trade receivables	6 519 328
Total assets	19 213 772
Trade liabilities	811 223
Total liabilities	811 223
Net assets	18 402 549
Goodwill on acquisition	5 253 762
Acquisition cost	23 656 310

On 1 August 2013 on the basis of a notarial deed dated 15 July 2013, there was a merger of KDWT S.A. and company Dziembor i Spółka Sp. z o.o. (merger by acquisition). Connection were made without a capital increase in KDWT S.A.

2. Acquisition of organized part of the enterprise – Przedsiębiorstwo Handlowo – Usługowe Noban Sp. z o.o.

General information

On 27 September 2013, a subsidiary of Eurocash - the company KDWT S.A.- in the execution of a preliminary agreement dated April 19, 2013, signed with the company Przedsiębiorstwo Handlowo-Usługowe Noban Sp. z o.o. and the shareholders of Noban - Mr Andrzej Nowakowski and Mr Bogdan Nowakowski - sale agreement under which KDWT S.A. acquired from Noban organized part of Noban enterprise. The above organized part of the enterprise consisted of a structured set of tangible and intangible assets designed to provide the wholesale trade of cigarettes and tobacco products

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Settlement of the acquisition of the business

These consolidated financial statements include the settlement of the purchase price of the company and organized part of the company Noban.

Acquisition cost

Table no 5

ACQUISITION COST

	as at 27.09.2013
Cash	6 967 175

Table no 6

NET ASSETS ACQUIRED

	Value before restatement as at 27.09.2013
Assets	
Tangible fixed assets	8 012
Inventory	4 915 130
Trade receivables	1 651 163
Total assets	6 574 306
Trade liabilities	599 118
Total liabilities	599 118
Net assets	5 975 188
Goodwill on acquisition	991 988
Acquisition cost	6 967 175

NOTE 3. OPERATING SEGMENTS

The Group distinguishes the following segments, that correctly shows a different specificity of activity:

- *Independent clients* – who do not have permanent contracts with the Eurocash Group eg, cash&carry, cigarettes, alcohol distribution. The segment includes the activity carried out through a network of wholesale discount Cash & Carry as well as the activities of the group companies of Premium Distributors and KDWT S.A.,
- *Integrated clients* – who have long-term contracts with the Eurocash Group, eg.: HoReCa, petrol stations and franchise systems. Segment is associated with the activity of connected with Eurocash S.A. company Eurocash Dystrybucja Sp. z o.o., spółkami Grupy Tradis: Euro Sklep S.A., Lewiatan Śląsk Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Holding S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Orbita Sp. z o.o., Lewiatan Północ Sp. z o.o., Drogerie Koliber Sp. z o.o., Eurocash Detal Sp. z o.o., PolCater Holding Sp. z o.o., and connected activity of Eurocash Franczyza Sp. z o.o. and Delikatesy Centrum,

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- *Tradis companies providing active distribution* - which represents the wholesale business of the Tradis Group companies providing active distribution. The segment is related to the activities of the companies: Tradis Sp. z o.o., DEF Sp. z o.o., and Ambra Sp. z o.o. These companies have been presented as a separate segment to showcase their importance.
- *others* –Eurocash Trade 1 Sp. z o.o. and Eurocash Trade 2 Sp. z o.o., Nasze Sklepy Sp. z o.o. in liquidation, KDWT Spółka Akcyjna. sp. Komandytowo – akcyjna, Tradis Group companies: Partnerski Serwis Detaliczny S.A., Gama Serwis Sp. z o.o. None of these types of activities meets the individual quantitative criteria of determination of separate reporting segments.

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

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

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

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

Changes related to comparability:

Because of the continued process of consolidation of the Group, Eurocash S.A. in 2013 took over 23 Cash & Carry Tradis wholesale warehouses - activities of those warehouses in 2012 was recognized in the segment of Tradis active distribution, and in 2013 was recognized in independent clients segment. What is more in 2013 Tradis gained an additional opportunity to sell through the acquisition of customers belonging to the petrol station from Premium Distributors and Eurocash Dystrybucja - sales to these customers in 2012 belonged to adequately independent clients segment and integrated customers, and in 2013 was recognized as segment Tradis active distribution.

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Table no 7

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2013 TO 31 DECEMBER 2013

	Independent clients	Active Distribution - Tradis Group	Integrated clients	Other	Exclusions	Total
Sales	9 759 917 474	4 640 484 607	2 831 497 981	109 573 415	(803 940 982)	16 537 532 494
External sales	9 348 424 459	4 524 839 330	2 586 347 265	77 921 441	-	16 537 532 494
Inter-segmental sales	411 493 015	115 645 277	245 150 716	31 651 974	(803 940 982)	-
Operating profit	83 750 251	63 667 275	110 510 063	27 824 223	(66 221)	285 685 590
Finance income						12 287 481
Finance costs						(71 303 836)
Share in losses of companies consolidated with the equity method						(591 356)
Profit before income tax						226 077 879
Income tax						(5 068 402)
Net profit						221 009 478

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Table no 7 (continued)

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

	Independent clients	Active Distribution - Tradis Group	Integrated clients	Other	Exclusions	Total
Sales	9 176 261 870	5 323 837 598	2 799 501 957	120 426 223	(810 737 206)	16 609 290 442
External sales	8 666 102 742	5 262 283 283	2 584 863 598	96 040 819	-	16 609 290 442
Inter-segmental sales	510 159 129	61 554 315	214 638 358	24 385 404	(810 737 206)	-
Operating profit	93 233 294	146 863 858	110 324 023	26 472 483	(66 548)	376 827 109
Finance income						16 235 869
Finance costs						(109 404 793)
Share in losses of companies consolidated with the equity method						(1 201 384)
Profit before income tax						282 456 801
Income tax						(32 075 532)
Net profit						250 381 269

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

NOTE 4. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are presented in table below.

Table no 8

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2013

	Goodwill	Patents and licences	Know how	Trademarks	customer relations	Other intangible assets	Total
Carrying amount as at 01.01.2012	1 049 287 679	20 896 603	14 532 823	72 015 291	301 200 000	36 516 275	1 494 448 671
Other acquisitions	-	12 800 778	-	-	-	11 592 381	24 393 160
Disposals	-	(762 683)	-	-	-	-	(762 683)
Liquidations	-	(71 891)	-	-	-	(1 520 385)	(1 592 275)
Advances	-	116 142	-	-	-	-	116 142
Amortisation	-	(10 263 270)	(5 449 808)	(1 234 000)	(18 133 333)	(9 527 789)	(44 608 201)
Other changes	-	-	-	-	-	(24 905)	(24 905)
Carrying amount as at 31.12.2012	1 049 287 679	22 715 680	9 083 015	70 781 291	283 066 667	37 035 576	1 471 969 909
Carrying amount as at 01.01.2013	1 049 287 679	22 715 680	9 083 015	70 781 291	283 066 667	37 035 576	1 471 969 909
Other acquisitions	6 245 750	15 027 196	-	-	-	8 487 006	29 759 952
Disposals	-	(761 408)	-	-	-	(9 350)	(770 758)
Liquidations	-	(155 320)	-	-	-	(714 280)	(869 601)
Amortisation	-	(11 472 855)	(5 449 808)	(1 350 423)	(20 855 556)	(10 520 425)	(49 649 067)
Other changes	-	-	-	-	-	(1 332 199)	(1 332 199)
Carrying amount as at 31.12.2013	1 055 533 429	25 353 293	3 633 207	69 430 869	262 211 111	32 946 328	1 449 108 236

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

Table no 8

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2013 (continued)

	Goodwill	Patents and licences	Know how	Trademarks customer relations	Other intangible assets	Total	
<i>As at 01.01.2013</i>							
Cost	1 049 287 679	67 672 822	54 498 079	80 036 291	301 200 000	78 441 357	1 631 136 228
Accumulated amortisation and impairment losses	-	(44 957 142)	(45 415 064)	(9 255 000)	(18 133 333)	(41 405 781)	(159 166 320)
Carrying amount	1 049 287 679	22 715 680	9 083 015	70 781 291	283 066 667	37 035 576	1 471 969 908
<i>As at 31.12.2013</i>							
Cost	1 055 533 429	81 783 290	54 498 079	80 036 291	301 200 000	84 872 534	1 657 923 623
Accumulated amortisation and impairment losses	-	(56 429 997)	(50 864 872)	(10 605 423)	(38 988 889)	(51 926 207)	(208 815 387)
Carrying amount	1 055 533 429	25 353 293	3 633 207	69 430 869	262 211 111	32 946 328	1 449 108 236

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

- goodwill on acquisition of an organized part of "Carment, M. Stodółka i Wspólnicy Spółka Jawna" enterprise in the amount of PLN 11.565.477;
- goodwill on acquisition of "KDWT S.A" in the amount of PLN 22.103.227;
- goodwill on acquisition of "Eurocash Dystrybucja Sp. z o.o." (former "McLane Polska Sp. z o.o.") in the amount of PLN 56.868.456;
- goodwill on acquisition of "Nasze Sklepy Sp. z o.o." in the amount of PLN 2.596.627;
- goodwill on acquisition of "Przedsiębiorstwo Handlowe Batna Sp. z o.o." in the amount of PLN 29.180.412;
- goodwill on acquisition of Premium Distributors Group in the amount of PLN 226.352.528;
- goodwill on acquisition of PolCater Group in the amount of PLN 11.428.359;
- goodwill on acquisition of Tradis Group in the amount of PLN 689.192.593,
- goodwill on acquisition of Dziembor i Spółka Sp. z o.o in the amount of PLN 5.253.762,
- goodwill on acquisition of Przedsiębiorstwo Handlowo- Usługowe Noban sp. z o.o in the amount of PLN 991.988.

Customer relationship has been identified through the acquisition of:

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

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

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

Apart from the above mentioned trademarks, the Group recognized "MHC" trademark, with a defined useful life. That trademark was acquired on 01.06.2005 and is amortized over the period of 10 years. As at 31.12.2013 the carrying amount of that trademark was PLN 1.851.000.

The Group's know-how is the knowledge (in the fields of finance, logistics, IT, purchases) how to manage the Parent Entity, acquired from Politra B.V. This asset was put into operation as at 30.08.2004 and is amortized over the period of 10 years. As at 31.12.2013 the carrying amount of the know-how was PLN 3.633.207.

Amortization of intangible assets is recognized as selling expenses.

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

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NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 9

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2013

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Carrying amount as at 01.01.2012	231 273 497	52 686 110	47 750 243	58 069 187	16 015 792	405 794 829
Acquisition through business combination	-	-	-	-	-	-
Other acquisitions	50 332 985	21 312 704	6 143 954	22 583 102	18 360 643	118 733 389
Increases due to the transfer of fixed assets under construction	11 627 541	656 301	1 180	1 916 195	(14 201 216)	-
Finance lease	-	-	1 842 835	-	-	1 842 835
Disposals	(20 370 603)	(13 717 013)	(9 157 438)	(2 419 824)	(5 364 221)	(51 029 100)
Liquidations	(1 512 454)	(353 021)	(611 693)	(783 898)	(234 214)	(3 495 279)
Reclassification to assets held for sale	(27 245 549)	-	-	-	-	(27 245 549)
Depreciation	(17 297 712)	(12 588 791)	(17 086 137)	(21 780 889)	-	(68 753 529)
Other changes	871 219	908 444	638 274	(2 966)	(1 143 273)	1 271 698
Carrying amount as at 31.12.2012	227 678 924	48 904 735	29 521 217	57 580 907	13 433 512	377 119 295
Carrying amount as at 01.01.2013	227 678 924	48 904 735	29 521 217	57 580 907	13 433 512	377 119 295
Other acquisitions	14 910 167	23 933 184	2 255 790	25 550 400	60 203 215	126 852 756
Increases due to the transfer of fixed assets under construction	25 365 893	2 254 588	-	1 512 391	(29 983 530)	(850 659)
Finance lease	-	-	1 566 012	-	-	1 566 012
Disposals	(3 007 076)	(1 248 947)	(3 087 319)	(1 721 431)	(7 459 207)	(16 523 978)
Liquidations	(4 170 485)	(632 344)	(299 211)	(436 034)	(61 500)	(5 599 574)
Reclassification to assets held for sale	-	-	-	-	-	-
Depreciation	(19 215 899)	(13 976 774)	(10 964 601)	(22 652 559)	-	(66 809 833)
Other changes	3 167 775	(28 068)	229 756	(1 378 071)	-	1 991 392
Carrying amount as at 31.12.2013	244 729 297	59 206 374	19 221 646	58 455 603	36 132 491	417 745 410

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

Table no 9

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2013 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<i>As at 01.01.2013</i>						
Cost	311 884 091	117 085 784	106 067 354	157 708 252	13 433 512	706 178 993
Accumulated amortisation and impairment losses	(84 205 167)	(68 181 050)	(76 546 136)	(100 127 345)	-	(329 059 698)
Carrying amount	227 678 924	48 904 735	29 521 217	57 580 907	13 433 512	377 119 295
<i>As at 31.12.2013</i>						
Cost	348 150 363	141 364 198	106 732 383	181 235 507	36 132 491	813 614 942
Accumulated amortisation and impairment losses	(103 421 066)	(82 157 824)	(87 510 736)	(122 779 904)	-	(395 869 532)
Carrying amount	244 729 297	59 206 374	19 221 646	58 455 603	36 132 491	417 745 410

Property, plant and equipment under finance lease

The Group uses land, vehicles, and forklift trucks under finance lease. According to the lease agreements the Group has a right to buy the assets after the termination of the agreed term of lease for a price stated in the agreement or to continue using the leased property under a new lease contract signed with the financing institution. The price is a difference between the value of the leased property repaid immediately and the value of the capital repaid in lease instalments. As at the end of the reporting period, the carrying amount of tangible fixed assets under finance lease was PLN 16.479.920 (31.12.2012: PLN 21.125.816), and the amount payable to the lessor in this respect amounted to PLN 17.923.119 (31.12.2012: PLN 21.390.102). The leased items are a property of the lessor (the financing institution) until they are acquired by the Group. Those assets are depreciated for tax purposes by the lessor.

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

Realisation of the lease agreements is secured on lease assets.

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NOTE 6.

ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

According to IAS 36 as at 31 December 2013, the Group assessed whether there was any indication that assets might be impaired.

Analyses confirmed that it is not necessary to recognize impairment loss as at 31.12.2013.

The subsequent assessment is planned on 31.12.2014.

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

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

- impairment test of the "Eurocash" trademark with a value PLN 27,387,672 as at 31.12.2013,
- impairment test of the "abc" trademark with a value PLN 17,216,759 as at 31.12.2013,
- impairment test of the "KDWT" trademark with a value PLN 13,004,000 as at 31.12.2013,
- impairment test of the "Batna" trademark with a value PLN 10,000,000 as at 31.12.2013.

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

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

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

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 2014-2018, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for year 2012 and plans approved by the Management Board for years 2014-2018. The Weighted Average Cost of Capital (WACC) was used as the discount rate (from 9,83% to 10,9%).

In order to determine total sales value, sales increases were forecasted for like-for-like stores existing on the date of testing, as well as increasing number of stores in each year of the forecast. Average sales of new stores during the first year of their operation were estimated as about 50% of average sales generated by existing stores.

In order to determine the cost of capital, 11 comparable trading companies were analyzed.

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

The subsequent assessment is planned on 31.12.2014.

The Group performed impairment tests in respect of goodwill:

- impairment test of goodwill arising from acquisition of an organized part of enterprise: Carment M. Stodółka i Wspólnicy Spółka Jawna with a value PLN 11,565,477 and company Nasze Sklepy Sp. z o.o. with a value PLN 2,596,627 performed as at 31.12.2013,
- impairment test of goodwill arising from acquisition of KDWT S.A., Noban and Dziembor with a value PLN 28,348,977 performed as at 31.12.2013,
- impairment test of goodwill arising from acquisition of Eurocash Dystrybucja Sp. z o.o. with a value PLN 56,868,456 performed as at 31.12.2013,
- impairment test of goodwill arising from acquisition of Przedsiębiorstwo Handlowe Batna Sp. z o.o. with a value PLN 29,180,412 performed as at 31.12.2013,
- impairment test of goodwill arising from acquisition of Premium Distributors Group companies with a value PLN 226,352,528 performed as at 31.12.2013:

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- impairment test of goodwill arising from acquisition of Pol Cater Holding Sp. z o.o. with a value PLN 11,428,359 performed as at 31.12.2013:
- impairment test of goodwill arising from acquisition of Tradis Group companies with a value PLN 689,192,593 performed as at 31.12.2013:

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

Excess of recoverable amount over the carrying amount of the cash-generating unit was compared with the goodwill recognized in the consolidated financial statements.

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

For impairment tests recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for years 2013-2017, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for year 2012 and plans approved by the Management Board for years 2014-2018. The Weighted Average Cost of Capital (WACC) was used as the discount rate (depending on the value of the company and its kind of activity, it was from 8,58% do 11,1%).

In order to determine total sales value, sales increases were forecasted for stores existing on the date of testing, as well as increasing number of stores in each year of the forecast. Average sales of new stores during the first year of their operation were estimated as about 50% of average sales generated by existing stores.

In order to determine the cost of capital, 13 comparable trading companies were analyzed.

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

The subsequent assessment is planned on 31.12.2014.

NOTE 7.

INVESTMENT PROPERTIES

Investment properties are presented below:

Table no 10

INVESTMENT PROPERTY AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Opening balance	1 572 759	1 643 004
Disposal	(289 252)	-
Depreciation	(121)	(70 245)
Closing balance	1 283 386	1 572 759

NOTE 8.

INVESTMENTS IN ASSOCIATES

Investments in associates are presented below:

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Table no 11

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Opening balance	36 758 854	20 245 781
Increase in reporting period:	-	20 056 000
acquisition of shares in joint ventures	-	20 056 000
Decrease in reporting period:	(591 356)	(3 542 926)
interest in losses of associates	(591 356)	(1 201 384)
other decrease	-	(2 341 542)
Closing balance	36 167 498	36 758 854

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NOTE 9. OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

Table no 12

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Loans granted to associates	747 500	747 500
Shares	733 962	176 965
Other long-term financial assets	94 000	209 604
	1 575 462	1 134 069

NOTE 10. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 13

LONG-TERM RECEIVABLES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Security deposits on marketing agreements	3 145 561	-
Security deposits on rental agreements	2 417 436	2 666 167
Other long-term receivables	368 202	709 245
	5 931 200	3 375 412

NOTE 11. INVENTORIES

Inventories are presented below:

Table no 14

INVENTORIES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Merchandise	1 017 512 773	983 811 717
Materials	309 355	859 142
Total inventories, including:	1 017 822 128	984 670 860
- carrying amount of inventory deposits securing payments of liabilities	330 000 000	262 500 000

Table no 15

ALLOWANCE FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Opening balance	11 446 522	13 084 384
- increase in the allowance during the period	7 645 319	2 988 071
- write-offs during the period	(5 701 183)	(4 625 933)
Closing balance	13 390 658	11 446 522

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NOTE 12. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented below:

Table no 16

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Trade receivables	1 416 521 310	1 451 933 564
Credit sales	856 571 545	956 408 441
Receivables from suppliers	524 256 958	447 302 278
Factoring	24 566 656	27 830 969
Franchise fees	8 560 367	7 284 660
Other trade receivables	42 566 982	56 018 406
Allowance for trade receivables	(40 001 198)	(42 911 189)
Current tax assets	12 048 181	23 445 157
Other receivables	213 546 440	73 070 421
VAT settlements	178 610 217	51 960 826
Receivables from employees	5 004 133	2 485 904
Insurance claims receivables	2 275 635	1 559 730
Receivables from sales fixed assets	-	3 929 354
Receivables from non-trade contractive parties	-	211 264
Prepayments for deliveries	-	7 144
Other receivables	24 369 311	11 802 094
Allowance for other bad debts	(61 225 555)	(59 492 131)
Total receivables, including:	1 642 115 932	1 548 449 142
- short-term	1 642 115 932	1 548 449 142

* These charges relate to transactions with suppliers, which, depending on the specifics of these transactions are recognized in the consolidated income statement as revenues from sales of services or reduces the value of goods sold. These receivables are mainly paid by the suppliers through cash payments.

NOTE 13. OTHER SHORT-TERM INVESTMENTS

Other short-term investments are presented below:

Table no 17

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Loans granted to associate	3 004 065	3 102 588
Other financial assets	38 308	708 097
	3 042 373	3 810 684

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NOTE 14.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 18

SHORT-TERM PREPAYMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Alcohol licences	6 619 159	3 136 982
Rents	3 617 026	2 410 791
Central contracts, regional contracts and private label	3 401 126	-
Insurances	1 810 549	832 401
Tolls, vignette	47 016	-
Media	44 598	134 063
Annual fees, subscriptions	17 992	210 580
Expenses related to future transactions	-	639 338
Commissions on loans	-	117 675
Logistic project Bain	-	60 000
Software	-	54 237
Other prepayments	1 744 931	2 067 414
	17 302 396	9 663 479

NOTE 15.
CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below:

Table no 19

CASH AND CASH EQUIVALENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Cash at bank	23 416 496	20 510 068
Cash on hand	2 264 068	2 799 928
Cash in transit	35 248 886	41 044 505
Cash on deposits	41 486 223	88 152 264
Others	103 025	4 874 706
Total cash	102 518 699	157 381 473

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NOTE 16. ASSETS CLASSIFIED AS HELD FOR SALE

Properties located in Lublin (land, buildings, structures) are presented as real estate held for sale. Measures have been taken to achieve a sale of the property and it is expected that it will be completed in 2014.

Table no 20

ASSETS CLASSIFIED AS HELD FOR SALE

	as at 31.12.2013	as at 31.12.2012
Tangible fixed assets	27 245 549	27 245 549

NOTE 17. CASH POOLING SYSTEM

On 2 February 2009 Eurocash Group companies entered into a cash pooling agreement with daily credits with ING Bank Śląski S.A. ("Cash Pool"). The objective of this agreement is to implement efficient management of joint financial liquidity within a group of bank accounts.

Each Group company has a separate current bank account. Eurocash S.A. is the administrator of the overall scheme, which operates the following two accounts:

- the main account - within the group of accounts;
- the main cash pooling account - outside the group of accounts, where the consolidated balance of all accounts is mapped.

The DOLMA system is based on an offsetting mechanism. Offsetting is the final operation of each working day, consisting in transferring of all positive and negative balances from particular current accounts to the main cash pooling account, as per account balance. This operation is reversed at the beginning of the following working day.

Interest is charged on the amount outstanding on the main cash pooling account on the last day of each calendar month.

The Group presents the effect of its cash pooling scheme operation in net values, in order to demonstrate the economic justification of this liquidity management system.

NOTE 18. SHARE CAPITAL

Share capital is presented below:

Table no 21

SHARE CAPITAL AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Number of shares	138 427 636	137 976 536
Nominal value (PLN / share)	1	1
Share capital	138 427 636	137 976 536

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As at 31 December 2013, share capital consisted of 138.427.636 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
- 997.000 G series ordinary shares to the bearer with the nominal value of 1 PLN each
- 941.000 H series ordinary shares to the bearer with the nominal value of 1 PLN each

In the period between 1 January 2014 and 28 February 2014 there were issued 26.500 shares under the share option programs.

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

Table no 22

SHAREHOLDERS STRUCTURE

Shareholder	31.12.2013				31.12.2012			
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (directly and indirectly by Politra B.V.)	60 615 240	43,79%	60 615 240	43,79%	60 615 240	43,93%	60 615 240	43,93%

Table no 23

SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Share capital at the beginning of the period	137 976 536	136 983 011
Increase of share capital in the period	451 100	993 525
Incentive programs for employees	451 100	993 525
Share capital at the end of the period	138 427 636	137 976 536

In 2013, 451.100 ordinary shares were issued due to exercising share options granted to key personnel of the Company under incentive schemes (2012: 993.525 shares). These options were exercised at prices ranging between PLN 8,89 and PLN 9,78 per share. All shares issued were fully covered with cash.

Loss on valuation of hedging transactions

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

Dividend

On 20 May 2013 Resolution No. 5 of the Annual General Meeting of Shareholders of the Parent Eurocash S.A. performed the share of financial results for 2012 in the amount of PLN 145.208.702.

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The amount of PLN 124.465.442 was allocated to a dividend of PLN 0.90 per share of the Company, paid by 2 July 2013.

The remainder of the net profit was allocated to reserve capital.

NOTE 19. SHARE OPTIONS

Treasury share options are presented below:

Table no 24

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2013

	Number of options	Weighted average exercise prices (PLN/share)
Existing at the beginning of the reporting period	932 475	12,75
Granted in the reporting period	850 000	38,00
Exercised in the reporting period	(451 100)	9,49
Expired in the reporting period	(181 875)	7,87
Existing at the end of the reporting period	1 149 500	33,22
including:		
Exercisable at the end of the period	102 000	9,09

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

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

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

The bonds are zero-interest bonds.

The issue price is PLN 0.01.

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

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

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

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

During the period from January 1, 2010 to December 31, 2010, 1,355,025 ordinary Series E shares were taken up; during the period from January 1, 2011 to December 31, 2011, 14,875 shares, and during the period from January 1, 2012 to December 31, 45.000 of such shares were taken up when Series D registered bonds were exercised. These shares were taken up at PLN 7.87 per share and the market price of Eurocash S.A. shares

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quoted at the Warsaw Stock Exchange ranged from PLN 15.50 to PLN 47.00 per share. The average share price during the period was PLN 29.22 per share.

By December 31, 2012, 7,275 bonds authorizing to take up 181.875 shares were left unexercised. They could be exercised by the end of the Options Exercise Term, i.e. until December 31, 2012.

On 31 December 2012 subscription of ordinary bearer shares of Series E was completed.

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

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

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

The bonds are zero-interest bonds.

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

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

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

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

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

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

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

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

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

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

The Company valued the incentive program for the F series bonds at PLN 4,493.8 thousand. This value was settled for a 3 year period starting from 1 January 2008. After adjustments related to the resignation likelihood factor for employees covered by the Fourth Incentive Program, the overall cost of the program as at 31 December 2009 is determined as PLN 4,351.9 thousand.

The Company valued the incentive program for the G series bonds at PLN 3,438.7 thousand. This value has been settled for a 3 year period starting from 1 January 2009.

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During the period from January 1, 2011 to December 31, 2011, 538.375, during the period from January 1, 2012 to December 31, 2012, 155.325 and during the period from January 1, 2013 to December 31, 2013, 303.300 ordinary Series G shares were taken up when Series F registered bonds were exercised. These shares were taken up at PLN 9.78 per share, and the market price of Eurocash S.A. shares quoted at the Warsaw Stock Exchange ranged from PLN 21.00 to PLN 65.64 per share. The average share price during the period was PLN 39.56 per share.

By December 31, 2013 was not used 920 bonds giving the right to subscribe for 23.000 of shares. They may be used by the end of the Exercise Period, that is, before December 31, 2013. On 31 December 2013 the subscription bearer shares of Series G was completed.

During the period from January 1, 2012 to December 31, 2012, 793.200 and during the period from January 1, 2013 to December 31, 2013, 147.800 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 65.64 per share. The average share price during the period was PLN 45.45 per share.

By December 31, 2013 was not used 3.160 bonds giving the right to subscribe for 79.000 of shares. They may be used by the end of the Exercise Period, that is, before December 31, 2014.

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

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

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

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

The bonds are zero-interest bonds.

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

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

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

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

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

Until December 31, 2013, 7,900 Series H bonds authorizing to take up 197,500 Series I shares were left unexercised.

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4. By the Resolution of the Annual General Meeting Eurocash S.A. No. 3 of November 26, 2012 on the Eighth, Ninth and Tenth Motivation and Reward Program for Employees for the years 2012, 2013 and 2014, it was decided to issue shares of Series M, Series N and O Series under the Motivation program for managers, executives and essential persons to the business of the Company and the Group Eurocash S.A.

The program is implemented in conjunction with the Company's intention to continue motivation programs for the earlier years for managers, executives essential persons to the business of the Company and the Group Eurocash and lay the foundations to enable outstanding employees to acquire shares in the Company as part of the premium.

The Company will issue a total of 102,000 registered bonds in three series:

- 34,000 registered Series I bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series M shares with priority over the shareholders of the Company,
- 34,000 registered Series J bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series N shares with priority over the shareholders of the Company,
- 34,000 registered Series K bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series O shares with priority over the shareholders of the Company.

The bonds are zero-interest bonds.

Persons entitled to purchase all or part of the Series I bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2012.

The list of pre-qualified for persons eligible to purchase Series I bonds has been approved by resolution No 20 of the General Meeting on 20 May 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 2015.

Persons entitled to purchase all or part of the Series J bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2013. Final List of Eligible Persons will be determined by resolution of the Supervisory Board, and if it will include the persons awarded, will be further approved by the General Assembly, no later than 5 January 2016.

Persons entitled to purchase all or part of the Series K bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2014. Final List of Eligible Persons will be determined by resolution of the Supervisory Board, and if it will include the persons awarded, will be further approved by the General Assembly, no later than 5 January 2017.

Holders of the Series I Bonds shall be entitled to subscribe for and acquire Series M Shares in priority to shareholders of the Company for the period from 1 February 2015 to 31 January 2017.

Holders of the Series J Bonds shall be entitled to subscribe for and acquire Series N Shares in priority to shareholders of the Company for the period from 1 February 2016 to 31 January 2018.

Holders of the Series K Bonds shall be entitled to subscribe for and acquire Series O Shares in priority to shareholders of the Company for the period from 1 February 2017 to 31 January 2019.

The issue price per Series M Shares will amount to PLN 38.

The issue price of a share of Series N will be determined by the Board under the assumption that the value should be equal to PLN 38, adjusted for the rights associated with the shares. The issue price of the Series N will be announced in the current report no later than 21 days before the beginning of the ninth Exercise Period.

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The issue price of a share of Series O will be determined by the Board under the assumption that the value should be equal to PLN 38, adjusted for the rights associated with the shares. The issue price of the Series O will be announced in the current report no later than 21 days before the beginning of the ninth Exercise Period.

The Group valued the Incentive Program for the eighth series bonds in the amount of PLN 19,764,000 . This value is accounted from 1 January 2013 for a period of 26 months.

Until 31 December 2013 have not been used 34,000 bonds and giving the right to subscribe for 850,000 shares of series I.

Series J Bonds will be able to be offered through referrals proposal to acquire (and thus the issuance of the Series J is reached, and consequently, Ninth and Bonus Incentive Program for Employees for 2013 will be implemented) only if the total fulfillment of the following conditions:

- Approval by the Annual General Meeting of the Group's consolidated annual report of the Company for the year 2012, and
- Achievements in 2013 by the Group consolidated EBITDA (understood as operating profit plus depreciation and amortization) of at least PLN 565.000.000, that is at the level of consensus estimates published by Bloomberg.

Due to the fact that the above condition relating to consolidated EBITDA was not completed, Ninth Bonus Incentive Program for 2013 has not been implemented.

Bonds Series K will be able to be offered through referrals proposal to acquire (and thus the issuance of the Series K reached, and consequently , Tenth and Bonus Incentive Program for Employees for 2014 will be implemented) only if the total fulfillment of the following conditions:

- Approval by the Annual General Meeting of the Group's consolidated annual report of the Company for the year 2013, and
- Achievements in 2014 by the Group consolidated EBITDA (understood as operating profit plus depreciation and amortization) of at least PLN 638.000.000, that is at the level of consensus estimates published by Bloomberg.

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

Table no 25
OPTION VALUATION AS AT 31.12.2013

	3 Share option programme	4 Share option programme	5 Share option programme	7 Share option programme	8 Share option programme
Risk-free rate of return	4,78%	6,47%	5,82%	5,00%	2,34%
Volatility	34,89%	41,83%	43,50%	29,27%	34,93%
Option period (in years)	2,52	2,57	2,52	2,56	1,70
Exercise price	8,17	10,75	9,93	26,22	38,00
Base price	10,75	12,20	10,45	28,80	61,00
Number of options	1 596 775	1 020 000	1 020 000	197 500	850 000
Employee turnover ratio	0%	4%	7%	6%	6%
Total cost	6 600 176	4 493 777	3 438 664	1 506 952	19 764 084

Total costs of share option programs charged to the consolidated income statement of the Group for 2013 amounted to PLN 7.090.345 (2012: PLN 502.317).

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Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 20. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 26

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2012 TO 31.12.2013

	Employee benefits	Accrual for costs of transport	Rents accrual	Accrual for expected costs related to companie from Tradis Group	Accrual for logistic costs	Accrual for location liquidation costs	Accrual for agents' commissions
Provisions and accruals as at 01.01.2012	57 113 999	1 170 401	15 469 292	25 550 000	500 000	32 251 149	873 090
Increases	277 288 666	199 038 435	201 672 405	699 534	-	6 449 500	32 648 311
Decreases	(290 821 783)	(198 393 921)	(202 038 395)	-	(236 299)	(19 693 298)	(32 697 381)
Provisions and accruals as at 31.12.2012, including:	43 580 882	1 814 915	15 103 301	26 249 534	263 701	19 007 352	824 021
- short-term	40 347 120	1 814 915	15 103 301	26 249 534	263 701	19 007 352	824 021
- long-term	3 233 762	-	-	-	-	-	-
Provisions and accruals as at 01.01. 2013	43 580 882	1 814 915	15 103 301	26 249 534	263 701	19 007 352	824 021
Increases	459 791 799	287 216 910	326 332 799	-	-	-	35 162 964
Decreases	(447 838 836)	(287 123 229)	(310 742 772)	(26 249 534)	(263 701)	(19 007 351)	(34 830 894)
Provisions and accruals as at 31.12.2013, including:	55 533 846	1 908 595	30 693 329	-	-	-	1 156 091
- short-term	52 435 993	1 908 595	30 693 329	-	-	-	1 156 091
- long-term	3 097 852	-	-	-	-	-	-

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 26

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2012 TO 31.12.2013 (continued)

	Provision for interests	Provision for non- profitable contracts	Accrual for costs of media	Provision for other costs	Other	Total
Provisions and accruals as at 1 January 2012	26 172 486	25 724 850	3 657 372	4 948 063	22 175 827	215 606 530
Increases	2 176 213	-	36 122 105	12 839 922	191 020 624	959 955 715
Decreases	(3 000 000)	(12 000 000)	(34 646 186)	(13 819 810)	(176 267 924)	(983 614 996)
Provisions and accruals as at 31 December 2012, including:	25 348 699	13 724 850	5 133 292	3 968 176	36 928 527	191 947 249
- short-term	25 348 699	13 724 850	5 133 292	3 968 176	36 928 527	188 713 487
- long-term	-	-	-	-	-	3 233 762
Provisions and accruals as at 1 January 2013	25 348 699	13 724 850	5 133 292	3 968 176	36 928 527	191 947 249
Increases	5 551 731	-	51 943 910	-	169 247 863	1 335 247 976
Decreases	(15 586 676)	(13 724 850)	(51 529 974)	(3 968 176)	(176 706 301)	(1 387 572 294)
Provisions and accruals as at 31 December 2013, including:	15 313 754	-	5 547 229	-	29 470 089	139 622 931
- short-term	15 313 754	-	5 547 229	-	29 470 089	136 525 079
- long-term	-	-	-	-	-	3 097 852

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

Table no 27

PROVISIONS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Employee benefits	55 533 846	43 580 882
Accrual for advertising costs	30 693 329	15 103 301
Accrual for intrests	15 313 754	25 348 699
Accrual for costs of media	5 547 229	5 133 292
Accrual for litigations	4 677 344	4 944 789
Accrual for advisory and audit	3 037 237	2 973 816
Provision for payment of bonuses for franchisees	2 855 203	3 424 683
Accrual for costs of transport	1 908 595	1 814 915
Accrual for rental costs	1 392 109	1 913 141
Accrual for fuel costs	1 364 651	1 626 462
Accrual for agent's commissions	1 156 091	824 021
Accrual for IT modernist works	973 919	835 982
Accrual for expected costs related to companie from Tradis Group	-	26 249 534
Accrual for liquidation of locations	-	19 007 352
Accrual for bonuses to suppliers	-	13 724 850
Accrual for other costs	-	3 987 945
Accrual for alcohol licences	-	337 288
Other provisions and accruals	15 169 625	21 116 298
	139 622 931	191 947 249
- long-term	3 097 852	3 233 762
- short-term	136 525 079	188 713 487

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement benefits in the amount of PLN 3.228.341 (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 4.5%, 3.0% wage decrease. The amount of PLN 3.097.852 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 2013.

Provision for estimated costs associated with the companies of Tradis Group

Provision applies to expected risks of additional costs associated with the acquisition of Tradis Group. Expected costs resulting from past events and their original estimation was set at the date of acquisition of Tradis Group. The Group is not able to estimate the duration of the above provisions.

Provision for decommissioning costs of business location

Provision applies to the expected costs of decommissioning commercial location belonging to Tradis Group, which closing is due to the decision of the Office of Competition and Customer Protection or the lack of profitability of these locations. The initial estimation of the provision has been established at the acquisition date Tradis Group.

It is expected that the reserve will be completed within 12 months from 31 December 2013.

Provision for unprofitable contracts

Provision applies to commercial contracts related to the purchase of Tradis Group, which is expected for a negative result. The initial estimation of the reserve has been established at the acquisition date of Tradis Group.

It is expected that the reserve will be completed within 12 months from 31 December 2013.

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

Provision for interest

Provision applies to the estimated costs associated with unpaid liabilities for which contractual dates passed as at 31 December 2013.

It is expected that the reserve will be completed within 12 months from 31 December 2013.

NOTE 21.

TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 28

TRADE AND OTHER PAYABLES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Trade payables	2 889 702 742	2 621 438 760
Payables due to purchase of goods	2 758 579 433	2 528 401 659
Payables due to services received	131 123 309	93 037 102
Current tax liabilities	19 939 364	10 030 809
Other payables	160 740 481	67 469 261
VAT settlements	100 852 388	6 436 306
Liabilities due to purchases of assets	26 146 826	20 298 507
Liabilities due to social securities	23 609 364	24 751 689
Liabilities due to taxes and insurances	5 593 050	4 722 575
Liabilities in relation to acquisitions	316 035	1 616 036
Other payables	4 222 818	9 644 149
Total payables, including:	3 070 382 587	2 698 938 831
- long-term	251 000	401 559
- short-term	3 070 131 587	2 698 537 271

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 22. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 29

LOANS AND CREDITS AS AT 31 DECEMBER 2013

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2013 to 31.12.2013
Credits		497 676 809		43 805 892
ING Bank Śląski S.A.	overdraft for financing of current activities	128 358 286	WIBOR + bank's margin	9 298 454
BNP Paribas Bank	overdraft for financing of current activities	53 345 910	WIBOR + bank's margin	4 393 938
MBank S.A.	overdraft for financing of current activities	49 050 056	WIBOR + bank's margin	6 770 776
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment long-term credit for the acquisition of Tradis	85 893 892	WIBOR + bank's margin	-
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment short-term credit for the acquisition of Tradis	181 028 664	WIBOR + bank's margin	17 914 938
ING Bank Śląski S.A.	Investment short-term credit for the acquisition of CEDC	-	WIBOR + bank's margin	5 427 786
Total loans and credits		497 676 809		43 805 892
- long-term		85 978 892		
- short-term		411 697 917		

In accordance to the credit agreements, the Group is obligated to maintain certain financial ratios at a defined level and for the activity of indicated in the contracts framework. During the reporting period the Group performed all the terms of loan agreements and there was no case of violation. What is more, according to the credit agreements the Group has issued the securities, details of which are expanded in Note 37.

On 26 February 2013 between Eurocash and BNP Paribas Bank Poland S.A. with its registered office in Warsaw entered into the loan agreement for the amount of PLN 80,000,000.00. On the basis of the established Loan Agreement, the Bank granted the Company an overdraft of up to PLN 80,000,000.00.

The loan interest rate is variable and is WIBOR plus the bank's margin.

According to the credit agreement signed Group granted to security and guarantees for the loan.

On 23 April 2013 between Eurocash and BNP Paribas Bank Poland S.A. with its registered office in Warsaw, contained an annex to the credit agreement expanding the limit to the amount of PLN 200,000,000.00.

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 23. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 30

FINANCIAL LIABILITIES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Liabilities arising from the issue of bonds	140 000 000	-
Finance lease liabilities	17 923 119	21 390 102
Liabilities related to financing of franchisees	24 566 656	27 830 969
	182 489 775	49 221 071
- long-term	154 927 670	16 832 317
- short-term	27 562 105	32 388 753

On 20 June 2013 Eurocash issued bonds with a total nominal value of PLN 140 m under the bonds program to the amount of PLN 500 m. Interest on the bonds is determined by WIBOR for six-month deposits and the bank's margin. Repurchase date is 20 June 2018.

The bonds are secured by the guarantees given by subsidiaries to the amount of PLN 168 m. Liabilities from issued bonds are presented in the statement of financial position of the Group in the long-term financial liabilities.

In accordance with the signing of the agreement of the bond issue, the Group is required to maintain certain financial results on defined level. What is more, in connection with the agreement of bond issue, subsidiaries - Tradis Sp. z o.o. and KDWT S.A. granted the guarantee with a maximum of 120% of the nominal value of each Bond.

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

FINANCE LEASE

Table no 31

FINANCE LEASE AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2013	as at 31.12.2012	as at 31.12.2012
	minimum lease payments	present value of minimum lease payments	minimum fees	present value of minimum lease payments
<i>Future minimum lease payments due to finance lease agreements</i>				
Less than one year	4 133 719	2 995 450	6 103 023	4 557 785
Between one and five years	16 356 884	14 670 637	18 742 324	16 107 686
More than five years	270 740	257 033	758 592	724 631
Total future minimum lease payments due to finance lease agreements	20 761 344	17 923 119	25 603 939	21 390 102
Finance costs	2 838 224	X	4 213 837	X
Present value of minimum lease payments due to finance lease agreements	17 923 119	17 923 119	21 390 102	21 390 102

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

OPERATING LEASE

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

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

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

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

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

Specification of minimum operating lease charges is presented below:

Table no 32

OPERATING LEASE AGREEMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
<i>Future minimum lease payments due to operating lease agreements</i>		
Less than one year	129 963 051	126 769 837
Between one and five years	304 480 399	349 260 359
More than five years	336 152 601	302 131 963
Total future minimum lease payments due to operating lease agreements	770 596 050	778 162 159

Operating lease payments for 2013 amounted to PLN 119.290.3917 PLN (2012: PLN 115.932.351).

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 24. INCOME TAX

Income tax for the reporting period is presented below:

Table no 33

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2013 (main components)

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
<i>Income statement</i>		
Current income tax	(59 214 922)	(23 608 008)
Current income tax burden expense	(57 940 480)	(23 328 631)
Additional income tax related to previous years	(1 274 442)	(279 377)
Deferred tax	54 146 520	(8 467 524)
Due to temporary tax differences	54 146 520	(8 467 524)
Total income tax	(5 068 402)	(32 075 532)

Table no 34

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2013 (main components)

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Profit before tax	226 077 879	282 456 801
Income tax calculated base on 19% income tax rate	(42 954 797)	(53 666 792)
Permanent tax differences	(6 572 682)	(3 503 072)
Negative passing differences and tax losses, in connection which the deferred income tax provision was recognized (no impact for financial result)	-	(8 560 448)
Adjustment of current tax of previous years	167 176	-
The effect of the sale of shares of PD subsidiaries	27 789 583	-
Reversal of allowance for deferred tax asstes related to limitedpartnership	11 029 372	11 555 440
Reversal of provision for potential losses related to aquisition of Eurocash Dystrybucja Sp. z o.o.	4 854 500	-
The effect of the business acquisitions EC Group	-	-
Tax result of transfer of business units contributions	-	22 327 603
The effect of tax cost not being the accounting costs	-	-
Share of associate's result, for which the deferred tax was not recognized	-	(228 263)
Other differences	618 446	-
Income tax in income statement	(5 068 402)	(32 075 532)
Effective tax rate	2,24%	11,36%

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Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 25. DEFFERED TAX

Deferred tax is presented below:

Table no 35

DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

	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
	31.12.2013	31.12.2012	od 01.01.2013 do 31.12.2013	od 01.01.2012 do 31.12.2012	od 01.01.2013 do 31.12.2013	od 01.01.2012 do 31.12.2012
<i>Deferred tax liabilities</i>						
- difference between tax and carrying amount of fixed assets	52 087 656	65 752 602	(13 664 946)	7 762 876	-	-
- deferred income	29 866 511	24 122 821	5 743 691	11 669 084	-	-
- revenues from accrued interests	492 045	550 115	(58 071)	273 766	-	-
- financial lease liabilities	-	40 741	(40 741)	(316 123)	-	-
- unrealized foreign exchange differences	23 013	17 818	5 195	11 877	-	-
- income from contractual penalties unpaid	469 804	239 026	230 778	58 811	-	-
- difference between tax and accounting value of BATNA	485 975	-	485 975	-	-	-
- compensations for purchased locations	-	855 000	(855 000)	855 000	-	-
- other	8 734 913	3 840 987	4 893 925	2 696 804	-	-
Gross deferred tax liabilities	92 159 917	95 419 111	(3 259 194)	23 012 095	-	-

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 35

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2013	as at 31.12.2012	for the period od 01.01.2013 do 31.12.2013	for the period od 01.01.2012 do 31.12.2012	for the period od 01.01.2013 do 31.12.2013	for the period od 01.01.2012 do 31.12.2012
<i>Deferred tax assets</i>						
- bonuses	24 252 103	17 192 672	(7 059 431)	(3 106 881)	-	-
- allowance for inventories	2 371 093	5 391 633	3 020 540	(1 876 684)	-	-
- allowance for bad debts	15 358 600	9 970 880	(5 387 720)	(325 277)	-	-
- provision for assets	3 175	73 179	70 004	(73 179)	-	-
- tax losses from prior years	9 273 701	15 123 399	5 849 698	(6 839 187)	-	-
- tax profit from sale of fixed assets	-	3 540 265	3 540 265	(3 540 265)	-	-
- holiday accrual	2 977 476	2 447 886	(529 590)	(654 145)	-	-
- accrual for employees' bonuses	1 383 925	562 649	(821 276)	2 317 088	-	-
- unpaid payroll and social securities	2 311 074	2 365 911	54 838	(414 453)	-	-
- retirement provision	602 178	606 997	4 819	(268 171)	-	-
- provision for costs of transport	96 333	62 182	(34 151)	(62 182)	-	-
- accrual for rental costs	195 603	350 985	155 382	(241 440)	-	-
- accrual for advertising costs	10 248 456	5 241 301	(5 007 155)	(3 938 738)	-	-
- accrual for costs of transport	283 520	304 551	21 031	(102 466)	-	-
- accrual for costs of media	867 615	1 299 844	432 229	(965 459)	-	-
- accrual for advisory and audit	241 301	152 338	(88 963)	(1 213)	-	-
- provisions for legal disputes	540 866	826 666	285 800	(619 082)	-	-
- provisions for Amrest	23 695	1 078 800	1 055 106	(1 045 071)	-	-
- liabilities financial leasing	3 105	8 267	5 162	(8 267)	-	-
- provision for audit	114 577	61 750	(52 827)	(61 750)	-	-
- unrealized exchange losses	20 713	8 805	(11 907)	(8 805)	-	-
- provision for postal and telecommunication costs	100 416	49 214	(51 203)	(49 214)	-	-

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 35

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013 (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
	31.12.2013	31.12.2012	od 01.01.2013 do 31.12.2013	od 01.01.2012 do 31.12.2012	od 01.01.2013 do 31.12.2013	od 01.01.2012 do 31.12.2012
<i>Deferred tax assets</i>						
- accrual for project logistics	-	50 103	50 103	336 167	-	-
- accruals for IT costs	-	465 121	465 121	(465 121)	-	-
- accrual for closed localisations	-	3 611 397	3 611 397	2 710 949	-	-
- accrual for closed non-profitable contracts	-	2 607 722	2 607 722	2 280 000	-	-
- accrual for non-commercial costs	-	22 958	22 958	105 450	-	-
- accrual for interests accrued on debts	140 416	1 662 564	1 522 149	(474 036)	-	-
- accrued interest on trade payables	47 855	5 497 401	5 449 546	1 088 690	-	-
- prepayments due to liabilities interests	-	11 784	11 784	(2 153)	-	-
- accrued interest on loans and borrowings	19 691	598 652	578 961	253 464	-	-
- accrual for acquisition of shares	54 510 663	2 964 926	(51 545 737)	10 426	-	-
- provision for costs of expansion	-	-	-	583 300	-	-
- other provisions and accruals	18 308 598	9 040 765	(9 267 832)	913 132	-	-
- contribution of trademarks to Limited Partnership Company	-	22 277 011	22 277 011	10 525 765	-	-
- bonus allocated to inventories	155 856	-	155 856	-	-	-
Gross deferred tax assets	144 452 603	115 530 577	(28 610 315)	(4 018 807)	-	-
Allowance of deferred tax asset	-	(22 277 011)	(22 277 011)	(10 525 765)	-	-
Deferred tax assets	144 452 603	93 253 566	(50 887 326)	(14 544 572)	-	-
Deferred income tax effect			(54 146 520)	8 467 524	-	-
Net deferred tax liabilities	51 032 109	54 671 275	X	X	X	X
Net deferred tax assets	103 324 796	52 505 729	X	X	X	X

Consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 26.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below:

Table no 36

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Advisory services	156 050	178 533
IT licences	72 843	89 350
Promotional services	46 821	-
Trademark registration	37 179	-
Alcohol licences	-	2 027 743
Rental of premises - premium	-	547 844
Other prepayments	64 199	360 331
	377 091	3 203 801

NOTE 27.
SALES IN THE REPORTING PERIOD

Sales are presented below:

Table no 37

SALE IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Sale of goods	15 693 502 925	15 957 555 937
Sale of services	840 950 039	645 706 580
Sales of materials	3 079 529	6 027 924
Total sale	16 537 532 494	16 609 290 442

NOTE 28.
COSTS BY TYPE

Costs by type are presented below:

Table no 38

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Depretiation	116 458 900	113 361 729
Materials and energy	124 583 110	131 365 670
External services	592 280 151	586 056 612
Taxes and charges	38 631 943	33 908 721
Salaries	503 846 109	474 512 519
Social security and other benefits	106 140 233	107 085 737
Other costs by type	36 249 620	36 871 113
Costs by type	1 518 190 066	1 483 162 101
including:		
Cost of services sold	126 186 708	129 617 318
Cost of goods sold	1 104 393 431	1 083 145 828
General and administrative expenses	287 609 927	270 398 955

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NOTE 29.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 39

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Other operating income	77 314 457	38 296 177
	18 150 000	-
Penalties for suppliers	15 605 223	9 981 778
Other sales	10 044 603	6 914 682
Sub-lease of premises	7 321 136	2 021 888
Profit on sales of fixed assets	2 150 519	1 319 704
Inventory surplus	1 688 675	603 198
Compensation received	1 080 357	1 627 256
Revenues from transport services	373 127	146 526
Provision for slow-movers and damaged goods	170 750	112 744
Reversal of allowance for bad debts	-	451 393
Reversal of allowance for inventories	-	21 092
Reversal of provision for losses	-	500 000
Expired litigations and payables	-	22 059
Other operating income	20 730 068	14 573 856
Other operating expenses	(73 359 571)	(98 678 401)
Liquidation of damages and expired goods	(28 059 482)	(17 873 721)
Inventory shortages	(21 672 157)	(33 488 865)
Losses from disposals of property, plant and equipment	(4 382 323)	(4 437 834)
Allowance for bad debts	(4 188 822)	(24 573 833)
Allowance for inventory	(2 457 615)	(3 628 506)
Paid penalties	(789 822)	(3 723 080)
Litigations	-	(118 436)
Other	(11 809 350)	(10 834 125)
Net other operating expenses	3 954 886	(60 382 224)

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NOTE 30. FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 40

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Finance income	12 287 481	16 235 869
Revenues from discounts	5 962 883	5 900 258
Interest	4 169 492	8 682 283
Foreign exchange gains	207 185	29 218
Other financial income	1 947 921	1 624 110
Finance costs	(71 303 836)	(109 404 793)
Interest	(68 265 236)	(105 252 124)
Foreign exchange losses	(306 378)	(70 571)
Other finance costs	(2 732 223)	(4 082 098)
Net finance expenses	(59 016 355)	(93 168 923)

NOTE 31. EARNINGS PER SHARE

Earnings per share are presented below:

Table no 41

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
<i>Earnings</i>		
Profit for the period attributable to the Owners of the Company	221 009 478	250 381 269
Profit for the period attributable to the Owners of the Company (diluted)	221 009 478	250 381 269
<i>Number of issued shares</i>		
Weighted average number of shares	138 188 296	137 921 774
Dilution effect of potential number of shares:		
Convertible bonds	533 650	953 911
Weighted average number of shares (to calculate diluted earnings per share)	138 721 946	138 875 685
Earnings per share		
- basic	1,60	1,82
- diluted	1,59	1,80

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

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

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

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

Description of factors diluting the number of shares

Earnings per share are diluted as a consequence of a realization of share option programs described in Note 19.

NOTE 32.

BOOK VALUE PER SHARE

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

Table no 42

BOOK VALUE PER SHARE AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Book value	884 355 944	777 450 953
Number of shares (excl. treasury shares)	138 427 636	137 976 536
Diluted number of shares	139 577 136	138 909 011
Book value per share	6,39	5,63
Diluted book value per share	6,34	5,60

NOTE 33.

INFORMATION ON RELATED PARTY TRANSACTIONS

No significant non-arm's length transactions with subsidiaries were raised in 2013.

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Table no 43

	EUROCASH S.A. GROUP
Trade receivables	
PayUp	928 561
Other receivables	
PayUp	308 850
Fundusz Inwestycyjny Zamknięty RE Income	2 397 000
Loans granted	
PayUp	3 751 565
Trade payables	
PayUp	11 850 485
Fundusz Inwestycyjny Zamknięty RE Income	151 764
Sales of services	
PayUp	3 186 254
Other sales	
PayUp	73 403
Costs of goods sold	
PayUp	14 038 294
Costs of services	
PayUp	48 000
Fundusz Inwestycyjny Zamknięty RE Income	1 504 781

Table below present summarized values of remuneration, bonuses, rewards and other benefits paid or due to Members of Management Board and Supervisory Board of Eurocash S.A. Company during the period from 1 January 2013 to 31 December 2013.

During the reporting period no other transactions with Members of the Management Boards and Supervisory Boards as well as with entities personally related to Members of the Management Boards and of the Supervisory Boards of Eurocash Group Companies were realized.

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NOTE 34.
REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Table no 44

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2013

	Basic salary	Salary earned in related companies	Other benefits	Managerial optoins	Total
<i>Remuneration of the Members of the Management Board</i>					
Luis Amaral	435 000	-	9 695	-	444 695
Rui Amaral	1 200 000	60 000	9 117	271 272	1 540 389
Arnaldo Guerreiro	1 020 000	-	19 064	193 766	1 232 829
Pedro Martinho	1 145 000	25 000	18 580	271 272	1 459 851
Katarzyna Kopaczewska	912 500	17 500	9 211	193 766	1 132 977
Jacek Owczarek	930 000	-	19 064	231 916	1 180 980
Carlos Saraiva	1 200 000	-	9 211	116 259	1 325 470
	6 842 500	102 500	93 941	1 278 250	8 317 191
<i>Remuneration of the Members of the Supervisory Board</i>					
Joao Borges de Assuncao	137 308	-	-	-	137 308
Eduardo Aguinaga de Moraes	102 900	-	-	-	102 900
Ryszard Wojnowski	29 053	-	-	-	29 053
Janusz Lisowski	29 053	-	-	-	29 053
Antonio Jose Santos Silva Casanova	29 053	-	-	-	29 053
Francisco José Valente Hipólito dos Santos	73 847	-	-	-	73 847
Hans Joachim Körber	73 847	-	-	-	73 847
Jacek Szwajcowski	61 539	-	-	-	61 539
	536 600	-	-	-	536 600

Number of employees as at 31.12.2013 is presented below:

NOTE 35.
EMPLOYMENT

Table no 45

NUMBER OF EMPLOYEES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Number of employees	11 208	12 055
Number of full-time jobs	11 027	11 891

Employment structure as at 31.12.2013 is presented below:

Table no 46

EMPLOYMENT STRUCTURE AS AT 31.12.2013

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	9 119	2 089	11 208
Number of full-time jobs	8 954	2 073	11 027

Data concerning employee turnover ratios as at 31.12.2013 is presented below:

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Table no 47

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Number of hired employees	3 207	3 508
Number of dismissed employees	(4 054)	(4 214)
	(847)	(706)

**NOTE 36.
DATA OF ITEMS NOT INCLUDED IN THE FINANCIAL STATEMENTS**

Table no 48

CONTINGENTIES AS AT 31.12.2013

	Beneficiary	Title	Currency	as at 31.12.2013	as at 31.12.2012
1.	BZ WBK ***	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delkatesy Centrum	PLN	2 226 400	-
2.	ING Bank Śląski **	Surety of the bank guarantee for Prepaid Services Company for PayUp liabilities	PLN *	622 080	-
3.	Millennium S.A. **	Surety of the bank guarantee for Polkomtel S.A. for PayUp liabilities	PLN	-	2 250 000
4.	Millennium S.A. **	Surety of the bank guarantee for PTC Sp. z o.o. for PayUp liabilities	PLN	-	1 500 000
				2 848 480	3 750 000

* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:

as at 31.12.2012: 1 EUR = 4,0882 PLN,

as at 31.12.2013: 1 EUR = 4,1472 PLN.

** nominal value

*** debt value as at balance sheet date

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Table no 49

OTHER BANK GUARANTEES AS AT 31.12.2013

	The Issuer	Title	Currency	as at	as at
				31.12.2013	31.12.2012
1.	ING Bank Śląski	Security for rent liabilities	PLN	858 176	944 563
2.	ING Bank Śląski	Security for rent liabilities	PLN*	-	302 587
3.	PKO BP S.A.	Security for rent liabilities	PLN	5 596 553	4 912 440
4.	PKO BP S.A.	Security for rent liabilities	PLN*	13 367 042	9 848 566
5.	PKO BP S.A.	Security for organization of the distribution of tickets liabilities	PLN	200 000	200 000
6.	ING Bank Śląski	Security for excise duty	PLN	50 000	230 000
7.	PKO BP S.A.	Security for excise duty	PLN	1 000 000	230 000
8.	PKO BP S.A.	Surety of the bank guarantee for Generalna Dyrekcja Dróg i Autostrad	PLN	620 100	620 100
9.	PKO BP S.A.	The liabilities of the promotion lottery	PLN	500 000	281 912
10.	PKO BP S.A.	Security payments to suppliers	PLN	90 009 225	87 000 000
11.	PKO BP S.A.	The liabilities related to the supply of alcohol	PLN	21 351	-
				112 222 447	104 570 168

* Converted at an average rate of NBP as at 31 December 2012 = 4,0882 PLN; as at 31 December 2013 = 4,1472 PLN.

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NOTE 37. COLLATERALS

Table no 50

SECURITY ON ASSETS AS AT 31.12.2013

Title	Secured property	Amount secure in PLN
Repayment of the loan and investment ING and BZ WBK (by debt value at the balance sheet)	Deposit on shares in Eurocash Group Companies and Tradis	272 212 000
ING Guarantee on securing the payment for suppliers**	Deposit on inventories Eurocash S.A.	180 000 000
PKO BP Guarantee on securing the payment for suppliers**	Deposit on inventories KDWT S.A.	112 500 000
BRE Guarantee on securing the payment for suppliers**	Deposit on inventories Eurocash S.A.	37 500 000
BRE Guarantee on securing the payment for suppliers**	Deposit on shares KDWT S.A.*	9 547 290
BNP Guarantee on securing the payment for suppliers**	General assignment of receivables Premium Distributors	150 000 000
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)	Ownership of fixed assets in financial leasing	16 479 920

* Shares are the collateral for the loan at BRE Bank with a limit of 200 million PLN, the value of the loan as at 31 December 2013 accounted for

** Nominal value of the minimum security

NOTE 38. FINANCIAL RISK MANAGEMENT

a. General information

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

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

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

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

The Risk Management Committee is established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group,

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through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

b. Credit risk

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

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

Table no 51

CREDIT RISK EXPOSURE

	as at 31.12.2013	as at 31.12.2012
Receivable and loans	1 462 006 569	1 481 363 324
Cash and cash equivalents	100 254 630	154 581 545
	1 562 261 199	1 635 944 869

Trade and other receivables

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

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

- sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk;
- sales service to franchise and independent clients is mostly on credit and has therefore a greater amount of overdue receivables. However, counterparties credit risk is moderate;
- sales of marketing services to suppliers (promotions, newsletters, advertising brochures) are exposed to minor credit risks due to compensations of receivables related to sales of marketing services with payables to suppliers;
- 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;
- credit sales of tobacco products and impulse goods by the subsidiary "KDWT S.A." - a higher percentage of overdue receivables occurs in this category; however, the related credit risk is assessed as moderate;

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

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

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Table no 52

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2013

	Trade receivables gross as at 31.12.2013	Bad debts allowance as at 31.12.2013	Trade receivables gross as at 31.12.2012	Bad debts allowance as at 31.12.2012
current	1 091 901 954	-	657 663 275	-
0-30 days	208 716 077	-	723 085 939	-
31-90 days	62 280 336	-	45 644 957	3 961
91-180 days	34 612 867	15 217	22 416 513	79 627
> 180 days	59 011 273	39 985 981	46 034 069	42 827 601
	1 456 522 508	40 001 198	1 494 844 753	42 911 189

Table no 53

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2013

	for the period from 01.01.2013 to 31.12.2013	for the period from 01.01.2012 to 31.12.2012
Opening balance	42 911 189	32 035 806
Increases	14 746 215	12 451 729
Decreases	(17 656 206)	(1 576 346)
Closing balance	40 001 198	42 911 189

Investments

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

Guarantees

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

c. Liquidity risk

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

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

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

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

The Group's sales is realized mainly in cash. Moreover, the Group has a negative balance of overdraft facility up to PLN 690m, which can be used to meet its short-term financial requirements. As at 31 December 2013 unused limits amounted to PLN 459m.

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Eurocash Group optimizes the liquidity positions of subsidiaries and net interest income by using the mechanism of concentration balances (cash pooling) and a system of intercompany loans.

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

Table no 54

LIQUIDITY RISK

AS AT 31 DECEMBER 2013	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	17 923 119	2 995 450	14 670 637	257 033
factoring	24 566 656	24 566 656	-	-
Trade and other payables	2 949 590 835	2 949 339 835	251 000	-
Loans and borrowings	497 676 809	411 697 917	85 978 892	-
The issuance of debt securities	140 000 000	-	140 000 000	-
	3 629 757 420	3 388 599 857	240 900 529	257 033

AS AT 31 DECEMBER 2012	Net book value	< 12 months	1-5 years	> 5 years
Finance lease liabilities	21 390 102	4 557 785	16 107 686	724 631
Factoring	27 830 969	27 830 969	-	-
Trade and other payables	2 682 471 716	2 682 070 157	401 559	-
Short-term loans and credits	906 631 638	502 886 759	403 744 879	-
	3 638 324 425	3 217 345 669	420 254 124	724 631

d. Market risk

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

Currency risk

Currency risk does not affect significantly business activities of the Group as the majority of the Group's settlements are made in the local currency. In order to manage the currency risk, regarding significant transactions in foreign currency, the Group buys and sells derivatives. The Group is focused on application of hedge accounting that would minimize the effect of profit and loss variability for the period. In 2012, the Group did not have any open positions in currency derivatives

Interest rate risk

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

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

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Table no 55

VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2013	Present value 31.12.2012
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	17 923 119	21 390 102
Variable interest rate instrument		
Financial assets	1 564 525 267	1 638 744 797
Financial liabilities	3 611 834 301	3 616 934 322

The Group has analyzed the variable-interest instruments' sensitivity to changes of market interest rates. The table below presents the impact of increase and decrease of the interest rate by 100 bp on the net profit/loss and on equity less net profit/loss. This analysis was performed based on the assumption that all other variables, such as currency exchange rates, remain unchanged. The analysis was performed for the current and for the previous year, that is 2012.

Table no 56

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2013	(20 473 090)	20 473 090	-	-
31 December 2012	(19 781 895)	19 781 895	-	-

e. Capital management

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

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

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

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

f. Fair values

The following table presents fair values versus carrying amounts:

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Table no 57

FAIR VALUES

	Carrying amount 31.12.2013	Fair value 31.12.2013	Carrying amount 31.12.2012	Fair value 31.12.2012
Assets	1 564 525 267	*	1 638 744 797	*
Trade and other receivables	1 457 388 733	*	1 476 418 570	*
Other investments	4 617 835	*	4 944 754	*
Cash and cash equivalents	102 518 699	*	157 381 473	*
Liabilities	(3 629 757 420)	*	(3 638 324 425)	*
Credits	(497 676 809)	*	(906 631 638)	*
Finance lease liabilities	(17 923 119)	*	(21 390 102)	*
Factoring	(24 566 656)	*	(27 830 969)	*
Trade and other payables	(2 949 590 835)	*	(2 682 471 716)	*
Liabilities due to shareholders from dividends	(140 000 000)	*	-	*
	(2 065 232 152)	*	(1 999 579 628)	*

*Fair value calculation

On 31 December 2013 the fair value of financial instruments approximated their carrying value.

SUBSEQUENT EVENTS

1. Denunciation of Distributorship Agreement and Contract of Sale on Commission concluded between Stokrotka Sp. z o.o. and Tradis Sp. z o.o.

On 31 January 2013 company subordinated from Eurocash – Tradis Sp. z o.o. received from Stokrotka Sp. z o.o. denunciation of: distributorship agreement concluded on 20 December 2011, subject of which was cooperation within the scope of delivery and retention of fast rotating (FMCG) products; and Contract of Sale on Commission based on which Tradis Sp. z o.o. was buying selected product on behalf of its own but at Stokrotka Sp. z o.o. expense.

Agreements will terminate on 31st of July 2013, after 6 months of notice period. In the date of termination, Agreements are not significant agreements for Eurocash.

Total value of sale from a.n. Agreements in year 2012 constituted for less than 5% of sales revenues of Eurocash Group in mentioned period. Except of lowering sales, denunciation of Agreements will not bring any significant financial consequences neither for activity of Tradis Sp. z o.o. nor Eurocash and the all Capital Group of Eurocash.

2. Investment Agreement between Eurocash SA, KDWT SA and Kolporter Limited Liability Company SKA dated December 5, 2013

On 5 December 2013 Eurocash, KDWT and Kolporter concluded the Investment Agreement, pursuant to which the fulfillment of certain conditions precedent, including, in particular, after its approval by the President of the OCCP and the required approvals banks, Kolporter will acquire a 25% + 1 share in KDWT.

The minority stake in KDWT will be embraced by Kolporter in exchange for a contribution in kind in the form of a 100% stake in the new company which Kolporter will bring organized part of business activities including, among others Kolporter in the distribution of tobacco products and foodstuffs, beverages and other fast moving consumer goods.

<i>Consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.12.2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 39.
IMPORTANT EVENTS AFTER BALANCE SHEET DATE

1. The signing of the preliminary agreement

On 11 February 2014 Eurocash signed with Alverca B.V. ("Alverca") with its registered office in Amsterdam, a preliminary sale agreement. In the contract the parties agreed to conclude the promised contract under which Eurocash will acquire 51% of the shares of Company PayUp Polska S.A. from Alverca. As a result of this transaction Eurocash will hold 100% of the shares of PayUp Polska S.A. The condition of the promised contract is obtaining by Eurocash the consent of the President of the Office of Competition and Consumer Protection.

PayUp Polska S.A. distributes electronic financial services through a network of approximately 4.9 thousand terminals located in stores across the country, offering among other things, mobile phones recharge cards, accounts payments and acceptance of payment cards.

2. The conclusion of a significant agreement

On 17 February 2014 between the Company and ING Bank Śląski S.A. with its seats in Katowice concluded an annex to the credit agreement (the "Loan Agreement"), which increases in the period from 17 February 2014 to 17 April 2014 granted limit of the current account of 240,000,000.00 PLN (in words: two hundred forty million PLN) to the amount of 440,000,000.00 PLN (in words: four hundred and forty million PLN).

The loan will be used for current operations of the Company. The loan interest rate is variable and is WIBOR for one-month deposits plus bank margin.

3. Merger of Eurocash S.A. and Tradis Sp. z o.o.

In year 2014 Eurocash S.A. announced the plan of merging Eurocash S.A. and Tradis Sp. z o.o.

On 26 February 2014 NWZ Eurocash S.A. decided about merger between Eurocash S.A and Tradis Sp. z o.o.

In view of the fact that Eurocash S.A. (the acquiring company) owns 100% of the shares of Tradis Sp. z o.o.: the merger shall be effected without increasing the share capital of Eurocash S.A., the boards of the merging companies do not prepare a written report, the plan of merger is not subject to examination by an expert and therefore appropriate expert opinion has not been drawn.

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SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	28 th March 2014	
Member of the Management Board Chief Executive Officer	Rui Amaral	28 th March 2014	
Member of the Management Board	Arnaldo Guerreiro	28 th March 2014	
Member of the Management Board	Pedro Martinho	28 th March 2014	
Member of the Management Board Human Resources Director	Katarzyna Kopaczewska	28 th March 2014	
Member of the Management Board	Carlos Saraiva	28 th March 2014	
Member of the Management Board Financial Director	Jacek Owczarek	28 th March 2014	